

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 29, 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 July 26, 1996, there were 8,828,970 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 29, 1996 (Unaudited)	September 30, 1995
Current assets		
Cash and cash equivalents	\$ 4,540,000	\$ 10,696,000
Marketable securities available for sale	4,027,000	3,824,000
Accounts receivable	18,241,000	17,467,000
Inventories	12,116,000	11,009,000
Prepaid expenses and deposits	1,020,000	1,498,000
	39,944,000	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	40,832,000	39,006,000
Marketing equipment	80,140,000	75,085,000
Transportation equipment	1,882,000	2,086,000
Office equipment	3,625,000	3,002,000
Improvements	7,088,000	5,036,000
Construction in progress	918,000	480,000
	140,423,000	130,633,000
Less accumulated depreciation and amortization	82,340,000	71,410,000
	58,083,000	59,223,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	9,545,000	8,644,000
Long term investments available for sale	990,000	990,000
Long term investments held to maturity	9,668,000	7,345,000
Sundry	2,818,000	2,613,000
	23,021,000	19,592,000
	\$121,048,000	\$123,309,000

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 29, 1996 (Unaudited)	September 30, 1995
Current liabilities		
Current maturities of long- term debt	\$ 4,000	\$ 16,000
Accounts payable	10,690,000	10,607,000
Accrued liabilities	4,534,000	5,922,000
	15,228,000	16,545,000
Long-term debt, less current maturities	5,005,000	5,011,000

Deferred income	832,000	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, 8,829,000 and 9,359,000, respectively	36,637,000	40,802,000
Foreign currency translation adjustment	(1,362,000)	(1,121,000)
Retained earnings	59,705,000	56,403,000
	94,980,000	96,084,000
	\$121,048,000	\$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		Nine months ended	
	June 29, 1996	June 24, 1995	June 29, 1996	June 24, 1995
Net Sales	\$49,091,000	\$47,876,000	\$134,092,000	\$129,410,000
Cost of goods sold	24,805,000	24,262,000	68,081,000	64,717,000
Gross profit	24,286,000	23,614,000	66,011,000	64,693,000
Operating expenses				
Marketing	15,180,000	14,955,000	42,645,000	41,757,000
Distribution	4,439,000	4,570,000	12,923,000	13,589,000
Administrative	1,776,000	1,789,000	5,500,000	5,829,000
Amortization of intangibles and deferred costs	230,000	214,000	645,000	647,000
	21,625,000	21,528,000	61,713,000	61,822,000
Operating income	2,661,000	2,086,000	4,298,000	2,871,000
Other income (deductions)				
Investment income	328,000	353,000	1,104,000	944,000
Interest expense	(89,000)	(92,000)	(280,000)	(304,000)
Sundry	(30,000)	823,000	(26,000)	1,289,000
Earnings before income taxes	2,870,000	3,170,000	5,096,000	4,800,000
Income taxes	1,020,000	1,192,000	1,794,000	1,805,000
NET EARNINGS	\$ 1,850,000	\$ 1,978,000	\$ 3,302,000	\$ 2,995,000
Earnings per common share	\$ .21	\$ .21	\$ .36	\$ .31
Weighted average number of shares	8,921,000	9,482,000	9,144,000	9,660,000

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended	
	June 29, 1996	June 24, 1995
Cash flows from operating activities:		
Net earnings	\$ 3,302,000	\$ 2,995,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	11,566,000	11,101,000
Amortization of intangibles and deferred costs	900,000	762,000
Gain from disposals of property & equipment	(17,000)	(1,132,000)
(Decrease) in deferred income taxes	-	(17,000)
Other adjustments	221,000	(104,000)
Changes in assets and liabilities		
Increase in accounts receivable	(495,000)	(55,000)
Increase in inventories	(780,000)	(168,000)
Decrease (increase) in prepaid expenses	559,000	(199,000)
(Decrease) increase in accounts payable and accrued liabilities	(1,621,000)	975,000
Net cash provided by operating activities	13,635,000	14,158,000
Cash flows from investing activities:		
Capital expenditures	(10,214,000)	(9,933,000)
Proceeds from sale of company	-	405,000
Payments for purchase of companies, net of cash acquired and debt assumed	(2,637,000)	-
Proceeds from investments held to maturity	410,000	375,000
Payments for investments held to maturity	(2,750,000)	(500,000)
Proceeds from investments available for sale	4,152,000	5,610,000
Payments for investments available for sale	(4,393,000)	(2,981,000)
Proceeds from disposals of property & equipment	156,000	1,351,000
Decrease in bond trust fund	1,000	655,000
Other	(476,000)	(106,000)
Net cash used in investing activities	(15,751,000)	(5,124,000)
Cash flows from financing activities:		
Proceeds from issuance of common stock	139,000	273,000
Payments to repurchase common stock	(4,149,000)	(6,607,000)
Payments of long-term debt	(30,000)	(11,000)
Net cash used in financing activities	(4,040,000)	(6,345,000)
Net increase (decrease) in cash and cash equivalents	(6,156,000)	2,689,000
Cash and cash equivalents at beginning of period	10,696,000	6,621,000
Cash and cash equivalents at end of period	\$ 4,540,000	\$ 9,310,000

