

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  
February 24, 2001

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: (978) 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 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  No

The number of outstanding shares of the registrant's Common Stock and Class B Common Stock as of March 30, 2001 were 9,011,634 and 10,243,744 respectively.

PART 1 - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(unaudited)

(In thousands, except per share data)	February 24, 2001	August 26, 2000*	February 26, 2000
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 6,108	\$ 7,137	\$ 2,405
Receivables	58,321	54,015	56,591
Inventories	25,799	27,598	24,682
Rental merchandise in service	60,821	59,256	57,573
Prepaid expenses	296	299	212
<b>Total current assets</b>	<b>151,345</b>	<b>148,305</b>	<b>141,463</b>
<b>Property and equipment:</b>			
Land, buildings and leasehold improvements	197,666	194,619	187,345
Machinery and equipment	212,844	205,883	198,956
Motor vehicles	57,944	53,535	49,898
	468,454	454,037	436,199
Less - accumulated depreciation	202,749	191,704	184,355
	265,705	262,333	251,844
<b>Other assets</b>	<b>86,912</b>	<b>89,512</b>	<b>87,481</b>

	\$ 503,962	\$ 500,150	\$ 480,788
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Current maturities of long-term obligations	\$ 1,824	\$ 1,903	\$ 1,435
Notes payable	1,359	1,118	2,187
Accounts payable	18,359	19,718	18,125
Accrued liabilities	54,010	47,170	51,287
Accrued and deferred income taxes	13,031	12,294	10,078
<b>Total current liabilities</b>	<b>88,583</b>	<b>82,203</b>	<b>83,112</b>
Long-term obligations, net of current maturities	114,879	124,735	113,977
Deferred income taxes	22,535	22,040	21,111
<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 10,499,634 shares	1,051	1,050	1,050
Class B Common stock, \$.10 par value; 20,000,000 shares authorized; issued and outstanding 10,243,744 shares	1,025	1,026	1,026
Treasury stock, 1,414,800 shares, at cost	(23,171)	(20,049)	(20,049)
Capital surplus	12,438	12,438	12,438
Retained earnings	289,521	278,676	269,534
Accumulated other comprehensive income	(2,899)	(1,969)	(1,411)
<b>Total shareholders' equity</b>	<b>277,965</b>	<b>271,172</b>	<b>262,588</b>
	<b>\$ 503,962</b>	<b>\$ 500,150</b>	<b>\$ 480,788</b>

\* Condensed from audited financial statements  
The accompanying notes are an integral part of these condensed consolidated financial statements.

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FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(unaudited)

(In thousands, except per share data)	Twenty-six weeks ended February 24, 2001	Twenty-six weeks ended February 26, 2000	Thirteen weeks ended February 24, 2001	Thirteen weeks ended February 26, 2000
Revenues	\$ 277,571	\$ 262,073	\$ 136,562	\$ 130,283
Costs and expenses:				
Operating costs	172,107	164,523	85,358	82,684
Selling and administrative expenses	62,889	62,011	31,730	30,988
Depreciation and amortization	18,457	17,076	9,291	8,545
	253,453	243,610	126,379	122,217
Income from operations	24,118	18,463	10,183	8,066
Interest expense (income):				
Interest expense	5,104	3,458	2,474	1,749
Interest income	(582)	(165)	(362)	(46)
	4,522	3,293	2,112	1,703
Income before income taxes	19,596	15,170	8,071	6,363
Provision for income taxes	7,447	5,765	3,067	2,418
Net income	\$ 12,149	\$ 9,405	\$ 5,004	\$ 3,945
Weighted average number of shares outstanding - basic & diluted	19,491	19,677	19,362	19,664
Net income per share - basic & diluted	\$ 0.62	\$ 0.48	\$ 0.26	\$ 0.20

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

FORM 10-Q  
 UNIFIRST CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (unaudited)

