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 MARCH 31, 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 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 [X] NO [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: 15,028,600 shares of the Company's Common Stock ($.50 par value) and 2,179,847 shares of the Company's Class B Common Stock ($.50 par value) were outstanding as of May 13, 1997.

PART I. FINANCIAL INFORMATION
WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 1997 AND DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	MARCH 31, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,936	$ 5,020
Marketable securities	1,124	334
Accounts receivable, net	81,227	59,523
Inventories	133,808	87,637
Other current assets	7,588	6,502
Total current assets	227,683	159,016
Property, plant and equipment, net	19,081	16,174
Intangible assets, net	35,512	23,596
Other assets	5,974	4,795
	$288,250	$203,581
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 942	$ 794

Accounts payable	33,650	17,343
Accrued liabilities	9,969	10,884
Total current liabilities	44,561	29,021
Long-term obligations:		
Borrowings under revolving credit agreement	26,100	48,000
Bank and other debt	5,417	3,027
	31,517	51,027
Deferred income taxes	911	911
Deferred credits	2,439	693
Preferred stock of subsidiary	2,000	2,000
Shareholders' equity:		
Common Stock, $.50 par value	7,491	5,927
Class B Common Stock, $.50 par value	1,107	1,089
Paid-in capital	155,681	72,129
Retained earnings	42,543	40,784
Total shareholders' equity	206,822	119,929
	$288,250	$203,581

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 1997 and 1996
(In thousands, except per share data)
(Unaudited)

	1997	1996
Revenues:		
Net sales	$ 101,745	$ 70,675
Royalty and service fees	9,567	7,114
Total revenues	111,312	77,789
Costs and expenses:		
Cost of sales	77,851	54,671
Direct service expenses	7,435	5,483
Selling, general and administrative	21,750	14,366
Total costs and expenses	107,036	74,520
Operating income	4,276	3,269
Other income, net	213	69
Interest expense	(778)	(1,045)
Income before income taxes and minority interests	3,711	2,293
Income taxes	(1,429)	(871)
Minority interests	--	(116)
Net income	2,282	1,306
Retained earnings at beginning of period	40,784	31,136
Common stock cash dividends	(491)	(315)
Dividends on preferred stock of subsidiary	(32)	(32)
Retained earnings at end of period	$ 42,543	$ 32,095
Earnings per share:		
Primary	$ .14	$ .11
Fully diluted	$ .14	$ .11
Weighted average shares and equivalent shares used to calculate (1):		
Primary earnings per share	16,400	11,101
Fully diluted earnings per share	16,400	11,553

(1) Weighted average common shares used in the calculation of earnings per share for the quarter ended March 31, 1996 have been restated to reflect a 3-for-2 stock split paid on June 14, 1996.

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1997 AND 1996
(In thousands)
(Unaudited)

	1997	1996
Cash flows from operating activities:		
Net income	$ 2,282	$ 1,306
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,264	799
Provision for doubtful accounts	149	220
Minority interests, net of dividends paid	--	116
Change in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(3,504)	(2,309)
Inventories	(13,678)	(10,895)
Accounts payable and accrued liabilities	3,885	(359)
Other, net	(2,127)	(435)
Net cash used in operating activities	(11,729)	(11,557)
Cash flows from investing activities:		
Capital expenditures, net	(2,167)	(1,142)
Business acquisitions, net of cash acquired	(48,891)	--
Net sales (purchases) of marketable securities	(712)	267
Net cash used in investing activities	(51,770)	(875)
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit agreements	(21,900)	13,904
Net repayments of short-term promissory notes	--	(1,500)
Net repayments of long-term obligations	(335)	(33)
Net proceeds from issuances of common stock	85,173	33,938
Cash dividends	(491)	(315)
Other	(32)	(32)
Net cash provided by financing activities	62,415	45,962
Net increase (decrease) in cash and cash equivalents	(1,084)	33,530
Cash and cash equivalents at beginning of period	5,020	3,751
Cash and cash equivalents at end of period	$ 3,936	$ 37,281
Supplemental cash flow information:		
Interest paid	$ 772	$ 980
Income taxes paid	$ 610	$ 58

See accompanying notes to condensed consolidated financial statements.

