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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

Or

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

For the transition period from __ to __

Commission file number 001-34481

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

Delaware	**22-3341267**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
195 Clarksville Road	
Princeton Junction, New Jersey	**08550**
(Address of principal executive offices)	*(Zip Code)*

(609) 716-4000

(Registrant's telephone number, including area code)

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 (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 o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

☒ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	o	Accelerated filer	x
Non-accelerated filer	o	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. o

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 May 3, 2021, the registrant had 29,431,913 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	March 31, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 24,177	$ 25,760
Accounts receivable, net	111,960	107,628
Inventories	13,148	13,134
Prepaid expenses and other current assets	20,684	16,066
Total current assets	169,969	162,588
Property, plant and equipment, net	90,238	92,681
Intangible assets, net	66,222	68,642
Goodwill	206,660	206,008
Deferred income taxes	2,064	2,069
Other assets	49,248	51,325
Total assets	$ 584,401	$ 583,313
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 15,052	$ 14,240
Accrued expenses and other current liabilities	83,629	78,500
Current portion of long-term debt	11,145	10,678
Current portion of finance lease obligations	3,729	3,765
Income taxes payable	2,457	2,664
Total current liabilities	116,012	109,847
Long-term debt, net of current portion	211,161	209,538
Obligations under finance leases, net of current portion	10,635	11,115
Deferred income taxes	9,092	8,236
Other long-term liabilities	45,457	47,358
Total liabilities	392,357	386,094
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized, 29,346,562 and 29,234,143 shares issued and outstanding	293	292
Additional paid-in capital	235,413	234,638
Accumulated deficit	(27,210)	(21,848)
Accumulated other comprehensive loss	(16,653)	(16,061)
Total Mistras Group, Inc. stockholders' equity	191,843	197,021
Non-controlling interests	201	198
Total equity	192,044	197,219
Total liabilities and equity	$ 584,401	$ 583,313

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

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

	Three months ended March 31,	
	2021	2020
Revenue	$ 153,735	$ 159,465
Cost of revenue	108,243	113,324
Depreciation	5,491	5,497
Gross profit	40,001	40,644
Selling, general and administrative expenses	39,639	41,558
Impairment charges	—	106,062
Legal settlement and litigation charges, net	1,030	—
Research and engineering	727	824
Depreciation and amortization	3,074	3,970
Acquisition-related expense (benefit), net	277	(542)
Loss from operations	(4,746)	(111,228)
Interest expense	3,213	2,789
Loss before benefit for income taxes	(7,959)	(114,017)
Benefit for income taxes	(2,600)	(15,495)
Net Loss	(5,359)	(98,522)
Less: net income (loss) attributable to noncontrolling interests, net of taxes	3	(13)
Net loss attributable to Mistras Group, Inc.	$ (5,362)	$ (98,509)
Loss per common share		
Basic	$ (0.18)	$ (3.40)
Diluted	$ (0.18)	$ (3.40)
Weighted-average common shares outstanding:		
Basic	29,425	28,963
Diluted	29,425	28,963

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Loss
(in thousands)

	Three months ended March 31,	
	2021	2020
Net Loss	$ (5,359)	$ (98,522)
Other comprehensive loss:		
Foreign currency translation adjustments	$ (592)	$ (17,015)
Comprehensive loss	(5,951)	(115,537)
Less: net income (loss) attributable to noncontrolling interest	3	(13)
Less: Foreign currency translation adjustments attributable to noncontrolling interests	—	(6)
Comprehensive loss attributable to Mistras Group, Inc.	$ (5,954)	$ (115,518)

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
(*in thousands*)

	Three months ended							
	Common Stock							
	Shares	Amount	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2020	29,234	$ 292	$ 234,638	$ (21,848)	$ (16,061)	$ 197,021	$ 198	$ 197,219
Net income (loss)	—	—	—	(5,362)	—	(5,362)	3	(5,359)
Other comprehensive loss, net of tax	—	—	—	—	(592)	(592)	—	(592)
Share-based payments	—	—	1,262	—	—	1,262	—	1,262
Net settlement of restricted stock units	113	1	(487)	—	—	(486)	—	(486)
Balance at March 31, 2021	29,347	$ 293	$ 235,413	$ (27,210)	$ (16,653)	$ 191,843	$ 201	$ 192,044
Balance at December 31, 2019	28,945	$ 289	$ 229,205	$ 77,613	$ (21,285)	$ 285,822	$ 200	$ 286,022
Net loss	—	—	—	(98,509)	—	(98,509)	(13)	(98,522)
Other comprehensive loss, net of tax	—	—	—	—	(17,009)	(17,009)	(6)	(17,015)
Share-based payments	—	—	1,425	—	—	1,425	—	1,425
Net settlement of restricted stock units	97	1	(158)	—	—	(157)	—	(157)
Balance at March 31, 2020	29,042	$ 290	$ 230,472	$ (20,896)	$ (38,294)	$ 171,572	$ 181	$ 171,753

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Mistras Group, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
(*in thousands*)

	Three months ended March 31,	
	2021	**2020**
Cash flows from operating activities		
Net loss	$ (5,359)	$ (98,522)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	8,565	9,467
Impairment charges	—	106,062
Deferred income taxes	866	(13,739)
Share-based compensation expense	1,262	1,345
Fair value adjustments to contingent consideration	243	(542)
Foreign currency (gain) loss	455	307
Other	(48)	76
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions		
Accounts receivable	(5,417)	7,884
Inventories	(87)	(405)
Prepaid expenses and other assets	(4,944)	(985)
Accounts payable	942	(1,526)
Accrued expenses and other liabilities	6,881	(3,315)
Income taxes payable	(211)	—
Net cash provided by operating activities	3,148	6,107
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,003)	(4,301)
Purchase of intangible assets	(350)	(87)
Acquisition of business, net of cash acquired	(411)	—
Proceeds from sale of equipment	588	184
Net cash used in investing activities	(4,176)	(4,204)
Cash flows from financing activities		
Repayment of finance lease obligations	(1,069)	(1,167)
Proceeds from borrowings of long-term debt	—	280
Repayment of long-term debt	(2,323)	(1,639)
Proceeds from revolver	23,000	13,500
Repayment of revolver	(17,750)	(8,500)
Payment of financing costs	—	(522)
Payment of contingent consideration for business acquisitions	(938)	(1,303)
Taxes paid related to net share settlement of share-based awards	(485)	(157)
Net cash provided by financing activities	435	492
Effect of exchange rate changes on cash and cash equivalents	(990)	(384)
Net change in cash and cash equivalents	(1,583)	2,011
Cash and cash equivalents at beginning of period	25,760	15,016
Cash and cash equivalents at end of period	$ 24,177	$ 17,027
Supplemental disclosure of cash paid		
Interest, net	$ 2,916	$ 2,726
Income taxes, net of refunds	$ 2,877	$ 61
Noncash investing and financing		
Equipment acquired through finance lease obligations	$ 643	$ 667

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

1. Description of Business and Basis of Presentation

Description of Business

Mistras Group, Inc. and subsidiaries (the Company) is a leading “OneSource™” 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, the Company helps 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, the Company helps the world at large.

The Company 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.

The Company serves a global customer base of companies with asset-intensive infrastructure, including companies in the oil and gas, commercial aerospace and defense, fossil and nuclear power, alternative and renewable energy, public infrastructure, chemicals, transportation, primary metals and metalworking, pharmaceutical/biotechnology and food processing industries, and research and engineering institutions.

Recent Developments

The COVID-19 coronavirus (COVID-19) pandemic has caused significant volatility in domestic and international markets and is expected to continue to result in significant economic disruption.

The Company's businesses have been classified as non-healthcare critical infrastructure as defined by the U.S. Centers for Disease Control and Prevention (CDC). As a result, a majority of the Company's customers have been and currently remain open for business. North American facilities have remained, and currently remain operating, with modified staffing in certain locations where appropriate. Similarly, our European facilities have remained, and currently remain operating, with modified staffing in certain locations where appropriate, but at a slower pace than North America.

Overall, the Company has taken actions to ensure the health and safety of Company employees and those of its customers and suppliers; maintain business continuity and financial strength and stability; and serve customers as they provide essential products and services to the world.

The COVID-19 pandemic, significant volatility in oil prices, and decreased traffic in the aerospace industry have adversely affected the operations of the Company's customers, suppliers and contractors, and as a consequence, the Company's results of operations. These negative factors have also resulted in significant volatility and uncertainty in the markets in which the Company operates.

While the Company cannot fully assess the impact that the factors discussed above will have on its operations at this time, there were certain impacts that the Company identified resulting in impairment charges in 2020. See Note 8-***Goodwill,*** Note 9-***Intangible Assets*** and Note 13-***Leases*** for additional information.

To respond to the economic downturn resulting from the factors discussed above, in March 2020 the Company initiated a temporary cost reduction and efficiency program. The Company reinstated several of the temporary cost reductions initiatives undertaken during 2020; although, the Company continues to manage and evaluate these actions in responding to the pandemic.

The Company is currently unable to predict with certainty the overall impact that the factors discussed above may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. The Company will continue to monitor market conditions and respond accordingly. As of March 31, 2021, the cash balance was approximately $24.2 million.

Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements contained in this report have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and Securities and Exchange Commission guidance allowing for reduced disclosure for interim periods. In the opinion of management, the Unaudited Condensed Consolidated Financial Statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods of the years ending December 31, 2021 and December 31, 2020.

Certain items included in these statements are based on management's estimates. Actual results may differ from those estimates. The results of operations for any interim period are not necessarily indicative of the results expected for the year. The accompanying Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the notes to the Audited Consolidated Financial Statements contained in the Company's 2020 Annual Report on Form 10-K ("2020 Annual Report").

Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of Mistras Group, Inc. as well as its wholly-owned subsidiaries, majority-owned subsidiaries and consolidated variable interest entities (VIE). For subsidiaries in which the Company's ownership interest is less than 100%, the non-controlling interests are reported in stockholders' equity in the accompanying Condensed Consolidated Balance Sheets. The non-controlling interests in net results, net of tax, is classified separately in the accompanying Unaudited Condensed Consolidated Statements of Loss. All significant intercompany accounts and transactions have been eliminated in consolidation. The results of operations of companies acquired are included from the date of acquisition.

Reclassification

Certain amounts in prior periods have been reclassified to conform to the current year presentation. Such reclassifications did not have a material effect on the Company's financial condition or results of operations as previously reported

Customers

For each of the three months ended March 31, 2021 and 2020, no customer represented 10% or more of the Company's revenue.

Significant Accounting Policies

The Company's significant accounting policies are disclosed in Note 1–***Summary of Significant Accounting Policies and Practices*** in the 2020 Annual Report. On an ongoing basis, the Company evaluates its estimates and assumptions, including among other things, those related to revenue recognition, long-lived assets, goodwill and acquisitions. Since the date of the 2020 Annual Report, there have been no material changes to the Company's significant accounting policies.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided if it is more likely than not that some or all of a deferred income tax asset will not be realized. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the current and prior years. US GAAP prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. US GAAP also provides guidance on de-recognition, measurement, and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods and disclosures required. Interest and penalties related to unrecognized tax positions are recognized as incurred within “provision for income taxes” in the consolidated statements of income.

The Company continues to evaluate its deferred tax assets each period to determine if a valuation allowance is required based on whether it is more likely than not that some portion of these deferred tax assets will not be realized. As of March 31, 2021 management concluded that it is more likely than not that a substantial portion of the Company's deferred tax assets will be realized. As part of the Company's analysis, it considered both positive and negative factors that impact profitability and whether those factors would lead to a change in the estimate of the Company's deferred tax assets that may be realized in the future.

The Company’s effective income tax rate was approximately 32.7% and 13.6% for the three months ended March 31, 2021 and 2020, respectively. The effective income tax rate benefit for the three months ended March 31, 2021 was higher than the statutory rate due to the capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the three months ended March 31, 2020 was lower than the statutory rate primarily due to impairments recorded during the interim period for which no income tax benefits will be realized by the Company. However, this unfavorable impact on the Company's effective income tax rate was partially offset by income tax benefits of the CARES Act.

In response to the COVID-19 pandemic, the American Rescue Plan Act was signed into law on March 11, 2021. This act, among other things, provides economic relief provisions to individuals and funding to certain businesses and programs. The Company is currently evaluating the impact of this guidance on its consolidated financial position, results of operations, and cash flows, but does not expect it to have a material impact.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”. The ASU removes certain exceptions from the guidance in ASC 740 related to intra-period tax allocations, interim calculations and the recognition of deferred tax liabilities for outside basis differences and clarifies and simplifies several other aspects of accounting for income taxes. Different transition methods apply to the various income tax simplifications. The Company adopted ASU 2019-12 effective January 1, 2021. The impact of adopting this standard was not material to the Company’s consolidated financial position, results of operations, and cash flows.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating applicable contracts and the available expedients provided by the new guidance.

