

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 December 26, 1998

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, NJ 08109
(Address of principal executive offices)

Telephone (609) 665-9533

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

As of January 22, 1999, there were 9,106,556 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	December 26, 1998 (Unaudited)	September 26, 1998
Current assets		
Cash and cash equivalents	\$ 1,345,000	\$ 3,204,000
Accounts receivable	26,379,000	34,388,000
Inventories	17,633,000	16,447,000
Prepaid expenses and deposits	1,663,000	1,104,000
	47,020,000	55,143,000
Property, plant and equipment, at cost		
Land	755,000	839,000
Buildings	5,432,000	5,432,000
Plant machinery and equipment	60,381,000	60,275,000
Marketing equipment	128,267,000	126,653,000
Transportation equipment	1,949,000	2,149,000
Office equipment	5,607,000	5,446,000
Improvements	10,673,000	10,616,000
Construction in progress	3,002,000	1,154,000
	216,066,000	212,564,000
Less accumulated depreciation and amortization	115,512,000	112,444,000
	100,554,000	100,120,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	51,129,000	51,871,000
Long term investment securities held to maturity	3,006,000	3,127,000
Sundry	3,077,000	3,000,000
	57,212,000	57,998,000
	\$204,786,000	\$213,261,000

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	December 26, 1998 (Unaudited)	September 26, 1998
Current liabilities		
Current maturities of long-term debt	\$ 8,212,000	\$ 8,423,000
Accounts payable	20,862,000	23,222,000
Accrued liabilities	6,959,000	8,914,000
	36,033,000	40,559,000
Long-term debt, less current maturities	29,860,000	32,199,000
Revolving credit line	13,500,000	16,000,000
Deferred income	362,000	435,000
Deferred income taxes	4,379,000	4,387,000
Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 5,000,000 shares; none issued	-	-
Common, no par value; authorized, 25,000,000 shares; issued and outstanding, 9,038,000 and 8,872,000, respectively	39,483,000	39,120,000
Accumulated other comprehensive income	(1,667,000)	(1,694,000)
Retained earnings	82,836,000	82,255,000
	120,652,000	119,681,000
	\$204,786,000	\$213,261,000

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended	
	December 26, 1998	December 27, 1997
Net Sales	\$60,549,000	\$52,191,000
Cost of goods sold	29,567,000	27,516,000
Gross profit	30,982,000	24,675,000
Operating expenses		
Marketing	19,607,000	15,859,000
Distribution	6,676,000	5,009,000
Administrative	2,540,000	2,316,000
Amortization of intangibles and deferred costs	739,000	527,000
	29,562,000	23,711,000

Operating income	1,420,000	964,000
Other income (deductions)		
Investment income	126,000	178,000
Interest expense	(879,000)	(304,000)
Sundry	255,000	16,000
Earnings before income taxes	922,000	854,000
Income taxes	341,000	308,000
NET EARNINGS	\$ 581,000	\$ 546,000
Earnings per diluted share	\$.06	\$.06
Weighted average number of diluted shares	9,541,000	9,230,000
Earnings per basic share	\$.06	\$.06
Weighted average number of basic shares	9,036,000	8,865,000

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	
	December 26, 1998	December 27, 1997
Operating activities:		
Net earnings	\$ 581,000	\$ 546,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	5,878,000	4,715,000
Amortization of intangibles	851,000	640,000
Other adjustments	(24,000)	191,000
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	8,039,000	3,702,000
(Increase) decrease in inventories	(1,159,000)	13,000
Increase in prepaid expenses	(556,000)	(32,000)
Decrease in accounts payable and accrued liabilities	(4,409,000)	(1,527,000)
Net cash provided by operating activities	9,201,000	8,248,000
Investing activities:		
Purchases of property, plant and equipment	(6,509,000)	(5,427,000)
Payments for purchases of companies, net of cash acquired and debt assumed	-	(8,967,000)
Proceeds from investments held to maturity	115,000	135,000
Proceeds from investments available for sale	-	495,000
Other	21,000	787,000
Net cash used in investing activities	(6,373,000)	(12,977,000)
Financing activities:		
Proceeds from issuance of common stock	363,000	277,000
Proceeds from borrowings	-	50,000,000
Payments of long-term debt	(5,050,000)	(42,222,000)
Net cash (used in) provided by financing activities	(4,687,000)	8,055,000
Net (decrease) increase in cash and cash equivalents	(1,859,000)	3,326,000
Cash and cash equivalents at beginning of period	3,204,000	1,401,000
Cash and cash equivalents at end of period	\$ 1,345,000	\$ 4,727,000

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 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 months ended December 26, 1998 and December 27, 1997 are not necessarily indicative of results for the full year. Sales of the Company's retail stores are generally higher in the first quarter due to the holiday shopping season. Sales of the Company's frozen carbonated beverages and Italian Ice are generally higher in the third and fourth quarters due to warmer weather.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested 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 year ended September 26, 1998.

