

J&J Snack Foods (Q4 2025)
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Corporate Speakers:

- Reed Anderson; ICR; Investor Relations
- Daniel Fachner; J&J Snack Foods; Chief Executive Officer
- Shawn Munsell; J&J Snack Foods; Chief Financial Officer

Participants:

- Jon Andersen; William Blair; Analyst
- Scott Marks; Jeffries; Analyst
- Todd Brooks; The Benchmark Company; Analyst

PRESENTATION

Operator^ Good day. Thank you for standing by. Welcome to the J&J Snack Foods Fourth Quarter 2025 Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I'd now like to hand the conference over to your first speaker today, Reed Anderson with ICR. Please go ahead.

Reed Anderson^ Thank you, Operator. And good morning, everyone. Thank you for joining the J&J Snack Foods Fiscal 2025 Fourth Quarter Conference Call.

Before getting started, let me take a minute to read the safe harbor language. This call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements made on this call that do not relate to matters of historical facts should be considered forward-looking statements, including statements regarding management's plans, strategies, goals, expectations and objectives as well as our anticipated financial performance. This includes without limitation our expectations with respect to the success of our cost savings initiatives and customer demand improvements in the sales channels in which we operate.

These statements are neither promises, nor guarantees and involve known and unknown risks, uncertainties and other important factors that may cause results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Risk factors and other items discussed in our annual report on Form 10-K and our other filings with the Securities and Exchange Commission could cause actual results to differ materially from those indicated by the forward-looking statements made on the call today. Any such forward-looking statements represent management's estimates as of the date of this call today November 17, 2025. While we may elect to update forward-looking statements at some point in the future, we disclaim any obligation to do so even if subsequent events cause expectations to change.

In addition, we may also reference certain non-GAAP measures on the call today including adjusted EBITDA, adjusted operating income or adjusted earnings per share -- all of which are reconciled to the nearest GAAP measure on the company's earnings press release which can be found on our Investor Relations website.

Joining me on the call today is Dan Fachner, our Chief Executive Officer; along with Shawn Munsell, our Chief Financial Officer. Following management's prepared remarks, we will open the call for a question-and-answer session.

With that, I would now like to turn the call over to Mr. Fachner. Please go ahead, Dan.

Daniel Fachner^ Good morning. I am pleased with our fourth quarter results. Despite a challenging backdrop during the summer, we delivered adjusted EBITDA of \$57.4 million on sales of \$410.2 million, down 3.9% on sales versus the prior year. As anticipated, over half of the sales decline was associated with our frozen beverage business as we lap strong volumes from the Inside Out two movie last year. Pretzel sales in both retail and foodservice rose in the quarter, reflecting progress on key initiatives to drive growth through innovation. Pretzel growth helped to offset some declines in frozen novelties that we are addressing through marketing, trade spend and innovation. For the full year, adjusted EBITDA was \$180.9 million, while net sales increased 0.5% and to \$1.58 billion. Although 2025 was a more challenging year.

I'm encouraged by our operational execution in the second half, which puts us in a strong position moving forward. Some bright spots for fiscal 2025 include: we achieved record sales and adjusted EBITDA in fiscal Q3. We modernized our flagship super pretzel product with a recipe enhancement and fresh packaging.

The effort to reinvigorate our pretzel business led to a 2.7% pretzel sales increase in 2025, driven by a strong second half performance with sales up 8% compared to the prior year. The rollout of Dippin' Dots to theaters was substantially completed with a presence now in almost 1,600 theaters. Dippin' Dots Sundaes were launched at retail with great success, adding approximately \$5 million to the top line. We optimized our Frozen Beverage distribution and service network, which reduced expenses by 2% in the fourth quarter.

