

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 28, 1997

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 July 21, 1997, there were 8,831,128 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	June 28, 1997 (Unaudited)	September 28, 1996
Current assets		
Cash and cash equivalents	\$ 32,000	\$ 10,547,000
Marketable securities available for sale	-	1,217,000
Accounts receivable	29,596,000	18,202,000
Inventories	14,412,000	11,276,000
Prepaid expenses and deposits	763,000	980,000
	44,803,000	42,222,000
Property, plant and equipment, at cost		
Land	819,000	819,000
Buildings	5,119,000	5,119,000
Plant machinery and equipment	51,841,000	41,158,000
Marketing equipment	87,350,000	81,144,000
Transportation equipment	1,817,000	1,754,000
Office equipment	4,535,000	3,727,000
Improvements	7,743,000	7,053,000
Construction in progress	2,187,000	1,326,000
	161,411,000	142,100,000
Less accumulated depreciation and amortization	93,735,000	83,890,000
	67,676,000	58,210,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	20,347,000	9,326,000
Long term investment securities available for sale	495,000	990,000
Long term investment securities held to maturity	3,371,000	9,497,000
Sundry	2,824,000	2,883,000
	27,037,000	22,696,000
	\$139,516,000	\$123,128,000

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	June 28, 1997 (Unaudited)	September 28, 1996
Current liabilities		
Short-term borrowings	\$ 1,500,000	\$ -
Current maturities of long- term debt	8,000	8,000
Accounts payable	18,457,000	10,394,000
Accrued liabilities	9,225,000	7,038,000

29,190,000 17,440,000

Long-term debt, less current maturities	5,004,000	5,010,000
Deferred income	550,000	567,000
Deferred income taxes	3,403,000	3,403,000
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, 8,797,000 and 8,749,000, respectively	36,374,000	35,818,000
Foreign currency translation adjustment	(1,426,000)	(1,356,000)
Retained earnings	66,421,000	62,246,000
	101,369,000	96,708,000
	\$139,516,000	\$123,128,000

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 June 28, 1997	June 29, 1996	Nine months ended June 28, 1997	June 29, 1996
Net Sales	\$63,448,000	\$49,091,000	\$157,354,000	\$134,092,000
Cost of goods sold	32,404,000	24,805,000	80,771,000	68,081,000
Gross profit	31,044,000	24,286,000	76,583,000	66,011,000
Operating expenses				
Marketing	17,764,000	15,180,000	47,826,000	42,645,000
Distribution	5,263,000	4,439,000	14,380,000	12,923,000
Administrative	2,619,000	1,776,000	6,797,000	5,500,000
Amortization of intangibles and deferred costs	451,000	230,000	1,233,000	645,000
	26,097,000	21,625,000	70,236,000	61,713,000
Operating income	4,947,000	2,661,000	6,347,000	4,298,000
Other income (deductions)				
Investment income	94,000	328,000	490,000	1,104,000
Interest expense	(111,000)	(89,000)	(326,000)	(280,000)
Sundry	83,000	(30,000)	116,000	(26,000)
Earnings before income taxes	5,013,000	2,870,000	6,627,000	5,096,000
Income taxes	1,855,000	1,020,000	2,452,000	1,794,000
NET EARNINGS	\$ 3,158,000	\$ 1,850,000	\$ 4,175,000	\$ 3,302,000
Earnings per common share	\$.35	\$.21	\$.47	\$.36
Weighted average number of shares	9,003,000	8,921,000	8,924,000	9,144,000

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)

	Nine months ended	
	June 28, 1997	June 29, 1996
Cash flows from operating activities:		
Net earnings	\$ 4,175,000	\$ 3,302,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	12,532,000	11,566,000
Amortization of intangibles and deferred costs	1,454,000	900,000
Gain from disposals of property & equipment	(12,000)	(17,000)
Other adjustments	12,000	221,000
Changes in assets and liabilities		
Increase in accounts receivable	(10,209,000)	(495,000)
Increase in inventories	(1,803,000)	(780,000)
Decrease in prepaid expenses	264,000	559,000
Increase (decrease) in accounts payable and accrued liabilities	6,394,000	(1,621,000)
Net cash provided by operating activities	12,807,000	13,635,000
Cash flows from investing activities:		
Purchases of property, plant and equipment	(14,147,000)	(10,214,000)
Payments for purchase of companies, net of cash acquired and debt assumed	(18,873,000)	(2,637,000)
Proceeds from investments held to maturity	6,116,000	410,000
Payments for investments held to maturity	-	(2,750,000)
Proceeds from investments available for sale	1,710,000	4,152,000
Payments for investments available for sale	-	(4,393,000)
Proceeds from sale of property and equipment	187,000	156,000
Other	(205,000)	(475,000)
Net cash used in investing activities	(25,212,000)	(15,751,000)
Cash flows from financing activities:		
Proceeds from short-term borrowing	1,500,000	-
Proceeds from issuance of common stock	396,000	139,000
Payments to repurchase common stock	-	(4,149,000)
Payments of long-term debt	(6,000)	(30,000)
Net cash used in financing activities	1,890,000	(4,040,000)
Net increase (decrease) in cash and cash equivalents	(10,515,000)	(6,156,000)
Cash and cash equivalents at beginning of period	10,547,000	10,696,000
Cash and cash equivalents at end of period	\$ 32,000	\$ 4,540,000

