

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 December 28, 1996

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 January 22, 1997, there were 8,753,570 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	December 28, 1996 (Unaudited)	September 28, 1996
Current assets		
Cash and cash equivalents	\$ 219,000	\$ 10,547,000
Investment securities available for sale	454,000	1,217,000
Accounts receivable	17,035,000	18,202,000
Inventories	11,694,000	11,276,000
Prepaid expenses and deposits	1,263,000	980,000
	30,665,000	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	45,197,000	41,158,000
Marketing equipment	82,736,000	81,144,000
Transportation equipment	1,631,000	1,754,000
Office equipment	4,353,000	3,727,000
Improvements	7,427,000	7,053,000
Construction in progress	1,882,000	1,326,000
	149,164,000	142,100,000
Less accumulated depreciation and amortization	87,372,000	83,890,000
	61,792,000	58,210,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	16,882,000	9,326,000
Long term investment securities available for sale	990,000	990,000
Long term investment securities held to maturity	9,207,000	9,497,000
Sundry	2,884,000	2,883,000
	29,963,000	22,696,000
	\$122,420,000	\$123,128,000

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	December 28, 1996 (Unaudited)	September 28, 1996
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Current liabilities		
Current maturities of long-term debt	\$ 8,000	\$ 8,000
Accounts payable	10,142,000	10,394,000
Accrued liabilities	6,317,000	7,038,000
	16,467,000	17,440,000
Long-term debt, less current maturities	5,008,000	5,010,000
Deferred income	618,000	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, 8,750,000 and 8,749,000, respectively	35,987,000	35,818,000
Foreign currency translation adjustment	(1,420,000)	(1,356,000)
Retained earnings	62,357,000	62,246,000
	96,924,000	96,708,000
	\$122,420,000	\$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	
	December 28, 1996	December 30, 1995
Net Sales	\$43,601,000	\$42,863,000
Cost of goods sold	22,458,000	21,696,000
Gross profit	21,143,000	21,167,000
Operating expenses		
Marketing	14,356,000	13,880,000
Distribution	4,453,000	4,243,000
Administrative	1,984,000	1,896,000
Amortization of intangibles and deferred costs	346,000	208,000
	21,139,000	20,227,000
Operating income	4,000	940,000
Other income (deductions)		
Investment income	255,000	411,000
Interest expense	(93,000)	(100,000)
Sundry	7,000	17,000
Earnings before income taxes	173,000	1,268,000
Income taxes	62,000	441,000
NET EARNINGS	\$ 111,000	\$ 827,000

Earnings per common

share	\$.01	\$.09
Weighted average number of shares	8,860,000	9,186,000

See accompanying notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	
	December 28, 1996	December 30, 1995
Cash flows from operating activities:		
Net earnings	\$ 111,000	\$ 827,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	4,016,000	3,827,000
Amortization of intangibles and deferred costs	448,000	250,000
Other adjustments	69,000	(9,000)
Changes in assets and liabilities		
Decrease in accounts receivable	1,834,000	3,498,000
Decrease (increase) in inventories	(219,000)	99,000
Decrease (increase) in prepaid expenses	(237,000)	439,000
Decrease in accounts payable and accrued liabilities	(2,069,000)	(1,449,000)
Net cash provided by operating activities	3,953,000	7,482,000
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,643,000)	(2,541,000)
Payments for purchases of companies, net of cash acquired and debt assumed	(11,842,000)	-
Proceeds from investments held to maturity	285,000	195,000
Payments for investments held to maturity	-	(1,750,000)
Proceeds from investments available for sale	761,000	1,850,000
Payments for investments available for sale	-	(1,407,000)
Other	151,000	60,000
Net cash used in investing activities	(14,288,000)	(3,593,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	9,000	24,000
Payments to repurchase common stock	-	(1,370,000)
Payments of long-term debt	(2,000)	(17,000)
Net cash used in financing activities	7,000	(1,363,000)
Net increase (decrease) in cash and cash equivalents	(10,328,000)	2,526,000
Cash and cash equivalents at beginning of period	10,547,000	10,696,000
Cash and cash equivalents at end of period	\$ 219,000	\$13,222,000

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 ended December 28, 1996 and December 30, 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 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 28, 1996.

