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 September 30, 1996

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, Tower Three, Suite 1012, Rolling Meadows, Illinois 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 October 25, 1996: 3,236,712

MYR GROUP INC.

I N D E X

Part I, Item 1
Financial
Information

MYR Group Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30 1996 (Unaudited)	Dec. 31 1995 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 542	$ 703
Contract receivables including retainage	56,147	51,114
Costs and estimated earnings in excess of billings on uncompleted contracts	13,529	14,851
Deferred income taxes	4,602	4,602
Other current assets	572	1,594
Total current assets	75,392	72,864
Property and equipment:	59,637	61,625
Less accumulated depreciation	37,415	38,481
	22,222	23,144
Intangible assets	2,493	2,681
Other assets	3,591	3,145
Total assets	$ 103,698	$ 101,834
LIABILITIES		
Current liabilities:		
Current maturities of long-term debt	$ 15,424	$ 9,178
Accounts payable	8,436	13,886
Billings in excess of costs and estimated earnings on uncompleted contracts	6,236	5,042
Accrued insurance	12,188	13,053
Other current liabilities	16,536	16,215
Total current liabilities	58,820	57,374
Deferred income taxes	2,861	2,861
Other liabilities	399	391
Long-term debt:		
Revolver and other debt	3,146	3,021
Term loan	3,125	5,000
Industrial revenue bond	890	890
Subordinated convertible debentures	5,679	5,679
Total long-term debt	12,840	14,590
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	9,324	9,248
Retained earnings	21,457	19,326
Treasury stock	(1,087)	(1,548)
Restricted stock awards and shareholder note receivable	(916)	(408)
Total shareholders' equity	28,778	26,618
Total liabilities and shareholders' equity	$ 103,698	$ 101,834

*Condensed from audited financial statements 2
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 September 30	Three Months		Nine Months	
	1996	1995	1996	1995
Contract revenue	$ 80,712	$ 66,638	$ 214,140	$ 186,704
Contract cost	72,430	58,670	191,400	164,745
Gross profit	8,282	7,968	22,740	21,959
Selling, general and administrative expenses	5,434	5,482	16,749	16,418
Income from operations	2,848	2,486	5,991	5,541
Other income (expense)				
Interest income	2	28	12	63
Interest expense	(508)	(422)	(1,386)	(1,317)
Gain on sale of property and equipment	156	56	549	163
Miscellaneous	(98)	(69)	(374)	(275)
Income from continuing operations before income taxes	2,400	2,079	4,792	4,175
Income tax expense	864	831	1,821	1,670
Income from continuing operations	1,536	1,248	2,971	2,505
Loss from discontinued operations	-	-	(360)	-
Net income	$ 1,536	$ 1,248	$ 2,611	$ 2,505
Earnings per share - Primary				
Income from continuing operations	$ .44	$ .37	$ .86	$ .74
Loss from discontinued operations	-	-	(.10)	-
Net Income	.44	.37	.76	.74
Earnings per share - Fully Diluted:				
Income from continuing operations	.39	.32	.78	.66
Loss from discontinued operations	-	-	(.09)	-
Net Income	.39	.32	.69	.66
Dividends per common share	.050	.047	.150	.135
Weighted average common shares and common share equivalents outstanding				
Primary	3,470	3,412	3,438	3,385
Fully Diluted	4,070	4,040	4,043	4,040

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)

Nine Months Ended September 30	1996	1995
CASH FLOWS FROM OPERATIONS		
Income from continuing operations	$ 2,971	$ 2,505
Adjustments to reconcile income from continuing operations to cash flows from continuing operations		

Depreciation and amortization	4,649	4,303
Amortization of intangibles	205	241
Gain from disposition of assets	(549)	(163)
Changes in current assets and liabilities	(9,214)	876
Cash flows from continuing operations	(1,938)	7,762
Cash flows from discontinued operations	(360)	-
Cash flows from operations	(2,298)	7,762
CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(3,988)	(3,436)
Proceeds from disposition of assets	2,088	1,630
Cash used in acquisition, net of cash acquired	-	(12,995)
Cash flows from investments	(1,900)	(14,801)
CASH FLOWS FROM FINANCING		
Proceeds (repayments) of long term debt	4,497	(17,657)
Proceeds from issuance of debt	-	19,500
Proceeds from exercise of stock options	13	-
Increase (decrease) in deferred compensation	8	(21)
Financial costs	-	(133)
Dividends paid	(481)	(426)
Cash flows from financing	4,037	1,263
Decrease in cash and cash equivalents	(161)	(5,776)
Cash and cash equivalents at beginning of year	703	6,115
Cash and cash equivalents at end of period	$ 542	$ 339

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 nine month period ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

In December 1995, the Company effected a four-for-three stock split in the form of a stock dividend. The $838,000 par value of the additional shares issued was transferred from additional paid-in capital to common stock. Amounts relating to number of shares and amounts per share have been adjusted for 1995 to reflect the stock split.

