

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

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) October 25, 2001

Commission File Number 1-5581

WATSCO, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

59-0778222

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification Number)

2665 SOUTH BAYSHORE DRIVE, SUITE 901
COCONUT GROVE, FLORIDA 33131

(Address of Principal Executive Offices)

Registrant's telephone number including area code: (305) 714-4100

Not applicable
(Former name or former address, if changed since last report)

Watsco, Inc.

Form 8-K

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On October 25, 2001, Watsco, Inc. issued a press release announcing third quarter results and the Company's plan to integrate the operations of its manufactured housing subsidiaries and close certain underperforming locations in its manufactured housing and personnel staffing operations. A copy of the press release is attached hereto as Exhibit 99 and is hereby incorporated by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit 99 Press Release of Watsco, Inc. dated October 25, 2001.

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.

WATSCO, INC.

Date: October 30, 2001

By: /s/ Barry S. Logan

Barry S. Logan
Vice President-Finance and
Chief Financial Officer

EXHIBIT INDEX

EXHIBIT

DESCRIPTION

99

Press Release of Watsco, Inc. dated October 25, 2001.

NEWS RELEASE

WATSCO

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For Immediate Release:

WATSCO REPORTS THIRD QUARTER RESULTS

MIAMI, FLORIDA, October 25, 2001 - Watsco, Inc. (NYSE: WSO) today announced operating and cash flow results for the quarter and nine-month period ended September 30, 2001.

The following performance data excludes third-quarter restructuring costs and other charges of 14 cents per share (\$3.8 million after-taxes) related to the Company's manufactured housing and personnel staffing operations more fully discussed in the attached financial tables.

For the third quarter, earnings per share was 43 cents on net income of \$11.9 million, even with last year. Sales were \$336 million, including a 3% same-store sales decrease in the Company's primary HVAC channel. Sales results also include a 14% sales decrease in the Company's manufactured housing operation, 35 location closures completed during last year and the discontinuance of certain product lines. Gross profit was \$82 million with gross selling margins improving 40 basis-points to 24.3%. Selling, general and administrative expenses decreased 6% to \$60 million. Operating profit was \$21.3 million with operating margin improving 10 basis-points to 6.3%. Interest expense decreased 30% to \$2.4 million from lower borrowings and lower interest rates.

For the nine-month period, earnings per share was a record \$1.00 on net income of \$27.2 million. Sales were \$965 million, including a 1% same-store sales decrease in the Company's primary HVAC channel, and also reflect 19% lower sales in the manufactured housing operation, location closures and discontinued product lines. Gross profit was \$235 million with gross selling margins improving 50 basis-points to 24.3%. Selling, general and administrative costs decreased 3% to \$183 million. Operating profit was \$51.1 million with operating margins of 5.3%, even with last year. Interest expense decreased 19% to \$7.9 million from lower borrowings and rates.

Watsco's sales performance during 2001 compares favorably to industry data compiled by the Air Conditioning and Refrigeration Institute (ARI). According to ARI's most recent report, distributor shipments through August 2001 declined 4% in the United States. In contrast, Watsco's same-store sales increased 1% in the Company's primary HVAC channel during the same period, a strong indicator that market share increases have been achieved.

Cash flow from operations for the third quarter more than doubled increasing from \$11.9 million in 2000 to \$33.5 million in 2001. For the nine-month period, cash flow from operations increased sharply to \$29.1 million in 2001 versus \$5.8 million in 2000. Free cash flow (operating cash flow less capital expenditures) for the quarter tripled to \$32.7 million versus \$10.6 million last year and, for the nine-months, improved to \$26.4 million versus negative \$.1 million in 2000. Watsco's debt-to-total capitalization at September 30, 2001 stands at 28% versus 37% a year ago.

Albert Nahmad, President and Chief Executive Officer commented: "A number of negative factors have affected the HVAC marketplace this year and we have worked our way through them, generating record earnings per share so far this year. We are also very pleased with record levels of cash flow and debt reduction. It is hard to predict how market conditions will continue to be affected by these dynamics. However, after factoring out this quarter's charges - all key measures that will improve our ongoing operating effectiveness, we are confident in our ability to achieve record earnings per share this year."

In September 2001, the Company adopted a plan to integrate the operations of its manufactured housing subsidiaries, close underperforming locations and exit certain relationships in its personnel staffing operation. In addition, the Company incurred other charges related to these operations in response to lower overall business volume. During the third quarter, the Company recorded restructuring and other charges of \$3.8 million after-taxes (14 cents per share) related to these activities.

