

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, 1999

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 (609) 665-9533

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

Yes

No

As of April 22, 1999, there were 8,888,107 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 27, 1999 (Unaudited)	September 26, 1998
Current assets		
Cash and cash equivalents	\$ 1,889	\$ 3,204
Accounts receivable	28,707	34,388
Inventories	18,109	16,447
Prepaid expenses and deposits	1,951	1,104
	50,656	55,143
Property, plant and equipment, at cost		
Land	755	839
Buildings	5,432	5,432
Plant machinery and equipment	63,156	60,275
Marketing equipment	130,083	126,653
Transportation equipment	1,998	2,149
Office equipment	5,945	5,446
Improvements	11,498	10,616
Construction in progress	1,918	1,154
	220,785	212,564
Less accumulated deprecia- tion and amortization	120,001	112,444
	100,784	100,120
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	52,288	51,871
Long term investment securities held to maturity	2,871	3,127

Sundry	3,014	3,000
	58,173	57,998
	\$209,613	\$213,261

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 27, 1999	September 26, 1998
Current liabilities		
Current maturities of long-term debt	\$ 8,163	\$ 8,423
Accounts payable	19,646	23,222
Accrued liabilities	8,216	8,914
	36,025	40,559
Long-term debt, less current maturities	27,874	32,199
Revolving credit line	18,000	16,000
Deferred income	322	435
Deferred income taxes	4,383	4,387
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, 9,132,000 and 9,036,000, respectively	40,627	39,120
Accumulated other comprehensive income	(1,633)	(1,694)
Retained earnings	84,015	82,255
	123,009	119,681
	\$209,613	\$213,261

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 27, 1999	March 28, 1998	March 27, 1999	March 28, 1998
Net Sales	\$62,908	\$58,868	\$123,457	\$111,059
Cost of goods sold	29,323	29,037	58,890	56,553

Gross profit	33,585	29,831	64,567	54,506
Operating expenses				
Marketing	20,735	18,181	40,342	34,040
Distribution	7,018	5,983	13,694	10,992
Administrative	2,614	2,700	5,154	5,016
Amortization of intangibles and deferred costs	762	682	1,501	1,209
	31,129	27,546	60,691	51,257
Operating income	2,456	2,285	3,876	3,249
Other income (deductions)				
Investment income	120	119	246	297
Interest expense	(773)	(901)	(1,652)	(1,205)
Sundry	68	(308)	323	(292)
Earnings before income taxes	1,871	1,195	2,793	2,049
Income taxes	692	450	1,033	758
NET EARNINGS	\$ 1,179	\$ 745	\$ 1,760	\$ 1,291
Earnings per diluted share	\$ .12	\$ .08	\$ .18	\$ .14
Weighted average number of diluted shares	9,638	9,249	9,579	9,230
Earnings per basic share	\$ .13	\$ .08	\$ .19	\$ .15
Weighted average number of basic shares	9,095	8,896	9,066	8,881

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 27, 1999      March 28, 1998

Operating activities:

Net earnings	\$ 1,760	\$ 1,291
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	11,811	10,400
Amortization of intangibles	1,734	1,462
Other adjustments	(15)	181
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease (increase) in accounts receivable	5,744	(422)
(Increase)decrease in inventories	(1,246)	2,308
Increase in prepaid expenses	(841)	(272)
(Decrease) increase in accounts payable and accrued liabilities	(4,447)	2,485
Net cash provided by operating activities	14,500	17,433
Investing activities:		
Purchases of property, plant and equipment	(12,629)	(14,892)
Payments for purchases of companies, net of cash acquired and debt assumed	(2,336)	(11,953)
Proceeds from investments held to maturity	245	160
Proceeds from investments available for sale	-	495

Other	(17)	435
Net cash used in investing activities	(14,737)	(25,755)
Financing activities:		
Proceeds from borrowings	2,000	53,075
Proceeds from issuance of common stock	1,507	1,118
Payments of long-term debt	(4,585)	(44,288)
Net cash provided by financing activities	(1,078)	9,905
Net (decrease) increase in cash and cash equivalents	(1,315)	1,583
Cash and cash equivalents at beginning of period	3,204	1,401
Cash and cash equivalents at end of period	\$ 1,889	\$ 2,984

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 27, 1999 and March 28, 1998 are not necessarily indicative of results for the full year. Sales of the Company's retail stores are generally higher in the first quarter due to the holiday shopping season. Sales of the Company's frozen carbonated beverages and Italian ice are generally higher in the third and fourth quarters due to warmer weather.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the year ended September 26, 1998.

