MYR GROUP INC.
Form 10-Q
August 07, 2013

Use these links to rapidly review the document
TABLE OF CONTENTS

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

o **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: 1-08325

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 Golf Road, Suite 3-1012	
Rolling Meadows, IL	**60008-4210**
(Address of principal executive offices)	(Zip Code)

(847) 290-1891
(Registrant's telephone number, including 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 Exchange Act of 1934 (the "Exchange Act") 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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

As of July 26, 2013, there were 21,045,600 outstanding shares of the registrant's $0.01 par value common stock.

WEBSITE ACCESS TO COMPANY'S REPORTS

MYR Group Inc.'s internet website address is *www.myrgroup.com.* Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act will be available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Table of Contents

INDEX

Throughout this report, references to "MYR Group," the "Company," "we," "us" and "our" refer to MYR Group Inc. and its consolidated subsidiaries, except as otherwise indicated or as the context otherwise requires.

Table of Contents

MYR GROUP INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,629	$ 19,825
Accounts receivable, net of allowances of $1,228 and $1,305, respectively	177,700	167,241
Costs and estimated earnings in excess of billings on uncompleted contracts	36,836	61,773
Deferred income tax assets	12,742	12,742
Receivable for insurance claims in excess of deductibles	11,277	11,379
Refundable income taxes	83	1,044
Other current assets	4,269	4,396
Total current assets	280,536	278,400
Property and equipment, net of accumulated depreciation of $101,484 and $88,042, respectively	137,430	128,911
Goodwill	46,599	46,599
Intangible assets, net of accumulated amortization of $2,725 and $2,558, respectively	10,367	10,534
Other assets	1,836	1,904
Total assets	$ 476,768	$ 466,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 64,278	$ 84,481
Billings in excess of costs and estimated earnings on uncompleted contracts	48,988	32,589
Accrued self insurance	39,671	39,583
Other current liabilities	26,988	32,240
Total current liabilities	179,925	188,893
Deferred income tax liabilities	21,530	21,530
Other liabilities	1,337	1,235
Total liabilities	202,792	211,658
Commitments and contingencies		
Stockholders' equity:		
Preferred stock $0.01 par value per share; 4,000,000 authorized shares; none issued and outstanding at June 30, 2013 and December 31, 2012		
Common stock $0.01 par value per share; 100,000,000 authorized shares; 21,005,700 and 20,747,161 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	208	206
Additional paid-in capital	157,426	154,564
Retained earnings	116,342	99,920
Total stockholders' equity	273,976	254,690
Total liabilities and stockholders' equity	$ 476,768	$ 466,348

The accompanying notes are an integral part of these consolidated financial statements.

1

Table of Contents

MYR GROUP INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Contract revenues	$ 213,916	$ 260,410	$ 415,258	$ 500,638
Contract costs	182,663	230,348	356,702	444,473
Gross profit	31,253	30,062	58,556	56,165
Selling, general and administrative expenses	16,144	14,515	32,151	30,433
Amortization of intangible assets	83	83	167	167
Gain on sale of property and equipment	(336)	(193)	(514)	(320)
Income from operations	15,362	15,657	26,752	25,885
Other income (expense)				
Interest income		1	3	1
Interest expense	(179)	(204)	(362)	(386)
Other, net	(22)	(32)	(17)	(59)
Income before provision for income taxes	15,161	15,422	26,376	25,441
Income tax expense	5,699	5,887	9,954	9,696
Net income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Income per common share:				
Basic	$ 0.45	$ 0.46	$ 0.79	$ 0.77
Diluted	$ 0.44	$ 0.45	$ 0.76	$ 0.74
Weighted average number of common shares and potential common shares outstanding:				
Basic	20,785	20,338	20,723	20,319
Diluted	21,397	21,094	21,383	21,098

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MYR GROUP INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash flows from operating activities:				
Net income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Adjustments to reconcile net income to net cash flows provided by operating activities				
Depreciation and amortization of property and equipment	7,066	6,047	13,945	11,747
Amortization of intangible assets	83	83	167	167
Stock-based compensation expense	907	647	1,658	1,341
Gain on sale of property and equipment	(336)	(193)	(514)	(320)
Other non-cash items	41	34	75	68
Changes in operating assets and liabilities				
Accounts receivable, net	(18,351)	1,158	(10,459)	(27,260)
Costs and estimated earnings in excess of billings on uncompleted contracts	6,438	(293)	24,937	(10,472)
Construction materials inventory		1,542		4,003
Receivable for insurance claims in excess of deductibles	64	61	102	241
Other assets	742	654	1,081	1,244
Accounts payable	2,865	5,544	(20,781)	11,721
Billings in excess of costs and estimated earnings on uncompleted contracts	16,748	113	16,399	3,918
Accrued self insurance	126	135	88	(512)
Other liabilities	(379)	(2,912)	(5,150)	(1,484)
Net cash flows provided by operating activities	25,476	22,155	37,970	10,147
Cash flows from investing activities:				
Proceeds from sale of property and equipment	368	224	546	364
Purchases of property and equipment	(9,460)	(12,099)	(21,918)	(20,429)
Net cash flows used in investing activities	(9,092)	(11,875)	(21,372)	(20,065)
Cash flows from financing activities:				
Net borrowings on revolving credit facility		10,000		
Employee stock option and restricted stock transactions	(157)	219	522	145
Excess tax benefit from stock-based awards	65	15	628	35
Debt issuance costs		(2)		(13)
Other financing activities	56	38	56	38
Net cash flows provided by (used in) financing activities	(36)	10,270	1,206	205
Net increase (decrease) in cash and cash equivalents	16,348	20,550	17,804	(9,713)
Cash and cash equivalents:				
Beginning of period	21,281	3,750	19,825	34,013
End of period	$ 37,629	$ 24,300	$ 37,629	$ 24,300

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Business and Basis of Presentation

Organization

MYR Group Inc. (the "Company") is a holding company of specialty electrical construction service providers and is currently conducting operations through a number of wholly-owned subsidiaries including: The L. E. Myers Co., a Delaware corporation; Hawkeye Construction, Inc., an Oregon corporation; Harlan Electric Company, a Michigan corporation; Sturgeon Electric Company, Inc., a Michigan corporation; MYR Transmission Services, Inc., a Delaware corporation; and Great Southwestern Construction, Inc., a Colorado corporation.

Business

The Company performs construction services in two business segments: Transmission and Distribution ("T&D"), and Commercial and Industrial ("C&I"). T&D customers include electric utilities, private developers, cooperatives and municipalities. The Company provides a broad range of services, which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair throughout the United States. The Company also provides C&I electrical contracting services to property owners and general contractors in the western United States.

