FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1997-03-10** | Period of Report: **1997-01-31**
SEC Accession No. 0000912295-97-000003

FILER

GC COMPANIES INC

CIK:**912295**| IRS No.: **043200876** | State of Incorp.:**DE** | Fiscal Year End: **1031**
Type: **10-Q** | Act: **34** | File No.: **001-12360** | Film No.: **97553864**
SIC: **7830** Motion picture theaters

Mailing Address
27 BOYLSTON ST
CHESTNUT HILL MA 02167

Business Address
27 BOYLSTON ST
CHESTNUT HILL MA 02167
6172785600

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	January 31, 1997
Commission File Number	1-12360

GC COMPANIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-3200876
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
27 Boylston Street, Chestnut Hill, MA	02167
(Address of principal executive offices)	(Zip Code)

(617)278-5600
(Registrant's telephone number, including area code)

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

As of March 6, 1997, there were outstanding 7,705,239 shares of the issuer's common stock, $.01 par value.

GC COMPANIES, INC.

I N D E X

GC COMPANIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>
(In thousands)

<S>	January 31, 1997 (Unaudited) <C>	October 31, 1996 (Audited) <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 62,794	$ 71,745
Short-term investments	35,800	1,566
Receivable from financial institution	6,611	17,599
Other current assets	3,505	3,602
Deferred income taxes	2,552	2,552
Total current assets	111,262	97,064
Property and equipment, net	160,341	162,847
Other assets	61,570	54,392
Total assets	$ 333,173	$ 314,303
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities of long-term obligations	$ 718	$ 721
Trade payables	44,066	30,514
Other current liabilities	66,059	62,428
Total current liabilities	110,843	93,663
Long-term liabilities:		
Capital lease obligations	2,910	3,059
Other long-term liabilities	29,072	29,029
Total long-term liabilities	31,982	32,088
Deferred income taxes	12,571	12,571
Shareholders' equity:		
Common stock	77	78
Additional paid-in capital	136,606	136,359
Retained earnings	41,094	39,544
Total shareholders' equity	177,777	175,981
Total liabilities and shareholders' equity	$ 333,173	$ 314,303

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GC COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

<TABLE>
<CAPTION>

(In thousands except for per share amounts)	For the three months ended January 31, 1997	1996
<S>	<C>	<C>
Revenues:		
Admissions	$ 85,269	$ 86,004
Concessions	36,568	36,585
Other	4,397	3,893
	126,234	126,482
Costs of theatre operations:		
Film rentals	46,444	46,951
Concessions	6,557	6,790
Theatre operations and administrative expenses	58,702	56,589
Depreciation and amortization	4,625	5,030
	116,328	115,360
Corporate expenses	1,708	1,548
Operating earnings	8,198	9,574
Investment income, net	1,026	239
Interest expense	(134)	(160)
Gain/(loss) on disposition of theatre assets	385	(46)
Earnings before income taxes	9,475	9,607
Income tax expense	(3,885)	(3,939)
Net earnings	$ 5,590	$ 5,668
Weighted average number of common and common equivalent shares outstanding	7,825	7,850
Net earnings per common share	$ .71	$ .72

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GC COMPANIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>
(In thousands)

<S>	For the three months ended January 31, 1997 <C>	1996 <C>
Cash flows from operating activities:		
Net earnings	$ 5,590	$ 5,668
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Gain) loss on disposition of theatre assets	(385)	46
Loss from minority investment	-	645
Depreciation and amortization	4,625	5,030
Changes in current assets and liabilities:		
Other current assets	11,085	2,524
Trade payables	13,552	7,642
Other current liabilities	3,631	1,407
Net cash provided by operating activities	38,098	22,962
Cash flows from investing activities:		
Capital expenditures	(2,474)	(5,404)
Proceeds from the disposition of theatre assets	765	35
(Purchase of) proceeds from the liquidation of short-term investments	(34,234)	25,486
Purchase of investment	(7,000)	-
Other investing activities	(395)	136
Net cash (used) provided by investing activities	(43,338)	20,253
Cash flows from financing activities:		
Repurchase of common stock	(4,040)	-
Other financing activities	329	26
Net cash (used) provided by financing activities	(3,711)	26
Net change in cash and cash equivalents	(8,951)	43,241
Cash and cash equivalents at beginning of period	71,745	35,999
Cash and cash equivalents at end of period	$62,794	$79,240

