

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 March 31, 2001

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)

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

Telephone (856) 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 April 20, 2001, there were 8,524,937 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  
(in thousands)

ASSETS	March 31, 2001	September 30, 2000
(Unaudited)		
Current assets		
Cash and cash equivalents	\$ 3,558	\$ 1,379
Accounts receivable	29,245	33,626
Inventories	28,397	21,473
Prepaid expenses and other	1,998	1,418
	63,198	57,896
Property, plant and equipment, at cost		
Land	795	795
Buildings	5,586	5,586
Plant machinery and equipment	85,330	75,817
Marketing equipment	158,680	156,093
Transportation equipment	568	2,043
Office equipment	7,253	6,981
Improvements	14,617	12,705
Construction in progress	741	1,304
	273,570	261,324
Less accumulated deprecia- tion and amortization	163,218	152,155
	110,352	109,169
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	48,712	48,768
Long term investment securities held to maturity	1,550	1,620
Sundry	2,766	2,586
	53,028	52,974
	\$226,578	\$220,039

See accompanying notes to the consolidated financial statements.

(in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2001 (unaudited)	September 30, 2000
Current liabilities		
Current maturities of long-term debt	\$ 10,116	\$ 2,186
Accounts payable	24,784	24,913
Accrued liabilities	7,700	8,728
	42,600	35,827
Long-term debt, less current maturities	43,506	42,481
Deferred income taxes	8,340	8,340
Other long-term liabilities	81	117
	51,927	50,938
Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 5,000 shares; none issued	-	-
Common, no par value; authorized 25,000 shares; issued and outstanding, 8,446 and 8,522, respectively	27,512	28,403
Accumulated other comprehen- sive loss	(1,622)	(1,616)
Retained earnings	106,161	106,487
	132,051	133,274
	\$226,578	\$220,039

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in thousands, except per share amounts)

	Three months ended		Six months ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
Net Sales	\$76,807	\$67,813	\$146,877	\$133,319
Cost of goods sold	39,698	32,592	75,750	65,973
Gross profit	37,109	35,221	71,127	67,346
Operating expenses				
Marketing	25,449	23,857	49,814	45,011
Distribution	6,491	6,264	12,796	12,165
Administrative	3,231	2,776	6,336	5,567
Amortization of intangibles and deferred costs	670	739	1,351	1,484
	35,841	33,636	70,297	64,227
Operating income	1,268	1,585	830	3,119

Other income (deductions)				
Investment income	90	104	171	240
Interest expense	(918)	(652)	(1,704)	(1,338)
Sundry	142	138	185	211
Earnings (loss) before income taxes	582	1,175	(518)	2,232
Income taxes(benefit)	215	435	(192)	826
NET EARNINGS(LOSS)	\$ 367	\$ 740	\$ (326)	\$ 1,406
Earnings (loss) per diluted share	\$ .04	\$ .08	\$ (.04)	\$ .15
Weighted average number of diluted shares	8,631	9,329	8,425	9,355
Earnings (loss) per basic share	\$ .04	\$ .08	\$ (.04)	\$ .16
Weighted average number of basic shares	8,431	9,014	8,425	9,009

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)  
(in thousands)

	Six months ended	
	March 31, 2001	March 25, 2000
Operating activities:		
Net (loss) earnings	\$ (326)	\$ 1,406
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	14,907	12,932
Amortization of intangibles	1,637	1,733
Other adjustments	20	(74)
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	4,203	762
Increase in inventories	(6,685)	(3,345)
Increase in prepaid expenses	(580)	(1,143)
Decrease in accounts payable and accrued liabilities	(1,050)	(438)
Net cash provided by operating activities	12,126	11,833
Investing activities:		
Purchases of property, plant and equipment	(6,594)	(15,646)
Payments for purchases of companies, net of cash acquired and debt assumed	(11,330)	(1,280)
Proceeds from investments held to maturity	70	1,109
Other	(16)	165
Net cash used in investing activities	(17,870)	(15,652)
Financing activities:		
Proceeds from borrowings	13,000	10,000
Proceeds from issuance of common stock	367	427
Payments to repurchase common stock	(1,400)	(1,020)
Payments of long-term debt	(4,044)	(9,056)
Net cash provided by financing		

activities	7,923	351
Net increase(decrease) in cash and cash equivalents	2,179	(3,468)
Cash and cash equivalents at beginning of period	1,379	5,945
Cash and cash equivalents at end of period	\$ 3,558	\$ 2,477

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

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. Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net earnings.

