



THERMON GROUP HOLDINGS, INC. EARNINGS PRESENTATION

FIRST QUARTER FISCAL YEAR 2024

AUGUST 3, 2023

Cautionary Note Regarding Forward-looking Statements

This presentation includes forward-looking statements within the meaning of the U.S. federal securities laws in addition to historical information. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding our industry, business strategy, plans, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information such as the anticipated financial performance of our Powerblanket acquisition, our execution of our strategic initiatives, our ability to complete the disposition of our Russian subsidiary and anticipated timing and associated charges and our ability to achieve our financial performance targets for Fiscal 2026 and our Fiscal 2023 full-year guidance. When used herein, the words "anticipate," "assume," "believe," "budget," "continue," "contemplate," "could," "should," "estimate," "expect," "intend," "may," "plan," "possible," "potential," "predict," "project," "will," "would," "future," and similar terms and phrases are intended to identify forward-looking statements in this presentation. Forward-looking statements reflect our current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions, data or judgments that prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial condition, results of operations and cash flows.

Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, (i) the outbreak of a global pandemic, including the current pandemic (COVID-19 and its variants); (ii) general economic conditions and cyclicalities in the markets we serve; (iii) future growth of energy, chemical processing and power generation capital investments; (iv) our ability to operate successfully in foreign countries; (v) our ability to successfully develop and improve our products and successfully implement new technologies; (vi) competition from various other sources providing similar heat tracing and process heating products and services, or alternative technologies, to customers; (vii) our ability to deliver existing orders within our backlog; (viii) our ability to bid and win new contracts; (ix) the imposition of certain operating and financial restrictions contained in our debt agreements; (x) our revenue mix; (xi) our ability to grow through strategic acquisitions; (xii) our ability to manage risk through insurance against potential liabilities (xiii) changes in relevant currency exchange rates; (xiv) tax liabilities and changes to tax policy; (xv) impairment of goodwill and other intangible assets; (xvi) our ability to attract and retain qualified management and employees, particularly in our overseas markets; (xvii) our ability to protect our trade secrets; (xviii) our ability to protect our intellectual property; (xix) our ability to protect data and thwart potential cyber-attacks; (xx) a material disruption at any of our manufacturing facilities; (xxi) our dependence on subcontractors and third-party suppliers; (xxii) our ability to profit on fixed-price contracts; (xxiii) the credit risk associated to our extension of credit to customers; (xxiv) our ability to achieve our operational initiatives; (xxv) unforeseen difficulties with expansions, relocations, or consolidations of existing facilities; (xxvi) potential liability related to our products as well as the delivery of products and services; (xxvii) our ability to comply with foreign anti-corruption laws; (xxviii) export control regulations or sanctions; (xxix) changes in government administrative policy; (xxx) the current geopolitical instability in Russia and Ukraine and related sanctions by the U.S. and Canadian governments and European Union; (xxxi) environmental and health and safety laws and regulations as well as environmental liabilities; and (xxxii) 2023 climate change and related regulation of greenhouse gases, and (xxxiii) those factors listed under Item 1A "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 as filed with the Securities and Exchange Commission (the "SEC") on May 25, 2023 and in any subsequent Quarterly Reports on Form 10-Q, Current Reports on Form 8-K or other filings that we have filed or may file with the SEC. Any one of these factors or a combination of these factors could materially affect our future results of operations and could influence whether any forward-looking statements contained in this presentation 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.

NON-GAAP FINANCIAL MEASURES

Disclosure in this presentation of "Adjusted EPS," "Adjusted EBITDA," "Adjusted EBITDA margin," "Adjusted Net Income/(Loss)," "Free Cash Flow" "Organic Sales" and "Net Debt" which are "non-GAAP financial measures" as defined under the rules of the Securities and Exchange Commission (the "SEC"), are intended as supplemental measures of our financial performance that are not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). "Adjusted Net Income/(Loss)" and "Adjusted EPS" (or "Adjusted fully diluted EPS") represent net income/(loss) before the impact of restructuring and other charges/(income), amortization of intangible assets, tax expense for impact of foreign rate increases, loss on debt extinguishment, Acquisition related cost and any tax effect of such adjustments. "Adjusted EBITDA" represents net income before interest expense (net of interest income), income tax expense, depreciation and amortization expense, stock-based compensation expense, acquisition costs, costs associated with restructuring and other income/(charges), and costs associated with impairments and other charges. "Adjusted EBITDA margin" represents Adjusted EBITDA as a percentage of total revenue. "Free Cash Flow" represents cash provided by operating activities less cash used for the purchase of property, plant, and equipment, net of sales of rental equipment and proceeds from sales of land and buildings. "Organic Sales" represents revenue excluding the impact of the Company's May 31, 2022 acquisition of Powerblanket. "Net Debt" represents total outstanding debt less cash and cash equivalents on hand.

