UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2021

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 August 4, 2021, the registrant had 33,331,372 shares of common stock, par value $0.001 per share, outstanding.

THERMON GROUP HOLDINGS, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED June 30, 2021

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

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

	June 30, 2021 (Unaudited)	March 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 41,052	$ 40,124
Accounts receivable, net of allowances of $1,941 and $2,074 as of June 30, 2021 and March 31, 2021, respectively	74,133	74,501
Inventories, net	64,395	63,790
Contract assets	16,089	11,379
Prepaid expenses and other current assets	9,322	8,784
Income tax receivable	9,533	8,231
Total current assets	$ 214,524	$ 206,809
Property, plant and equipment, net of depreciation and amortization of $58,787 and $55,555 as of June 30, 2021 and March 31, 2021, respectively	70,951	72,630
Goodwill	215,072	213,038
Intangible assets, net	102,672	103,784
Operating lease right-of-use assets	12,265	12,619
Deferred income taxes	2,615	2,586
Other long-term assets	6,726	6,412
Total assets	$ 624,825	$ 617,878
Liabilities		
Current liabilities:		
Accounts payable	$ 22,483	$ 19,722
Accrued liabilities	20,046	23,517
Current portion of long-term debt	2,500	2,500
Contract liabilities	4,059	2,959
Lease liabilities	3,658	3,511
Income taxes payable	678	219
Total current liabilities	$ 53,424	$ 52,428
Long-term debt, net	142,601	143,017
Deferred income taxes	21,880	21,088
Non-current lease liabilities	11,770	12,373
Other non-current liabilities	10,264	9,811
Total liabilities	$ 239,939	$ 238,717
Commitments and contingencies (Note 9)		
Equity		
Common stock: $0.001 par value; 150,000,000 authorized; 33,307,460 and 33,225,808 shares issued and outstanding at June 30, 2021 and March 31, 2021, respectively	$ 33	$ 33
Preferred stock: $0.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	232,049	231,322
Accumulated other comprehensive loss	(31,787)	(35,919)
Retained earnings	184,591	183,725
Total equity	$ 384,886	$ 379,161
Total liabilities and equity	$ 624,825	$ 617,878

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

Thermon Group Holdings, Inc.

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Sales	$ 71,155	$ 56,848
Cost of sales	42,986	32,729
Gross profit	28,169	24,119
Operating expenses:		
Selling, general and administrative expenses	21,401	24,390
Deferred compensation plan expense	332	530
Amortization of intangible assets	2,236	3,033
Restructuring and other charges/(income)	(414)	2,921
Income/(loss) from operations	4,614	(6,755)
Other income/(expenses):		
Interest expense, net	(2,165)	(2,555)
Other income/(expense)	66	732
Income/(loss) before provision for income taxes	2,515	(8,578)
Income tax expense/(benefit)	1,648	(2,493)
Net income/(loss)	$ 867	$ (6,085)
Comprehensive income/(loss):		
Net income/(loss)	$ 867	$ (6,085)
Foreign currency translation adjustment	4,195	9,475
Other miscellaneous income/(loss)	(64)	(380)
Comprehensive income/(loss)	$ 4,998	$ 3,010
Net income/(loss) per common share:		
Basic	$ 0.03	$ (0.18)
Diluted	0.03	(0.18)
Weighted-average shares used in computing net income per common share:		
Basic	33,259,804	32,986,451
Diluted	33,461,635	32,986,451

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, 2021	33,225,808	$ 33	$ 231,322	$ 183,725	$ (35,919)	$ 379,161
Issuance of common stock in exercise of stock options	8,100	—	97	—	—	97
Issuance of common stock as deferred compensation to employees	23,858	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	42,326	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	7,368	—	—	—	—	—
Stock compensation expense	—	—	1,178	—	—	1,178
Repurchase of employee stock units on vesting	—	—	(548)	—	—	(548)
Net income/(loss)	—	—	—	867	—	867
Foreign currency translation adjustment	—	—	—	—	4,195	4,195
Other	—	—	—	(1)	(63)	(64)
Balances at June 30, 2021	33,307,460	$ 33	$ 232,049	$ 184,591	$ (31,787)	$ 384,886

	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 income/(loss)	—	—	—	(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

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

Thermon Group Holdings, Inc.

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Operating activities		
Net income/(loss)	$ 867	$ (6,085)
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	5,291	5,762
Amortization of deferred debt issuance costs	223	258
Stock compensation expense	1,178	1,133
Deferred income taxes	491	(654)
Release of reserve for uncertain tax positions, net	19	—
(Gain)/Loss on long-term cross currency swap	61	1,805
Remeasurement gain on intercompany balances	(1,493)	(3,153)
Loss on sale of business, net of cash surrendered	311	—
Changes in operating assets and liabilities:		
Accounts receivable	1,209	21,248
Inventories	39	(7,914)
Contract assets	(3,456)	1,794
Other current and non-current assets	(691)	(903)
Accounts payable	2,501	(4,341)
Accrued liabilities and non-current liabilities	(3,259)	(1,801)
Income taxes payable and receivable	(814)	(3,797)
Net cash provided by/(used in) operating activities	$ 2,477	$ 3,352
Investing activities		
Purchases of property, plant and equipment	(873)	(2,059)
Sale of rental equipment	21	6
Net cash provided by/(used in) in investing activities	$ (852)	$ (2,053)
Financing activities		
Proceeds from revolving credit facility	7,959	37,189
Payments on long-term debt and revolving credit facility	(8,759)	(34,294)
Proceeds from exercise of stock options	97	437
Repurchase of employee stock units on vesting	(548)	(557)
Payments on finance leases	(40)	(74)
Net cash provided by/(used in) financing activities	$ (1,291)	$ 2,701
Effect of exchange rate changes on cash, cash equivalents and restricted cash	604	1,009
Change in cash, cash equivalents and restricted cash	938	5,009
Cash, cash equivalents and restricted cash at beginning of period	42,450	46,007
Cash, cash equivalents and restricted cash at end of period	$ 43,388	$ 51,016

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

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 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.

Our condensed consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States ("GAAP"). The accompanying 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, 2021 ("fiscal 2021"). In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments considered necessary to present fairly our financial position at June 30, 2021 and March 31, 2021, and the results of our operations for the three months ended June 30, 2021 and 2020. Certain prior year amounts have been reclassified to conform with the current year's presentation.

