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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 10-K

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

For the fiscal year ended December 31, 2023

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

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### 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 Number)

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	Name of each exchange on which registered
Common Stock, par value \$.01 par value	MG	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None** \_\_\_\_\_

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal

control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes  No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, based on the closing price of \$7.72 on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, as reported on the New York Stock Exchange, was approximately \$ 158.4 million.

As of March 6, 2024, the Registrant had 30,634,785 shares of common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to portions of the registrant's definitive proxy statement for its 2024 annual meeting of stockholders (the "Proxy Statement"), which is expected to be filed not later than 120 days after the registrant's fiscal year ended December 31, 2023. Except as expressly incorporated by reference, the Proxy Statement shall not be deemed to be a part of this report on Form 10-K.

Auditor Name: PricewaterhouseCoopers LLP Auditor Location: Philadelphia, Pennsylvania Auditor Firm ID: 238

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**MISTRAS GROUP, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
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## ITEM 1. BUSINESS

### FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Annual Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding Mistras Group, Inc. ("Mistras," "MISTRAS," "the Company," "us," "we," "our" and similar expressions) and our business, financial condition, results of operations and prospects. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as "goals," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "may," "could," "should," "would," "predicts," "appears," "projects," or the negative of such terms or other similar expressions, although the absence of such words does not mean that a statement is not forward-looking. Factors that could cause or contribute to differences in results and outcomes from those in our forward-looking statements include, without limitation, those discussed elsewhere in this Annual Report in Part I, Item 1A. "Risk Factors," Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in this Item 1. We undertake no obligation to (and expressly disclaim any obligation to) revise or update any forward-looking statements made herein whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. However, you should consult any further disclosures we may make on these or related topics in our reports on Form 8-K or Form 10-Q filed with the Securities and Exchange Commission ("SEC").

The following discussions should be read in conjunction with the sections of this Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors."

## OUR BUSINESS

### Overview

Mistras Group, Inc. 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 a decades-long legacy of industry leadership, the Company helps customers with asset-intensive infrastructure in the oil and gas, petrochemical, 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 customers that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and private space; and building monitoring equipment to help avoid catastrophic incidents, the Company helps the world at large.

The Company enhances value for its customers by providing data driven solutions that digitalize the asset protection process and provide valuable insights to our customers that maximize uptime of the assets monitored. Our data analytical solutions offerings, coupled with the traditional non-destructive testing ("NDT"), provide us a competitive advantage over our competitors. With our ability to integrate asset protection throughout supply chains and centralizing data management, we are able to provide insights and actionable recommendations to our customers through a suite of Industrial Internet of Things ("IoT")-connected digital software and monitoring solutions, including OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

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

Given the role our solutions play in enhancing the safe and efficient operation of our customers' 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

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mechanical services, including heat tracing, pre-inspection insulation stripping, coating applications, re-insulation, engineering assessments and long-term condition-monitoring. Our traditional NDT solutions, coupled with our data analytical solutions offerings, allow us to provide accessible and easily understood data to our customers that allows them to identify when an asset may fail, in order to prioritize inspections and repair.

Under our 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. In the past, we have made numerous acquisitions in an effort to grow our base of experienced, certified personnel, expand our service lines and technical capabilities, increase our geographical reach, complement our existing offerings, and leverage our fixed costs. We have increased our capabilities and the size of our customer base through the development of applied technologies and managed support services, organic growth and the integration of acquired companies. These acquisitions have provided us with additional service lines, technologies, resources and customers, which we believe will enhance our advantages over our competition.

We believe long-term growth can be realized in our target markets. Our 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 expenditures to be impacted by oil price fluctuations.

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

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 primarily consist of:

- Oil and Gas (Downstream, Midstream and Upstream)
- Aerospace and Defense
- Industrial
- Power Generation and Transmission
- Infrastructure, Research and Engineering
- Other Process Industries
- Petrochemical

A majority of our revenues are generated by deploying technicians at our customers' locations. A majority of our revenues from aerospace and defense as well as certain manufacturing customers are generated by performing inspections and testing at our various in-house laboratories.

We generated revenues of \$705.5 million, \$687.4 million and \$677.1 million for the years ended December 31, 2023, 2022 and 2021, respectively. We generated net loss of \$17.4 million, a net income of \$6.6 million and net loss of \$3.9 million for the years ended December 31, 2023, 2022, and 2021, respectively. For the years ended December 31, 2023, 2022 and 2021, we generated approximately 82%, 83% and 82%, respectively, of our revenues from our North America segment. Our revenues are diversified, with our top ten customers accounting for approximately 35%, 33% and 33% of our revenues during the years ended December 31, 2023, 2022 and 2021, respectively, with no customer accounting for greater than 10% of our revenues in any such year.

## **OUR SPECIALIZED SOLUTIONS**

As a provider of asset protection solutions, we combine our industry-leading services, products, data management and analytical solutions technologies to provide a unique and custom-tailored solution for each customer's individual asset protection needs, ranging from routine inspections to complex, plant-wide asset integrity management programs.

### **Field Inspections**

Our field inspections portfolio includes traditional and advanced NDT techniques and inline inspection for pipelines. We offer these solutions on an individual basis, or as parts of enterprise inspection and testing programs.

NDT is the examination of an asset without materially impacting its structural integrity. The ability to inspect infrastructure assets and not interfere with their operating performance makes NDT a highly-attractive alternative to many traditional techniques, which may require shutting down an asset or entire facility. Typical issues for which our technicians inspect include potential corrosion, cracking, pitting, leaking, faults and flaws in piping, storage tanks and pressure vessels, as well as a wide range of other industrial assets and public infrastructure.

Our automated data acquisition solutions utilize smart sensing and monitoring, robotic inspection systems, and digitized spot inspections to provide asset integrity data with greater insight into current and potentially future asset conditions.

Field inspection services lend themselves to integration with our other offerings, and as such have often served as the initial entry point to more advanced customer engagements that require additional solutions. After an initial field inspection is performed, we are able to provide multiple supplemental solutions, such as maintenance services, engineering consulting and data analytical solutions services we provide, that further serve to solidify our relationships with our customers and drive additional revenue.

### **Data Analytical Solutions**

The asset protection solutions that we provide throughout our customers' asset lifecycles generate mechanical integrity data that needs to be effectively archived, managed, and analyzed. A common difficulty that our customers face is the ability to easily access and analyze large volumes of data from multiple data collection and input sources. We recognize that this data is most valuable to our customers when it is accessible and integrated (regardless of vendor, tool, or facility), and we have taken significant steps to digitalizing asset protection processes through our data analytical solutions product offerings.

Our data acquisition capabilities capture asset data to help our customers follow regulatory compliance, ensure mechanical integrity, and reduce unplanned outages. We capture data using manned and automated techniques that minimize the impact on our customers' operations. Customers can access our collected data for all facilities, structures, and assets that we manage from one easy to use dashboard, which enables customers to evaluate trending and benchmarking across multiple sites seamlessly.

Customer data is managed in our asset protection software ecosystem, OneSuite. Our OneSuite software platform offers functions of our popular software and services brands as integrated applications in a cloud environment. Our OneSuite software platform serves as a single access portal for customers' data activities and provides access to 90 plus integrated applications being offered in one centralized platform.

Many customers take advantage of our data analytics capabilities that utilize technology to automatically generate insights and actionable recommendations that can be implemented to improve our customers' overall productivity. Our managed services integrate our data capabilities with data analysts, field personnel and engineers to provide a comprehensive solution to our customers that reduces our customers' overall costs.

Our customers within the *oil and gas* and petrochemical industries take advantage of our industry-leading application *Plant Condition Management Software (PCMS®)*. This application is one of the most widely used asset integrity management systems ("AIMS"). We estimate that our PCMS application is currently used by approximately 50% of the U.S. refiners, as well as by leading midstream pipeline energy companies and major oil and gas companies in Canada and Europe. This allows us to provide our customers with industry-leading insights across all their facilities and enables us to provide additional software and solutions to these customers and perform recurring maintenance where necessary.

Our pipeline customers utilize our *Onstream®* services and *New Century®* software platform to capture, manage and analyze pipeline integrity data in the midstream and upstream sectors of the oil and gas industry. We provide among the most comprehensive, data-driven pipeline protection solutions available to the industry. Our proprietary pipeline data analysis solutions enable deep integration of inline inspection ("ILI") big data with real-time risk analytics and business intelligence ("BI") to provide capabilities for supporting pipeline integrity, which we believe provides us with an important competitive advantage.

Our wind, power and infrastructure customers implement our online condition-monitoring solutions that provide real-time reports and analysis of infrastructure to alert facility personnel to damages before critical failures occur, while our flexible, IIoT compatible, cloud-based online monitoring portal centralizes and analyzes all collected monitoring data. These monitoring solutions are often installed in hazardous or hard-to-reach locations, helping to enhance safety by reducing the need to send technicians into unsafe locations.

## **Laboratory Testing**

Our network of in-house laboratories located across North America and Europe offers quality assurance and quality control ("QA/QC") solutions for new and existing metal and alloy components, materials, and composites.

Our in-house laboratories work with our customers to test and measure utilized components throughout their lifetimes, from preparation and production to post-processing and in-service component monitoring. Our laboratory QA/QC solutions help to meet customer needs throughout their manufacturing cycles, with a focus on optimizing production logistics. Our in-house laboratory solutions include:

- Non-destructive evaluation/inspection ("NDE"/"NDI")
- Destructive testing ("DT")
- Metallurgical testing
- Chemical analysis testing
- Mechanical services
- Machining services
- Pre-machining
- Casting repair solutions
- Finishing services

We often inspect and test components prior to assembly to screen for defects and discontinuities introduced in the manufacturing process. We also inspect existing components to ensure they remain fit-for-purpose.

Our laboratories hold a wide variety of certifications, such as: Nadcap (formerly NADCAP, the National Aerospace and Defense Contractors Accreditation Program), AS9100/ISO-9001, Federal Aviation Administration Repair Station, and the International Traffic in Arms Regulations/Export Administration Regulations, that allow us to perform inspections which meet or exceed stringent regulatory and manufacturers' requirements. With these certifications come a comprehensive range of approvals from prime contractors of major projects, militaries and internationally-renowned original equipment manufacturers ("OEMs") from many of our key markets, including the oil and gas, aerospace and defense, power generation and industrial markets.

## **Maintenance**

We perform maintenance and light mechanical services to prepare assets for inspection and to return them to working condition post inspection. These services include corrosion removal, mitigation and prevention; insulation installation and removal; electrical services; heat tracing, industrial cleaning; pipefitting; and welding. Our light mechanical services are often offered as complementary, value-added solutions to inspections, such as removing insulation in order to inspect piping, then re-installing insulation.

Our multi-disciplined technicians offer maintenance and light mechanical services in hard-to-access areas, in combination with rope access or diving strategies.

Mechanical services are still a small part of our business, and we carefully try to avoid providing any such services that conflict with our inspection services.

## **Engineering Consulting**

We provide a broad range of engineering consulting services, primarily for process equipment, technologies and facilities. Our engineering consultations include plant operations and management support, turnaround/shutdown planning, profit improvement, facilities planning studies, engineering design, process safety reviews, energy optimization evaluations, benchmarking/key performance indicator development and technical training.

Our Asset Integrity Management ("AIMS") and Mechanical Integrity ("MI") services help improve asset reliability and regulatory compliance through a systematic, engineering-based approach to ensure the ongoing integrity and safety of equipment and industrial facilities. AIMS/MI services can include conducting an inventory of infrastructure assets; developing, implementing and training personnel in executing inspection and maintenance procedures; and managing MI programs. We help to identify gaps between existing and desired practices and establish quality assurance standards for fabrication, engineering and installation of infrastructure assets.

## **Access**

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Much of our work is conducted in hard-to-access locations, including those in at-height, subsea and confined locations. We utilize scaffolding and rope access to access at-height and confined assets; certified divers for subsea inspection and maintenance; and unmanned (drone) aerial, land-based and subsea systems to deliver a wide range of inspection applications, with an emphasis on minimizing at-height access and confined space entry.

### **Equipment**

We design and manufacture portable, handheld, wireless and turnkey NDT equipment, along with corresponding data acquisition sensors and software, for spot inspections and long-term, unattended monitoring applications.

We sell these solutions as individual components, or as complete systems, which include a combination of sensors, amplifiers, signal processing electronics, knowledge-based software and decision and feedback electronics. We also sell integrated service-and-system technology packages, in which our field technicians utilize our proprietary and specialized testing procedures and hardware, advanced pattern recognition, neural network software and databases to compare test results against our prior testing data or industry standards.

We provide a range of acoustic emission ("AE") products and are a leader in the design and manufacture of AE sensors, instruments and turnkey systems used for monitoring and testing materials, pressure components, processes, and structures. We also design and manufacture ultrasonic testing ("UT") equipment.

Most of our hardware products are fabricated, assembled and tested in our ISO-9001-certified facility in Princeton Junction, New Jersey. We also design and manufacture automated ultrasonic systems and scanners in France.

### **Centers of Excellence**

Another differentiator in our business model is our Centers of Excellence ("COEs"), which offer support for asset, technology or industry-specific solutions. Our subject matter experts engage in strategic sales opportunities to offer customers value-added solutions using advanced technologies and methods. The COEs help to standardize our approach to common problems in our key market segments. Our COEs include:

- Acoustic Emission
- American Petroleum Institute ("API") Turnarounds
- AIMS/MI/Engineering
- Automated Ultrasonics
- Fossil Power
- Guided Wave Ultrasonics
- Mechanical Services
- Nuclear Power
- Phased Array
- Rope Access
- Wind
- Tank Inspection
- Tube Inspection
- Unmanned Systems

## **ASSET PROTECTION INDUSTRY OVERVIEW**

Asset protection plays a crucial role in assuring the integrity and reliability of critical infrastructure. As an asset protection solutions provider, we seek to maximize the uptime and safety of critical infrastructure, by helping customers to detect, locate, mitigate, and prevent damages such as corrosion, cracks, leaks, manufacturing flaws and other concerns to operating and structural integrity. In addition to these core utilities, the storage and analysis of collected inspection and MI data is also a key aspect of asset protection.

NDT has historically been a prominent solution in the asset protection industry due to its capacity to detect defects without compromising the structural integrity of the tested materials or equipment. Traditionally, the supply of NDT inspection services has been provided by many relatively small vendors, who provide services in a more localized geographic region. A trend has emerged, however, for customers to increasingly engage a select few vendors capable of providing a wider spectrum of asset protection solutions for global infrastructure, in addition to an increased demand for advanced non-destructive testing ("ANDT") solutions and data acquisition software, both of which require a highly-trained workforce.

Due to these trends, those vendors offering integrated solutions, scalable operations, skilled personnel and a global footprint are expected to have a distinct competitive advantage. Moreover, we believe that vendors that are able to effectively deliver both

advanced solutions and data analytics, by virtue of their access to customers' data, create a significant barrier to entry for competitors, leading to the opportunity to further create significant recurring revenues.

### **Key Dynamics of the Asset Protection Industry**

We believe the following represent key dynamics of the asset protection industry, and that the market available to us will continue to grow as these macro-market trends continue to develop:

*Digital Transformation of Asset Protection.* Plants in the oil and gas, petrochemical and other process industries are recognizing the need to evolve their traditional, paper-based mechanical integrity programs in favor of digitalized solutions. The rise of big data intelligence, and our data analytical solutions offerings, provide our customers with actionable insights from raw asset integrity data. The growing digitization of asset protection provides opportunities for contractors with a wide range of asset protection expertise and integrated data platforms to provide customers with data analytical solutions to help customers maximize uptime while controlling costs.

*Extending the Useful Life of Aging Infrastructure While Increasing Utilization.* Due to the prohibitive costs and challenges of building new infrastructure, many companies have chosen to extend the useful life of existing assets through enhancements, rather than replacing these assets. This has resulted in the significant aging and increased utilization of existing infrastructure in our target markets. Because aging infrastructure requires more frequent inspection and maintenance in comparison to new infrastructure, companies and public authorities continue to spend on asset protection to ensure their aging infrastructure assets continue to operate effectively.

*Outsourcing of Non-Core Activities and Technical Resource Constraints.* Due to the increasing sophistication and automation of NDT programs, a decreasing supply of skilled professionals and increasing governmental regulations, companies are increasingly outsourcing NDT to third-party providers with advanced solution portfolios, engineering expertise and trained workforces.

*Increasing Corrosion from Low-Quality Inputs.* The increased availability and low cost of crude oil from areas such as shale plays and oil sands resources have led to the use of lower-grade raw materials and feedstock. This leads to higher rates of corrosion, especially in refining processes involving petroleum with higher sulfur content, which increases the need for asset protection solutions to detect and/or proactively prevent corrosion-related issues.

*Increasing Use of Advanced Materials.* Customers in various target markets - particularly aerospace and defense - are increasingly utilizing advanced materials, such as composites and other unique technologies in their assets. These materials often cannot be tested using traditional NDT techniques. We believe that demand for more advanced testing and assessment solutions will increase as the utilization of these advanced materials increases during the design, manufacturing, operating and quality control phases.

*Meeting Safety Regulations.* Owners and operators of refineries, pipelines and petrochemical and chemical plants increasingly face strict government regulations and more stringent process safety enforcement standards. This includes the continued implementation of the Occupational Safety and Health Administration's National Emphasis Program. Failure to meet these standards can result in significant financial liabilities, increased scrutiny by government and industry regulators, higher insurance premiums and tarnished corporate brand value. As a result, these owners and operators are seeking highly-reliable asset protection suppliers with a track record of assisting customers in meeting increasingly stringent regulations. Our customers benefit from our extensive engineering consulting base that supports them in devising mechanical integrity programs that both meet regulatory compliance standards and enable enhanced safety and uptime at the customer's facilities.

*Expanding Addressable End-Markets.* The continued emergence of and advances in asset protection technologies and software-based systems are increasing the demand for asset protection solutions in applications where existing techniques were previously ineffective.

*Expanding Aerospace and Defense Industry.* We believe that increased demand will continue to come over the next several years from the commercial industry due to the approximately decade-long backlog for next-generation commercial aircraft to be built, driving the need for advanced solutions that drive cost and quality efficiencies. Demand continues to be stable in the defense industry while demand in the private space industry is growing.

*Crude Oil Prices.* Volatility in the energy sector has been profound during the 2015-2022 period with moderation occurring during 2023. The collapse of world oil prices in 2015 and 2016 undermined industry expansion. While energy prices recovered in 2017 and 2018, they once more declined, and subsequently rebounded in the second half of 2021 and the first half of 2022 with near record high prices and crack spreads. This resulted in refineries delaying turnarounds during 2022 until oil prices decreased and stabilized in the second half of 2022. The stabilization continued throughout 2023 without major peaks and fluctuations as seen in prior periods. The on-going war in Ukraine and the conflict in the Middle East between Israel and

Hamas, coupled with continued macroeconomic uncertainty in 2024, are expected to continue to significantly influence oil prices for the foreseeable future.

**Expanding Pipeline Integrity Regulations:** The United States Pipeline & Hazardous Materials Safety Administration's "Mega Rule" adopted in October 2019, expands pipeline integrity regulations on more than 500,000 miles of pipelines that carry natural gas, oil and other hazardous materials throughout the United States. Some of these requirements will take operators decades to fulfill. These regulations require inspection and integrity data records throughout a pipeline's lifetime to be "reliable, traceable, verifiable, and complete," increasing the demand for integrated inspection, engineering, monitoring, and data management and analysis solutions.

**Consolidation of Refineries:** Consolidation of refinery ownership will create both pressure on refinery service providers due to increased customer purchasing power and provide an opportunity to those same refinery service providers to become preferred providers to these larger customers.

### **Our Competitive Strengths**

We believe the following competitive strengths contribute to our being a leading provider of asset protection solutions and will allow us to further capitalize on growth opportunities in our industry:

**OneSource Provider for Asset Protection Solutions.** We believe we have one of the most comprehensive portfolios of integrated asset protection solutions worldwide, which positions us to be a leading single-source provider for our customers' asset protection requirements. This is particularly a competitive strength in regards to turnarounds and shutdowns - during which facilities temporarily cease portions of their operations in order to perform plant-wide inspections, maintenance and repairs - as the services being requested and performed during these work stoppages make up significant portions of refinery, process and power plant maintenance budgets. Demand for our solutions increases during these outages, as facilities seek third-party providers to perform a wide spectrum of asset protection operations while the plant is offline. In addition, as companies are increasingly outsourcing their NDT needs to third-party providers, we believe that the ability to offer a comprehensive package of solutions provides us with a competitive advantage.

**Integrated Data Management:** Our expertise and proprietary research and development in data analytical solutions throughout the asset protection cycle provides a competitive advantage. With solutions for integrated data acquisition, storage, visualization and analytics, our integrated data analytical solutions well-position us for the oil and gas increasing movement towards digitalizing and centralizing asset protection to fewer, highly-skilled and multi-disciplined vendors. Many of our data analytical solutions are platform-agnostic, allowing us to integrate into customers' existing operations, and thereby expanding the potential customer pool for our solutions. Our expertise and experience also allow us to tailor our offerings to meet specific customer needs, which sets us apart from our competitors. Our presence in our customers' operations throughout their asset lifecycles also ideally positions us to be their primary vendor to centralize their asset integrity data collection, management and analysis, creating mutually-beneficial opportunities to scale our relationships.

**Long-Standing Trusted Provider to a Diversified and Growing Customer Base.** We have become a trusted partner to a large and growing customer base across numerous global markets through our proven, decades-long track record of successful operations. Our customers include some of the largest and most well-recognized firms in the oil and gas, chemicals, power generation and transmission and aerospace and defense industries, as well as public authorities.

**Repository of Customer-Specific Inspection Data.** Through our world-class enterprise data management and analysis software, PCMS, we have accumulated extensive, proprietary process data that allows us to provide our customers with value-added services, such as benchmarking, "RBI" and reliability-centered maintenance.

**Proprietary Products, Software and Technology Packages.** Our deep knowledge base in asset protection services and equipment enables us to offer technology packages, in which our field technicians utilize our proprietary and specialized testing procedures and hardware, advanced pattern recognition, neural network software and databases to compare test results against our prior testing data or national and international structural integrity standards.

**Deep Domain Knowledge and Extensive Industry Experience.** We have extensive asset protection experience and data, dating back several decades of operations. We have gained this through our industry leadership in developing advanced asset protection solutions, including research and development of advanced NDT technologies and applications, process engineering technologies, online plant asset integrity management with sensor fusion; and enterprise software solutions for plant-wide and fleet-wide inspection data archiving and management.

**Technological Research and Development.** The NDT industry continues to move towards more advanced, automated solutions, requiring service providers to find safer and more cost-efficient inspection techniques. We believe that we remain ahead of the

technological curve by backing our extensive industry expertise with the investment of resources in research and development. Some of the advanced inspection technologies developed by our internal research and development teams include an automated radiographic testing ("aRT") crawler for corrosion under insulation ("CUI") inspections in above ground pipelines and piping; our Large Structure Inspection ("LSI") scanner, and our real-time radiography ("RTR") crawler for 360° inspections of pipeline girth welds.

*Collaborating with Our Customers.* We have historically expanded our asset protection solution portfolio in response to our customers' unique performance specifications. Our technology packages have often been developed in close cooperation and partnership with key customers and industry organizations.

*Experienced Management Team.* Our management team has a track record of asset protection organizational leadership. These individuals also have successfully driven operational growth organically and through acquisitions, which we believe is important to facilitate future growth in the asset protection industry.

#### **Our Growth Strategy**

Our growth strategy emphasizes the following key elements:

*Continue to Digitalize Asset Protection Data and Processes.* We place a data-centric focus on asset protection, enabling our customers to ease some of their biggest areas of concern (particularly the timely and accurate transfer of asset integrity data from the field to their IDMS, as well as the data's visibility and accessibility once uploaded). We expect that the demand for our data analytical solutions which provides big data intelligence and remote data visibility will continue to grow, and we are investing in data analytical solutions that help our customers visualize and generate actionable insight from their asset integrity data, regardless of data input. We are also actively seeking to optimize our customers' asset protection workflows and processes, by creating digital paths between data applications to increase data visibility and reduce manual data entry and human error.

*Expand Our Focus in the Aerospace and Defense Industries.* We believe that the introduction of next-generation airframes and aircraft engines has created an inherent demand for inspection, testing, machining and mechanical services required for the production of parts. The recent interest in the use of additive manufacturing techniques to create components also necessitates advanced inspection and testing solutions.

*Expand Our Focus in the Pipeline Integrity Industry.* We intend to continue broadening our solutions for the pipeline market. Recent industry regulations significantly expanded pipeline integrity management regulations, requiring pipeline owner/operators to inspect, document, and assess the risk of operating conditions for existing lines. This provides us with the opportunity to provide asset protection solutions for both the new construction and integrity phases. In 2019, we acquired a company that provides pipeline integrity management software and services to energy transportation companies. We acquired an inline inspection provider in 2018 and have implemented our PCMS software for several pipeline operators to support their integrity data management.

*Expanding our Mechanical Services Portfolio.* We believe that performing mechanical services to complement inspections, such as removing and reapplying insulation or preparing surfaces for coating or painting, is an important market differentiator for us. This is particularly true, for example, when considering the cost-efficiencies our customers realize when our rope access technicians perform these services at height without the use of scaffolding. Many of our customers already require these services, but utilize multiple vendors to do so, creating an opportunity for us to provide greater value to a customer base that increasingly requires enhanced speed and efficiency.

*Continue to Develop Technology-Enabled and Digital Asset Protection Solutions.* We intend to maintain and enhance our technological leadership by continuing to invest in developing new technology, applications and data services. The release of our OneSuite ecosystem underscores our dedication to continue deepening synergies between our solutions to provide our customers with uniquely-integrated offerings, which we believe makes us a more attractive vendor for customers seeking to centralize their asset protection. We have actively continued to develop technologies that enhance the flow of data throughout multiple operational phases and facilities, through our integrated pipeline integrity data portfolio, and our cloud-based monitoring data portal.

*Expand our Solution Offerings to Existing Customers.* We believe that branching into adjacent, complementary services, such as mechanical services, increases our value proposition and our ability to capture additional business. Many of our customers are multinational corporations with asset protection requirements at multiple locations. We believe that expanding our solution offerings and merging and visualizing data across facilities for enterprise data analysis, combined with the trend of customers outsourcing asset protection to service providers with integrated offerings, provides opportunities for significant additional recurring revenues.

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*Continue to Expand Our Customer Base into New End Markets* . We believe we have significant opportunities to expand our customer base in relatively new end markets, including the renewable energy industry, specifically, wind and other alternative energy, natural gas transportation industries, pipeline integrity and additive manufacturing. The expansion of our addressable markets is being driven by the increased recognition and adoption of advanced asset protection technologies (such as unmanned drone inspection devices, robotics, etc.) that are supplanting traditional methods.

*Capitalize on Acquisitions*. We have completed several acquisitions to supplement and enhance our solutions, add new customers, expand our sales channels and accelerate our expected growth. Due to our current debt levels and restrictions related to the debt covenants in our credit facility, we do not expect to make any acquisitions in 2024 other than small acquisitions with the banks' approval. However, once we reduce our debt, we expect to make selective acquisitions beyond 2024.

### **Our Segments**

We have three operating segments: (i) North America (which we previously referred to as our Services segment), (ii) International and (iii) Products and Systems:

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

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

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

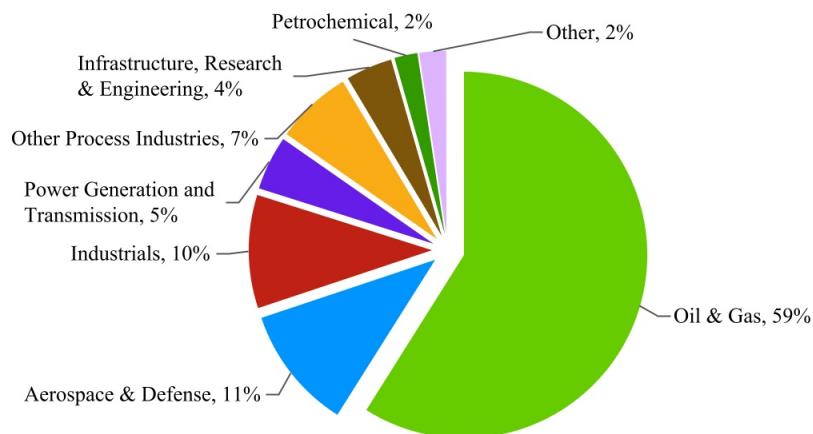
For a discussion of segment revenues, operating results and other financial information, including geographic areas in which we generated revenues, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, as well as Note 2-*Revenue* and Note 19-*Segment Disclosure* in the notes to our audited consolidated financial statements in Item 8 of this Annual Report.

### **Revenue Overview**

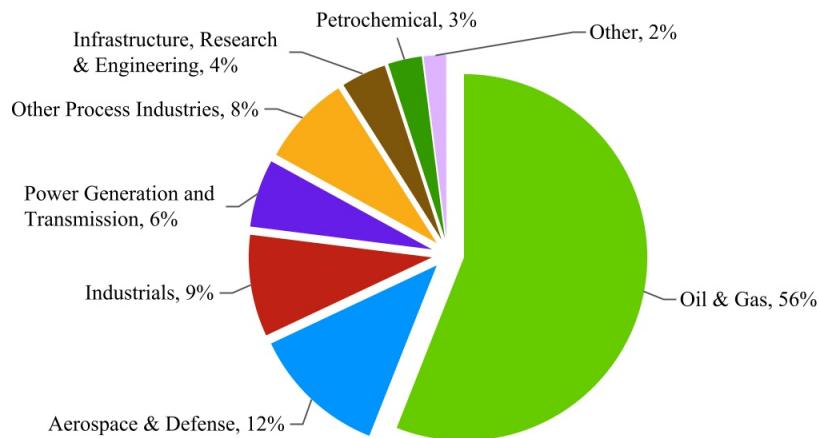
#### *Revenue by Industry*

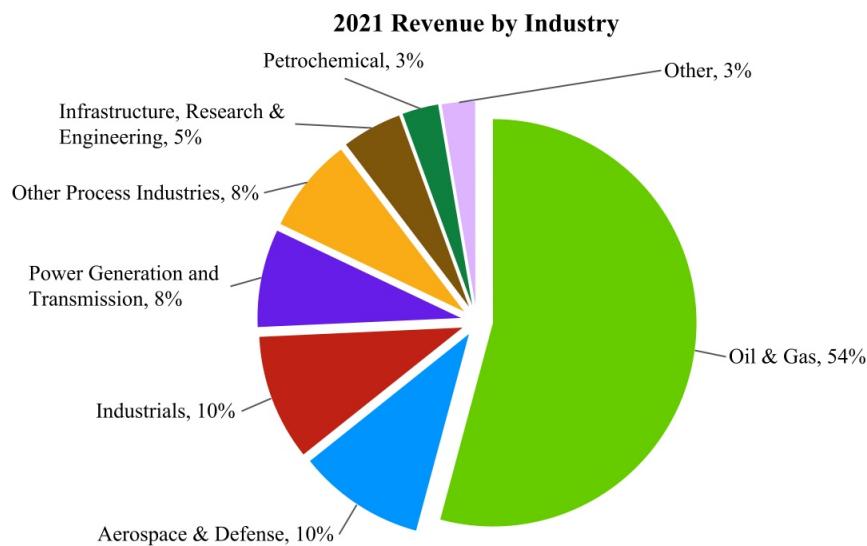
The following charts represent our disaggregated revenue by industry for the years ended December 31, 2023, 2022 and 2021.

### 2023 Revenue by Industry



### 2022 Revenue by Industry





## Our Target Markets

### Overview

We operate in a highly competitive, but fragmented market. Domestically, the market is serviced by several national competitors and many regional and/or local companies. Internationally, our primary competitors are divisions of large companies, with additional competition from small independent local companies which may be limited to a specific product, service or technology and focused on a niche market or geographic region. We focus our strategic sales, marketing and product development efforts on a range of infrastructure-intensive based industries and governmental authorities. We view energy-related infrastructure and commercial aerospace as our largest market opportunities. We perform inspection and mechanical services for customers in both industries.

Our revenues are comprised of services offerings at our laboratories and at customer facilities. Data Analytical Solutions revenues are comprised of revenue derived from data software sales & subscriptions, implementation services and analytics that offer insights and recommendations to improve asset integrity. Data Analytical Solutions revenue is derived from work performed by Mistras employees in our facilities, or at customer locations, using our proprietary portfolio of software applications. Field Services revenues are comprised of revenue derived primarily by technicians performing asset inspections and maintenance services for our customers at locations other than Mistras properties. Shop Laboratory revenues are comprised of quality assurance inspections of components and materials at our Mistras in-house laboratory facilities. Other revenues are comprised of locations that perform both asset inspection services and testing of components and materials at in-house Mistras laboratories.

There are a number of economic factors which drive the aerospace market, including:

- The multi-year backlog for next generation commercial aircraft to be built, including several large and mid-sized aircraft built by Boeing and Airbus, among other manufacturers; and
- The continuing regulatory scrutiny to ensure public safety serves to ensure the continued need for inspection and mechanical services to be performed.

In the energy market, there are various economic indicators that drive our business, especially in the U.S. domestic markets. It is unclear what the short and long term effects of the war between Russia and Ukraine is likely to have on the world economy and certain of our target markets, including particularly the oil and gas market. Excerpted below are forecasts from various Energy Information Administration (EIA) outlook reports, which are subject to change based on these factors:

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Electricity generation from coal is projected to fall throughout the mid 2020s and the decrease will be partially offset by an increase in the forecast of combined utility-scale solar and wind generation.

The EIA noted U.S. crude oil production averaged 11.9 million barrels per day (bpd) in 2022 and rose to an average 12.9 million bpd in 2023. The EIA forecasts production to continue to increase to an average 13.3 million bpd in 2024 and further increase to 13.5 million bpd in 2025.

### **Oil and Gas**

We supply oil and gas asset protection solutions to downstream (refining), midstream (transportation and storage) and upstream (exploration and production) operations.

We use our vast solutions portfolio to help identify current and future asset performance, and actively prevent, mitigate or otherwise address potential issues, including corrosion, cracking, leaking and other damages that may lead to safety, productivity or environmental concerns. Our solutions help identify conditions that if not remedied, could lead to potential catastrophic failures in tanks, vessels, valves, buried and above ground pipelines, pumps, motors, compressors and other critical assets found throughout the oil and gas production and delivery supply chain.

We actively seek to evolve our solutions through technological enhancements and research and development to discover new applications. Online monitoring and permanently-mounted sensors, as well as the use of drones and other alternative delivery devices, are all being considered as oil and gas infrastructure owners look to "smart" technologies that reduce human intervention while delivering highly-accurate inspection and integrity data. We also have actively sought to further enhance our integrated approach to asset protection, through the development of our complementary mechanical service portfolio.

In general, the oil and gas market is poised to leverage digital solutions to facilitate process improvements as well as increase plant reliability and improve process and personnel safety. This provides an opportunity for us to synergistically leverage our digital asset protection solutions. Digital transmission of data in various industry sectors, with built-in analytic functions, will allow our customers to better leverage inspection data that is being generated in the field.

While we expect off-stream inspection of critical assets to remain a routine practice, we anticipate an increase in the demand for non-invasive or on-stream inspections. Non-invasive inspections enable companies to minimize the costs associated with shutting down equipment during testing, while enabling the economic and safety advantages of advanced planning and/or predictive maintenance.

### **Aerospace and Defense**

The aerospace industry continued to rebound from COVID-19 throughout 2023 with backlog and production levels approaching and exceeding pre-pandemic levels for certain OEMs for the first time since the pandemic. We serve this rapidly growing target market by providing a full range of inspection, testing, machining, mechanical, finishing, additive manufacturing and equipment solutions, for which we are Nadcap certified. Our state-of-the-art in-house laboratories maintain numerous accreditations from industry organizations, including Nadcap, and some of the largest manufacturers in the world, such as Boeing, Safran, Airbus, Bombardier and Embraer.

