



## Mistras Group Delivers Strong First Quarter Results

Oct 9, 2012

PRINCETON JUNCTION, N.J., Oct. 9, 2012 (GLOBE NEWSWIRE) -- Mistras Group, Inc. (NYSE:MG), a leading "one source" global provider of technology-enabled asset protection solutions, today reported financial results for the first quarter of fiscal 2013, which ended August 31, 2012. During the first quarter, the Company had revenues of \$113.4 million, net income of \$4.3 million, or \$0.15 per diluted share, and Adjusted EBITDA\*, a non-GAAP measure detailed later in this release, of \$15.5 million.

### First Quarter Fiscal 2013 Financial Highlights:

- Revenue of \$113.4 million increased 24%.
- Adjusted EBITDA\* increased 29% to \$15.5 million.
- Net income increased 33% to \$4.3 million, or \$0.15 per diluted share.
- Net cash provided by operating activities increased more than 60% to \$21.5 million.
- Operating margins and Adjusted EBITDA\* margins increased over the prior year.
- SG&A as a percent of revenues dropped to 20.7 % versus 21.2% in the prior year.

In September 2012, the Company completed the acquisition of German-based GMA Holding, a leader in the field of quality assurance, non-destructive and destructive material testing, and engineering services. GMA Holding has more than 500 employees located in 11 offices throughout Germany, as well as operations in the Netherlands. Revenues for GMA Holding's most recent fiscal year were approximately \$50 million and the purchase price was \$36 million plus additional consideration for meeting certain profitability targets. The Company expects the GMA acquisition will be break-even for fiscal 2013.

Chairman and Chief Executive Officer, Dr. Sotirios J. Vahaviolos stated, "The first quarter was another strong quarter for the Mistras model, as significant increases in revenues produced larger gains in net income, Adjusted EBITDA and operating cash flows. This is indicative of how we manage the business for our shareholders." Dr. Vahaviolos added, "We continue to expand our service offerings with the acquisition of the GMA Group that not only bring us new capabilities in the testing space, but also help increase our scale in the European market".

### Outlook and Guidance for Fiscal 2013

The Company's outlook is for continued double digit growth in revenue and Adjusted EBITDA\*. The Company is adjusting its previously issued fiscal 2013 guidance and now projects its fiscal 2013 revenues to be in the range of \$520 million to \$535 million and Adjusted EBITDA\* to be in the range of \$76 million to \$85 million. Mistras does not provide quarterly guidance, but expects to affirm or update its annual guidance at least quarterly.

### Earnings Conference Call

In connection with this earnings release, Mistras will hold its quarterly conference call on Wednesday, October 10th at 9:00 a.m. (Eastern). The call will be broadcast over the Web and can be accessed on Mistras' Website, [www.mistrasgroup.com](http://www.mistrasgroup.com). Individuals in the U.S. wishing to participate in the conference call by phone may call 1-800-435-1398 and use confirmation code 90631470 when prompted. The International dial-in number is 1-617-614-4078.

### 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.

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

For more information, please visit the Company's website at [www.mistrasgroup.com](http://www.mistrasgroup.com) or contact Frank Joyce, Chief Financial Officer at 609-716-4103.

### 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, and other matters. 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 and other risks and uncertainties can be found in the "Risk Factors" section of the Company's Annual Report on Form 10-K for fiscal year 2012 filed with the Securities and Exchange Commission on August 14, 2012, as updated by our reports on Form 10-Q and

Form 8-K. 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" used in this release is a financial measurement not calculated in accordance with generally accepted accounting principles in the U.S. ("GAAP"). A reconciliation of Adjusted EBITDA to a financial measurement under GAAP is set forth in a table attached to this press release. In addition, the Company has also included tables for non-GAAP measurements "Adjusted Net Income" and "Adjusted Earnings Per Share," also reconciling these measurements to a financial measurement under GAAP. The Company believes that investors and other users of the financial statements benefit from the presentation of Adjusted EBITDA, Adjusted Net Income and adjusted earnings per share because they provide additional metrics to compare the Company's operating performance on a consistent basis and measure underlying trends and results of the Company's business.

