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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 4, 2020

Mistras Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-34481**	**22-3341267**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

195 Clarksville Road
Princeton Junction, New Jersey 08550
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(609) 716-4000**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d 2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, $0.01 par value	MG	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. o

Item 2.02. Results of Operations and Financial Condition

On November 4, 2020, Mistras Group, Inc. (the “Company,” “we” or “us”) issued a press release announcing the financial results for our third quarter, which ended September 30, 2020. A copy of the press release is attached as Exhibit 99.1 to this report.

Disclosure of Non-GAAP Financial Measures

In the press release attached, the Company uses the terms “Adjusted EBITDA”, “free cash flow” and "net debt", which are not measures of financial performance under U.S. generally accepted accounting principles (“GAAP”). Also, in the tables to the press release, the non-GAAP financial measures "Segment and Total Company Income before Special Items” and "Diluted EPS excluding Special Items", are presented and reconciled to financial measures under GAAP. Information about these non-GAAP measures are included in the press release.

Our management uses these non-GAAP measurements as a measure of operating performance and liquidity to assist in comparing performance from period to period on a consistent basis, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations. Adjusted EBITDA and free cash flow are also performance evaluation metrics used to determine incentive compensation for executive officers.

We believe that investors and other users of the financial statements benefit from the presentation of these non-GAAP measurements because they provide additional metrics to compare the Company's operating performance and liquidity on a consistent basis and measure underlying trends and results of the Company's business. Adjusted EBITDA and Segment and Total Company Income before Special Items assist in evaluating our operating performance because they remove the impact of certain items that management believes do not directly reflect our core operations. For instance, Adjusted EBITDA generally excludes interest expense, taxes and depreciation and amortization, each of which can vary substantially from company to company depending upon accounting methods and the book value and age of assets, capital structure, capital investment cycles and the method by which assets were acquired. It also eliminates stock-based compensation, which is a non-cash expense and is excluded by management when evaluating the underlying performance of our business operations.

Our management uses free cash flow when evaluating the performance of our business operations. This measurement also takes into account cash used to purchase fixed assets needed for business operations which are not expensed. We believe this measurement provides an additional tool to compare cash generated by our operations on a consistent basis and measure underlying trends and results in our business.

While Adjusted EBITDA and free cash flow are terms and financial measurements commonly used by investors and securities analysts, they have limitations. As non-GAAP measurements, Adjusted EBITDA and free cash flows have no standard meaning and, therefore, may not be comparable with similar measurements for other companies. Similarly, segment and total company income before special items and diluted EPS excluding special items has no standard meaning and may not be comparable to measurements for other companies. Adjusted EBITDA and free cash flow are generally limited as analytical tools because they exclude charges and expenses we do incur as part of our operations as well as cash uses which are included in a GAAP cash flow statement. In addition, free cash flow does not represent residual cash flow available for discretionary expenditures since items such as debt repayments are not deducted in determining such measurement.

None of these non-GAAP financial measurements should be considered in isolation or as a substitute for analyzing our results as reported under U.S. generally accepted accounting principles.

Item 9.01. Financial Statement and Exhibits

(d) Exhibits

99.1 Press release issued by Mistras Group, Inc. on November 4, 2020

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 hereunto duly authorized.

MISTRAS GROUP, INC.

Date: November 4, 2020	By:	/s/ Edward J. Prajzner	
		Name:	Edward J. Prajzner
		Title:	Executive Vice President, Chief Financial Officer and Treasurer

Exhibit No.	**Description**
99.1	Press release issued by Mistras Group, Inc. on November 4, 2020

Exhibit 99.1

MISTRAS Group Announces Third Quarter 2020 Results

November 4, 2020

Sequential Quarterly Revenue Growth of 18.9%;
Year over Year Quarterly Gross Profit Margin Increased by 190 bps and SG&A expense decreased by 12.3%;
Continued Positive Quarterly Operating Cash Flow, Free Cash Flow and Debt Reduction

PRINCETON JUNCTION, N.J., November 4, 2020 (GLOBE NEWSWIRE) - MISTRAS Group, Inc. (MG: NYSE), a leading "one source" global multinational provider of integrated technology-enabled asset protection solutions, reported financial results for its third quarter ended September 30, 2020.

