

**J&J Snack Foods (Q1 2026)**  
**February 3, 2026**

Corporate Speakers

- Reed Anderson; ICR; Managing Director
- Daniel Fachner; J&J Snack Foods; Chairman, President & Chief Executive Officer
- Shawn Munsell; J&J Snack Foods; Chief Financial Officer

Participants

- Jon Andersen; William Blair; Analyst

**PRESENTATION**

Operator^ Ladies and gentlemen, thank you for standing by. Welcome to J&J Snack Foods First Quarter 2026 Conference Call.

At this time, all participants are in a listen-only mode. After the speakers' presentation there will be a question-and-answer session. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to turn the conference over to Reed Anderson with ICR.

Please go ahead.

Reed Anderson^ Thank you, Operator. And good morning, everyone. Thank you for joining the J&J Snack Foods Fiscal 2026 First Quarter Conference Call.

Before getting started, let me take a minute to read the safe harbor language.

This call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

All statements made on this call that do not relate to matters of historical facts should be considered forward-looking statements including statements regarding management's plans, strategies, goals expectations and objectives as well as our anticipated financial performance.

This includes without limitation our expectations with respect to the success of our cost-savings initiatives and customer demand improvements in the sales channels in which we operate.

These statements are neither promises nor guarantees and involve known and unknown risks, uncertainties and other important factors that may cause results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Risk factors and other items discussed in our annual report on Form 10-K and other filings with the Securities and Exchange Commission could cause actual results to differ materially from those indicated by the forward-looking statements made on the call today.

As such, forward-looking statements represent management's estimates as of the date of the call today, February 3, 2026.

While we may elect to update forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause expectations to change.

In addition, we may also reference certain non-GAAP measures on the call today, including adjusted EBITDA, adjusted operating income or adjusted earnings per share -- all of which are reconciled to the nearest GAAP measure on the company's earnings press release, which can be found in our Investor Relations section of our website.

Joining me on the call today is Dan Fachner, our Chief Executive Officer; along with Shawn Munsell our Chief Financial Officer.

Following management's prepared remarks, we will open the call for a question and answer session.

With that, I would like to turn the call over to Mr. Fachner.

Please go ahead, Dan.

Daniel Fachner^ Good morning.

I'm pleased to report that our earnings recovery is underway and gaining momentum.

We delivered adjusted EBITDA of \$27 million on sales of \$343.8 million in the first quarter, representing a 7% increase in adjusted EBITDA compared to the prior year. Results in the quarter included \$1 million of unfavorable impact associated with product disposal costs.

Our performance demonstrates the early benefits of Project Apollo transformation initiatives and our continued focus on operational excellence.

Our first quarter results reflect meaningful progress on several fronts. Gross margin improved 200 basis points to 27.9% versus the prior year, driven by our early Apollo savings associated with plant consolidation and improved product mix.

While net sales declined 5.2% to \$343.8 million, most of the decline is attributed to our bakery business as we focus on higher-margin opportunities. About 18 million of the revenue decline versus prior year was in that piece of business.

Of this, about 13 million was related to SKU optimization efforts associated with Project Apollo. The remaining bakery sales decline included other lower-margin products which aligns with our portfolio optimization strategy.

We expect portfolio optimization will represent an approximate 3% decline in sales in fiscal '26.

We also believe that sales in the quarter were impacted by the government shutdown and the pause in SNAP benefits.

Looking at our syndicated retail data, we did see a dip in dollar sales in mid-November that coincided with the pause in SNAP benefits, with the largest impact in frozen novelties. Project Apollo is progressing as planned. Although we're still in the ramp-up phase and not yet at the full run rate, we realized over 3 million of net savings in Q1, with plant consolidation on track to be fully implemented during our fiscal second quarter.

We remain confident in achieving 20 million of run rate operating income once all initiatives are activated.

During the quarter, we completed our share repurchase authorization by purchasing 42 million of stock, demonstrating our confidence in the business and our commitment to returning cash to shareholders.

Further, today we announced a new \$50 million repurchase authorization.

Now I'll turn to commercial activities.

We have solid momentum in our snack portfolio, and I'm especially encouraged by our pretzel performance in the quarter.

In Food Service, pretzel sales were up an impressive 6.9%, reflecting the continued success of our Bavarian formulas.

We also realized a 1.8% increase in food service share in the 13 weeks ending December according to syndicated data. Growth in the quarter included new business with some of our large distribution customers.

We also launched Bavarian bites and twists at a major theater chain.

Looking at our retail syndicated data, pretzel sales were up about 4% for the 13 weeks ending December. We attribute the improving trends to the new formulation and packaging released last year.

In frozen novelties, Dogsters continues to be the standout performer, with volume growing over 20% in the quarter with a new item launched late in Q1 and another launching in Q2.

Retail partners have been positive regarding our innovation and we continue to anticipate incremental distribution gains across regional and national customers in fiscal 2026. Dippin' Dots sales were up approximately 4% in the first quarter, fueled by retail growth, theater expansion and amusement centers.

At ICEE, we continue to pursue opportunities to expand at convenience and QSR. The rollout to a large Southwest convenience store operator is now complete and the test with a major West Coast QSR operator continues to show encouraging results as the test market expands.

