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 September 30, 2023

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 November 1, 2023, the registrant had 33,696,760 shares of common stock, par value $0.001 per share, outstanding.

THERMON GROUP HOLDINGS, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

Condensed Consolidated Balance Sheets

(Dollars in thousands, except share and per share data)

	September 30, 2023 (Unaudited)	March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 30,532	$ 35,635
Accounts receivable, net of allowances of $2,812 and $2,682 as of September 30, 2023, and March 31, 2023, respectively	101,564	97,627
Inventories, net	92,550	82,132
Contract assets	27,259	16,272
Prepaid expenses and other current assets	16,865	16,138
Income tax receivable	1,109	3,138
Total current assets	$ 269,879	$ 250,942
Property, plant and equipment, net of depreciation and amortization of $70,610 and $67,450 as of September 30, 2023, and March 31, 2023, respectively	64,794	63,288
Goodwill	218,864	219,612
Intangible assets, net	88,018	93,970
Operating lease right-of-use assets	12,319	13,570
Deferred income taxes	703	688
Other non-current assets	9,146	7,559
Total assets	$ 663,723	$ 649,629
Liabilities		
Current liabilities:		
Accounts payable	$ 34,603	$ 27,330
Accrued liabilities	30,585	39,364
Current portion of long-term debt	10,226	10,222
Borrowings under revolving credit facility	27,500	14,500
Contract liabilities	7,261	8,483
Lease liabilities	3,387	3,364
Income taxes payable	4,366	6,809
Total current liabilities	$ 117,928	$ 110,072
Long-term debt, net	72,599	87,710
Deferred income taxes	10,438	12,084
Non-current lease liabilities	11,389	12,479
Other non-current liabilities	9,063	8,296
Total liabilities	$ 221,417	$ 230,641
Commitments and contingencies (Note 10)		
Equity		
Common stock: $0.001 par value; 150,000,000 authorized; 33,690,712 and 33,508,076 shares issued and outstanding at September 30, 2023 and March 31, 2023, respectively	$ 34	$ 33
Preferred stock: $0.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	240,833	239,860
Accumulated other comprehensive loss	(61,424)	(58,100)
Retained earnings	262,863	237,195
Total equity	$ 442,306	$ 418,988
Total liabilities and equity	$ 663,723	$ 649,629

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/(Loss) (Unaudited)

(Dollars in thousands, except share and per share data)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Sales	$ 123,659	$ 100,557	$ 230,548	$ 195,999
Cost of sales	69,201	54,631	128,781	112,848
Gross profit	54,458	45,926	101,767	83,151
Operating expenses:				
Selling, general and administrative expenses	30,490	27,754	59,144	52,157
Deferred compensation plan expense/(income)	(247)	(303)	26	(963)
Amortization of intangible assets	2,227	2,437	4,614	4,705
Restructuring and other charges/(income)	304	—	885	—
Income from operations	21,684	16,038	37,098	27,252
Other income/(expenses):				
Interest expense, net	(1,925)	(1,408)	(3,509)	(2,243)
Other income/(expense)	(267)	(335)	74	(1,251)
Income before provision for income taxes	19,492	14,295	33,663	23,758
Income tax expense	4,762	3,311	7,995	6,218
Net income	$ 14,730	$ 10,984	$ 25,668	$ 17,540
Comprehensive income/(loss):				
Net income	$ 14,730	$ 10,984	$ 25,668	$ 17,540
Foreign currency translation adjustment	(7,845)	(17,811)	(3,388)	(22,963)
Other miscellaneous income	51	116	64	118
Comprehensive income/(loss)	$ 6,936	$ (6,711)	$ 22,344	$ (5,305)
Net income per common share:				
Basic	$ 0.44	$ 0.33	$ 0.76	$ 0.52
Diluted	$ 0.43	$ 0.33	$ 0.75	$ 0.52
Weighted-average shares used in computing net income per common share:				
Basic	33,688,514	33,476,695	33,748,425	33,438,657
Diluted	34,126,884	33,773,475	34,093,791	33,611,291

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	Accumulated Other Comprehensive Income/(Loss)	Total
Balances at March 31, 2023	33,508,076	$ 33	$ 239,860	$ 237,195	$ (58,100)	$ 418,988
Issuance of common stock as deferred compensation to employees	73,345	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	93,826	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	5,718	—	—	—	—	—
Stock compensation expense	—	—	1,238	—	—	1,238
Repurchase of employee stock units on vesting	—	—	(1,685)	—	—	(1,685)
Net income	—	—	—	10,938	—	10,938
Foreign currency translation adjustment	—	—	—	—	4,457	4,457
Other	—	—	—	—	13	13
Balances at June 30, 2023	33,680,965	$ 33	$ 239,413	$ 248,133	$ (53,630)	$ 433,949
Issuance of common stock as deferred compensation to employees	2,550	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	7,197	—	—	—	—	—
Stock compensation expense	—	—	1,450	—	—	1,450
Repurchase of employee stock units on vesting	—	—	(30)	—	—	(30)
Net income	—	—	—	14,730	—	14,730
Foreign currency translation adjustment	—	—	—	—	(7,845)	(7,845)
Other	—	1	—	—	51	52
Balances at September 30, 2023	33,690,712	$ 34	$ 240,833	$ 262,863	$ (61,424)	$ 442,306

	Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balances at March 31, 2022	33,364,722	$ 33	$ 234,549	$ 203,528	$ (38,906)	$ 399,204
Issuance of common stock as deferred compensation to employees	30,352	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	64,294	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	8,766	—	—	—	—	—
Stock compensation expense	—	—	1,193	—	—	1,193
Repurchase of employee stock units on vesting	—	—	(552)	—	—	(552)
Net income	—	—	—	6,556	—	6,556
Foreign currency translation adjustment	—	—	—	—	(5,152)	(5,152)
Other	—	—	—	1	2	3
Balances at June 30, 2022	33,468,134	$ 33	$ 235,190	$ 210,085	$ (44,056)	$ 401,252
Issuance of common stock as deferred compensation to employees	5,544	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	9,930	—	—	—	—	—
Stock compensation expense	—	—	1,251	—	—	1,251
Repurchase of employee stock units on vesting	—	—	(34)	—	—	(34)
Net income/(loss)	—	—	—	10,984	—	10,984
Foreign currency translation adjustment	—	—	—	—	(17,811)	(17,811)
Other	—	—	—	—	116	116
Balances at September 30, 2022	33,483,608	$ 33	$ 236,407	$ 221,069	$ (61,751)	$ 395,758

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

Thermon Group Holdings, Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Operating activities		
Net income	$ 25,668	$ 17,540
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,802	9,852
Amortization of deferred debt issuance costs	174	152
Stock compensation expense	2,688	2,444
Deferred income taxes	(1,562)	(1,749)
Reserve for uncertain tax positions, net	39	20
Remeasurement (gain)/loss on intercompany balances	(226)	530
Changes in operating assets and liabilities:		
Accounts receivable	(4,157)	(8,577)
Inventories	(11,569)	(22,013)
Contract assets and liabilities	(12,103)	10,100
Other current and non-current assets	(3,023)	(3,677)
Accounts payable	7,536	7,369
Accrued liabilities and non-current liabilities	(7,607)	(2,807)
Income taxes payable and receivable	(400)	3,347
Net cash provided by operating activities	$ 4,260	$ 12,531
Investing activities		
Purchases of property, plant and equipment	(5,608)	(3,614)
Sale of rental equipment	34	103
Cash paid for acquisitions, net of cash acquired	—	(35,299)
Net cash used in investing activities	$ (5,574)	$ (38,810)
Financing activities		
Proceeds from revolving credit facility	13,000	32,000
Payments on revolving credit facility	—	(3,000)
Payments on long-term debt	(15,381)	(10,441)
Repurchase of employee stock units on vesting	(1,715)	(586)
Payments on finance leases	(500)	(30)
Net cash provided by/(used in) financing activities	$ (4,596)	$ 17,943
Less: Net change in cash balances classified as assets held-for-sale	905	—
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(583)	(1,050)
Change in cash, cash equivalents and restricted cash	(5,588)	(9,386)
Cash, cash equivalents and restricted cash at beginning of period	38,520	43,931
Cash, cash equivalents and restricted cash at end of period	$ 32,932	$ 34,545

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

Thermon Group Holdings, Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(Dollars in thousands, except share and per share data)

1. Basis of Presentation

Thermon Group Holdings, Inc. and its direct and indirect subsidiaries are referred to collectively as “we,” “our,” or the “Company” herein. We are one of the largest providers of highly engineered industrial process heating solutions for process industries. We offer a full suite of products (heating units, heating cables, industrial heating blankets and related products, 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.