2. Revenue

The Company derives the majority of its revenue by providing services on a time and material basis, and are short-term in nature. The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*.

Performance Obligations

The Company provides highly integrated and bundled inspection services to its customers. The majority of the Company's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation using the Company's best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is a relative selling price based on price lists.

Contract modifications are not routine in the performance of the Company's contracts. Generally, when contracts are modified, the modification is to account for changes in scope to the goods and services that are provided. In most instances, contract modifications are for goods or services that are distinct, and, therefore, are accounted for as a separate contract.

The Company's performance obligations are satisfied over time as work progresses or at a point in time. The majority of the Company's revenue is recognized over time as work progresses for the Company's service deliverables, which includes providing testing, inspection and mechanical services to our customers. Revenue is recognized over time based on time and material incurred to date which best portrays the transfer of control to the customer. The Company also utilizes an available practical expedient that provides for revenue to be recognized in an amount that corresponds directly with the value to the customer of the entity’s performance completed to date. Fixed fee arrangements are determined based on expected labor, material, and overhead to be consumed on fulfillment of such services. For these arrangements, revenue is recognized on a cost-to-cost method tracked on an input basis.

The majority of our revenue recognized at a point in time is related to product sales when the customer obtains control of the asset, which is generally upon shipment to the customer. Contract costs include labor, material and overhead.

The Company expects any significant remaining performance obligations to be satisfied within one year.

Contract Estimates

The majority of the Company's revenues are short-term in nature. The Company has many master service agreements (MSAs) that specify an overall framework and contract terms when the Company and customers agree upon services or products to be provided. The actual contracting to provide services or furnish products are triggered by a work order, purchase order, or some similar document issued pursuant to a MSA which sets forth the scope of services and/or identifies the products to be provided. From time-to-time, the Company may enter into long-term contracts, which can range from several months to several years. Revenue on certain contracts is recognized as work is performed based on total costs incurred to date in relation to the total estimated costs for the performance of the contract at completion. This includes contract estimates of costs to be incurred for the performance of the contract. Cost estimation is based upon the professional knowledge and experience of the Company's project managers, engineers and financial professionals. Factors that are considered in estimating the work to be completed include the availability of materials, the effect of any delays in the Company's project performance and the recoverability of any claims. Whenever revisions of estimates, contract costs and/or contract values indicate that the contract costs will exceed estimated revenues, thus creating a loss, a provision for the total estimated loss is recorded in that period.

Mistras Group, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements
(tabular dollars and shares in thousands, except per share data)

Revenue by Category

The following series of tables present the disaggregated revenue:

Revenue by industry was as follows:

Three Months Ended March 31, 2021	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 84,684	$ 8,008	$ 56	$ —	$ 92,748
Aerospace & Defense	11,823	4,317	35	—	16,175
Industrials	8,819	4,849	327	—	13,995
Power generation & Transmission	5,534	1,978	759	—	8,271
Other Process Industries	7,856	2,912	9	—	10,777
Infrastructure, Research & Engineering	3,169	3,756	1,144	—	8,069
Other	2,413	1,828	658	(1,199)	3,700
Total	$ 124,298	$ 27,648	$ 2,988	$ (1,199)	$ 153,735

Three Months Ended March 31, 2020	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 83,299	$ 9,104	$ 95	$ —	$ 92,498
Aerospace & Defense	14,652	7,415	147	—	22,214
Industrials	12,867	4,919	488	—	18,274
Power generation & Transmission	5,095	1,697	854	—	7,646
Other Process Industries	6,004	2,120	3	—	8,127
Infrastructure, Research & Engineering	4,517	2,461	560	—	7,538
Other	2,439	1,351	665	(1,287)	3,168
Total	$ 128,873	$ 29,067	$ 2,812	$ (1,287)	$ 159,465

Revenue per key geographic location was as follows:

Three Months Ended March 31, 2021	Services	International	Products	Corp/Elim	Total
United States	$ 104,546	$ 208	$ 1,460	$ (391)	$ 105,823
Other Americas	18,878	1,177	67	(63)	20,059
Europe	294	25,894	460	(612)	26,036
Asia-Pacific	580	369	1,001	(133)	1,817
Total	$ 124,298	$ 27,648	$ 2,988	$ (1,199)	$ 153,735

Three Months Ended March 31, 2020	Services	International	Products	Corp/Elim	Total
United States	109,581	$ 154	$ 1,559	$ (711)	$ 110,583
Other Americas	18,735	1,505	278	(153)	20,365
Europe	108	26,235	340	(379)	26,304
Asia-Pacific	449	1,173	635	(44)	2,213
Total	$ 128,873	$ 29,067	$ 2,812	$ (1,287)	$ 159,465

(tabular dollars and shares in thousands, except per share data)

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. Amounts are generally billed as work progresses in accordance with agreed-upon contractual terms, generally at periodic intervals (e.g., weekly, bi-weekly or monthly). Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. However, the Company sometimes receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These assets and liabilities are aggregated on an individual contract basis and reported on the Consolidated Balance Sheets at the end of each reporting period within accounts receivable, net or accrued expenses and other current liabilities.

Revenue recognized during the three months ended March 31, 2021 and 2020 that was included in the contract liability balance at the beginning of such year was $1.9 million and $1.6 million, respectively. Changes in the contract asset and liability balances during these periods were not materially impacted by any other factors. The Company applies a practical expedient to expense incremental costs incurred related to obtaining a contract. The Company’s expenses are expected to be amortized over a period less than one year.

3. Share-Based Compensation

The Company has share-based incentive awards outstanding to its eligible employees and non-employee directors under two equity incentive plans: (i) the 2009 Long-Term Incentive Plan (the "2009 Plan") and (ii) the 2016 Long-Term Incentive Plan (the "2016 Plan"). No further awards may be granted under the 2009 Plan, although one stock option award granted under the 2009 Plan remains outstanding in accordance with its terms. Awards granted under the 2016 Plan may be in the form of stock options, restricted stock units and other forms of share-based incentives, including performance restricted stock units, stock appreciation rights and deferred stock rights. At the annual shareholders meeting on May 19, 2020, the Company’s shareholders approved an amendment to increase the total number of shares that may be issued under the 2016 Plan by 2.0 million, for a total of 3.7 million shares that may be issued under the 2016 Plan.

Stock Options

For each of the three months ended March 31, 2021 and 2020, the Company did not recognize any share-based compensation expense related to the stock option award, as the one outstanding stock option award was already fully vested. No unrecognized compensation costs remained related to the stock option award as of March 31, 2021.

The following table sets forth a summary of the stock option activity, weighted-average exercise prices and options outstanding as of March 31, 2021 and 2020:

	Three months ended March 31,			
	2021		2020	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at beginning of period:	5	$ 22.35	5	$ 22.35
Granted	—	$ —	—	$ —
Exercised	—	$ —	—	$ —
Expired or forfeited	—	$ —	—	$ —
Outstanding at end of period:	5	$ 22.35	5	$ 22.35

(tabular dollars and shares in thousands, except per share data)

Restricted Stock Unit Awards

For the three months ended March 31, 2021 and March 31, 2020, the Company recognized share-based compensation expense related to restricted stock unit awards of $0.9 million and $1.1 million, respectively. As of March 31, 2021, there was $8.7 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock unit awards, which is expected to be recognized over a remaining weighted-average period of 3.0 years. Upon vesting, restricted stock units are generally net share-settled to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock.

A summary of the vesting activity of restricted stock unit awards, with the respective fair value of the awards, is as follows:

	Three months ended March 31,	
	2021	2020
Restricted stock awards vested	111	120
Fair value of awards vested	$ 1,189	$ 454

A summary of the fully-vested common stock the Company issued to its six non-employee directors, in connection with its non-employee director compensation plan, is as follows:

	Three months ended March 31,	
	2021	2020
Awards issued	25	—
Grant date fair value of awards issued	$ 258	$ —

A summary of the Company's outstanding, non-vested restricted share units is as follows:

	Three months ended March 31,			
	2021		2020	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	1,076	$ 7.41	559	$ 16.92
Granted	519	$ 10.06	—	$ —
Released	(111)	$ 15.90	(120)	$ 15.87
Forfeited	(10)	$ 8.69	(3)	$ 16.34
Outstanding at end of period:	1,474	$ 7.70	436	$ 17.21

Performance Restricted Stock Units

The Company maintains Performance Restricted Stock Units (PRSUs) that have been granted to select executives and senior officers whose ultimate payout is based on the Company’s performance over a one-year period based on specific metrics approved by the Compensation Committee of the Board of Directors of the Company.

For 2020, the Compensation Committee approved the following four metrics:

1. *Revenue*
2. *Adjusted EBITDA* defined as net income attributable to the Company 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 and, if applicable, certain special items which are noted).
3. *Free Cash Flow* as a percentage of revenue
4. *Return on Average Book Equity* defined as net income divided by average book value of shareholders equity.

The free cash flow and return on average book equity criteria are relative metrics, the performance of which are based upon how the Company performs relative to a peer group.

(tabular dollars and shares in thousands, except per share data)

For 2021, the Compensation Committee made changes to the Company's equity incentive compensation plan for its executive officers and approved the new target awards for 2021. For 2021, the three metrics are:

1. *Free Cash Flow* net cash provided by operating activities less purchases of property, plant, equipment and intangible assets and is subject to adjustments approved by the Compensation Committee.
2. *Adjusted EBITDA* as defined in the 2020 metric section above.
3. *Total Shareholder Return (TSR)* measures the total return to shareholders of the Company during 2021 versus the total return to the shareholders of a predefined peer group of companies that provide inspection, testing, certification or similar industrial services. The return will be measured by the year over year percent change in share price. The share prices used to calculate the return are the average share price during the 20-trading day period ending on the initial measurement date (the last 20 trading days of 2020), compared to the average share price during the 20-trading day period ending on the final measurement date (the last 20 trading days of 2021). Any cash dividends or distributions paid in 2021 will be added to calculate the return to shareholders during the year. TSR is considered a market condition for which the fair value of PRSUs with this condition is determined using a Monte Carlo valuation model. Key assumptions in the Monte Carlo valuation model included:
    a. *Expected Volatility.* Expected volatility of the Company's common stock at the date of grant was estimated based on a historical average volatility rate for the approximate 1-year performance period.
    b. *Dividend Yield*. The dividend yield assumption was based on historical and anticipated dividend payouts (assumed at zero).
    c. *Risk-Free Interest Rate*. The risk-free interest rate assumption was based on observed interest rates consistent with the approximate 1-year performance measurement period.

PRSUs are equity-classified and compensation costs are initially measured using the fair value of the underlying stock at the date of grant. Compensation costs related to the PRSUs are subsequently adjusted for changes in the expected outcomes of the performance conditions. Compensation cost related to the PRSUs with a market condition is not reversed if the market condition is not achieved, provided the employee requisite service has been rendered. PRSUs generally vest ratably on each of the first four anniversary dates upon completion of the performance period, for a total requisite service period of up to five years and have no dividend rights.

A summary of the Company's PRSU activity is as follows:

	Three months ended March 31,			
	2021		2020	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	333	$ 8.84	260	$ 16.77
Granted	189	$ 12.59	—	$ —
Performance condition adjustments	(125)	$ 3.68	1	$ 13.63
Released	(22)	$ 13.63	(19)	$ 19.46
Forfeited	—	$ —	—	$ —
Outstanding at end of period:	375	$ 12.18	242	$ 15.42

During the three months ended March 31, 2021 and March 31, 2020, the Compensation Committee approved the final calculation of the award metrics for calendar year 2020 and calendar year 2019, respectively. As a result, the calendar year 2020 PRSUs decreased by approximately 125,000 units (related to not achieving the 2020 Return on Average Book Equity metric) and the calendar year 2019 PRSUs increased by approximately 1,000 units.

For the three months ended March 31, 2021 and March 31, 2020, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately $0.1 million and $0.3 million, respectively. At March 31, 2021, there was $2.7 million of total unrecognized compensation costs related to approximately 375,000 non-vested PRSUs, which is expected to be recognized over a remaining weighted-average period of 2.7 years.

(tabular dollars and shares in thousands, except per share data)

4. Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net income by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, and (2) the dilutive effect of assumed conversion of equity awards using the treasury stock method. With respect to the number of weighted-average shares outstanding (denominator), diluted shares reflects: (i) the exercise of options to acquire common stock to the extent that the options' exercise prices are less than the average market price of common shares during the period and (ii) the pro forma vesting of restricted stock units.

