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, 2020

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, New Jersey 08109
(Address of principal executive offices)

Telephone (856) 665-9533

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

As of April 23, 2020 there were 18,887,853 shares of the Registrant’s Common Stock outstanding.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 28, 2020 (unaudited)	September 28, 2019
Assets		
Current assets		
Cash and cash equivalents	$ 142,969	$ 192,395
Marketable securities held to maturity	69,337	51,091
Accounts receivable, net	134,746	140,938
Inventories	128,090	116,165
Prepaid expenses and other	7,352	5,768
Total current assets	482,494	506,357
Property, plant and equipment, at cost		
Land	2,494	2,494
Buildings	26,582	26,582
Plant machinery and equipment	331,535	315,360
Marketing equipment	256,502	240,681
Transportation equipment	9,839	9,725
Office equipment	32,271	31,217
Improvements	41,774	40,626
Construction in progress	10,050	10,039
Total Property, plant and equipment, at cost	711,047	676,724
Less accumulated depreciation and amortization	441,886	423,276
Property, plant and equipment, net	269,161	253,448
Other assets		
Goodwill	123,033	102,511
Other intangible assets, net	81,948	54,922
Marketable securities held to maturity	41,091	79,360
Marketable securities available for sale	12,947	19,903
Operating lease right-of-use assets	64,502	-
Other	2,761	2,838
Total other assets	326,282	259,534
Total Assets	$ 1,077,937	$ 1,019,339
Liabilities and Stockholders' Equity		

Current Liabilities		
Current finance lease liabilities	$ 345	$ 339
Accounts payable	67,494	72,029
Accrued insurance liability	12,940	10,457
Accrued liabilities	6,945	7,808
Current operating lease liabilities	13,109	-
Accrued compensation expense	16,345	21,154
Dividends payable	10,879	9,447
Total current liabilities	128,057	121,234
Noncurrent finance lease liabilities	544	718
Noncurrent operating lease liabilities	54,267	-
Deferred income taxes	61,464	61,920
Other long-term liabilities	537	1,716
Stockholders' Equity		
Preferred stock, $1 par value; authorized 10,000,000 shares; none issued	-	-
Common stock, no par value; authorized, 50,000,000 shares; issued and outstanding 18,888,000 and 18,895,000 respectively	45,549	45,744
Accumulated other comprehensive loss	(16,099)	(12,988)
Retained Earnings	803,618	800,995
Total stockholders' equity	833,068	833,751
Total Liabilities and Stockholders' Equity	$ 1,077,937	$ 1,019,339

The accompanying notes are an integral part of these statements.

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 28, 2020	**March 30, 2019**	**March 28, 2020**	**March 30, 2019**
Net Sales	$ 272,042	$ 276,302	$ 554,939	$ 547,914
Cost of goods sold	202,599	197,054	407,635	391,803
Gross Profit	69,443	79,248	147,304	156,111
Operating expenses				
Marketing	23,848	21,952	46,580	43,394
Distribution	24,834	22,122	48,376	46,074
Administrative	10,174	9,998	19,792	19,241
Other general (income) expense	(395)	405	(129)	549
Total Operating Expenses	58,461	54,477	114,619	109,258
Operating Income	10,982	24,771	32,685	46,853
Other (expense)income				
Investment(loss)income	(413)	2,782	1,373	3,822
Interest expense & other	(27)	(25)	(53)	(52)
Earnings before income taxes	10,542	27,528	34,005	50,623
Income taxes	3,233	7,174	9,637	12,743
NET EARNINGS	$ 7,309	$ 20,354	$ 24,368	$ 37,880
Earnings per diluted share	$ 0.38	$ 1.08	$ 1.28	$ 2.00
Weighted average number of diluted shares	19,014	18,891	19,079	18,894
Earnings per basic share	$ 0.39	$ 1.08	$ 1.29	$ 2.02
Weighted average number of basic shares	18,921	18,795	18,910	18,780

The accompanying notes are an integral part of these statements.

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

	Three months ended March 28, 2020	Three months ended March 30, 2019	Six months ended March 28, 2020	Six months ended March 30, 2019
Net Earnings	$ 7,309	$ 20,354	$ 24,368	$ 37,880
Foreign currency translation adjustments	(3,921)	394	(3,111)	(965)
Total Other Comprehensive (Loss) income , net of tax	(3,921)	394	(3,111)	(965)
Comprehensive Income	$ 3,388	$ 20,748	$ 21,257	$ 36,915

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at September 28, 2019	18,895	$ 45,744	$ (12,988)	$ 800,995	$ 833,751
Issuance of common stock upon exercise of stock options	5	468	-	-	468
Foreign currency translation adjustment	-	-	810	-	810
Dividends declared	-	-	-	(10,867)	(10,867)
Share-based compensation	-	1,299	-	-	1,299
Net earnings	-	-	-	17,059	17,059
Balance at December 28, 2019	18,900	$ 47,511	$ (12,178)	$ 807,187	$ 842,520
Issuance of common stock upon exercise of stock options	47	5,049	-	-	5,049
Issuance of common stock for employee stock purchase plan	6	783	-	-	783
Foreign currency translation adjustment	-	-	(3,921)	-	(3,921)
Issuance of common stock under deferred stock plan	1	90	-	-	90
Dividends declared	-	-	-	(10,878)	(10,878)
Share-based compensation	-	1,088	-	-	1,088
Repurchase of common stock	(66)	(8,972)	-	-	(8,972)
Net earnings	-	-	-	7,309	7,309
Balance at March 28, 2020	18,888	45,549	(16,099)	803,618	833,068