Impact of the COVID-19 Pandemic

The 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 negatively impacted, and may continue to negatively impact, global demand for our products and services. Although we believe the general economic environment in which we operate has improved since the onset of the COVID-19 pandemic, 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 three month period ended June 30, 2021. During the three months ended June 30, 2021 and 2020, we recorded subsidies for which we qualify in the amount of $939 and $2,417, respectively, as an offset or reduction to the related underlying expenses and assets, accordingly. We anticipate our benefit from the CEWS program to decline in fiscal 2022 as we become less qualified for the subsidy.

Use of Estimates

Generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. While our management has based their assumptions and estimates on the facts and circumstances existing at June 30, 2021, actual results could differ from those estimates and affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the corresponding revenues and expenses as of the date of the financial statements. The operating results for the three months ended June 30, 2021 are not necessarily indicative of the results that may be achieved for the fiscal year ending March 31, 2022 ("fiscal 2022").

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 condensed consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	June 30,	
	2021	2020
Cash and cash equivalents	$ 41,052	$ 48,229
Restricted cash included in prepaid expenses and other current assets	1,968	2,438
Restricted cash included in other long-term assets	368	349
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 43,388	$ 51,016

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

Reference Rate Reform - In March 2020, the FASB issued Accounting Standards Update 2020-04 - *Reference Rate Reform* ("ASC 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 June 30, 2021, 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 740")*: Simplifying the Accounting for Income Taxes."* This ASU amends ASC 740 to simplify certain requirements related to income taxes, specifically as it relates to interim period accounting for changes in tax law and year-to-date loss limitation in interim period accounting. The new standard is effective for fiscal years beginning after December 15, 2020. We adopted this standard effective April 1, 2021, and such adoption did not have a material impact on our consolidated financial statements.

2. Fair Value Measurements

Fair Value

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

Inputs are referred to as assumptions that market participants would use in pricing the asset or liability. The use 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 June 30, 2021 and March 31, 2021, 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:

	June 30, 2021		March 31, 2021		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Valuation Technique
Financial Liabilities					
Outstanding principal amount of senior secured credit facility	$ 147,875	$ 147,967	$ 148,500	$ 148,871	Level 2 - Market Approach

At June 30, 2021 and March 31, 2021, 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.

Cross Currency Swap

The Company has entered into a long-term cross currency swap to hedge the currency rate fluctuations related to a $31,313 intercompany receivable at June 30, 2021 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 815, *Derivatives and Hedging* ("ASC 815"). We recorded $410 and $1,942 of unrealized mark-to-market losses on the cross currency swap, which is reported as "Other income and expense" in the condensed consolidated statements of operations and comprehensive income for the three months ended June 30, 2021 and 2020, respectively. Cross currency swap contracts are measured on a recurring basis at fair value and are classified as Level 2 measurements. Hedge liabilities in the amount of $1,344 were included in "Other non-current liabilities" in the condensed consolidated balance sheets as of June 30, 2021, and hedge assets of $1,265 were included in "Other long-term assets" as of March 31, 2021. For the three months ended June 30, 2021, the loss on the long-term cross currency swap derivative contract was offset by unrealized gain on the intercompany note of $461 for a net gain of $51. For the three months ended June 30, 2020, the loss on the long-term cross currency swap derivative contract was offset by unrealized gain on the intercompany note of $2,208 for a net gain of $266.

Deferred Compensation Plan

The Company provides a non-qualified deferred compensation plan for certain highly compensated employees where payroll contributions are made by the employees on a pre-tax basis. Included in “Other long-term assets” in the condensed consolidated balance sheets at June 30, 2021 and March 31, 2021 were $5,387 and $5,047, 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 $4,954 and $4,608 included in “Other long-term liabilities” in the condensed consolidated balance sheets at June 30, 2021 and March 31, 2021, respectively. In fiscal 2022, deferred compensation plan expense is included as such in the condensed consolidated statement of operations, and therefore is excluded from "Selling, general and administrative expenses." All amounts related to deferred compensation plan expense have been reclassified to the appropriate line for the periods reflected in this filing. Deferred compensation expense was $332 and $530 for the three months ended June 30, 2021 and 2020, 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 $326 and $522 for the three months ended June 30, 2021 and 2020, 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 June 30, 2021 and March 31, 2021, the notional amounts of forward contracts were as follows:

Notional amount of foreign currency forward contracts by currency		**June 30, 2021**		**March 31, 2021**
Russian Ruble	$	2,650	$	3,000
Canadian Dollar		6,500		5,500
South Korean Won		1,700		5,000
Mexican Peso		2,000		1,500
Australian Dollar		1,100		900
Great Britain Pound		325		500
Total notional amounts	$	14,275	$	16,400

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

	June 30, 2021 Fair Value				March 31, 2021 Fair Value			
	Assets		Liabilities		Assets		Liabilities	
Foreign currency forward contracts	$	76	$	18	$	61	$	32

Foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income were losses of $(294) and gains of $91 for the three months ended June 30, 2021 and 2020, respectively. Gains and losses from our forward contracts were offset by transaction gains or losses incurred with the settlement of transactions denominated in foreign currencies. For the three months ended June 30, 2021 and 2020, our net foreign currency transactions resulted in losses of $(284) and gains of $182, respectively.

3. Restructuring and Other Charges/(Income)

In fiscal 2021, we enacted certain restructuring initiatives to align our current cost structure with the decline in demand for our products and services primarily due to COVID-19 and supply/demand fluctuations in commodity prices. Although we are substantially complete with these initiatives, we recorded the following charges/(income) as it relates to restructuring.

Fiscal 2022 charges/(income)

We recorded $(103) for severance-related activity in our Canadian segment, which was recorded to "Restructuring and other charges/(income)" in our condensed consolidated statements of operations and comprehensive income. Additionally, we recorded $(311) in cash receipts related to receivables existing prior to the sale of our South Africa business, which was completed in fiscal 2021.

Fiscal 2021 charges/(income)

The Company eliminated approximately 111 hourly and salaried positions and incurred $2,921 in one-time severance costs during the three months ended June 30, 2020, which was recorded to "Restructuring and other charges/(income)" in our condensed consolidated statements of operations and comprehensive income.

