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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from ________ to ________

Commission File Number: 001-35159

THERMON GROUP HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**27-2228185**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7171 Southwest Parkway, Building 300, Suite 200, Austin, Texas 78735
(Address of principal executive offices) (zip code)

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

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

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of August 6, 2024, the registrant had 33,802,384 shares of common stock, par value $0.001 per share, outstanding.

THERMON GROUP HOLDINGS, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED JUNE 30, 2024

TABLE OF CONTENTS

	Page
PART I — FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of June 30, 2024 and March 31, 2024	2
Condensed Consolidated Statements of Operations and Comprehensive Income for the three months ended June 30, 2024 and 2023	4
Condensed Consolidated Statements of Equity for the three months ended June 30, 2024 and 2023	5
Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2024 and 2023	6
Notes to Condensed Consolidated Financial Statements (Unaudited)	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosures About Market Risk	27
Item 4. Controls and Procedures	28
PART II — OTHER INFORMATION	
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities	29
Item 3. Defaults Upon Senior Securities	29
Item 4. Mine Safety Disclosures	29
Item 5. Other Information	29
Item 6. Exhibits	29
EXHIBIT INDEX	31
SIGNATURE	32

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

Condensed Consolidated Balance Sheets

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

	June 30, 2024 (Unaudited)		March 31, 2024	
Assets				
Current assets:				
Cash and cash equivalents	$	49,083	$	48,631
Accounts receivable, net of allowances of $1,283 and $1,428 as of June 30, 2024 and March 31, 2024, respectively		98,680		107,318
Inventories, net		89,920		86,321
Contract assets		14,735		16,690
Prepaid expenses and other current assets		11,384		14,010
Income tax receivable		2,543		1,630
Total current assets	$	266,345	$	274,600
Property, plant and equipment, net of depreciation and amortization of $74,530 and $73,422 as of June 30, 2024 and March 31, 2024, respectively		69,307		68,335
Goodwill		269,415		270,786
Intangible assets, net		123,161		127,092
Operating lease right-of-use assets		13,531		13,613
Deferred income taxes		1,359		1,074
Other non-current assets		13,826		12,240
Total assets	$	756,944	$	767,740
Liabilities				
Current liabilities:				
Accounts payable	$	30,582	$	31,396
Accrued liabilities		29,191		31,624
Current portion of long-term debt		15,750		14,625
Borrowings under revolving credit facility		5,000		5,000
Contract liabilities		15,278		20,531
Lease liabilities		3,273		3,273
Income taxes payable		3,153		2,820
Total current liabilities	$	102,227	$	109,269
Long-term debt, net		147,569		151,957
Deferred income taxes		8,950		9,439
Non-current lease liabilities		12,462		12,635
Other non-current liabilities		9,756		9,553
Total liabilities	$	280,964	$	292,853
Commitments and contingencies (Note 10)				
Equity				
Common stock: $0.001 par value; 150,000,000 shares authorized; 33,881,880 issued and 33,824,521 outstanding, and 33,730,243 issued and 33,722,225 outstanding at June 30, 2024 and March 31, 2024, respectively	$	34	$	34
Preferred stock: $0.001 par value; 10,000,000 authorized; no shares issued and outstanding		—		—
Additional paid in capital		241,626		243,555
Treasury Stock		(1,829)		(250)
Accumulated other comprehensive loss		(61,145)		(57,235)
Retained earnings		297,294		288,783
Total equity	$	475,980	$	474,887
Total liabilities and equity	$	756,944	$	767,740

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

Thermon Group Holdings, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

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

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Sales	$ 115,126	$ 106,889
Cost of sales	64,694	59,580
Gross profit	50,432	47,309
Operating expenses:		
Selling, general and administrative expenses	31,088	28,654
Deferred compensation plan expense/(income)	103	273
Amortization of intangible assets	3,397	2,387
Restructuring and other charges/(income)	2,109	581
Income from operations	13,735	15,414
Other income/(expenses):		
Interest expense, net	(2,847)	(1,584)
Other income/(expense)	143	341
Income before provision for income taxes	11,031	14,171
Income tax expense	2,520	3,233
Net income	$ 8,511	$ 10,938
Comprehensive income:		
Net income	$ 8,511	$ 10,938
Foreign currency translation adjustment	(3,879)	4,457
Other miscellaneous income	(31)	13
Comprehensive income	$ 4,601	$ 15,408
Net income per common share:		
Basic	$ 0.25	$ 0.33
Diluted	$ 0.25	$ 0.32
Weighted-average shares used in computing net income per common share:		
Basic	33,756,172	33,566,732
Diluted	34,075,020	33,862,939

The accompanying notes are an integral part of these unaudited 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	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balances at March 31, 2024	33,722,225	$ 34	$ 243,555	$ (250)	$ 288,783	$ (57,235)	$ 474,887
Issuance of common stock as deferred compensation to employees	56,614	—	—	—	—	—	—
Issuance of common stock as deferred compensation to executive officers	87,782	—	—	—	—	—	—
Issuance of common stock as deferred compensation to directors	7,241	—	—	—	—	—	—
Stock compensation expense	—	—	1,065	—	—	—	1,065
Repurchase of employee stock units on vesting	—	—	(2,995)	—	—	—	(2,995)
Repurchase of shares under authorized program	(49,341)	—	—	(1,579)	—	—	(1,579)
Net income	—	—	—	—	8,511	—	8,511
Foreign currency translation adjustment	—	—	—	—	—	(3,879)	(3,879)
Other	—	—	1	—	—	(31)	(30)
Balances at June 30, 2024	33,824,521	$ 34	$ 241,626	$ (1,829)	$ 297,294	$ (61,145)	$ 475,980

