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

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

FORM 10-Q

- --

[X] Quarterly Report Pursuant To Section 13 or
15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997

or

[ ] 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 1-5581

I.R.S. Employer Identification Number 59-0778222

WATSCO, INC.
(a Florida Corporation)
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133
Telephone: (305) 858-0828

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 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 X NO _

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: 15,235,340 shares of the Company's Common Stock ($.50 par value) and 2,167,453 shares of the Company's Class B Common Stock ($.50 par value) were outstanding as of November 5, 1997.

PART I. FINANCIAL INFORMATION
WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 1997 and December 31, 1996
(In thousands, except per share data)

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 14,380	$ 5,020
Marketable securities	891	334
Accounts receivable, net	128,787	59,523
Inventories	178,101	87,637
Other current assets	9,481	6,502
Total current assets	331,640	159,016
Property, plant and equipment, net	28,993	16,174
Intangible assets, net	72,503	23,596
Other assets	9,255	4,795
	$442,391	$203,581

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 988	$ 794
Accounts payable	52,513	17,343
Accrued liabilities	19,668	10,884
Total current liabilities	73,169	29,021
Long-term obligations:		
Borrowings under revolving credit agreement	135,900	48,000
Bank and other debt	4,611	3,027
	140,511	51,027
Deferred income taxes and credits	1,670	1,604
Preferred stock of subsidiaries	4,413	2,000
Shareholders' equity:		
Common Stock, $.50 par value	7,608	5,927
Class B Common Stock, $.50 par value	1,084	1,089
Paid-in capital	159,304	72,129
Retained earnings	54,632	40,784
Total shareholders' equity	222,628	119,929
	$442,391	$203,581

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Quarters and Nine Months Ended September 30, 1997 and 1996
(In thousands, except per share data)
(Unaudited)

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues:				
Net sales	$195,047	$115,681	$467,945	$297,025
Royalty and service fees	11,535	9,657	32,322	24,599
Total revenues	206,582	125,338	500,267	321,624
Costs and expenses:				
Cost of sales	151,841	89,551	362,966	230,471
Direct service expenses	9,075	7,459	25,294	18,971
Selling, general and administrative	33,554	19,642	84,643	52,482
Total costs and expenses	194,470	116,652	472,903	301,924
Operating income	12,112	8,686	27,364	19,700
Other income, net	435	195	899	547
Interest expense	(1,277)	(832)	(2,844)	(2,966)
Income before income taxes and minority interests	11,270	8,049	25,419	17,281
Income taxes	(4,282)	(3,047)	(9,786)	(6,601)
Minority interests	-	-	-	(116)
Net income	6,988	5,002	15,633	10,564
Retained earnings at beginning of period	48,270	34,298	40,784	29,565
Common stock cash dividends	(593)	(474)	(1,688)	(1,239)
Dividends on preferred stock of subsidiary	(33)	(33)	(97)	(97)
Retained earnings at end of period	$ 54,632	$ 38,793	$ 54,632	$ 38,793
Earnings per share:				
Primary	$.38	$.34	$.88	$.78
Fully diluted	$.38	$.34	$.88	$.77
Weighted average shares and equivalent shares used to calculate:				
Primary earnings per share	18,379	14,538	17,664	13,363
Fully diluted earnings per share	18,423	14,840	17,733	13,759

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 1997 and 1996
(In thousands)
(Unaudited)

	1997	1996
Cash flows from operating activities:		
Net income	$ 15,633	$ 10,564
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,429	3,018
Provision for doubtful accounts	1,576	916
Minority interests, net of dividends paid	-	116
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(29,849)	(14,401)
Inventories	(22,357)	(22,693)
Accounts payable and accrued liabilities	8,082	8,930
Other, net	(5,586)	(393)
Net cash used in operating activities	(28,072)	(13,943)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(116,785)	(15,119)
Capital expenditures, net	(6,836)	(3,639)
Other	(257)	265
Net cash used in investing activities	(123,878)	(18,493)
Cash flows from financing activities:		
Net borrowings under revolving credit agreements	87,900	8,815
Repayments of bank and other debt	(11,514)	(8,514)
Net proceeds from issuance of common stock	86,709	34,329
Common stock cash dividends	(1,688)	(1,239)
Other	(97)	(97)
Net cash provided by financing activities	161,310	33,294
Net increase in cash and cash equivalents	9,360	858
Cash and cash equivalents at beginning of period	5,020	3,751
Cash and cash equivalents at end of period	$ 14,380	$ 4,609

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1997

1. The condensed consolidated balance sheet as of December 31, 1996, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair presentation have been included in the condensed consolidated financial statements herein.