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 ended March 31, 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 March 31, 1997 and December 31, 1996, inventories consist of (in thousands):

	MARCH 31, 1997	DECEMBER 31, 1996
Raw materials	$ 5,158	$ 4,208
Work in process	1,512	1,502
Finished goods	127,138	81,927
	$133,808	$ 87,637

4. In January 1997, the Company completed the acquisition of the common stock of Coastline Distribution, Inc. ("Coastline") and the purchase of substantially all of the operating assets of four branch operations from Inter-City Products Corporation (USA). Coastline and the branches operate as wholesale distributors of residential air conditioning and heating products in Florida, Georgia, southern Alabama, North Carolina, South Carolina, southern California, northern Virginia and Maryland.

   In March 1997, the Company completed the purchase of substantially all of the operating assets and assumption of certain liabilities of Carrier Corporation's Comfort Products Distributing ("Comfort Products") and Central Plains Distributing ("Central Plains") distribution operations. Comfort Products and Central Plains sell heating and air conditioning products from eight branches serving markets in Missouri, Kansas, Nebraska, Iowa, North Dakota and South Dakota.

   Cash consideration paid by the Company for these acquisitions totaled approximately $48.9 million and is subject to adjustment upon the completion of an audit 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 $11.9 million is being amortized on a straight-line basis over 40 years. In connection with these acquisitions, the Company assumed liabilities of approximately $15.1 million.

5. In February 1997, the Company completed the sale of 3,000,000 shares of Common Stock in a public offering resulting in net proceeds of approximately $85.2 million, a significant portion of which was used to repay borrowings under its revolving credit agreement. In March 1997, the Company used a portion of the proceeds to fund the acquisition of Carrier Corporation's Comfort Products and Central Plains distribution operations discussed above. The Company intends to use the remaining net proceeds for general corporate purposes including potential acquisitions.

6. In April 1997, the Company announced that it (or its subsidiaries) had signed letters of intent to acquire the net assets and businesses of four wholesale distributors of air conditioning, heating and refrigeration equipment and related parts and supplies. The businesses to be acquired have aggregate annual revenues of approximately $57 million, collectively operate 30 branches and serve markets in Texas, California, North Carolina, Tennessee, Louisiana, Nevada, and Oklahoma. The transactions are subject to the execution of definitive agreements and other conditions.

7. Certain amounts for 1996 have been reclassified to conform with the 1997 presentation.

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

QUARTER ENDED MARCH 31, 1997 VS. QUARTER ENDED MARCH 31, 1996

RESULTS OF OPERATIONS

The following table presents certain items of the Company's consolidated financial statements for the three months ended March 31, 1997 and 1996, expressed as a percentage of revenues:

	1997	1996
Revenues	100.0%	100.0%
Cost of sales and direct service expenses	(76.6)	(77.3)
Gross profit	23.4	22.7
Selling, general and administrative expenses	(19.5)	(18.5)
Operating income	3.9	4.2
Other income, net	.2	-
Interest expense	(.7)	(1.3)
Income taxes	(1.3)	(1.1)
Minority interests	-	(.1)
Net income	2.1%	1.7%

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 branch operations, acquired in January 1997; and Comfort Products Distributing, Inc. and Central Plains Distributing, Inc., acquired in March 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.

Revenues for the three months ended March 31, 1997 increased $33.5 million, or 43%, compared to the same period in 1996. In the climate control segment, revenues increased $31.1 million, or 44%. Excluding the effect of acquisitions, revenues for the climate control segment increased $1.8 million, or 3%. Such increase was primarily due to greater sales of parts and supplies resulting from expanded product lines.

Gross profit for the three months ended March 31, 1997 increased $8.4 million, or 48%, as compared to the same period in 1996. Excluding the effect of acquisitions, gross profit increased $1.2 million, or 7%, primarily as a result of the aforementioned revenue increase and improvement in gross profit margins. Gross profit margin in the first quarter increased to 23.4% in 1997 from 22.7% in 1996. Excluding the effect of acquisitions, gross profit margin increased to 23.3% in 1997 from 22.7% in 1996. These increases were primarily due to certain vendor price increases during 1995 which the Company did not begin passing on to customers until the second quarter of 1996 and the effect of new vendor procurement programs benefiting the Company with lower purchase costs for certain parts and supplies in 1997.

