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 December 31, 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	**27-2228185**
(State or other jurisdiction of incorporation or organization)	(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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 February 4, 2021, the registrant had 33,197,264 shares of common stock, par value $0.001 per share, outstanding.

THERMON GROUP HOLDINGS, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED December 31, 2020

TABLE OF CONTENTS

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)

	December 31, 2020 (Unaudited)	March 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 49,617	$ 43,237
Accounts receivable, net of allowances of $1,095 and $834 as of December 31, 2020 and March 31, 2020, respectively	76,612	92,478
Inventories, net	74,153	60,273
Contract assets	11,746	10,194
Prepaid expenses and other current assets	10,696	9,219
Income tax receivable	6,889	2,535
Total current assets	229,713	217,936
Property, plant and equipment, net of depreciation and amortization of $53,821 and $43,550 as of December 31, 2020 and March 31, 2020, respectively	72,052	72,542
Goodwill	212,461	197,978
Intangible assets, net	105,554	104,546
Operating lease right-of-use assets	13,527	16,637
Deferred income taxes	2,800	2,904
Other long-term assets	6,250	8,362
Total assets	$ 642,357	$ 620,905
Liabilities		
Current liabilities:		
Accounts payable	$ 23,212	$ 25,070
Accrued liabilities	21,804	23,757
Current portion of long-term debt	2,500	2,500
Contract liabilities	3,771	4,538
Lease liabilities	2,482	3,553
Income taxes payable	118	1,217
Total current liabilities	53,887	60,635
Long-term debt, net of current maturities and deferred debt issuance costs and debt discounts of $3,719 and $4,447 as of December 31, 2020 and March 31, 2020, respectively	162,906	169,053
Deferred income taxes	21,706	22,245
Non-current lease liabilities	14,492	15,571
Other non-current liabilities	9,784	6,962
Total liabilities	$ 262,775	$ 274,466
Commitments and contingencies (Note 11)		
Equity		
Common stock: $.001 par value; 150,000,000 authorized; 33,186,218 and 32,916,818 shares issued and outstanding at December 31, 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	230,450	227,741
Accumulated other comprehensive loss	(35,388)	(63,894)
Retained earnings	184,487	182,559
Total equity	379,582	346,439
Total liabilities and equity	$ 642,357	$ 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 December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Sales	$ 79,604	$ 100,468	$ 202,858	$ 295,115
Cost of sales	42,644	56,988	112,848	169,061
Gross profit	36,960	43,480	90,010	126,054
Operating expenses:				
Marketing, general and administrative and engineering	20,882	26,554	67,602	82,402
Amortization of intangible assets	2,135	4,460	7,265	13,354
Restructuring and other charges/(income)	3,783	—	8,692	—
Income (loss) from operations	10,160	12,466	6,451	30,298
Other income/(expenses):				
Interest income	16	57	58	173
Interest expense	(2,449)	(3,595)	(7,462)	(11,316)
Other income/(expense)	874	(62)	2,188	(1)
Income (loss) before provision for income taxes	8,601	8,866	1,235	19,154
Income tax expense (benefit)	2,426	2,344	(693)	4,250
Net income (loss)	$ 6,175	$ 6,522	$ 1,928	$ 14,904
Income (loss) attributable to non-controlling interests	—	—	—	(2)
Net income (loss) available to Thermon Group Holdings, Inc.	$ 6,175	$ 6,522	$ 1,928	$ 14,906
Comprehensive income (loss):				
Net income (loss) available to Thermon Group Holdings, Inc.	$ 6,175	$ 6,522	$ 1,928	$ 14,906
Foreign currency translation adjustment	14,516	6,099	29,245	5,721
Other miscellaneous income/(loss)	(152)	—	(731)	337
Comprehensive income	$ 20,539	$ 12,621	$ 30,442	$ 20,964
Net income (loss) per common share:				
Basic	$ 0.19	$ 0.20	$ 0.06	$ 0.46
Diluted	0.18	0.20	0.06	0.45
Weighted-average shares used in computing net income per common share:				
Basic	33,180,562	32,785,753	33,110,877	32,716,317
Diluted	33,419,573	33,258,937	33,234,357	33,124,580

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
Issuance of common stock in exercise of stock options	1,344	—	15	—	—	15
Issuance of common stock as deferred compensation to employees	33,789	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	6,005	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	13,392	—	—	—	—	—
Stock compensation expense	—	—	1,358	—	—	1,358
Repurchase of employee stock units on vesting	—	—	(129)	—	—	(129)
Net income available to Thermon Group Holdings, Inc.	—	—	—	1,838	—	1,838
Foreign currency translation adjustment	—	—	—	—	5,254	5,254
Other	—	—	—	—	(199)	(199)
Balances at September 30, 2020	33,169,798	$ 33	$ 229,998	$ 178,312	$ (49,744)	$ 358,599
Issuance of common stock in exercise of stock options	—	—	16	—	—	16
Issuance of common stock as deferred compensation to employees	1,867	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	14,553	—	—	—	—	—
Stock compensation expense	—	—	430	—	—	430
Repurchase of employee stock units on vesting	—	—	(2)	—	—	(2)
Net income available to Thermon Group Holdings, Inc.	—	—	—	6,175	—	6,175
Foreign currency translation adjustment	—	—	—		14,516	14,516
Other	—	—	8	—	(160)	(152)
Balances at December 31, 2020	33,186,218	$ 33	$ 230,450	$ 184,487	$ (35,388)	$ 379,582

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

	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	5,417		—		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	3,654		—		—		—		—		—	—
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
Issuance of common stock as deferred compensation to employees	16,262		—		—		—		—		—	—
Issuance of common stock as deferred compensation to executive officers	14,757		—		—		—		—		—	—
Issuance of common stock as deferred compensation to directors	6,389		—		—		—		—		—	—
Stock compensation expense	—		—		1,323		—		—		—	1,323
Repurchase of employee stock units on vesting	—		—		(95)		—		—		—	(95)
Net income available to Thermon Group Holdings, Inc.	—		—		—		6,913		—		—	6,913
Foreign currency translation adjustment	—		—		—		—		—		(4,813)	(4,813)
Purchase of shares from non-controlling interests	—		—		—		—		(4,508)		—	(4,508)
Remeasurement of non-controlling interest	—		—		10		—		(10)		—	—
Income attributable to non-controlling interests	—		—		—		—		9		—	9
Other	—		—		—		—		—		337	337
Balances at September 30, 2019	32,742,439	$	33	$	224,260	$	179,005	$	—	$	(48,990)	$ 354,308
Issuance of common stock in exercise of stock options	101,455		—		798		—		—		—	798
Issuance of common stock as deferred compensation to employees	23,748		—		—		—		—		—	—
Issuance of common stock as deferred compensation to directors	9,477		—		—		—		—		—	—
Stock compensation expense	—		—		1,328		—		—		—	1,328
Repurchase of employee stock units on vesting	—		—		(11)		—		—		—	(11)
Net income available to Thermon Group Holdings, Inc.	—		—		—		6,522		—		—	6,522
Foreign currency translation adjustment	—		—		—		—		—		6,099	6,099
Balances at December 31, 2019	32,877,119	$	33	$	226,375	$	185,527	$	—	$	(42,891)	$ 369,044

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)

	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Operating activities		
Net income (loss)	$ 1,928	$ 14,904
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	15,617	21,079
Amortization of deferred debt issuance costs	773	1,574
Stock compensation expense	2,921	3,670
Deferred income taxes	(2,698)	(3,416)
Release of reserve for uncertain tax positions, net	—	(421)
Loss on long-term cross currency swap	5,068	1,897
Remeasurement gain on intercompany balances	(6,996)	(2,264)
Loss on sale of business, net of cash surrendered	2,045	—
Changes in operating assets and liabilities:		
Accounts receivable	21,028	9,747
Inventories	(10,618)	1,957
Contract assets	(2,148)	8,167
Other current and non-current assets	(2,833)	(4,422)
Accounts payable	(2,263)	503
Accrued liabilities and non-current liabilities	(991)	(4,441)
Income taxes payable and receivable	(5,354)	3,821
Net cash provided by operating activities	$ 15,479	$ 52,355
Investing activities		
Purchases of property, plant and equipment	(4,708)	(6,701)
Sale of rental equipment	65	371
Proceeds from sale of property, plant and equipment	—	242
Net cash used in investing activities	$ (4,643)	$ (6,088)
Financing activities		
Proceeds from revolving credit facility	37,189	10,000
Payments on long-term debt and revolving credit facility	(44,339)	(46,279)
Purchase of shares from non-controlling interests	—	(4,508)
Proceeds from exercise of stock options	468	860
Repurchase of employee stock units on vesting	(688)	(890)
Payments on finance leases	(218)	(106)
Net cash used in financing activities	$ (7,588)	$ (40,923)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	3,057	503
Change in cash, cash equivalents and restricted cash	6,305	5,847
Cash, cash equivalents and restricted cash at beginning of period	46,006	33,841
Cash, cash equivalents and restricted cash at end of period	$ 52,311	$ 39,688

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. In addition to our heat tracing products, we also provide (i) industrial process heating solutions focused on advanced heating and filtration solutions for industrial and hazardous area applications, which are sold under our Thermon Heating Solutions (or “THS”) brand, and (ii) 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, which are sold under our Thermon Power Solutions (or “TPS”) brand. As a manufacturer, we offer a full suite of products (such as heating units, heating cables, tubing bundles and control systems) and services (such as design optimization, engineering, installation and maintenance services) required to deliver comprehensive solutions to complex projects.

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, ("fiscal 2020"). In our opinion, the accompanying consolidated financial statements reflect all adjustments considered necessary to present fairly our financial position at December 31, 2020 and March 31, 2020, and the results of our operations for the three and nine months ended December 31, 2020 and 2019.

Impact of the 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. We may experience a decline in the demand of our products and services that could materially and negatively 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 (the “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 15, 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 September 23, 2020, the Canadian government announced that the CEWS program would be extended through the summer of 2021 and announced certain modifications to the subsidy calculation. Our Canadian operations have benefited from such wage subsidies and have received distributions from the Canadian government during the nine months period ended December 31, 2020. During the three and nine months ended December 31, 2020, we recorded subsidies in the amount of $979 and $5,928, respectively, 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 December 31, 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 and nine months ended December 31, 2020 are not necessarily indicative of the results that may be achieved for the fiscal year ending March 31, 2021 ("fiscal 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, and 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.

