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, 1998

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 28, 1998: 5,619,825

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 1998 (Unaudited)	Dec. 31 1997 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 600	$ 3,757
Contract receivables including retainage	76,520	75,414
Costs and estimated earnings in excess of billings on uncompleted contracts	17,754	14,919
Deferred income taxes	5,322	5,322
Other current assets	1,018	587
Total current assets	101,214	99,999
Property and equipment:	56,004	54,858
Less accumulated depreciation	39,792	37,967
	16,212	16,891
Other assets	1,923	534
Total assets	$ 119,349	$ 117,424
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt	$ 17,213	$ 13,462
Accounts payable	14,291	19,727
Billings in excess of costs and estimated earnings on uncompleted contracts	11,234	9,183
Accrued insurance	14,737	15,121
Other current liabilities	19,562	19,908
Total current liabilities	77,037	77,401
Deferred income taxes	746	746
Other liabilities	423	415
Long-term debt:		
Promissory notes and other debt	923	1,625
Industrial revenue bond	480	480
Subordinated convertible debentures	5,447	5,679
Total long-term debt	6,850	7,784
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	6,276	5,582
Retained earnings	29,996	27,238
Treasury stock	(53)	(522)
Restricted stock awards and shareholders' notes receivable	(1,926)	(1,936)
Total shareholders' equity	34,293	31,078
Total liabilities and shareholders' equity	$ 119,349	$ 117,424

*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 OPERATIONS
(Dollars in thousands except per share amounts)

(Unaudited)

Periods Ended June 30	Three Months		Six Months	
	1998	1997	1998	1997
Contract revenue	$109,666	$112,310	$ 220,337	$ 201,314
Contract cost	98,613	102,356	200,355	183,975
Gross profit	11,053	9,954	19,982	17,339
Selling, general and administrative expenses	7,244	6,659	13,983	12,530
Income from operations	3,809	3,295	5,999	4,809
Other income (expense)				
Interest income	2	8	6	16
Interest expense	(551)	(400)	(996)	(650)
Gain (loss) on sale of property and equipment	227	(254)	274	(247)
Miscellaneous	(35)	201	(28)	77
Income from continuing operations before income taxe	3,452	2,850	5,255	4,005
Income tax expense	1,381	1,140	2,102	1,602
Income from continuing operations	2,071	1,710	3,153	2,403
Income from discontinued operations	----	602	----	602
Net income	$ 2,071	$ 2,312	$ 3,153	$ 3,005
Earnings per share - Basic:				
Income from continuing operations	$ .37	$ .31	$ .57	$ .44
Income from discontinued operations	----	.11	----	.11
Net Income	.37	.42	.57	.55
Earnings per share - Diluted:				
Income from continuing operations	.31	.25	.48	.36
Income from discontinued operations	----	.09	----	.09
Net Income	.31	.34	.48	.45
Dividends per common share	.035	.033	.070	.066
Weighted average common shares and common share equivalents outstanding				
Basic	5,607	5,415	5,578	5,411
Diluted	6,691	6,964	6,660	6,924

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	1998	1997
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 3,153	$ 2,403
Adjustments to reconcile income from continuing operations to cash flows from continuing operations		
Depreciation and amortization	2,520	2,732

Amortization of intangibles	----	54
Loss (gain) on sale of property and equipment	(275)	247
Changes in current assets and liabilities	(9,877)	(6,282)
Cash flows from continuing operations	(4,479)	(846)
Cash flows from discontinued operations	----	2,456
Cash flows from operations	(4,479)	1,610
CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(1,885)	(2,800)
Proceeds from disposition of assets	446	121
Cash used in acquisition, net of cash required	----	(241)
Cash flows from investments	(1,439)	(2,920)
CASH FLOWS FROM FINANCING		
Proceeds from long term debt	3,051	1,142
Proceeds from exercise of stock options	98	112
Increase (decrease) in deferred compensation	7	(6)
Dividends paid	(395)	(357)
Cash flows from financing	2,761	891
Decrease in cash and cash equivalents	(3,157)	(419)
Cash and cash equivalents at beginning of year	3,757	1,011
Cash and cash equivalents at end of period	$ 600	$ 592

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 operations 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, 1998 are not necessarily indicative of the results to be expected for the full year.

2 - Acquisition

On May 1, 1997, the Company completed the acquisition of all the stock of D.W. Close Company, Inc. (D.W. Close). D.W. Close is engaged primarily in the installation of lighting systems, electrical maintenance/construction and smart highway construction for commercial, industrial and municipal customers.

All the shares of D.W. Close were exchanged for $400,000 in cash and $2,500,000 of promissory notes. The principal is due in installments of $250,000, $666,667, $666,667 and $916,666 on May 1, 1997, 1998, 1999 and 2000, with interest payable quarterly each year. The transaction has been accounted for using the purchase method of accounting.

