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, 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.)

2550 W. Golf Road, Suite 200 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 4, 1996: 3,187,443

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 1996 (Unaudited)	Dec. 31 1995 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 714	$ 703
Contract receivables including retainage	43,718	51,114
Costs and estimated earnings in excess of billings on uncompleted contracts	16,584	14,851
Deferred income taxes	4,602	4,602
Other current assets	1,737	1,594
Total current assets	67,355	72,864
Property and equipment:	60,581	61,625
Less accumulated depreciation	38,643	38,481
	21,938	23,144
Intangible assets	2,590	2,681
Other assets	3,043	3,145
Total assets	$ 94,926	$ 101,834
LIABILITIES		
Current Liabilities:		
Current maturities of long-term debt	8,590	$ 9,178
Accounts payable	5,320	13,886
Billings in excess of costs and estimated earnings on uncompleted contracts	4,962	5,042
Accrued insurance	13,122	13,053
Other current liabilities	18,465	16,215
Total current liabilities	50,459	57,374
Deferred income taxes	2,861	2,861
Other liabilities	394	391
Long-term debt:		
Revolver and other debt	3,000	3,021
Term loan	5,000	5,000
Industrial revenue bond	890	890
Subordinated convertible debentures	5,679	5,679
Total long-term debt	14,569	14,590
SHAREHOLDERS' EQUITY		
Common stock and additional paid-in capital	9,242	9,248
Retained earnings	19,333	19,326
Treasury stock	(1,524)	(1,548)
Shareholders' notes receivable	(408)	(408)
Total shareholders' equity	26,643	26,618
Total liabilities and shareholders' equity	$ 94,926	$ 101,834

*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	1996	1995
Contract revenue	$ 64,376	$ 56,051
Contract cost	57,946	49,398
Gross profit	6,430	6,653
Selling, general and administrative expense	5,718	5,713
Income from operations	712	940
Other income (expense)		
Interest income	6	22
Interest expense	(410)	(465)
Gain on sale of property and equipment	131	26
Miscellaneous	(163)	(103)
Income before taxes	276	420
Income tax expense	110	168
Net income	$ 166	252
Earnings per share	$ .05	$ .08
Dividends per common share	$ .05	$ .041
Weighted average common shares and common share equivalents outstanding	3,411	3,379

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	1996	1995
CASH FLOWS FROM OPERATIONS		
Net income	$ 166	$ 252
Adjustments to reconcile net income to cash flows from operations		
Depreciation and amortization	1,555	1,408
Amortization of intangibles	91	75
Gain from disposition of assets	(131)	(27)
Changes in assets and liabilities	(705)	1,448
Cash flows from operations	976	3,156
CASH FLOWS FROM INVESTMENTS		
Expenditures for property and equipment	(416)	(477)
Proceeds from disposition of assets	196	38
Cash used in acquisition, net of cash acquired	-	(12,995)
Cash flows from investments	(220)	(13,434)
CASH FLOWS FROM FINANCING		

Repayments of long term debt	(608)	(13,950)
Proceeds from issuance of debt	-	19,500
Proceeds from exercise of stock options	19	-
Decrease (increase) in deferred compensation	3	(8)
Increase in other assets	-	28
Dividends paid	(159)	(132)
Cash flows from financing	(745)	5,438
Increase (decrease) in cash and cash equivalents	11	(4,840)
Cash and cash equivalents at beginning of year	703	6,115
Cash and cash equivalents at end of period	$ 714	$ 1,275

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, 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 - 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.

4 - Earnings Per Share

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.

5 - 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.

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

	1996	1995				
	Mar 31.	Mar 31.	June 30	Sept. 30	Dec. 31	Year
Contract Revenue	64,376	56,05	66,638	64,015	80,261	266,965

Gross Profit	6,430	6,653	7,338	7,968	7,588	29,547
Net Income	166	252	1,005	1,248	924	3,429
Net Income per Share:						
Primary	.05	.08	.30	.37	.27	1.01
Fully Diluted	.05	.08	.26	.32	.25	.91
Dividends Paid Per Share:	.05	.041	.047	.047	.047	.182
Market Price:						
High	11.00	9.66	10.31	11.91	11.81	11.91
Low	10.00	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 Months Ending March 31, 1996 (Dollars in thousands)

Results of Operations

Revenue for the quarter was $64,376, compared to $56,051 in 1995, or an increase of 14.9%. The revenue increase was primarily due to storm work in the northwest, central and northeast sections of the country and increased activity with utilities under alliance agreements.

Gross profit for the quarter was $6,430, compared to $6,653 in 1995, or a decrease of 3.4%. Gross profit as a percentage of revenue was 10.0% compared to 11.9% in 1995. The decrease was due to less productive winter working conditions during the current quarter, and the prior period had several jobs with higher margins.

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 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 were $5,718, compared to $5,713 in 1995, and as a percentage of revenue was 8.9% compared to 10.2%. This reduction reflects higher revenue volume spread over a relatively fixed expense base.

Net interest expense for the quarter was $404 compared to $443 in 1995. The decrease in interest expense was due to lower average outstanding debt levels in 1996 compared to 1995.

Gain on sale of property and equipment was $131 compared to $26 in 1995. The increase was due to the increased number of units sold in conjunction with upgrading our fleet.

Other expense for the quarter was $163 compared to $103 in 1995. It primarily covered the amortization of non-competition agreements and goodwill.

Income tax expense for the quarter was $110 compared to $168 in 1995. As a percentage of income, the effective rate was 40% in 1996 and 1995.

The Company's backlog at March 31, 1996 was $75,700, compared to $69,100 at December 31, 1995, and $62,500 at March 31, 1995. Substantially all the current backlog will be completed within twelve months and by December 31, 1996.

Liquidity and Capital Resources

Cash flows provided from operations for the quarter amounted to $976, which was used for net capital expenditures of $220, repayment of long-term debt of $608 and dividends paid of $159. The Company's financial condition continues to be strong at March 31, 1996, with working capital of $16,896 compared to $15,490 at December 31, 1995. The Company's current ratio was 1.33:1 at March 31, 1996, compared to 1.27:1 at December 31, 1995.

The Company has a $25,000 revolving and term credit facility. As of March 31, 1996, there were $8,700 and $7,500 outstanding under the revolving and term credit facility, respectively. The Company has outstanding letters of credit with Banks totaling $12,769. 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 $416 compared to $477 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 quarter amounted to $196 and $38 in 1995. The Company plans to spend approximately $5,000 on capital improvements during 1996.

PART II

Item 1. Legal Proceedings

The April 15, 1996 trial date for the National Union Fire Insurance Company of Pittsburgh, Pennsylvania v. The L.E. Myers Co. Group etal,. The L.E. Myers Co. and LEMCO Engineers was set aside by the U.S. District Court Judge. No new trial date had been set.

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 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: May 3, 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 March 31, 1996

Exhibit Index

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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MYR Group Inc.

Exhibit 11

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

Period Ended March 31	Three Months 1996	1995
Net income	$ 166	$ 252
Weighted average number of common shares outstanding during the period	3,187	3,174
Add - common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of the common stock equivalents	224	205
Weighted average number of shares for income per common share	$ 3,411	3,379
Income per common share	$ .05	$ .08

MYR Group Inc.