

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 27, 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 January 19, 1998, there were 8,889,810 shares of the Registrant's Common Stock outstanding.

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets - December 27, 1997 and September 27, 1997.....	3
Consolidated Statements of Earnings - Three Months Ended December 27, 1997 and December 28, 1996.....	5
Consolidated Statements of Cash Flows - Three Months Ended December 27, 1997 and December 28, 1996.....	6
Notes to the Consolidated Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	12

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS	December 27, 1997 (Unaudited)	September 27, 1997
Current assets		
Cash and cash equivalents	\$ 4,727,000	\$ 1,401,000
Accounts receivable	24,678,000	25,458,000
Inventories	17,371,000	13,535,000
Prepaid expenses and deposits	1,193,000	853,000
	47,969,000	41,247,000
Property, plant and equipment, at cost		
Land	869,000	819,000
Buildings	5,490,000	5,340,000
Plant machinery and equipment	52,668,000	51,891,000
Marketing equipment	118,272,000	90,988,000
Transportation equipment	1,835,000	1,856,000
Office equipment	4,963,000	4,792,000
Improvements	7,971,000	7,837,000
Construction in progress	1,691,000	825,000
	193,759,000	164,348,000
Less accumulated depreciation and amortization	100,760,000	97,126,000
	92,999,000	67,222,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	45,250,000	21,459,000
Long term investment securities available for sale	-	495,000
Long term investment securities held to maturity	3,199,000	3,340,000
Sundry	6,444,000	3,064,000
	54,893,000	28,358,000
	\$195,861,000	\$136,827,000

See accompanying notes to the consolidated financial statements.

3

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

LIABILITIES AND STOCKHOLDERS' EQUITY	December 27, 1997 (Unaudited)	September 27, 1997
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Current liabilities		
Current maturities of long-term debt	\$ 8,317,000	\$ 16,000
Accounts payable	16,129,000	13,315,000
Accrued liabilities	12,373,000	8,652,000
	36,819,000	21,983,000
Long-term debt, less current maturities		
Revolving credit line	38,452,000	5,028,000
Deferred income	10,000,000	-
Deferred income taxes	521,000	532,000
	3,385,000	3,380,000
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, 8,872,000 and 8,850,000, respectively	37,186,000	36,908,000
Foreign currency translation adjustment	(1,453,000)	(1,409,000)
Retained earnings	70,951,000	70,405,000
	106,684,000	105,904,000
	\$195,861,000	\$136,827,000

See accompanying notes to the consolidated financial statements.

4

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended	
	December 27, 1997	December 28, 1996
Net Sales	\$52,191,000	\$43,601,000
Cost of goods sold	27,516,000	22,458,000
Gross profit	24,675,000	21,143,000
Operating expenses		
Marketing	15,859,000	14,356,000
Distribution	5,009,000	4,453,000
Administrative	2,316,000	1,984,000
Amortization of intangibles and deferred costs	527,000	346,000
	23,711,000	21,139,000
Operating income	964,000	4,000
Other income (deductions)		
Investment income	178,000	255,000
Interest expense	(304,000)	(93,000)
Sundry	16,000	7,000
Earnings before income taxes	854,000	173,000

Income taxes	308,000	62,000
NET EARNINGS	\$ 546,000	\$ 111,000
Earnings per common share	\$.06	\$.01
Weighted average number of shares	9,230,000	8,860,000

See accompanying notes to the consolidated financial statements.