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
United States and Latin America	$ (46)	$ 2,063
Canada	(186)	858
Europe, Middle East and Africa	(182)	—
Asia-Pacific	—	—
	$ (414)	$ 2,921

Restructuring activity related to severance activity described above recorded in "Accrued liabilities" on the condensed consolidated balance sheets is summarized as follows for the three months ended June 30, 2021:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Beginning balance	$ 657	$ —
Costs incurred/(income)	(103)	2,921
Less cash payments	(170)	(2,301)
Ending balance	$ 384	$ 620

4. Net Income/(Loss) per Common Share

Basic net income/(loss) per common share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income 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 assume that the associated performance targets will be met at the target level of performance for purposes of calculating diluted net income per common share until such time that it is probable that the performance target will not be met.

The reconciliations of the denominators used to calculate basic and diluted net income/(loss) per common share for the three months ended June 30, 2021 and 2020, respectively, are as follows:

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Basic net income/(loss) per common share		
Net income/(loss)	$ 867	$ (6,085)
Weighted-average common shares outstanding	33,259,804	32,986,451
Basic net income/(loss) per common share	$ 0.03	$ (0.18)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Diluted net income (loss) per common share		
Net income/(loss)	$ 867	$ (6,085)
Weighted-average common shares outstanding	33,259,804	32,986,451
Common share equivalents:		
Stock options	2,308	—
Restricted and performance stock units	199,523	—
Weighted average shares outstanding – dilutive [1]	33,461,635	32,986,451
Diluted net income/(loss) per common share[2]	$ 0.03	$ (0.18)

(1) For the three months ended June 30, 2021 and 2020, 65,854 and 283,612 equity awards, respectively, were not included in the calculation of diluted net income per common share, as they would have had an anti-dilutive effect.

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

5. Inventories

Inventories consisted of the following:

	June 30, 2021	March 31, 2021
Raw materials	$ 34,727	$ 33,485
Work in process	3,451	4,071
Finished goods	28,175	28,008
	66,353	65,564
Valuation reserves	(1,958)	(1,774)
Inventories, net	$ 64,395	$ 63,790

6. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of June 30, 2021 is as follows:

	United States and Latin America	Canada	Europe, Middle East and Africa	Asia-Pacific	Total
Balance as of March 31, 2021	$ 62,725	$ 121,550	$ 20,139	$ 8,624	$ 213,038
Foreign currency translation impact	—	1,775	259	—	2,034
Balance as of June 30, 2021	$ 62,725	$ 123,325	$ 20,398	$ 8,624	$ 215,072

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.

In the fourth quarter of fiscal 2021, we identified the prolonged economic effects of the COVID-19 pandemic to be an indicator of potential asset impairments in our reporting units. We performed our annual goodwill and tangible impairment assessments including our indefinite life trademarks. We analyzed our reporting units utilizing the income approach, based on discounted future cash flows, which are derived from internal forecasts and economic expectations, and the market approach, based on market multiples of guideline public companies. The impairment test for indefinite life trademarks utilized a relief from royalty analysis based on the cash flow streams attributable to the Thermon trademark. Based on the goodwill and assets impairment assessment, the estimated fair value of our reporting units exceeded the carrying value. As such, there was no impairment of goodwill, assets or our indefinite life trademarks as of the respective reporting periods. The most significant inputs in the Company's impairment test are the projected financial information, the weighted average cost of capital and market multiples for similar transactions. If overall economic conditions, the energy market or factors specific to the Company deteriorate significantly, it could negatively impact the Company's future impairment tests. We will continue to monitor our reporting units' goodwill and asset valuations and test for potential impairments.

No triggering events were identified during the three month period ended June 30, 2021 which would indicate that the fair value of any of our reporting units was less than its carrying amount.

Our total intangible assets consisted of the following:

	Gross Carrying Amount at June 30, 2021	Accumulated Amortization	Net Carrying Amount at June 30, 2021	Gross Carrying Amount at March 31, 2021	Accumulated Amortization	Net Carrying Amount at March 31, 2021
Products	$ 67,217	$ (24,646)	$ 42,571	$ 66,250	$ (22,635)	$ 43,615
Trademarks	45,883	(1,346)	44,537	45,581	(1,289)	44,292
Developed technology	10,098	(5,648)	4,450	10,028	(5,486)	4,542
Customer relationships	114,553	(103,899)	10,654	113,789	(102,911)	10,878
Certifications	460	—	460	457	—	457
Total	$ 238,211	$ (135,539)	$ 102,672	$ 236,105	$ (132,321)	$ 103,784

7. Accrued Liabilities

Accrued current liabilities consisted of the following:

	June 30, 2021	March 31, 2021
Accrued employee compensation and related expenses	$ 10,714	$ 11,765
Accrued interest	585	648
Customer prepayments	530	283
Warranty reserves	275	250
Professional fees	2,236	2,361
Sales taxes payable	2,286	2,404
Other	3,420	5,806
Total accrued current liabilities	$ 20,046	$ 23,517

8. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2021	March 31, 2021
Variable Rate Term Loan, due October 2024, net of deferred debt issuance costs and debt discounts of $2,774 and $2,983 as of June, 2021 and March 31, 2021, respectively	$ 145,101	$ 145,517
Less current portion	(2,500)	(2,500)
Total long-term debt	$ 142,601	$ 143,017

Senior Secured Credit Facility

On October 30, 2017, the Company, as a credit party and a guarantor, Thermon Holding Corp. (the "U.S. Borrower") and Thermon Canada Inc. (the "Canadian Borrower"), as borrowers, entered into a credit agreement with several banks and other financial institutions or entities from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A. as administrative agent (the "Agent"), which provides for a $250,000 seven-year term loan B facility (the "term loan B facility") made available to the U.S. Borrower and a $60,000 five-year senior secured revolving credit facility made available to the U.S. 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 U.S. 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 U.S. 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 U.S. Borrower may borrow revolving loans in U.S. dollars and the Canadian Borrower may borrow revolving loans in Canadian dollars. Borrowings under the revolving credit facility (a) made in U.S. 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 U.S. 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% or $625 of the $250,000 term loan B facility, with the payment of the balance at maturity. The quarterly principal payment has been presented as payments on long-term debt in the condensed consolidated statement of cash flows. The U.S. 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 U.S. Borrower is required to repay the term loan B facility with certain asset sale and insurance proceeds, certain debt proceeds and, commencing with the fiscal year ended March 31, 2019, 50% of excess cash flow (reducing to 25% if the Company’s leverage ratio is less than 4.0 to 1.0 but greater than or equal to 3.5 to 1.0, and reducing to 0% if the Company’s leverage ratio is less than 3.5 to 1.0). As of June 30, 2021, the Company's leverage ratio was less than 3.5 to 1.0.