	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

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

Thermon Group Holdings, Inc.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Operating activities		
Net income	$ 8,511	$ 10,938
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,563	4,439
Amortization of deferred debt issuance costs	131	86
Impairment of property, plant, and equipment	—	(22)
Stock compensation expense	1,065	1,238
Deferred income taxes	(721)	(753)
Remeasurement (gain)/loss on intercompany balances	299	(389)
Changes in operating assets and liabilities:		
Accounts receivable	7,404	7,043
Inventories	(3,954)	(10,652)
Contract assets and liabilities	(3,606)	(5,596)
Other current and non-current assets	650	(1,256)
Accounts payable	(201)	1,000
Accrued liabilities and non-current liabilities	(1,959)	(6,546)
Income taxes payable and receivable	(523)	1,338
Net cash provided by operating activities	$ 12,659	$ 868
Investing activities		
Purchases of property, plant and equipment	(3,923)	(2,801)
Sale of rental equipment	19	12
Net cash used in investing activities	$ (3,904)	$ (2,789)
Financing activities		
Proceeds from revolving credit facility	—	8,000
Payments on long-term debt	(3,375)	(7,765)
Repurchase of employee stock units on vesting	(2,995)	(1,685)
Repurchase of shares under authorized program	(1,579)	—
Payments on finance leases	(53)	(403)
Net cash used in financing activities	$ (8,002)	$ (1,853)
Less: Net change in cash balances classified as assets held-for-sale	—	1,012
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(543)	271
Change in cash, cash equivalents and restricted cash	210	(2,491)
Cash, cash equivalents and restricted cash at beginning of period	50,431	38,520
Cash, cash equivalents and restricted cash at end of period	$ 50,641	$ 36,029

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

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

1. Basis of Presentation

Thermon Group Holdings, Inc. and its 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, electrode and gas-fired boilers, 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, 2024 ("fiscal 2024"). In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments considered necessary to present fairly our financial position at June 30, 2024 and March 31, 2024, and the results of our operations for the three months ended June 30, 2024 and 2023. Certain reclassifications have been made to these condensed consolidated financial statements and accompanying footnotes to conform to the presentation to the current fiscal year.

Summary of Significant Accounting Policies

Please refer to Note 1, "Summary of Significant Accounting Policies” in our consolidated financial statements from our fiscal 2024 Form 10-K, as filed with the SEC on May 29, 2024, for the discussion on our significant accounting policies.

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 June 30, 2024, actual results could differ from those estimates and affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the corresponding revenues and expenses as of the date of the financial statements. The operating results for the three months ended June 30, 2024, are not necessarily indicative of the results that may be achieved for the fiscal year ended March 31, 2025 ("fiscal 2025").

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

	June 30, 2024	March 31, 2024
Cash and cash equivalents	$ 49,083	$ 48,631
Restricted cash included in prepaid expenses and other current assets	1,558	1,800
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 50,641	$ 50,431

Amounts shown in restricted cash included in prepaid expenses and other 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.

Recent Accounting Pronouncements

Please refer to Note 1, "Summary of Significant Accounting Policies” of our Consolidated Financial Statements, from our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the SEC on May 29, 2024, for the discussion on accounting pronouncements that have been issued but not yet effective for the interim periods presented that are not expected to have a material impact on our financial position or results of operations.

2. Acquisition

Vapor Power

On January 2, 2024, we announced our acquisition (the "Vapor Power Acquisition") of100% of the issued and outstanding equity interests of Vapor Power International, LLC and its affiliates, ("Vapor Power"), a leading provider of high-quality industrial process heating solutions, including electric, electrode and gas fired boilers. The acquisition was consummated on December 29, 2023 (the "Vapor Power Acquisition Date") and the seller was Stone Pointe, LLC. We have integrated Vapor Power into our United States and Latin America ("US-LAM") reportable segment.

The total purchase price for Vapor Power was $107,523, with cash acquired of $7,051, for a net closing purchase price of $100,472. The total purchase price is based on customary adjustments for cash acquired, preliminary working capital adjustments, outstanding indebtedness, and transaction expenses. The Vapor Power acquisition was funded with cash on hand, the existing revolving credit facility, and an expanded term loan amended on December 29, 2023 in connection with the transaction.

Acquisition Costs

In accordance with GAAP, costs to complete an acquisition are expensed as incurred. Total acquisition costs recognized in the Vapor Power acquisition were approximately $1,527, recognized in fiscal 2024. These fees represent legal, advisory, and other professional fees paid by the Company to complete the acquisition.

Preliminary Purchase Price Allocation

We have accounted for the Vapor Power 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 and 3 inputs to allocate the purchase price to the major categories of assets and liabilities shown below. For valuing the customer-related intangible assets, we used a common income-based approach called the multi-period excess earnings method; for the marketing-related and developed technology intangible assets, we used a relief-from-royalty method. The carrying values of inventories and property, plant, and equipment, and leases were adjusted to fair value, while the carrying value of any other asset or liability acquired approximated the respective fair value at time of closing.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the residual amount allocated to goodwill, is based upon preliminary information and is subject to change within the measurement period (up to one year from the Vapor Power Acquisition Date) as additional information concerning final asset and liability valuations is obtained. The fair value of the acquired intangible assets at December 31, 2023, of $44,521, was provisional pending receipt of the final valuation report for those assets from a third-party valuation expert. Additionally, we are still evaluating Vapor Power's customer contracts and related revenue recognition policies, and as such, the value of contract assets and/or contract liabilities is subject to change. During the measurement period, if new information is obtained about facts and circumstances that existed as of the Vapor Power Acquisition Date that, if known, would have resulted in revised estimated values of those assets or liabilities as of that date, we will revise the preliminary purchase price allocation. The effect of any measurement period adjustments to the estimated fair values will be reflected in future updates to our purchase price allocation. Goodwill will be deductible for tax purposes and generally represents expected synergies from the combination of efforts of the acquired business and the Company.