Highlights of the Third Quarter 2020*

- **Revenue of $147.9 million, a decrease of 23.0% year over year, but an increase of 18.9% sequentially**
- **Gross profit margin of 32.0%, a 190 basis point increase**
- **SG&A expenses of $37.1 million, a decrease of $5.2 million or 12.3%**
- **Net income of $1.6 million or $0.05 per share**
- **Adjusted EBITDA of $17.4 million**
- **Operating cash flow of $6.9 million**

Highlights for the Year-to-Date 2020*

- **Revenue of $431.8 million, a decrease of 24.2%**
- **Gross profit margin of 29.9%, a 60 basis point increase**
- **SG&A expense of $116.3 million, a reduction of $9.7 million or 7.7%**
- **Operating cash flow of $41.8 million, an increase of 3.2%**
- **Free cash flow of $30.8 million, an increase of 36.9%**
- **Debt repayment of $18.8 million**

** All comparisons are consolidated and versus the equivalent prior year period, unless otherwise noted.*

For the third quarter of 2020, consolidated revenue was $147.9 million compared to $192.2 million in the prior year period, a decrease of 23% year-over-year. Sequentially however, third quarter revenue increased 18.9% over the second quarter of 2020 reflecting a modest rebound in end markets and continued share gains. For the third quarter, consolidated gross profit margin improved by 190 basis points to 32.0% from 30.1% in the same quarter a year ago. Gross profit margin expansion continues to reflect the impact of cost efficiency initiatives, productivity enhancements, government wage subsidies and a favorable sales mix. The Company generated $6.9 million and $3.6 million in operating cash flows and free cash flows, respectively, for the third quarter of 2020, compared to $19.4 million in operating cash flows and $13.4 million in free cash flows, respectively, for the same prior year period. The Company generated $1.6 million of net income, or $0.05 per diluted share for the third quarter of 2020. Adjusted EBITDA was $17.4 million for the third quarter of 2020, down from $22.4 million in the year ago quarter, but up 51.3% sequentially from $11.5 million in the second quarter of 2020.

Chief Executive Officer Dennis Bertolotti commented, "Our flexible and resilient organization once again responded to rapidly changing market conditions, capitalizing on a recovery in our end markets with a significant sequential quarterly revenue growth of nearly 19%. Conditions are beginning to improve in the energy sector, through stabilization in Oil and Gas and strengthening in the renewable sector, particularly wind energy. Our aerospace business has experienced some stabilization in North America, aided by our diversification efforts into defense and space, while the European aerospace market continues to lag. Gross profit margin in the third quarter 2020 continued the strong performance trend from the second quarter 2020, as our ability to quickly adapt to changes in both up and down markets has enabled us to improve gross profit margin year over year. SG&A was down over 12% from the year ago quarter, the largest relative decrease in quarterly overhead costs this year, as we continue to drive efficiencies. We remained operating and free cash flow positive in the third quarter, despite the investment in working capital required from the rapid increase in revenue in the third quarter. On a year-to-date basis, our free cash flow improved by $8.3 million, a significant 37% improvement over the prior year period. We have paid down $18.8 million of debt thus far in 2020, and this remains our top priority for our residual free cash flow. Our sequential improvement over the second quarter reflects strong execution, modest improvement in our end markets as well as growth in share of our target markets."