Our condensed consolidated financial statements are prepared in conformity with generally accepted accounting principles in the United States ("GAAP") and the requirements of the United States Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, the accompanying condensed consolidated financial statements do not include all disclosures required for full annual financial statements and should be read in conjunction with our audited consolidated financial statements and notes thereto for the fiscal year ended March 31, 2023 ("fiscal 2023"). In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments considered necessary to present fairly our financial position at September 30, 2023 and March 31, 2023, and the results of our operations for the three and six months ended September 30, 2023 and 2022.

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 management has based its assumptions and estimates on the facts and circumstances existing at September 30, 2023, actual results could differ from those estimates and affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the corresponding revenues and expenses as of the date of the financial statements. The operating results for the three and six months ended September 30, 2023, are not necessarily indicative of the results that may be achieved for fiscal 2024.

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 non-current 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.

	September 30, 2023	March 31, 2023
Cash and cash equivalents	$ 30,532	$ 35,635
Restricted cash included in prepaid expenses and other current assets	2,365	2,859
Restricted cash included in other non-current assets	35	26
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 32,932	$ 38,520

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

Recent Accounting Pronouncements

Business Combinations - In October 2021, the FASB issued Accounting Standards Update ("ASU") 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This update requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Accounting Standards Codification, or "ASC," 606. Under this "ASC 606 approach," the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value. The ASU is effective for all public business entities in annual and interim periods starting after December 15, 2022, and early adoption is permitted. We adopted this standard on April 1, 2023, and the adoption did not have a material impact on our consolidated financial statements.

2. Acquisition

Powerblanket

On May 31, 2022, (the "Acquisition Date"), Thermon Holding Corp., as buyer, acquired 100% of the issued and outstanding equity interests of Powerblanket ("Powerblanket") from Glacier Capital LLC, as seller (the "Acquisition"). Powerblanket is a leading North American supplier of heated blankets built upon patented heat spreading technology. The Acquisition increases our exposure to growing industrial and commercial end-markets through its freeze protection, temperature control and flow assurance solutions. We have integrated Powerblanket into our United States and Latin America ("US-LAM") reportable segment.

The initial purchase price for the Acquisition was $35,000, subject to an adjustment for net working capital acquired at closing. Subsequent to the Acquisition Date, and commensurate with the purchase agreement, we increased the purchase price by $299 for net working capital acquired. We financed the Acquisition through the use of our Revolving Credit Facility as well as cash on hand. Powerblanket's revenue structure does not result in material contract assets or liabilities.

Acquisition Costs

In accordance with GAAP, costs incurred to complete the Acquisition are expensed as incurred. Total acquisition costs, which represent transaction costs, legal fees, and third-party professional fees were $278, of which $126 were recognized in fiscal 2023. No costs related to the Acquisition have been recognized in fiscal 2024. Acquisition costs are reflected in "Selling, general and administrative expenses" in our condensed consolidated statement of operations and comprehensive income/(loss).

Purchase Price Allocation

We have accounted for the Acquisition according to the business combinations guidance found in ASC 805, *Business Combinations*, henceforth referred to as acquisition accounting. Acquisition accounting requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. We used primarily Level 2 inputs to allocate the purchase price to the major categories of assets and liabilities shown below, with the exception of the contract-based intangible asset, which was valued using Level 3 inputs. For valuing the customer relationships intangible asset, we used a common income-based approach called the multi-period excess earnings method; for the trademarks and developed technology intangible assets, we used a relief-from-royalty method; and for the contract-based intangible asset, we used the with and without method. The carrying values of inventories, property, plant and equipment as well as leased assets approximated their respective fair values at the time of closing.

Purchase Price Allocation

	Amortization Period (years)	Fair Value
Accounts receivable		$ 1,267
Inventories		3,545
Property, plant and equipment		391
Other current assets		290
Other non-current assets		954
Intangibles:		
Customer relationships	9.8	3,301
Trademarks	9.8	3,397
Contract-based	5.0	1,280
Developed technology	15.8	5,189
Goodwill		18,620
Total fair value of assets acquired		$ 38,234
Accounts payable		(1,098)
Accrued liabilities		(637)
Other liabilities		(1,200)
Total fair value of liabilities acquired		$ (2,935)
Purchase price		$ 35,299

Unaudited Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the Acquisition occurred at the beginning of the periods presented. These unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations would have been if the Acquisition had occurred at the beginning of the periods presented, nor are they indicative of future results of operations. The pro forma results presented below are adjusted for the removal of acquisition and other related costs of $126 which were incurred in our first fiscal quarter ended June 30, 2022.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Sales	$ 123,659	$ 100,557	$ 230,548	$ 197,863
Net income	14,730	10,984	25,668	17,257

3. 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 September 30, 2023 and March 31, 2023, no assets or liabilities were valued using Level 3 criteria, except for those acquired in our recent acquisition of Powerblanket, discussed in Note 2, "Acquisition."

Information about our financial assets and liabilities is as follows:

	September 30, 2023		March 31, 2023		
	Carrying Value	Fair Value	Carrying Value	Fair Value	Valuation Technique
Financial Assets:					
Deferred compensation plan assets	$ 7,103	$ 7,103	$ 6,350	$ 6,350	Level 1 - Active Markets
Foreign currency contract forwards assets	—	—	60	60	Level 2 - Market Approach
Financial Liabilities:					
Outstanding borrowings from revolving line of credit	$ 27,500	$ 27,500	$ 14,500	$ 14,500	Level 2 - Market Approach
Outstanding principal amount of senior secured credit facility	83,139	82,931	98,361	98,115	Level 2 - Market Approach
Deferred compensation plan liabilities	6,400	6,400	5,671	5,671	Level 1 - Active Markets
Foreign currency contract forwards liabilities	70	70	26	26	Level 2 - Market Approach

At September 30, 2023 and March 31, 2023, 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.

Additionally, we acquired certain assets and liabilities as disclosed in Note 2, "Acquisition" at fair value according to purchase price accounting.