Interim Consolidated Financial Information

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting and pursuant to the rules and regulations of the SEC. Certain information and note disclosures typically included in financial statements prepared in accordance with U.S. GAAP have been omitted in accordance with these rules and regulations. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to state fairly the financial condition of the Company as of June 30, 2013, and the results of operations and cash flows for the three and six months ended June 30, 2013 and 2012. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results for the full year or the results for any future periods. The consolidated balance sheet as of December 31, 2012 has been derived from the audited financial statements as of that date. These financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2012, included in the Company's annual report on Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. The most significant estimates are related to the completion percentages on our contracts, insurance reserves, the accounts receivable reserve, the recoverability of goodwill and intangibles and estimates surrounding stock-based compensation.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Organization, Business and Basis of Presentation (Continued)

During the three-month and six-month periods ended June 30, 2013, the Company revised its cost estimates on several large transmission projects, which resulted in approximately 1.3% and 1.0%, respectively, of additional gross margin being recognized in the three-month and six-month periods.

Recent Accounting Pronouncements

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification ("ASC"). The Company considers the applicability and impact of all ASUs. The Company, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or have minimal impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. Obligations within the scope of this update include debt arrangements, other contractual obligations and settled litigation and judicial rulings. The update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company believes that this update will not have a material impact on its financial statements.

Recently Adopted Accounting Pronouncements

In July 2012, the FASB issued ASU No. 2012-02, *Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*. This update was intended to simplify how entities test impairment of indefinite-lived intangible assets other than goodwill. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the asset is less than its carrying amount as a basis for determining whether it is necessary to perform certain additional impairment tests. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. The update requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosure about Offsetting Assets and Liabilities*. The amendment clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions. The Company adopted this ASU in January 2013 and there was no effect on the Company's financial position, results of operations or cash flows.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Fair Value Measurements

The Company uses the three-tier hierarchy of fair value measurement, which prioritizes the inputs used in measuring fair value based upon their degree of availability in external active markets. These tiers include: Level 1 (the highest priority), defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 (the lowest priority), defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of June 30, 2013 and December 31, 2012, the carrying value of the Company's cash and cash equivalents approximated fair value based on Level 1 inputs.

3. Contracts in Process

The net asset (liability) position for contracts in process consisted of the following:

(In thousands)	June 30, 2013	December 31, 2012
Costs and estimated earnings on uncompleted contracts	$ 1,580,917	$ 1,439,455
Less: Billings to date	1,593,069	1,410,271
	$ (12,152)	$ 29,184

The net asset (liability) position for contracts in process included in the accompanying consolidated balance sheets was as follows:

(In thousands)	June 30, 2013	December 31, 2012
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 36,836	$ 61,773
Billings in excess of costs and estimated earnings on uncompleted contracts	(48,988)	(32,589)
	$ (12,152)	$ 29,184

4. Income Taxes

The difference between the U.S. federal statutory tax rate of 35% and the Company's effective tax rates for the three and six months ended June 30, 2013 and 2012 was principally due to state income taxes.

The Company had unrecognized tax benefits of approximately $1.0 million and $0.8 million as of June 30, 2013 and December 31, 2012, respectively, which were included in other liabilities in the accompanying consolidated balance sheets.

The Company's policy is to recognize interest and penalties related to income tax liabilities as a component of income tax expense in the consolidated statements of operations. The amount of interest and penalties charged to income tax expense because of the unrecognized tax benefits was less than $0.1 million for each of the three and six month periods ended June 30, 2013 and 2012.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Income Taxes (Continued)

The Company is subject to taxation in various jurisdictions. The Company's federal tax returns for 2009 and 2010 are currently under examination by the Internal Revenue Service. The Company remains subject to examination by U.S. federal authorities for the remaining open tax year (2011) and by various state authorities for the years 2008 through 2011.

5. Commitments and Contingencies

Letters of Credit

At both June 30, 2013 and December 31, 2012, the Company had $19.7 million in outstanding irrevocable standby letters of credit, including one for $17.5 million related to the Company's payment obligation under its insurance programs and another for approximately $2.2 million related to contract performance obligations.

Leases

The Company leases real estate, construction equipment and office equipment under operating leases with terms ranging from one to nine years. As of June 30, 2013, future minimum lease payments for operating leases were as follows: $1.3 million for the remainder of 2013, $1.3 million for 2014, $0.6 million for 2015, $0.3 million for 2016, $0.2 million for 2017 and $0.4 million thereafter.

Purchase Commitments for Construction Equipment

As of June 30, 2013, the Company had approximately $1.8 million in outstanding purchase orders for certain construction equipment with cash outlay requirements scheduled to occur over the next four months.

Insurance and Claims Accruals

The Company carries insurance policies, which are subject to certain deductibles, for workers' compensation, general liability, automobile liability and other coverages. The deductible for each line of coverage is $1.0 million until the claim aggregate has been met. Once a policy's claim aggregate for workers compensation and general liability is reached per line of coverage, the deductible for that policy is reduced to $0.5 million per claim.

Certain of the Company's health insurance benefit plans are subject to a $0.1 million deductible for qualified individuals. Losses up to the stop loss amounts are accrued based upon the Company's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported.

The insurance and claims accruals are based on known facts, actuarial estimates and historical trends. While recorded accruals are based on the ultimate liability, which includes amounts in excess of the stop loss deductible, a corresponding receivable for amounts in excess of the stop loss deductible is included in current assets in the consolidated balance sheets.

Surety Bonds

In certain circumstances, the Company is required to provide performance bonds in connection with its future performance on contractual commitments. The Company has indemnified its surety for

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies (Continued)

any expenses paid out under these performance bonds. As of June 30, 2013, an aggregate of approximately $944.8 million in original face amount of bonds issued by the surety were outstanding. Our estimated remaining cost to complete these bonded projects was approximately $250.5 million as of June 30, 2013.

Indemnities

From time to time, pursuant to its service arrangements, the Company indemnifies its customers for claims related to the services it provides under those service arrangements. These indemnification obligations may subject the Company to indemnity claims and liabilities and related litigation. The Company is not aware of any material unrecorded liabilities for asserted claims in connection with these indemnification obligations.

Multi-employer Pension Plans

Many of the Company's subsidiaries' field labor employees are covered by collective bargaining agreements. The agreements require the subsidiaries to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If a subsidiary withdraws from one or more multi-employer pension plans or if the plans were to otherwise become underfunded, the subsidiary could be assessed liabilities for additional contributions related to the underfunding of these plans. Although the Company has been informed that some of the multi-employer pension plans to which its subsidiaries contribute have been labeled with a "critical" status, the Company is not currently aware of any potential significant liabilities related to this issue.

Litigation and Other Legal Matters

The Company is from time-to-time party to various lawsuits, claims, and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties or other losses, or injunctive or declaratory relief.

The Company is routinely subject to other civil claims, litigation and arbitration, and regulatory investigations arising in the ordinary course of our present business as well as in respect of our divested businesses. These claims and litigations include claims related to the Company's current services and operations, as well as our historic operations.

