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 27, 2021

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, New Jersey 08109
(Address of principal executive offices)

Telephone (856) 665-9533

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐		
		Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

At April 23, 2021 there were 19,035,968 shares of the Registrant’s Common Stock outstanding.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 27, 2021 (unaudited)	September 26, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 238,386	$ 195,809
Marketable securities held to maturity	21,379	51,151
Accounts receivable, net	137,683	126,587
Inventories	115,590	108,923
Prepaid expenses and other	17,231	17,087
Total current assets	530,269	499,557
Property, plant and equipment, at cost		
Land	2,494	2,494
Buildings	26,582	26,582
Plant machinery and equipment	337,763	330,168
Marketing equipment	248,461	250,914
Transportation equipment	9,942	9,966
Office equipment	34,186	33,878
Improvements	44,797	43,264
Construction in progress	23,484	19,995
Total Property, plant and equipment, at cost	727,709	717,261
Less accumulated depreciation and amortization	472,012	455,645
Property, plant and equipment, net	255,697	261,616
Other assets		
Goodwill	121,833	121,833
Other intangible assets, net	80,305	81,622
Marketable securities held to maturity	7,580	16,927
Marketable securities available for sale	12,518	13,976
Operating lease right-of-use assets	53,994	58,110
Other	2,719	2,912
Total other assets	278,949	295,380
Total Assets	$ 1,064,915	$ 1,056,553
Liabilities and Stockholders' Equity		
Current Liabilities		
Current finance lease liabilities	$ 288	$ 349
Accounts payable	83,460	73,135
Accrued insurance liability	14,136	13,039
Accrued liabilities	7,272	7,420
Current operating lease liabilities	12,978	13,173
Accrued compensation expense	14,120	16,134
Dividends payable	10,943	10,876
Total current liabilities	143,197	134,126
Noncurrent finance lease liabilities	256	368
Noncurrent operating lease liabilities	43,609	47,688
Deferred income taxes	64,449	64,413
Other long-term liabilities	404	460
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 19,034,000 and 18,915,000 respectively	65,026	49,268
Accumulated other comprehensive loss	(13,839)	(15,587)
Retained Earnings	761,813	775,817
Total stockholders' equity	813,000	809,498
Total Liabilities and Stockholders' Equity	$ 1,064,915	$ 1,056,553

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	Three months ended		Six months ended	
	March 27, 2021	March 28, 2020	March 27, 2021	March 28, 2020
Net Sales	$ 256,178	$ 272,042	$ 497,175	$ 554,939
Cost of goods sold	195,282	202,599	386,154	407,635
Gross Profit	60,896	69,443	111,021	147,304
Operating expenses				
Marketing	19,192	23,848	36,493	46,580
Distribution	25,443	24,834	48,332	48,376
Administrative	9,216	10,174	18,656	19,792
Other general (income) expense	(185)	(395)	(268)	(129)
Total Operating Expenses	53,666	58,461	103,213	114,619
Operating Income	7,230	10,982	7,808	32,685
Other (expense)income				
Investment(loss)income	579	(413)	1,949	1,373
Interest (expense) & other	4	(27)	(11)	(53)
Earnings before income taxes	7,813	10,542	9,746	34,005
Income taxes	1,752	3,233	1,907	9,637
NET EARNINGS	$ 6,061	$ 7,309	$ 7,839	$ 24,368
Earnings per diluted share	$ 0.32	$ 0.38	$ 0.41	$ 1.28
Weighted average number of diluted shares	19,130	19,014	19,081	19,079
Earnings per basic share	$ 0.32	$ 0.39	$ 0.41	$ 1.29
Weighted average number of basic shares	19,006	18,921	18,971	18,910

The accompanying notes are an integral part of these statements.

J&J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three months ended		Six months ended	
	March 27, 2021	**March 28, 2020**	**March 27, 2021**	**March 28, 2020**
Net Earnings	$ 6,061	$ 7,309	$ 7,839	$ 24,368
Foreign currency translation adjustments	(531)	(3,921)	1,748	(3,111)
Total Other Comprehensive (Loss) income , net of tax	(531)	(3,921)	1,748	(3,111)
Comprehensive Income	$ 5,530	$ 3,388	$ 9,587	$ 21,257

The accompanying notes are an integral part of these statements.