2. The results of operations for the quarter and nine month period ended September 30, 1997 are not necessarily indicative of the results for the year ending December 31, 1997. The sale of the Company's products and services is seasonal with revenues generally increasing during the months of May through August.

3. At September 30, 1997 and December 31, 1996, inventories consisted of (in thousands):

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
Raw materials	$ 3,839	$ 4,208
Work in process	3,010	1,502
Finished goods	171,252	81,927
	$178,101	$87,637

4. In July 1997, the Company completed the acquisition of the common stock of Air Systems Distributors, Inc., a $9 million wholesale distributor of residential and commercial air conditioning equipment and related products which has four branch locations in Florida.

In August 1997, the Company completed the acquisition of the common stock of William Wurzbach Company, Inc. ("Wurzbach"), an $18 million wholesale distributor of parts and supplies for commercial and industrial refrigeration, air conditioning and refrigeration equipment and related products. Wurzbach has twelve branch locations serving markets in northern California and Reno, Nevada.

In September 1997, the Company completed the acquisition of the common stock of Baker Distributing Company ("Baker"), a $148 million wholesale distributor of air conditioning, heating and refrigeration equipment and related parts and supplies. Baker has 83 branch locations serving markets in Florida, Georgia, South Carolina, North Carolina, Virginia, Alabama and Louisiana.

Consideration for these acquisitions totaled $68.1 million and consisted of cash payments aggregating approximately $60.6 million and the issuance of approximately 80,000 shares of Common Stock and is subject to adjustment upon the completion of audits of the assets purchased and the liabilities assumed. These acquisitions were accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the condensed consolidated statement of income beginning on their respective dates of acquisition. The excess of the aggregate purchase prices over the net assets acquired of approximately $32.4 million is being amortized on a straight-line basis over 40 years. In connection with these acquisitions, the Company assumed liabilities of approximately $24.8 million.

5. In August, 1997, the Company executed an amended and restated bank-syndicated credit agreement which provides for borrowings of up to $260 million, expiring on August 8, 2002. The unsecured agreement will be used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the revolving credit agreement bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (30-day LIBOR plus .375% at September 30, 1997). The revolving credit agreement contains financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios, and limits capital expenditures and dividends in addition to other restrictions.

6. The Company has evaluated the pro forma effects of the recent accounting pronouncement, SFAS No. 128, "Earnings Per Share", which will be effective for fiscal years ending after December 15, 1997. Based on this evaluation, the pro forma effects are not material to the Company's consolidated financial position, liquidity or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table presents certain items of the Company's condensed consolidated financial statements for the quarters and nine months ended September 30, 1997 and 1996 expressed as a percentage of revenues:

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales and direct service expenses	(77.9)	(77.4)	(77.6)	(77.6)
Gross profit	22.1	22.6	22.4	22.4
Selling, general and administrative expenses	(16.2)	(15.7)	(16.9)	(16.3)
Operating income	5.9	6.9	5.5	6.1
Other income, net	.2	.2	.2	.2
Interest expense	(.6)	(.7)	(.6)	(.9)
Income taxes	(2.1)	(2.4)	(2.0)	(2.1)
Net income	3.4%	4.0%	3.1%	3.3%

The above table and following narrative includes the results of operations of companies acquired during 1997 and 1996 as follows: Three States Supply Company, Inc., acquired in April 1996; Serviceman Supplies, Inc., acquired in October 1996; Coastal Supply Company, Inc., acquired in December 1996; Coastline Distribution, Inc. and four A&C Distributors, Inc. branch operations, acquired in January 1997; Comfort Products Distributing, Inc. and Central Plains Distributing, Inc., acquired in March 1997; Weathertrol Supply Company, acquired in June 1997; Air Systems Distributors, Inc., acquired in July 1997; and William Wurzbach Company, Inc., acquired in August 1997 (collectively, the "acquisitions"). These acquisitions were accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated results of the Company beginning on their respective dates of acquisition.

QUARTER ENDED SEPTEMBER 30, 1997 VS. QUARTER ENDED SEPTEMBER 30, 1996

Revenues for the three months ended September 30, 1997 increased $81.2 million, or 65%, compared to the same period in 1996. In the distribution operations, revenues increased $81.0 million, or 75%. Excluding the effect of acquisitions, revenues for the distribution operations increased $12.6 million, or 12%. Such increase was primarily due to sales generated from expanded product lines of parts and supplies.

