

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 31, 2023

THERMON GROUP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-35159 (Commission File Number)	27-2228185 (I.R.S. Employer Identification Number)
7171 Southwest Parkway Building 300, Suite 200 Austin TX (Address of principal executive offices)		78735 (Zip code)

Registrant's telephone number, including area code: **(512) 690-0600**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On February 2, 2023, Thermon Group Holdings, Inc. (“Thermon,” “the Company,” “we,” “us” or “our”) issued a press release announcing its consolidated financial results for the third quarter of the fiscal year ending March 31, 2023. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information contained in, or incorporated into, this Item 2.02, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities under that Section, nor shall it be deemed incorporated by reference into any registration statement or other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 2.05 Costs Associated with Exit or Disposal Activities

As a result of the continued impact of the Russo-Ukrainian war, including the sanctions related thereto, the Company conducted a strategic assessment of its operations in the Russian Federation, and, on January 31, 2023, the board of directors authorized the Company to withdraw from its operations in the Russian Federation (the “Russia Exit”), through a planned disposition of its Russian subsidiary. The charges of approximately \$8.3 million recognized in the third fiscal quarter, related to the strategic assessment, were comprised of impairments of assets and other charges at December 31, 2022, primarily, \$0.8 million in trade accounts receivable, \$4.8 million in inventory, \$1.8 million in other assets, and \$0.9 million in long-lived assets. The \$8.3 million charge does not include approximately \$2 to \$4 million in cash, net of other liabilities surrendered, as well as \$2 to \$3 million of accumulated foreign currency translation losses recorded in shareholders’ equity, which we expect to recognize as a charge once a sale or ultimate disposal is consummated. This brings the total estimated pretax charge related to the Russia exit to \$12 to \$15 million. However, this aggregate charge could vary further depending on operational activity as well as currency rate movements between the U.S. dollar and the Russian Ruble between December 31, 2022, and the time the sale or ultimate disposal is final.

We do not anticipate material future cash expenditures related to the Russia exit. Additionally, we anticipate incurring approximately \$0.5 million in transaction-related professional fees to execute the transaction. All estimated amounts are subject to change until finalized.

The Company expects to substantially complete the Russia Exit by the first quarter of its fiscal year ending March 31, 2024, subject to the receipt of regulatory approval by the government of the Russian Federation and certain lenders under the Company’s lending facilities.

Forward-Looking Statements

The statements described herein that are not historical facts are forward-looking statements. 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 the actual charges incurred with respect to the Russia Exit as well as the timing thereof. When used herein, 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 release. When used herein, 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 release. Forward-looking statements reflect our current expectations regarding future events, results or outcomes. We do not intend to update these statements unless we are required to do so under applicable securities laws.

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, our ability to complete the disposition of our Russian subsidiary and anticipated timing and associated charges; the receipt of Russian regulatory approvals and lender approvals on the expected timeline or at all, and those factors listed under Item 1A “Risk Factors” included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022 filed with the Securities and Exchange Commission (the “SEC”) on May 26, 2022 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 influence whether any forward-looking statements contained in this report ultimately prove to be accurate.

Item 7.01. Regulation FD Disclosure.

On February 2, 2023, Thermon posted an updated investor presentation to its website. The presentation, entitled “Earnings Presentation (Third Quarter Fiscal 2023),” is posted and may be found on the Company’s investor relations website at: <https://ir.thermon.com>.

The information in this Current Report on Form 8-K is being “furnished” pursuant to Item 7.01 and shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any Company filing, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
99.1	Press Release issued by Thermon on February 2, 2023
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

February 2, 2023

THERMON GROUP HOLDINGS, INC.

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

THERMON REPORTS THIRD QUARTER FISCAL 2023 RESULTS

Revenue Up 21%; Raising Full Year Guidance

AUSTIN, Texas, February 2, 2023 -- Thermon Group Holdings, Inc. (NYSE:THR) ("Thermon"), a global leader in industrial process heating solutions, today announced consolidated financial results for the third quarter ("Q3 2023") of the fiscal year ending March 31, 2023 ("Fiscal 2023").

