

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 30, 1996

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 April 30, 1996, there were 8,836,970 shares of the Registrant's Common Stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## J &amp; J SNACK FOODS CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

ASSETS	March 30, 1996 (Unaudited)	September 30, 1995
Current assets		
Cash and cash equivalents	\$ 11,455,000	\$ 10,696,000
Marketable securities available for sale	2,896,000	3,824,000
Accounts receivable	15,974,000	17,467,000
Inventories	10,659,000	11,009,000
Prepaid expenses and deposits	1,231,000	1,498,000
	42,215,000	44,494,000
Property, plant and equipment, at cost		
Land	819,000	819,000
Buildings	5,119,000	5,119,000
Plant machinery and equipment	39,948,000	39,006,000
Marketing equipment	77,768,000	75,085,000
Transportation equipment	1,879,000	2,086,000
Office equipment	3,336,000	3,002,000
Improvements	5,193,000	5,036,000
Construction in progress	1,865,000	480,000
	135,927,000	130,633,000
Less accumulated depreciation and amortization	78,537,000	71,410,000
	57,390,000	59,223,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	8,245,000	8,644,000
Long term investments available for sale	990,000	990,000
Long term investments held to maturity	8,734,000	7,345,000
Sundry	2,526,000	2,613,000
	20,495,000	19,592,000
	\$120,100,000	\$123,309,000

See accompanying notes to the consolidated financial statements.

## J &amp; J SNACK FOODS CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	March 30, 1996 (Unaudited)	September 30, 1995
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Current liabilities		
Current maturities of long-term debt	\$ 3,000	\$ 16,000
Accounts payable	10,926,000	10,607,000
Accrued liabilities	4,019,000	5,922,000
	14,948,000	16,545,000
Long-term debt, less current maturities	5,006,000	5,011,000
Deferred income	627,000	666,000
Deferred income taxes	5,003,000	5,003,000
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, 8,930,000 and 9,126,000, respectively	38,014,000	40,802,000
Foreign currency translation adjustment	(1,353,000)	(1,121,000)
Retained earnings	57,855,000	56,403,000
	94,516,000	96,084,000
	\$120,100,000	\$123,309,000

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended		Six months ended	
	March 30, 1996	March 25, 1995	March 30, 1996	March 25, 1995
Net Sales	\$42,138,000	\$40,317,000	\$85,001,000	\$81,534,000
Cost of goods sold	21,580,000	20,033,000	43,276,000	40,455,000
Gross profit	20,558,000	20,284,000	41,725,000	41,079,000
Operating expenses				
Marketing	13,585,000	13,478,000	27,465,000	26,802,000
Distribution	4,241,000	4,487,000	8,484,000	9,019,000
Administrative	1,828,000	2,072,000	3,724,000	4,040,000
Amortization of intangibles and deferred costs	207,000	217,000	415,000	433,000
	19,861,000	20,254,000	40,088,000	40,294,000
Operating income	697,000	30,000	1,637,000	785,000
Other income (deductions)				
Investment income	365,000	299,000	776,000	591,000
Interest expense	(91,000)	(114,000)	(191,000)	(212,000)
Sundry	(13,000)	534,000	4,000	466,000
Earnings before income taxes	958,000	749,000	2,226,000	1,630,000

Income taxes	333,000	282,000	774,000	613,000
NET EARNINGS	\$ 625,000	\$ 467,000	\$ 1,452,000	\$ 1,017,000
Earnings per common share	\$ .07	\$ .05	\$ .16	\$ .11
Weighted average number of shares	9,101,000	9,467,000	9,144,000	9,660,000

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)

	Six months ended	
	March 30, 1996	March 25 1995
Cash flows from operating activities:		
Net earnings	\$ 1,452,000	\$ 1,017,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	7,648,000	7,379,000
Amortization of intangibles and deferred costs	511,000	508,000
(Decrease) increase in deferred income taxes	-	(2,000)
Other adjustments	(19,000)	10,000
Changes in assets and liabilities		
Decrease in accounts receivable	1,449,000	2,057,000
Decrease (increase) in inventories	320,000	(1,023,000)
Decrease (increase) in prepaid expenses	264,000	(372,000)
Decrease in accounts payable and accrued liabilities	(1,553,000)	(615,000)
Net cash provided by operating activities	10,072,000	8,959,000
Cash flows from investing activities:		
Capital expenditures	(6,060,000)	(6,193,000)
Proceeds from investments held to maturity	350,000	230,000
Payments for investments held to maturity	(1,750,000)	(500,000)
Proceeds from investments available for sale	3,465,000	2,085,000
Payments for investments available for sale	(2,558,000)	(2,981,000)
Decrease in bond trust fund	1,000	549,000
Proceeds from sale of property and equipment	81,000	27,000
Other	(36,000)	(18,000)
Net cash used in investing activities	(6,507,000)	(6,801,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	122,000	254,000
Payments to repurchase common stock	(2,910,000)	(6,303,000)
Payments of long-term debt	(18,000)	(7,000)
Net cash (used in) provided by financing activities	(2,806,000)	(6,056,000)
Net increase (decrease) in cash and cash equivalents	759,000	(3,898,000)
Cash and cash equivalents at beginning of period	10,696,000	6,621,000
Cash and cash equivalents at end of period	\$11,455,000	\$ 2,723,000

