

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 28, 1998

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, 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 20, 1998, there were 8,971,550 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

ASSETS	March 28, 1998 (Unaudited)	September 27, 1997
Current assets		
Cash and cash equivalents	\$ 2,984,000	\$ 1,401,000
Accounts receivable	28,738,000	25,458,000
Inventories	14,858,000	13,535,000
Prepaid expenses and deposits	1,431,000	853,000
	48,011,000	41,247,000
Property, plant and equipment, at cost		
Land	839,000	819,000
Buildings	5,432,000	5,340,000
Plant machinery and equipment	53,492,000	51,891,000
Marketing equipment	123,948,000	90,988,000
Transportation equipment	2,174,000	1,856,000
Office equipment	5,089,000	4,792,000
Improvements	7,935,000	7,837,000
Construction in progress	6,283,000	825,000
	205,192,000	164,348,000
Less accumulated depreciation and amortization	104,671,000	97,126,000
	100,521,000	67,222,000
Other assets		
Goodwill, trademarks and rights, less accumulated amortization	39,521,000	21,459,000
Long term investment securities available for sale	-	495,000
Long term investment securities held to maturity	3,168,000	3,340,000
Sundry	6,934,000	3,064,000
	49,623,000	28,358,000
	\$198,155,000	\$136,827,000

See accompanying notes to the consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	March 28, 1998 (Unaudited)	September 27, 1997
Current liabilities		
Current maturities of long-term debt	\$ 8,362,000	\$ 16,000
Accounts payable	19,034,000	13,315,000
Accrued liabilities	9,208,000	8,652,000
	36,604,000	21,983,000
Long-term debt, less current maturities		
	36,416,000	5,028,000
Revolving credit line	13,000,000	-
Deferred income	537,000	532,000
Deferred income taxes	3,377,000	3,380,000
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, 8,943,000 and 8,850,000, respectively	38,026,000	36,908,000
Foreign currency translation adjustment	(1,501,000)	(1,409,000)
Retained earnings	71,696,000	70,405,000
	108,221,000	105,904,000
	\$198,155,000	\$136,827,000

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three months ended		Six months ended	
	March 28, 1998	March 29, 1997	March 28, 1998	March 29, 1997
Net Sales	\$58,868,000	\$50,305,000	\$111,059,000	\$93,906,000
Cost of goods sold	29,037,000	25,909,000	56,553,000	48,367,000
Gross profit	29,831,000	24,396,000	54,506,000	45,539,000
Operating expenses				
Marketing	18,181,000	15,706,000	34,040,000	30,062,000
Distribution	5,983,000	4,664,000	10,992,000	9,117,000
Administrative	2,700,000	2,194,000	5,016,000	4,178,000
Amortization of intangibles and deferred costs	682,000	436,000	1,209,000	782,000
	27,546,000	23,000,000	51,257,000	44,139,000
Operating income	2,285,000	1,396,000	3,249,000	1,400,000
Other income (deductions)				
Investment income	119,000	141,000	297,000	396,000
Interest expense	(901,000)	(122,000)	(1,205,000)	(215,000)

Sundry	(308,000)	26,000	(292,000)	33,000
Earnings before income taxes	1,195,000	1,441,000	2,049,000	1,614,000
Income taxes	450,000	535,000	758,000	597,000
NET EARNINGS	\$ 745,000	\$ 906,000	\$ 1,291,000	\$1,017,000
Earnings per diluted share	\$.08	\$.10	\$.14	\$.11
Weighted average number of diluted shares	9,249,000	8,910,000	9,230,000	8,888,000
Earnings per basic share	\$.08	\$.10	\$.15	\$.12
Weighted average number of basic shares	8,896,000	8,763,000	8,881,000	8,757,000

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)