The following table sets forth the computations of basic and diluted earnings per share:

	Three months ended March 31,	
	2021	2020
Basic loss per share		
Numerator:		
Net loss attributable to Mistras Group, Inc.	$ (5,362)	$ (98,509)
Denominator:		
Weighted average common shares outstanding	29,425	28,963
Basic loss per share	$ (0.18)	$ (3.40)
Diluted loss per share:		
Numerator:		
Net loss attributable to Mistras Group, Inc.	$ (5,362)	$ (98,509)
Denominator:		
Weighted average common shares outstanding	29,425	28,963
Dilutive effect of stock options outstanding	—	—
Dilutive effect of restricted stock units outstanding [1]	—	—
	29,425	28,963
Diluted loss per share	$ (0.18)	$ (3.40)

[1] For the three months ended March 31, 2021 and 2020, 509,000 and 99,000 shares, respectively, related to restricted stock were excluded from the calculation of diluted EPS due to the net loss for the period.

5. Acquisitions

Acquisition-Related Expense

In the course of its acquisition activities, the Company incurs costs in connection with due diligence, such as professional fees, and other expenses. Additionally, the Company adjusts the fair value of acquisition-related contingent consideration liabilities on a quarterly basis. These amounts are reported as Acquisition-related expense, net on the Unaudited Condensed Consolidated Statements of Loss and were as follows for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Due diligence, professional fees and other transaction costs	$ 34	$ —
Adjustments to fair value of contingent consideration liabilities	243	(542)
Acquisition-related expense, net	$ 277	$ (542)

(tabular dollars and shares in thousands, except per share data)

The Company's contingent consideration liabilities are included in Accrued expenses and other current liabilities and Other long-term liabilities on the Condensed Consolidated Balance Sheets.

6. Accounts Receivable, net

Accounts receivable consisted of the following:

	March 31, 2021	December 31, 2020
Trade accounts receivable	$ 120,190	$ 115,841
Allowance for credit losses	(8,230)	(8,213)
Accounts receivable, net	$ 111,960	$ 107,628

The Company had $19.8 million and $11.9 million of unbilled revenue accrued as of March 31, 2021 and December 31, 2020, respectively. These amounts are included in the trade accounts receivable balances above. Unbilled revenue is generally billed in the subsequent quarter to their revenue recognition.

The Company was contracted to perform inspections of welds on various pipeline projects in Texas for a customer. As of December 31, 2019, approximately $1.4 million of past due receivables were outstanding from this customer. The Company received notice from the customer in December 2019, alleging that the work performed was not in compliance with the contract. The Company recorded a full reserve for this matter during 2019 and the status of this situation has not changed since 2019. See Note 14-***Commitments and Contingencies*** for additional details.

7. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	Useful Life (Years)	March 31, 2021	December 31, 2020
Land		$ 2,779	$ 2,724
Buildings and improvements	30-40	25,282	25,731
Office furniture and equipment	5-8	20,275	19,902
Machinery and equipment	5-7	236,380	234,331
		284,716	282,688
Accumulated depreciation and amortization		(194,478)	(190,007)
Property, plant and equipment, net		$ 90,238	$ 92,681

Depreciation and amortization expense for each of the three months ended March 31, 2021 and 2020 was approximately $6.1 million and $6.1 million, respectively.

(tabular dollars and shares in thousands, except per share data)

8. Goodwill

Changes in the carrying amount of goodwill by segment is shown below:

	Services	International	Products and Systems	Total
Balance at December 31, 2020	$ 190,112	$ 15,896	$ —	$ 206,008
Goodwill acquired during the period	362	—	—	362
Foreign currency translation	937	(647)	—	290
Balance at March 31, 2021	$ 191,411	$ 15,249	$ —	$ 206,660

The Company reviews goodwill for impairment on a reporting unit basis on October 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable.

During the first quarter of 2020, the Company's market capitalization declined significantly compared to the fourth quarter of 2019. Over the same period, the equity value of the Company's peer group, and the overall U.S. stock market also declined significantly amid market volatility. In addition, oil prices had dropped significantly. These declines were driven in large part by the uncertainty surrounding the COVID-19 pandemic and other macroeconomic events such as the geopolitical tensions between OPEC and Russia. Based on these factors, the Company concluded that multiple triggering events occurred and, accordingly, an interim quantitative goodwill impairment test was performed as of the testing date for each reporting unit as of March 31, 2020 ("testing date"). During the first quarter of 2020, the Company also performed an analysis to determine any impairment of long-lived assets (see Note 9-***Intangible Assets***) based on the triggering events noted above.

In performing the interim quantitative goodwill impairment test and consistent with prior practice, the Company determined the fair value of each of the reporting units using a combination of the income approach and the market approach by assessing each of these valuation methodologies based upon availability and relevance of comparable company data and determining the appropriate weighting.

Under the income approach, the fair value for each of the reporting units was determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company used internal forecasts, updated for recent events, to estimate future cash flows with cash flows beyond the specific operating plans estimated using a terminal value calculation, which incorporates historical and forecasted trends, including an estimate of long-term future growth rates, based on the Company's most recent views of the long-term outlook for each reporting unit. The internal forecasts include assumptions about future market recovery, including the expected demand for the Company's goods and services. Due to the inherent uncertainties involved in making estimates and assumptions, actual results may differ from those assumed in the forecasts. The Company derived the discount rates using a capital asset pricing model and analyzing published rates for industries relevant to the reporting units to estimate the cost of equity financing. The Company used discount rates that are commensurate with the risks and uncertainties inherent in the respective businesses and in the internally developed forecasts, updated for recent events.

The market approach valuations were derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses was based on the markets in which the reporting units operate considering risk profiles, size, geography, and diversity of products and services.

Based upon the results of the interim quantitative goodwill impairment test during the first quarter of 2020, the Company recorded an aggregate impairment charge of $77.1 million, which consisted of $57.2 million in the services reporting unit within the Services segment, and $19.3 million in the European reporting unit and $0.6 million in the Brazilian reporting unit, both within the International segment. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Loss for the three months ended March 31, 2020. Subsequent to March 31, 2020 through March 31, 2021, the Company did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable. Significant adverse changes in future periods could negatively affect the Company's key assumptions and may result in future goodwill impairment charges which could be material.

The Company's cumulative goodwill impairment as of March 31, 2021 and December 31, 2020 was $100.2 million, of which $57.2 million related to the Services segment, $29.8 million related to the International segment and $13.2 million related to the Products and Systems segment.

(tabular dollars and shares in thousands, except per share data)

9. Intangible Assets

The gross amount, accumulated amortization and net carrying amount of intangible assets were as follows:

		March 31, 2021			December 31, 2020			
	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	5-18	$ 112,982	$ (76,526)	$ 36,456	$ 116,101	$ (75,649)	$ (2,206)	$ 38,246
Software/Technology	3-15	51,657	(24,190)	27,467	77,326	(23,519)	(25,874)	27,933
Covenants not to compete	2-5	12,636	(12,252)	384	12,833	(12,162)	(212)	459
Other	2-12	10,650	(8,734)	1,915	11,120	(8,614)	(502)	2,004
Total		$ 187,925	$ (121,702)	$ 66,222	$ 217,380	$ (119,944)	$ (28,794)	$ 68,642

Amortization expense for the three months ended March 31, 2021 and 2020 was approximately $2.5 million and $3.4 million, respectively.

As described in Note 8-***Goodwill***, during the first quarter of 2020, there were negative market indicators that were determined to be triggering events indicating a potential impairment of certain long-lived assets within asset groups in the Services, International, and Products and Systems segments, as well as Corporate. The asset groups are groupings of assets and liabilities determined at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability testing indicated that certain intangible assets and right of use assets (See Note 13-***Leases***) were potentially impaired. For asset groups that required an impairment measurement, similar to the valuations performed to determine the goodwill impairment, the Company used income and market approaches to estimate the fair value of the long-lived assets, which requires significant judgment in evaluation of the useful lives of the assets, economic and industry trends, estimated future cash flows, discount rates, and other factors. The result of the analysis was an aggregate impairment charge of $28.8 million, which consisted of $25.9 million to software/technology, $2.2 million to customer relationships, $0.5 million to other intangibles and $0.2 million to covenants not to compete, all of which are in the Services reporting unit within the Services segment and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Income (Loss) for three months ended March 31, 2020.

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2021	December 31, 2020
Accrued salaries, wages and related employee benefits	$ 32,674	$ 30,214
Contingent consideration, current portion	563	1,300
Accrued workers' compensation and health benefits	4,249	3,948
Deferred revenue	8,658	6,538
Pension accrual	2,519	2,519
Right-of-use liability - Operating	10,201	10,348
Other accrued expenses	24,765	23,633
Total	$ 83,629	$ 78,500

(tabular dollars and shares in thousands, except per share data)

11. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2021	December 31, 2020
Senior credit facility	$ 125,132	$ 120,312
Senior secured term loan, net of unamortized debt issuance costs of $0.2 million and 0.3 million, respectively	87,891	89,745
Other	9,283	10,159
Total debt	222,306	220,216
Less: Current portion	(11,145)	(10,678)
Long-term debt, net of current portion	$ 211,161	$ 209,538

Senior Credit Facility

The Company has a credit agreement with its banking group (as amended, the "Credit Agreement") which provides the Company with a revolving line of credit and a $100 million senior secured term loan A facility. Pursuant to the Amendment described below, the revolving line of credit was reduced from $300 million to $175 million. Both the revolving line of credit and the term loan A facility under the Credit Agreement have a maturity date of December 12, 2023.

On May 15, 2020, the Company entered into the Third Amendment (the “Amendment”) to the Credit Agreement. The amendment was needed because the Company determined that as a result of the uncertain impact of the COVID-19 pandemic and the significant drop in oil prices, it would not meet the then existing financial covenants in the Credit Agreement for upcoming quarters. Accordingly, the Amendment modified the financial covenants to provide for: i) elimination of the Funded Debt Leverage Ratio (as defined in the Credit Agreement) for the quarters ended June 30 and September 30, 2020 and increased the Funded Debt Leverage ratio to no greater than 5.25 to 1 beginning for the quarter ending December 31, 2020 and decreasing each successive quarter to no greater than 3.50 to 1 for the quarter ended September 30, 2021, and all quarterly periods thereafter; ii) an elimination of the minimum Fixed Charge Coverage Ratio (as defined in the Credit Agreement) for the quarters ended June 30, September 30 and December 31, 2020), a decrease to 1.0 to 1 for the quarter ending March 31, 2021 and returning to 1.25 to 1 for the quarter ending June 30, 2021 and thereafter; iii) the addition of a minimum EBITDA covenant requiring $3.44 million for the three months ending June 30, 2020, $24.25 million for the six months ending September 30, 2020, and $38.55 million for the nine months ending December 31, 2020, with no requirement thereafter; and iv) the addition of a minimum Liquidity (as defined in the Amendment) covenant of not less than $20.0 million at all times through September 30, 2020 and ceasing thereafter. In addition, the Amendment set a LIBOR floor of 1.0% applicable to all LIBOR loans, and increased the LIBOR margin range to 1.50% to 4.15%, in addition to certain other modifications of the Credit Agreement. The Amendment also requires that the Company promptly prepay the outstanding amount under the revolving credit facility in an amount equal to the difference between (a) the aggregate sum of cash and cash equivalents of the Company and its subsidiaries held in the United States minus (b) $10.0 million if, for a period of two (2) consecutive business days, (i) the outstanding amount under the revolving credit facility exceeds $75.0 million and (ii) the sum of such cash and cash equivalents exceeds $10.0 million. The Amendment reduced the Company's total available loan capacity, amongst other things, and as a result, the Company expensed approximately $0.6 million in capitalized debt issuance costs during the second quarter of 2020, which was included in Selling, general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income Loss.

The Credit Agreement provides that the Company may not make any acquisitions prior to June 30, 2021, and thereafter only if the Company's Funded Debt Leverage Ratio is less than 2.50 to 1, and after giving effect to such acquisition, its pro forma Funded Debt Leverage Ratio will not be greater than 3.25 to 1. The Company received an amendment from the lenders to complete an immaterial acquisition during three months ended March 31, 2021. The Credit Agreement also limits the Company’s ability to, among other things, create liens, make investments, incur more indebtedness, merge or consolidate, make dispositions of property, pay dividends and make distributions to stockholders or repurchase its stock, enter into a new line of business, enter into transactions with affiliates and enter into burdensome agreements.