Preliminary Purchase Price Allocation - Vapor Power

	Amortization Period (years)	Fair Value
Cash		$ 7,051
Accounts receivable		8,683
Inventories		8,254
Other current assets		1,693
Property, plant and equipment		2,576
Operating lease right-of-use assets		2,700
Intangibles:		
Customer relationships[1]	2 - 15	22,953
Trademarks	10	7,879
Developed technology	15	13,689
Goodwill		51,750
Total fair value of assets acquired		$ 127,228
Current liabilities		(17,156)
Operating lease liability		(2,549)
Total fair value of liabilities acquired		$ (19,705)
Total purchase price		$ 107,523

(1) Included in the customer relationships intangible assets is $ 4,407 related to customer backlog with an estimated useful life of 2 years.

Unaudited Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the Vapor Power 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 Vapor Power 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 Vapor Power Acquisition and other related costs of $250 and $217, in the three months ended June 30, 2024 and 2023, respectively.

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Sales	$ 115,126	$ 115,859
Net income	8,631	11,347

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 June 30, 2024 and March 31, 2024, no assets or liabilities were valued using Level 3 criteria, except for those acquired in our acquisition of Vapor Power, as discussed in Note 2, "Acquisition."

Information about our financial assets and liabilities is as follows:

	June 30, 2024				March 31, 2024				
	Carrying Value		Fair Value		Carrying Value		Fair Value		Valuation Technique
Financial Assets:									
Deferred compensation plan assets	$	8,553	$	8,553	$	8,384	$	8,384	Level 1 - Active Markets
Foreign currency contract forwards assets		—		—		7		7	Level 2 - Market Approach
Financial Liabilities:									
Outstanding borrowings from revolving line of credit	$	5,000	$	5,000	$	5,000	$	5,000	Level 2 - Market Approach
Outstanding principal amount of senior secured credit facility		164,125		163,304		167,500		167,081	Level 2 - Market Approach
Deferred compensation plan liabilities		7,754		7,754		7,574		7,574	Level 1 - Active Markets
Foreign currency contract forwards liabilities		2		2		23		23	Level 2 - Market Approach

At June 30, 2024 and March 31, 2024, 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 acquisition 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 June 30, 2024 and March 31, 2024 were $8,553 and $8,384, 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 $7,754 and $7,574 included in “Other non-current liabilities” in the condensed consolidated balance sheets at June 30, 2024 and March 31, 2024, respectively. Deferred compensation plan expense/(income) is included as such in the condensed consolidated statements of operations and comprehensive income, and therefore is excluded from "Selling, general and administrative expenses." Deferred compensation plan expense/(income) was $103 and $273 for the three months ended June 30, 2024 and 2023, 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. Our unrealized (gains) on investments were $(93) and $(283), for the three months ended June 30, 2024 and 2023, 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. These gains and losses are designed to offset gains and losses resulting from settlement of receivables or payables by our foreign operations which are settled in currency other than the local transactional currency. The fair value is determined by quoted prices from active foreign currency markets (Level 2). Fair value amounts for such forward contracts on our condensed consolidated balance sheets are either classified as accounts receivable, net or accrued liabilities depending on whether the forward contract is in a gain (accounts receivable, net) or loss (accrued liabilities) position. Our ultimate realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature. As of June 30, 2024 and March 31, 2024, the notional amounts of forward contracts were as follows:

Notional amount of foreign currency forward contracts by currency

	June 30, 2024	March 31, 2024
Canadian Dollar	$ 1,000	$ 2,500
Mexican Peso	—	3,000
Australian Dollar	—	500
British Pound Sterling	700	1,000
Total notional amounts	$ 1,700	$ 7,000

In the three months ended June 30, 2024 and 2023, foreign currency gains or losses related to our forward contracts in the accompanying condensed consolidated statements of operations and comprehensive income were a loss of $(88) and a gain of $173, 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 months ended June 30, 2024 and 2023, our net foreign currency transactions resulted in gains of $28 and $25, respectively.

4. Restructuring and Other Charges/(Income)

Fiscal 2025 charges/(income)

On April 8, 2024, we enacted certain cost-cutting measures, including a reduction-in-force plan, as well as a facility consolidation, that together affected68 employees across our US-LAM and Canada reportable segments. Pursuant to the foregoing, we are moving certain operations and equipment associated with our rail & transit business from our Denver, Colorado location to San Marcos, Texas, where we have an existing manufacturing and back-office presence. These efforts, in part, will allow us to streamline certain operations, reduce our manufacturing footprint, and position us for more profitable growth. As a result of this actions, we recorded $2,109 in Restructuring and other charges.

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 fiscal 2024, we recognized total charges related to the Russia Exit of $581 recorded to "Restructuring and other charges/(income)" on our condensed consolidated statements of operations and comprehensive income.

Restructuring and other charges by reportable segment is as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
United States and Latin America	$ 715	$ —
Canada	1,394	—
Europe, Middle East and Africa	—	581
Asia-Pacific	—	—
	$ 2,109	$ 581

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 months ended June 30, 2024 and 2023, respectively, are as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Basic net income per common share		
Net income	$ 8,511	$ 10,938
Weighted-average common shares outstanding	33,756,172	33,566,732
Basic net income per common share	$ 0.25	$ 0.33

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Diluted net income per common share		
Net income	$ 8,511	$ 10,938
Weighted-average common shares outstanding	33,756,172	33,566,732
Common share equivalents:		
Stock options	36,453	21,664
Restricted and performance stock units	282,395	274,543
Weighted average shares outstanding – dilutive [1]	34,075,020	33,862,939
Diluted net income per common share	$ 0.25	$ 0.32

(1) For the three months ended June 30, 2024 and 2023, 45,679 and zero, 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:

	June 30, 2024	March 31, 2024
Raw materials	$ 62,008	$ 58,197
Work in process	5,871	5,339
Finished goods	26,135	26,552
	94,014	90,088
Valuation reserves	(4,094)	(3,767)
Inventories, net	$ 89,920	$ 86,321

7. Goodwill and Other Intangible Assets

The carrying amount of goodwill by operating segment as of June 30, 2024, is as follows:

	United States and Latin America	Canada	Europe, Middle East and Africa	Asia-Pacific	Total
Balance as of March 31, 2024	$ 133,095	$ 112,846	$ 18,532	$ 6,313	$ 270,786
Foreign currency translation impact	—	(1,112)	(132)	(127)	(1,371)
Balance as of June 30, 2024	$ 133,095	$ 111,734	$ 18,400	$ 6,186	$ 269,415

(1) Refer to Note 2, "Acquisition," for more information on the goodwill acquired through our recent acquisition of Vapor Power.