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 27, 1999		
	Income (Numerator)	Shares (Denominator)	Per Share 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

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Six Months Ended March 27, 1999

	Income (Numerator)	Shares (Denominator)	Per Share 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

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	Three Months Ended March 28, 1998 (in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$ 745	8,896	\$.08
Effect of Dilutive Securities Options	-	353	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$ 745	9,249	\$.08

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	Six Months Ended March 28, 1998 (in thousands, except per share amounts)		
Basic EPS			
Net Income available to common stockholders	\$1,291	8,881	\$.15
Effect of Dilutive Securities Options	-	349	(.01)
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$1,291	9,230	\$.14

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Note 3 Inventories consist of the following:

	March 27, 1999	September 26, 1998
	(in thousands)	
Finished goods	\$ 9,423	\$ 8,054
Raw materials	2,429	2,190
Packaging materials	2,215	2,239
Equipment parts & other	4,042	3,964
	\$18,109	\$16,447

Note 4 The Company adopted SFAS No. 130, "Reporting Comprehensive Income" in the first quarter of this fiscal year. SFAS No. 130 establishes new standards for reporting comprehensive income, which includes net income as well as certain other items which result in a change to equity during the period. The adoption of SFAS No. 130 had no impact on the

Company's financial position or results of operations. During the second quarters of 1999 and 1998 and the six months of 1999 and 1998, total comprehensive income, which for the Company included net income and foreign currency translation adjustments, amounted to \$1,213,000 and \$697,000, and \$1,821,000 and \$1,199,000, respectively.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for all periods beginning after December 15, 1997, but is not required to be applied for interim reporting in the initial year of adoption. The Company is currently evaluating the impact of SFAS No. 131 on the disclosures included in its annual financial statement.

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 is required to be adopted in years beginning after June 15, 1999. Management does not anticipate the adoption of SFAS No. 133 will have a significant effect on earnings or the financial position of the Company.

## 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 27, 1999 and March 28, 1998, fluctuations in the value of the Mexican peso caused an increase of \$34,000 and a decrease of \$48,000, 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 \$61,000 in fiscal year 1999 and the decrease was \$92,000 in fiscal year 1998.

In February 1999, the Company acquired the Camden Creek Bakery cookie business from Schwan's Sales Enterprises, Inc., Marshall, MN for cash. Camden Creek sells frozen ready-to-bake cookies to the food service industry with approximate annual sales of \$5,000,000.

Available to the Company are unsecured general purpose bank lines of credit totalling \$30,000,000. Borrowings under the lines at March 27, 1999 were \$18,000,000.

### Results of Operations

Net sales increased \$4,040,000 or 7% to \$62,908,000 for the three months and \$12,398,000 or 11% to \$123,457,000 for the six months ended March 27, 1999 compared to the six months ended March 28, 1998.

Sales to food service customers increased \$3,351,000 or 14% in the second quarter to \$28,143,000 and \$5,472,000

or 12% for the six months. Approximately 25% of the second quarter sales increase and 17% of the six month sales increase resulted from the acquisition of the Camden Creek Bakery cookie business. Soft pretzel sales to the food service market increased 6% to \$16,301,000 in the second quarter and to \$31,724,000 in the six months. Italian ice and frozen juice treat and dessert sales increased 11% to \$5,758,000 in the three months and 6% to \$9,920,000 in the six months due primarily to increased unit sales to one

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customer. Churro sales to food service customers increased 16% to \$3,157,000 in the second quarter and 15% to \$5,956,000 in the six months due primarily to increased unit sales to one customer.

Sales of products to retail supermarkets increased \$1,005,000 or 10% to \$10,577,000 in the second quarter and 11% to \$18,443,000 in the first half due in part to a new advertising campaign. Soft pretzel sales for the second quarter and six months were up 14% to \$7,484,000 and \$13,284,000, respectively. Sales of our flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, increased 11% in the second quarter and 12% for the six months. Sales of Italian ice increased \$61,000 or 2% to \$2,571,000 in the second quarter and \$195,000 or 5% to \$4,203,000 in the first half.

