

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 March 29, 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 April 24, 1997, there were 8,766,241 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	March 29, 1997 (Unaudited)	September 28, 1996
Current assets		
Cash and cash equivalents	\$ 486,000	\$ 10,547,000
Marketable securities available for sale	-	1,217,000
Accounts receivable	24,341,000	18,202,000
Inventories	14,493,000	11,276,000
Prepaid expenses and deposits	1,236,000	980,000
	40,556,000	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	50,454,000	41,158,000
Marketing equipment	83,249,000	81,144,000
Transportation equipment	1,778,000	1,754,000
Office equipment	4,373,000	3,727,000
Improvements	7,543,000	7,053,000
Construction in progress	1,834,000	1,326,000
	155,169,000	142,100,000
Less accumulated depreciation and amortization	90,376,000	83,890,000
	64,793,000	58,210,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	20,223,000	9,326,000
Long term investment securities available for sale	495,000	990,000
Long term investment securities held to maturity	3,411,000	9,497,000
Sundry	2,892,000	2,883,000
	27,021,000	22,696,000
	\$132,370,000	\$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	March 29, 1997 (Unaudited)	September 28, 1996
Current liabilities		
Short-term borrowings	\$ 2,000,000	\$ -

Current maturities of long-term debt	8,000	8,000
Accounts payable	13,868,000	10,394,000
Accrued liabilities	9,527,000	7,038,000
	25,403,000	17,440,000
Long-term debt, less current maturities	5,006,000	5,010,000
Deferred income	615,000	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, 8,767,000 and 8,749,000, respectively	36,099,000	35,818,000
Foreign currency translation adjustment	(1,419,000)	(1,356,000)
Retained earnings	63,263,000	62,246,000
	97,943,000	96,708,000
	\$132,370,000	\$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		Six months ended	
	March 29, 1997	March 30, 1996	March 29, 1997	March 30, 1996
Net Sales	\$50,305,000	\$42,138,000	\$93,906,000	\$85,001,000
Cost of goods sold	25,909,000	21,580,000	48,367,000	43,276,000
Gross profit	24,396,000	20,558,000	45,539,000	41,725,000
Operating expenses				
Marketing	15,706,000	13,585,000	30,062,000	27,465,000
Distribution	4,664,000	4,241,000	9,117,000	8,484,000
Administrative	2,194,000	1,828,000	4,178,000	3,724,000
Amortization of intangibles and deferred costs	436,000	207,000	782,000	415,000
	23,000,000	19,861,000	44,139,000	40,088,000
Operating income	1,396,000	697,000	1,400,000	1,637,000
Other income (deductions)				
Investment income	141,000	365,000	396,000	776,000
Interest expense	(122,000)	(91,000)	(215,000)	(191,000)
Sundry	26,000	(13,000)	33,000	4,000
Earnings before income taxes	1,441,000	958,000	1,614,000	2,226,000
Income taxes	535,000	333,000	597,000	774,000
NET EARNINGS	\$ 906,000	\$ 625,000	\$ 1,017,000	\$ 1,452,000

Earnings per common share	\$.10	\$.07	\$.11	\$.16
Weighted average number of shares	8,910,000	9,101,000	8,885,000	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)

	Six months ended	
	March 29, 1997	March 30 1996
Cash flows from operating activities:		
Net earnings	\$ 1,017,000	\$ 1,452,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	8,241,000	7,648,000
Amortization of intangibles and deferred costs	969,000	511,000
Other adjustments	58,000	(19,000)
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(4,686,000)	1,449,000
(Increase) decrease in inventories	(1,996,000)	320,000
(Increase) decrease in prepaid expenses	(209,000)	264,000
Increase (decrease) in accounts payable and accrued liabilities	2,563,000	(1,553,000)
Net cash provided by operating activities	5,957,000	10,072,000
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,927,000)	(6,060,000)
Payments for purchases of companies, net of cash acquired and debt assumed	(19,052,000)	-
Proceeds from investments held to maturity	6,075,000	350,000
Payments for investments held to maturity	-	(1,750,000)
Proceeds from investments available for sale	1,710,000	3,465,000
Payments for investments available for sale	-	(2,558,000)
Proceeds from sale of property and equipment	134,000	81,000
Other	(74,000)	(35,000)
Net cash used in investing activities	(18,134,000)	(6,507,000)
Cash flows from financing activities:		
Proceeds from short-term borrowing	2,000,000	-
Proceeds from issuance of common stock	120,000	122,000
Payments to repurchase common stock	-	(2,910,000)
Payments of long-term debt	(4,000)	(18,000)
Net cash provided by (used in) financing activities	2,116,000	(2,806,000)
Net (decrease) increase in cash and cash equivalents	(10,061,000)	759,000
Cash and cash equivalents at beginning of period	10,547,000	10,696,000
Cash and cash equivalents at end of period	\$ 486,000	\$11,455,000