With respect to all such lawsuits, claims and proceedings, the Company records reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe that any of these proceedings, separately or in the aggregate, would be expected to have a material adverse effect on the Company's financial position, results of operation or cash flows.

In January 2013, our subsidiary, The L.E. Myers Co., was joined as a defendant in *Northern States Power Company (Wisconsin) v. The City of Ashland, Wisconsin et al.*, filed in the U.S. District Court for the Western District of Wisconsin. The plaintiff's lawsuit alleges that The L.E. Myers Co. may have constructed or operated a manufactured gas plant that contributed to contamination at a site in Ashland, Wisconsin at some time during the time frame from 1885 to 1947 and that the plaintiff is entitled to payment for certain costs it has incurred in connection with the contamination at the site.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Commitments and Contingencies (Continued)

This proceeding is subject to many uncertainties and to outcomes that are not predictable and therefore potential liability, if any, cannot be estimated at this time.

6. Stock-Based Compensation

The Company maintains two award plans under which stock-based compensation has been granted, the 2006 Stock Option Plan (the "2006 Plan") and the 2007 Long-Term Incentive Plan (Amended and Restated as of May 5, 2011) (the "LTIP"). Upon the adoption of the LTIP, awards were no longer granted under the 2006 Plan. The LTIP provides for grants of (a) incentive stock options qualified as such under U.S. federal income tax laws, (b) stock options that do not qualify as incentive stock options, (c) stock appreciation rights, (d) restricted stock awards, (e) performance awards, (f) phantom stock, (g) stock bonuses, (h) dividend equivalents, and (i) any combination of such awards.

All awards are made with an exercise price or base price, as the case may be, that is not less than the fair market value per share. The Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of each stock option grant as of the date of grant. The grant date fair value of restricted stock and performance awards is equal to the closing market price of the Company's common stock on the date of grant.

Stock Options

The following summarizes the stock option activity for the six months ended June 30, 2013:

	Options	Weighted-Average Exercise Price
Outstanding at January 1, 2013	1,432,228	$ 10.34
Granted	111,147	$ 24.68
Exercised	(178,765)	$ 5.85
Forfeited	(3,321)	$ 20.04
Expired	(1,070)	$ 13.73
Outstanding at June 30, 2013	1,360,219	$ 12.08

The following summarizes the fair value and the assumptions used in determining the fair value of stock options granted during the six months ended June 30, 2013 and 2012.

	2013	2012
Risk-free interest rate	1.0%	1.2 - 1.4%
Expected dividend yield	0.0%	0.0%
Weighted average expected volatility	50%	50%
Expected term	6.0 years	6.0 - 6.3 years
Weighted average grant-date fair value	$11.74	$8.57

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Stock-Based Compensation (Continued)

Restricted Stock

The following summarizes restricted stock activity for the six months ended June 30, 2013:

	Shares		Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2013	185,764	$	19.54
Granted	69,882	$	24.68
Vested	(45,939)	$	19.50
Forfeited	(1,764)	$	19.80
Outstanding at June 30, 2013	207,943	$	21.27

The shares of restricted stock that vested became taxable to the individual holders of the awards upon vest. The Company received 11,449 of those shares as payment for withholding taxes due by holders of the restricted stock awards. The withheld shares were returned to authorized but unissued stock.

Performance Awards

The following summarizes performance awards activity for the six months ended June 30, 2013:

	Shares		Weighted-Average Grant Date Fair Value
Outstanding at January 1, 2013	74,923	$	20.51
Granted	46,106	$	24.68
Outstanding at June 30, 2013	121,029	$	22.10

7. Segment Information

MYR Group is a specialty contractor serving the electrical infrastructure market in the United States. The Company has two reporting segments, each a separate operating segment, which are referred to as T&D and C&I. Performance measurement and resource allocation for the reporting segments are based on many factors. The primary financial measures used to evaluate the segment information are contract revenues and income from operations, excluding general corporate expenses. General corporate expenses include corporate facility and staffing costs, which includes safety, professional fees, management fees, and intangible amortization. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies in the Company's annual report on Form 10-K for the year ended December 31, 2012.

Transmission and Distribution: The T&D segment provides a broad range of services on electric transmission and distribution networks and substation facilities which include design, engineering, procurement, construction, upgrade, maintenance and repair services with a particular focus on construction, maintenance and repair, throughout the United States. T&D services include the construction and maintenance of high voltage transmission lines, substations and lower voltage underground and overhead distribution systems. The T&D segment also provides emergency restoration

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Segment Information (Continued)

services in response to hurricane, ice or other storm-related damage. T&D customers include electric utilities, private developers, cooperatives and municipalities.

Commercial and Industrial: The C&I segment provides services such as the design, installation, maintenance and repair of commercial and industrial wiring, installation of traffic networks and the installation of bridge, roadway and tunnel lighting. C&I customers include property owners and general contractors in the western United States. Typical C&I contracts cover electrical contracting services for airports, hospitals, data centers, hotels, stadiums, convention centers, manufacturing plants, processing facilities, waste-water treatment facilities, mining facilities and transportation control and management systems.

The information in the following table was derived from internal financial reports used for corporate management purposes:

(In thousands)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Contract revenues:				
T&D	$ 174,041	$ 215,816	$ 334,573	$ 420,814
C&I	39,875	44,594	80,685	79,824
	$ 213,916	$ 260,410	$ 415,258	$ 500,638
Operating income (loss):				
T&D	$ 21,746	$ 20,911	$ 38,440	$ 37,723
C&I	1,429	1,860	4,155	2,959
General Corporate	(7,813)	(7,114)	(15,843)	(14,797)
	$ 15,362	$ 15,657	$ 26,752	$ 25,885

8. Earnings Per Share

The Company computes earnings per share using the two-class method, an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings, when that method results in a more dilutive effect than the Treasury method. The Company's unvested grants of restricted stock contain non-forfeitable rights to dividends, should any be declared, and are treated as participating securities and included in the computation of earnings per share.

