FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-08-26** | Period of Report: **1996-07-13**
SEC Accession No. 0000914427-96-000069

FILER

BERTUCCIS INC

CIK:**874971**| IRS No.: **042947209** | State of Incorp.:**MA** | Fiscal Year End: **1228**
Type: **10-Q** | Act: **34** | File No.: **000-19315** | Film No.: **96620545**
SIC: **5812** Eating places

Mailing Address
14 AUDUBON ROAD
WAKEFIELD MA 01880

Business Address
14 AUDUBON ROAD
WAKEFIELD MA 01880
6172466700

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

For the Quarterly Period Ended July 13, 1996

Commission File Number 0-19315

Bertucci's, Inc.
(Exact name of registrant as specified in its charter)

Massachusetts 04-2947209

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

14 Audubon Road, Wakefield, Massachusetts 01880
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (617) 246-6700

Indicate by check mark whether the registrant (1) has filed all reports required to be filled by section 13 or 15(d) of the Securities Exchange Act of the 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 the filing requirements for the past 90 days.

Yes [X] No

On August 23, 1996, 8,752,928 shares of the registrant's Common Stock were outstanding.

BERTUCCI'S, INC.

FORM 10-Q

TABLE OF CONTENTS

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PART I:FINANCIAL INFORMATION

BERTUCCI'S, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

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	July 13, 1996	December 30, 1995
	(in thousands)	
ASSETS		
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CURRENT ASSETS:		
Cash and cash equivalents	$ 1,146	$ 1,384
Inventories	995	951
Accounts receivable	148	154
Note receivable	70	70
Prepaid expenses	407	366
Deferred preopening costs	750	818
Prepaid taxes	758	758
Total current assets	4,274	4,501
PROPERTY AND EQUIPMENT, at cost:		
Land	2,902	2,902
Buildings	10,345	10,324
Leasehold improvements	70,845	69,028
Machinery and equipment	34,968	32,274
Construction in progress	1,591	1,216
Equipment under capital lease	164	164
	120,815	115,908
Less - Accumulated depreciation	28,098	26,048
Net property and equipment	92,717	89,860
PREPAID TAXES	2,405	2,405
OTHER ASSETS	2,114	2,172
	$ 101,510	$ 98,938
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable-current	$ 25	$ 25
Accounts payable	4,319	4,243
Accrued expenses	765	513
Accrued restaurant closing expense	1,273	1,539
Accrued payroll and employee benefits	2,510	2,419
Accrued taxes	1,875	1,019
Total current liabilities	10,767	9,758
DEFERRED RENT	5,870	5,575
NOTES PAYABLE	50	75
LONG-TERM DEBT	19,438	19,438
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value - Authorized - 200,000 shares, none issued	-	-
Common stock, $.005 par value - Authorized - 15,000,000 shares Issued and outstanding - 8,728,442 shares at December 30, 1995 and 8,739,552 shares at July 13, 1996	44	44
Additional paid-in capital	44,679	44,620
Retained earnings	20,662	19,428
Total shareholders' equity	65,385	64,092
	$ 101,510	$ 98,938

</TABLE>

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

BERTUCCI'S, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

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	12 Weeks Ended		28 Weeks Ended	
	July 13, 1996	July 15, 1995	July 13, 1996	July 15, 1995
	(in thousands, except per share data)			

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NET SALES	$ 30,235	$ 28,521	$ 68,494	$ 63,967
COSTS AND EXPENSES:				
Cost of sales	7,589	7,278	17,387	16,329
Operating expenses	15,844	14,380	35,725	31,706
General and administrative expenses	1,777	2,030	4,255	4,671
Depreciation and amortization	2,043	2,212	4,755	4,974
Taxes other than income	1,568	1,516	3,668	3,448
Total costs and expenses	28,821	27,416	65,790	61,128
Operating income	1,414	1,105	2,704	2,839
INTEREST EXPENSE, net	323	292	741	615
INTEREST INCOME	4	5	10	13
Income before income tax expense	1,095	818	1,973	2,237
INCOME TAX EXPENSE	410	293	739	810
Net income	$ 685	$ 525	$ 1,234	$ 1,427
WEIGHTED AVERAGE SHARES OUTSTANDING	8,890,004	8,857,734	8,878,140	8,878,124
EARNINGS PER SHARE	$ 0.08	$ 0.06	$ 0.14	$ 0.16

</TABLE>

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

BERTUCCI'S, INC.
CONSOLIDATED CONDENSED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

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	Common Stock Shares	Common Stock Par	Additional Paid-In Capital	Retained Earnings	Shareholders' Equity
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 30, 1995	8,728	$ 44	$ 44,620	$ 19,428	$ 64,092
Issuance of stock	12	-	59	-	59
Net income	-	-	-	1,234	1,234
BALANCE, July 13, 1996	8,740	$ 44	$ 44,679	$ 20,662	$ 65,385

</TABLE>

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

BERTUCCI'S, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
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	Twenty-Eight Weeks Ended July 13, 1996	Twenty-Eight Weeks Ended July 15, 1995
	(in thousands)	
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,234	$ 1,427
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	4,893	5,097
Increase in inventories	(44)	(149)
Increase in prepaid expenses, accounts receivable, notes receivable and other assets	(23)	(70)
Increase (decrease) in accounts payable	76	(2,229)
Increase in accrued expenses and deferred rent	372	692
Increase (decrease) in accrued, deferred and prepaid taxes	856	(877)

Net cash provided by operations	7,364	3,891
CASH FLOWS USED FROM INVESTING ACTIVITIES:		
Additions to preopening costs	(684)	(878)
Additions to property and equipment	(6,952)	(9,183)
Net cash used by investing activities	(7,636)	(10,061)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	59	122
Proceeds from debt	-	5,438
Decrease in notes payable	(25)	(25)
Net cash provided by financing activities	34	5,535
NET DECREASE IN CASH AND CASH EQUIVALENTS	(238)	(635)
CASH AND CASH EQUIVALENTS, beginning of period	1,384	750
CASH AND CASH EQUIVALENTS, end of period	1,146	$ 115
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for ---		
Interest, net of amount capitalized	$ 692	$ 542
Income taxes	$ 80	$ 859

</TABLE>

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

BERTUCCI'S, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

July 13, 1996

1. Basis of Presentation

In the opinion of management, the accompanying consolidated condensed financial statements contain all normal recurring adjustments necessary for a fair presentation. The results of operations for the twelve-week and twenty-eight-week periods ended July 13, 1996 are not necessarily indicative of the results to be expected for the full year.

The significant accounting policies followed by the Company are set forth in the notes toConsolidated Financial Statements in the Company's 1995 Annual Report and Form 10-K filed with the Securities and Exchange Commission. These financial statements should be read in conjunction with the financial statements included in the 1995 Annual Report and Form 10-K.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth the percentage relationship to net sales of certain items included in the company's income statements for the periods indicated.

<TABLE>
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	12 Weeks Ended		28 Weeks Ended	
	July 13, 1996	July 15, 1995	July 13, 1996	July 15, 1995
NET SALES	100.0%	100.0%	100.0%	100.0%
<S>	<C>	<C>	<C>	<C>
COSTS AND EXPENSES:				
Costs of sales	25.1	25.5	25.4	25.5
Operating expenses	52.4	50.4	52.2	49.6
General and administrative expenses	5.9	7.1	6.2	7.3
Depreciation and amortization	6.7	7.8	6.9	7.8
Taxes other than income	5.2	5.3	5.4	5.4
Total costs and expenses	95.3	96.1	96.1	95.6
Operating income	4.7	3.9	3.9	4.4
INTEREST EXPENSE, net	1.1	1.0	1.0	1.0
INTEREST INCOME	-	-	-	-

Income before income tax expense	3.6	2.9	2.9	3.4
INCOME TAX EXPENSE	1.3	1.0	1.1	1.2
Net income	2.3%	1.9%	1.8%	2.2%
NUMBER OF RESTAURANTS:				
Restaurants open at beginning of period	76	70	76	67
Restaurants opened during period	1	3	4	6
Restaurants closed during period	-	-	(3)	-
Restaurants open at end of period	77	73	77	73

</TABLE>

Twelve Weeks Ended July 13, 1996, Compared To Twelve Weeks Ended July 15, 1995

Net sales increased $1.7 million, or 6.0%, to $30.2 million in the second quarter of fiscal year 1996, from $28.5 million in the second quarter of fiscal year 1995. Comparable restaurant sales for the twelve-week period increased 1.7%. The Company opened one additional new restaurant in the twelve-week period ended July 13, 1996.

Cost of sales, primarily food and beverages, increased from $7.3 million in the twelve weeks ended July 15, 1995, to $7.6 million in the corresponding 1996 period. As a percentage of net sales, these costs were 25.5% in the 1995 fiscal period, and 25.1% in the corresponding 1996 fiscal period. The percentage decrease was the result of more efficient operations. The price of flour and cheese remained high throughout the period.

Restaurant operating expenses for the twelve-week period increased from $14.4 million in fiscal year 1995, to $15.8 million for the corresponding period in fiscal year 1996. As a percentage of net sales, operating expenses increased from 50.4% during the twelve weeks ended July 15, 1995, to 52.4% during the corresponding period in 1996. The increase was the result of higher maintenance costs and advertising costs.

General and administrative expenses decreased, as a percentage of net sales, from 7.1% during the twelve weeks ended July 15, 1995, to 5.9% during the corresponding period of fiscal year 1996. The decrease has come from attrition at the corporate level, reduction in training costs associated with new restaurant openings, and a reduction of in-house marketing costs.

Depreciation and amortization expense decreased, as a percentage of net sales, from 7.8% in the 1995 twelve-week period, to 6.7% in the 1996 twelve-week period. This decrease was attributable to the amortization expense on fewer new restaurants.

Taxes, other than income taxes, increased from $1.5 million during the twelve weeks ended July 15, 1995, to $1.6 million in the corresponding 1996 period, and decreased, as a percentage of net sales, from 5.3% for 1995 to 5.2% for 1996. The percentage decrease was due to lower state unemployment tax rates on payroll.

Interest expense increased from $292,000 to $323,000 for the corresponding twelve weeks of 1995 and 1996, respectively. The increase was attributable to the higher amounts of bank borrowings, as well as higher interest rates during the 1996 period.

The effective income tax rate increased from 35.8% for the twelve weeks ended July 15, 1995, to 37.4% for the corresponding period ended July 13, 1996. The increase in tax rate is attributable to the expiration of the Targeted Sales Tax Credit program, and reduction of start-up costs associated with fewer new store openings.

Twenty-Eight Weeks Ended July 13, 1996, Compared To Twenty-Eight Weeks Ended July 15, 1995

Net sales increased $4.5 million, or 7.1%, to $68.5 million for the twenty-eight-week period in 1996, compared to $64.0 million in the same period last year. New restaurants that were opened in 1995 and 1996 contributed to the increase. Comparative restaurant sales during the twenty-eight-week period were negative by 0.8%, which was attributable to the severe winter weather early in the year. Menu price-increases for the period under comparison were less than 2.0%.

Cost of sales, primarily food and beverages, increased from $16.3 million for the 1995 twenty- eight-week period, to $17.4 million for the 1996 twenty-eight-week period, and decreased slightly, as a percentage of net sales, from 25.5% to 25.4% for the twenty-eight-week periods ended in 1995 and 1996, respectively. While the costs of flour, cheese, and produce increased during the comparable period, the Company was able to offset the increase through more efficient operations.

Restaurant operating expenses for the twenty-eight-week period increased from $31.7 million in fiscal year 1995, to $35.7 million in fiscal year 1996. As a percentage of net sales, operating expenses increased from 49.6% during the twenty-eight weeks ended July 15, 1995, to 52.2% during the corresponding period in 1996. The increase was the result of advertising costs of 2.3%, as a percentage of net sales, that were over and above the amount expensed in the first twenty-eight weeks of 1995. In addition, costs for maintenance and labor also increased during the 1996 fiscal year period.

General and administrative expenses, as a percentage of net sales for the twenty-eight-week period, decreased from 7.3% in 1995, to 6.2% in 1996. This decrease was the result of attrition at the corporate level, reduction in training costs associated with new restaurant openings, and a reduction of in-house marketing costs.

Depreciation and amortization expense, as a percentage of net sales, decreased from 7.8% in the 1995 twenty-eight-week period, to 6.9% in the 1996 twenty-eight-week period. This decrease was attributable to the amortization expense on fewer new restaurants.

Taxes, other than income taxes, increased from $3.4 million during the twenty-eight weeks ended July 15, 1995, to $3.7 million for the corresponding period in 1996, and remained, as a percentage of net sales, at 5.4% for both the 1995 and 1996 periods.

Interest expense increased from $615,000 to $741,000 for the corresponding twenty-eight-week periods of 1995 and 1996, respectively. The increase was attributable to higher interest rates and the higher amounts of bank borrowings during the 1996 period.

The effective income tax rate increased from 36.2% for the twenty-eight weeks ended July 15, 1995, to 37.5% for the corresponding period ended July 13, 1996. The increase in tax rate is attributable to the expiration of the Targeted Sales Tax Credit program, and reduction of start-up costs associated with fewer new store openings.

Liquidity and Sources of Capital

To date, the Company has financed its expansion from operations, bank borrowing, and private placements and public offerings of equity securities. The Company does not have significant receivables or inventory, and receives trade credit based upon negotiated terms in purchasing food and supplies.

The Company has a bank line-of-credit in effect until November 30, 1997, under which it may borrow up to $30.0 million. On November 30, 1997, the Company will be able to convert the balance, if any, to a term loan maturing on November 30, 2000. The Company pays a fee of 1/4 of 1% on the unused balance, and interest is calculated using LIBOR plus 1.25%. There are no compensating balance arrangements or legal restrictions as to the withdrawal of these funds. The amounts outstanding under this bank line-of-credit for both July 15, 1995, and July 13, 1996, was $19.4 million.

During the twenty-eight weeks ended July 15, 1995, and July 13, 1996, the Company's investment in property and equipment was $9.2 million and $7.0 million, respectively. The investments were funded with cash provided by operations and with the proceeds of financing activities.

Cash provided by operations amounted to $3.9 million and $7.4 million for the twenty-eight weeks ended July 15, 1995, and July 13, 1996, respectively. Cash from financing activities amounted to $5.5 million for the twenty-eight-week period in 1995.

The Company opened four new restaurants in the first twenty-eight weeks of 1996, and expects to open a total of seven to eight new restaurants by the end of fiscal year 1996, with an additional five to six restaurants planned for fiscal year 1997. The Company expects to expend approximately $12.0 million in fiscal year 1996, and approximately $10.0 million in fiscal year 1997, to finance expansion. The Company believes that it will have sufficient working capital and bank borrowings to finance its expansion plans through the end of fiscal year 1997.

PART II: OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None

Item 2. CHANGES IN SECURITIES

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27: Financial Data Schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the period covered by this report.

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.

BERTUCCI'S, INC.
(Registrant)

Date: August 23, 1996 By: /s/ Joseph Crugnale

Joseph Crugnale
President and Chief
Executive Officer

Date: August 23, 1996 By: /s/ Norman S. Mallett

Norman S. Mallett
Vice President - Finance
Chief Financial Officer and
Treasurer

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