	Six months ended	
	March 28, 1998	March 29 1997
Operating activities:		
Net earnings	\$ 1,291,000	\$ 1,017,000
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	10,400,000	8,241,000
Amortization of intangibles	1,462,000	969,000
Other adjustments	181,000	58,000
Changes in assets and liabilities, net of effects from purchase of companies		
Increase in accounts receivable	(422,000)	(4,686,000)
Decrease (increase) in inventories	2,308,000	(1,996,000)
Increase in prepaid expenses	(272,000)	(209,000)
Increase in accounts payable and accrued liabilities	2,485,000	2,563,000
Net cash provided by operating activities	17,433,000	5,957,000
Investing activities:		
Purchases of property, plant and equipment	(14,892,000)	(6,927,000)
Payments for purchases of companies, net of cash acquired and debt assumed	(11,953,000)	(19,052,000)
Proceeds from investments held to maturity	160,000	6,075,000
Proceeds from investments available for sale	495,000	1,710,000
Other	435,000	60,000
Net cash used in investing activities	(25,755,000)	(18,134,000)
Financing activities:		
Proceeds from borrowings	53,075,000	2,000,000
Proceeds from issuance of common stock	1,118,000	120,000
Payments of long-term debt	(44,288,000)	(4,000)
Net cash provided by financing activities	9,905,000	2,116,000
Net (decrease) increase in cash and cash equivalents	1,583,000	(10,061,000)
Cash and cash equivalents at beginning of period	1,401,000	10,547,000
Cash and cash equivalents at end of period	\$ 2,984,000	\$ 486,000

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.

The results of operations for the three months and six months ended March 28, 1998 and March 29, 1997 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 products are generally higher in the third and fourth quarters due to seasonal factors.

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 27, 1997.

Note 2 The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which eliminates primary and fully diluted earnings per share and requires presentation of basic and diluted earnings per share in conjunction with the disclosure of the methodology used in computing such earnings per share. Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding during the period. Diluted earnings per share take into account the potential dilution that could occur if securities or other contracts to issue common stock were exercised and converted into common stock. Earnings per share calculations for 1997 have been restated to reflect the adoption of SFAS No. 128.

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

	Three Months Ended March 28, 1998		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
Basic EPS			
Net Income available to common stockholders	\$745,000	8,896,000	\$.08
Effect of Dilutive Securities Options	-	353,000	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$745,000	9,249,000	\$.08

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	Six Months Ended March 28, 1998		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
Basic EPS			
Net Income available to common stockholders	\$1,291,000	8,881,000	\$.15
Effect of Dilutive Securities			

Options	-	349,000	(.01)
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Diluted EPS

Net Income available to common stockholders plus assumed conversions	\$1,291,000	9,230,000	\$.14
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	Three Months Ended	March 29, 1997	
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount

Basic EPS

Net Income available to common stockholders	\$ 906,000	8,763,000	\$.10
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Effect of Dilutive Securities

Options	-	147,000	-
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Diluted EPS

Net Income available to common stockholders plus assumed conversions	\$ 906,000	8,910,000	\$.10
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	Six Months Ended	March 29, 1997	
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount

Basic EPS

Net Income available to common stockholders	\$1,017,000	8,757,000	\$.12
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Effect of Dilutive Securities

Options	-	131,000	(.01)
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Diluted EPS

Net Income available to common stockholders plus assumed conversions	\$1,017,000	8,888,000	\$.11
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Note 3 Inventories consist of the following:

	March 28, 1998	September 27, 1997
Finished goods	\$ 7,550,000	\$ 7,108,000
Raw materials	1,701,000	1,789,000
Packaging materials	1,829,000	2,262,000
Equipment parts & other	3,778,000	2,376,000
	\$14,858,000	\$13,535,000

Note 4 The amortized cost, unrealized gains and losses, and fair market values of the Company's long-term investment securities held to maturity at March 28, 1998 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Held to Maturity Securities				
Corporate Debt Securities	\$ 958,000	\$70,000	\$ -	\$1,028,000
Municipal Government Securities	1,710,000	15,000	-	1,725,000
Other	500,000	-	-	500,000
	\$3,168,000	\$85,000	\$ -	\$3,253,000

The amortized cost, unrealized gains and losses, and fair market values of the Company's long-term investment securities available for sale and held to maturity at September 27, 1997 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Available for sale				
Corporate debt securities	\$ 495,000	\$ -	\$ -	\$ 495,000
Held to maturity securities				
Corporate debt securities	\$ 970,000	\$19,000	\$ -	\$ 989,000
Municipal government securities	1,870,000	3,000	(8,000)	1,865,000
Other debt securities	500,000	-	-	500,000
	\$3,340,000	\$22,000	\$(8,000)	\$3,354,000

Note 5 To fund the acquisition of National ICEE Corporation in December 1997, and to retire most of its debt, the Company incurred the following debt:

\$40,000,000 unsecured term note, at an interest rate of 6.61% fixed through swap agreements, with 60 monthly principal payments of \$666,667 plus interest beginning January 8, 1998. At March 28, 1998, \$8,000,000 of the note was classified under current maturities of long-term debt. At March 28, 1998 the balance on the note was \$38,000,000.