Table of Contents

MYR GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Earnings Per Share (Continued)

Net income available to common shareholders and the weighted average number of common shares used to compute basic and diluted earnings per share was as follows:

(In thousands, except per share data)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Numerator:				
Net income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Less: Net income allocated to participating securities	94	83	154	120
Net income available to common shareholders	$ 9,368	$ 9,452	$ 16,268	$ 15,625
Denominator:				
Weighted average common shares outstanding	20,785	20,338	20,723	20,319
Weighted average dilutive securities	612	756	660	779
Weighted average common shares outstanding, diluted	21,397	21,094	21,383	21,098
Income per common share, basic	$ 0.45	$ 0.46	$ 0.79	$ 0.77
Income per common share, diluted	$ 0.44	$ 0.45	$ 0.76	$ 0.74

Potential common shares related to the assumed exercise of stock options are not included in the denominator of the diluted earnings per share calculation if the inclusion of such shares would either be anti-dilutive or if the exercise prices of those common stock equivalents were greater than the average market price of the Company's common stock for the period. For the three and six months ended June 30, 2013 outstanding stock options of approximately 221,000 were excluded as common stock equivalents from the diluted earnings per share. For the three and six months ended June 30, 2012 outstanding stock options of approximately 358,000 and 112,000, respectively, were excluded as common stock equivalents from the diluted earnings per share. Additionally, for the three and six months ended June 30, 2012, potential common shares related to the unvested portion of performance awards of approximately 12,000 shares were excluded from the denominator of the diluted earnings per share calculation as the underlying performance obligation was not met as of the end of the period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion should be read in conjunction with the accompanying consolidated financial statements as of June 30, 2013 and December 31, 2012, and for the three and six months ended June 30, 2013 and 2012, and with our Annual Report on Form 10-K for the year ended December 31, 2012 (the "2012 Annual Report"). In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed herein under the captions labeled "Cautionary Statement Concerning Forward-Looking Statements and Information" and "Risk Factors," as well as in the 2012 Annual Report. We assume no obligation to update any of these forward-looking statements.

Overview and Outlook

We are a leading specialty contractor serving the electrical infrastructure market in the United States. We manage and report our operations through two industry segments: T&D and C&I. We have operated in the T&D industry since 1891. We are one of the largest national contractors servicing the T&D sector of the electric utility industry, and our customers include many of the leading companies in the electric industry. We have provided C&I electrical contracting services to facility owners and general contractors in the western United States since 1912.

We had consolidated revenues for the six months ended June 30, 2013 of $415.3 million, of which 80.6% was attributable to our T&D customers and 19.4% was attributable to our C&I customers. Our consolidated revenues for the six months ended June 30, 2012 were $500.6 million. For the six months ended June 30, 2013, our net income and EBITDA(1) were $16.4 million and $40.8 million, respectively, compared to $15.7 million and $37.7 million, respectively, for the six months ended June 30, 2012. Material and subcontractor cost in our T&D segment comprised approximately 25% of total contract cost in the first six months of 2013, compared to approximately 45% in the first six months of 2012. The higher material and subcontractor cost in the six months of 2012 contributed to the higher revenues in that period. The Company expects material and subcontractor costs to continue to comprise a lower percentage of total contract costs in the second half of 2013 compared to the second half of 2012. We worked slightly more manhours in the first six months of 2013 than those worked in the same period last year. Equipment utilization improved in the first six months of 2013 compared to the same period in 2012.

Our results have been driven primarily by successful bids for, and execution of, projects, our ability to capitalize on increased infrastructure spending in our markets and the breadth of our customer base. Our business is directly impacted by the level of spending on T&D infrastructure throughout the United States and the level of commercial and industrial electrical construction activity in the western United States. The Company believes its transmission customers remain committed to the expansion and strengthening of their transmission infrastructure, with planning, engineering and funding for many of their projects in place. We believe our centralized fleet and skilled workforce provide us with a competitive advantage as spending in the transmission infrastructure market continues. We expect bidding activity to remain strong for large multi-year projects throughout 2013; however, significant construction on large multi-year projects awarded through the bidding process in 2013 will likely not occur until 2014 or 2015.

The bidding environment in some of our C&I markets continued to improve in the first six months of 2013. Results in our C&I segment improved as compared to the first six months of 2012, and we

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(1) EBITDA is a non-GAAP measure. Refer to "Non-GAAP Measure EBITDA" for a discussion of this measure.

expect C&I to benefit to the extent economic conditions continue to improve in the western United States.

Our future growth may be organic, through strategic acquisitions and/or joint ventures that we expect will improve our competitive position within our existing markets or expand our geographic footprint. We ended the second quarter of 2013 in a strong financial position, which included cash and cash equivalents of $37.6 million and availability of $155.3 million under our credit facility. We have additional bonding, labor and equipment capacity and continue to bid new projects. We plan to continue investing in additional property and equipment and to evaluate strategic acquisition and joint venture opportunities to support our growth strategy. We believe that our financial and operational strengths will enable us to manage the markets we serve and give us the flexibility for further strategic investments.

Backlog

We define backlog as our estimated revenue on uncompleted contracts, including the amount of revenue on contracts for which work has not begun, less the revenue we have recognized under such contracts. Backlog may not accurately represent the revenues that we expect to realize during any particular period. Several factors such as the timing of contract awards, the type and duration of contracts, and the mix of subcontractor and material costs in our projects, can impact our backlog at any point in time. Some of our revenue does not appear in our periodic backlog reporting because the award of the project, as well as the execution of the work, may all take place within the period. In addition, we have some transmission projects for which we anticipate performing major work for several years to come, but the anticipated work is not included in our backlog due to the way certain transmission line work will be awarded over time and how we account for our backlog. Our backlog only includes projects that have a signed contract or an agreed upon work order to perform work on mutually accepted terms and conditions. Backlog should not be relied upon as a stand-alone indicator of future events.

Our backlog was $474.5 million at June 30, 2013 compared to $467.1 million at March 31, 2013 and $543.0 million at June 30, 2012. Our backlog at June 30, 2012 included projects awarded from previous periods, that included a higher than normal amount of subcontractor cost and materials. Most of the subcontractor cost associated with the aforementioned projects was completed in 2012, and most of the materials for those projects were put into the construction process in 2012, contributing to a decrease in backlog from period to period.

The following table summarizes that amount of our backlog that we believe to be firm as of the dates shown and the amount of our current backlog that we reasonably estimate will not be recognized within the next twelve months:

	Backlog at June 30, 2013		
(In thousands)	Total	Amount estimated to not be recognized within 12 months	Total backlog at June 30, 2012
T&D	$ 357,908	$ 11,425	$ 464,187
C&I	116,578	27,612	78,780
Total	$ 474,486	$ 39,037	$ 542,967

Project Bonding Requirements

A substantial portion of our business requires performance bonds or other means of financial assurance to secure contractual performance. These bonds are typically issued at the face value of the contract awarded. If we fail to perform or pay our subcontractors or vendors, the customer may

Table of Contents

demand that the surety provide services or make payments under the bond. In such a case, we would likely be required to reimburse the surety for any expenses or outlays it incurs. To date, we have not been required to make any reimbursements to our surety for claims against the surety bonds. As of June 30, 2013, we had approximately $944.8 million in original face amount of surety bonds outstanding. Our estimated remaining cost to complete these bonded projects was approximately $250.5 million as of June 30, 2013.