See accompanying notes to the consolidated financial statements.

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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.

The results of operations for the three months and six months ended March 30, 1996 and March 25, 1995 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 are generally higher in the third and fourth quarters due to seasonal factors.

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, 1995.

Note 2 Earnings per share are based on the weighted average number of common shares outstanding, including common stock equivalents (stock options).

Note 3 Inventories consist of the following:

	March 30, 1996	September 30, 1995
Finished goods	\$ 5,457,000	\$ 5,669,000
Raw materials	1,097,000	1,019,000
Packaging materials	2,093,000	1,947,000
Equipment parts & other	2,012,000	2,374,000
	\$10,659,000	\$11,009,000

Note 4 The amortized cost, unrealized gains and losses, and fair market values of the Company's available for sale and held to maturity securities held at March 30, 1996 are summarized as follows:

	7 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available for Sale Securities				
Equity Securities	\$ -	\$12,000	\$ -	\$ 12,000
Corporate Debt Securities	669,000	-	63,000	606,000
Municipal Government Securities	3,217,000	5,000	5,000	3,217,000
	\$3,886,000	\$17,000	\$ 68,000	\$3,835,000
Held to Maturity Securities				
Corporate Debt Securities	\$1,004,000	\$ -	\$ 7,000	\$ 997,000
Municipal Government Securities	7,230,000	-	138,000	7,092,000
Other	500,000	-	-	500,000
	\$8,734,000	\$ -	\$145,000	\$8,589,000

The amortized cost, unrealized gains and losses, and fair market values of the Company's available for sale and held to maturity securities held at September 30, 1995 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available for sale securities				
Equity securities	\$ -	\$12,000	\$ -	\$ 12,000
Corporate debt securities	996,000	-	46,000	950,000
Municipal government securities	3,818,000	6,000	8,000	3,816,000
	\$4,814,000	\$18,000	\$ 54,000	\$4,778,000

Held to maturity securities				
Corporate debt securities	\$1,015,000	\$ 8,000	\$ 15,000	\$1,008,000
Municipal government securities	5,830,000	11,000	195,000	5,646,000
Other	500,000	-	-	500,000
	\$7,345,000	\$ 19,000	\$210,000	\$7,154,000

Note 5        The FASB issued a new standard, FAS No. 107, "Disclosure About Fair Value of Financial Instruments," which requires all entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Company will provide these new disclosures at September 29, 1996.

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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 six months ended March 30, 1996, the devaluation of the Mexican peso caused a reduction of \$232,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary. For the six months ended March 30, 1996, dollar sales of this subsidiary were about 20% lower than a year ago due to the devaluation and continuing economic problems in Mexico; however, for the three months ended March 30, 1996, dollars sales increased 44% from the year earlier period.

During the six months ended March 30, 1996, the Company purchased and retired 243,000 shares of its common stock at a cost of \$2,910,000.

During the third quarter of fiscal year 1995, the Company sold its syrup and flavor manufacturing subsidiary, Western Syrup Company, to an unrelated third party for cash and notes. During the three and six months ended March 25, 1995 Western Syrup Company generated an after tax loss of approximately \$110,000 and \$280,000, respectively. The Company does not anticipate that the sale of Western will have a material impact on its operations or financial position.

Available to the Company are unsecured general purpose bank lines of credit totalling \$25,000,000.

Results of Operations

Net sales increased \$1,821,000 or 5% to \$42,138,000 for the three months and \$3,467,000 or 4% to \$85,001,000 for the six months ended March 30, 1996. Net sales, excluding sales of Western Syrup Company for all periods, increased 6% for the three months and 5% for the six months. Excluding a pricing adjustment to frozen carbonated beverage sales, net sales increased 3% for the three months and 4% for the six months.