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. To date, there have been no indicators of impairment.

Our total intangible assets consisted of the following:

	Gross Carrying Amount at June 30, 2024	Accumulated Amortization	Net Carrying Amount at June 30, 2024	Gross Carrying Amount at March 31, 2023	Accumulated Amortization	Net Carrying Amount at March 31, 2023
Products	$ 60,899	$ (40,599)	$ 20,300	$ 61,505	$ (39,466)	$ 22,039
Trademarks	53,922	(2,934)	50,988	54,158	(2,650)	51,508
Developed technology	28,234	(7,760)	20,474	28,288	(7,372)	20,916
Customer relationships	135,628	(105,402)	30,226	136,088	(104,699)	31,389
Certifications	426	—	426	429	—	429
Other	1,280	(533)	747	1,280	(469)	811
Total	$ 280,389	$ (157,228)	$ 123,161	$ 281,748	$ (154,656)	$ 127,092

8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	June 30, 2024	March 31, 2024
Accrued employee compensation and related expenses	$ 14,335	$ 17,319
Accrued interest	908	494
Warranty reserves	2,779	978
Professional fees	2,934	2,912
Sales taxes payable	3,079	3,564
Accrued litigation payable[(1)]	971	1,356
Other[(2)]	4,185	5,001
Total accrued current liabilities	$ 29,191	$ 31,624

(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) - Included in Other are accrued warranty-related costs of $ 1,996 and $1,996, respectively, associated with the operational execution of a US-LAM project that was completed previously.

9. Debt

Long-term debt consisted of the following:

	June 30, 2024	March 31, 2024
U.S. Term Loan Facility due September 2026, net of deferred debt issuance costs of $200 and $226 as of June 30, 2024, and March 31, 2024, respectively	$ 65,800	$ 67,274
Incremental Term Loan A due September 2026, net of deferred debt issuance costs of $606 and $692 of June 30, 2024, and March 31, 2024, respectively	97,519	99,308
Less current portion	(15,750)	(14,625)
Total long-term debt	$ 147,569	$ 151,957

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.

On December 29, 2023, the Company and the Borrowers entered into an Amendment No. 3 to Credit Agreement, Amendment No. 2 to the Guarantee and Collateral Agreement and Amendment No. 2 to the Canadian Guarantee and Collateral Agreement (collectively, the "Amendment") with the Lenders and the Agent.

The Amendment provides for, among other things, changes to the Credit Agreement to (a) provide the US Borrower with a new incremental term loan facility as further described below (the "2023 Incremental U.S. Term Loan Facility"), (b) reset the accordion feature in the Credit Agreement for the incurrence of additional incremental term loans and incremental revolving commitments to an amount not to exceed USD $100,000, (c) permit the Canadian Borrower to borrow under the existing Revolver Facility (as defined in the Credit Agreement) in Canadian dollars, (d) permit Letters of Credit (as defined in the Credit Agreement) to be issued for the account of the Canadian Borrower, (e) replace the Canadian Dollar Offered Rate with the Canadian Overnight Repo Rate Average as the benchmark rate applicable to Term Benchmark Loans (each as defined in the Credit Agreement) denominated in Canadian dollars and implementing corresponding technical changes, and (f) expand the definitions of "Specified Cash Management Agreement" and "Specified Swap Agreement" (each as defined in the Credit Agreement) to provide for the inclusion of obligations arising under Swap Agreements (as defined in the Credit Agreement) and cash management agreements between any subsidiary of the US Borrower to be included in the Obligations (as defined in the Credit Agreement) that are secured and guaranteed under the Loan Documents (as defined in the Credit Agreement).

Certain principal terms of the 2023 Incremental U.S. Term Loan Facility are as follows:

- A USD $100,000 secured term loan A made available to the US Borrower on substantially the same terms as the existing U.S. Term A Loans (as defined in the Credit Agreement), but with a pricing increase across the grid of 0.375% above the pricing applicable to the existing U.S. Term A Loans.
- Loans made to the US Borrower under the 2023 Incremental U.S. Term Loan Facility (the "2023 Incremental U.S. Term Loans") shall rank pari passu in right of payment and security with the existing U.S. Term A Loans and shall be secured and guaranteed under the Loan Documents on a pro rata basis with the existing U.S. Term A Loans.
- The 2023 Incremental U.S. Term Loans shall mature on September 29, 2026 (same as the existing U.S. Term A Loans) and shall amortize with installment payments due on the first day of each fiscal quarter (commencing with the fiscal quarter commencing on April 1, 2024) with the same percentage of principal being due on each payment date as the percentage of principal of the existing U.S. Term A Loans due on such date.
- Proceeds of the 2023 Incremental U.S. Term Loans were used at the closing of the transactions contemplated by the Amendment to (a) finance the Vapor Acquisition (as defined in the Amendment), (b) refinance certain indebtedness of the Target (as defined in the Amendment), and (c) pay fees and expenses incurred by the US Borrower in connection with the foregoing.

The Amendment also provides for certain conforming changes relating to the expanded definitions of Specified Cash Management Agreement and Specified Swap Agreement in the Credit Agreement to (x) the Guarantee and Collateral Agreement, dated as of October 30, 2017, by and among the Company, the US Borrower and the Agent (the "US Security Agreement") and (y) the Canadian Guarantee and Collateral Agreement, dated as of October 30, 2017, by and between the Canadian Borrower and the Agent (the "Canadian Security Agreement", and together with the US Security Agreement, the "Security Agreements"), and also provides for changes in each Security Agreement to the waterfall for application of proceeds of collateral set forth therein so that Obligations (as defined in such Security Agreement) arising under Specified Cash Management Agreements and Specified Swap Agreements (other than indemnities, fees and similar obligations and liabilities) are paid pro rata with principal Obligations arising under Loans, Reimbursement Obligations and the cash collateralization of Letters of Credit (each as defined in such Security Agreement).