	December 31,	
	2020	2019
Cash and cash equivalents	$ 49,617	$ 37,054
Restricted cash included in prepaid expenses and other current assets	2,314	2,123
Restricted cash included in other long-term assets	380	511
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 52,311	$ 39,688

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 such adoption 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 such adoption did not have a material impact on our consolidated financial statements.

Reference Rate Reform - In March 2020, the FASB issued Accounting Standards Update 2020-04 -*Reference Rate Reform* ("ASC Topic 848"). The update is intended to provide temporary optional expedients and exceptions to the GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. As of December 31, 2020, we have not yet elected any optional expedients provided in the standard. We will apply the accounting relief, if necessary, as relevant contract and hedge accounting relationship modifications are made during the reference rate reform transition period.

Income Taxes - In December 2019, the FASB issued Accounting Standards Update 2019-12*Income Taxes* ("ASC Topic 740")*: Simplifying the Accounting for Income Taxes."* This ASU amends ASC 740 to add, remove, and clarify disclosure requirements related to income taxes. The new standard is effective for fiscal years beginning after December 15, 2020. We are still evaluating the impact of this new standard.

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 and cash equivalents, 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 December 31, 2020 and March 31, 2020, no assets or liabilities were valued using Level 3 criteria.

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

	December 31, 2020		March 31, 2020		
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Valuation Technique**
Financial Liabilities					
Outstanding principal amount of senior secured credit facility	$ 169,125	$ 169,125	$ 176,000	$ 150,480	Level 2 - Market Approach

At December 31, 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 March 31, 2020 is temporary and attributable to the COVID-19 pandemic.

Cross Currency Swap

The Company has entered into a long-term cross currency swap to hedge the currency rate fluctuations related to a $42,958 intercompany receivable at December 31, 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"). We recorded $1,869 and $5,319 of unrealized mark-to-market losses on the cross currency swap, which is reported as "Other income and expense" in the condensed consolidated statement of operations and comprehensive income for the three and nine months ended December 31, 2020, respectively. Cross currency swap contracts are measured on a recurring basis at fair value and are classified as Level 2 measurements. Hedge (liabilities) assets in the amount of ($786) and $4,011 were included in "Other non-current liabilities" and"Other long-term assets," respectively, in the condensed consolidated balance sheet as of December 31, 2020 and March 31, 2020, respectively. For the nine months ended December 31, 2020, the loss on the long-term cross currency swap derivative contract was offset by unrealized gain on the intercompany note of $5,806 for a net gain of $487.

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 December 31, 2020 and March 31, 2020 were $4,814 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 $4,812 and $2,886 included in “Other long-term liabilities” in the condensed consolidated balance sheet at December 31, 2020 and March 31, 2020, respectively. Deferred compensation expense (income) included in "Marketing, general and administrative and engineering" were $599 and $(228) for the three months ended December 31, 2020 and 2019, respectively, and $1,380 and $139 for the nine months ended December 31, 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 income and expense" on our condensed consolidated statements of operations and comprehensive income. Our unrealized gains on investments were $651 and $21 for the three months ended December 31, 2020 and 2019, respectively, and $1,419 and $116 for the nine months ended December 31, 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 "Other income and expense" on our condensed consolidated statements of operations and comprehensive income. 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). Fair value amounts for such forward contracts on our condensed consolidated balance sheets are either classified as accounts receivable, net or accrued liabilities depending on whether the forward contract is in a gain (accounts receivable, net) or loss (accrued liabilities) position. 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 December 31, 2020 and March 31, 2020, the notional amounts of forward contracts were as follows:

Notional amount of foreign currency forward contracts by currency

	December 31, 2020	March 31, 2020
Russian Ruble	$ 1,750	$ 1,103
Euro	—	500
Canadian Dollar	10,000	1,500
South Korean Won	5,000	3,500
Mexican Peso	1,750	2,000
Australian Dollar	900	700
Great Britain Pound	500	500
Total notional amounts	$ 19,900	$ 9,803

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

	December 31, 2020 Fair Value		March 31, 2020 Fair Value	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	$ 53	$ 4	$ 140	$ 49

Foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income were losses of $388 and gains of $132 in the three months ended December 31, 2020 and 2019, respectively, and losses of $437 and $109 for the nine months ended December 31, 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 December 31, 2020 and 2019, our net foreign currency transactions were gains of $109 and losses of $206, respectively. Likewise, we observed gains of $85 and losses of $84 for the nine months ended December 31, 2020 and 2019, respectively.

3. Leases

For discussion regarding the lease abandonment and impairment charges recognized during the quarter, refer to Note 4 Restructuring and other income/(charges).

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 under our TPS product brand line 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 nine months ended December 31, 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.

Lease Term and Discount Rate	**December 31, 2020**	**March 31, 2020**
Weighted average remaining lease term:		
Operating	6.1	6.2
Finance	3.2	3.4
Weighted average discount rate:		
Operating	4.81 %	4.82 %
Finance	6.57 %	6.98 %

Supplemental balance sheet information related to leases was as follows:

Assets	Classification	December 31, 2020	March 31, 2020
Operating	Operating lease right-of-use assets	$ 13,527	$ 16,637
Finance	Property, plant and equipment	478	695
Total right-of-use assets		$ 14,005	$ 17,332
Liabilities			
Current			
Operating	Lease liabilities	$ 2,433	$ 3,352
Finance	Lease liabilities	50	201
Non-current			
Operating	Non-current lease liabilities	13,985	15,060
Finance	Non-current lease liabilities	507	511
Total lease liabilities		$ 16,975	$ 19,124

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

Lease expense	Classification	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Operating lease expense	Marketing, general and administrative and engineering	$ 1,070	$ 860	$ 3,455	$ 2,627
Finance lease expense:					
Amortization of ROU assets	Marketing, general and administrative and engineering	66	63	211	189
Interest expense on finance lease liabilities	Interest expense	9	12	31	38
Short-term lease expense	Marketing, general and administrative and engineering	9	225	60	940
Net lease expense		$ 1,154	$ 1,160	$ 3,757	$ 3,794

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

Cash paid for amounts included in the measurement of lease liabilities	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Operating cash used for operating leases	$ 2,747	$ 2,083
Operating cash flows used for finance leases	31	43
Financing cash flows used for finance leases	218	189

Future lease payments under non-cancellable operating leases as of December 31, 2020 were as follows:

Future Lease Payments	Operating Leases	Finance Leases
Twelve months ending December 31,		
2021	$ 4,375	$ 212
2022	3,507	162
2023	2,499	142
2024	2,020	84
2025	1,697	—
Thereafter	4,958	—
Total lease payments	$ 19,056	$ 600
Less imputed interest	(2,638)	(43)
Total lease liability	$ 16,418	$ 557

4. Restructuring and other charges/(income)

During the nine months ended December 31, 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 66 and 262 positions (both hourly and salaried positions) during the three and nine months ended December 31, 2020, respectively, and incurred $997 and $5,858 in one-time severance costs during the three and nine months ended December 31, 2020, respectively, which were recorded to restructuring and other charges/(income) in our condensed consolidated statements of operations and comprehensive income.

In addition, we incurred $429 in lease impairment costs primarily related to one of our Canadian facilities that was substantially vacated by December 31, 2020, as the Company executed efforts to optimize its global manufacturing footprint. We also exercised the early termination option for one of our existing leases in Canada, which resulted in the remeasurement of the related right-of-use asset and lease liability and accelerated the lease amortization and expense to align with the cease use date of the facility. We substantially vacated the facility by December 31, 2020. As a result, we recorded an incremental $144 and $191 in lease abandonment charges during the three and nine months ended December 31, 2020, respectively. Both of these lease-related costs were recorded to restructuring and other charges/(income) in our condensed consolidated statements of operations and comprehensive income.

Disposal of South Africa Business

On December 15, 2020, a Sale of Shares Agreement was entered into between one of our consolidated subsidiaries and an investor consortium (the "TSAPL Purchasers"). As a result of this agreement, 100% of the outstanding common shares of our consolidated subsidiary, Thermon South Africa Proprietary Limited (the "South Africa Business"), were sold to the TSAPL Purchasers, with aggregate proceeds of 2,500 South African Rand (ZAR), or $167, as partial satisfaction of an existing note receivable. In addition, Purchasers committed to settle operational receivables attributable to other Thermon Group Holdings, Inc. subsidiaries that were existing at the time of sale.

After evaluating our presence in the region served by the South Africa Business, the Company decided to centralize and consolidate our business structure and streamline our organization. A member of the TSAPL Purchasers was the current general manager of the operations at the time of sale. This sale is accompanied by a distribution agreement whereby the new owners will distribute our products, thus continuing the Company's presence in the region. We believes this is an opportunity to optimize the business while pivoting to a new relationship that will better enable us to serve our customers.

As a result of the sale and in accordance with ASC 360-10, we recognized a loss on the sale of a business of $2,214, which included the impact of a currency translation adjustment of $828. This loss was recognized within restructuring and other charges/(income) on the condensed consolidated statements of operations and comprehensive income. The reported loss on sale of stock is not deductible for tax. Prior to the disposal, the South Africa Business's results were reported within the "Europe, Middle East and Africa" segment.

