Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended June 30, 1999

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 1-8325

MYR GROUP INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3158643
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1701 W. Golf Road, Suite 1012, Tower Three, Rolling Meadows, IL	60008
(Address of principal executive offices)	(Zip Code)

(847) 290-1891
Registrant's telephone number, include 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 and 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 X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 16, 1999: 5,974,165

MYR GROUP INC.

I N D E X

Part I, Item 1
Financial
Information

MYR Group Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	June 30 1999	Dec. 31 1998
	(Unaudited)	*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 545	$ 1,372
Contract receivables including retainage	72,152	68,112
Costs and estimated earnings in excess of billings on uncompleted contracts	19,076	17,092
Deferred income taxes	6,153	6,153
Other current assets	492	239
Total current assets	98,418	92,968
Property and equipment:	57,722	56,706
Less accumulated depreciation	41,851	40,604
	15,871	16,102
Other assets	1,494	1,129
Total assets	$ 115,783	$ 110,199

LIABILITIES		
Current liabilities:		
Current maturities of long-term debt	$ 5,712	$ 7,813
Accounts payable	20,669	14,135
Billings in excess of costs and estimated earnings on uncompleted contracts	10,123	9,448
Accrued insurance	14,745	13,868
Other current liabilities	14,946	17,528
Total current liabilities	66,195	62,792
Deferred income taxes	1,051	1,052

Other liabilities	392	393
Long-term debt:		
Promissory notes and other debt	250	917
Industrial revenue bond	250	250
Subordinated convertible debentures	3,632	5,447
Total long-term debt	4,132	6,614
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	8,190	7,009
Retained earnings	39,102	34,335
Restricted stock awards and shareholders' notes receivable	(3,279)	(1,996)
Total shareholders' equity	44,013	39,348
Total liabilities and shareholders' equity	$ 115,783	$ 110,199

*Condensed from audited financial statements

The "Notes to Condensed Consolidated Financial Statements" are an integral part of this statement.

MYR Group Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands except per share amounts)
(Unaudited)

Periods Ended June 30	Three Months		Six Months	
	1999	1998	1999	1998
Contract revenue	$ 118,524	$ 109,666	$ 225,851	$ 220,337
Contract cost	103,841	98,613	199,410	200,355
Gross profit	14,683	11,053	26,441	19,982
Selling, general and administrative expenses	8,768	7,244	17,365	13,983
Income from operations	5,915	3,809	9,076	5,999
Other income (expense)				
Interest income	37	2	39	6
Interest expense	(280)	(551)	(555)	(996)
Gain on sale of property and equipment	90	227	181	274
Miscellaneous	(30)	(35)	(72)	(28)
Income before taxes	5,732	3,452	8,669	5,255
Income tax expense	2,293	1,381	3,468	2,102
Net income	$ 3,439	$ 2,071	$ 5,201	$ 3,153
Earnings per share:				
Basic	$ .58	$ .37	$ .89	$ .57
Diluted	$ .51	$ .31	$ .78	$ .48
Dividends per common share	$ .0375	$ .035	$ .075	$ .070

Average number of shares outstanding:				
Basic	5,971	5,607	5,856	5,578
Diluted	6,760	6,691	6,720	6,660

The "Notes to Condensed Consolidated Financial Statements" are an integral part of this statement.

MYR Group Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

Six Months Ended June 30	1999	1998
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 5,201	$ 3,153
Adjustments to reconcile net income to cash flows from operations		
Depreciation and amortization	1,939	2,408
Amortization of unearned stock awards	171	112
Gain from disposition of assets	(181)	(274)
Changes in assets and liabilities	788	(9,878)
Cash flows from operations	7,918	(4,479)
CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(1,783)	(1,885)
Proceeds from disposition of assets	256	446
Cash flows from investments	(1,527)	(1,439)
CASH FLOWS FROM FINANCING		
Proceeds (repayments) from long term debt	(4,583)	3,051
Proceeds from exercise of stock options	937	98
Issuance of shareholder notes	(1,645)	-
Purchase of treasury stock	(1,491)	-
Increase in deferred compensation	(1)	7
Dividends paid	(435)	(395)
Cash flows from financing	(7,218)	2,761
Decrease in cash and cash equivalents	(827)	(3,157)
Cash and cash equivalents at beginning of year	1,372	3,757
Cash and cash equivalents at end of period	$ 545	$ 600

The "Notes to Condensed Consolidated Financial Statements" are an integral part of this statement.