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 non-current assets” in the condensed consolidated balance sheets at September 30, 2023 and March 31, 2023 were $7,103 and $6,350, 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 $6,400 and $5,671 included in “Other non-current liabilities” in the condensed consolidated balance sheets at September 30, 2023 and March 31, 2023, respectively. Deferred compensation plan expense/(income) is included as such in the condensed consolidated statement of operations, and therefore is excluded from "Selling, general and administrative expenses." Deferred compensation plan expense/(income) was $(247) and $(303) for the three months ended September 30, 2023 and 2022, respectively, and $26 and $(963) for the six months ended September 30, 2023 and 2022, 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/expense" on our condensed consolidated statements of operations and comprehensive income/(loss). Our unrealized losses and (gains) on investments were $234 and $296, respectively, for the three months ended September 30, 2023 and 2022, respectively, and $(50) and $934 for the six months ended September 30, 2023 and 2022, 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 address 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/(expense)" on our condensed consolidated statements of operations and comprehensive income/(loss). 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 September 30, 2023 and March 31, 2023, the notional amounts of forward contracts were as follows:

Notional amount of foreign currency forward contracts by currency

	September 30, 2023	March 31, 2023
Canadian Dollar	$ 2,500	$ 4,500
South Korean Won	2,000	1,500
Mexican Peso	1,500	—
Chinese Renminbi	—	500
Great Britain Pound	—	500
Total notional amounts	$ 6,000	$ 7,000

In the three and six months ended September 30, 2023 and 2022, foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income/(loss) were losses of $(148) and $(252), respectively, and a gain of $28 and a loss of $(612), 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. In the three and six months ended September 30, 2023 and 2022, our net foreign currency transactions resulted in losses of $(38) and $(37), respectively, and $(13) and $(333), respectively.

4. Restructuring and Other Charges/(Income)

Fiscal 2024 charges/(income)

As a result of the continued impact of the Russo-Ukrainian war, including the sanctions related thereto, the Company commenced a strategic assessment of its operations in its Russian subsidiary. On January 31, 2023, our 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. In fiscal 2023, we moved the assets related to our Russian subsidiary into a separate asset group deemed as "assets held-for-sale," and wrote down the related net assets to a nominal value. In the three and six months ended September 30, 2023, pursuant to requirements to remeasure the assets-held-for-sale, we recognized total charges related to the Russia Exit of $304 and $885, respectively, recorded to "Restructuring and other charges/(income)" on our condensed consolidated statement of operations and comprehensive income/(loss). This brings the total charge from fiscal 2023 and fiscal 2024 associated with the Russia Exit to $13,282.

All charges described above were recorded in our Europe, Middle East and Africa ("EMEA") reportable segment.

5. Net Income per Common Share

The reconciliations of the denominators used to calculate basic and diluted net income per common share for the three and six months ended September 30, 2023 and 2022, respectively, are as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Basic net income per common share				
Net income	$ 14,730	$ 10,984	$ 25,668	$ 17,540
Weighted-average common shares outstanding	33,688,514	33,476,695	33,748,425	33,438,657
Basic net income per common share	$ 0.44	$ 0.33	$ 0.76	$ 0.52

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Diluted net income per common share				
Net income	$ 14,730	$ 10,984	$ 25,668	$ 17,540
Weighted-average common shares outstanding	33,688,514	33,476,695	33,748,425	33,438,657
Common share equivalents:				
Stock options	29,108	1,536	25,209	—
Restricted and performance stock units	409,262	295,244	320,157	172,634
Weighted average shares outstanding – dilutive (1)	34,126,884	33,773,475	34,093,791	33,611,291
Diluted net income per common share	$ 0.43	$ 0.33	$ 0.75	$ 0.52

(1) For the three months ended September 30, 2023 and 2022, zero and 36,310, respectively, were not included in the calculation of diluted net income per common share, as they would have had an anti-dilutive effect. For the six months ended September 30, 2023 and 2022 1,633 and 113,559 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.

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 actual performance will be above or below target.

6. Inventories

Inventories consisted of the following:

	September 30, 2023	March 31, 2023
Raw materials	$ 59,070	$ 53,845
Work in process	5,213	5,338
Finished goods	34,478	29,511
	98,761	88,694
Valuation reserves	(6,211)	(6,562)
Inventories, net	$ 92,550	$ 82,132

7. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of September 30, 2023, is as follows:

	United States and Latin America		Canada		Europe, Middle East and Africa		Asia-Pacific		Total
Balance as of March 31, 2023	$	81,345	$	112,945	$	18,679	$	6,643	$	219,612
Foreign currency translation impact		—		109		(522)		(335)		(748)
Balance as of September 30, 2023	$	81,345	$	113,054	$	18,157	$	6,308	$	218,864

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.

Our total intangible assets consisted of the following:

	Gross Carrying Amount at September 30, 2023	Accumulated Amortization	Net Carrying Amount at September 30, 2023	Gross Carrying Amount at March 31, 2023	Accumulated Amortization	Net Carrying Amount at March 31, 2023
Products	$ 61,619	$ (36,458)	$ 25,161	$ 61,560	$ (33,344)	$ 28,216
Trademarks	46,141	(2,281)	43,860	47,427	(2,031)	45,396
Developed technology	14,568	(6,726)	7,842	14,862	(6,520)	8,342
Customer relationships	112,979	(103,190)	9,789	113,259	(102,743)	10,516
Certifications	427	—	427	441	—	441
Other	1,280	(341)	939	1,280	(221)	1,059
Total	$ 237,014	$ (148,996)	$ 88,018	$ 238,829	$ (144,859)	$ 93,970

8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	September 30, 2023	March 31, 2023
Accrued employee compensation and related expenses	$ 13,012	$ 17,709
Accrued interest	72	414
Customer prepayments	82	89
Warranty reserves	1,053	758
Professional fees	2,197	2,696
Sales taxes payable	3,802	4,301
Accrued litigation payable[1]	4,187	5,880
Other[2]	6,180	7,517
Total accrued current liabilities	$ 30,585	$ 39,364

(1) - The Company has insurance receivables recorded to Prepaid expenses and other current assets on our condensed consolidated balance sheets relating to and materially offsetting the accrued litigation payable noted above.

(2) - Other includes approximately $ 3,384 of non-cash, foreign currency translation impacts related to the Russia Exit. Once the disposition of our Russian affiliate is complete, this balance will be offset against accumulated other comprehensive loss on our condensed consolidated Balance Sheet.

9. Debt

Long-term debt consisted of the following:

	September 30, 2023	March 31, 2023
Variable Rate Term Loan A due September 2026, net of deferred debt issuance costs of $314 and $429 as of September 30, 2023, and March 31, 2023, respectively	$ 82,825	$ 97,932
Less current portion	(10,226)	(10,222)
Total long-term debt	$ 72,599	$ 87,710

Senior Secured Credit Facilities

On September 29, 2021, Thermon Group Holdings, Inc. as a credit party and a guarantor, Thermon Holding Corp. (the "US Borrower") and Thermon Canada Inc. (the "Canadian Borrower" and together with the US Borrower, the "Borrowers"), entered into an Amended and Restated Credit Agreement with several banks and other financial institutions or entities from time to time and JPMorgan Chase Bank, N.A., as Administrative Agent, ("the Agent") which was further amended on November 19, 2021 and March 7, 2023.

The Credit Agreement is an amendment and restatement of that certain Credit Agreement dated October 30, 2017, by and among Borrowers, the lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent (the "Prior Credit Agreement"), and provides for the following credit facilities described below (collectively, the "Facilities").

- Revolving Credit Facility: A USD $100,000 five-year secured revolving credit facility made available to the U.S. Borrower. The Revolving Credit Facility includes sub-limits for letters of credit and swing-line loans (the "Revolving Credit Facility").
- U.S. Term Loan Facility: A USD $80,000 five-year secured term loan A (the "U.S. Term Loan") made available to the U.S. Borrower (the "U.S. Term Loan Facility"); and
- Canadian Term Loan Facility: A CAD $76,182 five-year term loan A (the "Canadian Term Loan" and, together with the U.S. Term Loan, the "Term Loans") made available to the Canadian Borrower (the "Canadian Term Loan Facility," and together with the U.S. Term Loan Facility, the "Term Loan Facilities").

Proceeds of the Facilities were used at closing to repay and refinance the Borrowers' existing indebtedness under the Prior Credit Agreement and pay all interest, fees and expenses related thereto, and thereafter are expected to be used for working capital and general corporate purposes.