Selling, general and administrative expenses for the three months ended March 31, 1997 increased $7.3 million, or 51%, compared to the same period in 1996, primarily due to selling and delivery costs related to increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $1.3 million, or 9%, primarily due to revenue increases. Selling, general and administrative expenses as a percent of revenues increased to 19.5% in 1997 from 18.5% in 1996, primarily due to 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 expenses as a percent of revenues increased to 19.3% in 1997 from 18.5% in 1996, primarily due to relatively higher cost structures of new distribution branches.

Interest expense for the first quarter in 1997 decreased approximately $267,000, or 26%, compared to the same period in 1996 and, excluding the effect of acquisitions, interest expense decreased $737,000, or 71%, primarily due to lower average borrowings.

In March 1996, the Company acquired the minority interests in certain of its distribution subsidiaries. Therefore, there was no minority interest expense in the first quarter of 1997.

The effective tax rate for the three months ended March 31, 1997 was 38.5% compared to 38.0% for the same period in 1996. This increase was due to a greater percentage of income earned in states having higher tax rates in 1997 as compared to 1996.

LIQUIDITY AND CAPITAL RESOURCES

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. At March 31, 1997, borrowings under the revolving credit agreement totaled $26.1 million and bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus 3/8% at March 31, 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.

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 $183.1 million at March 31, 1997 from $130.0 million at December 31, 1996. This increase is primarily due to 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. In March 1997, the Company used the net proceeds to pay down its revolving credit agreement and to fund the acquisitions of Comfort Products and Central Plains.

Cash and cash equivalents decreased $1.1 million during the first quarter of 1997. Principal sources of cash during the quarter were net proceeds from the issuance of common stock, borrowings under the revolving credit agreements and profitable operations. The principal uses of cash were to fund working capital needs, finance business acquisitions and repay long-term obligations. Inventory purchases are substantially funded by borrowings under a revolving credit agreement.

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 Ended March 31, 1997 and 1996.

27. Financial Data Schedule (for SEC use only)

(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.

WATSCO, INC.

(Registrant)

By: /s/ RONALD P. NEWMAN

Ronald P. Newman
Vice President and Secretary
(Chief Financial Officer)

May 14, 1997

EXHIBIT		PAGE
11	Computation of Earnings Per Share	12
27	Financial Data Schedule	13

COMPUTATION OF EARNINGS PER SHARE
QUARTERS ENDED MARCH 31, 1997 AND 1996
(In thousands, except per share data)

	1997	1996(1)
Net income	$ 2,282	$ 1,306
Less subsidiary preferred stock dividend	(32)	(32)
Income applicable to common stock for primary earnings per share	2,250	1,274
Add interest expense, net of income tax effects, attributable to convertible debentures	--	25
Income applicable to common stock for fully diluted earnings per share	$ 2,250	$ 1,299
Weighted average common shares outstanding	15,298	10,368
Additional shares assuming exercise of stock options and warrants	1,102	733
Shares used for primary earnings per share	16,400	11,101
Additional shares assuming exercise of stock options and warrants	--	117
Conversion of 10% Convertible Subordinated Debentures due 1996	--	335
Shares used for fully diluted earnings per share	16,400	11,553
Earnings per share:		
Primary	$ .14	$ .11
Fully diluted	$ .14	$ .11

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(1) Weighted average common shares outstanding have been restated to include the effect of a 3-for-2 stock split paid on June 14, 1996.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE WATSCO, INC. FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
DEC-31-1997
MAR-31-1997
3,936
1,124
86,147
4,920
133,808
227,683
36,107
17,026
288,250
44,561
31,517
0
0
8,598
198,224
288,250
101,745
111,312
77,851
85,286
21,601
149
778
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0
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0
2,282
0.14
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