Mr. Bertolotti additionally commented on the Company's progress with a number of growth initiatives and provided an outlook for the balance of 2020, noting, "Our primary focus remains on evolving our services to meet the needs of our customers in the various markets we serve, so we remain an essential provider who enables our customers to operate their facilities efficiently, safely and in compliance with all regulatory requirements. As we expand our offerings and use mobile applications to quickly offer real value in data management of customer assets, new markets and opportunities are emerging. Consequently, we continue to invest in truly differentiated solutions to meet our customers' unique requirements. In the energy markets, we are expanding into alternative energy, where the safety and integrity of wind turbines, for instance, offers promising growth opportunities. In aerospace, new opportunities are emerging beyond our traditional commercial markets, including space and defense, as owners continue to recognize our ability to provide effective project management capabilities to the many steps of their respective supply chains. Mistras Digital is another focused area of growth, whether it be ruggedized tablets in the field or greater use of Industrial IoT for remote monitoring and predictive maintenance. Mistras is uniquely positioned to capitalize on these new and emerging markets for which we have already made the investment and maintain a comprehensive capability. While volatility in today's energy markets and the pervasive impact of the global pandemic continue to create headwinds and pose challenges in the near term, we are as confident as ever that we are ideally positioned to capitalize on the growing demand for services that can assure the safety, reliability and regulatory compliance of various market's constantly growing infrastructure."

Performance by segment during the quarter was as follows:

Services segment third quarter revenues were $119.7 million, down 21.5% from a year ago, but up 18.9% sequentially from the second quarter. Services segment revenues continue to reflect the slowdown in the energy and aerospace markets, primarily related to the COVID-19 pandemic. For the third quarter, gross profit margin was 31.4%, up from 28.4% in the third quarter of prior year. Gross profit margin benefitted from better utilization, favorable sales mix and wage subsidies in Canada.

International segment third quarter revenues were $26.5 million, down 28.5% from a year ago, but up 24.1% sequentially from the second quarter. Revenues primarily reflect the softness in the European aerospace market. International segment third quarter gross profit margin was 31.0% down slightly from 31.6% in the year ago quarter.

The Company generated $41.8 million of cash flows from operations in the first nine months of 2020, compared with $40.5 million in the year ago period. Free cash flow was $30.8 million in the first nine months of 2020, compared with $22.5 million in the comparable prior year period, an increase of 36.9%. Free cash flow benefitted from a tightening of our capital expenditure budget.

The Company's net debt (total debt less cash and cash equivalents) was $214.4 million at September 30, 2020, compared to $239.7 million at December 31, 2019. Gross debt decreased by $18.2 million during the first nine months of 2020, from $254.7 million at the end of the year to $236.5 million at September 30, 2020.

Outlook for remainder of 2020

It remains extremely difficult to forecast with any degree of certainty at this time. The ongoing COVID-19 pandemic continues to significantly impact the Company's two largest markets, Oil & Gas and Aerospace. The Oil & Gas industry appears to be signaling a flattening for the fourth quarter, and aerospace is also facing strong headwinds. As such, it is likely that fourth quarter consolidated revenue will be relatively flat to slightly down from the third quarter, adjusted EBITDA will be lower than the third quarter, while operating and free cash flow are expected to be higher than the third quarter. This outlook is contingent on continuing macroeconomic stability, including i) continuing stabilization in crude oil markets and ii) no implementation of new or increased stay-in-place mandates resulting from an increased spread of COVID-19, which could impact our ability to work as a critical service provider.

Conference Call

In connection with this release, MISTRAS will hold a conference call on November 5, 2020 at 9:00 a.m. (Eastern). 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 dial 1-844-832-7227 and use confirmation code 2268064 when prompted. The International dial-in number is 1-224-633-1529. 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. - One Source for Asset Protection Solutions®

MISTRAS Group, Inc. (NYSE: MG) is a leading "one source" multinational provider of integrated technology-enabled asset protection solutions, helping to maximize the safety and operational uptime for civilization's most critical industrial and civil assets.

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies, and decades-long legacy of industry leadership, MISTRAS leads clients in the oil and gas, aerospace and defense, power generation, civil infrastructure, and manufacturing industries towards achieving and maintaining operational excellence. By supporting these organizations that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and space craft; and building real-time monitoring equipment to enable safe travel across bridges, MISTRAS helps the world at large.

MISTRAS enhances value for its clients by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions. The company's core capabilities also include non-destructive testing ("NDT") field inspections enhanced by advanced robotics, laboratory quality control and assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

For more information about how MISTRAS helps protect civilization's critical infrastructure, visit **https://www.mistrasgroup.com/** or contact Nestor S. Makarigakis, Group Vice President of Marketing at marcom@mistrasgroup.com.

