Mistras Group, Inc.
Form 10-Q
October 13, 2015

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended August 31, 2015

Or

o 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.
ý Yes o 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 to submit and post such files).
ý Yes o 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 o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of October 1, 2015, the registrant had 28,861,316 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	(unaudited) August 31, 2015	May 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$11,686	$10,555
Accounts receivable, net	134,065	133,228
Inventories	10,820	10,841
Deferred income taxes	5,021	5,144
Prepaid expenses and other current assets	9,662	11,698
Total current assets	171,254	171,466
Property, plant and equipment, net	77,671	79,256
Intangible assets, net	48,835	51,276
Goodwill	165,216	166,414
Deferred income taxes	851	1,208
Other assets	2,089	2,107
Total assets	$465,916	$471,727
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$10,073	$10,529
Accrued expenses and other current liabilities	52,758	55,914
Current portion of long-term debt	16,352	17,902
Current portion of capital lease obligations	7,170	8,646
Income taxes payable	581	532
Total current liabilities	86,934	93,523
Long-term debt, net of current portion	89,443	95,557
Obligations under capital leases, net of current portion	10,811	10,717
Deferred income taxes	18,188	16,984
Other long-term liabilities	8,732	9,934
Total liabilities	214,108	226,715
Commitments and contingencies		
Equity		
Preferred stock, 10,000,000 shares authorized	—	—
Common stock, $0.01 par value, 200,000,000 shares authorized	288	287
Additional paid-in capital	208,727	208,064
Retained earnings	64,453	57,581
Accumulated other comprehensive loss	(21,765)	(21,113)
Total Mistras Group, Inc. stockholders' equity	251,703	244,819
Noncontrolling interests	105	193
Total equity	251,808	245,012
Total liabilities and equity	$465,916	$471,727

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

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

	Three months ended August 31,	
	2015	2014
Revenue	$179,853	$166,573
Cost of revenue	123,400	119,722
Depreciation	5,179	4,857
Gross profit	51,274	41,994
Selling, general and administrative expenses	35,836	35,220
Research and engineering	621	649
Depreciation and amortization	2,781	3,422
Acquisition-related (benefit), net	(896)	(961)
Income from operations	12,932	3,664
Interest expense	1,922	905
Income before provision for income taxes	11,010	2,759
Provision for income taxes	4,163	1,088
Net income	6,847	1,671
Less: net loss (income) attributable to noncontrolling interests, net of taxes	25	(5)
Net income attributable to Mistras Group, Inc.	$6,872	$1,666
Earnings per common share		
Basic	$0.24	$0.06
Diluted	$0.23	$0.06
Weighted average common shares outstanding:		
Basic	28,724	28,477
Diluted	29,595	29,552

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

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

	Three months ended August 31,	
	2015	2014
Net income	$6,847	$1,671
Other comprehensive (loss)/income:		
Foreign currency translation adjustments	(652)	(1,905)
Comprehensive income (loss)	6,195	(234)
less: comprehensive loss (income) attributable to noncontrolling interest	88	(5)
Comprehensive income (loss) attributable to Mistras Group, Inc.	$6,283	$(239)

