

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C.  
 20549

FORM 10-Q

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

For the quarter ended  
 March 1, 1997

Commission File  
 Number 1-8504

UNIFIRST CORPORATION  
 (Exact name of registrant as specified in its charter)

Massachusetts  
 (State of Incorporation)

04-2103460  
 (IRS Employer ID Number)

68 Jonspin Road  
 Wilmington, Massachusetts 01887  
 (Address of principal executive offices)

Registrant's telephone number: (508) 658-8888

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 preceeding 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  No

The number of outstanding shares of the registrant's Common Stock and Class B Common Stock as of April 7, 1997 were 7,888,864 and 12,621,744 respectively.

PART 1 - FINANCIAL INFORMATION

FORM 10-Q  
 UNIFIRST CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS  
 (unaudited)

	March 1, 1997	August 31, 1996*	March 2, 1996
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Assets			
Current assets:			
Cash	\$ 7,186,000	\$ 3,425,000	\$ 5,942,000
Receivables	38,419,000	36,634,000	38,312,000
Inventories	19,454,000	17,053,000	17,431,000

Rental merchandise in service	38,833,000	37,973,000	33,516,000
Prepaid expenses	130,000	127,000	102,000
<b>Total current assets</b>	<b>104,022,000</b>	<b>95,212,000</b>	<b>95,303,000</b>
<b>Property and equipment:</b>			
Land, buildings and leasehold improvements	129,005,000	119,346,000	116,152,000
Machinery and equipment	130,402,000	120,671,000	115,860,000
Motor vehicles	33,814,000	33,278,000	31,072,000
	293,221,000	273,295,000	263,084,000
Less - accumulated depreciation	120,947,000	113,191,000	108,618,000
	172,274,000	160,104,000	154,466,000
<b>Other assets</b>	<b>46,006,000</b>	<b>47,062,000</b>	<b>44,015,000</b>
	<b>\$322,302,000</b>	<b>\$302,378,000</b>	<b>\$293,784,000</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Current maturities of long-term obligations	\$ 1,032,000	\$ 1,058,000	\$ 1,046,000
Notes payable	3,144,000	2,757,000	353,000
	14,423,000	11,697,000	13,144,000
Accounts payable	41,065,000	37,371,000	40,131,000
Accrued liabilities	3,916,000	3,679,000	3,909,000
Accrued and deferred income taxes			
<b>Total current liabilities</b>	<b>63,580,000</b>	<b>56,562,000</b>	<b>58,583,000</b>
Long-term obligations, net of current maturities	38,517,000	38,307,000	41,014,000
Deferred income taxes	16,925,000	16,400,000	14,981,000
<b>Shareholders' equity:</b>			
Preferred stock, \$1.00 par value; 2,000,000 shares authorized; none issued	--	--	--
Common stock, \$.10 par value; 30,000,000 shares authorized; issued and outstanding 7,888,864 shares	789,000	789,000	789,000
Class B Common stock, \$.10 par value; 20,000,000 shares authorized; issued and outstanding 12,621,744 shares	1,262,000	1,262,000	1,262,000
Capital surplus	7,078,000	7,078,000	7,078,000
Retained earnings	194,689,000	182,384,000	170,507,000
Cumulative translation adjustment	(538,000)	(404,000)	(430,000)
<b>Total shareholders' equity</b>	<b>203,280,000</b>	<b>191,109,000</b>	<b>179,206,000</b>
	<b>\$322,302,000</b>	<b>\$302,378,000</b>	<b>\$293,784,000</b>

\* Condensed from audited financial statements

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

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES

CONDENSED STATEMENTS OF INCOME  
(unaudited)

