

**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 September 30, 2024

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:

<i>Title of each class</i>	<i>Trading Symbol(s)</i>	<i>Name of each exchange on which registered</i>
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  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  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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of October 30, 2024, the registrant had 31,010,375 shares of common stock outstanding.



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**PART I—FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

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

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20,360	\$ 17,646
Accounts receivable, net	144,104	132,847
Inventories	14,510	15,283
Prepaid expenses and other current assets	14,353	14,580
Total current assets	<u>193,327</u>	<u>180,356</u>
Property, plant and equipment, net	79,852	80,972
Intangible assets, net	41,504	43,994
Goodwill	185,872	187,354
Deferred income taxes	5,641	2,316
Other assets	45,485	39,784
Total assets	<u>\$ 551,681</u>	<u>\$ 534,776</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 13,272	\$ 17,032
Accrued expenses and other current liabilities	85,623	84,331
Current portion of long-term debt	10,711	8,900
Current portion of finance lease obligations	4,594	5,159
Income taxes payable	964	1,101
Total current liabilities	<u>115,164</u>	<u>116,523</u>
Long-term debt, net of current portion	178,989	181,499
Obligations under finance leases, net of current portion	11,154	11,261
Deferred income taxes	3,781	2,552
Other long-term liabilities	37,050	32,438
Total liabilities	<u>346,138</u>	<u>344,273</u>
Commitments and contingencies (Note 14)		
<b>Equity</b>		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, \$0.01 par value, 200,000,000 shares authorized, 31,006,864 and 30,597,633 shares issued and outstanding	385	305
Additional paid-in capital	250,016	247,165
Accumulated deficit	(15,177)	(28,942)
Accumulated other comprehensive loss	(30,020)	(28,336)
Total Mistras Group, Inc. stockholders' equity	<u>205,204</u>	<u>190,192</u>
Non-controlling interests	339	311
Total equity	<u>205,543</u>	<u>190,503</u>
Total liabilities and equity	<u>\$ 551,681</u>	<u>\$ 534,776</u>

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenue</b>	\$ 182,694	\$ 179,354	\$ 556,909	\$ 523,399
Cost of revenue	122,392	118,812	377,570	355,304
Depreciation	5,725	6,160	17,556	17,914
<b>Gross profit</b>	54,577	54,382	161,783	150,181
Selling, general and administrative expenses	38,872	39,537	121,018	123,844
Reorganization and other costs	2,143	2,702	4,218	6,017
Goodwill impairment charges	—	13,799	—	13,799
Legal settlement and insurance recoveries, net	(868)	—	(808)	150
Research and engineering	241	438	816	1,428
Depreciation and amortization	2,331	2,588	7,170	7,556
Acquisition-related expense, net	—	—	1	5
<b>Income (loss) from operations</b>	11,858	(4,682)	29,368	(2,618)
Other income	(1,479)	—	(1,479)	—
Interest expense	4,303	4,167	13,145	12,093
<b>Income (loss) before provision (benefit) for income taxes</b>	9,034	(8,849)	17,702	(14,711)
Provision for income taxes	2,618	1,489	3,909	229
<b>Net Income (Loss)</b>	6,416	(10,338)	13,793	(14,940)
Less: net income (loss) attributable to noncontrolling interests, net of taxes	15	(40)	28	7
<b>Net Income (Loss) attributable to Mistras Group, Inc.</b>	<u>\$ 6,401</u>	<u>\$ (10,298)</u>	<u>\$ 13,765</u>	<u>\$ (14,947)</u>
<b>Earnings (loss) per common share</b>				
Basic	\$ 0.21	\$ (0.34)	\$ 0.45	\$ (0.49)
Diluted	\$ 0.20	\$ (0.34)	\$ 0.44	\$ (0.49)
<b>Weighted-average common shares outstanding:</b>				
Basic	31,002	30,402	30,895	30,277
Diluted	31,660	30,402	31,513	30,277

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 Income (Loss)**

*(in thousands)*

	Three months ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net Income (loss)	\$ 6,416	\$ (10,338)	\$ 13,793	\$ (14,940)
Other comprehensive loss:				
Foreign currency translation adjustments	4,161	(5,428)	(1,684)	(1,073)
Comprehensive Income (loss)	10,577	(15,766)	12,109	(16,013)
Less: net income (loss) attributable to noncontrolling interest	15	(40)	28	7
Comprehensive Income (loss) attributable to Mistras Group, Inc	<u>\$ 10,562</u>	<u>\$ (15,726)</u>	<u>\$ 12,081</u>	<u>\$ (16,020)</u>

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

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

Three months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
<b>Balance at June 30, 2024</b>	30,977	\$ 385	\$ 248,524	\$ (21,578)	\$ (34,181)	\$ 193,150	\$ 324	\$ 193,474
Net income	—	—	—	6,401	—	6,401	15	6,416
Other comprehensive loss, net of tax	—	—	—	—	4,161	4,161	—	4,161
Share-based compensation	—	—	1,492	—	—	1,492	—	1,492
Net settlement of restricted stock units	30	—	—	—	—	—	—	—
<b>Balance at September 30, 2024</b>	<u>31,007</u>	<u>\$ 385</u>	<u>\$ 250,016</u>	<u>\$ (15,177)</u>	<u>\$ (30,020)</u>	<u>\$ 205,204</u>	<u>\$ 339</u>	<u>\$ 205,543</u>
<b>Balance at June 30, 2023</b>	30,302	\$ 302	\$ 245,058	\$ (16,138)	\$ (29,035)	\$ 200,187	\$ 346	\$ 200,533
Net loss	—	—	—	(10,298)	—	(10,298)	(40)	(10,338)
Other comprehensive loss, net of tax	—	—	—	—	(5,428)	(5,428)	—	(5,428)
Share-based compensation	—	—	1,017	—	—	1,017	—	1,017
Net settlement of restricted stock units	51	—	—	—	—	—	—	—
<b>Balance at September 30, 2023</b>	<u>30,353</u>	<u>\$ 302</u>	<u>\$ 246,075</u>	<u>\$ (26,436)</u>	<u>\$ (34,463)</u>	<u>\$ 185,478</u>	<u>\$ 306</u>	<u>\$ 185,784</u>

Nine months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
<b>Balance at December 31, 2023</b>	30,598	\$ 305	\$ 247,165	\$ (28,942)	\$ (28,336)	\$ 190,192	\$ 311	\$ 190,503
Net income	—	—	—	13,765	—	13,765	28	13,793
Other comprehensive loss, net of tax	—	—	—	—	(1,684)	(1,684)	—	(1,684)
Share-based compensation	—	—	4,256	—	—	4,256	—	4,256
Net settlement of restricted stock units	409	80	(1,405)	—	—	(1,325)	—	(1,325)
<b>Balance at September 30, 2024</b>	<u>31,007</u>	<u>\$ 385</u>	<u>\$ 250,016</u>	<u>\$ (15,177)</u>	<u>\$ (30,020)</u>	<u>\$ 205,204</u>	<u>\$ 339</u>	<u>\$ 205,543</u>
<b>Balance at December 31, 2022</b>	29,895	\$ 298	\$ 243,031	\$ (11,489)	\$ (33,390)	\$ 198,450	\$ 299	\$ 198,749
Net loss	—	—	—	(14,947)	—	(14,947)	7	(14,940)
Other comprehensive loss, net of tax	—	—	—	—	(1,073)	(1,073)	—	(1,073)
Share-based compensation	—	—	3,985	—	—	3,985	—	3,985
Net settlement of restricted stock units	458	4	(941)	—	—	(937)	—	(937)
<b>Balance at September 30, 2023</b>	<u>30,353</u>	<u>\$ 302</u>	<u>\$ 246,075</u>	<u>\$ (26,436)</u>	<u>\$ (34,463)</u>	<u>\$ 185,478</u>	<u>\$ 306</u>	<u>\$ 185,784</u>