J & J Snack Foods Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock				Accumulated Other Comprehensive		Retained		
	Shares		Amount		Loss		Earnings		Total
Balance as September 26, 2020	18,915	$	49,268	$	(15,587)	$	775,817	$	809,498
Issuance of common stock upon exercise of stock options	41		4,390		-		-		4,390
Foreign currency translation adjustment	-		-		2,279		-		2,279
Dividends declared	-		-		-		(10,900)		(10,900)
Share-based compensation	-		1,244		-				1,244
Net earnings	-		-		-		1,778		1,778
Balance at December 26, 2020	18,956	$	54,902	$	(13,308)	$	766,695	$	808,289
Issuance of common stock upon exercise of stock options	72		8,384		-		-		8,384
Issuance of common stock for employee stock purchase plan	6		714		-		-		714
Foreign currency translation adjustment	-		-		(531)		-		(531)
Dividends declared	-		-		-		(10,943)		(10,943)
Share-based compensation	-		1,026		-				1,026
Net earnings	-		-		-		6,061		6,061
Balance at March 27, 2021	19,034	$	65,026	$	(13,839)	$	761,813	$	813,000

	Common Stock				Accumulated Other Comprehensive		Retained		
	Shares		Amount		Loss		Earnings		Total
Balance at September 28, 2019	18,895	$	45,744	$	(12,988)	$	800,995	$	833,751
Issuance of common stock upon exercise of stock options	5		468		-		-		468
Foreign currency translation adjustment	-		-		810		-		810
Dividends declared	-		-		-		(10,867)		(10,867)
Share-based compensation	-		1,299		-		-		1,299
Net earnings	-		-		-		17,059		17,059
Balance at December 28, 2019	18,900	$	47,511	$	(12,178)	$	807,187	$	842,520
Issuance of common stock upon exercise of stock options	47		5,049		-		-		5,049
Issuance of common stock for employee stock purchase plan	6		783		-		-		783
Foreign currency translation adjustment	-		-		(3,921)		-		(3,921)
Issuance of common stock under deferred stock plan	1		90		-		-		90
Dividends declared	-		-		-		(10,878)		(10,878)
Share-based compensation	-		1,088		-		-		1,088
Repurchase of common stock	(66)		(8,972)		-		-		(8,972)
Net earnings	-		-		-		7,309		7,309
Balance at March 28, 2020	18,888	$	45,549	$	(16,099)	$	803,618	$	833,068

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands)

	Six Months Ended	
	March 27, 2021	**March 28, 2020**
Operating activities:		
Net earnings	$ 7,839	$ 24,368
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of fixed assets	24,253	24,810
Amortization of intangibles and deferred costs	1,457	1,677
Share-based compensation	2,270	2,432
Deferred income taxes	(4)	(298)
(Gain) loss on marketable securities	(768)	2,070
Other	(163)	(286)
Changes in assets and liabilities net of effects from purchase of companies		
(Increase) decrease in accounts receivable	(10,884)	6,343
Increase in inventories	(6,432)	(11,328)
Increase in prepaid expenses	(118)	(1,598)
Increase (decrease) in accounts payable and accrued liabilities	9,331	(5,920)
Net cash provided by operating activities	26,781	42,270
Investing activities:		
Payments for purchases of companies, net of cash acquired	-	(57,197)
Purchases of property, plant and equipment	(18,829)	(36,985)
Purchases of marketable securities	-	(6,103)
Proceeds from redemption and sales of marketable securities	41,337	30,938
Proceeds from disposal of property and equipment	1,262	1,853
Other	18	(63)
Net cash provided by (used in) investing activities	23,788	(67,557)
Financing activities:		
Payments to repurchase common stock	-	(8,972)
Proceeds from issuance of stock	13,582	6,300
Payments on capitalized lease obligations	(173)	(168)
Payment of cash dividend	(21,776)	(20,314)
Net cash used in financing activities	(8,367)	(23,154)
Effect of exchange rate on cash and cash equivalents	375	(985)
Net increase (decrease) in cash and cash equivalents	42,577	(49,426)
Cash and cash equivalents at beginning of period	195,809	192,395
Cash and cash equivalents at end of period	$ 238,386	$ 142,969

The accompanying notes are an integral part of these statements.

Note 1 The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 26, 2020.

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 and six months ended March 27, 2021 and March 28, 2020 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather. Also, approximately *2/3* of our sales are to venues and locations that have shut down or sharply curtailed their foodservice operations as a result of COVID-19 resulting in a negative impact on our business. Capacity at the venues started to improve towards the end of the second quarter, but the extent of future impacts on our business from COVID-19 is dependent on developments to control the virus which is still uncertain at this point in time.

While we believe that the disclosures presented are adequate to make the information not misleading, we suggest 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 fiscal year ended September 26, 2020.

Note 2

Revenue Recognition

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed, or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liabilities on our balance sheet.

Significant Payment Terms

In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping

All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration

In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was $16,035,000 at March 27, 2021 and $14,345,000 at September 26, 2020.