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



This is Therman

We provide safe, reliable and innovative mission critical industrial process heating solutions that create value for our customers



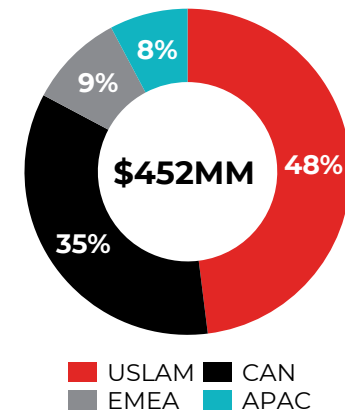
Company Background

Specialize in providing complete flow assurance, process heating, temperature maintenance, freeze protection and environmental monitoring solutions

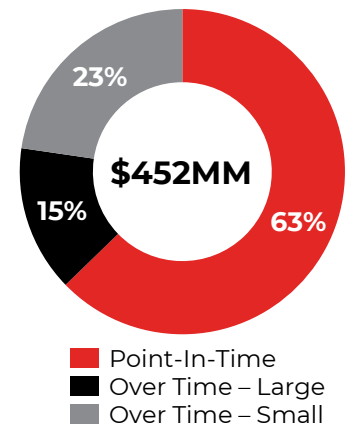
- Founded in 1954, public company since 2011
- ~1,400 full-time employees
- Sales in 85 countries
- Facilities on four continents
- Industry-leading safety record

Trailing 12-Month Revenue

By Geography



By Type



Thermon's Strategic Pillars



Profitably Grow Installed Base

- Apply industry leading process heating technology to solve the world's most difficult thermal engineering problems
- Support ongoing customer operations with upgrades, expansions and maintenance
- Deliver continuous improvement to drive margin expansion



Decarbonization, Digitization and Diversification

- Diversify end market exposure
- Industry leading controls and monitoring to digitize and optimize maintenance
- Leverage existing Thermon solutions and new product development to meet needs of customers focused on decarbonization and electrification



Disciplined Capital Allocation

- Invest in technology and people to drive organic growth
- Prioritize inorganic growth opportunities that exceed WAAC by year 3 and debt paydown while evaluating returning capital to shareholders
- Target 1.5x – 2.0x Net Debt to Adjusted EBITDA leverage under normal operating conditions