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 nine months ended June 29, 1996 and June 24, 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:

	June 29, 1996	September 30, 1995
Finished goods	\$ 6,270,000	\$ 5,669,000
Raw materials	1,512,000	1,019,000
Packaging materials	2,229,000	1,947,000
Equipment parts & other	2,105,000	2,374,000
	\$12,116,000	\$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 June 24, 1995 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	\$ -	\$12,000	\$ -	\$ 12,000
Corporate Debt Securities	495,000	-	52,000	443,000
Municipal Government Securities	4,522,000	7,000	4,000	4,525,000
	\$5,017,000	\$19,000	\$ 56,000	\$4,980,000
Held to Maturity Securities				
Corporate Debt Securities	\$ 998,000	\$ 9,000	\$ 10,000	\$ 997,000
Municipal Government Securities	8,170,000	6,000	190,000	7,986,000
Other	500,000	-	-	500,000
	\$9,668,000	\$15,000	\$200,000	\$9,483,000

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 nine months ended June 29, 1996, the devaluation of the Mexican peso caused a reduction of \$241,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

During the nine months ended June 29, 1996, the Company purchased and retired 346,000 shares of its common stock at a cost of \$4,149,000.

During the third quarter, the Company acquired the assets of Pretzel Gourmet Corp. for cash. Pretzel Gourmet is a chain of retail stores specializing in freshly baked hand-rolled soft pretzels. Sales of the five existing Pretzel Gourmet stores totalled \$1.5 million in 1995.

During the third quarter, the Company acquired the assets of Mazzone Enterprises, Inc. for cash and the assumption of liabilities. Mazzone Enterprises is a manufacturer and distributor of Italian ices and other speciality frozen desserts with annual sales of approximately \$4 million.

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 nine months ended June 24, 1995 Western Syrup Company generated an after tax loss of approximately \$280,000. 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 \$30,000,000.

#### Results of Operations

Net sales increased \$1,215,000 or 3% to \$49,091,000 for the three months and \$4,682,000 or 4% to \$134,092,000 for the nine months ended June 29, 1996. Sales of acquired businesses accounted for over 40% of the three months sales increase.

Sales to food service customers increased \$1,551,000 or 8% in the third quarter to \$21,174,000 and \$6,725,000 or 12% to \$63,250,000 in the nine months.

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Soft pretzel sales to the food service market increased 5% to \$13,125,000 in the third quarter and 11% to \$41,070,000 in the nine months due to increased distribution. Two customers accounted for over 75% and 85% of the soft pretzel sales increase in the three and nine month periods, respectively. Frozen juice treat and dessert sales increased 27% to \$4,375,000 in the three months and 14% to \$10,266,000 in the nine months. Approximately one third of the three month sales increase and one quarter of the nine month sales increase resulted from sales of an acquired business. Churro sales to food service customers increased 1% to \$2,575,000 in the third quarter and 10% to \$7,519,000 in the nine months. All foodservice sales increases were due primarily to changes in unit volume. Approximately 13% of the overall nine month increase in sales to foodservice customers was accounted for by equipment sales.