Warranties & Returns

We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances

Our customers are billed for service contracts in advance of performance and therefore we have contract liabilities on our balance sheet as follows:

	(in thousands)			
	Three months ended		Six months ended	
	March 27, 2021	March 28, 2020	March 27, 2021	March 28, 2020
Beginning Balance	$ 1,716	$ 1,094	$ 1,327	$ 1,334
Additions to contract liability	$ 1,201	1,474	2,945	2,749
Amounts recognized as revenue	$ (1,827)	(1,333)	(3,182)	(2,848)
Ending Balance	$ 1,090	$ 1,235	$ 1,090	$ 1,235

Disaggregation of Revenue

See Note 9 for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables

We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. On September 27, 2020, the Company adopted guidance issued by the FASB in ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires companies to recognize an allowance that reflects a current estimate of credit losses expected to be incurred over the life of the asset. Adoption of this new guidance did not have a material impact on the consolidated financial statements. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses. The allowance for doubtful accounts considers a number of factors including the age of receivable balances, the history of losses, expectations of future credit losses and the customers' ability to pay off obligations. The allowance for doubtful receivables was $1,381,000 and $1,388,000 on March 27, 2021 and September 26, 2020, respectively.

Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $11,984,000 and $12,923,000 for the three months ended March 27, 2021 and March 28, 2020, respectively and $24,253,000 and $24,810,000 for the six months ended March 27, 2021 and March 28, 2020, respectively.

Note 4 Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three Months Ended March 27, 2021		
	Income (Numerator)	**Shares (Denominator)**	**Per Share Amount**
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 6,061	19,006	$ 0.32
Effect of Dilutive Securities			
Options	-	124	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 6,061	19,130	$ 0.32

163,072 anti-dilutive shares have been excluded in the computation of EPS for the three months ended March 27, 2021

	Six Months Ended March 27, 2021		
	Income (Numerator)	**Shares (Denominator)**	**Per Share Amount**
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 7,839	18,971	$ 0.41
Effect of Dilutive Securities			
Options	-	110	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 7,839	19,081	$ 0.41

184,672 anti-dilutive shares have been excluded in the computation of EPS for the six months ended March 27, 2021

	Three Months Ended March 28, 2020				
	Income (Numerator)		Shares (Denominator)		Per Share Amount
	(in thousands, except per share amounts)				
Basic EPS					
Net Earnings available to common stockholders	$	7,309	18,921	$	0.39
Effect of Dilutive Securities					
Options		-	93		(0.01)
Diluted EPS					
Net Earnings available to common stockholders plus assumed conversions	$	7,309	19,014	$	0.38

180,258 anti-dilutive shares have been excluded in the computation of EPS for the three months ended March 28, 2020

	Six Months Ended March 28, 2020				
	Income (Numerator)		Shares (Denominator)		Per Share Amount
	(in thousands, except per share amounts)				
Basic EPS					
Net Earnings available to common stockholders	$	24,368	18,910	$	1.29
Effect of Dilutive Securities					
Options		-	169		(0.01)
Diluted EPS					
Net Earnings available to common stockholders plus assumed conversions	$	24,368	19,079	$	1.28

180,258 anti-dilutive shares have been excluded in the computation of EPS for the six months ended March 28, 2020

Note 5 At March 27, 2021, the Company has three stock-based employee compensation plans. Share-based compensation expense was recognized as follows:

	Three months ended				Six months ended			
	March 27, 2021		March 28, 2020		March 27, 2021		March 28, 2020	
Stock Options	$	447	$	412	$	993	$	1,377
Stock purchase plan		64		69		342		271
Stock issued to an outside director		22		33		22		33
Restricted stock issued to an employee		47		-		47		-
Total share-based compensation	$	580	$	514	$	1,404	$	1,681
The above compensation is net of tax benefits	$	446	$	620	$	866	$	751

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2021 six months: expected volatility of 25.8%; risk-free interest rate of 0.5%; dividend rate of 1.5% and expected lives of 51 months.

During the fiscal year 2021 six-month period, the Company granted 300 stock options. The weighted-average grant date fair value of these options was $29.54.

During the fiscal year 2020 six-month period, the Company granted 1,300 stock options. The weighted-average grant date fair value of these options was $24.67.

Expected volatility is based on the historical volatility of the price of our common shares over the past 51 months for 5-year options and 10 years for 10-year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

Note 6 We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities ("uncertain tax positions"). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

The total amount of gross unrecognized tax benefits is $343,000 and $360,000 on March 27, 2021 and September 26, 2020, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of March 27, 2021, and September 26, 2020, the Company has $267,000 of accrued interest and penalties.

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax with virtually all open for examination for three to four years.

Our effective tax rate for the six months ended March 27, 2021 was 20%, primarily due to a $866,000 tax benefit related to share-based compensation. Our effective tax rate for the six months ended March 28, 2020 was 28%.