The Credit Agreement allows for incremental term loans and incremental revolving commitments in an amount not to exceed USD $100,000.

Maturity and Repayment

Each of the Facilities terminates on September 29, 2026. Each of the Term Loans will amortize as set forth in the table below, with payments on the first day of each January, April, July and October, with the balance of each Term Loan Facility due at maturity.

Installment Dates	Original Principal Amount
January 1, 2022 through October 1, 2022	1.25 %
January 1, 2023 through October 1, 2024	1.88 %
January 1, 2025 through July 1, 2026	2.50 %

Guarantees

The U.S. Term Loan and the obligations of the U.S. Borrower under the Revolving Credit Facility are guaranteed by the Company and all of the U.S. Borrower's current and future wholly owned domestic material subsidiaries (the "U.S. Subsidiary Guarantors"), subject to certain exceptions. The Canadian Term Loan is guaranteed by the Company, 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.

Security

The U.S. Term Loan and the obligations of the U.S. Borrower under the Revolving Credit Facility are secured by a first lien on all of the assets of the Company, the U.S. Borrower and 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 the Company, the U.S. Borrower and the U.S. Subsidiary Guarantors, subject to certain exceptions. The Canadian Term Loan is secured by a first lien on all of the assets of the Company, the U.S. Borrower, the U.S. Subsidiary Guarantors, the Canadian

Borrower and the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

Financial Covenants

In connection with the Credit Agreement, the Company is required, on a consolidated basis, to maintain certain financial covenant ratios.On the last day of any period of four fiscal quarters ending during a period set forth below, the Company must maintain a consolidated leverage ratio that does not exceed the ratios for such period set forth below (each of which ratios may be increased by 0.50:1.00 for each of the four fiscal quarters following certain acquisitions at the election of the U.S. Borrower):

Fiscal Quarter Ending	Consolidated Leverage Ratio
December 31, 2022, and each fiscal quarter thereafter	3.5:1.00

In addition, on the last day of any period of four fiscal quarters ending on or after September 30, 2021, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.25:1.00. As of September 30, 2023, we were in compliance with all financial covenants of the Credit Agreement.

Other Covenants

The Credit Agreement contains restrictive covenants (in each case, subject to certain exclusions) that limit, among other things, the ability of the Company and its subsidiaries (including the Borrowers) to 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.

The covenants are subject to various baskets and materiality thresholds, with certain of the baskets to the restrictions on the repayment of subordinated or unsecured indebtedness, restricted payments and investments being available only when the Company's pro forma leverage ratios are less than a certain level.

The Credit Agreement contains certain customary representations and warranties, affirmative covenants and events of default, including, among other things, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under ERISA, judgment defaults, actual or asserted failure of any guaranty or security documents to be in full force and effect and change of control. If such an event of default occurs, the Agent will be entitled to take various actions, including the termination of the commitment for the Revolving Credit Facility, the acceleration of amounts due under the Credit Agreement and certain other actions that a secured creditor is customarily permitted to take following a default.

At September 30, 2023, we had $27,500 in outstanding borrowings under the Revolving Credit Facility. We had $70,099 of available borrowing capacity thereunder after taking into account the borrowing base and $2,401 of outstanding letters of credit and the outstanding borrowings under the Revolving Credit Facility as of September 30, 2023. The Term Loans bear interest at the Secured Overnight Financing Rate ("SOFR"), or Canadian Dollar Offer Rate ("CDOR"), as applicable, in each case plus an applicable margin dictated by our leverage ratio (as described above). The interest rates on the Term Loan Facilities on September 30, 2023 were 6.73% for the Canadian Term Loan Facility, 6.68% for the U.S. Term Loan Facility, and 6.68% for the U.S. Revolving Credit Facility. Interest expense has been presented net of interest income on our condensed consolidated statements of operations and comprehensive income/(loss).

10. Commitments and Contingencies

Legal Proceedings and Other Contingencies

We are involved in various legal and administrative proceedings that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. As of September 30, 2023, we have established an estimated liability associated with the aforementioned disputes. Expenses related to litigation reduce operating income. 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 reporting period.

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 Thermon Heating Systems 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.

Letters of Credit and Bank Guarantees

At September 30, 2023, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled $17,948. Of this amount, $1,284 is secured by cash deposits at the Company's financial institutions and an additional $2,401 represents a reduction of the available amount of the Company's short-term and long-term revolving lines of credit. In addition to the arrangements totaling $17,948, our Indian subsidiary also has $4,423 in non-collateralized customs bonds outstanding to secure the Company's customs and duties obligations in India.

11. Revenue

Disaggregation of Revenue

We disaggregate our revenue from contracts with customers by geographic location, as well as 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.

Revenue recognized at a point-in-time based on when control transfers to the customer is generally related to our product sales. Point-in-time revenue does not typically require engineering or installation services. Revenue recognized over time occurs on our projects where engineering or installation services, or a combination of the two, are required. We recognize revenue related to such projects in a systematic way that reflects the transfer of goods or services, or a combination of goods and services, to the customer.

Disaggregation of revenues from contracts with customers for the three and six months ended September 30, 2023 and 2022 is as follows:

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	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	$ 31,744	$ 32,053	$ 63,797	$ 24,749	$ 22,685	$ 47,434
Canada	25,625	10,524	36,149	25,656	9,127	34,783
Europe, Middle East and Africa	7,819	5,588	13,407	5,261	4,282	9,543
Asia-Pacific	7,447	2,859	10,306	6,665	2,132	8,797
Total revenues	$ 72,635	$ 51,024	$ 123,659	$ 62,331	$ 38,226	$ 100,557

	Six months ended September 30, 2023			Six months ended September 30, 2022		
	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	$ 61,635	$ 55,659	$ 117,294	$ 47,865	$ 45,162	$ 93,027
Canada	50,147	21,325	71,472	50,787	16,191	66,978
Europe, Middle East and Africa	13,212	9,876	23,088	11,168	8,411	19,579
Asia-Pacific	12,786	5,908	18,694	11,297	5,118	16,415
Total revenues	$ 137,780	$ 92,768	$ 230,548	$ 121,117	$ 74,882	$ 195,999

Performance Obligations

At September 30, 2023, revenues to be recorded associated with our open performance obligations totaled $166,869. Within this amount, approximately $13,988 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 September 30, 2023 and March 31, 2023, contract assets were $27,259 and $16,272, respectively. As of September 30, 2023 and March 31, 2023, contract liabilities were $7,261 and $8,483, respectively. We typically recognize revenue associated with our contract liabilities within 12 months.

12. Income Taxes

Our effective income tax rate was 23.8% and 26.2% for the six months ended September 30, 2023 and 2022, respectively. The Company recorded a discrete tax benefit of $197 in the six months ended September 30, 2023, and a discrete tax expense of $343 related to various matters in the six months ended September 30, 2022. The discrete tax items for both periods include realized stock compensation and the foreign exchange impact of certain deferred tax matters.

As of September 30, 2023, we have established a long-term liability for uncertain tax positions in the amount of $1,001. As of September 30, 2023, the tax years for the fiscal years ended March 31, 2018 through March 31, 2023, remain open to examination by the major taxing jurisdictions.