2 - Acquisition

On January 3, 1995, the Company completed the acquisition of all the stock of Harlan Electric Company ("Harlan"), pursuant to an Agreement and Plan of Merger dated October 5, 1994. Harlan and its wholly-owned subsidiaries, Sturgeon Electric Company, Inc. and Power Piping Company, are engaged primarily in the installation and maintenance of electrical equipment and lighting systems for commercial, industrial and electrical utility customers and in the erection and maintenance of high and low pressure piping systems for electrical utilities and steel industry customers.

All the shares of Harlan were exchanged for $13,612,000 in cash and $5,679,000 of 7% convertible subordinates notes. The principal of each note will be due in three equal installments on January 3, 2000, 2001 and 2002, with interest payable semiannually each year. The notes are convertible into 600,000 shares of the Company's common stock at a price per share of $9.4659. The Company also refinanced $8,756,000 of Harlan debt. The transaction was financed through cash on hand and borrowings under a new $25,000,000 revolving and term credit facility with Harris Trust and Savings Bank and Comerica Bank. 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 the OMU lawsuits (as defined in Note 4). In 1996, the Company recorded additional amounts, primarily legal expenses related to the OMU lawsuits, which resulted in additional losses of $360,000 (net of income tax benefits of $240,000). The additional provision includes anticipated cost for the trial and appeal since it now appears there is no opportunity for the Company to settle its dispute with the insurance carrier.

4 - Contingencies

The Company has been involved in two lawsuits as a result of errors in the design of four transmission towers by the Company's former engineering subsidiary for City Utilities Commission of Owensboro, Kentucky (OMU). The engineering subsidiary has been sold but the Company retained the rights and obligations related to these lawsuits as part of the sale agreement.

One lawsuit (the Kentucky lawsuit) alleged that the engineering subsidiary negligently designed and engineered the towers, and that OMU incurred damages as a result of the redesign and replacement of the four towers. During 1993, OMU agreed to a settlement of the case pursuant to which it accepted payment of $1,300,000 from the Company.

The other lawsuit (the New York lawsuit) concerns the insurance coverage of the engineering subsidiary related to the design errors. The Company notified its primary and excess umbrella insurance carriers at the time of the discovery of the design errors. The Company's excess umbrella carrier denied insurance coverage for the damages above the primary carrier's policy limits and filed an action against the Company seeking a declaratory judgment that the umbrella insurance coverage did not apply to the loss on several theories. The Company counterclaimed against the umbrella carrier and, in addition, in a third party action, brought suit against three former insurance brokers which had procured the insurance for the Company. The Company is seeking to recover $550,000 of unreimbursed costs it incurred in the disassembly, redesign and replacement of the towers, the amount of payments it made to OMU, the legal and related expenses it incurred in the Kentucky lawsuit, legal and related expenses it has and will incur in the New York lawsuit, and interest.

The approximately $550,000 of unreimbursed costs as well as the $1,300,000 paid to OMU during 1993 is recorded on the Company's books as a non-current asset. Management is of the opinion that the amounts so recorded will be recovered in the New York lawsuit from its excess umbrella insurance carrier and its brokers, individually or collectively.

The Company is also involved in various other legal matters which arise in the ordinary course of business, none of which is expected to have a material adverse effect.

5 - Earnings Per Share

Primary earnings per share are based on the weighted average number of common shares and common share equivalents outstanding during the period. Stock options are considered to be common share equivalents. Fully diluted earnings per share also reflects the potential dilution which would result from the conversion of the convertible subordinated notes.

6 - Changes in Accounting Policy

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", which will be effective for the Company beginning January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensative arrangements with employees and encourages (but does not require) compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share on an annual basis.

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

1996	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Contract revenue	$ 64,376	$ 69,052	$ 80,712		$ 214,140
Gross profit	6,430	8,028	8,282		22,740
Income from continuing operations	166	1,269	1,536		2,971
Net income	166	909	1,536		2,611
Earnings per share - Primary:					
Income from continuing operations	0.05	0.37	0.44		0.86
Net Income	0.05	0.26	0.44		0.76
Earnings per share - Fully diluted:					
Income from continuing operations	0.05	0.33	0.39		0.78
Net Income	0.05	0.24	0.39		0.69
Dividends paid per share	0.050	0.050	0.050		0.150
Market Price:					
High	11.00	11.75	11.75		11.75
Low	10.00	10.25	10.38		10.00

1995	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Contract revenue	$ 56,051	$ 64,015	$ 66,638	$80,261	$ 266,965
Gross profit	6,653	7,338	7,968	7,588	29,547
Income from continuing operations	252	1,005	1,248	924	3,429
Net income	252	1,005	1,248	924	3,429
Net income per share:					
Primary	0.08	0.30	0.37	0.27	1.01
Fully diluted	0.08	0.26	0.32	0.25	0.91
Dividends paid per share	0.041	0.047	0.047	0.047	0.182
Market Price:					
High	9.66	10.31	11.91	11.81	11.91
Low	7.97	8.53	9.19	10.00	7.97

Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Nine Months Ending September 30, 1996 (Dollars in thousands)

Results of Operations
Continuing Operations

Revenue for the three and nine month periods was $80,712 and $214,140, compared to $66,638 and $186,704 in 1995. This is an increase of 21.1% and 14.7% for the three and nine month periods, primarily due to an increase in our line construction revenues, offset by decreases in our commercial/industrial revenues. The line construction revenue increase was a result of our electric utility alliances and storm work. The commercial/industrial revenues are down from the prior year nine month levels due to cut backs in the semi-conductor industry's capital spending plans and a slow down in work for our mining business customers.