Sales to food service customers increased \$1,748,000 or 10% in the second quarter to \$19,700,000 and \$5,174,000 or 14% to \$42,076,000 in the six months. Soft pretzel sales to the food service market increased 8% to \$13,211,000 in the second quarter and 14% to \$27,945,000 in the six months due to increased distribution. Two customers accounted for over 85% of the soft pretzel sales increase in both the three and six month periods. Frozen juice treat and dessert sales increased 13% to \$2,989,000 in the three months and 7% to \$5,891,000 in the six months. Churro sales to food service customers increased 20% to \$2,584,000 in the second quarter and 15% to \$4,944,000 in the six months. All foodservice sales increases were due primarily to changes in unit volume. Approximately 17% of the overall first half increase in sales to foodservice customers was accounted for by equipment sales.

Sales of products to retail supermarkets decreased \$912,000 or 9% to \$9,207,000 in the second quarter and 6% to \$16,487,000 in the first half. Soft pretzel sales for the second quarter were down 12% to \$7,106,000 and for the six months were down 8% to \$12,977,000. The sales decline for the second quarter and six months was due to increased competition and a decline in overall supermarket soft pretzel sales. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, decreased 11% in the second quarter and 7% for the six months. Softstix sales decreased \$451,000 or 36% to \$810,000 in the second quarter and \$799,000 or 33% to \$1,612,000 in the six months. Sales of Luigi's Real Italian Ice increased \$31,000 or 2% to \$1,879,000 in the second quarter and \$128,000 or 4% to \$3,063,000 in the first half. All of the retail supermarket increases and decreases were due primarily to changes in unit volume.

Frozen carbonated beverage and related product sales increased \$1,364,000 or 18% to \$8,878,000 in the second quarter and \$1,117,000 or 7% to \$17,366,000 in the six months. Beverage sales alone increased 18% to \$8,401,000 in the second quarter and increased 7% to \$16,369,000 in the six months. A pricing adjustment and increased sales of promotional cups to one customer accounted for virtually all of the three and six month sales increases.

Bakery sales increased \$305,000 or 17% to \$2,104,000 in the second quarter and decreased \$604,000 or 14% to \$3,682,000 in the first six months. The changes in sales were due to increases and decreases in unit volume.

Sales of our Bavarian Pretzel Bakery decreased 9% to \$2,249,000 in the second quarter and 5% to \$5,390,000 in the six month period.

Gross profit as a percentage of sales decreased to 49% in the current three and six month periods from 50% in the corresponding periods last year. This gross profit percentage decrease is primarily attributable to higher raw material and packaging costs.

Total operating expenses decreased \$393,000 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 decreased \$206,000 and as a percentage of sales decreased to 47% from 49% last year. Marketing expenses were 32% and 33% of sales in both year's three and six month periods, respectively. Distribution expenses decreased to 10% of sales in both periods this year from 11% of sales last year due primarily to changes in methods of distribution in our frozen carbonated beverage subsidiary. Administration expenses decreased to 4% of sales in both periods this year from 5% of sales last year due to a combination of lower overall expenses and an increase in sales volume.

Operating income increased \$667,000 to \$697,000 in the second quarter and \$852,000 or 109% to \$1,637,000 in the first half. Excluding a pricing adjustment to frozen carbonated beverage sales, operating income increased \$142,000 to \$172,000 in the second quarter and \$327,000 or 42% to \$1,112,000 in the first half.

Investment income increased \$66,000 to \$365,000 in the second quarter and \$185,000 to \$776,000 in the six months due primarily to higher levels of investable funds.

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Sundry income of \$534,000 in the second quarter last year decreased to an expense of \$13,000 in this year's second quarter and sundry income decreased \$462,000 to \$4,000 in the six month period. Last year's second quarter and six months sundry income included a gain on an insurance settlement.

The effective income tax rate has been estimated at 35% in this year's first quarter compared to 38% last year. The lower rate this year is due to tax benefits derived by our Mexican subsidiary and other factors.

Net earnings increased \$158,000 or 34% in the current three month period to \$625,000 and \$435,000 or 43% in the current six month period to \$1,452,000.

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 March 30, 1996.



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: May 3, 1996

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

Dated: May 3, 1996

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

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: May 3, 1996

Gerald B. Shreiber  
President

Dated: May 3, 1996

Dennis G. Moore  
Senior Vice President and  
Chief Financial Officer

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