13. 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 the following markets: chemical and petrochemical, oil, gas, power generation, commercial, food and beverage, 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, industrial heating blankets and related products, 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. 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 September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Sales to External Customers:				
United States and Latin America	$ 63,797	$ 47,434	$ 117,294	$ 93,027
Canada	36,149	34,783	71,472	66,978
Europe, Middle East and Africa	13,407	9,543	23,088	19,579
Asia-Pacific	10,306	8,797	18,694	16,415
	$ 123,659	$ 100,557	$ 230,548	$ 195,999
Inter-Segment Sales:				
United States and Latin America	$ 11,269	$ 11,841	$ 19,650	$ 22,742
Canada	3,851	3,304	8,583	6,656
Europe, Middle East and Africa	286	234	675	656
Asia-Pacific	422	433	1,533	812
	$ 15,828	$ 15,812	$ 30,441	$ 30,866
Depreciation Expense:				
United States and Latin America	$ 1,108	$ 1,240	$ 2,164	$ 2,587
Canada	937	1,148	1,848	2,300
Europe, Middle East and Africa	51	96	98	189
Asia-Pacific	40	35	78	71
	$ 2,136	$ 2,519	$ 4,188	$ 5,147
Amortization Expense:				
United States and Latin America	$ 449	$ 599	$ 1,060	$ 999
Canada	1,745	1,795	3,488	3,630
Europe, Middle East and Africa	22	20	44	42
Asia-Pacific	11	23	22	34
	$ 2,227	$ 2,437	$ 4,614	$ 4,705
Income from Operations:				
United States and Latin America	$ 12,009	$ 6,163	$ 24,290	$ 17,716
Canada	7,520	8,700	11,058	12,776
Europe, Middle East and Africa	2,333	1,079	2,667	(1,562)
Asia-Pacific	1,769	1,809	2,676	1,746
Unallocated:				
Stock compensation	(1,450)	(1,251)	(2,688)	(2,444)
Public company costs	(497)	(462)	(905)	(980)
	$ 21,684	$ 16,038	$ 37,098	$ 27,252

	September 30, 2023	March 31, 2023
Property, Plant and Equipment, Net:		
United States and Latin America	$ 33,499	$ 31,918
Canada	28,398	28,369
Europe, Middle East and Africa	2,248	2,366
Asia-Pacific	649	635
	$ 64,794	$ 63,288
Total Assets:		
United States and Latin America	$ 279,738	$ 270,404
Canada	280,653	287,221
Europe, Middle East and Africa	61,074	57,680
Asia-Pacific	42,258	34,324
	$ 663,723	$ 649,629

Capital expenditures for our reportable segments were as follows:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Capital Expenditures:				
United States and Latin America	$ 1,719	$ 1,180	$ 3,546	$ 1,423
Canada	996	715	1,906	2,000
Europe, Middle East and Africa	4	51	37	132
Asia-Pacific	88	51	119	59
	$ 2,807	$ 1,997	$ 5,608	$ 3,614

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 condensed consolidated financial statements and accompanying notes thereto for the three and six months ended September 30, 2023 and 2022 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 September 30, 2023 and 2022 as "Interim 2024" and "Interim 2023," respectively. We refer to the six month periods ended September 30, 2023 and 2022 as "YTD 2024" and "YTD 2023," 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 project bids; (iii) our ability to generate more facility maintenance, repair and operations or upgrades or expansions 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 and successfully divest certain businesses, including our Russia business; (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) general economic conditions and cyclicality in the markets we serve; (ii) future growth of energy, chemical processing and power generation capital investments; (iii) our ability to operate successfully in foreign countries; (iv) the outbreak of a global pandemic, including COVID-19 and its variants; (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; (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, 2023, filed with the Securities and Exchange Commission (the “SEC”) on May 25, 2023, 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, gas, power generation, commercial, food and beverage, 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, industrial heating blankets and related products, 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 nine manufacturing facilities on two continents. These global capabilities and longstanding relationships with some of the largest multinational oil, gas, chemical processing, power and engineering, procurement and construction ("EPC") companies in the world have enabled us to diversify our revenue streams and opportunistically access high growth markets worldwide. During YTD 2024 and YTD 2023, approximately 52% and 59%, respectively, of our revenues were generated from outside of the United States.

Revenue. Our revenues are derived from providing customers with a full suite of innovative and reliable process heating solutions, including advanced heating and filtration solutions for industrial and hazardous area applications. Revenue recognized at a point in time based on when control transfers to the customer is generally related to our product sales. Point in time revenue does not typically require engineering or installation services. Revenue recognized over time occurs on our projects where engineering or installation services, or a combination of the two, are required. We recognize revenue related to such projects in a systematic way that reflects the transfer of goods or services, or a combination of goods and services, to the customer.

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").

We believe that our pipeline of planned projects, in addition to our backlog of written contractual commitments received from customers, 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 large project construction. Our backlog at September 30, 2023, was $166.9 million, as compared to $163.3 million at March 31, 2023. 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 sales 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, warranty-related 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. Raw material costs have been stable over the years; however, we may face challenges from time to time with temporary shortages related to global supply chain issues, such as those that persisted during the COVID-19 pandemic which led to shortages in certain raw materials as well as an increase in costs of these materials due to use of alternate suppliers, higher freight costs, increased lead times, expedited shipping and other inflationary factors. We cannot provide any assurance that we will continue to mitigate temporary raw material shortages or be able to pass along such cost increases, including the potential impacts of tariffs or supply chain challenges, 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 ("SG&A") are primarily comprised of compensation and related costs for sales, marketing, pre-sales engineering and administrative personnel, plus other sales related expenses as well as other costs related to research and development, insurance, professional fees, the global integrated business information system, and provisions for credit losses. 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/income associated with our deferred compensation plan is titled "Deferred compensation plan expense/(income)" on our condensed consolidated statements of operations and comprehensive income/(loss).

Key drivers affecting our results of operations. Our results of operations and financial condition are affected by numerous factors, including those described under the caption “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on May 25, 2023, 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:

- *Impact of product mix.* Typically, our customers require our products as well as our engineering and construction services. The level of service and construction needs affect the profit margin for each type of revenue.

  We tend to experience lower margins from our design optimization, engineering, installation and maintenance services, which are typically large projects tied to our customers' capex budgets and are comprised of more than $0.5 million in total revenue. For clarity, we will refer to these as "Over time large projects." Our results of operations in recent years have been impacted by the various construction phases of Over time large 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 projects may generate revenue for several quarters. In the early stages of an Over time large 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.

  Projects which do not require installation and maintenance services are smaller in size and representative of maintenance, repairs and small upgrades necessary to improve efficiency and uptime. These small projects are typically tied to our customers operating expense budgets with improved profit margins, and are generally less than $0.5 million in total revenue. We will refer to such projects as "Over time small projects."

The most profitable of our sales are derived from selling our heating products, for which we recognize revenue at a point in time. 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 Point in time and Over time revenues have each made the following contribution as a percentage of total revenue in the periods listed:

	Three Months Ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
Point in time	59%	62%	60%	62%
Over time:	41%	38%	40%	38%
Small projects	*12%*	*15%*	*13%*	*15%*
Large projects	*29%*	*23%*	*27%*	*23%*

Our Over time revenue includes (i) products and services which are billed on a time and materials basis, and (ii) fixed fee contracts for complex turnkey solutions. For our time and materials service contracts, we recognize revenues as the products and services are provided over the term of the contract and have determined that the stated rate for installation services and products is representative of the stand-alone selling price for those services and products.

Our turnkey projects, or fixed fee projects, offer our customers a comprehensive solution for heat tracing from the initial planning stage through engineering/design, manufacture, installation and final proof-of-performance and acceptance testing. Turnkey services also include project planning, product supply, system integration, commissioning and on-going maintenance. Turnkey solutions, containing multiple deliverables, are customer specific and do not have an alternative use and present an unconditional right to payment, and thus are treated as a single performance obligation with revenues recognized over time as work progresses.

