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Mistras Group, Inc.
Form 10-Q
January 13, 2011
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2010

Or

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

For the transition period _____ to _____

Commission file number 001- 34481

Mistras Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3341267
(I.R.S. Employer
Identification No.)

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

08550
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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

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to submit and post 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. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="radio"/>

(Do not check if a smaller reporting company)

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

Yes No

As of January 7, 2010, the registrant had 26,664,855 shares of common stock outstanding.

TABLE OF CONTENTS

	PAGE
<u>PART I—FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	<u>Financial Statements</u> 2
	<u>Unaudited Consolidated Balance Sheets as of November 30, 2010 and May 31, 2010</u> 2
	<u>Unaudited Consolidated Statements of Operations for the three and six months ended November 30, 2010 and 2009</u> 3
	<u>Unaudited Consolidated Statements of Stockholders' Equity for the six months ended November 30, 2010 and 2009</u> 4
	<u>Unaudited Consolidated Statements of Cash Flows for the six months ended November 30, 2010 and 2009</u> 5
	<u>Notes to Unaudited Consolidated Financial Statements</u> 6
<u>ITEM 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 20
<u>ITEM 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 32
<u>ITEM 4.</u>	<u>Controls and Procedures</u> 33
<u>PART II—OTHER INFORMATION</u>	
<u>ITEM 1.</u>	<u>Legal Proceedings</u> 35
<u>ITEM 1.A.</u>	<u>Risk Factors</u> 35
<u>ITEM 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 35
<u>ITEM 3.</u>	<u>Defaults Upon Senior Securities</u> 35
<u>ITEM 5.</u>	<u>Other Information</u> 35
<u>ITEM 6.</u>	<u>Exhibits</u> 35
<u>SIGNATURES</u>	36
<u>EXHIBIT INDEX</u>	37

PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

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

	November 30, 2010	May 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,769	\$ 16,037
Accounts receivable, net	63,354	54,721
Inventories, net	10,181	8,736
Deferred income taxes	2,287	2,189
Prepaid expenses and other current assets	5,791	5,292
Total current assets	88,382	86,975
Property, plant and equipment, net	46,396	39,981
Intangible assets, net	20,290	16,088
Goodwill	51,586	44,315
Other assets	454	1,273
Total assets	\$ 207,108	\$ 188,632
LIABILITIES, PREFERRED STOCK AND EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 5,563	\$ 6,303
Current portion of capital lease obligations	5,854	5,370
Accounts payable	4,594	4,640
Accrued expenses and other current liabilities	22,585	20,090
Income taxes payable	3,504	3,281
Total current liabilities	42,100	39,684
Long-term debt, net of current portion	12,269	5,691
Obligations under capital leases, net of current portion	9,477	9,199
Deferred income taxes	2,325	2,087
Other long-term liabilities	636	1,417
Total liabilities	66,807	58,078
Commitments and contingencies		
Preferred stock, 10,000,000 shares authorized	—	—
Equity		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 26,664,855 and 26,663,528 shares issued and outstanding as of November 30, 2010 and May 31, 2010, respectively	267	267
Additional paid-in capital	163,830	162,054
Accumulated deficit	(23,178)	(30,448)
Accumulated other comprehensive loss	(1,021)	(1,587)
Total Mistras Group, Inc. stockholders' equity	139,898	130,286

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Noncontrolling interest	403	268
Total equity	140,301	130,554
Total liabilities, preferred stock and equity	\$ 207,108	\$ 188,632

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

-2-

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

	Three months ended November 30,		Six months ended November 30,	
	2010	2009	2010	2009
Revenues:				
Services	\$ 82,953	\$ 66,862	\$ 144,205	\$ 118,518
Products	5,884	5,037	13,042	9,470
Total revenues	88,837	71,899	157,247	127,988
Cost of Revenues:				
Cost of services	55,667	44,506	97,058	78,875
Cost of goods sold	2,067	1,742	5,344	3,841
Depreciation of services	3,136	2,435	5,945	4,715
Depreciation of products	159	200	314	391
Total cost of revenues	61,029	48,883	108,661	87,822
Gross profit	27,808	23,016	48,586	40,166
Selling, general and administrative expenses	15,615	13,686	31,094	26,819
Research and engineering	569	449	1,124	932
Depreciation and amortization	1,326	1,214	2,504	2,259
Legal reserve	101	—	351	(297)
Income from operations	10,197	7,667	13,513	10,453
Other expenses				
Interest expense	671	1,017	1,361	2,081
Loss on extinguishment of long-term debt	—	218	—	387
Income before provision for income taxes and noncontrolling interest	9,526	6,432	12,152	7,985
Provision for income taxes	3,818	2,875	4,872	3,569
Net income	5,708	3,557	7,280	4,416
Net (income) loss attributable to noncontrolling interests, net of taxes	(30)	5	(10)	(39)
Net income attributable to Mistras Group, Inc.	5,678	3,562	7,270	4,377
Accretion of preferred stock	—	6,499	—	6,499
Net income attributable to common shareholders	\$ 5,678	\$ 10,061	\$ 7,270	\$ 10,876
Earnings per common share (See Note 4):				
Basic	\$ 0.21	\$ 0.48	\$ 0.27	\$ 0.64
Diluted	\$ 0.21	\$ 0.14	\$ 0.27	\$ 0.19
Weighted average common shares outstanding:				
Basic	26,665	20,987	26,664	16,971
Diluted	26,816	24,993	26,795	22,980

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

Mistras Group, Inc. and Subsidiaries
 Unaudited Consolidated Statements Stockholders' Equity
 (in thousands)

	Common Stock Shares	Stock Amount	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Total Mistras Group, Inc. Stockholders' Equity	Noncontrolling Interest	Total Equity
Six months ended November 30, 2009:								
Balance at May 31, 2009	13,000	\$ 130	\$ 917	\$ (47,376)	\$ (1,583)	\$ (47,912)	\$ 245	\$ (47,667)
Net income	—	—	—	4,377	—	4,377	39	4,416
Other Comprehensive Income, net of tax:								
Foreign currency translation adjustment	—	—	—	—	1,218			