3 - Discontinued Operations

As part of the sale in 1988 of its former engineering subsidiary, the Company retained certain rights and obligations in connection with a lawsuit with National Union Fire Insurance Company of Pittsburgh, PA. In June 1997, the Company settled the lawsuit and received $4,250,000. The Company had a receivable relating to this lawsuit of $1,854,000. The remaining $2,396,000 related to reimbursement for interest and legal costs. The portion allocated to interest was $1,042,000 and was included in continuing operations as other income in the second quarter of 1997. The portion allocated to legal costs was $1,354,000. This amount was included in income from discontinued operations, reduced by additional expenses incurred for legal and other directly related costs totaling $350,000. The net result on discontinued operations for the three and six months ended June 30, 1997 was $602,000, including the income tax expense of $402,000.

4 - Earnings Per Share

On December 31, 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share, which requires the disclosure of two earnings per common share computations: basic and diluted. The basic earnings per common share is computed by dividing net income by the weighted average number of shares of common stock. The diluted earnings per share reflect the potential dilution which would result from the exercise of stock options and conversion of the convertible subordinated notes. Earnings per share computations for prior years have been restated to reflect this new standard.

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

	Period Ended June 30			
	Three Months		Six Months	
Share Data:	1998	1997	1998	1997
Basic Shares	5,607	5,415	5,578	5,411
Common equivalent shares	725	549	723	513
Shares assumed converted	359	1,000	359	1,000
Diluted shares	6,691	6,964	6,660	6,924

	Three Months Ended June 30			
	1998		1997	
	Total	Per Share	Total	Per Share
Income from continuing operations:				
Basic	2,071	$0.37	1,710	$0.31
Interest on convertible subordinated shares	21		59	
Diluted	2,092	$0.31	1,769	$0.25

	Six Months Ended June 30			
	1998		1997	
	Total	Per Share	Total	Per Share
Income from continuing operations:				
Basic	3,153	$0.57	2,403	$0.44
Interest on convertible subordinated shares	44		118	
Diluted	3,197	$0.48	2,521	$0.36

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

	1998				
	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	110,671	109,666			220,337
Gross profit	8,929	11,053			19,982
Income from continuing operations	1,803	3,452			5,255
Net income	1,082	2,071			3,153
Earnings per share - Basic:					
Income from continuing operations	0.20	0.37			0.57

Net income	0.20	0.37			0.57
Earnings per share - Diluted:					
Income from continuing operations	0.17	0.31			0.48
Net income	0.17	0.31			0.48
Dividends paid per share	0.035	0.035			0.070
Market price:					
High	12.81	14.25			14.25
Low	11.31	11.31			11.31

	1997				
	Mar. 31	June 30	Sept 30	Dec 31	Year
Contract revenue	89,004	112,310	119,838	110,124	431,276
Gross profit	7,385	9,954	11,789	10,532	39,660
Income from continuing operations	693	1,710	1,890	1,658	5,951
Net income	693	2,312	1,890	1,658	6,553
Earnings per share - Basic:					
Income from continuing operations	0.13	0.31	0.35	0.30	1.09
Net income	0.13	0.42	0.35	0.30	1.20
Earnings per share - Diluted:					
Income from continuing operations	0.11	0.25	0.27	0.24	0.87
Net income	0.11	0.34	0.27	0.24	0.96
Dividends paid per share	0.033	0.033	0.033	0.033	0.132
Market price:					
High	8.40	10.99	14.14	14.85	14.85
Low	7.20	6.98	10.50	12.44	6.98

6 - Pending Accounting Pronouncements

In 1997, the Financial Accounting Standards Board Issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information about operating segments and related disclosures about products and services, geographic areas and major customers. This standard is effective for years beginning after December 15, 1997, and does not need to be applied to interim financial statements in the initial year of its application. It expands current disclosures and accordingly, will have no impact on the Company's reported financial position, results of operations and cash flows. The Company is assessing the impact of SFAS No. 131 on its current disclosures.

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, 1998
(Dollars in thousands)

Results of Operations

Continuing Operations

Revenue for the three and six month periods was $109,666 and $220,337, compared to $112,310 and $201,314 in 1997. This is a decrease of 2.4% and a increase of 9.4% for the three and six month periods. The net decrease for the three month period relates to the winding down of a very large hotel and casino project in Las Vegas. Revenues without this job were up 6% for the three month period versus last year. The increase for the six month period relates to the large volume of work generated from the large hotel and casino project in Las Vegas and the D.W. Close acquisition described in Note 2 to the Financial Statements.

Gross profit for the three and six month periods was $11,053 and $19,982, compared to $9,954 and $17,339 in 1997. Gross profit as a percentage of revenue was 10.1% and 9.1% for the three and six month periods, respectively, compared to 8.9% and 8.6% in 1997. Margins were favorably impacted by lower workers compensation expense in the three month and six month period of 1998 as a result of the company's safety performance.