The foregoing summary of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 10-Q and incorporated herein by reference.

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, 2023 through October 1, 2024	1.88 %
January 1, 2025 through July 1, 2026	2.50 %

Guarantees

The U.S. Term Loan and 2023 Incremental U.S. Term Loan Facility 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 2023 Incremental U.S. Term Loan Facility 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	3.50:1.00

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 June 30, 2024, 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 June 30, 2024, we had $5,000 in outstanding borrowings under the Revolving Credit Facility. We had $92,740 of available borrowing capacity thereunder after taking into account the borrowing base and $2,260 of outstanding letters of credit and the outstanding borrowings under the Revolving Credit Facility as of June 30, 2024. The Term Loans bear interest at the Secured Overnight Financing Rate ("SOFR") plus an applicable margin dictated by our leverage ratio (as described above). The interest rates on the Term Loan Facilities on June 30, 2024 were 6.68% for the U.S. Term Loan Facility, 7.05% for the 2023 Incremental U.S. Term Loan Facility, and 6.69% 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.

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 June 30, 2024, 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 material 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. Refer to Note 8, "Accrued Liabilities" for more information regarding our accruals related to these proceedings.

Letters of Credit and Bank Guarantees

At June 30, 2024, the Company had in place letter of credit guarantees and performance bonds securing certain performance obligations of the Company. These arrangements totaled $11,033. Of this amount, $562 is secured by cash deposits at the Company's financial institutions and an additional $2,260 represents a reduction of the available amount of the Company's revolving credit facility. In addition to the arrangements totaling $11,033, our Indian subsidiary also has $4,353 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 revenue recognized at a point-in-time and revenues recognized over time, as we believe these best depict the nature of our sales and the regions in which those sales are earned and managed.

Revenue recognized at a point-in-time occurs based on when control transitions to the customer and is generally related to our product sales. Moreover, 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 service to the customer.

Disaggregation of revenues from contracts with customers for the three months ended June 30, 2024 and 2023 are as follows:

	Three months ended June 30, 2024			Three months ended June 30, 2023		
	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	$ 44,408	$ 15,576	$ 59,984	$ 29,891	$ 23,606	$ 53,497
Canada	21,608	16,737	38,345	24,522	10,801	35,323
Europe, Middle East and Africa	4,613	3,229	7,842	5,393	4,288	9,681
Asia-Pacific	6,137	2,818	8,955	5,339	3,049	8,388
Total revenues	$ 76,766	$ 38,360	$ 115,126	$ 65,145	$ 41,744	$ 106,889

Performance Obligations

We have elected the practical expedient to disclose only the value of remaining performance obligations for contracts with an original expected length ofone year or more, which was $8,363 as of June 30, 2024. We expect to recognize the remaining revenues associated with unsatisfied or partially satisfied performance obligations within the next 12 months.

Contract Assets and Liabilities

As of June 30, 2024 and March 31, 2024, contract assets were $14,735 and $16,690, respectively. As of June 30, 2024 and March 31, 2024, contract liabilities were $15,278 and $20,531, respectively. We typically recognize revenue associated with our contract liabilities within 12 months.

12. Income Taxes

Our effective income tax rate was 22.8% and 22.8% for the three months ended June 30, 2024 and 2023, respectively. Our effective tax rate varies from period to period due to factors including changes in total pre-tax income or loss, the jurisdictions in which our income is earned, the tax laws in those jurisdictions and in our operating structure. During the year, we estimate income taxes based on the laws and rates in effect in the countries in which operations are conducted. Our income tax provisions are primarily driven by income in certain jurisdictions and withholding taxes on intercompany and third-party transactions that do not directly correlate to ordinary income or loss. During interim periods, certain charges or benefits may be recognized as discrete tax expense or benefit when previous estimates or knowledge were unavailable.

As of June 30, 2024, we anticipate that it is reasonably possible that our uncertain tax positions of $1,069 including interest and penalties maybe released in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations. As of June 30, 2024, the tax years for the fiscal years ended March 31, 2019 through March 31, 2024, 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, rail and transit, energy transition/decarbonization and general industries and other, which we refer to as our "key end markets." We offer a full suite of products (heating units, electrode and gas-fired boilers, 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 including interest and penalties maybe released in the next twelve months due to expiration of statutes of limitations, settlements and/or conclusions of tax examinations 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, and income from operations for each of our four reportable segments are as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Sales to external customers:		
United States and Latin America	$ 59,984	$ 53,497
Canada	38,345	35,323
Europe, Middle East and Africa	7,842	9,681
Asia-Pacific	8,955	8,388
	$ 115,126	$ 106,889
Inter-Segment sales:		
United States and Latin America	$ 11,108	$ 8,381
Canada	3,548	4,732
Europe, Middle East and Africa	417	389
Asia-Pacific	431	1,111
	$ 15,504	$ 14,613
Depreciation expense:		
United States and Latin America	$ 1,236	$ 1,056
Canada	833	911
Europe, Middle East and Africa	49	47
Asia-Pacific	48	38
	$ 2,166	$ 2,052
Amortization expense:		
United States and Latin America	$ 1,653	$ 611
Canada	1,711	1,743
Europe, Middle East and Africa	22	22
Asia-Pacific	11	11
	$ 3,397	$ 2,387
Income from operations:		
United States and Latin America	$ 6,463	$ 5,599
Canada	7,268	9,119
Europe, Middle East and Africa	343	605
Asia-Pacific	1,214	1,737
Unallocated:		
Stock compensation	(1,065)	(1,238)
Public company costs	(488)	(408)
	$ 13,735	$ 15,414