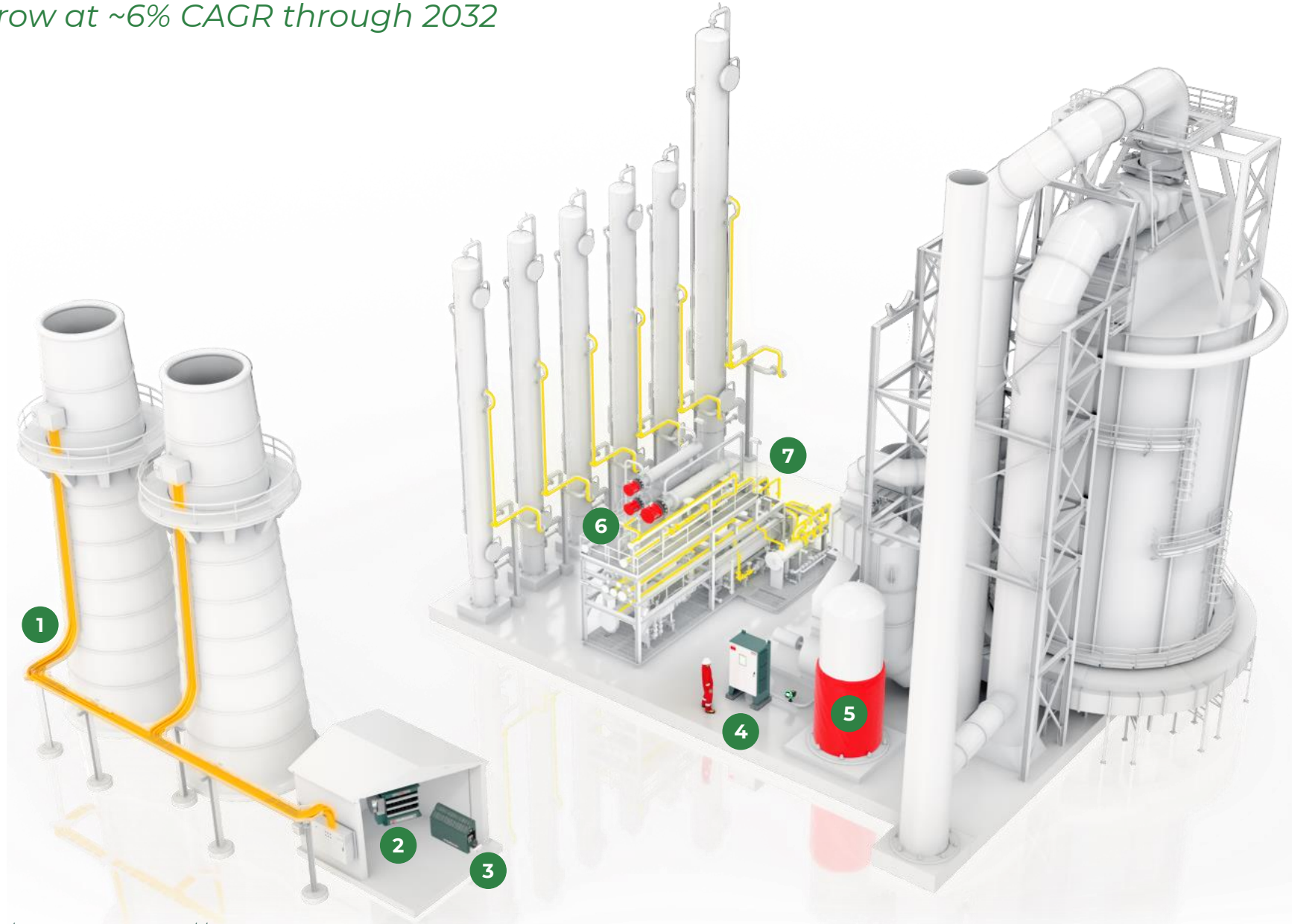
Delivering long-term shareholder value creation



Thermon Solutions for the Energy Transition: Green & Blue Ammonia

Ammonia market estimated to grow at ~6% CAGR through 2032

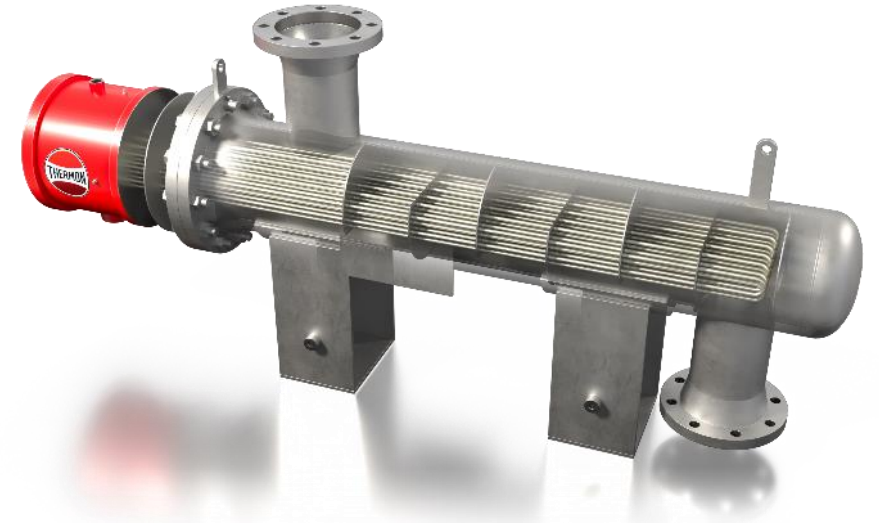
- 1 TubeTrace Electrically Heated Tubing Bundle
- 2 Ruffneck FX6 Explosion-Proof Electric Air Heating
- 3 Ruffneck CX1 Explosion-Proof Electric Air Heating
- 4 Genesis Network Controls and Monitoring
- 5 Powerblanket Insulated Heated Blanket
- 6 Caloritech CX Immersion Heaters (applications include Amine Reboilers, Glycol Reboilers, Steam and Superheater)
- 7 Electric heat tracing