For revenue recognized under fixed fee turnkey contracts, we measure the costs incurred that contribute towards the satisfaction of our performance obligation as a percentage of the total cost of production (the “cost-to-cost method”), and we recognize a proportionate amount of contract revenue, as the cost-to-cost method appropriately depicts performance towards satisfaction of the performance obligation. Changes to the original cost amount may be required during the life of the contract and such estimates are reviewed on a regular basis. Sales and gross profits are adjusted using the cumulative catch-up method for revisions in estimated contract costs. Reviews of estimates have not generally resulted in significant adjustments to our results of operations.

Point in time revenue represents goods transferred to customers at a point in time and is recognized when obligations under the terms of the contract with the customer are satisfied; generally this occurs with the transfer of control upon shipment.

- *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, oil, gas, 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. Large projects historically have been a substantial source of revenue growth, and large project revenues tend to be more cyclical than maintenance and repair 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 process heating solutions industry or provide complementary products and solutions for the markets and customers we serve. Refer to Note 2, "Acquisition," for more discussion of our Powerblanket acquisition.

Recent Developments

As a result of the continued impact of the Russo-Ukrainian war, including the sanctions related thereto, the Company commenced a strategic assessment of its operations in the Russian Federation, and, on January 31, 2023, our 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. As previously disclosed, in fiscal 2023, we recorded total charges of $12.6 million related to the Russia Exit as well as $0.2 million in transaction costs to prepare for the disposal of the subsidiary. During YTD 2024, we recorded an additional $0.9 million of charges associated with the Russia Exit, as well as $0.3 million transaction costs. We expect to complete the Russia Exit in our third fiscal quarter 2024, subject to the receipt of the requisite regulatory approvals.

The Company continues to invest in our three long-term strategic initiatives. First, we expect to continue to diversify our revenues into adjacent markets like commercial, food & beverage, transportation and other non-oil and gas industries where we can continue to differentiate our offerings through quality, safety and customer service, while also aligning Thermon’s strategy around the energy transition toward a more sustainable global economy. Second, we believe a multi-decades investment trend is beginning to emerge based on the rapidly increasing desire for industrial customers to electrify equipment to reduce their carbon footprint, which represents an opportunity for the Company to leverage its leading expertise in heat transfer engineering solutions. We believe that Thermon's expertise will be a key factor in a successful, sustainable transition, and we expect to invest in additional resources to quickly respond to changing customer demand. Finally, we expect to continue expanding our technology-enabled maintenance solutions, like our recently launched Genesis Network, which helps our customers more efficiently and safely monitor and maintain their heating systems by utilizing our software, analytics, hardware and process heating maintenance expert services. Our efforts to diversify the business's end markets are starting to show early signs of success through increased customer engagement in diversified end markets such as rail and transit, food and beverage, commercial and power. Additionally, we are continuing to receive orders from key customers related to our recently launched Genesis Network technology, with the number of installed circuits using Genesis Network accelerating in the most recent fiscal year. We are benefiting from the increasing global demand for our solutions, particularly in North America.

Results of Operations - Three-month periods ended September 30, 2023 and 2022

The following table sets forth our unaudited condensed consolidated statements of operations for the three months ended September 30, 2023 and 2022 and indicates the amount of change and percentage change between periods.

(Dollars in thousands)	Three Months Ended September 30,		Increase/(Decrease)	
	2023	2022	$	%
Consolidated Statements of Operations Data:				
Sales	$ 123,659	$ 100,557	$ 23,102	23 %
Cost of sales	69,201	54,631	14,570	27 %
Gross profit	54,458	45,926	8,532	19 %
Operating expenses:				
Selling, general and administrative expenses	30,490	27,754	2,736	10 %
Deferred compensation plan expense/(income)	(247)	(303)	56	(18)%
Amortization of intangible assets	2,227	2,437	(210)	(9)%
Restructuring and other charges/(income)	304	—	304	nm
Income from operations	21,684	16,038	5,646	35 %
Other income/(expenses):				
Interest expense, net	(1,925)	(1,408)	(517)	37 %
Other income/(expense)	(267)	(335)	68	(20)%
Income before provision for income taxes	19,492	14,295	5,197	36 %
Income tax expense	4,762	3,311	1,451	44 %
Net income	$ 14,730	$ 10,984	$ 3,746	34 %

As a percent of sales:			Change in basis points
Gross profit	44.0 %	45.7 %	-170 bps
Selling, general and administrative expenses	24.7 %	27.6 %	-290 bps
Income from operations	17.5 %	15.9 %	160 bps
Net income	11.9 %	10.9 %	100 bps
Effective tax rate	24.4 %	23.2 %	

Note: "nm" is not meaningful.

Three Months Ended September 30, 2023 (“Interim 2024”) Compared to the Three Months Ended September 30, 2022 (“Interim 2023”)

Revenues. Revenues increased in Interim 2024 across all segments, particularly in our US-LAM and EMEA reportable segments, which grew revenues $16.4 million, or 34%, and $3.9 million, or 40%, respectively, compared to Interim 2023. Particularly strong demand in our US-LAM segment was further bolstered by an increase in projects activity in Interim 2024. In our APAC segment, revenues increased by $1.5 million, or 17%, compared to Interim 2023. Revenue in our Canada segment also grew $1.4 million, or 4%, in Interim 2024 compared to Interim 2023. Separately, foreign exchange rates negatively impacted revenues in Interim 2024 by $1.2 million as the U.S. dollar strengthened relative to the Company's foreign currency-denominated operations.

Point in time revenues in Interim 2024 were $72.6 million, or 59% of total sales, while Over time revenues were $51.0 million, or 41% of total sales. This compares to 62% Point in time revenues and 38% Over time revenues in Interim 2023. Refer to the "Overview" section above for definitions of Point in time and Over time revenue. Both types of revenue grew, with Over time growing at a faster rate as revenue mix shifted toward projects in Interim 2024 compared to Interim 2023.

Gross profit and margin. The higher gross profit in Interim 2024 is primarily attributable to a higher volume of sales, while gross margin decreased, mainly due to a shift of our revenue mix to projects from relatively higher-margin materials, or Point in time, sales.

Selling, general and administrative expenses. The increase in SG&A expenses in Interim 2024 was driven by greater sales activity resulting in higher salaries and benefits and sales commissions. SG&A as a percent of sales was 24.7% in Interim 2024 versus 27.6% in Interim 2023. This decrease in SG&A as a percent of sales was attributable to a marked increase in sales coupled with with prudent cost management initiatives.

Deferred compensation plan expense/(income). The decrease in deferred compensation plan income in Interim 2024 is attributable in part to market fluctuations in the underlying balances as compared to Interim 2023. To note, this compensation plan expense/(income) is materially offset in other income/(expense) where the Company records market gains/(losses) on the related investment assets. Refer to Note 3, "Fair Value Measurements," for more information.

Amortization of intangible assets. Amortization of intangible assets in Interim 2024 was nearly flat when compared to Interim 2023.

Restructuring and other charges/(income). Restructuring and other charges/(income) were $0.3 million in Interim 2024 and zero in Interim 2023. Refer to Note 4, "Restructuring and Other Charges/(Income)" for more information.

Interest expense, net. The increase in interest expense is primarily due to a higher average interest rate during Interim 2024, which was approximately 6.57% versus approximately 3.39% during Interim 2023, partially offset by a lower debt balance in Interim 2024 of approximately $112 million versus $147 million at Interim 2023. See Note 9, "Debt," for additional information on our long-term debt.

Other income/(expense). The decrease in other expense is primarily due to fluctuations in the Company's non-qualified deferred compensation plan than in the prior year due to market fluctuations. These losses are materially offset by increased deferred compensation plan income as noted above.