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 2019 Annual Report on Form 10-K dated March 27, 2020, 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

In addition to financial information prepared in accordance with generally accepted accounting principles in the U.S. (GAAP), this press release also contains adjusted financial measures that we believe provide investors and management with supplemental information relating to operating performance and trends that facilitate comparisons between periods and with respect to projected information. The term "Adjusted EBITDA" used in this release is a financial measurement not calculated in accordance with GAAP and is defined as net income attributable to MISTRAS Group, Inc. plus: interest expense, provision for income taxes, depreciation and amortization, share-based compensation expense and certain acquisition related costs (including transaction due diligence costs and adjustments to the fair value of contingent consideration), foreign exchange (gain) loss, non-cash impairment charges and, if applicable, certain additional special items which are noted. A reconciliation of Adjusted EBITDA to a financial measurement under GAAP is set forth in a table attached to this press release. In the press release, the Company also uses the term "Net Income Excluding Special Items", which is GAAP net income adjusted for certain items management believes are unusual and non-recurring. In the tables attached is a table reconciling "Net Income (Loss) (GAAP)" to "Net Income Excluding Special Items (non-GAAP)", which reconciles the non-GAAP amount to a GAAP measurement. In addition, the Company has also included in the attached tables non-GAAP measurement" "Segment and Total Company

Income (Loss) Before Special Items”, reconciling these measurements to financial measurements under GAAP. The Company uses the term “free cash flow”, a non-GAAP measurement the Company defines as cash provided by operating activities less capital expenditures (which is classified as an investing activity). The Company also uses the term “net debt”, a non-GAAP measurement defined as the sum of the current and long-term portions of long-term debt, less cash and cash equivalents.

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

	September 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 22,116	$ 15,016
Accounts receivable, net	114,090	135,997
Inventories	14,902	13,413
Prepaid expenses and other current assets	16,699	14,729
Total current assets	167,807	179,155
Property, plant and equipment, net	91,771	98,607
Intangible assets, net	69,389	109,537
Goodwill	201,623	282,410
Deferred income taxes	1,811	1,786
Other assets	48,374	48,383
Total assets	$ 580,775	$ 719,878
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 12,588	$ 15,033
Accrued expenses and other current liabilities	78,415	81,389
Current portion of long-term debt	9,889	6,593
Current portion of finance lease obligations	3,651	4,131
Income taxes payable	1,737	2,094
Total current liabilities	106,280	109,240
Long-term debt, net of current portion	226,617	248,120
Obligations under finance leases, net of current portion	11,291	13,043
Deferred income taxes	4,219	21,290
Other long-term liabilities	46,841	42,163
Total liabilities	395,248	433,856
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized, 29,191,876 and 28,945,472 shares issued and outstanding	292	289
Additional paid-in capital	233,267	229,205
Retained earnings (deficit)	(22,029)	77,613
Accumulated other comprehensive loss	(26,209)	(21,285)
Total Mistras Group, Inc. stockholders' equity	185,321	285,822
Noncontrolling interests	206	200
Total equity	185,527	286,022
Total liabilities and equity	$ 580,775	$ 719,878

