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 June 30, 2021

Or

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

For the transition period from __ to __

Commission file number 001-34481

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

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

(609) 716-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	*Trading Symbol(s)*	*Name of each exchange on which registered*
Common Stock, $0.01 par value	MG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	☐
		Emerging Growth Company	☐

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

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

☐ Yes ☒ No

As of July 28, 2021, the registrant had 29,431,879 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	June 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 19,942	$ 25,760
Accounts receivable, net	122,887	107,628
Inventories	12,836	13,134
Prepaid expenses and other current assets	15,843	16,066
Total current assets	171,508	162,588
Property, plant and equipment, net	91,898	92,681
Intangible assets, net	64,608	68,642
Goodwill	208,175	206,008
Deferred income taxes	2,553	2,069
Other assets	48,639	51,325
Total assets	$ 587,381	$ 583,313
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 18,015	$ 14,240
Accrued expenses and other current liabilities	87,472	78,500
Current portion of long-term debt	17,835	10,678
Current portion of finance lease obligations	3,809	3,765
Income taxes payable	1,269	2,664
Total current liabilities	128,400	109,847
Long-term debt, net of current portion	193,332	209,538
Obligations under finance leases, net of current portion	10,594	11,115
Deferred income taxes	8,623	8,236
Other long-term liabilities	44,783	47,358
Total liabilities	385,732	386,094
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized, 29,431,879 and 29,234,143 shares issued and outstanding	294	292
Additional paid-in capital	236,125	234,638
Accumulated Deficit	(21,273)	(21,848)
Accumulated other comprehensive loss	(13,707)	(16,061)
Total Mistras Group, Inc. stockholders’ equity	201,439	197,021
Non-controlling interests	210	198
Total equity	201,649	197,219
Total liabilities and equity	$ 587,381	$ 583,313

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 177,677	$ 124,435	$ 331,412	$ 283,900
Cost of revenue	116,787	77,954	225,030	191,278
Depreciation	5,554	5,323	11,045	10,820
Gross profit	55,336	41,158	95,337	81,802
Selling, general and administrative expenses	39,719	37,607	79,358	79,165
Impairment charges	—	—	—	106,062
Legal settlement and litigation charges, net	—	—	1,030	—
Research and engineering	620	708	1,347	1,532
Depreciation and amortization	3,078	3,207	6,152	7,177
Acquisition-related expense (benefit), net	545	19	822	(523)
Income (loss) from operations	11,374	(383)	6,628	(111,611)
Interest expense	3,155	2,976	6,368	5,765
Income (loss) before benefit for income taxes	8,219	(3,359)	260	(117,376)
Provision (benefit) for income taxes	2,274	(694)	(326)	(16,189)
Net Income (loss)	5,945	(2,665)	586	(101,187)
Less: net income (loss) attributable to noncontrolling interests, net of taxes	8	(9)	11	(22)
Net Income (loss) attributable to Mistras Group, Inc	$ 5,937	$ (2,656)	$ 575	$ (101,165)
Earnings (loss) per common share				
Basic	$ 0.20	$ (0.09)	$ 0.02	$ (3.49)
Diluted	$ 0.20	$ (0.09)	$ 0.02	$ (3.49)
Weighted-average common shares outstanding:				
Basic	29,602	29,085	29,514	29,024
Diluted	30,136	29,085	30,039	29,024

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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net Income (Loss)	$ 5,945	$ (2,665)	$ 586	$ (101,187)
Other comprehensive income (loss):				
Foreign currency translation adjustments	2,947	6,122	2,355	(10,893)
Comprehensive Income (Loss)	8,892	3,457	2,941	(112,080)
Less: net income (loss) attributable to noncontrolling interest	8	(9)	11	(22)
Less: Foreign currency translation adjustments attributable to noncontrolling interests	1	—	1	(6)
Comprehensive income (loss) attributable to Mistras Group, Inc	$ 8,883	$ 3,466	$ 2,929	$ (112,052)

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

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

Three months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
Balance at March 31, 2021	$ 29,347	$ 293	$ 235,413	$ (27,210)	$ (16,653)	$ 191,843	$ 201	$ 192,044
Net income	—	—	—	5,937	—	5,937	8	5,945
Other comprehensive income, net of tax	—	—	—	—	2,946	2,946	1	2,947
Share-based payments	—	—	1,202	—	—	1,202	—	1,202
Net settlement of restricted stock units	85	1	(490)	—	—	(489)	—	(489)
Balance at June 30, 2021	29,432	$ 294	$ 236,125	$ (21,273)	$ (13,707)	$ 201,439	$ 210	$ 201,649
Balance at March 31, 2020	29,042	$ 290	$ 230,472	$ (20,896)	$ (38,294)	$ 171,572	$ 181	$ 171,753
Net loss	—	—	—	(2,656)	—	(2,656)	(9)	(2,665)
Other comprehensive income, net of tax	—	—	—	—	6,122	6,122	—	6,122
Share-based payments	—	—	1,373	—	—	1,373	—	1,373
Net settlement of restricted stock units	68	1	(121)	—	—	(120)	—	(120)
Balance at June 30, 2020	29,110	$ 291	$ 231,724	$ (23,552)	$ (32,172)	$ 176,291	$ 172	$ 176,463

Six months ended

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
	Shares	Amount						
Balance at December 31, 2020	29,234	$ 292	$ 234,638	$ (21,848)	$ (16,061)	$ 197,021	$ 198	$ 197,219
Net income	—	—	—	575	—	575	11	586
Other comprehensive income, net of tax	—	—	—	—	2,354	2,354	1	2,355
Share-based payments	—	—	2,464	—	—	2,464	—	2,464
Net settlement of restricted stock units	198	2	(977)	—	—	(975)	—	(975)
Balance at June 30, 2021	29,432	$ 294	$ 236,125	$ (21,273)	$ (13,707)	$ 201,439	$ 210	$ 201,649
Balance at December 31, 2019	28,945	$ 289	$ 229,205	$ 77,613	$ (21,285)	$ 285,822	$ 200	$ 286,022
Net loss	—	—	—	(101,165)	—	(101,165)	(22)	(101,187)
Other comprehensive loss, net of tax	—	—	—	—	(10,887)	(10,887)	(6)	(10,893)
Share-based payments	—	—	2,798	—	—	2,798	—	2,798
Net settlement of restricted stock units	165	2	(279)	—	—	(277)	—	(277)
Balance at June 30, 2020	29,110	$ 291	$ 231,724	$ (23,552)	$ (32,172)	$ 176,291	$ 172	$ 176,463

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)

	Six months ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income (loss)	$ 586	$ (101,187)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	17,197	17,997
Impairment charges	—	106,062
Deferred income taxes	(152)	(14,327)
Share-based compensation expense	2,464	2,740
Fair value adjustments to contingent consideration	788	(523)
Foreign currency loss	932	1,067
Other	(64)	1,179
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions		
Accounts receivable	(15,577)	30,228
Inventories	279	(1,300)
Prepaid expenses and other assets	299	(1,426)
Accounts payable	3,751	(6,536)
Accrued expenses and other liabilities	9,053	347
Income taxes payable	(1,430)	541
Net cash provided by operating activities	18,126	34,862
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,188)	(7,443)
Purchase of intangible assets	(618)	(195)
Acquisition of business, net of cash acquired	(411)	—
Proceeds from sale of equipment	899	390
Net cash used in investing activities	(10,318)	(7,248)
Cash flows from financing activities		
Repayment of finance lease obligations	(2,050)	(2,132)
Proceeds from borrowings of long-term debt	—	1,605
Repayment of long-term debt	(7,957)	(2,983)
Proceeds from revolver	37,000	16,500
Repayment of revolver	(37,500)	(30,250)
Payment of financing costs	(550)	(1,497)
Payment of contingent consideration for business acquisitions	(938)	(1,303)
Taxes paid related to net share settlement of share-based awards	(975)	(277)
Net cash used in financing activities	(12,970)	(20,337)
Effect of exchange rate changes on cash and cash equivalents	(656)	295
Net change in cash and cash equivalents	(5,818)	7,572
Cash and cash equivalents at beginning of period	25,760	15,016
Cash and cash equivalents at end of period	$ 19,942	$ 22,588
Supplemental disclosure of cash paid		
Interest, net	$ 5,898	$ 5,554
Income taxes, net of refunds	$ 3,135	$ (70)
Noncash investing and financing		
Equipment acquired through finance lease obligations	$ 1,623	$ 1,266

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

1. Description of Business and Basis of Presentation

Description of Business

Mistras Group, Inc. and subsidiaries (the Company) is a leading “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 equipment to enable safe travel across bridges, the Company helps the world at large.

The Company enhances value for its clients by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions, 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 and assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

Recent Developments

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

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

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

The COVID-19 pandemic uncertainty, significant volatility in oil prices, and decreased traffic in the aerospace industry have adversely affected the operations of the Company's customers, suppliers and contractors beginning in the first quarter of 2020, and as a consequence, the Company's results of operations were adversely impacted. These negative factors continue to cause volatility and uncertainty in the markets in which the Company operates, although the Company in 2021 has nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas.