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)*

	Nine months ended September 30,	
	2024	2023
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 13,793	\$ (14,940)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	24,726	25,470
Goodwill impairment charges	—	13,799
Deferred income taxes	(2,026)	816
Share-based compensation expense	4,256	3,985
Change in provision for doubtful accounts	681	346
Foreign currency (gain) loss	(23)	149
Other	(1,493)	(147)
Changes in operating assets and liabilities		
Accounts receivable	(11,979)	(13,393)
Inventories	431	(2,425)
Prepaid expenses and other assets	(39)	(7,572)
Accounts payable	(3,583)	2,094
Accrued expenses and other liabilities	(138)	4,165
Income taxes payable	(135)	(725)
Payment of contingent consideration liability in excess of acquisition-date fair value	—	(938)
<b>Net cash provided by operating activities</b>	<b>24,471</b>	<b>10,684</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(14,315)	(14,403)
Purchase of intangible assets	(3,832)	(1,868)
Proceeds from sale of equipment	995	1,101
<b>Net cash used in investing activities</b>	<b>(17,152)</b>	<b>(15,170)</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease obligations	(4,183)	(3,812)
Repayment of long-term debt	(6,537)	(5,684)
Proceeds from revolver	53,500	66,110
Repayment of revolver	(47,701)	(57,851)
Taxes paid related to net share settlement of share-based awards	(1,326)	(602)
<b>Net cash used in financing activities</b>	<b>(6,247)</b>	<b>(1,839)</b>
Effect of exchange rate changes on cash and cash equivalents	1,642	(1,411)
<b>Net change in cash and cash equivalents</b>	<b>2,714</b>	<b>(7,736)</b>
Cash and cash equivalents at beginning of period	17,646	20,488
Cash and cash equivalents at end of period	\$ 20,360	\$ 12,752
<b>Supplemental disclosure of cash paid</b>		
Interest, net	\$ 12,595	\$ 12,683
Income taxes, net of refunds	\$ 4,406	\$ 3,704
<b>Noncash investing and financing</b>		
Equipment acquired through finance lease obligations	\$ 3,642	\$ 7,169

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



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

## 1. Description of Business and Basis of Presentation

### *Description of Business*

Mistras Group, Inc., together with its subsidiaries (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 helps clients with asset-intensive infrastructure in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other 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 systems to help avoid catastrophic incidents, 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 Internet of Things ("IoT")-connected digital software and monitoring solutions, including OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

The Company's core capabilities also include non-destructive testing ("NDT") field inspections enhanced by advanced robotics, laboratory quality control, laboratory materials services, shop laboratory assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

The Company has three operating segments. Our segments are as follows:

- *North America* 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. Software, digital and data services 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.

### *Recent Developments*

The Company provides products and services to countries throughout the Middle East, where lawfully permitted, and in accordance with United States regulations. We continue to monitor the on-going conflicts throughout the Middle East. These conflicts caused disruptions in the Company's European operations in 2023 with increased costs associated with higher energy costs, amongst others. These disruptions have largely subsided in 2024 and the Company will continue to monitor market conditions and respond accordingly.

### *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 ("SEC") guidance allowing

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

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 statement of the results for the interim periods of the years ending December 31, 2024 and December 31, 2023.

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 2023 Annual Report on Form 10-K ("2023 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 consolidated 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 Income (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.

***Significant Accounting Policies***

The Company's significant accounting policies are disclosed in Note 1—***Summary of Significant Accounting Policies and Practices*** in the 2023 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 2023 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. We recognize deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. Our net deferred tax assets primarily consist of net operating loss carryforwards, or NOLs. 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.

As of September 30, 2024, management concluded that it is more likely than not that a substantial portion of the Company's deferred tax assets will be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

The Company's effective income tax rate was approximately 29.0% and (16.8)% for the three months ended September 30, 2024 and 2023, respectively. The Company's effective income tax rate was approximately 22.1% and (1.6)% for the nine months ended September 30, 2024 and 2023, respectively.

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

The effective income tax rate for the three months ended September 30, 2024 was higher than the statutory rate primarily due to the impact of permanent items in the period. The effective income tax rate for the three months ended September 30, 2023 was lower than the statutory rate due to the impact of permanent tax adjustments related to executive compensation and goodwill impairments.

The effective income tax rate for the nine months ended September 30, 2024 was higher than the statutory rate primarily due to the impact of permanent items. The effective income tax rate for the nine months ended September 30, 2023 was lower than the statutory rate due primarily to an unfavorable discrete item related to stock compensation.

### ***Recent Accounting Pronouncements***

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280) to expand the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We do not expect the impact of ASU 2023-07 to be material on our financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) to enhance the transparency and decision usefulness of income tax disclosures, primarily related to the rate reconciliation and income taxes paid disclosures. The new standard is effective for fiscal years beginning after December 15, 2024. We do not expect the impact of ASU 2023-09 to be material on our financial statements.

## **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.

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

**Contract Estimates**

The majority of the Company's revenues are short-term in nature. The Company enters into master service agreements ("MSA"s) with customers that specify an overall framework and contract terms. 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 longer-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.

**Revenue by Category**

The following series of tables present the Company's disaggregated revenue:

Revenue by industry was as follows:

Three Months Ended September 30, 2024	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 90,460	\$ 9,040	\$ 3	\$ —	\$ 99,503
Aerospace & Defense	16,181	5,663	42	—	21,886
Industrials	12,285	6,749	478	—	19,512
Power Generation & Transmission	8,029	3,081	544	—	11,654
Other Process Industries	7,836	3,900	79	—	11,815
Infrastructure, Research & Engineering	5,189	2,744	797	—	8,730
Petrochemical	3,806	198	—	—	4,004
Other	6,059	2,287	1,333	(4,089)	5,590
Total	<u>\$ 149,845</u>	<u>\$ 33,662</u>	<u>\$ 3,276</u>	<u>\$ (4,089)</u>	<u>\$ 182,694</u>

Three Months Ended September 30, 2023	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 94,390	\$ 8,827	\$ 35	\$ —	\$ 103,252
Aerospace & Defense	14,240	5,778	47	—	20,065
Industrials	10,325	6,018	310	—	16,653
Power Generation & Transmission	7,388	1,653	696	—	9,737
Other Process Industries	6,933	2,864	(5)	—	9,792
Infrastructure, Research & Engineering	6,042	2,383	1,070	—	9,495
Petrochemical	3,313	586	—	—	3,899
Other	6,183	2,871	676	(3,269)	6,461
Total	<u>\$ 148,814</u>	<u>\$ 30,980</u>	<u>\$ 2,829</u>	<u>\$ (3,269)</u>	<u>\$ 179,354</u>

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Nine Months Ended September 30, 2024	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 289,843	\$ 31,841	\$ 240	\$ —	\$ 321,924
Aerospace & Defense	48,152	18,092	100	—	66,344
Industrials	33,047	18,480	1,478	—	53,005
Power Generation & Transmission	18,953	6,017	1,569	—	26,539
Other Process Industries	26,132	12,337	155	—	38,624
Infrastructure, Research & Engineering	14,286	7,762	1,901	—	23,949
Petrochemical	11,467	900	—	—	12,367
Other	14,708	5,543	4,417	(10,511)	14,157
Total	\$ 456,588	\$ 100,972	\$ 9,860	\$ (10,511)	\$ 556,909