Now I'll talk through some initiatives underpinning our optimism for fiscal 2026. To start, we have initiated a business transformation program, which we are calling Project Apollo that will generate sustainable efficiencies and and cost savings across the enterprise. Some key elements are already underway and we expect the program to deliver at least \$20 million of annualized operating income once all the initiatives are implemented in 2026. The initial focus of Project Apollo is consolidation of our manufacturing network. During the fourth quarter and early in the first quarter of fiscal 2026, we announced the closure of three facilities: Holly Ridge, North Carolina, Atlanta, Georgia and Colton, California. Production from these facilities will either be

consolidated into other facilities or discontinued as part of our ongoing portfolio optimization.

The closures reflect the next logical step in the evolution of our manufacturing footprint and are enabled by the investments we have made in our plans to modernize and expand capacity for core products and to build out our regional distribution centers. We expect annualized savings associated with the plant closures of approximately \$15 million, which should be materially complete in Q2 of fiscal 2026. We are also undertaking various initiatives within our distribution system that will generate approximately \$3 million of annualized savings. The remaining net savings from Project Apollo are associated with various administrative initiatives, we expect to realize most of the annualized freight and administrative-related savings.

We expect to realize most of the annualized freight and administrative-related savings by the third quarter of fiscal 2026. The initiatives I have just outlined represent the first phase of Apollo. We are working on a second phase that is focused on generating further efficiencies within the plants following the completion of the consolidation work. We are also developing a robust roadmap for modernizing our system and tech infrastructures to streamline additional corporate processes and sharpen the quality of our data analytics.

We'll be sharing more as the next phase of the project work is finalized. I am energized that the projects we have identified will generate durable structural savings and will do so relatively quickly in fiscal 2026. I'm encouraged by the impact that these actions are having on our early performance so far in Q1. Our operating teams are focused on the closures and seamless redeployment of production within our network to prevent any disruption to customer orders.

I'm also excited about several commercial and innovation initiatives that are being rolled out for our fiscal 2026. Starting with the commercial activities. We will commence shipping churros to a major QSR later in fiscal Q1 as part of a limited time offer program. We expect the program to be successful given it is such a great fit with this customer and believe there is potential to be converted to a permanent volume. We are completing the rollout of ICE machines for a large and growing convenience store operator in the Southwest. The frozen beverage test with a major West Coast QSR operator is nearly complete, and we are encouraged by the results. The handheld capacity outage should be remedied by the start of our second quarter.

With respect to innovation, we have several exciting launches around the corner for fiscal 2026, with most of these products available to consumers beginning the fiscal second quarter. These innovation items underscore the quality and breadth of our iconic brands. Our new protein pretzel for retail will be available for consumers as a four-pack of large pretzels with 10 grams of protein or a smaller mini pretzel with seven grams of protein per serving. We are rolling out SUPERPREZL pizza sticks and queso sticks, which are smaller pretzel bites with tasty fillings.

On the frozen novelty front, we are introducing Luigi's mini pops, which feature exciting flavor profiles and better-for-you attributes such as hydration and immunity support. We are extending our popular pet treat brand, Dogsters to include a new mini ice cream sandwich. Regarding Dippin' Dots innovation, I am pleased to announce that we will be launching Dippin' Dots in its original form for retail. This represents another major growth milestone for the brand. Additionally, we are introducing two new flavors to the Dippin' Dots Retail Sundae lineup, taking the flavor total to 4. The outlook for theaters also is encouraging as the industry continues closing the gap to the pre-Covid environment, box office sales for the period that aligns to our fiscal 2025 and were up 10% versus the prior year.

Industry sources are projecting North America box office sales that aligns with our fiscal 2026 to increase by 9% and supported by a great lineup of movies that includes Wicked for Good, Zootopia two and Spiderman, a Brand-New Day. The lineup for our fiscal first half looks particularly promising as compared to last year's slate. With \$106 million in cash and no debt, our financial position remains strong, and we continue to take a balanced approach to capital allocation across three areas: investing in our business to drive growth and operational efficiency, strategic acquisitions and returning capital to shareholders through dividends and share repurchases.

Given the current trends of our business and outlook for fiscal 2026 including the benefits we expect to realize from Project Apollo. We expect to increase our focus on share repurchase activity as we see compelling value in our shares. Share repurchases totaled \$3 million in the quarter, and we intend to accelerate our pace significantly during the current quarter.