Restructuring and other charges/(income) by reportable segment were as follows:

	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2020
United States and Latin America	$ 959	$ 3,373
Canada	573	2,702
Europe, Middle East and Africa	2,251	2,607
Asia-Pacific	—	10
	$ 3,783	$ 8,692

Restructuring activity related to severance activity described above recorded in "Accrued liabilities" on the condensed consolidated balance sheets is summarized as follows for the nine months ended December 31, 2020:

	Nine Months Ended December 31, 2020
Beginning balance	$ —
Costs incurred	5,858
Less cash payments	(4,153)
Ending balance	$ 1,705

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 and nine months ended December 31, 2020 and 2019, respectively, are as follows:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Basic net income (loss) per common share				
Net income (loss) available to Thermon Group Holdings, Inc.	$ 6,175	$ 6,522	$ 1,928	$ 14,906
Weighted-average common shares outstanding	33,180,562	32,785,753	33,110,877	32,716,317
Basic net income (loss) per common share	$ 0.19	$ 0.20	$ 0.06	$ 0.46

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Diluted net income (loss) per common share				
Net income (loss) available to Thermon Group Holdings, Inc.	$ 6,175	$ 6,522	$ 1,928	$ 14,906
Weighted-average common shares outstanding	33,180,562	32,785,753	33,110,877	32,716,317
Common share equivalents:				
Stock options	2,733	163,357	21,155	161,420
Restricted and performance stock units	236,278	309,827	102,325	246,843
Weighted average shares outstanding – dilutive (1)	33,419,573	33,258,937	33,234,357	33,124,580
Diluted net income (loss) per common share	$ 0.18	$ 0.20	$ 0.06	$ 0.45

(1) For the three months ended December 31, 2020 and 2019, 250,668 and zero equity awards were not included in the calculation of diluted net income per common share, respectively, as they would have had an anti-dilutive effect. For the nine months ended December 31, 2020 and 2019, 246,005 and zero 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.

6. Inventories

Inventories consisted of the following:

	December 31, 2020	March 31, 2020
Raw materials	$ 38,009	$ 31,300
Work in process	3,867	5,317
Finished goods	34,055	25,701
	75,931	62,318
Valuation reserves	(1,778)	(2,045)
Inventories, net	$ 74,153	$ 60,273

7. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of December 31, 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	—	12,312	2,171	—	14,483
Balance as of December 31, 2020	$ 62,725	$ 120,051	$ 21,061	$ 8,624	$ 212,461

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, which is 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 a 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 nine month period ended December 31, 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 December 31, 2020	Accumulated Amortization	Net Carrying Amount at December 31, 2020	Gross Carrying Amount at March 31, 2020	Accumulated Amortization	Net Carrying Amount at March 31, 2020
Products	$ 65,433	$ 20,720	$ 44,713	$ 58,722	$ 14,193	$ 44,529
Trademarks	45,805	1,232	44,573	43,865	1,273	42,592
Developed technology	10,080	5,388	4,692	9,564	4,758	4,806
Customer relationships	113,835	102,718	11,117	105,912	93,729	12,183
Certifications	459	—	459	436	—	436
Total	$ 235,612	$ 130,058	$ 105,554	$ 218,499	$ 113,953	$ 104,546

8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	December 31, 2020	March 31, 2020
Accrued employee compensation and related expenses	$ 11,286	$ 12,542
Accrued interest	692	782
Customer prepayments	399	357
Warranty reserves	250	477
Professional fees	2,004	2,086
Sales taxes payable	2,565	2,423
Other	4,608	5,090
Total accrued current liabilities	$ 21,804	$ 23,757

9. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2020	March 31, 2020
Variable Rate Term Loan, due October 2024, net of deferred debt issuance costs and debt discounts of $3,719 and $4,447 as of December 31, 2020 and March 31, 2020, respectively	$ 165,406	$ 171,553
Less current portion	(2,500)	(2,500)
Total long-term debt	$ 162,906	$ 169,053

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 agreement 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) fund approximately $201,900 CAD of the purchase price of our acquisition (the “CCI acquisition”) of 100% of the equity interests of CCI Thermal Technologies Inc. (“CCI”) and certain related real estate assets for approximately $164,900; and (4) pay certain transaction fees and expenses in connection with the CCI 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 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 December 31, 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 $50,000 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 December 31, 2020, we had no outstanding borrowings under our revolving credit facility for the Canadian Borrower line of credit or for the US Borrower line of credit. As of December 31, 2020, we had $56,147 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 December 31, 2020 was 4.75%.

Guarantees and 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 of 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 December 31, 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 Sumac Fabrication Co. Ltd. ("Sumac"),one of Sumac's former principals (the "Minority Shareholder") retained25% of the ownership of the entities holding the equity acquired in our acquisition of Sumac. During the fiscal year ended March 31, 2017, this individual, together with the two other former principals of Sumac, 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 Sumac transaction.

On April 2, 2018, the Minority Shareholder provided the Company notice that he was exercising his option to sell one-half (12.5%) of his remaining equity interest in the entities holding equity acquired in our acquisition of Sumac business unit to the Company, and such sale was completed and effective as of July 20, 2018. The terms of the April 2015 Sumac purchase agreement prescribed a valuation formula for such a sale based on Sumac'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 equity acquired in our acquisition of Sumac) to the Company. The terms of the April 2015 Sumac purchase agreement prescribed a valuation formula for such a sale based on Sumac'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 December 31, 2020, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled approximately $9,526. Of this amount, $1,282 is secured by cash deposits at the Company's financial institutions and an additional $3,853 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 $4,919 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 expenses when incurred. As of December 31, 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 December 31, 2020, the Company has accrued $2,930 as estimated additional cost related to the operational execution of a project in our US-LAM segment.

In addition to the legal proceeding 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 CCI prior to the CCI acquisition 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 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 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 December 31, 2020 and 2019, was $430 and $1,328, respectively, and $2,921 and $3,670 for the nine months ended December 31, 2020 and 2019, respectively.

At December 31, 2020, there were 142,086 options outstanding. During the nine months ended December 31, 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 in full three years from 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 nine months ended December 31, 2020, 212,673 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 $2,912. 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 $712. The number of shares issued to our directors each period is equal to a pre-determined award value subject to the fair market value of the stock price on the date of grant. During the three and nine months ended December 31, 2020, 14,553 and 41,465 fully vested common shares were granted in the aggregate to our directors, respectively. The aggregate grant date fair value as determined by the closing price of our common stock on the grant date was $166 and $546 for the three and nine months ended December 31, 2020, respectively. The fair value of the awards is expensed on each grant date.

During the nine months ended December 31, 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 nine months ended December 31, 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.

During the three months ended December 31, 2020, we adjusted our compensation cost to reflect the likelihood of certain performance stock units granted in fiscal 2019 vesting based on Adjusted EBITDA performance. We determined that these awards were not probable to meet the related performance condition; therefore we have recorded income from a reversal of compensation cost of $881.

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 and nine months ended December 31, 2020 and 2019 is as follows:

	Three Months Ended December 31, 2020			Three Months Ended December 31, 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	$ 14,743	$ 14,971	$ 29,714	$ 19,007	$ 19,830	$ 38,837
Canada	18,509	6,483	24,992	28,928	5,600	34,528
Europe, Middle East and Africa	7,932	9,212	17,144	6,756	6,582	13,338
Asia-Pacific	4,933	2,821	7,754	5,432	8,333	13,765
Total revenues	$ 46,117	$ 33,487	$ 79,604	$ 60,123	$ 40,345	$ 100,468

	Nine Months Ended December 31, 2020			Nine Months Ended December 31, 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	$ 34,728	$ 37,505	$ 72,233	$ 56,145	$ 66,940	$ 123,085
Canada	45,932	17,589	63,521	78,209	14,522	92,731
Europe, Middle East and Africa	21,449	17,492	38,941	24,621	17,744	42,365
Asia-Pacific	12,838	15,325	28,163	15,556	21,378	36,934
Total revenues	$ 114,947	$ 87,911	$ 202,858	$ 174,531	$ 120,584	$ 295,115

Performance Obligations

At December 31, 2020, revenues associated with our open performance obligations totaled $110,055, representing our combined backlog and deferred revenue. Within this amount, approximately $14,801 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 December 31, 2020 and March 31, 2020, contract assets were $11,746 and $10,194, respectively. There were no impairment losses recognized on our contract assets for the nine months ended December 31, 2020 and 2019. As of December 31, 2020 and March 31, 2020, contract liabilities were $3,771 and $4,538, respectively. The majority of contract liabilities at March 31, 2020 were recognized as revenue as of December 31, 2020.

14. Income Taxes

Our effective income tax, after discrete tax events, was a 28.2% benefit against our loss before provision for taxes and 26.4% of tax expense for the three months ended December 31, 2020 and 2019, respectively. During the nine months ended December 31, 2020, the Company recorded discrete tax benefits of $1,854 related to updated Internal Revenue Service rules regarding the United States Global intangible low-taxed income or ("GILTI tax") and related tax planning elections associated with the GILTI tax rule changes. Under the new rules, Thermon was able to reduce previously incurred GILTI tax under the high tax exception rules. Included with this benefit are certain tax elections that resulted in the reduction of previous tax expense. Separately, the loss on the capital stock sale of the South Africa Business, referred to in Note 4, "Restructuring and other charges/(income)", was not deductible for income tax. This resulted in approximately $526 of discrete tax expense during the three and nine months ended December 31, 2020.

During the nine months ended December 31, 2019, the Company recorded the impact of a prospective income tax rate reduction in the tax jurisdictions of Alberta, Canada and the Netherlands. The scheduled rate reductions of 4% and 3%, respectively, resulted in a net reduction of deferred tax liabilities of 1,231 reported as a benefit to tax expense. Excluding the impact of the change in GILTI tax rules and other discrete items, the Company estimates that the effective tax rate will be 26.9% for fiscal year 2021. The estimated effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax.

