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 March 31, 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, Tower 3, 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 May 11, 1998: 5,605,992

MYR GROUP INC.

I N D E X

Part I, Item 1
Financial Information
MYR Group Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	March 31 1998 (Unaudited)	Dec. 31 1997 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 545	$ 3,757
Contract receivables including retainage	74,522	75,414
Costs and estimated earnings in excess of billings on uncompleted contracts	20,782	14,919
Deferred income taxes	5,322	5,322
Other current assets	1,081	587
Total current assets	102,252	99,999
Property and equipment:	55,607	54,858
Less accumulated depreciation	39,024	37,967
	16,583	16,891
Other assets	1,954	534
Total assets	$ 120,789	$ 117,424
LIABILITIES		
Current Liabilities:		
Current maturities of long-term debt	$ 17,638	$ 13,462
Accounts payable	19,212	19,727
Billings in excess of costs and estimated earnings on uncompleted contracts	9,559	9,183
Accrued insurance	13,084	15,121
Other current liabilities	20,347	19,908
Total current liabilities	79,840	77,401
Deferred income taxes	746	746
Other liabilities	419	415
Long-term debt:		
Promissory notes and other debt	1,604	1,625
Industrial revenue bond	480	480
Subordinated convertible debentures	5,447	5,679
Total long-term debt	7,531	7,784
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	6,243	5,582
Retained earnings	28,121	27,238
Treasury stock	(175)	(522)
Restricted stock awards and shareholders' notes receivable	(1,936)	(1,220)
Total shareholders' equity	32,253	31,078
Total liabilities and shareholders' equity	$ 120,789	$ 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)

Three Months Ended March 31	1998	1997
Contract revenue	$ 110,671	$ 89,004
Contract cost	101,742	81,619
Gross profit	8,929	7,385
Selling, general and administrative expenses	6,739	5,871
Income from operations	2,190	1,514
Other income (expense)		
Interest income	4	8
Interest expense	(445)	(250)
Gain on sale of property and equipment	47	7
Miscellaneous	7	(124)
Income before taxes	1,803	1,155
Income tax expense	721	462
Net income	$ 1,082	$ 693
Earnings per share:		
Basic	$ .20	$ .13
Diluted	$ .17	$ .11
Dividends per common share	$ .035	$ .033
Average number of shares outstanding:		
Basic	5,548	5,406
Diluted	6,621	6,887

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)

Three Months Ended March 31	1998	1997
CASH FLOWS FROM OPERATIONS		
Net income	$ 1,082	$ 693
Adjustments to reconcile net income to cash flows from operations		
Depreciation and amortization	1,248	1,292
Amortization of intangibles	52	58
Gain from disposition of assets	(47)	(7)
Changes in assets and liabilities	(8,623)	(3,885)
Cash flows from operations	(6,288)	(1,849)
CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(952)	(1,282)
Proceeds from disposition of assets	59	27

Cash flows from investments	(893)	(1,255)
CASH FLOWS FROM FINANCING		
Proceeds from long term debt	4,156	2,762
Proceeds from exercise of stock options	8	62
Decrease (increase) in deferred compensation	4	(3)
Dividends paid	(199)	(179)
Cash flows from financing	3,969	2,642
Decrease in cash and cash equivalents	(3,212)	(462)
Cash and cash equivalents at beginning of year	3,757	1,011
Cash and cash equivalents at end of period	$ 545	$ 549

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 sheet, statement of operations and statement 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 three month period ended March 31, 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 September 30, 1997, May 1, 1998, 1999, 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.

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 reflects 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 net income are as follows:

	Three months ended March 31	
Share Data:	1998	1997
Basic Shares	5,548	5,406
Common equivalent shares	714	481
Shares assumed converted	359	1,000
Diluted shares	6,621	6,887

	Three months ended March 31			
	1998		1997	
	Total	Per Share	Total	Per Share
Net Income:				
Basic	1,082	$ 0.20	693	$ 0.13
Interest on convertible subordinated shares	22		59	
Diluted	1,104	$ 0.17	752	$ 0.11

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

	1998	1997				
	Mar. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Year
Contract revenue	110,671	89,004	112,310	119,838	110,124	431,276
Gross profit	8,929	7,385	9,954	11,789	10,532	39,660
Income from continuing operations	1,082	693	1,710	1,890	1,658	5,951
Net income	1,082	693	2,312	1,890	1,658	6,553
Earnings per share - Basic:						
Income from continuing operations	0.20	0.13	0.31	0.35	0.30	1.09
Net income	0.20	0.13	0.42	0.35	0.30	1.20
Earnings per share - Diluted:						
Income from continuing operations	0.17	0.11	0.25	0.27	0.24	0.87
Net income	0.17	0.11	0.34	0.27	0.24	0.96
Dividends paid per share	0.035	0.033	0.033	0.033	0.033	0.132
Market price:						
High	12.81	8.40	10.99	14.18	14.85	14.85
Low	11.31	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 Months Ending March 31, 1998 (Dollars in thousands)