Accordion. The credit facility allows for incremental term loans and incremental revolving commitments in an amount not to exceed $30,000 and an unlimited additional amount that would not cause the consolidated secured leverage ratio to exceed 4.0 to 1.0 (or, if less, the maximum consolidated leverage ratio permitted by the revolving credit facility on such date).

At June 30, 2021, we had no outstanding borrowings under our revolving credit facility for the Canadian Borrower line of credit or for the U.S. Borrower line of credit. We did, however, draw down $7,959 and subsequently repaid $8,134 during the three months ended June 30, 2021 from our Canadian Borrower line of credit. This has been presented as such on our condensed consolidated statement of cash flows. As of June 30, 2021, we had $56,213 of available borrowing capacity under our revolving credit facility after taking into account the borrowing base and $3,787 of outstanding letters of credit. The variable rate term loan bears interest at the LIBOR rate plus an applicable margin dictated by our leverage ratio (as described above). The interest rate on the variable rate term loan on June 30, 2021 was 4.75%. Interest expense has been presented net of interest income on our condensed consolidated statements of operations and comprehensive income.

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 “U.S. Subsidiary Guarantors”), subject to certain exceptions. Obligations of the U.S. Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc. and the U.S. Subsidiary Guarantors. The obligations of the Canadian Borrower under the revolving credit facility are guaranteed by Thermon Group Holdings, Inc., the U.S. Borrower, the U.S. 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 U.S. 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 U.S. Subsidiary Guarantors, including 100% of the capital stock of the U.S. Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of Thermon Group Holdings, Inc., the U.S. Borrower and the U.S. 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 U.S. 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 June 30, 2021 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 June 30, 2021, 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 including cash dividends to shareholders; enter into sales and leaseback transactions; make investments; prepay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

9. Commitments and Contingencies

At June 30, 2021, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled approximately $8,845. Of this amount, $1,088 is secured by cash deposits at the Company's financial institutions and an additional $3,787 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 $4,891 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 June 30, 2021, 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.

In addition to the legal proceedings described above, in January 2020, the Company received service of process in a class action application in the Superior Court of Quebec, Montreal, Canada related to certain heating elements previously manufactured by THS and incorporated into certain portable construction heaters sold by certain manufacturers. The Company believes this claim is without merit and intends to vigorously defend itself against the claim. While the Company continues to dispute the allegations, in March 2021, it reached an agreement in principle with the plaintiff and other defendants to resolve this matter without admitting to any liability; such agreement remains subject to the agreement of the parties on the terms of a definitive settlement agreement. Settlement of this matter on the agreed terms will require the Company to contribute an amount that would not have a material impact on the Company's consolidated financial position, results of operations or cash flows. The settlement is subject to, among other things, approval by the Superior Court.

As of June 30, 2021, the Company has accrued $2,156 as estimated additional cost related to the operational execution of a project in our US-LAM segment.

10. Revenue

Disaggregation of Revenue

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

Disaggregation of revenues from contracts with customers for the three months ended June 30, 2021 and 2020 is as follows:

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	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	$ 13,755	$ 8,901	$ 22,656	$ 8,275	$ 10,368	$ 18,643
Canada	19,096	6,335	25,431	13,647	5,666	19,313
Europe, Middle East and Africa	6,446	8,488	14,934	6,814	2,653	9,467
Asia-Pacific	4,708	3,426	8,134	4,085	5,340	9,425
Total revenues	$ 44,005	$ 27,150	$ 71,155	$ 32,821	$ 24,027	$ 56,848

Performance Obligations

At June 30, 2021, revenues associated with our open performance obligations totaled $115,753, representing our backlog. Within this amount, approximately $25,435 will be earned as revenue in excess of one year. We expect to recognize the remaining revenues associated with unsatisfied or partially satisfied performance obligations within 12 months.

Contract Assets and Liabilities

As of June 30, 2021 and March 31, 2021, contract assets were $16,089 and $11,379, respectively. There were no losses recognized on our contract assets for the three months ended June 30, 2021 and 2020. As of June 30, 2021 and March 31, 2021, contract liabilities were $4,059 and $2,959, respectively. The majority of contract liabilities at March 31, 2021 were recognized as revenue as of June 30, 2021. We typically recognize revenue associated with our contract liabilities within 12 months.

11. Income Taxes

Our effective income tax rate, after discrete tax events, was 65.5% before provision for taxes for the three months ended June 30, 2021 and a benefit of 29.1% for the three months ended June 30, 2020. During the three months ended June 30, 2021, the Company recorded a discrete tax expense of $945 related to an increase in withholding tax rates in its Russian subsidiary. Excluding the impact of the increase in withholding tax in Russia, the Company estimates that the effective tax rate will be 26.0% for fiscal year 2022. The estimated effective income tax rate represents the weighted average of the estimated tax expense over our global income before tax.

As of June 30, 2021, we have established a long-term liability for uncertain tax positions in the amount of $827. As of June 30, 2021, the tax years for the fiscal years ended March 31, 2016 through March 31, 2021 remain open to examination by the major taxing jurisdictions to which we are subject.

12. Segment Information

We maintain 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. We report the results of our THS product line in all four reportable segments, and the results of our TPS product line in the US-LAM and Canada reportable segments. 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. For purposes of this note, revenue is attributed to individual countries or regions on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Sales to External Customers:		
United States and Latin America	$ 22,656	$ 18,643
Canada	25,431	19,313
Europe, Middle East and Africa	14,934	9,467
Asia-Pacific	8,134	9,425
	$ 71,155	$ 56,848
Inter-Segment Sales:		
United States and Latin America	$ 10,697	$ 11,273
Canada	2,769	1,492
Europe, Middle East and Africa	412	695
Asia-Pacific	304	173
	$ 14,182	$ 13,633
Depreciation Expense:		
United States and Latin America	$ 1,484	$ 1,538
Canada	1,420	1,032
Europe, Middle East and Africa	105	112
Asia-Pacific	46	47
	$ 3,055	$ 2,729
Amortization Expense:		
United States and Latin America	$ 295	$ 676
Canada	1,906	1,897
Europe, Middle East and Africa	24	364
Asia-Pacific	11	96
	$ 2,236	$ 3,033
Income/(Loss) from Operations:		
United States and Latin America	$ (1,014)	$ (8,728)
Canada	4,031	2,159
Europe, Middle East and Africa	2,170	352
Asia-Pacific	1,108	997
Unallocated:		
Stock compensation	(1,178)	(1,133)
Public company costs	(503)	(402)
	$ 4,614	$ (6,755)