Looking ahead, our innovation pipeline remains robust.

During Q2, we'll be shipping several exciting new products, including two new releases of protein and whole-grain pretzels, Luigi mini pops with hydration and immunity benefits, Dippin' Dots Sunday flavor extensions and the launch of traditional Dippin' Dots for retail, a major growth milestone for that brand.

While box office performance that aligns to our fiscal first quarter was disappointing, with an estimated decline to the prior year of about 10%, we remain optimistic about the theater performance for the balance of fiscal 2026.

We saw improved theater trends in January, primarily from the success of the Avatar movie. The movie slate for the balance of the year includes some promising titles including the Super Mario Galaxy movie, Minions 3 and Spider-Man: Brand-new Day.

I'll now turn the call over to Shawn to discuss the quarter results in more detail.

Shawn?

Shawn Munsell^ Thanks, Dan. And good morning, everyone.

As Dan mentioned, we're pleased with our Q1 performance, which demonstrates early progress on our transformation initiatives. Food Service segment net sales declined 19.7 million or 8.3% to 219.2 million, with 18 million of the decline attributed to our lower-margin bakery business, largely reflecting steps we are taking to improve product mix. Handheld sales declined approximately 5 million in the quarter due to lower comparative volumes and contractual pricing true-up on lower cost of certain ingredients.

Soft pretzel sales increased 3.6 million or about 6.9%, continuing the momentum from the second half of fiscal 2025.

Retail segment net sales increased 1.2 million or 2.6% to 45.9 million, primarily driven by a 1.8 million increase in handheld volume as we lapped last year's capacity constraints from the facility fire.

Sales within the remaining retail portfolio decreased about \$600,000, primarily driven by lower Frozen novelty sales as growth in Dogsters and Dippin' Dots was more than offset by decreases

in other novelties. Frozen beverage net sales were materially flat at 78.7 million. Beverage sales were up modestly, where our service and machine sales combined were down modestly. Consolidated gross margin improved 200 basis points to 27.9% primarily reflecting Apollo initiatives including a reduction in lower margin sales.

Results included product disposal expenses of approximately 1 million. Tariff-related costs were approximately \$600,000 net of pricing offsets. We do expect some tariff impact to subside over the course of fiscal '26.

Operating expenses increased 95.4 million, which included 6.1 million in nonrecurring plant closure costs and other nonrecurring impacts.

We expect additional nonrecurring transformation project costs of approximately \$5 million in fiscal '26.

Selling and marketing expenses increased 9.9% or 2.8 million compared to the prior year quarter. Approximately 140 basis points of the increase was associated with higher commissions for retail vending sales, which is a growing component of our Dippin' Dots business.

Investments to support our brands in preparation for our peak summer season accounted for roughly 250 basis points of the increase.

Higher depreciation associated with customer equipment accounted for approximately 190 basis points of the increase with almost half of that associated with growth in Dippin' Dots.

We expect these investments to generate growth during the peak summer season.

Distribution expenses declined 1.6 million or 3.9%, primarily due to lower volume. Distribution expenses were 11.1% of sales as compared to 10.9% in the prior year. Administrative expenses were 20.4 million, an increase of 7.8% from the prior year. Approximately 300 basis points of the increase was related to nonrecurring restructuring charges and legal fees.

Adjusted operating income was 8 million compared to \$8.2 million in the prior year.

Adjusted EBITDA increased 7% to 27 million versus 25.3 million last year. The effective tax rate was 27%.

On a reported basis, earnings per diluted share was \$0.05 compared to \$0.26 last year, primarily reflecting the impact of onetime charges.

On an adjusted basis, earnings per diluted share was \$0.33 in line with last year.

Our balance sheet remains strong with approximately 67 million in cash and no long-term debt.

We had approximately 210 million of borrowing capacity under our revolving credit facility.

During the quarter, we generated approximately 36 million in operating cash flow and invested 19 million in capital expenditures.

As Dan mentioned, during the quarter, we completed our share repurchase authorization by buying back just over 458,000 shares for \$42 million or an average price of about \$91.60 per share.

Including shares bought in fiscal 2025, we repurchased just over 525,000 shares for \$50 million or an average price of about \$95 per share.

That concludes our prepared remarks, and we are now ready to take your questions.

Operator?

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions)

Our first question comes from Jon Andersen with William Blair.

Jon Andersen^ I have one question on sales and then one on Project Apollo and cost outs.

Beginning on sales, you mentioned that the SKU rat is now expected to kind of be a headwind of about 3 percentage points on a full year basis. That makes sense, I understand and is consistent with what you've talked about in terms of portfolio optimization work.

But what I'm trying to kind of get to is how you're thinking about the full year in the context of that.

I know you have kind of an underlying long-term objective of growing the business organically in the mid-single digits.

But again, I think we have to net out the 300 bps related to the SKU rat this year.

So -- and then I know there are some things that are building through the year as well, in terms of commercial innovation, some new business wins. Are you looking for or expecting or budgeting to grow the business, headline sales on a full year basis?