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
Balance at September 29, 2018	18,754	$ 27,340	$ (11,994)	$ 743,745	$ 759,091
Issuance of common stock upon exercise of stock options	20	1,704	-	-	1,704
Foreign currency translation adjustment	-	-	(1,359)	-	(1,359)
Reclass from accumulated other comprehensive gain	-	-	(85)	85	-
Dividends declared	-	-	-	(9,389)	(9,389)
Share-based compensation	-	972	-	-	972
Net earnings	-	-	-	17,526	17,526
Balance at December 29, 2018	18,774	$ 30,016	$ (13,438)	$ 751,967	$ 768,545
Issuance of common stock upon exercise of stock options	34	3,451	-	-	3,451
Issuance of common stock for employee stock purchase plan	6	772	-	-	772
Foreign currency translation adjustment	-	-	394	-	394
Issuance of common stock under deferred stock plan	1	90	-	-	90

Dividends declared	-	-	-	(9,405)	(9,405)
Share-based compensation	-	914	-	-	914
Repurchase of common stock	-	-	-	-	-
Net earnings	-	-	-	20,354	20,354
Balance at March 30, 2019	18,815	35,243	(13,044)	762,916	785,115

The accompanying notes are an integral part of these statements.

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

	Six Months Ended	
	March 28, 2020	**March 30, 2019**
Operating activities:		
Net earnings	$ 24,368	$ 37,880
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of fixed assets	24,810	21,890
Amortization of intangibles and deferred costs	1,677	1,747
Share-based compensation	2,432	1,931
Deferred income taxes	(298)	615
Loss on marketable securities	2,070	284
Other	(286)	268
Changes in assets and liabilities net of effects from purchase of companies		
Decrease in accounts receivable	6,343	2,003
Increase in inventories	(11,328)	(10,186)
(Increase) decrease in prepaid expenses	(1,598)	172
Decrease in accounts payable and accrued liabilities	(5,920)	(6,345)
Net cash provided by operating activities	42,270	50,259
Investing activities:		
Payments for purchases of companies, net of cash acquired	(57,197)	-
Purchases of property, plant and equipment	(36,985)	(26,351)
Purchases of marketable securities	(6,103)	(19,531)
Proceeds from redemption and sales of marketable securities	30,938	23,137
Proceeds from disposal of property and equipment	1,853	878
Other	(63)	(207)
Net cash used in investing activities	(67,557)	(22,074)
Financing activities:		
Payments to repurchase common stock	(8,972)	-
Proceeds from issuance of stock	6,300	5,926
Payments on capitalized lease obligations	(168)	(167)
Payment of cash dividend	(20,314)	(17,825)
Net cash used in financing activities	(23,154)	(12,066)
Effect of exchange rate on cash and cash equivalents	(985)	(943)
Net (decrease) increase in cash and cash equivalents	(49,426)	15,176
Cash and cash equivalents at beginning of period	192,395	111,479
Cash and cash equivalents at end of period	$ 142,969	$ 126,655

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended September 28, 2019.

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 and six months ended March 28, 2020 and March 30, 2019 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather.

Certain prior year financial statement amounts have been reclassified to be consistent with the presentation for the current year.

While we believe 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 fiscal year ended September 28, 2019.

Note 2

Revenue Recognition

When Performance Obligations Are Satisfied
A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet.

Significant Payment Terms

In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping

All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration

In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was approximately $14 million at March 28, 2020 and $14.8 million at September 28, 2019.

Warranties & Returns
We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances
Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet as follows:

	(in thousands)			
	Three months ended		Six months ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
Beginning Balance	$ 1,094	$ 1,923	$ 1,334	$ 1,8
Additions to contract liability	1,474	1,337	2,749	3,0
Amounts recognized as revenue	(1,333)	(1,605)	(2,848)	(3,2
Ending Balance	$ 1,235	$ 1,655	$ 1,235	$ 1,6

Disaggregation of Revenue
See Note 9 for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables

We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. The allowance for doubtful receivables was $588,000 and $572,000 at March 28, 2020 and September 28, 2019, respectively.

Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $12,923,000 and $11,116,000 for the three months ended March 28, 2020 and March 30, 2019, respectively and $24,810,000 and $21,890,000 for the six months ended March 28, 2020 and March 30, 2019, respectively.

