UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-26762

PEDIATRIX MEDICAL GROUP, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	65-0271219
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1455 NORTH PARK DRIVE
FT. LAUDERDALE, FLORIDA 33326
(Address of principal executive offices)
(Zip Code)

(954) 384-0175
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and fiscal year, if changed since last report)

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 during the preceding 12 months (or 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
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At May 1, 1997, the Registrant had 14,915,758 shares of $0.01 par value common stock outstanding.

PEDIATRIX MEDICAL GROUP, INC.

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	MARCH 31,1997 (UNAUDITED)	DECEMBER 31, 1996
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,311	$ 18,435
Investments in marketable securities	34,564	57,218
Accounts receivable, net	27,885	23,396
Prepaid expenses	870	1,283
Other current assets	488	375
Income taxes receivable	--	202
Total current assets	86,118	100,909
Property and equipment, net	9,071	8,676
Other assets, net	70,548	49,441
Total assets	$ 165,737	$ 159,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,743	$ 13,423
Income taxes payable	1,329	--
Current portion of note payable	200	200
Deferred income taxes	6,592	6,099
Total current liabilities	20,864	19,722
Note payable	2,700	2,750
Deferred income taxes	457	233
Total liabilities	24,021	22,705
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	--	--
Common stock	149	149
Additional paid-in capital	117,133	116,037
Retained earnings	24,473	20,165
Unrealized loss on investments	(39)	(30)
Total stockholders' equity	141,716	136,321
Total liabilities and stockholders' equity	$ 165,737	$ 159,026

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1997	THREE MONTHS ENDED MARCH 31, 1996
	(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)	
Net patient service revenue	$ 27,013	$ 16,127
Operating expenses:		
Salaries and benefits	17,609	10,796
Supplies and other operating expenses	2,102	1,213
Depreciation and amortization	783	233
Total operating expenses	20,494	12,242
Income from operations	6,519	3,885
Investment income	735	499
Interest expense	(74)	(35)
Income before income taxes	7,180	4,349
Income tax provision	2,872	1,737
Net income	$ 4,308	$ 2,612
Per share data:		
Net income per common and common equivalent share:		
Primary	$ .28	$ .19
Fully diluted	$ .28	$ .19
Weighted average shares used in computing net income per common and common equivalent share:		
Primary	15,544	13,697
Fully diluted	15,544	13,726

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1997	1996
	(IN THOUSANDS)	
Cash flows provided (used) by operating activities:		
Net income	$ 4,308	$ 2,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	783	233
Deferred income taxes	717	1,562
Changes in assets and liabilities:		
Accounts receivable	(4,489)	(3,388)
Prepaid expenses and other current assets	300	(162)
Income taxes receivable/payable	2,010	108
Other assets	347	(1,882)
Accounts payable and accrued expenses	(680)	752
Net cash provided (used) by operating activities	3,296	(165)
Cash flows provided (used) by investing activities:		
Physician group acquisition payments	(22,026)	(11,584)
Purchase of investments	(2,726)	(6,621)
Proceeds from sale of investments	25,371	7,738
Purchase of property and equipment	(606)	(794)
Net cash provided (used) by investing activities	13	(11,261)
Cash flows provided (used) by financing activities:		
Payments on note payable	(50)	(16)
Proceeds from issuance of common stock	617	72
Payments made to retire common stock	--	(45)
Net cash provided by financing activities	567	11
Net increase (decrease) in cash and cash equivalents	3,876	(11,415)
Cash and cash equivalents at beginning of period	18,435	18,499
Cash and cash equivalents at end of period	$ 22,311	$ 7,084

The accompanying notes are an integral part of these financial statements

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1997

(UNAUDITED)

1. BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. (the "Company" or "Pediatrix") presented herein do not include all disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods.

The results of operations for the three months ended March 31, 1997 are not necessarily indicative of the results of operations to be expected for the year ended December 31, 1997. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 1997.

2. BUSINESS ACQUISITIONS:

During the first quarter of 1997, the Company completed the acquisition of four physician group practices in Dallas, Albuquerque, Tacoma and South Bend. Additionally, 3 neonatal intensive care units (NICUs) were added through the Company's internal marketing activities. Total cash paid for these units approximated $21 million, adding a total of 11 NICUs.

