



Mistras Group, Inc. Continues Solid Growth in Profits and Revenues in 2nd Quarter, Raises Full Year Guidance

Jan 11, 2011

PRINCETON JUNCTION, N.J., Jan. 11, 2011 (GLOBE NEWSWIRE) -- Mistras Group, Inc. (NYSE:MG), a leading "one source" global provider of technology enabled asset protection solutions, today reported financial results for its fiscal second quarter ending November 30, 2010. Revenue for the second quarter of fiscal 2011 was \$88.8 million, an increase of \$16.9 million or 24%, compared to the \$71.9 million in revenues reported for the second quarter of fiscal 2010. Adjusted EBITDA*, a non-GAAP measure detailed later in this release, grew by 30% to \$15.9 million in the second quarter of fiscal 2011 versus \$12.3 million in the second quarter of fiscal 2010. Net income for the second quarter of fiscal 2011 grew by 59% to \$5.7 million, or \$0.21 per diluted share, versus \$3.6 million, or \$0.14 per diluted share, in the second quarter of fiscal 2010.

Financial Highlights

- Continued a trend of double digit revenue growth resulting in a Compounded Annual Growth Rate (CAGR) in revenues of 27% over the last five fiscal years.
- Revenues grew by 23% in the first six months of fiscal 2011 to \$157.2 million, up from \$128.0 million in the first six months of fiscal 2010.
- Adjusted EBITDA* grew by 27% in the first six months of fiscal 2011 to \$24.4 million, versus \$19.3 million in the first six months of fiscal 2010.
- Adjusted EBITDA* as a percentage of revenue increased 80 basis points to approximately 18% in the second quarter of fiscal 2011.
- Net income grew by 66% in the first six months of fiscal 2011 to \$7.3 million, up from \$4.4 million in 2010.
- The Company generated \$11.1 million in net cash from operating activities in the first six months of fiscal 2011, versus \$8.6 million in the first six months of fiscal 2010, representing an increase of 29%.

Revenue growth of 24% in the fiscal second quarter was driven by organic growth of 18%, acquisition growth of 6%, and was only minimally impacted by movements in foreign currency. During the second quarter of fiscal 2011, the Company achieved revenue growth across all of its segments, including gains of 25% in the Services segment, 10% in the Products and Systems segment and 25% in the International segment.

Net income during the second quarter of 2011 included an increase in our legal provision of \$0.1 million. In addition, net income for the second quarter of 2011 included \$1.0 million in stock compensation expense, compared to \$0.8 million in the second quarter of 2010. Both of these expense classifications are included in the calculation of Adjusted EBITDA*. The company believes Adjusted EBITDA* is a key measure of operating performance for its business segments.

Chairman and Chief Executive Officer, Dr. Sotirios J. Vahaviolos stated that, "Our second quarter results continue the trend of double digit growth in Revenues and Adjusted EBITDA* that we have consistently delivered for several years now. Our second quarter growth was especially impressive given the strong performance in the second quarter of fiscal 2010, when both revenues and Adjusted EBITDA* also grew significantly. Once again, organic growth led the way, contributing to the bulk of our revenue growth. In addition, we are pleased to have increased our Adjusted EBITDA* as a percentage of revenues, which reflects our continued focus on profitable growth and leveraging our strengthening market share position."

Business Outlook for Fiscal 2011:

The Company is forecasting continued double digit growth in Revenues and Adjusted EBITDA* for fiscal 2011. In addition, the Company is raising its previously issued guidance range for fiscal 2011 revenue and Adjusted EBITDA* and now projects revenues to be in the range of \$310 million to \$340 million (up from \$300 million to \$330 million) and Adjusted EBITDA* to be in the range of \$45 million to \$50 million (up from \$44 million to \$49 million). Mistras does not provide specific guidance for individual quarters, but will reaffirm or update our annual guidance at least quarterly.

Conference Call to Discuss Second Quarter Fiscal 2011 Results

Mistras will have a conference call on Wednesday, January 12th, 2011 at 9:00 am Eastern Time to discuss its results for the second quarter of fiscal year 2011. The call will be broadcast over the Web and can be accessed on Mistras' Website, www.mistrasgroup.com. Individuals in the U.S. wishing to participate in the conference call by phone may call (866) 314-4483 and use confirmation code 38815568 when prompted. The International number is (617) 213-8049. Those who wish to listen to the call later can access an archived copy of the conference call at the Mistras Website.

About Mistras Group, Inc.

Mistras offers one of the broadest "one source" services and technology-enabled asset protection solution portfolios in the industry used to evaluate the structural integrity of energy, industrial and public infrastructure. Mission critical services and solutions are delivered globally and provide customers with the ability to extend the useful life of their assets, improve productivity and profitability, comply with government safety and environmental regulations and enhance risk management operational decisions.

Mistras uniquely combines its industry leading products and technologies - 24/7 on-line monitoring of critical assets; mechanical integrity ("MI") and non-destructive testing ("NDT") services; and its proprietary world class data warehousing and analysis software - to provide comprehensive and competitive products, systems and services solutions from a single source provider.