Nine Months Ended September 30, 2023	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 281,663	\$ 26,291	\$ 87	\$ —	\$ 308,041
Aerospace & Defense	41,516	15,894	275	—	57,685
Industrials	30,693	18,274	1,336	—	50,303
Power Generation & Transmission	17,834	4,840	3,189	—	25,863
Other Process Industries	24,906	10,567	73	—	35,546
Infrastructure, Research & Engineering	12,696	6,547	2,759	—	22,002
Petrochemical	10,027	887	—	—	10,914
Other	11,960	7,364	2,178	(8,457)	13,045
Total	\$ 431,295	\$ 90,664	\$ 9,897	\$ (8,457)	\$ 523,399

Revenue per key geographic location was as follows:

Three Months Ended September 30, 2024	North America	International	Products	Corp/Elim	Total
United States	\$ 124,194	\$ 402	\$ 1,658	\$ (1,457)	\$ 124,797
Other Americas	25,108	2,008	107	(577)	26,646
Europe	343	29,458	850	(1,655)	28,996
Asia-Pacific	200	1,794	661	(400)	2,255
Total	\$ 149,845	\$ 33,662	\$ 3,276	\$ (4,089)	\$ 182,694

Three Months Ended September 30, 2023	North America	International	Products	Corp/Elim	Total
United States	\$ 126,239	\$ 120	\$ 1,032	\$ (849)	\$ 126,542
Other Americas	21,907	3,703	49	(1,659)	24,000
Europe	465	26,764	510	(701)	27,038
Asia-Pacific	203	393	1,238	(60)	1,774
Total	\$ 148,814	\$ 30,980	\$ 2,829	\$ (3,269)	\$ 179,354

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Nine Months Ended September 30, 2024	North America	International	Products	Corp/Elim	Total
United States	\$ 384,522	\$ 1,129	\$ 4,800	\$ (3,181)	\$ 387,270
Other Americas	66,829	6,224	960	(3,602)	70,411
Europe	2,107	89,304	2,081	(3,116)	90,376
Asia-Pacific	3,130	4,315	2,019	(612)	8,852
Total	\$ 456,588	\$ 100,972	\$ 9,860	\$ (10,511)	\$ 556,909

Nine Months Ended September 30, 2023	North America	International	Products	Corp/Elim	Total
United States	\$ 369,811	\$ 709	\$ 4,478	\$ (1,718)	\$ 373,280
Other Americas	57,218	11,013	673	(3,565)	65,339
Europe	3,159	75,421	1,275	(2,693)	77,162
Asia-Pacific	1,107	3,521	3,471	(481)	7,618
Total	\$ 431,295	\$ 90,664	\$ 9,897	\$ (8,457)	\$ 523,399

### **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 nine months ended September 30, 2024 and 2023 that was included in the contract liability balance at the beginning of such year was \$6.2 million and \$5.7 million, respectively, for each period. Changes in the contract asset and liability balances during these periods were not materially impacted by any other factors. The Company applies the practical expedient to expense incremental costs incurred related to obtaining a contract when the amortization period of the asset that the Company otherwise would have recognized is one year or less.

### **3. Share-Based Compensation**

The Company grants share-based incentive awards to its eligible employees and non-employee directors under its 2016 Long-Term Incentive Plan (the "2016 Plan"). 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-based restricted stock units, stock appreciation rights and deferred stock rights. At the annual shareholders meeting on May 14, 2024, the Company's shareholders approved an amendment to the 2016 Plan, including an increase to the total number of shares that may be issued under the 2016 Plan by 1.3 million, for a total of 6.2 million shares that are authorized for issuance under the 2016 Plan, of which approximately 1,600,000 shares were available for future grants as of September 30, 2024.

#### **Stock Options**

On October 11, 2023, Mr. Stamatakis was granted an award of stock options to purchase 250,000 shares of common stock of the Company, with an exercise price of \$5.36, the closing price of the Company's common stock as quoted on the New York Stock Exchange on the grant date (the "Options"). The Options were granted as an inducement for Mr. Stamatakis to accept the position of Interim President and CEO of the Company and were therefore granted outside the 2016 Plan, as permitted by the rules of the NYSE. The Options can be exercised any time after the grant date until its expiration date, which is the earlier of 10

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years from the grant date or one year following the date Mr. Stamatakis is no longer serving as an officer, director or in any other capacity of the Company.

The following table sets forth a summary of the stock option activity, weighted-average exercise prices and options outstanding as of September 30, 2024 as follows:

	Nine months ended September 30,			
	2024		2023	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year:	250	\$ 5.36	—	\$ —
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	—	\$ —
Expired or forfeited	—	\$ —	—	\$ —
Outstanding at end of year:	<u>250</u>	<u>\$ 5.36</u>	<u>—</u>	<u>\$ —</u>

The Company recognized all share-based compensation expense related to the stock options granted in the fourth quarter of 2023 when they were granted and no further unrecognized share-based compensation expense remains as of the end of the current period.

***Stock Issuances to Non-Employee Directors***

As part of its compensation program for non-employee directors, the Company makes semi-annual issuances of fully-vested common stock to its non-employee directors. A summary of the fully-vested common stock the Company issued to its non-employee directors, in connection with its non-employee director compensation, is as follows:

	Nine months ended September 30,	
	2024	2023
Awards issued	60	99
Grant date fair value of awards issued	\$ 549	\$ 550

***Restricted Stock Unit Awards***

For the three months ended September 30, 2024 and September 30, 2023, the Company recognized share-based compensation expense related to restricted stock unit awards of \$1.6 million and \$0.7 million, respectively. For the nine months ended September 30, 2024 and 2023, the Company recognized share-based compensation expense related to restricted stock unit awards of \$3.9 million and \$2.5 million, respectively. As of September 30, 2024, there was \$8.9 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 2.4 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:

	Nine months ended September 30,	
	2024	2023
Restricted stock awards vested	461	430
Fair value of awards vested	\$ 4,184	\$ 2,639

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

	Nine months ended September 30,			
	2024		2023	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	1,184	\$ 8.07	1,415	\$ 7.96
Granted	726	\$ 8.52	591	\$ 8.37
Vested	(461)	\$ 9.08	(430)	\$ 6.14
Forfeited	(179)	\$ 8.39	(120)	\$ 7.96
Outstanding at end of period:	<u>1,270</u>	<u>\$ 8.39</u>	<u>1,456</u>	<u>\$ 7.71</u>

***Performance Restricted Stock Units***

The Company maintains Performance Restricted Stock Units ("PRsUs") that have been granted to select executives and senior officers. The ultimate payout of these PRsUs may vary between zero and 200% of the target award, 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 2023, the Compensation Committee used the following three performance metrics for PRsUs approved in that year.

1. *Free Cash Flow* defined as 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* 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. *Revenue*

For PRsUs awarded in 2024, the Compensation Committee utilized the same metrics as 2023 PRsUs, but with revised performance goals.

PRsUs are equity-classified and compensation costs related to PRsUs with performance conditions are initially measured using the fair value of the underlying stock at the date of grant. Compensation costs related to the PRsUs with performance conditions 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. Earned PRsUs generally vest ratably in four equal annual installments over the four years following completion of the performance period, for a total requisite service period of up to five years, and have no dividend rights.



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

	Nine months ended September 30,			
	2024		2023	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	60	\$ 9.33	280	\$ 9.96
Granted	295	\$ 8.76	282	\$ 8.50
Performance condition adjustments	(187)	\$ 8.76	(314)	\$ 8.34
Vested	—	\$ —	(64)	\$ 5.58
Forfeited	—	\$ —	(84)	\$ (6.95)
Outstanding at end of period:	<u>168</u>	<u>\$ 9.18</u>	<u>100</u>	<u>\$ 9.83</u>

Performance condition adjustments during the nine months ended September 30, 2024 decreased by approximately 187,000 units based on forecasted results for 2024 as compared to performance metrics determined by the Compensation Committee.