	June 30, 2021		March 31, 202	
Property, Plant and Equipment, Net:				
United States and Latin America	$	34,990	$	[illegible]
Canada		32,156		[illegible]
Europe, Middle East and Africa		3,110		
Asia-Pacific		695		
	$	70,951	$	[illegible]
Total Assets:				
United States and Latin America	$	220,066	$	2
Canada		287,125		2[illegible]
Europe, Middle East and Africa		82,301		[illegible]
Asia-Pacific		35,333		[illegible]
	$	624,825	$	6

Capital expenditures for our reportable segments were as follows:

	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
Capital Expenditures:				
United States and Latin America	$	318	$	1,793
Canada		528		233
Europe, Middle East and Africa		25		20
Asia-Pacific		2		13
	$	873	$	2,059

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

Introduction and Special Note Regarding Forward-Looking Statements

Management’s discussion and analysis of our financial condition and results of operations is provided as a supplement to the unaudited interim condensed consolidated financial statements and accompanying notes thereto for the three months ended June 30, 2021 and 2020 to help provide an understanding of our financial condition, changes in our financial condition and results of our operations. In this quarterly report, we refer to the three month periods ended June 30, 2021 and 2020 as “YTD 2022” and “YTD 2021,” 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 bid and win new contracts; (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 successfully develop and improve our products and successfully implement new technologies; (x) competition from various other sources providing similar heat tracing and process heating products and services, or alternative technologies, to customers; (xi) our revenue mix; (xii) our ability to grow through strategic acquisitions; (xiii) changes in relevant currency exchange rates; (xiv) impairment of goodwill and other intangible assets; (xv) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (xvi) our ability to protect our trade secrets; (xvii) our ability to protect our intellectual property; (xiii) our ability to protect data and thwart potential cyber-attacks; (xix) a material disruption at any of our manufacturing facilities; (xx) our dependence on subcontractors and third-party suppliers; (xxi) our ability to profit on fixed-price contracts; (xxii) the credit risk associated to our extension of credit to customers; (xxiii) our ability to achieve our operational initiatives; (xxiv) unforeseen difficulties with expansions, relocations, or consolidations of existing facilities; (xxv) potential liability related to our products as well as the delivery of products and services; (xxvi) our ability to comply with foreign anti-corruption laws; (xxvii) export control regulations or sanctions; (xxviii) changes in government administrative policy; (xxix) geopolitical instability in Russia and Ukraine and related sanctions by the U.S. government; (xxx) environmental and health and safety laws and regulations as well as environmental liabilities; and (xxxi) climate change and related regulation of greenhouse gases and those factors listed under Item 1A, “Risk Factors” included in our Annual Report on Form 10-K/A for the fiscal year ended March 31, 2021 filed with the Securities and Exchange Commission (the “SEC”) on May 27, 2021 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 of these factors 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.

Business Overview and Company History

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 attractive and growing markets, including chemical and petrochemical, oil and gas, power generation, commercial, rail and transit, and other, which we refer to as our "key end markets." We offer a full suite of products (heating units, heating cables, temporary power solutions and tubing bundles), services (engineering, installation and maintenance services) and software (design optimization and wireless and network control systems) required to deliver comprehensive solutions to some of the world's largest and most complex projects. With a legacy of innovation and continued investment in research and development, Thermon has established itself as a technology leader in hazardous or classified areas, and we are committed to developing sustainable solutions for our customers. We serve our customers through a global network of sales and service professionals and distributors in more than 30 countries and through our eight manufacturing facilities on three continents. These global capabilities and longstanding relationships with some of the largest multinational oil and 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 2022 and YTD 2021, approximately 68% and 67%, respectively, of our revenues were generated from outside of the United States. 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") product 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 product 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 some visibility into our future revenue. Historically, we have experienced few order cancellations, and the cancellations that have occurred in the past have not been material compared to our total contract volume or total backlog. The small number of order cancellations is attributable in part to the fact that a large portion of our solutions are ordered and installed toward the end of Greenfield project construction. Our backlog at June 30, 2021 was $115.8 million, as compared to $114.2 million at March 31, 2021. 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 selling, general and administrative 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 as well as other costs related to research and development, insurance, professional fees, the global integrated business information system, provisions for bad debts and warranty expense. In addition, our deferred compensation expense includes a non-qualified deferred compensation plan for certain highly compensated employees where payroll contributions are made by the employees on a pre-tax basis. The expense associated with our deferred compensation plan is titled "Deferred compensation expense" on our condensed consolidated statements of operations and comprehensive income.

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/A for the fiscal year ended March 31, 2021 filed with the SEC on May 27, 2021 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 June 30,*	
	2021	**2020**
Greenfield	35 %	32 %
MRO/UE	65 %	68 %

* THS products have been excluded from the table above. Substantially all revenue attributable to our THS product 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 product 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 2022 and YTD 2021, MRO/UE sales (excluding sales attributable to our THS product line) comprised approximately 65% and 68% 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.

Recent Developments

The 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. Although we believe the general economic environment in which we operate has improved significantly since the onset of the COVID-19 pandemic, 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. The Company enacted certain cost reduction efforts in fiscal 2021 to counter the economic impacts of the COVID-19 pandemic. We believe these specific cost reduction efforts are substantially complete. See Item 1A, "Risk Factors" of our Annual Report on Form 10-K/A for the fiscal year ended March 31, 2021 filed with the SEC on May 27, 2021, for further discussion.

The Company recently received the first order for the recently launched Genesis Network technology, and we continue to invest in our diversification and developing market growth initiatives.

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

No triggering events were identified during the three month period ended June 30, 2021 which would indicate that the fair value of any of our reporting units was less than its carrying amount. We will continue to monitor our reporting units' goodwill and intangible asset valuations and perform qualitative assessments at each interim reporting period.

Results of Operations (Three-month periods ended June 30, 2021 and 2020)

The following table sets forth our unaudited condensed consolidated statements of operations for the three months ended June 30, 2021 and 2020 and indicates the amount of change and percentage change between periods.

