

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 25, 2000

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)

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6000 Central Highway, Pennsauken, NJ 08109  
(Address of principal executive offices)

Telephone (856) 665-9533

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

As of April 21, 2000, there were 8,810,183 shares of the Registrant's Common Stock outstanding.

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#### PART I. FINANCIAL INFORMATION

##### Item 1. Consolidated Financial Statements

###### J & J SNACK FOODS CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (dollars in thousands)

ASSETS	March 25, 2000 (Unaudited)	September 25, 1999
Current assets		
Cash and cash equivalents	\$ 2,477	\$ 5,945
Short term investment securities held to maturity	-	924
Accounts receivable	31,119	31,881
Inventories	19,718	16,187
Prepaid expenses and deposits	2,273	1,130
	55,587	56,067
Property, plant and equipment, at cost		
Land	795	745
Buildings	5,586	5,386
Plant machinery and equipment	70,773	66,305
Marketing equipment	145,621	138,335
Transportation equipment	2,052	2,049
Office equipment	6,687	6,308
Improvements	12,163	11,769
Construction in progress	2,352	1,356
	246,029	232,253
Less accumulated depreciation and amortization	140,921	130,292
	105,108	101,961
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	50,133	50,821
Long term investment		

securities held to maturity	1,740	1,925
Sundry	2,455	2,906
	54,328	55,652
	\$215,023	\$213,680

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued

(dollars in thousands, except share information)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 25, 2000	September 25, 1999
Current liabilities		
Current maturities of long-term debt	\$ 8,151	\$ 8,214
Accounts payable	24,062	23,272
Accrued liabilities	6,624	8,418
	38,837	39,904
Long-term debt, less		
current maturities	35,667	34,660
Deferred income taxes	7,702	7,702
Other long-term liabilities	176	245
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, 8,980,000 and 9,000,000, respectively	36,292	36,251
Accumulated other comprehensive income	(1,576)	(1,601)
Retained earnings	97,925	96,519
	132,641	131,169
	\$215,023	\$213,680

See accompanying notes to the consolidated financial statements.

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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 25, 2000	March 27, 1999	March 25, 2000	March 27, 1999
Net Sales	\$68,241	\$62,908	\$134,191	\$123,457
Cost of goods sold	32,592	29,323	65,973	58,890
Gross profit	35,649	33,585	68,218	64,567

Operating expenses				
Marketing	22,985	20,735	43,383	40,342
Distribution	7,564	7,018	14,665	13,694
Administrative	2,776	2,614	5,567	5,154
Amortization of intangibles and deferred costs	739	762	1,484	1,501
	34,064	31,129	65,099	60,691
Operating income	1,585	2,456	3,119	3,876
Other income (deductions)				
Investment income	104	120	240	246
Interest expense	(652)	(773)	(1,338)	(1,652)
Sundry	138	68	211	323
Earnings before income taxes	1,175	1,871	2,232	2,793
Income taxes	435	692	826	1,033
NET EARNINGS	\$ 740	\$ 1,179	\$ 1,406	\$ 1,760
Earnings per diluted share	\$ .08	\$ .12	\$ .15	\$ .18
Weighted average number of diluted shares	9,329	9,638	9,355	9,579
Earnings per basic share	\$ .08	\$ .13	\$ .16	\$ .19
Weighted average number of basic shares	9,014	9,095	9,009	9,066

See accompanying notes to the consolidated financial statements.

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

	Six months ended	
	March 25, 2000	March 27, 1999
Operating activities:		
Net earnings	\$ 1,406	\$ 1,760
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	12,932	11,811
Amortization of intangibles	1,733	1,734
Other adjustments	(74)	(15)
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	762	5,744
Increase in inventories	(3,345)	(1,246)
Increase in prepaid expenses	(1,143)	(841)
Decrease in accounts payable and accrued liabilities	(438)	(4,447)
Net cash provided by operating activities	11,833	14,500
Investing activities:		
Purchases of property, plant and equipment	(15,646)	(12,629)
Payments for purchases of companies, net of cash acquired and debt assumed	(1,280)	(2,336)
Proceeds from investments held to maturity	1,109	245
Other	165	(17)
Net cash used in investing activities	(15,652)	(14,737)
Financing activities:		
Proceeds from borrowings	10,000	2,000
Proceeds from issuance of common stock	427	1,507
Payments to repurchase common stock	(1,020)	-

Payments of long-term debt	(9,056)	(4,585)
Net cash provided by financing activities	351	(1,078)
Net (decrease) increase in cash and cash equivalents	(3,468)	(1,315)
Cash and cash equivalents at beginning of period	5,945	3,204
Cash and cash equivalents at end of period	\$ 2,477	\$ 1,889

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows.

The results of operations for the three months and six months ended March 25, 2000 and March 27, 1999 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 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 25, 1999.