New Therman Technology

Therman Quantum Truflow Heaters™

- Next evolution of Therman's Caloritech flanged immersion heater line-up
- Cutting-edge solution developed through extensive research and development
- Improved heat transfer and energy efficiency over traditional designs
- Significantly lowers total cost ownership and reduces size while improving heat flux and useful life
- Design validation in partnership with industry leading heat transfer software and computational fluid dynamics model
- Patent Pending



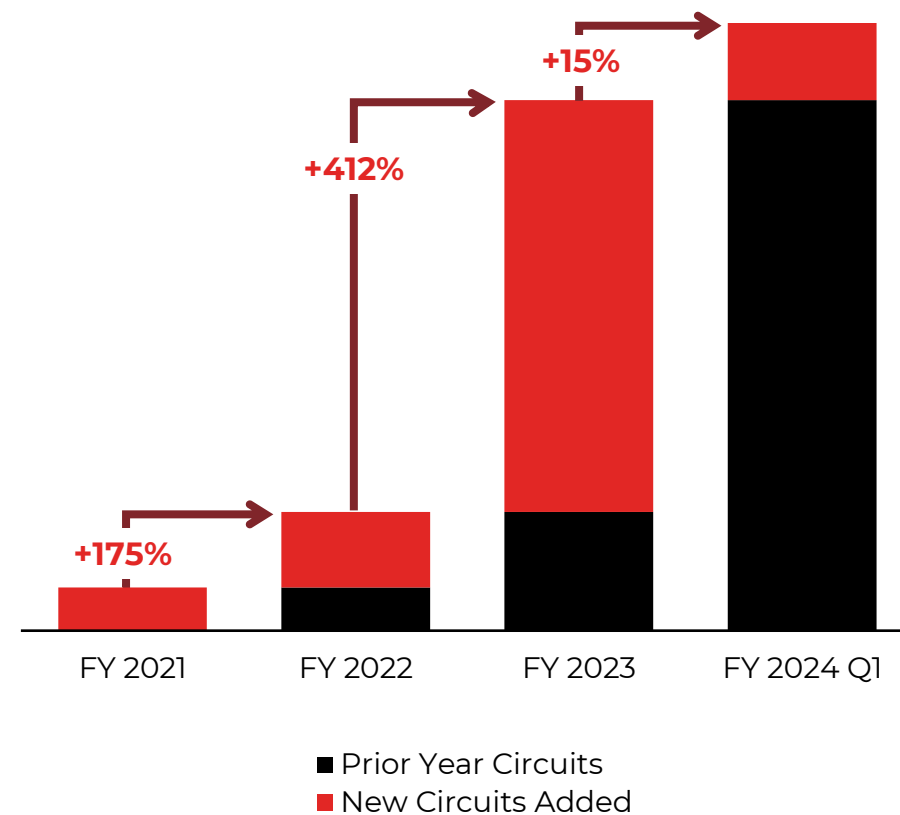
Progressing Digitization Strategy

Technology Spotlight

- Solution that provides full operational awareness of heat trace systems using wireless mesh technology
- Customers using the Genesis Network save time and are more efficient in maintenance operations
- IIoT technology that delivers industry-leading benefits
- Released software update v1.7 in April 2023
- Winning in the market ... accelerating adoption including accounts where competition had been entrenched



Accelerating Adoption of Genesis Network



Advancing Diversification

Year-Over-Year Incoming Orders Growth

Rail & Transit

- Providing best overall solutions for freight track and switch and transit rail applications
- **+39%**

Commercial

- Providing assistance services from product selection, computer-generated drawings with installation instructions to turnkey packages
- **+29%**

