UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

(Mark One)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended December 30, 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.

X Yes No

As of January 15, 2001, there were 8,427,211 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
(in thousands)

ASSETS

| | December 30, 2000 (Unaudited) | September 30, 2000 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 3,231 | $ 1,379 |
| Accounts receivable | 25,832 | 33,626 |
| Inventories | 24,902 | 21,473 |
| Prepaid expenses and other | 2,056 | 1,418 |
| | 56,021 | 57,896 |
| Property, plant and equipment, at cost | | |
| Land | 795 | 795 |
| Buildings | 5,586 | 5,586 |
| Plant machinery and equipment | 84,226 | 75,817 |
| Marketing equipment | 156,821 | 156,093 |
| Transportation equipment | 2,095 | 2,043 |
| Office equipment | 7,179 | 6,981 |
| Improvements | 14,384 | 12,705 |
| Construction in progress | 1,384 | 1,304 |
| | 272,470 | 261,324 |
| Less accumulated depreciation and amortization | 158,498 | 152,155 |
| | 113,972 | 109,169 |
| Other assets | | |
| Goodwill, trademarks and rights,less accumulated amortization | 48,089 | 48,768 |
| Long term investment securities held to maturity | 1,550 | 1,620 |
| Sundry | 2,641 | 2,586 |
| | 52,280 | 52,974 |
| | $222,273 | $220,039 |

See accompanying notes to the consolidated financial statements.



J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued
(in thousands)

| LIABILITIES AND STOCKHOLDERS' EQUITY | December 30, 2000 | September 30, 2000 |
|---|---|---|
| Current liabilities | | |
| Current maturities of long-term debt | $ 10,119 | $ 2,186 |
| Accounts payable | 21,640 | 24,913 |
| Accrued liabilities | 7,245 | 8,728 |
| | 39,004 | 35,827 |
| Long-term debt, less current maturities | 43,523 | 42,481 |
| Deferred income taxes | 8,340 | 8,340 |
| Other long-term liabilities | 88 | 117 |
| | 51,951 | 50,938 |
| Stockholders' equity | | |
| Capital stock | | |

| | | |
|---|---|---|
| Preferred, $1 par value; authorized, 5,000,000 shares; none issued | - | - |
| Common, no par value; authorized 25,000 shares; issued and outstanding, 8,416 and 8,522,respectively | 27,178 | 28,403 |
| Accumulated other comprehensive income | (1,654) | (1,616) |
| Retained earnings | 105,794 | 106,487 |
| | 131,318 | 133,274 |
| | $222,273 | $220,039 |

See accompanying notes to the consolidated financial statements.



J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

| | December 30, 2000 | December 25, 1999 |
|---|---|---|
| Net Sales | $70,070 | $65,506 |
| Cost of goods sold | 36,052 | 33,381 |
| Gross profit | 34,018 | 32,125 |
| Operating expenses | | |
| Marketing | 24,365 | 21,154 |
| Distribution | 6,305 | 5,901 |
| Administrative | 3,105 | 2,791 |
| Amortization of intangibles and deferred costs | 681 | 745 |
| | 34,456 | 30,591 |
| Operating (loss) income | (438) | 1,534 |
| Other income (deductions) | | |
| Investment income | 81 | 136 |
| Interest expense | (786) | (686) |
| Sundry | 43 | 73 |
| (Loss) earnings before income taxes | (1,100) | 1,057 |
| Income taxes | (407) | 391 |
| NET (LOSS) EARNINGS | $ (693) | $ 666 |
| (Loss) earnings per diluted share | $(.08) | $ .07 |
| Weighted average number of diluted shares | 8,419 | 9,381 |
| (Loss) earnings per basic share | $(.08) | $ .07 |
| Weighted average number of basic shares | 8,419 | 9,004 |