For more information, please visit the company's website at www.mistrasgroup.com or contact Frank Joyce, Chief Financial Officer at 609-716-4103.

The MISTRAS Group, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=6966>

Forward-Looking and Cautionary Statements

Certain statements made in this press release are "forward-looking statements" about Mistras' financial results and estimates, products and services, business model, strategy, growth opportunities, profitability and competitive position. These forward-looking statements generally use words such as "future," "possible," "potential," "targeted," "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict," "project," "will," "may," "should," "could," "would" and other similar words and phrases. Such statements are not guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved, if at all. These statements are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in these statements. A list, description and discussion of these risks and uncertainties can be found in the "Risk Factors" section of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on August 17, 2010. The forward-looking statements are made as of the date hereof, and Mistras undertakes no obligation to update such statements as a result of new information, future events or otherwise.

* Use of Non-GAAP Measures

The term "Adjusted EBITDA" is a financial measurement not calculated in accordance with U.S. generally accepted accounting principles. The Company believes that investors and other users of the financial statements benefit from the presentation of Adjusted EBITDA because it provides an additional metric to compare the Company's operating performance on a consistent basis and measure underlying trends and results of the Company's business. An explanation of Adjusted EBITDA and a reconciliation of this to a financial measurement under GAAP are set forth in a table attached to this press release.

Mistras Group, Inc.
Unaudited Consolidated Balance Sheets
(in thousands, except share data)

| | <u>November 30, 2010</u> | <u>May 31, 2010</u> |
|--|--------------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 6,769 | \$ 16,037 |
| Accounts receivable, net | 63,354 | 54,721 |
| Inventories, net | 10,181 | 8,736 |
| Deferred income taxes | 2,287 | 2,189 |
| Prepaid expenses and other current assets | <u>5,791</u> | <u>5,292</u> |
| Total current assets | 88,382 | 86,975 |
| Property, plant and equipment, net | 46,396 | 39,981 |
| Intangible assets, net | 20,290 | 16,088 |
| Goodwill | 51,586 | 44,315 |
| Other assets | <u>454</u> | <u>1,273</u> |
| Total assets | <u>\$ 207,108</u> | <u>\$ 188,632</u> |
| LIABILITIES, PREFERRED STOCK AND EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 5,563 | \$ 6,303 |
| Current portion of capital lease obligations | 5,854 | 5,370 |
| Accounts payable | 4,594 | 4,640 |
| Accrued expenses and other current liabilities | 22,585 | 20,090 |
| Income taxes payable | <u>3,504</u> | <u>3,281</u> |
| Total current liabilities | 42,100 | 39,684 |
| Long-term debt, net of current portion | 12,269 | 5,691 |
| Obligations under capital leases, net of current portion | 9,477 | 9,199 |
| Deferred income taxes | 2,325 | 2,087 |
| Other long-term liabilities | <u>636</u> | <u>1,417</u> |
| Total liabilities | <u>66,807</u> | <u>58,078</u> |

| | | |
|---|------------|------------|
| Commitments and contingencies | | |
| Preferred stock, 10,000,000 shares authorized | -- | -- |
| Equity | | |
| Common stock, \$0.01 par value, 200,000,000 shares authorized, 26,664,855 and 26,663,528 shares issued and outstanding as of November 30, 2010 and May 31, 2010, respectively | 267 | 267 |
| Additional paid-in capital | 163,830 | 162,054 |
| Accumulated deficit | (23,178) | (30,448) |
| Accumulated other comprehensive loss | (1,021) | (1,587) |
| Total Mistras Group, Inc. stockholders' equity | 139,898 | 130,286 |
| Noncontrolling interest | 403 | 268 |
| Total equity | 140,301 | 130,554 |
| Total liabilities, preferred stock and equity | \$ 207,108 | \$ 188,632 |

Mistras Group, Inc.
Unaudited Consolidated Statement of Operations
(in thousands, except per share data)