Consolidated Results of Operations

The following table sets forth selected consolidated statements of operations data and such data as a percentage of revenues for the period indicated:

	Three months ended June 30,				**Six months ended June 30,**			
	2013		**2012**		**2013**		**2012**	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
Contract revenues	$ 213,916	100.0%	$ 260,410	100.0%	$ 415,258	100.0%	$ 500,638	100.0%
Contract costs	182,663	85.4	230,348	88.5	356,702	85.9	444,473	88.8
Gross profit	31,253	14.6	30,062	11.5	58,556	14.1	56,165	11.2
Selling, general and administrative expenses	16,144	7.6	14,515	5.6	32,151	7.8	30,433	6.1
Amortization of intangible assets	83		83		167		167	
Gain on sale of property and equipment	(336)	(0.2)	(193)	(0.1)	(514)	(0.1)	(320)	(0.1)
Income from operations	15,362	7.2	15,657	6.0	26,752	6.4	25,885	5.2
Other income (expense)								
Interest income			1		3		1	
Interest expense	(179)	(0.1)	(204)	(0.1)	(362)	(0.1)	(386)	(0.1)
Other, net	(22)		(32)		(17)		(59)	
Income before provision for income taxes	15,161	7.1	15,422	5.9	26,376	6.3	25,441	5.1
Income tax expense	5,699	2.7	5,887	2.2	9,954	2.4	9,696	2.0
Net income	$ 9,462	4.4%	$ 9,535	3.7%	$ 16,422	3.9%	$ 15,745	3.1%

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Revenues. Revenues decreased $46.5 million, or 17.9%, to $213.9 million for the three months ended June 30, 2013 from $260.4 million for the three months ended June 30, 2012. The majority of the decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects (greater than $10.0 million in contract value). Material and subcontractor cost comprised approximately 28% of total contract cost in the three months ended June 30, 2013, compared to approximately 47% in the three months ended June 30, 2012.

Gross profit. Gross profit increased $1.2 million, or 4.0%, to $31.3 million for the three months ended June 30, 2013 from $30.1 million for the three months ended June 30, 2012. Gross margin increased to 14.6% for the three months ended June 30, 2013 from 11.5% for the three months ended June 30, 2012. The increase in both gross profit and gross margin was largely due to better project execution, higher equipment utilization and the underlying mix of contract cost components, which included less material and subcontractor cost and more of the Company's labor and equipment cost, on a relative basis. Approximately 1.3% of the gross margin of 14.6% was due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work and effective contract management.

Table of Contents

Selling, general and administrative expenses. Selling, general and administrative expenses, which were $16.1 million for the three months ended June 30, 2013 increased $1.6 million from $14.5 million for the three months ended June 30, 2012. The increase was primarily due to an increase in employee compensation, medical insurance, and fringe benefits related primarily to the increased number of personnel to support operations. As a percentage of revenues, selling, general and administrative expenses increased to 7.6% for the three months ended June 30, 2013 from 5.6% for the three months ended June 30, 2012.

Gain on sale of property and equipment. Gains from the sale of property and equipment increased to $0.3 million for the three months ended June 30, 2013 from $0.2 million for the three months ended June 30, 2012. Gains from the sale of property and equipment are attributable to routine sales of property and equipment that is no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense for the three months ended June 30, 2013 and June 30, 2012 was $0.2 million.

Provision for income taxes. The provision for income taxes was $5.7 million for the three months ended June 30, 2013, with an effective tax rate of 37.6%, compared to a provision of $5.9 million for the three months ended June 30, 2012, with an effective tax rate of 38.2%.

Net income. Net income for the three months ended June 30, 2013 was $9.5 million, consistent with the three months ended June 30, 2012.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

	Three months ended June 30,			
	2013		2012	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Contract revenues:				
Transmission & Distribution	$ 174,041	81.4%	$ 215,816	82.9%
Commercial & Industrial	39,875	18.6	44,594	17.1
Total	$ 213,916	100.0	$ 260,410	100.0
Operating income (loss):				
Transmission & Distribution	$ 21,746	12.5	$ 20,911	9.7
Commercial & Industrial	1,429	3.6	1,860	4.2
Total	23,175	10.8	22,771	8.7
Corporate	(7,813)	(3.6)	(7,114)	(2.7)
Consolidated	$ 15,362	7.2%	$ 15,657	6.0%

Transmission & Distribution

Revenues for our T&D segment for the three months ended June 30, 2013 were $174.0 million compared to $215.8 million for the three months ended June 30, 2012, a decrease of $41.8 million, or 19.4%. The decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects. Material and subcontractor cost in our T&D segment comprised approximately 24% of total contract cost in the three months ended June 30, 2013, compared to approximately 47% in the three months ended June 30, 2012.

Table of Contents

Revenues from transmission projects represented 85.0% and 86.9% of T&D segment revenue for the three months ended June 30, 2013 and 2012, respectively. Additionally, for the three months ended June 30, 2013, measured by revenue in our T&D segment, we provided 55.5% of our T&D services under fixed-price contracts, as compared to 32.9% for the three months ended June 30, 2012.

Operating income for our T&D segment for the three months ended June 30, 2013 was $21.7 million compared to $20.9 million for the three months ended June 30, 2012, as lower volume in large transmission projects was largely offset by higher contract margins on several large transmission projects. Operating income, as a percentage of revenues, for our T&D segment increased to 12.5% for the three months ended June 30, 2013 from 9.7% for the three months ended June 30, 2012. The increase in operating income, as a percentage of revenues, was mainly due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work, and effective contract management. Additionally, overall improvement in project execution and an increase in equipment utilization led to improved operating income as a percentage of sales for the three months ended June 30, 2013.

Commercial & Industrial

Revenues for our C&I segment for the three months ended June 30, 2013 were $39.9 million compared to $44.6 million for the three months ended June 30, 2012, a decrease of $4.7 million or 10.6%. The decrease in revenues was mainly due to a decrease in revenues from projects with contract values greater than $3.0 million. Material and subcontractor cost in our C&I segment comprised approximately 42% of total contract cost in the three months ended June 30, 2013, compared to approximately 45% in the three months ended June 30, 2012.

Measured by revenue in our C&I segment, we provided 51.7% of our services under fixed-price contracts for the three months ended June 30, 2013, compared to 59.2% in the three months ended June 30, 2012.

Operating income for our C&I segment for the three months ended June 30, 2013 was $1.4 million compared to $1.9 million for the three months ended June 30, 2012, a decrease of $0.4 million, or 23.2%. As a percentage of revenues, operating income for our C&I segment decreased to 3.6% for the three months ended June 30, 2013 from 4.2% for the three months ended June 30, 2012. The decline in operating income in the three months ended June 30, 2013 was largely driven by the increased cost of a large project partially offset by increased margins on other projects.

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Revenues. Revenues decreased $85.4 million, or 17.1%, to $415.3 million for the six months ended June 30, 2013 from $500.6 million for the six months ended June 30, 2012. The majority of the decrease in revenues was the result of lower material and subcontractor costs associated with large transmission projects. Material and subcontractor cost comprised approximately 29% of total contract cost in the six months ended June 30, 2013, compared to approximately 45% in the six months ended June 30, 2012.