Note 4 Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three Months Ended March 28, 2020		
	Income (Numerator)	**Shares (Denominator)**	**Per Share Amount**
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 7,309	18,921	$ 0.39
Effect of Dilutive Securities			
Options	-	93	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 7,309	19,014	$ 0.38

180,258 anti-dilutive shares have been excluded in the computation of EPS for the three months ended March 28, 2020

	Six Months Ended March 28, 2020		
	Income (Numerator)	**Shares (Denominator)**	**Per Share Amount**
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 24,368	18,910	$ 1.29
Effect of Dilutive Securities			
Options	-	169	(0.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 24,368	19,079	$ 1.28

180,258 anti-dilutive shares have been excluded in the computation of EPS for the six months ended March 28, 2020

	Three Months Ended March 30, 2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 20,354	18,795	$ 1.08
Effect of Dilutive Securities			
Options	-	96	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 20,354	18,891	$ 1.08

800 anti-dilutive shares have been excluded in the computation of EPS for the three months ended March 30, 2019

	Six Months Ended March 30, 2019		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	$ 37,880	18,780	$ 2.02
Effect of Dilutive Securities			
Options	-	114	(0.02)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	$ 37,880	18,894	$ 2.00

800 anti-dilutive shares have been excluded in the computation of EPS for the six months ended March 30, 2019

Note 5 At March 28, 2020, the Company has three stock-based employee compensation plans. Share-based compensation expense was recognized as follows:

	Three months ended		Six months ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
Stock Options	$ 412	$ 449	$ 1,377	$ 1,078
Stock purchase plan	69	68	271	137
Stock issued to an outside director	33	33	33	33
Total share-based compensation	$ 514	$ 550	$ 1,681	$ 1,248
The above compensation is net of tax benefits	$ 620	$ 410	$ 751	$ 683

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in fiscal 2020 six months: expected volatility of 17.4%; risk-free interest rate of 1.1%; dividend rate of 1.3% and expected lives of 51 months.

During the fiscal year 2020 six month period, the Company granted 1,300 stock options. The weighted-average grant date fair value of these options was $24.67.

During the fiscal year 2019 six month period, the Company granted 1,800 stock options. The weighted-average grant date fair value of these options was $26.33.

Expected volatility is based on the historical volatility of the price of our common shares over the past 51 months for 5 year options and 10 years for 10 year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

Note 6 We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities ("uncertain tax positions"). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

The total amount of gross unrecognized tax benefits is $414,000 and $414,000 on March 28, 2020 and September 28, 2019, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of March 28, 2020, and September 28, 2019, respectively, the Company has $279,000 and $279,000 of accrued interest and penalties.

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax with virtually all open for examination for three to four years.

Net earnings in last year's six months benefitted by a reduction of approximately $900,000 in tax as the provision for the one time repatriation tax as a result of the Tax Cuts and Job Act of 2017 was reduced as the amount recorded the year prior was an estimate. Excluding the reduction in the provision for the one time repatriation tax, our effective tax rate was 27.0% in last year's six months.

Note 7 In February 2016, the FASB issued guidance on lease accounting which requires that an entity recognize most leases on its balance sheet. The guidance retains a dual lease accounting model for purposes of income statement recognition, continuing the distinction between what are currently known as "capital" and "operating" leases for lessees. We adopted the guidance on September 29, 2019 using this alternate transition method, but we did not record a cumulative-effect adjustment from initially applying the standard. We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets. We have completed the implementation of a lease accounting system to enable the preparation of financial information and have implemented relevant accounting policies and internal controls surrounding the lease accounting process. As a result of adoption, we recognized a right-of-use asset and lease liability of $71 million and $72 million, respectively. The right-of-use asset balance reflects the reclassification of deferred rent and prepaid rent against the initial asset. The adoption did not impact our results of operations or cash flows. See additional lease disclosures in Note 14.

In June 2016, the FASB issued guidance to update the methodology used to measure current expected credit losses (CECL). This guidance applies to financial assets measured at amortized cost, including loans, held-to-maturity debt securities, net investments in leases, and trade accounts receivable as well as certain off-balance sheet credit exposures, such as loan commitments. This guidance replaces the current incurred loss impairment methodology with a methodology to reflect CECL and requires consideration of a broader range of reasonable and supportable information to explain credit loss estimates. The guidance must be adopted using a modified retrospective transition method through a cumulative-effect adjustment to retained earnings/(deficit) in the period of adoption. This guidance will be effective beginning in the first quarter of our fiscal year 2021. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our financial statements and related disclosures.

Note 8 Inventories consist of the following:

	March 28, 2020 (unaudited)	September 28, 2019
	(in thousands)	
Finished goods	$ 61,892	$ 53,225
Raw materials	23,075	22,146
Packaging materials	9,438	9,703
Equipment parts and other	33,685	31,091
Total Inventories	$ 128,090	$ 116,165

Note 9 We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above which is available to our Chief Operating Decision Makers.

Our three reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

Food Service

The primary products sold by the food service group are soft pretzels, frozen juice treats and desserts, churros, dough enrobed handheld products and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and shopping centers; fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen juice treats and desserts including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, PHILLY SWIRL cups and sticks, ICEE Squeeze-Up Tubes and dough enrobed handheld products including PATIO burritos. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