For the three months ended September 30, 2024 and September 30, 2023, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately \$0.0 million and \$0.1 million, respectively. For the nine months ended September 30, 2024 and September 30, 2023, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately \$0.3 million and \$0.6 million, respectively. At September 30, 2024, there was \$0.9 million of total unrecognized compensation costs related to approximately 168,000 non-vested PRSUs, which is expected to be recognized over a remaining weighted-average period of 2.4 years.

#### 4. Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Basic earnings (loss) per share</b>				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	\$ 6,401	\$ (10,298)	\$ 13,765	\$ (14,947)
Denominator:				
Weighted average common shares outstanding	31,002	30,402	30,895	30,277
<b>Basic earnings (loss) per share</b>	<b>\$ 0.21</b>	<b>\$ (0.34)</b>	<b>\$ 0.45</b>	<b>\$ (0.49)</b>
<b>Diluted earnings (loss) per share:</b>				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	\$ 6,401	\$ (10,298)	\$ 13,765	\$ (14,947)
Denominator:				
Weighted average common shares outstanding	31,002	30,402	30,895	30,277
Dilutive effect of stock options outstanding	120	—	103	—
Dilutive effect of restricted stock units outstanding <sup>(1)</sup>	538	—	515	—
	<u>31,660</u>	<u>30,402</u>	<u>31,513</u>	<u>30,277</u>
<b>Diluted earnings (loss) per share</b>	<b>\$ 0.20</b>	<b>\$ (0.34)</b>	<b>\$ 0.44</b>	<b>\$ (0.49)</b>

<sup>(1)</sup> For the three and nine months ended September 30, 2023, 1,508,255 and 926,224 shares related to restricted stock, respectively, 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 Income (Loss) and were as follows for the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Due diligence, professional fees and other transaction costs	\$ —	\$ —	\$ 1	\$ 5
Adjustments to fair value of contingent consideration liabilities	—	—	—	—
<b>Acquisition-related expense, net</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 5</b>

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:

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	September 30, 2024	December 31, 2023
Trade accounts receivable	\$ 146,410	\$ 134,495
Allowance for credit losses	(2,306)	(1,648)
Accounts receivable, net	<u>\$ 144,104</u>	<u>\$ 132,847</u>

The Company had \$30.3 million and \$18.5 million of unbilled revenue accrued as of September 30, 2024 and December 31, 2023, 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 considers unbilled receivables as short-term in nature as they are normally converted to trade receivables within 90 days, and thus future changes in economic conditions are unlikely to have a significant effect on the credit loss estimate.

## 7. Inventories

Inventories consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	\$ 5,302	\$ 6,099
Work in progress	1,106	839
Finished goods	5,158	5,740
Consumable supplies	2,944	2,605
Inventories	<u>\$ 14,510</u>	<u>\$ 15,283</u>

## 8. Property, Plant and Equipment, net

Property, plant and equipment, net consisted of the following:

	Useful Life (Years)	September 30, 2024	December 31, 2023
Land		\$ 2,455	\$ 2,453
Buildings and improvements	30-40	26,419	26,663
Office furniture and equipment	5-8	17,512	21,334
Machinery and equipment	5-7	278,724	269,306
		<u>325,110</u>	<u>319,756</u>
Accumulated depreciation and amortization		(245,258)	(238,784)
Property, plant and equipment, net		<u>\$ 79,852</u>	<u>\$ 80,972</u>

Depreciation expense for the three months ended September 30, 2024 and 2023 was approximately \$6.1 million and \$6.6 million, respectively.

Depreciation expense for the nine months ended September 30, 2024 and 2023 was \$18.9 million and \$19.0 million, respectively.

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## 9. Goodwill

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

	North America	International	Products and Systems	Total
Balance at December 31, 2023	\$ 187,354	\$ —	\$ —	\$ 187,354
Foreign currency translation	(1,482)	—	—	(1,482)
Balance at September 30, 2024	<u>\$ 185,872</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 185,872</u>

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 third quarter of 2023, a triggering event was identified within the Company's reporting units within the International segment due to decreased gross margin in the current period as a result of inflationary pressures and rising energy costs impacting the International reporting units' operations. As a result, the Company performed an interim quantitative goodwill impairment test.

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 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 Company's internal forecasts include assumptions about future profitability, 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 Company's internally developed forecasts and which are updated for recent events. Increased interest rates in the current period increased the discount rate associated with the reporting units which contributed to an unfavorable decrease in the reporting units value.

The market approach valuation was 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, the Company recorded an impairment charge of \$13.8 million within the International reporting units. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units. Any significant adverse changes in future periods to the Company's internal forecasts or the external market conditions, if any, could reasonably be expected to negatively affect its key assumptions and may result in future goodwill impairment charges which could be material.

The Company performed a quantitative annual impairment test as of October 1, 2023 and the Company did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable. Additionally, through September 30, 2024, 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.

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## 10. Intangible Assets

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

	Useful Life (Years)	September 30, 2024			December 31, 2023		
		Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5-18	\$ 110,240	\$ (93,518)	\$ 16,722	\$ 110,780	\$ (90,506)	\$ 20,274
Software/Technology	3-15	58,314	(34,329)	23,985	55,053	(32,230)	22,823
Covenants not to compete	2-5	12,511	(12,483)	28	12,536	(12,488)	48
Other	2-12	10,394	(9,625)	769	10,466	(9,617)	849
<b>Total</b>		<b>\$ 191,459</b>	<b>\$ (149,955)</b>	<b>\$ 41,504</b>	<b>\$ 188,835</b>	<b>\$ (144,841)</b>	<b>\$ 43,994</b>

Amortization expense for the three months ended September 30, 2024 and 2023 was approximately \$1.9 million and \$2.2 million, respectively.

Amortization expense for the nine months ended September 30, 2024 and 2023 was \$5.8 million and \$6.5 million, respectively.

## 11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2024	December 31, 2023
Accrued salaries, wages and related employee benefits	\$ 28,061	\$ 27,372
Accrued workers' compensation and health benefits	4,616	4,385
Deferred revenue	6,975	7,136
Pension accrual	2,458	2,458
Right-of-use liability - Operating	11,783	10,686
Other accrued expenses	31,730	32,294
<b>Total</b>	<b>\$ 85,623</b>	<b>\$ 84,331</b>

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## 12. Long-Term Debt

Long-term debt consisted of the following:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
Senior credit facility	\$ 76,949	\$ 71,150
Senior secured term loan, net of unamortized debt issuance costs of \$0.3 million and \$0.4 million, respectively	109,863	115,253
Other	2,888	3,996
Total debt	189,700	190,399
Less: Current portion	(10,711)	(8,900)
Long-term debt, net of current portion	<u>\$ 178,989</u>	<u>\$ 181,499</u>

### *Senior Credit Facility*

On August 1, 2022, the Company entered into a new credit agreement (the "Credit Agreement") which provides the Company with a \$190 million 5-year committed revolving credit facility and a \$125 million term loan with a balance of \$109.9 million as of September 30, 2024. The Credit Agreement permits the Company to borrow up to \$100 million in non-U.S. dollar currencies and to use up to \$20 million of the credit limit for the issuance of letters of credit. Both the revolving line of credit and the term loan under the Credit Agreement have a maturity date of July 30, 2027.