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

To respond to the economic downturn resulting from the factors discussed above, the Company initiated a temporary cost reduction and efficiency program in April 2020. The Company has reinstated substantially all of the temporary cost reductions initiatives undertaken in 2020; although, the Company continues to manage and evaluate these actions in response to the ongoing impact of the COVID-19 pandemic.

The Company is currently unable to predict with certainty the overall impact that the factors discussed above may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. The Company will continue to monitor market conditions and respond accordingly. As of June 30, 2021, the cash balance was approximately $19.9 million.

Basis of Presentation

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

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

Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of Mistras Group, Inc. as well as its wholly-owned subsidiaries, majority-owned subsidiaries and consolidated variable interest entities (VIE). For subsidiaries in which the Company's ownership interest is less than 100%, the non-controlling interests are reported in stockholders' equity in the accompanying Condensed Consolidated Balance Sheets. The non-controlling interests in net results, net of tax, is classified separately in the accompanying Unaudited Condensed Consolidated Statements of 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

Customers

For each of the three and six months ended June 30, 2021 and 2020, no customer represented 10% or more of the Company's revenue.

Significant Accounting Policies

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

Income Taxes

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

The Company continues to evaluate its deferred tax assets each period to determine if a valuation allowance is required based on whether it is more likely than not that some portion of these deferred tax assets will not be realized. As of June 30, 2021 management concluded that it is more likely than not that a substantial portion of the Company's deferred tax assets will be realized. As part of the Company's analysis, it considered both positive and negative factors that impact profitability and whether those factors would lead to a change in the estimate of the Company's deferred tax assets that may be realized in the future.

The Company’s effective income tax rate was approximately 27.7% and 20.7% for the three months ended June 30, 2021 and 2020, respectively. The Company’s effective income tax rate was approximately (125.4)% and 13.8% for the six months ended June 30, 2021 and 2020, respectively.

The effective income tax rate for the three months ended June 30, 2021, was higher than the statutory rate due to earnings in jurisdictions with higher income tax rates than the United States. The effective income tax rate for the three months ended June 30, 2020 approximated the statutory rate, as the favorable impact of the CARES Act was offset by the unfavorable impact of taxes in other jurisdictions and other permanent book to tax differences.

The effective income tax rate for the six months ended June 30, 2021 was lower than the statutory rate due to capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the six months ended June 30, 2020 was lower than the statutory rate primarily due to the income tax benefits of the CARES Act, partially offset by impairments for which the Company did not realize income tax benefits.

Recent Accounting Pronouncements

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

In March 2020 and updated in January 2021, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” The amendments provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. The amendments in ASU 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating applicable contracts and the available expedients provided by the new guidance.

2. Revenue

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

Performance Obligations

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

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

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

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

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

Contract Estimates

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

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

Revenue by Category

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

Revenue by industry was as follows:

Three Months Ended June 30, 2021	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 91,767	$ 9,580	$ 212	$ —	$ 101,559
Aerospace & Defense	12,779	4,127	29	—	16,935
Industrials	11,242	6,194	418	—	17,854
Power Generation & Transmission	10,073	3,183	830	—	14,086
Other Process Industries	10,356	3,627	35	—	14,018
Infrastructure, Research & Engineering	5,174	3,254	825	—	9,253
Other	3,586	1,986	854	(2,454)	3,972
Total	$ 144,977	$ 31,951	$ 3,203	$ (2,454)	$ 177,677

Three Months Ended June 30, 2020	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 59,279	$ 7,339	$ 68	$ —	$ 66,686
Aerospace & Defense	14,248	3,595	151	—	17,994
Industrials	10,298	3,817	419	—	14,534
Power Generation & Transmission	7,652	1,207	644	—	9,503
Other Process Industries	4,999	2,610	74	—	7,683
Infrastructure, Research & Engineering	2,994	2,020	1,900	—	6,914
Other	1,207	755	746	(1,587)	1,121
Total	$ 100,677	$ 21,343	$ 4,002	$ (1,587)	$ 124,435

Six Months Ended June 30, 2021	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 176,451	$ 17,588	$ 268	$ —	$ 194,307
Aerospace & Defense	24,602	8,444	64	—	33,110
Industrials	20,061	11,043	745	—	31,849
Power Generation & Transmission	15,607	5,161	1,589	—	22,357
Other Process Industries	18,212	6,539	44	—	24,795
Infrastructure, Research & Engineering	8,343	7,010	1,969	—	17,322
Other	5,999	3,814	1,512	(3,653)	7,672
Total	$ 269,275	$ 59,599	$ 6,191	$ (3,653)	$ 331,412

Six Months Ended June 30, 2020	Services	International	Products	Corp/Elim	Total
Oil & Gas	$ 142,578	$ 16,443	$ 163	$ —	$ 159,184
Aerospace & Defense	28,900	11,010	298	—	40,208
Industrials	23,165	8,736	907	—	32,808
Power Generation & Transmission	12,747	2,904	1,498	—	17,149
Other Process Industries	11,003	4,730	77	—	15,810
Infrastructure, Research & Engineering	7,511	4,481	2,460	—	14,452
Other	3,646	2,106	1,411	(2,874)	4,289
Total	$ 229,550	$ 50,410	$ 6,814	$ (2,874)	$ 283,900

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

Revenue per key geographic location was as follows:

Three Months Ended June 30, 2021	Services	International	Products	Corp/Elim	Total
United States	$ 122,762	$ 241	$ 1,668	$ (895)	$ 123,776
Other Americas	21,288	1,149	101	(809)	21,729
Europe	596	30,084	503	(745)	30,438
Asia-Pacific	331	477	931	(5)	1,734
Total	$ 144,977	$ 31,951	$ 3,203	$ (2,454)	$ 177,677

Three Months Ended June 30, 2020	Services	International	Products	Corp/Elim	Total
United States	88,205	$ 160	$ 2,053	$ (810)	$ 89,608
Other Americas	12,046	959	72	(93)	12,984
Europe	263	20,031	588	(662)	20,220
Asia-Pacific	163	193	1,289	(22)	1,623
Total	$ 100,677	$ 21,343	$ 4,002	$ (1,587)	$ 124,435

Six Months Ended June 30, 2021	Services	International	Products	Corp/Elim	Total
United States	$ 227,308	$ 449	$ 3,128	$ (1,286)	$ 229,599
Other Americas	40,166	2,326	168	(872)	41,788
Europe	890	55,978	963	(1,357)	56,474
Asia-Pacific	911	846	1,932	(138)	3,551
Total	$ 269,275	$ 59,599	$ 6,191	$ (3,653)	$ 331,412

Six Months Ended June 30, 2020	Services	International	Products	Corp/Elim	Total
United States	197,786	$ 314	$ 3,612	$ (1,521)	$ 200,191
Other Americas	30,781	2,464	350	(246)	33,349
Europe	371	46,266	928	(1,041)	46,524
Asia-Pacific	612	1,366	1,924	(66)	3,836
Total	$ 229,550	$ 50,410	$ 6,814	$ (2,874)	$ 283,900

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 six months ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of such year was $3.3 million and $3.2 million, respectively. Changes in the contract asset and liability balances during these periods were not materially impacted by any other factors. The Company applies a practical expedient to expense incremental costs incurred related to obtaining a contract. The Company’s expenses are expected to be amortized over a period less than one year.

3. Share-Based Compensation

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

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

Stock Options

For each of the three and six months ended June 30, 2021 and 2020, the Company did not recognize any share-based compensation expense related to the stock option award, as the one outstanding stock option award was already fully vested. No unrecognized compensation costs remained related to the stock option award as of June 30, 2021.

The following table sets forth a summary of the stock option activity, weighted-average exercise prices and options outstanding as of June 30, 2021 and 2020:

	Six months ended June 30,			
	2021		2020	
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at beginning of period:	5	$ 22.35	5	$ 22.35
Granted	—	$ —	—	$ —
Exercised	—	$ —	—	$ —
Expired or forfeited	—	$ —	—	$ —
Outstanding at end of period:	5	$ 22.35	5	$ 22.35

Restricted Stock Unit Awards

For the three months ended June 30, 2021 and June 30, 2020, the Company recognized share-based compensation expense related to restricted stock unit awards of $0.9 million and $1.4 million, respectively. For the six months ended June 30, 2021 and 2020, the Company recognized share-based compensation expense related to restricted stock unit awards of $1.8 million and $2.1 million, respectively. As of June 30, 2021, there was $7.7 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock unit awards, which is expected to be recognized over a remaining weighted-average period of 2.8 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:

	Six months ended June 30,	
	2021	2020
Restricted stock awards vested	238	143
Fair value of awards vested	$ 2,670	$ 542

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

	Six months ended June 30,	
	2021	2020
Awards issued	25	15
Grant date fair value of awards issued	$ 258	$ 57

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

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

	Six months ended June 30,			
	2021		2020	
	Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	1,076	$ 7.41	559	$ 16.92
Granted	528	$ 10.07	557	$ 3.77
Released	(238)	$ 10.98	(143)	$ 16.74
Forfeited	(39)	$ 8.77	(14)	$ 13.74
Outstanding at end of period:	1,327	$ 7.78	959	$ 9.35

Performance Restricted Stock Units

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

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

1. *Revenue.*
2. *Adjusted EBITDA* defined as net income attributable to the Company plus: interest expense, provision for income taxes, depreciation and amortization, share-based compensation expense and certain acquisition related costs (including transaction due diligence costs and adjustments to the fair value of contingent consideration), foreign exchange (gain) loss and, if applicable, certain special items which are noted).
3. *Free Cash Flow* as a percentage of revenue.
4. *Return on Average Book Equity* defined as net income divided by average book value of shareholders equity.