Note 7 In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which changes the impairment model used to measure credit losses for most financial assets. We are required to recognize an allowance that reflects the Company's current estimate of credit losses expected to be incurred over the life of the financial asset, including trade receivables and held-to-maturity debt securities.

The Company adopted this guidance in the first quarter of Fiscal 2021 using the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

Note 8 Inventories consist of the following:

	March 27, 2021 (unaudited)	September 26, 2020
	(in thousands)	
Finished goods	$ 41,803	$ 40,184
Raw materials	28,066	24,550
Packaging materials	12,069	10,545
Equipment parts and other	33,652	33,644
Total Inventories	$ 115,590	$ 108,923

Note 9 We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above which is available to our Chief Operating Decision Makers.

Our three reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

Food Service

The primary products sold by the food service group are soft pretzels, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen juice treats and desserts including LUIGI’S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, PHILLY SWIRL cups and sticks, ICEE Squeeze-Up Tubes and dough enrobed handheld products including PATIO burritos. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

We sell frozen beverages and related products to the food service industry primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers’ owned equipment.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Six months ended	
	March 27, 2021	March 28, 2020	March 27, 2021	March 28, 2020
Sales to External Customers:				
Food Service				
Soft pretzels	$ 36,776	$ 45,660	$ 69,463	$ 95,601
Frozen juices and ices	10,590	9,491	16,885	16,534
Churros	14,720	14,754	26,262	31,145
Handhelds	19,992	7,447	37,603	14,636
Bakery	82,910	89,407	171,874	185,779
Other	4,336	4,573	7,662	11,085
Total Food Service	$ 169,324	$ 171,332	$ 329,749	$ 354,780
Retail Supermarket				
Soft pretzels	$ 15,789	$ 12,332	$ 29,677	$ 22,158
Frozen juices and ices	19,386	15,864	34,702	25,957
Biscuits	6,495	6,630	14,155	13,608
Handhelds	2,243	3,117	5,023	5,878
Coupon redemption	(608)	(866)	(1,683)	(1,409)
Other	601	494	1,126	805
Total Retail Supermarket	$ 43,906	$ 37,571	$ 83,000	$ 66,997
Frozen Beverages				
Beverages	$ 18,529	$ 31,895	$ 34,384	$ 67,150
Repair and maintenance service	18,218	21,779	37,114	44,265
Machines revenue	5,663	8,910	12,152	20,891
Other	538	555	776	856
Total Frozen Beverages	$ 42,948	$ 63,139	$ 84,426	$ 133,162
Consolidated Sales	$ 256,178	$ 272,042	$ 497,175	$ 554,939
Depreciation and Amortization:				
Food Service	$ 7,116	$ 7,240	$ 13,902	$ 14,158
Retail Supermarket	384	329	770	688
Frozen Beverages	5,648	6,188	11,424	11,641
Total Depreciation and Amortization	$ 13,148	$ 13,757	$ 26,096	$ 26,487
Operating Income :				
Food Service	$ 6,055	$ 7,951	$ 12,235	$ 25,985
Retail Supermarket	6,364	4,337	11,087	6,554
Frozen Beverages	(5,189)	(1,306)	(15,514)	146
Total Operating Income	$ 7,230	$ 10,982	$ 7,808	$ 32,685
Capital Expenditures:				
Food Service	$ 7,246	$ 10,331	$ 15,532	$ 18,734
Retail Supermarket	80	275	101	1,235
Frozen Beverages	1,827	8,774	3,196	17,016
Total Capital Expenditures	$ 9,153	$ 19,380	$ 18,829	$ 36,985
Assets:				
Food Service	$ 760,557	$ 740,318	$ 760,557	$ 740,318
Retail Supermarket	33,395	31,636	33,395	31,636
Frozen Beverages	270,963	305,983	270,963	305,983
Total Assets	$ 1,064,915	$ 1,077,937	$ 1,064,915	$ 1,077,937

Note 10 Our three reporting units, which are also reportable segments, are Food Service, Retail Supermarkets and Frozen Beverages.