	Three Months Ended June 30, (dollars in thousands)				Increase/(Decrease)		
	2021		2020		$		%
Consolidated Statements of Operations Data:							
Sales	$	71,155	$	56,848	$	14,307	25 %
Cost of sales		42,986		32,729		10,257	31 %
Gross profit	$	28,169	$	24,119	$	4,050	17 %
Gross margin %		39.6 %		42.4 %			
Operating expenses:							
Selling, general and administrative expenses	$	21,401	$	24,390	$	(2,989)	(12)%
Deferred compensation plan expense		332		530		(198)	(37)%
Amortization of intangible assets		2,236		3,033		(797)	(26)%
Restructuring and other charges/(income)		(414)		2,921		(3,335)	(114)%
Income/(loss) from operations	$	4,614	$	(6,755)	$	11,369	(168)%
Other income/(expenses):							
Interest expense, net		(2,165)		(2,555)		(390)	15 %
Other income/(expense)		66		732		(666)	(91)%
Income before provision for income taxes	$	2,515	$	(8,578)	$	11,093	(129)%
Income tax expense/(benefit)		1,648		(2,493)		4,141	(166)%
Net income/(loss)	$	867	$	(6,085)	$	6,952	114 %

Three Months Ended June 30, 2021 (“YTD 2022”) Compared to the Three Months Ended June 30, 2020 (“YTD 2021”)

Revenues. Revenues for YTD 2022 were $71.2 million compared to $56.8 million for YTD 2021, an increase of $14.4 million or 25%, which management attributes to increased demand from our customers, particularly maintenance capital spending in our energy end-markets. Our sales mix (excluding our THS product line) in YTD 2022 was 35% Greenfield and 65% MRO/UE, as compared to 32% Greenfield and 68% MRO/UE in YTD 2021. Greenfield revenue is historically at or near 40% of our total revenue. In YTD 2022, revenues increased in all reportable segments as compared to YTD 2021, except for our APAC reportable segment due to prolonged economic impacts of the COVID-19 pandemic in the region. Additionally, our revenue was positively impacted by $4.7 million in YTD 2022 when compared to foreign exchange translation rates that were in effect in YTD 2021, though partly offset elsewhere by somewhat higher cost of sales as a result of foreign exchange impacts.

Gross profit and margin. Gross profit totaled $28.2 million in YTD 2022, compared to $24.1 million in YTD 2020, an increase of $4.1 million or 17%. Gross margins were 39.6% and 42.4% in YTD 2022 and YTD 2021, respectively. The lower gross margin in YTD 2022 is primarily attributable to higher manufacturing and project costs.

Selling, general and administrative expenses. Selling, general and administrative expenses were $21.4 million in YTD 2022, compared to $24.4 million in YTD 2021, a decrease of $3.0 million or 12%. During YTD 2022, the effects of our cost reduction efforts started in fiscal 2021, which were taken due to the global economic downturn attributable to COVID-19, contributed to the overall decline to selling, general and administrative expenses compared to YTD 2021.

Deferred compensation plan expense. Deferred compensation plan expense was $0.3 million and $0.5 million in YTD 2022 and YTD 2021, respectively. To note, these specific compensation plan costs are materially offset in other income/(expense) where the Company experienced market gains of $0.3 million on the related investment assets. The decrease in expense in YTD 2022 is attributable to market fluctuations in YTD 2021 in the underlying investments as compared to YTD 2022. These market fluctuations coupled with continued employee contributions created more expense in YTD 2021 than YTD 2022.

Amortization of intangible assets. Amortization of intangible assets was $2.2 million in YTD 2022 compared to $3.0 million in YTD 2021, a decrease of $0.8 million attributable to certain intangible assets becoming fully amortized during fiscal 2021.

Restructuring and other charges/(income). Restructuring and other charges/(income) was $(0.4) million in YTD 2022, compared to $2.9 million in YTD 2021. In YTD 2021, the Company eliminated approximately 111 hourly and salaried positions and incurred one-time severance costs to counter the financial impacts related to the global economic downturn attributable to COVID-19. Refer to Note 3, "Restructuring and other charges/(income)" for additional detail.

Interest expense, net. Interest expense, net, was $(2.2) million and $(2.6) million in YTD 2022 and YTD 2021, respectively, a decrease of $0.4 million. The decrease in interest expense is primarily due to voluntary principal payments of $25.0 million during fiscal 2021, on primarily the term loan B credit facility (see Note 8, "Long-Term Debt," for additional information on our long-term debt).

Other income/(expense). Other income/(expense) was $0.1 million and $0.7 million in YTD 2022 and YTD 2021, respectively, representing a decrease of $0.6 million in other income. The decrease primarily relates to net foreign exchange losses in YTD 2022, as well as lower income related to our underlying assets in the deferred compensation plan for certain highly-paid employees of the Company.

Income tax expense/(benefit). Income tax expense was $1.6 million in YTD 2022 on pre-tax income of $2.5 million compared to income tax benefit of $2.5 million in YTD 2021 on pre-tax loss of $8.6 million, an increase of $4.1 million in income tax expense. Our effective tax rate was 65.5% and 29.1% in YTD 2022 and YTD 2021, respectively. During YTD 2022, the Company recorded additional tax expense of $0.9 million related to an increase in withholding tax in its Russian subsidiary.

Our global anticipated annual effective income tax rate before discrete events was 26.0% and 30.7% for YTD 2022 and YTD 2021, 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 11, “Income Taxes,” for additional detail.

Net income/(loss). Net income was $0.9 million in YTD 2022 as compared to a net loss of $6.1 million in YTD 2021, an increase of $7.0 million in income. The change in net income is explained by the changes noted in the sections above.

Contingencies

See Note 9 “Commitments and Contingencies” to our unaudited interim condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 2.

Liquidity and Capital Resources

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

During the three months ended June 30, 2021, we drew down $8.0 million and subsequently repaid $8.1 million from our Canadian Borrower line of credit, with the balance of $0.1 million attributable to foreign exchange impacts. This has been presented as such on our condensed consolidated statement of cash flows.

During the three months ended June 30, 2020, we drew down under our revolving credit facility as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of 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 as of April 30, 2020. Subsequent to April 30, 2020, we repaid all of our outstanding borrowings under our revolving credit facility.

We had no outstanding borrowings as it relates to our revolving credit facility as of June 30, 2021.

Cash and cash equivalents. At June 30, 2021, we had $41.1 million in cash and cash equivalents. We maintain cash and cash equivalents at various financial institutions located in many countries throughout the world where we operate. Approximately $14.8 million, or 36%, of these amounts were held in domestic accounts with various institutions and approximately $26.3 million, or 64%, 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 8, “Long-Term Debt—Senior Secured Credit Facility” to our unaudited interim condensed consolidated financial statements and accompanying notes thereto included above in Item 1. Financial Statements (Unaudited) of this quarterly report for information on our senior secured term loan and revolving credit facility, which is hereby incorporated by reference into this Item 2. At June 30, 2021, we had $56.2 million of available capacity thereunder after taking into account the borrowing base, outstanding borrowings and $3.8 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.