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

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

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

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

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

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

	Six months ended June 30,					
	2021			2020		
	Units		Weighted Average Grant-Date Fair Value	Units		Weighted Average Grant-Date Fair Value
Outstanding at beginning of period:	333	$	8.84	260	$	16.77
Granted	189	$	12.59	292	$	3.68
Performance condition adjustments	(193)	$	7.80	1	$	13.63
Released	(22)	$	13.63	(79)	$	15.43
Forfeited	—	$	—	—	$	—
Outstanding at end of period:	307	$	12.56	474	$	8.17

During the six months ended June 30, 2021 and June 30, 2020, the Compensation Committee approved the final calculation of the award metrics for calendar year 2020 and calendar year 2019, respectively. As a result, the calendar year 2020 PRSUs decreased by approximately 125,000 units (related to not achieving the 2020 Return on Average Book Equity metric) and the calendar year 2019 PRSUs increased by approximately 1,000 units. Calendar year 2021 PRSUs decreased by 68,000 units during the six months ended June 30, 2021 based on forecasted results for calendar year 2021.

For the three months ended June 30, 2021 and June 30, 2020, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately $0.3 million and $0.3 million, respectively. For the six months ended June 30, 2021 and June 30, 2020, the Company recognized aggregate share-based compensation expense related to the awards described above of approximately $0.4 million and $0.6 million, respectively. At June 30, 2021, there was $1.8 million of total unrecognized compensation costs related to approximately 307,000 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 by the weighted-average number of shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the sum of (1) the weighted-average number of shares of common stock outstanding during the period, and (2) the dilutive effect of assumed conversion of equity awards using the treasury stock method. With respect to the number of weighted-average shares outstanding (denominator), diluted shares reflects: (i) the exercise of options to acquire common stock to the extent that the options' exercise prices are less than the average market price of common shares during the period and (ii) the pro forma vesting of restricted stock units.

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic income (loss) per share				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	$ 5,937	$ (2,656)	$ 575	$ (101,165)
Denominator:				
Weighted average common shares outstanding	29,602	29,085	29,514	29,024
Basic income (loss) per share	$ 0.20	$ (0.09)	$ 0.02	$ (3.49)
Diluted income (loss) per share:				
Numerator:				
Net income (loss) attributable to Mistras Group, Inc.	$ 5,937	$ (2,656)	$ 575	$ (101,165)
Denominator:				
Weighted average common shares outstanding	29,602	29,085	29,514	29,024
Dilutive effect of stock options outstanding	—	—	—	—
Dilutive effect of restricted stock units outstanding [(1)]	534	—	525	—
	30,136	29,085	30,039	29,024
Diluted income (loss) per share	$ 0.20	$ (0.09)	$ 0.02	$ (3.49)

(1) For the three and six months ended June 30, 2020, 118,000 and 223,000 shares, respectively, related to restricted stock were excluded from the calculation of diluted EPS due to the net loss for the period.

5. Acquisitions

Acquisition-Related Expense

In the course of its acquisition activities, the Company incurs costs in connection with due diligence, such as professional fees, and other expenses. Additionally, the Company adjusts the fair value of acquisition-related contingent consideration liabilities on a quarterly basis. These amounts are reported as Acquisition-related expense, net on the Unaudited Condensed Consolidated Statements of Loss and were as follows for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Due diligence, professional fees and other transaction costs	$ —	$ —	$ 34	$ —
Adjustments to fair value of contingent consideration liabilities	545	19	788	(523)
Acquisition-related expense, net	$ 545	$ 19	$ 822	$ (523)

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:

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

	June 30, 2021	December 31, 2020
Trade accounts receivable	$ 131,039	$ 115,841
Allowance for credit losses	(8,152)	(8,213)
Accounts receivable, net	$ 122,887	$ 107,628

The Company had $19.3 million and $11.9 million of unbilled revenue accrued as of June 30, 2021 and December 31, 2020, respectively. These amounts are included in the trade accounts receivable balances above. Unbilled revenue is generally billed in the subsequent quarter to their revenue recognition. For unbilled receivables, the Company considers them as short-term in nature as they are normally converted to trade receivables within 90 days, thus future changes in economic conditions will not have a significant effect on the credit loss estimate.

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

7. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	Useful Life (Years)	June 30, 2021	December 31, 2020
Land		$ 2,799	$ 2,724
Buildings and improvements	30-40	25,363	25,731
Office furniture and equipment	5-8	20,626	19,902
Machinery and equipment	5-7	243,658	234,331
		292,446	282,688
Accumulated depreciation and amortization		(200,548)	(190,007)
Property, plant and equipment, net		$ 91,898	$ 92,681

Depreciation expense for each of the three months ended June 30, 2021 and 2020 was approximately $6.2 million and $6.0 million, respectively.

Depreciation expense for each of the six months ended June 30, 2021 and June 30, 2020 was $12.3 million and 12.1 million, respectively.

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

8. Goodwill

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

	Services	International	Products and Systems	Total
Balance at December 31, 2020	$ 190,112	$ 15,896	$ —	$ 206,008
Goodwill acquired during the period	388	—	—	388
Adjustments to preliminary purchase price allocations	—	—	—	—
Foreign currency translation	2,199	(420)	—	1,779
Balance at June 30, 2021	$ 192,699	$ 15,476	$ —	$ 208,175

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

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

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

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

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

Based upon the results of the interim quantitative goodwill impairment test during the first quarter of 2020, the Company recorded an aggregate impairment charge of $77.1 million, which consisted of $57.2 million in the services reporting unit within the Services segment, and $19.3 million in the European reporting unit and $0.6 million in the Brazilian reporting unit, both within the International segment. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Income (Loss) for the three months ended March 31, 2020. Subsequent to March 31, 2020 through June 30, 2021, the Company did not identify any changes in circumstances that would indicate the carrying value of goodwill may not be recoverable. Significant adverse changes in future periods could negatively affect the Company's key assumptions and may result in future goodwill impairment charges which could be material.

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

The Company's cumulative goodwill impairment as of June 30, 2021 and December 31, 2020 was $100.2 million, of which $57.2 million related to the Services segment, $29.8 million related to the International segment and $13.2 million related to the Products and Systems segment.

9. Intangible Assets

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

		June 30, 2021			December 31, 2020			
	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Customer relationships	5-18	$ 113,576	$ (78,469)	$ 35,107	$ 116,101	$ (75,649)	$ (2,206)	$ 38,246
Software/Technology	3-15	52,462	(25,137)	27,325	77,326	(23,519)	(25,874)	27,933
Covenants not to compete	2-5	12,667	(12,350)	317	12,833	(12,162)	(212)	459
Other	2-12	10,751	(8,892)	1,859	11,120	(8,614)	(502)	2,004
Total		$ 189,456	$ (124,848)	$ 64,608	$ 217,380	$ (119,944)	$ (28,794)	$ 68,642

Amortization expense for the three months ended June 30, 2021 and 2020 was approximately $2.5 million and $2.6 million, respectively.

Amortization expense for the six months ended June 30, 2021 and June 30, 2020 was $4.9 million and $5.9 million, respectively.

As described in Note 8-***Goodwill***, during the first quarter of 2020, there were negative market indicators that were determined to be triggering events indicating a potential impairment of certain long-lived assets within asset groups in the Services, International, and Products and Systems segments, as well as Corporate. The asset groups are groupings of assets and liabilities determined at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability testing indicated that certain intangible assets and right of use assets (See Note 13-***Leases***) were potentially impaired. For asset groups that required an impairment measurement, similar to the valuations performed to determine the goodwill impairment, the Company used income and market approaches to estimate the fair value of the long-lived assets, which requires significant judgment in evaluation of the useful lives of the assets, economic and industry trends, estimated future cash flows, discount rates, and other factors. The result of the analysis was an aggregate impairment charge of $28.8 million, which consisted of $25.9 million to software/technology, $2.2 million to customer relationships, $0.5 million to other intangibles and $0.2 million to covenants not to compete, all of which are in the Services reporting unit within the Services segment and are included in Impairment charges on the Unaudited Condensed Consolidated Statements of Income (Loss) for the six months ended June 30, 2020.