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverage segments as of March 27, 2021 and September 26, 2020 are as follows:

	March 27, 2021		September 26, 2020	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
		(in thousands)		
FOOD SERVICE				
Indefinite lived intangible assets				
Trade names	$ 10,408	$ -	$ 10,408	$ -
Amortized intangible assets				
Non compete agreements	670	670	670	645
Customer relationships	13,000	5,538	19,737	11,595
License and rights	1,690	1,354	1,690	1,312
TOTAL FOOD SERVICE	$ 25,768	$ 7,562	$ 32,505	$ 13,552
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade names	$ 12,750	$ -	$ 12,750	$ -
Amortized Intangible Assets				
Trade names	676	587	676	519
Customer relationships	7,907	5,535	7,907	5,140
TOTAL RETAIL SUPERMARKETS	$ 21,333	$ 6,122	$ 21,333	$ 5,659
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	36,100	-	36,100	-
Amortized intangible assets				
Customer relationships	1,439	329	1,439	257
Licenses and rights	1,400	1,037	1,400	1,002
TOTAL FROZEN BEVERAGES	$ 48,254	$ 1,366	$ 48,254	$ 1,259
CONSOLIDATED	$ 95,355	$ 15,050	$ 102,092	$ 20,470

Fully amortized intangible assets have been removed from the March 27, 2021 amounts.

Amortizing intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Aggregate amortization expense of intangible assets for the three months ended March 27, 2021 and March 28, 2020 was $777,000 and $833,000, respectively. Aggregate amortization expense of intangible assets for the six months ended March 27, 2021 and March 28, 2020 was $1,457,000 and $1,676,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $2,500,000 in 2021, $2,300,000 in 2022, $2,300,000 in 2023, $2,000,000 in 2024, and $1,400,000 in 2025. The weighted amortization period of the intangible assets is 10.9 years.

Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket and Frozen Beverage segments are as follows:

	Food Service	Retail Supermarket	Frozen Beverages	Total
		(in thousands)		
Balance at March 27, 2021	$ 61,189	$ 4,146	$ 56,498	$ 121,833
Balance at September 26, 2020	$ 61,189	$ 4,146	$ 56,498	$ 121,833

Note 11 We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable input such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock, and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock and corporate bonds are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock and corporate bonds are classified within Level 2 of the fair value hierarchy.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at March 27, 2021 are summarized as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
		(in thousands)		
Corporate Bonds	$ 28,959	$ 381	$ 15	$ 29,325
Total marketable securities held to maturity	$ 28,959	$ 381	$ 15	$ 29,325

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at March 27, 2021 are summarized as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Market Value**
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 638	$ 2,950
Preferred Stock	9,489	160	81	9,568
Total marketable securities available for sale	$ 13,077	$ 160	$ 719	$ 12,518

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2021 and 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long-term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. The corporate bonds generate fixed income to maturity dates in 2021 through 2023, with $29 million maturing within 2 years. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 26, 2020 are summarized as follows:

	Amortized Cost		Gross Unrealized Gains		Gross Unrealized Losses		Fair Market Value
			(in thousands)				
Corporate Bonds	68,078		1,015		32		69,061
Total marketable securities held to maturity	$ 68,078	$	1,015	$	32	$	69,061

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 26, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 738	$ 2,850
Preferred Stock	11,596	116	586	11,126
Total marketable securities available for sale	$ 15,184	$ 116	$ 1,324	$ 13,976

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at March 27, 2021 and September 26, 2020 are summarized as follows:

	March 27, 2021		September 26, 2020	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
		(in thousands)		
Due in one year or less	$ 21,379	$ 21,640	$ 51,151	$ 51,815
Due after one year through five years	7,580	7,685	16,927	17,246
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ 28,959	$ 29,325	$ 68,078	$ 69,061
Less current portion	21,379	21,640	51,151	51,815
Long term held to maturity securities	$ 7,580	$ 7,685	$ 16,927	$ 17,246

Proceeds from the redemption and sale of marketable securities were $15,189,000 and $41,337,000 in the three and six months ended March 27, 2021 and were $12,156,000 and $30,938,000 in the three and six months ended March 28, 2020, respectively. A gain of $41,000 and $119,000 were recorded in the three and six months ended March 27, 2021 and losses of $2,059,000 and $2,070,000 were recorded in the three and six months ended March 28, 2020. Included in the gains and losses were unrealized gains of $649,000 and unrealized losses of $1,993,000 in the six months ended March 27, 2021 and March 28, 2020, respectively. Unrealized losses of $46,000 and $2,064,000 were recorded in the three months ended March 27, 2021 and March 28, 2020, respectively. We use the specific identification method to determine the cost of securities sold.

Total marketable securities held to maturity as of March 27, 2021 with credit ratings of AAA/AA/A had an amortized cost basis totaling $7,966,000 and those with credit ratings of BBB/BB/B had an amortized cost basis totaling $20,993,000. This rating information was obtained March 31, 2021.