Income tax expense. Income tax expense was $4.8 million in Interim 2024 on pre-tax income of $19.5 million compared to income tax expense of $3.3 million in Interim 2023 on pre-tax income of $14.3 million, an increase of $1.5 million. Our effective tax rate was 24.4% and 23.2% in Interim 2024 and Interim 2023, respectively. In Interim 2023, the Company's effective tax rate was impacted nominally by the discrete tax benefit of the foreign exchange impact of certain deferred tax matters. Refer to Note 12, “Income Taxes,” for additional detail.

Net income. The change in net income is explained by the changes noted in the sections above.

Results of Operations - Six-month periods ended September 30, 2023 and 2022

The following table sets forth our unaudited condensed consolidated statements of operations for the six months ended September 30, 2023 and 2022, respectively, and indicates the amount of change and percentage change between periods.

(Dollars in thousands)	Six Months Ended September 30,		Increase/(Decrease)	
	2023	2022	$	%
Consolidated Statements of Operations Data:				
Sales	$ 230,548	$ 195,999	$ 34,549	18 %
Cost of sales	128,781	112,848	15,933	14 %
Gross profit	101,767	83,151	18,616	22 %
Operating expenses:				
Selling, general and administrative expenses	59,144	52,157	6,987	13 %
Deferred compensation plan expense/(income)	26	(963)	989	(103)%
Amortization of intangible assets	4,614	4,705	(91)	(2)%
Restructuring and other charges/(income)	885	—	885	nm
Income from operations	37,098	27,252	9,846	
Other income/(expenses):				
Interest expense, net	(3,509)	(2,243)	(1,266)	56 %
Other income/(expense)	74	(1,251)	1,325	(106)%
Income before provision for income taxes	33,663	23,758	9,905	42 %
Income tax expense	7,995	6,218	1,777	29 %
Net income	$ 25,668	$ 17,540	$ 8,128	46 %

As a percent of sales:			Change in basis points
Gross profit	44.1 %	42.4 %	170 bps
Selling, general and administrative expenses	25.7 %	26.6 %	-90 bps
Income from operations	16.1 %	13.9 %	220 bps
Net income	11.1 %	8.9 %	220 bps
Effective tax rate	23.8 %	26.2 %	

Note: "nm" is not meaningful.

Six Months Ended September 30, 2023 ("YTD 2024") Compared to the Six Months Ended September 30, 2022 ("YTD 2023")

Revenues. Revenue increased in YTD 2024 compared to YTD 2023 due to strong demand in all segments. US-LAM revenue increased $24.3 million, or 26%, while Canada revenue increased $4.5 million, or 7%. Also contributing to the increase was the EMEA segment, which experienced sales growth of $3.5 million, or 18%, as well as our APAC segment, which grew $2.3 million, or 14%. The strong demand for projects, particularly in our US-LAM segment, impacted the revenue performance during YTD 2024. Separately, revenue was negatively impacted in YTD 2024 by foreign exchange rates of approximately $3.3 million as the U.S. dollar strengthened relative to the Company's foreign currency-denominated operations.

Point in time revenue and Over time revenue comprised 60% and 40% of sales in YTD 2024, respectively, and 62% and 38% in YTD 2023, respectively.

Gross profit and margin. Gross profit increased $18.6 million on greater sales volumes and greater profitability with gross margin improving by 170 bps. Although mix towards relatively lower-margin Over time revenue impacted margins, YTD 2024 gross margin was enhanced by customer price increases as well as operational efficiencies.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $7.0 million in YTD 2024 compared to YTD 2023 driven mainly by expenses associated with greater sales activity, including higher headcount and related salaries, as well as professional fees.

Deferred compensation plan expense/(income). Deferred compensation plan expense/(income) generated income in YTD 2024 due to market fluctuations in the underlying balances owed to employees. This compensation plan expense/(income) is materially offset in other income/(expense), where the Company recorded market gains/(losses) on related investment assets. Refer to Note 3, "Fair Value Measurements," for more information.

Restructuring and other charges/(income). Restructuring and other charges/(income) was $0.9 million in YTD 2024 and zero in YTD 2023. The activity in YTD 2024 was due to the Russia Exit. Refer to Note 4, "Restructuring and Other Charges/(Income)" for more information.

Amortization of intangible assets. Amortization of intangible assets was nearly flat when compared to YTD 2023. Activity within these accounts is driven by periodic straight-line amortization of our acquired intangibles. Refer to Note 2, "Acquisition" for more information.

Interest expense, net. Interest expense, net increased in YTD 2024 as compared to YTD 2023 due primarily to higher average interest rates (6.25% in YTD 2024 versus 3.06% in YTD 2023), partially offset by a lower average debt balance ($112 million in YTD 2024 versus $136 million in YTD 2023). Refer to Note 9, "Debt," for more information on our outstanding debt.

Other income/(expense). The change in Other income/(expense) in YTD 2024 is attributable to market fluctuations in the underlying investments associated with our non-qualified deferred compensation plan. These unrealized gains and losses on investments were materially offset by deferred compensation plan expense/(income) as noted above.

Income taxes. Income tax expense was $8.0 million in YTD 2024 on pre-tax income of $33.7 million compared to income tax expense of $6.2 million inYTD 2023 on pre-tax income of $23.8 million, an increase of $1.8 million in income tax expense. Our effective tax rate was 23.8% and 26.2% in YTD 2024 and YTD 2023, respectively. The Company's effective tax rate was impacted nominally by discrete tax items such as realized stock compensation and the foreign exchange impact of certain deferred tax matters. Refer to Note 12, “Income Taxes,” for additional detail.

Net income. The change in net income is explained by the changes noted above.

Contingencies

See Note 10, "Commitments and Contingencies," to our unaudited 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. Our primary liquidity needs are to finance our working capital, capital expenditures, debt service needs and potential future acquisitions.

At September 30, 2023, we had $30.5 million in cash and cash equivalents and $70.1 million available under our revolving line of credit facility. We manage our global cash requirements by maintaining cash and cash equivalents at various financial institutions throughout the world where we operate. Approximately $5.6 million, or 18%, of these amounts were held in domestic accounts with various institutions and approximately $24.9 million, or 82%, of these amounts were held in accounts outside of the United States with various financial institutions. While we require cash needs at our various foreign operations, excess cash is available for distribution to the United States through intercompany dividends or debt reduction in Canada. Please refer to Note 1, "Basis of Presentation," for more information regarding our restricted cash.

Generally, we seek to maintain a cash and cash equivalents balance between $30.0 and $40.0 million. We will encounter periods where we may be above or below this range, due to, for example, inventory buildup for anticipated seasonal demand in fall and winter months, related cash receipts from credit sales in months that follow, debt maturities, restructuring activities, larger capital investments, severe and/or protracted economic downturns, acquisitions, or some combination of the above activities. The Company continues to manage its working capital requirements effectively through optimizing inventory levels, doing business with credit-worthy customers, and extending payments terms with its supplier base.

Future Cash Requirements

Our future capital requirements depend on many factors as noted throughout this report. We believe that, based on our current level of operations and related cash flows, plus cash on hand and available borrowings under our revolving credit facility, we will be able to meet our liquidity needs for the next twelve months and the foreseeable future. We had $27.5 million of borrowings outstanding on our revolving credit facility at September 30, 2023. Although subject to change and not required by our Credit Facility, we intend to pay back the outstanding balance within the next twelve months. Please refer to Note 2, "Acquisition," for more information regarding our acquisition.

For fiscal 2024, we expect our capital expenditures to approximately 3.0% of revenue. Additionally, we expect to pay $10.2 million in principal payments on our long-term debt, as well as $3.4 million related to our leased assets in the next twelve months. See further details in Note 9, "Debt," in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report. We also have payment commitments of $7.2 million, mostly related to long-term information technology contracts, of which $5.5 million is due within the next twelve months.

