

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 December 29, 2001

or

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

Commission File Number:0-14616

J & J SNACK FOODS CORP.

(Exact name of registrant as specified in its charter)

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6000 Central Highway, Pennsauken, NJ 08109
(Address of principal executive offices)

Telephone (856) 665-9533

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

Yes No

As of January 15, 2002, there were 8,668,146 shares of the Registrant's Common Stock outstanding.

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets - December 29, 2001 (unaudited) and September 29, 2001	3
Consolidated Statements of Earnings - Three Months Ended December 29, 2001 and December 30, 2000 (unaudited)	5
Consolidated Statements of Cash Flows - Three Months Ended December 29, 2001 and December 30, 2000 (unaudited)	6
Notes to the Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of	

Operations	12
Item 3. Quantitative and Qualitative Disclosures About Market Risk	14
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K	15

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS	December 29, 2001 (Unaudited)	September 29, 2001
Current assets		
Cash and cash equivalents	\$ 3,280	\$ 7,437
Accounts receivable	31,939	37,018
Inventories	23,469	21,749
Prepaid expenses and other	1,494	1,197
	60,182	67,401
Property, plant and equipment, at cost		
Land	756	756
Buildings	5,456	5,456
Plant machinery and equipment	85,507	85,312
Marketing equipment	166,440	164,381
Transportation equipment	825	796
Office equipment	7,469	7,420
Improvements	15,033	15,182
Construction in progress	692	120
	282,178	279,423
Less accumulated deprecia- tion and amortization	181,299	174,667
	100,879	104,756
Other assets		
Goodwill, less accumulated amortization	45,850	45,850
Other intangible assets, less accumulated amortization	1,772	1,848
Long term investment securities held to maturity	1,420	1,515
Sundry	2,999	3,111
	52,041	52,324
	\$213,102	\$224,481

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS - Continued
(in thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 29, 2001	September 29, 2001
Current liabilities		
Current maturities of long-term debt	\$ 112	\$ 115
Accounts payable	20,451	24,515
Accrued liabilities	11,258	16,047
	31,821	40,677
Long-term debt, less current maturities	24,368	28,368
Deferred income taxes	9,228	9,228
Other long-term liabilities	101	65
	33,697	37,661
Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 5,000 shares; none issued	-	-
Common, no par value; authorized 25,000 shares; issued and outstanding, 8,654 and 8,636, respectively	29,969	29,421
Accumulated other comprehen- sive income	(1,570)	(1,641)
Retained earnings	119,185	118,363
	147,584	146,143
	\$213,102	\$224,481

See accompanying notes to the consolidated financial statements.

4

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share amounts)

	December 29, 2001	December 30, 2000
Net Sales	\$79,025	\$70,070
Cost of goods sold	42,356	36,052
Gross profit	36,669	34,018
Operating expenses		
Marketing	25,479	24,365
Distribution	6,273	6,305
Administrative	3,416	3,133
Amortization of goodwill	-	653
	35,168	34,456
Operating (loss) income	1,501	(438)
Other income (deductions)		
Investment income	66	81
Interest expense	(282)	(786)
Sundry	(21)	43

Earnings (loss) before income taxes	1,264	(1,100)
Income taxes	442	(407)
NET EARNINGS (LOSS)	\$ 822	\$ (693)
Earnings (loss) per diluted share	\$.09	\$ (.08)
Weighted average number of diluted shares	8,984	8,419
Earnings (loss) per basic share	\$.10	\$ (.08)
Weighted average number of basic shares	8,645	8,419

See accompanying notes to the consolidated financial statements

5

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

	December 29, 2001	December 30, 2000
Operating activities:		
Net earnings (loss)	\$ 822	\$ (693)
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	7,757	7,404
Amortization of goodwill, intangibles and deferred costs	202	844
Other adjustments	123	(9)
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	5,079	7,723
Increase in inventories	(1,720)	(3,232)
Increase in prepaid expenses	(297)	(638)
Decrease in accounts payable and accrued liabilities	(8,490)	(4,640)
Net cash provided by operating activities	3,476	6,759
Investing activities:		
Purchase of property, plant and equipment	(3,973)	(3,291)
Payments for purchases of companies, net of cash acquired and debt assumed	-	(9,414)
Proceeds from investments held to maturity	95	70
Other	26	119
Net cash used in investing activities	(3,852)	(12,516)
Financing activities:		
Proceeds from issuance of stock	222	34
Proceeds from borrowings	24,000	13,000
Payments to repurchase common stock	-	(1,400)
Payments of long-term debt	(28,003)	(4,025)
Net cash (used in) provided by financing activities	(3,781)	7,609
Net (decrease) increase in cash and cash equivalents	(4,157)	1,852
Cash and cash equivalents at beginning of period	7,437	1,379
Cash and cash equivalents at end of period	\$ 3,280	\$ 3,231