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.

The results of operations for the three months and nine months ended June 28, 1997 and June 29, 1996 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 products 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 28, 1996.

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

The Financial Accounting Standards Board ("FASB") has issued a Statement of Financial Accounting Standard ("SFAS") No. 128, Earnings Per Share, which is effective for financial statements issued after December 15, 1997. Once effective, this new standard eliminates primary and fully diluted EPS and instead requires presentation of basic and diluted EPS in conjunction with the disclosure of the methodology used in computing such EPS. Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS takes into consideration the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock.

The adoption of this new standard is not expected to have a material impact on the disclosure of EPS. The effect of adopting this new standard has not been determined.

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Note 3 Inventories consist of the following:

	June 28, 1997	September 28, 1996
Finished goods	\$ 7,642,000	\$ 5,534,000
Raw materials	1,839,000	1,387,000
Packaging materials	2,570,000	2,009,000
Equipment parts & other	2,361,000	2,346,000
	\$14,412,000	\$11,276,000

Note 4 The amortized cost, unrealized gains and losses, and fair market values of the Company's investment securities available for sale and held to maturity at June 28, 1997 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	495,000	-	8,000	487,000
Municipal Government Securities	-	-	-	-
	\$ 495,000	\$12,000	\$ 8,000	\$ 499,000
Held to Maturity Securities				
Corporate Debt Securities	\$ 976,000	\$ 1,000	\$ -	\$ 977,000
Municipal Government Securities	1,895,000	3,000	29,000	1,869,000
Other	500,000	-	-	500,000
	\$3,371,000	\$ 4,000	\$ 29,000	\$3,346,000

The amortized cost, unrealized gains and losses, and fair market values of the Company's investment securities available for sale and held to maturity at September 28, 1996 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available for sale securities				
Equity securities	\$ -	\$ 9,000	\$ -	\$ 9,000
Corporate debt securities	495,000	-	52,000	443,000
Municipal government securities	1,712,000	6,000	2,000	1,716,000
	\$2,207,000	\$15,000	\$ 54,000	\$2,168,000
Held to maturity securities				
Corporate debt securities	\$ 992,000	\$ 9,000	\$ 8,000	\$ 993,000
Municipal government securities	8,005,000	28,000	67,000	7,966,000
Other	500,000	-	-	500,000
	\$9,497,000	\$ 37,000	\$ 75,000	\$9,459,000

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 nine months ended June 28, 1997, the devaluation of the Mexican peso caused a reduction of \$70,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

In January 1997, the Company acquired the assets of Mama Tish's International Foods for the assumption of some of its liabilities. Mama Tish is a manufacturer and distributor of Italian ices, sorbets and other frozen juice products with annual sales of approximately \$15 million.

In November 1996, the Company acquired all of the common stock of Pretzels, Inc. for cash. Trading as Texas Twist, Pretzels, Inc. is a soft pretzel manufacturer selling to both the food service and retail supermarket industries with annual sales of approximately \$1.4 million.

In October 1996, the Company acquired the assets of Bakers Best Snack Foods Corp. for cash. Bakers Best is a manufacturer of soft pretzels selling to both the food service and retail supermarket industries with annual sales of approximately \$4 million.

Available to the Company are unsecured general purpose bank lines of credit totalling \$30,000,000. Borrowings under the lines at June 28, 1997 were \$1,500,000.

Results of Operations

Net sales increased \$14,357,000 or 29% to \$63,448,000 for the three months and \$23,262,000 or 17% to \$157,354,000 for the nine months ended June 28, 1997 compared to the nine months ended June 29, 1996. Excluding sales of acquired businesses, net sales increased \$7,025,000 or 14% for the three months and \$9,269,000 or 7% for the nine months.