On January 31st, 2023, the board of directors authorized the Company to withdraw from its operations in the Russian Federation through a disposition of its Russian subsidiary (the "Russia Exit"), which is expected to be completed by the first fiscal quarter of 2024. The Russia Exit resulted in a total pretax charge during the three months ended December 31, 2022, of approximately \$8.3 million. The Company reported GAAP gross profit of \$50.5 million for the quarter, which was impacted by a charge of \$4.8 million related to the Russia Exit. The Company also reported GAAP net income of \$8.4 million and fully diluted GAAP earnings per share ("EPS") of \$0.25, impacted by charges related to the Russia Exit by \$7.3 million or \$0.22 earnings per share, respectively.

Key highlights for Q3 2023 as compared to the three months ended December 31, 2021 ("Q3 2022") include:

- Produced revenue of \$122.1 million, an increase of 21%, driven by sales growth in the US, Canada and Latin America
- Record non-GAAP adjusted EPS of \$0.52, an increase of 41% due to margin improvement and cost control
- Adjusted EBITDA of \$29.8 million, an increase of 45%, driven by volume growth and prudent cost management
- Adjusted gross margin of 45.3%, compared to 40.5%, improved due to higher volume, pricing realization and operational efficiency
- Bookings of \$126.0 million, an increase of 40%, highest quarterly bookings since IPO
- Raising Fiscal 2023 revenue and earnings guidance due to continued strong market demand

"Building on the strong momentum from the first two quarters, our global Thermon team delivered another quarter of excellent performance with robust profitability, including revenue growth of 21% and adjusted EBITDA growth of 45%," said Bruce Thames, President and CEO. "Our operational excellence program and price realization, in addition to higher volume and favorable mix, enabled us to grow profit margins year over year. Western Hemisphere customer demand remained strong during the third quarter and was the main growth driver, while Europe continues to be challenged by geopolitical events and higher energy costs. Record orders of \$126 million in the quarter grew 40%, bringing our trailing twelve-month total to over \$437 million, an all-time high. We are also seeing strong traction in the adoption of Genesis, our networked industrial IoT solution, which provides our customers with enhanced operational awareness of heat trace systems, streamlined maintenance, and reduced total installed costs. We continue to execute our long-term strategy, which includes the sizable and accelerating opportunity around decarbonization and the energy transition, while allocating investment towards our strategic initiatives and managing controllable spending."

Financial Highlights <i>in millions, except per share data</i>	Three Months Ended December 31,			Nine months ended December 31,		
	2022	2021	% Change	2022	2021	% Change
Sales ¹	\$ 122.1	\$ 100.6	21.4 %	\$ 318.1	\$ 253.1	25.7 %
Point-in-Time	78.4	57.6	36.1 %	199.5	152.1	31.2 %
Over Time - Small Projects	16.9	15.2	11.7 %	46.7	40.9	14.2 %
Over Time - Large Projects	26.8	27.8	(3.6) %	71.9	60.1	19.6 %
Net Income (Loss)	8.4	11.3	(25.2) %	26.0	11.4	127.6 %
EPS	0.25	0.33	(25.7) %	0.77	0.34	125.8 %
Adjusted Net Income (Loss) ²	17.5	12.4	41.8 %	38.8	17.5	121.4 %
Adjusted EPS ²	0.52	0.37	40.5 %	1.15	0.52	121.2 %
Adjusted EBITDA ³	29.8	20.6	44.5 %	68.2	40.1	70.0 %
% of Sales:						
Point in Time	64.2 %	57.3 %	690 bps	62.7 %	60.1 %	260 bps
Over-Time - Small Projects	13.8 %	15.1 %	-130 bps	14.7 %	16.2 %	-150 bps
Over-Time - Large Projects	21.9 %	27.6 %	-570 bps	22.6 %	23.7 %	-110 bps
Net Income (Loss)	6.9 %	11.2 %	-430 bps	8.2 %	4.5 %	370 bps
Adjusted Net Income (Loss) ²	14.3 %	12.3 %	200 bps	12.2 %	6.9 %	530 bps
Adjusted EBITDA ³	24.4 %	20.5 %	390 bps	21.4 %	15.8 %	560 bps