We sell frozen beverages and related products to the food service industry primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Due to a change in management and the reporting of our MARYB's biscuit operations, which had sales and operating income of $25,316,000 and $1,584,000, respectively, in our 2019 fiscal year, we have reclassified the operations from our Food Service segment to our Retail Supermarket segment, which is reflected in both periods reported. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Six months ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
Sales to External Customers:				
Food Service				
Soft pretzels	$ 45,660	$ 49,812	$ 95,601	$ 98,803
Frozen juices and ices	9,491	8,947	16,534	16,474
Churros	14,754	15,770	31,145	30,905
Handhelds	7,447	7,987	14,636	16,789
Bakery	89,407	84,406	185,779	178,651
Other	4,573	8,145	11,085	13,471
Total Food Service	$ 171,332	$ 175,067	$ 354,780	$ 355,093
Retail Supermarket				
Soft pretzels	$ 12,332	$ 10,829	$ 22,158	$ 21,015
Frozen juices and ices	15,864	14,668	25,957	25,664
Biscuits	6,630	6,358	13,608	14,222
Handhelds	3,117	2,479	5,878	5,047
Coupon redemption	(866)	(507)	(1,409)	(1,201)
Other	494	340	805	699
Total Retail Supermarket	$ 37,571	$ 34,167	$ 66,997	$ 65,446
Frozen Beverages				
Beverages	$ 31,895	$ 33,603	$ 67,150	$ 65,039
Repair and maintenance service	21,779	20,034	44,265	39,777
Machines revenue	8,910	13,161	20,891	22,065
Other	555	270	856	494
Total Frozen Beverages	$ 63,139	$ 67,068	$ 133,162	$ 127,375
Consolidated Sales	$ 272,042	$ 276,302	$ 554,939	$ 547,914
Depreciation and Amortization:				
Food Service	$ 7,240	$ 6,616	$ 14,158	$ 12,938
Retail Supermarket	329	320	688	655
Frozen Beverages	6,188	5,066	11,641	10,044
Total Depreciation and Amortization	$ 13,757	$ 12,002	$ 26,487	$ 23,637
Operating Income :				
Food Service	$ 7,951	$ 19,182	$ 25,985	$ 36,879
Retail Supermarket	4,337	3,039	6,554	5,250
Frozen Beverages	(1,306)	2,550	146	4,724
Total Operating Income	$ 10,982	$ 24,771	$ 32,685	$ 46,853
Capital Expenditures:				
Food Service	$ 10,331	$ 8,403	$ 18,734	$ 14,681
Retail Supermarket	275	581	1,235	1,133
Frozen Beverages	8,774	5,530	17,016	10,537
Total Capital Expenditures	$ 19,380	$ 14,514	$ 36,985	$ 26,351
Assets:				
Food Service	$ 740,318	$ 699,028	$ 740,318	$ 699,028
Retail Supermarket	31,636	30,034	31,636	30,034
Frozen Beverages	305,983	223,650	305,983	223,650
Total Assets	$ 1,077,937	$ 952,712	$ 1,077,937	$ 952,712

Note 10 Our three reporting units, which are also reportable segments, are Food Service, Retail Supermarkets and Frozen Beverages.

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverage segments as of March 28, 2020 and September 28, 2019 are as follows:

	March 28, 2020		September 28, 2019	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
		(in thousands)		
FOOD SERVICE				
Indefinite lived intangible assets				
Trade names	$ 10,408	$ -	$ 10,408	$ -
Amortized intangible assets				
Non compete agreements	670	561	858	665
Customer relationships	19,737	10,763	19,900	9,954
License and rights	1,690	1,270	1,690	1,227
TOTAL FOOD SERVICE	$ 32,505	$ 12,594	$ 32,856	$ 11,846
RETAIL SUPERMARKETS				
Indefinite lived intangible assets				
Trade names	$ 12,750	$ -	$ 12,750	$ -
Amortized Intangible Assets				
Trade names	676	454	676	389
Customer relationships	7,907	4,744	7,979	4,421
TOTAL RETAIL SUPERMARKETS	$ 21,333	$ 5,198	$ 21,405	$ 4,810
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	34,900	-	6,900	-
Amortized intangible assets				
Customer relationships	1,439	185	737	102
Licenses and rights	1,400	967	1,400	933
TOTAL FROZEN BEVERAGES	$ 47,054	$ 1,152	$ 18,352	$ 1,035
CONSOLIDATED	$ 100,892	$ 18,944	$ 72,613	$ 17,691

Fully amortized intangible assets have been removed from the March 28, 2020 amounts. Intangible assets of $21,769,000 were added in the frozen beverages segment from the acquisition of ICEE Distributors in the quarter ended December 28, 2019 and $6,933,000 from the acquisition of BAMA ICEE in the quarter ended March 28, 2020.

Amortizing intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Aggregate amortization expense of intangible assets for the three months ended March 28, 2020 and March 30, 2019 was $833,000 and $831,000, respectively. Aggregate amortization expense of intangible assets for the six months ended March 28, 2020 and March 30, 2019 was $1,676,000 and $1,686,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $3,100,000 in 2020, $2,500,000 in 2021, $2,300,000 in 2022, $2,300,000 in 2023 and $2,000,000 in 2024. The weighted amortization period of the intangible assets is 10.7 years.

Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket and Frozen Beverage segments are as follows:

	Food Service	Retail Supermarket	Frozen Beverages	Total
		(in thousands)		
Balance at March 28, 2020	$ 61,189	$ 4,146	$ 57,698	$ 123,033
Balance at September 28, 2019	$ 61,189	$ 4,146	$ 37,176	$ 102,511

Goodwill of $16,973,000 was added in the frozen beverages segment from the acquisition of ICEE Distributors in the quarter ended December 28, 2019 and $3,549,000 from the acquisition of BAMA ICEE in the quarter ended March 28, 2020.