The Credit Agreement has the following key terms, conditions and financial covenants:

- Borrowings bear interest at Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment and applicable SOFR margin ranging from 1.25% to 2.75%, based upon our Total Consolidated Debt Leverage Ratio (defined below); under the Prior Credit Agreement, the margin was based upon the LIBOR margin.
  - Total Consolidated Debt Leverage Ratio means the ratio of (a) Total Consolidated Debt to (b) EBITDA (as defined in the Credit Agreement) for the trailing four consecutive fiscal quarters.
  - Total Consolidated Debt means all indebtedness (including subordinated debt) of the Company on a consolidated basis.
- The Company has the benefit of the lowest SOFR margin if its Total Consolidated Debt Leverage Ratio is equal to or less than 1.25 to 1.0, and the margin increases as the ratio increases, to the maximum margin if the ratio is greater than 3.75 to 1.0. The Credit Agreement is secured by liens on substantially all the assets of the Company and certain of its U.S. subsidiaries and is guaranteed by those U.S. subsidiaries.
- The Company is required to maintain a Total Consolidated Debt Leverage Ratio of no more than 4.0 to 1.0 at the end of each quarter through June 30, 2023 and stepping down to a maximum permitted ratio of no more than 3.75 to 1.0 for the remainder of the term.
- The Company is required to maintain a Fixed Charge Coverage Ratio of 1.25 to 1.0 for the duration of the Credit Agreement, as defined in the Credit Agreement.
- The Credit Agreement 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, make distributions to stockholders or repurchase our stock, enter into a new line of business, enter into transactions with affiliates and enter into burdensome agreements.
- The Credit Agreement does not limit the Company's ability to acquire other businesses or companies except that the acquired business or company must be in the Company's line of business, the Company must be in compliance with

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the financial covenants on a pro forma basis after taking into account the acquisition, and the Company must provide written notice at least five business days prior to the date of an acquisition of \$10 million or more.

- Quarterly payments on the term loan of \$1.56 million through June 30, 2024, then increasing to \$2.34 million through June 30, 2025, and to \$3.12 million for each quarterly payment thereafter through maturity.

As of September 30, 2024, the Company had borrowings of \$186.8 million and a total of \$3.1 million of letters of credit outstanding under the Credit Agreement. The Company has capitalized costs associated with debt modifications of \$0.9 million as of September 30, 2024, which is included in Other assets on the Condensed Consolidated Balance Sheets and will be amortized into interest expense over the remaining term of the Credit Agreement through July 30, 2027.

As of September 30, 2024, the Company was in compliance with the terms of the Credit Agreement. The Company continuously monitors 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, such matters cannot be predicted with certainty.

***Other debt***

The Company's other debt includes bank financing provided at the local subsidiary level used to support working capital requirements and fund capital expenditures. At September 30, 2024, there was an aggregate of approximately \$2.9 million outstanding, payable at various times through 2030. Monthly payments range from \$1.0 thousand to \$16.1 thousand and interest rates range from 0.4% to 3.5%.

**13. 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:

	Nine months ended September 30,	
	2024	2023
Beginning balance	\$ —	\$ 938
Payments	—	(938)
Revaluation	—	—
Ending balance	<u>\$ —</u>	<u>\$ —</u>

***Financial instruments not measured at fair value on a recurring basis***

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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.

#### **14. Commitments and Contingencies**

##### ***Legal Proceedings and Government Investigations***

The Company is periodically involved in lawsuits, investigations and claims. While uncertainties exist with respect to the ultimate resolution of lawsuits, investigations and claims asserted against it, the Company, based on currently available information, does not believe that any currently pending or threatened legal proceeding to which the Company is a party, or is likely to become a party, including those proceedings identified in this Note 14, will have a material adverse effect on its business, results of operations, cash flows or financial condition. The costs incurred by the Company to defend lawsuits, investigations and claims and amounts the Company pays to other parties because of these matters may be covered by insurance in some circumstances.

##### **Litigation and Commercial Claims**

The Company and a subsidiary of the Company, Mistras Arizona Inspection Services LLC ("Mistras Arizona"), are subject to a lawsuit filed by the State of Arizona and the Arizona Department of Environmental Quality (collectively "DEQ"). The lawsuit, captioned State of Arizona v. Mistras Group, Inc., Mistras Arizona Inspection Services, LLC and Naiman Phoenix, Ltd., was originally filed on February 27, 2024, in the Superior Court of the State of Arizona for Maricopa County, CV 2024-003866 (the "DEQ Complaint"). The DEQ Complaint alleges various violations of Arizona environmental laws and regulations by the Company and Mistras Arizona in connection with the operation by Mistras Arizona of its testing facility in Phoenix, Arizona. The DEQ Complaint seeks, through injunctive relief, the closing of a chromic acid plating line at the testing facility, implementation of a site assessment plan approved by the DEQ, and corrective and remedial action to bring the testing facility into compliance with laws and regulations. In addition, the DEQ Complaint seeks unspecified penalties and costs.

The Superior Court held a hearing September 2024 regarding the DEQ's request for a preliminary injunction. On October 23, 2024, the Superior Court issued a ruling, which declined to issue the preliminary injunction requested by the DEQ, but imposed the following conditions on the Company and Mistras Arizona unless and until modified by the Superior Court or entry of a final judgement: (1) the Company and Mistras Arizona are prohibited from releasing or permitting any release of chromic acid from the facility; (2) within a reasonable time, the Company and Mistras Arizona must complete improvements to the testing facility designed to prevent future discharges of chromium or chromic acid; (3) the Company must notify the DEQ upon completion of the improvement to enable the DEQ to conduct an inspection; and (4) the Company and Mistras Arizona are prohibited from engaging in any chrome plating operations at the testing facility until they notify the DEQ that the improvements have been completed. The DEQ may seek relief if it determines that the improvements are not sufficient to prevent discharges.

The Company intends to comply with the Superior Court's ruling. This matter is still in the relatively early stages, including as to factual and expert discovery. It is probable that remediation costs, fines and penalties may be imposed related to this lawsuit. However, the Company is unable to estimate the range of loss that it may incur.

In addition to the matters covered by the DEQ complaint on or about November 7, 2024, Mistras Arizona received notice from the Maricopa County Department of Air Quality for alleged violations of various regulations regarding air quality. This matter has been resolved with an immaterial fine paid.

In addition, Mistras Arizona's operations in Phoenix are located at a leased site within the footprint of the Motorola 52nd Street Superfund Site (the "Motorola Site"). Mistras Arizona received a General Notice Letter from the US Environmental Protection Agency (the "EPA"), dated May 21, 2024, informing Mistras Arizona that the EPA has identified it as a potentially responsible party in relation to the Motorola Site.

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### ***Pension Related Contingencies***

Certain of the Company's subsidiaries had significant reductions in their unionized workers in 2018. The collective bargaining agreements for the employees of these subsidiaries required contributions for these employees to two national multi-employer pension funds. The reduction in employees resulted in one of the Company's subsidiaries 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 September 30, 2024 is approximately \$2.5 million, which were incurred in 2018 and 2019.

### **15. Segment Disclosure**

The Company's three operating segments are:

- *North America.* 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. Software, digital and data services 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 North America 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenue</b>				
North America	\$ 149,845	\$ 148,814	\$ 456,588	\$ 431,295
International	33,662	30,980	100,972	90,664
Products and Systems	3,276	2,829	9,860	9,897
Corporate and eliminations	(4,089)	(3,269)	(10,511)	(8,457)
	<u>\$ 182,694</u>	<u>\$ 179,354</u>	<u>\$ 556,909</u>	<u>\$ 523,399</u>

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Gross profit</b>				
North America	\$ 42,487	\$ 44,773	\$ 126,813	\$ 121,088
International	10,139	8,481	29,667	24,247
Products and Systems	1,933	1,096	5,233	4,773
Corporate and eliminations	18	32	70	73
	<u>\$ 54,577</u>	<u>\$ 54,382</u>	<u>\$ 161,783</u>	<u>\$ 150,181</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Income (loss) from operations</b>				
North America	\$ 17,455	\$ 18,004	\$ 49,742	\$ 39,719
International	1,778	(12,970)	4,548	(13,031)
Products and Systems	670	(557)	1,479	(78)
Corporate and eliminations	(8,045)	(9,159)	(26,401)	(29,228)
	<u>\$ 11,858</u>	<u>\$ (4,682)</u>	<u>\$ 29,368</u>	<u>\$ (2,618)</u>