(In thousands)	Twenty-Six weeks ended February 24, 2001	Twenty-Six weeks ended February 26, 2000
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Cash flows from operating activities:		
Net Income	\$ 12,149	\$ 9,405
Adjustments:		
Depreciation	14,962	13,805
Amortization of other assets	3,495	3,271
Changes in assets and liabilities, net of acquisitions:		
Receivables	(4,433)	(4,720)
Inventories	1,741	2,559
Rental merchandise in service	(1,700)	(1,740)
Prepaid expenses	2	(12)
Accounts payable	(1,323)	341
Accrued liabilities	6,864	4,608
Accrued and deferred income taxes	777	2,291
Deferred income taxes	521	404
Net cash provided by operating activities	33,055	30,212
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Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	--	(533)
Capital expenditures	(18,700)	(23,160)
Increase in other assets	(1,264)	(3,308)
Net cash used in investing activities	(19,964)	(27,001)
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Cash flows from financing activities:		
Increase in debt	291	3,661
Reduction of debt	(9,985)	(2,592)
Repurchase of common stock	(3,122)	(3,466)
Cash dividends	(1,304)	(1,321)
Net cash used in financing activities	(14,120)	(3,718)
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Net decrease in cash	(1,029)	(507)
Cash at beginning of period	7,137	2,912
Cash at end of period	\$ 6,108	\$ 2,405
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Supplemental disclosure of cash flow information:		
Interest paid	\$ 4,098	\$ 3,496
Income taxes paid	6,215	3,014
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The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWENTY-SIX WEEKS ENDED FEBRUARY 24, 2001

1. These condensed consolidated 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 (consisting only of normal recurring 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 consolidated financial statements should be read in conjunction with the financial statements and the notes, thereto, included in the Company's latest annual report on Form 10-K. Results for an interim period are not indicative of any future interim periods or for an entire fiscal year.
2. From time to time, the Company is subject to legal proceedings and claims arising from the conduct of its business operations, including legal proceedings and claims relating to personal injury, customer contract, employment 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.
3. The components of comprehensive income for the twenty-six and thirteen week periods ended February 24, 2001 and February 26, 2000 were as follows:

(in thousands)	Twenty-six weeks ended February 24, 2001	Twenty-six weeks ended February 26, 2000	Thirteen weeks ended February 24, 2001	Thirteen weeks ended February 26, 2000
Net income	\$ 12,149	\$ 9,405	\$ 5,004	\$ 3,945
Other comprehensive income:				
Foreign currency translation adjustments	(930)	537	(539)	452
Comprehensive income	\$ 11,219	\$ 9,942	\$ 4,465	\$ 4,397

4. Net income per share is calculated using the weighted average number of common and dilutive potential common shares outstanding during the year. Anti-dilutive shares of 113,500 for the twenty-six weeks ended February 24, 2001 have been excluded from the weighted average number of common and dilutive potential common shares outstanding.

FORM 10-Q  
UNIFIRST CORPORATION AND SUBSIDIARIES

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

FOR THE TWENTY-SIX WEEKS ENDED FEBRUARY 24, 2001

RESULTS OF OPERATIONS

TWENTY-SIX WEEKS OF FISCAL 2001 COMPARED WITH TWENTY-SIX WEEKS OF FISCAL 2000

Revenues. Revenues for the first twenty-six weeks of fiscal 2001 increased \$15.5 million or 5.9% to \$277.6 million as compared with \$262.1 million for the first twenty-six weeks of fiscal 2000. This increase can be attributed to growth from existing operations (4.6%), price increases (1.0%) and acquisitions (.3%). Growth from existing operations was primarily from the conventional uniform

rental business (3.5%), and from the nuclear garment services business (1.1%). The increase in revenues from acquisitions resulted from one acquisition made in fiscal 2000.