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Income (Loss)
(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 147,894	$ 192,192	$ 431,794	$ 569,595
Cost of revenue	94,930	129,241	286,208	386,721
Depreciation	5,580	5,182	16,400	16,160
Gross profit	47,384	57,769	129,186	166,714
Selling, general and administrative expenses	37,113	42,328	116,278	126,014
Bad debt provision for troubled customers, net of recoveries	—	—	—	2,798
Impairment charges	—	—	106,062	—
Pension withdrawal expense	—	(45)	—	489
Research and engineering	638	650	2,170	2,261
Depreciation and amortization	3,182	4,089	10,359	12,380
Acquisition-related expense (benefit), net	709	(32)	186	970
Income (loss) from operations	5,742	10,779	(105,869)	21,802
Interest expense	3,645	2,959	9,410	10,065
Income (loss) before provision (benefit) for income taxes	2,097	7,820	(115,279)	11,737
Provision (benefit) for income taxes	544	4,733	(15,645)	6,493
Net income (loss)	1,553	3,087	(99,634)	5,244
Less: Net income (loss) attributable to non-controlling interests, net of taxes	30	(6)	8	13
Net income (loss) attributable to Mistras Group, Inc.	$ 1,523	$ 3,093	$ (99,642)	$ 5,231
Earnings (loss) per common share:				
Basic	$ 0.05	$ 0.11	$ (3.43)	$ 0.18
Diluted	$ 0.05	$ 0.11	$ (3.43)	$ 0.18
Weighted-average common shares outstanding:				
Basic	29,177	28,800	29,086	28,678
Diluted	29,311	29,156	29,086	29,022

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues				
Services	$ 119,721	$ 152,572	$ 349,271	$ 454,079
International	26,477	37,050	76,887	109,302
Products and Systems	3,932	5,521	10,746	13,222
Corporate and eliminations	(2,236)	(2,951)	(5,110)	(7,008)
	$ 147,894	$ 192,192	$ 431,794	$ 569,595

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Gross profit				
Services	$ 37,603	$ 43,330	$ 103,780	$ 127,903
International	8,197	11,695	21,612	33,113
Products and Systems	1,628	2,739	3,834	5,803
Corporate and eliminations	(44)	5	(40)	(105)
	$ 47,384	$ 57,769	$ 129,186	$ 166,714

Mistras Group, Inc. and Subsidiaries
Unaudited Reconciliation of
Segment and Total Company Income from Operations (GAAP) to Income before Special Items (non-GAAP)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Services:				
Income (loss) from operations (GAAP)	$ 13,599	$ 15,757	$ (57,058)	$ 40,715
Bad debt provision for troubled customers, net of recoveries	—	—	—	2,778
Impairment charges	—	—	86,200	—
Pension withdrawal expense	—	(45)	—	489
Reorganization and other costs	58	125	125	202
Legal settlement	(360)	—	(360)	—
Acquisition-related expense (benefit), net	709	(125)	186	577
Income before special items (non-GAAP)	$ 14,006	$ 15,712	$ 29,093	$ 44,761
International:				
Income (loss) from operations (GAAP)	$ (66)	$ 2,921	$ (22,422)	$ 5,155
Bad debt provision for troubled customers, net of recoveries	—	—	—	20
Impairment charges	—	—	19,862	—
Reorganization and other costs	21	90	313	355
Income (loss) before special items (non-GAAP)	$ (45)	$ 3,011	$ (2,247)	$ 5,530
Products and Systems:				
Income (loss) from operations (GAAP)	$ (160)	$ 509	$ (1,936)	$ (1,224)
Reorganization and other costs	5	218	5	218
Loss before special items (non-GAAP)	$ (155)	$ 727	$ (1,931)	$ (1,006)
Corporate and Eliminations:				
Loss from operations (GAAP)	$ (7,631)	$ (8,408)	$ (24,453)	$ (22,844)
Loss on debt modification	—	—	645	—
Reorganization and other costs	14	44	137	104
Acquisition-related expense, net	—	93	—	393
Loss before special items (non-GAAP)	$ (7,617)	$ (8,271)	$ (23,671)	$ (22,347)
Total Company:				
Income (loss) from operations (GAAP)	$ 5,742	$ 10,779	$ (105,869)	$ 21,802
Bad debt provision for troubled customers, net of recoveries	—	—	—	2,798
Impairment charges	—	—	106,062	—
Pension withdrawal expense	—	(45)	—	489
Reorganization and other costs	98	477	580	879
Loss on debt modification	—	—	645	—
Legal settlement	(360)	—	(360)	—
Acquisition-related expense (benefit), net	709	(32)	186	970
Income (loss) before special items (non-GAAP)	$ 6,189	$ 11,179	$ 1,244	$ 26,938