As of December 31, 2020, we have established a long-term liability for uncertain tax positions in the amount of $770. As of December 31, 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. Our THS business line provides 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 operations attributable to our THS products through our US-LAM and Canada reportable segments. Our TPS product line 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, operations attributable to our TPS products have 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 December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Sales to External Customers:				
United States and Latin America	$ 29,714	$ 38,837	$ 72,233	$ 123,085
Canada	24,992	34,528	63,521	92,731
Europe, Middle East and Africa	17,144	13,338	38,941	42,365
Asia-Pacific	7,754	13,765	28,163	36,934
	$ 79,604	$ 100,468	$ 202,858	$ 295,115
Inter-Segment Sales:				
United States and Latin America	$ 10,751	$ 11,316	$ 31,849	$ 36,777
Canada	2,523	1,101	5,378	3,230
Europe, Middle East and Africa	542	791	1,615	2,385
Asia-Pacific	343	167	861	612
	$ 14,159	$ 13,375	$ 39,703	$ 43,004
Depreciation Expense:				
United States and Latin America	$ 1,647	$ 1,566	$ 4,727	$ 4,661
Canada	1,144	930	3,255	2,530
Europe, Middle East and Africa	8	138	235	402
Asia-Pacific	40	29	135	132
	$ 2,839	$ 2,663	$ 8,352	$ 7,725
Amortization Expense:				
United States and Latin America	$ 295	$ 1,438	$ 1,169	$ 4,314
Canada	1,797	2,434	5,452	7,270
Europe, Middle East and Africa	32	322	429	972
Asia-Pacific	11	266	215	798
	$ 2,135	$ 4,460	$ 7,265	$ 13,354
Income (Loss) from Operations:				
United States and Latin America	$ 3,647	$ 2,944	$ (4,185)	$ 9,280
Canada	4,993	8,562	9,171	17,339
Europe, Middle East and Africa	802	366	2,278	2,196
Asia-Pacific	1,425	2,280	3,259	6,377
Unallocated:				
Stock compensation	(430)	(1,328)	(2,921)	(3,670)
Public company costs	(277)	(358)	(1,151)	(1,224)
	$ 10,160	$ 12,466	$ 6,451	$ 30,298

	December 31, 2020	March 31, 2020
Property, Plant and Equipment, Net:		
United States and Latin America	$ 37,937	$ 39,815
Canada	29,984	28,703
Europe, Middle East and Africa	3,365	3,246
Asia-Pacific	766	778
	$ 72,052	$ 72,542
Total Assets:		
United States and Latin America	$ 232,050	$ 239,751
Canada	288,210	270,055
Europe, Middle East and Africa	82,728	73,334
Asia-Pacific	39,369	37,765
	$ 642,357	$ 620,905

Capital expenditures for our reportable segments were as follows:

	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	Nine Months Ended December 31, 2020	Nine Months Ended December 31, 2019
Capital Expenditures:				
United States and Latin America	$ 89	$ 2,122	$ 3,245	$ 4,110
Canada	473	289	1,340	1,872
Europe, Middle East and Africa	10	375	59	527
Asia-Pacific	4	76	64	192
	$ 576	$ 2,862	$ 4,708	$ 6,701

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 and nine months ended December 31, 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 December 31, 2020 and 2019 as “Interim 2021” and “Interim 2020,” respectively, and the nine month periods ended December 31, 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. These forward-looking 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) project bids; (iii) our ability to generate more facility maintenance, repair and operations or upgrades or expansions, or (MRO/UE) 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; (xxxi) climate change and related regulation of greenhouse gases; and (xxxii) those factors listed under Item 1A, “Risk Factors” included 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, Current Reports on Form 8-K or other filings that we have filed or may file with the SEC. 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 or incorporated by reference 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 (such as heating units, heating cables, temporary power solutions and tubing bundles) and services (such as engineering, installation and maintenance services) and software (such as 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 engineering, procurement, and construction (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 64% and 58% of our revenues were generated from outside of the United States, respectively. 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, our Thermon Heating Systems ("THS") business line 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, including in 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. Our THS business line has been excluded from the Greenfield and MRO/UE calculations as substantially all revenue attributed to THS products 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 December 31, 2020 was $110.1 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 primarily includes 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 in any subsequent Quarterly Reports on Form 10-Q that we have filed or may file with the SEC, including those described below. These factors include the following:

- *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 been 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. 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 December 31,*		**Nine months ended December 31,***	
	2020	**2019**	**2020**	**2019**
Greenfield	38 %	38 %	38 %	44 %
MRO/UE	62 %	62 %	62 %	56 %

* THS products have been excluded from the table above. Substantially all revenue attributable to our THS business line 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 revenue attributable to the THS business line 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 sales attributable to our THS business line) comprised approximately 62% and 56% 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:

- Reducing discretionary spending across the organization by approximately $6.3 million in the fiscal year ending March 31, 2021 by curtailing consulting fees and travel expenses and consolidating our global operating footprint;
- 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 $15.9 million in the fiscal year ending March 31, 2021;
- Reducing the budget for capital expenditures in the fiscal year ending March 31, 2021 to approximately $6.0 million, which includes approximately $1.5 million in strategic spending on our Thermon Power Solutions (“TPS”) product line (based on market demand), a reduction of approximately $4.9 million as compared to fiscal 2020; and
- Reducing manufacturing expense across the organization by approximately $1.8 million in the fiscal year ending March 31, 2021 by consolidating our manufacturing footprint.

Lower crude oil prices driven in part by the global oversupply of crude oil, 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 nine months ended December 31, 2020, we completed a reduction in force initiative (referenced above) in which we reduced approximately 19% of our global workforce and limited discretionary spending across the organization. The employee severance and office closure costs totaled approximately $6.4 million. These spending reductions are intended to align the expected cost structure with future expected revenue levels. The Company estimates that these total cost reductions will contribute approximately $22.2 million in cost reductions for fiscal year 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 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 nine month period ended December 31, 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 December 31, 2020 and 2019)

The following table sets forth our consolidated statements of operations for the three months ended December 31, 2020 and 2019 and indicates the amount of change and percentage change between periods.

	Three Months Ended December 31, (dollars in thousands)		Increase/(Decrease)	
	2020	2019	$	%
Consolidated Statements of Operations Data:				
Sales	$ 79,604	$ 100,468	$ (20,864)	(21)%
Cost of sales	42,644	56,988	(14,344)	(25)%
Gross profit	$ 36,960	$ 43,480	$ (6,520)	(15)%
Gross margin %	46.4 %	43.3 %		
Operating expenses:				
Marketing, general and administrative and engineering	$ 20,452	$ 25,226	$ (4,774)	(19)%
Stock compensation expense	430	1,328	(898)	(68)%
Amortization of intangible assets	2,135	4,460	(2,325)	(52)%
Restructuring and other charges/(income)	3,783	—	3,783	— %
Income (loss) from operations	$ 10,160	$ 12,466	$ (2,306)	(18)%
Interest expense, net:				
Interest income	$ 16	$ 57	$ (41)	(72)%
Interest expense	(2,192)	(2,891)	699	(24)%
Amortization of debt costs	(257)	(704)	447	(63)%
Interest expense, net	$ (2,433)	$ (3,538)	$ 1,105	(31)%
Other income/(expense)	874	(62)	936	(1,510)%
Income before provision for income taxes	$ 8,601	$ 8,866	$ (265)	(3)%
Income tax expense (benefit)	2,426	2,344	82	3 %
Net income (loss)	$ 6,175	$ 6,522	$ (347)	(5)%
Income attributable to non-controlling interests[1]	—	—	—	— %
Net income available to Thermon Group Holdings, Inc.	$ 6,175	$ 6,522	$ (347)	(5)%

(1) Represents income attributable to the 12.5% non-controlling equity interest in the Sumac business that was retained by sellers in the Sumac 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 December 31, 2020 ("Interim 2021") Compared to the Three Months Ended December 31, 2019 ("Interim 2020")

Revenues. Revenues for Interim 2021 were $79.6 million, compared to $100.5 million for Interim 2020, a decrease of $20.9 million or 21%, which management attributes to lower crude oil prices driven in part by the global oversupply of crude oil in connection with the global COVID-19 pandemic (which has had a significant adverse impact on customer capital spending). Our sales mix (excluding attributable to our THS business line) in Interim 2021 was 38% Greenfield and 62% MRO/UE, as compared to 38% Greenfield and 62% MRO/UE in Interim 2020. Greenfield revenue is historically at or near 40% of our total revenue. In Interim 2021, revenues declined in all reportable segments as compared to Interim 2020, except for in our EMEA segment, which experienced double-digit growth compared to Interim 2020 due to an increase in both project revenue and point-in-time revenue. The decreases in our US-LAM, Canada, and APAC segments were primarily related to a decline in demand for our products and services in both Greenfield and MRO/UE business activity as a result of the COVID-19 driven economic downturn.

Gross profit and margin. Gross profit totaled $37.0 million in Interim 2021, compared to $43.5 million in Interim 2020, a decrease of $6.5 million or 15%. The decrease is in line with the decrease in Interim 2021 sales. Gross margins were

46.4% and 43.3% in Interim 2021 and Interim 2020, respectively. The higher gross margin in Interim 2021 is attributable primarily to favorable pricing improvement across the company, as well as our cost reduction efforts, outlined in "Recent Developments - COVID-19 pandemic" above. Additionally, the Canadian Emergency Wage Subsidy, through which we received subsidies with respect to our Canadian manufacturing operations, positively impacted our margins. 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 $20.5 million in Interim 2021, compared to $25.2 million in Interim 2020, a decrease of $4.8 million or 19%. During Interim 2021, our cost reduction efforts as it relates to the reduction in force mentioned above contributed to the overall decline to marketing, general and administrative and engineering costs compared to Interim 2020.

Amortization of intangible assets. Amortization of intangible assets was $2.1 million in Interim 2021 compared to $4.5 million in Interim 2020, a decrease of $2.4 million attributable to certain intangible assets becoming fully amortized during fiscal 2020.

Restructuring and other charges/(income). Restructuring and other charges/(income) was $3.8 million; we incurred one-time severance costs of $1.0 million related to a reduction in force that will reduce ongoing personnel costs to address the COVID-19 driven economic downturn. We estimate that reductions in headcount as part of the Company's reduction in force initiative will result in annual cost savings of approximately $15.9 million. Additionally, we incurred a $2.2 million loss related to the sale of our affiliate in South Africa. Finally, we incurred $0.6 million in lease charges primarily related to two Canadian facilities that were substantially vacated by December 31, 2020, as the Company executed efforts to optimize its global manufacturing footprint. Refer to Note 4, "Restructuring and other charges/(income)."

Interest expense, net. Interest expense, net, was $2.4 million and $3.5 million in Interim 2021 and Interim 2020, respectively, a decrease of $1.1 million. The decrease in interest expense is due to voluntary principal prepayments of $28.0 million during fiscal 2020, on primarily the term loan B credit facility (see Note 9, "Long-Term Debt," for additional information on our long-term debt).

Other income/(expense). Other income and expense was income of $0.9 million and expense of $0.1 million in Interim 2021 and Interim 2020, respectively, representing an increase of $0.9 million in other income. The increase primarily relates to net gains associated with our deferred compensation plan for certain highly compensated employees and net transactional foreign exchange-related gains.