¹ Over Time sales were previously reported as a single figure and are now presented as Over Time - Small Projects and Over Time - Large Projects. Over Time - Small Projects are each less than \$0.5 million and Over Time - Large Projects are each equal to or greater than \$0.5 million.

² Net Income (Loss) after the impact of acquisition costs, restructuring, costs associated with impairments and other charges, amortization of intangible assets, the tax expense/(benefit) for impact of foreign rate increases, and the benefit from the Canadian Emergency Wage Subsidy (the "CEWS") (see table, "Reconciliation of Net Income to Adjusted Net Income and Adjusted EPS").

³ See table, "Reconciliation of Net Income to Adjusted EBITDA."

Q3 2023 organic sales (excluding revenue contributed by the acquisition of Powerblanket) were \$114.2 million as compared to \$100.6 million in Q3 2022, an increase of \$13.6 million, or 14%. Sales growth in the Western Hemisphere was a result of continued deferred maintenance activity in upstream and downstream oil markets and investments driven by sustained commodity prices and global demand. Sales attributable to the recent Powerblanket acquisition were \$7.9 million, with integration in progress and on schedule.

Backlog was \$164.7 million as of December 31, 2022, representing a \$19.0 million increase, or 13%, as compared to Q3 2022 backlog of \$145.7 million. Orders in Q3 2023 were \$126.0 million compared to \$90.2 million in Q3 2022, an increase of \$35.8 million or 40%.

Balance Sheet, Liquidity and Cash Flow

Thermon maintained a strong balance sheet during Q3 2023. The net debt-to-adjusted EBITDA ratio decreased to 1.1x from 2.2x in the prior year period. Gross outstanding debt was flat year over year. Available liquidity at the end of the quarter totaled \$109.1 million, including \$35.4 million in cash and cash equivalents and \$73.7 million available under credit agreements.

Working capital increased by 24% to \$153.8 million during Q3 2023. Capital expenditures during the quarter were \$1.5 million, up from \$0.7 million in the prior year period. Cash from operating activities was \$19.1 million and Free Cash Flow was \$17.6 million.

Balance Sheet Highlights <i>in millions</i>	Three Months Ended December 31,		
	2022	2021	% Change
Cash	\$ 35.4	\$ 32.6	8.7 %
Total Debt	132.8	132.8	— %
Net Debt ¹ / TTM Adjusted EBITDA	1.1 x	2.2 x	(1.1) x
Working Capital ²	153.8	124.3	23.8 %
Capital Expenditures	1.5	0.7	118.2 %
Free Cash Flow ³	17.6	2.6	573.9 %

¹ Total company debt, net of cash and cash equivalents.

² Working Capital equals Accounts Receivable plus Inventory less Accounts Payable.

³ See table, "Reconciliation of Cash Provided by Operating Activities to Free Cash Flow."

Revised Outlook

Kevin Fox, Thermon's Chief Financial Officer, added, "Due to the strong performance in the first three quarters of the year, we are again raising our annual guidance. For our fiscal year ending March 31, 2023, we expect revenue will be approximately \$429-\$437 million, which includes \$18 million of revenue contribution from the Powerblanket acquisition. We also expect GAAP EPS in Fiscal 2023 to be approximately \$1.11-\$1.15 per share, with Adjusted EPS to be approximately \$1.55-\$1.59 per share, the adjusted guidance does not include any potential impact to the Russia Exit that we will incur at closing. We expect continued strength in the Western Hemisphere to offset the contraction we are seeing in Europe, and we believe the combination of our operational excellence program with disciplined capital allocation priorities will deliver solid cash flow and profitable growth throughout the remainder of Fiscal 2023."