Under the Credit Agreement, the Company may borrow up to $100 million in non-U.S. Dollar currencies and use up to $20 million of the credit limit for the issuance of letters of credit.

(tabular dollars and shares in thousands, except per share data)

As of March 31, 2021, the Company had borrowings of $213.0 million and a total of $4.3 million of letters of credit outstanding under the Credit Agreement. The Company has capitalized costs associated with debt modifications of $1.0 million as of March 31, 2021, which is included in Other Assets on the Condensed Consolidated Balance Sheets.

As of March 31, 2021, the Company was in compliance with the terms of the Credit Agreement and will continuously monitor its compliance with the covenants contained in its Credit Agreement. The Company believes that it is probable that the Company will be able to comply with the financial covenants in the Credit Agreement and that sufficient credit remains available under the Credit Agreement to meet the Company's liquidity needs. However, due to the uncertainties being caused by the COVID-19 pandemic, the significant volatility in oil prices, and volatility in the aerospace production, such matters cannot be predicted with certainty.

Other debt

The Company's other debt includes local bank financing provided at the local subsidiary level used to support working capital requirements and fund capital expenditures. At March 31, 2021, there was an aggregate of approximately $9.3 million outstanding, payable at various times through 2030. Monthly payments range from $1.0 thousand to $18.0 thousand and interest rates range from 0.4% to 3.5%.

12. Fair Value Measurements

The Company performs fair value measurements in accordance with the guidance provided by ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a three level hierarchy that prioritizes the inputs used to measure fair value.

Financial instruments measured at fair value on a recurring basis

The fair value of contingent consideration liabilities was estimated using a discounted cash flow technique with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820. The significant inputs in the Level 3 measurement not supported by market activity include the probability assessments of expected future cash flows related to the acquisitions, appropriately discounted considering the uncertainties associated with the obligation, and as calculated in accordance with the terms of the applicable acquisition agreements.

The following table represents the changes in the fair value of Level 3 contingent consideration:

	Three months ended March 31,	
	2021	2020
Beginning balance	$ 1,640	$ 3,216
Acquisitions	—	—
Payments	(938)	(1,303)
Accretion of liability	—	11
Revaluation	243	(553)
Foreign currency translation	—	(62)
Ending balance	$ 945	$ 1,309

Financial instruments not measured at fair value on a recurring basis

The Company has evaluated current market conditions and borrower credit quality and has determined that the carrying value of its long-term debt approximates fair value. The fair value of the Company’s notes payable and finance lease obligations approximates their carrying amounts based on anticipated interest rates which management believes would currently be available to the Company for similar issuances of debt.

(tabular dollars and shares in thousands, except per share data)

13. Leases

The Company’s Condensed Consolidated Balance Sheets include the following related to operating leases:

Leases	Classification	March 31, 2021	December 31, 2020
Assets			
ROU assets	Other Assets	$ 44,580	$ 46,728
Liabilities			
ROU - current	Accrued expenses and other current liabilities	$ 10,201	$ 10,348
ROU liability - long-term	Other long-term liabilities	35,807	37,689
Total ROU liabilities		$ 46,008	$ 48,037

Included within the balance of operating leases is a lease for the Company’s headquarters which is with a related party. The ROU liability for this facility was approximately $3.6 million and $3.8 million as of March 31, 2021 and December 31, 2020, respectively. Total rent payments for this facility were approximately $0.5 million and $0.3 million for the three months ended March 31, 2021 and March 31, 2020, respectively. An agreement was reached with the related party to reduce rental payments by 20% and defer payments for 90 days for the lease of the Company’s headquarters, starting in June 2020 through December 2020 as part of COVID-19 related vendor concessions.

The total ROU assets attributable to finance leases were approximately $15.2 million and $15.8 million as of March 31, 2021 and December 31, 2020, respectively, which is included in Property, plant, and equipment, net on the Condensed Consolidated Balance Sheets.

As described in Note 9-***Intangible Assets***, the Company performed an analysis to determine whether there was any impairment of long-lived assets, which included the ROU assets, within the Services, International, and Products and Systems operating segments as well as Corporate. The result of the analysis was a $0.2 million impairment of a ROU asset in an asset group within the Services segment which is included in Impairment charges on the Unaudited Condensed Consolidated Statements of Loss for the three months ended March 31, 2020.

The components of lease costs were as follows:

	Classification	Three months ended March 31, 2021	Three months ended March 31, 2020
Finance lease expense			
Amortization of ROU assets	Depreciation and amortization	$ 1,060	$ 1,228
Interest on lease liabilities	Interest expense	192	218
Operating lease expense	Cost of revenue; Selling, general & administrative expenses	3,302	3,528
Short-term lease expense	Cost of revenue; Selling, general & administrative expenses	6	1
Variable lease expense	Cost of revenue; Selling, general & administrative expenses	867	349
Total		$ 5,427	$ 5,324

(tabular dollars and shares in thousands, except per share data)

Additional information related to leases was as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities for finance and operating leases		
Finance - financing cash flows	$ 1,069	$ 1,167
Finance - operating cash flows	$ 192	$ 217
Operating - operating cash flows	$ 3,322	$ 3,291
ROU assets obtained in the exchange for lease liabilities		
Finance leases	$ 643	$ 667
Operating leases	$ 1,004	$ 1,625
Weighted-average remaining lease term (in years)		
Finance leases	5.6	5.9
Operating leases	5.6	6.1
Weighted-average discount rate		
Finance leases	5.5 %	5.6 %
Operating leases	5.7 %	5.8 %

Maturities of lease liabilities as of March 31, 2021 were as follows:

	Finance	Operating
Remainder of 2021	4,207	$ 9,392
2022	4,214	10,863
2023	3,321	9,233
2024	2,385	7,045
2025	797	5,091
Thereafter	758	12,141
Total	15,682	53,765
Less: Present value discount	1,318	7,757
Lease liability	$ 14,364	$ 46,008

14. Commitments and Contingencies

Legal Proceedings and Government Investigations

The Company is subject to periodic lawsuits, investigations and claims that arise in the ordinary course of business. The Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it. Except possibly for certain of the matters described below, the Company does not believe that any currently pending legal proceeding to which the Company is a party will have a material adverse effect on its business, results of operations, cash flows or financial condition. The costs of defense and amounts that may be recovered against the Company may be covered by insurance for certain matters.

Litigation and Commercial Claims

The Company was contracted to perform inspections of welds on various pipeline projects in Texas for a customer. As of December 31, 2019, approximately $1.4 million of past due receivables were outstanding from this customer. The customer provided the Company with notice in December 2019, alleging that the Company's inspection of 66 welds (out of approximately 16,000 welds inspected) were not in compliance with the contract, claimed approximately $7.6 million in damages, and requested that the Company pay these damages and any other damages incurred. The Company has filed a lawsuit in the District Court of Bexar County, Texas, 37th Judicial District, in an action captioned Mistras Group, Inc. v. Epic Y-Grade Pipeline LP, to recover the $1.4 million and other amounts due to the Company. The customer filed a counterclaim, alleging breach of contract and seeking recovery of its alleged damages. The Company believes that any successful claim by the customer regarding the Company's workmanship will be covered by insurance, subject to payment of a deductible. At this time, the Company is unable to determine whether it has any liability in connection with this matter and if so, the amount or range of any such liability, and accordingly, has not established any accruals for this matter. Accordingly, the Company recorded a reserve in the amount of $1.4 million during the twelve months ended December 31, 2019 for these past due receivables.

Two proceedings have been filed in California Superior Court for the County of Los Angeles regarding alleged violations of the California Labor Code. Both cases are captioned *Justin Price v. Mistras Group, Inc.*, one being a purported class action lawsuit on behalf of current and former Mistras employees in California and the other was filed on behalf of the State of California under the California Private Attorney General Act on the basis of the same alleged violations. Both cases are requesting payment of all damages, including unpaid wages, and various fines and penalties available under California law. On May 4, 2021, the Company agreed to a settlement whereby the Company will pay $2.3 million to resolve the allegations in these proceedings and will be responsible for the employer portion of payroll taxes on the amount of the settlement allocated to wages. The settlement is subject to court approval and will cover claims dating back to June 2016 through July 31, 2021. The Company recorded expense of approximately $1.6 million during the three months ended March 31, 2021 related to this settlement, which is in addition to expense of $0.8 million the Company recorded during the three months ended December 31, 2020.

Pension Related Contingencies

Certain of Company's subsidiaries had significant reductions in their unionized workers in 2018. The collective bargaining agreements for these employees required contributions for these employees to national multi-employer pension funds. The reduction in employees resulted a subsidiary incurring a complete withdrawal to one of the pension funds under the Employee Retirement Income Security Act of 1974 ("ERISA"), which was fully satisfied in 2019. The Company has determined that the subsidiary is likely to incur partial or complete withdrawal liability to the other pension fund. The balance of the estimated total amount of this potential liability as of March 31, 2021 is approximately $2.5 million, and the charges related to this liability were incurred in 2018 and 2019.

Severance and labor disputes

During December 2019, the Company executed an agreement to sell the rights of certain customer "staff leasing" contracts related to its German subsidiary for total consideration of approximately $0.1 million, effective January 1, 2020. No other assets or liabilities other than those employee benefits related to employees working on the customer contracts were included in the sale. As of March 31, 2021, the Company has approximately $0.2 million of accrued estimated severance payment obligations, which takes into account the Company's estimate with respect to the employees that have been or will be transitioned to the German subsidiaries' other customers. The $0.2 million of estimated obligations is net of $0.4 million in payments made and $0.9 million in reversals due to employees being transitioned to customer contracts.

The Company is entitled to indemnification on certain labor claims from the sellers of a company acquired by its Brazilian subsidiary. The Company and the seller entered into a settlement agreement for $1.0 million, which provides for payment in two installments, the first for approximately 31% of the settlement and the second for the remaining 69%. The first installment in the amount of $0.3 million was paid by the sellers in December 2020 and the Company recognized that amount as a gain in selling, general and administrative expenses in the same period. The remaining payment for $0.6 million was received in the first quarter of 2021 and the Company recognized that amount as a gain in selling, general and administrative expenses in the same period.

Acquisition and disposition related contingencies

The Company is liable for contingent consideration in connection with certain of its acquisitions. As of March 31, 2021, total potential acquisition-related contingent consideration ranged from zero to approximately $4.3 million and would be payable upon the achievement of specific performance metrics by certain of the acquired companies over the next 1.5 years.

During 2018, the Company sold a subsidiary in the Products and Systems segment. As part of the sale, the Company entered into a three-year agreement to purchase products from the buyer, with a cumulative commitment of $2.3 million, of which $1.1 million is remaining as of March 31, 2021. The agreement is based on third-party pricing and the Company's planned purchase requirements over the three-year purchase period to meet the minimum contractual purchases.

15. Segment Disclosure

The Company’s three operating segments are:

- *Services.* This segment provides asset protection solutions predominantly in North America, with the largest concentration in the United States, followed by Canada, consisting primarily of NDT, inspection, mechanical and engineering services that are used to evaluate the safety, structural integrity and reliability of critical energy, industrial and public infrastructure and commercial aerospace components. PCMS software and pipeline related software and data analysis solutions are included in this segment.

- *International.* This segment offers services, products and systems similar to those of the other segments to select markets within Europe, the Middle East, Africa, Asia and South America, but not to customers in China and South Korea, which are served by the Products and Systems segment.

- *Products and Systems.* This segment designs, manufactures, sells, installs and services the Company’s asset protection products and systems, including equipment and instrumentation, predominantly in the United States.

Costs incurred for general corporate services, including finance, legal, and certain other costs that are provided to the segments are reported within Corporate and eliminations. Sales to the International segment from the Products and Systems segment and subsequent sales by the International segment of the same items are recorded and reflected in the operating performance of both segments. Additionally, engineering charges and royalty fees charged to the Services and International segments by the Products and Systems segment are reflected in the operating performance of each segment.

The accounting policies of the reportable segments are the same as those described in Note 1-***Description of Business and Basis of Presentation***. Segment income from operations is one of the primary performance measures used by the chief operating decision maker, to assess the performance of each segment and make resource allocation decisions. Certain general and administrative costs such as human resources, information technology and training are allocated to the segments. Segment income from operations excludes interest and other financial charges and income taxes. Corporate and other assets are comprised principally of cash, deposits, property, plant and equipment, domestic deferred taxes, deferred charges and other assets. Corporate loss from operations consists of administrative charges related to corporate personnel and other charges that cannot be readily identified for allocation to a particular segment.