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

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2021	December 31, 2020
Accrued salaries, wages and related employee benefits	$ 35,311	$ 30,214
Contingent consideration, current portion	915	1,300
Accrued workers' compensation and health benefits	4,001	3,948
Deferred revenue	8,213	6,538
Pension accrual	2,519	2,519
Right-of-use liability - Operating	10,212	10,348
Other accrued expenses	26,301	23,633
Total	$ 87,472	$ 78,500

11. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2021	December 31, 2020
Senior credit facility	$ 119,503	$ 120,312
Senior secured term loan, net of unamortized debt issuance costs of $0.3 million and $0.3 million, respectively	84,120	89,745
Other	7,544	10,159
Total debt	211,167	220,216
Less: Current portion	(17,835)	(10,678)
Long-term debt, net of current portion	$ 193,332	$ 209,538

Senior Credit Facility

The Company has a credit agreement with its banking group (as amended, the "Credit Agreement") which provides the Company with a revolving line of credit and a $100 million senior secured term loan A facility with a balance of $84.1 million as of June 30, 2021. Pursuant to the Amendment described below, the revolving line of credit was reduced from $175 million to $165 million, and will be further reduced to $155 million on September 30, 2021, then to $150 million on December 31, 2021. Both the revolving line of credit and the term loan A facility under the Credit Agreement have a maturity date of December 12, 2023.

On May 19, 2021, the Company entered into the Fifth Amendment (the "Amendment") to the Credit Agreement. The Amendment made the following changes:

- Removed the LIBOR floor of 1.0%, which provided that if LIBOR is below 1.0%, the interest rate will be calculated as if LIBOR is 1.0%. Now the actual LIBOR rate is used to calculate interest, even if LIBOR is below 1.0%. The LIBOR margins and base rate margins are unchanged but are based upon the new Total Consolidated Debt Leverage Ratio (defined below); previously the margin was based upon the Funded Debt Leverage Ratio.

- Requires the Company to maintain a Total Consolidated Debt Leverage Ratio not to exceed 4.00 to 1.0 as of the end of each quarter through the quarter ending March 31, 2022, and for each quarter thereafter the ratio shall not exceed 3.50 to 1.0.
    - 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 quarters.
    - Total Consolidated Debt means all indebtedness (including subordinated debt) of the Company on a consolidated basis (with a limited exception).

- If the Company incurs certain subordinated debt or other permitted indebtedness, then the Company must maintain a Total Consolidated Debt Leverage Ratio not to exceed 4.50 to 1.0 and maintain a ratio of Senior Debt to EBITDA not to exceed 3.50 to 1.00, with Senior Debt being Total Consolidated Debt, less permitted subordinated debt.

- The Company must repay loans under the Credit Agreement with the net proceeds from certain dispositions of assets under certain circumstances and limits investments in non-guarantor subsidiaries under certain circumstances if the Company’s Total Consolidated Leverage Ratio is above 3.5 to 1.0.

- Borrowing capacity was reduced on the revolving loan line of credit under the Credit Agreement to $165 million, and will be further reduced to $155 million on September 30, 2021, then to $150 million on December 31, 2021.

- Quarterly payments on the term loan increased to $3.75 million through March 31, 2022, then to $5.0 million for each quarterly payment thereafter and a final balloon payment at maturity.

As a result of the borrowing capacity reduction on the revolving loan line of credit, the Company expensed $0.1 million in unamortized capitalized debt issuance costs during the three months ended June 30, 2021, which was included in Selling, general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income (Loss). The Company incurred $0.5 million in financing costs for the Amendment of which $0.2 million of third party costs were expensed and included in Selling, general and administrative expenses on the Unaudited Condensed Consolidated Statements of Income (Loss).

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

As of June 30, 2021, the Company had borrowings of $203.9 million and a total of $4.3 million of letters of credit outstanding under the Credit Agreement. The Company has capitalized costs associated with debt modifications of $1.1 million as of June 30, 2021, 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 December 12, 2023.

As of June 30, 2021, the Company was in compliance with the terms of the Credit Agreement. The Company will continuously monitor its compliance with the covenants contained in its Credit Agreement. The Company believes that it is probable that the Company will be able to comply with the financial covenants in the Credit Agreement and that sufficient credit remains available under the Credit Agreement to meet the Company's liquidity needs. However, due to the uncertainties being caused by the COVID-19 pandemic, the significant volatility in oil prices, and volatility in the aerospace production, such matters cannot be predicted with certainty.

Other debt

The Company's other debt includes local bank financing provided at the local subsidiary level used to support working capital requirements and fund capital expenditures. At June 30, 2021, there was an aggregate of approximately $7.5 million outstanding, payable at various times through 2030. Monthly payments range from $1.0 thousand to $19.0 thousand and interest rates range from 0.4% to 3.5%.

12. Fair Value Measurements

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

Financial instruments measured at fair value on a recurring basis

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

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

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

	Six months ended June 30, 2021	Six months ended June 30, 2020
Beginning balance	$ 1,640	$ 3,216
Acquisitions	—	—
Payments	(938)	(1,303)
Accretion of liability	—	30
Revaluation	788	(553)
Foreign currency translation	—	(34)
Ending balance	$ 1,490	$ 1,356

Financial instruments not measured at fair value on a recurring basis

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

13. Leases

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

Leases	Classification	June 30, 2021	December 31, 2020
Assets			
ROU assets	Other Assets	$ 43,879	$ 46,728
Liabilities			
ROU - current	Accrued expenses and other current liabilities	$ 10,212	$ 10,348
ROU liability - long-term	Other long-term liabilities	35,156	37,689
Total ROU liabilities		$ 45,368	$ 48,037

Included within the balance of operating leases is a lease for the Company's headquarters which is with a related party. The ROU liability for this facility was approximately $3.3 million and $3.8 million as of June 30, 2021 and December 31, 2020, respectively. Total rent payments for this facility were approximately $0.3 million and $0.2 million for the three months ended June 30, 2021 and June 30, 2020, respectively. Total rent payments for this facility were approximately $0.7 million and $0.4 million for the six months ended June 30, 2021 and June 30, 2020, respectively. An agreement was reached with the related party to reduce rental payments by 20% and defer payments for 90 days for the lease of the Company's headquarters, starting in June 2020 through December 2020 as part of COVID-19 related vendor concessions.

The total ROU assets attributable to finance leases were approximately $15.0 million and $15.8 million as of June 30, 2021 and December 31, 2020, respectively, which is included in Property, plant, and equipment, net on the Condensed Consolidated Balance Sheets.

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

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

The components of lease costs were as follows:

	Classification	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Finance lease expense					
Amortization of ROU assets	Depreciation and amortization	$ 1,029	$ 1,133	$ 2,091	$ 2,375
Interest on lease liabilities	Interest expense	181	216	373	437
Operating lease expense	Cost of revenue; Selling, general & administrative expenses	3,274	3,317	6,577	6,664
Short-term lease expense	Cost of revenue; Selling, general & administrative expenses	8	1	14	2
Variable lease expense	Cost of revenue; Selling, general & administrative expenses	551	114	1,418	437
Total		$ 5,043	$ 4,781	$ 10,473	$ 9,915

Additional information related to leases was as follows:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities for finance and operating leases		
Finance - financing cash flows	$ 2,050	$ 2,132
Finance - operating cash flows	$ 373	$ 437
Operating - operating cash flows	$ 6,620	$ 6,562
ROU assets obtained in the exchange for lease liabilities		
Finance leases	$ 1,623	$ 1,266
Operating leases	$ 2,828	$ 2,451
Weighted-average remaining lease term (in years)		
Finance leases	5.6	5.9
Operating leases	5.5	6.0
Weighted-average discount rate		
Finance leases	5.4 %	5.9 %
Operating leases	5.8 %	5.8 %

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

Maturities of lease liabilities as of June 30, 2021 were as follows:

	Finance	Operating
Remainder of 2021	$ 3,201	$ 6,411
2022	4,445	11,435
2023	3,547	9,824
2024	2,610	7,532
2025	1,004	5,358
Thereafter	834	12,409
Total	15,641	52,969
Less: Present value discount	1,238	7,601
Lease liability	$ 14,403	$ 45,368

14. Commitments and Contingencies

Legal Proceedings and Government Investigations

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

Litigation and Commercial Claims

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

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

Pension Related Contingencies

Certain of Company's subsidiaries had significant reductions in their unionized workers in 2018. The collective bargaining agreements for these employees required contributions for these employees to national multi-employer pension funds. The reduction in employees resulted in a subsidiary incurring a complete withdrawal to one of the pension funds under the Employee Retirement Income Security Act of 1974 ("ERISA"), which was fully satisfied in 2019. The Company has determined that the subsidiary is likely to incur partial or complete withdrawal liability to the other pension fund. The balance of the estimated total amount of this potential liability as of June 30, 2021 is approximately $2.5 million, and the charges related to this liability were incurred in 2018 and 2019.