5
J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	
	December 27, 1997	December 28, 1996
Operating activities:		
Net earnings	\$ 546,000	\$ 111,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	4,715,000	4,016,000
Amortization of intangibles	640,000	448,000
Other adjustments	191,000	69,000
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	3,702,000	1,834,000
Decrease (increase) in inventories	13,000	(219,000)
Increase in prepaid expenses	(32,000)	(237,000)
Decrease in accounts payable and accrued liabilities	(1,527,000)	(2,069,000)
Net cash provided by operating activities	8,248,000	3,953,000
Investing activities:		
Purchases of property, plant and equipment	(5,427,000)	(3,643,000)
Payments for purchases of companies, net of cash acquired and debt assumed	(8,967,000)	(11,842,000)
Proceeds from investments held to maturity	135,000	285,000
Proceeds from investments available for sale	495,000	761,000
Other	787,000	151,000
Net cash used in investing activities	(12,977,000)	(14,288,000)
Financing activities:		
Proceeds from issuance of common stock	277,000	9,000
Proceeds from borrowings	50,000,000	-
Payments of long-term debt	(42,222,000)	(2,000)
Net cash provided by financing activities	8,055,000	7,000
Net increase (decrease) in cash and cash equivalents	3,326,000	(10,328,000)
Cash and cash equivalents at beginning of period	1,401,000	10,547,000
Cash and cash equivalents at end of period	\$ 4,727,000	\$ 219,000

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 ended December 27, 1997 and December 28, 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 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 27, 1997.

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 27, 1997	September 27, 1997
Finished goods	\$ 9,649,000	\$ 7,108,000
Raw materials	1,790,000	1,789,000
Packaging materials	1,973,000	2,262,000
Equipment parts & other	3,959,000	2,376,000
	\$17,371,000	\$13,535,000

Note 4 The amortized cost, unrealized gains and losses, and fair market values of the Company's investment securities held to maturity at December 27, 1997 are summarized as follows:

Value	7	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Held to Maturity Securities				
Corporate Debt Securities	\$ 964,000	\$ 16,000	\$ -	\$ 980,000
Municipal Government Securities	1,735,000	16,000	-	1,751,000
Other	500,000	-	-	500,000
	\$3,199,000	\$ 32,000	\$ -	\$3,231,000

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 27, 1997 are summarized as follows:

Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available for sale				
Corporate debt securities	\$ 495,000	\$ -	\$ -	\$ 495,000
Held to maturity				
Corporate debt securities	\$ 970,000	\$19,000	\$ -	\$ 989,000
Municipal government securities	1,870,000	3,000	(8,000)	1,865,000
Other debt securities	500,000	-	-	500,000
	\$3,340,000	\$22,000	\$ (8,000)	\$3,354,000

Note 5 To fund the acquisition of National ICEE Corporation, and to retire most of its debt, the Company incurred the following debt:

\$40,000,000 unsecured term note, at an interest rate of 6.61% fixed through swap agreements, with 60 monthly principal payments of \$666,667 plus interest beginning January 8, 1998. At December 27, 1997, \$8,000,000 of the note was classified

under current maturities of long-term debt.

\$10,000,000 borrowing under a \$30,000,000 unsecured general purpose bank line of credit. Interest payments on the balance borrowed under the line are made monthly. The interest rate on the outstanding borrowings under the line was 6.50% at December 27, 1997. At December 27, 1997, the \$10,000,000 borrowing was classified as a long-term liability.

8

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 27, 1997, the devaluation of the Mexican peso caused a reduction of \$44,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

In December 1997, the Company acquired the common stock of National ICEE Corporation, a marketer and distributor of frozen carbonated beverages under the tradename ICEE, with approximate annual sales of \$40,000,000. As a result of the acquisition, the Company now has the rights to market and distribute frozen carbonated beverages under the name ICEE to all of the continental United States, except for portions of eleven states.

The purchase price paid to the former shareholders of National ICEE Corporation was \$9,000,000 in the form of cash. Additionally, the Company assumed approximately \$44,000,000 of debt, of which approximately \$42,000,000 was retired at closing. The source of cash utilized to retire the debt and to fund the purchase price was a \$40,000,000 unsecured term loan and an unsecured revolving line of credit with the Company's existing banks.

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 December 27, 1997 were \$10,000,000.

Results of Operations

Net sales increased \$8,590,000 or 20% to \$52,191,000 for the three months ended December 27, 1997 compared to the three months ended December 28, 1996.

9

Excluding sales of acquired businesses, net sales increased \$5,562,000 or 13% for the quarter.