Note 11 We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable input such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock, corporate bonds and certificates of deposit are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock, corporate bonds and certificates of deposit are classified within Level 2 of the fair value hierarchy.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at March 28, 2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Corporate Bonds	$ 109,468	$ 527	$ 850	$ 109,145
Certificates of Deposit	960	5	-	965
Total marketable securities held to maturity	$ 110,428	$ 532	$ 850	$ 110,110

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at March 28,2020 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Mutual Funds	$ 3,588	$ -	$ 862	$ 2,726
Preferred Stock	11,596	-	1,375	10,221
Total marketable securities available for sale	$ 15,184	$ -	$ 2,237	$ 12,947

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2020 and 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions. The corporate bonds generate fixed income to maturity dates in 2020 through 2024, with $99 million maturing within 2 years. Our expectation is that we will hold the corporate bonds to their maturity dates and redeem them at our amortized cost.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 28, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	$ 127,571	$ 1,204	$ 36	$ 128,739
Certificates of Deposit	2,880	6	-	2,886
Total marketable securities held to maturity	$ 130,451	$ 1,210	$ 36	$ 131,625

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 28, 2019 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 5,549	$ -	$ 495	$ 5,054
Preferred Stock	14,598	266	15	14,849
Total marketable securities available for sale	$ 20,147	$ 266	$ 510	$ 19,903

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at March 28,2020 and September 28, 2019 are summarized as follows:

	March 28, 2020		September 28, 2019	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
		(in thousands)		
Due in one year or less	$ 69,337	$ 69,410	$ 51,091	$ 51,325
Due after one year through five years	41,091	40,699	79,360	80,300
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ 110,428	$ 110,109	$ 130,451	$ 131,625
Less current portion	69,337	69,410	51,091	51,325
Long term held to maturity securities	$ 41,091	$ 40,699	$ 79,360	$ 80,300

Proceeds from the redemption and sale of marketable securities were $12,156,000 and $30,938,000 in the three and six months ended March 28, 2020 and were $6,012,000 and $23,137,000 in the three and six months ended March 30, 2019, respectively. Losses of $2,059,000 and $2,070,000 were recorded in the three and six months ended March 28, 2020 and losses of $973,000 and $284,000 were recorded in the three and six months ended March 30, 2019. Included in the losses were unrealized losses of $1,993,000 and $267,000 in the six months ended March 28, 2020 and March 30, 2019 respectively. Unrealized losses of $2,064,000 were recorded in the three months ended March 28, 2020 and unrealized gains of $760,000 were recorded in the three months ended March 30, 2019. We use the specific identification method to determine the cost of securities sold.

Note 12 Changes to the components of accumulated other comprehensive loss are as follows:

	Three Months Ended March 28, 2020 (unaudited) (in thousands)		Six Months Ended March 28, 2020 (unaudited) (in thousands)	
	Foreign Currency Translation Adjustments	**Total**	**Foreign Currency Translation Adjustments**	**Total**
Beginning Balance	$ (12,178)	$ (12,178)	$ (12,988)	$ (12,988)
Other comprehensive income (loss) before reclassifications	(3,921)	$ (3,921)	(3,111)	$ (3,111)
Ending Balance	$ (16,099)	$ (16,099)	$ (16,099)	$ (16,099)

	Three Months Ended March 30, 2019 (unaudited) (in thousands)			Six Months Ended March 30, 2019 (unaudited) (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Gain on Marketable Securities	Total	Foreign Currency Translation Adjustments	Unrealized Holding Gain on Marketable Securities	Total
Beginning Balance	$ (13,438)	$ -	$ (13,438)	$ (12,079)	$ 85	$ (11,994)
Other comprehensive income (loss) before reclassifications	394	-	394	(965)	-	(965)
Amounts reclassified from accumulated other comprehensive income	-	-	-	-	(85)	(85)
Ending Balance	$ (13,044)	$ -	$ (13,044)	$ (13,044)	$ -	$ (13,044)

Note 13 On October 1, 2019, we acquired the assets of ICEE Distributors LLC, based in Bossier City, Louisiana. ICEE Distributors does business in Arkansas, Louisiana and Texas with annual sales of approximately $13 million. Sales and operating income of ICEE Distributors were approximately $2.5 million and $400,000 for the second quarter and were approximately $5 million and $900,000 for the six months ended March 28,2020.

On February 4, 2020, we acquired the assets of BAMA ICEE, based in Birmingham, Alabama. BAMA ICEE does business in Alabama and Georgia with annual sales of approximately $3.5 million. Sales and operating income of BAMA ICEE were approximately $300,000 and $100,000 for the second quarter.

The preliminary purchase price allocations for the acquisitions are as follows:

	(in thousands)		
	ICEE Distributors	**BAMA ICEE**	**Total**
Accounts Receivable, net	$ 722	$ 71	$ 793
Inventories	866	77	943
Property, plant & equipment, net	4,851	1,722	6,573
Customer Relationships	569	133	702
Distribution rights	21,200	6,800	28,000
Goodwill	16,973	3,549	20,522
Accounts Payable	(210)	(125)	(335)
Purchase Price	$ 44,970	$ 12,227	$ 57,197

The goodwill recognized is attributable to the assembled workforce of ICEE Distributors and certain other strategic intangible assets that do not meet the requirements for recognition separate and apart from goodwill.