Severance and labor disputes

During December 2019, the Company executed an agreement to sell the rights of certain customer "staff leasing" contracts related to its German subsidiary for total consideration of approximately $0.1 million, effective January 1, 2020. No other assets or liabilities other than those employee benefits related to employees working on the customer contracts were included in the sale. As of June 30, 2021, the Company has approximately $0.1 million of accrued estimated severance payment obligations, which takes into account the Company's estimate with respect to the employees that have been or will be transitioned to the German subsidiaries' other customers. The $0.1 million of estimated obligations is net of $0.5 million in payments made and $1.0 million in reversals due to employees being transitioned to customer contracts.

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

Acquisition and disposition related contingencies

The Company is liable for contingent consideration in connection with certain of its acquisitions. As of June 30, 2021, total potential acquisition-related contingent consideration ranged from zero to approximately $2.8 million and would be payable upon the achievement of specific performance metrics by certain of the acquired companies over the next 1.3 years.

During 2018, the Company sold a subsidiary in the Products and Systems segment. As part of the sale, the Company entered into a three-year agreement to purchase products from the buyer, with a cumulative commitment of $2.3 million, of which $1.0 million is remaining as of June 30, 2021. The agreement is based on third-party pricing and the Company's planned purchase requirements over the three-year purchase period to meet the minimum contractual purchases. On August 3, 2021, the Company entered into an agreement and extended the period by twelve months.

15. Segment Disclosure

The Company's three operating segments are:

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

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

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

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue				
Services	$ 144,977	$ 100,677	$ 269,275	$ 229,550
International	31,951	21,343	59,599	50,410
Products and Systems	3,203	4,002	6,191	6,814
Corporate and eliminations	(2,454)	(1,587)	(3,653)	(2,874)
	$ 177,677	$ 124,435	$ 331,412	$ 283,900

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Gross profit				
Services	$ 43,761	$ 33,940	$ 74,837	$ 66,177
International	9,615	5,392	17,240	13,415
Products and Systems	1,952	1,838	3,233	2,206
Corporate and eliminations	8	(12)	27	4
	$ 55,336	$ 41,158	$ 95,337	$ 81,802

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Income (loss) from operations				
Services	$ 18,358	$ 10,837	$ 22,906	$ (70,657)
International	1,809	(1,937)	989	(22,356)
Products and Systems	209	(96)	(372)	(1,776)
Corporate and eliminations	(9,002)	(9,187)	(16,895)	(16,822)
	$ 11,374	$ (383)	$ 6,628	$ (111,611)

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Depreciation and amortization				
Services	$ 6,211	$ 6,211	$ 12,325	$ 13,286
International	2,175	2,077	4,385	4,217
Products and Systems	215	255	443	508
Corporate and eliminations	31	(13)	44	(14)
	$ 8,632	$ 8,530	$ 17,197	$ 17,997

	June 30, 2021	December 31, 2020
Intangible assets, net		
Services	$ 56,063	$ 58,917
International	7,546	8,664
Products and Systems	1,045	1,012
Corporate and eliminations	(46)	49
	$ 64,608	$ 68,642

	June 30, 2021	December 31, 2020
Total assets		
Services	$ 431,829	$ 427,636
International	119,412	129,228
Products and Systems	11,636	10,996
Corporate and eliminations	24,504	15,453
	$ 587,381	$ 583,313

Refer to Note 2–***Revenue***, for revenue by geographic area for the three and six months ended June 30, 2021 and 2020.

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

The following Management's Discussion and Analysis ("MD&A") provides a discussion of our results of operations and financial position for the three and six months ended June 30, 2021 and 2020. The MD&A should be read together with our Unaudited Condensed Consolidated Financial Statements and related notes included in Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the Securities and Exchange Commission on March 16, 2021 ("2020 Annual Report"). Unless otherwise specified or the context otherwise requires, "Mistras," "the Company," "we," "us" and "our" refer to Mistras Group, Inc. and its consolidated subsidiaries. The MD&A includes the following sections:

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

Forward-Looking Statements

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

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

At the time of this report, the COVID-19 pandemic is continuing to have a negative impact on us and our key markets and is causing ongoing economic disruption worldwide, although the Company has nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas. Our discussion below is qualified by the unknown impact that the COVID-19 pandemic will continue to have on our business and the economy in general, including the duration of the health risk the COVID-19 pandemic will cause and the resulting economic disruption.

Overview

The Company is a leading "one source" multinational provider of integrated technology-enabled asset protection solutions helping to maximize the safety and operational uptime for civilization's most critical industrial and civil assets.

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies, and decades-long legacy of industry leadership, the Company 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 equipment to enable safe travel across bridges, the Company helps the world at large.

The Company enhances value for its clients by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions, 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 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: Services, International, and Products and Systems.

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

Given the role our solutions play in enhancing the safe and efficient operation of infrastructure, we have historically provided a majority of our solutions to our customers on a regular, recurring basis. We perform these services largely at our customers’ facilities, while primarily servicing our aerospace customers at our network of state-of-the-art, in-house laboratories. These solutions typically include NDT and inspection services, and can also include a wide range of mechanical services, including heat tracing, pre-inspection insulation stripping, coating applications, re-insulation, engineering assessments and long-term condition-monitoring. Under this business model, many customers outsource their inspection to us on a “run and maintain” basis. We have established long-term relationships as a critical solutions provider to many of the leading companies with asset-intensive infrastructure in our target markets. These markets include companies in the oil and gas, 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 all of our target markets. Our level of business and financial results are impacted by world-wide macro- and micro-economic conditions generally, as well as those within our target markets. Among other things, we expect the timing of our oil and gas customers inspection spend to be impacted by oil price fluctuations.

Recent Developments

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

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

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

The COVID-19 pandemic uncertainty, significant volatility in oil prices and decreased traffic in the aerospace industry have adversely affected our workforce and operations, as well as the operations of our customers, suppliers and contractors beginning in 2020. These negative factors continue to cause volatility and uncertainty in the markets in which we operate, although we have nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas.

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

To respond to the economic downturn resulting from the factors discussed above, we initiated a temporary cost reduction and efficiency program in April 2020. The Company has reinstated substantially all of the temporary cost reduction initiatives undertaken in 2020, although, the Company continues to manage and evaluate these actions in response to the ongoing impact of the COVID-19 pandemic. Our cash position and liquidity remains strong. As of June 30, 2021, the cash balance was approximately $19.9 million.

In April 2021, the Biden Administration announced aggressive initiatives to battle climate change, which includes a significant reduction in the use of fossil fuels and a transition to electric vehicles and increased use of alternative energy. Any legislation or regulations that may be adopted to implement these measures may negatively impact on 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.

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

Note About Non-GAAP Measures

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

(tabular dollars are in thousands)

Results of Operations

Condensed consolidated results of operations for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenues	$ 177,677	$ 124,435	$ 331,412	$ 283,900
Gross profit	55,336	41,158	95,337	81,802
Gross profit as a % of Revenue	*31.1 %*	*33.1 %*	28.8 %	28.8 %
Income (loss) from operations	11,374	(383)	6,628	(111,611)
Income (Loss) from Operations as a % of Revenue	*6.4 %*	*(0.3)%*	2.0 %	(39.3)%
Income (loss) before provision (benefit) for income taxes	8,219	(3,359)	260	(117,376)
Net income (loss)	5,945	(2,665)	586	(101,187)
Net income (loss) attributable to Mistras Group, Inc.	$ 5,937	$ (2,656)	$ 575	$ (101,165)

Revenue

Revenue was $177.7 million for the three months ended June 30, 2021, an increase of $53.2 million, or 42.8%, compared with the three months ended June 30, 2020. Revenue for the six months ended June 30, 2021 was $331.4 million, an increase of $47.5 million, or 16.7%, compared with the six months ended June 30, 2020.

Revenue by segment for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue				
Services	$ 144,977	$ 100,677	$ 269,275	$ 229,550
International	31,951	21,343	59,599	50,410
Products and Systems	3,203	4,002	6,191	6,814
Corporate and eliminations	(2,454)	(1,587)	(3,653)	(2,874)
	$ 177,677	$ 124,435	$ 331,412	$ 283,900

Three Months

In the three months ended June 30, 2021, total revenue increased 42.8% versus the comparable prior period. The increase was due predominantly to organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. In addition, the Company realized low single-digit favorable revenue impact from foreign exchange rates. Services segment revenue increased 44.0% and International segment revenue increased 49.7%, both due predominantly to similar organic growth in addition to single-digit favorable revenue impact from foreign exchange rates.