Income taxes. Income tax expense was $2.4 million in Interim 2021 on pre-tax income of $8.6 million compared to income tax expense of $2.3 million in Interim 2020 on pre-tax income of $8.9 million, an increase of $0.1 million in income tax expense. Our effective tax rate was 28.2% and 26.4% in Interim 2021 and Interim 2020, respectively. During Interim 2021, the Company recorded a tax benefit of $0.5 million related to certain tax elections associated with changes to the Internal Revenue Service rules regarding the United States global intangible low-taxed income or ("GILTI tax"). Separately, the loss on the South Africa Business was not deductible for income tax. This resulted in approximately $0.5 million of discrete tax expense during Interim 2021. During Interim 2020, the Company recorded the impact of a prospective income tax rate reduction in the Netherlands. The scheduled rate reduction of 3% in fiscal 2021 resulted in a net reduction of deferred tax liabilities of $0.5 million reported as a reduction to tax expense.

Our global anticipated annual effective income tax rate before discrete events was 26.9% and 32.0% for Interim 2021 and Interim 2020, respectively. This estimate is based on a forecast of earnings in all of our jurisdictions. The effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax. 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 income (loss) available to Thermon. Net income available to the Company, after non-controlling interest, was $6.2 million in Interim 2021 as compared to $6.5 million in Interim 2020, a decrease of $0.3 million. The change in net income is explained by the changes noted in the sections above.

Results of Operations (Nine-month periods ended December 31, 2020 and 2019)

The following table sets forth our unaudited consolidated statements of operations for the nine months ended December 31, 2020 and 2019, respectively, and indicates the amount of change and percentage change between periods.

	Nine Months Ended December 31, (dollars in thousands)		Increase/(Decrease)	
	2020	2019	$	%
Consolidated Statements of Operations Data:				
Sales	$ 202,858	$ 295,115	$ (92,257)	(31)%
Cost of sales	112,848	169,061	(56,213)	(33)%
Gross profit	$ 90,010	$ 126,054	$ (36,044)	(29)%
Gross margin %	44.4 %	42.7 %		
Operating expenses:				
Marketing, general and administrative and engineering	$ 64,681	$ 78,732	$ (14,051)	(18)%
Stock compensation expense	2,921	3,670	(749)	(20)%
Amortization of intangible assets	7,265	13,354	(6,089)	(46)%
Restructuring and other charges/(income)	8,692	—	8,692	— %
Income (loss) from operations	$ 6,451	$ 30,298	$ (23,847)	(79)%
Interest expense, net:				
Interest income	$ 58	$ 173	$ (115)	(66)%
Interest expense	(6,689)	(9,742)	3,053	(31)%
Amortization of debt costs	(773)	(1,574)	801	(51)%
Interest expense, net	$ (7,404)	$ (11,143)	$ 3,739	(34)%
Other income/(expense)	2,188	(1)	2,189	(218,900)%
Income (loss) before provision for income taxes	$ 1,235	$ 19,154	$ (17,919)	(94)%
Income tax expense (benefit)	(693)	4,250	(4,943)	(116)%
Net income (loss)	$ 1,928	$ 14,904	$ (12,976)	(87)%
Loss attributable to non-controlling interests (1)	—	(2)	2	(100)%
Net income (loss) available to Thermon Group Holdings, Inc.	$ 1,928	$ 14,906	$ (12,978)	(87)%

(1) Represents income attributable to the 12.5% non-controlling equity interest in the Sumac business that was retained by sellers in the Sumac 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).

Nine Months Ended December 31, 2020 (“YTD 2021”) Compared to the Nine Months Ended December 31, 2019 (“YTD 2020”)

Revenues. Revenues for YTD 2021 were $202.9 million, compared to $295.1 million for YTD 2020, a decrease of $92.3 million or 31% which management attributes to lower crude oil prices driven in part by the global oversupply of crude oil in connection with the global COVID-19 pandemic which has had a significant adverse impact on customer capital spending. Our sales mix (excluding sales attributable to our THS business line) in YTD 2021 was 38% Greenfield and 62% MRO/UE, as compared to 44% Greenfield and 56% 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 business activity.

Gross profit and margin. Gross profit totaled $90.0 million in YTD 2021, compared to $126.1 million in YTD 2020, a decrease of $36.1 million primarily due to a decline in revenues. Gross margins were 44.4% and 42.7% in YTD 2021 and YTD 2020, respectively. The higher gross margin in YTD 2021 is attributable in part to favorable pricing improvement versus the prior YTD period. In addition, our gross margins were positively impacted by the Canadian Emergency Wage Subsidy in the amount of $3.6 million, through which we received government 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 $64.7 million in YTD 2021, compared to $78.7 million in YTD 2020, a decrease of $14.1 million. During YTD 2021, our cost reduction efforts as it relates to the reduction in force mentioned above contributed to the overall decline to marketing, general and administrative and engineering costs compared to Interim 2020. In addition, our Marketing, general and administrative and engineering costs were positively impacted by the Canadian Emergency Wage Subsidy in the amount of $2.0 million, through which we received government 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.

Restructuring and other charges/(income) Restructuring and other charges/(income) was $8.7 million. Contributing to such charges was our one-time severance costs of $5.9 million related to a reduction in force that will reduce ongoing personnel costs to address the COVID-19 driven economic downturn. We estimate that reductions in headcount as part of the Company's reduction in force initiative will result in annual cost savings of approximately $15.9 million. Additionally, we incurred a $2.2 million loss on the sale of our previous affiliate in South Africa. Finally, we incurred $0.6 million in lease charges primarily related to two Canadian facilities that were substantially vacated by December 31, 2020, as the Company executed efforts to optimize its global manufacturing footprint. Refer to Note 4, "Restructuring and other charges/(income)."

Amortization of intangible assets. Amortization of intangible assets was $7.3 million in YTD 2021 and $13.4 million in YTD 2020, a decrease of $6.1 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 $7.4 million in YTD 2021, compared to $11.1 million in YTD 2020, a decrease of $3.7 million. The decrease in interest expense is due to voluntary principal prepayments of $28.0 million during fiscal 2020, on primarily term loan B credit facility (see Note 9, "Long-Term Debt" for additional information on our long-term debt).

Other income/(expense). Other income was income of $2.2 million and $0.0 million in YTD 2021 and YTD 2020, respectively, an increase in other income of $2.2 million. The increase primarily relates to net gains associated with our deferred compensation plan for certain highly compensated employees and transactional foreign exchange-related gains.

Income taxes. Income tax was a $0.7 million benefit in YTD 2021 on pre-tax loss of $1.2 million compared to an income tax expense of $4.3 million in YTD 2020 on pre-tax net income of $19.2 million, a decrease in income tax expense of $5.0 million primarily attributable to our lower pretax income as well as discrete tax benefits totaling $1.9 million related to updated Internal Revenue Service rules regarding the United States Global Intangible low-taxed income or ("GILTI tax") and related tax planning elections. Separately, the loss on the sale of the South Africa Business, referred to in Note 4, "Restructuring and other charges/(income)", was not deductible for income tax. this resulted in approximately $0.5 million of discrete tax expense in YTD 2021. Our effective tax rate was (56.1)% and 22.2% in YTD 2021 and YTD 2020, respectively.

Our anticipated annual effective income tax rate before discrete events is 26.9% 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 income (loss) available to Thermon. Net income available to the Company was $1.9 million in YTD 2021 as compared to income of $14.9 million in YTD 2020, a decrease of $13.0 million. The change in net income is explained by the changes noted in the sections above.

Contractual Obligations and Contingencies

Contractual Obligations. The following table summarizes our significant contractual payment obligations as of December 31, 2020 and the effect such obligations are expected to have on our liquidity position assuming all obligations reach maturity.

		Payment due by period (dollars in thousands)			
	TOTAL	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Variable rate term loan(1)	$ 169,125	$ 2,500	$ 5,000	$ 161,625	$ —
Interest payments on variable rate term loan(2)	30,817	8,225	16,083	6,509	—
Operating lease obligations(3)	19,056	4,375	6,006	3,717	4,958
Information technology services agreements(4)	2,003	1,107	896	—	—
Total	$ 221,001	$ 16,207	$ 27,985	$ 171,851	$ 4,958

(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 $159.8 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 December 31, 2020.

(3) 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.

(4) 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 December 31, 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 nine months ended December 31, 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 $37.5 million, which offsets the previously mentioned draw down resulting in no outstanding borrowings as of December 31, 2020.

Cash and cash equivalents. At December 31, 2020, we had $49.6 million in cash and cash equivalents. We maintain cash and cash equivalents at various financial institutions located in many countries throughout the world. Approximately $14.5 million, or 29%, of these amounts were held in domestic accounts with various institutions and approximately $35.1 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 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 December 31, 2020, we had no outstanding borrowings under our revolving credit facility and $56.1 million of available capacity thereunder after taking into account the borrowing base, outstanding borrowings and $3.9 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 December 31, 2020, we had $169.1 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 $159.8 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 Thermon Group Holdings, Inc., 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 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 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 consolidated leverage ratios of 3.75:1.0 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 1.25:1.0. As of December 31, 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; prepay 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 2021, we estimate that we will invest approximately $1.5 million in property, plant and equipment for our thermal solutions business and will continue to make investments in Thermon Power Solutions (“TPS”) product line (based on market demand). In order to preserve liquidity in response to the current macroeconomic uncertain resulting from the COVID-19 pandemic, we reduced the budget for capital expenditures in the fiscal year ending March 31, 2021 by approximately $4.9 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 $1.2 million in our TPS product line 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 $15.5 million and $52.4 million in YTD 2021 and YTD 2020, respectively, a decrease of $36.9 million mostly attributable to a decline in net income.

Our working capital assets in accounts receivable, inventory, contract assets and other current assets represented a source of cash of $5.4 million and $15.4 million in YTD 2021 and YTD 2020 respectively, a decrease in the source of cash of $10.0 million in YTD 2021. During YTD 2021 and YTD 2020, accounts receivable decreased due to a decline in sales and strong collection efforts, representing a source of cash of $21.0 million and $9.7 million, respectively. Contract assets represented a use of cash of $2.1 million and a source of cash of $8.2 million in YTD 2021 and YTD 2020, respectively, which is primarily attributed to timing of billings on our projects. In YTD 2021, our inventory increased due to a decline in incoming order rates, representing a use of cash of $10.6 million, while in YTD 2020, inventory represented a source of cash of $2.0 million.