The following table presents a reconciliation of Income from operations to Income before provision for income taxes:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Income from operations	$ 13,735	$ 15,414
Other income/(expenses):		
Interest expense, net	(2,847)	(1,584)
Other income/(expense)	143	341
Income before provision for income taxes	$ 11,031	$ 14,171

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 months ended June 30, 2024 and 2023 to help provide an understanding of our financial condition, changes in our financial condition and results of our operations. In this quarterly report, we refer to the three month periods ended June 30, 2024 and 2023 as "Interim 2025" and "Interim 2024," 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 our key end markets and related 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) environmental and health and safety laws and regulations as well as environmental liabilities; (xxxi) climate change and related regulation of greenhouse gases; and (xxxii) those factors listed under Item 1A, "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024, filed with the Securities and Exchange Commission (the "SEC") on May 29, 2024, 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 70 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, electrode and gas-fired boilers, 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 11 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 Interim 2025 and Interim 2024, approximately 50% and 54%, 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 transitions 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 generally 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 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 June 30, 2024, was $198.5 million, as compared to $186.1 million at March 31, 2024. The timing of recognition of revenue out of backlog is not always certain, as it is subject to a variety of factors that may cause delays, many of which are beyond our control (such as, customers' delivery schedules and levels of capital and maintenance expenditures). When delays occur, the recognition of revenue associated with the delayed project is likewise deferred.

Cost of sales. Our cost of sales includes primarily the cost of raw material items used in the manufacture of our products, cost of ancillary products that are sourced from external suppliers and construction labor costs. 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, electronic components and other miscellaneous parts related to products manufactured or assembled. We cannot provide any assurance that we will be able to mitigate potential raw material shortages or be able to pass along raw material cost increases, including the potential impacts of tariffs, to our customers in the future, and if we are unable to do so, our results of operations may be adversely affected.

Operating expenses. Our selling, general and administrative expenses ("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.

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, 2024, filed with the SEC on May 29, 2024, 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 June 30,	
	2024	**2023**
Point in time	67%	61%
Over time:	33%	39%
Small projects	*18%*	*14%*
Large projects	*15%*	*25%*

  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 recent acquisitions.

Recent Developments

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.

As an update, we continue to make solid progress in reducing our exposure to oil and gas markets. We achieved our goal of at least 70% of trailing twelve-month revenues from diversified end markets in the first quarter of fiscal 2025, well ahead of our fiscal 2026 objective. Separately, our solutions continue to enable decarbonization through the electrification of heat and the transition toward sustainable energy sources. We are executing against this strategy with our product offerings, including our electric and electrode boiler lines offered by our recent acquisition of Vapor Power. Finally, we continue to see an acceleration in the adoption of our Genesis Network technology, a differentiator in our comprehensive solution set.

We continue to execute on our disciplined capital allocation strategy, which includes driving growth through investments in technology and people, prioritizing inorganic growth opportunities with strategic fit that can exceed the weighted-average cost of capital by year three and be accretive to earnings per share in year one, paying down our long-term debt while managing within our targeted leverage ratio, and returning capital to our shareholders using our recently enacted share repurchase program. During the three months ended June 30, 2024, we purchased $1.6 million under the share repurchase program authorized by our board of directors. As of June 30, 2024, we have $48.2 million remaining unused and authorized availability under the repurchase program We record shares of common stock repurchased at as treasury stock, resulting in a reduction of stockholders' equity in the consolidated balance sheets.

In April 2024, we enacted certain cost-cutting measures, including a reduction-in-force plan, as well as a facility consolidation that together affected 68 employees across our US-LAM and Canada reportable segments. Pursuant to the foregoing, we are moving certain operations and equipment associated with our rail & transit business from our Denver, Colorado location to San Marcos, Texas, where we have an existing manufacturing and back-office presence. These efforts, in part, will allow us to streamline certain operations, reduce our manufacturing footprint, and position us for more profitable growth. During the three months ended June 30, 2024, we incurred $2.1 million of Restructuring and other charges related to these initiatives.

Results of Operations - Three-month periods ended June 30, 2024 and 2023

The following table sets forth our unaudited condensed consolidated statements of operations for the three months ended June 30, 2024 and 2023 and indicates the amount of change and percentage change between periods.

(Dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Increase/(Decrease) $	Increase/(Decrease) %
Condensed Consolidated Statements of Operations Data:				
Sales	$ 115,126	$ 106,889	$ 8,237	8 %
Cost of sales	64,694	59,580	5,114	9 %
Gross profit	50,432	47,309	3,123	7 %
Operating expenses:				
Selling, general and administrative expenses	31,088	28,654	2,434	8 %
Deferred compensation plan expense/(income)	103	273	(170)	(62)%
Amortization of intangible assets	3,397	2,387	1,010	42 %
Restructuring and other charges/(income)	2,109	581	1,528	263 %
Income from operations	13,735	15,414	(1,679)	(11)%
Other income/(expenses):				
Interest expense, net	(2,847)	(1,584)	(1,263)	80 %
Other income/(expense)	143	341	(198)	(58)%
Income before provision for income taxes	11,031	14,171	(3,140)	(22)%
Income tax expense	2,520	3,233	(713)	(22)%
Net income	$ 8,511	$ 10,938	$ (2,427)	(22)%

As a percent of sales:			Change in basis points
Gross profit	43.8 %	44.3 %	-50 bps
Selling, general and administrative expenses	27.0 %	26.8 %	20 bps
Income from operations	11.9 %	14.4 %	-250 bps
Net income	7.4 %	10.2 %	-280 bps
Effective tax rate	22.8 %	22.8 %	

Three Months Ended June 30, 2024 ("Interim 2025") Compared to the Three Months Ended June 30, 2023 ("Interim 2024")

***Revenues**.* Revenues increased in Interim 2025, attributable to growth in all reportable segments except EMEA compared to Interim 2024. Excluding our recent acquisition of Vapor Power, revenues declined 5% comparatively.