The results of operations for the three months and six months ended March 31, 2001 and March 25, 2000 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 beverages and frozen juice bars and ices 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 30, 2000.

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 March 31, 2001  
Income Shares Per Share  
(Numerator)(Denominator) Amount  
(in thousands,  
except per share amounts)

Basic EPS  
Net Income available

to common stockholders	\$ 367	8,431	\$ .04
Effect of Dilutive Securities Options	-	200	-
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$ 367	8,631	\$ .04

Six Months Ended March 31, 2001  
Income Shares Per Share  
(Numerator)(Denominator) Amount  
(in thousands,  
except per share amounts)

Basic EPS Net Loss available to common stockholders	\$ (326)	8,425	\$ (.04)
Effect of Dilutive Securities Options*	-	-	-
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$ (326)	8,425	\$ (.04)

\*No effect was given to the options as inclusion would be antidilutive.

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Three Months Ended March 25, 2000  
Income Shares Per Share  
(Numerator)(Denominator) Amount  
(in thousands,  
except per share amounts)

Basic EPS Net Income available to common stockholders	\$ 740	9,014	\$ .08
Effect of Dilutive Securities Options	-	315	-
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$ 740	9,329	\$ .08

Six Months Ended March 25, 2000  
Income Shares Per Share  
(Numerator)(Denominator) Amount  
(in thousands,  
except per share amounts)

Basic EPS Net Income available to common stockholders	\$1,406	9,009	\$ .16
Effect of Dilutive Securities Options	-	346	(.01)
Diluted EPS			

Net Income available to common stockholders plus assumed conversions	\$1,406	9,355	\$ .15
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Note 3 Inventories consist of the following:

	March 31, 2001	September 30, 2000
	(in thousands)	
Finished goods	\$17,294	\$10,714
Raw materials	2,372	2,136
Packaging materials	2,911	2,532
Equipment parts & other	5,820	6,091
	\$28,397	\$21,473

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Note 4 Using the guidelines set forth in SFAS No. 131, the Company has two reportable segments: Snack Foods and Frozen Beverages. Snack Foods manufactures and distributes snack foods and bakery items. Frozen Beverages markets and distributes frozen beverage products. The segments are managed as strategic business units due to their distinct production processes and capital requirements.

The Company evaluates each segment's performance based on income or loss before taxes, excluding corporate and other unallocated expenses and non-recurring charges. Information regarding the operations in these reportable segments is as follows:

	Three Months Ended		Six Months Ended	
	March 31, 2001	March 25, 2000	March 31, 2001	March 25, 2000
	(in thousands)			
Sales:				
Snack Foods	\$ 56,784	\$ 47,738	\$106,777	\$ 92,932
Frozen Beverages	20,023	20,075	40,100	40,387
	\$ 76,807	\$ 67,813	\$146,877	\$133,319
Depreciation and Amortization:				
Snack Foods	\$ 4,087	\$ 3,460	\$ 8,088	\$ 6,844
Frozen Beverages	4,209	3,940	8,456	7,821
	\$ 8,296	\$ 7,400	\$ 16,544	\$ 14,665
Earnings(Loss) Before Taxes:				
Snack Foods	\$ 3,758	\$ 3,556	\$ 5,572	\$ 6,917
Frozen Beverages	(3,176)	(2,381)	(6,090)	(4,685)
	\$ 582	\$ 1,175	\$ (518)	\$ 2,232
Capital Expenditures:				
Snack Foods	\$ 1,129	\$ 5,309	\$ 2,860	\$ 7,749
Frozen Beverages	2,174	3,160	3,734	7,897
	\$ 3,303	\$ 8,469	\$ 6,594	\$ 15,646
Assets:				
Snack Foods	\$134,145	\$114,645	\$134,145	\$114,645
Frozen Beverages	92,433	100,378	92,433	100,378
	\$226,578	\$215,023	\$226,578	\$215,023