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

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

	Three months ended August 31,	
	2015	2014
		Note 1
Cash flows from operating activities		
Net income	$6,847	$1,671
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	7,960	8,279
Deferred income taxes	1,474	1,134
Share-based compensation expense	1,957	2,167
Charges associated with the exit of foreign operations	(345)	—
Fair value adjustment to contingent consideration liabilities	(900)	(983)
Other	(439)	430
Changes in operating assets and liabilities, net of effect of acquisitions of businesses:		
Accounts receivable	(1,760)	905
Inventories	(16)	1,431
Prepaid expenses and other current assets	2,036	56
Other assets	(108)	(51)
Accounts payable	(393)	(2,059)
Accrued expenses and other current liabilities	(112)	(3,086)
Income taxes payable	9	(1,047)
Net cash provided by operating activities	16,210	8,847
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,501)	(3,804)
Purchase of intangible assets	(66)	(358)
Acquisition of businesses, net of cash acquired	—	(32,657)
Proceeds from sale of equipment	168	318
Net cash used in investing activities	(4,399)	(36,501)
Cash flows from financing activities		
Repayment of capital lease obligations	(1,893)	(2,104)
Repayment of long-term debt	(10,965)	(2,394)
Net borrowings against revolver	3,700	35,700
Payment of contingent consideration for business acquisitions	(113)	—
Taxes paid related to net share settlement of share-based awards	(953)	(1,427)
Excess tax benefit from share-based compensation	(338)	337
Proceeds from the exercise of stock options	—	—
Net cash provided by financing activities	(10,562)	30,112
Effect of exchange rate changes on cash and cash equivalents	(118)	18
Net change in cash and cash equivalents	1,131	2,476
Cash and cash equivalents		
Beginning of period	10,555	10,020
End of period	$11,686	$12,496
Supplemental disclosure of cash paid		
Interest	$1,803	$885
Income taxes	$192	$2,135
Noncash investing and financing		

Equipment acquired through capital lease obligations	$636	$1,951
Issuance of notes payable	$—	$20,508

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

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

1. Description of Business and Basis of Presentation

Description of Business

Mistras Group, Inc. and subsidiaries (the Company) is a leading "one source" global provider of technology-enabled asset protection solutions used to evaluate the structural integrity and reliability of critical energy, industrial and public infrastructure. The Company combines industry-leading products and technologies, expertise in mechanical integrity (MI) and non-destructive testing (NDT) services and proprietary data analysis software to deliver a comprehensive portfolio of customized solutions, ranging from routine inspections to complex, plant-wide asset integrity assessments and management. These mission critical solutions enhance customers' ability to extend the useful life of their assets, increase productivity, minimize repair costs, comply with governmental safety and environmental regulations, manage risk and avoid catastrophic disasters. The Company serves a global customer base of companies with asset-intensive infrastructure, including companies in the oil and gas, fossil and nuclear power, alternative and renewable energy, public infrastructure, chemicals, commercial aerospace and defense, transportation, primary metals and metalworking, pharmaceutical/biotechnology and food processing industries and research and engineering institutions.

Basis of Presentation

The condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, the condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods of the fiscal years ending May 31, 2016 and 2015. Reference to a fiscal year means the fiscal year ended May 31. Certain items included in these statements are based on management's estimates. Actual results may differ from those estimates. The results of operations for any interim period are not necessarily indicative of the results expected for the year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the notes to consolidated financial statements contained in the Company's Annual Report on Form 10-K ("Annual Report") for fiscal 2015, as filed with the Securities and Exchange Commission on August 12, 2015.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Mistras Group, Inc. and its wholly and majority-owned subsidiaries. For subsidiaries in which the Company's ownership interest is less than 100%, the noncontrolling interests are reported in stockholders' equity in the accompanying consolidated balance sheets. The noncontrolling interests in net income, net of tax, is classified separately in the accompanying consolidated statements of income.

All significant intercompany accounts and transactions have been eliminated in consolidation. Mistras Group, Inc.'s and its subsidiaries' fiscal years end on May 31 except for the subsidiaries in the International segment, which end on April 30. Accordingly, the Company's International segment subsidiaries are consolidated on a one month lag. Therefore, in the quarter and year of acquisition, results of acquired subsidiaries in the International segment are generally included in consolidated results for one less month than the actual number of months from the acquisition date to the end of the reporting period. Management does not believe that any events occurred during the one-month lag period that would have a material effect on the Company's consolidated financial statements.

Immaterial Correction

Subsequent to the issuance of its interim consolidated financial statements as of and for the three months ended August 31, 2014, the Company identified errors related to the classification of amounts reported in the Consolidated Statement of Cash Flows for that period. In accordance with the SEC Staff Accounting Bulletin (SAB) No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, management evaluated the materiality of the errors from qualitative and quantitative perspectives, and concluded that the errors were immaterial. Accordingly, management has corrected the presentation of the affected line items of the accompanying consolidated statement of cash flows for the quarter ended August 31, 2014, as summarized below. These changes did not impact the Company’s net income, balance sheet, or stockholders’ equity for any period previously reported.