Note 2 The Company's calculation of earnings per share in accordance with SFAS No. 128, "Earnings Per Share," is as follows:

	Three Months Ended March 25, 2000		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$ 740	9,014	\$ .08
Effect of Dilutive Securities Options	-	315	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$ 740	9,329	\$ .08

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	Six Months Ended March 25, 2000		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Income available			

to common stockholders	\$1,406	9,009	\$.16
Effect of Dilutive Securities Options	-	346	(.01)
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$1,406	9,355	\$.15
Three Months Ended March 27, 1999 Income Shares Per Share (Numerator)(Denominator) Amount (in thousands, except per share amounts)			
Basic EPS Net Income available to common stockholders	\$1,179	9,095	\$.13
Effect of Dilutive Securities Options	-	543	(.01)
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$1,179	9,638	\$.12
Six Months Ended March 27, 1999 Income Shares Per Share (Numerator)(Denominator) Amount (in thousands, except per share amounts)			
Basic EPS Net Income available to common stockholders	\$1,760	9,066	\$.19
Effect of Dilutive Securities Options	-	513	(.01)
Diluted EPS Net Income available to common stockholders plus assumed conversions	\$1,760	9,579	\$.18

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Note 3 Inventories consist of the following:

	March 25, 2000	September 25, 1999
	(in thousands)	
Finished goods	\$ 9,185	\$ 8,118
Raw materials	2,359	1,579
Packaging materials	2,441	1,770
Equipment parts & other	5,733	4,720
	\$19,718	\$16,187

Note 4 In fiscal year 1999, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 superceded SFAS 14, "Financial Reporting for Segments of a Business Enterprise", replacing the "industry segment" approach with the "management approach". The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments, as well as disclosures about products and services and major customers. The adoption of SFAS No. 131 did not affect the results of operations or the financial position of the Company.

Using the guidelines set forth in SFAS No. 131, the Company has two reportable segments: Snack Foods and Frozen Beverages. Snack Foods manufactures and distributes snack foods and bakery items. Frozen beverages markets and distributes frozen beverage products. The segments are managed as strategic business units due to their distinct production processes and capital requirements.

The Company evaluates each segment's performance based on income or loss before taxes, excluding corporate and other unallocated expenses and non-recurring charges. Information regarding the operations in these reportable segments is as follows:

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	Three Months Ended		Six Months Ended	
	March 25,	March 27,	March 25,	March 27,
	2000	1999	2000	1999
	(in thousands)			
Sales:				
Snack Foods	\$ 48,166	\$ 46,873	\$ 93,804	\$ 90,547
Frozen Beverages	20,075	16,035	40,387	32,910
	\$ 68,241	\$ 62,908	\$134,191	\$123,457
Depreciation and Amortization:				
Snack Foods	\$ 3,460	\$ 3,196	\$ 6,844	\$ 6,351
Frozen Beverages	3,940	3,620	7,821	7,194
	\$ 7,400	\$ 6,816	\$ 14,665	\$ 13,545
Income Before Taxes:				
Snack Foods	\$ 3,556	\$ 4,816	\$ 6,917	\$ 7,615
Frozen Beverages	(2,381)	(2,945)	(4,685)	(4,822)
	\$ 1,175	\$ 1,871	\$ 2,232	\$ 2,793
Capital Expenditures:				
Snack Foods	\$ 5,309	\$ 3,687	\$ 7,749	\$ 6,625
Frozen Beverages	3,160	2,433	7,897	6,004
	\$ 8,469	\$ 6,120	\$ 15,646	\$ 12,629
Assets:				
Snack Foods	\$114,645	\$114,829	\$114,645	\$114,829
Frozen Beverages	100,378	94,784	100,378	94,784
	\$215,023	\$209,613	\$215,023	\$209,613

Sales to a single Snack Foods' customer were approximately 10% of the Company's sales for the six months ending March 27, 1999 and less than 10% for all other periods reported.

Note 5 In June 1998, SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" was issued. Subsequent to this statement, SFAS No. 137 was issued, which amended the effective date of SFAS No. 133 to be all fiscal quarters of all fiscal years beginning after June 15, 2000. Based on the Company's minimal use of derivatives at the current time, management does not anticipate the adoption of SFAS No. 133 will have a significant impact on earnings or financial position of the Company. However, the impact from adopting SFAS No. 133 will

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depend on the nature and purpose of the derivatives instruments in use by the Company at that time.

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 three months ended March 25, 2000 and March 27, 1999, fluctuations in the valuation of the Mexican peso caused an increase of \$35,000 and a increase of \$34,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary. In the six month periods, the increase was \$10,000 in fiscal year 2000 and the increase was \$61,000 in fiscal year 1999.

In the six months ended March 25, 2000, the Company purchased and retired 51,200 shares of its common stock at a cost of \$1,020,000.

Available to the Company are unsecured general purpose



bank lines of credit totaling \$30,000,000. Borrowings under the lines at March 25, 2000 were \$16,000,000. Although the bank lines of credit expire in December, 2000, the Company has classified the borrowings as long term on its balance sheet as the Company has the intent and ability to refinance the lines so that the Company will not be required to pay off any unpaid balances at December 31, 2000.

#### Results of Operations

Net sales increased \$5,333,000 or 8% to \$68,241,000 for the three months and \$10,734,000 or 9% to \$134,191,000 for the six months ended March 25, 2000 compared to the six months ended March 27, 1999.