Conference Call and Webcast Information

Thermon's senior management team, including Bruce Thames, President and Chief Executive Officer, and Kevin Fox, Senior Vice President and Chief Financial Officer, will discuss Q3 2023 results during a conference call today, February 2, 2023 at 10:00 a.m. (Central Time). The call will be simultaneously webcast and the accompanying slide presentation containing financial information can be accessed on Thermon's investor relations website located at <http://ir.thermon.com>. Investment community professionals interested in participating in the question-and-answer session may access the call by dialing (877) 407-5976 from within the United States/Canada and (412) 902-0031 from outside of the United States/Canada. A replay of the webcast will be available on Thermon's investor relations website after the conclusion of the call.

About Thermon

Through its global network, Thermon provides safe, reliable and mission critical industrial process heating solutions. Thermon specializes in providing complete flow assurance, process heating, temperature maintenance, freeze protection and environmental monitoring solutions. Thermon is headquartered in Austin, Texas. For more information, please visit www.thermon.com.

Non-GAAP Financial Measures

Disclosure in this release of "Adjusted EPS," "Adjusted EBITDA," "Adjusted EBITDA margin," "Adjusted Net Income/(Loss)," "Free Cash Flow," and "Net Debt," which are "non-GAAP financial measures" as defined under the rules of the Securities and Exchange Commission (the "SEC"), are intended as supplemental measures of our financial performance that are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). "Adjusted Net Income/(Loss)" and "Adjusted EPS" (or "Adjusted fully diluted EPS") represent net income/(loss) before the impact of restructuring and other charges/(income), costs associated with impairments and other charges, acquisition costs, amortization of intangible assets, tax expense for impact of foreign rate increases, the benefit from the CEWS, and any tax effect of such adjustments. "Adjusted EBITDA" represents net income/(loss) before interest expense (net of interest income), income tax expense, depreciation and amortization expense, stock-based compensation expense, acquisition costs, costs associated with restructuring and other income/(charges), costs associated with impairments and other charges, and income related to the CEWS.

"Adjusted EBITDA margin" represents Adjusted EBITDA as a percentage of total revenue. "Free Cash Flow" represents cash provided by operating activities less cash used for the purchase of property, plant, and equipment, net of sales of rental equipment and proceeds from sales of land and buildings. "Net Debt" represents total outstanding principal debt less cash and cash equivalents on hand.

We believe these non-GAAP financial measures are meaningful to our investors to enhance their understanding of our financial performance and are frequently used by securities analysts, investors and other interested parties to compare our performance with the performance of other companies that report Adjusted EPS, Adjusted EBITDA, Adjusted EBITDA margin or Adjusted Net Income/(Loss). Adjusted EPS, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income/(Loss) and Free Cash Flow should be considered in addition to, and not as substitutes for, income from operations, net income/(loss), net income/(loss) per share and other measures of financial performance reported in accordance with GAAP. We provide Free Cash Flow as a measure of liquidity. Our calculation of Adjusted EPS, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income/(Loss) and Free Cash Flow may not be comparable to similarly titled measures reported by other companies. For a description of how Adjusted EPS, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income/(Loss) and Free Cash Flow are calculated and reconciliations to the corresponding GAAP measures, see the sections of this release titled "Reconciliation of Net Income/(Loss) to Adjusted Net Income/(Loss) and Adjusted EPS" and "Reconciliation of Cash Provided by Operating Activities to Free Cash Flow."

Forward-Looking Statements

This release 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 such as the anticipated financial performance of our Powerblanket acquisition, our execution of our strategic initiatives, our ability to complete the disposition of our Russian subsidiary and anticipated timing and associated charges and our ability to achieve our financial performance targets for fiscal 2026 and our Fiscal 2023 full-year guidance. When used herein, 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 release. 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.