Note 12 Changes to the components of accumulated other comprehensive loss are as follows:

	Three Months Ended March 27, 2021 (unaudited) (in thousands)		**Six Months Ended March 27, 2021 (unaudited) (in thousands)**	
	Foreign Currency Translation Adjustments	**Total**	**Foreign Currency Translation Adjustments**	**Total**
Beginning Balance	$ (13,308)	$ (13,308)	$ (15,587)	$ (15,587)
Other comprehensive income (loss) before reclassifications	(531)	(531)	1,748	$ 1,748
Ending Balance	$ (13,839)	$ (13,839)	$ (13,839)	$ (13,839)

	Three Months Ended March 28,2020 (unaudited) (in thousands)		**Six Months Ended March 28,2020 (unaudited) (in thousands)**	
	Foreign Currency Translation Adjustments	**Total**	**Foreign Currency Translation Adjustments**	**Total**
Beginning Balance	$ (12,178)	$ (12,178)	$ (12,988)	$ (12,988)
Other comprehensive income (loss) before reclassifications	(3,921)	(3,921)	(3,111)	$ (3,111)
Ending Balance	$ (16,099)	$ (16,099)	$ (16,099)	$ (16,099)

Note 13 On October 1, 2019, we acquired the assets of ICEE Distributors LLC, based in Bossier City, Louisiana. ICEE Distributors does business in Arkansas, Louisiana and Texas with annual sales of approximately $13 million. Sales and operating income of ICEE Distributors were $1,768,000 and $203,000 for the three months ended March 27, 2021 and were $3,789,000 and $469,000 for the six months ended March 27, 2021. Sales and operating income of ICEE Distributors were $2,500,000 and $400,000 for the three months ended March 28, 2020 and were $5,000,000 and $900,000 for the six months ended March 28, 2020.

On February 4, 2020, we acquired the assets of BAMA ICEE, based in Birmingham, Alabama. BAMA ICEE does business in Alabama and Georgia with annual sales of approximately $3.5 million. Sales and operating income of BAMA ICEE were $399,000 and $69,000 for the three months ended March 27, 2021 and were $805,000 and $144,000 for six months ended March 27, 2021. Sales and operating income of BAMA ICEE were $300,000 and $100,000 for both the three and six months ended March 28, 2020.

The purchase price allocations for the acquisitions are as follows:

	(in thousands)		
	ICEE Distributors	**BAMA ICEE**	**Total**
Accounts Receivable, net	$ 721	$ 71	$ 792
Inventories	866	77	943
Property, plant & equipment, net	4,851	1,722	6,573
Customer Relationships	569	133	702
Distribution rights	22,400	6,800	29,200
Goodwill	15,773	3,549	19,322
Accounts Payable	(210)	(110)	(320)
Purchase Price	$ 44,970	$ 12,242	$ 57,212

The goodwill recognized is attributable to the assembled workforce of ICEE Distributors and certain other strategic intangible assets that do not meet the requirements for recognition separate and apart from goodwill.

The Company incurred no acquisitions costs during the three or six months ended March 27, 2021. Acquisition costs of $62,000 and $98,000 are included in other general expense for the three and six months ended March 28, 2020, respectively.

Note 14 – Leases

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating leases include leases for real estate for some of our office and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 14 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 5 years.

Significant Assumptions and Judgments

Contract Contains a Lease

In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and
- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration

In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases

We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

Discount Rate

The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used the discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our incremental borrowing rate as provided by our lender which was based on cash collateral and credit risk specific to us, and our lease portfolio characteristics.

As of March 27, 2021, the weighted-average discount rate of our operating and finance leases was 3.3% and 3.2%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Three Months Ended March 27, 2021 (in thousands)	Six Months Ended March 27, 2021 (in thousands)
Operating lease cost in Cost of goods sold and Operating Expenses	$ 3,962	$ 7,901
Finance lease cost:		
Amortization of assets in Cost of goods sold and Operating Expenses	78	154
Interest on lease liabilities in Interest expense & other	11	25
Total finance lease cost	89	179
Short-term lease cost in Cost of goods sold and Operating Expenses	-	-
Total net lease cost	$ 4,051	$ 8,080

Supplemental balance sheet information related to leases is as follows:

	March 27, 2021 (in thousands)
Operating Leases	
Operating lease right-of-use assets	$ 53,994
Current operating lease liabilities	$ 12,978
Noncurrent operating lease liabilities	43,609
Total operating lease liabilities	$ 56,587
Finance Leases	
Finance lease right-of-use assets in Property, plant and equipment, net	$ 516
Current finance lease liabilities	$ 288
Noncurrent finance lease liabilities	256
Total finance lease liabilities	$ 544

Supplemental cash flow information related to leases is as follows:

	Three Months Ended March 27, 2021 (in thousands)	Six Months Ended March 27, 2021 (in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 4,001	$ 7,987
Operating cash flows from finance leases	$ 87	$ 173
Financing cash flows from finance leases	$ 11	$ 25
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ 578	$ 1,354
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -	-