MYR Group Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 - Basis of Presentation

The condensed consolidated balance sheets, statements of income and statements of cash flows include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated.

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim period.

The results of operations for the six month period ended June 30, 1999 are not necessarily indicative of the results to be expected for the full year.

2 - Earnings Per Share
(Dollars in thousands except per share amount)

Basic and diluted weighted average shares outstanding and earnings per share on net income are as follows:

	Period Ended June 30			
	Three Months		Six Months	
	1999	1998	1999	1998
Share Data:				
Basic Shares	5,971	5,607	5,856	5,578
Common equivalent shares	430	725	505	723
Shares assumed converted	359	359	359	359
Diluted shares	6,760	6,691	6,720	6,660

	Three Months Ended June 30			
	1999		1998	
	Total	Per Share	Total	Per Share
Net Income:				
Basic	$3,439	$ 0.58	$2,071	$ 0.37
Interest on convertible subordinated shares	22		21	
Diluted	$3,461	$ 0.51	$2,092	$ 0.31

	Six Months Ended June 30			
	1999		1998	
	Total	Per Share	Total	Per Share
Net Income:				
Basic	$5,201	$ 0.89	$3,153	$ 0.57
Interest on convertible subordinated shares	44		44	
Diluted	$5,245	$ 0.78	$3,197	$ 0.48

3 - Supplemental Quarterly Financial Information
(Unaudited)
(Dollars in thousands except per share amounts)

1999

	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	$107,327	$ 118,524			$225,851
Gross profit	11,758	14,683			26,441
Net income	1,762	3,439			5,201
Earnings per share-Basic:	0.31	0.58			0.89
Earnings per share-Diluted:	0.27	0.51			0.78
Dividends paid per share	0.0375	0.0375			0.075
Market price:					
High	12.00	18.00			18.00
Low	10.06	11.75			10.06

	1998				
	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	$ 110,671	$ 109,666	$122,282	$116,724	$459,343
Gross profit	8,929	11,053	12,224	13,014	45,220
Net income	1,082	2,071	2,285	2,450	7,888
Earnings per share-Basic:	0.20	0.37	0.40	0.43	1.40
Earnings per share-Diluted:	0.17	0.31	0.34	0.38	1.20
Dividends paid per share	0.035	0.035	0.035	0.035	0.14
Market price:					
High	12.81	14.25	16.88	12.88	16.88
Low	11.31	11.31	10.69	10.13	10.13

4. Pending Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. This standard is effective for years beginning after June 15, 2000. The Company believes the implementation of this pronouncement will not have a material impact on the Company's reported financial position, results of operations and cash flows.

5. Segment Reporting
(Dollars in thousands)

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", during the fourth quarter of 1998. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The adoption of SFAS No. 131 did not affect results of operations or financial position, but did affect the disclosure of segment information.

The Company is engaged primarily in two segments: infrastructure services and commercial/industrial construction. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that the financial results have been prepared using a management approach. This approach is consistent with the basis and manner in which management internally disaggregates financial information for the purpose of assisting in making internal operating decisions and is exclusive of corporate selling, general and administrative expenses, net interest expense and other income. Identifiable assets include all assets directly identified with the reportable segments including retentions, accounts receivable, property, equipment and costs and estimated earnings in excess of billings on uncompleted contracts. Corporate assets include cash, deferred tax assets, and other assets that are corporate in nature.

	Infrastructure Services	Commercial/ Industrial	Corporate and Other	Consolidated
Three months ended June 30, 1999				
Contract revenue	$ 79,018	$ 39,506	$ -	$ 118,524
Depreciation and amortization	919	115	87	1,121
Income before taxes	7,007	1,595	(2,870)	5,732
Segment assets	70,721	36,920	8,142	115,783
Capital expenditures	1,541	40	-	1,581
Three months ended June 30, 1998				
Contract revenue	57,838	51,828	-	109,666
Depreciation and amortization	1,096	75	49	1,220
Income before taxes	4,371	1,499	(2,418)	3,452
Segment assets	61,874	53,295	4,180	119,349
Capital expenditures	824	109	-	933
Six months ended June 30, 1999				
Contract revenue	$ 152,119	$ 73,732	$ -	$ 225,851
Depreciation and amortization	1,794	145	171	2,110
Income before taxes	12,939	2,137	(6,407)	8,669
Capital expenditures	1,722	61	-	1,783
Six months ended June 30, 1998				
Contract revenue	108,793	111,544	-	220,337
Depreciation and amortization	2,264	155	101	2,520
Income before taxes	6,840	3,414	(4,999)	5,255
Capital expenditures	1,726	159	-	1,885

Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Six Months Ending June 30, 1999

Results of Operations

Revenue for the three and six month periods was $118.5 million and $225.9 million compared to $109.7 million and $220.3 million in 1998. Revenues for the infrastructure segment increased 36.6% over the prior year. Commercial/industrial revenues increased 9.7% over the prior year after excluding the 1998 revenues from the major hotel and casino project in Las Vegas, NV that was completed in late 1998.