Mistras Group, Inc. and Subsidiaries
Unaudited Summary Cash Flow Information
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net cash provided by (used in):				
Operating activities	$ 6,929	$ 19,371	$ 41,791	$ 40,476
Investing activities	(3,310)	(10,580)	(10,558)	(21,628)
Financing activities	(4,740)	(6,382)	(25,077)	(29,521)
Effect of exchange rate changes on cash	649	(538)	944	(499)
Net change in cash and cash equivalents	$ (472)	$ 1,871	$ 7,100	$ (11,172)

Mistras Group, Inc. and Subsidiaries
Unaudited Reconciliation of
Net Cash Provided by Operating Activities (GAAP) to Free Cash Flow (non-GAAP)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net cash provided by operating activities (GAAP)	$ 6,929	$ 19,371	$ 41,791	$ 40,476
Less:				
Purchases of property, plant and equipment	(3,233)	(5,713)	(10,676)	(17,275)
Purchases of intangible assets	(116)	(263)	(311)	(704)
Free cash flow (non-GAAP)	$ 3,580	$ 13,395	$ 30,804	$ 22,497

Mistras Group, Inc. and Subsidiaries
Unaudited Reconciliation of
Net Income (Loss) (GAAP) to Adjusted EBITDA (non-GAAP)
(in thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss) (GAAP)	$ 1,553	$ 3,087	$ (99,634)	$ 5,244
Less: Net income (loss) attributable to non-controlling interests, net of taxes	30	(6)	8	13
Net income (loss) attributable to Mistras Group, Inc.	$ 1,523	$ 3,093	$ (99,642)	$ 5,231
Interest expense	3,645	2,959	9,410	10,065
Provision (benefit) for income taxes	544	4,733	(15,645)	6,493
Depreciation and amortization	8,762	9,271	26,759	28,540
Share-based compensation expense	1,572	1,725	4,312	4,592
Impairment charges	—	—	106,062	—
Acquisition-related expense (benefit), net	709	(32)	186	970
Reorganization and other related costs	98	477	580	879
Legal settlement	(360)	—	(360)	—
Pension withdrawal expense	—	(45)	—	489
Loss on debt modification	—	—	645	—
Bad debt provision (benefit) for troubled customers, net of recoveries	—	—	—	2,798
Foreign exchange (gain) loss	898	197	1,965	(1,001)
Adjusted EBITDA (non-GAAP)	$ 17,391	$ 22,378	$ 34,272	$ 59,056

Mistras Group, Inc. and Subsidiaries
Unaudited Reconciliation of
Net Income (Loss) (GAAP) and Diluted EPS (GAAP) to Net Income (Loss) Excluding Special Items (non-GAAP)
and Diluted EPS Excluding Special Items (non-GAAP)
(tabular dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss) attributable to Mistras Group, Inc. (GAAP)	$ 1,523	$ 3,093	$ (99,642)	$ 5,231
Special items	447	400	107,113	5,136
Tax impact on special items[1]	(192)	(100)	(14,233)	(1,307)
Special items, net of tax	$ 255	$ 300	$ 92,880	$ 3,829
Net income (loss) attributable to Mistras Group, Inc. Excluding Special Items (non-GAAP)	$ 1,778	$ 3,393	$ (6,762)	$ 9,060
Diluted EPS (GAAP)[2]	$ 0.05	$ 0.11	$ (3.43)	$ 0.18
Special items, net of tax	0.01	0.01	3.19	0.13
Diluted EPS Excluding Special Items (non-GAAP)	$ 0.06	$ 0.12	$ (0.24)	$ 0.31

[1] The Company modified the prior year tax effect on special items to be consistent with the current year methodology, which was to apply the current jurisdictional tax rate to each specific special item. The impact of this change on the three months ended September 30, 2019 was a reduction of special tax of approximately $(0.1) million and $(0.00) per diluted share and on the nine months ended September 30, 2019 was approximately ($0.8) million and ($0.03) per diluted share.
[2] For the nine months ended September 30, 2020, 213 thousand shares related to restricted stock were excluded from the calculation of diluted EPS due to the net loss for the period.