As of June 30, 2021, we had $147.9 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 $139.8 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 “U.S. 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 U.S. 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 "U.S. Borrower"), the U.S. 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 U.S. 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 U.S. Subsidiary Guarantors, including 100% of the capital stock of the U.S. Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of Thermon Group Holdings, Inc., the U.S. Borrower and the U.S. 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 U.S. 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 June 30, 2021 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 June 30, 2021, 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 and potential opportunities under the U.S. Tax Cuts and Jobs Act of 2017 (the "Tax Act") to repatriate cash tax free, we have reevaluated our current indefinite assertions. Beginning with fiscal 2018, we no longer assert a permanent reinvestment position in most of our foreign subsidiaries. We expect to repatriate certain earnings which may 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. Any changes made by foreign jurisdictions to their respective withholding rates could impact future tax expense and cash flows.

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 fiscal 2022, we anticipate that our capital expenditures will be approximately 1.5% to 2% of revenue.

Net cash provided by operating activities totaled $2.5 million and $3.4 million in YTD 2022 and YTD 2021, respectively, a decrease of $0.9 million primarily related to the change in working capital accounts.

Our working capital assets in accounts receivable, inventory, contract assets and other current assets represented a use of cash of $2.9 million and a source of cash of $14.2 million in YTD 2022 and YTD 2021 respectively, a decrease in the source of cash of $17.1 million in YTD 2022. During both YTD 2022 and YTD 2021, accounts receivable decreased, representing a source of cash of $1.2 million and $21.2 million, respectively. In YTD 2021, accounts receivable decreased significantly due to deceleration of sales activity amid the economic impacts of the COVID-19 pandemic. In YTD 2022, accounts receivable decreased moderately due to timing of customer payments, as well as foreign currency exchange impacts. Contract assets represented a use of cash of $3.5 million and a source of cash of $1.8 million in YTD 2022 and YTD 2021, respectively, which is primarily attributed to timing of billings on our projects. In YTD 2022, our inventory stayed relatively flat relative to the balance at March 31, 2021, while in YTD 2021, inventory represented a use of cash of $7.9 million.

Our combined balance of accounts payable, accrued liabilities and other non-current liabilities represented a use of cash of $0.8 million and $6.1 million in YTD 2022 and YTD 2021, respectively, an overall decrease in the use of cash of $5.3 million. The change in accounts payable and accrued liabilities is primarily due to the timing of vendor payments. Changes in our income taxes payable and receivable balances represented a use of cash of $0.8 million and $3.8 million in YTD 2022 and YTD 2021, respectively.

Net cash used in investing activities totaled $0.9 million and $2.1 million for YTD 2022 and YTD 2021, respectively, a comparative decrease in the use of cash for investing activities of $1.2 million. Net cash used in investing activities relates to the purchase of capital assets primarily to maintain the existing operations of the business and also includes purchases and sales of equipment in our rental business.

Net cash used in/provided by financing activities totaled a use of cash of $1.3 million and a source of cash of $2.7 million in YTD 2022 and YTD 2021, respectively, a comparative increase in the use of cash from financing activities of $4.0 million mostly attributable to the higher outstanding borrowings under our Canadian Borrower line of credit in YTD 2021 as compared to YTD 2022. Cash proceeds in financing activities are primarily short-term borrowings net of contractual and principal payments on our outstanding long-term debt and revolving credit facility.

Off-Balance Sheet Arrangements

As of June 30, 2021, we do not have any off balance sheet arrangements. In addition, we do not have any interest in entities commonly referred to as variable interest entities, which include special purpose entities and other structured finance entities.

Critical Accounting Polices

Our condensed consolidated financial statements are prepared in conformity with GAAP. The preparation of our financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. See Part II, 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/A for the fiscal year ended March 31, 2021 filed with the SEC on May 27, 2021 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 68% of our YTD 2022 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 2022, 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 $0.2 million for YTD 2022. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian dollar would result in a net increase in net income of $0.2 million for YTD 2022. A 10% appreciation of the U.S. dollar relative to the Euro would result in a de minimis change in net income. Conversely, a 10% depreciation 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 2022.

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 losses of $(0.3) million and gains of $0.2 million in YTD 2022 and YTD 2021, respectively.

As of June 30, 2021, we had approximately $14.3 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 positively impacted by $4.7 million in YTD 2022 when compared to foreign exchange translation rates that were in effect in

YTD 2021. 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. 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 $4.2 million and $9.5 million in YTD 2022 and YTD 2021, respectively, representing a comparative decrease in foreign currency translation gains of $5.3 million. The comparative decrease in YTD 2022 foreign currency translation gains is primarily due to the weakening of the Canadian dollar and Euro relative to the U.S. dollar as compared to YTD 2021. 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. 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 $31.3 million with our wholly-owned Canadian subsidiary. See Note 2, "Fair Value Measurements" to our unaudited interim condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our cross currency swap.

Interest rate risk and foreign currency risk relating to debt. Borrowings under both our variable rate term loan B credit facility and revolving credit facility incur interest expense that is variable in relation to the LIBOR rate. As of June 30, 2021, we had $147.9 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 June 30, 2021. Based on the outstanding borrowings, a one percent change in the interest rate would result in a $1.4 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 9 "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/A for the fiscal year ended March 31, 2021 filed with the SEC on May 27, 2021.

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

There were no unregistered sales of our equity securities during the three months ended June 30, 2021.

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†	Form of Employee RTSR Performance Unit Award Agreement under the Thermon Group Holdings, Inc. 2020 Long-Term Incentive Plan*
10.2†	Form of Employee EBITDA Performance Unit Award Agreement under the Thermon Group Holdings, Inc. 2020 Long-Term Incentive Plan*
31.1	Certification of Bruce Thames, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Kevin Fox, 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 Kevin Fox, 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)*

† Management contract and compensatory plan or arrangement

* 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: August 5, 2021	By:	/s/ Kevin Fox
	Name:	Kevin Fox
	Title:	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)

RTSR Performance Unit Award Agreement

Thermon Group Holdings, Inc., a Delaware corporation (the "***Company***"), hereby grants to the individual (the "***Holder***") named in the award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "***Grant Date***"), pursuant to the provisions of the Thermon Group Holdings, Inc. 2020 Long-Term Incentive Plan (the "***Plan***"), a performance unit award (the "***Award***") with respect to the shares of the Company's common stock, par value $0.001 per share ("***Stock***"), for the number of Target Units set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the "***Agreement***"). Capitalized terms not defined herein shall have the meanings specified in the Plan. For purposes of this Agreement, "Company Group" shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

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

2. <u>Rights as a Stockholder</u>. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to <u>Section 3</u> hereof and the Holder becomes a stockholder of record with respect to such shares of Stock. As of each date on which the Company pays a cash dividend to record owners of shares of Stock (a "***Dividend Date***"), then the number of shares subject to the Award shall increase by (a) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such Dividend Date, divided by (b) the fair market value of one share of Stock determined by the market closing price of one share of Stock as reported on the New York Stock Exchange on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

3. <u>Restriction Period and Vesting</u>.

