

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, 1999

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 (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 19, 1999, there were 8,973,465 shares of the Registrant's Common Stock outstanding.

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets _ June 26, 1999 and September 26, 1998	3
Consolidated Statements of Earnings _ Three Months and Nine Months Ended June 26, 1999	

Consolidated Statements of Cash Flows - Nine Months Ended June 26, 1999 and June 27, 1998	6
Notes to the Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	14
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	15

## PART I. FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

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

CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

ASSETS	June 26,	September 26,
	1999 (Unaudited)	1998
Current assets		
Cash and cash equivalents	\$ 6,673	\$ 3,204
Accounts receivable	34,784	34,388
Inventories	17,468	16,447
Prepaid expenses and deposits	1,776	1,104
	60,701	55,143
Property, plant and equipment, at cost		
Land	745	839
Buildings	5,386	5,432
Plant machinery and equipment	64,861	60,275
Marketing equipment	132,757	126,653
Transportation equipment	2,030	2,149
Office equipment	6,151	5,446
Improvements	11,697	10,616
Construction in progress	1,711	1,154
	225,338	212,564
Less accumulated deprecia- tion and amortization	124,618	112,444
	100,720	100,120
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	51,536	51,871
Long term investment securities held to maturity	2,855	3,127
Sundry	2,923	3,000
	57,314	57,998
	\$218,735	\$213,261

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	June 26, 1999	September 26, 1998
	(Unaudited)	
	(dollars in thousands, except share information)	
Current liabilities		
Current maturities of long-term debt	\$ 8,163	\$ 8,423
Accounts payable	25,444	23,222
Accrued liabilities	10,638	8,914
	44,245	40,559
Long-term debt, less current maturities	25,853	32,199
Revolving credit line	20,000	16,000
Deferred income	282	435
Deferred income taxes	4,384	4,387
Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 5,000,000 shares; none issue	-	-
Common, no par value; authorized 25,000,000 shares; issued and outstanding, 8,966,000  and 9,036,000, respectively	35,880	39,120
Accumulated other comprehen- sive income	(1,629)	(1,694)
Retained earnings	89,720	82,255
	123,971	119,681
	\$218,735	\$213,261

See accompanying notes to the consolidated financial statements.

4

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, 1999	June 27, 1998	June 26, 1999	June 27, 1998
Net Sales	\$82,094	\$73,276	\$205,551	\$184,335
Cost of goods sold	37,967	34,750	96,857	91,303
Gross profit	44,127	38,526	108,694	93,032
Operating expenses				
Marketing	23,379	21,496	63,721	55,536
Distribution	7,545	6,807	21,239	17,799
Administrative	2,782	2,257	7,936	7,273
Amortization of				

intangibles and deferred costs	753	730	2,254	1,939
	34,459	31,290	95,150	82,547
Operating income	9,668	7,236	13,544	10,485
Other income (deductions)				
Investment income	116	87	362	384
Interest expense	(871)	(948)	(2,523)	(2,153)
Sundry	143	1,111	466	819
Earnings before income taxes	9,056	7,486	11,849	9,535
Income taxes	3,351	2,770	4,384	3,528
NET EARNINGS	\$ 5,705	\$ 4,716	\$ 7,465	\$ 6,007
Earnings per diluted share	\$ .60	\$ .50	\$ .78	\$ .64
Weighted average number of diluted shares	9,471	9,455	9,540	9,315
Earnings per basic share	\$ .64	\$ .52	\$ .83	\$ .67
Weighted average number of basic shares	8,984	8,994	9,038	8,918

See accompanying notes to the consolidated financial statements.

5

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

	Nine months ended	
	June 26, 1999	June 27, 1998
Operating activities:		
Net earnings	\$ 7,465	\$ 6,007
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	17,898	16,101
Amortization of intangibles	2,614	2,318
Other adjustments	(32)	217
Changes in assets and liabilities, net of effects from purchase of companies		
Increase in accounts receivable	(335)	(3,114)
(Increase)decrease in inventories	(678)	406
Increase in prepaid expenses	(669)	(314)
Increase in accounts payable and accrued liabilities	3,757	6,273
Net cash provided by operating activities	30,020	27,894
Investing activities:		
Purchases of property, plant and equipment	(18,774)	(23,271)
Payments for purchases of companies, net of cash acquired and debt assumed	(2,336)	(12,200)
Proceeds from investments held to maturity	255	175
Proceeds from investments available for sale	-	495
Other	200	498
Net cash used in investing activities	(20,655)	(34,303)
Financing activities:		