Advanced composite materials found in new classes of aircraft require advanced asset protection solutions, including x-ray of critical engine components, ultrasonic fatigue testing of complete aircraft structures and corrosion detection and other critical components. Many OEMs are shifting towards condition-based maintenance utilizing embedded monitoring sensors to track component structural and operational integrity over time as opposed to performing maintenance on time-based intervals. We expect demand for our solutions to increase with the adoption of these new-age materials and distributed online sensor networks. We also expect demand for asset protection solutions to increase with the continued adoption of additive manufacturing techniques.

### **Industrials**

The quality control requirements driven by the need for zero-to-low-defect component tolerance within automated, robotic-intensive industries such as automotive, consumer electronics and medical industries serve as key drivers for increased demand in asset protection, particularly for in-house inspection and testing. We expect that increasingly stringent quality-control requirements and competitive forces will drive the demand for more-costly finishing and polishing which, in turn, creates opportunities for integrated partnerships between us and our customers throughout the production lifecycle.

### **Power Generation and Transmission**

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We provide asset protection solutions for customers in the combined cycle, fossil, nuclear, transmission and distribution and wind/alternative energy industries. We believe that in recent years, acceptance of asset protection solutions has grown in this industry due to the aging of critical power generation and transmission infrastructure.

The growing availability of cheap natural gas, along with environmental concerns with coal, has stimulated the construction of new natural gas-fired power plants across North America, creating opportunities for us to provide specialized solutions in multiple phases. These include facility design consultations, NDT services during construction and plant operations and long-term condition monitoring. We anticipate sharp growth in these types of plants as natural gas pricing remains low, and the environmental impacts of coal remain unattractive to the public.

We also offer solutions for inspection, maintenance, monitoring and data services for wind turbines and their components. These include NDT services — often performed through rope and/or drone access — to identify corrosion, cracking, and other defects that can affect the safety and operational effectiveness of wind turbines, along with remedial solutions to repair minor damages identified during inspections.

### **Other Process Industries**

Our asset protection solutions are crucial for process industries, or industries in which raw materials are treated or prepared in a series of stages, including chemicals, pharmaceuticals, food processing, pulp and paper and metals and mining. As the process facilities are increasingly facing aging infrastructure, high utilization, growing capacity constraints and increasing capital costs, we believe asset protection solutions will continue to grow in importance in maintenance planning, quality and cost control and prevention of catastrophic failure.

### **Infrastructure, Research and Engineering**

We believe that high-profile infrastructure catastrophes have caused public authorities to more actively seek ways to prevent similar events from occurring. Public authorities tasked with new construction and maintenance of existing public infrastructure increasingly use asset protection solutions to inspect these assets, including the use of embedded sensors to enable online monitoring throughout the life of the asset.

We have provided testing and structural health monitoring and data analytical solutions on bridges and structures worldwide, including some of the largest and most well-known bridges in the United States and United Kingdom. Our sensors continuously monitor these assets, alerting owner/operators when defects are detected. Our monitoring teams also provide regular reports that include early warnings of suspect areas before an alarm is generated.

### **Petrochemical**

We provide asset protection NDT services for customers within the petrochemical industry, as they transform byproducts into goods which are utilized in many end products such as plastics, soaps, fertilizers, synthetic fibers and rubber. Our solutions help identify conditions that if not remedied, could lead to potential catastrophic failures in tanks, vessels, valves, buried and above ground pipelines, pumps, motors, compressors and other critical assets found throughout the petrochemical production process.

We actively seek to evolve our solutions through technological enhancements and R&D to discover new applications. Online monitoring and permanently-mounted sensors provide real-time data to petrochemical owners and operators and provide an opportunity for us to synergistically leverage our asset protection solutions into our MISTRAS Digital platform, OneSuite. Digital transmission of data in various industry sectors, with built-in analytic functions, will allow our customers to better leverage inspection data that is being generated in the field. We also have actively sought to further enhance our integrated approach to asset protection, through the development of our complementary mechanical service portfolio.

### **Customers**

We provide our asset protection solutions to a global customer base of diverse companies primarily in our target markets. No customer represented 10% or more of our revenue in any of the years ended December 31, 2023, 2022 or 2021.

### **Geographic Areas**

We have operations in 10 countries and occasionally conduct business in a few other countries. Most of our revenues are derived from our U.S., Canadian and European operations and we do not have operations in Russia, and we do not do business in Russia, Ukraine or other areas which are impacted by the Russian invasion of Ukraine. See Note 2-*Revenue* and Note 19-*Segment Disclosure* to our audited consolidated financial statements in this Annual Report for further disclosure of our revenues, long-lived assets and other financial information regarding our international operations.

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### **Sales and Marketing**

We sell our asset protection solutions through our direct sales and marketing activities worldwide. In addition, our project and laboratory managers, as well as our management, are trained on our solutions and often are the source of sales leads and customer contacts. Our direct sales and marketing teams work closely with our customers to demonstrate the benefits and capabilities of our asset protection solutions, refine our asset protection solutions based on changing market and customer needs and identify potential opportunities. We divide our sales and marketing efforts into services sales, products and systems sales and marketing and utilize marketing automation and customer relationship management ("CRM") systems to collect, manage and collaborate customer information with our teams globally. Our CRM systems also provide critical data to provide accurate forecasting and reporting.

### **Manufacturing**

Most of our hardware products are manufactured in our Princeton Junction, New Jersey facility. This facility includes the capabilities and personnel to fully produce all of our AE products and NDT Automation Ultrasonic equipment. We also design and manufacture automated ultrasonic systems and scanners in France.

### **Human Capital**

As of December 31, 2023, we had approximately 4,800 employees worldwide, of which 3,200 were located in the United States, 500 in Canada and 1,100 in our other non-U.S. locations. Our employees include full and part time employees throughout our organization. As described below, we value our employees and have established various programs to promote the satisfaction, health and safety of our employees. Less than 0.01% of our employees in the United States are unionized.

Our employees are key to achieving our goals and strategy. We have committed resources throughout our organization to ensure that we are attracting, developing, and retaining talented employees needed to support all aspects of our activities. Our core values and business ethics guide and direct all activities undertaken by us.

The health and safety of our employees is paramount. We have also developed key initiatives and strategies regarding our talent and people initiatives. Below, we describe some of the key initiatives and values around health and safety. Management regularly updates our Board of Directors with regards to our safety and people strategy and how we are performing in these areas. In 2020, our Board established the Environmental, Social and Safety Committee. This Committee, which consists of independent directors, monitors and oversees the strategic direction of our initiatives in support of our core values and our environmental, social and governance initiatives.

#### *Talent, Leadership and Employee Development*

Employee development and engagement begins with our senior management team, which has considerable industry experience and expertise. Leveraging this experience and expertise, our senior management team is able to continuously review our organizational structure and provide opportunities for the growth and development for our employees.

As part of our continued commitment to our employees, we have established various programs to promote lifelong learning and development opportunities for our employees. These include a mix of voluntary and mandatory training programs, which are provided in-person, virtually or on the job. We also provide employees the ability to continue to gain additional professional certifications to contribute to their career advancement. We utilize a web-based training center which is available to field technicians for career advancement and includes over 500 web-based classes. In addition, we are committed to ensuring all employees are compensated at a living wage. All local minimum wage requirements are met and where no wage laws are in place, employees are compensated competitively, in accordance with industry standards.

Our human rights policy places a high priority on diversity and equal opportunity and provides our employees with management's expectations related to human rights and labor practices.

Another program we instituted focuses on our connection by a common thread of caring – about one another, our customers, the environment, and the work we do. We seek to foster a culture of togetherness, safety, respect, and contribution which enables each individual member to feel that he or she is a part of something bigger. A community of caring professionals with a genuine passion for helping people and making a difference together – that is the heart of the program we call "Caring Connects."

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### *Our Safety-Conscious Culture*

We consider safety the backbone of our operations. Our asset protection solutions aim to ensure that industrial assets and facilities remain in safe, reliable working condition, which in turn enhances safety for our customers, the public, and the environment. Our laboratory and field personnel are trained to operate according to strict safety and quality standards so that our processes and procedures regarding hazardous materials, worker safety, and accident prevention are sound and effective. Further to this, we are constantly evaluating these processes and procedures to ensure that they remain of high quality and are effective, and we consider changes in the manner in which work is performed or lessons that have been learned from any sources, such as industry data. We work to help ensure that our customers are in full compliance with all federal, state, and local regulations. Our practices, policies and procedures are designed to help ensure we perform our duties through the use of safe, industry-best practices, seeking to minimize risk wherever possible.

We emphasize a "MISTRAS' safety-conscious" culture with the intent that it becomes embedded in the day-to-day work of all our employees. We use various training tools and other practices to instill attitudes, beliefs, perceptions, and values that all employees share in the mandate to create and maintain a safe work environment for all.

We continuously monitor our safety performance through analysis of our company-wide safety statistics, which help us to determine behavioral trends while also instilling a culture of proactivity. For the year ended December 31, 2023, our Total Recordable Incident Rate ("TRIR") was 0.3 while Days Away, Restricted and Transferred Rate was 0.18 and Lost Work Day Rate remained 0.12. For the year ended December 31, 2022, our TRIR was 0.41.

### **Seasonality**

Our business is seasonal. This seasonality relates primarily to our oil and gas target market, and to a lesser extent within our other target markets. U.S. refineries' non-peak periods are generally in the fall, when they are retooling to produce more heating oil for winter, and in the spring, when they are retooling to produce more gasoline for summer. The peak periods for these customers are the summer and winter months, when they run at peak capacity and are not retooling or performing turnarounds or shut downs. As a result, our revenues in the summer and winter months are typically lower than our revenues in the fall and spring, when demand for our asset protection solutions from the oil and gas as well as the fossil power industries increases during their non-peak production periods. Because we are increasing our work in the fall and spring, our cash flows are lower in those quarters than in the summer and winter, as collections of receivables lag behind revenues. We expect that this seasonality will continue.

### **Competition**

We operate in a highly competitive, but fragmented, market. Our primary competitors include large public and private companies, divisions of large companies and various small companies which generally are limited to a specific product or technology and focused on a niche market or geographic region. We believe that few, if any, of our competitors currently provide the full range of asset protection and NDT products, enterprise software ("PCMS") and the traditional and advanced services solutions that we offer. Our competition with respect to NDT services include Acuren, SGS Group, the Team IHT Segment and APPLUS RTD. Our competition with respect to our PCMS software includes UltraPIPE, Lloyd's Register Capstone, Inc. and Meridium Systems. In the traditional NDT market, we believe the principal competitive factors include project management, availability of qualified personnel, execution, price, reputation and quality, whereas in the advanced NDT market, reputation, quality and size tend to be the most significant competitive factors. We believe that the NDT market has significant barriers to entry which would make it difficult for new competitors to enter the market. These barriers include: (i) having to acquire or develop advanced NDT services, products and systems technologies, which in our case occurred over many years of customer engagements and at significant internal research and development expense, (ii) complex regulations and safety codes that require significant industry experience, (iii) license requirements and evolved quality and safety programs, (iv) costly and time-consuming certification processes, (v) capital requirements and (vi) emphasis by large customers on size and critical mass, length of relationship and past service record.

### **Research and Development**

Our research and development is principally conducted by engineers and scientists at our Princeton Junction, New Jersey headquarters, and supplemented by other employees in the United States and throughout the world, including Canada, France, Greece the United Kingdom, Brazil and the Netherlands. Our total professional staff includes employees who hold Ph.D.'s and engineers and employees who hold Level III certification, the highest level of certification from the American Society of Non-Destructive Testing (ASNT).

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We make strategic research and development investments in our data analytical solutions technologies that support integration with our other solution offerings to enhance cost- and time-efficiencies, maximize uptime and safety and improve the flow of data from field technicians to inspection databases. These strategic investments enable us to enhance our service offerings to customers and provide valuable insights and predictive analysis.

We have also invested significant research and development in pre-machining and advanced testing technologies in a purpose-built facility for an aerospace customer, with the goal of reducing the customer's production cycle logistics and costs.

We also work with customers to develop new products or applications for our technology, including:

- Testing of new composites
- Detecting crack propagation
- Wireless and communications technologies
- Development of permanently embedded inspection systems to provide continuous, online, in-service monitoring of critical structural components

Research and development expenses are reflected in our Consolidated Statements of Income (Loss) as research and engineering expenses. Our company-sponsored research and engineering expenses were approximately \$1.7 million, \$2.0 million and \$2.5 million for the years ended December 31, 2023, 2022 and 2021, respectively. While we have historically funded most of our research and development expenditures, from time to time we also receive customer-sponsored research and development funding. Most of the projects are in our target markets, however, a few of the projects could lead to other future market opportunities.

## **Intellectual Property**

Our success depends, in part, on our ability to maintain and protect our proprietary technology and to conduct our business without infringing on the proprietary rights of others. We utilize a combination of intellectual property safeguards, including patents, copyrights, trademarks and trade secrets, as well as employee and third-party confidentiality agreements, to protect our intellectual property.

As of December 31, 2023, we held 12 U.S. patents by direct ownership and 5 patent applications pending in the United States. All the patent applications pending have been filed since 2018. While we do not rely on these patents or licenses to provide a majority of our proprietary asset protection solutions, certain of these patents do provide us with a competitive advantage and we believe they will be an asset to our growth strategy. Our trademarks and service marks provide us and our solutions with a certain amount of brand recognition in our markets. We do not consider any single patent, trademark or service mark material to our financial condition or results of operations.

As of December 31, 2023, the primary trademarks and service marks that we held in the United States included MISTRAS®, our stylized globe design and our tag line "One Source for Asset Protection Solutions". Other key trademarks or service marks that we utilize in localized markets or product advertising include:

- Onstream® (word and logo)
- PCMS® (word and logo)
- Ropeworks®
- MISTRAS Digital®
- OneSuite™
- Sensoria™
- OneSource™
- CALIPERAY™ (word and logo)
- Physical Acoustics PAC logo
- Streamview™
- Sensor Highway™
- TankPAC®
- VPAC™
- Transformer Clinic™
- FieldCal™
- UTwin®
- AEwin®
- Pocket AE®
- Pocket UT®

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Many elements of our asset protection solutions involve proprietary know-how, technology or data that are not covered by patents or patent applications because they are not patentable or would be difficult to enforce, including technical processes, algorithms and procedures. We believe that this proprietary know-how, technology and data is the most important component of our intellectual property used in our asset protection solutions and is a primary differentiator of our solutions from those of our competitors. We rely on various trade secret protection techniques and agreements with our customers, service providers and vendors to protect these assets. All of our employees are subject to confidentiality requirements through our employee handbook. In addition, many of our employees have entered into confidentiality and proprietary information agreements with us. Our employee handbook and these agreements require our employees not to use or disclose our confidential information and to assign to us all the inventions, designs and technologies they develop during the course of employment with us, as well as addressing other intellectual property protection issues. We also seek confidentiality agreements from our customers and business partners before we disclose any sensitive aspects of our technologies or business strategies. We are not currently involved in any material intellectual property claims.

## **Governmental Regulations**

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others: the Comprehensive Environmental Response, Compensation, and Liability Act, the Resources Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act, the Toxic Substances Control Act, the Atomic Energy Act, the Energy Reorganization Act of 1974, and applicable regulations. In addition to the federal laws and regulations, states and other countries where we do business often have numerous environmental, legal and regulatory requirements by which we must abide. We evaluate and address the environmental impact of our operations by assessing properties in order to avoid future liabilities and comply with environmental, legal and regulatory requirements.

## **Executive Officers**

The following were our executive officers for the year ended December 31, 2023 and their background and experience.

Name	Age	Position
Manuel N. Stamatakis	76	Chairman of the Board and Interim President and Chief Executive Officer
Edward J. Prajzner	57	Senior Executive Vice President and Chief Financial Officer
Gennaro D'Alterio	52	Executive Vice President, Chief Commercial Officer
Michael C. Keefe	67	Executive Vice President, General Counsel and Secretary
Michael J. Lange	63	Senior Group Executive Vice President
John A. Smith	54	Executive Vice President and President of Services

*Manuel "Manny" N. Stamatakis* joined Mistras Board of Directors in 2002, became the Chair of the Governance Committee as well as a member of the Audit Committee and Compensation Committee in 2009 and Lead Director in 2010. On October 9, 2023, Mr. Stamatakis became the Chairman of the Board, and on the same day became our Interim President Chief Executive Officer to replace our prior President and Chief Executive Officer, Dennis Bertolotti. At that same time, Mr. Stamatakis resigned from all the committees of the Board and as our lead director. Mr. Stamatakis currently chairs the Project Phoenix Steering Committee, an initiative for which he is both the chief architect and driving force.

An accomplished entrepreneur for over 30 years, Mr. Stamatakis is an executive officer of Capital Management Enterprises, Inc., a financial services and employee benefits consulting firm based in Pennsylvania. Mr. Stamatakis has held multiple board and chairmanship positions over the years, including Chairman of the Delaware River Port Authority, The Drexel College of Medicine, the Pennsylvania Supreme Court Investment Advisory Board, and the Philadelphia Shipyard Development Corporation which was the catalyst to bringing shipbuilding back to the Philadelphia region. He earned a B.S. in Industrial Engineering from Pennsylvania State University and received an honorary Doctor of Business Administration from Drexel University.

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*Edward J. Prajzner* joined Mistras in January 2018 as our Senior Vice President, Chief Financial Officer and Treasurer, was subsequently promoted to Executive Vice President and on March 26, 2023, was promoted to become our Senior Executive Vice President and Chief Financial Officer. Prior to joining Mistras, Mr. Prajzner worked at CECO Environmental Corp., a global service provider to environmental, energy and filtration industries, and served as Chief Financial Officer and Secretary from 2014 to 2017, Vice President of Finance and Chief Accounting Officer from 2013 until his appointment as Chief Financial Officer in 2014, and Corporate Controller and Chief Accounting Officer from 2012 to 2013. Mr. Prajzner also served in senior finance roles at CDI Corporation (now AE Industrial Partners) and American Infrastructure (now Allan Myers). Mr. Prajzner began his career in public accounting at Ernst & Young, received his B.S. in accountancy from Villanova University, his MBA in finance from Temple University and is a certified public accountant.

*Gennaro "Jerry" D'Alterio* joined Mistras on September 11, 2023, as Executive Vice President and Chief Commercial Officer. Prior to joining Mistras, Mr. D'Alterio most recently served as the Vice President of Product Management and Director, Global Business Development at CECO Environmental Corporation's Fluid Handling & Filtration segment, where he also held the positions of President and Global President. With over 20 years of proven executive leadership and demonstrated ability to drive both revenue growth and profitability, across a wide range of industries, Mr. D'Alterio excels at driving best-in-class commercial operating models and transformations while fostering success-oriented, winning cultures. Mr. D'Alterio holds an MBA and a Bachelor of Science in Mechanical Engineering from Villanova University. He is certified in LEAN enterprise and manufacturing, is member of the Hydraulic Institute and the International Desalination Association, and serves on the Board of the Aquatic Animal Life Support Operators organization.

*Michael C. Keefe* joined Mistras in December 2009. Prior to joining Mistras, Mr. Keefe worked at International Fight League, a then publicly-traded sports promotion company, from 2007 until 2009, in various executive positions. From 1990 until 2006, Mr. Keefe served in various legal roles with Lucent Technologies and AT&T, the last four years of which he served as Vice President, Corporate and Securities Law and Assistant Secretary. Mr. Keefe received a BS in Business Administration (Accounting) from Seton Hall University and a J.D. from Seton Hall University School of Law.

*Michael J. Lange* joined Mistras when we acquired Quality Services Laboratories in November 2000, and was elected a Director in 2003. Mr. Lange has held various executive level positions with Mistras, becoming Senior Executive Vice President, effective June 1, 2016. Mr. Lange is a well-recognized authority in Radiography and has held an ASNT Level III Certificate for almost 20 years. Mr. Lange received an Associate of Science degree in NDT from the Spartan School of Aeronautics.

*John A. Smith* joined Mistras in 2008 and has held various positions, including Vice President of Operations, then became Senior Vice President of Operations in 2018 before becoming Executive Vice President and President of Services on October 1, 2023. Mr. Smith began his career as a non-destructive testing (NDT) technician with CONAM Inspection and Engineering Services before launching his own business, Elite Inspection Services Company. He owned and operated Elite for 16 years, until Mistras acquired the company in 2008. During his NDT career, Mr. Smith held multiple certifications from the American Society for Nondestructive Testing (ASNT).

Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among any of our directors or executive officers.

### **Our Website and Available Information**

Our website address is [www.mistrasgroup.com](http://www.mistrasgroup.com). We file reports with the SEC, including Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K and Proxy Statements. All of the materials we file with or furnish to the SEC are available free of charge on our website at <http://investors.mistrasgroup.com/sec.cfm>, as soon as reasonably practicable after having been electronically submitted to the SEC. Information contained on or connected to our website is not incorporated by reference into this Annual Report and should not be considered part of this Annual Report or any other filing with the SEC. All of our SEC filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, materials we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

**ITEM 1A. RISK FACTORS**

This section describes the major risks to us, our business and our common stock. You should carefully read and consider the risks described below, together with the other information contained in this Annual Report, including our financial statements and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" before making an investment decision. The statements contained in this section constitute cautionary statements under the Private Securities Litigation Reform Act of 1995. If any of these risks occur, our business, financial condition, results of operations and future growth prospects may be adversely affected. As a result, the trading price of our common stock would likely decline, and you may lose all or part of your investment. You should understand that it is not possible to predict or identify all risk factors that could impact us. For example, the COVID-19 pandemic has had a dramatic negative impact on the health of citizens of many countries, and resulted in major disruptions in economies and markets around the world, including our key markets. In addition, it is unclear what effects the on-going war between Russia and Ukraine and the conflict in the Middle East between Israel and Hamas are likely to have on the world economy and certain of our target markets, including particularly the oil and gas market, in the near and long term. In addition, macroeconomic factors such as inflation, unemployment, and interest rates, amongst others, will impact our business. Accordingly, you should not consider the following to be a complete discussion of all risks and uncertainties pertaining to us and our common stock.

**Risks Related to Our Business**

***Due to our dependency on customers in the oil and gas industry, we are susceptible to prolonged negative trends relating to this industry that could adversely affect our operating results.***

Our customers in the oil and gas industry have accounted for a substantial portion of our historical revenues. Specifically, they accounted for approximately 59%, 56%, and 54% of our revenues for the years ended December 31, 2023, 2022 and 2021, respectively. Although we have expanded our customer base into industries other than the oil and gas industry, we still receive a majority of our revenues from this industry. Our services are vital to the operators of plants, refineries, and pipelines, and we have expanded our services offerings, such as expanding our mechanical and in-line inspection services capabilities. However, economic slowdowns or low oil prices have, and could continue to, result in cutbacks in contracts for our services. In addition, low oil prices could depress the level of new exploration and construction, which would adversely affect our market opportunities. If the price of oil were to decrease, our revenues, profits and cash flows may be reduced. If the price of oil reaches record, or near record levels as it did in 2022, we may experience delays or deferrals in performing inspection services to customers in the oil and gas industry.

While we continue to expand our market presence in the aerospace, power generation and transmission, and the chemical processing industries, among others, these markets are also cyclical in nature and as such, are subject to economic downturns. In addition, it is unclear what the continued effects the war between Russia and Ukraine and the conflict in the Middle East between Israel and Hamas are likely to have on the world economy and certain of our target markets, including particularly the oil and gas market, in the near and long term. However, during 2022, we experienced unfavorable foreign currency exchange impacts as it relates to our European operations. Additionally, the Russian-Ukrainian war continues to create disruptions in the oil and gas market and the supply chain in general, which is resulting in some disruption to our business operations. Our European operations are currently experiencing increased costs associated with higher energy costs, among others, due in part to the Russian-Ukrainian war.

***We may be affected by climate change and market or regulatory responses to climate change***

Climate change could have a material adverse effect on our results of operations, financial condition, and liquidity. Restrictions on emissions, including those that have already been adopted and others that are expected to be adopted in the future, could affect our customers that (i) use commodities to produce energy, (ii) use significant amounts of fossil fuel to produce or deliver commodities, or (iii) manufacture or produce goods that consume significant amounts of fossil fuels or burn fossil fuels. Significant cost increases, government regulation, or changes of consumer preferences for goods or services relating to alternative sources of energy or emissions reductions could materially affect the markets we serve (including the oil and gas industry), which in turn could have a material adverse effect on our results of operations, financial condition and liquidity. Government incentives encouraging the use of alternative sources of energy also could affect certain of our customers and the markets we serve in an unpredictable manner. Any of these factors, individually or with one or more of the other factors, or other unforeseen impacts of climate change could have a material adverse effect on our results of operations, financial condition and liquidity.

In addition, changes in international, federal, state and local legislation and regulation based on concerns about climate change and increasing climate-related disclosures, including the rules proposed by the SEC, could result in increased compliance and data collection costs if, and when, such laws and regulations become effective.

***Our international operations are subject to risks relating to non-U.S. operations.***

For the years ended December 31, 2023, 2022 and 2021, we generated approximately 29%, 29%, and 30% of our revenues outside the United States, respectively. In addition, our international operations as a percentage of our business may increase over time. Our primary operations outside the United States are in Canada, Germany, France, the United Kingdom, the Netherlands and Brazil. We also have operations in Belgium, Greece and India. There are numerous risks inherent in doing business in international markets, including:

- fluctuations in currency exchange rates and interest rates;
- regional micro and macro-economic pressures, inflationary costs, energy costs and geopolitical factors;
- compliance with applicable foreign regulations and licensing requirements, and U.S. laws and regulation with respect to conducting business in other countries, including export controls, sanctions, anti-terrorist and anti-bribery laws;
- the cost and uncertainty of obtaining data and creating solutions that are relevant to particular geographic markets;
- the need to provide sufficient levels of technical support in different locations;
- the complexity of maintaining effective policies and procedures in locations around the world;
- political instability, war or conflicts and civil unrest;
- increased risk of hacking, malware or security breaches of our data and databases;
- restrictions or limitations on outsourcing contracts or services abroad;
- restrictions or limitations on the repatriation of funds, or tax consequences on the non-repatriation of overseas operationally generated funds; and
- other potentially adverse tax consequences.

***Our operating results could be adversely affected by a reduction in business with our significant customers.***

We derive a significant amount of revenues from a few customers. Taken as a group, our top ten customers were responsible for approximately 35%, 33%, and 33% of our revenues for the years ended December 31, 2023, 2022 and 2021, respectively. This concentration pertains almost exclusively to our North America segment, which accounted for 82%, 83% and 82% of our revenues for the years ended December 31, 2023, 2022 and 2021, respectively. These customers are primarily in the oil and gas sector. Generally, our customers do not have an obligation to make purchases from us and may stop ordering our products and services or may terminate existing orders or contracts at any time with little or no financial penalty. The loss of any of our significant customers, any substantial decline in sales to these customers or any significant change in the timing or volume of purchases by our significant customers could result in lower revenues and could harm our business, financial condition or results of operations.

***Our business, and the industries we currently serve, are currently subject to governmental regulation, and may become subject to modified or new government regulation that may negatively impact our ability to market our asset protection solutions.***

We are required to comply with various government regulations and licensing requirements. For example, the transportation and overnight storage of radioactive materials used in providing certain of our asset protection solutions such as radiography are subject to regulation under federal and state laws and licensing requirements. Our North America segment is currently licensed to handle radioactive materials by the U.S. Nuclear Regulatory Commission, more than 30 state regulatory agencies and the Canadian Nuclear Safety Commission. If we allegedly fail to comply with these regulations, we may be investigated and incur significant legal expenses associated with such investigations, and if we are found to have violated these regulations, we may be fined or lose one or more of our licenses or permits, which would prevent or restrict our ability to provide radiography services. In addition, while we are being investigated, we may be required to suspend work on the projects associated with our alleged noncompliance, resulting in loss of profits or customers, and damage to our reputation. Many of our customers have strict requirements concerning safety or loss time occurrences and if we are unable to meet these requirements it could result in lost

revenues. In the future, governmental agencies may seek to change current regulations or impose additional regulations on our business. Any modified or new government regulation applicable to our current or future asset protection solutions may negatively impact the marketing and provision of those solutions and increase our costs of providing these solutions and have a corresponding adverse effect on our margins.

Additionally, greenhouse gases that result from human activities, including burning of fossil fuels, have been the focus of increased scientific and political scrutiny and are being subjected to various legal requirements. International agreements, national laws, state laws and various regulatory schemes limit or otherwise regulate emissions of greenhouse gases, and additional restrictions are under consideration by different governmental entities. We derive a significant amount of revenues and profits from such industries, including oil and gas, power generation and transmission, and chemicals processing. Such regulations could negatively impact our customers, which could negatively impact the market for the services and products we provide. This could materially adversely affect our business, financial condition, results of operations and cash flows.

We rely on certification of our NDT solutions by industry standards-setting bodies. We and/or our subsidiaries currently have International Organization for Standardization (ISO) 9001:2008 certification, ISO 14001:2004 certification and OHSAS 18001:2007 certification. In addition, we currently have Nadcap (formerly National Aerospace and Defense Contractors Accreditation Program) and similar certifications for certain of our locations. We continually review our NDT solutions for compliance with the requirements of industry specification standards and the Nadcap special processes quality requirements. However, if we fail to maintain our ISO, Nadcap or other certifications, our business may be harmed because our customers generally require that we have these certifications before they purchase our NDT solutions.

***An accident or incident involving our asset protection solutions could expose us to claims, harm our reputation and adversely affect our ability to compete for business and, as a result, harm our operating performance.***

We could be exposed to liabilities arising out of the solutions we provide. For instance, we furnish the results of our testing and inspections for use by our customers in their assessment of their assets, facilities, plants and other structures. If such results were to be incorrect or incomplete, as a result of, for instance, poorly designed inspections, malfunctioning testing equipment or our employees' failure to adequately test or properly record data, we could be subject to claims. Further, if an accident or incident involving a structure we tested occurs and causes personal injuries or property damage, such as the collapse of a bridge or an explosion in a facility, and particularly if these injuries or damages could have been prevented by our customers had we provided them with correct or complete results, we would likely face significant claims relating to personal injury, property damage or other losses. Even if our results are correct and complete, we may face claims for such injuries or damage simply because we tested the structure or facility in question. In addition, during the course of a single engagement, such as the inspection of a pipeline, we often perform tests on thousands of welds. Even if the accuracy of only a small number of these test results are questioned, a customer may attempt to refuse payment for the entire project. While we do have insurance, our insurance coverage does not cover non-payment by customers and may not be adequate to cover the damages from any of the prior referenced claims, forcing us to bear these uninsured damages directly, which could harm our operating results and may result in additional expenses and possible loss of revenues. An accident or incident for which we are found partially or fully responsible, even if fully insured, or even an incident at a customer or site for which we provide services although we were found not to be responsible, may also result in negative publicity, which would harm our reputation among our customers and the public, cause us to lose existing and future contracts or make it more difficult for us to compete effectively, thereby significantly harming our operating performance. In addition, the occurrence of an accident or incident might also make it more expensive or extremely difficult for us to insure against similar events in the future.

***Many of the sites at which we work are inherently dangerous workplaces. If we fail to maintain a safe work environment, we may incur losses and lose business.***

Many of our customers, particularly in the oil and gas and chemical industries, require their inspectors and other contractors working at their facilities to have good safety records because of the inherent danger at these sites. If our employees are injured at the work place, we could incur costs for the injuries and lost productivity. In addition, safety records are impacted by the number and amount of workplace incidents involving a contractor's employees. If our safety record is not within the levels required by our customers, or compares unfavorably to our competitors, we could lose business, be prevented from working at certain facilities or suffer other adverse consequences, all of which could negatively impact our business, revenues, reputation and profitability.

***If our software or system produces inaccurate information or are incompatible with the systems used by our customers and make us unable to successfully provide our solutions, it could lead to a loss of revenues and customers.***

Our software and systems are complex and, accordingly, may contain undetected errors or failures. Software or system defects or inaccurate data may cause incorrect recording, reporting or display of information related to our asset protection solutions. Any such failures, defects and inaccurate data may prevent us from successfully providing our asset protection solutions, which could result in lost revenues. Software or system defects or inaccurate data may lead to customer dissatisfaction and could cause our customers to seek to hold us liable for any damages incurred. As a result, we could lose customers, our reputation may be harmed and our financial condition and results of operations could be materially adversely affected.

We currently serve a commercial, and industrial customer base that uses a wide variety of constantly changing hardware, software solutions and operating systems. Our asset protection solutions need to interface with these systems in order to gather and assess data. Our business depends on the following factors, among others:

- our ability to integrate our technology with new and existing hardware and software systems, of either Mistras or a customer;
- our ability to anticipate and support new standards, especially internet-based standards; and
- our ability to integrate additional software modules under development by either us or a customer, with our existing technology and operational processes.

If we are unable to adequately address any of these factors, our results of operations and prospects for growth and profitability would be adversely impacted.

***If we are unable to attract and retain a sufficient number of trained certified technicians, engineers and scientists at competitive wages, changes in laws and other labor issues could materially affect our financial performance.***

We believe that our success depends, in part, upon our ability to attract, develop and retain a sufficient number of trained certified technicians, engineers and scientists at competitive wages. The demand for such employees fluctuates as the demand for NDT and inspection services fluctuates. When the demand for qualified technicians increases, we will often experience increased labor costs, which we may not recover in the amounts we can charge our customers. The markets for our products and services require us to use personnel trained and certified in accordance with standards set by domestic or international standard-setting bodies, such as the American Society of Non-Destructive Testing or the API. Because of the limited supply of these certified technicians, we expend substantial resources maintaining in-house training and certification programs. If we fail to attract sufficient new personnel or fail to motivate and retain our current personnel, our ability to perform under existing contracts and orders or to pursue new business may be harmed, preventing us from growing our business or causing us to lose customers and revenues, and the costs of performing such contracts and orders may increase, which would likely reduce our margins.

In addition, if our costs of labor or related costs increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase our labor costs, our financial performance could be materially adversely affected.

***Our initiatives to improve our financial performance may not achieve results within expected time frames, or at expected levels.***

We have undertaken strategies to transform our business so that we may operate more effectively, streamline and rationalize our cost structures, and look for strategic opportunities to expand our revenue and become more profitable. The extent of our future success depends on how successful we are in these endeavors.

In 2023, we commenced a broad review of our operations, which we refer to as "Project Phoenix". Through Project Phoenix, we have been exploring ways to improve profitability and Adjusted EBITDA, through meaningful margin improvement and sustained cost savings. We have completed most phases of the project, wherein efficiency and profitability opportunities were identified, actionable initiatives were validated, and many of these actions have been implemented prospectively. Project Phoenix has resulted in significant cost reductions, primarily through headcount reductions, more efficient workflows, and streamlining of processes, and also led to developing and initiating action plans to increase revenue.

We believe our Project Phoenix initiatives will benefit the Company and our stockholders in the long run. However, we cannot be certain that some of the cost reductions could result in problems with our operations, lost opportunities, weakening of controls and procedures or other adverse effects if we misjudged the impact of the headcount reductions and other changes that we have implemented and are currently implementing. In addition, headcount reductions can result in lower employee morale and result in employees deciding to leave the Company, which would further adversely impact our businesses.

***We operate in competitive markets and if we are unable to compete successfully, we could lose market share and revenues and our margins could decline.***

We face strong competition from NDT and a variety of niche asset protection providers, both larger and smaller than we are. Some of our competitors have greater financial resources than we do and could focus their substantial financial resources to develop a competing business model or develop products or services that are more attractive to potential customers than what we offer. Some of our competitors are business units of companies substantially larger than us and could attempt to combine asset protection solutions into an integrated offering to customers who already purchase other types of products or services from them. Our competitors may offer asset protection solutions at lower prices than ours in order to attempt to gain market share. Smaller niche competitors with small customer bases could be aggressive in their pricing in order to retain customers. These competitive factors could reduce our market share, revenues and profits.