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\$10,000,000 borrowing under a \$30,000,000 unsecured general purpose bank line of credit. Interest payments on the balance borrowed under the line are made monthly. The interest rate on the outstanding borrowings under the line was 6.16% at March 28, 1998. At March 28, 1998, the \$13,000,000 in borrowings under the line were classified as a long-term liability.

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

Liquidity and Capital Resources

The Company's cash expected to be provided by future operations and its available lines of credit are its primary sources of short term liquidity. The Company believes that these sources, along with its borrowing capacity, are sufficient to fund future growth and expansion.

In the six months ended March 28, 1998, the devaluation of the Mexican peso caused a reduction of \$92,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen carbonated beverage subsidiary.

In December 1997, the Company acquired the common stock of National ICEE Corporation, a marketer and distributor of frozen carbonated beverages under the tradename ICEE, with approximate annual sales of \$40,000,000. As a result of the acquisition, the Company now has the rights to market and distribute frozen carbonated beverages under the name ICEE to all of the continental United States, except for portions of eleven states.

The purchase price paid to the former shareholders of National ICEE Corporation was \$9,000,000 in the form of cash. Additionally, the Company assumed approximately \$44,000,000 of debt, of which approximately \$42,000,000 was retired at closing. The source of cash utilized to retire the debt and to fund the purchase price was a \$40,000,000 unsecured term loan and an unsecured revolving line of credit with the Company's existing banks.

In January 1997, the Company acquired the assets of Mama Tish's International Foods for the assumption of some of its liabilities. Mama Tish is a manufacturer and distributor of Italian ices, sorbets and other frozen juice products with annual sales of approximately \$15 million.

In November 1996, the Company acquired all of the common stock of Pretzels, Inc. for cash. Trading as Texas Twist, Pretzels, Inc. is a soft pretzel manufacturer selling to both the food service and retail supermarket industries with annual sales of approximately \$1.4 million.

In October 1996, the Company acquired the assets of Bakers Best Snack Foods Corp. for cash. Bakers Best is a manufacturer of soft pretzels selling to both the food service and retail supermarket industries with annual sales of approximately \$4 million.

Available to the Company are unsecured general purpose bank lines of credit totalling \$30,000,000. Borrowings under the lines at March 28, 1998 were \$13,000,000.

Results of Operations

Net sales increased \$8,563,000 or 17% to \$58,868,000 for the three months and \$17,153,000 or 18% to \$111,059,000 for the six months ended March 28, 1998 compared to the six months ended March 27, 1997. Excluding sales

of acquired businesses, net sales increased \$1,522,000 or 3% for the three months and \$7,084,000 or 8% for the six months.

Sales to food service customers increased \$748,000 or 3% in the second quarter to \$24,792,000 and \$1,603,000 or 4% for the six months. Excluding sales of acquired businesses, sales to food service customers increased \$532,000 or 2% for the quarter and increased \$519,000 or 1% for the six months. Soft pretzel sales to the food service market increased 4% to \$15,429,000 in the second quarter and 2% to \$29,813,000 in the six months. Excluding sales of acquired businesses, food service soft pretzel sales increased \$589,000 or 4% in the second quarter and increased \$279,000 or 1% in

the six month period. Italian ice and frozen juice treat and dessert sales decreased 8% to \$5,177,000 in the three months and increased 2% to \$9,394,000 in the six months. Excluding sales of acquired businesses, Italian ice and frozen juice and dessert sales decreased 12% in the second quarter and 12% for the six month period. Churro sales to food service customers increased 14% to \$2,719,000 in the second quarter and 7% to \$5,195,000 in the six months due to increased volume.