Proceeds from borrowings	4,000	53,120
Proceeds from issuance of common stock	2,335	1,955
Payments to repurchase common stock	(5,625)	-
Payments of long-term debt	(6,606)	(47,327)
Net cash (used in) provided by financing activities	(5,896)	7,748
Net increase in cash and cash equivalents	3,469	1,339
Cash and cash equivalents at beginning of period	3,204	1,401
Cash and cash equivalents at end of period	\$ 6,673	\$ 2,740

See accompanying notes to the consolidated financial statements. 6

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 26, 1999 and June 27, 1998 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 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 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 June 26, 1999		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$5,705	8,984	\$.64
Effect of Dilutive Securities Options	-	487	(.04)
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$5,705	9,471	\$.60

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$7,465	9,038	\$.83
Effect of Dilutive Securities Options	-	502	(.05)
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$7,465	9,540	\$.78

	Three Months Ended June 27, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$4,716	8,994	\$.52
Effect of Dilutive Securities Options	-	461	(.02)
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$4,716	9,455	\$.50

	Nine Months Ended June 27, 1998		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$6,007	8,918	\$.67
Effect of Dilutive Securities Options	-	397	(.03)
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$6,007	9,315	\$.64

8

Note 3 Inventories consist of the following:

	June 26,	September 26,
	1999                      1998	
	(in thousands)	
Finished goods	\$ 9,030	\$ 8,054
Raw materials	2,220	2,190
Packaging materials	1,882	2,239
Equipment parts & other	4,336	3,964
	\$17,468	\$16,447

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 third quarters of 1999 and 1998 and the nine months of 1999 and 1998, total comprehensive income, which for the Company included net income and foreign currency translation adjustments, amounted to \$5,709,000 and \$4,649,000, and \$7,530,000 and \$5,848,000, 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 SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". Subsequent to this statement, the FASB issued SFAS No. 137, which amended the effective date of SFAS No. 133 to be all fiscal quarters of all fiscal years beginning after June 15, 2000. Based on the Company's minimal use of derivatives at the current time, management does not anticipate the adoption of SFAS No. 133 will have a significant

impact on earnings or financial position of the Company. However, the impact from adopting SFAS No. 133 will depend on the nature and purpose of the derivatives instruments in use by the Company at that time.

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 June 26, 1999 and June 27, 1998, fluctuations in the value of the Mexican peso caused an increase of \$4,000 and a decrease of \$67,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary. In the nine month periods, the increase was \$65,000 in fiscal year 1999 and the decrease was \$159,000 in fiscal year 1998.

In February 1999, the Company acquired the Camden Creek Bakery cookie business from Schwan's Sales Enterprises, Inc., Marshall, MN for cash. Camden Creek sells frozen ready-to-bake cookies to the food service industry with approximate annual sales of \$5,000,000.

In April 1999, the Company purchased and retired 250,000 shares of its common stock at a cost of \$5,625,000. The Company purchased the stock from its President and Chief Executive Officer.

Available to the Company are unsecured general purpose bank lines of credit totaling \$30,000,000. Borrowings under the lines at June 26, 1999 were \$20,000,000.

Results of Operations

Net sales increased \$8,818,000 or 12% to \$82,094,000 for the three months and \$21,216,000 or 12% to \$205,551,000 for the nine months ended June 26, 1999 compared to the nine months ended June 27, 1998.

Sales to food service customers increased \$3,827,000 or 14% in the third quarter to \$32,116,000 and \$9,299,000

or 12% to \$84,925,000 for the nine months. Approximately 17% of the third quarter and nine month sales increases resulted from the acquisition of the Camden Creek Bakery cookie business. Soft pretzels sales to the food service market increased 3% to \$15,764,000 in the third quarter and 5% to \$47,488,000 in the nine months due primarily to increased unit sales to one customer. Italian ice and frozen juice treat and dessert sales increased 21% to \$9,807,000 in the three months and 13% to \$19,727,000 in the nine months due primarily to increased unit sales to one customer. Churro sales to food service customers increased 7% to \$3,217,000 in the third quarter and 12% to \$9,173,000 in the nine months due primarily to increased



unit sales to one customer.