Sales to food service customers increased \$980,000 or 5% in the

first quarter to \$22,670,000. Excluding sales of acquired businesses, sales to food service customers increased \$112,000 or less than 1% for the period. Soft pretzel sales to the food service market decreased less than 1% to \$14,384,000 in the quarter. Excluding sales of acquired businesses, food service soft pretzel sales decreased \$300,000 or 2%. Soft pretzel unit volume declined approximately 5%. Italian ice and frozen juice treat and dessert sales increased 23% to \$4,342,000 in the three months. Approximately 75% of the Italian ice and frozen juice and dessert sales increase was from sales of an acquired business. Churro sales to food service customers were \$2,476,000, essentially unchanged from last year.

Sales of products to retail supermarkets decreased \$569,000 or 8% to \$6,857,000 in the first quarter. Excluding sales of an acquired business, sales to retail supermarkets decreased 12%. Soft pretzel sales for the first quarter were down 22% to \$4,947,000 due to an overall decline in category unit volume. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX and CINNAMON RAISIN, decreased 14% in the first quarter. Sales of Italian Ice increased \$615,000 or 70% to \$1,498,000 in the first quarter. Excluding sales of an acquired business, Italian Ice sales increased \$279,000 or 32%.

Frozen carbonated beverage and related product sales increased \$4,187,000 or 51% to \$12,477,000 in the first quarter. Beverage sales alone increased 31% to \$10,053,000. Excluding sales resulting from the acquisition of National ICEE Corporation in December 1997, frozen carbonated beverage and related product sales increased \$2,471,000 or 30% from last year and beverage sales alone increased 11%. Approximately \$1,725,000 of the \$2,471,000 sales increase was from sales of equipment and service revenue.

Bakery sales increased \$3,653,000 or 142% to \$6,222,000 in the first quarter due to increased product sales to one customer. Sales of Bavarian Pretzel Bakery increased \$339,000 or 9% to \$3,965,000 in the quarter from last year. Approximately one third of the increase came from sales of an acquired business.

Gross profit as a percentage of sales decreased to 47% in the current first quarter from 48% in the year ago period. This gross profit percentage decrease is primarily attributable to lower gross profit percentages of the increased bakery and frozen carbonated beverage equipment sales.

Total operating expenses increased \$2,572,000 in the first quarter and as a percentage of sales decreased to 45% from 48% in last year's same quarter. Marketing expenses decreased to 30% of sales from 33% in last year's first quarter. The decrease in marketing expense as a percent of sales is attributable primarily to the increased bakery and frozen carbonated beverage equipment sales which incurred relatively little marketing expense. Distribution expenses were 10% of sales in both year's first quarter. Administrative expenses decreased fractionally to 4% of sales from 5% of sales last year. Amortization of intangibles and deferred costs increased to \$527,000 from \$346,000 because of the amortization of goodwill of acquired businesses.

10

Operating income increased \$960,000 to \$964,000 in the first quarter from \$4,000 in last year's quarter.

Investment income decreased \$77,000 to \$178,000 in the quarter from last year due primarily to a lower level of investable funds.

Interest expense increased \$211,000 from last year's quarter to \$304,000 this year due to the assumption and subsequent refinancing of the debt of National ICEE Corporation.

The effective income tax rate has been estimated at 36% in both three month periods.

Net earnings increased \$435,000 or 392% in the current three month period to \$546,000. Without National ICEE Corporation's seasonal loss, net earnings would have been approximately \$730,000.

Part II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits - None
- b) Reports on Form 8-K - A report on Form 8-K was filed on December 23, 1997.

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: February 10, 1998

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

Dated: February 10, 1998

/s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer

13

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: February 10, 1998

Gerald B. Shreiber
President

Dated: February 10, 1998

Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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DEC-27-1997

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25,258

(580)

17,371

47,969

193,759

(100,760)

195,861

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37,186

69,498

195,861

52,191

52,191

27,516

23,711

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304

854

308

546

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546

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