The Company has accounted for the acquisitions using the purchase method of accounting and the excess of cost over fair value of net assets acquired is being amortized on a straight-line basis over 25 years. The results of operations of the acquired companies have been included in the consolidated financial statements from the dates of acquisition.

The following unaudited pro forma information combines the consolidated results of operations of the Company and the physician group practices acquired during 1996 and 1997 as if the acquisitions had occurred on January 1, 1996:

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net patient service revenue	$ 28,101	$ 24,502
Net income	4,357	3,111
Net income per share:		
Primary	.28	.23
Fully diluted	.28	.23

The pro forma results do not necessarily represent results which would have occurred if the acquisitions had taken place at the beginning of the period, nor are they indicative of the results of future combined operations.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

	MARCH 31, 1997	DECEMBER 31, 1996
	(IN THOUSANDS)	
Accounts payable	$ 2,461	$ 2,489
Accrued salaries and bonuses	2,760	3,508
Accrued payroll taxes and benefits	1,608	2,009
Accrued professional liability coverage	2,696	2,413
Other accrued expenses	3,218	3,004
	$ 12,743	$ 13,423

4. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

Primary and fully diluted net income per share is calculated by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of the dilutive effect of outstanding options calculated using the treasury stock method.

5. CONTINGENCIES:

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. The Company believes that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

The Company is currently under examination by the Internal Revenue Service for the tax years ended December 31, 1992, 1993, and 1994. The IRS has challenged certain deductions that, if disallowed, would result in additional taxes of approximately $4.5 million, plus interest. The Company has reviewed the IRS matters under consideration and believes that the tax returns are substantially correct as filed. The Company intends to vigorously contest the proposed adjustments and believes it has adequately provided for any liability that may result from this examination. The Company and its tax advisors believe that the ultimate resolution of the examination will not have a material effect on the Company's consolidated financial position or results of operations and cash flows.

The Company has been notified by a hospital customer of a dispute regarding the interpretation of the customer's contract with the Company. The customer believes that the Company should refund approximately $7.5 million of payments made to the Company over the last five years. The Company disagrees with the customer's interpretation of the contract and believes that the matter will be resolved amicably. In the unlikely event that the Company cannot resolve this matter amicably, the Company intends to vigorously litigate the matter and assert all its legal defenses. The Company believes that resolution of the matter will have no material effect on the Company's consolidated financial position, results of operations or cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

6. CHANGES TO ACCOUNTING PRONOUNCEMENTS:

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," must be implemented by the Company in 1997. This statement is designed to improve the earnings per share ("EPS") information provided in financial statements by simplifying the existing computational guidelines, revising the disclosure requirements, and increasing the comparability of EPS data on an international basis. The Company has not yet determined the impact, if any, the adoption of the provisions of SFAS No. 128 will have on the Company's financial statements.

7. SUBSEQUENT EVENTS:

Subsequent to March 31, 1997, the Company completed the acquisition of two physician group practices. Total cash paid for these acquisitions approximated $5.3 million. The acquisitions will be accounted for using the purchase method of accounting.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1997 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

The Company reported net patient service revenue of $27.0 million for the three months ended March 31, 1997, as compared with $16.1 million for the same period in 1996, a growth rate of 67.5%. This $10.9 million increase was entirely attributable to new units. Patient service revenue from same units, exclusive of administrative fees decreased by approximately $300,000, or 2.2% for the three months ended March 31, 1997. Such a decrease at existing units is consistent with the Company's historical experience of quarterly fluctuations. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire prior comparable period.