Note 2 The Company's calculation of earnings per share in accordance with SFAS No. 128, "Earnings Per Share," is as follows:

	Three Months Ended December 26, 1998 Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Net Income available to common stockholders	\$581,000	9,036,000	\$.06
Effect of Dilutive Securities Options	-	505,000	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$581,000	9,541,000	\$.06

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	Three Months Ended December 27, 1997 Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic EPS			
Net Income available to common stockholders	\$ 546,000	8,865,000	\$.06
Effect of Dilutive Securities Options	-	365,000	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$ 546,000	9,230,000	\$.06

Note 3 Inventories consist of the following:

	December 26, 1998	September 26, 1998
Finished goods	\$ 8,415,000	\$ 8,054,000
Raw materials	2,565,000	2,190,000
Packaging materials	2,296,000	2,239,000
Equipment parts & other	4,357,000	3,964,000
	\$17,633,000	\$16,447,000

Note 4 The Company adopted SFAS No. 130, "Reporting Comprehensive Income" in the first quarter of this fiscal year. SFAS No. 130 establishes new standards for reporting comprehensive

income, which includes net income as well as certain other items which result in a change to equity during the period. The adoption of SFAS No. 130 had no impact on the Company's financial position or results of operations. During the first quarters of 1998 and 1997, total comprehensive income, which for the Company included net income and foreign currency translation adjustments, amounted to \$608,000 and \$502,000, respectively.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for all periods beginning after December 15, 1997, but is not required to be applied for interim reporting in the initial year of adoption. The Company is currently evaluating the impact of SFAS No. 131 on the disclosures included in its annual financial statement.

In June 1998, the FASB issued Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 is required to be adopted in years beginning after June 15, 1999. Management does not anticipate the adoption of SFAS No. 133 will have a significant effect on earnings or the financial position of the Company.

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

Liquidity and Capital Resources

The Company's current cash and marketable securities balances and cash expected to be provided by future operations are its primary sources of liquidity. The Company believes that these sources, along with its borrowing capacity, are sufficient to fund future growth and expansion.

In the quarters ended December 26, 1998 and December 27, 1997, fluctuations in the value of the Mexican peso caused an increase of \$27,000 and a decrease of \$44,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

Available to the Company are unsecured general purpose bank lines of credit totalling \$30,000,000. Borrowings under the lines at December 26, 1998 were \$13,500,000.

Results of Operations

Net sales increased \$8,358,000 or 16% to \$60,549,000 for the three months ended December 26, 1998 compared to the three months ended December 27, 1997, in part due to the December 1997 acquisition of National ICEE Corporation. The increase is attributed primarily to volume increases.

Sales to food service customers increased \$2,121,000 or 9% in the first quarter to \$24,791,000. Soft pretzel sales to the food service market increased 7% to \$15,423,000 in the quarter primarily due to increased sales to one customer. Italian ice and frozen juice treat and dessert sales decreased 1% to \$4,287,000 in the three months. Churro sales to food service customers increased 13% to \$2,799,000 in the quarter.

Sales of products to retail supermarkets increased \$884,000 or 13% to \$7,741,000 in the first quarter. Soft pretzel sales for the first quarter were up 15% to \$5,675,000. Sales of our flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, increased 12% in the first quarter. Sales of Italian Ice increased \$134,000 or 9% to \$1,632,000 in the first quarter.

Frozen carbonated beverage and related product sales increased \$4,398,000 or 35% to \$16,875,000 in the first quarter in part due to the December 1997 acquisition of National ICEE Corporation. Beverage sales alone increased 49% to \$14,986,000. Equipment Sales decreased \$999,000 from the year ago quarter.

Bakery sales increased \$1,021,000 or 16% to \$7,243,000 in the first quarter. Sales of Bavarian Pretzel Bakery decreased \$66,000 or 2% to \$3,899,000 in the quarter from last year.

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Gross profit as a percentage of sales increased to 51% in the current first quarter from 47% in the year ago period. This gross profit percentage increase is primarily attributable to higher gross profit percentages of the increased frozen carbonated beverage sales.

Total operating expenses increased \$5,851,000 in the first quarter and as a percentage of sales increased to 49% from 45% in last year's same quarter.

Marketing expenses increased to 32% of sales from 30% in last year's first quarter. Distribution expenses increased to 11% of sales from 10% in last year's quarter. Administrative expenses were 4% of sales in both periods. The increase in marketing and distribution expenses as a percent of sales is due to the higher operating expenses of the increased frozen carbonated beverage sales. Amortization of intangibles and deferred costs increased to \$739,000 from \$527,000 last year because of the amortization of goodwill of National ICEE Corporation.

Operating income increased 47%, or \$456,000, to \$1,420,000 in the first quarter from \$964,000 in last year's quarter.

Interest expense increased \$575,000 from last year's quarter to \$879,000 this year due to the assumption and subsequent refinancing of the debt of National ICEE Corporation.

Sundry income increased to \$255,000 this year from \$16,000 last year due to the favorable settlement of litigation.

The effective income tax rate has been estimated at 37% in this year compared to 36% in last year's quarter.

Net earnings increased \$35,000 or 6% in the current three month period to \$581,000.

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 1998 annual report on Form 10-K filed with the SEC.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits - None
- b) Reports on Form 8-K - There were no reports on Form 8-K for the three months ended December 26, 1998.

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: January 29, 1999

/s/ Gerald B. Shreiber
Gerald B. Shreiber
President

Dated: January 29, 1999

/s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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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: January 29,

Gerald B. Shreiber
President

Dated: January 29, 1999

Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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