***The success of our businesses depends, in part, on our ability to develop new asset protection solutions, increase the functionality of our current offerings and meet the needs and demands of our customers.***

The market for asset protection solutions is impacted by technological change, uncertain product lifecycles, shifts in customer demands and evolving industry standards and regulations. If we fail to execute effective business strategies, or fail to successfully develop and market new asset protection solutions that comply with present or emerging industry regulations and technology standards, our competitive standing and results could suffer. Also, new regulations or technology standards could increase our cost of doing business.

From time to time, our customers have requested greater value and functionality in our solutions. As part of our strategy to enhance our asset protection solutions and grow our business, we continue to make investments in the research and development of new technologies, inspection tools and methodologies. We believe our future success will depend, in part, on our ability to continue to design new, competitive and broader asset protection solutions, enhance our current solutions and provide new, value-added services. Many traditional NDT and inspection services are subject to price competition by our customers. Accordingly, the need to demonstrate our value-added services is becoming more important. Developing new solutions will require continued investment, and we may experience unforeseen technological or operational challenges. In addition, our asset protection software is complex and can be expensive to develop, and new software and software enhancements can require long development and testing periods. If we are unable to develop new asset protection solutions or enhancements that meet market demands on a timely basis, including against possible alternative products developed and marketed by our competitors, we may experience a loss of customers or otherwise be likely to lose opportunities to earn revenues and to gain customers or access to markets, and our business and results of operations will be adversely affected.

Even if we develop new solutions, if our customers, or potential customers, do not see the value our solutions have over competing products and services, our operating results could be adversely impacted. In addition, because the asset protection solutions industry is evolving, we could lose insight into trends that may be emerging, which would further harm our competitive position by making it difficult to predict and respond to customer needs. If the market for our asset protection solutions does not continue to develop, our ability to grow our business would be limited and we might not be able to maintain profitability. If we cannot convince our customers of the advantages and value of our advanced NDT services, we could lose large contracts or suffer lower profit margin.

***The seasonal nature of our business reduces our revenues and profitability in the winter and summer and related cash flows.***

Our business is seasonal. The fall and spring revenues are typically higher than our revenues in the winter and summer because demand for our asset protection solutions from the oil and gas as well as the fossil and nuclear power industries increases during their non-peak production periods. For instance, U.S. refineries' non-peak periods are generally in the fall, when they are retooling to produce more heating oil for winter, and in the spring, when they are retooling to produce more gasoline for summer. As a result of these trends, we generally have reduced cash flows in the fall and spring, as collections of receivables lag behind revenues, normally requiring us to increase our borrowings under our credit agreement. In addition, most of our operating expenses, such as employee compensation and property rental expense, are relatively fixed over the short term. Moreover, our spending levels are based in part on our expectations regarding future revenues. As a result, if revenues for a particular quarter are below expectations, we may not be able to proportionately reduce operating expenses for that quarter. We expect that the impact of seasonality will continue.

***Our credit agreement contains financial and operating restrictions that may limit our access to credit. If we fail to comply with financial or other covenants in our credit agreement, we may be required to repay indebtedness to our existing lenders, which may harm our liquidity.***

Our credit agreement contains financial covenants that require us to maintain compliance with specified financial ratios. If we fail to comply with these covenants, the lenders could prevent us from borrowing under our credit agreement, require us to pay all amounts outstanding, require that we cash collateralize letters of credit issued under the credit agreement and restrict us from making acquisitions. If the maturity of our indebtedness is accelerated, we then may not have sufficient funds available for repayment or the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us, or at all. We believe that it is probable, based on the New Credit Agreement (as defined herein), that we will be able to comply with the financial covenants in our existing credit agreement and that sufficient credit remains available under the credit agreement to meet our liquidity needs. However, due to the uncertainties being caused by the significant volatility in oil prices and volatility in the aerospace production, such matters cannot be predicted with certainty.

Our current credit agreement also imposes restrictions on our ability to engage in certain activities, such as creating liens, making certain investments, incurring more debt, disposing of certain property, paying dividends and making distributions and entering into a new line of business. While these restrictions have not impeded our business operations to date, if our plans change, these restrictions could be burdensome or require that we pay fees to have the restrictions waived. In addition, due to our current debt levels and restrictions related to the debt covenants in our credit facility, we do not expect to make any acquisitions in 2024 other than small acquisitions with the banks' approval.

***We face risks regarding our information technology and security.***

Significant disruptions of our information technology systems or breaches of information security could adversely affect our business. We rely upon information technology systems to operate many parts of our business. We routinely collect, store and transmit large amounts of sensitive or confidential information, including data from the results of our testing and inspections. We deploy and operate various technical and procedural controls to maintain the confidentiality and integrity of such sensitive or confidential information. Furthermore, as we automate more of our inspection process and procedures, including through the use of MISTRAS Digital, we become more vulnerable to security breaches and other system disruptions. In addition, we rely on third parties for significant elements of our information technology infrastructure and, as a result, we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology and information security systems, and those of our third-party vendors with whom we contract (and the large amounts of confidential information that is present on them), make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are of ever-increasing levels of sophistication and expertise, including organized criminal groups, "hacktivists" and others. Due to the nature of some of these attacks, there is a risk that they may remain undetected for a period of time. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance. However, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems. The occurrence or perception of security breaches in connection with our asset protection solutions or our customers' concerns about internet security or the security of our solutions, whether warranted or not, would likely harm our reputation and business, inhibit market acceptance of our asset protection solutions and cause us to lose customers, any of which would harm our financial condition and results of operations.

In addition, much of our computer and communications hardware is located at a single facility. We have a back-up data-center and storage in a different geographic area. Should a natural disaster or some other event occur that damages our primary data center or significantly disrupts its operation, such as human error, fire, flood, power loss, telecommunications failure, break-ins, terrorist attacks, acts of war and similar events, we could suffer temporary interruption of key functions and capabilities before the back-up facility is fully operational.

***Events such as natural disasters, industrial accidents, epidemics, pandemics, war and acts of terrorism, and adverse weather conditions could disrupt our business or the business of our customers, which could significantly harm our operations, financial results and cash flow.***

Our operations and those of our customers are susceptible to the occurrence of catastrophic events outside our control, which may include events like epidemics, pandemics and other health crises, severe weather conditions, industrial accidents, and acts of war and terrorism, to name a few. We continue to actively monitor the conflict in the Middle East between Israel and Hamas, and the war between Russia and Ukraine and the sanctions imposed upon Russia in order to assess impacts to our customers and our operations. At this time, we do not believe there is a material impact on our operations, however the future impact of the conflict, and additional sanctions imposed, are uncertain.

Any such events could cause a serious business disruption that reduces our customers' need or interest in purchasing our asset protection solutions. In the past, such events have resulted in order cancellations and delays because customer equipment, facilities or operations have been damaged, or are not then operational or available. A large portion of our customer base has operations in the Gulf of Mexico, which is subject to hurricanes and tropical storms. Hurricane-related disruptions to our customers' operations have adversely affected our revenues in the past. Such events in the future may result in substantial delays in the provision of solutions to our customers and the loss of valuable equipment. In addition, our results can be adversely impacted by severe winter weather conditions, which can result in lost workdays and temporary closures of customer facilities or outdoor projects.

In addition, these events could disrupt commodity prices or financial markets or have other negative macroeconomic impacts, such as the conflict in the Middle East between Hamas and Israel and the on-going war between Ukraine and Russia, which could harm our business.

#### **Risks Related to Our Common Stock**

***A significant stockholder has significant influence over the direction of our business. The concentrated ownership of our common stock may prevent other stockholders from influencing significant corporate decisions.***

Dr. Sotirios J. Vahaviolos, our founder and Chairman Emeritus, owns approximately 6% of our outstanding common stock, his three adult children own an additional 6%, in the aggregate, and a grantor retained annuity trust he created, for which his daughter is the sole trustee, owns approximately 22%. As a result, Dr. Vahaviolos and his family have significant control over the Company and they have the ability to exert substantial influence over all matters requiring approval by our stockholders, including the election and removal of directors, amendments to our certificate of incorporation, and any proposed merger, consolidation or sale of all or substantially all of our assets and other corporate transactions. This concentration of ownership could be disadvantageous to other stockholders with differing interests from Dr. Vahaviolos and his family.

***We currently have no plans to pay dividends on our common stock.***

We have not declared or paid any cash dividends on our common stock to date, and we do not anticipate declaring or paying any dividends on our common stock in the foreseeable future. To the extent we do not pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment.

***Shares eligible for future sale may cause the market price for our common stock to decline even if our business is doing well.***

Future sales by us or by our existing stockholders of substantial amounts of our common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. This could also impair our ability to raise additional capital in the future through the sale of our equity securities. We cannot predict the size of future issuances of our common stock or the effect, if any, that future sales and issuances of shares of our common stock, or the perception of such sales or issuances, would have on the market price of our common stock. We currently have approximately 170 million shares of common stock available for issuance.

***Provisions of our certificate of incorporation, bylaws and of Delaware law could discourage, delay or prevent a change of control of our company, which may adversely affect the market price of our common stock.***

Certain provisions of our certificate of incorporation and bylaws could discourage, delay or prevent a merger, acquisition, or other change of control that stockholders may consider favorable, including transactions in which our stockholders might otherwise receive a premium for their shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. Furthermore, these provisions could prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions:

- allow the authorized number of directors to be changed only by resolution of our board of directors;
- require that vacancies on the board of directors, including newly created directorships, be filled only by a majority vote of directors then in office;

- authorize our board of directors to issue, without stockholder approval, preferred stock that, if issued, could operate as a “poison pill” to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting by prohibiting stockholder action by written consent;
- prohibit cumulative voting in the election of directors, which may otherwise allow holders of less than a majority of stock to elect some directors; and
- establish advance notice requirements for stockholder nominations to our board of directors or for stockholder proposals that can be acted on at stockholder meetings and limit the right to call special meetings of stockholders to the Chairman of our board, our Chief Executive Officer, our board of directors acting pursuant to a resolution adopted by a majority of directors or our Secretary upon the written request of stockholders entitled to cast not less than 35% of all the votes entitled to be cast at such meeting.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a prescribed period of time.

#### **General Risk Factors**

***Our stock price could fluctuate for numerous reasons, including variations in our results.***

Our quarterly operating results have fluctuated in the past and may do so in the future. Accordingly, we believe that period-to-period comparisons of our results of operations may be the best indicators of our business. You should not rely upon the results of one quarter as an indication of future performance. Our revenues and operating results may fall below the expectations of securities analysts or investors in any future period. Our failure to meet these expectations may cause the market price of our common stock to decline, perhaps substantially. Our quarterly revenues and operating results may vary depending on a number of factors, including those listed previously under “—Risks Related to Our Business.” In addition, the price of our common stock is subject to general economic, market, industry, and competitive conditions, the risk factors discussed herein and numerous other conditions outside of our control.

***Deteriorations in economic conditions in certain markets or other factors may cause us to recognize additional impairment charges for our goodwill.***

During the year ended December 31, 2023, we recognized goodwill impairment charges of \$13.8 million within the International reporting units. Future deterioration in industry or economic conditions in which we operate, including increased inflationary costs, energy costs, labor costs, social pressures and disruptions in Europe, the Middle East or elsewhere as a result of the war between Russia and Ukraine and the conflict between Israel and Hamas, disruptions to our business, not effectively integrating acquired businesses, macroeconomic factors or other factors, may cause impairment charges to our goodwill in future periods.

***We are subject to privacy and data security/protection laws in the jurisdictions in which we operate and may be exposed to substantial costs and liabilities associated with such laws and regulations.***

The regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. The European Union's General Data Protection Regulation (“GDPR”), which became effective in May 2018, imposed significant new requirements on how companies process and transfer personal data, as well as significant fines for non-compliance. In addition to GDPR, many states in the U.S. and provinces in Canada have enacted, or are considering, data privacy requirements similar to GDPR, and thus we will need to ensure our procedures comply with these various state and provincial laws. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes, which could have a material adverse effect on our financial condition and results of operations. In addition, the payment of potentially significant fines or penalties in the event of a breach of privacy and information security laws, as well as the negative publicity associated with such a breach, could damage our reputation and adversely impact product demand and customer relationships.

***If we lose key members of our senior management team upon whom we are dependent, we may be less effective in managing our operations and may have more difficulty achieving our strategic objectives.***

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Our future success depends to a considerable degree upon the availability, contributions, vision, skills, experience and effort of our senior management team. We have in place various compensation programs, such as an annual cash incentive program, equity incentive program and a severance policy, each designed to incentivize and retain our key senior managers. At this time, we do not have any reason to believe that we may lose the services of any of these key persons in the foreseeable future and we believe our compensation programs will help us retain these individuals. However, an unplanned loss or interruption of the service of numerous key members of our senior management team could harm our business, financial condition and results of operations and could significantly reduce our ability to manage our operations and implement our strategy.

### ***Intellectual property may impact our business and results of operations.***

Our ability to compete effectively depends in part upon the maintenance and protection of the intellectual property related to our asset protection solutions. Patent protection is unavailable for certain aspects of the technology and operational processes important to our business and any patent or patent applications, trademarks or copyrights held by us or to be issued to us, may not adequately protect us. To date, we have relied principally on copyright, trademark and trade secrecy laws, as well as confidentiality agreements and licensing arrangements, and more recently, patent protection, to establish and protect our intellectual property. However, we have not obtained confidentiality agreements from all our customers. Although we obligate our employees to confidentiality, we cannot be certain that these obligations will be honored or enforceable in all circumstances.

### ***We may require additional capital to support business growth, which might not be available.***

We intend to continue making investments to support our business growth and may require additional funds to respond to business challenges or opportunities, including the need to develop new, or enhance our current, asset protection solutions, enhance our operating infrastructure or acquire businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our current stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Our current credit facility meets our current needs, except that due to our current debt levels, the facility limits our ability to make acquisitions without the banks' approval until our debt ratio improves. If we were to secure other debt financing in the future, it could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, no assurance can be given that adequate or acceptable financing will be available to us, in which case we may not be able to grow our business, including through acquisitions, or respond to business challenges.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 1C. CYBERSECURITY**

We prioritize the protection of our data assets, the private data of our employees, customers, and vendors, and personal information. To assess, identify, and manage the risks of cybersecurity threats to our information systems and the associated costs, we maintain a robust cybersecurity program that is integrated into the Company's overall Enterprise Risk Management strategy. We understand that threats from hackers and other cyber criminals continues to adapt and become more sophisticated, and so must our response to these threats.

#### **Governance**

Our Board of Directors ("the Board") is responsible for oversight of our information security program. The Audit Committee, Enterprise Risk Committee, and the Information Technology Leadership Team support the Board in the oversight of our information security program and are focused on cybersecurity and data privacy risk, including compliance with all applicable laws and regulations, incident response planning, timely identification and assessment of incidents, incident recovery and business continuity considerations.

The Divisional Vice President of IT has a biannual meeting with the Audit Committee and other senior executives to provide an update of our current cyber security posture, IT Risk assessment, and compliance with multiple applicable regulations, frameworks, and other privacy initiatives. The Divisional Vice President of IT, along with the Information Technology Leadership Team, also meet with other senior executives every other week throughout the year to discuss on-going cyber security and governance initiatives and risk mitigations. The Divisional Vice President of IT has fifteen years of cybersecurity

experience, including ten years with Mistras Group, and the Information Technology Leadership Team has a combined fifteen years of cybersecurity experience, including a combined ten years with Mistras Group. The Divisional Vice President of IT and members of the Information Technology Leadership Team maintain industry recognized credentials relevant to their roles.

The Divisional Vice President of IT manages both an Information Security team and an IT Risk team within the Department of Information Technology. The IT Risk team is responsible for governance and compliance related to regulations and frameworks for data classification, data privacy, handling of private data and CUI, and internal policies and procedures. The Cyber Security team is responsible for identifying and implementing technologies to mitigate IT risk, enhance data security, and identify and defend against attacks. Both teams work closely together to establish the cybersecurity policies for the Company, evaluate the current risk profile, and to prevent, investigate, mitigate, and remediate any cyber-attacks on the Company.

### **Risk Management and Strategy**

The IT Risk team uses an asset-based risk approach for evaluating cybersecurity risks and appropriate risk mitigation. All IT assets are reviewed against a broad range of risks twice a year and are evaluated for likelihood of occurrence and impact should they occur. These risks are then mapped to our global inventory of systems and the type of data as well as the number of systems to which a risk applies are evaluated. These factors are used to determine a risk score for each of the reviewed risks, and mitigations are subsequently applied to reduce those risk scores to determine the areas of focus for increasing mitigations. This exercise is logged biannually to monitor improvement.

We have several physical, automated, and administrative controls in place to mitigate the success and extent of any cyber breaches. Our controls are designed to require review of tasks which may occur in the normal course of business but are also common vectors of attack. Automated controls are implemented in all cases where one is feasible, and in other cases standard procedures or documented instructions are in place to ensure that actions are proper and approved before they occur.

Policies related to cybersecurity risks are documented, reviewed annually, and published internally, which define the correct processes for identifying, containing, remediating, and responding to cybersecurity incidents. Our data protection policies define the establishment of the classification of types of data. Based upon this data classification, we determine an incident's materiality and establish the appropriate response, the incident management team, and the communications required to be distributed to third parties. Incident management policies are in place to establish the proper communication channels and responsible parties for different levels of materiality of an incident. We practice these policies and procedures in a tabletop or simulated fashion multiple times annually.

Each employee plays a role in safeguarding our data assets, and the protection of our data is ingrained in every employee's day to day activities. Employees must participate in annual Cyber Security training. Simulated testing occurs multiple times throughout the year, including drop testing and SPAM / PHISHING campaigns, and the results are tracked for compliance and we address any weaknesses identified in such trainings and testings as necessary.

The Information Security team performs internal threat hunting, vulnerability scanning, log aggregation, and identity monitoring on an on-going basis. Web site, code, and configuration vulnerability scans are performed as necessary to ensure that changes do not introduce vulnerabilities into our systems. Information Security and IT Risk personnel receive regular training to ensure up-to-date expert knowledge.

To supplement our cybersecurity risk assessment, identification, management, and mitigation efforts, we engage third party cyber security experts. Cyber security assessments are performed at least annually, results are documented and reviewed, and mitigation plans are put in place to reduce any threats identified. The classification of data processed by any system is considered when implementing mitigations.

We recognize the importance of overseeing and identifying material risks from cybersecurity threats associated with our use of third-party vendors. We perform a thorough review of the cyber security measures in place, including any documented third-party audits, for any partners who process our data. Sign-off is required by the Information Security team before agreements can be put in place.

We believe that our current preventative actions and response activities provide adequate measures of protection against security breaches and generally reduce our cybersecurity risks. However, cybersecurity threats are constantly evolving, are becoming more frequent and more sophisticated and are being made by groups of individuals with a wide range of expertise and motives, which increases the difficulty of detecting and successfully defending against them. While we have implemented measures to safeguard our operational and technology systems and have established a culture of continuous learning, monitoring and improvement, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may

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not always be effective. However, as of the date of this Annual Report, management has determined that none of the cybersecurity attacks that we have experienced has resulted in a material impact on our financial condition, results of operations or business strategy. In addition, as of the date of this Annual Report, we are not aware of any risks from cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations and financial condition.

For additional information regarding how cybersecurity threats have affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition, see Part I, Item 1A, "Risk Factors—Risks Related to Our Business—We face risks regarding our information technology and security".

### **ITEM 2. PROPERTIES**

As of December 31, 2023, we operated approximately 110 facilities in 11 countries, with our corporate headquarters located in Princeton Junction, New Jersey. Our headquarters in Princeton Junction is our primary location, where most of our manufacturing and research and development is conducted. While we lease most of our facilities, as of December 31, 2023, we owned properties located in Monroe, North Carolina; Trainer, Pennsylvania; LaPorte, Texas; Burlington, Washington; Evanston, Wyoming; and Jonquiere, Quebec, Canada. Our North America segment utilizes approximately 70 facilities throughout North America (including Canada and Mexico). Our Products and Systems segment's primary location is in our Princeton Junction, New Jersey facility. Our International segment has approximately 35 facilities including locations in Belgium, Brazil, France, Germany, Greece, India, the Netherlands and the United Kingdom. We believe that all of our facilities are well maintained and are suitable and adequate for the foreseeable future.

### **ITEM 3. LEGAL PROCEEDINGS**

We are subject to periodic legal proceedings, investigations and claims that arise in the ordinary course of business. See "Legal Proceedings and Government Investigations - Litigation and Commercial Claims" in Note 18-*Commitments and Contingencies* to our audited consolidated financial statements contained in Item 8 of this Annual Report for a description of legal proceedings involving us and our business, which is incorporated herein by reference.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES**

#### **Market for Common Stock**

Our common stock currently trades on the New York Stock Exchange under the ticker symbol "MG."

#### **Holders of Record**

As of March 6, 2024, there were 10 holders of record of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. The transfer agent of our common stock is American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn, New York 11219.

#### **Dividends**

No cash dividends have been paid on our Common Stock to date. We currently intend to retain our future earnings, if any, to finance the expansion of our business and do not expect to pay any cash dividends in the foreseeable future.

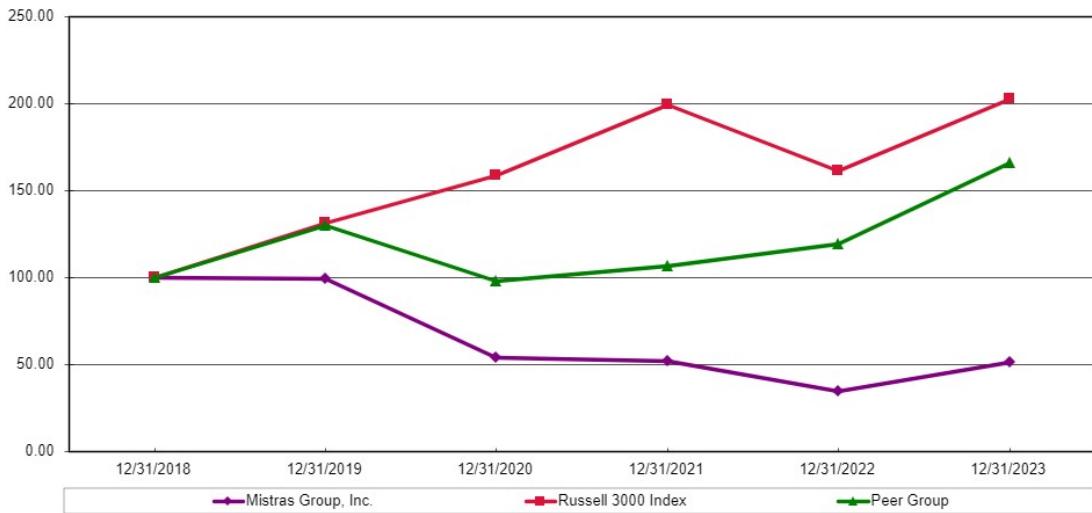
#### **Recent Sale of Unregistered Securities**

None.

#### **Stock Performance**

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The line graph below compares the cumulative total shareholder value return of our common shares with the cumulative total returns of an overall stock market index, the Russell 3000, and our peer group index. This graph assumes an investment of \$100 in our common shares and each index (with all dividends reinvested) on December 31, 2018.



### **Purchases of Equity Securities**

The following table sets forth the shares of our common stock we acquired during the fourth quarter of 2023. All purchases were effected pursuant to the surrender of shares by employees to satisfy minimum 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)
October 31, 2023	27,352	\$ 5.42
November 30, 2023	108	\$ 6.71
December 31, 2023	118,102	\$ 6.95

**ITEM 6.** [RESERVED]

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following Management's Discussion and Analysis (this "MD&A") provides a discussion of our results of operations and financial position for the year ended December 31, 2023. This section generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021 are included in Part II—Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 15, 2023, which discussion is incorporated herein by reference. This MD&A should be read together with our audited consolidated financial statements and related notes included in Item 8 in this Annual Report. Unless otherwise specified or the context otherwise requires, "Mistras," "MISTRAS," the "Company," "we," "us" and "our" refer to Mistras Group, Inc. and its consolidated subsidiaries. This MD&A includes the following sections:

- Forward-Looking Statements
- COVID-19 and Other Updates
- Overview
- Note about Non-GAAP Measures
- Consolidated Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates
- Recent Accounting Pronouncements

**Forward-Looking Statements**

This Annual Report on Form 10-K, including this MD&A, contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the 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. See "Forward-Looking Statements" at the beginning of Item 1 of this Annual Report.

**COVID-19 and Other Updates**

While our business and operations were negatively impacted the past several years by the COVID-19 pandemic, at the time of this Annual Report, the effects of the COVID-19 pandemic have subsided and our operations have normalized to pre-pandemic levels.

We are currently unable to predict with certainty the effects that inflationary pressures and the Russian-Ukrainian war may have on our business, results of operations or liquidity or in other ways which we cannot yet determine. To date, our European operations have experienced increased costs associated with higher energy costs, among others, due in part to the on-going war between Russia & Ukraine. We will continue to monitor market conditions and respond accordingly.

**Overview**

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

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies, strong commitment to Environmental, Social, and Governance ("ESG") initiatives, and a decades-long legacy of industry leadership, MISTRAS leads customers in the oil and gas, petrochemical, aerospace and defense, renewable and nonrenewable power, civil infrastructure, and manufacturing industries towards achieving operational and environmental excellence. By supporting these customers that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and space craft; building real-time monitoring equipment to enable safe travel across bridges; and helping to propel sustainability, MISTRAS helps the world at large.

The Company enhances value for its customers by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial IoT-connected digital software and monitoring solutions. The Company's core

capabilities also include non-destructive testing ("NDT") field and in-line inspections enhanced by advanced robotics, laboratory quality control and assurance testing, sensing technologies and NDT equipment, asset and mechanical integrity engineering services, and light mechanical maintenance and access services.

Our operations consist of three reportable segments: North America (which we previously referred to as our Services segment), International, and Products and Systems.

- *North America* provides asset protection solutions 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. A majority of data analytical solutions revenues are generated by 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 the past 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 enhance our advantages over our competition.

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

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

#### **2023 Developments**

The Russian-Ukrainian war and the conflict in the Middle East between Israel and Hamas continue to create disruptions in the oil and gas market and the supply chain in general, which is resulting in some disruption to our business operations primarily in Europe due to increased energy costs in connection with the Russian-Ukrainian war.

In 2022, the Company eliminated substantially all of the COVID related cost reduction initiatives undertaken in 2020, including re-installment of the savings plan employer match and increasing wages back to pre-pandemic amounts. At the time of this Annual Report, the effects of the COVID-19 pandemic have subsided, and our operations are continuing to normalize to pre-pandemic levels.

Our cash position and liquidity remain strong. As of December 31, 2023, our cash and cash equivalents balance was approximately \$17.6 million and our Credit Agreement provides us with significant liquidity.

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

The Company is currently unable to predict with certainty the overall impact that the factors discussed above and the effect of inflationary pressures may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. During the third quarter of 2023, a triggering event was identified within the Company's reporting units within the International segment due to decreased gross margin in the current period as a result of inflationary pressures and rising energy costs. This resulted in goodwill impairment charges of \$13.8 million within the International reporting units during the third quarter of 2023. The Company will continue to monitor market conditions and respond accordingly. Refer to Item 1A. Risk Factors in Part I of our 2023 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) from operations before special items" is used for each of our three operating segments, the Corporate segment and the "Total Company", with tables reconciling the measure to a financial measure under GAAP. This presentation excludes from "Income (loss) from Operations" (a) transaction expenses related to acquisitions, such as professional fees and due diligence costs, (b) the net changes in the fair value of acquisition-related contingent consideration liabilities, (c) impairment charges, (d) reorganization and other costs, which includes items such as severance, labor relations matters and asset and lease termination costs and (e) other special items. These adjustments have been excluded from the GAAP measure because these expenses and credits are not related to our or any individual segment's core business operations. The acquisition related costs and special items can be a net expense or credit in any given period. Our management uses this non-GAAP measure as a measure of operating performance and liquidity to assist in comparing performance from period to period on a consistent basis, as a measure for planning and forecasting overall expectations and for evaluating actual results against such expectations. We believe investors and other users of our financial statements benefit from the presentation of this non-GAAP measure in evaluating our performance. Income (loss) before special items excludes the identified adjustments, which provides additional tools to compare our core business operating performance on a consistent basis and measure underlying trends and results in our business. Income (loss) before special items is not used to determine incentive compensation for executives or employees, nor is it a replacement for the reported GAAP financial performance and/or necessarily comparable to the non-GAAP financial measures of other companies. Any measure that eliminates the foregoing items has material limitations as a performance or liquidity measure and should not be considered alternatives to net income (loss) or any other measures derived in accordance with GAAP. Because Income (loss) from operations before special items may not be calculated in the same manner by all companies, this measure may not be comparable to other similarly titled measures used by other companies.

## Consolidated Results of Operations

### Year ended December 31, 2023 vs. Year ended December 31, 2022

The following table summarizes our Consolidated Statements of Income (Loss) for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Revenue</b>	\$ 705,473	\$ 687,373
<b>Gross profit</b>	203,807	198,173
<b>Gross profit as a % of Revenue</b>	28.9 %	28.8 %
<b>Income (loss) from operations</b>	(1,904)	19,799
<b>Income from operations as a % of Revenue</b>	(0.3)%	2.9 %
<b>Income (loss) before provision for income taxes</b>	(18,665)	9,294
<b>Net income (loss)</b>	(17,445)	6,574
<b>Net income (loss) attributable to Mistras Group, Inc.</b>	\$ (17,453)	\$ 6,499

### Revenues

Revenues by segment for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Revenue</b>		
North America	\$ 579,330	\$ 573,336
International	124,414	112,425
Products and Systems	12,986	12,727
Corporate and eliminations	(11,257)	(11,115)
	<b>\$ 705,473</b>	<b>\$ 687,373</b>

Revenue was \$705.5 million for the year ended December 31, 2023, an increase of \$18.1 million, or 2.6%, compared with the year ended December 31, 2022. The increase was driven by the North America segment, which experienced a revenue increase of \$6.0 million, or 1.0%, driven by single-digit organic growth in certain end markets. The International segment revenues increased by \$12.0 million, or 10.7%, due predominantly to low single-digit favorable impact of foreign exchange rates and by mid single-digit organic growth. The Products and Systems segment increased by \$0.3 million, or 2.0%, driven by higher sales volume.

Oil and gas customer revenue comprised approximately 59% and 56% of total revenue for the years ended December 31, 2023 and 2022, respectively. Aerospace and defense customer revenue comprised approximately 11% and 12% of total revenue for the years ended December 31, 2023 and 2022, respectively. Our top ten customers comprised approximately 35% of total revenue for the years ended December 31, 2023 and 2022, with no customer accounting for 10% or more of total revenue in either period.

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	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Oil and Gas Revenue by sub-category</b>		
Upstream	\$ 157,828	\$ 146,056
Midstream	101,278	97,005
Downstream	156,889	144,691
<b>Total</b>	<b>\$ 415,995</b>	<b>\$ 387,752</b>

Oil and gas upstream customer revenue increased approximately \$11.8 million, or 8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022, due to continued market share gains and expanded exploration operations, as compared to the prior year period.

Midstream customer revenues increased approximately \$4.3 million, or 4%, for the year ended December 31, 2023 compared to the year ended December 31, 2022, due to increased pipe inspection services.

Downstream customer revenue increased \$12.2 million, or 8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022, due to increased sales volume at customer refineries and increased customer turnarounds.

The following table presents revenue by type, explained directly below the table.

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Revenue by type</b>		
Field Services	\$ 470,433	\$ 455,051
Shop Laboratories	58,188	48,809
Data Analytical Solutions	72,458	62,410
Other	104,394	121,103
<b>Total</b>	<b>\$ 705,473</b>	<b>\$ 687,373</b>

In presenting the allocation of revenues by type in the table above, management makes certain assumptions in its allocation of revenues from laboratories that provide more than one type of service. The allocation methodology and assumptions made are consistent for the years presented.

Field Services revenues are comprised of revenue derived primarily by technicians performing asset inspections and maintenance services for our customers at locations other than Mistras properties. Field Services revenue increased \$15.4 million, or 3.4%, for the twelve months ended December 31, 2023 as compared to the twelve months ended December 31, 2022. The increase was due to increased sales volume in our oil and gas end market for our North America and International segments.

Shop Laboratory revenues are comprised of quality assurance inspections of components and materials at our Mistras in-house laboratory facilities. Shop revenues increased \$9.4 million, or 19.2%, for the twelve months ended December 31, 2023 as compared to the twelve months ended December 31, 2022. The increase was due to increased sales volume related to our commercial aerospace and industrials end markets.

Data Analytical Solutions revenues are comprised of revenue derived from data software sales & subscriptions, implementation services and analytics that offer insights and recommendations to improve asset integrity. Data Analytical Solutions revenue is derived from work performed by Mistras employees in our facilities, or at customer locations, using our proprietary portfolio of software applications. Data Analytical Solutions revenue increased \$10.0 million, or 16.1%, for the twelve months ended December 31, 2023 as compared to the twelve months ended December 31, 2022. The increase was due primarily to increased sales volume within PCMS, Onstream and other Data Analytical Solutions offerings within our North America segment.

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Other revenues are comprised of locations that perform both asset inspection services and testing of components and materials at in-house Mistras laboratories. Other revenues decreased \$16.7 million, or 13.8%, for the twelve months ended December 31, 2023 as compared to the twelve months ended December 31, 2022. Other revenues in 2023 decreased primarily due to decreased sales within the aerospace and defense sector and due to declines in our other end markets within the North America and International segments as compared to the prior year period.

**Gross Profit (Loss)**

Gross profit (loss) by segment for the years ended December 31, 2023 and 2022 were as follows:

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Gross profit (loss)</b>		
North America	\$ 163,960	\$ 159,049
% of segment revenue	28.3 %	27.7 %
International	33,610	33,591
% of segment revenue	27.0 %	29.9 %
Products and Systems	6,457	5,490
% of segment revenue	49.7 %	43.1 %
Corporate and eliminations	(220)	43
	<hr/> \$ 203,807	<hr/> \$ 198,173
% of total revenue	28.9 %	28.8 %

Gross profit increased \$5.6 million, or 2.8%, for the year ended December 31, 2023 compared to the year ended December 31, 2022, with a sales increase of \$18.1 million, or 2.6%. Gross profit margin was 28.9% and 28.8% for the years ended December 31, 2023 and 2022, respectively, due to favorable sales mix. North America segment gross profit margins had a year-on-year increase of 60 basis points to 28.3% for the year ended December 31, 2023, due primarily to favorable sales mix. International segment gross margins had a year-on-year decrease of 290 basis points to 27.0% for the year ended December 31, 2023, due primarily to increased inflationary pressures. Products and Systems segment gross margins increased by 660 basis points for the year ended December 31, 2023 to 49.7%, driven by favorable sales mix.

**Operating Expenses**

Operating expenses for the years ended December 31, 2023 and 2022 was as follows:

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>Operating Expenses</b>		
Selling, general and administrative expenses	\$ 166,749	\$ 166,400
Goodwill Impairment charges	13,799	—
Bad debt provision for troubled customers, net of recoveries	—	42
Reorganization and other costs	12,269	195
Research and engineering	1,723	1,994
Depreciation and amortization	10,104	10,661
Acquisition-related expense, net	9	76
Legal settlement and litigation charges (benefit), net	1,058	(994)
	<hr/> \$ 205,711	<hr/> \$ 178,374
% of total revenue	29.2 %	26.0 %

Operating expenses increased \$27.3 million, or 15.3%, for the year ended December 31, 2023 compared to the year ended December 31, 2022 due primarily to impairment charges and reorganization charges recorded in the current period that were not

in the prior period. Selling, general and administrative expenses increased \$0.3 million, or 0.2% for the year ended December 31, 2023 compared to the year ended December 31, 2022 primarily due to unfavorable foreign currency exchange.