Salaries and benefits increased $6.8 million, or 63.1% to $17.6 million for the three months ended March 31, 1997, as compared with $10.8 million for the same period in 1996. Of this $6.8 million increase, $5.1 million, or 75.0%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $1.7 million was primarily attributable to increased support staff and resources added in the areas of nursing, executive management and billing and reimbursement. Supplies and other operating expenses increased $889,000, or 73.3% to $2.1 million for the three months ended March 31, 1997, as compared with $1.2 million for the same period in 1996, primarily as a result of new units. Depreciation and amortization expense increased by $550,000, or 236.1% to $783,000 for the three months ended March 31, 1997, as compared with $233,000 for the same period in 1996, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately $2.6 million, or 67.8%, to $6.5 million for the three months ended March 31, 1997, as compared with $3.9 million for the same period in 1996. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company earned investment income of approximately $735,000 for the three months ended March 31, 1997, as compared with $499,000 for the same period in 1996. The increase in investment income resulted primarily from additional funds available for investment due to proceeds from the secondary public offering as well as cash flow from operations.

The effective income tax rate was approximately 40% for the three month periods ended March 31, 1997 and 1996.

Net income increased 64.9% to $4.3 million for the three months ended March 31, 1997, as compared with $2.6 million for the same period in 1996. Net income as a percentage of net patient service revenue decreased to 15.9% for the three months ended March 31, 1997, compared to 16.2% for the same period in 1996, primarily as a result of amortization of goodwill in connection with acquisitions.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1997, the Company had working capital of approximately $65.3 million, a decrease of $15.9 million from the working capital of $81.2 million available at December 31, 1996. The decrease is principally a result of funds utilized for acquisitions during the first quarter, offset by cash generated from operations.

During the three months ended March 31, 1997, capital expenditures amounted to approximately $606,000 principally for computer hardware and software and furniture and fixtures. For the remainder of 1997, the Company anticipates capital expenditures of approximately $1.5 million, principally for computer hardware and software.

The Company anticipates that funds generated from operations together with cash and marketable securities on hand and funds available under its credit facility, will be sufficient to meet its working capital requirements and finance any required capital expenditures for at least the next twelve months.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. The Company believes that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

The Company is currently under examination by the Internal Revenue Service for the tax years ended December 31, 1992, 1993, and 1994. The IRS has challenged certain deductions that, if disallowed, would result in additional taxes of approximately $4.5 million, plus interest. The Company has reviewed the IRS matters under consideration and believes that the tax returns are substantially correct as filed. The Company intends to vigorously contest the proposed adjustments and believes it has adequately provided for any liability that may result from this examination. The Company and its tax advisors believe that the ultimate resolution of the examination will not have a material effect on the Company's consolidated financial position or results of operations and cash flows.

The Company has been notified by a hospital customer of a dispute regarding the interpretation of the customer's contract with the Company. The customer believes that the Company should refund approximately $7.5 million of payments made to the Company over the last five years. The Company disagrees with the customer's interpretation of the contract and believes that the matter will be resolved amicably. In the unlikely event that the Company cannot resolve this matter amicably, the Company intends to vigorously litigate the matter and assert all its legal defenses. The Company believes that resolution of the matter will have no material effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 2. CHANGES IN SECURITIES

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

11.1 Statement Re: Computation of Per Share Earnings
27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.

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.

PEDIATRIX MEDICAL GROUP, INC.

Date: May 9, 1997

By: /s/ Roger J. Medel

Roger J. Medel, President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 1997

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Vice President
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBIT 11.1

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	THREE MONTHS ENDED MARCH 31, 1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Income applicable to common stock	$ 4,308	$ 2,612
Weighted average number of common and common equivalent shares:		
Primary:		
Weighted average number of common shares outstanding	14,887	13,057
Weighted average number of dilutive common stock equivalents	657	640
Weighted average number of common and common equivalent shares outstanding for primary earnings per share	15,544	13,697
Fully diluted:		
Weighted average number of common shares outstanding	14,887	13,057
Weighted average number of dilutive common stock equivalents	657	669
Weighted average number of common and common equivalent shares outstanding for fully diluted earnings per share	15,544	13,726
Income per share:		
Primary	$ .28	$ .19
Fully diluted	$ .28	$ .19

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT MARCH 31, 1997 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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JAN-01-1997
MAR-31-1997
22,311
34,564
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86,118
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165,737
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149
141,567
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20,494
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74
7,180
2,872
4,308
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4,308
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.28

AMOUNTS FOR RECEIVABLES AND PROPERTY, PLANT AND EQUIPMENT ARE NET OF ANY ALLOWANCES AND ACCUMULATED DEPRECIATION.