Gross profit for the three and nine month periods was $8,282 and $22,740, compared to $7,968 and $21,959 in 1995. Gross profit as a percentage of revenue was 10.3% and 10.6% for the three and nine month periods, respectively, compared to 12.0% and 11.8% in 1995. The lower profit percentages are primarily due to provisions made during the quarter for prior year workers compensation reserve adjustments and to lower margins on our utility alliance work for the three and nine months ended September 30, 1996 compared to 1995.

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 have 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 nine month periods were $5,434 and $16,749, compared to $5,482 and $16,418 in 1995. This represents 6.7% and 7.8% of consolidated revenues for the three and nine month periods of 1996, compared to 8.2% and 8.8% for 1995.

Net interest expense for the three and nine month periods was $506 and $1,374, compared to $394 and $1,254 in 1995. The increase in 1996 over 1995 is primarily due to additional borrowings to fund working capital requirements for the higher volume of work in 1996.

Gain on sale of property and equipment for the three and nine month periods was $156 and $549, compared to $56 and $163 in 1995. The increase was due to the increased number of units sold in conjunction with upgrading our fleet.

Net other expense for the three and nine month periods was $98 and $374, compared to $69 and $275 in 1995. Other expense primarily includes the amortization of non-competition agreements and goodwill, letter of credit fees and bank fees offset by cash discounts.

Income tax expense for the three and nine month periods was $864 and $1,821, compared to $831 and $1,670 in 1995. As a percentage of income, the effective rate for the three and nine month periods was 36% and 38%, compared to 40% in 1995. The effective tax rate for the nine month period of 1996 was changed from 40% to 38% in the current quarter to reflect revised tax planning assumptions.

The Company's backlog at September 30, 1996 was $124,900, compared to $69,100 at December 31, 1995, and $74,400 at September 30, 1995. Substantially all the current backlog will be completed within twelve months and approximately 60% is expected to be completed by December 31, 1996.

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. The additional provision amounting to $360 includes anticipated cost for the trial and appeal since it now appears there is no opportunity for the Company to settle its dispute with the insurance carrier.

Liquidity and Capital Resources

As of September 30, 1996, the company had $15,600 outstanding under a $20,000 of revolving credit facilities, and $5,625 outstanding under a term loan. The Company has outstanding letters of credit with Banks totaling $12,956. The Company believes 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.

Cash flows provided include net proceeds from short term borrowing of $4,497 and proceeds from the disposition of property and equipment of $2,088. The cash flows were primarily used for operations of $2,298, net capital expenditures of $3,988 and dividend payments of $481. The Company's financial condition continues to be strong at September 30, 1996 with working capital of $16,572, compared to $15,490 at December 31, 1995. The Company's current ratio was 1.28:1 at September 30, 1996, compared to 1.27:1 at December 31, 1995.

Capital expenditures for the nine months were $3,988, compared to $3,436 in 1995. 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 nine months were $2,088 and $1,630 in 1995. The Company plans to spend approximately $5,200 on capital improvements during 1996.

PART II

Item 1. Legal Proceedings

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

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 third quarter of 1996.

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: November 4, 1996 By: /s/
Elliott C. Robbins, 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 September 30, 1996

Exhibit Index

Number	Description	Page (or Reference)
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27	Financial Data Schedules	13

MYR Group Inc.

Exhibit 11

SCHEDULE OF COMPUTATION OF NET INCOME PER SHARE
(In thousands, except per share data)

Period Ended September 30	Three Months 1996	Three Months 1995	Nine Months 1996	Nine Months 1995
Primary income per share				
Net income	$ 1,536	$ 1,248	$ 2,611	$ 2,505
Weighted average number of common shares outstanding during the period	3,228	3,173	3,204	3,173
Add - common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of the common stock equivalents	242	239	234	212
Weighted average number of shares for income per common share	3,470	3,412	3,438	3,385
Income per common share - primary	$ 0.44	$ 0.37	$ 0.76	$ 0.74
Fully diluted income per share				
Net income	$ 1,536	$ 1,248	$ 2,611	$ 2,505
Add interest on subordinated convertible debentures, net of tax	60	60	179	176
	$ 1,596	$ 1,308	$ 2,790	$ 2,681
Weighted average number of common shares outstanding during the period	3,228	3,173	3,204	3,173
Add				
- -Common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of the common stock equivalents	242	267	239	267
- -Shares assumed converted from subordinated convertible debentures	600	600	600	600
	4,070	4,040	4,043	4,040
Income per common share - fully diluted	$ .39	$ .32	$ .69	$ .66

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