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

	Previously Reported	Revised
Cash flows from operating activities		
Deferred income taxes	6,456	1,134
Fair value adjustment to contingent consideration liabilities	(1,396)	(983)
Accounts payable	(1,749)	(2,059)
Accrued expenses and other current liabilities	(2,637)	(3,086)
Net cash provided by operating activities	14,515	8,847
Cash flows from investing activities		
Acquisition of businesses, net of cash acquired	(36,801)	(32,657)
Net cash used in investing activities	(40,645)	(36,501)
Cash flows from financing activities		
Repayment of long-term debt	(1,875)	(2,394)
Net borrowings against revolver	35,558	35,700
Net cash provided by financing activities	30,489	30,112
Effect of exchange rate changes on cash and cash equivalents	(1,883)	18

Significant Accounting Policies

The Company’s significant accounting policies are disclosed in Note 2 — Summary of Significant Accounting Policies in the Company's Annual Report. On an ongoing basis, we evaluate its estimates and assumptions, including, among other things those related to revenue recognition, valuations of accounts receivable, long-lived assets, goodwill, deferred tax assets and uncertain tax positions. Since the date of the 2015 Annual Report, there have been no material changes to the Company's significant accounting policies.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, which amends the definition of a discontinued operation and requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. This ASU requires discontinued operations treatment for disposals of a component or group of components of an entity that represent a strategic shift that has or will have a major impact on an entity's operations or financial results. ASU 2014-08 also expands the scope of ASC 205-20, "Discontinued Operations," to disposals of equity method investments and acquired businesses held for sale. This ASU is effective prospectively for all disposals or classifications as held for sale that occur in interim and annual reporting periods beginning after December 15, 2014. The Company adopted ASU 2014-08 and there was no material impact on the Company's consolidated financial statements and related disclosures.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. This ASU requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. ASU

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2014-12 is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. The Company is currently evaluating the effect that ASU 2014-12 will have on its consolidated financial statements and related disclosures.

In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidations Analysis, which changes the guidance for evaluating whether to consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Further, the amendments eliminate the presumption that a general partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The updated guidance is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2015. Early adoption is permitted. Companies have an option of using either a full retrospective or modified retrospective adoption approach. The Company is evaluating the effect that ASU 2015-02 will have on its consolidated financial statements and related disclosures.

2. Share-Based Compensation

The Company has share-based incentive awards outstanding to its eligible employees and Directors under two employee equity incentive plans: (i) the 2007 Stock Option Plan (the 2007 Plan), and (ii) the 2009 Long-Term Incentive Plan (the 2009 Plan). No further awards may be granted under the 2007 Plan, although awards granted under the 2007 Plan remain outstanding in accordance with their terms. Awards granted under the 2009 Plan may be in the form of stock options, restricted stock units and other forms of share-based incentives, including performance restricted stock units, stock appreciation rights and deferred stock rights.

Stock Options

For the three months ended August 31, 2015 and 2014, the Company recognized share-based compensation expense related to stock option awards of less than $0.1 million for each period respectively. As of August 31, 2015, there was less than $0.1 million of unrecognized compensation costs, net of estimated forfeitures, related to stock option awards, which are expected to be recognized over a remaining weighted average period of 0.5 years.

No stock options were granted during the three months ended August 31, 2015 and 2014.

Restricted Stock Unit Awards

For the three months ended August 31, 2015 and 2014, the Company recognized share-based compensation expense related to restricted stock unit awards of $1.1 million for each period respectively. As of August 31, 2015, there was $8.9 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 3.1 years.

During the first three months of fiscal 2016 and 2015, the Company granted approximately 15,000 and 10,000 shares, respectively, of fully-vested common stock to its five non-employee directors, in connection with its non-employee director compensation plan. These shares had grant date fair values of $0.2 million for each period respectively, which was recorded as share-based compensation expense during the three months ended August 31, 2015 and 2014.