Gross profit for the three and six month periods was $14.7 million and $26.4 million, compared to $11.1 million and $20.0 million in 1998. Gross profit as a percentage of revenue was 12.4% and 11.7% for the three and six month periods, compared to 10.1% and 9.1% in 1998. The 1999 gross profit percentage increased primarily due to improved productivity in the infrastructure services business and the completion of a relatively low margin, cost-plus fixed-fee hotel and casino project in Las Vegas, Nevada in late 1998.

Revenue and gross profit comparisons from quarter to quarter and comparable quarters of different periods may be impacted by variables beyond the control of the Company. Such variables include unusual or unseasonable weather and delays in receipt of construction materials on projects where the materials are provided to the Company by its clients. The different mix of the Company's work from period to period can impact the gross margin percentage. As the percentage of revenue derived from projects in which the Company supplies materials increases, the gross profit percentage will generally decrease. As the percentage of revenue derived from cost-plus work increases, margins may also decrease since this work involves lower financial risk. Finally, since the Company's revenues are derived principally from providing construction labor services, insurance costs, particularly for workers' compensation, are a significant factor in the Company's contract cost structure. Fluctuations in insurance reserves for claims under retrospective rated insurance programs can have a significant impact on gross margins, either upward or downward, in the period in which such insurance reserve adjustments are made.

Selling, general and administrative expenses for the three and six month periods were $8.8 million and $17.4 million, compared to $7.2 million and $14.0 million in 1998. The increase reflects increased training related costs associated with new management development programs, higher professional fees, costs related to additional personnel, and higher incentive compensation accruals on improved profit levels in comparison to the prior year.

Net interest expense for the three and six month periods was $243,000 and $516,000 compared to $549,000 and $990,000 in 1998. This decrease was primarily due to lower average outstanding bank debt levels in 1999 due to the reduced retention receivable balances on the major hotel and casino project in Las Vegas, NV.

Gain on sale of property and equipment for the three and six month periods was $90,000 and $181,000, compared to $227,000 and $274,000 in 1998. The gains reflect sales and disposals in our continuing efforts to modernize the equipment fleet.

Other expense for the three and six month periods was $30,000 and $72,000, compared to other expenses of $35,000 and $28,000 in 1998. Other expense consisted primarily of bank fees, offset by cash discounts.

Income tax expense for the three and six month periods was $2.3 million and $3.5 million, compared to $1.4 million and $2.1 million in 1998. As a percentage of income, the effective rate was 40% in 1999 and 1998.

The Company's backlog at June 30, 1999 was $160.8 million, compared to $140.1 million at December 31, 1998, and $143.4 million at June 30, 1998. Substantially all the current backlog will be completed within twelve months and approximately 80% will be completed by December 31, 1999.

Liquidity and Capital Resources

The Company has a $20 million revolving credit facility. As of June 30, 1999, there was $3.0 million outstanding under the revolving credit facility. The Company has outstanding letters of credit with Banks totaling $4.7 million. The Company anticipates that its credit facility, cash balances and internally generated cash flows will continue to be sufficient to fund operations, capital expenditures and debt service requirements. The Company is also confident that its financial condition will allow it to meet long-term capital requirements.

In March 1999, the Company's Board of Directors authorized the purchase of up to 750,000 shares of its common stock. In 1999 and 1998, purchases under the prior stock repurchase program totaled 144,808 and 19,494 shares at a cost of $1,492,000 and $248,000, respectively.

In March 1999, the Company loaned two officers $1,645,000 in total for the exercise cost and tax liability associated with exercising options on 347,225 shares that were expiring in 1999. The portion related to the exercise price, $886,000, is classified in stockholders' equity and the balance that relates to the withholding taxes paid is included in other assets.

Capital expenditures for the three and six month periods were $1.6 million and $1.8 million, compared to $934,000 and $1.9 million in 1998. Capital expenditures during these periods were used for normal property and equipment additions, replacements and upgrades. Proceeds from the disposal of property and equipment for the six months amounted to $256,000 and $446,000 in 1998. The Company plans to spend approximately $5.5 million on capital improvements during 1999.