Results of Operations

Revenue for the quarter was $110,671, compared to $89,004 in 1997, or an increase of 24.3%. The revenue increase was primarily due to an increase of $10 million in the volume of work in Las Vegas on a major hotel and casino and the D.W. Close acquisition described in Note 2 to the Financial Statements.

Gross profit for the quarter was $8,929, compared to $7,385 in 1997, or an increase of 20.9%. Gross profit as a percentage of revenue was 8.1% compared to 8.3% in 1997. The margin percentages in 1998 and 1997 are lower than normal for the Company due primarily to a greater percentage of our commercial-industrial revenues coming from a significant cost-plus fixed fee job in Las Vegas. The cost-plus fixed fee work generally involves lower financial risk, therefore generates lower margins. The 1998 margins were also negatively impacted by poor productivity due to excessively wet working conditions across the southern half of the country offset by lower than normal insurance costs as a result of favorable safety costs and insurance company reserve adjustments.

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 the 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 quarter increased 14.8% to $6,739, compared to $5,871 in 1997. The increase reflects the inclusion of D.W. Close and additional compensations costs to support the higher volume of work. Selling, general and administrative expenses as a percentage of revenues decreased to 6.1% in 1998 from 6.6% in 1997 due to higher consolidated revenue spread over a relatively fixed expense base.

Net interest expense for the quarter was $441 compared to $242 in 1997. The increase in interest expense was due to higher average outstanding bank debt levels in 1998 compared to 1997 and the addition of promissory notes for the D.W. Close acquisition. The higher average outstanding debt levels were necessary to support the working capital needs for the higher revenue volume and the increase of $8 million in net retentions, mainly relating to the major hotel and casino project in Las Vegas.

Gain on sale of property and equipment was $47 compared to $7 in 1997. The 1998 gain reflects sales and disposals in our continuing efforts to modernize the equipment fleet.

Other income for the quarter was $7 compared to other expense of $124 in 1997 and consisted primarily of bank fees and amortization of goodwill, offset by cash discounts. The decrease in other expense in 1998 is due to the elimination of amortization of goodwill as a result of the claim settlement with Harlan subordinated note holders.

Income tax expense for the quarter was $721 compared to $462 in 1997. As a percentage of income, the effective rate was 40% in 1998 and 1997.

The Company's backlog at March 31, 1998 was $136,500, compared to $136,400 at December 31, 1997, and $138,100 at March 31, 1997. Substantially all the current backlog will be completed within twelve months and approximately 80% will be completed by December 31, 1998.

Liquidity and Capital Resources

Cash flows provided from net proceeds of long term debt and the exercise of stock options for the quarter amounted to $4,164, which was used for operations of $6,288, net capital expenditures of $893 and dividends paid of $199. The Company's financial condition continues to be strong at March 31, 1998, with working capital of $22,412 compared to $22,598 at December 31, 1997. The Company's current ratio was 1.28:1 at March 31, 1998, compared to 1.29:1 at December 31, 1997.

The Company has a $20,000 revolving and $1,875 term credit facility. As of March 31, 1998, there were $14,800 and $1,875 outstanding under the revolving and term credit facility, respectively. The Company has outstanding letters of credit with Banks totaling $14,536. 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 quarter were $952 compared to $1,282 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 quarter amounted to $59 and $27 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 material 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

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

The Company held its annual meeting of stockholders on May 6, 1998, pursuant to notice of meeting and proxy statement sent to stockholders of the Company. Stockholders elected Charles M. Brennan III as the Class III director to serve a term until the annual meeting of stockholders to be held in the year 2001. Mr. Brennan was the incumbent Class III director who was nominated for election by the Board of Directors for re-election. Messrs. William G. Brown (Class I), John M. Harlan (Class I), Allan E. Bulley, Jr. (Class II) and Bide L. Thomas (Class II) continue to serve as directors of the class indicated after the meeting.

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 1st Quarter of 1998.

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: May 14, 1998 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 March 31, 1998

Exhibit Index

Number	Description	Page (or Reference)
27	Financial Data Schedules	12

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