Oil and gas customer revenue comprised approximately 57% and 54% of total revenue for the three months ended June 30, 2021 and 2020, respectively. Aerospace and defense customer revenue comprised approximately 10% and 14% of total revenue for the three months ended June 30, 2021 and 2020, respectively. The Company’s top ten customers comprised approximately 35% of total revenue for the three months ended June 30, 2021, as compared to 29% for the three months ended June 30, 2020, with no customer accounting for 10% or more of total revenue in either three-month period. For the three months ended June 30, 2021, revenue in all our primary end market industries increased versus the comparable prior period, except for aerospace and defense which was flat, although aerospace and defense was up year-over year in the International segment.

Six months

(tabular dollars are in thousands)

In the six months ended June 30, 2021, total revenue increased 16.7% versus the comparable prior period. The increase was due predominantly to organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. In addition, the Company realized low single-digit favorable revenue impact from foreign exchange rates. Services segment revenue increased 17.3% due predominantly to similar organic growth. International segment revenue increased 18.3% due to high-single digit organic growth and high-single digit favorable impact of foreign exchange rates.

Oil and gas customer revenue comprised approximately 59% and 56% of total revenue for the six months ended June 30, 2021 and 2020, respectively. Aerospace and defense customer revenue comprised approximately 10% and 14% of total revenue for the six months ended June 30, 2021 and 2020, respectively. The Company’s top ten customers comprised approximately 35% of total revenue for the six months ended June 30, 2021, as compared to 31% for the six months ended June 30, 2020, with no customer accounting for 10% or more of total revenue in either six-month period. For the six months ended June 30, 2021 revenue in all our primary end market industries increased versus the comparable prior period, except for aerospace and defense and industrial.

Gross Profit

Gross profit increased by $14.2 million, or 34.4%, in the three months ended June 30, 2021 versus the prior year comparable period, on an increase in revenue of 42.7%.

Gross profit increased by $13.5 million, or 16.5%, in the six months ended June 30, 2021 on a increase in revenue of 16.7%.

Gross profit by segment for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Gross profit				
Services	$ 43,761	$ 33,940	$ 74,837	$ 66,177
% of segment revenue	*30.2 %*	*33.7 %*	*27.8 %*	*28.8 %*
International	9,615	5,392	17,240	13,415
% of segment revenue	*30.1 %*	*25.3 %*	*28.9 %*	*26.6 %*
Products and Systems	1,952	1,838	3,233	2,206
% of segment revenue	*60.9 %*	*45.9 %*	*52.2 %*	*32.4 %*
Corporate and eliminations	8	(12)	27	4
	$ 55,336	$ 41,158	$ 95,337	$ 81,802
% of total revenue	*31.1 %*	*33.1 %*	*28.8 %*	*28.8 %*

Three Months

Gross profit margin was 31.1% and 33.1% for the three-month periods ended June 30, 2021 and 2020, respectively. Gross profit margin decreased primarily due to unfavorable sales mix and higher level of reimbursable travel costs in the Services segment partially offset by favorable sales mix and better utilization in the International and Products and Systems segments.

Six months

Gross profit margin was 28.8% and 28.8% for the six-month periods ended June 30, 2021 and 2020, respectively. Gross profit margin remained flat primarily due to unfavorable sales mix and higher level of reimbursable travel costs in the Services segment offset by favorable sales mix and better utilization in the International and Products and Systems segments.

(tabular dollars are in thousands)

Operating Expenses

Operating expenses for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Operating Expenses				
Selling, general and administrative expenses	$ 39,719	$ 37,607	$ 79,358	$ 79,165
Impairment charges	—	—	—	106,062
Research and engineering	620	708	1,347	1,532
Depreciation and amortization	3,078	3,207	6,152	7,177
Legal settlement and litigation charges, net	—	—	1,030	—
Acquisitions-related expense	545	19	822	(523)

Three Months

Operating expenses increased $2.4 million, or 6%, for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. Selling, general and administrative expenses increased $2.1 million during the three months ended June 30, 2021 compared to the three months ended June 30, 2020, due to the Company reinstating several of the temporary cost reduction initiatives undertaken during 2020 in response to the COVID-19 pandemic, as further detailed in the ***Recent Developments*** section above. Acquisition-related expense increased $0.5 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 due to remeasurement of acquisition related contingent consideration.

Six months

Operating expenses decreased $104.7 million, or 54%, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020, due predominantly to impairment charges of $106.1 million in 2020 as more fully described in Note 8–*Goodwill* and Note 9–*Intangible Assets* included in the Notes to the Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report. Excluding the 2020 impairment charges, operating expenses increased due to the Company reinstating several of the temporary cost reduction initiatives undertaken during 2020 in response to the COVID-19 pandemic, as further detailed in the ***Recent Developments*** section above, as well as a $1.2 million increase in net legal settlement and litigation charges primarily related to the *Justin Price v. Mistras Group, Inc.* matter more fully described in Note-*14* ***Commitments and Contingencies*** under the "Litigation and Commercial Claims" section to the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report. Depreciation and amortization decreased $1.0 million during the six months ended June 30, 2021 compared to the six months ended June 30, 2020, due to the 2020 impairment charges reducing the net book value on certain of our intangible assets. Acquisition-related expense increased $1.3 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to remeasurement of acquisition related contingent consideration.

(tabular dollars are in thousands)

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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Services:				
Income (loss) from operations (GAAP)	$ 18,358	$ 10,837	$ 22,906	$ (70,657)
Impairment charges	—	—	—	86,200
Reorganization and other costs	26	45	97	67
Legal settlement and litigation charges, net	—	—	1,650	—
Acquisition-related expense (benefit), net	545	19	788	(523)
Income before special items (non-GAAP)	$ 18,929	$ 10,901	$ 25,441	$ 15,087
International:				
Income (loss) from operations (GAAP)	$ 1,809	$ (1,937)	$ 989	$ (22,356)
Impairment charges	—	—	—	19,862
Reorganization and other costs	30	366	126	292
Income (loss) before special items (non-GAAP)	$ 1,839	$ (1,571)	$ 1,115	$ (2,202)
Products and Systems:				
Income (loss) from operations (GAAP)	$ 209	$ (96)	$ (372)	$ (1,776)
Reorganization and other costs	—	—	27	—
Income (loss) before special items (non-GAAP)	$ 209	$ (96)	$ (345)	$ (1,776)
Corporate and Eliminations:				
Loss from operations (GAAP)	$ (9,002)	$ (9,187)	$ (16,895)	$ (16,822)
Loss on debt modification	277	645	277	645
Legal settlement and litigation charges, net	—	—	(620)	—
Reorganization and other costs	—	86	—	123
Acquisition-related expense, net	—	—	34	—
Loss before special items (non-GAAP)	$ (8,725)	$ (8,456)	$ (17,204)	$ (16,054)
Total Company:				
Income (loss) from operations (GAAP)	$ 11,374	$ (383)	$ 6,628	$ (111,611)
Impairment charges	—	—	—	106,062
Reorganization and other costs	56	497	250	482
Loss on debt modification	277	645	277	645
Legal settlement and litigation charges, net	—	—	1,030	—
Acquisition-related expense (benefit), net	545	19	822	(523)
Income (loss) before special items (non-GAAP)	$ 12,252	$ 778	$ 9,007	$ (4,945)

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

Three Months

For the three months ended June 30, 2021, the income (loss) from operations (GAAP) increased $11.8 million, compared with the three months ended June 30, 2020, while income before special items (non-GAAP) increased $11.5 million. As a percentage of revenue, income before special items increased by 630 basis points to 6.9% in the three months ended June 30, 2021 from 0.6% in the three months ended June 30, 2020.

Six months

For the six months ended June 30, 2021, income (loss) from operations (GAAP) increased $118.2 million, compared with the six months ended June 30, 2020, while income (loss) before special items (non-GAAP) increased $14.0 million. As a percentage of revenue, income (loss) before special items increased by 440 basis points to 2.7% in the six months ended June 30, 2021 from (1.7)% in the six months ended June 30, 2020. During the six months ended June 30, 2021, the Company experienced overall organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. During the six months ended June 30, 2020, the COVID-19 initial outbreak and significant drop in oil prices had adversely affected our workforce and operations, as well as the operations of our customers, suppliers and contractors. These negative factors have continued to result in volatility and uncertainty in the markets in which we operate in 2021, although we have nevertheless begun approaching pre-pandemic levels of activity in certain end markets, particularly oil and gas. We are currently unable to predict or determine the ongoing impact that the COVID-19 pandemic and volatility in oil prices may have on our business, results of operations, or liquidity. Refer to Item 1A. Risk Factors in Part I of our 2020 Form 10-K, and the additional risk factors included in Part II, Item 1.A. of this Form 10-Q for further discussion.

Interest Expense

Interest expense was approximately $3.2 million and $3.0 million for the three months ended June 30, 2021 and 2020, respectively. Interest expense was approximately $6.4 million and $5.8 million for the six months ended June 30, 2021 and 2020, respectively. The increase was due to a higher interest rate on our long-term debt as a result of an amendment in May 2020 to our Credit Agreement.