See accompanying notes to the consolidated financial statements

6

J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 In the opinion of management, the accompanying unaudited

consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows. Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net earnings.

The results of operations for the three months ended December 29, 2001 and December 30, 2000 are not necessarily indicative of results for the full year. Sales of the Company's retail stores are generally higher in the first quarter due to the holiday shopping season. Sales of the Company's frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the year ended September 29, 2001.

Note 2 The Company's calculation of earnings per share in accordance with SFAS No. 128, "Earnings Per Share," is as follows:

7			
Three Months Ended December 29, 2001			
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
(in thousands, except per share amounts)			
Basic EPS			
Net Earnings available to common stockholders	\$ 822	8,645	\$.10
Effect of Dilutive Securities Options	-	339	(.01)
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	\$ 822	8,984	\$.09
Three Months Ended December 30, 2000			
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
(in thousands, except per share amounts)			
Basic EPS			
Net Loss available to common stockholders	\$ (693)	8,419	\$ (.08)
Effect of Dilutive Securities Options*	-	-	-
Diluted EPS			
Net Income available to common stockholders plus assumed conversions	\$ (693)	8,419	\$ (.08)

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

Note 3 Inventories consist of the following:

	December 29, 2001	September 29, 2001
	(in thousands)	
Finished goods	\$11,556	\$ 9,965
Raw materials	2,611	2,509
Packaging materials	3,144	3,146
Equipment parts & other	6,158	6,129
	\$23,469	\$21,749

8

Note 4 Using the guidelines set forth in SFAS No. 131, the Company has two reportable segments: Snack Foods and Frozen Beverages. Snack Foods manufactures and distributes snack foods and bakery items. Frozen Beverages markets and distributes frozen beverage products. The segments are managed as strategic business units due to their distinct production processes and capital requirements.

The Company evaluates each segment's performance based on income or loss before taxes, excluding corporate and other unallocated expenses and non-recurring charges. Information regarding the operations in these reportable segments is as follows:

	Three Months Ended	
	December 29, 2001	December 30, 2000
	(in thousands)	
Sales:		
Snack Foods	\$ 55,045	\$ 49,993
Frozen Beverages	23,980	20,077
	\$ 79,025	\$ 70,070
Depreciation and Amortization:*		
Snack Foods	\$ 3,669	\$ 3,624
Frozen Beverages	4,290	3,971
	\$ 7,959	\$ 7,595
Earnings (loss) Before Goodwill Amortization and Taxes:		
Snack Foods	\$ 2,856	\$ 2,191
Frozen Beverages	(1,592)	(2,638)
	\$ 1,264	\$ (447)
Capital Expenditures:		
Snack Foods	\$ 1,495	\$ 1,731
Frozen Beverages	2,478	1,560
	\$ 3,973	\$ 3,291
Assets:		
Snack Foods	\$117,709	\$125,419
Frozen Beverages	95,393	96,854
	\$213,102	\$222,273

*Excludes amortization of goodwill

9

Note 5 On September 30, 2001, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Intangible Assets" (SFAS 142). SFAS 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, the Company no longer amortizes goodwill, thereby eliminating an annual amortization charge of approximately \$2,600,000.

The Company's two reporting units, which are also reportable segments, are Snack Foods and Frozen Beverages. Both segments have goodwill and indefinite lived intangible assets.