Our combined balance of accounts payable, accrued liabilities and other non-current liabilities represented a use of cash of $3.3 million and $3.9 million in YTD 2021 and YTD 2020, respectively, a decrease in the use of cash of $0.7 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 $5.4 million and source of cash of $3.8 million in YTD 2021 and YTD 2020, respectively.

Net cash used in investing activities totaled $4.6 million and $6.1 million for YTD 2021 and YTD 2020, respectively, a comparative decrease in the use of cash for investing activities of $1.4 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 used in financing activities totaled $7.6 million and $40.9 million in YTD 2021 and YTD 2020, respectively, a comparative decrease in the use of cash from financing activities of $33.3 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 December 31, 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 Polices

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 64% 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 $0.5 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 $0.6 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 $0.1 million 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 $0.1 million 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 $0.1 million and losses of $0.1 million in YTD 2021 and YTD 2020, respectively.

As of December 31, 2020, we had approximately $19.9 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 $3.2 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 $29.2 million and $5.7 million in YTD 2021 and YTD 2020, respectively, representing a comparative increase in foreign currency translation gains of $23.5 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 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 operations and 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 operations and 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 $43.0 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 December 31, 2020, we had $169.1 million of outstanding principal under our variable rate LIBOR-based term loan B credit facility and no borrowings under our revolving credit facility. The interest rate for borrowings under our term loan B credit facility was 4.75% as of December 31, 2020. Based on the outstanding borrowings, a one percent change in the interest rate would result in a $1.6 million increase or decrease in our annual interest expense.

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 December 31, 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	Transition and Consulting Agreement and General Release, dated December 11, 2020, between Jay Peterson and Thermon Group Holdings, Inc.*
31.1	Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Jay Peterson, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	THERMON GROUP HOLDINGS, INC. (registrant)	
Date: February 4, 2021	By:	/s/ Jay Peterson
	Name:	Jay Peterson
	Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

TRANSITION AND CONSULTING AGREEMENT AND GENERAL RELEASE

This Transition and Consulting Agreement and General Release and Exhibits (collectively, the "Agreement") is entered into on this 11th day of December 2020, by and between Thermon Group Holdings, Inc., a Delaware corporation, and Jay C. Peterson ("Executive"). The Company and Executive desire to set forth in this Agreement all matters relating to the transition period and termination of Executive's employment as the Company's Senior Vice President and Chief Financial Officer and the terms of Executive's consulting arrangement with the Company thereafter. Unless the context indicates otherwise, the term "Company" means and includes Thermon Group Holdings, Inc. its successors, assigns, parents, subsidiaries, divisions and/or affiliates (whether incorporated or unincorporated), all of its related entities, and all of the past and present directors, officers, trustees, agents and employees of each.

1. Transition Arrangement.

a. Transition Period. Executive shall continue in his current position of Senior Vice President and Chief Financial Officer of the Company through February 12, 2021 (the "Transition End Date"), subject to earlier termination pursuant to Section 3(b). The period prior to Executive's termination of employment hereunder shall be referred to as the "Transition Period." On the Transition End Date, Executive shall separate from employment and relinquish the duties of Senior Vice President and Chief Financial Officer of the Company and any other position Executive holds with the Company or any of its affiliates or subsidiaries as of such date.

b. Transition Services. During the Transition Period, Executive shall continue to serve as the Company's Senior Vice President and Chief Financial Officer and shall provide support to, and collaborate with, the Company in the transition of Executive's duties to the Executive's successor. Notwithstanding anything herein to the contrary, the Company and Executive agree that the services to be provided by Executive during the Transition Period are expected to exceed more than 20% of the average level of services performed by Executive for the Company and its affiliated "service recipients" (within the meaning of Treasury regulation §1.409A-1(h)(3)) over the immediately preceding 36-month period.

2. Consulting Arrangement.

a. Consulting Period. If Executive is employed with the Company as of the Transition End Date, then immediately following the Transition End Date, Executive shall commence service with the Company as an independent consultant to the Company through June 11, 2021 (the "Consulting Expiration Date") or such earlier date determined by either the Company or Executive. The period during which Executive serves as an independent consultant hereunder shall be referred to as the "Consulting Period." As an independent consultant, Executive shall be an independent contractor and shall not be eligible to participate in any of the Company's employee benefit plans during the Consulting Period. Upon the expiration of the Consulting Period by either party, Executive shall relinquish the duties as an independent consultant.

b. Consulting Services. During the Consulting Period, Executive shall provide at least ten (10) hours of consulting services to the Company on a calendar month basis, pro-rated for any partial months of service. During the Consulting Period, Executive shall provide, at the request of the Company's Chief Executive Officer, consulting services relating to finance and accounting matters, including consulting with and supporting Executive's successor at the Company.

3. Compensation and Benefits.

a. During the Transition Period. Subject to Executive's execution, non-revocation and compliance with this Agreement, during the Transition Period: (i) Executive shall continue to receive his annual base salary, at the rate in effect as of the date of this Agreement; (ii) Executive shall continue to be eligible to participate in the Company's employee benefit plans to the same extent as similarly situated employees, subject to the terms of such plans; (iii) Executive's outstanding equity awards shall continue to vest in accordance with the terms of the applicable Restricted Stock Unit Award Agreements, Performance Unit Award Agreements and Stock Option Agreements (collectively, the " Award Agreements"); and (iv) Executive shall continue to be eligible for reimbursement of business expenses pursuant to the Company's expense reimbursement policy to the same extent as similarly situated employees.

b. Termination of Employment. Subject to the effectiveness of this Agreement and Executive's compliance with this Agreement and the Award Agreements and Executive's execution and non-revocation of the Supplemental Release (as defined below), with such release to become effective within 60 days following Executive's termination of employment, as of the earlier of the following dates (such earlier date, the "Separation Date"): (i) the Transition End Date and (ii) the date on which Executive resigns for "Good Reason" or Executive's employment is terminated by the Company other than due to "Cause," death or "Disability" (each, as defined in the Thermon Group Holdings, Inc. Executive Severance Plan (the "Severance Plan")), then Executive shall receive the "Standard Severance Benefits" as set forth in the Severance Plan and Executive's Participation Agreement thereunder (the "Severance Benefits"), which consists of the following:

i. An amount equal to US$333,900.00 payable in substantially equal installments for 12 months after the Separation Date, payable in accordance with the Company's normal payroll practices, with the 1st installment paid within 60 days following the Separation Date and including amounts that would have otherwise been paid during the period beginning on the Separation Date and ending on such 1st payment date;

ii. An amount equal to US$188,493.41, the Executive's target annual bonus for the fiscal year ending March 31, 2021, prorated based on the number of days that Executive remained employed during such fiscal year, paid in a lump sum within 60 days following the Separation Date (for the avoidance of doubt, this payment is in lieu of any payment under the Company's annual cash bonus program for fiscal year 2021); and

iii. A one-time lump sum cash payment calculated by the Company (in its discretion) equal to 12 times the cost of Executive's monthly premiums (determined as of the Separation Date) for continued benefit coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 (i.e., COBRA), paid within 60 days following the Separation Date.

In addition, pursuant to the terms of the Award Agreements, upon the Separation Date, Executive shall be treated as being terminated without Cause for purposes of the Award Agreements and shall be eligible to receive the pro-rata vesting contemplated under the Award Agreements, as determined in accordance with the Award Agreements.

For the avoidance of doubt, Executive expressly acknowledges that (i) the only severance benefits that he shall be entitled to upon the Separation Date are the Severance Benefits, and (ii) if Executive's employment with the Company is terminated for any reason other than the expiration of the Transition Period, Executive's resignation for "Good Reason" or termination by the Company other than due to "Cause," death or "Disability", Executive shall not be entitled to any severance benefits under this Agreement or otherwise from the Company.

c . During the Consulting Period. Subject to Executive's execution, non-revocation and compliance with this Agreement and the Award Agreements and the Supplemental Release, during the Consulting Period, the Company shall pay Executive fees at a monthly rate of $20,868.75, prorated for partial months.

For the avoidance of doubt, Executive shall cease to be eligible for the benefits set forth in this Section 3(c) upon the termination of the Consulting Period for any reason and by either party, except with respect to any accrued but unpaid hourly fees for services rendered prior to the termination of the Consulting Period.

4 . Company Property. Upon the expiration of the Transition Period and except as otherwise expressly agreed to with the Chief Executive Officer or General Counsel in writing for purpose of rendering services during the Consulting Period, Executive shall return to the Company all documents and other property belonging to the Company, including items such as keys, phone, credit cards and computers or other devices that have not already been returned by Executive, with receipt acknowledged by the Company. Upon the expiration of the Consulting Period, Executive shall return to the Company all other documents and other property belonging to the Company. Executive agrees not to make or retain any copies, electronic or otherwise, of the Company's confidential information, as described in the Award Agreements.

5 . Cooperation in Investigations and Litigation. In consideration for the payments and agreements set forth in this Agreement, following the expiration of the Transition Period (including during and after the Consulting Period), Executive agrees, upon request of the Company, to cooperate with the Company and its subsidiaries and affiliates with reasonable advance notice to provide information to and assist the Company, and its subsidiaries and affiliates in the investigation, defense, or prosecution of any suspected claim against or by the Company and its/their subsidiaries and affiliates or any Releasee (as defined herein). Such assistance will include, but is not limited to, participating in interviews with representatives of the Company, attending, as a witness, depositions, trials, or other similar proceedings without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information. Executive further agrees that he will provide full, complete and truthful information and testimony in all interviews, meetings, and/or testimony. Executive understands that the Company will reimburse Executive for reasonable out-of-pocket expenses incurred as a result of such cooperation. Executive will act in good faith to furnish the information and cooperation required by this Section 5, and the Company will act in good faith so that the requirement to furnish such information and cooperation does not create a hardship for Executive.