Gross profit for the three months ended September 30, 1997 increased $17.3 million, or 61%, compared to the same period in 1996, primarily as a result of the aforementioned revenue increases. In the distribution operations, gross profit increased $17.9 million or 76%. Excluding the effect of acquisitions, gross profit for the distribution operations increased $2.8 million, or 12%. Gross profit margin decreased to 22.1% in 1997 from 22.6% in 1996 primarily due to lower revenues and higher production costs in the Company's manufacturing operations. Excluding the effect of acquisitions, gross profit margin for the distribution operations was unchanged from 1996 at 21.8%.

Selling, general and administrative expenses for the three months ended September 30, 1997 increased $13.9 million, or 71%, compared to the same period in 1996. In the distribution operations, selling, general and administrative expenses increased $13.6 million or 91%. Excluding the effect of acquisitions, selling, general and administrative expenses for the distribution operations increased $2.2 million, or 15%, primarily due to increased revenues and higher costs related to new branches and expansion of existing branches. Selling, general and administrative costs as a percent of revenues increased to 16.2% in 1997 from 15.7% in 1996, primarily due to the higher cost structures of acquired companies and startup costs related to the opening of new distribution branches. Excluding the effect of acquisitions, selling, general and administrative costs as a percent of revenues increased to 16.1% in 1997 from 15.7% in 1996, primarily due to branch expansions, the relatively higher cost structures of new distribution branches, and lower revenues in the Company's manufacturing operations.

Interest expense for the third quarter of 1997 increased $445,000, or 54%, compared to the same period in 1996 primarily due to higher average borrowings. Excluding the effect of acquisitions, interest expense decreased $807,000, or 97% primarily due to a reduction in average borrowings funded by proceeds from the sale of the Company's Common Stock in February 1997.

The effective tax rate for the three months ended September 30, 1997 was 38.0% compared to 37.9% for the same period in 1996. The increase is primarily a result of a higher effective Federal income tax rate.

NINE MONTHS ENDED SEPTEMBER 30, 1997 VS. NINE MONTHS ENDED SEPTEMBER 30, 1996

Revenues for the nine months ended September 30, 1997 increased $178.6 million, or 56%, compared to the same period in 1996. In the distribution operations, revenues increased $172.9 million, or 62%. Excluding the effect of acquisitions, revenues for the distribution operations increased $18.4 million, or 7%. This increase was primarily due to sales generated from expanded product lines of parts and supplies.

Gross profit for the nine months ended September 30, 1997 increased $39.8 million, or 55%, compared to the same period in 1996, primarily as a result of the aforementioned revenue increases. In the distribution operations, gross profit increased $39.3 million or 65%. Excluding the effect of acquisitions, gross profit for the distribution operations increased $5.0 million, or 8%. Gross profit margin for the nine month period was unchanged from 1996 at 22.4%. Excluding the effect of acquisitions, gross profit margin for the distribution operations increased to 22.0% in 1997 from 21.7% in 1996.

Selling, general and administrative expenses for the nine months ended September 30, 1997 increased $32.2 million, or 61%, compared to the same period in 1996. In the distribution operations, selling, general and administrative expenses increased $30.3 million or 76%. Excluding the effect of acquisitions, selling, general and administrative expenses for the distribution operations increased $4.1 million, or 10%, primarily due to increased revenues and the higher costs related to new branches and expansion of existing branches. Selling, general and administrative expenses as a percent of revenues increased to 16.9% in 1997 from 16.3% in 1996, primarily due to the higher cost structures of acquired companies, startup costs related to the opening of new distribution branches, and lower revenues in the Company's manufacturing operations. Excluding the effect of acquisitions, selling, general and administrative expenses as a percent of revenues increased to 16.9% in 1997 from 16.3% in 1996, primarily due to branch expansions, the relatively higher cost structures of new distribution branches, and lower revenues in the Company's manufacturing operations.

Interest expense for the nine months ended September 30, 1997 decreased $122,000, or 4%, compared to the same period in 1996. Excluding the effect of acquisitions, interest expense decreased $2.8 million, or 94% primarily due to a reduction in average borrowings funded by proceeds from the sale of the Company's Common Stock in February 1997.

Minority interest expense for the nine months ended September 30, 1997 decreased $116,000 compared to the same period in 1996. This decrease was due to the Company's acquisition of the minority interests in three of its distribution subsidiaries in March 1996. Following the acquisition, all of the Company's subsidiaries were wholly owned.

The effective tax rate for the nine months ended September 30, 1997 was 38.5% compared to 38.2% for the same period in 1996. The increase is primarily a result of a higher effective Federal income tax rate.

LIQUIDITY AND CAPITAL RESOURCES

In August 1997, the Company executed an amended and restated bank-syndicated credit agreement which provides for borrowings of up to $260 million, expiring on August 8, 2002. The unsecured agreement will be used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the revolving credit agreement, which totaled $135.9 million at September 30, 1997, bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .375% at September 30, 1997). The revolving credit agreement contains financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios, and limits capital expenditures and dividends in addition to other restrictions.