I'll now turn the call over to Shawn to discuss the quarter and full year results in a little more detail. Shawn?

Shawn Munsell^ Thanks, Dan. And good morning, everyone. Before I discuss our results, I'd like to share a change in our presentation of financial results. Starting with the fourth quarter, we no longer allocate all corporate expenses to segment results, with some expenses now captured as unallocated corporate expenses. This methodology change has been applied to our historical results.

As Dan indicated, we are pleased with our Q4 performance and believe we are well positioned early in fiscal 2026. Foodservice segment net sales declined 1.1% to \$259.3 million as volume softness more than offset price increases. Soft pretzel sales increased 3.6%, marking consecutive quarters of year-over-year sales growth. The Varian pretzel sales continue to lead the growth. Pretzel dollar share increased 1% in the quarter. Frozen novelties declined 5.1%, driven primarily by a transition between the LUIGI's and ICEE branded products.

We expect volumes to normalize over time. Churro volume declines primarily reflect the wind down of last year's LTO with a major QSR customer. Retail segment net sales declined 8.1%, primarily driven by lower frozen novelty volumes, partly offset by higher

pretzel volume. We are taking action to support our frozen novelty business with shopper marketing and trade spend, and we see improving trends in the recent 4-week data. Dogsters continues to stand out of the portfolio with sales and units up in the quarter, and we anticipate additional distribution in 2026. Handheld sales declines reflect the temporary capacity constraints from the fire in our North Carolina facility last year.

Soft pretzel sales increased 9%, continuing the momentum from the third quarter. Frozen Beverage segment sales declined 8.3%, attributed to lower beverage volume in the quarter. Foreign exchange translation did not have a significant impact on segment results in Q4. Beverage volume declined primarily due to lower theater sales as we lapped the success of the Inside Out two movie last year. Box office sales for our fiscal fourth quarter are estimated to have declined approximately 11%.

As I mentioned earlier, we expect the theater industry to continue its rebound in 2026, and we're encouraged by the solid lineup of movies that we expect will be popular with our target consumers. Consolidated gross profit was \$130.2 million compared to \$135.5 million last year, while gross margin was 31.7% compared to 31.8% last year. Gross margin in Frozen Beverage declined given the lower mix of Beverage revenue in the quarter.

Tariff costs added approximately 35 basis points to cost of goods. These unfavorable impacts were partly offset by insurance proceeds for business interruption costs related to our handheld capacity constraints and early plant consolidation savings in the quarter. Operating expenses increased 24% to \$118.8 million or 29% of sales, which included \$24.8 million of nonrecurring charges, primarily related to Project Apollo plant closures. Plant closure charges predominantly reflect noncash asset write-downs and write-offs totaling approximately \$21 million.

We expect additional plant closure and other nonrecurring costs associated with our business transformation project of \$3 million to \$5 million in fiscal 2026. Marketing expenses were \$32.6 million or 4.8% higher than in the prior year, driven by increased spending on new sponsorships and other promotional activities.

Distribution expenses for the quarter declined 8.3% on lower volume and steady efficiency gains. The efficiency gains were driven by fewer internal transfers and better truck utilization. Distribution as a percentage of sales declined to 10.3% compared to 10.8% in the prior year. Administrative expenses were \$19.1 million, an increase of 5.1% from the prior year primarily associated with higher compensation expenses. Adjusted operating income was \$37.7 million as compared to \$42 million in the prior year. Adjusted EBITDA for the fourth quarter was \$57.4 million versus \$59.7 million last year. The effective tax rate for the quarter was 4.8% compared to 26.8% in the prior year. adjusted earnings per diluted share were \$1.58 versus \$1.60 last year.

The significantly lower effective tax rate in the quarter primarily reflects a change in estimate on our blended state tax rate and the corresponding impact on the valuation of our net deferred tax liabilities. Our balance sheet and liquidity position remains strong

with approximately \$106 million in cash and no long-term debt as of quarter end. We had approximately \$210 million of borrowing capacity under our revolving credit agreement.