Operating Costs. Operating costs increased to \$172.1 million for the first half of fiscal 2001 as compared with \$164.5 million for the same period of fiscal 2000. As a percentage of revenues, operating costs decreased to 62.0% from 62.8% for these periods, primarily due to lower merchandise costs, offset somewhat by significant increases in energy related costs such as natural gas, electricity and fuel.

Selling and Administrative Expenses. The Company's selling and administrative expenses increased to \$62.9 million, or 22.7% of revenues, for the first half of fiscal 2001 as compared with \$62.0 million, or 23.7% of revenues, for the same period in fiscal 2000. These costs were favorably impacted by a \$1.1 million settlement received in the first quarter of fiscal 2001 from a lawsuit related to the Company's nuclear garment services business. Excluding this settlement these expenses would have been \$64.0 million, or 23.1% of revenues, in the first half of fiscal 2001.

Depreciation and Amortization. The Company's depreciation and amortization expense increased to \$18.5 million or 6.6% of revenues for the first half of fiscal 2001, comparable to \$17.1 million or 6.5% of revenues for the same period in fiscal 2000.

Net Interest Expense. Net interest expense was \$4.5 million, or 1.6% of revenues, for the first half of fiscal 2001 as compared with \$3.3 million, or 1.3% of revenues, for the same period in fiscal 2000. The increase is primarily attributable to higher interest rates in the first half of fiscal 2001.

Income Taxes. The Company's effective income tax rate was 38.0% for both the first half of fiscal 2001 and the first half of fiscal 2000.

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THIRTEEN WEEKS ENDED FEBRUARY 24, 2001 COMPARED TO THIRTEEN WEEKS ENDED FEBRUARY 26, 2000

Revenues. Fiscal 2001 second quarter revenues increased \$6.3 million or 4.8% to \$136.6 million as compared with \$130.3 million for the fiscal 2000 second quarter. This increase can be attributed to growth from existing operations (3.5%), price increases (1.0%) and acquisitions (.3%). Growth from existing operations was primarily from the conventional uniform rental business (3.3%) and from the nuclear garment services business (0.2%). The increase in revenues from acquisitions resulted from one acquisition made in fiscal 2000.

Operating Costs. Operating costs increased to \$85.4 million for the second quarter of fiscal 2001 as compared with \$82.7 million for the same period of fiscal 2000. As a percentage of revenues, operating costs decreased to 62.5% from 63.5% for these periods primarily due to lower merchandise costs, offset somewhat by significant increases in energy related costs such as natural gas, electricity and fuel.

Selling and Administrative Expenses. The Company's selling and administrative expenses increased to \$31.7 million, or 23.2% of revenues, for the second quarter of fiscal 2001, comparable to \$31.0 million, or 23.8% of revenues for the same period in fiscal 2000.

Depreciation and Amortization. The Company's depreciation and amortization expense increased to \$9.3 million, or 6.8% of revenues, for the second quarter of fiscal 2001, comparable to \$8.5 million, or 6.6% of revenues, for the same period in fiscal 2000.

Net Interest Expense. Net interest expense was \$2.1 million, or 1.5% of revenues, for the second quarter of fiscal 2001 as compared with \$1.7 million, or 1.3% of revenues, for the same period in fiscal 2000. The increase is primarily attributable to higher interest rates in the fiscal 2001 second quarter, offset somewhat by higher interest income resulting from charges to customers for overdue receivable balances.

Income Taxes. The Company's effective income tax rate was 38.0% for both the second quarter of fiscal 2001 and the second quarter of fiscal 2000.

## LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity at February 24, 2001 was \$278.0 million, or 70.4% of total capitalization.

During the twenty-six weeks ended February 24, 2001 net cash provided by operating activities (\$33.1 million) was primarily used for capital expenditures (\$18.7 million), debt repayment (\$10.0 million), repurchase of common stock (\$3.1 million) and dividends (\$1.3 million).