During the first three months of fiscal 2016 and 2015, approximately 205,000 and 217,000 restricted stock units, respectively, vested. The fair value of these units was $3.2 million and $4.7 million, respectively. 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.

Performance Restricted Stock Units

Fiscal 2016
In the first quarter of fiscal 2016, the Company modified its equity compensation plan for its executive and certain other senior officers. The Company granted 154,000 performance restricted stock units to its executive and certain other senior officers. These units have requisite service periods of five years and have no dividend rights. The actual payout of these units will vary

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based on the Company’s performance over a one-year period based on three metrics related to the Company’s fiscal 2016 performance: (1) Operating Income, (2) Adjusted EBITDAS, which is net income before interest, taxes, depreciation, amortization, non-cash stock-based compensation expense, acquisition related items, and other non-routine items as determined by the Committee and (3) Revenue. There is also a discretionary portion based on individual performance.

As a condition for receiving any awards under the revised fiscal 2016 plan, the executive and senior officers surrendered and released all rights to receive any shares under the 2014 and 2015 awards with a three-year performance or market condition. The Company has accounted for the fiscal 2016 awards as modifications in accordance with ASC 718, Compensation - Stock Compensation.

Compensation costs are initially measured assuming that the target performance conditions will be achieved. However, compensation costs related to the performance conditions are adjusted for subsequent changes in the expected outcomes of the performance conditions. The discretionary portion of these awards will be liability-classified and adjusted to fair value each reporting period. Compensation costs for the discretionary portion of the awards will be recognized over the same five year requisite service period as the awards based on the Company’s fiscal 2016 performance. For the three months ended August 31, 2015, the Company recognized share-based compensation expense related to these units of less than $0.1 million. At August 31, 2015, there was $2.2 million of total unrecognized compensation costs related to the 154,000 non-vested performance restricted stock units.

Fiscal 2015

In the second quarter of fiscal 2015, the Company granted performance restricted stock units to its executive and certain other senior officers. These units were surrendered as part of the revised fiscal 2016 plan as discussed above. For the three months ended August 31, 2015, the Company recognized share-based compensation expense related to performance restricted stock units of $0.2 million.

Fiscal 2014

In the third quarter of fiscal 2014, the Company granted one-year, two-year and three-year performance restricted stock units to its executive officers and certain other senior officers. These units have requisite service (vesting) periods of three years and have no dividend rights. The units with three-year performance and market conditions were surrendered as part of the revised fiscal 2016 plan as discussed above. For the three months ended August 31, 2015 and 2014, the Company recognized share-based compensation expense related to performance restricted stock units of $0.4 million and $0.8 million, respectively. At August 31, 2015, there was $1.0 million of total unrecognized compensation costs related to approximately 95,000 non-vested performance restricted stock units. These costs are expected to be recognized over a weighted-average period of approximately 1.0 years. The actual payout of these units will vary based on the Company’s performance over one, and two-year periods (based on pre-established targets) and a market condition modifier based on TSR compared to an industry peer group. Compensation cost is initially measured assuming that the target performance condition will be achieved. However, compensation cost related to the performance condition is adjusted for subsequent changes in the expected outcome of the performance condition. Compensation cost related to the TSR condition is fixed at the measurement date, and not subsequently adjusted. The one-year and two-year performance conditions of the fiscal 2014 awards were not achieved. The one-year market condition of the fiscal 2014 awards was achieved and will payout at 170% of target once the requisite service period is complete.