Let me briefly touch on full year results. Sales increased 0.5% to \$1.58 billion as price increases helped to offset lower volume. Growth in Foodservice, which was up 1.6%, was partially offset by declines in retail including from lower handheld sales related to the capacity constraints, while Frozen Beverage was essentially flat. Unfavorable foreign exchange rates for fiscal 2025 reduced the top line by approximately 40 basis points. Adjusted operating income was \$108.2 million as compared to \$130.4 million in the prior year. Adjusted EBITDA for the fiscal year was \$180.9 million versus \$200.1 million last year. Adjusted earnings per diluted share were \$4.27 versus \$4.93 last year.

That concludes our prepared remarks, and we are now ready to take your questions.
Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Jon Anderson with William Blair.

Jon Andersen^ Dan, Shawn, I wanted to start by -- you mentioned some portfolio optimization work that is going on and that's one of the reasons why the closure of the three facilities you were able to do that while kind of moving production -- on production that you're going to keep. Can you talk about the impact of that portfolio optimization on sales, both kind of in the quarter, but then how to think about that perhaps going forward as we look to kind of 2026 and what impact that might have on the top line. Start there.

Daniel Fachner^ Sure, Jon. Thank you. That's a continuation of the things that we've been talking about for a while, especially as it relates to our bakery group of optimizing that portfolio. Then as you look at our plans and the consolidation that we've been working on with the plants. It just made sense that during this timing that we'd be able to optimize the portfolio that we have and be able to consolidate some of these plants. The total impact of that, if you think about our business growing in that mid-single-digit rate year-over-year, might be a 1%, 1.5% impact on that overall sales. But we're kind of bullish. It's the play that we called a couple of years ago as we continue to build efficiencies inside our system and put in some new plants or new lines within our plants and then rebuild the distribution system now allows us to be able to go back and optimize, and we're really excited about that work that's being done.

Shawn Munsell^ And in terms of timing, Jon, you don't think about that as we kind of near that full run rate sometime in Q2.

Jon Andersen^ Okay. Helpful. And maybe stepping back even a little bit more, but I know you don't -- haven't provided or don't provide specific guidance. But as we exit '25 and think about '26 at this point, there are quite a few moving parts, some of which should be tailwinds and some of which might be a bit of a headwind, but headwinds for

the right reason in terms of the portfolio work. Can you talk at all about just kind of the macro environment and kind of try and combine that to the extent you can with some of the internal initiatives to give us some sense of how you're thinking about '26, both from maybe a top line perspective, but also a margin standpoint because with the transformation work that's happening, I think some of the pricing that you've been able to implement and may implement to offset commodity costs, there's a lot of -- there a lot of different ways that we could go with this. So just want to get your any commentary you could provide forward-looking around that.

Daniel Fachner^ The macro environment, if I start there first, we still think that there's a consumer sentiment that is cautious, right? And so we're going to continue to watch that, especially as it relates to our retail side of our business. But we're really feeling some good momentum as we exit '25 and enter into '26 with some of the great things that we have going on, the plant closure benefits that we already talked about, some tremendous innovation. The teams are doing a really, really good job with that. We feel positive as we move into 2026 and some even early results in Q1. And we think the theater industry is bouncing back some.

So we feel good about the overall business as we move into it. We think back at '25 and we think of some of the challenges that we face there, and you can kind of tally it up to just a few primary factors. We had that big Turo LTO that we're not facing anymore. We had some unfavorable foreign exchange impact. We had the chocolate cost inflation. Most of that hit us in the first half of the year. But when you really look at the second half of the year, the second half EBITDA was just shy of what we delivered in the second half of '24. So for all those reasons and the Apollo that we're doing, we're really -- we're a little bullish on 2026 as we turn that page.