See accompanying notes to the consolidated financial statements



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

| | December 30, 2000 | December 25, 1999 |
|---|---|---|
| Operating activities: | | |
| Net (loss) earnings | $ (693) | $ 666 |
| Adjustments to reconcile net (loss) earnings to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed assets | 7,404 | 6,354 |
| Amortization of intangibles | 844 | 911 |
| Other adjustments | (9) | (48) |
| Changes in assets and liabilities, net of effects from purchase of companies | | |
| Decrease in accounts receivable | 7,723 | 3,542 |
| Increase in inventories | (3,232) | (1,132) |
| Increase in prepaid expenses | (638) | (731) |
| Decrease in accounts payable and accrued liabilities | (4,640) | (1,676) |
| Net cash provided by operating activities | 6,759 | 7,886 |
| Investing activities: | | |
| Purchase of property, plant and equipment | (3,291) | (7,177) |
| Payments for purchases of companies, net of cash acquired and debt assumed | (9,414) | (1,280) |
| Proceeds from investments held to maturity | 70 | 185 |
| Other | 119 | 68 |
| Net cash used in investing activities | (12,516) | (8,204) |
| Financing activities: | | |
| Proceeds from issuance of stock | 34 | 102 |
| Proceeds from borrowings | 13,000 | 3,000 |
| Payments to repurchase common stock | (1,400) | (19) |
| Payments of long-term debt | (4,025) | (7,025) |
| Net cash provided by(used in) financing activities | 7,609 | (3,942) |
| Net increase (decrease) in cash and cash equivalents | 1,852 | (4,260) |
| Cash and cash equivalents at beginning of period | 1,379 | 5,945 |
| Cash and cash equivalents at end of period | $ 3,231 | $1,685 |

See accompanying notes to the consolidated financial statements



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. Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net earnings.

The results of operations for the three months ended December 30, 2000 and December 25, 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 frozen juice bars and ices 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 30, 2000.

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 December 30, 2000

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|---|---|---|
| | (in thousands, except per share amounts) | | |
| Basic EPS | | | |
| Net Loss available to common stockholders | $ (693) | 8,419 | $(.08) |
| Effect of Dilutive Securities | | | |
| Options* | - | - | - |
| Diluted EPS | | | |
| Net Loss available to common stockholders plus assumed conversions | $ (693) | 8,419 | $(.08) |

*No effect was given to the options as inclusion would be anti-dilutive.

Three Months Ended December 25, 1999

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|---|---|---|
| | (in thousands, except per share amounts) | | |
| Basic EPS | | | |
| Net Income available to common stockholders | $ 666 | 9,004 | $.07 |
| Effect of Dilutive Securities | | | |
| Options | - | 377 | - |
| Diluted EPS | | | |
| Net Income available to common stockholders plus assumed conversions | $ 666 | 9,381 | $.07 |

Note 3 Inventories consist of the following:

| | December 30, 2000 | September 30, 2000 |
|---|---|---|
| | (in thousands) | |
| Finished goods | $13,537 | $10,714 |
| Raw materials | 2,378 | 2,136 |
| Packaging materials | 2,825 | 2,532 |
| Equipment parts & other | 6,162 | 6,091 |
| | $24,902 | $21,473 |



Note 4 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:

| | Three Months Ended December 30, 2000 | Three Months Ended December 25, 1999 |
|---|---|---|
| | (in thousands) | |
| Sales: | | |
| Snack Foods | $ 50,577 | $ 45,638 |
| Frozen Beverages | 20,077 | 20,312 |
| | $ 70,654 | $ 65,950 |
| Depreciation and Amortization: | | |
| Snack Foods | $ 4,001 | $ 3,384 |
| Frozen Beverages | 4,247 | 3,881 |
| | $ 8,248 | $ 7,265 |
| (Loss) Earnings Before Taxes: | | |
| Snack Foods | $ 1,814 | $ 3,360 |
| Frozen Beverages | (2,914) | (2,303) |
| | $ (1,100) | $ 1,057 |
| Capital Expenditures: | | |
| Snack Foods | $ 1,731 | $ 2,440 |
| Frozen Beverages | 1,560 | 4,737 |
| | $ 3,291 | $ 7,177 |
| Assets: | | |
| Snack Foods | $125,419 | $106,603 |
| Frozen Beverages | 96,854 | 102,113 |
| | $222,273 | $208,716 |

Sales to a single Snack Foods' customer were 11% of the Company's sales for the period ending December 25, 1999.



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. In June 2000, SFAS 138 was issued, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS 133". SFAS 133, as amended by SFAS 138, requires that all derivative instruments be recorded on the balance sheet at their respective fair values. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on the designation of the hedge transaction. The Company adopted SFAS 133, as amended by SFAS 138, in the first quarter of fiscal year 2001. Based on the Company's minimal use of derivatives at the current time, the adoption of this standard did not have a significant impact on earnings or financial position of the Company.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101) which addresses certain criteria for revenue recognition. SAB 101, as amended by SAB 101A and SAB 101B, outlines the criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. The Company implemented the applicable provisions of SAB 101 as amended by SAB 101A in the first quarter of fiscal year 2001. Management believes the Company's revenue recognition policies comply with the guidance contained in the SAB and, therefore, the Company's results of operations were not materially affected.