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Depreciation and amortization</b>				
North America	\$ 5,843	\$ 6,603	\$ 18,191	\$ 19,329
International	1,940	1,915	5,763	5,663
Products and Systems	193	183	526	526
Corporate and eliminations	80	47	246	(48)
	<u>\$ 8,056</u>	<u>\$ 8,748</u>	<u>\$ 24,726</u>	<u>\$ 25,470</u>

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	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>Intangible assets, net</b>		
North America	\$ 33,162	\$ 37,622
International	1,822	2,998
Products and Systems	1,040	1,168
Corporate and eliminations	5,480	2,206
	<u>\$ 41,504</u>	<u>\$ 43,994</u>
	<u>September 30, 2024</u>	<u>December 31, 2023</u>
<b>Total assets</b>		
North America	\$ 413,878	\$ 402,782
International	104,063	99,398
Products and Systems	12,253	13,259
Corporate and eliminations	21,487	19,337
	<u>\$ 551,681</u>	<u>\$ 534,776</u>

Refer to Note 2—*Revenue*, for revenue by geographic area for the three and nine months ended September 30, 2024 and 2023.

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**Mistras Group, Inc. and Subsidiaries**  
**Management's Discussion and Analysis of Financial Condition and Results of Operations**  
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**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 and nine months ended September 30, 2024 and 2023. 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 (the "Quarterly Report") and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, ("2023 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 Quarterly Report 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," "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 2023 Annual Report as well as those discussed in this Quarterly Report and in our other filings with the SEC. In addition, there are various developments discussed below which could create risks and uncertainty about our business, results of operations or liquidity.

**Overview**

We are 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 helps clients with asset-intensive infrastructure in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other 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 systems to help avoid catastrophic incidents, 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 Internet of Things ("IoT")-connected digital software and monitoring solutions, including

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OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

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.

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

- *North America* 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. Software, digital and data services 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, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other industries.

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 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.

We have continued providing our customers with an innovative asset protection software ecosystem through our MISTRAS OneSuite platform. The software platform offers functions of MISTRAS' popular software and services brands as integrated apps on a cloud environment. OneSuite serves as a single access portal for customers' data activities and provides access to 90 plus applications being offered on one centralized platform.

### ***Recent Developments***

The Company provides products and services to countries throughout the Middle East, where lawfully permitted, and in accordance with United States regulations. We continue to monitor the on-going conflicts throughout the Middle East. These conflicts caused disruptions in the Company's European operations in 2023 with increased costs associated with higher energy

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costs, amongst others. These disruptions have largely subsided in 2024 and the Company will continue to monitor market conditions and respond accordingly.

Our cash position and liquidity remains strong. As of September 30, 2024, the cash balance was approximately \$20.4 million, and with our Credit Agreement, provides us with significant liquidity.

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 negatively impact our customers in the oil and gas market over the long-term, which presently is our largest market, although this initiative 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.

The Company is currently unable to predict with certainty the overall impact that the factors discussed above and the effect of inflationary pressures may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. The Company's European operations are currently experiencing higher energy costs, among other increased costs, due in part to the Russian-Ukrainian war and the conflict in the Middle East between Israel and Hamas. The Company will continue to monitor market conditions and respond accordingly.

***Note About Non-GAAP Measures***

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). In this MD&A under the heading "Income (loss) from Operations", the non-GAAP financial performance measure "Income (loss) from operations 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. Any measure that eliminates the foregoing items has material limitations as a performance or liquidity measure and should not be considered alternatives to net income (loss) or any other measures derived in accordance with GAAP. Because Income (loss) from operations before special items may not be calculated in the same manner by all companies, this measure may not be comparable to other similarly titled measures used by other companies.

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## Results of Operations

Condensed consolidated results of operations for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenues</b>	\$ 182,694	\$ 179,354	\$ 556,909	\$ 523,399
<b>Gross profit</b>	54,577	54,382	161,783	150,181
<i>Gross profit as a % of Revenue</i>	29.9 %	30.3 %	29.1 %	28.7 %
Total operating expenses	42,719	59,064	132,415	152,799
<i>Operating expenses as a % of Revenue</i>	23.4 %	32.9 %	23.8 %	29.2 %
<b>Income (loss) from operations</b>	11,858	(4,682)	29,368	(2,618)
<i>Income from Operations as a % of Revenue</i>	6.5 %	(2.6)%	5.3 %	(0.5)%
Other Income	(1,479)	—	(1,479)	—
Interest expense	4,303	4,167	13,145	12,093
<b>Income (loss) before provision (benefit) for income taxes</b>	9,034	(8,849)	17,702	(14,711)
Provision (benefit) for income taxes	2,618	1,489	3,909	229
<b>Net Income (loss)</b>	6,416	(10,338)	13,793	(14,940)
Less: Net income (loss) attributable to non-controlling interests, net of taxes	15	(40)	28	7
<b>Net Income (loss) attributable to Mistras Group, Inc.</b>	\$ 6,401	\$ (10,298)	\$ 13,765	\$ (14,947)

## Revenue

Revenue was \$182.7 million for the three months ended September 30, 2024, an increase of \$3.3 million, or 1.9%, compared with the three months ended September 30, 2023. Revenue for the nine months ended September 30, 2024 was \$556.9 million, an increase of \$33.5 million, or 6.4%, compared with the nine months ended September 30, 2023.

Revenue by segment for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Revenue</b>				
North America	\$ 149,845	\$ 148,814	\$ 456,588	\$ 431,295
International	33,662	30,980	100,972	90,664
Products and Systems	3,276	2,829	9,860	9,897
Corporate and eliminations	(4,089)	(3,269)	(10,511)	(8,457)
	<u>\$ 182,694</u>	<u>\$ 179,354</u>	<u>\$ 556,909</u>	<u>\$ 523,399</u>

## Three Months

In the three months ended September 30, 2024, total revenue increased 1.9% versus the prior year comparable period due to increased sales volume and price increases as compared to the prior period. North America segment revenue increased 0.7% due to an increase in sales volume in our aerospace and defense, industrials and power generation & transmission end markets, amongst others. International segment revenue increased 8.7%, due predominantly to growth in our other process industries and

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power generation and transmission end markets. Products and Systems segment revenue increased 15.8%, due to increased sales volume as compared to the prior period.

Oil and gas customer revenue comprised approximately 54% and 58% of total revenue for the three months ended September 30, 2024 and 2023, respectively. Aerospace and defense customer revenue comprised approximately 12% and 11% of total revenue for the three months ended September 30, 2024 and 2023, respectively. The Company's top ten customers comprised approximately 35% of total revenue for the three months ended September 30, 2024, as compared to 36% for the three months ended September 30, 2023, with no customer accounting for 10% or more of total revenue in either three-month period.

*Nine months*

In the nine months ended September 30, 2024, total revenue increased 6.4% versus the comparable prior period. The increase was due predominantly to increased sales volume as compared to the prior period. Our North America segment revenue increased 5.9% due primarily to increased sales volume in our oil and gas and aerospace and defense end markets. International segment revenue increased 11.4% due mainly to increased turnaround activity in oil and gas end market and increased sales volume in our aerospace and defense end market. Products and Systems segment revenue decreased 0.4% due to decreased sales volumes most notably within the power generation and transmission end market, amongst others, as compared to the prior period.