Shawn Munsell^ You'll see those closure benefits relatively quickly in the P&L. We just announced the closure of that third facility. So consider by the time you get to the second quarter, we should be at or very near that full run rate.

Jon Andersen^ And Shanw, on that, you mentioned the full run rate. Do you mean on the plant closures or the kind of the --

Shawn Munsell^ Yes. That's right. So on the plant closure component of \$15 million, we should be very near that full annualized run rate come in the second quarter. Then the rest of those savings, think about that sort of layering in, in the third and the fourth quarter for the balance of the year.

Jon Andersen^ Excellent. Super helpful. Just one more question. You talked about maybe a little bit of a near-term or short midterm adjustment to your capital allocation approach with a greater focus on share repurchase. Can you talk about -- just kind of ongoing how you kind of evaluate that? And what kind of acceleration or step up, we might anticipate there to the extent that you can comment on it.

Shawn Munsell^ Yes. So yes, for sure. We said in the prepared remarks that we intend to accelerate our stock buybacks here in the quarter when the window opens. Just for context, and I'm not implying that this is the amount by which we're going to execute. But we've got about \$42 million remaining on the authorization that we implemented earlier this year. We did buy back about \$3 million worth of stock in the quarter. But notably, we pulled back a little bit on that. There was some M&A in the pipeline and we thought that it would be a prudent thing for us to do. But we'll be buying back some stock this quarter.

Jon Andersen^ Maybe I have to follow up on that one. You just mentioned M&A in the pipeline. Can you comment at all on that? Should we be thinking about some near-term actions there?

Daniel Fachner^ I wouldn't go that far, Jon. We were looking at a couple of different things that just caught our attention. And -- and so at the period of time where we had the window open to be able to buy some stock back, we were just trying to take a conservative approach there. But I would not go as far as to see anything imminent on the M&A front.

Jon Andersen^ Okay. And looking forward to a strong '26 behind these initiatives.

Operator^ Our next question comes from Scott Marks with Jeffries.

Scott Marks^ I wanted to ask first about this efficiency initiatives. You mentioned Project Apollo, and then you mentioned kind of a second phase, where you're looking at some more automation and efficiencies within the existing or remaining facilities. Just wondering if you can share some more color on that and how we should be thinking about the timeline for that maybe expected benefits?

Shawn Munsell^ Yes. Sure. So the way I think about that is probably going to be later '26, but more likely 2027. I'd say that, that's going to be a combination of just automation and process improvement. once we get the consolidation work behind us, you think about it as just making those plants more efficient. You've got some plants that are going to be taking on new production. So for 2027, it's -- for '26, it's optimize the network and then 2027 kind of optimize further within the four walls of each of those plants.

Scott Marks^ That's helpful. Appreciate that. Then next question for me. touched on some challenges in the frozen novelty business within retail. Wondering if you can kind of share any color on what's been happening there and how we should be thinking about the stabilization of some of those?

Daniel Fachner^ We touched on that at the end of last quarter. That's just a segment where the consumer probably has hit the hardest and really saw those -- most of that impact in July of this quarter. The teams have been working really hard at greater marketing and trade spend within that category. We're starting to see it come back, and we think that will continue to come back over this next year.

We actually feel like we've corrected the things that we needed to correct, and I'm really pleased. I met with that retail team this last week, and they're doing a nice job. I think we'll see that come back over this next year. But it is an area where I think just as consumer sentiment where you'll see the biggest challenges. So don't forget that it's frozen novelties, it's summertime. So if you this July, it's hard to make those back up in the back half of the quarter. But the teams are working hard at getting the right trade spend as it relates to those.

Shawn Munsell^ And again we -- it was in the prepared remarks, but we've got a great pipeline of frozen novelty innovation planned for '26 that's just around the corner. So we're excited about that. And going back to your prior question, Scott, I feel to mention that I didn't want to imply that sort of like all the additional automation is going to be in '27. If you look at closure of the Colton plant and the consolidation into a nearby plant in California, that was taking what was basically production through manual process and converting it to almost fully automated process at the plant that is being shifted to

Operator^ (Operator Instructions) Our next question comes from the line of Todd Brooks with The Benchmark Company.