Discussion and Analysis of Cash Flows

	Six months ended September 30,		
	2023	**2022**	**Increase/(Decrease)**
Total cash provided by/(used in):			
Operating activities	$ 4,260	$ 12,531	$ (8,271)
Investing activities	(5,574)	(38,810)	33,236
Financing activities	(4,596)	17,943	(22,539)
Free Cash Flow:(1)			
Cash provided by operating activities	$ 4,260	$ 12,531	$ (8,271)
Less: Cash used for purchases of property, plant, and equipment	(5,608)	(3,614)	(1,994)
Plus: Sales of rental equipment	34	103	(69)
Free Cash Flow	$ (1,314)	$ 9,020	$ (10,334)

(1) "Free Cash Flow" is a non-GAAP financial measure, which we define as net 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. Free Cash Flow is one measure management uses internally to assess liquidity. Our calculation may not be comparable to similarly titled measures reported by other companies.

Operating Cash Flows

Operating cash flows decreased in YTD 2024 as compared to YTD 2023 primarily due to investment of cash in working capital accounts of approximately $15 million, particularly related to changes in timing of billings on certain project-related contracts in our net contract assets given the increase in project-related activity, partially offset by higher net income of approximately $8 million.

Investing Cash Flows

Cash used in investing decreased in YTD 2024 as compared to YTD 2023 primarily due to the cash paid to acquire Powerblanket recorded in YTD 2023 with no similar activity in YTD 2024, slightly offset by higher capital expenditures in YTD 2024. Refer to Note 2, "Acquisition," for more information.

Financing Cash Flows

Financing cash flows decreased in YTD 2024 versus YTD 2023 primarily due to the borrowings for our acquisition of Powerblanket in YTD 2023 with no similar activity in YTD 2024. We borrowed on our revolving credit facility in both comparative periods, although to a lesser extent in YTD 2024 versus YTD 2023.

Credit Facilities

On September 29, 2021, Thermon Group Holdings, Inc. (the "Company"), as a credit party and a guarantor, and its subsidiaries Thermon Holding Corp. ("THC" or the "U.S. Borrower") and Thermon Canada Inc. (the "Canadian Borrower" and together with THC, the "Borrowers"), as borrowers, entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with several banks and other financial institutions or entities from time to time (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Agent").

The Credit Agreement is an amendment and restatement of that certain Credit Agreement dated October 30, 2017 by and among Borrowers, the lenders time to time party thereto and JPMorgan Chase Bank, N.A. as administrative agent (the "Prior Credit Agreement"), and provides for the credit facilities described in Note 9, "Debt," in Part I, Item 1. Financial

Statements (Unaudited) of this quarterly report. There is no material uncertainty about our ongoing ability to comply with our covenants.

Other Non-GAAP Financial Measures

In addition to evaluating our cash flow generation based upon operating, investing, and financing activities, the Company believes that the non-GAAP measure used in this section may provide investors and key stakeholders with another important perspective regarding our performance. The Company does not intend for this non-GAAP metric to be a substitute for the related GAAP measure, nor should it be viewed in isolation and without considering all relevant GAAP measurements. Moreover, our calculation may not be comparable to similarly titled measures reported by other companies.

We define “Free Cash Flow” as net cash provided by operating activities less cash used for the purchase of property, plant, and equipment, net of sales of rental equipment as well as proceeds from sales of land and buildings. This metric should not be interpreted to mean the remaining cash that is available for discretionary spending, dividends, share repurchases, acquisitions, or other purposes, as it excludes significant, mandatory obligations, such as principal payments on the Company’s long-term debt facility. Free cash flow is one measure that the Company uses internally to assess liquidity.

Free Cash Flow totaled $(1.3) million for YTD 2024 as compared to $9.0 million for YTD 2023, the drivers of which are explained above under "Discussion and Analysis of Cash Flows."

Contractual Obligations and Off-Balance Sheet Arrangements

There have been no material changes outside the ordinary course of business in the Company’s contractual obligations during Interim 2024. The Company does not have any off-balance sheet arrangements or any interest in entities commonly referred to as variable interest entities, which include special purpose entities and other structured finance entities. See the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023, filed on May 25, 2023, for further details.

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 for the fiscal year ended March 31, 2023, filed with the SEC on May 25, 2023, for a discussion of the Company’s critical accounting policies and estimates.

Recent Accounting Pronouncements

See Note 1, “Basis of Presentation,” to our unaudited 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 52% of our YTD 2024 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, Australian Dollar, South Korean Won, Chinese Renminbi, Indian Rupee, Mexican Peso, and Japanese Yen.

During YTD 2024, our largest exposures to foreign exchange rates consisted primarily of the Canadian Dollar and the Euro. 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 $0.8 million for YTD 2024. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian dollar would result in a net increase in net income of $1.0 million for YTD 2024. A 10% appreciation of the U.S. dollar relative to the Euro would result in a $0.1 million decrease in net income. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a $0.2 million increase in net income for YTD 2024.

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 and comprehensive income/(loss) were losses of a nominal amount and $0.3 million in YTD 2024 and YTD 2023, respectively.

As of September 30, 2023, we had approximately $6.0 million in notional forward contracts to reduce our exposure to foreign currency exchange rate fluctuations with respect to currencies. 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 3, “Fair Value Measurements” to our unaudited condensed financial statements included above in Item 1. Financial Statements (Unaudited) of this quarterly report for further information regarding our foreign currency forward contracts.

We estimate that our sales were negatively impacted by $3.3 million in YTD 2024 when compared to foreign exchange translation rates that were in effect in YTD 2023. 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 losses of $3.4 million and $23.0 million in YTD 2024 and YTD 2023, respectively. The losses are due to the strengthening of the U.S. dollar relative to the Company's other primary operating currencies, which was more pronounced in YTD 2023. Foreign currency translation gains or losses are reported as part of comprehensive income or loss in the condensed consolidated statements of operations and comprehensive income/(loss). Foreign currency transactions gains and 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/(loss).

Interest rate risk and foreign currency risk relating to debt. Borrowings under our Term Loan Facilities and the Revolving Credit Facility incur interest expense that is variable in relation to the SOFR and CDOR rate. As of September 30, 2023, we had $83.1 million of outstanding principal under our Term Loan Facilities and $27.5 million in borrowings under the Revolving Credit Facility. The interest rates on the Term Loan Facilities on September 30, 2023 were 6.73% for the Canadian Term Loan Facility, 6.68% for the U.S. Term Loan Facility, and 6.68% for the U.S. Revolving Credit Facility. Based on the outstanding borrowings, a 1% change in the interest rate would result in a $1.1 million increase or decrease, as applicable, 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. Raw material costs have been stable historically; however, in recent periods we have experienced, and may continue to experience, various shortages in certain raw materials as well as an increase in costs of these materials due to: use of alternate suppliers, higher freight costs, increased lead times, and expedited shipping. We cannot provide any assurance that we will continue to mitigate temporary raw material shortages or be able to pass along such cost increases, including the potential impacts of tariffs or supply chain challenges, to our customers in the future, and if we are unable to do so, our results of operations may be adversely affected.

Item 4. 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 the Company’s internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10, "Commitments and Contingencies," to our unaudited condensed consolidated financial statements included above in Part I, Item 1. Financial Statements (Unaudited) of this quarterly report, which is hereby incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, filed with the SEC on May 25, 2023.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

There were no unregistered sales of our equity securities during the three months ended September 30, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2023, none of our directors or executive officersadopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

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
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/(Loss), (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)*

* 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: November 2, 2023	By:	/s/ Kevin Fox
	Name:	Kevin Fox
	Title:	Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)

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: November 2, 2023

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: November 2, 2023

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 September 30, 2023 (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: November 2, 2023

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 September 30, 2023 (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: November 2, 2023

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