Other Selected Segments

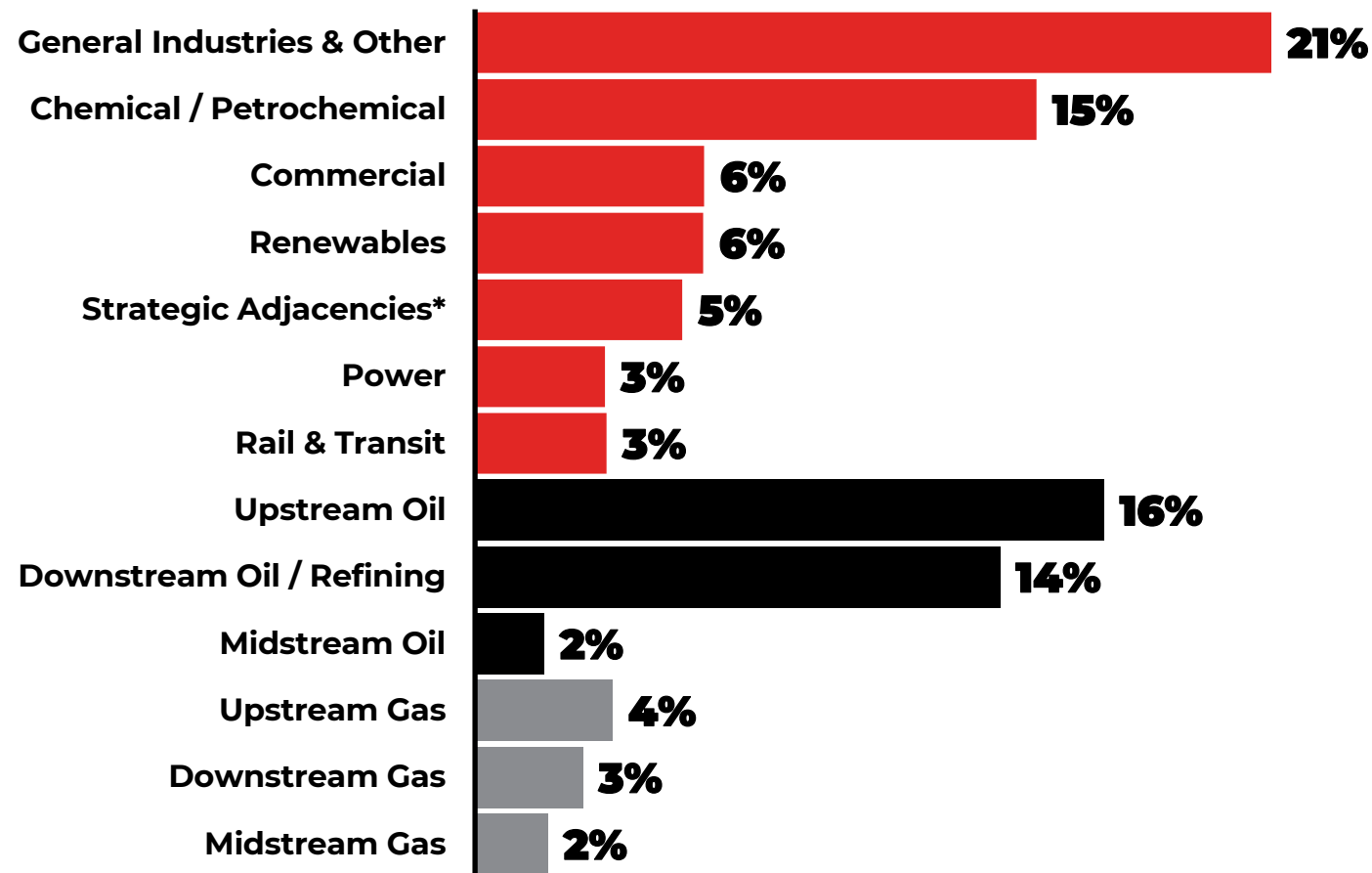
- Data Center **+608%**
- Electric Power **+489%**
- Semiconductors **+92%**
- Biofuels/Green Diesel **+89%**

Food & Beverage

- Offering immersion heaters, heat trace and accessories for viscosity and flow assurance in food manufacturing facilities
- Design and supply of heat trace for palm and seed oil processing in Southeast Asia
- **+120%**



Revenue by End Market Trailing 12 Months



Highlights

- Growing CAPEX spend in LNG & Petrochemicals
- Increased demand for Specialty chemicals and gases related to Semiconductors
- Success in Food & Beverage globally
- Growing activity in Biofuels, Hydrogen and Ammonia
- US power market upgrades and retrofits