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 a global pandemic, including the current pandemic (COVID-19 and its variants); (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 successfully develop and improve our products and successfully implement new technologies; (vi) competition from various other sources providing similar heat tracing and process heating products and services, or alternative technologies, to customers; (vii) our ability to deliver existing orders within our backlog; (viii) our ability to bid and win new contracts; (ix) the imposition of certain operating and financial restrictions contained in our debt agreements; (x) our revenue mix; (xi) our ability to grow through strategic acquisitions; (xii) our ability to manage risk through insurance against potential liabilities (xiii) changes in relevant currency exchange rates; (xiv) tax liabilities and changes to tax policy; (xv) impairment of goodwill and other intangible assets; (xvi) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (xvii) our ability to protect our trade secrets; (xviii) our ability to protect our intellectual property; (xix) our ability to protect data and thwart potential cyber-attacks; (xx) a material disruption at any of our manufacturing facilities; (xxi) our dependence on subcontractors and third-party suppliers; (xxii) our ability to profit on fixed-price contracts; (xxiii) the credit risk associated to our extension of credit to customers; (xxiv) our ability to achieve our operational initiatives; (xxv) unforeseen difficulties with expansions, relocations, or consolidations of existing facilities; (xxvi) potential liability related to our products as well as the delivery of products and services; (xxvii) our ability to comply with foreign anti-corruption laws; (xxviii) export control regulations or sanctions; (xxix) changes in government administrative policy; (xxx) the current geopolitical instability in Russia and Ukraine and related sanctions by the U.S. and Canadian governments and European Union; (xxxi) environmental and health and safety laws and regulations as well as environmental liabilities; and (xxxii) climate change and related regulation of greenhouse gases, and (xxxiii) those factors listed under Item 1A "Risk Factors" included in our

Annual Report on Form 10-K for the fiscal year ended March 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on May 26, 2022 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 in this release 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.

CONTACT:

Kevin Fox, Chief Financial Officer
Ivonne Salem, Vice President, FP&A and Investor Relations
(512) 690-0600
Investor.Relations@thermon.com

Thermon Group Holdings, Inc.
Consolidated Statements of Operations
(unaudited, in thousands except per share amounts)

	Three Months Ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Sales	\$ 122,110	\$ 100,613	\$ 318,109	\$ 253,090
Cost of sales	71,660	59,866	184,508	154,084
Gross profit	50,450	40,747	133,601	99,006
Operating expenses:				
Selling, general and administrative expenses	30,889	22,099	83,046	66,820
Deferred compensation plan expense/(income)	464	292	(499)	610
Amortization of intangible assets	2,367	2,187	7,072	6,613
Restructuring and other charges/(income)	2,668	—	2,668	(414)
Income/(loss) from operations	14,062	16,169	41,314	25,377
Other income/(expenses):				
Interest expense, net	(1,877)	(842)	(4,120)	(5,029)
Other income/(expense)	659	(627)	(592)	(3,517)
Income/(loss) before provision for taxes	12,844	14,700	36,602	16,831
Income tax expense/(benefit)	4,419	3,430	10,637	5,424
Net income/(loss)	<u>\$ 8,425</u>	<u>\$ 11,270</u>	<u>\$ 25,965</u>	<u>\$ 11,407</u>
Net income/(loss) per common share:				
Basic income/(loss) per share	\$ 0.25	\$ 0.34	\$ 0.78	\$ 0.34
Diluted income/(loss) per share	\$ 0.25	\$ 0.33	\$ 0.77	\$ 0.34
Weighted-average shares used in computing net income/(loss) per common share:				
Basic common shares	33,494	33,340	33,457	33,293
Fully-diluted common shares	33,880	33,658	33,756	33,482

Thermon Group Holdings, Inc.
Consolidated Balance Sheets
(in thousands, except share per share data)