#### SNACK FOODS

Sales to food service customers decreased \$1,260,000

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or 4% in the second quarter to \$26,883,000 and increased \$189,000 or less than 1% for the six months. Excluding sales resulting from acquisitions, sales would have decreased 7% for the second quarter and 4% for the six months. Soft pretzel sales to the food service market decreased 12% to \$14,402,000 in the second quarter and 6% to \$29,838,000 in the six months. Lower sales to two customers accounted for most of the pretzel sales' decrease. Frozen juice bars and ices sales increased 10% to \$6,338,000 in the three months and 7% to \$10,645,000 in the six months due primarily to increased unit sales to one customer. Churro sales to food service customers decreased 21% to \$2,499,000 in the second quarter and 17% to \$4,953,000 in the six months due primarily to decreased unit sales to two customers. Cookie sales increased 32% to \$2,636,000 in the second quarter and 64% to \$5,454,000 in the six months due primarily to the acquisition of the Camden Creek Bakery cookie business.

Sales of products to retail supermarkets increased \$1,680,000 or 16% to \$12,257,000 in the second quarter and 8% to \$19,935,000 in the first half. Soft pretzel sales for the second quarter were up 2% to \$7,633,000 and were essentially unchanged at \$13,246,000 for the six months. Sales of our flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, decreased 2% in the second quarter and 4% for the six months. An advertising program which began in last year's first quarter helped boost year ago pretzel sales. Sales of frozen juice bars and ices increased \$1,489,000 or 58% to \$4,060,000 in the second quarter and \$1,577,000 or 38% to \$5,780,000 in the first half due to sales of new products.

Bakery sales increased \$728,000 or 14% to \$5,947,000 in the second quarter and \$1,596,000 or 13% to \$14,058,000 in the first six months due to increased unit sales across our customer base. Sales of our Bavarian Pretzel Bakery increased 5% to \$3,079,000 in the second quarter and were essentially unchanged at \$6,813,000 for the six month period.

#### FROZEN BEVERAGES

Frozen beverage and related product sales increased \$4,040,000 or 25% to \$20,075,000 in the second quarter and

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\$7,477,000 or 23% to \$40,387,000 in the six months. Beverage sales alone increased 14% in the second quarter and the first half to \$16,046,000 and \$33,028,000, respectively, and gross profit on beverage sales increased

7% in the quarter and 6% in the six months. Service and lease revenue increased \$2,306,000 in the second quarter and \$3,798,000 in the six months due primarily to services provided to one customer.

Gross profit as a percentage of sales decreased to 52% and 51% in the current year's three and six month periods from 53% and 52% in the corresponding periods last year. This gross profit percentage decrease is primarily attributable to lower gross profit percentages of the increased service and lease revenue of our frozen beverage business and lower foodservice pretzel and churro sales.

Total operating expenses increased \$2,935,000 in the second quarter and as a percentage of sales increased less than / of one percent to 50% from 49% in last year's same quarter. For the first half, operating expenses increased \$4,408,000 and as a percentage of sales were 49% in both years. Marketing expenses increased to 34% of sales in this year's three month period from 33% of sales last year. For the six month period, marketing expenses decreased less than / of one percent of sales to 32% from 33% in 1999. Distribution expenses and administrative expenses as a percent of sales remained at 11% and 4%, respectively, for all periods reported. The increase in marketing expenses as a percent of sales in this year's second quarter is primarily attributable to lower foodservice sales during the period.

Operating income decreased \$871,000 or 35% to \$1,585,000 in the second quarter and \$757,000 or 20% to \$3,119,000 in the first half.

For the three and six months, interest expense decreased \$121,000 and \$314,000, respectively, due to lower debt levels.

The effective income tax rate has been estimated at 37% in all periods.

Net earnings decreased \$439,000 or 37% in the current

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three month period to \$740,000 and \$354,000 or 20% in the current six month period to \$1,406,000.

### 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 1999 annual report on Form 10-K filed with the SEC.

## Part II. OTHER INFORMATION

## Item 4. Submission of Matters to a Vote of xSecurity Holders

The results of voting at the Annual Meeting of Shareholders held on February 3, 2000 is as follows:

	Votes Cast			Absentees and Broker Non Votes
	For	Against	Withheld	
Election of Gerald B. Shreiber as				
Director	7,246,425	-	870,056	-
Increase in the number of shares of Common Stock for issuance under the Company's Stock Option Plan for officers and key employees excluding the Chief Executive Officer	4,883,912	3,215,991	-	46,578
Increase in the number of shares of Common Stock for issuance under the Company's Non- statutory Stock Option Plan for Non-Employee Directors and Chief Executive Officer	7,558,593	541,090	-	46,798

The Company had 9,007,435 shares outstanding on December 6, 1999, the record date.

## Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits - None
- b) Reports on Form 8-K - There were no reports on Form 8-K for the three months ended March 25, 2000.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J & J SNACK FOODS CORP.

Dated: May 2, 2000

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

Dated: May 2, 2000

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

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