Sales of products to retail supermarkets decreased \$407,000 or 4% to \$10,461,000 in the third quarter and 5% to \$26,948,000 in the nine months. Soft pretzel sales for the third quarter were down 6% to \$4,988,000 and for the nine months were down 8% to \$17,965,000. The sales decline for the third quarter and nine 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 10% in the third quarter and 8% for the nine months. Softstix sales decreased \$196,000 or 33% to \$404,000 in the third quarter and \$995,000 or 33% to \$2,016,000 in the nine months. Sales of Luigi's Real Italian Ice decreased \$69,000 or 1% to \$5,270,000 in the third quarter and increased \$59,000 or less than 1% to \$8,333,000 in the nine months. Excepting Luigi's Real Italian Ice, the retail supermarket increases and decreases were due primarily to changes in unit volume. A price increase accounted for approximately \$500,000 of Luigi's Real Italian Ice sales in the third quarter and \$560,000 in the nine months.

Frozen carbonated beverage and related product sales increased \$591,000 or 5% to \$12,813,000 in the third quarter and \$1,708,000 or 6% to \$30,179,000 in the nine months. Beverage sales alone increased 3% to \$11,989,000 in the third quarter and increased 5% to \$28,358,000 in the nine months. A pricing adjustment and increased sales of promotional cups to one customer accounted for approximately two thirds of the nine month

sales increases. For the nine months ended June 1996, dollar sales of the Company's Mexican frozen carbonated beverage subsidiary were about 12%, or \$170,000, lower than a year ago due to the devaluation and continuing economic problems in Mexico; however, for the three months ended June 1996, dollar sales increased 6%, or \$30,000, from the year earlier period.

Bakery sales decreased \$635,000 or 23% to \$2,163,000 in the third quarter and \$1,239,000 or 17% to \$5,845,000 in the nine months. The decrease in sales resulted from decreases in unit volume.

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Sales of our Bavarian Pretzel Bakery increased 5% to \$2,480,000 in the third quarter and decreased 2% to \$7,870,000 in the nine month period. Excluding sales of an acquired business, sales were down 5% in both periods.

Gross profit as a percentage of sales was 49% in the both year's three month periods and decreased to 49% in the current nine month period from 50% in the year ago period. This gross profit percentage decrease in the nine month period is primarily attributable to higher raw material costs.

Total operating expenses increased \$97,000 in the third quarter and as a percentage of sales decreased to 44% from 45% in last year's same quarter. For the nine months, operating expenses decreased \$109,000 and as a percentage of sales decreased to 46% from 48% last year. Marketing expenses were 31% and 32% of sales in both year's three and nine month periods, respectively. Distribution expenses decreased to 9% of sales in this year's third quarter from 10% of sales last year and to 10% of sales in this year's nine month period from 11% in the year ago period due primarily to changes in methods of distribution in our frozen carbonated beverage subsidiary. Administration expenses were 4% of sales in both year's third quarter and decreased less than one half of a percentage point to 4% in the current nine month period from 5% a year ago due to a combination of lower overall expenses and an increase in sales volume.

Operating income increased \$575,000 or 28% to \$2,661,000 in the third quarter and \$1,427,000 or 50% to \$4,298,000 in the nine months.

Investment income decreased \$25,000 or 7% in the third quarter and increased \$160,000 or 17% in the nine months. Investment income decreased in the third quarter because of a decrease in the level of invested funds. The increase for the nine months resulted from higher levels of invested funds for the nine month period. Interest expense was essentially unchanged in the two third quarter periods and declined slightly in this year's nine months.

Sundry expense of \$30,000 in the third quarter compared to sundry income of \$823,000 in last year's quarter, and for the nine months, sundry expense of \$26,000 this year compared to sundry income of \$1,289,000 last year. The sundry income last year included gains on insurance settlements, gains on sales of land and a gain on the sale of Western Syrup Company.

The effective income tax rate has been estimated at 36% and 35% in the current year three and nine month periods compared to 38% in both periods last year.

Net earnings decreased \$128,000 or 6% in the current three month period to \$1,850,000 and increased \$307,000 or 10% in the current nine month period to \$3,302,000.

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## 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 29, 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: August 6, 1996

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

Dated: August 6, 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: August 6, 1996

Gerald B. Shreiber  
President

Dated: August 6, 1996

Dennis G. Moore  
Senior Vice President and  
Chief Financial Officer

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