Oil and gas customer revenue comprised approximately 58% and 59% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. Aerospace and defense customer revenue comprised approximately 12% and 11% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. The Company's top ten customers comprised approximately 36% of total revenue for the nine months ended September 30, 2024, as compared to 35% for the nine months ended September 30, 2023, with no customer accounting for 10% or more of total revenue in either nine-month period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Oil and Gas Revenue by sub-category</b>				
Upstream	\$ 43,835	\$ 38,041	\$ 127,951	\$ 116,941
Midstream	21,545	26,215	68,229	74,739
Downstream	34,123	38,996	125,744	116,361
Total	<u>\$ 99,503</u>	<u>\$ 103,252</u>	<u>\$ 321,924</u>	<u>\$ 308,041</u>

Oil and gas upstream customer revenue increased approximately \$11.0 million, or 9.4%, for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and \$5.8 million, or 15.2%, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to increased exploration operations and market share gains compared to the prior period.

Midstream customer revenues decreased approximately \$6.5 million, or (8.7)%, for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and \$4.7 million, or (17.8)%, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to primarily to decreased pipe inspection services as compared to the prior period.

Downstream customer revenue increased \$9.4 million, or 8.1%, for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and \$(4.9) million, or (12.5)%, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to increased sales volume at customer refineries and increased customer turnarounds.



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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenue by type</b>				
Field Services	\$ 127,246	\$ 122,717	\$ 388,129	\$ 348,501
Shop Laboratories	15,014	14,840	49,147	42,216
Data Analytical Solutions	17,876	17,997	51,757	52,916
Other	22,558	23,800	67,876	79,766
<b>Total</b>	<b>\$ 182,694</b>	<b>\$ 179,354</b>	<b>\$ 556,909</b>	<b>\$ 523,399</b>

Field Services revenues are comprised of revenue derived primarily by technicians performing asset inspections and maintenance services for our customers at locations other than Mistras properties. Field Services revenue increased by \$39.6 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and increased \$4.5 million, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The increase in both periods was due to increased sales volume in our power generation and transmission end market in our North America and International segments.

Shop Laboratories revenues are comprised of quality assurance inspections of components and materials at our Mistras in house laboratory facilities. Shop Laboratories revenues increased by \$6.9 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and increased \$0.2 million for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Shop Laboratories revenues increased in both periods as compared to the prior year periods due to increased sales volume related to our aerospace and defense end market.

Data Analytical Solutions revenues are comprised of revenue derived from data software sales & subscriptions, implementation services and analytics that offer insights and recommendations to improve asset integrity. Data Analytical Solutions revenue is derived from work performed by Mistras employees in our facilities, or at customer locations, using our proprietary portfolio of software applications. Data Analytical Solutions revenue decreased by \$1.2 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and decreased \$0.1 million, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 due primarily to decreased sales volume within PCMS, Onstream and other Data Analytical Solutions offerings within our North America segment for the three months ended September 30, 2024 and decreased sales volume for the same offerings for the nine months ended September 30, 2024.

Other revenues are comprised of locations that perform both asset inspection services and testing of components and materials at in house Mistras laboratories. Other revenues decreased by \$11.9 million for the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, and decreased \$1.2 million, for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Other revenues decreased in both periods primarily due to decreased sales in our other end markets within the North America and International segments.

### Gross Profit

Gross profit increased by \$0.2 million, or 0.4%, in the three months ended September 30, 2024 versus the prior year comparable period, on an increase in revenue of 1.9%.

Gross profit increased by \$11.6 million, or 7.7%, in the nine months ended September 30, 2024 on an increase in revenue of 6.4%.

Gross profit by segment for the three and nine months ended September 30, 2024 and 2023 was as follows:

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	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Gross profit</b>				
North America	\$ 42,487	\$ 44,773	\$ 126,813	\$ 121,088
<i>% of segment revenue</i>	28.4 %	30.1 %	27.8 %	28.1 %
International	10,139	8,481	29,667	24,247
<i>% of segment revenue</i>	30.1 %	27.4 %	29.4 %	26.7 %
Products and Systems	1,933	1,096	5,233	4,773
<i>% of segment revenue</i>	59.0 %	38.7 %	53.1 %	48.2 %
Corporate and eliminations	18	32	70	73
	<u>\$ 54,577</u>	<u>\$ 54,382</u>	<u>\$ 161,783</u>	<u>\$ 150,181</u>
<i>% of total revenue</i>	29.9 %	30.3 %	29.1 %	28.7 %

*Three Months*

Gross profit margin was 29.9% and 30.3% for the three-month periods ended September 30, 2024 and 2023, respectively. North America segment realized a decrease of (1.7)% in gross profit margin to 28.4% during the three months ended September 30, 2024. This was primarily due to higher healthcare claims expense which was offset by growth in our higher margin end markets, as compared to the prior year period. International segment realized an increase of 2.7% in gross profit margin to 30.1% during the three months ended September 30, 2024, due primarily to improved operating leverage and the implementation of strategic price increases. Products and Systems segment realized an increase of 20.3% in gross profit margin to 59.0% during the three months ended September 30, 2024 due to favorable sales mix.

*Nine months*

Gross profit margin was 29.1% and 28.7% for the nine months ended September 30, 2024 and 2023, respectively. North America segment gross profit margin decreased 0.3% to 27.8% due to unfavorable sales mix and higher healthcare claims for the nine months ended September 30, 2024, as compared to the prior year period. International segment gross profit margin increased 2.7% to 29.4% due to lower inflationary costs and the implementation of strategic price increases during the nine months ended September 30, 2024, as compared to the prior year period. Products and Systems segment gross profit margin increased 4.9% during the nine months ended September 30, 2024, as compared to the prior year period, due to unfavorable sales mix.

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### Operating Expenses

Operating expenses for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Operating Expenses</b>				
Selling, general and administrative expenses	\$ 38,872	\$ 39,537	\$ 121,018	\$ 123,844
Reorganization and other costs	2,143	2,702	4,218	6,017
Goodwill impairment charges	—	13,799	—	13,799
Research and engineering	241	438	816	1,428
Depreciation and amortization	2,331	2,588	7,170	7,556
Legal settlement and insurance recoveries, net	(868)	—	(808)	150
Acquisition-related expense, net	—	—	1	5
	<u>\$ 42,719</u>	<u>\$ 59,064</u>	<u>\$ 132,415</u>	<u>\$ 152,799</u>
<i>% of total revenue</i>	<i>23.4 %</i>	<i>32.9 %</i>	<i>23.8 %</i>	<i>29.2 %</i>

#### Three months

Total operating expenses decreased \$16.3 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, due predominantly to a goodwill impairment occurring in the prior year period. Selling, general and administrative expenses decreased \$0.7 million during the three months ended September 30, 2024 compared to the three months ended September 30, 2023, due predominantly to reductions occurring in the prior year period. Depreciation and amortization decreased \$0.3 million during the three months ended September 30, 2024 compared to the three months ended September 30, 2023. During the three months ended September 30, 2024, \$2.1 million of reorganization and other related costs were incurred, which were a result of the Company's on-going efficiency and productivity initiatives.

#### Nine months

Operating expenses decreased \$20.4 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 due predominantly to reductions occurring in the prior year period. Selling, general, and administrative expenses decreased \$2.8 million during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, due primarily to reductions occurring in the prior year period. Reorganization and other costs for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 decreased \$1.8 million due to reduced professional fees and restructuring charges associated with changes in the Company's organizational structure. Depreciation and amortization decreased \$0.4 million during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023.

