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Thermon Group Holdings, Inc.
Form 10-Q
February 08, 2018

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 December 31, 2017

OR

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

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.)

100 Thermon Drive, San Marcos, Texas 78666
(Address of principal executive offices)

(512) 396-5801
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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Non-accelerated filer (Do not check if a smaller reporting company)

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 February 7, 2018, the registrant had 32,464,315 shares of common stock, par value \$0.001 per share, outstanding.

THERMON GROUP HOLDINGS, INC.

QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2017

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Thermon Group Holdings, Inc.

Condensed Consolidated Balance Sheets

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

	December 31, 2017 (Unaudited)	March 31, 2017 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 51,171	\$42,842
Investments	1,031	44,786
Accounts receivable, net of allowance for doubtful accounts of \$1,029 and \$518 as of December 31, 2017 and March 31, 2017, respectively	85,456	63,719
Inventories, net	65,068	34,020
Costs and estimated earnings in excess of billings on uncompleted contracts	13,379	4,973
Prepaid expenses and other current assets	8,848	5,806
Income tax receivable	1,267	2,028
Total current assets	226,220	198,174
Property, plant and equipment, net	73,750	43,266
Goodwill	216,198	122,521
Intangible assets, net	159,436	86,178
Deferred income taxes	2,901	2,823
Other long term assets	2,463	1,118
Total assets	\$ 680,968	\$454,080
Liabilities		
Current liabilities:		
Accounts payable	\$ 23,323	\$15,683
Accrued liabilities	19,658	13,142
Current portion of long term debt	1,875	20,250
Billings in excess of costs and estimated earnings on uncompleted contracts	4,878	2,767
Income taxes payable	3,231	481
Total current liabilities	52,965	52,323
Long-term debt, net of current maturities and deferred debt issuance costs and debt discounts of \$9,089 and \$524 as of December 31, 2017 and March 31, 2017, respectively	239,036	60,226
Deferred income taxes	41,639	25,661
Other non-current liabilities	11,434	3,368
Total liabilities	345,074	141,578
Equity		
Common stock: \$.001 par value; 150,000,000 authorized; 32,459,933 and 32,365,553 shares issued and outstanding at December 31, 2017 and March 31, 2017, respectively	32	32
Preferred stock: \$.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	221,597	219,284
Accumulated other comprehensive loss	(33,878) (48,335)
Retained earnings	142,752	136,899
Total Thermon Group Holdings, Inc. shareholders' equity	330,503	307,880
Non-controlling interests	5,391	4,622
Total equity	335,894	312,502

Total liabilities and equity	\$ 680,968	\$454,080
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The accompanying notes are an integral part of these condensed consolidated financial statements

1

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 December 31, 2017	Three Months Ended December 31, 2016	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Sales	\$ 92,660	\$ 64,340	\$ 206,027	\$ 196,548
Cost of sales	50,446	35,721	109,039	112,891
Gross profit	42,214	28,619	96,988	83,657
Operating expenses:				
Marketing, general and administrative and engineering	27,251	18,357	67,089	57,689
Amortization of intangible assets	4,753	2,963	10,714	8,804
Income from operations	10,210	7,299	19,185	17,164
Other income/(expenses):				
Interest income	161	131	553	366
Interest expense	(2,787)	(862)	(4,376)	(2,671)
Loss on extinguishment of debt	(376)	—	(376)	—
Other expense	(5,492)	(6)	(5,563)	(156)
Income before provision for income taxes	1,716	6,562		