	<i>(Unaudited)</i>	
	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,363	\$ 41,445
Accounts receivable, net of allowances of \$3,334 and \$2,177 as of December 31, 2022 and March 31, 2022, respectively	92,380	95,305
Inventories, net	91,418	71,650
Contract assets	16,597	19,626
Prepaid expenses and other current assets	15,981	11,786
Income tax receivable	1,469	4,626
Total current assets	<u>253,208</u>	<u>244,438</u>
Property, plant and equipment, net of depreciation and amortization of \$67,024 and \$63,954 as of December 31, 2022 and March 31, 2022, respectively	61,039	66,039
Goodwill	221,195	212,754
Intangible assets, net	96,162	94,908
Operating lease right-of-use assets	10,377	10,534
Deferred income taxes	778	1,211
Other non-current assets	7,336	6,785
Total assets	<u>\$ 650,095</u>	<u>\$ 636,669</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	30,003	33,567
Accrued liabilities	28,234	26,971
Current portion of long-term debt	10,219	7,929
Borrowings under revolving credit facility	24,500	—
Contract liabilities	9,780	8,010
Lease liabilities	3,506	3,624
Income taxes payable	3,570	897
Total current liabilities	<u>\$ 109,812</u>	<u>\$ 80,998</u>
Long-term debt, net	97,574	120,431
Deferred income taxes	12,531	17,943
Non-current lease liabilities	9,642	9,659
Other non-current liabilities	9,032	8,434
Total liabilities	<u>\$ 238,591</u>	<u>\$ 237,465</u>
Equity		
Common stock: \$.001 par value; 150,000,000 authorized; 33,495,287 and 33,364,722 shares issued and outstanding at December 31, 2022 and March 31, 2022, respectively	\$ 33	\$ 33
Preferred stock: \$.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	238,399	234,549
Accumulated other comprehensive loss	(56,423)	(38,906)
Retained earnings	229,495	203,528
Total equity	<u>\$ 411,504</u>	<u>\$ 399,204</u>
Total liabilities and equity	<u>\$ 650,095</u>	<u>\$ 636,669</u>

Thermon Group Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine months ended December 31,	
	2022	2021
Operating activities		
Net income/(loss)	\$ 25,965	\$ 11,407
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	14,557	15,349
Amortization of deferred debt issuance costs	230	495
Loss on extinguishment of debt	—	2,569
Impairment of property, plant and equipment	367	—
Stock compensation expense	4,438	2,699
Deferred income taxes	(4,186)	(878)
Reserve for uncertain tax positions, net	36	58
(Gain)/Loss on long-term cross currency swap	—	(1,391)
Remeasurement (gain)/loss on intercompany balances	134	(556)
Loss on sale of business, net of cash surrendered	—	310
Changes in operating assets and liabilities:		
Accounts receivable	1,145	(15,471)
Inventories	(18,047)	(6,137)
Contract assets	4,447	(6,287)
Other current and non-current assets	(695)	(3,293)
Accounts payable	(4,066)	15,221
Accrued liabilities and non-current liabilities	1,433	(824)
Income taxes payable and receivable	5,847	475
Net cash provided by/(used in) operating activities	\$ 31,605	\$ 13,746
Investing activities		
Purchases of property, plant and equipment	(5,173)	(2,920)
Sale of rental equipment	163	235
Cash paid for acquisitions, net of cash acquired	(35,299)	—
Net cash provided by/(used in) investing activities	\$ (40,309)	\$ (2,685)
Financing activities		
Proceeds from Term Loan A	—	140,425
Proceeds from revolving credit facility	34,500	15,959
Payments on long-term debt and revolving credit facility	(27,121)	(171,862)
Issuance costs associated with revolving line of credit and long term debt	—	(1,248)
Proceeds from exercise of stock options	—	97
Repurchase of employee stock units on vesting	(588)	(562)
Payments on finance leases	(62)	(96)
Net cash provided by/(used in) financing activities	\$ 6,729	\$ (17,287)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(754)	(821)
Change in cash, cash equivalents and restricted cash	(2,729)	(7,047)
Cash, cash equivalents and restricted cash at beginning of period	43,931	42,450
Cash, cash equivalents and restricted cash at end of period	\$ 41,202	\$ 35,403