Gross profit. Gross profit increased $2.4 million, or 4.3%, to $58.6 million for the six months ended June 30, 2013 from $56.2 million for the six months ended June 30, 2012, primarily because of increased contract margins on transmission projects with contract values in excess of $3.0 million. Gross margin increased to 14.1% for the six months ended June 30, 2013 from 11.2% for the six months ended June 30, 2012. The increase in gross margin was largely due to better project execution, higher equipment utilization and the underlying mix of contract cost components, which included less material and subcontractor cost and more of the Company's labor and equipment cost, on a relative basis. Approximately 1.0% of the gross margin of 14.1% was due to improved contract margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work and effective contract management.

Table of Contents

Selling, general and administrative expenses. Selling, general and administrative expenses, which were $32.2 million for the six months ended June 30, 2013, increased $1.7 million from the $30.4 million recorded for the six months ended June 30, 2012. The increase was primarily due to an increase in employee compensation, medical insurance, and fringe benefits related primarily to the increased number of personnel to support operations. As a percentage of revenues, selling, general and administrative expenses increased to 7.8% for the six months ended June 30, 2013 from 6.1% for the six months ended June 30, 2012.

Gain on sale of property and equipment. Gains from the sale of property and equipment increased to $0.5 million for the six months ended June 30, 2013 from $0.3 million for the six months ended June 30, 2012. Gains from the sale of property and equipment are attributable to routine sales of property and equipment that is no longer useful or valuable to our ongoing operations.

Interest expense. Interest expense for the six months ended June 30, 2013 and June 30, 2012 was $0.4 million.

Provision for income taxes. The provision for income taxes was $10.0 million for the six months ended June 30, 2013, with an effective tax rate of 37.7%, compared to a provision of $9.7 million for the six months ended June 30, 2012, with an effective tax rate of 38.1%.

Net income. Net income for the six months ended June 30, 2013 was $16.4 million compared to net income for the six months ended June 30, 2012 of $15.7 million for the reasons stated earlier.

Segment Results

The following table sets forth, for the periods indicated, statements of operations data by segment, segment net sales as percentage of total net sales and segment operating income as a percentage of segment net sales:

	Six months ended June 30,			
	2013		2012	
(Dollars in thousands)	**Amount**	**Percent**	**Amount**	**Percent**
Contract revenues:				
Transmission & Distribution	$ 334,573	80.6%	$ 420,814	84.1%
Commercial & Industrial	80,685	19.4	79,824	15.9
Total	$ 415,258	100.0	$ 500,638	100.0
Operating income (loss):				
Transmission & Distribution	$ 38,440	11.5	$ 37,723	9.0
Commercial & Industrial	4,155	5.1	2,959	3.7
Total	42,595	10.3	40,682	8.1
Corporate	(15,843)	(3.9)	(14,797)	(2.9)
Consolidated	$ 26,752	6.4%	$ 25,885	5.2%

Transmission & Distribution

Revenues for our T&D segment for the six months ended June 30, 2013 were $334.6 million compared to $420.8 million for the six months ended June 30, 2012, a decrease of $86.2 million, or 20.5%. The decrease in revenues was the result of lower material and subcontractor costs associated with several large transmission projects. Material and subcontractor cost in our T&D segment comprised approximately 25% of total contract cost in the six months ended June 30, 2013, compared to approximately 45% in the six months ended June 30, 2012.

Table of Contents

Revenues from transmission projects represented 83.2% and 85.4% of T&D segment revenue for the six months ended June 30, 2013 and 2012, respectively. Additionally, for the six months ended June 30, 2013, measured by revenue in our T&D segment, we provided 53.9% of our T&D services under fixed-price contracts, as compared to 48.5% for the six months ended June 30, 2012.

Operating income for our T&D segment for the six months ended June 30, 2013 was $38.4 million compared to $37.7 million for the six months ended June 30, 2012, as lower volume in large transmission projects was largely offset by higher contract margins on several large transmission projects. Operating income, as a percentage of revenues, for our T&D segment increased to 11.5% for the six months ended June 30, 2013 from 9.0% for the six months ended June 30, 2012. The increase in operating income, as a percentage of revenues, was mainly due to improved project margins on several large transmission projects as a result of increased productivity levels, cost efficiencies, additional work, and effective contract management. Additionally, overall improvement in project execution and an increase in equipment utilization led to improved operating income as a percentage of revenues for the six months ended June 30, 2013.

Commercial & Industrial

Revenues for our C&I segment for the six months ended June 30, 2013 were $80.7 million compared to $79.8 million for the six months ended June 30, 2012, an increase of $0.9 million or 1.1%. The increase in revenues was mainly due to an increase in revenues from many projects with contract values greater than $3.0 million. Material and subcontractor cost in our C&I segment comprised approximately 41% of total contract cost in the six months ended June 30, 2013, compared to approximately 46% in the six months ended June 30, 2012.

Measured by revenue in our C&I segment, we provided 50.0% of our services under fixed-price contracts for the six months ended June 30, 2013, compared to 54.7% in the six months ended June 30, 2012.

Operating income for our C&I segment for the six months ended June 30, 2013 was $4.2 million compared to $3.0 million for the six months ended June 30, 2012, an increase of $1.2 million, or 40.4%. As a percentage of revenues, operating income for our C&I segment increased to 5.1% for the six months ended June 30, 2013 from 3.7% for the six months ended June 30, 2012. The increase in operating income, as a percentage of revenues, in the C&I segment was primarily attributable to an overall increase in margins on projects of all sizes.

Non-GAAP Measure EBITDA

EBITDA, a performance measure used by management, is defined as net income plus: interest income and expense, provision for income taxes and depreciation and amortization, as shown in the following table. EBITDA, a non-GAAP financial measure, does not purport to be an alternative to net income as a measure of operating performance or to net cash flows provided by operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance and cash flow because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, book lives placed on assets, capital structure and the method by which assets were acquired.

Table of Contents

Using EBITDA as a performance measure has material limitations as compared to net income, or other financial measures as defined under U.S. GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense or interest income; however, as we have borrowed money in order to finance transactions and operations, or invested available cash to generate interest income, interest expense and interest income are elements of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, interest income, depreciation and amortization and income taxes has material limitations as compared to net income. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA to net income in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after tax basis. Using both EBITDA and net income to evaluate the business allows management and investors to (a) assess our relative performance against our competitors, and (b) monitor our capacity to generate returns for our stockholders.