6. Certain Covenants of Executive. As a condition of Executive's employment by the Company and the payment of compensation and receipt of benefits referred to above, Executive agrees to continue to be bound, and will continue to be bound following Executive's termination of employment, to the covenants contained in the Award Agreements. Executive acknowledges that the Company would not provide the compensation and/or benefits set forth above if Executive was not willing to be bound by the terms of the Award Agreements, and Executive further acknowledges and agrees that if he breaches or threatens to breach the covenants contained in the Award Agreements or the other terms of this Agreement, then to the fullest extent permitted by law, (a) the Company will be entitled to apply for and receive an injunction to restrain any violation of such covenants or this Agreement, without notice and without payment of bond, (b) the Company will not be obligated to make any additional payments or provide any additional benefits, and (c) Executive will be obligated to pay to the Company its costs and expenses in enforcing the covenants contained in the Award Agreements and this Agreement and defending against such lawsuit (including court costs, expenses and reasonable legal fees) if Company is the prevailing party. As the sole exception to the mandatory arbitration obligation pursuant to Section 9(d) below, Executive agrees that the Company may enforce the covenants contained in the Award Agreements or the other terms of this Agreement by bringing such action for injunctive relief in the state

and federal courts located in Austin, Texas, and Executive irrevocably consents to, and agrees not to object or assert any defense or challenge to, the jurisdiction and venue of such courts. Notwithstanding the foregoing, nothing in this Agreement, the Supplemental Release, or the Award Agreements is intended to limit Executive's ability to (i) 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"), (ii) 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, or (iii) under applicable United States 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.

7. Indemnification. Nothing in this Agreement is intended to affect any obligation the Company may have under applicable law, its governing documents, or through an individual agreement to indemnify Executive including, without limitation, the Indemnification Agreement between Executive and the Company. For the avoidance of doubt, notwithstanding the termination of the Transition Period or any provision herein to the contrary, the Company shall honor its obligations under all indemnification agreements and its charter and bylaw provisions providing for indemnification or advance of expenses to Executive.

8. Waiver and General Release.

a. Release. Executive, on behalf of himself and his heirs, executors, administrators, family members, attorneys and assigns, hereby waives, generally releases and forever discharges the Company, together with the Company's directors, subsidiaries, divisions and affiliates, whether direct or indirect, its and their joint ventures and joint venturers (including each of their respective directors, officers, employees, shareholders, members, managers, partners, attorneys, insurers, and agents, past, present, and future), and each of its and their respective successors and assigns (hereinafter collectively referred to as "Releasees"), from any and all known or unknown actions, causes of action, suits, complaints, contracts (whether oral or written, express or implied from any source), promises and liabilities of any kind, in law or equity, that Executive ever had, may now have or hereafter can, will or may have against the Releasees as of the Effective Date (as defined below), including, but not limited to:

i. claims, actions, causes of action or liabilities arising under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act (the "ADEA"), the Older Workers Benefit Protection Act (the "OWBPA"), the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Rehabilitation Act, the Americans with Disabilities Act, Section 1981 of the Civil Rights Act, the 1991 Civil Rights Act, the Family and Medical Leave Act, and/or any other federal, state, municipal or local employment discrimination statutes or ordinances (including, but not limited to, claims based on age, sex, attainment of benefit plan rights, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status); and/or

ii. claims, actions, causes of action or liabilities arising under any other federal, state, municipal, or local statute, law, ordinance or regulation; and/or

iii. future causes of action under the federal false claims act and/or any state false claims act relating in any manner to information learned while employed with the Company; and/or

iv. any other claim whatsoever including, but not limited to, claims for severance pay, sick pay, unpaid wages, unpaid bonuses, unpaid paid time off, claims based upon breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, defamation, interference with contract, intentional and/or negligent infliction of emotional distress, fraud, tort, personal injury, invasion of privacy, violation of public policy, negligence and/or any other common law, statutory or other claim whatsoever arising out of or relating to his employment with and/or separation from employment with the Company and/or any of the other Releasees, but excluding any claims that by law Executive cannot waive, including claims for indemnification, and any claim that the Company has failed to make any payments or to provide any of the payments or benefits described in this Agreement.

b. Release of Known and Unknown Claims and Claims Under Age Discrimination in Employment Act. Executive understands that this waiver and release includes a release of all known and unknown claims, including claims under the federal Age Discrimination in Employment Act. Executive acknowledges that this waiver and release does not waive any right or claim that he may have under the ADEA, as amended by the OWBPA, that arises after the Effective Date.

c. Knowing and Voluntary Waiver. Executive further acknowledges and agrees that he has carefully read and fully understands all of the provisions of this waiver and release and that he has been advised to and/or has obtained representation by counsel in connection with his execution of this waiver and release. Executive has freely, knowingly and voluntarily elected to execute this waiver and release, in exchange for due consideration, by signing below. Executive further acknowledges that he (i) is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Agreement; (ii) has made his own investigation of the facts and is relying solely upon his own knowledge; and (iii) knowingly waives any claim that this Agreement was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Agreement based upon presently existing facts, known or unknown. Executive acknowledges that the Company has provided him with the disclosure information pursuant to the ADEA and OWBPA (under Title 29 U.S.C. Section 626(f)(1)(H)), attached as Exhibit A to this Agreement.

d. Time to Consider Waiver and Release; Revocation. Executive acknowledges that he has had at least 45 calendar days after the receipt of this waiver and release to consider signing this waiver and release and that he may voluntarily choose to waive this 45-day period. In addition, Executive has seven calendar days after signing this Agreement to revoke it, in which case this Agreement shall be null and void. Any such revocation must be in writing and be submitted to Thermon Group Holdings, Inc., Attn: General Counsel, 7171 Southwest Parkway, Building 300, Suite 200, Austin, TX 78735. Executive understands that if he signs this Agreement and does not revoke this Agreement within seven calendar days after signing, this waiver and release will become fully effective and enforceable (the "Effective Date").

e. Supplemental Release. In addition to complying with the terms of this Agreement, as an additional condition precedent to Executive's receipt of the Severance Benefits, Executive or his representative also must provide a separately duly signed Waiver and General Release Agreement, in the form attached hereto as Exhibit B (the "Supplemental Release"), before the expiration of 45 calendar days after the Separation Date and not revoke the Supplemental Release. The Company shall provide

Executive or his representative with a copy of the Supplemental Release on or around the Separation Date.

9. Miscellaneous.

a. Assignment. Neither the Company nor Executive may assign this Agreement, except that the Company's obligations hereunder shall be binding legal obligations of any successor to all or substantially all of the Company's business by purchase, merger, consolidation or otherwise.

b. Executive Assignment. Executive represents and warrants that: (i) Executive has the sole right and exclusive authority to execute this Agreement and the Supplemental Release; (ii) Executive has not sold, signed, transferred, conveyed or otherwise disposed of any claim or demand relating to any matter covered in this Agreement; (iii) the provisions of this Agreement shall be binding upon Executive and Executive's heirs, executors, administrators and other legal representatives; (iv) Executive has not relied upon any promise or representation that is not contained within this Agreement; and (v) the obligations imposed upon Executive in this Agreement and the Award Agreements shall not prevent Executive from earning a satisfactory livelihood. If any provision of this Agreement is held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such invalid or unenforceable provision were not contained herein.

c. Entire Agreement. This Agreement, the Award Agreements, the Severance Plan and Executive's Participation Agreement thereunder, and the Supplemental Release contain the entire understanding between the Company and Executive relating to the subject matter hereof and supersede any contrary provision in any other document, including any prior employment agreement, offer letter or memorandum of understanding between Executive and the Company, whether written or oral. Executive acknowledges that Executive remains bound by the restrictive covenants set forth in the Award Agreements. Executive further agrees and acknowledges that to the extent there is any conflict between the terms of the Severance Plan on the one hand, and this Agreement or the Supplemental Release on the other hand, the terms of this Agreement and the Supplemental Release shall control.

d. Applicable Law, Arbitration, and Jury Waiver.

i. This Agreement shall be construed and interpreted pursuant to the internal laws of the state of Texas, without regard to principles of conflicts of laws.

ii. Subject to the sole exception to this Section 9(d), as set forth in Section 6 above, the Company and Executive agree that any dispute arising out of, related to, or in connection with this Agreement, the Supplemental Release, the Award Agreements, or the Severance Plan shall be exclusively resolved through binding arbitration by a panel of three arbitrators who each have been licensed to practice law for at least fifteen (15) years, in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration proceedings will be located in Austin, Texas. The arbitrators are not empowered to award damages in excess of compensatory damages and no party shall be entitled to any damages in excess of compensatory damages. Judgment upon any arbitration award may be entered into any court having jurisdiction thereof and the parties consent to the jurisdiction of any court of competent jurisdiction located in the State of Texas for such purpose.

iii. **EXECUTIVE WAIVES ANY RIGHT THAT EXECUTIVE MAY HAVE TO A JURY TRIAL OF ANY CLAIM ALLEGED BY EXECUTIVE.**

e . Benefits Unfunded. All rights of Executive and his spouse or any other beneficiary under this Agreement shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating any assets of Executive for payment of any amounts due hereunder, and neither Executive nor his spouse or any other beneficiary shall have any interest in or rights against any specific assets of the Company, and Executive and his spouse or any other beneficiary shall have only the rights of a general unsecured creditor of the Company.

f . Waiver. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by the other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

g . Section 409A Compliance. This Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be interpreted and construed consistently with such intent. The payments to Executive pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for this purpose each payment shall be considered a separate payment. Any payment made or contemplated hereunder that is treated as deferred compensation subject to Section 409A shall be paid in compliance with Section 409A and shall not be deferred or accelerated in violation of Section 409A. In the event that the terms of this Agreement would subject Executive to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and Executive shall cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement unless such 409A Penalties arise in connection with the Company's failure to comply with the terms hereof. Notwithstanding any other provision in this Agreement, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service (within the meaning of Section 409A of the Code), then to the extent any amount payable under this Agreement (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Agreement would be payable prior to the date that is six months after Executive's separation from service, such payment shall not be made to Executive until the earlier of the date that is six months after Executive's separation from service or Executive's death and will be accumulated and paid on the first day of the seventh month following the date of separation from service. In addition, each payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, that is conditioned upon Executive's execution of a release and that is to be paid or provided during a designated period that begins in one taxable year and ends in a second taxable year, shall be paid or provided in the later of the two taxable years. Any reimbursement payable to Executive pursuant to this Agreement or otherwise shall be conditioned on the submission by Executive of all expense reports reasonably required by the Company under any applicable expense reimbursement policy, and shall be paid to Executive within 30 days following receipt of such expense reports, but in no event later than the last day of the calendar year following the calendar year in which Executive incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Agreement or otherwise shall not be subject to liquidation or exchange for any other benefit.