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

|   | <u>August 31,</u><br><u>2012</u> | <u>May 31,</u><br><u>2012</u> |
|---|----------------------------------|-------------------------------|
| <b>ASSETS</b>   |                                  |                               |
| Current Assets  |                                  |                               |
| Cash and cash equivalents   | \$ 7,329                         | \$ 8,410                      |
| Accounts receivable, net  | 87,627                           | 104,515                       |
| Inventories, net  | 11,771                           | 12,492                        |
| Deferred income taxes   | 1,860                            | 1,885                         |
| Prepaid expenses and other current assets   | <u>5,190</u>                     | <u>6,321</u>                  |
| Total current assets  | 113,777                          | 133,623                       |
| Property, plant and equipment, net  | 62,181                           | 63,527                        |
| Intangible assets, net  | 32,477                           | 34,469                        |
| Goodwill  | 95,691                           | 96,819                        |
| Other assets  | <u>697</u>                       | <u>1,378</u>                  |
| Total assets  | <u>\$ 304,823</u>                | <u>\$ 329,816</u>             |
| <b>LIABILITIES, PREFERRED STOCK AND EQUITY</b>  |                                  |                               |
| Current Liabilities   |                                  |                               |
| Current portion of long-term debt   | \$ 5,589                         | \$ 5,971                      |
| Current portion of capital lease obligations  | 6,211                            | 5,951                         |
| Accounts payable  | 7,998                            | 11,944                        |
| Accrued expenses and other current liabilities  | 33,478                           | 39,334                        |
| Income taxes payable  | <u>813</u>                       | <u>1,119</u>                  |
| Total current liabilities   | 54,089                           | 64,319                        |
| Long-term debt, net of current portion  | 18,087                           | 34,258                        |
| Obligations under capital leases, net of current portion  | 12,644                           | 13,094                        |
| Deferred income taxes   | 5,490                            | 4,901                         |
| Other long-term liabilities   | <u>17,778</u>                    | <u>19,996</u>                 |
| Total liabilities   | <u>108,088</u>                   | <u>136,568</u>                |
| Commitments and contingencies   |                                  |                               |
| Preferred stock, 10,000,000 shares authorized   | --                               | --                            |
| Equity  |                                  |                               |
| Common stock, \$0.01 par value, 200,000,000 shares authorized, 28,133,982 and 28,025,507 shares issued and outstanding as of August 31, 2012 and May 31, 2012, respectively | 281                              | 280                           |
| Additional paid-in capital  | 189,669                          | 188,443                       |

|  |                   |                   |
|--|-------------------|-------------------|
| Retained earnings                              | 11,617            | 7,336             |
| Accumulated other comprehensive loss           | <u>(5,078)</u>    | <u>(3,047)</u>    |
| Total Mistras Group, Inc. stockholders' equity | 196,489           | 193,012           |
| Noncontrolling interest                        | <u>246</u>        | <u>236</u>        |
| Total equity                                   | <u>196,735</u>    | <u>193,248</u>    |
| Total liabilities, preferred stock and equity  | <u>\$ 304,823</u> | <u>\$ 329,816</u> |

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

|  | <u>Three months ended August 31,</u> |                 |
|--|--------------------------------------|-----------------|
|  | <u>2012</u>                          | <u>2011</u>     |
| <b>Revenues:</b>   |                                      |                 |
| Services   | \$ 99,225                            | \$ 82,902       |
| Products   | <u>14,162</u>                        | <u>8,545</u>    |
| <b>Total revenues</b>  | <u>113,387</u>                       | <u>91,447</u>   |
| <b>Cost of revenues:</b>   |                                      |                 |
| Cost of services   | 70,516                               | 56,887          |
| Cost of products sold  | 5,010                                | 3,640           |
| Depreciation related to services   | 3,976                                | 3,323           |
| Depreciation related to products   | <u>168</u>                           | <u>177</u>      |
| <b>Total cost of revenues</b>  | <u>79,670</u>                        | <u>64,027</u>   |
| <b>Gross profit</b>  | 33,717                               | 27,420          |
| Selling, general and administrative expenses                             | 23,492                               | 19,381          |
| Research and engineering   | 517                                  | 589             |
| Depreciation and amortization  | 1,895                                | 1,479           |
| Acquisition-related costs  | <u>(179)</u>                         | <u>--</u>       |
| Income from operations   | 7,992                                | 5,971           |
| <b>Other expenses</b>  |                                      |                 |
| Interest expense   | <u>1,046</u>                         | <u>661</u>      |
| Income before provision for income taxes                                 | 6,946                                | 5,310           |
| Provision for income taxes   | <u>2,655</u>                         | <u>2,116</u>    |
| <b>Net income</b>  | 4,291                                | 3,194           |
| Net (income) loss attributable to noncontrolling interests, net of taxes | <u>(10)</u>                          | <u>34</u>       |
| Net income attributable to Mistras Group, Inc.                           | <u>\$ 4,281</u>                      | <u>\$ 3,228</u> |
| Earnings per common share:   |                                      |                 |
| Basic  | \$ 0.15                              | \$ 0.12         |
| Diluted  | \$ 0.15                              | \$ 0.11         |
| Weighted average common shares outstanding:                              |                                      |                 |
| Basic  | 28,045                               | 27,677          |
| Diluted  | 29,000                               | 28,225          |