An amendment in May 2021 to our Credit Agreement removed the LIBOR floor of 1.0%, which provided that if LIBOR is below 1.0%, the interest rate will be calculated as if LIBOR is 1.0%. Now the actual LIBOR rate is used to calculate interest, even if LIBOR is below 1.0%. This will reduce our interest rate, when LIBOR is below 1.0%.

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

Income Taxes

Our effective income tax rate was approximately 27.7% and 20.7% for the three months ended June 30, 2021 and 2020, respectively. Our effective income tax rate was approximately (125.4)% and 13.8% for the six months ended June 30, 2021 and 2020.

The effective income tax rate for the three months ended June 30, 2021 was higher than the statutory rate due to earnings in jurisdictions with higher income tax rates than the United States. The effective income tax rate for the three months ended June 30, 2020 approximated the statutory rate, as the favorable impact of the CARES Act was offset by the unfavorable impact of taxes in other jurisdictions and other permanent book to tax differences.

The effective income tax rate for the six months ended June 30, 2021 was lower than the statutory rate due to capitalization of certain non-US intercompany balances which resulted in a deductible foreign exchange loss in the US. The effective income tax rate for the six months ended June 30, 2020 was lower than the statutory rate primarily due to impairments for which we did not realize income tax benefits, partially offset by income tax benefits of the CARES Act.

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

(tabular dollars are in thousands)

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

Liquidity and Capital Resources

Cash flows are summarized in the table below:

	Six months ended June 30,	
	2021	2020
Net cash provided by (used in):		
Operating activities	$ 18,126	$ 34,862
Investing activities	(10,318)	(7,248)
Financing activities	(12,970)	(20,337)
Effect of exchange rate changes on cash	(656)	295
Net change in cash and cash equivalents	$ (5,818)	$ 7,572

Cash Flows from Operating Activities

During the six months ended June 30, 2021, cash provided by operating activities was $18.1 million, representing a year-on-year decrease of $16.7 million, or 48%. The decrease was primarily attributable to increase in working capital investments. Specifically, revenue increased 16.7% versus the prior year comparable period due predominantly to organic growth. Specifically, the Company has been recovering from the effect of COVID-19 which was more impactful to our financial results in 2020. As we are increasing our work compared to the comparable prior period, our cash flows are lower in the current quarter as collections of receivables lag behind revenues.

Cash Flows from Investing Activities

During the six months ended June 30, 2021 and 2020, cash used in investing activities was $10.3 million primarily attributable to capital expenditures of $10.8 million compared to $7.6 million of capital expenditures in the prior period driven by increased operating activities.

Cash Flows from Financing Activities

Net cash used in financing activities was $13.0 million for the six months ended June 30, 2021, compared to net cash used in financing activities of $20.3 million for the six months ended June 30, 2020. During the six months ended June 30, 2021, net borrowings of debt were approximately $6.8 million lower as compared to 2020 resulting in less debt paydown during the period as cash flows were used to fund operating activities.

Effect of Exchange Rate Changes on Cash and Cash Equivalents

The effect of exchange rate changes on our cash and cash equivalents was a decrease of $0.7 million in the six months ended June 30, 2021, compared to an increase of $0.3 million for the six months ended June 30, 2020.

Cash Balance and Credit Facility Borrowings

As of June 30, 2021, we had cash and cash equivalents totaling $19.9 million and $41.2 million of unused commitments under our Credit Agreement with borrowings of $203.9 million and $4.3 million of letters of credit outstanding. We finance operations primarily through our existing cash balances, cash collected from operations, bank borrowings and capital lease financing. We believe these sources are sufficient to fund our operations for the foreseeable future.

As of June 30, 2021, we were in compliance with the terms of the Credit Agreement and will continuously monitor our compliance with the covenants contained in the Credit Agreement.

The May 2021 Amendment to our Credit Agreement also reduced the borrowing capacity on our revolving loan line of credit to $165 million, and will be further reduced to $155 million on September 30, 2021, and to $150 million on December 31, 2021. Additionally, quarterly payments on the term loan increased to $3.75 million through March 31, 2022, and to $5.0 million for each quarterly payment thereafter, with a final balloon payment at maturity.

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

Contractual Obligations

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

Off-balance Sheet Arrangements

During the six months ended June 30, 2021, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

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

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

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

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of our disclosure controls (as defined in Rule 13a-15(e) of the Exchange Act) and procedures. Based upon that evaluation, our President and Chief Executive Officer and our Executive Vice President, Chief Financial Officer and Treasurer concluded that, as of June 30, 2021, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 1.A. Risk Factors

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

In the first risk factor in our 2020 Annual Report, we discuss that we are susceptible to prolonged negative trends in the oil and gas industry due to our dependency on customers in that industry. Oil and gas customer revenue comprised approximately 57% of total revenue for the three months ended June 30, 2021. In April 2021, the Biden Administration announced plans to aggressively combat climate change, with initiatives that would significantly reduce the use of fossil fuels. Any legislation, regulations, or significant private industry action to implement these initiatives could have a negative impact on the oil and gas industry, and as a consequence, negatively impact our business and results of operations.

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

(a) Sales of Unregistered Securities

None.

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

None.

(c) *Repurchases of Our Equity Securities*

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

Month Ending	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 30, 2021	42,143	$ 11.62	—	$ —
May 31, 2021	—	$ —	—	$ —
June 30, 2021	—	$ —	—	$ —

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

Exhibit No.	Description
10.1	Fifth Amendment, date May 19, 2021, to the Fifth Amended and Restate Credit Agreement (filed as Exhibit 10.1 to Current Report on Form 8-K, filed May 20, 2021 and incorporated herein by reference),
10.2	Memorandum of Understanding, dated May 4, 2021, regarding the settlement of the two legal proceedings captioned *Price v. Mistras Group, Inc.*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MISTRAS GROUP, INC.

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

Date: August 3, 2021

Price v. Mistras Group, Case Nos. 20STCV22485 and 20LBCV00408

MEMORANDUM OF UNDERSTANDING

Subject to final approval by the Court, and with the understanding that the settlement agreement (“Agreement”) documented in this Memorandum of Understanding (“MOU”) shall be further memorialized in a more comprehensive written settlement agreement, Plaintiff Justin Price (“Price” or “Plaintiff”), on behalf of himself and all others similarly situated, and Defendant MISTRAS Group, Inc. (“MISTRAS” or “Defendant”), and past and present corporate affiliates, subsidiary divisions, related entities, successors-in-interest, divested business and business units, hereby agree to the settlement of the putative class-and-representative actions styled *Justin Price, et al. v. MISTRAS Group, Inc., et al.*, Los Angeles Superior Court Case No. 20STCV22485 (“*Price* Class Action”), and *Justin Price, et al. v. MISTRAS Group, Inc., et al.*, Los Angeles Superior Court Case No. 20LBCV00408 (“*Price* PAGA Action,” and collectively with the *Price* Class Action, the “Actions”), and do so upon the following essential terms:

1. “California Class” Definition – all individuals who are or previously were employed by Defendant Mistras Group, Inc. (“Defendant”) in California who were classified as non-exempt employees during the period June 10, 2016 to July 31, 2021 (the “Class Period”).

2. Class Counsel – Blumenthal Nordrehaug Bhowmik De Blouw LLP.

3. Plaintiffs – The Plaintiffs are Brenda and Justin Price.

4. Enforceability – The Parties intend this MOU to be admissible and binding under California Code of Civil Procedure Section 664.

5. Gross Settlement Amount – Defendant shall pay out the total sum of $2.3 million for payment of all claims, including payment of Claims Administration Expenses; Attorneys’ Fees; Attorneys’ Expenses; Service Awards, and the PAGA Payment. The Gross Settlement Amount shall be all-in with no reversion to Defendant. The employer's share of payroll taxes shall not be paid from the Gross Settlement Amount and shall remain the sole responsibility of Defendant.

6. Settlement Allocation – The allocation of payment of claims between the Class Members shall be paid based on the number of workweeks worked during the Class Period.

7. Service Award – Defendant shall not oppose a service award to Plaintiffs in the amount of $10,000 each. If this amount is reduced, the amount by which the Service Award is reduced will be allocated to the Net Settlement Amount.

8. PAGA Payment – The PAGA payment of $50,000 shall be made from the Gross Settlement Amount, with 25% of the payment going to the “Aggrieved Employees,” who are defined as all non-exempt employees who were employed in California during the

time period June 1, 2019 to July 31, 2021 (the "PAGA Period") and 75% of the payment going to the LWDA. These payments will be made whether or not the Aggrieved Employees opt out of the Settlement.

9. Claims Administration Expenses - Claims Administrator shall be mutually agreed to by the Parties. Claims Administration Expenses shall not exceed the estimated of the Claims Administrator to administrate the settlement of the class.