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Note 5 In June 1998, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued. Subsequent to this statement, SFAS No. 137 was issued, which amended the

effective date of SFAS No. 133 to be all fiscal quarters of all fiscal years beginning after June 15, 2000. In June 2000, SFAS 138 was issued, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133". SFAS 133, as amended by SFAS 138, requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the designation of the hedge transaction. The Company adopted SFAS 133, as amended by SFAS 138, in the first quarter of fiscal year 2001. Based on the Company's minimal use of derivatives at the current time, the adoption of this standard did not have a significant impact on earnings or financial position of the Company.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101) which addresses certain criteria for revenue recognition. SAB 101, as amended by SAB 101A and SAB 101B, outlines the criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies.

The Company implemented the applicable provisions of SAB 101 as amended by SAB 101A in the first quarter of fiscal year 2001. Management believes the Company's revenue recognition policies comply with the guidance contained in the SAB and, therefore, the Company's results of operations were not materially affected.

In May 2000, The Emerging Issues Task Force reached consensus opinions on Issue 00-14, "Accounting for Certain Sales Incentives (Issue 00-14)". Issue 00-14 pertains to the recognition, measurement, and income statement classification of certain sales

incentives, including discounts, coupons, rebates, and free products or services received by the customer. The issue requires certain incentives to be classified as a reduction of revenue. The Company reclassified approximately \$553,000 and \$428,000 of sales incentives from marketing expense to reduction of sales in the three months ended March 31, 2001 and March 25, 2000, respectively, and approximately \$1,137,000 and \$872,000 in the six months ended March 31, 2001 and March 25, 2000, respectively.



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 three months ended March 31, 2001 and March 25, 2000, fluctuations in the valuation of the Mexican peso caused increases of \$32,000 and \$35,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen beverage subsidiary. In the six month periods, there was a decrease of \$6,000 in fiscal year 2001 and an increase of \$25,000 in fiscal year 2000.

In November 2000, the Company acquired the assets of Uptown Bakeries for cash. Uptown Bakeries, located in Bridgeport, NJ, is a fresh bakery products manufacturer with approximately \$17,000,000 in annual sales.

In February 2001, the Company acquired the assets, and exclusive rights for food service channels, of Chill brand fruit ices. Chill Ices have approximately \$3 million in annual foodservice sales.

In December 2000, the Company refinanced its unsecured term loan and its general-purpose bank credit line with a general purpose unsecured bank credit line of \$60,000,000. The new agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. Borrowings under the line at March 31, 2001 were \$48,000,000.

In the six months ended March 31, 2001, the Company purchased and retired 109,300 shares of its common stock at a cost of \$1,400,000. Under a buyback authorization approved by the Board of Directors in fiscal year 2000, 277,000 shares remain to be purchased.

Results of Operations

Net sales increased \$8,994,000 or 13% to \$76,807,000 for the three months and \$13,558,000 or 10% to \$146,877,000 for the six months ended March 31, 2001 compared to the six months ended March 25, 2000. Excluding sales resulting from acquisitions, sales increased 7% for the three month period and 5% for the six month period compared to a year ago.

Sales to food service customers increased \$6,964,000 or 26% in the second quarter to \$33,847,000 and increased \$8,701,000 or 16% for the six months. Excluding sales resulting from acquisitions, sales would have increased 9% for the second quarter and 4% for the six months. Soft pretzel sales to the food service market increased 12% to \$16,160,000 in the second quarter and 2% to \$30,530,000 in the six months. Excluding sales resulting from acquisitions, food service soft pretzel sales would have increased 7% in the second quarter and would have decreased 1% in the six month period. Frozen juice bars and ices sales increased 2% to \$6,461,000 in the three months and sales of \$10,612,000 in the six month period were essentially unchanged from a year ago. Churro sales to food service customers increased 17% to \$2,929,000 in the second quarter and 13% to \$5,599,000 in the six months. Cookie sales increased 24% to \$3,268,000 in the second quarter and 28% to \$6,972,000 in the six months.