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 six months ended March 29, 1997 and March 30, 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 ("EPS") 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:

	March 29, 1997	September 28, 1996
Finished goods	\$ 7,743,000	\$ 5,534,000
Raw materials	2,216,000	1,387,000
Packaging materials	2,188,000	2,009,000
Equipment parts & other	2,346,000	2,346,000
	\$14,493,000	\$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 March 29, 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	-	7,000	488,000
Municipal Government Securities	-	-	-	-
	\$ 495,000	\$12,000	\$ 7,000	\$ 500,000
Held to Maturity Securities				
Corporate Debt Securities	\$ 981,000	\$ 4,000	\$ 16,000	\$ 969,000
Municipal Government Securities	1,930,000	3,000	53,000	1,880,000
Other	500,000	-	-	500,000
	\$3,411,000	\$ 7,000	\$ 69,000	\$3,349,000

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:

	Gross	Gross	Fair
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	Amortized Cost	Unrealized Gains	Unrealized Losses	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

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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 cash expected to be provided by future operations and its available lines of credit are its primary sources of short term liquidity. The Company believes that these sources, along with its borrowing capacity, are sufficient to fund future growth and expansion.

In the six months ended March 29, 1997, the devaluation of the Mexican peso caused a reduction of \$63,000 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 March 29, 1997 were \$2,000,000.

Results of Operations

Net sales increased \$8,167,000 or 19% to \$50,305,000 for the three months and \$8,905,000 or 10% to \$93,906,000 for the six months ended March 29, 1997 compared to the six months ended March 30, 1996. Excluding sales of acquired businesses, net sales increased \$3,526,000 or 8% for the three months and \$2,244,000 or 3% for the six months.

Sales to food service customers increased \$4,344,000 or 22% in the second quarter to \$24,044,000 and \$3,658,000 or 9% for the six months. Excluding sales of acquired businesses, sales to food service customers increased \$1,172,000 or 6% for the quarter and decreased \$737,000 or 2% for the six months. All of the \$737,000 sales decrease was the result of non recurring equipment sales in last year's first quarter. Soft pretzel sales to the food service market increased 12% to \$14,840,000 in the second quarter and 5% to \$29,295,000 in the six months. Excluding sales of acquired businesses, food service soft pretzel sales increased \$428,000 or 3% in the second quarter and decreased \$455,000 or 2% in the six month period. Two customers accounted for all of the six months' sales decrease. Italian ice

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and frozen juice treat and dessert sales increased 89% to \$5,639,000 in the three months and 56% to \$9,167,000 in the six months. Over 70% of the Italian ice and frozen juice and dessert sales increase was from sales of acquired businesses. Churro sales to food service customers decreased 8% to \$2,379,000 in the second quarter and 2% to \$4,848,000 in the six months.

Sales of products to retail supermarkets increased \$1,109,000 or 12% to \$10,316,000 in the second quarter and 8% to \$17,742,000 in the first half.