(tabular dollars and shares in thousands, except per share data)

Selected consolidated financial information by segment for the periods shown was as follows: (with intercompany transactions eliminated in Corporate and eliminations)

	Three months ended March 31,	
	2021	2020
Revenue		
Services	$ 124,298	$ 128,873
International	27,648	29,067
Products and Systems	2,988	2,812
Corporate and eliminations	(1,199)	(1,287)
	$ 153,735	$ 159,465

	Three months ended March 31,	
	2021	2020
Gross profit		
Services	$ 31,076	$ 32,237
International	7,625	8,023
Products and Systems	1,281	368
Corporate and eliminations	19	16
	$ 40,001	$ 40,644

Income (loss) from operations by operating segment includes intercompany transactions, which are eliminated in Corporate and eliminations.

	Three months ended March 31,	
	2021	2020
Income (loss) from operations		
Services	$ 4,548	$ (81,494)
International	(820)	(20,419)
Products and Systems	(581)	(1,680)
Corporate and eliminations	(7,893)	(7,635)
	$ (4,746)	$ (111,228)

	Three months ended March 31,	
	2021	2020
Depreciation and amortization		
Services	$ 6,114	$ 7,075
International	2,210	2,140
Products and Systems	228	253
Corporate and eliminations	13	(1)
	$ 8,565	$ 9,467

(tabular dollars and shares in thousands, except per share data)

	March 31, 2021	December 31, 2020
Intangible assets, net		
Services	$ 57,437	$ 58,917
International	7,851	8,664
Products and Systems	931	1,012
Corporate and eliminations	3	49
	$ 66,222	$ 68,642

	March 31, 2021	December 31, 2020
Total assets		
Services	$ 432,014	$ 427,636
International	122,184	129,228
Products and Systems	11,664	10,996
Corporate and eliminations	18,539	15,453
	$ 584,401	$ 583,313

Refer to Note 2–***Revenue***, for revenue by geographic area for the three months ended March 31, 2021 and 2020.

16. Subsequent Events

As described in Note 14-***Committments and Contingencies***, on May 4, 2021, the Company agreed to a settlement of the two California cases, *Justin Price v. Mistras Group, Inc.* Pursuant to the settlement, the Company will pay $2.3 million to resolve the allegations in these proceedings and will be responsible for the employer portion of payroll taxes on the amount of the settlement allocated to wages. The settlement is subject to court approval, and will cover claims dating back to June 2016 through July 31, 2021. The Company recorded expense of approximately $1.6 million during the three months ended March 31, 2021 related to this settlement, which is in addition to expense of $0.8 million the Company recorded during the three months ended December 31, 2020.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis (“MD&A”) provides a discussion of our results of operations and financial position for the three months ended March 31, 2021 and 2020. The MD&A should be read together with our Unaudited Condensed Consolidated Financial Statements and related notes included in Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on March 16, 2021 (“2020 Annual Report”). Unless otherwise specified or the context otherwise requires, “Mistras,” “the Company,” “we,” “us” and “our” refer to Mistras Group, Inc. and its consolidated subsidiaries. The MD&A includes the following sections:

- Forward-Looking Statements
- Overview
- Note about Non-GAAP Measures
- Consolidated Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates

Forward-Looking Statements

This report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (“Exchange Act”). Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as “goals,” or “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “could,” “should,” “would,” “predicts,” “appears,” “projects,” or the negative of such terms or other similar expressions. You are urged not to place undue reliance on any such forward-looking statements, any of which may turn out to be wrong due to inaccurate assumptions, various risks, uncertainties or other factors known and unknown. Factors that could cause or contribute to differences in results and outcomes from those in our forward-looking statements include, without limitation, those discussed in the “Business—Forward-Looking Statements,” and “Risk Factors” sections of our 2020 Annual Report as well as those discussed in this Quarterly Report on Form 10-Q and in our other filings with the SEC.

At the time of this report, the COVID-19 pandemic is continuing to have a negative impact on us and our key markets and is causing significant economic disruption worldwide. Our discussion below is qualified by the unknown impact that the COVID-19 pandemic will continue to have on our business and the economy in general, including the duration of the health risk the COVID-19 pandemic will cause and the resulting economic disruption.

Overview

The Company 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, the Company leads clients in the oil and gas, aerospace and defense, power generation, 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, the Company helps the world at large.

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. The Company 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.

Our operations consist of three reportable segments: Services, International, and Products and Systems.

- *Services* provides asset protection solutions predominantly in North America, with the largest concentration in the United States, followed by Canada, consisting primarily of NDT, inspection, mechanical and engineering services that are used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure and commercial aerospace components. PCMS software and pipeline related software and data analysis solutions are included in this segment.
- *International* offers services, products and systems similar to those of the other segments to select markets within Europe, the Middle East, Africa, Asia and South America, but not to customers in China and South Korea, which are served by the Products and Systems segment.
- *Products and Systems* designs, manufactures, sells, installs and services the Company's asset protection products and systems, including equipment and instrumentation, predominantly in the United States.

Given the role our solutions play in enhancing the safe and efficient operation of infrastructure, we have historically provided a majority of our solutions to our customers on a regular, recurring basis. We perform these services largely at our customers' facilities, while primarily servicing our aerospace customers at our network of state-of-the-art, in-house laboratories. These solutions typically include NDT and inspection services, and can also include a wide range of mechanical services, including heat tracing, pre-inspection insulation stripping, coating applications, re-insulation, engineering assessments and long-term condition-monitoring. Under this business model, many customers outsource their inspection to us on a "run and maintain" basis. We have established long-term relationships as a critical solutions provider to many of the leading companies with asset-intensive infrastructure in our target markets. These markets include companies in the oil and gas (downstream, midstream, upstream and petrochemical), commercial aerospace and defense, power generation (fossil, nuclear, alternative, renewable, and transmission and distribution), public infrastructure, chemicals, transportation, primary metals and metalworking pharmaceutical/biotechnology and food processing industries, and research and engineering institutions.

We have focused on providing our advanced asset protection solutions to our customers using proprietary, technology-enabled software and testing instruments, including those developed by our Products and Systems segment. We have made numerous acquisitions in an effort to grow our base of experienced, certified personnel, expand our service lines and technical capabilities, increase our geographical reach, complement our existing offerings, and leverage our fixed costs. We have increased our capabilities and the size of our customer base through the development of applied technologies and managed support services, organic growth and the integration of acquired companies. These acquisitions have provided us with additional service lines, technologies, resources and customers which we believe will enhance our advantages over our competition.

We believe long-term growth can be realized in all of our target markets. Our level of business and financial results are impacted by world-wide macro- and micro-economic conditions generally, as well as those within our target markets. Among other things, we expect the timing of our oil and gas customers inspection spend to be impacted by oil price fluctuations.

Recent Developments

The COVID-19 pandemic has caused significant volatility in domestic and international markets and is expected to continue to result in significant economic disruption.

Our businesses have been classified as non-healthcare critical infrastructure as defined by the U.S. Centers for Disease Control and Prevention (CDC). As a result, a majority of our customers have been and currently remain open for business. Our North American facilities have remained, and currently remain operating, with modified staffing in certain locations where appropriate. Similarly, our European facilities have remained, and currently remain operating, with modified staffing in certain locations where appropriate, but at a slower pace than North America.

Overall, we have taken actions to ensure the health and safety of our employees and those of its customers and suppliers; maintain business continuity and financial strength and stability; and serve our customers as they provide essential products and services to the world.

The COVID-19 pandemic, significant volatility in oil prices and decreased traffic in the aerospace industry have adversely affected our workforce and operations, as well as the operations of our customers, suppliers and contractors. These negative factors have also resulted in significant volatility and uncertainty in the markets in which we operate.

While we cannot fully assess the impact that the COVID-19 pandemic or the significant volatility in oil prices will continue to have on our operations at this time, there are certain impacts that we have identified resulting in impairment charges in 2020. See Note 8-***Goodwill,*** Note 9-***Intangible Assets*** and Note 13-***Leases*** to the Notes to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for additional information.

To respond to the economic downturn resulting from the factors discussed above, in March 2020 we initiated a temporary cost reduction and efficiency program. The Company has reinstated several of the temporary cost reduction initiatives undertaken during 2020, although, the Company continues to manage and evaluate these actions in responding to the pandemic. Our cash position and liquidity remains strong. As of March 31, 2021, the cash balance was approximately $24.2 million.

In April 2021, the Biden Administration announced aggressive initiatives to battle climate change, which includes a significant reduction in the use of fossil fuels and a transition to electric vehicles and increased use of alternative energy. Any legislation or regulations that may be adopted to implement these measures may have a negative our customers in the oil and gas market over the long-term, which presently is our largest market, but will likely benefit the alternative energy market, such as wind energy, for which we provide products and services. At this time, it is difficult to determine the magnitude and timing of the impact that climate change initiatives and legislation, if any, will have on these markets and the resulting impact on our business and operational results.

We are currently unable to predict with certainty the overall impact that the COVID-19 pandemic, volatility in oil prices and climate change initiatives to reduce the use of fossil fuels may have on our business, results of operations, liquidity or in other ways which we cannot yet determine. We will continue to monitor market conditions and respond accordingly. Refer to Item 1A. Risk Factors in Part I of our 2020 Annual Report.

Note About Non-GAAP Measures

The Company prepares its consolidated financial statements in accordance with U.S. GAAP. In this MD&A under the heading "Income (loss) from Operations", the non-GAAP financial performance measure "Income (loss) before special items” is used for each of our three operating segments, the Corporate segment and the "Total Company", with tables reconciling the measure to a financial measure under GAAP. This presentation excludes from "Income (loss) from Operations" (a) transaction expenses related to acquisitions, such as professional fees and due diligence costs, (b) the net changes in the fair value of acquisition-related contingent consideration liabilities, (c) impairment charges, (d) reorganization and other costs, which includes items such as severance, labor relations matters and asset and lease termination costs and (e) other special items. These adjustments have been excluded from the GAAP measure because these expenses and credits are not related to our or any individual segment's core business operations. The acquisition related costs and special items can be a net expense or credit in any given period. Our management uses this non-GAAP measure 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. We believe investors and other users of our financial statements benefit from the presentation of this non-GAAP measure in evaluating our performance. Income (loss) before special items excludes the identified adjustments, which provides additional tools to compare our core business operating performance on a consistent basis and measure underlying trends and results in our business. Income (loss) before special items is not used to determine incentive compensation for executives or employees, nor is it a replacement for the reported GAAP financial performance and/or necessarily comparable to the non-GAAP financial measures of other companies.

(tabular dollars are in thousands)March 31,

Results of Operations

Condensed consolidated results of operations for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,	
	2021	2020
Revenue	$ 153,735	$ 159,465
Gross profit	40,001	40,644
Gross profit as a % of Revenue	*26.0 %*	*25.5 %*
Loss from operations	(4,746)	(111,228)
Loss from Operations as a % of Revenue	*(3.1)%*	*(69.8)%*
Loss before benefit for income taxes	(7,959)	(114,017)
Net Loss	(5,359)	(98,522)
Net Loss attributable to Mistras Group, Inc.	$ (5,362)	$ (98,509)

Revenue

Revenue was $153.7 million for the three months ended March 31, 2021, a decrease of $5.7 million, or 3.6%, compared with the three months ended March 31, 2020.

Revenue by segment for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,	
	2021	2020
Revenue		
Services	$ 124,298	$ 128,873
International	27,648	29,067
Products and Systems	2,988	2,812
Corporate and eliminations	(1,199)	(1,287)
	$ 153,735	$ 159,465

Three Months

In the three months ended March 31, 2021, total revenue decreased 3.6% versus the prior year comparable period due predominantly to a single-digit organic decline offset by low single-digit favorable impact of foreign exchange rates. The decrease in revenue across all our segments, other than Products and Systems, was primarily the result of the impact of COVID-19, which disrupted the timing of projects or purchases for many of our customers. Services segment revenue decreased 3.6%, driven predominantly by a single-digit organic decline, partially offset by low single-digit favorable impact of foreign exchange rates. International segment revenue decreased 4.9%, due predominantly to the double-digit organic decline partially offset by high single-digit favorable impact of foreign exchange rates. Products and Systems segment revenue increased by 6.2%, due to organic growth.

Oil and gas customer revenue comprised approximately 60% and 58% of total revenue for the three months ended March 31, 2021 and 2020, respectively. Aerospace and defense customer revenue comprised approximately 11% and 14% of total revenue for the three months ended March 31, 2021 and 2020, respectively. The Company’s top ten customers comprised approximately 35% of total revenue for the three months ended March 31, 2021, as compared to 34% for the three months ended March 31, 2020, with no customer accounting for 10% or more of total revenue in either three-month period.