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

**Three months ended August 31,**

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|--|-------------|-------------|

**Revenues**

|                            |                   |                  |
|----------------------------|-------------------|------------------|
| Services                   | \$ 82,397         | \$ 75,689        |
| Products and Systems       | 9,534             | 7,513            |
| International              | 24,429            | 9,773            |
| Corporate and eliminations | <u>(2,973)</u>    | <u>(1,528)</u>   |
|                            | <u>\$ 113,387</u> | <u>\$ 91,447</u> |

**Three months ended August 31,**

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|--|-------------|-------------|

**Gross profit**

|                            |                  |                  |
|----------------------------|------------------|------------------|
| Services                   | \$ 20,940        | \$ 20,308        |
| Products and Systems       | 5,245            | 3,751            |
| International              | 7,081            | 3,431            |
| Corporate and eliminations | <u>451</u>       | <u>(70)</u>      |
|                            | <u>\$ 33,717</u> | <u>\$ 27,420</u> |

**Mistras Group, Inc. and Subsidiaries****Unaudited Reconciliation of****Net Income Attributable to Mistras Group, Inc. to EBITDA and Adjusted EBITDA****(in thousands)****Three months ended August 31,**

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|--|-------------|-------------|

**EBITDA and Adjusted EBITDA data**

|  |                  |                  |
|--|------------------|------------------|
| Net income attributable to Mistras Group, Inc. | \$ 4,281         | \$ 3,228         |
| Interest expense                               | 1,046            | 661              |
| Provision for income taxes                     | 2,655            | 2,116            |
| Depreciation and amortization                  | <u>6,039</u>     | <u>4,979</u>     |
| EBITDA   | \$ 14,021        | \$ 10,984        |
| Stock compensation expense                     | 1,634            | 1,002            |
| Acquisition-related costs                      | <u>(179)</u>     | <u>--</u>        |
| Adjusted EBITDA                                | <u>\$ 15,476</u> | <u>\$ 11,986</u> |

**Mistras Group, Inc. and Subsidiaries****Unaudited Reconciliation of****Net Income Attributable to Mistras Group, Inc. (GAAP) to Adjusted Net Income and Adjusted Earnings Per Share (Non-GAAP)****(in thousands, except per share data)****Three months ended August 31,**

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|--|-------------|-------------|

**Adjusted net income**

|   |                 |                 |
|---|-----------------|-----------------|
| Net income attributable to Mistras Group, Inc. (GAAP)   | \$ 4,281        | \$ 3,228        |
| Acquisition-related costs (\$0.2 million, pre-tax for the three months ended August 31, 2012) | <u>(111)</u>    | <u>--</u>       |
| Adjusted net income (Non-GAAP)  | <u>\$ 4,170</u> | <u>\$ 3,228</u> |

**Adjusted diluted net earnings per common share**

|   |                |                |
|---|----------------|----------------|
| Diluted earnings per common share (GAAP)                  | \$ 0.15        | \$ 0.11        |
| Acquisition-related costs                                 | <u>(0.01)</u>  | <u>--</u>      |
| Adjusted diluted net earnings per common share (Non-GAAP) | <u>\$ 0.14</u> | <u>\$ 0.11</u> |

CONTACT: Nestor S. Makarigakis, Manager of Marketing Communications,

marcom@mistrasgroup.com, 1(609)716-4000