Acquisition costs of $62,000 and $98,000 are included in other general expense for the three and six months ended March 28, 2020, respectively.

Our unaudited proforma results, giving effect to this acquisition and assuming an acquisition date of September 29, 2018, would have been:

	(in thousands)			
	Three months ended		Six months ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
Net Sales	$ 272,242	$ 279,288	$ 555,739	$ 553,745
Net Earnings	$ 7,308	$ 20,385	$ 24,366	$ 37,914

Note 14 – Leases

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating leases include leases for real estate for some of our office and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 13 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 6 years.

Significant Assumptions and Judgments

Contract Contains a Lease

In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and

- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration

In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases

We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

Discount Rate

The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used the discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our incremental borrowing rate as provided by our lender which was based on cash collateral and credit risk specific to us, and our lease portfolio characteristics.

As of September 29, 2019, the weighted-average discount rate of our operating and finance leases was 3.3% and 3.1%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Three Months Ended March 28, 2020 (in thousands)	Six Months Ended March 28, 2020 (in thousands)
Operating lease cost in Cost of goods sold and Operating Expenses	$ 4,065	$ 8,344
Finance lease cost:		
Amortization of assets in Cost of goods sold and Operating Expenses	84	169
Interest on lease liabilities in Interest expense & other	8	16
Total finance lease cost	92	185
Short-term lease cost in Cost of goods sold and Operating Expenses	-	
Total net lease cost	$ 4,157	$ 8,529

Supplemental balance sheet information related to leases is as follows:

	March 28, 2020 (in thousands)
Operating Leases	
Operating lease right-of-use assets	$ 64,502
Current operating lease liabilities	$ 13,109
Noncurrent operating lease liabilities	54,267
Total operating lease liabilities	$ 67,376
Finance Leases	
Finance lease right-of-use assets in Property, plant and equipment, net	$ 873
Current finance lease liabilities	$ 345
Noncurrent finance lease liabilities	544
Total finance lease liabilities	$ 889

Supplemental cash flow information related to leases is as follows:

	Three Months Ended March 28, 2020 (in thousands)	Six Months Ended March 28, 2020 (in thousands)
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 4,126	$ 8,370
Operating cash flows from finance leases	$ 83	$ 169
Financing cash flows from finance leases	$ 9	$ 16
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ -	
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -	

As of March 28, 2020, the maturities of lease liabilities were as follows:

	Operating Leases (in thousands)	Finance Leases (in thousands)
Six months ending September 26, 2020	$ 6,257	$ 184
2021	14,583	369
2022	12,303	168
2023	10,456	98
2024	8,078	98
Thereafter	25,550	26
Total minimum payments	$ 77,227	$ 943
Less amount representing interest	(9,851)	(54)
Present value of lease obligations	$ 67,376	$ 889

As of December 28, 2019, the weighted-average remaining term of our operating and finance leases was 7.3 years and 4.0 years, respectively.

As previously disclosed in our 2019 Annual Report on Form 10-K and under the previous lease accounting standard (Topic 840), as of September 28, 2019, future minimum lease payments under noncancelable leases with initial lease terms in excess of one year were as follows:

	(in thousands)	
	Operating Leases	Capital Leases
2020	$ 14,814	$ 339
2021	12,686	349
2022	10,491	156
2023	8,971	91
2024	6,988	95
Thereafter	25,588	27
Total minimum payments	$ 79,538	$ 1,057

Note 15 – Subsequent Event

Net Sales for the first 4 weeks of our third quarter ending June 27, 2020 were down approximately 45% from a year ago. Although we cannot estimate whether net sales will continue to be down at the same rate for the balance of the quarter, we estimate that we may have an operating loss in the quarter which would compare to operating income of $39 million in the year ago June quarter if sales continue to be down at the same rate. Approximately 2/3 of our sales are to venues and locations that have shut down or sharply curtailed their foodservice operations so we anticipate COVID-19 will continue to have a negative impact on our business. As we have $267 million of cash and marketable securities on our balance sheet, we do not expect to have any liquidity issues, nor do we anticipate a material amount of our assets would be impaired.

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

Note About Forward-Looking Statements

In addition to historical information, this report contains forward-looking statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations." Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Liquidity and Capital Resources

Our current cash and cash equivalents balances, investments and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion. See Note 11 to these financial statements for a discussion of our investment securities.

The Company's Board of Directors declared a regular quarterly cash dividend of $.575 per share of its common stock payable on April 8, 2020, to shareholders of record as of the close of business on March 17, 2020.

In the three and six months ended March 28, 2020, we purchased and retired 65,648 shares of our common stock at a cost of $8,972,292. We did not purchase any shares of our common stock in fiscal year 2019. On August 4, 2017 the Company's Board of Directors authorized the purchase and retirement of 500,000 shares of the Company's common stock; 318,858 shares remain to be purchased under this authorization.

In the three months ended March 28, 2020 and March 30, 2019, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $3,921,000 in accumulated other comprehensive loss in the 2020 second quarter and a decrease of $394,000 in accumulated other comprehensive loss in the 2019 second quarter. In the six-month period, fluctuations in the valuation of the Mexican and Canadian currencies and the resulting translation of the net assets of our Mexican and Canadian subsidiaries caused an increase of $3,111,000 in accumulated other comprehensive loss in the 2020 six-month period and an increase of $965,000 in accumulated other comprehensive loss in the 2019 six-month period.