Gross Profit

(tabular dollars are in thousands)March 31,

Gross profit decreased by $0.6 million, or 1.6%, in the three months ended March 31, 2021 versus the prior year comparable period, on a decrease in revenue of 3.6%.

Gross profit by segment for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
Gross profit		
Services	$ 31,076	$ 32,237
% of segment revenue	*25.0 %*	*25.0 %*
International	7,625	8,023
% of segment revenue	*27.6 %*	*27.6 %*
Products and Systems	1,281	368
% of segment revenue	*42.9 %*	*13.1 %*
Corporate and eliminations	19	16
	$ 40,001	$ 40,644
% of total revenue	*26.0 %*	*25.5 %*

Three Months

Gross profit margin was 26.0% and 25.5% for the three-month periods ended March 31, 2021 and 2020, respectively. COVID-19, the volatility in oil prices and a decrease in aerospace production have had a significant unfavorable impact on sales volume; however, gross profit margin improved due primarily to better employee utilization and, to a lesser extent, the favorable impact of mix of sales particularly in Products and Systems. Services segment realized a consistent gross profit margin of 25.0% during the three months ended March 31, 2021 and 2020. International segment realized a consistent gross profit margin of 27.6% during the three months ended March 31, 2021 and 2020. Products and Systems segment gross margin had a year-on-year increase of 2,980 basis points to 42.9% during the three months ended March 31, 2021 due to favorable sales mix, as compared to gross margin of 13.1% during 2020.

Operating Expenses

Operating expenses for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
Operating Expenses		
Selling, general and administrative expenses	$ 39,639	$ 41,558
Impairment charges	—	106,062
Research and engineering	727	824
Depreciation and amortization	3,074	3,970
Legal settlement and litigation charges, net	1,030	—
Acquisition-related expense (benefit), net	277	(542)

Three Months

Operating expenses decreased $107.1 million, or 71%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, due to the absence of any impairment charges in the current period compared to $106.1 million in impairment charges in 2020. Selling, general and administrative expenses decreased $1.9 million during the three months ended March 31, 2021 compared to the three months ended March 31, 2020, due to continued temporary cost reduction and efficiency programs further detailed in the ***Recent Developments*** section above. Depreciation and amortization decreased $0.9

(tabular dollars are in thousands)March 31,

million during the three months ended March 31, 2021 compared to the three months ended March 31, 2020, due to the 2020 impairment charges reducing the net book value on certain of our intangible assets. This was partially offset during the three months ended March 31, 2021 by a $1.2 million increase in net legal settlement and litigation charges primarily related to the *Justin Price v. Mistras Group, Inc.* matter more fully described in Note-*14* ***Commitments and Contingencies*** under the "Litigation and Commercial Claims" section to the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report. During the three months ended March 31, 2021, there was approximately $0.2 million additional foreign currency exchange losses as compared with the prior period due to volatility in certain foreign currencies.

Income (loss) from Operations

The following table shows a reconciliation of the income (loss) from operations to income (loss) before special items for each of our three segments and for the Company in total:

	Three months ended March 31,	
	2021	2020
Services:		
Income (loss) from operations (GAAP)	$ 4,548	$ (81,494)
Impairment charges	—	86,200
Reorganization and other costs	71	22
Legal settlement and litigation charges, net	1,650	—
Acquisition-related expense (benefit), net	243	(542)
Income before special items (non-GAAP)	$ 6,512	$ 4,186
International:		
Loss from operations (GAAP)	$ (820)	$ (20,419)
Impairment charges	—	19,862
Reorganization and other costs	96	(75)
Loss before special items (non-GAAP)	$ (724)	$ (632)
Products and Systems:		
Loss from operations (GAAP)	$ (581)	$ (1,680)
Reorganization and other costs	27	—
Loss before special items (non-GAAP)	$ (554)	$ (1,680)
Corporate and Eliminations:		
Loss from operations (GAAP)	$ (7,893)	$ (7,635)
Legal settlement and litigation charges, net	(620)	—
Reorganization and other costs	—	38
Acquisition-related expense, net	34	—
Loss before special items (non-GAAP)	$ (8,479)	$ (7,597)
Total Company:		
Loss from operations (GAAP)	$ (4,746)	$ (111,228)
Impairment charges	—	106,062
Reorganization and other costs (benefit)	194	(15)
Legal settlement and litigation charges, net	1,030	—
Acquisition-related expense (benefit), net	277	(542)
Loss before special items (non-GAAP)	$ (3,245)	$ (5,723)

See section ***Note About Non-GAAP Measures*** in this report for an explanation of the use of non-GAAP measurements.

(tabular dollars are in thousands)March 31,

Three Months

For the three months ended March 31, 2021, the loss from operations (GAAP) decreased $106.5 million or 96%, compared with the three months ended March 31, 2020, while the loss before special items (non-GAAP) decreased $2.5 million, or 43%. As a percentage of revenue, the loss before special items decreased by 150 basis points to (2.1)% in the three months ended March 31, 2021 from (3.6)% in the three months ended March 31, 2020.

Interest Expense

Interest expense was approximately $3.2 million and $2.8 million for the three months ended March 31, 2021 and 2020, respectively. The increase was due to a higher interest rate on our long-term debt as a result of the May 2020 Amendment to our Credit Agreement. The terms of our Credit Agreement are described in Note 11-**Long-Term Debt** of the Notes to the Unaudited Condensed Consolidated Financial Statements, under the heading "*Senior Credit Facility*".

Income Taxes

Our effective income tax rate was approximately 32.7% and 13.6% for the three months ended March 31, 2021 and 2020, respectively. The effective income tax rate for the three months ended March 31, 2021 was higher than the statutory rate due to the capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the three months ended March 31, 2020 was lower than the statutory rate primarily due to impairments recorded during the interim period for which no income tax benefits will be realized by us. However, this unfavorable impact on our effective income tax rate was partially offset by income tax benefits of the CARES Act.

On December 27, 2020, United States enacted the Consolidated Appropriations Act, 2021, (the "Appropriations Act") an additional stimulus package providing financial relief for individuals and small business. The Appropriations Act contains a variety of tax provisions, including full expensing of business meals in 2021 and 2022, and expansion of the employee retention tax credit. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations, and cash flows, but does not expect it to have a material impact.

In response to the COVID-19 pandemic, the American Rescue Plan Act was signed into law on March 11, 2021. This act, among other things, provides economic relief provisions to individuals and funding to certain businesses and programs. We are currently evaluating the impact of this guidance on our consolidated financial position, results of operations, and cash flows, but does not expect it to have a material impact.

Income tax expense varies as a function of pre-tax income and the level of non-deductible expenses, such as certain amounts of meals and entertainment expense, valuation allowances, and other permanent differences. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Our effective income tax rate may fluctuate over the next few years due to many variables including the amount and future geographic distribution of our pre-tax income, changes resulting from our acquisition strategy, and increases or decreases in our permanent differences.

Liquidity and Capital Resources

Cash flows are summarized in the table below:

	Three months ended March 31,	
	2021	2020
Net cash provided by (used in):		
Operating activities	$ 3,148	$ 6,107
Investing activities	(4,176)	(4,204)
Financing activities	435	492
Effect of exchange rate changes on cash	(990)	(384)
Net change in cash and cash equivalents	$ (1,583)	$ 2,011

Cash Flows from Operating Activities

During the three months ended March 31, 2021, cash provided by operating activities was $3.1 million, representing a year-on-year decrease of $3.0 million, or 48%. The decrease was primarily attributable to movements in working capital.

Cash Flows from Investing Activities

During the three months ended March 31, 2021 and 2020, cash used in investing activities was $4.2 million primarily attributable to capital expenditures of $4.4 million in both periods.

Cash Flows from Financing Activities

Net cash provided by financing activities was $0.4 million for the three months ended March 31, 2021, compared to net cash provided by financing activities of $0.5 million for the three months ended March 31, 2020. During the three months ended March 31, 2021, net borrowings of debt were approximately $0.7 million lower as compared to 2020 resulting in debt paydown during the period. In addition, $0.3 million more taxes were paid related to net share settlement of share-based awards during the three months ended March 31, 2021, partially offset by $0.4 million less in payments for acquisition-related contingent consideration and $0.5 million less in debt finance cost payments.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of exchange rate changes on our cash and cash equivalents was an decrease of $1.0 million in the three months ended March 31, 2021, compared to a decrease of $0.4 million for the three months ended March 31, 2020.

Cash Balance and Credit Facility Borrowings

The terms of our Credit Agreement (as modified) are described in Note 11-***Long-Term Debt*** of the Notes to the Unaudited Condensed Consolidated Financial Statements, under the heading "*Senior Credit Facility*".

As of March 31, 2021, we had cash and cash equivalents totaling $24.2 million and available borrowing capacity of $45.6 million under our Credit Agreement with borrowings of $213.0 million and $4.3 million of letters of credit outstanding. We finance operations primarily through our existing cash balances, cash collected from operations, bank borrowings and capital lease financing. We believe these sources are sufficient to fund our operations for the foreseeable future.

As of March 31, 2021, we were in compliance with the terms of the Credit Agreement and will continuously monitor our compliance with the covenants contained in the Credit Agreement.

Contractual Obligations

There have been no significant changes in our contractual obligations and outstanding indebtedness as disclosed in the 2020 Annual Report.

Off-balance Sheet Arrangements

During the three months ended March 31, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the 2020 Annual Report.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes to our quantitative and qualitative disclosures about market risk as discussed in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk,” included in the 2020 Annual Report.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of our disclosure controls (as defined in Rule 13a-15(e) of the Exchange Act) and procedures. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer concluded that, as of March 31, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings

See Note 14-***Commitments and Contingencies*** to the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report for a description of our legal proceedings. There have been no material developments with regard to any matters disclosed under Part I, Item 3 "Legal Proceedings" in our 2020 Annual Report, except as disclosed in such Note 14-***Commitments and Contingencies***.

ITEM 1.A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors discussed under the "Risk Factors" section included in our 2020 Annual Report. Except as described below, there have been no material changes to the risk factors previously disclosed in the 2020 Annual Report.

In the first risk factor in our 2020 Annual Report, we discuss that we are susceptible to prolonged negative trends in the oil and gas industry due to our dependency on customers in that industry. Oil and gas customer revenue comprised approximately 60% of total revenue for the three months ended March 31, 2021. In April 2021, the Biden Administration announced plans to aggressively combat climate change, with initiatives that would significantly reduce the use of fossil fuels. Any legislation, regulations, or significant private industry action to implement these initiatives could have a negative impact on the oil and gas industry, and as a consequence, negatively impact our business and results of operations.

ITEM 2. Unregistered Sale of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) *Repurchases of Our Equity Securities*

The following table sets forth the shares of our common stock we acquired during the quarter as a result of the surrender of shares by employees to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

Month Ending	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 31, 2021	—	$ —	—	$ —
February 28, 2021	—	$ —	—	$ —
March 31, 2021	45,000	$ 10.79	—	$ —

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

On May 4, 2021, the Company agreed to a settlement of the two California cases, *Justin Price v. Mistras Group, Inc*., as described more fully in Note 16- Subsequent Events to our condensed consolidated financial statements in Item 1 of Part I of this report. Such information is hereby incorporated by reference.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Fourth Amendment, dated February 11, 2021, to the Fifth Amended and Restated Credit Agreement,
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Signatures

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 thereunto duly authorized.

MISTRAS GROUP, INC.

By: /s/ Edward J. Prajzner
Edward J. Prajzner
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer and duly authorized officer)

Date: May 6, 2021

FOURTH AMENDMENT TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT (hereinafter referred to as this "Amendment"), dated as of February 11, 2021, is executed by and among,

MISTRAS GROUP, INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, having its principal office located at 195 Clarksville Road, Princeton Junction, New Jersey 08550 (hereinafter referred to as the "Borrower"),

AND

QUALITY SERVICES LABORATORIES, INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, having its principal office located at 195 Clarksville Road, Princeton Junction, New Jersey 08550 (hereinafter referred to as "QSL"),

AND

MISTRAS INTERNATIONAL HOLDINGS INC., a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, having its principal office located at 195 Clarksville Road, Princeton Junction, New Jersey 08550 (hereinafter referred to as "MIH"),

AND

WEST PENN NON-DESTRUCTIVE TESTING, LLC, a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, having its principal office located at 1010 Industrial Boulevard, New Kensington, Pennsylvania 15068 (hereinafter referred to as "West Penn", and hereinafter QSL, MIH, and West Penn shall be collectively referred to as the "Guarantors" and sometimes individually referred to as a "Guarantor"),

AND

BANK OF AMERICA, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located at 194 Wood Avenue South, Iselin, New Jersey 08830, in its capacity as a Lender and the letter of credit issuer (hereinafter referred to as "Bank of America"),

AND

THOSE OTHER LENDERS SIGNATORY HERETO (hereinafter said lenders, together with Bank of America, shall be sometimes individually referred to as a "Lender" and collectively referred to as the "Lenders"),

AND

BANK OF AMERICA, N.A., a national banking association duly organized and validly existing under the laws of the United States of America, having an office located 194 Wood Avenue South, Iselin, New Jersey 08830, in its capacity as administrative agent for the Lenders (hereinafter referred to as the "Administrative Agent").