Sales of products to retail supermarkets decreased \$744,000 or 7% to \$9,572,000 in the second quarter and 7% to \$16,554,000 in the first half due to lower sales of its CINNAMON RAISIN and Bakers Best product lines. Excluding sales of acquired businesses, sales to retail supermarkets were down 8% in the quarter and 9% for the six months. Soft pretzel sales for the second quarter and six months were down 14% to \$6,585,000 and 17% to \$11,657,000, respectively. Sales of the flagship SUPERPRETZEL brand soft pretzels, excluding SOFTSTIX and CINNAMON RAISIN, decreased 3% in the second quarter and 7% for the six months. Sales of Italian ice increased \$223,000 or 10% to \$2,510,000 in the second quarter and \$838,000 or 26% to \$4,008,000 in the first half. Excluding sales of an acquired business, Italian ice sales were up 7% in the quarter and 14% in the first half.

Frozen carbonated beverage and related product sales increased \$7,760,000 or 86% to \$16,773,000 in the second quarter and \$11,947,000 or 69% to \$29,250,000 in the six months. Beverage sales alone increased 88% in the second quarter and 61% in the first half to \$15,261,000 and \$25,314,000, respectively. Excluding sales resulting from the acquisition of National Icee Corporation in December 1997, frozen carbonated beverage and related product sales increased \$1,114,000 or 12% in the second quarter from last year and \$3,585,000 or 21% in the first six months. Approximately \$1,900,000 of the \$3,585,000 six month sales increase was from sales of equipment and service revenue.

Bakery sales increased \$468,000 or 12% to \$4,523,000 in the second quarter and \$4,121,000 or 62% to \$10,745,000 in the first six months due to increased product sales to one customer.

Sales of our Bavarian Pretzel Bakery increased 12% to \$3,208,000 in the second quarter and 10% to \$7,173,000 in the six month period due primarily to increased same store sales.

Gross profit as a percentage of sales increased to 51% and 49% in the current year's three and six month periods from 48% in the corresponding

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periods last year. This gross profit percentage increase is primarily attributable to higher gross profit percentages of the acquired National Icee Corporation business and lower flour costs.

Total operating expenses increased \$4,546,000 in the second quarter and as a percentage of sales increased to 47% from 46% in last year's same quarter. For the first half, operating expenses increased \$7,118,000 and as a percentage of sales decreased to 46% this year from 47% last year. Marketing expenses were 31% of sales in this year's and last year's quarter and decreased to 31% of sales in this year's six month period from 32% a year ago. Distribution expenses increased to 10% of sales in this year's second quarter from 9% of sales last year and were 10% of sales this year and last for the six month period. As a percentage of sales, administrative expenses were essentially unchanged.

Operating income increased \$889,000 or 64% to \$2,285,000 in the second quarter and \$1,849,000 or 132% to \$3,249,000 in the first half.

Investment income decreased \$22,000 to \$119,000 in the second quarter and \$99,000 to \$297,000 in the six months due primarily to sharply lower levels of investable funds which were used to pay for acquisitions.

Interest expense increased \$779,000 and \$990,000 in the quarter and six months, respectively, due to the assumption and subsequent refinancing of the debt of National Icee Corporation.

Sundry expense of \$308,000 in this year's second quarter compared to sundry income of \$26,000 last year and sundry expense of \$292,000 in this year's six months compared to sundry income of \$33,000 last year. Sundry expense in both periods this 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 38% in this year's second quarter and 37% in the six months compared to 37% in both periods last year.

Net earnings decreased \$161,000 or 18% in the current three month period to \$745,000 and increased \$274,000 or 27% in the current six month period to \$1,291,000. Without National Icee Corporation's seasonal loss, net earnings would have been approximately \$1,600,000, or 77% higher than last year in the second quarter and \$2,300,000 or 126% higher than last year for the six month period.

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 4, 1998 is as follows:

Matter	Votes Cast			Absentees and Broker Non Votes	
	For	Against	Withheld		
Election of Stephen N. Frankel as Director	7,967,536	47,586	-	-	-
Approval of the Employee Stock Purchase Plan	6,945,558	63,453	-	-	-

The Company had 8,872,567 shares outstanding on December 8, 1997, the record date.

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits - None
- b) Reports on Form 8-K - A report on Form 8-K/A was filed on February 20, 1998.

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: May 8, 1998

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

Dated: May 8, 1998

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

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