During the third quarter, the Company completed the acquisitions of three wholesale distributors of air conditioning equipment and related parts and supplies: Air Systems Distributors, Inc., based in Miami, Florida; William Wurzbach Company, Inc., based in Oakland, California; and Baker Distributing Company, based in Jacksonville, Florida. Consideration for these acquisitions consisted of cash and common stock. Cash consideration paid, net of cash acquired, was approximately $60.6 million and was funded from borrowings under the Company's aforementioned revolving credit agreement.

The Company has adequate availability of capital from operations and its revolving credit agreement to fund present operations and anticipated growth, including expansion in the Company's current and targeted market areas. The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company currently has no binding agreement with respect to any acquisition candidates. Should suitable acquisition opportunities or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms.

Working capital increased to $258.5 million at September 30, 1997 from $130.0 million at December 31, 1996. This increase was funded by the receipt of net proceeds of approximately $85.2 million from the sale of 3,000,000 shares of the Company's Common Stock in February 1997 and borrowings under the Company's revolving credit agreement.

Cash and cash equivalents increased $9.4 million during the nine month period ended September 30, 1997. Principal sources of cash were net proceeds from the issuance of common stock, borrowings under the revolving credit agreement and profitable operations. The principal uses of cash were to fund working capital needs, finance business acquisitions and capital expenditures, and repay bank and other debt.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no significant changes from the information reported in the Annual Report on Form 10-K for the period ended December 31, 1996, filed on March 31, 1997.

Item 2. Changes in the Rights of the Company's Security Holders

None

Item 3. Defaults by the Company on its Senior Securities

None

Item 4. Results of Votes of Securities Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11. Computation of Earnings Per Share for the Quarters and Nine Months Ended September 30, 1997 and 1996.

27. Financial Data Schedule (for SEC use only).

(b) Reports on Form 8-K filed during the quarter

October 15, 1997 - The following event was reported:

Item 2. The purchase of all of the issued and outstanding capital stock of Baker Distributing Company for approximately $60 million.

Item 7. The following financial statements of Baker Distributing Company and subsidiary were filed:

Independent Auditors' Report

Consolidated Balance Sheets as of June 30, 1997 (unaudited) and September 30, 1996

Consolidated Statements of Income and Retained Earnings for the nine months ended June 30, 1997 and 1996 (unaudited) and the year ended September 30, 1996

Consolidated Statements of Cash Flows for the nine months ended June 30, 1997 and 1996 (unaudited) and the year ended September 30, 1996

Notes to Consolidated Financial Statements

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.

WATSCO, INC.

(Registrant)

By: /S/ BARRY S. LOGAN

Barry S. Logan
Vice President and Secretary
(Chief Financial Officer)

November 14, 1997

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
11	Computation of Earnings Per Share for the Quarters and Nine Months Ended September 30, 1997 and 1996.
27	Financial Data Schedule

EXHIBIT 11

WATSCO, INC.
COMPUTATION OF EARNINGS PER SHARE
Quarters and Nine Months Ended September 30, 1997 and 1996
(In thousands, except per share data)

	QUARTERS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Net income	$6,988	$5,002	$15,633	$10,564
Less subsidiary preferred stock dividend	(33)	(33)	(97)	(97)
Income applicable to common stock for primary earnings per share	6,955	4,969	15,536	10,467
Add interest expense, net of income tax effects, attributable to convertible debentures	-	22	-	70
Income applicable to common stock for fully diluted earnings per share	$6,955	$4,991	$15,536	$10,537
Weighted average common shares outstanding	17,286	13,631	16,596	12,507
Additional shares assuming exercise of stock options and warrants	1,093	907	1,068	856
Shares used for primary earnings per share	18,379	14,538	17,664	13,363
Additional shares assuming:				
Exercise of stock options and warrants	44	37	69	84
Conversion of 10% Convertible Subordinated Debentures due 1996	-	265	-	312
Shares used for fully diluted earnings per share	18,423	14,840	17,733	13,759
Earnings per share:				
Primary	$.38	$.34	$.88	$.78
Fully diluted	$.38	$.34	$.88	$.77

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM THE WATSCO, INC. FORM 10-Q FOR THE
QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-31-1997
SEP-30-1997
14,380
891
135,037
6,250
178,101
331,640
53,634
24,641
442,391
73,169
140,511
8,692
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0
213,936
442,391
467,945
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362,966
388,260
83,067
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9,786
15,633
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15,633
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0.88