Our general-purpose bank credit line which expires in November 2021 provides for up to a $50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at March 28, 2020.

RESULTS OF OPERATIONS

Net sales decreased $4,260,000 or 2% to $272,042,000 for the three months and increased $7,025,000 or 1% to $554,939,000 for the six months ended March 28, 2020 compared to the three and six months ended March 30, 2019, respectively. Excluding sales from the acquisition of ICEE Distributors in October 2019 and BAMA ICEE in February 2020, sales decreased 2% for the quarter and increased about 1/3 of 1% for the six months. Sales for the first 11 weeks of our second quarter increased approximately 2% and decreased approximately 20% in the last 2 weeks of the quarter due to the slowdown in the economy.

Net Sales for the first 4 weeks of our third quarter that will end June 27, 2020 were down approximately 45% from a year ago. Although we cannot estimate whether net sales will continue to be down at the same rate for the balance of the quarter, we estimate that we may have an operating loss in the quarter which would compare to operating income of $39 million in the year ago June quarter if sales continue to be down at the same rate. Approximately 2/3 of our sales are to venues and locations that have shut down or sharply curtailed their foodservice operations so we anticipate COVID-19 will continue to have a negative impact on our business. As we have $267 million of cash and marketable securities on our balance sheet, we do not expect to have any liquidity issues, nor do we anticipate a material amount of our assets would be impaired.

FOOD SERVICE

Sales to food service customers decreased $3,735,000 or 2% in the second quarter to $171,332,000 and decreased $313,000 or 1% to $354,780,000 for the six months. For the first 11 weeks of the quarter, sales increased approximately 2% and sales decreased approximately 24% in the last 2 weeks of the quarter. Soft pretzel sales to the food service market decreased 8% to $45,660,000 in the three months and 3% to $95,601,000 in the six months. Prior to COVID-19, soft pretzel sales were strong to convenience store chains and schools in the quarter.

Frozen juices and ices sales increased 6% to $9,491,000 in the three months and were essentially the same as last year at $16,534,000 in the six months as sales to warehouse club stores were strong in the quarter.

Churro sales to food service customers were down 6% in the quarter to $14,754,000 and were up less than 1% to $31,145,000 in the six months due to the dropoff in sales due to COVID-19.

Sales of bakery products increased $5,001,000 or 6% in the second quarter and increased $7,128,000 or 4% to $185,779,000 for the six months with significant offsetting increases and decreases in sales to particular customers.

Sales of handhelds decreased $540,000 or 7% in the quarter and $2,153,000 or 13% in the six months with the decrease primarily coming from lower sales to co-pack customers.

Sales of funnel cake decreased $3,370,000 or 44%, to $4,362,000 in the quarter and $2,130,000, or 17%, to $10,562,000 in the six months due primarily to lower sales to one quick service restaurant chain that ran a limited time offer in last year's quarter.

Sales of new products in the first twelve months since their introduction were approximately $1.6 million in this quarter and $4.1 million in the six months.

Operating income in our Food Service segment decreased to $7,951,000 from $19,182,000 in the quarter and decreased to $25,985,000 from $36,879,000 in the six months primarily because of lower volume and higher operating expenses throughout the quarter and a significant dropoff in sales and production due to COVID-19.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets increased $3,404,000 or 10% to $37,571,000 in the second quarter and increased $1,551,000 or 2% in the six months. For the first 11 weeks of the quarter, sales increased approximately 4% and increased approximately 45% in the last 2 weeks of the quarter. Soft pretzel sales for the second quarter were up 14% to $12,332,000 and up 5% to $22,158,000 for the six months. Sales of frozen juices and ices increased $1,196,000 or 8% to $15,864,000 in the second quarter and increased $293,000 or 1% in the six months. Handheld sales to retail supermarket customers increased 26% to $3,117,000 in the quarter and 16% to $5,878,000 in the six months. Biscuit sales for the second quarter were up 4% to $6,630,000 and down 4% to $13,608,000 for the six months. Sales were generally higher for all product lines as sales in the year ago periods were impacted by lost volume and placements due the price increases implemented in last year's first quarter and because of increased sales to supermarkets generally in the last 2 weeks of the quarter due to COVID-19.

Sales of new products in the second quarter were approximately $300,000 and were approximately $400,000 for the six months.

Operating income in our Retail Supermarkets segment was $4,337,000 in this year's second quarter compared to $3,039,000 in last year's quarter, a 43% increase and increased to $6,554,000 in this year's six months compared to $5,250,000 in last year's six months due to higher volume and higher prices.

FROZEN BEVERAGES

Frozen beverage and related product sales decreased 6% to $63,139,000 in the second quarter and increased 5% to $133,162,000 in the six months. For the first 11 weeks of the quarter, sales increased approximately 1% and decreased approximately 38% in the last 2 weeks of the quarter. Beverages sales were down 5% to $31,895,000 in the quarter and up 5% to $67,150,000 in the six months. Excluding sales from the acquisition of ICEE Distributors in October 2019 and BAMA ICEE in February 2020, frozen beverages and related product sales decreased 10% in the quarter and were up less than 1% for the six months and beverages sales decreased 14% for the quarter and 3% for the six months. Gallon sales were down 12% in the quarter and down 6% in the six months exclusive of ICEE Distributors' gallons. Service revenue increased 9% to $21,779,000 in the second quarter and increased 10% to $44,265,000 in the six months with sales increases and decreases spread throughout our customer base.