~60% of revenues diversified,
non-oil & gas end markets



Q1 Fiscal 2024 Summary

Continued Outperformance

- Record revenue for the first quarter largely due to strong growth in North America and recovering demand in Asia Pacific
- Significant YOY revenue growth from large CAPEX projects and resilient maintenance activity driving growth in Over Time – Small projects and Point-In-Time projects
 - OPEX (Over Time – Small + Point-In-Time) ... +9%
 - CAPEX (Over Time – Large) ... +21%
- 1.12x book-to-bill ... durable momentum with customers
- Continuing to deliver profitable growth with Adjusted EBITDA margins +330bps
 - Investing in long-term strategic initiatives while effectively managing controllable expenses

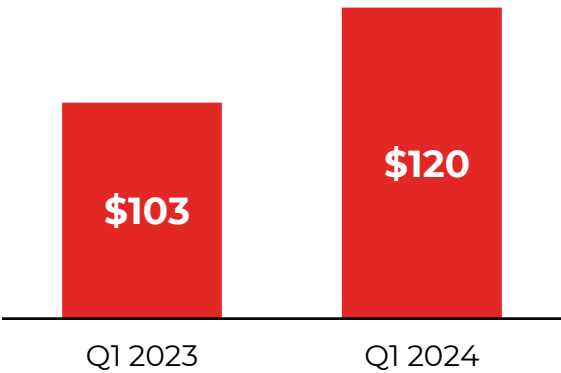
USD in millions,
except per share data

	FY24 Q1	FY23 Q1	YOY%
Revenue	\$106.9	\$95.4	12.0%
GAAP Net Income	\$10.9	\$6.6	66.8%
Adjusted EBITDA	\$22.1	\$16.6	32.8%
Net Debt/Adj. EBITDA	0.8x	1.7x	(0.8x)
Free Cash Flow	\$(1.9)	\$10.3	(118.3)%
GAAP EPS	\$0.32	\$0.20	65.4%
Adjusted EPS	\$0.40	\$0.25	60.0%



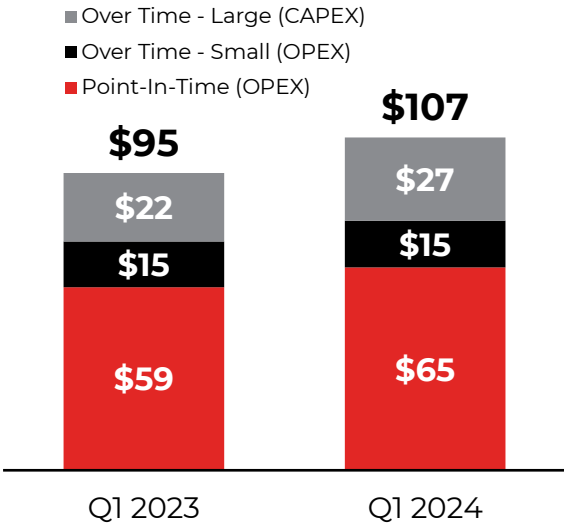
Q1 2024 vs. Q1 2023 Financial Performance *USD in Millions*

Orders



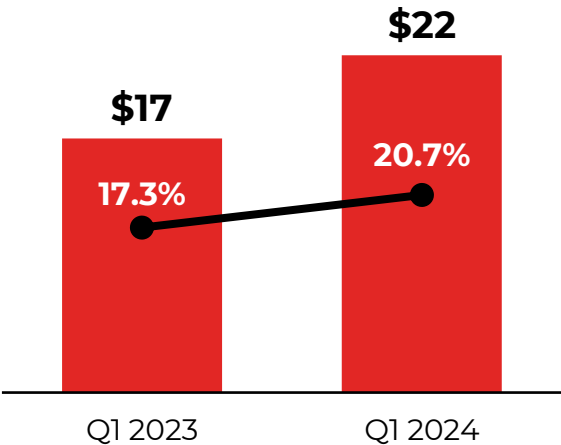
- **+16% YOY**
- Spending in USLAM remains strong and APAC rebounds
- Power leading growth; continued demand in renewables, food & beverage, rail & transit and commercial
- TTM orders of \$473MM ... supports Full Year guidance