Frozen carbonated beverage and related product sales decreased \$738,000 or 4% to \$16,035,000 in the second quarter and increased \$3,660,000 or 13% to \$32,910,000 in the six months. Beverage sales alone decreased 8% in the second quarter and increased 15% in the first half to \$14,019,000 and \$29,005,000, respectively. The sales decreases are attributable to changes in billing practices resulting in lower revenues per gallon purchased by customers but which did not result in an overall deterioration of our profit margin. Gross profit dollars on beverage sales increased 8% in the second quarter from a year ago.

Bakery sales increased \$696,000 or 15% to \$5,219,000 in the second quarter and \$1,717,000 or 16% to \$12,462,000 in the first six months due to increased unit sales across our customer base. Sales of our Bavarian Pretzel Bakery decreased 9% to \$2,934,000 in the second quarter and 5% to \$6,833,000 in the six month period primarily due to fewer stores.

Gross profit as a percentage of sales increased to 53% and 52% in the current year's three and six month periods from 51% and 49% in the corresponding periods last year. This gross profit percentage increase is primarily attributable to increased gross profit percentages of frozen carbonated sales and increased sales of higher margin frozen carbonated beverages due to the acquisition of National ICEE Corporation late in the 1998 first quarter.

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Total operating expenses increased \$3,583,000 in the second quarter and as a percentage of sales increased to 49% from 47% in last year's same quarter. For the first half, operating expenses increased \$9,434,000 and as a percentage of sales increased to 49% this year from 46% last year. Marketing expenses increased to 33% of sales in this year's three and six month periods from 31% of sales in last year's corresponding periods. The marketing percentage increase is due to substantially higher advertising and marketing spending to promote sales to retail supermarkets as well as to the change in billing practices in our frozen carbonated beverage business.



Additionally, for the six month period, higher operating expenses from increased frozen carbonated beverage sales attributed to the percentage increase. Distribution expenses increased to 11% of sales in this year's periods from 10% of sales in last year's periods. The distribution expense percentage increase is attributable to the change in frozen carbonated beverage billing practices, the increased frozen carbonated beverage business over the six month period and a shift in product mix. As a percentage of sales, administrative expenses decreased less than / of one percent in both the three and six month periods from the year ago periods.

Operating income increased \$171,000 or 7% to \$2,456,000 in the second quarter and \$627,000 or 19% to \$3,876,000 in the first half.

For the six months, interest expense increased \$477,000 from last year due to the assumption and subsequent refinancing of the debt of National Icee Corporation. For the quarter, interest expense decreased \$128,000 due in part to lower interest rates and the capitalization of construction interest.

Sundry income of \$68,000 in this year's second quarter compared to sundry expense of \$308,000 last year and sundry income of \$323,000 in this year's six months compared to sundry expense of \$292,000 last year. Sundry income in this year's six months includes income from a favorable settlement of litigation. Sundry expense in both periods last year includes \$375,000 in write offs and reserves for the closing down of unprofitable retail stores of our Bavarian Pretzel Bakery.

The effective income tax rate has been estimated at 37% in this year's second quarter and six months compared

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to 38% in last year's second quarter and 37% in last year's six months.

Net earnings increased \$434,000 or 58% in the current three month period to \$1,179,000 and increased \$469,000 or 36% in the current six month period to \$1,760,000.

### 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 1998 annual report on Form 10-K filed with the SEC.

## Part II. OTHER INFORMATION

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

The results of voting at the Annual Meeting of Shareholders held on February 11, 1999 is as follows:

	Votes Cast			Absentees and Broker
	For	Against	Withheld	Non Votes
Election of Leonard M. Lodish as Director	8,259,114	-	182,666	-

The Company had 9,036,833 shares outstanding on December 14, 1998, 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 27, 1999

## 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 30, 1999

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

Dated: April 30, 1999

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

## SIGNATURES

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

J & J SNACK FOODS CORP.

Dated: April 30, 1999

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Gerald B. Shreiber  
President

Dated: April 30, 1999

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Dennis G. Moore  
Senior Vice President and  
Chief Financial Officer

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