#### Income (Loss) from Operations

The following table shows a reconciliation of segment income (loss) from operations to income (loss) before special items (unaudited) for the years ended December 31, 2023 and 2022:

	For the year ended December 31,	
	2023	2022
	(\$ in thousands)	
<b>North America:</b>		
Income from operations (GAAP)	\$ 55,170	\$ 49,616
Bad debt provision for troubled customers, net of recoveries	—	42
Reorganization and other costs	960	99
Legal settlement and insurance (recoveries) charges, net	1,058	(841)
Acquisition-related expense, net	—	45
Income before special items (non-GAAP)	<u>\$ 57,188</u>	<u>\$ 48,961</u>
<b>International:</b>		
Income (loss) from operations (GAAP)	\$ (12,229)	\$ 3,566
Goodwill Impairment charges	13,799	—
Reorganization and other costs	351	(43)
Income before special items (non-GAAP)	<u>\$ 1,921</u>	<u>\$ 3,523</u>
<b>Products and Systems:</b>		
Income (loss) from operations (GAAP)	\$ 267	\$ (992)
Reorganization and other costs	382	—
Income (loss) before special items (non-GAAP)	<u>\$ 649</u>	<u>\$ (992)</u>
<b>Corporate and Eliminations:</b>		
Loss from operations (GAAP)	\$ (45,112)	\$ (32,391)
Legal settlement and insurance (recoveries) charges, net	—	(153)
Loss on debt modification	—	693
Reorganization and other costs	10,576	139
Acquisition-related expense, net	9	31
Loss before special items (non-GAAP)	<u>\$ (34,527)</u>	<u>\$ (31,681)</u>
<b>Total Company:</b>		
Income (loss) from operations (GAAP)	\$ (1,904)	\$ 19,799
Goodwill Impairment charges	13,799	—
Bad debt provision for troubled customers, net of recoveries	—	42
Legal settlement and insurance (recoveries) charges, net	1,058	(994)
Loss on debt modification	—	693
Reorganization and other costs	12,269	195
Acquisition-related expense, net	9	76
Income before special items (non-GAAP)	<u><u>\$ 25,231</u></u>	<u><u>\$ 19,811</u></u>

See "Note about Non-GAAP Measures" in this Annual Report for an explanation of our use of non-GAAP measures.

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Total Company income from operations (GAAP) decreased by \$21.7 million, or 109.6% compared to the year ended December 31, 2022. Total company income before special items (non-GAAP) increased by \$5.4 million or 27.4% compared with the year ended December 31, 2022. Operating expenses, excluding special items (non-GAAP), as a percentage of revenue, was 25.3% for the year ended December 31, 2023 compared to 25.9% for the year ended December 31, 2022. The primary driver for the increase in total company income before special items was increased sales in 2023 compared to 2022. Income before special items as a percentage of revenue increased by 70 basis points to 3.6% for the year ended December 31, 2023 from 2.9% for the year ended December 31, 2022. Our discussion below is qualified by the unknown impact that the Russia - Ukraine war will continue to have on our business and the economy in general, including the resulting economic disruption. Refer to Item 1A. Risk Factors in Part I of this Annual Report for further discussion.

### **Interest Expense**

Interest expense was \$16.8 million and \$10.5 million for the years ended December 31, 2023 and December 31, 2022, respectively. The increase was due to increased interest rates in the current period.

### **Income Taxes**

Our effective income tax rate was approximately 6.5% for the year ended December 31, 2023, compared to 29.3% for the year ended December 31, 2022. The decrease in effective tax rate was primarily driven by a \$1.7 million US R&D tax credit benefit in 2022, partially offset by the recording of a \$1.1 million valuation allowance recorded in 2022 which was related to certain Canadian entities.

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.

Further in response to the COVID-19 pandemic, the American Rescue Plan Act was signed into law on March 11, 2021. This act, among other things, provides economic relief provisions to individuals and funding to certain businesses and programs. The Company does not expect this act to have a material impact.

On August 19, 2022, the United States enacted the Inflation Reduction Act, (the "Inflation Act"), a package intended to reduce inflation. The Inflation Act contains a variety of tax provisions, including a 15% corporate minimum tax, a tax on stock repurchases, and various tax credit opportunities. We evaluated the impact of this guidance on our consolidated financial position, results of operations, and cash flows, and do not expect it to have a material impact.

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

## **Liquidity and Capital Resources**

### **Overview**

We have funded our operations from cash provided from operations, bank borrowings and lease financings. Management believes that our existing cash and cash equivalents, anticipated cash flows from operating activities, and available borrowings under our New Credit Agreement will be more than sufficient to meet anticipated cash needs over the next 12 months and for the foreseeable future. We generated operating cash flows of \$26.7 million and \$26.4 million for the years ended December 31, 2023 and 2022, respectively. Capital expenditures for the purchase of property, plant and equipment and of intangible assets was \$23.6 million and \$13.4 million for the years ended December 31, 2023 and 2022, respectively.

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### **Cash Flows Table**

The following table summarizes our cash flows for the years ended December 31, 2023 and 2022:

(\$ in thousands)	For the year ended December 31,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ 26,748	\$ 26,406
Investing activities	(22,133)	(12,238)
Financing activities	(7,706)	(16,323)
Effect of exchange rate changes on cash and cash equivalents	249	(1,467)
Net change in cash and cash equivalents	\$ (2,842)	\$ (3,622)

### **Cash Flows from Operating Activities**

Cash provided by operating activities for the year ended December 31, 2023 was \$26.7 million, an increase of \$0.3 million from the prior year period. The increase was mainly attributable to movements in working capital driven primarily by an increase in net accounts receivable collections, an increase in accrued expenses and other liabilities, and an increase in accounts payable in the current year as compared to the prior year.

### **Cash Flows from Investing Activities**

Net cash used in investing activities for the year ended December 31, 2023 was \$22.1 million, an increase of \$9.9 million used in investing activities from the prior year period. The Company used \$10.2 million more cash for purchases of property, plant and equipment and intangible assets in 2023 compared to 2022.

### **Cash Flows from Financing Activities**

Net cash used in financing activities for the year ended December 31, 2023 was \$7.7 million, compared to \$16.3 million for the year ended December 31, 2022. During the year ended December 31, 2022, we entered into the New Credit Agreement which replaced our prior credit agreement, as detailed more in Note 11-*Long-Term Debt*. As part of the New Credit Agreement, the prior revolving credit facility and term loan were repaid in full. Net repayment of debt and revolver was approximately \$9.6 million higher compared to 2022. In addition, for the year ended December 31, 2023, we incurred approximately \$0.6 million more taxes paid related to net share settlement of share-based awards.

### **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 \$0.2 million for the year ended December 31, 2023, compared to a decrease of \$1.5 million for the year ended December 31, 2022. The primary driver of the change was foreign currency fluctuations during the year related to the Euro and the US Dollar.

### **Cash Balance and Credit Facility Borrowings**

The terms of our New Credit Agreement are described in Note 11-*Long-Term Debt* of the Notes to Consolidated Financial Statements in this Annual Report, under the heading "Senior Credit Facility", the provisions of which are incorporated herein.

As of December 31, 2023, we had cash and cash equivalents totaling \$17.6 million and available borrowing capacity of up to \$116.0 million under our New Credit Agreement. Borrowings of \$186.4 million and letters of credit of \$2.9 million were outstanding under the New Credit Agreement at December 31, 2023. We finance our operations primarily through our existing cash balances, cash collected from operations, bank borrowings and lease financing. We believe these sources are sufficient to fund our operations for the foreseeable future. As of December 31, 2023, we were in compliance with the terms of the New Credit Agreement and will continuously monitor our compliance with the covenants contained in the New Credit Agreement. See Note 11-*Long-Term Debt* of the notes to the consolidated financial statements for additional information.

### **Liquidity and Capital Resources Outlook**

#### *Future Sources of Cash*

We expect our future sources of cash to include cash flow generated from our operating activities and borrowings under our New Credit Agreement. Our revolving credit facility is available for cash advances required for working capital and for letters of credit to support our operations. Acquisitions, if any, are funded through available cash and borrowings under the New Credit Agreement.

#### *Future Uses of Cash*

We expect our future uses of cash will primarily be for repayment of debt, purchases or manufacture of field-testing equipment to support growth, additional investments in technology and software products and the replacement of existing assets and equipment used in our operations. We often make purchases to support new sources of revenues, particularly in our North America segment. In addition, we annually fund a certain amount of replacement equipment, including a portion of our fleet vehicles. We historically spend approximately 2% to 3% of our total revenues on capital expenditures, excluding acquisitions, and expect to fund these expenditures through a combination of cash and lease financing. Our cash capital expenditures, excluding acquisitions, for each of the years ended December 31, 2023 and 2022 were approximately 3.4% and 2.0% of revenues, respectively. We continue to take steps to reduce spending and preserve cash.

Our New Credit Agreement does not limit the Company's ability to acquire other businesses or companies except for certain provisions as described within Note 11-*Long-Term Debt*. Our future capital spending may increase as we pursue growth opportunities and acquire additional equipment to meet or pursue business opportunities. Other investments in infrastructure, training and software may also be required to match our growth, but we plan to continue using a disciplined approach to building our business. In addition, we will use cash to fund our operating leases, finance leases, long-term debt repayments and various other obligations as they arise as noted within Note 11-*Long-Term Debt* and Note 17-*Leases*.

We also expect to use cash to support our working capital requirements for our operations, particularly in the event of further growth and due to the impacts of seasonality on our business. Our future working capital requirements will depend on many factors, including the rate of our revenue growth, our introduction of new solutions and enhancements to existing solutions and our expansion of sales and marketing and product development activities. To the extent that our cash and cash equivalents and future cash flows from operating activities are insufficient to fund our future activities, we may need to raise additional funds through bank credit arrangements, or public or private equity, or debt financings. We also may need to raise additional funds in the event we determine in the future to effect one or more acquisitions of businesses, technologies or products that will complement our existing operations. In the event additional funding is required, we may not be able to obtain bank credit arrangements or effect an equity or debt financing on acceptable terms.

#### **Off-Balance Sheet Arrangements**

During the years ended December 31, 2023 and 2022, 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**

The preparation of financial statements in accordance with U.S. GAAP requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. We have established policies and control procedures intended to ensure that estimation methods, including any judgments made as part of such methods, are well-controlled, independently reviewed and applied consistently from period to period. The accounting policies that we believe require more significant estimates and assumptions include revenue recognition, acquisitions, long-lived assets and goodwill. We base our estimates and assumptions on historical experience, known or expected trends and various other assumptions that we believe to be reasonable. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which may cause our future results to be significantly affected.

We believe that the following critical accounting policies comprise the more significant estimates and assumptions used in the preparation of our consolidated financial statements.

#### **Revenue Recognition**

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The majority of our revenues are derived from providing services on a time and material basis and are short-term in nature. We account for revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*.

### **Performance Obligations**

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in ASC Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our 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. We provide highly integrated and bundled inspection services to our customers. Some of our contracts have multiple performance obligations, most commonly due to the contract providing both goods and services. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our 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 our 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.

Our performance obligations are satisfied over time as work progresses or at a point in time. The majority of our revenue recognized over time as work progresses is related to our 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. We also utilize 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. 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.

We expect any significant remaining performance obligations to be satisfied within one year.

### **Contract Estimates**

The majority of our revenues are short-term in nature. We have many Master Service Agreements ("MSAs") that specify an overall framework and contract terms, where we and our 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 an MSA which sets forth the scope of services and/or identifies the products to be provided. From time to time, we may enter into long-term contracts, which can range from several months to several years. Revenue on such long-term 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 our 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 our 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.

### **Long-Lived Assets**

We perform a review of long-lived assets (or asset groups) for impairment when events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, we compare the estimated undiscounted future net cash flows to be generated by the asset (or asset group) to its carrying amount. If the undiscounted future net cash flows are less than the carrying amount of the asset (or asset group), we record an impairment loss equal to the excess of the asset's carrying amount over its fair value. We estimate fair value based on valuation techniques such as a discounted cash flow analysis or a comparison to fair values of similar assets. As of December 31, 2023 and December 31, 2022, we had \$81.0 million and \$77.6 million in net property, plant and equipment, respectively, and \$44.0 million and \$49.0 million in intangible assets, net, respectively.

## Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair values attributed to underlying net tangible assets and identifiable intangible assets. We test goodwill for impairment at a "reporting unit" level (which for us is represented by (i) our North America segment, (ii) our Products and Systems segment, (iii) the European component of our International segment and (iv) the Brazilian component of our International segment). Our annual impairment test is conducted on the first day of our fourth quarter, which is October 1. Goodwill is also tested for impairment whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In testing for goodwill impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, we conclude that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment test is not necessary. If we conclude otherwise, we are required to perform a quantitative impairment test.

An impairment will be recorded in the amount that the fair value is less than the carrying value. We consider the income and market approaches to estimating the fair value of our reporting units, which requires significant judgment in evaluation of economic and industry trends, estimated future cash flows, discount rates and other factors. Sustained declines in our stock price and related market capitalization could impact key assumptions in the overall estimated fair values of our reporting units and could result in non-cash impairment charges that could be material to our consolidated balance sheet or results of operations.

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

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

Under the income approach, the fair value for each of the reporting units was determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. The Company used internal forecasts, updated for recent events, to estimate future cash flows 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 profitability, including the expected demand for the Company's goods and services. Due to the inherent uncertainties involved in making estimates and assumptions, actual results may differ from those assumed in the forecasts. The Company derived the discount rates using a capital asset pricing model and analyzing published rates for industries relevant to the reporting units to estimate the cost of equity financing. The Company used discount rates that are commensurate with the risks and uncertainties inherent in the respective businesses and in the internally developed forecasts, updated for recent events. Increased interest rates in the current period increased the discount rate associated with the reporting units which contributed in an unfavorable decrease in the reporting units value.

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

Based upon the results of the interim quantitative goodwill impairment test, the Company recorded an impairment charge of \$13.8 million within the International reporting units. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units and is included in Goodwill impairment charges on the condensed consolidated statements of income (loss) for the three and nine months ended September 30, 2023. Any significant adverse changes in future periods to the Company's internal forecasts or the external market conditions, if any, could reasonably be expected to negatively affect its key assumptions and may result in future goodwill impairment charges which could be material.

We elected to perform a quantitative assessment of goodwill on October 1, 2023. Our quantitative assessment considered relevant events and circumstances occurring since our interim quantitative goodwill impairment test performed as of September

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30, 2023. Specifically, we considered changes in macroeconomic conditions, industry and market conditions, our internal forecasts of future revenue and expenses, our stock price, any significant events affecting the Company and actual changes in the carrying values of our net assets. After considering all positive and negative evidence for the assessment as of September 30, 2023, we concluded that it was not more likely than not that our carrying values exceeded fair values and as such, no additional impairment was indicated.

Additionally, as of December 31, 2023, there are no indicators of an impairment. See Note *8-Goodwill* of the notes to the consolidated financial statements for additional information.

### **Acquisitions**

We allocate the purchase price of acquired businesses to their identifiable tangible assets and liabilities as well as identifiable intangible assets, such as customer relationships, technology, non-compete agreements and trade names. Allocations are based on estimated fair values of assets and liabilities, which reflects assumptions that would be made by typical market participants if they were to buy or sell each asset on an individual asset basis. Certain estimates and judgments are required in the application of the fair value techniques, including estimates of the respective acquisitions' future performance and related cash flows, selection of a discount rate and economic lives, and use of Level 3 measurements as defined in ASC 820 *Fair Value Measurements and Disclosure*. Deferred taxes are recorded for any differences between the assigned values and tax bases of assets and liabilities. We typically engage third-party valuation experts to assist in determining the fair values for both identifiable tangible and intangible assets. The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, could materially impact our results of operations. See Note *7-Acquisitions* to the consolidated financial statements for additional information.

### **Recent Accounting Pronouncements**

For information about recent accounting pronouncements, see Note *1-Summary of Significant Accounting Policies and Practices* of the notes to the consolidated financial statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Sensitivity**

Our investment portfolio primarily includes cash equivalents for which the market values are not significantly affected by changes in interest rates. Our interest rate risk results primarily from our variable rate indebtedness under our credit facility, which is influenced by movements in short-term rates. Borrowings under our \$190 million revolving credit facility as well as our \$125 million term loan bear interest at SOFR, plus a credit spread adjustment and applicable SOFR margin, ranging from 1.25% to 2.75%, based upon our Total Consolidated Debt Leverage Ratio. Based on the amount of our variable rate debt of \$186.4 million at December 31, 2023, an increase in interest rates by one hundred basis points from our current rate would increase annual interest expense by approximately \$1.9 million.

## Foreign Currency Risk

We have foreign currency exposure related to our operations in foreign locations. This foreign currency exposure, particularly the Euro, British Pound Sterling, Brazilian Real, Canadian Dollar and the Indian Rupee, arises primarily from the translation of our foreign subsidiaries' financial statements into U.S. Dollars. Gains and losses relating to nonfunctional currency transactions, are reported in the Consolidated Statements of Income (Loss). For example, a portion of our annual sales and operating costs are denominated in British Pound Sterling and we have exposure related to sales and operating costs increasing or decreasing based on changes in currency exchange rates. If the U.S. Dollar increases in value against these foreign currencies, the value in U.S. Dollars of the assets and liabilities originally recorded in these foreign currencies will decrease. Conversely, if the U.S. Dollar decreases in value against these foreign currencies, the value in U.S. Dollars of the assets and liabilities originally recorded in these foreign currencies will increase. Thus, increases and decreases in the value of the U.S. Dollar relative to these foreign currencies have a direct impact on the value in U.S. Dollars of our foreign currency denominated assets and liabilities, even if the value of these items has not changed in their original currency. Translation adjustments for these movements are recorded as a separate component of Accumulated Other Comprehensive Income (Loss) in Stockholder Equity. For the year ended December 31, 2023, a 10% movement, favorable or unfavorable, in the average U.S. Dollar exchange rates would cause a change in adjusted operating income of approximately \$1.5 million. We do not currently enter into forward exchange contracts to hedge exposures denominated in foreign currencies. We may consider entering into hedging or forward exchange contracts in the future, as sales in international currencies increase due to growth in our International segment.

## Fair Value of Financial Instruments

We do not have material exposure to market risk with respect to investments, as our investments consist primarily of highly liquid investments purchased with a remaining maturity of three months or less. We do not use derivative financial instruments for speculative or trading purposes; however, this does not preclude our adoption of specific hedging strategies in the future.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Mistras Group, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheet of Mistras Group, Inc. and its subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of income (loss), of comprehensive income (loss), of equity and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Goodwill Impairment Assessment - North America Reporting Unit*

As described in Notes 1 and 8 to the consolidated financial statements, the Company's goodwill balance was \$187.4 million as of December 31, 2023, which related to the North America reporting unit. Management tests goodwill for impairment at a reporting unit level, which is represented by its North America segment. Management reviews goodwill for impairment on October 1 of each year and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Management considers the income and market approaches to estimate the fair value of the reporting unit, which requires significant judgments and assumptions related to revenue growth rates, gross margins, EBIT margins, and market multiples.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the North America reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the North America reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates, gross margins, and market multiples; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the North America reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value estimate of the North America reporting unit; (ii) evaluating the appropriateness of the income and market approaches used by management; (iii) testing the completeness and accuracy of underlying data used in the income and market approaches; and (iv) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates, gross margins, and market multiples. Evaluating management's assumptions related to revenue growth rates and gross margins involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the North America reporting unit; (ii) the consistency with external market and industry data; and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the income and market approaches and (ii) the reasonableness of the market multiples assumption.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
March 11, 2024  
We have served as the Company's auditor since 2023.

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors Mistras Group, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheet of Mistras Group, Inc. and subsidiaries (the Company) as of December 31, 2022, the related consolidated statements of income (loss), comprehensive income (loss), equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We served as the Company's auditor from 2013 to 2023.

Short Hills, New Jersey

March 15, 2023

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

	December 31,	
	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 17,646	\$ 20,488
Accounts receivable, net	132,847	123,657
Inventories	15,283	13,556
Prepaid expenses and other current assets	14,580	10,181
Total current assets	180,356	167,882
Property, plant and equipment, net	80,972	77,561
Intangible assets, net	43,994	49,015
Goodwill	187,354	199,635
Deferred income taxes	2,316	779
Other assets	39,784	40,032
Total Assets	<u><u>\$ 534,776</u></u>	<u><u>\$ 534,904</u></u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 17,032	\$ 12,532
Accrued expenses and other current liabilities	84,331	77,844
Current portion of long-term debt	8,900	7,425
Current portion of finance lease obligations	5,159	4,201
Income taxes payable	1,101	1,726
Total current liabilities	116,523	103,728
Long-term debt, net of current portion	181,499	183,826
Obligations under finance leases, net of current portion	11,261	10,045
Deferred income taxes	2,552	6,283
Other long-term liabilities	32,438	32,273
Total Liabilities	<u><u>\$ 344,273</u></u>	<u><u>\$ 336,155</u></u>
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, \$ 0.01 par value, 200,000,000 shares authorized, 30,597,633 and 29,895,487 shares issued	305	298
Additional paid-in capital	247,165	243,031
Accumulated Deficit	( 28,942 )	( 11,489 )
Accumulated other comprehensive loss	( 28,336 )	( 33,390 )
Total Mistras Group, Inc. stockholders' equity	190,192	198,450
Non-controlling interests	311	299
Total Equity	190,503	198,749
Total Liabilities and Equity	<u><u>\$ 534,776</u></u>	<u><u>\$ 534,904</u></u>

*The accompanying notes are an integral part of these consolidated financial statements.*

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

	For the year ended December 31,		
	2023	2022	2021
<b>Revenue</b>	\$ 705,473	\$ 687,373	\$ 677,131
Cost of revenue	477,671	466,567	457,013
Depreciation	23,995	22,633	22,971
<b>Gross profit</b>	203,807	198,173	197,147
Selling, general and administrative expenses	166,749	166,400	161,334
Bad debt provision for troubled customers, net of recoveries	—	42	—
Reorganization and other costs	12,269	195	—
Goodwill Impairment charges	13,799	—	—
Legal settlement and litigation charges (benefit), net	1,058	( 994 )	2,042
Research and engineering	1,723	1,994	2,518
Depreciation and amortization	10,104	10,661	11,950
Acquisition-related expense, net	9	76	1,133
<b>Income (loss) from operations</b>	( 1,904 )	19,799	18,170
Interest expense	16,761	10,505	10,882
<b>Income (loss) before provision (benefit) for income taxes</b>	( 18,665 )	9,294	7,288
Provision (benefit) for income taxes	( 1,220 )	2,720	3,395
<b>Net income (loss)</b>	( 17,445 )	6,574	3,893
Less: net income attributable to noncontrolling interests, net of taxes	8	75	33
<b>Net income (loss) attributable to Mistras Group, Inc.</b>	\$ ( 17,453 )	\$ 6,499	\$ 3,860
Earnings (loss) per common share			
Basic	\$ ( 0.58 )	\$ 0.22	\$ 0.13
Diluted	\$ ( 0.58 )	\$ 0.21	\$ 0.13
Weighted average common shares outstanding:			
Basic	30,330	29,901	29,572
Diluted	30,330	30,229	30,130

*The accompanying notes are an integral part of these consolidated financial statements.*

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

	For the year ended December 31,		
	2023	2022	2021
Net income (loss)	\$ (17,445)	\$ 6,574	\$ 3,893
<b>Other comprehensive income (loss):</b>			
Foreign currency translation adjustments	5,058	(13,084)	(4,252)
Comprehensive loss	(12,387)	(6,510)	(359)
Less: net income attributable to noncontrolling interests, net of taxes	8	75	33
Less: Foreign currency translation adjustments attributable to noncontrolling interests	4	(5)	(2)
Comprehensive loss attributable to Mistras Group, Inc.	<u><u>\$ (12,399)</u></u>	<u><u>\$ (6,580)</u></u>	<u><u>\$ (390)</u></u>

*The accompanying notes are an integral part of these consolidated financial statements.*

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

	Common Stock		Accumulated				Total		
	Shares	Amount	Additional		other	comprehensive	Stockholders'	Mistras Group,	
			paid-in capital	(deficit)				Equity	Inc.
<b>Balance at December 31, 2020</b>	29,234	\$ 292	\$ 234,638	\$ (21,848)	\$ (16,061)	\$ 197,021	\$ 198	\$ 197,219	
Net loss	—	—	—	3,860	—	3,860	—	33	3,893
Other comprehensive income, net of tax	—	—	—	—	(4,250)	(4,250)	—	(2)	(4,252)
Share-based compensation	—	—	5,421	—	—	5,421	—	—	5,421
Net settlement on vesting of restricted stock units	312	3	(1,372)	—	—	(1,369)	—	—	(1,369)
<b>Balance at December 31, 2021</b>	29,546	\$ 295	\$ 238,687	\$ (17,988)	\$ (20,311)	\$ 200,683	\$ 229	\$ 200,912	
Net income	—	—	—	6,499	—	6,499	—	75	6,574
Other comprehensive loss, net of tax	—	—	—	—	(13,079)	(13,079)	—	(5)	(13,084)
Share-based compensation	—	—	5,335	—	—	5,335	—	—	5,335
Net settlement of restricted stock units	349	3	(991)	—	—	(988)	—	—	(988)
<b>Balance at December 31, 2022</b>	29,895	\$ 298	\$ 243,031	\$ (11,489)	\$ (33,390)	\$ 198,450	\$ 299	\$ 198,749	
Net income (loss)	—	—	—	(17,453)	—	(17,453)	—	8	(17,445)
Other comprehensive loss, net of tax	—	—	—	—	5,054	5,054	—	4	5,058
Share-based compensation	—	—	5,712	—	—	5,712	—	—	5,712
Net settlement of restricted stock units	703	7	(1,578)	—	—	(1,571)	—	—	(1,571)
<b>Balance at December 31, 2023</b>	30,598	\$ 305	\$ 247,165	\$ (28,942)	\$ (28,336)	\$ 190,192	\$ 311	\$ 190,503	

*The accompanying notes are an integral part of these consolidated financial statements.*

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

	For the year ended December 31,		
	2023	2022	2021
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (17,445)	\$ 6,574	\$ 3,893
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	34,099	33,294	34,921
Deferred income taxes	(5,281)	(517)	87
Share-based compensation expense	5,712	5,335	5,421
Impairment charges	13,799	—	—
Bad debt provision for troubled customers, net of recoveries	—	42	—
Change in provision for doubtful accounts	346	—	—
Foreign currency (gain) loss	1,030	(208)	417
Payment of finance costs	—	(400)	—
Fair value adjustments to contingent consideration	—	45	949
Other	(437)	786	119
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions			
Accounts receivable	(8,026)	(17,225)	(3,979)
Inventories	(1,867)	(1,283)	278
Prepaid expenses and other assets	(1,852)	5,959	943
Accounts payable	4,177	(93)	(1,139)
Accrued expenses and other liabilities	4,010	(6,454)	2,268
Income taxes payable	(580)	1,084	(1,917)
Payment of contingent consideration in excess of initial estimate	(937)	(533)	—
Net cash provided by operating activities	26,748	26,406	42,261
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(20,854)	(12,591)	(18,161)
Purchase of intangible assets	(2,795)	(825)	(1,115)
Acquisition of businesses, net of cash acquired	—	—	(440)
Proceeds from sale of equipment	1,516	1,178	1,165
Net cash used in investing activities	(22,133)	(12,238)	(18,551)
<b>Cash flows from financing activities</b>			
Repayment of finance lease obligations	(5,047)	(4,140)	(4,060)
Proceeds from borrowings of long-term debt	611	125,000	—
Repayment of long-term debt	(7,598)	(81,405)	(16,262)
Proceeds from revolver	83,000	192,501	89,000
Repayments of revolver	(77,100)	(246,750)	(89,065)
Payments of financing costs	—	(147)	(550)
Payment of contingent consideration for business acquisitions	—	(405)	(938)
Taxes paid related to net share settlement of share-based awards	(1,572)	(977)	(1,370)
Net cash used in financing activities	(7,706)	(16,323)	(23,245)
Effect of exchange rate changes on cash and cash equivalents	249	(1,467)	(2,115)
Net change in cash and cash equivalents	(2,842)	(3,622)	(1,650)
<b>Cash and cash equivalents:</b>			
Beginning of period	20,488	24,110	25,760
End of period	<u>\$ 17,646</u>	<u>\$ 20,488</u>	<u>\$ 24,110</u>
<b>Supplemental disclosure of cash paid</b>			
Interest, net	\$ 17,078	\$ 8,603	\$ 10,078
Income taxes, net	\$ 6,901	\$ (3,069)	\$ 4,707
<b>Noncash investing and financing</b>			
Equipment acquired through finance lease obligations	\$ 7,125	\$ 5,076	\$ 2,923

*The accompanying notes are an integral part of these consolidated financial statements.*

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

**1. Summary of Significant Accounting Policies and Practices**

**Description of Business**

Mistras Group, Inc., together with its subsidiaries (the "Company"), is a leading "one source" multinational provider of integrated technology-enabled asset protection solutions helping to maximize the safety and operational uptime for civilization's most critical industrial and civil assets.

Backed by an innovative, data-driven asset protection portfolio, proprietary technologies and decades-long legacy of industry leadership, the Company helps customers with asset-intensive infrastructure in the oil and gas, aerospace and defense, industrials, power generation and transmission (including alternative and renewable energy), other process industries and infrastructure, research and engineering and other industries towards achieving and maintaining operational excellence. By supporting these organizations that help fuel our vehicles and power our society; inspecting components that are trusted for commercial, defense, and space craft; and building real-time monitoring systems to help avoid catastrophic incidents, the Company helps the world at large.

The Company enhances value for its customers by integrating asset protection throughout supply chains and centralizing integrity data through a suite of Industrial Internet of Things ("IoT")-connected digital software and monitoring solutions, including OneSuite™, which serves as an ecosystem platform, pulling together all of the Company's software and data services capabilities, for the benefit of its customers.

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

The Company has three operating segments. During the first quarter of 2023, the Company renamed the Services segment to the North America segment to more closely align to the geographical area in which the Services segment operates. We did not recast the corresponding financial information for the historical periods presented, as there was no change in the manner which our chief operating decision maker reviews the financial results of each segment and allocates resources. Our Segments, with the updated naming convention, are as follows:

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

**Recent Developments**

During the third quarter of 2023, a triggering event was identified within the Company's reporting units within the International segment due to decreased gross margin in the current period as a result of inflationary pressures and rising energy costs which resulted in impairment charges within the International reporting units of \$ 13.8 million. Refer to Note 8-Goodwill.

During 2022, the Company experienced unfavorable foreign currency exchange impacts as it relates to the Company's European operations. Additionally, the Russian-Ukrainian war and the conflict in the Middle East between Israel and Hamas continues to create disruptions in the oil and gas market and the supply chain in general, which is resulting in some disruption to our business operations. The Company's European operations are currently experiencing increased costs associated with higher energy costs, among others, due in part to the Russian-Ukrainian war.

In 2022, the Company eliminated substantially all of the COVID related cost reduction initiatives undertaken in 2020, including re-instatement of the savings plan employer match and increasing wages back to pre-pandemic amounts.

The Company is currently unable to predict with certainty the overall impact that the factors discussed above and the effect of inflationary pressures may have on its business, results of operations or liquidity or in other ways which the Company cannot yet determine. The Company will continue to monitor market conditions and respond accordingly.

#### ***Principles of Consolidation***

The Company follows guidance on the consolidation of variable interest entities ("VIEs") that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the VIE's economic performance, including powers granted to the VIE's program manager, powers contained in the VIE governing board and, to a certain extent, a company's economic interest in the VIE. The Company analyzes its joint ventures and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary, or the joint venture is not a VIE and the Company holds the majority voting interest with no significant participative rights available to the other partners; or
- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

As part of the above analysis, if it is determined that the Company has the power to direct the activities that most significantly impact the joint venture's economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

The Company became the primary beneficiary in July 2020 of a VIE in which the Company has a 49 % interest in a limited partnership, and a 49 % stockholder in the corporate general partner of the limited partnership. The Company consolidated the financial statements of the VIE with the financial statements of the Company. As of and for the year ended December 31, 2023, the VIE had immaterial assets and had approximately \$ 3.0 million of revenue. The Company is the primary sub-contractor of the VIE.

The accompanying audited consolidated financial statements include the accounts of Mistras Group, Inc. as well as its wholly-owned subsidiaries, majority-owned subsidiaries and consolidated 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 Consolidated Balance Sheets. The non-controlling interests in net results, net of tax, is classified separately in the accompanying 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.

#### ***Reclassifications***

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.

#### ***Use of Estimates***

The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") requires that the Company make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. The Company bases its estimates and assumptions on historical experience, known or expected trends and various other assumptions that it believes to be reasonable. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates, which may cause the Company's future results to be significantly affected.

#### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### **Accounts Receivable and Allowance for Credit Losses**

The Company maintains an allowance for credit losses on its accounts receivable balances, which represents its best estimate of current expected credit losses over the contractual life of the accounts receivable. When evaluating the adequacy of its allowance for credit losses each reporting period, the Company analyzes accounts receivable balances with similar risk characteristics on a collective basis, considering factors such as the aging of receivable balances, payment terms (primarily with 30 day terms), geographic location, historical loss experience, current information and future expectations (generally considered one year which is consistent with expected collectability of the Company's trade receivables).

The Company monitors and considers whether historical loss rates are consistent with expectation of supportable forward-looking estimates for its trade receivables noting any current or future economic considerations that would require adjusting the Company's historical loss experience. Each reporting period, the Company reassesses whether any accounts receivable no longer share similar risk characteristics and should instead be evaluated as part of another pool or on an individual basis. Changes to the allowance for credit losses are adjusted through credit loss expense, which is presented within Selling, general and administrative expenses in the Consolidated Statements of Income (Loss).

#### **Concentration of Credit Risk**

For each of the years ended December 31, 2023 and 2022, no customer represented 10% or more of the Company's revenue.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. At times, cash deposits may exceed the limits insured by the Federal Deposit Insurance Corporation. The Company believes it is not exposed to any significant credit risk or risk of nonperformance of financial institutions.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value, as determined by using the first-in, first-out method, or market. Work in process and finished goods inventory include material, direct labor, variable costs and overhead.

#### **Purchased and Internal-Use Software**

The Company capitalizes certain costs that are incurred to purchase or to create and implement internal-use software, which includes software coding, installation and testing. Capitalized costs are amortized on a straight-line basis over three years, the estimated useful life of the software.

#### **Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is computed utilizing the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed utilizing the straight-line method over the shorter of the remaining lease term or estimated useful life. Repairs and maintenance costs are expensed as incurred.

#### **Goodwill**

Goodwill represents the excess purchase price of acquired businesses over the fair values attributed to underlying net tangible assets and identifiable intangible assets. The Company tests goodwill for impairment at a "reporting unit" level (which for the Company is represented by (i) its North America segment, (ii) its Products and Systems segment, (iii) the European component of its International segment and (iv) the Brazilian component of its International segment). The Company's annual impairment test is conducted on the first day of the Company's fourth quarter, which is October 1. Goodwill is also tested for impairment whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative

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impairment test is not necessary. If the Company concludes otherwise, the Company is required to perform a quantitative impairment test.

If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit may be impaired. An impairment will be recorded in the amount that the fair value is less than the carrying value. The Company considers the income and market approaches to estimate the fair value of its reporting units, which requires significant judgment and assumptions related to revenue growth rates, gross margins, EBIT margins, and market multiples.

See Note 8-Goodwill for additional information related to the Company's goodwill impairment test during 2023.