Point in time sales increased, namely in our US-LAM segment, supported by our acquisition of Vapor Power in the fourth quarter of fiscal 2024, which added $13.9 million to the result. Absent Vapor Power, whose revenues are largely classified as point in time, sales still increased in US-LAM, though these were more than offset by lower similar sales in Canada, with EMEA and APAC together offsetting, leading to a decline in organic point in time sales of 3%.

Over-time sales, which are typically tied to our customers' capital expenditures, decreased 8%, due to delays in customer projects, especially in our US-LAM segment, while EMEA and APAC experienced lower over-time sales as well. This decrease was partially offset by improved project activity in Canada, which experienced substantial growth comparatively, as customer deferred maintenance activity increased in the period.

Revenue in our US-LAM segment grew $6.5 million, or 12% in Interim 2025 compared to Interim 2024. Revenue in our Canada segment grew $3.0 million, or 9%, in Interim 2025 compared to Interim 2024. Our APAC revenue increased $0.6 million, or 6.8%. In our EMEA segment, revenues decreased by $(1.8) million, or (19)%, compared to Interim 2024.

Point in time revenues in Interim 2025 were $76.8 million, or 67% of total sales, while Over time revenues were $38.4 million, or 33% of total sales. This compares to 61% Point in time revenues and 39% Over time revenues in Interim 2024.

Refer to the "Overview" section above for definitions of Point in time and Over time revenue. Separately, foreign exchange rates negatively impacted revenues in Interim 2025 by approximately $1.2 million, net as the U.S. dollar strengthened relative to certain of the Company's foreign currency-denominated operations.

Gross profit and margin. Gross profit increased compared to Interim 2024, supported by our acquisition of Vapor Power. Our margins benefited from an increased mix of point in time revenue during the quarter, which generally carries higher gross margins. However, this was offset by certain contracts with higher labor content, which dilutes our margins.

Selling, general and administrative expenses. The increase in SG&A expenses in Interim 2025 was driven by greater headcount and other indirect costs from the Vapor Power acquisition. Investments to advance our strategic initiatives of decarbonization, diversification and digitization were offset by disciplined cost management. SG&A as a percent of sales was consistent at 27.0% in Interim 2025 versus 26.8% in Interim 2024.

Deferred compensation plan expense/(income). The decrease in deferred compensation plan income in Interim 2025 is attributable to greater participation in the plan and market fluctuations in the underlying balances owed to employees as compared to Interim 2024. 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 2025 increased when compared to Interim 2024 primarily related to intangibles assets associated our Vapor Power acquisition. Refer to Note 2, "Acquisition" for more information.

Restructuring and other charges/(income). Restructuring and other charges/(income) were $2.1 million in Interim 2025 and $0.6 million in Interim 2024. The Company enacted a reduction in force plan as well as a consolidation of production lines from its Denver manufacturing facility to the San Marcos manufacturing facility as part of certain cost-cutting measures and operational excellence efforts in Interim 2025. 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 outstanding principal balance during Interim 2025 ($170.8 million versus $113.2 in Interim 2024), and also a higher average interest rate in Interim 2025 (6.99% versus 6.14%). See Note 9, "Debt," for additional information on our long-term debt.

Other income/(expense). The change in Other income/(expense) in Interim 2025 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 tax expense. Income tax expense was $2.5 million in Interim 2025 on pre-tax income of $11.0 million compared to income tax expense of $3.2 million in Interim 2024 on pre-tax income of $14.2 million. Our effective tax rate was 22.8% and 22.8% in Interim 2025 and Interim 2024, respectively. Our effective tax rate was impacted by discrete tax benefits of $0.4 million and $0.2 million in Interim 2025 and Interim 2024, respectively. Refer to Note 12, “Income Taxes,” for additional detail.

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 June 30, 2024, we had $49.1 million in cash and cash equivalents and$92.7 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 $11.6 million, or 24%, of these amounts were held in domestic accounts with various institutions and approximately $37.4 million, or 76%, 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 $5.0 million of borrowings outstanding on our revolving credit facility at June 30, 2024. Although subject to change and not required by our Credit Facility, we intend to pay back the outstanding balance within the next twelve months.

We expect our capital expenditures to be approximately 2.5% to 3.0% of revenue in fiscal 2025. Additionally, we expect to pay $15.8 million in principal payments on our long-term debt, as well as $3.3 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 $6.7 million, mostly related to long-term information technology contracts, of which $5.8 million is due within the next twelve months.

Discussion and Analysis of Cash Flows

	Three months ended June 30,		
	2024	**2023**	**Increase/(Decrease)**
Total cash provided by/(used in):			
Operating activities	$ 12,659	$ 868	$ 11,791
Investing activities	(3,904)	(2,789)	(1,115)
Financing activities	(8,002)	(1,853)	(6,149)
Free Cash Flow:[1]			
Cash provided by operating activities	$ 12,659	$ 868	$ 11,791
Less: Cash used for purchases of property, plant, and equipment	(3,923)	(2,801)	(1,122)
Plus: Sales of rental equipment	19	12	7
Free Cash Flow	$ 8,755	$ (1,921)	$ 10,676

(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 increased in Interim 2025 as compared to Interim 2024 primarily due to less investment of cash in working capital accounts of approximately $12 million, stemming primarily from lower relative purchases of inventory and less project-related activity resulting in lower contract assets and liabilities, as well as a lower incentive-based compensation payout in Interim 2025. These were partially offset by lower net income of approximately $2 million. The remaining decrease in operating cash flows is due to miscellaneous other items.

Investing Cash Flows

Cash used in investing activities increased in Interim 2025 as compared to Interim 2024 primarily due to higher purchases of property, plant and equipment of approximately $0.7 million.

Financing Cash Flows

Cash used in financing activities increased in Interim 2025 versus Interim 2024 primarily due to lower borrowings on the revolving credit facility, partially offset by lower principal payments on long-term debt, as well as increased repurchase of employee stock units on vesting and the Company's recently announced share repurchase program.