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

GC COMPANIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of presentation

The condensed consolidated financial statements of GC Companies, Inc. (GCC or the Company) are submitted in response to the requirements of Form 10-Q and should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K. In the opinion of management, these financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. Certain prior year amounts have been reclassified to conform to the current year presentation. The Company's business is seasonal in nature, and historically the results of operations for these periods have not been indicative of the results for the full year.

2. Other assets

Included in other assets at January 31, 1997 were a $16.6 million investment in an optical superstore retailer, a $13.4 million investment in a German cable television systems operator, a $20.2 million investment in an international telecommunications service provider and a $7.0 million investment in a wireless location and two-way messaging company. The Company closed on the $7.0 million investment in the wireless location and two-way messaging company in December 1996.

3. Stock repurchase

In December 1996, the Company's Board of Directors authorized the purchase of up to one million shares of the Company's common stock in the open market over the next twelve months. During the quarter ended January 31, 1997, the Company repurchased 111,400 shares at an average price of approximately $36.28 per share. The shares repurchased were immediately retired. Differences between the par value of the shares and their repurchase price were charged against retained earnings.

GC COMPANIES, INC.

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

Results of Operations

Three Months Ended January 31, 1997 versus Three Months Ended January 31, 1996

Theatre revenues - Total revenues decreased slightly to $126.2 million in 1997 from $126.5 million in 1996. The decrease in revenues was primarily attributable to a 2.9% decrease in patronage substantially offset by a 2.1% increase in average ticket price, and a 2.9% increase in concession sales per patron. The growth in concession sales per patron was principally due to limited price increases and new product offerings.

Costs of theatre operations - Costs of theatre operations, including theatre general and administrative expenses, increased slightly for the three months ended January 31, 1997 to $116.3 million from $115.4 million in the same 1996 period. As a percentage of revenues, costs of theatre operations were 92.2% for the 1997 quarter compared to 91.2% for the 1996 quarter. The increase was primarily due to an increase in the minimum wage rate and operating costs related to the two recently opened megaplexes in Chicago. These increases were partially offset by lower film and concession costs. The Company operated 1,181 screens at January 31, 1997 compared to 1,191 screens at January 31, 1996.

Investment income (loss), net - Net investment income increased to $1.0 million in the first quarter of 1997 from $0.2 million in the same 1996 period. During the first three months of 1997, the Company recorded $1.0 million of dividend and interest income from its short-term investment portfolio. Net investment income for the three months ended January 31, 1996 included $1.0 million of dividend and interest income partially offset by a $0.6 million pretax charge to record the Company's share of losses incurred by its radio group minority investment.

Income tax expense - The Company's effective tax rate is expected to be 41.0% in fiscal 1997,unchanged from fiscal 1996.

Liquidity and Capital Resources

Virtually all of GCC's revenues are collected in cash, principally through theatre admissions and concession sales. Because revenues are received in cash prior to the payment of related expenses, the Company has historically not required working capital to finance its growth or to meet its operating requirements. Cash generated by the business in excess of that needed for operations and capital expenditures will be available for investment.

The Company has commitments to open 17 new megaplex theatres with approximately 270 screens during the next three years, including 80 screens in fiscal 1997. In November 1996, two new units with a combined 30 screens opened in the Chicago area. GCC entered into an agreement in November 1996 with a major financial institution to provide operating leases for up to $250 million of assets over the next five years for its theatre expansion program. A receivable due from this financial institution may arise from time to time throughout the year from GCC initially advancing monies for leased assets as the financial institution's agent. On a periodic basis, these advances are reimbursed by the financial institution. The $17.6 million receivable at October 31, 1996 was reimbursed to the Company in December 1996.