The following table provides a reconciliation of net income to EBITDA:

	Three months ended June 30,		Six months ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Net Income	$ 9,462	$ 9,535	$ 16,422	$ 15,745
Add:				
Interest expense, net	179	203	359	385
Provision for income taxes	5,699	5,887	9,954	9,696
Depreciation & amortization	7,149	6,130	14,112	11,914
EBITDA	$ 22,489	$ 21,755	$ 40,847	$ 37,740

We also use EBITDA as a liquidity measure. We believe that EBITDA is important in analyzing our liquidity because it is a key component of certain material covenants contained within our credit facility (the "Credit Agreement"). Non-compliance with these financial covenants under the Credit Agreement our interest coverage ratio and our leverage ratio could result in our lenders requiring us to immediately repay all amounts borrowed. If we anticipated a potential covenant violation, we would seek relief from our lenders, likely causing us to incur additional cost, and such relief might not be available, or if available, might not be on terms as favorable as those in the Credit Agreement. In addition, if we cannot satisfy these financial covenants, we would be prohibited under the Credit Agreement from engaging in certain activities, such as incurring additional indebtedness, making certain payments, and acquiring or disposing of assets. Based on the information above, management believes that the presentation of EBITDA as a liquidity measure would be useful to investors and relevant to their assessment of our capacity to service, or incur, debt.

Table of Contents

The following table provides a reconciliation of EBITDA to net cash flows provided by operating activities:

	Three months ended June 30,		Six months ended June 30,	
(In thousands)	**2013**	**2012**	**2013**	**2012**
Provided By Operating Activities:				
EBITDA	$ 22,489	$ 21,755	$ 40,847	$ 37,740
Add/(subtract):				
Interest expense, net	(179)	(203)	(359)	(385)
Provision for income taxes	(5,699)	(5,887)	(9,954)	(9,696)
Depreciation & amortization	(7,149)	(6,130)	(14,112)	(11,914)
Adjustments to reconcile net income to net cash flows provided by operating activities	7,761	6,618	15,331	13,003
Changes in operating assets and liabilities	8,253	6,002	6,217	(18,601)
Net cash flows provided by operating activities	$ 25,476	$ 22,155	$ 37,970	$ 10,147

Liquidity and Capital Resources

As of June 30, 2013, we had cash and cash equivalents of $37.6 million and working capital of $100.6 million. The Company defines working capital as current assets less current liabilities. During the six months ended June 30, 2013, consolidated operating activities of our business provided net cash of $38.0 million, a substantial increase over the $10.1 million of cash provided in the six months ended June 30, 2012. Cash flow from operations is primarily influenced by demand for our services, operating margins, timing of contract performance and the type of services we provide our customers. In the six months ended June 30, 2013, we used net cash in investing activities of $21.4 million, including $21.9 million used for capital expenditures partially offset by $0.5 million of proceeds from the sale of property and equipment. Our financing activities generated $1.2 million of cash, primarily from employee stock transactions and the related tax benefits.

The changes in various working capital accounts (such as: accounts receivable, including retention; costs and estimated earnings in excess of billings on uncompleted contracts; accounts payable; and billings in excess of costs and estimated earnings on uncompleted contracts) are due to normal timing fluctuations in our operating activities. In particular, the gross amount of accounts receivable, costs and estimated earnings in excess of billings on uncompleted contracts, accounts payable and billings in excess of costs and estimated earnings on uncompleted contracts provided cash of $10.1 million in the six months ended June 30, 2013, compared to using cash of $22.1 million in the same period of 2012. In 2012, we experienced higher working capital needs because we had several large projects in the early stages of construction, and cash was used for personnel, equipment, supplies and other project costs prior to cash flow being received from the customer. In the six months ended June 30, 2013, those large projects had progressed, and, as typically happens as projects move through the construction cycle, the working capital needs decreased as cash flow from the customers exceeded cash outlaid for operating expenses. Costs and estimated earnings in excess of billings on uncompleted contracts provided $24.9 million in cash in the six months ended June 30, 2013, compared to using $10.5 million in cash in the six months ended June 30, 2012.

We anticipate that our cash and cash equivalents on hand, our $155.3 million borrowing availability under our credit facility, and our future cash flow from operations will provide sufficient cash to enable us to meet our future operating needs, debt service requirements, planned capital expenditures, strategic acquisition and joint venture opportunities, and the stock repurchase plan. We expect that our capital spending in 2013 will be similar to our 2012 capital spending. Although we believe that we have

Table of Contents

adequate cash and availability under our credit facility to meet our liquidity needs, our involvement in any large projects or acquisitions may require additional capital.

Debt Instruments

On December 21, 2011, we entered into a five-year syndicated credit agreement for an initial facility of $175.0 million. The entire facility is available for revolving loans and the issuance of letters of credit and up to $25.0 million of the facility is available for swingline loans. We have the option to increase the commitments under the Credit Agreement or enter into incremental term loans, subject to certain conditions, by up to an additional $75.0 million upon receipt of additional commitments from new or existing lenders.

Revolving loans under the Credit Agreement bear interest, at our option, at either (1) ABR, which is the greatest of the Prime Rate, the Federal Funds Effective Rate plus 0.50% or adjusted LIBOR plus 1.00%, plus in each case an applicable margin ranging from 0.00% to 1.00%; or (2) adjusted LIBOR plus an applicable margin ranging from 1.00% to 2.00%. The applicable margin is determined based on our leverage ratio. Letters of credit issued under the Credit Agreement are subject to a letter of credit fee of 1.00% to 2.00%, based on our leverage ratio and a fronting fee of 0.125%. Swingline loans will bear interest at the ABR Rate. We are required to pay a 0.2% commitment fee on the unused portion of the credit facility.

Subject to certain exceptions, the Credit Agreement is secured by substantially all of our assets and the assets of all of our subsidiaries and by a pledge of all of the capital stock of our subsidiaries. Our subsidiaries also guarantee the repayment of all amounts due under the Credit Agreement. The Credit Agreement provides for customary events of default. If an event of default occurs and is continuing, on the terms and subject to the conditions set forth in the Credit Agreement, amounts outstanding under the Credit Agreement may be accelerated and may become or be declared immediately due and payable.

Under the Credit Agreement, we are subject to certain financial covenants, a leveraged debt ratio and a minimum interest coverage ratio and we were in compliance at June 30, 2013. The Credit Agreement also contains a number of covenants including limitations on asset sales, investments, indebtedness and liens.

As of June 30, 2013 and December 31, 2012, we had no debt outstanding and approximately $19.7 million in letters of credit outstanding under the facility at an interest rate of 1.13%. As of June 30, 2013, we had $155.3 million available for borrowing under the Credit Agreement.

Off-Balance Sheet Transactions

As is common in our industry, we enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected on our balance sheets. Our significant off-balance sheet transactions include liabilities associated with non-cancelable operating leases, letter of credit obligations and surety guarantees entered into in the normal course of business. We have not engaged in any off-balance sheet financing arrangements through special purpose entities.