In May 2000, The Emerging Issues Task Force reached consensus opinions on Issue 00-14, "Accounting for Certain Sales Incentives (Issue 00-14)". Issue 00-14 pertains to the recognition, measurement, and income statement classification of certain sales incentives, including discounts, coupons, rebates, and free products or services received by the



customer. The issue requires certain incentives to be classified as a reduction of revenue. The Company reclassed approximately $584,000 and $444,000 of sales incentives from marketing expense to reduction of sales in the three months ended December 30, 2000 and December 25, 1999, respectively.



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 quarters ended December 30, 2000 and December 25, 1999 fluctuations in the valuation of the Mexican peso caused a decrease of $38,000 and a decrease of $10,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen beverage subsidiary.

In November 2000, the Company acquired the assets of Uptown Bakeries for cash. Uptown Bakeries, located in Bridgeport, NJ, is a fresh bakery products manufacturer with approximately $17,000,000 in annual sales.

In December 2000, the Company refinanced its unsecured term loan and its general-purpose bank credit line with a general purpose unsecured bank credit line of $60,000,000. The new agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. Borrowings under the line at December 30, 2000 were $48,000,000.

In the quarter ended December 30, 2000, the Company purchased and retired 109,300 shares of its common stock at a cost of $1,400,000. Under a buyback authorization approved by the Board of Directors in fiscal year 2000, 277,000 shares remain to be purchased.

Results of Operations

Net sales increased $4,704,000 or 7% for the three months ended December 30, 2000 compared to the three months ended December 25, 1999. Excluding sales resulting from the acquisition of Uptown Bakeries, sales increased 4% compared to the year ago period.



SNACK FOODS

Sales to food service customers increased $1,737,000 or 7% in the first quarter to $27,977,000. Excluding Uptown Bakeries' sales, food service sales declined 1% from last year. Soft pretzel sales decreased $1,066,000 or 7% from last year to $14,370,000 in this year's quarter. Italian ice and frozen juice treat and dessert sales decreased 4% to $4,276,000 in the three months. Churro sales to food service customers increased 9% to $2,670,000 in the quarter. Cookie sales increased 31% to $3,704,000 from $2,818,000 last year.

Sales of products to retail supermarkets increased $3,488,000 or 49% in the first quarter. Soft pretzel sales for the first quarter were up 23% to $6,774,000. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX, increased 23% in the first quarter. Softstix sales increased 52% to $1,194,000 from $787,000 last year. Sales of frozen juices and ices increased $2,146,000 or 125% to $3,856,000 in the first quarter primarily due to sales of the Company's MINUTE MAID brand licensed products which were introduced in last year's second quarter.

Bakery sales decreased $656,000 or 8% to $7,455,000 in the first quarter due to decreased unit sales to one customer. Sales of our Bavarian Pretzel Bakery increased $230,000 or 6% to $3,964,000 in the quarter from last year due to an increase in the number of stores.

All of the snack foods sales' increase and decreases were due to changes in unit volume.

FROZEN BEVERAGES

Frozen beverage and related product sales decreased $235,000 or 1% to $20,077,000 in the first quarter. Beverage sales alone increased 1% to $17,176,000 although gross profit on beverage sales decreased 2%. Service and lease revenue increased $418,000 or 20% from the first quarter of fiscal year 2001 due primarily to service provided to one customer.



CONSOLIDATED

Gross profit as a percentage of sales was 49% in both years' first quarter.

Total operating expenses increased $3,865,000 in the first quarter and as a percentage of sales increased to 49% from 47% in last year's same quarter. Marketing expenses increased to 35% of sales from 32% in last year's first quarter. Distribution expenses and administrative expenses as a percent of sales remained at 9% and 4%, respectively, compared to last year. The increase in marketing expenses as a percent of sales is due primarily to lower frozen beverage sales and food service sales (excluding sales from Uptown Bakeries) combined with higher frozen beverage and food service marketing expenses and higher sales to retail supermarkets as a percentage of the Company's overall sales.

An operating loss of $438,000 in this year's first quarter compared to operating income of $1,534,000 in last year's quarter.

Interest expense increased $100,000 from last year's quarter to $786,000 this year due primarily to debt incurred to acquire Uptown Bakeries.

The effective income tax rate has been estimated at 37% this year compared to 37% in last year's quarter.

A net loss of $693,000 in this year's first quarter compared to net earnings of $666,000 in the year ago period.

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 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 December 30, 2000.

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: January 29, 2001 /s/ Gerald B. Shreiber
Gerald B. Shreiber
President

Dated: January 29, 2001 /s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer