UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended June 26, 2021

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-14616

J&J SNACK FOODS CORP.
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-1935537 (I.R.S. Employer Identification No.)

6000 Central Highway, Pennsauken, New Jersey 08109
(Address of principal executive offices)

Telephone (856) 665-9533

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐		
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

At July 23, 2021 there were 19,063,903 shares of the Registrant’s Common Stock outstanding.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	June 26, 2021 (unaudited)	September 26, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 276,268	$ 195,809
Marketable securities held to maturity	9,902	51,151
Accounts receivable, net	154,845	126,587
Inventories	114,822	108,923
Prepaid expenses and other	11,547	17,087
Total current assets	567,384	499,557
Property, plant and equipment, at cost		
Land	2,494	2,494
Buildings	26,582	26,582
Plant machinery and equipment	340,693	330,168
Marketing equipment	253,199	250,914
Transportation equipment	10,232	9,966
Office equipment	34,291	33,878
Improvements	45,349	43,264
Construction in progress	28,134	19,995
Total Property, plant and equipment, at cost	740,974	717,261
Less accumulated depreciation and amortization	482,056	455,645
Property, plant and equipment, net	258,918	261,616
Other assets		
Goodwill	121,833	121,833
Other intangible assets, net	79,676	81,622
Marketable securities held to maturity	7,568	16,927
Marketable securities available for sale	11,273	13,976
Operating lease right-of-use assets	51,811	58,110
Other	3,083	2,912
Total other assets	275,244	295,380
Total Assets	$ 1,101,546	$ 1,056,553
Liabilities and Stockholders' Equity		
Current Liabilities		
Current finance lease liabilities	$ 252	$ 349
Accounts payable	97,117	73,135
Accrued insurance liability	15,764	13,039
Accrued liabilities	6,890	7,420
Current operating lease liabilities	12,780	13,173
Accrued compensation expense	15,000	16,134
Dividends payable	12,064	10,876
Total current liabilities	159,867	134,126
Noncurrent finance lease liabilities	417	368
Noncurrent operating lease liabilities	41,573	47,688
Deferred income taxes	64,284	64,413
Other long-term liabilities	375	460
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 19,061,000 and 18,915,000 respectively	69,572	49,268
Accumulated other comprehensive loss	(13,182)	(15,587)
Retained Earnings	778,640	775,817
Total stockholders' equity	835,030	809,498
Total Liabilities and Stockholders' Equity	$ 1,101,546	$ 1,056,553

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	Three months ended		Nine months ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net Sales	$ 324,344	$ 214,563	$ 821,519	$ 769,502
Cost of goods sold	228,170	177,367	614,324	585,002
Gross Profit	96,174	37,196	207,195	184,500
Operating expenses				
Marketing	20,502	21,952	56,995	68,532
Distribution	27,311	21,272	75,643	69,648
Administrative	10,348	8,374	29,004	28,166
Plant shutdown impairment costs	-	5,072	-	5,072
Other general (income) expense	(131)	(54)	(399)	(183)
Total Operating Expenses	58,030	56,616	161,243	171,235
Operating Income (loss)	38,144	(19,420)	45,952	13,265
Other (expense)income				
Investment income (loss)	470	1,300	2,419	2,673
Interest (expense) & other	(8)	(7)	(19)	(60)
Earnings (loss) before income taxes	38,606	(18,127)	48,352	15,878
Income taxes (benefit)	9,713	(5,480)	11,620	4,157
NET EARNINGS (LOSS)	$ 28,893	$ (12,647)	$ 36,732	$ 11,721
Earnings (loss) per diluted share	$ 1.51	$ (0.67)	$ 1.92	$ 0.62
Weighted average number of diluted shares	19,185	18,888	19,116	19,036
Earnings (loss) per basic share	$ 1.52	$ (0.67)	$ 1.93	$ 0.62
Weighted average number of basic shares	19,045	18,888	18,996	18,902

The accompanying notes are an integral part of these statements.

J&J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three months ended		Nine months ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Net Earnings (loss)	$ 28,893	$ (12,647)	$ 36,732	$ 11,721
Foreign currency translation adjustments	657	41	2,405	(3,070)
Total Other Comprehensive Income (loss) , net of tax	657	41	2,405	(3,070)
Comprehensive Income (loss)	$ 29,550	$ (12,606)	$ 39,137	$ 8,651

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as September 26, 2020	18,915	$ 49,268	$ (15,587)	$ 775,817	$ 809,498
Issuance of common stock upon exercise of stock options	41	4,390	-	-	4,390
Foreign currency translation adjustment	-	-	2,279	-	2,279
Dividends declared	-	-	-	(10,900)	(10,900)
Share-based compensation	-	1,244	-		1,244
Net earnings	-	-	-	1,778	1,778
Balance at December 26, 2020	18,956	$ 54,902	$ (13,308)	$ 766,695	$ 808,289
Issuance of common stock upon exercise of stock options	72	8,384	-	-	8,384
Issuance of common stock for employee stock purchase plan	6	714	-	-	714
Foreign currency translation adjustment	-	-	(531)	-	(531)
Dividends declared	-	-	-	(10,943)	(10,943)
Share-based compensation	-	1,026	-		1,026
Net earnings	-	-	-	6,061	6,061
Balance at March 27, 2021	19,034	65,026	(13,839)	761,813	813,000
Issuance of common stock upon exercise of stock options	27	3,564	-	-	3,564
Foreign currency translation adjustment	-	-	657	-	657
Dividends declared	-	-	-	(12,066)	(12,066)
Share-based compensation	-	982	-	-	982
Net earnings	-	-	-	28,893	28,893
Balance at June 26, 2021	19,061	69,572	(13,182)	778,640	835,030

	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at September 28, 2019	18,895	$ 45,744	$ (12,988)	$ 800,995	$ 833,751
Issuance of common stock upon exercise of stock options	5	468	-	-	468
Foreign currency translation adjustment	-	-	810	-	810
Dividends declared	-	-	-	(10,867)	(10,867)
Share-based compensation	-	1,299	-	-	1,299
Net earnings	-	-	-	17,059	17,059
Balance at December 28, 2019	18,900	$ 47,511	$ (12,178)	$ 807,187	$ 842,520
Issuance of common stock upon exercise of stock options	47	5,049	-	-	5,049
Issuance of common stock for employee stock purchase plan	6	783	-	-	783
Foreign currency translation adjustment	-	-	(3,921)	-	(3,921)
Issuance of common stock under deferred stock plan	1	90	-	-	90
Dividends declared	-	-	-	(10,878)	(10,878)
Share-based compensation	-	1,088	-	-	1,088
Repurchase of common stock	(66)	(8,972)	-	-	(8,972)
Net earnings	-	-	-	7,309	7,309
Balance at March 28, 2020	18,888	45,549	(16,099)	803,618	833,068
Foreign currency translation adjustment	-	-	41	-	41
Dividends declared	-	-	-	(10,873)	(10,873)
Share-based compensation	-	1,011	-	-	1,011
Net loss	-	-	-	(12,647)	(12,647)
Balance at June 27, 2020	18,888	46,560	(16,058)	780,098	810,600

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands)

	Nine Months Ended	
	June 26, 2021	June 27, 2020
Operating activities:		
Net earnings	$ 36,732	$ 11,721
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of fixed assets	36,278	37,353
Amortization of intangibles and deferred costs	2,096	2,516
Share-based compensation	3,252	3,421
Deferred income taxes	(188)	(426)
(Gain) loss on marketable securities	(926)	1,746
Plant shutdown impairment costs	-	5,072
Other	(305)	(309)
Changes in assets and liabilities net of effects from purchase of companies		
(Increase) decrease in accounts receivable	(27,940)	24,634
Increase in inventories	(5,964)	(3,751)
(Increase) decrease in prepaid expenses	5,710	(7,879)
Increase (decrease) in accounts payable and accrued liabilities	24,823	(7,478)
Net cash provided by operating activities	73,568	66,620
Investing activities:		
Payments for purchases of companies, net of cash acquired	-	(57,197)
Purchases of property, plant and equipment	(34,456)	(47,637)
Purchases of marketable securities	-	(6,103)
Proceeds from redemption and sales of marketable securities	54,191	54,125
Proceeds from disposal of property and equipment	2,079	2,852
Other	42	(72)
Net cash provided by (used in) investing activities	21,856	(54,032)
Financing activities:		
Payments to repurchase common stock	-	(8,972)
Proceeds from issuance of stock	17,178	6,300
Payments on capitalized lease obligations	(48)	(272)
Payment of cash dividend	(32,719)	(31,193)
Net cash used in financing activities	(15,589)	(34,137)
Effect of exchange rate on cash and cash equivalents	624	(885)
Net increase (decrease) in cash and cash equivalents	80,459	(22,434)
Cash and cash equivalents at beginning of period	195,809	192,395
Cash and cash equivalents at end of period	$ 276,268	$ 169,961

The accompanying notes are an integral part of these statements.

Note 1 The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 26, 2020.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows.

The results of operations for the three and nine months ended June 26, 2021 and June 27, 2020 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather. Approximately *2/3* of our sales are to venues and locations that previously shut down or sharply curtailed their foodservice operations as a result of COVID-19, which has impacted the comparative nature of our results. While the majority of these venues have re-opened, the future impact of COVID-19 is still uncertain and continues to be monitored.

While we believe that the disclosures presented are adequate to make the information not misleading, we suggest that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 26, 2020.

Note 2

Revenue Recognition

<u>When Performance Obligations Are Satisfied</u>

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed, or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liabilities on our balance sheet.

Significant Payment Terms

In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping

All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration

In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was $15,481,000 at June 26, 2021 and $14,345,000 at September 26, 2020.

Warranties & Returns

We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances

Our customers are billed for service contracts in advance of performance and therefore we have contract liabilities on our balance sheet as follows:

	(in thousands)			
	Three months ended		Nine months ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
Beginning Balance	$ 1,090	$ 1,235	$ 1,327	$ 1,334
Additions to contract liability	$ 1,237	1,362	4,182	4,111
Amounts recognized as revenue	$ (1,283)	(1,311)	(4,465)	(4,159)
Ending Balance	$ 1,044	$ 1,286	$ 1,044	$ 1,286

Disaggregation of Revenue

See Note 9 for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables

We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. On September 27, 2020, the Company adopted guidance issued by the FASB in ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires companies to recognize an allowance that reflects a current estimate of credit losses expected to be incurred over the life of the asset. Adoption of this new guidance did not have a material impact on the consolidated financial statements. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses. The allowance for doubtful accounts considers a number of factors including the age of receivable balances, the history of losses, expectations of future credit losses and the customers' ability to pay off obligations. The allowance for doubtful receivables was $1,185,000 and $1,388,000 on June 26, 2021 and September 26, 2020, respectively.

Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $12,025,000 and $12,543,000 for the three months ended June 26, 2021 and June 27, 2020, respectively and $36,278,000 and $37,353,000 for the nine months ended June 26, 2021 and June 27, 2020, respectively.

Note 4 Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three Months Ended June 26, 2021		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 28,893	19,045	$ 1.52
Effect of Dilutive Securities			
Options	-	140	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 28,893	19,185	$ 1.51

20,800 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 26, 2021

	Nine Months Ended June 26, 2021		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 36,732	18,996	$ 1.93
Effect of Dilutive Securities			
Options	-	120	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 36,732	19,116	$ 1.92

289,692 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 26, 2021

	Three Months Ended June 27, 2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ (12,647)	18,888	$ (0.67)
Effect of Dilutive Securities			
Options	-	-	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ (12,647)	18,888	$ (0.67)

845,977 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 27, 2020

	Nine Months Ended June 27, 2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 11,721	18,902	$ 0.62
Effect of Dilutive Securities			
Options	-	134	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 11,721	19,036	$ 0.62

169,246 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 27, 2020

Note 5 At June 26, 2021, the Company has three stock-based employee compensation plans. Share-based compensation expense was recognized as follows:

	Three months ended		Nine months ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
	(in thousands)			
Stock Options	$ 512	$ 890	$ 1,505	$ 2,267
Stock purchase plan	171	57	513	328
Stock issued to outside director	11	17	33	50
Restricted stock issued to an employee	23	-	70	-
Total share-based compensation	$ 717	$ 964	$ 2,121	$ 2,645
The above compensation is net of tax benefits	$ 265	$ 70	$ 1,131	$ 822

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2021 nine months: expected volatility of 25.8%; risk-free interest rate of 0.8%; dividend rate of 1.4% and expected lives of 51 months.

During the fiscal year 2021 nine-month period, the Company granted 138,432 stock options. The weighted-average grant date fair value of these options was $31.20.

During the fiscal year 2020 nine-month period, the Company granted 161,682 stock options. The weighted-average grant date fair value of these options was $14.40.

Expected volatility is based on the historical volatility of the price of our common shares over the past 51 months for 5-year options and 10 years for 10-year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

Note 6 We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities (“uncertain tax positions”). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

The total amount of gross unrecognized tax benefits is $343,000 and $360,000 on June 26, 2021 and September 26, 2020, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of June 26, 2021, and September 26, 2020, the Company has $267,000 of accrued interest and penalties.

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax with virtually all open for examination for three to four years.

Our effective tax rate for the nine months ended June 26, 2021 was 24%, primarily due to a $1,131,000 tax benefit related to share-based compensation. Our effective tax rate for the nine months ended June 27, 2020 was 26%.

Note 7 In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changes the impairment model used to measure credit losses for most financial assets. We are required to recognize an allowance that reflects the Company’s current estimate of credit losses expected to be incurred over the life of the financial asset, including trade receivables and held-to-maturity debt securities.

The Company adopted this guidance in the first quarter of Fiscal 2021 using the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s consolidated financial statements.

Note 8 Inventories consist of the following:

	June 26, 2021 (unaudited)	September 26, 2020
	(in thousands)	
Finished goods	$ 40,850	$ 40,184
Raw materials	29,171	24,550
Packaging materials	12,080	10,545
Equipment parts and other	32,721	33,644
Total Inventories	$ 114,822	$ 108,923

Note 9 We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above, which is available to our Chief Operating Decision Makers.

Our three reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

Food Service

The primary products sold by the food service group are soft pretzels, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, PHILLY SWIRL cups and sticks, ICEE Squeeze-Up Tubes and dough enrobed handheld products. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

We sell frozen beverages and related products to the food service industry primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Nine months ended	
	June 26 2021	June 27 2020	June 26 2021	June 27 2020
Sales to External Customers:				
Food Service				
Soft pretzels	$ 50,895	$ 21,384	$ 120,359	$ 116,985
Frozen juices and ices	13,927	8,688	30,812	25,222
Churros	20,096	7,321	46,358	38,466
Handhelds	18,971	7,448	56,574	22,084
Bakery	85,706	69,237	257,580	255,016
Other	6,884	2,543	14,546	13,628
Total Food Service	$ 196,478	$ 116,621	$ 526,226	$ 471,401
Retail Supermarket				
Soft pretzels	$ 11,193	$ 12,716	$ 40,871	$ 34,874
Frozen juices and ices	36,898	33,322	71,600	59,279
Biscuits	4,562	8,151	18,717	21,759
Handhelds	1,191	3,257	6,215	9,135
Coupon redemption	(513)	(807)	(2,196)	(2,216)
Other	526	863	1,652	1,668
Total Retail Supermarket	$ 53,857	$ 57,502	$ 136,859	$ 124,499
Frozen Beverages				
Beverages	$ 42,279	$ 16,456	$ 76,663	$ 83,606
Repair and maintenance service	22,789	17,259	59,903	61,524
Machines revenue	8,404	6,363	20,556	27,254
Other	536	362	1,312	1,218
Total Frozen Beverages	$ 74,009	$ 40,440	$ 158,434	$ 173,602
Consolidated Sales	$ 324,344	$ 214,563	$ 821,519	$ 769,502
Depreciation and Amortization:				
Food Service	$ 6,817	$ 7,050	$ 20,334	$ 21,208
Retail Supermarket	378	468	1,147	1,156
Frozen Beverages	5,469	5,864	16,893	17,505
Total Depreciation and Amortization	$ 12,664	$ 13,382	$ 38,374	$ 39,869
Operating Income :				
Food Service	$ 17,644	$ (18,242)	$ 29,879	$ 7,743
Retail Supermarket	9,080	7,910	20,167	14,464
Frozen Beverages	11,420	(9,088)	(4,094)	(8,942)
Total Operating Income (Loss)	$ 38,144	$ (19,420)	$ 45,952	$ 13,265
Capital Expenditures:				
Food Service	$ 10,383	$ 7,865	$ 25,915	$ 26,599
Retail Supermarket	93	390	194	1,625
Frozen Beverages	5,151	2,397	8,347	19,413
Total Capital Expenditures	$ 15,627	$ 10,652	$ 34,456	$ 47,637
Assets:				
Food Service	$ 779,730	$ 729,331	$ 779,730	$ 729,331
Retail Supermarket	33,405	33,766	33,405	33,766
Frozen Beverages	288,411	294,189	288,411	294,189
Total Assets	$ 1,101,546	$ 1,057,286	$ 1,101,546	$ 1,057,286

Note 10 Our three reporting units, which are also reportable segments, are Food Service, Retail Supermarkets and Frozen Beverages.

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverage segments as of June 26, 2021 and September 26, 2020 are as follows:

	June 26, 2021		September 26, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in thousands)			
FOOD SERVICE				
Indefinite lived intangible assets				
Trade names	$ 10,408	$ -	$ 10,408	$ -
Amortized intangible assets				
Non compete agreements	670	670	670	645
Customer relationships	13,000	5,863	19,737	11,595
License and rights	1,690	1,375	1,690	1,312
TOTAL FOOD SERVICE	$ 25,768	$ 7,908	$ 32,505	$ 13,552
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade names	$ 12,750	$ -	$ 12,750	$ -
Amortized Intangible Assets				
Trade names	676	619	676	519
Customer relationships	7,907	5,733	7,907	5,140
TOTAL RETAIL SUPERMARKETS	$ 21,333	$ 6,352	$ 21,333	$ 5,659
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	36,100	-	36,100	-
Amortized intangible assets				
Customer relationships	1,439	365	1,439	257
Licenses and rights	1,400	1,054	1,400	1,002
TOTAL FROZEN BEVERAGES	$ 48,254	$ 1,420	$ 48,254	$ 1,259
CONSOLIDATED	$ 95,355	$ 15,680	$ 102,092	$ 20,470

Fully amortized intangible assets have been removed from the June 26, 2021 amounts.

Amortizing intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Aggregate amortization expense of intangible assets for the three months ended June 26, 2021 and June 27, 2020 was $639,000 and $831,000, respectively. Aggregate amortization expense of intangible assets for the nine months ended June 26, 2021 and June 27, 2020 was $2,096,000 and $2,507,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $2,500,000 in 2021, $2,300,000 in 2022, $2,300,000 in 2023, $2,000,000 in 2024, and $1,400,000 in 2025. The weighted amortization period of the intangible assets is 10.9 years.

Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket and Frozen Beverage segments are as follows:

	Food Service	Retail Supermarket	Frozen Beverages	Total
		(in thousands)		
Balance at June 26, 2021	$ 61,189	$ 4,146	$ 56,498	$ 121,833
Balance at September 26, 2020	$ 61,189	$ 4,146	$ 56,498	$ 121,833

Note 11 We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable input such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock, and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock and corporate bonds are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock and corporate bonds are classified within Level 2 of the fair value hierarchy.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at June 26, 2021 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Corporate Bonds	$ 17,470	$ 243	$ 6	$ 17,707
Total marketable securities held to maturity	$ 17,470	$ 243	$ 6	$ 17,707

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at June 26, 2021 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Mutual Funds	$ 3,588	$ -	$ 581	$ 3,007
Preferred Stock	8,107	213	54	8,266
Total marketable securities available for sale	$ 11,695	$ 213	$ 635	$ 11,273

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2021 and 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long-term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. The corporate bonds generate fixed income to maturity dates in 2021 through 2023, with $17.5 million maturing within 2 years. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 26, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	68,078	1,015	32	69,061
Total marketable securities held to maturity	$ 68,078	$ 1,015	$ 32	$ 69,061

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 26, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 738	$ 2,850
Preferred Stock	11,596	116	586	11,126
Total marketable securities available for sale	$ 15,184	$ 116	$ 1,324	$ 13,976

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at June 26, 2021 and September 26, 2020 are summarized as follows:

	June 26, 2021		September 26, 2020	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
		(in thousands)		
Due in one year or less	$ 9,902	$ 10,041	$ 51,151	$ 51,815
Due after one year through five years	7,568	7,666	16,927	17,246
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ 17,470	$ 17,707	$ 68,078	$ 69,061
Less current portion	9,902	10,041	51,151	51,815
Long term held to maturity securities	$ 7,568	$ 7,666	$ 16,927	$ 17,246

Proceeds from the redemption and sale of marketable securities were $12,854,000 and $54,191,000 in the three and nine months ended June 26, 2021 and were $23,187,000 and $54,125,000 in the three and nine months ended June 27, 2020, respectively. Gains of $21,000 and $139,000 were recorded in the three and nine months ended June 26, 2021, respectively. A gain of $324,000 was recorded in the three months ended June 27, 2020 and losses of $1,746,000 were recorded in the nine months ended June 27, 2020. Included in the gains and losses were unrealized gains of $786,000 and unrealized losses of $1,708,000 in the nine months ended June 26, 2021 and June 27, 2020, respectively. Unrealized gains of $137,000 and $285,000 were recorded in the three months ended June 26, 2021 and June 27, 2020, respectively. We use the specific identification method to determine the cost of securities sold.

Total marketable securities held to maturity as of June 26, 2021 with credit ratings of AAA/AA/A had an amortized cost basis totaling $4,970,000 and those with credit ratings of BBB/BB/B had an amortized cost basis totaling $12,500,000. This rating information was obtained June 30, 2021.

Note 12 Changes to the components of accumulated other comprehensive loss are as follows:

	Three Months Ended June 26, 2021 (unaudited) (in thousands)		Nine Months Ended June 26, 2021 (unaudited) (in thousands)	
	Foreign Currency Translation Adjustments	Total	Foreign Currency Translation Adjustments	Total
Beginning Balance	$ (13,839)	$ (13,839)	$ (15,587)	$ (15,587)
Other comprehensive income (loss) before reclassifications	657	$ 657	2,405	$ 2,405
Ending Balance	$ (13,182)	$ (13,182)	$ (13,182)	$ (13,182)

	Three Months Ended June 27, 2020 (unaudited) (in thousands)		Nine Months Ended June 27, 2020 (unaudited) (in thousands)	
	Foreign Currency Translation Adjustments	Total	Foreign Currency Translation Adjustments	Total
Beginning Balance	$ (16,099)	$ (16,099)	$ (12,988)	$ (12,988)
Other comprehensive income (loss) before reclassifications	41	$ 41	(3,070)	$ (3,070)
Ending Balance	$ (16,058)	$ (16,058)	$ (16,058)	$ (16,058)

Note 13 On October 1, 2019, we acquired the assets of ICEE Distributors LLC, based in Bossier City, Louisiana. ICEE Distributors does business in Arkansas, Louisiana and Texas with annual sales of approximately $13 million. Sales and operating income of ICEE Distributors were $3,163,000 and $1,099,000 for the three months ended June 26, 2021 and were $6,952,000 and $1,568,000 for the nine months ended June 26, 2021. Sales and operating income of ICEE Distributors were $3,200,000 and $1,100,000 for the three months ended June 27, 2020 and were $8,000,000 and $2,000,000 for the nine months ended June 27, 2020.

On February 4, 2020, we acquired the assets of BAMA ICEE, based in Birmingham, Alabama. BAMA ICEE does business in Alabama and Georgia with annual sales of approximately $3.5 million. Sales and operating income of BAMA ICEE were $632,000 and $221,000 for the three months ended June 26, 2021 and were $1,437,000 and $365,000 for nine months ended June 26, 2021. Sales and operating income of BAMA ICEE were $636,000 and $205,000 for the three months and were $975,000 and $281,000 for the nine months ended June 27, 2020.

The purchase price allocations for the acquisitions are as follows:

	(in thousands)		
	ICEE Distributors	**BAMA ICEE**	**Total**
Accounts Receivable, net	$ 721	$ 71	$ 792
Inventories	866	77	943
Property, plant & equipment, net	4,851	1,722	6,573
Customer Relationships	569	133	702
Distribution rights	22,400	6,800	29,200
Goodwill	15,773	3,549	19,322
Accounts Payable	(210)	(110)	(320)
Purchase Price	$ 44,970	$ 12,242	$ 57,212

The goodwill recognized is attributable to the assembled workforce of ICEE Distributors and certain other strategic intangible assets that do not meet the requirements for recognition separate and apart from goodwill.

The Company incurred no acquisitions costs during the three or nine months ended June 26, 2021. Acquisition costs of $76,000 are included in other general expense for the nine months ended June 27, 2020.

Note 14 – Leases

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating leases include leases for real estate for some of our office and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 14 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 6 years.

Significant Assumptions and Judgments

Contract Contains a Lease

In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and
- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration

In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases

We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

Discount Rate

The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used the discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our incremental borrowing rate as provided by our lender which was based on cash collateral and credit risk specific to us, and our lease portfolio characteristics.

As of June 26, 2021, the weighted-average discount rate of our operating and finance leases was 3.2% and 3.2%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Three Months Ended June 26, 2021	Nine Months Ended June 26, 2021
	(in thousands)	(in thousands)
Operating lease cost in Cost of goods sold and Operating Expenses	$ 3,846	$ 11,747
Finance lease cost:		
Amortization of assets in Cost of goods sold and Operating Expenses	62	216
Interest on lease liabilities in Interest expense & other	5	30
Total finance lease cost	67	246
Short-term lease cost in Cost of goods sold and Operating Expenses	-	-
Total net lease cost	$ 3,913	$ 11,993

Supplemental balance sheet information related to leases is as follows:

	June 26, 2021
	(in thousands)
Operating Leases	
Operating lease right-of-use assets	$ 51,811
Current operating lease liabilities	$ 12,780
Noncurrent operating lease liabilities	41,573
Total operating lease liabilities	$ 54,353
Finance Leases	
Finance lease right-of-use assets in Property, plant and equipment, net	$ 654
Current finance lease liabilities	$ 252
Noncurrent finance lease liabilities	417
Total finance lease liabilities	$ 669

Supplemental cash flow information related to leases is as follows:

	Three Months Ended June 26, 2021	Nine Months Ended June 26, 2021
	(in thousands)	(in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 3,860	$ 11,847
Operating cash flows from finance leases	$ 64	$ 237
Financing cash flows from finance leases	$ 23	$ 48
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ 1,317	$ 2,671
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -	-

As of June 26, 2021, the maturities of lease liabilities were as follows:

	(in thousands)	
	Operating Leases	Finance Leases
Three months ending September 25, 2021	$ 3,863	$ 117
2022	13,804	203
2023	11,681	133
2024	8,967	133
2025	5,726	61
Thereafter	16,480	70
Total minimum payments	$ 60,521	$ 717
Less amount representing interest	(6,168)	(48)
Present value of lease obligations	$ 54,353	$ 669

As of June 26, 2021, the weighted-average remaining term of our operating and finance leases was 6.2 years and 4.2 years, respectively.

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

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the "Act") and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate," or "continue," or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties, and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Liquidity and Capital Resources

Our current cash and cash equivalents balances, investments and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion. See Note 11 to these financial statements for a discussion of our investment securities.

The Company's Board of Directors declared a regular quarterly cash dividend of $.633 per share of its common stock payable on July 12, 2021, to shareholders of record as of the close of business on June 21, 2021. The cash dividend of $.633 per share represents an increase of 10% from the previous quarterly dividend rate of $.575 per share.

We purchased 65,648 shares of our common stock in fiscal year 2020, but did not purchase any shares in the nine months ended June 26, 2021. On August 4, 2017 the Company's Board of Directors authorized the purchase and retirement of 500,000 shares of the Company's common stock; 318,858 shares remain to be purchased under this authorization.

In the three months ended June 26, 2021 and June 27, 2020, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused decreases of $657,000 and $41,000 in accumulated other comprehensive loss, respectively. In the nine months ended June 26, 2021 and June 27, 2020, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused a decrease of $2,405,000 and an increase of $3,070,000 in accumulated other comprehensive loss, respectively.

Our general-purpose bank credit line, which expires in November 2021, provides for up to a $50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at June 26, 2021.

RESULTS OF OPERATIONS

Net sales increased by 51% to $324,344,000 in the third quarter and by 7% to $821,519,000 for the nine months ended June 26, 2021 compared to the three and nine months ended June 27, 2020, respectively.

FOOD SERVICE

Sales to food service customers increased by 68% in the third quarter to $196,478,000 and by 12% to $526,226,000 for the nine months, compared to respective prior year periods. Food service venues are approaching pre-COVID capacity levels and more confident consumers are leaving their homes and spending more as the market normalizes. Sales accelerated throughout our key channels led by schools, amusement/recreation, restaurants, c-stores and theaters.

Soft pretzel sales to the food service market increased by 138% to $50,895,000 in the third quarter and by 3% to $120,359,000 in the nine months. Frozen juices and ices sales increased by 60% to $13,927,000 in the third quarter and increased by 22% to $30,812,000 in the nine months. Churro sales to food service customers increased by 174% to $20,096,000 in the third quarter and increased by 21% to $46,358,000 in the nine months. Sales of bakery products increased by 24% in the third quarter to $85,706,000 and increased by 1% to $257,580,000 for the nine months.

Sales of handhelds increased by 155% in the third quarter to $18,971,000 and by 156% in the nine months to $56,574,000 led by the continued success of a new product developed for one of our larger wholesale club customers.

Sales of new products in the first twelve months since their introduction were approximately $11,762,000 in the third quarter and $38,929,000 in the nine months led by the previously noted handheld item. Price increases had a marginal impact on results in the quarter as traffic and volume drove almost all of the sales decline compared to prior year.

Operating income in our Food Service segment was $17,644,000 in the third quarter compared with an operating loss of $18,242,000 in the prior year quarter. Operating income in our Food Service segment increased by 286% to $29,879,000 in the nine months. The increase in operating income was primarily due to the increase in sales which improved margin efficiencies and expense leverage.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets decreased by 6% to $53,857,000 in the third quarter but increased by 10% to $136,859,000 in the nine months. The decrease in sales in the current quarter was primarily attributable to the stronger customer demand in the prior year third quarter resulting from the initial responses to the COVID-19 pandemic. During the prior year third quarter, a surge in demand and sales was experienced related to the effects of the rapid changes in consumer purchasing habits.

Sales of soft pretzels decreased by 12% in the third quarter to $11,193,000 but increased by 17% in the nine months to $40,871,000. Sales of frozen juices and ices increased by 11% to $36,898,000 in the third quarter and by 21% to $71,600,000 in the nine months. Sales of biscuits decreased by 44% to $4,562,000 in the third quarter and by 14% to $18,717,000 in the nine months. Handheld sales to retail supermarket customers decreased by 63% to $1,191,000 in the third quarter and by 32% to $6,215,000 in the nine months.

Sales of new products in the nine months were approximately $550,000 and were primarily related to frozen novelty items. Price increases had a minimal impact on sales in the third quarter and in the nine months, as sales were driven primarily by consumer traffic and volume trends in retail outlets.

Operating income in our Retail Supermarkets segment increased by 15% to $9,080,000 in the third quarter and by 39% to $20,167,000 in the nine months. The increases in operating income was primarily attributable to the improvement in operating margins.

FROZEN BEVERAGES

Frozen beverage and related product sales increased by 83% to $74,009,000 in the third quarter but decreased by 9% to $158,434,000 in the nine months.

Beverages sales increased by 157% to $42,279,000 in the third quarter but decreased by 8% to $76,663,000 in the nine months, with the majority of the fluctuations attributable to gallon sales. The increase in sales in the current quarter was led by the amusement channel that experienced sales above pre-COVID 19 levels, and continued traffic increases in the mass merchandise, QSR and theater channels.

Service revenue increased by 32% to $22,789,000 in the third quarter but decreased by 3% to $59,903,000 in the nine months. The increase in the quarter was largely due to customers accelerating equipment maintenance to support the post COVID-19 recovery.

Machines revenue (primarily sales of frozen beverage machines) increased by 32% to $8,404,000 in the third quarter but decreased by 25% to $20,556,000 in the nine months. Retailers are beginning to re-invest again which helped to accelerate machine revenues in the quarter.

Our Frozen Beverage segment generated operating income of $11,420,000 in the third quarter compared with an operating loss of $9,088,000 in the prior year third quarter. In the nine months, our Frozen Beverage segment incurred an operating loss of $4,094,000 compared with an operating loss of $8,942,000 in the prior year nine-month period. The comparative performance was impacted by the challenging sales environment in the prior year quarter due to the COVID-19 pandemic.

CONSOLIDATED

Gross profit as a percentage of sales was 29.7% in the third quarter and 17.3% in the prior year quarter. Gross profit as a percentage of sales was 25.2% in the nine-month period this year and 24.0% last year. The increase is largely attributable to the benefit of increased sales, favorable product mix and corresponding margin efficiencies.

Total operating expenses increased by 2.5% to $58,030,000 in the third quarter but decreased by 5.8% to $161,243,000 in the nine months. As a percentage of net sales, operating expenses decreased from 26.4% to 17.9% in the third quarter and increased in the nine months from 22.2% to 19.6%.

Marketing expenses decreased to 6.3% of net sales in the third quarter from 10.2% in prior year and to 6.9% in the nine months compared with 8.9% in prior year's nine-month period. Distribution expenses decreased to 8.4% of net sales in the third quarter from 9.9% in the prior year but increased slightly to 9.2% in the nine months compared with 9.1% in prior year's nine-month period. Administrative expenses decreased to 3.2% of net sales in the third quarter from 3.9% in prior year, and to 3.5% in the nine months compared with 3.7% in prior year's nine-month period. Operating expenses in the prior year were impacted by $5.1 million of plant shutdown impairment costs in both the three month, and nine-month periods.

Operating income was $38,144,000 in the third quarter compared with an operating loss of $19,420,000 in the prior year. Operating income increased by 246% to $45,952,000 in the nine months as a result of the aforementioned items.

Our investments generated before tax income of $470,000 in the third quarter, a $830,000 decrease from prior year. In the nine months, our investments generated before tax income of $2,419,000, a 10% decrease from the prior year period. The decrease in before tax investment income compared with prior year was primarily attributable to the decrease in investments held between periods.

Net earnings in the third quarter were $28,893,000 compared with a loss of $12,647,000 in prior year. Net earnings increased by 213% in the nine months to $36,732,000. Our effective tax rate was 24% in the nine months compared with 26% in the prior year's nine-month period.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 2020 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 26, 2021, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 26,2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.1 The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 26, 2021, formatted in iXBRL (Inline extensible Business Reporting Language):
(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Earnings,
(iii)Consolidated Statements of Comprehensive Income,
(iv) Consolidated Statements of Cash Flows and
(v) the Notes to the Consolidated Financial Statements

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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.

J & J SNACK FOODS CORP.

Dated: July 29, 2021	/s/ Dan Fachner Dan Fachner President and Chief Executive Officer (Principal Executive Officer)
Dated: July 29, 2021	/s/ Ken A. Plunk Ken A. Plunk, Senior Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Dan Fachner, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 29, 2021

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ken A. Plunk, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: July 29, 2021

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 26, 2021 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 29, 2021

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 26, 2021 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 29, 2021

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.