Thermon Group Holdings, Inc.
Reconciliation of Net Income/(Loss) to Adjusted EBITDA
(Unaudited, in thousands)

	Three Months Ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
GAAP Net income/(loss)	\$ 8,425	\$ 11,270	\$ 25,965	\$ 11,407
Interest expense, net	1,877	842	4,120	5,029
Income tax expense/(benefit)	4,419	3,430	10,637	5,424
Depreciation and amortization expense	4,705	4,972	14,557	15,349
EBITDA (non-GAAP)	\$ 19,426	\$ 20,514	\$ 55,279	\$ 37,209
Stock compensation expense	1,994	275	4,438	2,698
Acquisition costs	—	—	126	—
Restructuring and other charges/(income) ¹	2,668	—	2,668	(414)
Other impairment charges/(income) ¹	5,666	—	5,666	—
Loss on debt extinguishment	—	—	—	2,569
Canadian Emergency Wage Subsidy	—	(204)	—	(1,952)
Adjusted EBITDA (non-GAAP)	\$ 29,754	\$ 20,585	\$ 68,177	\$ 40,110
Adjusted EBITDA %	24.4 %	20.5 %	21.4 %	15.8 %

1 - The 2022 charges relate to the Company's Russian subsidiary.

Thermon Group Holdings, Inc.
Reconciliation of Net Income/(Loss) to Adjusted Net Income/(Loss) and Adjusted EPS
(Unaudited, in thousands except per share amounts)

	Three Months Ended December 31,		Nine months ended December 31,		
	2022	2021	2022	2021	
GAAP Net income/(loss)	\$ 8,425	\$ 11,270	\$ 25,965	\$ 11,407	
Acquisition costs	—	—	126	—	Operating expense
Amortization of intangible assets	2,367	2,187	7,072	6,613	Intangible amortization
Restructuring and other charges/(income) ¹	2,668	—	2,668	(414)	Operating expense
Impairments and other charges/(income) ¹	5,666	—	5,666	—	Cost of Sales and Operating expense
Tax expense/(benefit) for impact of foreign rate adjustments	—	(440)	—	505	Tax expense
Withholding tax on dividend related to debt amendment	—	—	—	301	Tax expense
Loss on extinguishment of debt	—	—	—	2,569	Other income/(expense)
Canadian Emergency Wage Subsidy	—	(204)	—	(1,952)	Cost of Sales and Operating expense
Tax effect of adjustments	(1,585)	(444)	(2,657)	(1,489)	
Adjusted Net Income/(Loss) (non-GAAP)	\$ 17,541	\$ 12,369	\$ 38,840	\$ 17,540	
Adjusted Fully Diluted Earnings per Common Share (Adjusted EPS) (non-GAAP)	\$ 0.52	\$ 0.37	\$ 1.15	\$ 0.52	
Fully-diluted common shares	33,880	33,658	33,756	33,482	

1 - The 2022 charges relate to the Russia Exit.

Thermon Group Holdings, Inc.
Reconciliation of Cash Provided by Operating Activities to Free Cash Flow
(Unaudited, in thousands)

	Three Months Ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Cash provided by/(used in) by operating activities	\$ 19,074	\$ 3,295	\$ 31,605	\$ 13,746
Cash provided by/(used in) by investing activities	(1,499)	(687)	(40,309)	(2,685)
Cash provided by/(used in) by financing activities	(11,214)	(7,295)	6,729	(17,287)
Cash provided by operating activities	\$ 19,074	\$ 3,295	\$ 31,605	\$ 13,746
Less: Cash used for purchases of property, plant and equipment	(1,559)	(865)	(5,173)	(2,920)
Plus: Sales of rental equipment	60	178	163	235
Free cash flow provided (non-GAAP)	\$ 17,575	\$ 2,608	\$ 26,595	\$ 11,061