### ***Impairment of Long-lived Assets***

The Company reviews the recoverability of its long-lived assets (or asset groups) whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset (group) might not be recoverable. The assessment for potential impairment is based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future undiscounted cash flows. If the total expected future undiscounted cash flows are less than the carrying amount of the assets, a loss is recognized for the difference between fair value (computed based upon the expected future discounted cash flows) and the carrying value of the assets.

### ***Acquisitions***

The Company allocates the purchase price of acquired businesses to their identifiable tangible assets and liabilities as well as identifiable intangible assets, such as customer relationships, technology, non-compete agreements and trade names. Certain estimates and judgments are required in the application of the fair value techniques, including estimates of the respective acquisition's future performance and related cash flows, selection of a discount rate and economic lives, and use of Level 3 measurements as defined in ASC No. 820, *Fair Value Measurements and Disclosure*. Deferred taxes are recorded for any differences between the assigned values and tax bases of assets and liabilities.

### ***Research and Engineering***

Research and product development costs are expensed as incurred.

### ***Advertising, Promotions and Marketing***

The costs for advertising, promotion and marketing programs are expensed as incurred and are included in selling, general and administrative expenses. Advertising expense was approximately \$ 1.4 million, \$ 2.0 million and \$ 1.0 million for the years ended December 31, 2023, 2022 and 2021, respectively.

### ***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other financial current assets and liabilities approximate fair value based on the short-term nature of the items.

### ***Foreign Currency Translation***

The financial position and results of operations of the Company's foreign subsidiaries are measured using their functional currencies, which are their local currencies. Assets and liabilities of foreign subsidiaries are translated into the U.S. Dollar at the exchange rates in effect at the balance sheet date. Income and expenses are translated at the average exchange rate during the period. Translation gains and losses are reported as a component of other comprehensive income (loss) for the period and included in accumulated other comprehensive income (loss) within stockholders' equity.

Foreign currency (gains) losses arising from transactions denominated in currencies other than the functional currency are included in net income, reported in selling, general and administrative expenses, and were approximately \$ 1.3 million, \$( 0.2 ) million, and \$ 0.4 million for the years ended December 31, 2023, 2022 and 2021, respectively.

### ***Self-Insurance***

The Company is self-insured for certain losses relating to workers' compensation and health benefit claims. The Company maintains third-party excess insurance coverage for all workers' compensation and health benefit claims in excess of

approximately \$ 0.3 million per occurrence to reduce its exposure from such claims. Self-insured losses are accrued when it is probable that an uninsured claim has been incurred but not reported and the amount of the loss can be reasonably estimated at the balance sheet date.

#### **Share-based Compensation**

The value of services received from employees and directors in exchange for an award of an equity instrument is measured based on the grant-date fair value of the award. Such value is recognized as a non-cash expense on a straight-line basis over the minimum period the individual provides services, which is typically the vesting period of the award with the exception of awards with graded vesting that contain an internal performance measure where each tranche is recognized on a straight-line basis over its vesting period subject to the probability of meeting the performance requirements and adjusted for the number of shares expected to be earned. Awards to certain employees eligible for retirement prior to the award becoming fully vested are amortized to expense over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. As share-based compensation expense is based on awards ultimately expected to vest, the amount of expense is reduced for estimated forfeitures. The cost of these awards is recorded in selling, general and administrative expenses in the Company's Consolidated Statements of Income (Loss).

#### **Income Taxes**

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. Our net deferred tax assets primarily consist of net operating loss carry forwards, or NOLs. A valuation allowance is provided if it is more likely than not that some or all of a deferred income tax asset will not be realized. A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the current and prior years.

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

#### **Recent Accounting Pronouncements**

In March 2020 and updated in January 2021, the FASB issued Accounting Standards Update ("ASU") 2020-04 and 2021-01, "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, 2024. 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 that 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.

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

### **Revenue by Category**

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

Revenue by industry was as follows (in thousands):

Year ended December 31, 2023	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 379,221	\$ 36,615	\$ 159	\$ —	\$ 415,995
Aerospace & Defense	56,000	20,711	286	—	76,997
Industrials	42,518	26,292	1,773	—	70,583
Power Generation and Transmission	23,598	6,609	3,767	—	33,974
Other Process Industries	33,035	14,456	112	—	47,603
Infrastructure, Research & Engineering	16,620	9,320	3,168	—	29,108
Petrochemical	13,216	1,216	—	—	14,432
Other	15,122	9,195	3,721	( 11,257 )	16,781
<b>Total</b>	<b>\$ 579,330</b>	<b>\$ 124,414</b>	<b>\$ 12,986</b>	<b>\$ ( 11,257 )</b>	<b>\$ 705,473</b>

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Year ended December 31, 2022	North America	International	Products	Corp/Elim	Total
Oil & Gas	\$ 356,763	\$ 30,654	\$ 335	\$ —	\$ 387,752
Aerospace & Defense	61,475	18,763	314	—	80,552
Industrials	38,197	23,703	2,083	—	63,983
Power Generation and Transmission	31,197	8,304	2,603	—	42,104
Other Process Industries	40,778	14,021	28	—	54,827
Infrastructure, Research & Engineering	15,283	7,946	3,994	—	27,223
Petrochemical	15,360	536	—	—	15,896
Other	14,283	8,498	3,370	( 11,115 )	15,036
<b>Total</b>	<b>\$ 573,336</b>	<b>\$ 112,425</b>	<b>\$ 12,727</b>	<b>\$ ( 11,115 )</b>	<b>\$ 687,373</b>

Year ended December 31, 2021	North				
	North America	International	Products	Corp/Elim	Total
	330,880				366,920
Oil & Gas	\$ 35,232	\$ 808	\$ —	\$ —	
Aerospace & Defense	51,593	16,513	286	—	68,392
Industrials	41,873	24,000	1,842	—	67,715
Power Generation and Transmission	39,966	9,927	2,853	—	52,746
Other Process Industries	38,742	12,593	64	—	51,399
Infrastructure, Research & Engineering	16,809	11,496	3,985	—	32,290
Petrochemical	19,378	227	—	—	19,605
Other	16,146	7,257	3,993	( 9,332 )	18,064
	555,387		13,831	( 9,332 )	677,131
<b>Total</b>	<b>\$ 117,245</b>	<b>\$ )</b>	<b>\$ 12,727</b>	<b>\$ ( 11,115 )</b>	<b>\$ 687,373</b>

Revenue per key geographic location was as follows (in thousands):

Year ended December 31, 2023	North America	International	Products	Corp/Elim	Total
United States	\$ 495,764	\$ 934	\$ 5,956	\$ ( 2,372 )	\$ 500,282
Other Americas	77,880	12,906	850	( 4,697 )	86,939
Europe	3,655	105,934	1,927	( 3,381 )	108,135
Asia-Pacific	2,031	4,640	4,253	( 807 )	10,117
<b>Total</b>	<b>\$ 579,330</b>	<b>\$ 124,414</b>	<b>\$ 12,986</b>	<b>\$ ( 11,257 )</b>	<b>\$ 705,473</b>

Year ended December 31, 2022	North America	International	Products	Corp/Elim	Total
United States	\$ 485,551	\$ 910	\$ 6,495	\$ ( 3,083 )	\$ 489,873
Other Americas	83,877	9,076	406	( 4,105 )	89,254
Europe	2,811	99,714	1,896	( 3,502 )	100,919
Asia-Pacific	1,097	2,725	3,930	( 425 )	7,327
<b>Total</b>	<b>\$ 573,336</b>	<b>\$ 112,425</b>	<b>\$ 12,727</b>	<b>\$ ( 11,115 )</b>	<b>\$ 687,373</b>

Year ended December 31, 2021	North America	International	Products	Corp/Elim	Total
United States	\$ 472,125	\$ 912	\$ 6,469	\$ ( 4,284 )	\$ 475,222
Other Americas	80,013	5,003	395	( 1,768 )	83,643
Europe	1,841	108,411	2,174	( 2,812 )	109,614
Asia-Pacific	1,408	2,919	4,793	( 468 )	8,652
<b>Total</b>	<b>\$ 555,387</b>	<b>\$ 117,245</b>	<b>\$ 13,831</b>	<b>\$ ( 9,332 )</b>	<b>\$ 677,131</b>

### **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 for 2023 and 2022, that was included in the contract liability balance at the beginning of the year was \$ 6.3 million and \$ 4.7 million, respectively. Changes in the contract asset and liability balances during the years ended December 31, 2023 and 2022, were not impacted by any other factors. The Company applies the practical expedient to expense incremental costs incurred related to obtaining a contract when the amortization period of the asset that the Company otherwise would have recognized is one year or less.

### **3. Earnings per Share**

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

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

	For the year ended December 31,		
	2023	2022	2021
<b>Basic earnings (loss) per share:</b>			
Numerator:			
Net income (loss) attributable to Mistras Group, Inc.	\$ ( 17,453 )	\$ 6,499	\$ 3,860
Denominator			
Weighted average common shares outstanding	30,330	29,901	29,572
<b>Basic earnings (loss) per share</b>	<b>\$ ( 0.58 )</b>	<b>\$ 0.22</b>	<b>\$ 0.13</b>
<b>Diluted earnings (loss) per share:</b>			
Numerator:			
Net income (loss) attributable to Mistras Group, Inc.	\$ ( 17,453 )	\$ 6,499	\$ 3,860
Denominator			
Weighted average common shares outstanding	30,330	29,901	29,572
Dilutive effect of stock options outstanding	—	—	558
Dilutive effect of restricted stock units outstanding	—	328	—
	<b>30,330</b>	<b>30,229</b>	<b>30,130</b>
<b>Diluted earnings (loss) per share</b>	<b>\$ ( 0.58 )</b>	<b>\$ 0.21</b>	<b>\$ 0.13</b>

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The following potential shares of common stock were excluded from the computation of diluted earnings per share, as the effect would have been anti-dilutive:

	For the year ended December 31,		
	2023	2022	2021
Potential shares of common stock attributable to restricted stock units (RSUs) and performance stock units (PSUs) outstanding <sup>(1)</sup>	547	1,005	109
Potential shares of common stock attributable to stock options outstanding	—	1	5
<b>Total</b>	<b>547</b>	<b>1,006</b>	<b>114</b>

<sup>(1)</sup> For the year ended December 31, 2023, 1,014,527 shares of common stock related to restricted stock and 250,000 stock options, were excluded from the calculation of diluted EPS due to the net loss for the period.

## **4. Accounts Receivable**

Accounts receivable consist of the following (in thousands):

	December 31,	
	2023	2022
Trade accounts receivable	\$ 134,495	\$ 127,767
Allowance for credit losses	( 1,648 )	( 4,110 )
<b>Accounts receivable, net</b>	<b>\$ 132,847</b>	<b>\$ 123,657</b>

The Company had \$ 18.5 million and \$ 13.5 million of unbilled revenues accrued as of December 31, 2023 and December 31, 2022, respectively, which is included within the trade accounts receivable balance above. Unbilled revenue is generally billed in the subsequent quarter to their revenue recognition. The Company considers unbilled receivables as short-term in nature as they are normally converted to trade receivables within 90 days, 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 filed a lawsuit to recover the \$ 1.4 million and other amounts due to the Company and the customer filed a counterclaim, alleging breach of contract and seeking damages. The Company recorded a full reserve for this receivable during 2019. The parties agreed to a settlement in the quarter ending June 30, 2023, with releases executed in July 2023, whereby the Company released its claim for the \$ 1.4 million of outstanding receivables. Accordingly, the receivable has been written off. See Note 18-*Commitments and Contingencies* for additional details.

## **5. Inventories**

Inventories consist of the following (in thousands):

	December 31,	
	2023	2022
Raw materials	\$ 6,099	\$ 5,351
Work in progress	839	336
Finished goods	5,740	5,475
Consumable supplies	2,605	2,394
<b>Inventories</b>	<b>\$ 15,283</b>	<b>\$ 13,556</b>

## 6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	Useful Life (Years)	December 31,	
		2023	
		(in thousands)	
Land		\$ 2,453	\$ 2,529
Building and improvements	30 - 40	26,663	24,800
Office furniture and equipment	5 - 8	21,334	18,057
Machinery and equipment	5 - 7	269,306	251,282
		319,756	296,668
Accumulated depreciation and amortization		( 238,784 )	( 219,107 )
Property, plant and equipment, net		\$ 80,972	\$ 77,561

Depreciation expense was approximately \$ 25.6 million, \$ 24.1 million, and \$ 25.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

## 7. 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 recorded as acquisition-related expense, net, on the Consolidated Statements of Income (Loss) and were as follows for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	For the year ended December 31,		
	2023		2022
			2021
Due diligence, professional fees and other transaction costs	\$ 9	\$ 31	\$ 5
Adjustments to fair value of contingent consideration liabilities	—	45	1,128
Acquisition-related expense, net	\$ 9	\$ 76	\$ 1,133

## 8. Goodwill

The changes in the carrying amount of goodwill by segment is shown below (in thousands):

	North America	International	Products and Systems	Total
Balance at December 31, 2021	\$ 190,656	\$ 14,783	\$ —	\$ 205,439
Foreign currency translation	( 4,946 )	( 858 )	—	( 5,804 )
Balance at December 31, 2022	\$ 185,710	\$ 13,925	\$ —	\$ 199,635
Impairment charges	—	( 13,799 )	—	( 13,799 )
Foreign currency translation	1,644	( 126 )	—	1,518
Balance at December 31, 2023	\$ 187,354	\$ —	\$ —	\$ 187,354

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

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

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

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

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

Based upon the results of the interim quantitative goodwill impairment test, the Company recorded an impairment charge of \$ 13.8 million within the International reporting units. The impairment was calculated based on the difference between the estimated fair value and the carrying value of the reporting units and is included in Goodwill impairment charges on the condensed consolidated statements of income (loss) for the year ended December 31, 2023. Any significant adverse changes in future periods to the Company's internal forecasts or the external market conditions, if any, could reasonably be expected to negatively affect its key assumptions and may result in future goodwill impairment charges which could be material.

The Company's cumulative goodwill impairment as of December 31, 2023 was \$ 114.0 million, of which \$ 57.2 million related to the North America segment, \$ 43.6 million related to the International segment and \$ 13.2 million related to the Products and Systems segment.

## **9. Intangible Assets**

The gross carrying amount and accumulated amortization of intangible assets were as follows (in thousands):

	Useful Life (Years)	2023		2022		Net Carrying Amount
		Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	
					Accumulated Amortization	
Customer relationships	5 - 18	\$ 110,780	\$ ( 90,506 )	\$ 20,274	\$ 109,683	\$ ( 84,130 ) \$ 25,553
Software/Technology	3 - 15	55,053	( 32,230 )	22,823	51,028	( 28,669 ) 22,359
Covenants not to compete	2 - 5	12,536	( 12,488 )	48	12,488	( 12,416 ) 72
Other	2 - 12	10,466	( 9,617 )	849	10,389	( 9,358 ) 1,031
<b>Total</b>		<b>\$ 188,835</b>	<b>\$ ( 144,841 )</b>	<b>\$ 43,994</b>	<b>\$ 183,588</b>	<b>\$ ( 134,573 ) \$ 49,015</b>

Amortization expense for the years ended December 31, 2023, 2022 and 2021, was approximately \$ 8.5 million, \$ 9.1 million, and \$ 9.7 million, respectively, including amortization of software/technology for these periods of \$ 2.9 million, \$ 2.9 million, and \$ 3.0 million, respectively.

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Amortization expense in each of the five years and thereafter subsequent to December 31, 2023 related to the Company's intangible assets is expected to be as follows (in thousands):

	Expected Amortization Expense
2024	\$ 9,054
2025	6,829
2026	6,120
2027	4,752
2028	4,620
Thereafter	12,619
<b>Total</b>	<b>\$ 43,994</b>

## 10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 31,	
	2023	2022
Accrued salaries, wages and related employee benefits	\$ 27,372	\$ 26,684
Contingent consideration	—	937
Accrued workers' compensation and health benefits	4,385	3,660
Deferred revenue	7,136	7,521
Right-of-use liability - Operating	10,686	10,376
Pension accrual	2,458	2,519
Other accrued expenses	32,294	26,147
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 84,331</b>	<b>\$ 77,844</b>

## 11. Long-Term Debt

Long-term debt consisted of the following (in thousands):

	December 31,	
	2023	2022
Senior credit facility	\$ 71,150	\$ 65,250
Senior secured term loan, net of unamortized debt issuance costs of \$ 0.4 million and \$ 0.5 million	115,253	121,399
Other	3,996	4,602
<b>Total debt</b>	<b>190,399</b>	<b>191,251</b>
Less: Current portion	( 8,900 )	( 7,425 )
<b>Long-term debt, net of current portion</b>	<b>\$ 181,499</b>	<b>\$ 183,826</b>

### **Senior Credit Facility**

Prior to entering into the New Credit Agreement (defined and described below), the Company had a credit agreement with its banking group (the "Credit Agreement") which provided the Company with a \$ 150 million revolving credit facility and a \$ 100 million term loan. The Credit Agreement was most recently amended on May 19, 2021 and had a maturity date of December 12, 2023.

On August 1, 2022, the Company entered into a new credit agreement (the "New Credit Agreement") which replaced the prior Credit Agreement and provides the Company with a \$ 190 million, 5 -year committed revolving credit facility and a \$ 125 million term loan with a balance of \$ 115.3 million as of December 31, 2023. The New Credit Agreement permits the Company to borrow up to \$ 100 million in non-US dollar currencies and to use up to \$ 20 million of the credit limit for the issuance of letters of credit. Both the revolving line of credit and the term loan under the New Credit Agreement have a maturity date of July 30, 2027.

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

- Borrowings bear interest at Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment and applicable SOFR margin ranging from 1.25 % to 2.75 %, based upon our Total Consolidated Debt Leverage Ratio (defined below); under the Credit Agreement, the margin was based upon the LIBOR margin.
  - Total Consolidated Debt Leverage Ratio means the ratio of (a) Total Consolidated Debt to (b) EBITDA (as defined in the New Credit Agreement) for the trailing four consecutive fiscal quarters.
  - Total Consolidated Debt means all indebtedness (including subordinated debt) of the Company on a consolidated basis.
- The Company has the benefit of the lowest SOFR margin if its Total Consolidated Debt Leverage Ratio is equal to or less than 1.25 to 1.0, and the margin increases as the ratio increases, to the maximum margin if the ratio is greater than 3.75 to 1.0. The New Credit Agreement is secured by liens on substantially all of the assets of the Company and certain of its U.S subsidiaries and is guaranteed by those U.S subsidiaries.
- The Company has to maintain a Total Consolidated Debt Leverage Ratio of no more than 4.0 to 1.0 at the end of each quarter through June 30, 2023 and stepping down to a maximum permitted ratio of no more than 3.75 to 1.0 for the remainder of the term.
- As of December 31, 2023, the Fixed Charge Coverage Ratio was modified from a ratio of 1.25 to 1.0 to a ratio of 1.1 to 1.0 for the duration of the New Credit Agreement, as defined in the New Credit Agreement. Refer to Note 21 - *Subsequent Events* for further information.
- The New Credit Agreement limits the Company's ability to, among other things, create liens, make investments, incur more indebtedness, merge or consolidate, make dispositions of property, pay dividends, make distributions to stockholders or repurchase our stock, enter into a new line of business, enter into transactions with affiliates and enter into burdensome agreements.
- The New Credit Agreement does not limit the Company's ability to acquire other businesses or companies except that the acquired business or company must be in the Company's line of business, the Company must be in compliance with the financial covenants on a pro forma basis after taking into account the acquisition, and the Company must provide written notice at least five business days prior to the date of an acquisition of \$ 10 million or more.
- Quarterly payments on the term loan of \$ 1.56 million through June 30, 2024, then increasing to \$ 2.34 million through June 30, 2025, and to \$ 3.12 million for each quarterly payment thereafter through maturity.

The New Credit Agreement was accounted for as a modification, and the Company expensed \$ 0.8 million in unamortized capitalized debt issuance costs and fees during the three months ended September 30, 2022, which was included in selling, general and administrative expenses on the Consolidated Statements of Income (Loss). The Company incurred \$ 1.6 million in financing costs for the New Credit Agreement, of which \$ 0.2 million of third party costs were expensed and included in selling, general and administrative expenses on the Consolidated Statements of Income (Loss).

As of December 31, 2023, the Company had borrowings of \$ 186.4 million and a total of \$ 2.9 million of letters of credit outstanding under the New Credit Agreement. The Company has capitalized costs associated with debt modifications of \$ 1.2 million as of December 31, 2023, which is included in Other assets on the Consolidated Balance Sheet and will be amortized into interest expense over the remaining term of the Credit Agreement through July 30, 2027.

As of December 31, 2023, the Company was in compliance with the terms of the New Credit Agreement. The Company continuously monitors compliance with the covenants contained in the New Credit Agreement. The Company believes that it is probable that the Company will be able to comply with the financial covenants in the New Credit Agreement and that sufficient credit remains available under the New Credit Agreement to meet the Company's liquidity needs. However, such matters cannot be predicted with certainty.

#### **Other Debt**

The Company's other debt includes bank financing provided at the local subsidiary level used to support working capital requirements and fund capital expenditures. At December 31, 2023, there was an aggregate of approximately \$ 4.0 million

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outstanding, payable at various times through 2030. Monthly payments range from \$ 1 thousand to \$ 19 thousand and interest rates range from 0.4 % to 3.5 %.

Scheduled principal payments due under all borrowing agreements in each of the five years and thereafter subsequent to December 31, 2023 are as follows (in thousands):

2024	\$ 9,208
2025	11,968
2026	12,875
2027	155,524
2028	824
Thereafter	—
<b>Total</b>	<b>\$ 190,399</b>

## 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. The three levels of the hierarchy are defined as follows:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 — Observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data.

Level 3 — Unobservable inputs reflecting the Company's own assumptions about inputs that market participants would use in pricing the asset or liability based on the best information available.

### ***Financial instruments measured at fair value on a recurring basis***

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

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

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at the beginning of the period:	\$ 937	\$ 1,830
Acquisitions	—	—
Payments	( 937 )	( 938 )
Accretion of liability	—	—
Revaluation	—	45
Foreign currency translation	—	—
Balance at the end of the period:	<b>\$ 937</b>	<b>\$ 937</b>

### ***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. Share-Based Compensation

The Company grants share-based incentive awards 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 awards have been granted under the 2009 Plan since the 2016 Plan was approved by stockholders in 2016, and the remaining option award granted under the 2009 Plan expired during the three months ended March 31, 2022. Awards granted under the 2016 Plan may be in the form of stock options, restricted stock units, restricted stock and other forms of share-based incentives, including performance-based restricted stock units, stock appreciation rights and deferred stock rights. At the annual stockholders meeting on May 23, 2022, the Company's stockholders approved an amendment to increase the total number of shares that may be issued under the 2016 Plan by 1.2 million, for a total of 4.9 million shares that are authorized for issuance under the 2016 plan, of which approximately 1,400,000 shares were available for future grants as of December 31, 2023.

#### Stock Options

On October 11, 2023, Mr. Stamatakis was granted an award of stock options to purchase 250,000 shares of common stock of the Company, with an exercise price of \$ 5.36 , the closing price of the Company's common stock as quoted on the New York Stock Exchange on the grant date (the "Options"). The Options were granted as an inducement for Mr. Stamatakis to accept the position of Interim President and CEO of Mistras and were therefore granted outside the 2016 Plan, as permitted by NYSE Rules. The Options can be exercised any time after the grant date until its expiration date, which is the earlier of 10 years from the grant date or one year following the date Mr. Stamatakis is no longer serving as an officer, director or in any other capacity of the Company. During the three months ended December 31, 2023, the Company recorded \$ 0.8 million share-based compensation expenses related to the Options.

For each of the years ended December 31, 2022 and 2021, the Company did not recognize any share-based compensation expense related to stock option awards, as the one outstanding stock option award was already fully vested. No unrecognized compensation costs remained related to the stock option awards. In addition, there were no stock options exercised during the years ended December 31, 2023, 2022 and 2021.

The following table sets forth a summary of the stock option activity, weighted-average exercise prices and options outstanding as of December 31, 2023, 2022 and 2021 as follows (in thousands, except per share amounts and years):

	For the years ended December 31,									
	2023			2022			2021			
	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price	Common Stock Options	Weighted Average Exercise Price
Outstanding at beginning of year:	—	\$ 5.36	—	5	\$ 22.35	—	5	\$ 22.35	—	\$ 22.35
Granted	250	\$ 5.36	—	—	\$ —	—	—	\$ —	—	\$ —
Exercised	—	\$ —	—	—	\$ —	—	—	\$ —	—	\$ —
Expired or forfeited	—	\$ —	—	( 5 )	\$ 22.35	—	—	\$ —	—	\$ —
Outstanding at end of year:	250	\$ 5.36	—	—	\$ —	—	5	\$ 22.35	—	\$ 22.35

#### Stock Issuances to Non-Employee Directors

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

	For the year ended December 31,		
	2023	2022	2021
Awards issued	133	70	51
Grant date fair value of awards issued	\$ 750	\$ 450	\$ 525

**Restricted Stock Unit Awards**

Restricted Stock Units generally vest ratably on each of the first four anniversary dates of issuance. The Company recognized approximately \$ 4.9 million, \$ 3.7 million and \$ 3.5 million of share-based compensation for the years ended December 31, 2023, 2022 and 2021, respectively, related to restricted stock unit awards. As of December 31, 2023, there was approximately \$ 6.9 million of unrecognized compensation costs, net of estimated forfeitures, related to restricted stock unit awards, which are expected to be recognized over a remaining weighted average period of 2.5 years. Upon vesting, restricted stock units are generally net share-settled to cover the required minimum 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 (in thousands):

	For the year ended December 31,		
	2023	2022	2021
Awards issued	683	401	317
Grant date fair value of awards issued	\$ 4,269	\$ 2,524	\$ 3,434

A summary of the Company's outstanding, non-vested restricted share units is as follows (in thousands, except per share amounts and years):

	For the year ended December 31,					
	2023		2022		2021	
	Units	Weighted	Units	Weighted	Units	Weighted
		Average		Average		Average
		Grant-Date		Grant-Date		Grant-Date
		Fair Value		Fair Value		Fair Value
Outstanding at beginning of period:	1,415	\$ 6.66	1,208	\$ 7.96	1,076	\$ 7.41
Granted	606	\$ 8.30	687	\$ 7.59	528	\$ 10.07
Released	( 683 )	\$ 6.25	( 401 )	\$ 6.63	( 317 )	\$ 10.77
Forfeited	( 154 )	\$ 8.00	( 79 )	\$ 14.23	( 79 )	\$ 8.82
Outstanding at end of period:	<u>1,184</u>	<u>\$ 8.07</u>	<u>1,415</u>	<u>\$ 6.66</u>	<u>1,208</u>	<u>\$ 7.96</u>

**Performance Restricted Stock Units**

The Company maintains Performance Restricted Stock Units ("PRSUs") that have been granted to select executives and senior officers whose ultimate payouts may vary between zero and 200 % of the target award, based on the Company's performance over a one-year period based on specific metrics approved by the Compensation Committee of the Board of Directors of the Company.

For 2022, the Compensation Committee of the Board of Directors utilized the same performance metrics for the Company's PRSUs awarded in 2022 as it utilized for the 2021 PRSUs. The three metrics were:

1. *Free Cash Flow* defined as net cash provided by operating activities less purchases of property, plant, equipment and intangible assets and is subject to adjustments approved by the Compensation Committee.
2. *Adjusted EBITDA* defined as net income attributable to the Company plus: interest expense, provision for income taxes, depreciation and amortization, share-based compensation expense and certain acquisition related costs

(including transaction due diligence costs and adjustments to the fair value of contingent consideration), foreign exchange (gain) loss and, if applicable, certain special items which are noted.

3. *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 2021), compared to the average share price during the 20 -trading day period ending on the final measurement date (the last 20 trading days of 2022). Any cash dividends or distributions paid in 2022 were 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.

For 2023, the Compensation Committee of the Board of Directors used different performance metrics for PRSUs approved in that year. The three metrics are:

1. *Free Cash Flow* defined as net cash provided by operating activities less purchases of property, plant, equipment and intangible assets and is subject to adjustments approved by the Compensation Committee.
2. *Adjusted EBITDA* defined as net income attributable to the Company plus: interest expense, provision for income taxes, depreciation and amortization, share-based compensation expense and certain acquisition related costs (including transaction due diligence costs and adjustments to the fair value of contingent consideration), foreign exchange (gain) loss and, if applicable, certain special items which are noted.
3. *Revenue*

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

A summary of the Company's PRSU activity is presented as follows (in thousands, except per share amounts and years):

	For the year ended December 31,								
	2023			2022			2021		
	Units	Weighted	Average	Units	Weighted	Average	Units	Weighted	
		Grant-Date	Fair Value		Grant-Date	Fair Value		Grant-Date	
Outstanding at beginning of period:	371	\$	9.96	388	\$	10.07	333	\$	8.84
Granted	282	\$	8.50	341	\$	6.55	189	\$	12.59
Performance condition adjustments, net	( 305 )	\$	8.34	( 285 )	\$	7.71	( 56 )	\$	9.27
Released	( 204 )	\$	6.59	( 73 )	\$	5.17	( 78 )	\$	8.15
Forfeited	( 84 )	\$	6.95	—	\$	—	—	\$	—
Outstanding at end of period:	<u>60</u>	<u>\$</u>	<u>9.33</u>	<u>371</u>	<u>\$</u>	<u>9.96</u>	<u>388</u>	<u>\$</u>	<u>10.07</u>

For the year ended December 31, 2023, 282,000 PRSUs were granted. There was a 305,000 net unit reduction to these awards, which represents Company performance below target, during the year ended December 31, 2023.

For the year ended December 31, 2022, 341,000 PRSUs were granted. There was a 285,000 net unit reduction to these awards, which represents Company performance below target, during the year ended December 31, 2022.

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For the year ended December 31, 2021, 189,000 PRSUs were granted. There was a 56,000 unit reduction to these awards, which represents Company performance against target, during the year ended December 31, 2021.

Compensation expense related to all PRSUs described above was \$ 0.7 million, \$ 1.2 million, and \$ 1.4 million for the years ended December 31, 2023, 2022 and 2021, respectively. At December 31, 2023, there was \$ 0.2 million of total unrecognized compensation costs related to approximately 60,000 unvested performance restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately 1.5 years.

For the years ended December 31, 2023, 2022 and 2021, the income tax benefit recognized on all share based compensation arrangements referenced above was approximately \$ 0.8 million, \$ 1.6 million, and \$ 1.4 million, respectively.

#### 14. Income Taxes

Income (loss) before provision (benefit) for income taxes is as follows (in thousands):

	For the year ended December 31,		
	2023	2022	2021
Income (loss) before provision (benefit) for income taxes from:			
U.S. operations	\$ ( 6,900 )	\$ 439	\$ 1,527
Foreign operations	( 11,765 )	8,855	5,761
Income (loss) before provision (benefit) for income taxes	<u>\$ ( 18,665 )</u>	<u>\$ 9,294</u>	<u>\$ 7,288</u>

The provision (benefit) for income taxes consists of the following (in thousands):

	For the year ended December 31,		
	2023	2022	2021
<b>Current</b>			
Federal	\$ 1,372	\$ ( 644 )	\$ ( 182 )
States and local	705	464	246
Foreign	2,063	3,251	3,641
Reserve for uncertain tax positions	16	136	( 186 )
Total current provision (benefit)	<u>\$ 4,156</u>	<u>\$ 3,207</u>	<u>\$ 3,519</u>
<b>Deferred</b>			
Federal	\$ ( 2,005 )	\$ ( 435 )	\$ ( 309 )
States and local	( 122 )	242	( 138 )
Foreign	( 1,439 )	( 1,614 )	( 1,884 )
Reserve for uncertain tax positions	—	—	155
Total deferred benefit	<u>( 3,566 )</u>	<u>( 1,807 )</u>	<u>( 2,176 )</u>
Net change in valuation allowance	<u>( 1,810 )</u>	<u>1,320</u>	<u>2,052</u>
Net deferred benefit	<u>( 5,376 )</u>	<u>( 487 )</u>	<u>( 124 )</u>
Total provision (benefit) for income taxes	<u><u>\$ ( 1,220 )</u></u>	<u><u>\$ 2,720</u></u>	<u><u>\$ 3,395</u></u>

The provision (benefit) for income taxes differs from the amount computed by applying the statutory federal tax rate to income tax as follows (in thousands):

	For the years ended December 31,					
	2023		2022		2021	
Federal tax at statutory rate	\$ ( 3,920 )	21.0 %	\$ 1,952	21.0 %	\$ 1,527	21.0 %
State taxes, net of federal benefit	611	( 3.3 )%	622	6.7 %	75	1.0 %
Foreign tax	274	( 1.5 )%	218	2.3 %	380	5.2 %
Goodwill impairment	2,901	( 15.5 )%	—	— %	—	— %
Nondeductible compensation	716	( 3.8 )%	—	— %	119	1.6 %
US taxation of foreign earnings	98	( 0.5 )%	100	1.1 %	( 1,041 )	( 14.3 )%
Permanent differences	485	( 2.6 )%	363	3.9 %	373	5.1 %
Research & Development Credit	( 602 )	3.2 %	( 1,716 )	( 18.5 )%	( 214 )	( 2.9 )%
Change in valuation allowance	( 1,810 )	9.7 %	1,320	14.2 %	2,052	28.2 %
Impact of foreign tax rate changes	—	— %	( 246 )	( 2.6 )%	49	0.7 %
Other	27	( 0.1 )%	107	1.2 %	75	1.0 %
Total provision (benefit) for income taxes	\$ ( 1,220 )	6.5 %	\$ 2,720	29.3 %	\$ 3,395	46.6 %

The permanent differences identified above include normal recurring differences, such as meals, entertainment, and parking fringe benefits as well as a portion of the goodwill impairment charge.

On June 28, 2019, the Canadian province of Alberta enacted the Job Creation Tax Cut which reduced the Alberta corporate income tax rate from 12% to 11% starting in 2019 with further annual reductions to 10% in 2020, 9% in 2021, and 8% in 2022.

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act is an approximately \$2 trillion emergency economic stimulus package in response to the Coronavirus outbreak, which among other things contains numerous income tax provisions. Some of these tax provisions are effective retroactively for years ending before the date of enactment. The CARES Act provides a five-year carryback of net operating losses generated in years 2018 through 2020. As the statutory federal income tax rate applicable to certain years within the carryback period is 35%, carryback to those years of our estimated 2020 annual federal tax loss provides a tax benefit in excess of the current federal statutory rate of 21%, resulting in an increased income tax benefit of \$ 1.9 million. The income tax effects of the CARES Act resulted in a cash refund of approximately \$ 4.9 million in 2021 of taxes paid in prior years.

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. The Appropriations Act did not have a material impact on our consolidated financial position, results of operations, and cash flows.

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

In August 2022 the United States enacted the Inflation Reduction Act ("IRA") of 2022 (Public Law No. 117-169), which includes a 15% book minimum tax on corporations with financial accounting profits over 1 billion US dollars (USD) and a 1% excise tax on certain stock buybacks. The IRA also contains numerous clean energy tax incentives related to electricity production, carbon sequestration, alternative vehicles and fuels, and residential and commercial energy efficiency. The company does not expect this act to have a material impact.