<u>W I T N E S S E T H</u>:

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Fifth Amended and Restated Credit Agreement dated December 13, 2018, executed by and among, <u>inter alia</u>, the Borrower, as borrower, the Lenders, as lenders, Bank of America, as letter of credit issuer, and the Administrative Agent, as administrative agent (hereinafter referred to as the "<u>Original Credit Agreement</u>"), as such Original Credit Agreement was amended and modified by (i) that certain First Amendment to Fifth Amended and Restated Credit Agreement dated October 11, 2019, executed by and among, <u>inter alia</u>, the Borrower, as borrower, the Lenders, as lenders, Bank of America, as letter of credit issuer, and the Administrative Agent, as administrative agent (hereinafter referred to as the "<u>First Amendment</u>"), (ii) that certain Second Amendment to Fifth Amended and Restated Credit Agreement dated March 9, 2020, executed by and among, <u>inter alia</u>, the Borrower, as borrower, the Lenders, as lenders, Bank of America, as letter of credit issuer, and the Administrative Agent, as administrative agent (hereinafter referred to as the "<u>Second Amendment</u>"), and (iii) that certain Third Amendment to Fifth Amended and Restated Credit Agreement dated May 15, 2020, executed by and among, <u>inter alia</u>, the Borrower, as borrower, the Lenders, as lenders, Bank of America, as letter of credit issuer, and the Administrative Agent, as administrative agent (hereinafter referred to as the "<u>Third Amendment</u>", and hereinafter the Original Credit Agreement, as amended and modified by the First Amendment, the Second Amendment, and the Third Amendment, shall be referred to as the "<u>Credit Agreement</u>"), the Lenders made available to the Borrower (a) a five (5) year senior secured amended and restated revolving credit facility in the aggregate reduced maximum principal amount of up to US$175,000,000.00 (hereinafter referred to as the "<u>Revolving Credit Facility</u>"), which Revolving Credit Facility includes (1) a US$20,000,000.00 sublimit for the issuance of standby and commercial letters of credit and (2) a US$100,000,000.00 sublimit for multicurrency borrowings in readily available and freely transferable and convertible currencies, including, but not limited to, Euros, Pounds Sterling, Canadian Dollars, and Japanese Yen, all to be made available to the Borrower for working capital and other lawful corporate purposes, and (b) a five (5) year senior secured term loan facility in the aggregate reduced original principal amount of US$93,750,000.00 (hereinafter referred to as the "<u>Term Loan Facility</u>", and hereinafter the Revolving Credit Facility and the Term Loan Facility shall be collectively referred to as the "<u>Credit Facilities</u>"); and

WHEREAS, capitalized terms used herein but not otherwise expressly defined herein shall have the same meanings when used herein as assigned and ascribed to said terms in the Credit Agreement; and

WHEREAS, pursuant to the terms, conditions, and provisions of that certain Fifth Amended and Restated Guaranty Agreement dated December 13, 2018, executed by the Guarantors, as guarantors, in favor of the Administrative Agent, for the benefit of the Lenders (hereinafter referred to as the "<u>Guaranty</u>"), the Guarantors guarantied the payment and performance of all of the obligations of the Borrower owed to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents (hereinafter collectively referred to as the "<u>Loan Documents</u>"); and

WHEREAS, the parties hereto have agreed to amend and modify the terms, conditions, and provisions of the Credit Agreement, and the other Loan Documents, pursuant to the terms, conditions, and provisions of this Amendment for the purposes more fully set forth and described herein; and

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMOUNTS OUTSTANDING UNDER THE CREDIT FACILITIES; APPLICABLE RATE AND PRICING LEVEL

a. **Amounts Outstanding under the Revolving Credit Facility**. The Borrower hereby acknowledges and agrees that, there is, as of January 22, 2021, due and owing on the Revolving Credit Facility (i) the principal amount of US$116,820,766.00, consisting of (a) Revolving Loans in the aggregate principal amount of US$112,500,000.00, and (b) issued and outstanding Letters of Credit in the aggregate stated amount of US$4,320,766.00 and (ii) the principal amount of €8,000,000.00 consisting of Revolving Loans, in the case of each of the foregoing together with unpaid accrued interest, fees, costs and expenses due and owing to the Lenders under the Credit Agreement, all without offset, defense or counterclaim, all of which are hereby expressly waived by the Borrower and the Guarantors as of the date hereof. As of such date, there were no amounts due and owing to the Lenders in connection with any unreimbursed draws on any Letter of Credit.

b. **Amount Outstanding under the Term Loan Facility**. The Borrower hereby acknowledges and agrees that, there is, as of January 22, 2021, due and owing on the Term Loan Facility the principal amount of US$90,000,000.00, together with unpaid accrued interest, fees, costs and expenses due and owing to the Lenders under the Credit Agreement, all without offset, defense or counterclaim, all of which are hereby expressly waived by the Borrower and the Guarantors as of the date hereof.

ARTICLE II
ONE-TIME WAIVER OF PROHIBITION ON ACQUISITIONS

2.1 One-Time Waiver of Prohibition on Acquisitions. Section 7.02(f)(vi) of the Credit Agreement prohibits the Borrower from making the purchase or other acquisition of all or substantially all of the Equity Interests in, or all or substantially all of the assets of, any Person prior to June 30, 2021. In connection with this Amendment, the Borrower has requested that the Administrative Agent and the Lenders waive the prohibition described in Section 7.02(f)(vi) and give the Borrower approval to acquire (hereinafter referred to as the "Acquisition") the equity interests in Titan Non-Destructive Services, Ltd., a company organized under the laws of the Province of Alberta, Canada (hereinafter referred to as "Titan"). Notwithstanding the terms, conditions, and provisions of Section 7.02(f)(vi) to the contrary, the Administrative Agent and the Lenders have agreed, in accordance with the terms, conditions, and provisions of Section 10.01 of the Credit Agreement and subject to the Borrower's satisfaction of the "Acquisition Conditions" (as such term is hereinafter defined) set forth in this Section 2.1, to waive the foregoing prohibition with respect to the Acquisition (hereinafter referred to as the "Acquisition Waiver"), which Acquisition Waiver is limited solely to the Acquisition of Titan, and no other waiver, express or implied, of any term, condition or provision of the Credit Agreement shall be construed for any future waiver request by the Borrower. Notwithstanding any other term, condition, or provision contained herein to the contrary, the Acquisition Waiver is conditioned upon, and subject to, the Borrower's satisfaction of the following conditions precedent (hereinafter referred to as the "Acquisition Conditions"):

(i) the Borrower's delivery of a copy of the Sales Purchase Agreement by and between the Borrower and Titan, which Sales Purchase Agreement shall be subject to the review, comment, and approval of the Administrative Agent (and if approved, the Borrower shall deliver to the Administrative Agent, a fully executed copy of said Sale Purchase Agreement); and

(ii) the total consideration for the Acquisition shall be in an amount not to exceed CAD$600,000.00, which amount shall be funded by the Borrower's cash on hand and which amount includes any assumption by the Borrower of any of Titan's liabilities, whether direct, indirect, or contingent and none of the Administrative Agent or the Lenders shall reduce the calculation of any assumed liabilities based on any indemnity provided by Titan; and

i. the Borrower shall provide written evidence that all required legal and regulatory approvals governing the Acquisition have been received, including, without limitation, an approval from the Canadian Nuclear Safety Commission (hereinafter referred to as "CNSC") with respect to the transfer and/or use of Titan's CNSC license by the Borrower; and

(iii) the Borrower's consummation of the Acquisition on or before April 30, 2021 (hereinafter referred to as the "Acquisition Deadline"); and

(iv) upon the consummation of the Acquisition, the Borrower and Titan, to the extent applicable, shall comply with all of the terms, conditions, and provisions of the Credit Agreement, including, without limitation, the requirements set forth in Section 7.02(f) of the Credit Agreement.

For the avoidance of doubt, in the event the Acquisition Conditions are not satisfied on or before the Acquisition Deadline, then the Acquisition Waiver described in this Section 2.1 shall be deemed to be null and void and of no force and effect.

ARTICLE III AMENDMENTS TO CREDIT AGREEMENT

a. New Defined Terms in Section 1.01 of the Credit Agreement. The following new defined terms "Impacted Loans", "ISDA Definitions", "LIBOR Replacement Date", "Pre-Adjustment Successor Rate", and "Related Adjustment", are hereby inserted into Section 1.01 of the Credit Agreement as follows:

""Impacted Loans" has the meaning specified in Section 3.03(a).

"ISDA Definitions" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

"LIBOR Replacement Date" has the meaning specified in Section 3.03(c).

"Pre-Adjustment Successor Rate" has the meaning specified in Section 3.03(c).

"Related Adjustment" means, in determining any LIBOR Successor Rate, the first relevant available alternative set forth in the order below that can be determined by the Administrative Agent applicable to such LIBOR Successor Rate:

i. the spread adjustment, or method for calculating or determining such spread adjustment, that has been selected or recommended by the Relevant Governmental Body for the relevant Pre-Adjustment Successor Rate (taking into account the interest period, interest payment date or payment period for interest calculated and/or tenor thereto) and which adjustment or method (i) is published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion or (ii) solely with respect to Term SOFR, if not currently published, which was previously so recommended for Term SOFR and published on an information service acceptable to the Administrative Agent; or

ii. the spread adjustment that would apply (or has previously been applied) to the fallback rate for a derivative transaction referencing the ISDA Definitions (taking into account the interest period, interest payment date or payment period for interest calculated and/or tenor thereto).”

a. Amendments to Definitions of “LIBOR Successor Rate”, “LIBOR Successor Rate Conforming Changes”, “Relevant Governmental Body”, and “SOFR” in Section 1.01 of the Credit Agreement. The defined terms “LIBOR Successor Rate”, “LIBOR Successor Rate Conforming Changes”, “Relevant Governmental Body”, and “SOFR” set forth in Section 1.01 of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

““LIBOR Successor Rate” has the meaning specified in Section 3.03(c).

“LIBOR Successor Rate Conforming Changes” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Base Rate, Interest Period, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definition of Business Day, timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement and any other Loan Document).

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York.

“SOFR” with respect to any Business Day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) at approximately 8:00 a.m. (New York City time) on the immediately succeeding Business Day and, in each case, that has been selected or recommended by the Relevant Governmental Body.”

b. Amendment to Section 3.03 of the Credit Agreement. The existing Section 3.03 of the Credit Agreement is hereby deleted in its entirety and the following new Section 3.03 is hereby inserted in its place and stead as follows:

“3.03. Inability to Determine Rates.

i. If in connection with any request for a Eurocurrency Rate Loan or a conversion to or continuation thereof, (i) the Administrative Agent determines that (A) deposits (whether in Dollars or an Alternative Currency) are not being offered to banks in the applicable offshore interbank market for such currency for the applicable amount and Interest Period of such Eurocurrency Rate Loan, (B) (1) adequate and reasonable means do not exist for determining the Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan (whether denominated in Dollars or an Alternative Currency) or in connection with an existing or proposed Base Rate Loan and (2) the circumstances described in Section 3.03(c)(i) do not apply or (C) a fundamental change has occurred in the foreign exchange or interbank markets with respect to such Alternative Currency (including, without limitation, changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls) (in each case with respect to this clause (i), "Impacted Loans"), or (ii) the Administrative Agent or the Required Lenders determine that for any reason Eurocurrency Rate for any requested Interest Period with respect to a proposed Eurocurrency Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Eurocurrency Rate Loans in the affected currency or currencies shall be suspended (to the extent of the affected Eurocurrency Rate Loans or Interest Periods), and

(y) in the event of a determination described in the preceding sentence with respect to the Eurocurrency Rate component of the Base Rate, the utilization of the Eurocurrency Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (or, in the case of a determination by the Required Lenders described in clause (ii) of this Section 3.03(a), until the Administrative Agent upon instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Rate Loans in the affected currency or currencies (to the extent of the affected Eurocurrency Rate Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in Dollars in the amount specified therein.