Revenue



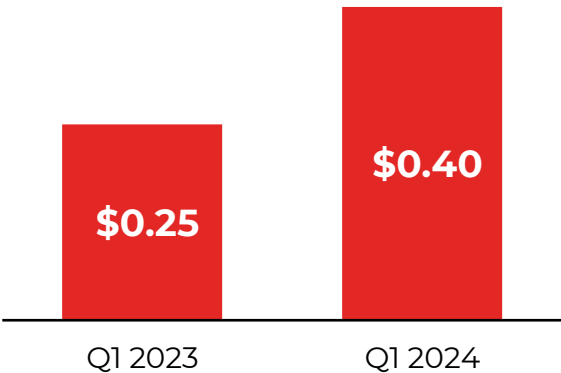
- **+12% YOY**
- Continued growth largely due to USLAM activity
- Midstream and downstream oil in USLAM driving growth, followed by renewables, food & beverage and commercial segments
- Customer OPEX spending (Small Projects and Maintenance) +9% YOY

Adj. EBITDA & Margin¹



- **+33% YOY**
- Driving profitable growth, Adjusted EBITDA margin expansion of +330 bps
- Continuing to invest in strategic initiatives, with focus on decarbonization, digitization and diversification
- TTM \$98.7MM, +48% YOY

Adj. Diluted EPS²



- **+60% YOY**
- Estimating \$0.21 impact from Amortization in Fiscal 2024
- Q1 2024 in line with internal expectations & supportive of full year guidance



1. See table, "Reconciliation of Net Income to Adjusted EBITDA."
2. See table, "Reconciliation of Net Income to Adjusted Net Income and Adjusted EPS."

Balance Sheet and Cash Flow

Selected Balance Sheet

USD in millions, except per share data	FY24 Q1	FY23 Q1	YOY%
Cash and Cash Equivalents	\$33.2	\$40.0	(17.1)%
Total Debt	\$113.5	\$150.8	(24.7)%
Net Debt / Adjusted EBITDA	0.8x	1.7x	(0.8x)
Working Capital ¹	\$156.2	\$142.4	9.7%
WC % of TTM Revenue	34.6%	37.5%	

- Strong and flexible balance sheet
- Low leverage provides optionality for capital allocation
- Significant inorganic capacity ... high quality M&A pipeline

Selected Cash Flow

USD in millions, except per share data	FY24 Q1	FY23 Q1	YOY%
Net Income (GAAP)	\$10.9	\$6.6	66.8%
Depreciation & Amortization	\$4.5	\$5.0	(10.0)%
Change in Working Capital	\$(2.6)	\$(5.0)	Fav.
Other	\$(11.9)	\$5.4	Neg
CFOA	\$0.9	\$11.9	(92.4)%
CAPEX	\$(2.8)	\$(1.6)	79.5%
Free Cash Flow	\$(1.9)	\$10.3	(118.3)%
FCF % of NI (GAAP)	Neg	158.5%	



Fiscal 2024 Guidance

Raising Full Year Guidance

- Ongoing strength in Western Hemisphere and rebound in Europe (ex-Russia) and Asia Pacific
- Continuous improvement in operations and pricing offsetting inflationary pressures
- Capex 3.5% – 4.0% of revenue ... investing in capacity
- Depreciation and amortization of \$20MM
- Effective tax rate of ~25%

USD in millions,
except per share data

	FY23	FY24E Prev	FY24E
Revenue	\$440.6	\$455 – \$485	\$462 – \$488
YOY%	24%	3 – 10% Growth	5% – 11% Growth
Net Income	\$33.7	-	-
GAAP EPS	\$1.00	\$1.45 – \$1.61	\$1.48 – \$1.62
Adjusted EPS	\$1.56	\$1.66 – \$1.82	\$1.69 – \$1.83
Adjusted EBITDA	\$93.3	Continued Margin Improvement	
Adjusted EBITDA %	21.2%		
Free Cash Flow	\$48.5	-	-



Capital Allocation Priorities



Capital Structure

Target 1.5x – 2.0x Net Debt to Adjusted EBITDA leverage under normal conditions

- Maintain strong balance sheet through the cycle
- Prioritize growth while evaluating potential return of capital to shareholders



Organic Growth

Drive organic growth through investment in people, technology and continuous improvement

- Target 2% – 3% R&D expense as a percent of revenue

Strategic Initiatives:

- Decarbonization
- Digitization
- Diversification



Inorganic Growth

Pursue bolt-on acquisition opportunities

- Build the industrial process heating platform
- Expand and diversify addressable markets
- Target EPS accretive in year 1 with Return on Invested Capital in excess of WACC by Year 3