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Deferred income tax attributes resulting from differences between financial accounting amounts and income tax basis of assets and liabilities are as follows (in thousands):

	December 31,	
	2023	2022
<b>Deferred income tax assets</b>		
Allowance for doubtful accounts	\$ 298	\$ 826
Inventory	1,201	806
Intangible assets	1,036	1,178
Accrued expenses	4,085	4,365
Net operating loss carryforward	5,329	4,985
Finance lease obligations	275	463
Stock Options	187	—
Deferred stock based compensation	723	1,152
Interest carryforward	4,174	1,501
Right-of-use liability	8,984	9,886
R&D Expense	5,091	2,836
Credits	87	490
Other	1,694	1,495
Deferred income tax assets	<u>33,164</u>	<u>29,983</u>
Valuation allowance	( 6,029 )	( 7,787 )
Net deferred income tax assets	<u>\$ 27,135</u>	<u>\$ 22,196</u>
<b>Deferred income tax liabilities</b>		
Property and equipment	\$ ( 6,472 )	\$ ( 6,493 )
Goodwill	( 9,132 )	( 7,645 )
Intangible assets	( 2,822 )	( 3,601 )
Right-of-use asset	( 8,944 )	( 9,841 )
Other	( 2 )	( 122 )
Deferred income tax liabilities	<u>( 27,372 )</u>	<u>( 27,702 )</u>
Net deferred income taxes	<u>\$ ( 237 )</u>	<u>\$ ( 5,506 )</u>

As of December 31, 2023, the Company had no federal net operating loss carry forwards (NOLs). In addition, as of December 31, 2023, the Company had state and foreign NOLs of \$ 10.4 million and \$ 15.0 million, respectively. Approximately \$ 4.6 million of the state NOLs expire at various times from 2031 to 2040, while the remainder of the Company's state NOLs do not expire. Approximately \$ 2.8 million of the foreign NOLs expire at various times from 2023 to 2041, while the remainder of the Company's foreign NOLs do not expire.

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Valuation allowances are provided when management believes the Company's deferred tax assets are not recoverable based on future reversals of existing taxable temporary differences, taxable income in prior carryback year(s) if carryback is permitted under the tax law, and an assessment of estimated future taxable income, exclusive of reversing temporary differences and carryforwards, that incorporates ongoing, prudent and feasible tax planning strategies. At December 31, 2023 and December 31, 2022, the Company has a valuation allowance of approximately \$ 6.0 million and \$ 7.8 million, respectively, primarily against certain state and foreign NOLs and other specific deferred tax assets. The net increase in the valuation allowance of approximately \$ 1.8 million is primarily attributable to state and foreign net operating losses and changes in foreign exchange rates, offset by a reduction of expiring losses. Except for those deferred tax assets subject to the valuation allowance, management believes that it will realize all deferred tax assets as a result of sufficient future taxable income in each tax jurisdiction in which the Company has deferred tax assets. .

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The following table summarizes the changes in the Company's gross unrecognized tax benefits, excluding interest and penalties (in thousands):

	For the year ended December 31,	
	2023	2022
Balance at beginning of period	\$ 258	\$ 300
Additions for tax positions related to the current fiscal period	—	—
Additions for tax positions related to prior years	—	1
Reductions related to the expiration of statutes of limitations	—	( 43 )
Balance at end of period	<u>\$ 258</u>	<u>\$ 258</u>

The Company has recorded the unrecognized tax benefits in other long-term liabilities in the consolidated balance sheets. As of December 31, 2023 and December 31, 2022, there were approximately \$ 0.3 million and \$ 0.3 million of unrecognized tax benefits, respectively, including penalties and interest. If the Company recognized these unrecognized tax benefits, approximately \$ 0.3 million and \$ 0.3 million would favorably affect the effective tax rate for both December 31, 2023 and December 31, 2022, respectively. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense and are not significant for the years ended December 31, 2023, 2022 and 2021. The Company anticipates a decrease to its unrecognized tax benefits of \$ 0.1 million excluding interest and penalties within the next 12 months.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years ending before December 31, 2017 and generally is no longer subject to state, local or foreign income tax examinations by tax authorities for years ending before December 31, 2019. Currently the Company is undergoing a federal tax audit for years ending December 31, 2018 through December 31, 2020.

As previously noted, the Tax Act made significant changes to the taxation of undistributed earnings, requiring that all previously untaxed earnings and profits of the Company's controlled foreign operations be subjected to the transition tax. Since these earnings have now been subjected to U.S. federal tax, they would only be potentially subject to limited other taxes, including foreign withholding and certain state taxes. As of December 31, 2023, the Company has not recognized a deferred tax liability for foreign withholdings and state taxes on its undistributed international earnings or losses of its foreign subsidiaries since it intends to indefinitely reinvest the earnings outside the United States. The Company has estimated \$73.3 million of unremitted international earnings which provides an unrecorded deferred tax liability related to undistributed international earnings is approximately \$ 1.5 million.

## 15. Employee Benefit Plans

The Company provides a 401(k) savings plan for eligible U.S. based employees. Employee contributions are discretionary up to the IRS limits each year and catch up contributions are allowed for employees 50 years of age or older. Under the 401(k) plan, employees become eligible to participate on the first day of the month after three months of continuous service. Under this plan, the Company matches 50 % of the employee's contributions up to 6 % of the employee's annual compensation, as defined by the plan. There is a five-year vesting schedule for the Company match.

During the third quarter of 2021, the Company re-installed the employer match which was previously suspended as part of the Company's cost reduction initiatives undertaken in 2020 due to the COVID-19 pandemic. The Company's contribution to the plan was \$ 3.9 million, \$ 3.0 million, and \$ 1.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company's subsidiary participated with other employers in contributing to the Boilermaker-Blacksmith National Pension Trust (EIN 48-6168020) ("Boilermakers") and Plumbers and Pipefitters National Pension Fund (EIN 52-6152779) ("Pipefitters"), multi-employer defined benefit pension plans, which cover certain U.S. based union employees. The plans provide pension benefits with contribution rates that are collectively bargained between participating employers and their affiliated Boilermakers and Pipefitters local unions. Both the Boilermakers and Pipefitters plans are approximately 80 percent funded as of the latest Form 5500 filed, respectively. The Company did not make any contributions to the Boilermakers plan during the years ended December 31, 2023 and 2022 while making de minimis contributions to the Pipefitters plan during the same periods. See Note 18-*Commitments and Contingencies, Pension Related Contingencies*, for additional detail.

The Company has other benefit plans covering certain employees throughout the Company. Amounts charged to expense under these plans were not significant in any year.

## 16. Related Party Transactions

The Company leases its headquarters under an operating lease from a stockholder and director of the Company. On August 1, 2014, the Company extended its lease at its headquarters requiring monthly payments through October 2024. Total rent payments made during the year ended December 31, 2023 were approximately \$ 1.0 million. See Note 17-Leases for further detail.

The Company receives benefits consulting services from Capital Management Enterprise ("CME"). Manuel N. Stamatakis, Chairman of our Board of Directors and our interim President and Chief Executive Officer, is the Chief Executive Officer of CME. The Company does not pay any fees to CME and any compensation CME receives related to work for the Company is received by commissions paid by the third-party benefit providers.

## 17. Leases

The Company leases certain office and operating facilities, machinery, equipment, and vehicles. Concurrent with the adoption of ASC 842, the Company recognized a right-of-use (ROU) asset and lease liability based on the present value of the future lease payments over the lease term for each lease agreement. The Company elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less and will continue to recognize lease expense for these leases on a straight-line basis over the lease term. The Company has leases with both lease components and non-lease components, such as common area maintenance, utilities, or other repairs and maintenance. For all asset classes, the Company decided to utilize the practical expedient to include both fixed lease components and fixed non-lease components in calculating the ROU asset and lease liability. The Company identified variable lease payments, such as maintenance payments based on actual activities performed or costs incurred, at lease commencement by assessing the nature of the payment provisions, including whether the payments are subject to a minimum charge. Many of the Company's leases include one or more options to renew. When it is reasonably certain that the Company will exercise the option, the Company will include the impact of the option in the lease term for purposes of determining future lease payments. As the Company is unable to determine the discount rate implicit in its lease agreements, the Company uses its incremental borrowing rate on the commencement date to calculate the present value of future payments.

The Company's Consolidated Balance Sheets include the following related to operating leases as of December 31, 2023 and 2022 (in thousands):

Leases	Classification	2023	2022
<b>Assets:</b>			
ROU assets	Other Assets	\$ 37,512	\$ 36,946
<b>Liabilities:</b>			
ROU liability - current	Accrued expenses and other current liabilities	\$ 10,686	\$ 10,376
ROU liability - long-term	Other long-term liabilities	28,219	28,066
Total ROU liabilities		\$ 38,905	\$ 38,442

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 is approximately \$ 0.8 million as of December 31, 2023 and \$ 1.8 million as of December 31, 2022. Total rent payments for this facility were approximately \$ 1.0 million and \$ 1.0 million during the years ended December 31, 2023 and 2022. An agreement was reached with the related party to reduce rental payments by 12.5 % for the lease of the Company's headquarters, effective February 2022 as part of a voluntary reduction.

As of December 31, 2023 and 2022, the total ROU assets attributable to finance leases are approximately \$ 14.5 million and \$ 13.0 million, respectively, which is included in Property, plant, and equipment, net on the Consolidated Balance Sheets.

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The components of lease costs for the year ended December 31, 2023 and 2022 are as follows (in thousands):

Classification		2023	2022
Finance lease expense:			
Amortization of ROU assets	Depreciation and amortization	\$ 5,152	\$ 4,068
Interest on lease liabilities	Interest expense	917	624
Operating lease expense	Cost of revenue; Selling, general & administrative expenses	13,234	12,783
Short-term lease expense	Cost of revenue; Selling, general & administrative expenses	179	77
Variable lease expense	Cost of revenue; Selling, general & administrative expenses	2,034	2,141
Total		<u>\$ 21,516</u>	<u>\$ 19,693</u>

Additional information related to leases as of December 31, 2023 and 2022 is as follows:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities for finance and operating leases (in thousands):		
Finance - financing cash flows	\$ 5,047	\$ 4,140
Finance - operating cash flows	917	624
Operating - operating cash flows	13,208	12,502
ROU assets obtained in the exchange for lease liabilities:		
Finance leases	\$ 7,125	\$ 5,076
Operating leases	10,598	6,067
Weighted-average remaining lease term (in years):		
Finance leases	4.7	5.1
Operating leases	4.4	4.7
Weighted-average discount rate:		
Finance leases	6.5 %	5.5 %
Operating leases	6.1 %	5.6 %

Maturities of lease liabilities as of December 31, 2023 is as follows (in thousands):

	Finance	Operating
2024	\$ 5,955	\$ 12,485
2025	4,520	9,978
2026	3,787	7,426
2027	2,832	5,851
2028	1,168	4,230
Thereafter	128	3,914
Total	18,390	43,884
Less: Present value discount	1,970	4,979
Lease liability	<u>\$ 16,420</u>	<u>\$ 38,905</u>

## 18. Commitments and Contingencies

### Legal Proceedings and Government Investigations

The Company is periodically involved in 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

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for possible losses from the matters described below, the Company does not believe that any currently pending or threatened legal proceeding to which the Company is or is likely to become a party will have a material adverse effect on its business, results of operations, cash flows or financial condition. The costs incurred by the Company to defend lawsuits, investigations and claims and amounts the Company pays to other parties because of these matters may be covered by insurance in some circumstances.

### Litigation and Commercial Claims

The Company was contracted to perform inspections of welds on various pipeline projects in Texas for a 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, on December 17, 2019, 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 on March 6, 2020, alleging breach of contract and seeking recovery of its alleged damages. On April 25, 2023, the parties agreed to settle all claims, and in July 2023, the parties executed a settlement agreement. As part of the settlement, the Company paid \$ 0.3 million in July 2023 (which the Company estimates is significantly less than the cost of going to trial) and released its claim of \$ 1.4 million for associated past due receivables, which were fully reserved for in prior periods. In the year ended December 31, 2022, the Company recorded a charge of \$ 0.1 million for a potential loss from this matter. 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 were filed in California Superior Court for the County of Los Angeles regarding alleged violations of the California Labor Code. Both cases were captioned *Justin Price v. Mistras Group, Inc.*, one being a purported class action lawsuit on behalf of current and former Mistras employees in California, filed on June 10, 2020, and the other was filed on September 18, 2020, on behalf of the State of California under the California Private Attorney General Act on the basis of the same alleged violations. The two cases were consolidated and payment was demanded for all damages, including unpaid wages, and various fines and penalties available under California law. On May 4, 2021, the Company agreed to a settlement of all claims in the cases, which was more formally documented pursuant to a settlement agreement completed October 5, 2021, as amended as of May 3, 2022. Pursuant to the settlement, the Company agreed to pay \$ 2.3 million to resolve the allegations in these proceedings and to be responsible for the employer portion of payroll taxes on the amount of the settlement allocated to wages. The settlement as agreed upon by the parties received final court approval on September 26, 2022, and the Company paid the settlement proceeds and related payroll taxes to the claims administrator in the fourth quarter of 2022. 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 the employees of this subsidiary required contributions for these employees to two national multi-employer pension funds. The reduction in employees resulted in the 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 December 31, 2023 is approximately \$ 2.5 million, which was incurred in 2018 and 2019.

### **Acquisition and disposition related contingencies**

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. On August 3, 2021, the parties amended the agreement and extended the period by 12 months. As of December 31, 2022, the commitment was fully satisfied.

### **19. Segment Disclosure**

The Company's three operating segments are:

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

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

The accounting policies of the reportable segments are the same as those described in Note 1-Summary of Significant Accounting Policies and Practices. 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):

	For the year ended December 31,		
	2023	2022	2021
<b>Revenue</b>			
North America	\$ 579,330	\$ 573,336	\$ 555,387
International	124,414	112,425	117,245
Products and Systems	12,986	12,727	13,831
Corporate and eliminations	( 11,257 )	( 11,115 )	( 9,332 )
	<u>\$ 705,473</u>	<u>\$ 687,373</u>	<u>\$ 677,131</u>
 <b>Gross profit</b>			
North America	\$ 163,960	\$ 159,049	\$ 155,384
International	33,610	33,591	34,282
Products and Systems	6,457	5,490	7,001
Corporate and eliminations	( 220 )	43	480
	<u>\$ 203,807</u>	<u>\$ 198,173</u>	<u>\$ 197,147</u>

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

	For the year ended December 31,		
	2023	2022	2021
<b>Income (loss) from operations</b>			
North America	\$ 55,170	\$ 49,616	\$ 48,458
International	( 12,229 )	3,566	1,839
Products and Systems	267	( 992 )	( 117 )
Corporate and eliminations	( 45,112 )	( 32,391 )	( 32,010 )
	<u>\$ ( 1,904 )</u>	<u>\$ 19,799</u>	<u>\$ 18,170</u>

	For the year ended December 31,		
	2023	2022	2021
<b>Depreciation and amortization</b>			
North America	\$ 25,774	\$ 25,103	\$ 25,259
International	7,580	7,648	8,791
Products and Systems	712	810	928
Corporate and eliminations	33	( 267 )	( 57 )
	<u>\$ 34,099</u>	<u>\$ 33,294</u>	<u>\$ 34,921</u>

	December 31,	
	2023	2022
<b>Intangible assets, net</b>		
North America	\$ 37,622	\$ 43,260
International	2,998	4,422
Products and Systems	1,168	1,208
Corporate and eliminations	2,206	125
	<u>\$ 43,994</u>	<u>\$ 49,015</u>
<b>Total assets</b>		
North America	\$ 402,782	\$ 407,779
International	99,398	104,531
Products and Systems	13,259	12,408
Corporate and eliminations	19,337	10,186
	<u>\$ 534,776</u>	<u>\$ 534,904</u>

	December 31,	
	2023	2022
<b>Long-lived assets</b>		
United States	\$ 177,412	\$ 176,237
Other Americas	107,356	108,582
Europe	27,552	41,392
	<u>\$ 312,320</u>	<u>\$ 326,211</u>

Refer to Note 2-Revenue, for revenue by segment and by geographic area for the years ended December 31, 2023, 2022, and 2021.

**20. Selected Quarterly Financial Information (unaudited)**

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The following is a summary of the quarterly results of operations for calendar years 2023, 2022, and 2021 (in thousands).

Quarter ended	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Revenue	\$ 182,073	\$ 179,354	\$ 176,030	\$ 168,016
Gross Profit	53,627	54,382	49,722	46,077
Income (loss) from operations	706	( 4,682 )	3,893	( 1,830 )
Net income (loss) attributable to Mistras Group, Inc.	\$ ( 2,514 )	\$ ( 10,298 )	\$ 337	\$ ( 4,986 )
Earnings (loss) per common share:				
Basic	\$ ( 0.08 )	\$ ( 0.34 )	\$ 0.01	\$ ( 0.17 )
Diluted	\$ ( 0.08 )	\$ ( 0.34 )	\$ 0.01	\$ ( 0.17 )

Quarter ended	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Revenue	\$ 168,218	\$ 178,462	\$ 179,031	\$ 161,662
Gross Profit	50,939	53,784	53,558	39,892
Income (loss) from operations	5,802	9,114	9,576	( 4,698 )
Net income (loss) attributable to Mistras Group, Inc.	\$ 2,842	\$ 4,373	\$ 4,643	\$ ( 5,363 )
Earnings (loss) per common share:				
Basic	\$ 0.09	\$ 0.15	\$ 0.15	\$ ( 0.18 )
Diluted	\$ 0.09	\$ 0.14	\$ 0.15	\$ ( 0.18 )

Quarter ended	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Revenue	\$ 171,163	\$ 174,556	\$ 177,677	\$ 153,735
Gross Profit	49,594	52,216	55,336	40,001
Income (loss) from operations	2,306	9,236	11,374	( 4,746 )
Net income (loss) attributable to Mistras Group, Inc.	\$ ( 94 )	\$ 3,380	\$ 5,937	\$ ( 5,362 )
Earnings (loss) per common share:				
Basic	\$ —	\$ 0.11	\$ 0.20	\$ ( 0.18 )
Diluted	\$ —	\$ 0.11	\$ 0.20	\$ ( 0.18 )

## 21. Subsequent Events

On February 27, 2024, the Company entered into the First Amendment (the "Amendment") to its New Credit Agreement, dated August 1, 2022, with JPMorgan Chase Bank N.A., as administrative agent for the lenders and a lender and the other lenders under the New Credit Agreement.

The First Amendment was filed as Exhibit 10.1 to the Company's Form 8-K filed with the SEC on March 1, 2024.

The Amendment increases the amount of non-recurring cash charges (as defined in the New Credit Agreement) allowed to be added back for any period of four consecutive quarters for purposes of defining EBITDA under Section 1.01 of the New Credit Agreement from \$ 10 million to \$ 15 million for the periods ended December 31, 2023 to December 31, 2024. The allowable non-recurring cash charge addback reverts to \$ 10 million starting January 1, 2025.

Additionally, the minimum Consolidated Fixed Charge Coverage Ratio was reduced from 1.25 to 1, to 1.10 to 1, for the fiscal quarters ended December 31, 2023 and March 31, 2024. For the period ending June 30, 2024 to maturity, the Fixed Charge Coverage Ratio is 1.25 to 1 as stated in the New Credit Agreement.

## Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

**Item 9A. 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 Interim President and Chief Executive Officer and our Senior Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, our Interim President and Chief Executive Officer and our Senior Executive Vice President and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective.

***Management's Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed by, or under the supervision of, our Chairman and Interim President and Chief Executive Officer and our Senior Executive Vice President and Chief Financial Officer, and effected by our board of directors, management and other personnel 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the updated *Internal Control — Integrated Framework* issued in 2013. Based on that assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

***Changes in Internal Control over Financial Reporting***

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. OTHER INFORMATION**

During the three months ended December 31, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act). During the three months ended December 31, 2023, the Company did not adopt, terminate or modify a Rule 10b5-1 trading arrangement.

**Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Certain of the information concerning our executive officers required by this Item 10 is provided under the caption "Executive Officers" in Part I of this Annual Report. The remaining information required by Item 10 is incorporated herein by reference to the relevant information to be included in our definitive proxy statement related to our 2024 annual meeting of stockholders.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is incorporated by reference to the relevant information to be included in our definitive proxy statement related to the 2024 annual meeting of stockholders.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12 is incorporated by reference to the relevant information to be included in our definitive proxy statement related to the 2024 annual meeting of stockholders.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is incorporated by reference to the relevant information to be included in our definitive proxy statement related to the 2024 annual meeting of stockholders.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is incorporated by reference to the information to be included in our definitive proxy statement related to the 2024 annual meeting of stockholders.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(1) The following financial statements are filed herewith in Item 8 of Part II above:

	Page
<a href="#">Report of independent registered public accounting firm - PricewaterhouseCoopers LLP</a>	47
<a href="#">Report of independent registered public accounting firm - KPMG LLP</a>	50
<a href="#">Consolidated Balance sheets as of December 31, 2023 and December 31, 2022</a>	50
<a href="#">Consolidated Statements of income (loss) for the years ended December 31, 2023, 2022 and 2021</a>	51
<a href="#">Consolidated Statements of comprehensive income (loss) for the years ended December 31, 2023, 2022 and 2021</a>	52
<a href="#">Consolidated Statements of equity for the years ended December 31, 2023, 2022 and 2021</a>	53
<a href="#">Consolidated Statements of cash flows for the years ended December 31, 2023, 2022 and 2021</a>	54
<a href="#">Notes to consolidated financial statements</a>	55

(2) Financial Statement Schedules

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(3) Exhibits

	Exhibit No.	Description
3.1		<a href="#">Second Amended and Restated Certificate of Incorporation (filed as exhibit 3.1 to Registration Statement on Form S-1 (Amendment No. 4) filed on September 21, 2009 (Registration No. 333-151559) and incorporated herein by reference)</a>
3.2		<a href="#">Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation (filed as exhibit 3.1 to the Quarterly Report on Form 10-Q filed on January 11, 2017 and incorporated herein by reference)</a>
3.3		<a href="#">Amended and Restated Bylaws, effective July 20, 2016 (filed as exhibit 3.1 to the Quarterly Report on Form 10-Q filed on October 7, 2016 and incorporated herein by reference)</a>
4.1		<a href="#">Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934 (filed as Exhibit 4.2 to the Annual Report on Form 10-K filed March 27, 2020 and incorporated herein by reference)</a>

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10.1	<a href="#">Credit Agreement, dated August 1, 2022 (filed as Exhibit 10.1 to the Annual Report on Form 10-K filed March 15, 2023 and incorporated herein by reference).</a>
10.2	<a href="#">First Amendment, dated February 27, 2024, to the Credit Agreement, dated August 1, 2022</a>
10.3	<a href="#">Form of Indemnification Agreement for directors and officers (filed as exhibit 10.1 to the Registration Statement on Form S-1 (Amendment No. 4) filed on September 21, 2009 (Registration No. 333-151559) and incorporated herein by reference)</a>
10.4	<a href="#">Mistras Group, Inc. 2016 Long-Term Incentive Plan (filed as exhibit B to the Definitive Proxy Statement dated September 7, 2016 and incorporated herein by reference)</a>
10.5	<a href="#">Amendment No. 1, dated May 19, 2020, to the 2016 Long-Term Incentive Plan (filed as exhibit 10.2 to the Quarterly Report Form 10-Q filed on August 7, 2020 and incorporated herein by reference)</a>
10.6	<a href="#">Amendment No. 2, dated December 1, 2020, to the 2016 Long-Term Incentive Plan (filed as exhibit 10.10 to the Annual Report on Form 10-K filed March 16, 2021)</a>
10.7	<a href="#">Amendment No. 3 dated May 23, 2022 to the 2016 Long-Term Incentive Plan (filed as exhibit 10.2 to the Quarterly Report on Form 10-Q filed on August 5, 2022)</a>
10.8	<a href="#">Form of Restricted Stock Unit Certificate for awards under the 2016 Long-Term Incentive Plan (filed as exhibit 10.16 to the Transition Report on Form 10-K filed on March 20, 2017 and incorporated herein by reference)</a>
10.9	<a href="#">Form of Restricted Stock Unit Certificate for awards to senior officers under the 2016 Long-Term Incentive Plan (filed as exhibit 10.2 to the Quarterly Report Form 10-Q filed on May 19, 2020 and incorporated herein by reference)</a>
10.10*	<a href="#">Mistras Group, Inc. Executive Severance Plan</a>
10.11	<a href="#">Employment Agreement between the Company and Sotirios J. Vahaviolos, dated February 28, 2018 (filed as exhibit 10.1 to the Quarterly Report on Form 10-Q filed May 8, 2018 and incorporated by reference herein)</a>
10.12	<a href="#">Employment Agreement between the Company and Dennis Bertolotti, dated March 13, 2018 (filed as exhibit 10.2 to the Quarterly Report on Form 10-Q filed May 8, 2018 and incorporated by reference herein)</a>
10.13	<a href="#">Description of Compensation for Non-Employee Directors effective January 1, 2023 (filed as exhibit 10.2 to Quarterly Report on Form 10-Q filed on May 5, 2023, and incorporated herein by reference).</a>
10.14	<a href="#">Separation Agreement and Release between Jonathan Wolk and Registrant (filed as exhibit 10.1 to Current Report on Form 8-K filed on March 8, 2023 and incorporated herein by reference).</a>
10.15	<a href="#">Employment Agreement between the Company and Gennaro A. D'Alterio dated September 11, 2023 (filed as exhibit 10.1 to the Quarterly Report on Form 10-Q filed November 6, 2023 and incorporated by reference herein).</a>
10.16*	<a href="#">Employment Agreement between the Company and John A. Smith dated October 1, 2023</a>
10.17	<a href="#">Letter Agreement dated October 9, 2023, between the Company and Manuel N. Stamatakis (filed as exhibit 10.1 to Current Report on Form 8-K filed on October 10, 2023 and incorporated herein by reference).</a>
10.18*	<a href="#">Inducement Award between the Company and Manuel N. Stamatakis dated October 11, 2023</a>
10.19	<a href="#">Separation Agreement (and a General Release of Claims attached thereto) between the Company and Dennis Bertolotti effective December 6, 2023 (filed as exhibited 10.1 to Current Report on Form 8-K filed December 8, 2023, and incorporated herein by reference).</a>
19.1*	<a href="#">Insider Trading Compliance Policy</a>
21.1*	<a href="#">Subsidiaries of the Registrant</a>
23.1*	<a href="#">Consent of PricewaterhouseCoopers LLP</a>
23.2*	<a href="#">Consent of KPMG LLP</a>
24.1*	<a href="#">Power of Attorney (included as part of the signature page to this report)</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934</a>
32.1**	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2**	<a href="#">Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>

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97.1*	<a href="#">Incentive Compensation Recoupment Policy</a>
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

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Exhibits 10.3 to 10.19 are management contracts or compensatory plans, contracts, or arrangements.

\* Filed herewith.

\*\* Furnished herewith.

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Manuel N. Stamatakis

Manuel N. Stamatakis

Chairman and Interim President and Chief Executive Officer

Date: March 11, 2024

We, the undersigned directors and officers of Mistras Group, Inc., hereby severally constitute Manuel N. Stamatakis, Edward J. Prajzner and Michael C. Keefe, and each of them singly, as our true and lawful attorneys with full power to each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

This power of attorney may only be revoked by a written document executed by the undersigned that expressly revokes this power by referring to the date and subject hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Manuel N. Stamatakis</u> Manuel N. Stamatakis	Chairman, Interim President, Chief Executive Officer, and Director ( <i>Principal Executive Officer</i> )	March 11, 2024
<u>/s/ Edward J. Prajzner</u> Edward J. Prajzner	Senior Executive Vice President, and Chief Financial Officer ( <i>Principal Financial Officer and Principal Accounting Officer</i> )	March 11, 2024
<u>/s/ Dr. Sotirios J. Vahaviolos</u> Sotirios J. Vahaviolos	Chairman Emeritus	March 11, 2024
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Director	March 11, 2024
<u>/s/ James J. Forese</u> James J. Forese	Director	March 11, 2024
<u>/s/ Richard H. Glanton</u> Richard H. Glanton	Director	March 11, 2024
<u>/s/ Michelle J. Lohmeier</u> Michelle J. Lohmeier	Director	March 11, 2024
<u>/s/ Charles P. Pizzi</u> Charles P. Pizzi	Director	March 11, 2024

## EMPLOYMENT AGREEMENT

This Employment Agreement (the “**Agreement**”) is dated as of October 1, 2023 (the ‘**Effective Date**’) by and between Mistras Group, Inc., a Delaware corporation (the “**Company**”), and John A. Smith (“**Executive**”).

### **Recital:**

**WHEREAS**, immediately prior to the execution and delivery of this Agreement, Executive has been employed by the Company as Senior Vice President, Services Operations (the “**Prior Position**”);

**WHEREAS**, immediately prior to the execution and delivery of this Agreement, and in respect of his Prior Position, Executive’s compensation arrangements were set forth in the letter dated May 19, 2023 from the Company to Executive (such letter, the “**Prior Compensation Letter**”);

**WHEREAS**, immediately upon the execution and delivery of this Agreement, the compensation arrangements and other terms and conditions set forth in the Prior Compensation Letter shall terminate automatically except as and to the extent expressly set forth in this Agreement; and

**WHEREAS**, this Agreement sets forth the terms and conditions of the Company’s employment of Executive from and after the execution and delivery of this Agreement.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

1. **Employment**. The Company shall employ Executive and Executive shall be employed by the Company upon the terms and conditions set forth in this Agreement.

2. **Term**. Executive’s employment pursuant to this Agreement will commence on the Effective Date and will continue until terminated in accordance with Section 10 hereof.

### **3. Position and Duties; Full Time Commitment**

(a) Executive shall serve as the Executive Vice President and President of Services of the Company, and in this position, Executive will report to, and be subject to the control and direction of, the Company’s Chief Executive Officer and carry out such duties and responsibilities as are customarily performed by persons in Executive’s position within the industry and such other duties and responsibilities as the Company may reasonably assign to him from time to time. Schedule A attached hereto sets forth some of those duties and responsibilities that the Company currently expects Executive to perform, subject to the Company’s reservation of the right to reasonably change these duties and responsibilities or to reasonably assign to Executive other duties and responsibilities, as well as some of the key expectations of the Company in its promotion of Executive.

(b) Executive agrees to devote his full business time and best efforts to the performance of his duties and responsibilities hereunder and in furtherance of the Company’s interests and will not engage in any other employment, consulting or business services; provided that Executive may engage in charitable activities so long as such activities do not interfere with the performance of his duties and responsibilities hereunder.

4. **Company Policies.** Executive will comply with all policies of the Company in effect from time to time, including (without limitation) policies regarding ethics, personal conduct, stock ownership, securities trading, compensation clawbacks and hedging and pledging of securities.

5. **Place of Performance.** Executive will continue to perform his duties and responsibilities primarily from his home office in South Carolina; provided, however, that Executive will be required to travel for business purposes frequently, including to the Company's corporate headquarters in Princeton, New Jersey.

6. **Salary.** Executive's position with the Company is a full-time exempt position. The Company will pay Executive a salary (the "**Base Salary**") at an initial annual rate (effective as of the Effective Date) of \$450,000, payable in accordance with the Company's standard payroll schedule and subject to applicable deductions and withholdings. The amount of the Base Salary shall be reviewed on an annual basis by the Company in conjunction with an annual performance assessment of Executive and may be increased or decreased from time to time by the Company. For the avoidance of doubt, immediately prior to the Effective Date, Executive was entitled to receive a base salary at the annual rate of \$380,000 (the "**Prior Salary Amount**"), and the Base Salary, as set forth above, shall be effective solely for periods from and after the Effective Date.

7. **Annual Incentive Awards.**

(a) For each calendar year (other than calendar year 2023) during his employment, Executive will have the opportunity to earn an annual incentive award under the Company's "Executive annual incentive plan" (sometimes referred to as the "Executive annual bonus plan") applicable to senior executives generally, with Executive's annual incentive target opportunity amount (and range of potential payouts, if any) for each calendar year to be set by the Company and to be dependent upon the extent to which performance targets established by the Company are or are not achieved for such year. Any annual incentive award that is earned by Executive will be payable consistent with the Company's regular payroll practices applicable to annual incentive awards for senior executives generally. Except as otherwise provided herein or determined by the Company, payment of any otherwise earned annual incentive award will be conditioned on Executive's continued employment through the date that annual incentive awards are paid to senior executives generally with respect to the applicable year. For the avoidance of doubt, Executive's annual incentive award opportunity for calendar year 2023 shall be covered by Section 7(b) below.

(b) For calendar year 2023, Executive will have the opportunity to earn an annual cash incentive award, which shall be comprised of two components as specified in subparagraphs (b)(i) and (b)(ii) below:

(i) one component (the "**First Cash Incentive Component**") of Executive's opportunity to earn an annual cash incentive award for calendar year 2023 will be based on the 2023 annual incentive plan established for Executive in the Prior Compensation Letter (and referred to in the Prior Compensation Letter as "cash bonus"); provided that (1) any amount that may be earned thereunder on the basis of actual achievements thereunder (the "**clause 7(b)(i) nominal amount**") shall be pro-rated to equal the product of the clause 7(b)(i) nominal amount multiplied by a fraction the numerator of which is the number of days from and including January 1, 2023 to but excluding the Effective Date, and the denominator of which is three hundred sixty-five (365) and (2) for the avoidance of doubt, the Prior Salary Amount (and not the Base Salary) shall be used in the computation of the clause 7(b)(i) nominal amount; and

(ii) the other component (the "**Second Cash Incentive Component**") of Executive's opportunity to earn an annual cash incentive award for calendar year 2023 will be based

on the Company's previously established "Executive annual incentive plan" (sometimes, as noted in Section 7(a) above, referred to as the "Executive annual bonus plan") applicable to senior executives generally for calendar year 2023, but with the amount of amount of any payment on account thereof to be pro-rated and computed as follows: *first*, the target amount (prior to the following proration) shall be equal to 50% of the Base Salary (and with the actual award amount (the "**clause 7(b)(ii) nominal amount**"), if any and prior to the following proration, ranging from 0 to 200% of the foregoing target amount, depending upon the extent to which performance targets previously established by the Company under the Executive annual incentive plan for calendar year 2023 are or are not achieved, and with the weightings among such performance targets applied in the same manner for Executive as applicable to other senior executives participating in the Executive annual incentive plan); and *second*, the actual payment amount, if any, shall be pro-rated to equal the product of the clause 7(b)(ii) nominal amount multiplied by a fraction the numerator of which is the number of days from and including the Effective Date to and including December 31, 2023, and the denominator of which is three hundred sixty-five (365).

For the avoidance of doubt, the "metrics" and weightings, and computations in respect thereof, set forth in the Prior Compensation Letter apply solely to the First Cash Incentive Component and not to the Second Cash Incentive Component.

## 8. Long-Term Equity Incentive Grants.

(a) For each calendar year (other than calendar year 2023) during his employment, Executive will be eligible to receive a grant of performance-based equity, which, as of the Effective Date, is contemplated to be in the form of Restricted Stock Unit Awards ("**Performance-Based RSUs**") under the LTIP (as defined in Section 14 below). Executive's performance-based target equity opportunity amount (and range of potential payouts, if any) for each calendar year (other than calendar year 2023) will be set by the Company and will be dependent upon the extent to which performance targets established by the Company are or are not achieved for such year. For the avoidance of doubt, Executive's performance-based equity award opportunity for calendar year 2023 shall be covered by Section 8(b) below.