Sales of products to retail supermarkets increased \$2,103,000 or 20% to \$12,548,000 in the third quarter and 15% to \$30,991,000 in the nine months due in part to a new advertising campaign. Soft pretzel sales for the third quarter were up 10% and for the nine months were up 13% from last year to \$5,250,000 and \$18,534,000, respectively. Sales of our flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, increased 13% in the third quarter and 12% for the nine months. Sales of Italian ice increased \$840,000 or 16% to \$6,104,000 in the third quarter and increased \$1,035,000 or 11% to \$10,307,000 in the nine months.

Frozen carbonated beverage and related product sales increased \$2,168,000 or 8% to \$28,083,000 in the third quarter and \$5,828,000 or 11% to \$60,993,000 in the nine months. Beverage sales alone of \$23,488,000 were essentially unchanged in the third quarter from a year ago and increased 8% in the nine months to \$52,453,000. Sales revenues were impacted by changes in billing practices resulting in lower revenues per gallon purchased by customers but which did not result in an overall drop in profit margin. Gross profit dollars on beverage sales increased 6% in the third quarter from a year ago.

Bakery sales increased \$885,000 or 16% to \$6,529,000 in the third quarter and \$2,602,000 or 16% to \$18,991,000 in the first nine months due to increased unit sales across our customer base. Sales of our Bavarian Pretzel Bakery decreased 6% to \$2,818,000 in the third quarter and 5% to

12

\$9,651,000 in the nine month period primarily due to fewer stores.

Gross profit as a percentage of sales increased to 54% and 53% in the current third quarter and nine months, respectively, from 53% and 50% in the corresponding periods last year. The gross profit percentage increase in the third quarter is primarily due to improved efficiencies in our Italian ice and frozen dessert plant in Scranton, PA. For the nine months, the gross profit percentage increase is attributable to the increased efficiencies at our Scranton, PA facility and to increased gross profit percentages of frozen carbonated beverage sales and increased sales of higher margin frozen carbonated beverages due to the acquisition of National ICEE Corporation late in the 1998 first quarter.

Total operating expenses increased \$3,169,000 in the third quarter and as a percentage of sales decreased to 42% from 43% in last year's same quarter. For the nine months, operating expenses increased \$12,603,000 and as a percentage of sales increased to 46% from 45% last year. Marketing expenses decreased to 28% of sales in this year's third quarter from 29% last year due primarily to higher sales levels and increased to 31% of sales in this year's nine month period compared to 30% last year. The increase in the nine month period is due primarily to substantially higher advertising and marketing spending to promote sales to retail supermarkets. Distribution expenses were 9% of sales in both year's third quarter and 10% of sales in both year's nine month period. Administration expenses were 3% and 4% of sales in both year's third quarter and nine months, respectively.

Operating income increased \$2,432,000 or 34% to \$9,668,000 in the third quarter and \$3,059,000 or 29% to \$13,544,000 in the nine months.

For the nine months, interest expense increased \$370,000 due to the assumption and subsequent refinancing of the debt of National ICEE Corporation. For the third

quarter, interest expense decreased due to lower interest rates and reduced debt.

Sundry income decreased by \$968,000 in the third

13

quarter and \$353,000 in the nine months. For the third quarter period, the decrease in sundry income was due to the inclusion in last year's third quarter of \$1,028,000 in income resulting from the successful settlement of certain litigation. The decline for the nine month period was due to the inclusion last year of the income resulting from the litigation settlement which was partially offset by \$419,000 in write offs and reserves for the closing down of unprofitable stores of our Restaurant Group.

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

Net earnings increased \$989,000 or 21 % in the current three month period to \$5,705,000 and \$1,458,000 or 24% in the current nine month period to \$7,465,000.

### 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.

14

## 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 26, 1999.

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 30, 1999

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

Dated: July 30, 1999

/s/ 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: July 30, 1999

\_\_\_\_\_  
Gerald B. Shreiber  
President

Dated: July 30, 1999

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Senior Vice President and  
Chief Financial Officer

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