(i) Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (a)(i) of this Section 3.03, the Administrative Agent in consultation with the Borrower, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until

(i) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (a)(i) of this Section 3.03, (ii) the Administrative Agent or the Required Lenders notify the Administrative Agent and the Borrower that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (iii) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrower written notice thereof

(ii) Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined, that:

(a) adequate and reasonable means do not exist for ascertaining LIBOR for any Interest Period hereunder or any other tenors of LIBOR, including, without limitation, because the LIBOR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(b) the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent or such administrator has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate shall no longer be made available, or used for determining the interest rate of loans, provided that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent, that will continue to provide LIBOR after such specific date (such specific date, the "Scheduled Unavailability Date"); or

a. the administrator of the LIBOR Screen Rate or a Governmental Authority having jurisdiction over such administrator has made a public statement announcing that all Interest Periods and other tenors of LIBOR are no longer representative; or

b. syndicated loans currently being executed, or that include language similar to that contained in this Section 3.03, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, in the case of clauses (i)-(iii) above, on a date and time determined by the Administrative Agent (any such date, the "LIBOR Replacement Date"), which date shall be at the end of an Interest Period or on the relevant interest payment date, as applicable, for interest calculated and shall occur within a reasonable period of time after the occurrence of any of the events or circumstances under clauses (i), (ii) or (iii) above and, solely with respect to clause (ii) above, no later than the Scheduled Unavailability Date, LIBOR will be replaced hereunder and under any Loan Document with, subject to the proviso below, the first available alternative set forth in the order below for any payment period for interest calculated that can be determined by the Administrative Agent, in each case, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (the "LIBOR Successor Rate"; and any such rate before giving effect to the Related Adjustment, the "Pre-Adjustment Successor Rate"):

(x) Term SOFR plus the Related Adjustment; and

(y) SOFR plus the Related Adjustment;

and in the case of clause (iv) above, the Borrower and Administrative Agent may amend this Agreement solely for the purpose of replacing LIBOR under this Agreement and under any other Loan Document in accordance with the definition of "LIBOR Successor Rate" and such amendment will become effective at 5:00 p.m., on the fifth (5th) Business Day after the Administrative Agent shall have notified all Lenders and the Borrower of the occurrence of the circumstances described in clause (iv) above unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to the implementation of a LIBOR Successor Rate pursuant to such clause; provided that, if the Administrative Agent determines that Term SOFR has become available, is administratively feasible for the Administrative Agent and would have been identified as the Pre-Adjustment Successor Rate in accordance with the foregoing if it had been so available at the time that the LIBOR Successor Rate then in effect was so identified, and the Administrative Agent notifies the Borrower and each Lender of such availability, then from and after the beginning of the Interest Period, relevant interest payment date or payment period for interest calculated, in each case, commencing no less than thirty (30) days after the date of such notice, the Pre-Adjusted LIBOR Successor Rate shall be Term SOFR and the LIBOR Successor Rate shall be Term SOFR plus the relevant Related Adjustment.

The Administrative Agent will promptly (in one or more notices) notify the Borrower and each Lender of (1) any occurrence of any of the events, periods or circumstances under clauses (i) through (iii) above, (2) a LIBOR Replacement Date and (3) the LIBOR Successor Rate.

Any LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such LIBOR Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

Notwithstanding anything else herein, if at any time any LIBOR Successor Rate as so determined would otherwise be less than one hundred (100) basis points (1.00%), the LIBOR Successor Rate will be deemed to be one hundred (100) basis points (1.00%) for the purposes of this Agreement and the other Loan Documents.

In connection with the implementation of a LIBOR Successor Rate, the Administrative Agent will have the right to make LIBOR Successor Rate Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such LIBOR Successor Rate Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such LIBOR Successor Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

If the events or circumstances of the type described in Section 3.03(c)(i)-(iii) have occurred with respect to the LIBOR Successor Rate then in effect, then the successor rate thereto shall be determined in accordance with the definition of "LIBOR Successor Rate."

(d) Notwithstanding anything to the contrary herein, (i) after any such determination by the Administrative Agent or receipt by the Administrative Agent of any such notice described under Section 3.03(c)(i)-(iii), as applicable, if the Administrative Agent determines that none of the LIBOR Successor Rates is available on or prior to the LIBOR Replacement Date, (ii) if the events or circumstances described in Section 3.03(c)(iv) have occurred but none of the LIBOR Successor Rates is available, or (iii) if the events or circumstances of the type described in Section 3.03(c)(i)-(iii) have occurred with respect to the LIBOR Successor Rate then in effect and the Administrative Agent determines that none of the LIBOR Successor Rates is available, then in each case, the Administrative Agent and the Borrower may amend this Agreement solely for the purpose of replacing LIBOR or any then current LIBOR Successor Rate at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, as applicable, in accordance with this Section 3.03 with another alternate benchmark rate giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks and, in each case, including any Related Adjustments and any other mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such benchmarks, which adjustment or method for calculating such adjustment shall be published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion and may be periodically updated. For the avoidance of doubt, any such proposed rate and adjustments shall constitute a LIBOR Successor Rate. Any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to such amendment.

(e) If, at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, no LIBOR Successor Rate has been determined in accordance with clauses (c) or (d) of this Section 3.03 and the circumstances under clauses (c)(i) or (c)(iii) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (i) the obligation of the Lenders to make or maintain Eurocurrency Rate Loans shall be suspended, (to the extent of the affected Eurocurrency Rate Loans, Interest Periods, interest payment dates or payment periods), and (ii) the Eurocurrency Rate component shall no longer be utilized in determining the Base Rate, until the LIBOR Successor Rate has been determined in accordance with clauses (c) or (d). Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurocurrency Rate Loans (to the extent of the affected Eurocurrency Rate Loans, Interest Periods, interest payment dates or payment periods) or, failing that, will be deemed to have converted such request into a request for a Committed Borrowing of Base Rate Loans (subject to the foregoing clause (ii)) in the amount specified therein."

ARTICLE IV CONDITIONS TO EFFECTIVENESS

a. **Closing Conditions.** This Amendment shall become effective as of the day and year set forth above (hereinafter referred to as the "Amendment Effective Date") upon satisfaction of the following conditions (in each case, in form and substance reasonably acceptable to the Administrative Agent) on or prior to the Amendment Effective Date:

i. Executed Amendment. The Administrative Agent shall have received a copy of this Amendment duly executed by each of the Loan Parties, the Lenders and the Administrative Agent.

ii. Default. As of the Amendment Effective Date, no Default or Event of Default shall exist.

iii. Fees and Expenses. The Administrative Agent shall have received from the Borrower such fees and expenses that are payable in connection with the consummation of the transactions contemplated hereby, if any, and Administrative Agent's counsel shall have received from the Borrower payment of all outstanding fees and expenses previously incurred and all fees and expenses incurred in connection with this Amendment, including, without limitation, the fees, costs, and expenses of Reed Smith LLP.

iv. Miscellaneous. All other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE V MISCELLANEOUS

a. **Amended Terms.** On and after the Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended and modified by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

b. **FATCA.** The Borrower hereby certifies to the Administrative Agent and the Lenders that the obligations of the Borrower set forth in the Credit Agreement, as modified by this Amendment, qualify as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471- 2(b)(2)(i). From and after the Amendment Effective Date, the Borrower shall indemnify the Administrative Agent, and hold it harmless from, any and all losses, claims, damages, liabilities and related interest, penalties and expenses, including, without limitation, Taxes and the fees, charges and disbursements of any counsel for any of the foregoing, arising in connection with the Administrative Agent's treating, for purposes of determining withholding Taxes imposed under the Foreign Account Tax Compliance Act (FATCA), the Credit Amendment as qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i). The Borrower's obligations hereunder shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all of the Obligations.

a. **<u>Representations and Warranties of Loan Parties</u>.** Each of the Loan Parties represents and warrants as follows:

i. It has taken all necessary action to authorize the execution, delivery and performance of this Amendment;

ii. This Amendment has been duly executed and delivered by such Loan Party and constitutes such Loan Party's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally, and
i. general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity);

1. No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance of this Amendment by such Loan Party;

2. The representations and warranties set forth in <u>Article V</u> of the Credit Agreement are true and correct as of the date hereof (except for those which expressly relate to an earlier date);

3. After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default;

4. Reserved; and

5. The Obligations are not reduced or modified by this Amendment and are not subject to any offsets, defenses or counterclaims.

b. **<u>Reaffirmation of Obligations</u>.** Each Loan Party hereby ratifies the Credit Agreement and each other Loan Document and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement and each other Loan Document applicable to it, (b) the Liens on and security interests in the Collateral in favor of the Administrative Agent, for the benefit of the Lenders, and the L/C Issuer, to secure the Obligations are valid, legal, binding, and properly perfected and are reaffirmed and ratified in all respects, and nothing contained herein is intended to alter the priority of, or terminate any, Lien on or security interest in any Collateral in favor of the Administrative Agent, for the benefit of the Lenders, and the L/C Issuer, and (c) that it is responsible for the observance and full performance of its respective Obligations.

c. **<u>Loan Document</u>.** This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

d. **<u>Expenses</u>.** The Borrower agrees to pay all reasonable costs and expenses of the

Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Administrative Agent's legal counsel.

a. **Further Assurances.** The Loan Parties agree to promptly take such action, upon the request of the Administrative Agent, as is necessary to carry out the intent of this Amendment.

b. **Entirety.** This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

c. **Electronic Signatures; Counterparts; Telecopy.** This Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including, without limitation, facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention.

d. **No Actions, Claims, Etc.** As of the date hereof, each of the Loan Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, the Lenders, or the Administrative Agent's or the Lenders' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

e. **GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

f. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

g. **General Release.** In consideration of the Administrative Agent's willingness to enter into this Amendment, on behalf of the Lenders, each Loan Party hereby releases and forever discharges the Administrative Agent, the L/C Issuer, the Lenders and the Administrative Agent's, the L/C Issuer's and each Lender's respective present, former, and future predecessors, successors, assigns, officers, managers, directors, employees, agents, attorneys, representatives, and affiliates (hereinafter all of the above collectively referred to as the "Bank Group"), from any and all claims, counterclaims, demands, damages, debts, suits, liabilities, actions and causes of action of any nature whatsoever, including, without limitation, all claims, demands, and causes of action for contribution and indemnity, whether arising at law or in equity, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, which any Loan Party may have or claim to have against any of the Bank Group in any way related to or connected with the Loan Documents and the transactions contemplated thereby.

h. **Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.** The jurisdiction, service of process and waiver of jury trial provisions set forth in Sections 10.14 and 10.15 of the Credit

Agreement are hereby incorporated by reference, *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF: the parties hereto have caused this Amendment to be duly executed as of the date first above written.

BORROWER:

MISTRAS GROUP, INC., as Borrower

By:____ Edward J. Prajzner
Executive Vice President, Chief Financial Officer and Treasurer

GUARANTORS:

QUALITY SERVICES LABORATORIES, INC., a Delaware corporation

By:____ Edward J. Prajzner
Vice President and Treasurer

MISTRAS INTERNATIONAL HOLDINGS INC., a Delaware corporation

By:____ Edward J. Prajzner
Vice President and Treasurer

WEST PENN NON-DESTRUCTIVE TESTING, LLC, a Pennsylvania limited liability company

By:____ Edward J. Prajzner
Vice President and Treasurer

[SIGNATURES CONTINUE ON THE FOLLOWING PAGE]

BANK OF AMERICA, N.A., as Administrative Agent

By:__
Name:
Title:

BANK OF AMERICA, N.A., as a Lender and as the L/C Issuer

By:__
Name:
Title:

JPMORGAN CHASE BANK, N.A., as a Lender

By:__ Name:
Title:

KEYBANK NATIONAL ASSOCIATION, as a Lender

By:__
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By:__
Name:
Title:

TD BANK, NATIONAL ASSOCIATION, as a Lender

By:__ Name:
Title:

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Dennis Bertolotti, certify that:

1. I have reviewed this report on Form 10-Q of Mistras Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 06, 2021

/s/ Dennis Bertolotti
Dennis Bertolotti
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13A-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Edward J. Prajzner, certify that:

1. I have reviewed this report on Form 10-Q of Mistras Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 06, 2021

/s/ Edward J. Prajzner

Edward J. Prajzner
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Mistras Group, Inc. (the “Company”), that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (the “Report”), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report.

Dated: May 06, 2021

/s/ Dennis Bertolotti
Dennis Bertolotti
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Edward J. Prajzner
Edward J. Prajzner
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)