	Twenty-six weeks ended March 1, 1997	Twenty-seven weeks ended March 2, 1996	Thirteen weeks ended March 1, 1997	Fourteen weeks ended March 2, 1996
Revenues	\$206,040,000	\$196,238,000	\$102,064,000	\$100,825,000
<b>Costs and expenses:</b>				
Operating costs	126,338,000	121,181,000	64,218,000	63,604,000
Selling and administrative expenses	46,553,000	45,660,000	23,033,000	23,907,000
Depreciation and amortization	11,192,000	9,999,000	5,645,000	5,093,000
	184,083,000	176,840,000	92,896,000	92,604,000
<b>Income from operations</b>	<b>21,957,000</b>	<b>19,398,000</b>	<b>9,168,000</b>	<b>8,221,000</b>

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Interest expense (income):				
Interest expense	1,151,000	1,240,000	566,000	574,000
Interest income	(106,000)	(132,000)	(36,000)	(65,000)
	1,045,000	1,108,000	530,000	509,000
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Income before income taxes	20,912,000	18,290,000	8,638,000	7,712,000
Provision for income taxes	7,528,000	6,584,000	3,109,000	2,776,000
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Net income	\$ 13,384,000	\$ 11,706,000	\$ 5,529,000	\$ 4,936,000
=====				
Weighted average number of shares outstanding	20,510,608	20,510,608	20,510,608	20,510,608
=====				
Net income per share	\$0.65	\$0.57	\$0.27	\$0.24
=====				

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

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES

CONDENSED STATEMENTS OF CASH FLOWS  
(unaudited)

	Twenty-six weeks ended March 1, 1997	Twenty-seven weeks ended March 2, 1996
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Cash flows from operating activities:		
Net Income	\$ 13,384,000	\$ 11,706,000
Adjustments:		
Depreciation	9,351,000	8,338,000
Amortization of other assets	1,841,000	1,661,000
Receivables	(1,680,000)	(4,254,000)
Inventories	(2,437,000)	(899,000)
Rental merchandise in service	(623,000)	303,000
Prepaid expenses	(3,000)	16,000
Accounts payable	2,700,000	99,000
Accrued liabilities	3,698,000	4,690,000
Accrued and deferred income taxes	241,000	44,000
Deferred income taxes	527,000	395,000
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Net cash provided by operating activities	26,999,000	22,099,000
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Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(1,677,000)	(11,517,000)
Capital expenditures	(21,540,000)	(13,089,000)
Other assets, net	487,000	(1,712,000)
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Net cash used in investing activities	(22,730,000)	(26,318,000)
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Cash flows from financing activities:		
Increase in debt	1,789,000	12,598,000
Reduction of debt	(1,218,000)	(7,427,000)
Cash dividends paid or payable	(1,079,000)	(899,000)
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Net cash provided by (used in) financing activities	(508,000)	4,272,000
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Net increase in cash	3,761,000	53,000
Cash at beginning of period	3,425,000	5,889,000
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Cash at end of period	\$ 7,186,000	\$ 5,942,000
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,138,000	\$ 1,283,000
Income taxes paid	\$ 6,766,000	\$ 6,356,000

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

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
FOR THE TWENTY-SIX WEEKS ENDED MARCH 1, 1997

1. These condensed financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair statement of results for the interim period. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes, thereto, included in the Company's latest annual report.
2. From time to time, the Company is subject to legal proceedings and claims arising from the conduct of their business operations, including personal injury, customer contract, employment claims and environmental matters. In the opinion of management, such proceedings and claims are not likely to result in losses which would have a material adverse effect upon the financial position or results of operations of the Company.

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS  
OF OPERATIONS AND FINANCIAL CONDITION  
FOR THE TWENTY-SIX WEEKS ENDED MARCH 1, 1997

RESULTS OF OPERATIONS  
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Twenty-six Weeks of Fiscal 1997 compared to Twenty-seven Weeks of Fiscal 1996  
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Revenues for the first twenty-six weeks of fiscal 1997 increased \$9,802,000 or 5.0% over the first twenty-seven weeks of fiscal 1996. This increase can be

attributed to acquisitions (3.0%), price increases (1.0%) and growth from existing operations (4.7%) offset by one week less of revenue (3.7%) in fiscal 1997.