(b) For calendar year 2023, Executive will have the opportunity to earn and receive an aggregate number of Performance-Based RSUs (collectively, the "**2023 RSUs**"), with the aggregate number being the sum of the two numbers determined as specified in subparagraphs (b)(i) and (b)(ii) below:

(i) the first number of 2023 RSUs ("**Clause (i) 2023 RSUs**") that Executive will be eligible to receive for calendar year 2023 will be determined in accordance with the 2023 performance-based equity award established for Executive in the Prior Compensation Letter and, accordingly, will be contingent upon, and a direct function of, the extent to which the performance targets established for Executive in the Prior Compensation Letter are or are not achieved (and with the weightings among such performance targets applied in the manner established for Executive in the Prior Compensation Letter and with the target amount and range of potential payouts as set forth in the Prior Compensation Letter); provided that the actual award amount (the "**clause (8)(b)(i) nominal amount**"), if any, shall be pro-rated to equal the product of the clause (8)(b)(i) nominal amount multiplied by a fraction the numerator of which is the number of days from and including January 1, 2023 to but excluding the Effective Date and the denominator of which is three hundred sixty-five (365) (and, for the avoidance of doubt, the Prior Salary Amount, and not the Base Salary, shall be used in the computation of the clause 8(b)(i) nominal amount); and the resulting dollar amount shall be converted into a number of earned Clause (i) 2023 RSUs using the Company's valuation methodology for conversions generally applicable to senior vice presidents of operations and regional managers in the Company's "Services" segment; and

(ii) the second number of 2023 RSUs ("Clause (ii) 2023 RSUs") that Executive will be eligible to receive for calendar year 2023 will be determined as follows: *first*, any issuance of Clause (ii) 2023 RSUs will be contingent upon, and a direct function of, the extent to which the previously established performance targets applicable to performance-based equity for senior executives generally for calendar year 2023 are or are not achieved (and with the weightings among such performance targets applied in the same manner for Executive); *second*, the target dollar amount of the Clause (ii) 2023 RSUs (prior to the following proration) shall be equal to 100% of the Base Salary (and with the actual award amount, if any and prior to proration, ranging from 0 to 200% of the target dollar amount, depending upon the extent to which such previously established performance targets for calendar year 2023 are or are not achieved); *third*, the actual award amount (the "**clause 8(b)(ii) nominal amount**"), if any, shall be pro-rated to equal the product of the clause 8(b)(ii) nominal amount multiplied by a fraction the numerator of which is the number of days from and including the Effective Date to and including December 31, 2023 and the denominator of which is three hundred sixty-five (365); and *fourth*, the resulting dollar amount shall be converted into a number of earned Clause (ii) 2023 RSUs using the Company's valuation methodology for conversions generally applicable to other senior executives.

For the avoidance of doubt, the "metrics" and weightings, and computations in respect thereof, set forth in the Prior Compensation Letter apply solely to the First 2023 RSU Component and not to the Second 2023 RSU Component.

(c) Any earned Clause (i) 2023 RSUs and Clause (ii) 2023 RSUs (collectively, the "**2023 RSUs**") shall vest in four (4) equal installments on each of the first four (4) anniversary dates of the Earned Date (as defined below), subject to the continued employment of Executive on each of such vesting dates and except as otherwise provided in Section 11 below and the LTIP. Except as provided for in this Section 8(c) and in Section 11 below, the Performance-Based RSUs and 2023 RSUs shall be subject to the terms of the LTIP, including Article 6 and Article 9 thereof. The "**Earned Date**" in respect of Performance-Based RSUs and 2023 RSUs, as applicable, shall be the date on which the Committee (as defined in the LTIP) or its designee has determined the achievement levels in respect thereof.

(d) Each equity award described herein will be subject to additional terms and conditions, not inconsistent with this Agreement, as specified by the administrator of the applicable equity plan and memorialized in a separate award agreement.

(e) Nothing in this Agreement changes the terms and conditions applicable to the "One-Time Special RSU Award" referred to in the Prior Compensation Letter.

## 9. **Benefits; Business Expenses.**

(a) Executive shall be entitled to participate in Company benefit plans that are generally available to other executives of the Company of similar rank and tenure, in accordance with and subject to the terms and conditions of such plans, as in effect from time to time.

(b) The Company will pay or reimburse Executive for all reasonable business expenses incurred or paid by Executive in the performance of his duties and responsibilities for the Company in accordance with the expense reimbursement policies of the Company, as may be amended from time to time.

(c) In connection with his Prior Position, Executive has had use of a Company vehicle for business and personal purposes, and will continue to be eligible to have such use of a Company vehicle on and after the Effective Date, consistent with the Company's fleet vehicle policy and practices for senior executives generally.

## 10. Termination.

(a) Executive's employment hereunder shall terminate on the earliest of: (i) on the date set forth in a written notice to Executive from the Company that Executive's employment with the Company has been or will be terminated, (ii) on the date not less than 30 days following written notice from Executive to the Company that Executive is resigning from the Company, (iii) on the date of Executive's death, or (iv) on the date set forth in a written notice to Executive from the Company that Executive's employment is terminated on account of Executive's Disability, as determined by the Company. Notwithstanding the foregoing, in the event that Executive gives notice of termination to the Company, the Company may unilaterally accelerate the date of termination and such acceleration shall not constitute a termination by the Company for purposes of this Agreement.

(b) Upon cessation of Executive's employment for any reason, unless otherwise consented to in writing by the Company, Executive will resign immediately from any and all officer, director and other positions Executive then holds with the Company and its affiliates and agrees to execute such documents as may be requested by the Company to confirm that resignation.

(c) Upon any cessation of Executive's employment with the Company, Executive will be entitled only to such compensation and benefits as described in Section 11 below.

(d) Executive agrees that, following any cessation of his employment and subject to reimbursement of his reasonable expenses, he will cooperate with the Company and its counsel with respect to any matter (including litigation, investigations, or governmental proceedings) in which Executive was in any way involved during his employment with the Company. Executive agrees to render such cooperation in a timely manner on reasonable notice from the Company, provided the Company exercises reasonable efforts to limit and schedule the need for Executive's cooperation so as not to materially interfere with his other professional obligations.

(e) Executive agrees that, upon any cessation of his employment, he will deliver to the Company (and will not retain in his possession or control, or deliver to anyone else) all property and equipment of the Company, including without limitation (i) all keys, books, records, computer hardware, software, cellphones, access cards, credit cards and identification, and (ii) all other Company materials (including copies thereof), including without limitation any records, data, notes, reports, proposals, lists or correspondence.

## 11. Rights Upon Termination.

(a) **Termination without Cause or Resignation for Good Reason** If Executive's employment by the Company ceases due to a termination by the Company without Cause (as defined in Section 14) or a resignation by Executive for Good Reason (as defined in Section 14):

(i) the Company shall pay to Executive all accrued and unpaid Base Salary through the date of such cessation of employment at the time such Base Salary would otherwise be paid according to the Company's usual payroll practices;

(ii) the Company shall pay to Executive any business expenses that were incurred prior to the date of such cessation of employment but not reimbursed and that are otherwise eligible for reimbursement;

(iii) to the extent then unpaid, the Company shall pay to Executive the annual incentive award (if any) earned with respect to the calendar year ended immediately prior to the date of such cessation of employment;

(iv) the Company shall make twelve (12) monthly severance payments to Executive, with each payment equal to one-twelfth (1/12) of the Base Salary as in effect immediately prior to such cessation of employment (or, if such cessation is due to the Good Reason described in clause (ii) of that definition, the Base Salary in effect immediately prior to such material diminution); provided, however, that if the cessation of Executive's employment with the Company due to a termination by the Company without Cause or a resignation by Executive for Good Reason occurs within ninety (90) days preceding or twelve (12) months after the date of a Change in Control (as defined in Section 14), then, in lieu of the foregoing, the number of monthly severance payments shall be changed to eighteen (18), with each payment equal to one-eighteenth (1/18) of 150% of the Base Salary as in effect immediately prior to such cessation of employment (or, if such cessation is due to the Good Reason described in clause (ii) of that definition, the Base Salary in effect immediately prior to such material diminution);

(v) the Company shall pay to Executive a lump sum cash payment equal to a pro rata portion of the annual incentive award, if any, that Executive would have earned for the calendar year of his termination based on achievement of the applicable performance targets for such year (the "**Terminal Award**") and, for the avoidance of doubt, if and to the extent that any portion of such achievement is based on subjective or judgmental factors, the Company's determination of the extent of such achievement (if any) shall be final and binding. The pro-rated portion of the Terminal Award shall be determined by multiplying the Terminal Award by a fraction, the numerator of which is the number of days during which Executive was employed by the Company in the calendar year of his termination of employment and the denominator of which is three hundred sixty-five (365). Notwithstanding the foregoing, if the cessation of Executive's employment with the Company due to a termination by the Company without Cause or a resignation by Executive for Good Reason occurs within ninety (90) days preceding or twelve (12) months after the date of a Change in Control, then in lieu of the foregoing, Executive shall receive 1.50 times his "base amount," which "base amount" for Executive as of the Effective Date shall mean Executive's annual incentive award target amount for the calendar year of Executive's termination of employment; provided, however, that the formulation of the "base amount" is subject to change if the formulation for the base amount for similarly situated executives who experience a qualifying termination within an specified time window of a Change in Control is hereafter changed to something other than "annual incentive award target amount" for the calendar year of employment termination. Unless the payment is required to be delayed pursuant to Section 12 below, the payment shall be made on the date that annual incentive awards are paid to similarly situated executives (or if later, the Settlement Date (as defined below)), but in no event later than two-and-a-half months following the end of the calendar year in which Executive's termination date occurs;

(vi) if, immediately before the cessation of Executive's employment, Executive participates (other than pursuant to COBRA) in a Company group health plan, then, for the twelve (12) months following the date of such cessation (or, if sooner, if executive becomes eligible to obtain coverage under another employer plan), the Company will provide COBRA continuation coverage under such plan to Executive and his spouse at the Company's expense, if and to the extent they or either of them shall have elected and shall be entitled to receive COBRA continuation coverage; and Executive shall provide immediate notice to the Company of such election and the date of such entitlement. The Company may impute income to Executive in an amount determined by the Company, in its sole discretion, to the extent the Company determines that such imputation of income is necessary to mitigate the risk of penalties and/or taxes to Executive or the Company, or to otherwise comply with applicable law; and

(vii) Executive will immediately vest solely in those Performance-Based RSUs and/or 2023 RSUs earned prior to the date of such cessation of employment and that (but for such cessation of employment) are scheduled to vest during (but not after) the one-year period following such cessation date; and, except as provided in the foregoing clause, all other unvested

and/or unearned Shares and equity-based awards then held by Executive will remain outstanding and held in suspense for ninety (90) days following such termination and (I) if a Change of Control occurs within such ninety (90) day period, then, in such circumstances only, those Shares and equity-based incentive awards shall become fully vested, with any performance-based equity awards then otherwise subject to an open performance period (as of the later of the termination or Change in Control) being deemed earned at the target amount established by the Company in connection with the grant of the applicable performance-based equity awards and (II) if a Change of Control does not occur within such ninety (90) day period, those Shares and equity-based awards shall be forfeited on such ninetieth (90<sup>th</sup>) day.

Except as and solely to the extent otherwise provided in Section 11(a), all compensation and benefits will cease at the time of Executive's cessation of employment and the Company will have no further liability or obligation by reason of such cessation of employment. The payments and benefits described in Section 11(a) are in lieu of, and are not in addition to, any other severance arrangements maintained by the Company, including but not limited to severance arrangements in Company plans of applicability to other executives. Notwithstanding any provision of this Agreement, the payments and benefits described in Section 11(a)(iii) - 11(a)(vii) are conditioned on Executive's execution and delivery to the Company and the expiration of all applicable statutory revocation periods, by the 60<sup>th</sup> day following the effective date of Executive's cessation of employment, of a general release of claims against the Company and its affiliates in a form and manner satisfactory to the Company (the "**Release**") and on Executive's continued compliance with the provisions of Section 15 below.

Subject to Section 12 below (to the extent applicable) and provided the Release requirement described above has been timely satisfied: (x) the payment described in Section 11(a)(iii) will be paid on the later of the sixty-fifth (65<sup>th</sup>) day following Executive's cessation of employment (the "**Settlement Date**") or the date such annual incentive award would have otherwise been paid absent Executive's cessation of employment; and (y) the payments described in Section 11(a)(iv) will commence to be paid on the Settlement Date, provided that the initial payment will include any payments that, but for the above-described timing rule, would have otherwise been paid since the date of Executive's related cessation of employment.

(b) **Other Terminations.** If Executive's employment with the Company ceases for any reason other than as described in Section 11(a) above (including but not limited to (i) termination by the Company for Cause, (ii) resignation by Executive without Good Reason, (iii) termination as a result of Executive's Disability (as defined in Section 14), or (iv) Executive's death), then the Company's obligation to Executive will be limited solely to the payment of accrued and unpaid Base Salary through the date of such cessation of employment and payment of any business expenses that were previously incurred but not reimbursed and are otherwise eligible for reimbursement. Except as otherwise provided by COBRA, all compensation and benefits will cease at the time of such cessation of employment and the Company will have no further liability or obligation by reason of such termination; and, for the avoidance of doubt, all unvested and/or unearned equity and equity-based awards then held by Executive (including, without limitation, 2023 RSUs and Performance Based-RSUs) will be forfeited; provided, however, that, notwithstanding the foregoing, but without limiting Section 11(a), if Executive's employment with the Company ceases as a result of Executive's Disability or death then any unvested and/or unearned equity and equity-based awards then held by Executive shall vest if and to the extent determined by the Committee at or after the time of the grant of the applicable awards (and, for the avoidance of doubt, as of the Effective Date, the Committee has made no such determination). The foregoing will not be construed to limit Executive's right to payment or reimbursement for claims incurred prior to the date of such termination under any insurance contract funding an employee benefit plan or arrangement of the Company in accordance with the terms of such insurance contract.

12. **Section 409A.**

(a) The parties intend for this Agreement to comply with or be exempt from Section 409A of the Code, and all provisions of this Agreement will be interpreted and applied accordingly. Nonetheless, the Company does not guaranty the tax treatment of any compensation payable to Executive.

(b) Notwithstanding anything to the contrary in this Agreement, no portion of the benefits or payments to be made under Section 11(a) or 11(b)(ii) above will be payable until Executive has a “separation from service” from the Company within the meaning of Section 409A of the Code. In addition, to the extent compliance with the requirements of Treas. Reg. § 1.409A-3(i)(2) (or any successor provision) is necessary to avoid the application of an additional tax under Section 409A of the Code to payments due to Executive upon or following his “separation from service,” then notwithstanding any other provision of this Agreement (or any otherwise applicable plan, policy, agreement or arrangement), any such payments that are otherwise due within six months following Executive’s “separation from service” (taking into account the preceding sentence of this paragraph) will be deferred without interest and paid to Executive in a lump sum immediately following that six month period. This paragraph should not be construed to prevent the application of Treas. Reg. § 1.409A-1(b)(9)(iii) (or any successor provision) to amounts payable hereunder. For purposes of the application of Section 409A of the Code, each payment in a series of payments will be deemed a separate payment.

(c) Notwithstanding anything in this Agreement to the contrary, to the extent an expense, reimbursement or in-kind benefit provided to Executive pursuant to this Agreement or otherwise constitutes a “deferral of compensation” within the meaning of Section 409A of the Code: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year, (ii) the reimbursements for expenses for which Executive is entitled to be reimbursed shall be made on or before the last day of the calendar year following the calendar year in which the applicable expense is incurred, and (iii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

13. **Section 280G.** Notwithstanding any contrary provision of this Agreement (or any plan, policy, agreement or other arrangement covering Executive), if any payment, right or benefit paid, provided or due to Executive, whether pursuant to this Agreement or otherwise (each, a “**Payment**,” and collectively, the “**Total Payments**”), would subject Executive to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then the Total Payments will be reduced to the minimum extent necessary to avoid the imposition of the Excise Tax, but only if (i) the amount of such Total Payments, as so reduced, is greater than or equal to (ii) the amount of such Total Payments without reduction (in each case, determined by the Company on an after-tax basis). Any reduction of the Total Payments required by this paragraph will be implemented by determining the Parachute Ratio (as defined below and determined by the Company) for each Payment and then by reducing the Payments in order, beginning with the Payment with the highest Parachute Ratio. For Payments with the same Parachute Ratio, later Payments will be reduced before earlier Payments. For Payments with the same Parachute Ratio and the same time of payment, each Payment will be reduced proportionately. For purposes of this paragraph, “**Parachute Ratio**” means a fraction, (x) the numerator of which is the value of the applicable Payment, as calculated for purposes of Section 280G of the Code, and (y) the denominator of which is the economic value of the applicable Payment.

14. **Certain Definitions.** For purposes of this Agreement:

(a) **“Cause”** means any of the following: (i) failure of Executive to perform his duties and responsibilities to the Company (other than by reason of Executive’s physical or mental illness, incapacity or disability) which has continued for more than thirty (30) days following written notice of such non-performance from the Company; (ii) misconduct by Executive in connection with the performance of his duties and responsibilities to the Company, including, without limitation, a breach of fiduciary duties or a misappropriation of funds or property; (iii) the commission by Executive of any felony; (iv) the commission by Executive of a misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (v) any conduct by Executive that would reasonably be expected to result in injury or reputational harm to the Company or any of its subsidiaries and affiliates; (vi) a breach by Executive of any agreement with the Company or its affiliates, which breach is not cured (if curable) within thirty (30) days after the delivery of written notice thereof (provided that if any such agreement includes a cure period and if such cure period is less than thirty (30) days, such shorter cure period shall apply); (vii) a violation by Executive of the Company’s written employment policies, which violation is not cured (if curable) within thirty (30) days after the delivery of written notice thereof (provided that if any such policies include a cure period and if such cure period is less than thirty (30) days, such shorter cure period shall apply); or (viii) Executive’s failure to cooperate with a *bona fide* internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Company to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. In regard to each of those clauses in this definition of “Cause” that afford Executive a “cure right,” such cure right shall apply solely to the first failure, breach or violation by Executive that gives rise to the cure right and shall not apply to any repeat or subsequent failure, breach or violation involving similar actions or omissions, whether or not related to the first failure, breach or violation. For avoidance of doubt, a termination of Executive’s employment due to his Disability will not constitute a termination without Cause.

(b) **“Change in Control”** has the meaning given to this term in the LTIP.

(c) **“Code”** means the Internal Revenue Code of 1986, as amended.

(d) **“Disability”** means a condition entitling Executive to benefits under the Company’s long term disability plan, policy or arrangement; provided, however, that if no such plan, policy or arrangement is then maintained by the Company and applicable to Executive, **“Disability”** will mean Executive’s inability to perform his duties under this Agreement due to a mental or physical condition (other than alcohol or substance abuse) that can be expected to result in death or that can be expected to last (or has already lasted) for a continuous period of 90 days or more, or for 120 days in any 180 consecutive-day period. Termination as a result of a Disability will not be construed as a termination by the Company “without Cause.”

(e) **“Good Reason”** means: (i) a reduction in the Base Salary that exceeds ten percent (10%) of the Base Salary as in effect immediately prior to the reduction (excluding, however, the impact of across-the-board salary reductions similarly affecting other senior executives of the Company); (ii) an annual cash incentive target opportunity amount set at less than forty percent (40%) of the Base Salary (excluding, however, the impact of across-the-board reductions to annual incentive target opportunity amounts similarly affecting other senior executives of the Company); (iii) an annual equity incentive target opportunity amount (as measured using the same valuation methodology generally applicable to other senior executives) set at less than eighty five percent (85%) of the Base Salary (excluding, however, the impact of across-the-board reductions to equity incentive target opportunity amounts similarly affecting other senior executives of the Company); (iv) a Company-mandated relocation of Executive’s principal place

of employment to a location that is more than 50 miles from Executive's home office in South Carolina; or (v) the material breach of this Agreement by the Company; provided, however, that no such event will constitute Good Reason unless (x) Executive provides the Company with written objection to such event within 30 days after the initial occurrence thereof, (y) such event is not reversed or corrected by the Company within 30 days of its receipt of such written objection, and (z) Executive separates from service within 30 days following the expiration of that cure period.

(f) "LTIP" means the Company's 2016 Long-Term Incentive Plan, as amended from time to time, or a successor plan.

## 15. **Restrictive Covenants.**

(a) **Access to Secret and Confidential Information** The Company has furnished and shall furnish to Executive secret and confidential information with respect to the Company and its affiliates (collectively "**Secret and Confidential Information**"), to which Executive would not otherwise have access and of which Executive would not otherwise have knowledge. Secret and Confidential Information includes, without limitation, technical and business information, whether patentable or not, which is of a confidential, trade secret or proprietary character, and which is either developed by Executive alone, with other or by others; lists of customers; identity of customers; identity of prospective customers; contract terms; bidding information and strategies; pricing methods or information; computer software; computer software methods and documentation; hardware; methods of operation; the procedures, forms and techniques used in servicing accounts; and other information or documents that the Company or any of its affiliates requires to be maintained in confidence for its or their continued business success.

### (b) **Non-Disclosure of Secret and Confidential Information**

(i) Executive shall not, during the period of his employment with the Company or at any time thereafter, disclose to anyone, including, without limitation, any person, firm, corporation, or other entity, or publish, or use for any purpose, any Secret and Confidential Information, except as properly required in the ordinary course of the Company's business or as directed and authorized by the Company or as required by court order, law or subpoena, or other legal compulsion to disclose, it being understood that information that is known generally in the industry or is otherwise available to the public (other than as a result of a violation of Executive's obligation under this Section 15) shall not be considered Secret and Confidential Information.

(ii) Notwithstanding the foregoing, pursuant to 18 U.S.C. Section 1833(b), Executive shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (A) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(iii) Similarly, notwithstanding anything herein to the contrary, Executive understands that this Agreement will not (1) prohibit him from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934, as amended, or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of federal law or regulation, or (2) require notification or prior approval by the Company of any such report; provided that, Executive is not authorized to disclose communications with counsel that were made for the purpose of receiving legal advice.

or that contain legal advice or that are protected by the attorney work product or similar privilege.

(c) **Duty to Return Company Documents and Property.** Upon the termination of Executive's employment with the Company for any reason, Executive shall immediately return and deliver to the Company any and all papers, books, records, documents, memoranda and manuals, e-mail, electronic or magnetic recordings or data, including all copies thereof, belonging to the Company or relating to its business, in Executive's possession or control, whether prepared by Executive or others. If at any time after the termination of employment, Executive determines that he has any Secret and Confidential Information in his possession or control, Executive shall immediately return to the Company all such Secret and Confidential Information, including all copies and portions thereof.

(d) **Inventions.** Any and all writings, computer software, inventions, improvements, processes, procedures and/or techniques which Executive may make, conceive, discover, or develop, either solely or jointly with any other person or persons, at any time during the term of his employment, whether at the request or upon the suggestion of the Company or otherwise, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Company, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company. Executive shall take all actions necessary so that the Company can prepare and present applications for copyright or letters patent therefor, and can secure such copyright or letters patent wherever possible, as well as reissue renewals, and extensions thereof, and can obtain the record title to such copyright or patents. Executive shall not be entitled to any additional or special compensation or reimbursement regarding any such writings, computer software, inventions, improvements, processes, procedures and techniques. Executive acknowledges that the Company from time to time may have agreements with other persons or entities which impose obligations or restrictions on the Company regarding inventions made during the course of work thereunder or regarding the confidential nature of such work. Executive shall be bound by all such obligations and restrictions and take all action necessary to discharge the obligations of the Company.

(e) **Non-Solicitation and Non-Competition Restrictions** To protect the Company's Secret and Confidential Information, and in the event of Executive's termination of employment for any reason whatsoever, whether by Executive or the Company, Executive will be subject to the following restrictive covenants during and for the stated period following the termination of his employment.

(i) **Non-Competition.** For one (1) year following the cessation of Executive's employment with the Company for any reason, Executive shall not, without the prior written consent of the Company, knowingly or intentionally (1) personally engage in Competitive Activities (as defined below) or (2) work for, own, manage, operate, control, or participate in the ownership, management, operation, or control of, or provide consulting or advisory services to, any person, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any company or person affiliated with such person or entity engaged in Competitive Activities; provided that Executive's purchase or holding, for investment purposes, of securities of a publicly traded company shall not constitute "ownership" or "participation in the ownership" for purposes of this paragraph so long as such equity interest in any such company is not more than 2% of the value of the outstanding stock or 2% of the outstanding voting securities of said publicly traded company. For the avoidance of doubt, this Section 15(e)(i) shall not prohibit Executive from being employed by, or providing services to, a consulting firm, provided that Executive does not personally engage in Competitive Activities or provide consulting or advisory services to any individual, partnership, firm, corporation, institution or other entity engaged in Competitive Activities, or any person entity affiliated with

such individual, partnership, firm, corporation, institution or other entity engaged in Competitive Activities.

(ii) **Competitive Activities.** For the purposes hereof, the term '**Competitive Activities**' means activities relating to products or services of the same or similar type as the products or services which are sold (or, pursuant to an existing business plan, will be sold) to paying customers of the Company or any affiliate. Notwithstanding the previous sentence, an activity shall not be treated as a Competitive Activity if the geographic marketing area of the relevant products or services does not overlap with the geographic marketing area for the applicable products and services of the Company and its affiliates.

(iii) **Interference With Business Relations.** For two (2) years following the termination of Executive's employment with the Company, Executive shall not, without the prior written consent of the Company, knowingly or intentionally, directly or indirectly: (1) recruit, induce or solicit any individual who is or who, within the preceding six (6) months, was a non-clerical employee of the Company (including any of its subsidiaries) for employment or for retention as a consultant or service provider, or hire any such individual; or (2) solicit or induce any client, customer, or prospect of the Company (including any subsidiary of the Company) (x) to cease being, or not to become, a customer of the Company (or any such subsidiary), or (y) to divert any business of such customer or prospect from the Company (or any such subsidiary).

(f) **Reformation.** If a court concludes that any time period and/or the geographic area specified in Section 15(e) is unenforceable, then the time period will be reduced by the number of months, or the geographic area will be reduced by the elimination of the overbroad portion, or both, as the case may be, so that the restrictions may be enforced in the geographic area and for the time to the fullest extent permitted by law.

(g) **Remedies.** Executive acknowledges and agrees that, in view of the nature of the Company's business, the restrictions contained in this Section 15 of the Agreement are reasonable and necessary to protect the Company's legitimate business interests and that any violation of these restrictions would result in irreparable injury to the Company. In the event of a breach or a threatened breach by Executive of any restrictive covenant contained herein, the Company shall be entitled to a temporary restraining order and injunctive relief restraining Executive from the commission of any breach, and to recover the Company's attorneys' fees, costs and expenses related to the breach or threatened breach. Nothing contained herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any breach or threatened breach, including, without limitation, the other remedies specified in this Agreement and/or the recovery of money damages, attorneys' fees, and costs. These covenants and restrictions shall each be construed as independent of any other provisions in the Agreement, and the existence of any claim or cause of action by Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants and restrictions.

(h) **Severability.** Should a court determine that any paragraph or sentence, or any portion of a paragraph or sentence of this Section 15 is invalid, unenforceable or void, this determination shall not have the effect of invalidating the remainder of the paragraph, sentence or any other provision of this Section 15. Further, it is intended that the court should construe this Section 15 by limiting and reducing it only to the extent necessary to be enforceable under then applicable law, taking into account the intent of the parties.

(i) **Future Employment.** If, before the expiration of the period covered by Section 15(e)(iii) hereof, Executive seeks or is offered employment or engagement by any other company, firm, person or entity, Executive shall provide a copy of this Section 15 to the prospective service recipient before accepting employment with that prospective employer.

16. **No Duty to Mitigate.** Except as otherwise specifically provided herein, Executive's entitlement to payments or benefits upon or following the termination of his employment will not be subject to mitigation or a duty to mitigate by Executive.

17. **No Conflicting Agreements.** Executive represents and warrants that he is not a party to or otherwise bound by any agreement or restriction that could conflict with, or be violated by, the performance of his duties to the Company or his obligations under this Agreement. Executive will not use or misappropriate any intellectual property, trade secrets or confidential information belonging to any third party.

18. **Taxes.** All compensation payable to Executive is subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. Executive hereby acknowledges that the Company does not have a duty to design its compensation policies in a manner that minimizes Executive's tax liabilities, and Executive not make any claim against the Company or its board of directors related to tax liabilities arising from his compensation.

19. **Entire Agreement; Assignment; Amendment**

(a) This Agreement, including the exhibits, schedules and other documents referred to herein, constitutes the final and entire agreement of the parties with respect to the matters covered hereby and supersedes any prior and/or contemporaneous agreements, discussions, negotiations, representations or understandings (whether written, oral or implied) relating to the subject matter hereof, including, without limitation, the Prior Compensation Letter, which (except as and to the extent expressly set forth in Section 7(b)(i), in Section 8(b)(i) and in Section 8(e)), shall terminate automatically immediately upon the execution and delivery of this Agreement.

(b) The rights and obligations of Executive hereunder are personal and may not be assigned. The Company may assign this Agreement, and its rights and obligations hereunder, to any entity to which the Company transfers substantially all of its assets (or an affiliate thereof). Notwithstanding any other provision of this Agreement, any such assignment of this Agreement by the Company will not entitle Executive to severance benefits under Section 11(a) or otherwise, whether or not Executive accepts employment with the assignee.

(c) This Agreement may be amended or modified only by a written instrument signed by a duly authorized officer of the Company and Executive.

20. **Arbitration.** In the event of any dispute under the provisions of this Agreement or otherwise regarding Executive's employment or compensation (other than a dispute in which the primary relief sought is an injunction or other equitable remedy, such as an action to enforce compliance with Section 15), the parties shall be required to have the dispute, controversy or claim settled by arbitration in Princeton Junction, New Jersey in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association ("AAA"), by one arbitrator mutually agreed upon by the parties (or, if no agreement can be reached within thirty (30) days after names of potential arbitrators have been proposed by the AAA, then by one arbitrator having relevant experience who is chosen by the AAA). Any award or finding will be confidential. The arbitrator may not award attorneys' fees to either party unless a statute or contract at issue specifically authorizes such an award. Any award entered by the arbitrators will be final, binding and non-appealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision will be specifically enforceable. Each party will be responsible for its own expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses) and will share equally the fees of the arbitrator.

21. **Notices.** All notices, demands or other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered in person, by e-mail or fax, by United States mail, certified or registered with return receipt requested, or by a nationally recognized overnight courier service, or otherwise actually delivered: (a) if to Executive, at the most recent address contained in the Company's personnel files; (b) if to the Company, to the attention of its Legal Department at the address of its principal executive office; or (c) or at such other address as may have been furnished by such person in writing to the other party. Any such notice, demand or communication shall be deemed given on the date given, if delivered in person, e-mailed or faxed, on the date received, if given by registered or certified mail, return receipt requested or by overnight delivery service, or three days after the date mailed, if otherwise given by first class mail, postage prepaid.

22. **Headings.** The headings of the sections of this Agreement are inserted for convenience only and shall not affect the meaning of this Agreement.

23. **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of New Jersey, without regard to its choice of law provisions.

24. **Counterparts.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement.

*[Signature Page Follows]*

This Agreement has been executed and delivered on the date first above written.

**MISTRAS GROUP, INC.**

By: \_\_\_\_\_  
Name: Michael C. Keefe  
Title: Executive Vice President,  
General Counsel

**EXECUTIVE**

**John A. Smith**

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**MISTRAS GROUP, INC.**  
**INDUCEMENT AWARD AGREEMENT**

This Inducement Award Agreement (this “Award Agreement”), effective as of the Date of Grant set forth below, represents the grant of an option (the “Option”) to purchase shares of common stock, par value \$.01 per share (Common Stock”), of Mistras Group, Inc. (the “Company”) to Manuel N. Stamatakis (the ‘Participant”), subject to the terms and conditions set forth below. The grant of the Option has been made by the Board of Directors (the “Board”) of the Company and the Compensation Committee (the “Committee”) of the Board. The number of shares of Common Stock that may be purchased pursuant to the Option, and the per share exercise price (the “Exercise Price”) payable for shares of Common Stock upon exercise of the Option, are set forth in Article I of this Award Agreement.

The grant of the Option pursuant to this Award Agreement constitutes a non-plan “inducement award,” as contemplated by New York Stock Exchange Rule 303A.08, and is therefore not made pursuant to the Mistras Group, Inc. 2016 Long-Term Incentive Plan, as amended (the “Plan”). Nevertheless, the terms and provisions of the Plan relating to Options (as the term “Options” is defined in the Plan) are hereby incorporated into this Award Agreement by this reference, as though fully set forth herein, as if the Option granted pursuant to this Award Agreement were granted pursuant to the Plan, except as and to the extent expressly provided to the contrary in this Award Agreement. Unless the context herein otherwise requires, the terms defined in the Plan shall have the same meanings herein. A copy of the Plan has been provided to the Participant along with this Award Agreement.

**I. STOCK OPTION GRANT AWARD TERMS**

The Participant has been granted, for service as interim President and Chief Executive Officer of the Company, the Option to purchase shares of Common Stock, subject to the terms and conditions of this Award Agreement, as set forth above and as follows:

Date of Grant:	October 11, 2023
Vesting Date:	October 12, 2023
Exercise Price per Share:	\$5.36
Total Number of Shares Granted:	250,000 shares of Common Stock (the ‘Shares’)
Total Exercise Price:	\$1,340,000.00
Type of Option:	Non-Qualified Stock Option (“ <u>NSQ</u> ”)
Expiration Date:	Ten (10) years from Date of Grant

The Shares subject to the Option shall be fully vested as of the Vesting Date set forth above, and, for the avoidance of doubt, the minimum vesting condition in Section 3.4 of the Plan shall be inapplicable to the Option and the Shares subject to the Option. The Corporate Governance Committee of the Board has determined, in its discretion under the Company’s Stock Ownership Guidelines, that any Shares received by Participant pursuant to the exercise of

any Options under this Award Agreement shall not be subject to enforcement under the Stock Ownership Guidelines.

Exercise Period:

The Committee has determined that on the Date of Grant set forth above the Option shall be exercisable by the Participant (or the Participant's estate or legal representative upon the Participant's death) at any time from and after the Date of Grant and up to and including the earliest of (i) the Expiration Date set forth above, (ii) the close of business on the first anniversary of the date that the Participant's service to the Company ceases for any reason other than for Cause (notwithstanding anything to the contrary in Section 5.8(a) or (b) of the Plan), and (iii) the date the Participant's service is terminated by the Company for Cause (or the date the Participant's service ceases at a time when grounds for a termination for Cause exist); provided that, notwithstanding the foregoing, all of the provisions of Article 9 of the Plan (Change in Control) shall be applicable to the Option as if the Option had been granted under the Plan. For the avoidance of doubt, for so long as the Participant is an employee and/or a director of the Company, the Participant's service to the Company shall not be deemed to have ceased. For purposes of this Award Agreement, Cause shall mean the Participant:

(i) is convicted of or pleads nolo contendre to a felony or is indicted for the commission of a felony against the Company that has a materially adverse effect on the Company's business;

(ii) commits fraud or a material act or omission involving dishonesty with respect to the Company, as reasonably determined by the Company;

(iii) willfully fails or refuses to carry out the material responsibilities of his employment, as reasonably determined by the Company; or

(iv) willfully engages in any act or omission that is in violation of a material policy of the Company, including, without limitation, policies on business ethics and conduct, and policies on the use of inside information and insider trading.

**II. ADDITIONAL TERMS**

1. Exercise of Option.

(a) Method of Exercise. The Option shall be exercisable by delivery of an exercise notice or in a manner and pursuant to such procedures as the Committee may determine (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the "Exercised Shares"), and such other representations as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. The Option shall be deemed to be exercised upon receipt by the Company of the Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

(b) Compliance with Law. No Shares shall be issued pursuant to the exercise of the Option unless such issuance and such exercise comply with applicable laws.

2. Method of Payment Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

- (i) cash, check, bank draft, electronic funds transfer or money order payable to the Company;
- (ii) by delivery to the Company (either by actual delivery or attestation) of already-owned shares of Common Stock provided that such shares (x) shall be valued at Fair Market Value on the date of exercise, and (y) must be owned free and clear of any liens, claims, encumbrances or security interests; or
- (iii) by a "net exercise" pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise of the Option by the largest whole number of shares necessary to satisfy the Exercise Price, with such shares of Common Stock being valued at Fair Market Value as of the date of exercise, provided, that the Participant must pay any remaining balance of the aggregate Exercise Price not satisfied by the "net exercise" in another form of payment set forth herein.