3. Earnings per Share

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

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

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

	Three months ended August 31,	
	2015	2014
Basic earnings per share		
Numerator:		
Net income attributable to Mistras Group, Inc.	$6,872	$1,666
Denominator:		
Weighted average common shares outstanding	28,724	28,477
Basic earnings per share	$0.24	$0.06
Diluted earnings per share:		
Numerator:		
Net income attributable to Mistras Group, Inc.	$6,872	$1,666
Denominator:		
Weighted average common shares outstanding	28,724	28,477
Dilutive effect of stock options outstanding	627	834
Dilutive effect of restricted stock units outstanding	244	241
	29,595	29,552
Diluted earnings per share	$0.23	$0.06

4. Acquisitions and Dispositions

Acquisitions

The Company did not complete any acquisitions during the three months ended August 31, 2015.

In the first quarter of fiscal 2015, the Company completed three acquisitions. The Company purchased a company, located in Louisiana, a provider of maintenance and inspection services primarily on offshore platforms. This acquisition expands the service offerings within the Services segment, allowing the Company to provide services to the upstream operations of its customers. The Company also purchased a group of asset protection businesses located in Quebec, Canada to complement service offerings within the Company’s Services segment and continue its market expansion strategy. The Company’s International Segment completed an acquisition of an asset inspection business located in the United Kingdom.

In these acquisitions, the Company acquired 100% of the common stock or certain assets of each acquiree in exchange for aggregate consideration of approximately $34.0 million in cash and $22.7 million in notes payable issued as part of the acquisition and other liabilities assumed. The Company accounted for these transactions in accordance with the acquisition method of accounting for business combinations. In addition, the acquisition in Quebec provided for contingent consideration of up to $2.7 million to be earned based upon the acquired business achieving specific performance metrics over the next three years of operation from the acquisition date.

The amortization period of intangible assets acquired in fiscal 2015 ranges from 3 to 10 years. The Company recorded $43.9 million of goodwill in connection with these acquisitions, reflecting the strategic fit and revenue and earnings growth potential of these business.

Dispositions

In the first quarter of fiscal 2016, the Company finalized the sales of its subsidiaries in Russia and Japan and recognized an operating loss of $0.3 million.

Acquisition-Related Expense

During the three month period ended August 31, 2015, the Company adjusted the fair value of certain previously recorded acquisition-related contingent consideration liabilities. These adjustments resulted in a net decrease of acquisition-related

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

contingent consideration liabilities and a corresponding increase in income from operations of $0.9 million. The Company's aggregate acquisition-related contingent consideration liabilities were $5.2 million and $6.4 million as of August 31, 2015 and May 31, 2015, respectively.

During the three month period ended August 31, 2014, the Company incurred acquisition-related costs of less than $0.1 million in connection with due diligence, professional fees, and other expenses for its acquisition activity. Additionally, the Company adjusted the fair value of certain acquisition-related contingent consideration liabilities. For the three month period ended August 31, 2014, these adjustments resulted in a net decrease of acquisition-related contingent consideration liabilities and a corresponding increase in income from operations of $1.0 million.

The fair value adjustments to acquisition-related contingent consideration liabilities and the acquisition-related transaction costs have been classified as acquisition-related expense, net in the condensed consolidated statements of income for the three month periods ended August 31, 2015 and 2014.

5. Accounts Receivable, net

Accounts receivable consisted of the following:

	August 31, 2015	May 31, 2015
Trade accounts receivable	$137,335	$136,208
Allowance for doubtful accounts	(3,270)	(2,980)
Account receivable, net	$134,065	$133,228

6. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

	Useful Life (Years)	August 31, 2015	May 31, 2015
Land		$1,913	$1,856
Buildings and improvements	30-40	18,883	17,712
Office furniture and equipment	5-8	8,306	8,084
Machinery and equipment	5-7	162,432	162,612
		191,534	190,264
Accumulated depreciation and amortization		(113,863)	(111,008)
Property, plant and equipment, net		$77,671	$79,256

Depreciation expense for the three months ended August 31, 2015 and 2014 was $5.6 million and $5.4 million, respectively.

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

7. Intangible Assets

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

		August 31, 2015			May 31, 2015		
	Useful Life (Years)	Gross Amount	Accumulated Amortization	Net Carrying Amount	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	5-12	$80,279	$ (42,386)	$37,893	$81,101	$ (41,009)	$