As of March 27, 2021, the maturities of lease liabilities were as follows:

	(in thousands) Operating Leases	Finance Leases
Six months ending September 25, 2021	$ 7,639	$ 184
2022	13,496	168
2023	11,379	98
2024	8,722	98
2025	5,522	26
Thereafter	16,355	-
Total minimum payments	$ 63,113	$ 574
Less amount representing interest	(6,526)	(30)
Present value of lease obligations	$ 56,587	$ 544

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Statements made in this Form 10-Q that are not historical or current facts are “forward-looking statements” made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 (the “Act”) and Section 21E of the Securities Exchange Act of 1934. These statements often can be identified by the use of terms such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “approximate,” or “continue,” or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management’s best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties, and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Liquidity and Capital Resources

Our current cash and cash equivalents balances, investments and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion. See Note 11 to these financial statements for a discussion of our investment securities.

The Company’s Board of Directors declared a regular quarterly cash dividend of $.575 per share of its common stock payable on April 13, 2021, to shareholders of record as of the close of business on March 22, 2021.

We purchased 65,648 shares of our common stock in fiscal year 2020, but did not purchase any shares in the six months ended March 27, 2021. On August 4, 2017 the Company’s Board of Directors authorized the purchase and retirement of 500,000 shares of the Company’s common stock; 318,858 shares remain to be purchased under this authorization.

In the three months ended March 27, 2021 and March 28, 2020, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $531,000 and $3,921,000 in accumulated other comprehensive loss, respectively. In the six months ended March 27, 2021 and March 28, 2020, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused a decrease of $1,748,000 and an increase of $3,111,000 in accumulated other comprehensive loss, respectively.

Our general-purpose bank credit line, which expires in November 2021, provides for up to a $50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at March 27, 2021.

RESULTS OF OPERATIONS

Net sales decreased by 6% to $256,178,000 in the second quarter and by 10% to $497,175,000 for the six months ended March 27, 2021 compared to the three and six months ended March 28, 2020, respectively.

FOOD SERVICE

Sales to food service customers decreased by 1% in the second quarter to $169,324,000 and by 7% to $329,749,000 for the six months, compared to respective prior year periods. Sales to food service customers were negatively impacted by COVID-19 during the current year periods as many venues and locations shut down or sharply curtailed their food service operations. However, traffic across our food service customers continues to improve as theatres re-open, more schools open their doors, entertainment and amusement venues increase capacity, and growth continues to strengthen across quick serve and casual dining restaurants.

Soft pretzel sales to the food service market decreased by 19% to $36,776,000 in the second quarter and by 27% to $69,463,000 in the six months.

Frozen juices and ices sales increased by 12% to $10,590,000 in the second quarter and increased by 2% to $16,885,000 in the six months.

Churro sales to food service customers were relatively flat in the second quarter as compared with prior year at $14,720,000 but decreased by 16% to $26,262,000 in the six months.

Sales of bakery products decreased by 7% in the second quarter to $82,910,000 and decreased 7% to $171,874,000 for the six months as COVID-19 impacted traffic, purchase choices and frequency in this part of our business.

Sales of handhelds increased 168% in the second quarter to $19,992,000 and by 157% in the six months led by the continued success of a new product developed for one of our larger wholesale club customers.

Sales of new products in the first twelve months since their introduction were approximately $14,928,000 in the second quarter and $27,167,000 in the six months led by the previously noted handheld item. Price increases had a marginal impact on results in the quarter as traffic and volume drove almost all of the sales decline compared to prior year.

Operating income in our Food Service segment decreased by 24% to $6,055,000 in the second quarter and by 53% to $12,235,000 in the six months primarily due to sales declines which impacted margin efficiencies and expense leverage.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets increased by 17% to $43,906,000 in the second quarter and increased by 24% to $83,000,000 in the six months. Our SUPERPRETZEL brand has performed well helping to drive a 28% increase in soft pretzels sales in the second quarter to $15,789,000 and a 34% increase in the six months to $29,677,000. Sales of frozen juices and ices increased by 22% to $19,386,000 in the second quarter and by 34% to $34,702,000 in the six months. Sales of biscuits decreased by 2% to $6,495,000 in the second quarter, but increased by 4% to $14,155,000 in the six months. Handheld sales to retail supermarket customers decreased by 28% to $2,243,000 in the second quarter and by 15% to $5,023,000 in the six months.

Sales of new products, which in the second quarter were approximately $150,000, and were approximately $550,000 for the six months, were primarily related to frozen novelty items. Price increases had a minimal impact on growth in the second quarter and in the six months, as sales were driven by increased consumer traffic and volume in retail outlets.