3. Transferability of Option. Section 12.1 of the Plan shall be applicable to the Options as if the Options had been granted under the Plan; and, consistent with Section 12.1 of the Plan, the Committee has determined that the Option may be transferred inter vivos by the Participant to any "family member" (within the meaning of Item A(1)(a)(5) of the General Instructions to SEC Form S-8 or a successor), including, without limitation, to one or more trusts, partnerships, limited liability companies or other entities which qualify as family members, provided that (i) such transfer is not a transfer for value; or (ii) such transfer is a transfer for value that the Committee determines is for estate planning purposes. Upon the Participant's death, the Option will pass to the "beneficiary" designated by the Participant in accordance with Section 12.1 of the Plan (or, in the absence of such a designation, or if no designated beneficiary survives the Participant, to the Participant's estate). Subject to the foregoing, the terms of this Award Agreement shall be binding upon the executors, administrators, heirs, successors and permitted assigns of the Participant.

4. Tax Obligations.

(a) Tax Withholding. The Company reserves the right to withhold, in accordance with applicable laws, from any consideration payable or property transferable to the Participant, any taxes required to be withheld by federal, state or local law as a result of the grant or exercise of the Option or the sale or other disposition of the Shares. If the amount of any consideration payable to the Participant is insufficient to pay such taxes or if no consideration is payable to the Participant, upon the request of the Company, the Participant will pay to the Company an amount sufficient for the Company to satisfy any federal, state or local tax withholding requirements applicable to and as a condition to the exercise of the Option or the sale or other disposition of the Shares issued upon the exercise of the Option. The minimum required withholding obligations may be settled with the Shares.

(b) Code Section 409A. Under Code Section 409A, an option that was granted with a per share exercise price that is determined by the Internal Revenue Service (the "IRS") to

be less than the Fair Market Value of a share on the date of grant (a discount option)" may be considered "deferred compensation." An option that is a "discount option" may result in: (i) income recognition by the grantee prior to the exercise of the option; (ii) an additional twenty percent (20%) federal income tax; and (iii) potential penalty and interest charges. The "discount option" may also result in additional state income, penalty and interest tax to the grantee. The Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of the Option equals or exceeds the Fair Market Value of a Share on the date of grant in a later examination. The Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the date of grant, the Participant shall be solely responsible for the Participant's costs related to such a determination.

5. Entire Agreement: Governing Law. This Award Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof. This Award Agreement may not be amended except by means of a writing signed by the Company and the Participant, and, for the avoidance of doubt, if any provision of the Plan that is incorporated by reference herein and applicable to the Option is amended, and such amendment would adversely affect the Participant's interest, then such amended provision shall not be given effect hereunder unless reflected in a writing signed by the Company and the Participant. This Award Agreement is governed by the internal substantive laws but not the choice of law rules of the State of Delaware.

6. No Guarantee of Continued Service. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH THE PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY TO TERMINATE THE PARTICIPANT'S RELATIONSHIP WITH THE COMPANY AT ANY TIME, WITH OR WITHOUT CAUSE.

7. Administration. The Option, this Award Agreement and the rights of the Participant hereunder are subject to such rules and regulations as the Committee may adopt for administration of the Plan. Consistent with Section 3 of the Plan, it is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Option and this Award Agreement, all of which shall be binding upon the Participant and his successors.

8. Electronic Delivery of Documents. The Participant authorizes the Company and its affiliates to deliver electronically any prospectuses or other documentation related to the Option and any other compensation or benefit plan or arrangement in effect from time to time (including, without limitation, periodic reports, proxy statements or other documents that are required to be delivered to participants in such arrangements pursuant to federal or state laws, rules or regulations). For this purpose, electronic delivery will include, without limitation, delivery by means of e-mail or e-mail notification that such documentation is available on the Company's intranet site or the website of a third-party administrator designated by the Company. Upon written request, the Company will provide to the Participant a paper copy of any document also delivered to the Participant electronically. The authorization described in this paragraph may be revoked by the Participant at any time by written notice to the Company.

The Participant hereby accepts the Option subject to all of the terms and provisions of this Award Agreement.

PARTICIPANT

MISTRAS GROUP, INC.

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Manuel N. Stamatakis

By:

Title:

*Signature Page to Inducement Award Agreement – Manuel H. Stamatakis*

**MISTRAS GROUP, INC.**  
**INSIDER TRADING COMPLIANCE POLICY**

All directors, officers and employees (“**Insiders**”) of Mistras Group, Inc. and its subsidiaries (collectively, the “**Company**”) are subject to the provisions of this Insider Trading Compliance Policy (the “**Policy**”).

Any questions regarding this Policy and related procedures should be directed to Michael Keefe, Executive Vice President, General Counsel and Secretary of the Company (609-716-4128; michael.keefe@mistrasgroup.com).

**Trading on Inside Information Prohibited**

The Company's common stock is traded on the New York Stock Exchange under the symbol “MG”. It is a serious violation of federal and state securities laws, for any person to buy or sell common shares and other equity securities of the Company (collectively, “**Equity Securities**”) or any other securities of the Company (together with the Equity Securities, the “**Company Securities**”) while in possession of material non-public information relating to the Company or to engage in any other action to take advantage of such information or to pass it on to others. This prohibition also applies to information relating to any other company, including customers, vendors, managers, partners or investments obtained in the course of employment with the Company.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for a personal emergency) are no exception to this Policy. In addition, the federal and state securities laws and this Policy apply regardless of the number of shares or the dollar amount of the transaction. The appearance of any improper transactions should also be avoided to preserve the Company's reputation for adhering to the highest standards of ethical conduct.

Insiders are prohibited from purchasing or selling, or offering to purchase or sell, Company securities while in possession of non-public material information, or from engaging in any of the other activities addressed in this Policy.

**Result of Violation of Policy.** Employees who violate this Policy may be subject to disciplinary action by the Company, up to and including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Clearance Officer and must be provided before any activity contrary to the above requirements takes place, or if inadvertent, immediately upon the employee learning of such violation.

1. **Material Information.** Material information is any information that a reasonable investor would likely consider important in a decision to buy, hold or sell Company Securities — in short, **any information which could reasonably affect the price, either favorably or unfavorably, of Company Securities.**

While it is not possible to provide an exhaustive list, the following are some of the types of information that would ordinarily be considered material:

- (i) news of a pending or proposed corporate acquisition, disposition or other significant business combination, or a takeover bid,
- (ii) financial results, especially quarterly and year-end earnings, and significant changes in financial results,
- (iii) significant changes in corporate strategy or objectives,

- (iv) plans to buy back common stock of the Company,
- (v) changes in ownership that may affect control of the Company,
- (vi) significant changes in management,
- (vii) significant changes in reserve levels or practices such as investment or asset impairments,
- (viii) public or private issues of equity or debt securities,
- (ix) significant changes in capital structure,
- (x) events of default under financings or other agreements,
- (xi) actual or threatened major litigation, or the resolution of such litigation,
- (xii) significant changes in operating or financial circumstances, such as significant changes in material contracts, cash-flow or liquidity,
- (xiii) the declaration of dividends other than in the ordinary course or a change in dividend policy,
- (xiv) financial forecasts or guidance or changes in forecasts or guidance,
- (xv) entering into new material customer contracts,
- (xvi) the gain or loss of a significant customer, or
- (xvii) significant regulatory developments or changes materially impacting the Company's business.

2. **Non-public Information.** Non-public information, also known as "insider" information, is any information that has not already been disclosed generally to the public. Information about the Company that is not yet been publicly disseminated should be considered nonpublic. All information that an Insider learns about the Company or its business plans in connection with his or her employment is potentially insider information until publicly disclosed.

3. **Transactions by Related Parties.** The restrictions set forth in this Policy apply equally to family members of Insiders and to any entity over which the Insider or such other family members exercise or share investment control, such as a partnership or family trust. Such parties are herein collectively referred to as "**Related Parties**." For purposes of this Policy, family members include, if such person shares your household, a person's (including through adoptive relationship) spouse, domestic partner, parents, grandparents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone, whether or not related, who shares such person's home (other than domestic employees). Insiders are responsible for the compliance of Related Parties.

4. **Tipping Information to Other Prohibited.** Insiders must not pass material non-public information (also known as tipping) about the Company on to others (either explicitly or by way of generally advising others to buy or sell Company Securities). The Company's Code of Conduct also prohibits tipping material non-public information relating to any other company, including customers, vendors, managers, partners or investments obtained in the course of employment with the Company.

Remember, if an Insider's securities transactions become the subject of scrutiny, the transactions will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction, Insiders should carefully consider how regulators and others might view such transactions in hindsight.

### **Blackout Periods**

It is also a violation of Company policy to purchase or sell Company Securities in the following circumstances:

1. **Quarterly and Annual Results.** "Restricted Insiders" are not permitted to trade in Company Securities during the period beginning the 21<sup>st</sup> day of the last month of the Company's fiscal quarter (such as December 21 for the Company's 4<sup>th</sup> fiscal quarter) and ending at the beginning of the third business day after the release of the Company's quarterly or annual results to the public. Thus, if the Company's results are released on a Monday after the close of the market, Thursday would generally be the first day on which Restricted Insiders could trade. If the Company's results are released on a Friday before the opening of the market, Tuesday would generally be the first day on which Restricted Insiders could trade. For purposes of this Paragraph, "**Restricted Insiders**" means (a) members of the Board of Directors of the Company, (b) all officers, divisional vice presidents, regional or general managers, and directors (c) all employees in finance, communications or other areas involved in the preparation of the Company's (i) results for the fiscal period, (ii) the earnings release the Company issues to the public, or (iii) reports filed with the Securities and Exchange Commission reporting such results, and (d) Related Parties of any of the foregoing.

5. **Public Announcements of Material Information.** The Company's shareholders and the investing public should be afforded the time to receive material information and act upon it. As a general rule, Insiders and Related Parties may not engage in any transactions until the passage of two business days after material information has been released to the public.

6. **Anticipated Material Events.** The Company may issue a suspension of trading because a material event is anticipated (e.g., financial development, a merger, acquisition or any other significant corporate action). Insiders who are informed or aware of such event shall not trade in Company securities. In any such case, adequate notice shall be provided to Insiders to whom such suspension applies.

### **Additional Prohibited Transactions**

The Company believes it is improper and inappropriate for Insiders to engage in short-term or speculative transactions involving Company Securities. Accordingly, Insiders should not engage in any of the following activities with respect to Company Securities, whether or not in possession of material non-public information:

1. **Trading in Equity Securities on a Short-Term Basis.** Any Equity Securities purchased in the open market should be held for a minimum of six months and ideally longer. This rule may not apply to certain types of transactions involving awards under the Company's equity compensation plans, such as stock option exercises, the receipt of performance shares and the vesting of restricted shares, in each case followed by a sale of share. However, any such transactions should be discussed with the Company if you have any questions.

7. **Short Sales.** Selling Company Securities "short" is prohibited. Selling short is the practice of selling more securities than one owns, a technique used to speculate on a decline in the price.

8. **Buying or Selling Puts, Calls or Derivatives** The purchase or sale of options of any kind, whether puts, calls or other derivative securities, related to Company Securities is prohibited. The speculative nature of the market for these financial instruments imposes timing considerations that are inconsistent with careful avoidance, or even the appearance, of trading on insider information. A put is a right to sell at a specified price a specific number of shares by a certain date and is utilized in anticipation of a decline in the share price. A call is a right to buy at a specified price a specified number of shares by a certain date and is utilized in anticipation of a rise in the share price. A derivative is an option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege at a price related to an equity security, or similar securities with a value derived from the value of an equity security.

9. **Purchases of Company Securities on Margin** Any Company Securities purchased in the open market shall be paid for fully at the time of purchase. Purchasing Company Securities on margin (borrowing money from a stockbroker to fund the stock purchase) or holding these securities in a margin account is prohibited. This prohibition does not apply to "cashless exercises" of employee stock options, in which the Insider sells shares being acquired to pay the taxes required to be withheld and/or the exercise price of the stock option.

10. **Hedging Transactions.** Insiders are prohibiting, directly or indirectly, from purchasing financial instrument (such as swaps, collars, prepaid forward contracts and exchange funds) or otherwise engaging in any transaction that hedges or offsets, or is designed to hedge or offset, any decrease in the market value of Equity Securities granted to the Insider as part of his or her compensation or held directly or indirectly by the Insider.

### **Certain Exceptions**

1. **Rule 10b5-1 Plans.** A purchase or sale of Company Securities in accordance with a trading plan adopted in accordance with Rule 10b5-1(c) ("Rule 10b5-1") under the Securities Exchange Act of 1934 ("1934 Act") and this Policy shall not be deemed to be a violation of this Policy even though such trade takes place during a blackout period or while the Insider was aware of material, non-public information. However, the trading plan must be adopted outside of a blackout period, in the case of a Restricted Insider, and at a time when such Insider is not aware of material, non-public information about the Company. A trading plan is a contract, instruction or a written plan regarding the purchase or sale of securities, as more fully described in Rule 10b5-1. Each trading plan must be approved by the Company prior to establishment to confirm compliance with this Policy and applicable securities laws. Approval of a trading plan shall not be deemed a representation by the Company or any of its officers or agents that such plan complies with Rule 10b5-1, nor an assumption by the Company or any of its officers or agents of any liability or responsibility to the individual or any other party if the plan does not comply with Rule 10b5-1.

11. **Stock Option Exercise.** The exercise of stock options issued by the Company (but not the sale of any shares issued upon such exercise) is exempt from this Policy. However, this exception does not apply to the "cashless" exercise of a stock option, and any sales of Company Securities sold upon a "cashless" exercise (the simultaneous sale of some or all of the shares received upon the exercise of a stock option) must comply with this Policy.

12. **Gifts.** Bona fide gifts of Company Securities are exempt from this Policy. However, if the gift is to a Related Party, the Insider must ensure that the Related Party does not trade in those securities in violation of the Policy.

### **Communications with the Market and Others**

Inquiries about the Company may be made by the financial press, investment analysts, Mistras shareholders or others in the financial community. Only certain designated officers may communicate on behalf of the Company with the investment community. Unless an employee is

expressly authorized to do so, any inquiries of this nature should be referred to the Company's chief financial officer or general counsel.

At times, Insiders do need to share information about the Company with third parties, such as customers or vendors. Care should be taken to disclose only such material non-public information as is necessary or appropriate for the Company's commercial relationship with third parties.

Attached as Exhibit A is the Company's Regulation FD Compliance Guidelines, which provides for the manner in which representatives of the Company, including Insiders, may communicate with the investing public and financial market professionals.

## **Section 16 Compliance**

Section 16 of the 1934 Act contains reporting requirements for members of the Company's Board of Directors and executive officers, as well as prohibitions and certain "short swing" trading in Company Securities. Attached as Exhibit B are Additional Procedures for Directors and Executive Officers to help these individuals meet their obligations under Section 16 of the 1934 Act.

## **Assistance**

The ultimate responsibility for adhering to this Policy and avoiding improper transactions rests with the Insider. It is imperative that Insiders use their best judgment. Any person who has any questions about specific transactions may obtain additional guidance from the Company.

## **Exhibit A**

### **Regulation FD Compliance Guidelines**

Whenever the Company discloses any material non-public information regarding the Company or its securities to certain "Covered Persons," the Company must make broad public disclosure of that information (1) simultaneously in the case of an intentional disclosure, or (2) "promptly" in the case of an unintentional disclosure.

Regulation FD only applies to communications between

1. The following Company representatives ("Company Representatives"):
  - a. executive officers and members of the Board of Directors;
  - b. investor relations and public relations representatives; and
  - c. other personnel who regularly communicate on behalf of the Company with market professionals and holders of the Company's Securities;

And

2. The following recipients ("Covered Persons")
  - a. market professionals (including broker-dealers, investment advisors, analysts, portfolio managers, and investment companies); and
  - b. holders of the Company's Securities who are likely to trade on the basis of the material non-public information.

Only the following Company Representatives are authorized to communicate with Covered Persons on matters involving the Company:

Chief Executive Officer;

Chief Financial Officer;

Chief Operating Officer; and

Executive Chairman

No other Company Representative should communicate with any Covered Person on any matter involving the Company without prior consent of the Chief Executive Officer or Chief Financial Officer.

Information is considered "material" if there is a substantial likelihood that a reasonable investor would consider the information important in making an investment decision, or if the information would significantly alter the total mix of information then available. Information is considered "non-public" if it has not been disseminated in a manner making it available to investors generally.

The SEC has listed the following as examples of material information. This should not be considered an exhaustive list.

Earnings information;

Mergers, acquisitions, tender offers, joint ventures, or changes in assets;

New products or discoveries, developments regarding customers or suppliers (e.g. the acquisition or the loss of a material or important contract);

Changes in control or in management;

Change in auditors or auditor notification that the Company may no longer rely on an auditor's report; and

Events regarding the Company's securities (e.g. defaults on senior securities, calls of securities for redemption, repurchase plans, stock splits or changes in dividends, changes to the rights of security holders, public or private sales of additional securities).

If material, non-public information is disclosed accidentally by a Company Representative to a Covered Person, the Company has an obligation to make a public disclosure containing the same information promptly (not to exceed 24 hours) after the Company becomes aware of the disclosure.

If the unintended disclosure occurs on a weekend or holiday, and the New York Stock Exchange is not open the next day, the Company must make the general disclosure by the time the Exchange opens on the next trading day.

Any violation of these guidelines by a Company Representative shall be brought to the attention of the General Counsel and may constitute grounds for disciplinary action, up to and including termination for cause.

If you believe that you have improperly disclosed material, non-public information to a Covered Person, you should immediately contact Michael Keefe, Executive Vice President, General Counsel (609-716-4128; [michael.keefe@mistrasgroup.com](mailto:michael.keefe@mistrasgroup.com)).

## Exhibit B

### **ADDITIONAL PROCEDURES FOR DIRECTORS AND EXECUTIVE OFFICERS**

The additional procedures below only apply to members of the Board of Directors and Executive, or "Section 16", Officers of the Company and certain other persons as the Company may determine from time to time (collectively, the "Specified Persons").

All Specified Persons must strictly comply with these procedures.

Questions regarding these procedures and trade clearance should be directed to one of the following Clearance Officers: Michael Keefe, Executive Vice President, General Counsel (609-716-4128; [michael.keefe@mistrasgroup.com](mailto:michael.keefe@mistrasgroup.com)), or Ed Prajzner, Senior Vice President, Chief Financial Officer (609-716-4102; [Edward.prajzner@mistrasgroup.com](mailto:Edward.prajzner@mistrasgroup.com)).

**Pre-Clearance Requirement for Specified Persons.** Before any Specified Person engages in any transaction involving Company Securities, the Specified Person must pre-clear the proposed transaction with the Clearance Officer. Until the Clearance Officer provides pre-clearance for the proposed transaction, the Specified Person shall not execute any transaction. If the Specified Person receives pre-clearance, he or she will have until the end of two trading days following the day pre-clearance is received (or such other period as may be specified by the Clearance Officer based upon the circumstances) to execute the transaction. For example, if a Specified Person receives pre-clearance from the Clearance Officer on a Tuesday, that Specified Person generally will have until the end of trading on Thursday of the same week to execute the transaction. If for any reason the transaction is not completed within this period of time, pre-clearance must be obtained again from the Clearance Officer before any Company Securities can be traded.

The pre-clearance requirement applies to all proposed purchases and sales of Company Securities. Specified Persons must also pre-clear all potential changes in their beneficial ownership of Company Securities, including changes resulting from a gift to a charitable organization or a transfer to a family trust.

Remember, even if a proposed trade is pre-cleared, you are prohibited from trading any Company Securities while in possession of material non-public information relating to the Company.

**Pre-Clearance for Transactions by Family Members.** Under the securities laws, the Company Securities held in the name of the spouse or minor children of a Specified Person will generally be regarded as beneficially owned by the Specified Person. In addition, in many circumstances, Company Securities held in the name of other persons who are members of the Specified Person's household or financially supported by the Specified Person (regardless of whether these other persons are related or unrelated to the Specified Person), will generally be regarded as beneficially owned by the Specified Person.

Therefore, you must pre-clear with the Clearance Officer any potential transactions in Company Securities held by you, your spouse, minor children and any other persons who are members of your household or financially supported by you (regardless of whether these other persons are related or unrelated to you).

**Pre-Clearance for Former Specified Persons.** If a Specified Person retires, resigns, is terminated or undergoes any other change in his or her relationship with the Company such that the person is no longer a Specified Person, that person must continue to pre-clear any proposed transaction in Company Securities with the Clearance Officer for six months from the day he or she ceases being a Specified Person if the Specified Person had any transactions in Company

Securities during the six month period immediately preceding that date. Certain Securities and Exchange Commission ("SEC") reporting requirements may continue to apply during this period.

**Section 16 Reporting Requirements.** One purpose of the pre-clearance requirement is to help you comply with your SEC reporting obligations under Section 16 of the 1934 Act ("Section 16"). The Clearance Officer will assist in preparing and filing most forms. You or your broker should not file Forms 3, 4 or 5 described below without consulting with the Clearance Officer. However, you should be generally familiar with the following reporting requirements.

All Directors and Section 16 Officers of the Company are required under Section 16 to report their initial beneficial ownership, and most changes to their beneficial ownership, of the Equity Securities to the SEC. Reporting may be required with respect to Equity Securities held in the name of the spouse or minor children of a Director or Section 16 Officer. Reporting may also be required with respect to Equity Securities held in the name of other persons who are members of the Director's or Section 16 Officer's household or financially supported by the Director or Section 16 Officer (regardless of whether these other persons are related or unrelated to the Director or Section 16 Officer). Reporting may be required for Equity Securities held by a trust for which a Director or Section 16 Officer is a trustee or beneficiary, or Equity Securities held by a corporation in which such person has a controlling interest or a partnership in which such person has an interest. Reportable transactions include acquisitions and dispositions of Equity Securities through gifts, inheritances, stock option grants and exercises, and stock awards under incentive or bonus plans. Furthermore, changes in the nature of such ownership (e.g., from direct to indirect) of Equity Securities, including through the transfer of shares to or from a family member, are likewise reportable.

The SEC requires three forms to be used by Directors and Section 16 Officers to satisfy these reporting requirements:

- i. Form 3 (Initial Report): Directors and Section 16 Officers must file a Form 3 with the SEC, even if they hold no Equity Securities, within 10 calendar days of becoming a Director or Section 16 Officer.
- ii. Form 4: Directors and Section 16 Officers must file a Form 4 with the SEC within two business days of most changes in their beneficial ownership of Equity Securities, or any changes in the beneficial ownership of others whose holdings may be attributed to them.
- iii. Form 5: Directors and Section 16 Officers may have to file a Form 5 with the SEC within 45 calendar days following the end of each fiscal year of the Company. Like all of the SEC's reporting requirements, the requirements for filing a Form 5 are technical and you should consult with the Clearance Officer to discuss these requirements as the end of the fiscal year approaches. You should be aware that a Form 5 is generally filed for holdings and transactions in Equity Securities that did not have to be previously reported, and/or those holdings and transactions that should have been previously reported but were not.

Each Director and Section 16 Officer may execute a power of attorney giving a Clearance Officer or his or her designee the authority to sign Forms 3, 4 and 5 on his or her behalf to facilitate timely filings.

**Rule 144 Compliance.** Sales of Company Securities, regardless of how acquired (i.e., purchases in the open market), by an "affiliate" of the Company must be made in compliance with the provisions of Rule 144 under the Securities Act of 1933 ("Rule 144") if the Company Securities

are “restricted securities” under Rule 144. An “affiliate” of the Company for purposes of Rule 144 is a person that directly or indirectly controls or is controlled by the Company. “Control” is defined as the power to direct or cause the direction of management and policies of the Company, whether through ownership of shares, by contract or otherwise. Each Director and Section 16 Officer should consider himself or herself potentially to be an “affiliate” of the Company under Rule 144. In addition, the family members of such Directors and Section 16 Officers might also be deemed to be “affiliates” of the Company if they, too, are controlled by such director or officer. You should discuss with your broker and the Clearance Officer whether Rule 144 is applicable. Equity Securities received pursuant to the Company’s equity plans are not “restricted securities.”

**Short-Swing Profits.** Section 16 provides that if a Director or Section 16 Officer realizes a profit, known as a “short-swing” profit, from the purchase and sale, or sale and purchase, of Equity Securities within six months of each transaction, the Director or Section 16 Officer is required to disgorge any such short-swing profit to the Company. These purchases and sales within six months of each other may be matched in any manner to maximize the short-swing profits, and are not reduced or offset by losses. Accordingly, all Directors and Section 16 Officers must be mindful of these short-swing trading rules and plan accordingly so that they will not violate Section 16. Generally, grants of equity awards under the Company’s equity plans, and the vesting of awards, withholding of shares upon vesting to pay withholding taxes of these awards, or the exercise or conversion of any such award into Equity Securities, are not deemed purchases or sales under Section 16.

**Filing Responsibilities: The Ultimate Responsibility Rests with You.** While these procedures are intended to help Directors and Section 16 Officers comply with the requirements of the federal securities laws, Directors and Section 16 Officers are legally obligated to ensure that their filings are made correctly and on time, and that they do not engage in unlawful short-swing or insider trading transactions.

**Exhibit 21.1**

The following is a list of subsidiaries of the registrant. The list omits some subsidiaries which, in the aggregate, would not constitute a significant subsidiary.

<b>Name</b>	<b>Jurisdiction of Organization</b>
Assistances Controles Technologies	France
Controles Industriels de L'entang	France
GMA Aeronautica S.L.U.	Germany
GMA Holding B.V.	The Netherlands
GMA Werkstoffprufung GmbH	Germany
Mistras Arizona Inspection Services LLC	Delaware
Mistras Canada, Inc.	Canada
Mistras Group B.V.	The Netherlands
Mistras Group BVBA	Belgium
Mistras Group Holding GmbH	Germany
Mistras Group Hellas A.B.E.E.	Greece
Mistras Group Limited	England and Wales
Mistras Group SAS	France
Mistras International Holdings Inc.	Delaware
Mistras KAA Partners Inc.	Canada
Mistras Mexico Holdings Inc.	Delaware
Mistras Onstream S. de R.L. de C.V.	Mexico
Mistras Quebec Holdings Inc.	Canada
Mistras Ropeworks Training LLC	Delaware
Mistras Services Inc.	Canada
Mistras South America Ltda.	Brazil
Mistras Western Canada Holdings Inc.	Canada
MWC Management Inc.	Canada
NDT do Brasil Ltd.	Brazil
Onstream Pipeline Inspection Services Inc.	Canada
Physical Acoustics India Private Ltd.	India
Quality Services Laboratories, Inc. (1)	Delaware
QSL NDT Inc.	Delaware
QSL Quebec Inc.	Canada
R.A.C. Group Inc.	Canada
Rope Access Calgary Inc.	Canada

(1) Also does business under the names QSL and QSL Plus.

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-217047, 333-254369 and 333-266573) of Mistras Group, Inc. of our report dated March 11, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Philadelphia, Pennsylvania  
March 11, 2024

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the registration statements (Nos. 333-217047, 333-254369 and 333-266573) on Form S-8 of our report dated March 15, 2023, with respect to the consolidated financial statements of Mistras Group, Inc.

/s/ KPMG LLP

Short Hills, New Jersey  
March 11, 2024

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Manuel N. Stamatakis, certify that:

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

March 11, 2024

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By: /s/ Manuel N. Stamatakis  
Manuel N. Stamatakis  
Chairman and Interim President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13A-14(a) OR 15D-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Edward J. Prajzner, certify that:

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

March 11, 2024

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

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Mistras Group, Inc. (the Company) for the year ended December 31, 2023, I, Manuel N. Stamatakis, Chairman and Interim President and Chief Executive Officer, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Annual Report on Form 10-K for the year ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in such Annual Report on Form 10-K for the year ended December 31, 2023, fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany such Annual Report on Form 10-K for the year ended December 31, 2023, pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: March 11, 2024

/s/ Manuel N. Stamatakis

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Manuel N. Stamatakis

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

**CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-K of Mistras Group, Inc. (the Company) for the year ended December 31, 2023, I, Edward J. Prajzner, Principal Financial and Accounting Officer, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

(1) such Annual Report on Form 10-K for the year ended December 31, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in such Annual Report on Form 10-K for the year ended December 31, 2023, fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany such Annual Report on Form 10-K for the year ended December 31, 2023, pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: March 11, 2024

/s/ Edward J. Prajzner

Edward J. Prajzner

Sr. Executive Vice President, and Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

MISTRAS GROUP, INC.

INCENTIVE COMPENSATION RECOUPMENT POLICY

Incentive Compensation Recoupment Policy (this “**Policy**”) adopted by the Compensation Committee (the “**Compensation Committee**”) of the Board of Directors (the “**Board**”) of Mistras Group, Inc. (the “**Company**”) on October 24, 2023 (the “**Effective Date**”).

**1. Purpose.** The purpose of this Policy is to provide for the recoupment of certain incentive compensation pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in the manner required by Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated thereunder, and the Listing Standards (as defined below) (collectively, the “**Dodd-Frank Rules**”).

**2. Administration.** This Policy shall be administered by the Compensation Committee. Any determinations made by the Compensation Committee shall be final and binding on all affected individuals.

**3. Definitions.** For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) “**Accounting Restatement**” shall mean an accounting restatement of the Company’s financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a “**Big R**” restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e., a “**little r**” restatement).

(b) “**Affiliate**” shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(c) “**Clawback Eligible Incentive Compensation**” shall mean Incentive-Based Compensation Received by a Covered Executive (i) on or after the Effective Date, (ii) after beginning service as a Covered Executive, (iii) if such individual served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (irrespective of whether such individual continued to serve as a Covered Executive upon or following the Restatement Trigger Date), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period. For the avoidance of doubt, Incentive-Based Compensation Received by a Covered Executive on or after the Effective Date could, by the terms of this Policy, include amounts approved, awarded, or granted prior to such date.

(d) “**Clawback Period**” shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Trigger Date and any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of at least nine months shall count as a completed fiscal year).

(e) “**Company Group**” shall mean the Company and its Affiliates.

(f) “**Covered Executive**” shall mean any “executive officer” of the Company as defined under the Dodd-Frank Rules, and, for the avoidance of doubt, includes each individual

[Adopted October 24, 2023]

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identified as an executive officer of the Company in accordance with Item 401(b) of Regulation S-K under the Exchange Act.

(g) ***"Erroneously Awarded Compensation"*** shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. With respect to any compensation plan or program that takes into account Incentive-Based Compensation, the amount contributed to a notional account that exceeds the amount that otherwise would have been contributed had it been determined based on the restated amount, computed without regard to any taxes paid, shall be considered Erroneously Awarded Compensation, along with earnings accrued on that notional amount.

(h) ***"Exchange"*** shall mean the New York Stock Exchange, on which the Company's securities are listed.

(i) ***"Financial Reporting Measures"*** shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a measure need not be presented in the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission (the "**SEC**") in order to be considered a Financial Reporting Measure.

(j) ***"Incentive-Based Compensation"*** shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(k) ***"Listing Standards"*** shall mean Section 303A.14 of the New York Stock Exchange Listed Company Manual.

(l) ***"Received"*** shall mean the deemed receipt of Incentive-Based Compensation. Incentive-Based Compensation shall be deemed received for this purpose in the Company's fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(m) ***"Restatement Trigger Date"*** shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer(s) of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

4. **Recoupment of Erroneously Awarded Compensation.** Upon the occurrence of a Restatement Trigger Date, the Company shall recoup Erroneously Awarded Compensation reasonably promptly, in the manner described below. For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation under this Policy is not dependent on, if or when restated financial statements are filed following the Restatement Trigger Date.

(a) ***Process.*** The Compensation Committee shall use the following process for recoupment:

(i) First, the Compensation Committee will determine the amount of any Erroneously Awarded Compensation for each Covered Executive in connection with such Accounting Restatement. For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Compensation Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange).

(ii) Second, the Compensation Committee will provide each affected Covered Executive with a written notice stating the amount of the Erroneously Awarded Compensation, a demand for recoupment, and the means of recoupment that the Company will accept.

(b) **Means of Recoupment.** The Compensation Committee shall have discretion to determine the appropriate means of recoupment of Erroneously Awarded Compensation, which may include without limitation: (i) recoupment of cash or shares of Company stock, (ii) forfeiture of unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions), (iii) cancellation of outstanding vested cash or equity awards (including those for which service-based and/or performance-based vesting conditions have been satisfied), (iv) to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended ("**Section 409A**"), offset of other amounts owed to the Covered Executive or forfeiture of deferred compensation, (v) reduction of future compensation, and (vi) any other remedial or recovery action permitted by law. Notwithstanding the foregoing, the Company Group makes no guarantee as to the treatment of such amounts under Section 409A, and shall have no liability with respect thereto. For the avoidance of doubt, appropriate means of recoupment pursuant to this Section 4(b) may include amounts approved, awarded, or granted prior to the Effective Date. Except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive's obligations hereunder.

(c) **Failure to Repay.** To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(a) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recoup such Erroneously Awarded Compensation from the Covered Executive. The Covered Executive shall be required to reimburse the Company Group for all expenses reasonably incurred (including legal fees) by the Company Group in recouping such Erroneously Awarded Compensation.

(d) **Exceptions.** Notwithstanding anything herein to the contrary, the Company shall not be required to recoup Erroneously Awarded Compensation if one of the following conditions is met and the Compensation Committee determines that recoupment would be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Executive would exceed the amount to be recouped, after the Company has made a reasonable attempt to recoup the Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the Exchange;

(ii) Recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Exchange,

that recoupment would result in such a violation and a copy of the opinion is provided to the Exchange; or

(iii) Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

**5. Reporting and Disclosure.** The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Dodd-Frank Rules.

**6. No Indemnification Permitted.** No member of the Company Group shall be permitted to indemnify any current or former Covered Executive against (i) the loss of any Erroneously Awarded Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. The Company may not pay or reimburse any Covered Executive for the cost of third-party insurance purchased by a Covered Executive to fund potential recoupment obligations under this Policy.

**7. Acknowledgment.** If required by the Compensation Committee, each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A (or such other acknowledgement form authorized by the Compensation Committee) pursuant to which the Covered Executive will agree to be bound by the terms of, and comply with, this Policy. However, for the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, the Policy, whether or not such Covered Executive has executed and returned an acknowledgment form to the Company.

**8. Interpretation.** The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Compensation Committee intends that this Policy be interpreted consistent with the Dodd-Frank Rules. The Compensation Committee is authorized to retain any advisors or counsel it deems appropriate to assist the Compensation Committee with the fulfillment of its duties hereunder, and the Company shall pay all expenses related thereto.

**9. Amendment; Termination.** The Compensation Committee may amend or terminate this Policy from time to time in its discretion, including as and when it determines that it is legally required to do so by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

**10. Other Recoupment Rights.** The Compensation Committee intends that this Policy be applied to the fullest extent of the law. The Compensation Committee may require that any employment agreement, equity award, cash incentive award, or any other agreement with a Covered Executive be conditioned on the Covered Executive's agreement to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group, whether arising under law, regulation or rule, pursuant to the terms of any other policy of the Company Group, pursuant to any employment agreement, equity award, cash incentive award, or other plan or agreement applicable to a Covered Executive, or otherwise (the "**Separate Clawback Rights**"). Notwithstanding the foregoing, this Policy replaces and supersedes the Company's existing incentive compensation recoupment policy for executive officer, effective July 19, 2016, but only with respect to Incentive-Based Compensation Received on or after the Effective Date. There shall be no duplication of recovery of the same Erroneously Awarded Compensation under this Policy and the Separate Clawback Rights, unless required by applicable law.

11. **Successors.** This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

**Exhibit A**

**MISTRAS GROUP, INC.**

**INCENTIVE COMPENSATION RECOUPMENT POLICY**

**ACKNOWLEDGEMENT FORM**

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Mistras Group, Inc. Incentive Compensation Recoupment Policy, adopted October 24, 2023 (the "**Policy**"). Capitalized terms used but not otherwise defined in this Acknowledgement Form shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy.

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

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