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 due to the nature of the Company's work as an outside electrical contractor. Such variables include unusual or unseasonable weather and delays in receipt of construction materials which are typically results in lower revenues and lower margins in the first quarter when compared to other quarters. As a general rule, the better construction weather in the second, third and fourth quarters usually results in higher revenues and margins from those quarters. Competitive bidding pressures may cause these general trends to vary. Additionally, 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 the retrospective rated insurance programs can impact 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 $7,244 and $13,983, compared to $6,659 and $12,530 in 1997. The increase for the three and six month periods reflects the inclusion of D.W. Close and additional compensation cost to support the higher volume of work in the past year. This represents 6.6% and 6.3% of consolidated revenues for the three and six month periods of 1998, compared to 5.9% and 6.2% for 1997.

Net interest expense for the three and six month periods was $549 and $990, compared to $392 and $634 in 1997. The increase in interest expense results from higher bank debt to support working capital needs including higher retention receivable balances on the major hotel and casino project in Las Vegas.

Gain (loss) on sale of property and equipment for the three and six month periods was $227 and $274, compared to ($254) and ($247) in 1997. The current year gain represents normal sales and disposals related to continued emphasis to modernize our fleet. The loss in 1997 related to the sales and disposal of damaged and obsolete units.

Other expense for the three and six month periods was $35 and $28, compared to other income of $201 and $77 in 1997. The current year expense consists mainly of bank fees offset by cash discounts. The prior year income includes $1,042 relating to the settlement of a lawsuit (See Note 3 to the Financial Statements). Offsetting the prior year income amount are bank fees, amortization of goodwill, cost accrued for the clean-up and move out of an operating unit's facility as a result of consolidating operations and the write-off of an investment in land that has never been developed.

Income tax expense for the three and six month periods was $1,381 and $2,102, compared to $1,140 and $1,602 in 1997. As a percentage of income, the effective rate was 40% in 1998 and 1997.

The Company's backlog at June 30, 1998 was $143,400, compared to $130,600 at December 31, 1997 and $130,600 at June 30, 1997. Substantially all the current backlog will be completed within twelve months and approximately 85% is expected to be completed by December 31, 1998.

Discontinued Operations

During 1988, the Company sold two subsidiaries. As part of the sale of the engineering subsidiary, the Company retained certain rights and obligations in connection with two lawsuits. In the three and six month periods of 1997, the Company recorded amounts received from a settlement with National Fire Insurance Company of Pittsburgh, PA, which resulted in a gain of $602 ($1,004 pre-tax).

Liquidity and Capital Resources

Cash flows provided from proceeds of long term debt amounted to $3,051, proceeds from the exercise of stock options amounted to $98, and proceeds from the disposition of property and equipment amounted to $446. The cash flows were primarily used for operations of $4,479, net capital expenditures of $1,885 and dividend payments of $395. The Company's financial condition continues to be strong at June 30, 1998 with working capital of $24,177, compared to $22,598 at December 31, 1997. The Company's current ratio was 1.31:1 at June 30, 1998, compared to 1.29:1 at December 31, 1997.

The Company has a $20,000 revolving and $1,250 term credit facility. As of June 30, 1998, there were $15,000 and $1,250 outstanding under the revolving and term credit facility, respectively. The Company has outstanding letters of credit with Banks totaling $12,243. 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.

Capital expenditures for the six months were $1,885, compared to $2,800 in 1997. 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 were $446 and $121 in 1997. The Company plans to spend approximately $5,700 on capital improvements during 1998.

Year 2000 Compliance

Over the next two years, most companies will face a potentially serious business problem because many software applications and business equipment developed in the past may not properly recognize calendar dates beginning in the year 2000. This problem could cause systems to become unstable, stop working altogether or provide incorrect data based upon dates.

In 1997, the Company began to evaluate and convert all systems that were not capable of performing properly in the year 2000 and beyond. All critical business systems within the Company are expected to be compliant by December 31, 1998. The evaluation, correction and testing of all material systems in the Company will include internal staff time as well as consulting and other expenses related to equipment upgrades and replacements and software modifications. The estimated costs associated with the project are not anticipated to be material to the financial position or results of operations in any given year and are being expensed as incurred.

The Company, in addition to the above, is also surveying all significant customers and suppliers to determine their compliance with the year 2000 issue and what impact, if any, their efforts will have on the Company's business.

PART II

Item 1. Legal Proceedings

The Company is a defendant in lawsuits arising in the ordinary course of its business. In the opinion of the Company's management, based in part upon the advice of its counsel, these lawsuits are covered by insurance, provided for in the consolidated financial statements of the Company, or are without merit, and the Company's management is of the opinion that the ultimate disposition of any of these pending lawsuits will not have a material adverse impact on the Company in relation to the Company's consolidated financial condition.

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 1998 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 second quarter of 1998.

CAUTIONARY STATEMENT-- This Release 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: August 10, 1998   By: /s/
Elliott C. Robbins, Sr. Vice President, Treasurer, and Chief Financial Officer
(duly authorized representative of registrant and principal financial officer)

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