For a discussion regarding off-balance sheet transactions, refer to Note 5. "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements.

Concentration of Credit Risk

We grant trade credit under normal payment terms, generally without collateral, to our customers, which include high credit quality electric utilities, governmental entities, general contractors and builders, owners and managers of commercial and industrial properties located in the United States. Consequently, we are subject to potential credit risk related to changes in business and economic

Table of Contents

factors throughout the United States. However, we generally have certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosures or negotiated settlements, we may take title to the underlying assets in lieu of cash in settlement of receivables. As of June 30, 2013, one customer individually exceeded 10.0% of consolidated accounts receivable with approximately 12.3% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). As of June 30, 2012, one customer individually exceeded 10.0% of consolidated accounts receivable with approximately 14.8% of the total consolidated accounts receivable amount (excluding the impact of allowance for doubtful accounts). Management believes the terms and conditions in its contracts, billing and collection policies are adequate to minimize the potential credit risk.

New Accounting Pronouncements

For a discussion regarding new accounting pronouncements, please refer to Note 1. "Organization, Business and Basis of Presentation Recently Issued Accounting Pronouncements" in the accompanying Notes to Consolidated Financial Statements.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. For further information regarding our critical accounting policies and estimates, please refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies" included in our 2012 Annual Report.

Cautionary Statement Concerning Forward-Looking Statements and Information

We are including the following discussion to inform you of some of the risks and uncertainties that can affect our company and to take advantage of the protections for forward-looking statements that applicable federal securities law affords.

Various statements contained in this quarterly report on Form 10-Q are forward-looking statements, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenue, income and capital spending. Our forward-looking statements are generally accompanied by words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "objective," "outlook," "plan," "project," "possible," "potential," "should" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this quarterly report on Form 10-Q speak only as of the date of this quarterly report on Form 10-Q. We disclaim any obligation to update these statements (unless required by securities laws), and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed in Item 1A "Risk Factors" in our 2012 Annual Report, may cause our actual results, performance or achievements to differ

Table of Contents

materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

These risks, contingencies and uncertainties include, but are not limited to, the following:

- Our operating results may vary significantly from period to period.
- Our industry is highly competitive.
- We may be unsuccessful in generating internal growth.
- Negative economic and market conditions, as well as regulatory and environmental requirements, may adversely impact our customers' future spending and, as a result, our operations and growth.
- Project performance issues, including those caused by third parties, or certain contractual obligations may result in additional costs to us, reductions or delays in revenues or the payment of liquidated damages.
- Our business is labor intensive and we may be unable to attract and retain qualified employees.
- The timing of new contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results.
- Backlog may not be realized or may not result in profits.
- Our business growth could outpace the capability of our internal resources.
- We may depend on subcontractors to assist us in providing certain services.
- We may depend on customers or suppliers to procure material for our projects.
- Our participation in joint ventures and other projects with third parties may expose us to liability for failures of our partners.
- Legislative actions and initiatives relating to electricity transmission and renewable energy may not result in increased demand for our services.
- Our use of percentage-of-completion accounting could result in a reduction or reversal of previously recognized profits.
- Our actual costs may be greater than expected in performing our fixed-price and unit-price contracts.
- Our financial results are based upon estimates and assumptions that may differ from actual results.

The loss of a key customer could have an adverse affect on us.

Our failure to comply with environmental and other laws and regulations could result in significant liabilities.

Unavailability or cancellation of third party insurance coverage would increase our overall risk exposure as well as disrupt our operations.

The nature of our business exposes us to warranty claims, which may reduce our profitability.

We may incur liabilities or suffer negative financial or reputational impacts relating to occupational health and safety matters.

We extend trade credit to customers for purchases of our services, and may have difficulty collecting receivables from them.

Table of Contents

We may not be able to compete for or work on certain projects if we are not able to obtain surety bonds.

Inability to hire or retain key personnel could disrupt business.

Work stoppages or other labor issues with our unionized workforce could adversely affect our business.

Multi-employer pension plan obligations related to our unionized workforce could adversely impact our earnings.

Our business may be affected by seasonal and other variations, including severe weather conditions.

We may not have access in the future to sufficient funding to finance desired growth and operations.

We are subject to risks associated with climate change.

Our operations are subject to a number of operational risks which may result in unexpected costs or liabilities.

Opportunities associated with government contracts could lead to increased governmental regulation applicable to us.

We may fail to integrate future acquisitions successfully.

Our results of operations could be adversely affected as a result of the impairment of goodwill or intangible assets.

We, or our business partners, may be subject to breaches of information technology systems, which could affect our competitive position or damage our reputation.

Provisions in our organizational documents and under Delaware law could delay or prevent a change in control of our company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2013, we were not party to any derivative instruments. We did not use any material derivative financial instruments during the six months ended June 30, 2013 and 2012, including trading or speculation on changes in interest rates or commodity prices of materials used in our business.

As of June 30, 2013, we had no borrowings outstanding under the Credit Agreement. Borrowings under the Credit Agreement are based upon an interest rate that will vary depending upon the prime rate, federal funds rate and LIBOR. If we had borrowings outstanding under the Credit Agreement and if the prime rate, federal funds rate or LIBOR rose, our interest payment obligations on outstanding borrowings would increase and have a negative effect on our cash flow and financial condition. We currently do not maintain any hedging contracts that would limit our exposure to variable rates of interest when we have outstanding borrowings.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and 15d-15(e) as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and

Table of Contents

Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2013.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For further discussion regarding legal proceedings, please refer to Note 5, "Commitments and Contingencies Litigation and Other Legal Matters" in the accompanying Notes to Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

As of the date of this filing, there have been no material changes to the risk factors previously discussed in Item 1A to our 2012 Annual Report. An investment in our common stock involves various risks. When considering an investment in our company, you should carefully consider all of the risk factors described in our 2012 Annual Report. These risks and uncertainties are not the only ones facing us and there may be additional matters that are not known to us or that we currently consider immaterial. These risks and uncertainties could adversely affect our business, financial condition or future results and, thus, the value of our common stock and any investment in our company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuances of Common Stock. During the three months ended June 30, 2013, 2,704 shares of unregistered stock, valued at $55,946 were issued to three directors of the Company who elected to receive a portion of their annual director retainer fee in stock in lieu of cash.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Number	Description
31.1	Certification of Chief Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350
101.1	The following materials from MYR Group's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets at June 30, 2013 and December 31, 2012; (ii) the Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012; (iii) the Consolidated Statements of Cash Flows for the three and six months ended June 30, 2013 and 2012; (iv) Notes to Consolidated Financial Statements, tagged as blocks of text; and (v) document and entity information.*

Filed herewith

* Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101.1 hereto are deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

27

Table of Contents

SIGNATURE

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. (Registrant)
August 7, 2013	/s/ PAUL J. EVANS
	Vice President, Chief Financial Officer and Treasurer