10. Workweek Information – It is currently estimated that there are approximately 1,136 Class Members who worked 125,357 workweeks through April 23, 2021. Defendant will provide a declaration under penalty of perjury confirming the number of Class Members and workweeks they worked during the defined Class Period of June 10, 2016 to July 31, 2021. The Gross Settlement Amount will increase proportionally with added workweeks through July 31, 2021 and if the number is more than 10% of the workweeks estimate stated herein, i.e., exceeds 137,892 workweeks, subject to Defendant's right, but not the obligation, to revoke this Agreement in lieu of an increase to the Gross Settlement Amount. The estimated Class Members and applicable workweeks exclude workweeks through February 17, 2017 for any Class Members who were also members of California settlement class of *Viceral and Krueger, et al. v. Mistras Group, Inc., et al.*, N.D. Cal. Case No. 3:15-cv-02198-EMC ("*Viceral*"). Accordingly, the Class Period for Class Members who were part of the California settlement class in *Viceral* shall be modified to begin on February 18, 2017.

11. Attorneys' Fees – Defendant agrees not to oppose an Attorneys' Fees request up to 1/3 of the Settlement Amount.

12. Attorneys' Expenses – Defendant agrees not to oppose Attorneys' Expenses in an amount as documented in Class Counsel's billing statement.

13. Notice to California Class Members – All members of the California Class shall be provided notice of the Actions and the proposed settlement in a form approved by the Court, and shall have the opportunity to request exclusion from the *Price* Class Action and settlement; provided, however, that Plaintiffs waive their right to request exclusion and may not do so.

14. Plaintiffs' General Release of Claims – In consideration for Defendant's promises and obligations under this Agreement, Plaintiffs each agree to a general and comprehensive release of all of their respective known and unknown claims against MISTRAS' past and present corporate affiliates, subsidiaries, divisions, related entities, divested businesses and business units, and the board members, officers, employees, agents, representatives, insurers and attorneys of any of the same ("Released Parties"), including, without limitation, all claims that were or could have been alleged in the written notice sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) and the Complaints and/or Amended Complaints in

the Actions under any state law, federal law, common law, equity or other theory arising in any way out of Plaintiffs' former employment with MISTRAS or any of the Released Parties. As part of this release, Plaintiffs further release all unknown claims against MISTRAS and any of the Released Parties, covered by California Civil Code Section 1542, which states: "**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."** Plaintiffs understand that each is an individual, a "creditor" and "releasing party" within the meaning of Civil Code section 1542, and thereby expressly waives and relinquishes any and all rights and benefits under Section 1542 of the Civil Code of the State of California and under any statute, rule, or principle of common law or equity, of any jurisdiction, that is similar to Section 1542.

15. <u>Released Claims</u>: Upon entry of final judgment and, in consideration for Defendant's promises and obligations under this Agreement, the Defendant shall be entitled to a release from the State of California of all PAGA claims pled or could have been pled based on the factual allegations contained in in the Complaints and/or Amended Complaints filed in the Action and the written notice(s) sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1)f that occurred during the PAGA Period as to the Aggrieved Employees, and a release from the Class Members who decline to request exclusion from these Actions and settlement shall thereby release the Released Parties from all claims that were or could have been alleged in the Complaints and/or Amended Complaints filed in the Actions under any state law, federal law, common law, equity or other theory arising in any way from the facts alleged in the Complaints and/or Amended Complaints filed in the Action regarding the provision (or alleged non-provision) of wages, compensation, remuneration, expense reimbursements, premium payments, meal and/or rest breaks (or timing or length of any breaks provided), pre- or post-shift work, commute time, and/or wage statements provided to those class members (or the content or lack of content of any wage statements received), from June 10, 2016 through July 31, 2021, and the Released Claims as further defined below.

16. The Released Claims include all claims, rights, demands, liabilities, causes of action, and theories of liability of every nature and description, whether known or unknown, that were alleged against Defendant and/or any of the Released Parties, or which could have been alleged based on the facts pled against them in the written notice sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) or the Complaints and/or Amended Complaints in the Actions. These claims include claims for failure to pay wages for all hours worked, including overtime pay, minimum wages, premium pay, failure to pay for pre- or post-shift work, failure to pay for commute time, failure to pay wage guaranteed or wages at the agreed upon rate and/or failure to calculate wages due at the applicable statutory and/or regular rate of pay or compensation, failure to pay wages semi-monthly at designated times, failure to pay all wages due upon termination, failure to pay waiting time penalties, failure to provide and/

or maintain copies of accurate itemized wage statements, failure to maintain records of hours worked and/or accurate payroll records, and/or for penalties (regardless of the recipient), failure to provide meal periods, failure to provide rest periods, failure to reimburse necessary business expenses, damages, interest, costs or attorneys' fees, and violations of any local, state or federal law, whether for economic damages, non-economic damages, liquidated, or punitive damages, restitution, tort, contract, equitable relief, injunctive or declaratory relief, that occurred during the applicable California Class Period and arising from the facts that were alleged or could have been alleged in the written notice sent to the Labor & Workforce Development Agency pursuant to California Labor Code § 2699.3(a)(1) or the Complaints and/or Amended Complaints in the Actions, including claims under any common laws, contract, Fair Labor Standards Act ("FLSA"), the California Business & Professions Code Sections 17200, *et seq.* ("UCL"), including claims asserted under the UCL predicated on violations of any state and/or federal law, including the FLSA, Cal. Code of Regulations, Title 8, Sections 11000, *et seq.*, Wage Order 4 or any other applicable Wage Order, the California Labor Code, and the California Private Attorneys General Act of 2004, Labor Code Sections 2698, *et seq*. Notwithstanding the foregoing, the Released Claims does not include vested benefits, wrongful termination, unemployment insurance, disability, social security, workers' compensation, class claims outside of the Class Period, PAGA claims outside of the PAGA period, and any individual claim under the Section 16(b) of the FLSA, 29 U.S.C. § 216(b), as to a California Class Member who does not opt-in to the Settlement by cashing, depositing or endorsing his or her Settlement Payment check, to the extent that opting-in is required to release such FLSA claims.

17. Drafting Settlement Documents – Class Counsel shall draft settlement documents for distribution within thirty (30) days of the execution of this Memorandum. Class Counsel shall draft and file a motion for preliminary approval within sixty (60) days.

18. Opt Out / Objection Period – The Class Members shall have 45 days from the date the notice is first mailed in which to object to or exclude themselves from the settlement. Neither side shall encourage any Class Member to opt out.

19. Effective Date - The effective date of the settlement will be the later of the following: (a) if no timely objections are filed or if all objections are withdrawn, the date upon which the Court enters the Final Approval Order; (b) if an objection is filed and not withdrawn, the date for filing an appeal and no such appeal being filed; and (c) if any timely appeals are filed, the date of the resolution (or withdrawal) of any such appeal in a way that does not alter the terms of the settlement.

20. Payments - If no objection to the settlement is made, Defendant will pay to the Claims Administrator the Gross Settlement Amount within fifteen (15) days of the Effective Date. Payment of Claims Administration Expenses, Attorneys' Fees, Attorneys' Expenses, Service Awards, and PAGA Payment shall be made within fifteen (15) days of the Claim Administrator's receipt of the Gross Settlement Amount.

21. Uncashed Checks – All checks not cashed within 180 days of payment shall be paid to the State Controller Fund in the name of the absent Class Member.

22. Disputes – Any dispute between the parties as to the remaining terms of the settlement agreement shall be presented to the mediator for resolution.

23. Execution in Counterparts - This Agreement may be executed in one or more counterparts by facsimile, electronic signature, or email which for purposes of this Agreement shall be accepted as an original. All executed counterparts and each of them will be deemed to be one and the same instrument. Any executed counterpart will be admissible in evidence to prove the existence and contents of this Agreement.

21. Court Filings - The parties agree not to object to any Court filings consistent with this Agreement. The parties further agree that upon signing the litigation will be stayed for all purposes.

23. Continuing Jurisdiction - The Parties agree that the Court shall retain continuing jurisdiction over this case under CCP Section 664.6 to ensure the continuing implementation of the provisions of this settlement and that the time within which to bring this action to trial under CCP Section 583.310 shall be extended from the date of the signing of this agreement by all parties until the entry of the final approval order and judgment or if not entered the date this agreement shall no longer be of any force or effect.

Accepted and agreed to this 4th day of May, 2021,

________________________________ ________________________________

Plaintiff Justin Price Class Counsel

____

Plaintiff Brenda Price

________________________________ ________________________________

Defendant MISTRAS Group, Inc. Counsel for Defendant

Exhibit 31.1

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

I, Dennis Bertolotti, certify that:

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

Date: August 03, 2021

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

Exhibit 31.2

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

I, Edward J. Prajzner, certify that:

1. I have reviewed this report on Form 10-Q of Mistras Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 03, 2021

/s/ Edward J. Prajzner

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

Exhibit 32.1

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

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Mistras Group, Inc. (the "Company"), that, to his knowledge, the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Report.

Dated: August 03, 2021

/s/ Dennis Bertolotti

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

/s/ Edward J. Prajzner

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