Credit Facilities

On December 29, 2023, the Company and the Borrowers entered into an Amendment No. 3 to Credit Agreement, Amendment No. 2 to the Guarantee and Collateral Agreement and Amendment No. 2 to the Canadian Guarantee and Collateral Agreement (collectively, the "Amendment") with the Lenders and the Agent.

The Amendment provides for, among other things, changes to the Credit Agreement to (a) provide the US Borrower with a new incremental term loan facility as further described below (the "2023 Incremental U.S. Term Loan Facility"), (b) reset the accordion feature in the Credit Agreement for the incurrence of additional incremental term loans and incremental revolving commitments to an amount not to exceed USD $100.0 million, (c) permit the Canadian Borrower to borrow under the existing Revolver Facility (as defined in the Credit Agreement) in Canadian dollars, (d) permit Letters of Credit (as defined in the Credit Agreement) to be issued for the account of the Canadian Borrower, (e) replace the Canadian Dollar Offered Rate with the Canadian Overnight Repo Rate Average as the benchmark rate applicable to Term Benchmark Loans (each as defined in the Credit Agreement) denominated in Canadian dollars and implementing corresponding technical changes, and (f) expand the definitions of "Specified Cash Management Agreement" and "Specified Swap Agreement" (each as defined in the Credit Agreement) to provide for the inclusion of obligations arising under Swap Agreements (as defined in the Credit Agreement) and cash management agreements between any subsidiary of the US Borrower to be included in the Obligations (as defined in the Credit Agreement) that are secured and guaranteed under the Loan Documents (as defined in the Credit Agreement).

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 $8.8 million for Interim 2025 as compared to $(1.9) million for Interim 2024, 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 2025. 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, 2024, filed on May 29, 2024, 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, 2024, filed with the SEC on May 29, 2024, 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 50% of our Interim 2025 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 Interim 2025, 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 $0.6 million for Interim 2025. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian dollar would result in a net increase in net income of $0.8 million for Interim 2025. A 10% appreciation of the U.S. dollar relative to the Euro would result in a nominal decrease in net income. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a nominal increase in net income for Interim 2025.

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 were losses of a nominal amount and $(0.1) million in Interim 2025 and Interim 2024, respectively.

As of June 30, 2024, we had approximately $1.7 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 $1.2 million in Interim 2025 when compared to foreign exchange translation rates that were in effect in Interim 2025. 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 $3.9 million and gains of $4.5 million in Interim 2025 and Interim 2024, respectively. The changes are due to the strengthening of the U.S. dollar relative to the Company's other primary operating currencies in Interim 2025 relative to Interim 2024. 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. 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.

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 rate. As of June 30, 2024, we had $164.1 million of outstanding principal under our Term Loan Facilities and $5.0 million in borrowings under the Revolving Credit Facility. The interest rates on the Term Loan Facilities on June 30, 2024 were 6.68% for the U.S. Term Loan Facility, 7.05% for the 2023 Incremental U.S. Term Loan Facility, and 6.69% for the U.S. Revolving Credit Facility. Based on the outstanding borrowings, a 1% change in the interest rate would result in a $1.6 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 Vice President, Corporate Controller, 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, 2024, filed with the SEC on May 29, 2024.

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 June 30, 2024. Information relating to the Company's purchases of its common stock during the three months ended June 30, 2024 is as follows:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Announced Plans or Programs**
April 1 through April 30, 2024	21,792	$ 31.54	21,792
May 1 through May 31, 2024	16,493	34.21	16,493
June 1 through June 30, 2024	11,056	29.58	11,056
Total	49,341	$ 31.96	49,341

On March 15, 2024, we announced the authorization of a share repurchase program by the Company's board of directors of up to $50 million of the Company's outstanding shares of common stock, exclusive of any fees, commissions or other expenses related to such repurchases (the "Repurchase Program"). The Repurchase Program does not include a specific timetable or price targets and may be suspended or terminated at any time. Shares under the current repurchase program may be purchased through open market or privately negotiated transactions at the discretion of management, including through the use of trading plans intended to qualify under Rule 10b5-1 and Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The timing and amount of any share repurchases will be determined by the Company at its discretion based on ongoing evaluation of general market conditions, the market price of Thermon's common stock, the Company's capital needs, and other factors.

During the three months ended June 30, 2024, we purchased 49,341 shares at a weighted average price of $31.96. As of June 30, 2024, we have $48.2 million of remaining unused and authorized availability under the Repurchase Program. We record shares of common stock repurchased at cost as treasury stock, resulting in a reduction of stockholders' equity in the consolidated balance sheets.

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 June 30, 2024, 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 Greg Lucas, Corporate Controller, 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 Greg Lucas, Corporate Controller, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	Interactive Data Files formatted in Inline eXtensible Business Reporting Language (iXBRL) pursuant to Rule 405 of Regulation S-T: (i) the cover page, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows and (v) Notes to Condensed Consolidated Financial Statements*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)*

* Filed herewith

SIGNATURE

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

	THERMON GROUP HOLDINGS, INC. (registrant)		
Date: August 7, 2024	By:	/s/ Greg Lucas	
	Name:	Greg Lucas	
	Title:	Vice President, Corporate Controller (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: August 7, 2024

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, Greg Lucas, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 7, 2024

By:	/s/ Greg Lucas
Name:	Greg Lucas
Title:	Vice President, Corporate Controller

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 1350

OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the “Company”) for the quarterly period ended June 30, 2024 (the “Report”), I, Bruce Thames, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: August 7, 2024

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

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 1350

OF CHAPTER 63 OF TITLE 18 UNITED STATES CODE

In connection with the Quarterly Report on Form 10-Q of Thermon Group Holdings, Inc. (the “Company”) for the quarterly period ended June 30, 2024 (the “Report”), I, Greg Lucas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: August 7, 2024

By:	/s/ Greg Lucas
Name:	Greg Lucas
Title:	Vice President, Corporate Controller