Excluding sales of acquired businesses, sales to retail supermarkets were flat in the quarter and up 1% for the six months. Soft pretzel sales for the second quarter and six months were up 8% to \$7,647,000 and \$13,972,000, respectively, due to increased distribution of CINNAMON RAISIN MINI'S and sales of an acquired business. SOFTSTIX sales decreased \$228,000 to \$582,000 or 28% in the second quarter and \$460,000 or 29% in the six months. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX and CINNAMON RAISIN, decreased 9% in the second quarter and 6% for the six months. Sales of Italian ice increased \$408,000 or 22% to \$2,287,000 in the second quarter and \$107,000 or 3% to \$3,170,000 in the first half 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 3% in the quarter and 12% in the first half.

Frozen carbonated beverage and related product sales increased \$135,000 or 2% to \$9,013,000 in the second quarter and decreased \$63,000 or less than 1% to \$17,303,000 in the six months. Beverage and beverage cup and lid sales alone decreased 4% in both the second quarter and first half to \$8,098,000 and \$15,767,000, 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 16% for the second quarter and 5% for the six months.

Bakery sales increased \$1,951,000 or 93% to \$4,055,000 in the second quarter and \$2,942,000 or 80% to \$6,624,000 in the first six months due to increased product sales to one customer.

Sales of our Bavarian Pretzel Bakery increased 28% to \$2,877,000 in the second quarter and 21% to \$6,503,000 in the six month period due primarily to sales of an acquired business.

Gross profit as a percentage of sales decreased to 48% in the current three and six month periods from 49% in the corresponding periods last year. This gross profit percentage decrease is primarily attributable to lower gross profit percentages of acquired businesses and the increased bakery sales.

Total operating expenses increased \$3,139,000 in the second quarter but as a percentage of sales decreased to 46% from 47% in last year's same quarter. For the first half, operating expenses increased \$4,051,000 and as a percentage of sales were 47% in both year's period. Marketing expenses decreased to 31% of sales in this year's quarter from 32% last year and were 32% of sales in both six month periods. Distribution expenses decreased to 9% of sales in this year's second quarter from 10% of sales last year and

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were 10% of sales this year and last for the six month period. The decrease in distribution expenses as a percent of sales in this year's second quarter resulted from a one time settlement with a freight carrier.

Operating income increased \$699,000 or 100% to \$1,396,000 in the second quarter and \$237,000 or 14% to \$1,400,000 in the first half. Excluding a pricing adjustment to frozen carbonated beverage sales in last year's second quarter and a one time settlement with a freight carrier in this year's second quarter, operating income increased \$874,000 in the second quarter and decreased \$62,000 in the first half.

Investment income decreased \$224,000 to \$141,000 in the second quarter and \$380,000 to \$396,000 in the six months due primarily to sharply lower levels of investable funds which were used to pay for acquisitions.

Interest expense increased \$31,000 and \$24,000 in the quarter and six months, respectively due to increased borrowings.

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

Net earnings increased \$281,000 or 45% in the current three month period to \$906,000 and decreased \$435,000 or 30% in the current six month period to \$1,017,000.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

In April 1997, a jury in Los Angeles, California returned a verdict against the Company for \$1.7 million compensatory plus \$2.5 million punitive damages in litigation brought by a former employee alleging same sex harassment by a Company supervisor. The Company has subsequently settled the case for an amount substantially less than the amount awarded. The Company believes it is likely it will recover its settlement costs from its insurance carrier who failed to settle the case within policy limits.

Item 4. Submission of Matters to a Vote of Security Holders

The results of voting at the Annual Meeting of Shareholders held on February 5, 1997 is as follows:

Matter	Votes Cast			Absentees and Broker Non Votes
	For	Against	Withheld	
Election of Dennis G. Moore as Director	7,871,183	-	464,127	-
Election of Robert M. Radano as Director	7,871,183	-	464,127	-
Amendment to the Company's 1992 Stock Option Plan increasing the maximum number of shares issuable under the Plan by 500,000 shares to a total of 1,500,000 shares	4,753,700	1,929,241	270,700	1,381,669

The Company had 8,749,970 shares outstanding on December 9, 1996, the record date.

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 March 29, 1997.

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: May 8, 1997

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

Dated: May 8, 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: May 8, 1997

Gerald B. Shreiber
President

Dated: May 8, 1997

Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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