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

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

3.3. <u>Termination of Employment</u>

(a) <u>Termination of Employment by the Company Group Other than for Cause or due to death or Disability</u>. If the Holder's employment with the Company Group terminates prior to the end of the Restriction Period by reason of the Company Group's termination of the Holder's employment other than for Cause, the Company Group's termination of the Holder's employment due to Disability or the Holder's death, then in any such case, the Holder shall vest on a pro-rata basis based on actual performance during the Performance Period and pro-rated based on (i) the total number of days the Holder was employed during such Restriction Period, divided by (ii) the total number of days during the Restriction Period, which total amount shall be rounded down to the nearest whole share. The remainder of the Award shall be immediately forfeited by the Holder and cancelled by the Company Group.

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

(c) Definitions.

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

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

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

5. Transfer Restrictions and Investment Representation.

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

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

6. Restrictive Covenants.

6.1. Confidential Information. The Company Group's employment of Holder has resulted and will result in Holder's exposure and access to confidential and proprietary information, including the Company Group's formulas, processes, administration and accounting systems, computer software, customer lists, vendor lists, due diligence files, financial information, technology, business strategies, business track record, and personal information about the Company Group's owners, directors, officers, and employees which Holder did not have access to prior to his or her employment with the Company

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

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

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

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

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

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

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

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

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

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

6.8. Business. For purposes of this Section 6, "***Business***" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Holder is a holder of any Common Stock acquired pursuant to this Award or while Holder is employed by the Company Group, including any business involving (i) the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing system maintenance, heat tracing insulation, (ii) the design, engineering, manufacture or sale of heating and filtration equipment for industrial and commercial applications (for example, products and services involving space and environmental heating, transportation heating, industrial process heating and gas and liquid filtration systems), and (iii) the design, engineering, manufacture, fabrication or sale of temporary power solutions and power distribution for industrial applications, and any other products sold or services provided by the Company Group and the provision of related services.

7. Additional Terms and Conditions of Award.

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

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

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

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

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

7.5. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code ("***Section 409A***") as a "short-term deferral" within the meaning of Treasury Regulations promulgated under Section 409A, or in the alternative to comply with Section 409A. This Agreement shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Holder on account of non-compliance with Section 409A. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service and (ii) the date of the Holder's death.

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

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

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

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

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

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

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

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

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

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

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

EBITDA Performance Unit Award Agreement

Thermon Group Holdings, Inc., a Delaware corporation (the "***Company***"), hereby grants to the individual (the "***Holder***") named in the award notice attached hereto (the "***Award Notice***") as of the date set forth in the Award Notice (the "***Grant Date***"), pursuant to the provisions of the Thermon Group Holdings, Inc. 2020 Long-Term Incentive Plan (the "***Plan***"), a performance unit award (the "***Award***") with respect to the shares of the Company's common stock, par value $0.001 per share ("***Stock***"), for the number of Target Units set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the "***Agreement***"). Capitalized terms not defined herein shall have the meanings specified in the Plan. For purposes of this Agreement, "***Company Group***" shall mean the Company and any Subsidiary thereof, collectively and individually. Capitalized terms not defined herein shall have the meanings specified in the Plan.

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

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

3. Restriction Period and Vesting.

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

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

3.3. Termination of Employment

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

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

(c) Definitions.

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

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

(ix) the Company Group's discovery that, prior to Holder's employment with the Company Group, Holder engaged in conduct of the type described in clauses (i) through (iv) above (it being understood that, in the case of clause (iii) above, such harm having impacted Holder's prior employer or the Company Group); or (x) any other material breach by Holder of this Agreement that is not cured within 30 days after notice to Holder.

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

5. Transfer Restrictions and Investment Representation.

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

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

6. Restrictive Covenants.

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

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

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

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

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

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

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

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

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

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

6.8. Business. For purposes of this Section 6, "***Business***" shall mean the business activities conducted by or planned to be undertaken by the Company Group while Holder is a holder of any Common Stock acquired pursuant to this Award or while Holder is employed by the Company Group, including any business involving (i) the design, engineering, manufacture or sale of heat tracing systems (for example, products involving the application of external heat to pipes, vessels, instruments or other equipment for the purposes of freeze protection, process temperature maintenance, environmental monitoring or surface snow and ice melting, heat tracing equipment, heat tracing tubing bundles, and heat tracing control systems), heat tracing system consultation, heat tracing system installation, heat tracing system maintenance, heat tracing insulation, (ii) the design, engineering, manufacture or sale of heating and filtration equipment for industrial and commercial applications (for example, products and services involving space and environmental heating, transportation heating, industrial process heating and gas and liquid filtration systems), and (iii) the design, engineering, manufacture, fabrication or sale of temporary power solutions and power distribution for industrial applications, and any other products sold or services provided by the Company Group and the provision of related services.

7. Additional Terms and Conditions of Award.

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

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

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

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

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

7.5. Section 409A. This Agreement is intended to be exempt from Section 409A of the Code ("***Section 409A***") as a "short-term deferral" within the meaning of Treasury Regulations promulgated under Section 409A, or in the alternative to comply with Section 409A. This Agreement shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Holder on account of non-compliance with Section 409A. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service and (ii) the date of the Holder's death.

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

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

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

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

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

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

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

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

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

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

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

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: August 5, 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, Kevin Fox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By:	/s/ Kevin Fox
Name:	Kevin Fox
Title:	Senior Vice President, 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 June 30, 2021 (the "Report"), I, Bruce Thames, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 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 June 30, 2021 (the "Report"), I, Kevin Fox, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

By:	/s/ Kevin Fox
Name:	Kevin Fox
Title:	Senior Vice President, Chief Financial Officer