Compelling Investment Opportunity

Leading Global Brand

in high value, diversified end markets with mission critical technology and high barriers to entry

- Leading safety culture and results
- Polymers technology
- Advanced controls and network monitoring software

Large Installed Base

with loyal customers and a resilient aftermarket franchise

- High margin, recurring maintenance revenues
- Global installed base with blue-chip customers

Exposure to Sizeable Opportunity

in high-growth energy transition and decarbonization end markets via the electrification of industrial heat

- 25% of global energy demand is used for industrial heat
- Massive electrification opportunity with existing technology

Strong & Flexible Balance Sheet

with high margin, low capital investment model that yields significant free cash flow

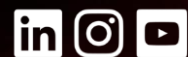
- 45% historical gross margins
- Investing in people and technology
- <1.0x leverage enables flexible capital allocation priorities





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Update on Russia Exit

FY24 Q1 Reported to Adjusted Bridge

USD in millions, except per share data	Reported	Russia Exit ¹	Adjusted
Revenue	\$106.9	\$0.0	\$106.9
Gross Profit	\$47.3	\$0.0	\$47.3
Gross Profit %	44.3%		44.3%
Net Income	\$11.6	\$(0.7)	\$10.9
GAAP EPS	\$0.34	\$(0.02)	\$0.32

FY23 Reported to Adjusted Bridge

USD in millions, except per share data	Reported	Russia Exit ¹	Adjusted
Revenue	\$440.6	\$0.0	\$440.6
Gross Profit	\$185.1	\$(4.3)	\$189.4
Gross Profit %	42.0%		43.0%
Net Income	\$33.7	\$(11.8)	\$45.5
GAAP EPS	\$1.00	\$(0.35)	\$1.35

- Announced decision to withdraw from operations in Russia in February
- Russian entity written down to nominal amount as of March 31, 2023
- Total impact to business of \$13.5MM ... \$12.8MM realized in FY23
- Cumulative impact of \$0.37 to GAAP EPS ... \$0.35 in FY23



Reconciliation of Net Income to Adjusted EBITDA

Unaudited, in thousands

	Three months ended June 30,	
	2023	2022
GAAP Net income	\$ 10,938	\$ 6,556
Interest expense, net	1,584	835
Income tax expense/(benefit)	3,233	2,907
Depreciation and amortization expense	4,439	4,895
EBITDA (non-GAAP)	\$ 20,194	\$ 15,193
Stock compensation expense	1,238	1,193
Transaction-related costs ¹	77	251
Restructuring and other charges/(income) ¹	581	—
Adjusted EBITDA (non-GAAP)	\$ 22,090	\$ 16,637
Adjusted EBITDA %	21 %	17 %

1 - The fiscal 2024 charges relate to the Company's Russian subsidiary.



Reconciliation of Net Income/(Loss) to Adjusted Net Income/(Loss) and Adjusted EPS

Unaudited, in thousands except per share amounts

	Three months ended June 30,		
	2023	2022	
GAAP Net income	\$ 10,938	\$ 6,556	
Amortization of intangible assets	2,387	2,268	Intangible amortization
Transaction-related costs ¹	77	251	Operating expense
Restructuring and other charges/(income) ¹	581	—	Operating expense
Tax effect of adjustments	(578)	(583)	
Adjusted Net Income (non-GAAP)	\$ 13,405	\$ 8,492	
Adjusted Fully Diluted Earnings per Common Share (Adjusted EPS) (non-GAAP)	\$ 0.40	\$ 0.25	
Fully-diluted common shares	33,863	33,567	

1 - The fiscal 2024 charges relate to the Russia Exit.



Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

Unaudited, in thousands

	Three months ended June 30,	
	2023	2022
Cash provided by operating activities	\$ 868	\$ 11,860
Cash provided by/(used in) by investing activities	(2,789)	(36,893)
Cash provided by/(used in) by financing activities	(1,853)	22,763
Cash provided by operating activities	\$ 868	\$ 11,860
Less: Cash used for purchases of property, plant and equipment	(2,801)	(1,617)
Plus: Sales of rental equipment	12	63
Free cash flow provided (non-GAAP)	<u>\$ (1,921)</u>	<u>\$ 10,306</u>