Sales to food service customers increased \$8,766,000 or 41% in the third quarter to \$29,940,000 and \$12,424,000 or 20% for the nine months. Excluding sales of acquired businesses, sales to food service customers increased \$2,722,000 or 13% for the quarter and increased \$1,985,000 or 3% for the nine months. Soft pretzel sales to the food service market increased 8% to \$14,183,000 in the third quarter and 6% to \$43,478,000 in the nine months. Excluding sales of acquired businesses, food service soft pretzel sales increased \$134,000 or 1% in the third quarter and decreased \$321,000 or 1% in the nine month period. Italian ice and frozen juice treat and dessert sales increased 160% to \$11,363,000 in the three months and 100% to \$20,530,000 in the nine months. Approximately 75% of the Italian ice and frozen juice and

dessert sales increase was from sales of acquired businesses. Churro sales to food service customers increased 9% to \$2,807,000 in the third quarter and 2% to \$7,655,000 in the nine months.

Sales of products to retail supermarkets increased \$644,000 or 6% to \$11,105,000 in the third quarter and 7% to \$28,847,000 in the nine months. Excluding sales of acquired businesses, sales to retail supermarkets were down 6% in the quarter and 3% for the nine months. Soft pretzel sales for the third quarter were down 2% and for the nine months were up 5% from last year to \$4,898,000 and \$18,870,000, respectively. SOFTSTIX sales decreased \$67,000 or 17% to \$337,000 in the third quarter and \$527,000 or 26% in the nine months. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX and CINNAMON RAISIN, decreased 11% in the third quarter and 8% for the nine months.

Sales of Italian ice increased \$609,000 or 12% to \$5,879,000 in the third quarter and \$716,000 or 9% to \$9,049,000 in the nine months due to sales of Mama Tish International Foods, which was acquired during the second quarter. Excluding sales of Mama Tish, Italian ice sales were down 6% in the quarter and 8% in the nine months.

Frozen carbonated beverage and related product sales increased \$1,226,000 or 10% to \$14,039,000 in the third quarter and \$1,163,000 or 4% to \$31,342,000 in the nine months. Beverage and beverage cup and lid sales alone increased 4% in the third quarter and decreased less than 1% in the nine months to \$12,498,000 and \$28,265,000, respectively. Excluding last year's unusually high level of promotional cup sales to one customer and a pricing adjustment, beverage and beverage cup and lid sales increased 4% for the nine months.

Bakery sales increased \$3,384,000 or 156% to \$5,547,000 in the third quarter and \$6,326,000 or 108% to \$12,171,000 in the first nine months due to increased product sales to one customer.

Sales of our Bavarian Pretzel Bakery increased 14% to \$2,817,000 in the third quarter and 18% to \$9,320,000 in the nine month period. Excluding sales of an acquired business, sales were up 11% in the third quarter and 8% in the nine months.

Gross profit as a percentage of sales was 49% in all periods reported.

Total operating expenses increased \$4,472,000 in the third quarter and as a percentage of sales decreased to 41% from 44% in last year's same quarter. For the nine months, operating expenses increased \$8,523,000 and as a percentage of sales decreased to 45% from 46% last year. Marketing expenses decreased to 28% of sales in this year's third quarter from 31% last year and to 30% of sales in the nine month period this year from 32% last year. Distribution expenses decreased to 8% of sales in this year's third quarter from 9% of sales last year and to 9% of sales in this year's nine month period from 10% in the year ago period. The declines in marketing and distribution

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expenses as a percentage of sales were due primarily to overhead efficiencies resulting from higher sales levels. Administration expenses were 4% of sales in all periods.

Operating income increased \$2,286,000 or 86% to \$4,947,000 in the third quarter and \$2,049,000 or 48% to \$6,347,000 in the nine months.

Investment income decreased \$234,000 or 71% in the third quarter and \$614,000 or 56% in the nine months due to sharply lower levels of investable funds which were used to pay for acquisitions. Interest expense increased \$22,000 and \$46,000 in the quarter and nine months, respectively due to increased borrowings.

The effective income tax rate has been estimated at 37% in this year's periods compared to 36% and 35% respectively in last year's third quarter and nine months. The increased rate is caused by a lower amount of tax free income in the current year.

Net earnings increased \$1,308,000 or 71% in the current three month period to \$3,158,000 and \$873,000 or 26% in the current nine month period to \$4,175,000.

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 June 28, 1997.

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: August 12, 1997

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

Dated: August 12, 1997

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

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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: August 12, 1997

Gerald B. Shreiber
President

Dated: August 12, 1997

Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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