And how might that kind of ramp from the number that you printed in Q1 work from here?

Then I'll follow up with a question on Project Apollo.

Daniel Fachner^ Great. Thank you, Jon. Yes, great question. And just to start off, we're really pleased with the way that the quarter shaped up.

It's really what we had talked about to begin with, with Project Apollo and are very happy with the way that it is shaping up so far.

The sales results in Q1 were just slightly softer than we anticipated, and that's due to the ramp-up of being able to consolidate those plants.

We have three of them that were consolidated.

One is fully done at this point. One's kind of halfway there will be done shortly. Then the final one will be done by the end of this quarter, which puts us at a full run rate.

So Jon, can you hear us?

Jon Andersen^ Yes.

Daniel Fachner^ Okay. Good. Sorry, we got a little interruption here. I apologize for that.

So overall, we're happy with where the quarter landed much like what we have talked about all along with you.

As it looks towards long term and where we might shake out for the year, like you talked about, we have a lot of great new business, great innovation coming on.

And yes, about 3% impacted by the SKU rationalization that was escalated during this quarter because the speed in which we are able to consolidate those branches.

We still look towards low single-digits growth for the entire year, though.

We think that we're in a good position with all the great things that we have going on to kind of land the plane there in that low single-digit growth.

Shawn Munsell^ Yes. That's low single digits, Jon, on kind of the remaining portion of the portfolio.

Jon Andersen^ Got it. On the x SKU rat portion?

Shawn Munsell^ Yes. That's right.

Jon Andersen^ Okay. Fair point. Okay.

And then you mentioned that Project Apollo, I think, delivered \$3 million of cost savings in the quarter. I guess the run rate you're looking to achieve once complete with Phase one is 20 million.

What else needs to happen to get to the \$20 million annual run rate? And if you had to kind of point to a timeframe this year, when you hit that stride, when do you think that might be?

Daniel Fachner^ Yes. We really believe that we'll be there here in the second quarter. The team has done a tremendous job getting us to this position and we talked about that 20 million annual run rate. And we believe that we will be fully capable of doing that starting in Q2.

Shawn Munsell^ So that's the plant consolidation component.

So if you remember, Jon, 15 million of the 20 million is associated with plants. So we were closing in on that full run rate in Q1. We expect to hit it in Q2. A lot of the work has been done in terms of shutting down those plants, transferring inventory, all the closure and consolidation work.

We expect that to be complete this quarter. The remaining \$5 million, if you remember, that's a mix between distribution expense savings and G&A savings and we expect to be on the run rate.

We'll be ramping up in the third quarter of this fiscal year and then should be on the full run rate for that remaining 5 million by the fourth quarter.

Jon Andersen^ Super helpful. Maybe I -- if I could squeeze one more in.

I know that the commodity environment has not been a helper for you in recent years, and there have been certain pockets within your cost of goods basket like eggs and cocoa.

But can you give us an update on where things sit now? Are those less of a headwind moving forward?

And how are you kind of thinking about just kind of inflation?

And also, what you're doing overall from a portfolio perspective and the impact on gross margin, you had a nice step-up in Q1, 200 basis points. And I'm wondering if we should be thinking about that kind of level of improvement year-over-year persisting as we move forward.

And I know the plant consolidation is part of that, but there are probably other factors in there as well portfolio mix, commodity costs, et cetera.

Daniel Fachner^ Well, the plant consolidation and the addition of some of the new business and our continued kind of mantra of margining up. So we're seeing some really nice things come through with all three of those things.

Commodity pricing, I think, will be a little bit in our favor this year. Last year, we really struggled in this quarter and Q2 with some headwinds, like you talked about with cocoa and eggs.

But overall, we believe this year that there's a good chance that, that will kind of be in our favor.

Shawn Munsell^ And one other thing I meant to add to, Jon, is that the \$1 million worth of product disposal costs that we incurred in the quarter, just to be clear, that was not adjusted out of our earnings.

So just think about the gross margin improvement in the context of that. If not for product disposal, we would have picked up another -- you've had another \$1 million going through gross profit in the quarter.

Jon Andersen^ And Shawn, that's something that doesn't -- that's done -- that's in the rearview mirror? That won't affect us?

Shawn Munsell^ Yes. That was just -- that was a onetime impact on some products that got on the spec.

Operator^ (Operator Instructions)

I am showing no further questions in the queue.

I will now turn the call back to Dan for closing remarks.

Daniel Fachner^ Thank you, Operator.

In closing, I want to emphasize that our Q1 results demonstrate that our transformation project is taking hold. The early benefits from Project Apollo, combined with our continued pretzel growth and strong innovation pipeline positions us well for fiscal 2026.

With our strategic focus on higher-margin opportunities and operational excellence, we're building momentum for sustainable growth.

Our strong balance sheet provides flexibility to invest in growth opportunities while returning capital to shareholders.

We remain confident in our ability to deliver the full benefits of Project Apollo and drive long-term value creation. Thank you for your continued support.

And we look forward to updating you on our progress throughout fiscal 2026. Thank you.

Operator^ This concludes today's conference call. Thank you for participating.

You may now disconnect.