GC COMPANIES, INC.

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

Liquidity and Capital Resources (continued)

For the three months ended January 31, 1997, GCC made expenditures of $2.5 million for leasehold improvements, furniture and equipment purchases, and new point-of-sale systems. Total capital expenditures are expected to approximate $10.3 million during fiscal 1997.

The Company invested $34.2 million of cash in certain short-term securities during the first three months of 1997. These securities are highly liquid and consist of high quality commercial paper, certificates of deposit, corporate debt securities and securities of U.S. government agencies.

On December 6, 1996, the Company invested $7.0 million in a wireless location and two-way messaging company.

The Company has significant lease commitments. Lease payments totaled $57.7 million in 1996 and minimum lease payments from existing obligations are expected to approximate $62.7 million in 1997. Additional lease commitments will arise as the Company implements its new operating lease facility.

In December 1996, the Company's Board of Directors authorized the repurchase of up to one million shares of the Company's common stock over the next twelve months. During January 1997, the Company repurchased 111,400 shares at a cost of $4.0 million.

The Company believes that cash generated from operations, cash and short-term investments on hand, the $50 million available under the Company's revolving credit agreement, which expires in June 1997, and the operating lease arrangement will be sufficient to fund operating requirements, capital expenditures and the Company's investment activities for the foreseeable future. It is the Company's intention to negotiate a new revolving credit agreement when the existing facility expires in June 1997.

Forward-looking Statements

From time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing, including those contained herein. Such forward-looking statements may be included in, without limitation, reports to stockholders, press releases, oral statements made with the approval of an authorized executive officer of the Company and filings with the Securities and Exchange Commission. The words or phrases "anticipates", "expects", "will continue", "estimates", "projects", or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

The results contemplated by the Company's forward-looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to vary materially from anticipated results, including without limitation, delays in obtaining leases for new megaplex locations, construction risks and delays, the lack of strong film product, the impact of competition, market and other risks associated with the Company's investment activities and other factors described herein and in the Company's Annual Report included in its Form 10-K.

PART II

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

11.1 Computation of weighted average number of shares outstanding used in determining primary and fully diluted earnings per share.

27.1 Financial data schedule.

(b) Reports on Form 8-K.

The Company did not file any reports on Form 8-K during the quarter ended January 31, 1997.

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 hereunto duly authorized.

GC COMPANIES, INC.

Date: March 10, 1997

s/ Richard A. Smith
Richard A. Smith
Chairman of the Board of Directors and Chief Executive Officer

Date: March 10, 1997

s/ G. Gail Edwards
G. Gail Edwards
Vice President, Chief Financial Officer and Treasurer
Principal Accounting Officer

EXHIBIT 11.1

GC COMPANIES, INC.

Computation of weighted average number of shares outstanding used in determining primary and fully diluted earnings per share:

(In thousands)

	For the three months ended January 31, 1997	1996
PRIMARY		
1. Weighted average number of common shares outstanding	7,793	7,815
2. Assumed exercise of certain stock options based on average market value	32	35
3. Weighted average number of shares used in primary per share computations	7,825	7,850
FULLY DILUTED (A)		
1. Weighted average number of common shares outstanding	7,793	7,815
2. Assumed exercise of all dilutive options based on higher of average or closing market value	36	36
3. Weighted average number of shares used in fully diluted per share computations	7,829	7,851

(A) This calculation is submitted in accordance with Securities Exchange Act of 1934 Release No. 9083 although not required by Footnote 2 to Paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

<TABLE> <S> <C>

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This schedule contains a summary of financial information extracted from the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Earnings and is qualified in its entirety by reference to such financial statements.
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