Todd Brooks^ To talk to you about few questions kind of feeding off some of the things that you've heard earlier. Shawn, can we talk about -- I think we were talking about the consolidation or the rationalization of some of the bakery products and dinging a revenue algorithm by maybe 100 to 150 basis points in fiscal '26. So can you walk us through like where does the algorithm stand now for a baseline level? Does it still start in that mid-single-digit place and we back off to --

Shawn Munsell^ Yes. That's right. That's exactly right, Todd.

Todd Brooks^ Okay. Great. Then the rationalization in bakery, when -- like how does that fall during the year? When should we see kind of the biggest drag from the 100 to 150 basis points.

Shawn Munsell^ You'll start seeing it in the second quarter.

Todd Brooks^ Okay. All right. Secondly, Dan, you've ripped through a list of exciting commercial opportunities for fiscal '26. Can you maybe drill down a little bit on the two or three that you think are the biggest needle movers and maybe status and timing?

Daniel Fachner^ Yes. We're really pleased just in total with the pipeline that we have going through the system and have some really nice opportunities. We have the the LTO with the churros with a big customer that ran an LTO last year, and it's a perfect fit with this customer that we know is going to do well and we have anticipations that it does so well that maybe it sticks also. So really excited about that particular one.

On the frozen beverage side, we're in the midst of rolling out a large C-store in the Southwest that has the potential to continue to grow that they're striving to be the third largest C-store in the country. Also have talked a few times about a test that we have with the QSR in the frozen beverage in the West Coast. That just continues to do really, really well. We're in the third phase of testing now kind of bringing that to an end and having live conversations about how we might roll that out in this year.

So I'm really encouraged by the things that we have going on. The last thing I touched on was just that handheld that we were up against with the fire last year in August. And now are just about as we hit the second quarter should have that capacity caught up and see the benefits from that in 2026 as well. Teams are doing a great job, a lot of really good opportunities and pipeline is as strong as I've seen in a while.

Todd Brooks^ Okay. Great. Then a final one for me. Shawn, is there a way to kind of frame up and I ask about kind of gross margin potential for the business. But obviously you've identified savings from Apollo 1, you've identified a framework what would have Apollo two will consist of from maybe a plant efficiency and automation standpoint kind of post Apollo maybe, can you talk to you think the gross margin potential for the businesses?

Shawn Munsell^ Yes. I'd say that we're still committed to improving the gross margin, getting up above 30% on an annualized basis toward the mid-30s, let's call it. You can do the math and see that just the \$15 million of plant consolidation savings, all that's going to roll through your gross margin. Obviously there's some OpEx savings associated with this leg of Apollo. But that's not going to get you all the way there, obviously but it's going to help to close the gap. And I would think that we're just going to keep kind of chunking away at that over the next few years through Project Apollo and frankly, growing the business. The one thing we didn't talk about is the extent to which we can continue to grow the top line as we have historically and start seeing some leveraging impacts as we -- both at the plant level and with respect to OpEx.

Todd Brooks^ Okay. And just a follow-up on that thoughts on CapEx in '26 based on the work that you're doing?

Shawn Munsell^ I would say about in line with fiscal '25, but we're working to trim that.

Operator^ That concludes today's question and answer session. I'd like to turn the call back to Dan Fachner for closing remarks.

Daniel Fachner^ Thank you, Operator. In closing, I want to emphasize that while fiscal 2025 presented its challenges, we built significant momentum in early fiscal 2026 through our strategic initiatives and operational improvements. Our innovation pipeline is robust and should drive sustainable growth in key categories while Project Apollo enables meaningful efficiency improvements. With a strong balance sheet including \$106 million in cash and no debt, we're well positioned to invest in growth opportunities, while returning capital to shareholders through share repurchases. Thank you for your

continued support. We look forward to updating you on our progress throughout fiscal 2026. Thank you very much.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.