Sales of products to retail supermarkets increased \$2,686,000 or 23% to \$14,515,000 in the second quarter and 32% to \$25,237,000 in the first half. Soft pretzel sales for the second quarter were up 6% to \$8,060,000 and were up 13% to \$14,959,000 for the six months. Sales of our flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, increased 4% in the second quarter and 11% for the six months. Sales of frozen juices and ices increased \$2,238,000 or 55% to \$6,298,000 in the second quarter and \$4,374,000 or 76% to \$10,154,000 in the first half primarily due to sales of the Company's MINUTE MAID brand licensed products which were introduced in last year's second quarter.

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Bakery sales decreased \$342,000 or 6% to \$5,605,000 in the second quarter and \$998,000 or 7% to \$13,060,000 in the first six months due to decreased unit sales to one customer. Sales of our Bavarian Pretzel Bakery decreased 9% to \$2,817,000 in the second quarter and were essentially unchanged at \$6,781,000 for the six month period. The second quarter sales decrease was caused primarily by decreased mall traffic.

#### FROZEN BEVERAGES

Frozen beverage and related product sales were essentially unchanged with sales of \$20,023,000 in the second quarter and were down \$287,000 or 1% to \$40,100,000 in the six months. Beverage sales alone increased 1% in the second quarter and the first half to \$16,229,000 and \$33,405,000, respectively, although gross profit on beverage sales decreased approximately 1% in the quarter and in the six months compared to last year. Service and lease revenue decreased \$169,000 in the second quarter and increased \$249,000 to \$5,479,000 in the six months.

#### CONSOLIDATED

Gross profit as a percentage of sales decreased to 48% in the current year's three and six month periods from 52% and 51% in the corresponding periods last year. The gross profit percentage decline in this year's periods is primarily related to the inclusion of Uptown Bakeries which has a low gross profit percentage relative to the balance of the Company's business.

Total operating expenses increased \$2,205,000 in the second quarter and as a percentage of sales decreased to 47% from 50% in last year's same quarter. For the first half, operating expenses increased \$6,070,000 and as a percentage of sales were 48% in both years. Marketing expenses decreased to 33% of sales in this year's three month period from 35% of sales last year. For the six month period, marketing expenses were 34% of sales in both years. The drop in marketing percentage in the second quarter is caused by Uptown Bakeries which has little marketing expense. Distribution expenses decreased to 8% of sales in this year's second quarter from 9% last year;

and were 9% of sales in both years' six month period. The drop in distribution expense percentage in the second quarter was caused by Uptown Bakeries which has little distribution expense. Administrative expenses as a percent of sales were at 4% for all periods reported.

Operating income decreased \$317,000 or 20% to \$1,268,000 in the second quarter and \$2,289,000 or 73% to \$830,000 in the first half.

For the three and six months, interest expense increased \$266,000 and \$366,000, respectively, due primarily to debt incurred to fund acquisitions.

The effective income tax rate has been estimated at 37% in all periods.

Net earnings decreased \$373,000 or 50% in the current three month period to \$367,000 and a net loss of \$326,000 for the six months compared to net earnings of \$1,406,000 in the year ago period.

### 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 2000 annual report on Form 10-K filed with the SEC.

## Part II. OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security Holders

The results of voting at the Annual Meeting of Shareholders held on February 8, 2001 is as follows:

	Votes Cast			Absentees and Broker
	For	Against	Withheld	Non Votes
Election of Robert M. Radano as Director	6,574,100	-	72,623	-
Election of Peter G. Stanley as Director	6,574,100	-	72,623	-

The Company had 8,414,793 shares outstanding on December 4, 2000

the record date.

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 March 31, 2001.

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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: April 27, 2001            /s/Gerald B. Shreiber  
Gerald B. Shreiber  
President

Dated: April 27, 2001            /s/Dennis G. Moore  
Dennis G. Moore  
Senior Vice President and  
Chief Financial Officer