Income from operations as a percentage of revenue increased to 10.7% in fiscal 1997 from 9.9% for the fiscal 1996 period. The main reason for the increase is improved profit margins in the Company's core uniform rental business.

Net interest expense (interest expense less interest income) was \$1,045,000 in fiscal 1997 as compared to \$1,108,000 in fiscal 1996. The decrease is attributable to lower interest rates in fiscal 1997.

The Company's effective income tax rate was 36.0% in both periods.

Thirteen Weeks ended March 1, 1997 Compared to Fourteen Weeks ended March 2,

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1996  
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Fiscal 1997 second quarter revenues increased \$1,239,000 or 1.2% compared to the fourteen weeks in fiscal 1996. This increase can be attributed to acquisitions (2.7%), price increases (1.0%) and growth from existing operations (4.6%) offset by one week less of revenue (7.1%) in the 1997 second quarter.

Income from operations as a percentage of revenue increased to 9.0% in fiscal 1997 from 8.2% for the fiscal 1996 period. The primary reason for the increase is improved profit margins in the Company's core uniform rental business.

Net interest expense (interest expense less interest income) was \$530,000 in fiscal 1997 as compared to \$509,000 in fiscal 1996. The increase is attributable to higher average debt levels in the fiscal 1997 quarter.

The Company's effective income tax rate was 36.0% in both periods.

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS  
OF OPERATIONS AND FINANCIAL CONDITION  
(continued)

FOR THE TWENTY-SIX WEEKS ENDED MARCH 1, 1997

LIQUIDITY AND CAPITAL RESOURCES  
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During the twenty-six weeks ended March 1, 1997 net cash provided by operating activities, \$26,999,000, was primarily used for capital expenditures, \$21,540,000, acquisition of a business, \$1,677,000 and dividends, \$1,079,000.

The Company had \$7,186,000 in cash and \$28,200,000 available on its \$60,000,000 line of credit as of March 1, 1997. The Company believes its ability to generate cash from operations will adequately cover its foreseeable capital requirements.

Shareholders' equity at March 1, 1997 was \$203.3 million, 83.7% of total capitalization, indicating the overall strength of the Company's balance sheet.

EFFECTS OF INFLATION  
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Inflation has had the effect of increasing the reported amounts of the Company's revenues and costs. The Company uses the last-in, first-out (LIFO) method to value a significant portion of inventories. This method tends to reduce the amount of income due to inflation included in the Company's results of operations. The Company believes that, through increases in its prices and productivity improvements, it has been able to recover increases in costs and expenses attributable to inflation.

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PART II - OTHER INFORMATION

FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders  
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Registrant's Annual Meeting of Shareholders was held on January 14, 1997. Aldo A. Croatti and Albert Cohen were reelected to the Board of Directors. With respect to Mr. Croatti, 7,359,449 shares of Common Stock and 12,620,464 shares of Class B Common Stock were voted for his election and 112,689 shares of Common Stock were voted against his election. With respect to Mr. Cohen, 7,315,249 shares of Common Stock were voted for his election and 156,889 shares of Common Stock were voted against his election.

Also at this meeting, the UniFirst 1996 Stock Incentive Plan was approved, with 5,426,541 shares of Common Stock and 12,620,464 shares of Class B Common Stock voting in favor of the Plan, 1,964,321 shares of Common Stock voting against the Plan and 81,276 shares of Common Stock abstaining.

Item 6. Exhibits and Reports on Form 8-K  
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(a) Exhibits:

(27) 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 of the undersigned thereunto duly authorized.

UNIFIRST CORPORATION

/s/ RONALD D. CROATTI  
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Ronald D. Croatti  
Vice Chairman, President and  
Chief Executive Officer

Date: April 15, 1997

/s/ JOHN B. BARTLETT  
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John B. Bartlett

Senior Vice President  
and Chief Financial Officer

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF UNIFIRST CORPORATION FOR THE TWENTY-SIX WEEKS ENDED MARCH 1, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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