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**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, Corporate and Eliminations and the Company in total:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>North America:</b>				
Income from operations (GAAP)	\$ 17,455	\$ 18,004	\$ 49,742	\$ 39,719
Reorganization and other costs	835	35	927	574
Legal settlement and insurance recoveries, net	(868)	—	(808)	150
Income from operations before special items (non-GAAP)	\$ 17,422	\$ 18,039	\$ 49,861	\$ 40,443
<b>International:</b>				
Income (loss) from operations (GAAP)	\$ 1,778	\$ (12,970)	\$ 4,548	\$ (13,031)
Goodwill Impairment charges	—	13,799	—	13,799
Reorganization and other costs, net	147	33	410	228
Income from operations before special items (non-GAAP)	\$ 1,925	\$ 862	\$ 4,958	\$ 996
<b>Products and Systems:</b>				
Income (loss) from operations (GAAP)	\$ 670	\$ (557)	\$ 1,479	\$ (78)
Reorganization and other costs	182	189	184	189
Income (loss) from operations before special items (non-GAAP)	\$ 852	\$ (368)	\$ 1,663	\$ 111
<b>Corporate and Eliminations:</b>				
Loss from operations (GAAP)	\$ (8,045)	\$ (9,159)	\$ (26,401)	\$ (29,228)
Reorganization and other costs	979	2,445	2,697	5,026
Acquisition-related expense, net	—	—	1	5
Loss from operations before special items (non-GAAP)	\$ (7,066)	\$ (6,714)	\$ (23,703)	\$ (24,197)
<b>Total Company:</b>				
Income (loss) from operations (GAAP)	\$ 11,858	\$ (4,682)	\$ 29,368	\$ (2,618)
Goodwill Impairment charges	—	13,799	—	13,799
Reorganization and other costs	2,143	2,702	4,218	6,017
Legal settlement and insurance recoveries, net	(868)	—	(808)	150
Acquisition-related expense, net	—	—	1	5
Income from operations before special items (non-GAAP)	\$ 13,133	\$ 11,819	\$ 32,779	\$ 17,353

See section *Note About Non-GAAP Measures* in this Quarterly Report on Form 10-Q for an explanation of the use of non-GAAP measurements.

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### *Three Months*

For the three months ended September 30, 2024, income from operations (GAAP) increased \$16.5 million compared to the three months ended September 30, 2023, while income from operations before special items (non-GAAP) increased \$1.3 million for the three months ended September 30, 2024 compared to the three months ended September 30, 2023. As a percentage of revenue, income from operations before special items increased by 60 basis points to 7.2% in the three months ended September 30, 2024 from 6.6% in the three months ended September 30, 2023.

### *Nine months*

For the nine months ended September 30, 2024, income from operations (GAAP) increased \$32.0 million, compared to the nine months ended September 30, 2023, while income from operations before special items (non-GAAP) increased \$15.4 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. As a percentage of revenue, income from operations before special items increased by 260 basis points to 5.9% in the nine months ended September 30, 2024 from 3.3% in the nine months ended September 30, 2023. During the nine months ended September 30, 2024, the Company experienced overall organic growth as well as decreased reorganization costs.

### **Interest Expense**

Interest expense was approximately \$4.3 million and \$4.2 million for the three months ended September 30, 2024 and 2023, respectively. Interest expense was approximately \$13.1 million and \$12.1 million for the nine months ended September 30, 2024 and 2023, respectively. The increase in interest expense for the three and nine months ended September 30, 2024 compared to the prior year period was due to an increase in the interest rates.

### **Income Taxes**

Our effective income tax rate was approximately 29.0% and (16.8)% for the three months ended September 30, 2024 and 2023, respectively. Our effective income tax rate was approximately 22.1% and (1.6)% for the nine months ended September 30, 2024 and 2023, respectively.

The effective income tax rate for the three months ended September 30, 2024 was higher than the statutory rate primarily due to the impact of permanent items in the period. The effective income tax rate for the three months ended September 30, 2023 was lower than the statutory rate due to the impact of permanent tax adjustments related to executive compensation and goodwill impairments.

The effective income tax rate for the nine months ended September 30, 2024 was higher than the statutory rate due primarily to the impact of permanent items. The effective income tax rate for the nine months ended September 30, 2023 was lower than the statutory rate due primarily to an unfavorable discrete item related to stock compensation.

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.

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**Liquidity and Capital Resources**

Cash flows are summarized in the table below:

	Nine months ended September 30,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 24,471	\$ 10,684
Investing activities	(17,152)	(15,170)
Financing activities	(6,247)	(1,839)
Effect of exchange rate changes on cash	1,642	(1,411)
Net change in cash and cash equivalents	<u>\$ 2,714</u>	<u>\$ (7,736)</u>

**Cash Flows from Operating Activities**

During the nine months ended September 30, 2024, net cash provided by operating activities was \$24.5 million, representing a year-on-year increase of \$13.8 million, or 129%. The increase was primarily related to reduced net working capital, as well as improved operating results, in the current period.

**Cash Flows from Investing Activities**

During the nine months ended September 30, 2024, net cash used in investing activities was \$17.2 million, compared to \$15.2 million net cash used in investing activities for the nine months ended September 30, 2023. The change was primarily attributable to purchase of intangible assets during the current period as compared to the prior period.

**Cash Flows from Financing Activities**

Net cash used in financing activities was \$6.2 million for the nine months ended September 30, 2024, compared to net cash used in financing activities of \$1.8 million for the nine months ended September 30, 2023. This was a result of higher net repayments of debt of \$3.7 million during the nine months ended September 30, 2024, as compared to the prior year period.

**Effect of Exchange Rate Changes on Cash and Cash Equivalents**

The effect of exchange rate changes on our cash and cash equivalents was an increase of \$1.6 million in the nine months ended September 30, 2024, compared to a decrease of \$1.4 million for the nine months ended September 30, 2023. The primary driver of the change was foreign currency fluctuations related to the Euro and the US Dollar.

**Cash Balance and Credit Facility Borrowings**

As of September 30, 2024, we had cash and cash equivalents totaling \$20.4 million and \$109.9 million of unused commitments under our Credit Agreement with borrowings of \$186.8 million and \$3.1 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 September 30, 2024, 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.

The terms of our Credit Agreement are described in Note 12-*Long-Term Debt* of the Notes to the Unaudited Condensed Consolidated Financial Statements, under the heading "*Senior Credit Facility*".

## **Contractual Obligations**

There have been no significant increases in our contractual obligations and outstanding indebtedness as disclosed in the 2023 Annual Report.

## **Off-balance Sheet Arrangements**

During the nine months ended September 30, 2024, 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 2023 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 2023 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 Senior Executive Vice President and Chief Financial Officer, 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 Senior Executive Vice President and Chief Financial Officer concluded that, as of September 30, 2024, 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 September 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## 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 2023 Annual Report, except as disclosed herein under Note 14-*Commitments and Contingencies* to the Notes to the Unaudited Consolidated Financial Statements.

#### 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 2023 Annual Report. There have been no material changes to the risk factors previously disclosed in the 2023 Annual Report.

### 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

None.

### ITEM 3. Defaults Upon Senior Securities

None.

### ITEM 4. Mine Safety Disclosures

Not applicable.

### ITEM 5. Other Information

During the three months ended September 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K promulgated by the SEC).

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**ITEM 6. Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">10.1</a>	<a href="#">Mistras Group, Inc. Updated Executive Severance Plan (filed as exhibit 10.1 to Current Report on Form 8-K filed on September 18, 2024, and incorporated herein by reference)</a>
<a href="#">31.1</a>	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
<a href="#">31.2</a>	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</a>
<a href="#">32.1</a>	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.LAB	Inline XBRL Labels Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
101.DEF	Inline XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

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## 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  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

Date: November 4, 2024

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

I, Manuel N. Stamatakis, 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 the 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: November 4, 2024

/s/ Manuel N. Stamatakis

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Manuel N. Stamatakis

Chairman and Interim President and Chief Executive Officer  
(Principal Executive Officer)

**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 the 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: November 4, 2024

/s/ Edward J. Prajzner

Edward J. Prajzner

Senior Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**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 September 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) 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: November 4, 2024

/s/ Manuel N. Stamatakis

Manuel N. Stamatakis  
Chairman and Interim President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Edward J. Prajzner

Edward J. Prajzner  
Senior Executive Vice President and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)