Machines revenue (primarily sales of frozen beverage machines) were $8,910,000, a decrease of $4,251,000 in the quarter and $20,891,000, a decrease of $1,174,000 in the six months, with the decrease because of a significant install project at one quick service restaurant chain in last year's quarter. Our Frozen Beverage segment had an operating loss of $1,306,000 compared to operating income of $2,550,000 in last year's quarter and operating income for the six months was $146,000 this year and $4,724,000 last year primarily as a result of lower volume due to COVID-19 and relocation costs of our ICEE's headquarters of about $1.5 million in our second quarter and $2.3 million in the six months.

CONSOLIDATED

Gross profit as a percentage of sales was 25.53% in the second quarter and 28.68% last year. Gross profit as a percentage of sales was 26.54% in the six month period this year and 28.49% last year. Gross profit percentage decreased for both periods because of lower volume in our food service and frozen beverages segments in the second quarter, product mix changes and significant dropoff in production at the end of the second quarter due to COVID-19, although gross profit as a percentage of sales was lower prior to COVID-19 for both the quarter and six months primarily because of lower volume and product mix changes.

Total operating expenses increased $3,984,000 in the second quarter and as a percentage of sales increased to 21.5% from 19.7% last year. For the first half, operating expenses increased $5,361,000 and as a percentage of sales increased to 20.7% from 19.9% last year. Marketing expenses increased to 8.8% of sales in this year's quarter from 7.9% last year and were 8.4% in the six months compared to 7.9% of sales in last year's six months primarily because of increased spending in our retail supermarket and frozen beverages segments and because of lower sales in the second quarter (lower denominator) . Distribution expenses were 9.1% of sales in the second quarter and 8.0% of sales in last year's quarter and were 8.7% in this year's six months compared to 8.4% of sales in last year's six months primarily due to higher freight and storage costs and because of lower sales in the second quarter (lower denominator). Administrative expenses were 3.7% of sales in the second quarter compared to 3.6% of sales last year in the second quarter and were 3.6% in this year's six months compared to 3.5% of sales in last year's six months.

Operating income decreased $13,789,000 or 56% to $10,982,000 in the three months and decreased $14,168,000 or 30% to $32,685,000 in the first six months as a result of the aforementioned items. About $6.5 million of the decrease in operating income was in January and February primarily due to higher costs and lower volume in our foodservice segment and the $1.5 million of relocation costs in our frozen beverages segment.

We had an investment loss, net of income, of $413,000 in this year's quarter compared to investment income of $2,782,000 in last year's quarter. Investment income decreased to $1,373,000 from $3,822,000 in the six month periods. We had unrealized losses of $1,993,000 and $267,000 in the six months ended March 28, 2020 and March 30, 2019 respectively. We had unrealized losses of $2,064,000 in the three months ended March 28, 2020 and unrealized gains of $760,000 in the three months ended March 30, 2019.

Net earnings decreased $13,045,000, or 64%, in the current three month period to $7,309,000 and decreased $13,512,000, or 36%, to 24,368,000 for the six month period this year compared to $37,880,000 for the six month period last year.

Net earnings in last year's six months benefitted by a reduction of approximately $900,000 in tax as the provision for the one time repatriation tax as a result of the Tax Cuts and Job Act of 2017 was reduced as the amount recorded the year prior was an estimate. Excluding the reduction in the provision for the one time repatriation tax, our effective tax rate was 27.0% in last year's six months. Our effective tax rate was 28.3% in this year's six months.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

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 2017 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of March 28, 2020, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended March 28,2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit No.

31.1 & Certification Pursuant to Section 302 of
31.2 the Sarbanes-Oxley Act of 2002

99.5 & Certification Pursuant to the 18 U.S.C.
99.6 Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.1 The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, formatted in XBRL (extensible Business Reporting Language):
(i) Consolidated Balance Sheets,
(ii) Consolidated Statements of Earnings,
(iii) Consolidated Statements of Comprehensive Income,
(iv) Consolidated Statements of Cash Flows and
(v) the Notes to the Consolidated Financial Statements

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 1,2020

/s/ Gerald B. Shreiber
Gerald B. Shreiber
Chairman of the Board,
President, Chief Executive
Officer and Director
(Principal Executive Officer)

Dated: May 1,2020

/s/ Dennis G. Moore
Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis G. Moore, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 1, 2020

/s/ Dennis G. Moore
Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gerald B. Shreiber, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 1 , 2020

/s/ Gerald B. Shreiber
Gerald B. Shreiber
Chairman of the Board,
President, Chief Executive
Officer and Director
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 28, 2020 (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2020

/s/ Dennis G. Moore
Dennis G. Moore, Senior Vice
President, Chief Financial
Officer and Director
(Principal Financial Officer)
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 99.6

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 28, 2020 (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 1, 2020

/s/ Gerald B. Shreiber
Gerald B. Shreiber
Chairman of the Board,
President, Chief Executive
Officer and Director
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.