| | Three months ended November 30, | | Six months ended November 30, | |
|--|---------------------------------|------------------|-------------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | |
| Services | \$ 82,953 | \$ 66,862 | \$ 144,205 | \$ 118,518 |
| Products | 5,884 | 5,037 | 13,042 | 9,470 |
| Total revenues | <u>88,837</u> | <u>71,899</u> | <u>157,247</u> | <u>127,988</u> |
| Cost of Revenues: | | | | |
| Cost of services | 55,667 | 44,506 | 97,058 | 78,875 |
| Cost of goods sold | 2,067 | 1,742 | 5,344 | 3,841 |
| Depreciation of services | 3,136 | 2,435 | 5,945 | 4,715 |
| Depreciation of products | 159 | 200 | 314 | 391 |
| Total cost of revenues | <u>61,029</u> | <u>48,883</u> | <u>108,661</u> | <u>87,822</u> |
| Gross profit | 27,808 | 23,016 | 48,586 | 40,166 |
| Selling, general and administrative expenses | 15,615 | 13,686 | 31,094 | 26,819 |
| Research and engineering | 569 | 449 | 1,124 | 932 |
| Depreciation and amortization | 1,326 | 1,214 | 2,504 | 2,259 |
| Legal reserve | 101 | -- | 351 | (297) |
| Income from operations | 10,197 | 7,667 | 13,513 | 10,453 |
| Other expenses | | | | |
| Interest expense | 671 | 1,017 | 1,361 | 2,081 |
| Loss on extinguishment of long-term debt | -- | 218 | -- | 387 |
| Income before provision for income taxes and noncontrolling interest | 9,526 | 6,432 | 12,152 | 7,985 |
| Provision for income taxes | 3,818 | 2,875 | 4,872 | 3,569 |
| Net income | 5,708 | 3,557 | 7,280 | 4,416 |
| Net (income) loss attributable to noncontrolling interests, net of taxes | (30) | 5 | (10) | (39) |
| Net income attributable to Mistras Group, Inc. | 5,678 | 3,562 | 7,270 | 4,377 |
| Accretion of preferred stock | -- | 6,499 | -- | 6,499 |
| Net income attributable to common shareholders | <u>\$ 5,678</u> | <u>\$ 10,061</u> | <u>\$ 7,270</u> | <u>\$ 10,876</u> |
| Earnings per common share: | | | | |
| Basic | \$ 0.21 | \$ 0.48 | \$ 0.27 | \$ 0.64 |

| | | | | |
|---|---------|---------|---------|---------|
| Diluted | \$ 0.21 | \$ 0.14 | \$ 0.27 | \$ 0.19 |
| Weighted average common shares outstanding: | | | | |
| Basic | 26,665 | 20,987 | 26,664 | 16,971 |
| Diluted | 26,816 | 24,993 | 26,795 | 22,980 |

Mistras Group, Inc.
Unaudited Operating Data by Segment
(in thousands)

| | Three months ended November 30, | | Six months ended November 30, | |
|----------------------------|---------------------------------|------------------|-------------------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Revenues | | | | |
| Services | \$ 76,108 | \$ 60,938 | \$ 131,390 | \$ 106,640 |
| Products and Systems | 5,228 | 4,744 | 10,538 | 8,369 |
| International | 9,350 | 7,479 | 18,390 | 15,230 |
| Corporate and eliminations | (1,849) | (1,262) | (3,071) | (2,251) |
| | <u>\$ 88,837</u> | <u>\$ 71,899</u> | <u>\$ 157,247</u> | <u>\$ 127,988</u> |

| | Three months ended November 30, | | Six months ended November 30, | |
|----------------------------|---------------------------------|------------------|-------------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Gross profit | | | | |
| Services | \$ 21,753 | \$ 17,405 | \$ 36,754 | \$ 29,933 |
| Products and Systems | 2,821 | 2,818 | 5,390 | 4,506 |
| International | 3,260 | 2,944 | 6,531 | 5,990 |
| Corporate and eliminations | (26) | (151) | (89) | (263) |
| | <u>\$ 27,808</u> | <u>\$ 23,016</u> | <u>\$ 48,586</u> | <u>\$ 40,166</u> |

Mistras Group, Inc.
Unaudited Reconciliation of
Net Income Attributable to Mistras Group, Inc. to EBITDA and Adjusted EBITDA
(in thousands)

| | Three months ended November 30, | | Six months ended November 30, | |
|--|---------------------------------|------------------|-------------------------------|------------------|
| | 2010 | 2009 | 2010 | 2009 |
| EBITDA and Adjusted EBITDA data | | | | |
| Net income attributable to Mistras Group, Inc. | \$ 5,678 | \$ 3,562 | \$ 7,270 | \$ 4,377 |
| Interest expense | 671 | 1,017 | 1,361 | 2,081 |
| Provision for income taxes | 3,818 | 2,875 | 4,872 | 3,569 |
| Depreciation and amortization | <u>4,621</u> | <u>3,849</u> | <u>8,763</u> | <u>7,365</u> |
| EBITDA | \$ 14,788 | \$ 11,303 | \$ 22,266 | \$ 17,392 |
| Legal reserve | 101 | -- | 351 | (297) |
| Large customer bankruptcy | -- | -- | -- | 767 |
| Stock compensation expense | 1,047 | 783 | 1,776 | 1,033 |
| Loss on extinguishment of debt | <u>--</u> | <u>218</u> | <u>--</u> | <u>387</u> |
| Adjusted EBITDA | <u>\$ 15,936</u> | <u>\$ 12,304</u> | <u>\$ 24,393</u> | <u>\$ 19,282</u> |

"Adjusted EBITDA" is defined as net income attributable to Mistras Group, Inc. plus: interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, certain acquisition related costs and certain one-time and generally non-recurring items (which are

included in the reconciliation above).

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