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:

	December 28, 1996	September 28, 1996
Finished goods	\$ 5,346,000	\$ 5,534,000
Raw materials	1,850,000	1,387,000
Packaging materials	2,063,000	2,009,000
Equipment parts & other	2,435,000	2,346,000
	\$11,694,000	\$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 December 28, 1996 are summarized as follows:

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	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	-	35,000	460,000
Municipal Government Securities	949,000	2,000	-	951,000
	\$1,444,000	\$11,000	\$ 35,000	\$1,420,000
Held to Maturity Securities				
Corporate Debt Securities	\$ 987,000	\$11,000	\$ 4,000	\$ 994,000
Municipal Government Securities	7,720,000	56,000	171,000	7,605,000
Other	500,000	-	-	500,000
	\$9,207,000	\$ 67,000	\$175,000	\$9,099,000

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 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 quarter ended December 28, 1996, the devaluation of the Mexican peso caused a reduction of \$64,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

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.

Results of Operations

Net sales increased \$738,000 or 2% to \$43,601,000 for the three months ended December 28, 1996 compared to the three months ended December 30, 1995. Excluding sales of acquired businesses, net sales decreased \$1,285,000 or 3% for the quarter.

Sales to food service customers decreased \$686,000 or 3% in the first quarter to \$21,690,000. Excluding sales of acquired businesses, sales to food service customers decreased \$1,909,000 for the period. Approximately 70% of the \$1,909,000 sales decrease was the result of non recurring equipment sales in last year's quarter. Soft pretzel sales to the food service market decreased 2% to \$14,455,000 in the quarter. Excluding sales of acquired businesses, food service soft pretzels decreased \$883,000 or 6%. Two customers accounted for all of this decrease. Frozen juice treat and dessert sales increased 22% to \$3,528,000 in the quarter. Virtually all of the frozen juice and dessert sales increase was from sales of acquired businesses. Churro sales to food service customers increased 5% to \$2,469,000.

Sales of products to retail supermarkets increased \$146,000 or 2% to \$7,426,000 in the first quarter. Excluding sales of an acquired business, sales to retail supermarkets decreased 3%. Soft pretzel sales for the first quarter were up 8% to \$6,325,000 due primarily to increased distribution of CINNAMON RAISIN MINI'S and sales of an acquired business. SOFTSTIX sales decreased

\$232,000 to \$570,000 in the quarter. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX and CINNAMON RAISIN, decreased 4% in the first quarter. Sales of Luigi's Real Italian Ice decreased \$301,000 or 25% to \$883,000 in the first quarter.

Frozen carbonated beverage and related product sales decreased \$198,000 or 2% to \$8,290,000 in the first quarter. Beverage sales alone decreased 4% to \$7,669,000 even though there were more frozen carbonated beverage machines at customer locations due to continuing sales declines at our mass merchandising chain customers.

Bakery sales increased \$991,000 or 63% to \$2,569,000 in the first quarter due to increased product sales to one customer. Sales of Bavarian Pretzel Bakery increased \$485,000 or 15% to \$3,626,000 in the quarter due

primarily to sales of an acquired business.

Gross profit as a percentage of sales decreased to 48% in the current first quarter from 49% in the year ago period. This gross profit percentage decrease is primarily attributable to lower gross profit percentages of acquired businesses and higher costs of raw materials.

Total operating expenses increased \$912,000 in the first quarter and as a percentage of sales increased to 48% from 47% in last year's same quarter. Marketing expenses increased to 33% of sales from 32% in last year's first quarter. The increase in marketing expense as a percent of sales is attributable to increased spending in our food service business combined with lower sales. Distribution expenses were 10% of sales in both year's first quarter. Administrative expenses increased fractionally to 5% of sales from 4% of sales last year. Amortization of intangibles and deferred costs increased to \$346,000 from \$208,000 because of the amortization of goodwill of acquired businesses.

Operating income decreased \$936,000 to \$4,000 in the first quarter from \$940,000 in last year's quarter.

Investment income decreased \$156,000 to \$255,000 in the quarter from last year due primarily to a lower level of investable funds.

Interest expense remained essentially unchanged from last year's quarter.

The effective income tax rate has been estimated at 36% in this year's first quarter compared to 35% last year.

Net earnings decreased \$716,000 or 87% in the current three month period to \$111,000.

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 December 28, 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: January 31, 1997

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

Dated: January 31, 1997

/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.

Dated: January 31, 1997

Gerald B. Shreiber
President

Dated: January 31, 1997

Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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