Mr. Nahmad added: "Our key products, central air conditioning systems, furnaces and related parts and accessories, are necessities in virtually all homes and businesses. Most consumers will not tolerate or incur the health-risk of living without the warmth of a furnace in winter or the cool, low-humidity environment provided by air conditioning in summer. The consumer-spending landscape has obviously been affected by recent events, but we believe our products are necessary to maintain a basic standard of life."

Watsco is the nation's largest independent distributor of air conditioning, heating and refrigeration equipment and related products in the distribution segment of the HVAC/R industry, currently operating 290 locations serving customers in 30 states. Additional information about Watsco may be found on the Internet at <http://www.watsco.com>.

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in economic, business, competitive market and regulatory factors. More detailed information about those factors is contained in Watsco's filings with the Securities and Exchange Commission.

WATSCO, INC.
Consolidated Results of Operations
(In thousands, except share data)
(Unaudited)

	Nine Months Ended September 30,		
	As Reported 2001	Pro-forma, as adjusted 2001 (C)	As Reported 2000
Revenue	\$ 965,270	\$ 965,270	\$1,020,520
Cost of sales	731,776 (A)	730,762	777,217
Gross profit	233,494	234,508	243,303
SG&A expenses	188,369 (B)	183,361	189,559
Operating profit	45,125	51,147	53,744
Interest expense, net	(7,936)	(7,936)	(9,818)
Income before income taxes	37,189	43,211	43,926
Income tax provision	(13,759)	(15,987)	(16,340)
Net income	\$ 23,430	\$ 27,224	\$ 27,586
Basic earnings per share	\$ 0.90	\$ 1.05	\$ 1.03
Diluted earnings per share	\$ 0.86	\$ 1.00	\$ 0.99
Weighted average shares used to calculate earnings per share:			
Basic	25,956	25,956	26,707
Diluted	27,299	27,299	27,962

	Three Months Ended September 30,		
	As Reported 2001	Pro-forma, as adjusted 2001 (C)	As Reported 2000
Revenue	\$ 336,008	\$ 336,008	\$ 361,723
Cost of sales	255,287 (A)	254,273	275,288
Gross profit	80,721	81,735	86,435
SG&A expenses	65,488 (B)	60,480	64,042
Operating profit	15,233	21,255	22,393
Interest expense, net	(2,408)	(2,408)	(3,424)
Income before income taxes	12,825	18,847	18,969
Income tax provision	(4,745)	(6,973)	(7,056)
Net income	\$ 8,080	\$ 11,874	\$ 11,913
Basic earnings per share	\$ 0.31	\$ 0.46	\$ 0.45
Diluted earnings per share	\$ 0.29	\$ 0.43	\$ 0.43
Weighted average shares used to calculate earnings per share:			
Basic	25,971	25,971	26,426
Diluted	27,424	27,424	27,748

(A) Cost of sales includes restructuring charges of \$328 related to the elimination of unproductive SKUs in the manufactured housing operation and \$686 related to a terminated licensee's workers compensation program in the personnel staffing operation.

(B) SG&A includes restructuring charges of \$3,096 related to location integration and closures in the manufactured housing and personnel

staffing operations. Also includes other charges of \$827 related to accounts receivable reserves and settlement costs of a terminated licensee in the personnel staffing operation and an asset write-off of \$1,085 related to a supply arrangement in the manufactured housing operation.

(C) Excludes the impact for items in (A) and (B).

Consolidated Balance Sheets
(In thousands)

	September 30, 2001	December 31, 2000
	----- (Unaudited)	-----
Cash and cash equivalents	\$ 8,399	\$ 4,781
Accounts receivable, net	173,719	163,770
Inventories	210,234	205,805
Other current assets	12,415	18,179
	-----	-----
Total current assets	404,767	392,535
Property & equipment, net	32,670	30,258
Other non-current assets	133,295	140,677
	-----	-----
Total assets	\$ 570,732	\$ 563,470
	=====	=====
Accounts payable & accrued liabilities	\$ 117,109	\$ 112,207
Other current liabilities	548	1,887
	-----	-----
Total current liabilities	117,657	114,094
Borrowings under revolving credit agreement	90,000	138,000
Long-term notes	30,000	--
Other long-term obligations	10,622	7,212
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Total liabilities	248,279	259,306
Shareholders' equity	322,453	304,164
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Total liabilities and equity	\$ 570,732	\$ 563,470
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