Cash flows provided from operations amounted to $7.9 million, which was used for repayments on long term debt of $4.6 million, net capital expenditures of $1.5 million, the purchase of treasury stock of $1.5 million, dividends paid of $435,000, and the financing of shareholder stock option exercises of $1.6 million, offset by proceeds from the exercise of stock options of $937,000. The Company's financial condition continues to be strong at June 30, 1999, with working capital of $32.2 million compared to $30.2 million at December 31, 1998.

Year 2000 Compliance

The "Year 2000 problem" arose because many existing computer programs use only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with "20" instead of the familiar "19." If not corrected, many computer applications could fail or create erroneous results. The extent of the potential impact of the Year 2000 problem is not yet known, and if not timely corrected, it could affect the global economy.

State of Readiness

In 1997, the Company established an organization wide project to identify non-compliant items, formulate corrective actions and to implement these changes to mitigate the year 2000 issue. The Company has identified three categories of components that require attention:

1. Information technology ("IT") systems, such as mainframes, midranges, personal computers, software and networks
2. Non-IT systems such as equipment, machinery, climate control, security and telephone systems, which may contain micro-controllers with embedded technology
3. Third party IT and Non-IT systems

The table below summarizes the estimated completion percentages of the three categories and stages that are being undertaken to mitigate the Year 2000 issue.

	Identification of material items	Formulation of corrective actions	Implementation of corrective actions	Planned Completion
IT systems	100%	100%	95%	September, 1999
Non-IT systems	100%	90%	90%	September, 1999
Third party systems	100%	90%	90%	September, 1999

Although the Company has contacted its major suppliers to determine their readiness regarding the Year 2000 issue and has been assured that they are working to mitigate its effects, the Company has no way of determining what level of compliance they will attain by the year 2000. The Company is currently in the process of contacting its major customers to evaluate their planned level of compliance. Upon receiving the responses, the Company will formulate corrective actions. There is no guarantee that systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

If all material components are not identified or all appropriate corrective actions are not taken or are not completed in a timely manner, the Year 2000 issue could have a material impact on the operations of the Company.

Year 2000 Costs
Costs related to the Year 2000 issue are funded through operating cash flows and are being expensed as incurred. As of June 1999, the Company has expended funds in remediation efforts, which consisted of costs associated with modifying the source code of existing software. This amount has been immaterial to the Company. Based upon the Company's investigations to date, it estimates the total costs related to the Year 2000 issue would be immaterial. A number of other upgrades have been made to systems in the normal course of business that mitigate Year 2000 issues. This amount may vary substantially as the Company continues to evaluate items associated with the Year 2000 issue.

Year 2000 Risks
The most reasonably likely worst case scenario for the Company is the failure of a supplier to be Year 2000 compliant such that its supply of needed products or services is interrupted temporarily. This could result in the Company not being able to fulfill its obligation on a construction contract, which could cause lost sales and profits and possibly additional exposure for non-performance and damage claims.

Year 2000 Contingency Plans
The Company is currently evaluating business disruption scenarios, coordinating the establishment of Year 2000 contingency plans and identifying and implementing preemptive strategies. Detailed contingency plans for critical business processes will be developed by September 1999.

The costs of the project and the date on which the Company believes it will complete the Year 2000 project are based on management's best estimates, which were derived utilizing numerous assumptions and future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant codes, the level of compliance by key suppliers and customers, and similar uncertainties.

PART II

Item 1. Legal Proceedings

There were no material developments during the quarter relating to legal proceedings previously reported by the Company.

Item 4.Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders in the second quarter of 1999 that were not previously disclosed.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits filed herewith are listed in the Exhibit Index filed as a part hereof and incorporated herein by reference.

b. No reports on Form 8-K were filed by the Company for the 2nd Quarter of 1999.

CAUTIONARY STATEMENT-- This Report may contain statements which constitute "forward-looking" information as defined in the Private Securities Litigation Reform Act of 1995 or by the Securities and Exchange Commission. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and actual results may differ.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of

1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MYR Group Inc.

Date: July 23, 1999 By: /s/

William A. Koertner, Sr. Vice President,
Treasurer, and Chief Financial Officer
(duly authorized representative of
registrant and principal financial officer)

MYR Group Inc.
Quarterly Report on Form 10Q
for the Quarter Ended June 30, 1998

Exhibit Index

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