The Company had \$6.1 million in cash and \$43.8 million available on its \$170 million unsecured line of credit with a syndicate of banks as of February 24, 2001. The Company believes its generated cash from operations and its borrowing capacity will adequately cover its foreseeable capital requirements.

## SEASONALITY

Historically, the Company's revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. These fluctuations have been due to a number of factors, including: general economic conditions in the Company's markets; the timing of acquisitions and of commencing start-up operations and related costs; the effectiveness of integrating acquired businesses and start-up operations; the timing of nuclear plant outages; capital expenditures; seasonal rental and purchasing patterns of the Company's customers; and price changes in response to competitive factors. In addition, the Company's operating results historically have been lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. The operating results for any historical quarter are not necessarily indicative of the results to be expected for an entire fiscal year or any other interim periods.

## EFFECTS OF INFLATION

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.

## SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

Forward looking statements contained in this quarterly report are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors that could cause actual results to differ materially from those reflected in such forward looking statements. Such factors include uncertainties regarding the transfer of the Company's manufacturing facilities to new facilities in Mexico, the Company's ability to consummate and successfully integrate acquired businesses, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, the Company's ability to compete successfully without any significant degradation in its margin rates, seasonal fluctuations in business levels, uncertainties regarding the price levels of natural gas, electricity and fuel, control of the Company by the Croatti family and general economic conditions. When used in this quarterly report, the words "intend," "anticipate," "believe," "estimate," and "expect" and similar expressions as they relate to the Company are included to identify such forward looking statements.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

Management has determined that all of the Company's foreign subsidiaries operate primarily in local currencies that represent the functional currencies of the subsidiaries. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date, while income and expense accounts are translated at average exchange rates during the year. As such, the Company's operating results are affected by fluctuations in the value of the U.S. dollar as compared to currencies in foreign countries, as a result of the Company's transactions in these foreign markets. The Company does not operate a hedging program to mitigate the effect of a significant rapid change in the value of the Canadian Dollar, Euro or Mexican Peso as compared to the U.S. dollar. If such a change did occur, the Company would have to take into account a currency exchange gain or loss in the amount of the change in the U.S. dollar denominated balance of the amounts outstanding at the time of such change. While the Company does not believe such a gain or loss is likely, and would not likely be material, there can be no assurance that such a loss would not have an adverse material effect on the Company's results of operations or financial condition.

#### Interest Rate Risk

The Company is exposed to market risk from changes in interest rates which may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating and financing activities. In fiscal 2000 the Company entered into an interest rate swap agreement with a bank, notional amount \$40 million, maturing October 13, 2004. The Company pays a fixed rate of 6.38% and receives a variable rate tied to the LIBOR rate. As of February 24, 2001 the variable rate was 5.68%.

The Company is exposed to interest rate risk primarily through its borrowings under its \$170 million unsecured line of credit with a syndicate of banks. Under the line of credit, the Company may borrow funds at variable interest rates based on the Eurodollar rate or the bank's money market rate, as selected by the Company. As of February 24, 2001 and February 26, 2000, the fair market values of the Company's outstanding debt and swap agreement approximate their carrying value.

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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

The Company's Annual Meeting of Shareholders was held on January 9, 2001. Cynthia Croatti was reelected and Phillip L. Cohen was elected to the Board of Directors. With respect to Ms. Croatti, 6,333,876 shares of Common Stock and 9,853,952 shares of Class B Common Stock were voted for her election and 801,075 shares of Common Stock were voted against her election. With respect to Mr. Cohen, 6,333,876 shares of Common Stock were voted for his election and 801,075 shares of Common Stock were voted against his election. The terms of office of Messrs. Aldo Croatti, Ronald D. Croatti, Donald J. Evans and Albert Cohen continued after the meeting.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: None

(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  
President and Chief  
Executive Officer

Date: April 10, 2001

/s/ John B. Bartlett

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John B. Bartlett  
Senior Vice President  
and Chief Financial Officer