h. Amendment. No amendment or modification of the terms of this Agreement shall be binding upon either of the parties hereto unless reduced to writing and signed by each of the parties hereto.

i. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

j . Successors. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, representatives and successors.

k . Notices. Notices required under this Agreement shall be in writing and sent by registered U.S. mail, return receipt requested, to the following addresses or to such other address as the party being notified may have previously furnished to the other by written notice:

If to the Company:

Thermon Group Holdings, Inc.
7171 Southwest Parkway

Building 300 | Suite 200 Austin, Texas 78735
Attention: General Counsel

If to Executive:

At the most recent address on file with the Company

l. Headings. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of any provision of this Agreement.

m. Tax Withholding. All payments under this Agreement, except for the hourly payments made to Executive in connection with his services as an independent consultant of the Company, shall be made subject to applicable tax withholding, and the Company shall withhold from any payments under this Agreement, except for hourly payments made to Executive in connection with his services as an independent consultant of the Company, all federal, state and local taxes as the Company is required to withhold pursuant to any law or governmental rule or regulation. Executive shall bear all expense of, and be solely responsible for, all federal, state and local taxes due with respect to any payment or benefit received under this Agreement. The Company shall not withhold taxes with respect the hourly payments as an independent consultant of the Company and the Executive shall be solely responsible for all taxes associated with such payments.

n. Possible Recoupment of Certain Compensation. Notwithstanding any other provision in this Agreement to the contrary, Executive shall be subject to the written policies of the Company's Board of Directors (the "Board") as well as laws and regulations applicable to executives of the Company, including without limitation the Thermon Group Holdings, Inc. Policy on Recoupment of Incentive Compensation and rules adopted pursuant to the Dodd-Frank Act, and any other Board policy, law or regulation relating to recoupment or "clawback" of compensation that may exist from time to time during Executive's employment by the Company and thereafter.

THEREFORE, the parties hereto have caused this Agreement to be duly executed, each in his or its name on his or its behalf, all as of the date first above written.

Thermon Group Holdings, Inc.

By: /s/ Bruce A. Thames
Name: Bruce A. Thames
Title: President, CEO and Director

Executive

/s/ Jay C. Peterson
Jay C. Peterson

EXHIBIT A

Older Workers Benefit Protection Act Disclosure

[*Certain identified information has been excluded from this exhibit because it is both not material and is the type that the registrant treats as private or confidential.*]

EXHIBIT B

SUPPLEMENTAL GENERAL RELEASE OF CLAIMS

This Waiver and General Release Agreement ("Release") is executed by Jay C. Peterson (" Executive") on this ___ day of ___________ 2021.

1. Waiver and General Release. Executive, on behalf of himself and his heirs, executors, administrators, family members, attorneys and assigns, hereby waives, generally releases and forever discharges Thermon Group Holdings, Inc. (the "Company"), together with the Company's directors, subsidiaries, divisions and affiliates, whether direct or indirect, its and their joint ventures and joint venturers (including each of their respective directors, officers, employees, shareholders, members, managers, partners, attorneys, insurers, and agents, past, present, and future), and each of its and their respective successors and assigns (hereinafter collectively referred to as "Releasees"), from any and all known or unknown actions, causes of action, suits, complaints, contracts (whether oral or written, express or implied from any source), promises and liabilities of any kind, in law or equity, that Executive ever had, may now have or hereafter can, will or may have against the Releasees as of and including the Release Effective Date (as defined below), including, but not limited to:

a. claims, actions, causes of action or liabilities arising under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act (the "ADEA"), the Older Workers Benefit Protection Act (the " OWBPA"), the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Rehabilitation Act, the Americans with Disabilities Act, Section 1981 of the Civil Rights Act, the 1991 Civil Rights Act, the Family and Medical Leave Act, and/or any other federal, state, municipal or local employment discrimination statutes or ordinances (including, but not limited to, claims based on age, sex, attainment of benefit plan rights, race, religion, national origin, marital status, sexual orientation, ancestry, harassment, parental status, handicap, disability, retaliation, and veteran status); and/or

b. claims, actions, causes of action or liabilities arising under any other federal, state, municipal, or local statute, law, ordinance or regulation; and/or

c. future causes of action under the federal false claims act and/or any state false claims act relating in any manner to information learned while employed with the Company; and/or

d. any other claim whatsoever including, but not limited to, claims for severance pay, sick pay, unpaid wages, unpaid bonuses, unpaid paid time off, claims based upon breach of contract, breach of the covenant of good faith and fair dealing, wrongful termination, defamation, interference with contract, intentional and/or negligent infliction of emotional distress, fraud, tort, personal injury, invasion of privacy, violation of public policy, negligence and/or any other common law, statutory or other claim whatsoever arising out of or relating to his employment with and/or separation from employment with the Company and/or any of the other Releasees, but excluding any claims that by law Executive cannot waive, including claims for indemnification, and any claim that the Company has failed to make any payments or to provide any of the payments or benefits described in the Transition and Consulting Agreement, dated as of December 11, 2020, between Executive and the Company (the "Transition Agreement").

2. Remedies if Executive Breaches Waiver and Release. Executive further acknowledges and agrees that if he breaches the provisions of the waiver and release, then to the fullest extent permitted by law, (a) the Company will be entitled to apply for and receive an injunction to restrain any violation of the waiver and release, (b) the Company will not be obligated to make any additional payments or provide any additional benefits, and (c) Executive will be obligated to pay to the Company its costs and expenses in enforcing the waiver and release and defending against such lawsuit (including court costs, expenses and reasonable legal fees) if Company is the prevailing party.

3. Waiver of Reinstatement Rights. To the extent permitted by law, Executive further waives, releases, and discharges Releasees from any reinstatement rights that Executive has or could have.

4. Representations and Warranties of Executive. Executive expressly represents and warrants that (a) he is the sole owner of the actual or alleged claims, demands, rights, causes of action, and other matters that are released by Executive herein; (b) the same have not been transferred or assigned or caused to be transferred or assigned to any other person, firm, corporation or other legal entity; and (c) Executive has the full right and power to grant, execute and deliver the releases, undertakings, and agreements contained herein. Executive further represents and warrants that he is unaware of any lien that has been noticed or filed and that would attach to any payment or benefit to be made or given by the Company pursuant to this Release. Executive agrees to indemnify the Releasees, including payment of any attorneys' fees and costs, and hold the Releasees harmless from and against any and all damages that may be suffered by them in the event that any of the foregoing representations and warranties are untrue in whole or part, and any and all claims based on or arising from any such assignment or transfer, or any attempted assignment or transfer, of any matters released herein.

5. Release of Known and Unknown Claims and Claims Under Age Discrimination in Employment Act. Executive understands that this waiver and release includes a release of all known and unknown claims, including claims under the federal ADEA. Executive acknowledges that this Release does not waive any right or claim that he may have under the ADEA, as amended by the OWBPA, that arises after the Release Effective Date.

6. Knowing and Voluntary Waiver. Executive further acknowledges and agrees that he has carefully read and fully understands all of the provisions of this Release and that he has been advised to and/or has obtained representation by counsel in connection with his execution of this Release. Executive has freely, knowingly and voluntarily elected to execute this Release, in exchange for due consideration, by signing below. Executive further acknowledges that he (i) is not relying upon any statements, understandings, representations, expectations, or agreements other than those expressly set forth in this Release; (ii) has made his own investigation of the facts and is relying solely upon his own knowledge; and (iii) knowingly waives any claim that this Release was induced by any misrepresentation or nondisclosure and any right to rescind or avoid this Release based upon presently existing facts, known or unknown. Executive acknowledges that the Company has provided him with the disclosure information pursuant to the ADEA and OWBPA (under Title 29 U.S.C. Section 626(f)(1)(H)), attached as Exhibit 1 to this Release.

7. Protected Rights. Executive understands that nothing contained in this Release prohibits or limits Executive's ability to file a charge or complaint with any federal, state or local governmental agency or commission. Executive also understands that this Release does not prohibit or limit Executive's ability to communicate with any federal, state or local governmental agency or commission, or to otherwise participate in any investigation or proceeding that may be conducted by such an agency or commission, including providing documents or other information.

8. Cooperation. In consideration for the payments and agreements set forth in the Transition Agreement, Executive agrees, upon request of the Company, to cooperate with the Company and its subsidiaries and affiliates with reasonable advance notice to provide information to and assist the Company, and its subsidiaries and affiliates in the investigation, defense, or prosecution of any suspected claim against or by the Company and its/their subsidiaries and affiliates or any Releasee. Such assistance will include, but is not limited to, participating in interviews with representatives of the Company, attending, as a witness, depositions, trials, or other similar proceedings without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information. Executive further agrees that he will provide full, complete and truthful information and testimony in all interviews, meetings, and/or testimony. Executive understands that Company will reimburse Executive for reasonable out-of-pocket expenses incurred as a result of such cooperation. Executive will act in good faith to furnish the information and cooperation required by this Section 8 (Cooperation), and the Company will act in good faith so that the requirement to furnish such information and cooperation does not create a hardship for Executive.

9. Time to Consider Release; Revocation. Executive acknowledges that he has had at least 45 calendar days after the receipt of this Release to consider signing this Release and that he may voluntarily choose to waive this 45-day period. In addition, Executive has seven calendar days after signing the Release to revoke it, in which case this Release will be null and void. Any such revocation must be in writing and be submitted to Thermon Group Holdings, Inc., Attn: General Counsel, 7171 Southwest Parkway, Building 300, Suite 200, Austin, TX 78735 . Executive understands that if he signs this Release and does not revoke the Release within seven calendar days after signing, this Release will become fully effective and enforceable (the "Release Effective Date"). Executive also understands that no severance payments will be paid to him until the seven-calendar-day revocation period has expired without him having revoked the Release.

Executive

By: ________________________
Jay C. Peterson

Date: ________________________

EXHIBIT 1

Older Workers Benefit Protection Act Disclosure

[*Certain identified information has been excluded from this exhibit because it is both not material and is the type that the registrant treats as private or confidential.*]

Exhibit 31.1

**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: February 4, 2021

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

Exhibit 31.2

**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: February 4, 2021

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

Exhibit 32.1

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 December 31, 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: February 4, 2021

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

Exhibit 32.2

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 December 31, 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: February 4, 2021

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