Operating income in our Retail Supermarkets segment increased by 47% to $6,364,000 in the second quarter and by 69% to $11,087,000 in the six months. The increases in operating income was primarily attributable to the increase in sales and the improvement in operating margins.

FROZEN BEVERAGES

Frozen beverage and related product sales decreased by 32% to $42,948,000 in the second quarter and by 37% to $84,426,000 in the six months. Beverages sales decreased by 42% to $18,529,000 in the second quarter and by 49% to $34,384,000 in the six months. Gallon sales were down 40% in the quarter and down 46% in the six months. Service revenue decreased by 16% to $18,218,000 in the second quarter and by 16% to $37,114,000 in the six months, with the decreases primarily attributable to the cancellation of a key customer’s planned maintenance program.

Machines revenue (primarily sales of frozen beverage machines) decreased by 36% to $5,663,000 in the second quarter and by 42% to $12,152,000 in the six months. The decreases were primarily attributable to slower customer expansion and replacement during the periods.

Our Frozen Beverage segment incurred an operating loss of $5,189,000 in the second quarter compared with an operating loss of $1,306,000 in the prior year second quarter. In the six months, our Frozen Beverage segment incurred an operating loss of $15,514,000 compared with operating income of $146,000 in the prior year six-month period. The comparative performance was impacted due to the challenging sales environment as a result of the COVID-19 pandemic which also impacts our gross margin efficiency and ability to leverage fixed expenses.

CONSOLIDATED

Gross profit as a percentage of sales was 23.8% in the second quarter and 25.5% last year. Gross profit as a percentage of sales was 22.3% in the six-month period this year and 26.5% last year. Gross profit percentage decreased because of continued COVID-19 sales pressure from our food service and frozen beverages segments. This creates margin leverage challenges as we manage lower production volumes on businesses with large fixed-expense bases.

Total operating expenses decreased by 8% to $53,666,000 in the second quarter and by 10% to $103,213,000 in the six months. As a percentage of net sales, operating expenses decreased from 21.5% to 20.9% in the second quarter but increased slightly in the six months from 20.7% to 20.8%.

Marketing expenses decreased to 7.5% of net sales in the second quarter from 8.8% in prior year and to 7.3% in the six months compared with 8.4% in prior year's six-month period. Distribution expenses increased to 9.9% of net sales in the second quarter from 9.1% in the prior year and to 9.7% in the six months compared with 8.7% in prior year's six-month period. Administrative expenses decreased to 3.6% of net sales in the second quarter from 3.7% in prior year, but increased to 3.8% in the six months compared with 3.6% in prior year's six-month period.

Operating income decreased by 34% to $7,230,000 in the second quarter and by 76% to $7,808,000 in the six months as a result of the aforementioned items.

Our investments generated before tax income of $579,000 in the second quarter, a $992,000 increase over prior year. In the six months, our investments generated before tax income of $1,949,000, a 42% increase over the prior year period. The increase in before tax investment income compared with prior year was primarily attributable to improved market conditions.

Net earnings decreased by 17% to $6,061,000 in the second quarter and by 68% to $7,839,000 in the six months. Our effective tax rate was 20% in the six months compared with 28% in the prior year's six- month period.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 2020 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of March 27, 2021, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended March 27,2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.

10.1 Amended and Restated Long Term Incentive Plan (Incorporated by reference from the Company's Form 8-K filed on February 12, 2021).

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.3 Certification Pursuant to Section of 302 of the Sarbanes-Oxley Act of 2020.

32.1 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.3 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.1 The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 27, 2021, formatted in iXBRL (Inline extensible Business Reporting Language):
(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Earnings,
(iii) Consolidated Statements of Comprehensive Income,
(iv) Consolidated Statements of Cash Flows and
(v) the Notes to the Consolidated Financial Statements

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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: April 29, 2021	/s/ Gerald B. Shreiber Gerald B. Shreiber Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
Dated: April 29, 2021	/s/ Dan Fachner Dan Fachner President (Principal Executive Officer)
Dated: April 29, 2021	/s/ Ken A. Plunk Ken A. Plunk, Senior Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gerald B. Schreiber, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 29, 2021

/s/ Gerald B. Schreiber
Gerald B. Schreiber
Chairman of the Board, Chief Executive
Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Dan Fachner, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 29, 2021

/s/ Dan Fachner
Dan Fachner
President
(Principal Executive Officer)

Exhibit 31.3

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ken A. Plunk, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 29, 2021

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer

(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 27, 2021 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2021

/s/ Gerald B. Schreiber
Gerald B. Schreiber
Chairman of the Board, Chief Executive
Officer and Director
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 27, 2021 (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2021

/s/ Dan Fachner
Dan Fachner
President
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.3

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 27, 2021 (the "Report") that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 29, 2021

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.