The carrying amount of acquired intangible assets for the Snack Foods

and Frozen Beverage segments as of December 29, 2001 are as follows:

	Gross Carrying Accumulated Amount Amortization (in thousands)	
SNACK FOODS		
Amortized intangible assets		
Licenses and rights	\$2,086	\$420
FROZEN BEVERAGES		
Amortized intangible assets		
Licenses and rights	\$ 201	\$ 95

Licenses and rights are being amortized by the straight-line method over periods ranging from 4 to 20 years and amortization expense is reflected throughout operating expenses. There were no changes in the gross carrying amount of intangible assets for the three months ended December 29, 2001. Additionally, the Company did not record any transition intangible asset impairment loss upon adoption of SFAS 142. Aggregate amortization expense of intangible assets for the 3 months ended December 29, 2001 and December 30, 2000 was \$76,000 and \$28,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately \$300,000 in 2002, 2003 and 2004, \$200,000 in 2005 and \$150,000 in 2006.

10

Goodwill

The carrying amounts of goodwill for the Snack Foods and Frozen Beverage segments are as follows:

	Snack Foods	Frozen Beverages	Total
	(in thousands)		
Balance at December 29, 2001	\$14,679	\$31,171	\$45,850

There were no changes in the carrying amount of goodwill for the three months ended December 29, 2001.

The Company will complete documentation of its transitional goodwill impairment tests by the end of the second quarter of 2002. Currently, management does not anticipate it will record any transitional goodwill impairment loss as a result of its adoption of SFAS 142.

Reported net income for the three months ended December 29, 2001 and December 30, 2000, exclusive of amortization expense that is related to goodwill that is no longer being amortized, would have been:

	For the Three Months Ended December 29, December 30, 2001 2000 (\$000's except for earnings per share amounts)	
Reported net earnings (loss)	\$822	\$(693)
Add back: Goodwill amortization	-	412
Adjusted net earnings (loss)	\$822	\$(281)
Basic earnings per share:		
Reported net earnings (loss)	\$.10	\$(.08)
Goodwill amortization	-	.05
Adjusted net earnings (loss)	\$.10	\$(.03)
Diluted earnings per share:		
Reported net earnings (loss)	\$.09	\$(.08)
Goodwill amortization	-	.05
Adjusted net earnings (loss)	\$.09	\$(.03)

Note 6 Subsequent to the end of the quarter and prior to

the filing of this 10-Q, KMart Corporation filed for chapter 11 bankruptcy protection. The Company does not anticipate a significant impact to its liquidity or results of operations as a result of the filing.

11

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

Liquidity and Capital Resources

The Company's current cash and marketable securities balances and cash expected to be provided by future operations are its primary sources of liquidity. The Company believes that these sources, along with its borrowing capacity, are sufficient to fund future growth and expansion.

In the quarters ended December 29, 2001 and December 30, 2000 fluctuations in the valuation of the Mexican peso caused an increase of \$71,000 and a decrease of \$38,000 in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen beverage subsidiary.

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

Subsequent to September 29, 2001 and prior to the issuance of these financial statements, the Company refinanced its general-purpose bank credit line. The outstanding balance under this facility was \$23,000,000 at September 29, 2001. The new agreement provided for up to a \$50,000,000 revolving credit facility repayable in three years, with the availability of repayments without penalty. The new agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice.

In December 2001, the Company borrowed \$5,000,000 on its general-purpose bank credit line to pay off early its \$5,000,000 7.25% redeemable economic development revenue bond payable December 2005.

Results of Operations

Net sales increased \$8,955,000 or 13% for the three months ended December 29, 2001 compared to the three months ended December 30, 2000. Excluding sales resulting from the acquisition of Uptown Bakeries, sales increased approximately 9% compared to the year ago period.

12

SNACK FOODS

Sales to food service customers increased \$5,902,000 or 21% in the first quarter to \$33,879,000. Excluding sales from acquisitions, food service sales increased approximately 13% from last year. Soft pretzel sales increased \$1,465,000 or 10% from last year to \$15,670,000 in this year's quarter due to sales of recently introduced PRETZEL FILLERS. Excluding sales from the Uptown acquisition, soft pretzel sales would have been up approximately 8% from a year ago. Italian ice and frozen juice treat and dessert sales increased 18% to \$5,046,000 in the three months due to increased sales to school food service customers. Churro sales to food service customers increased 1% to \$2,852,000 in the quarter. Cookie sales increased 40% to \$5,194,000 from \$3,704,000 last year due to increased distribution.

Sales of products to retail supermarkets decreased \$90,000 or 1% in the first quarter. Soft pretzel sales for the first quarter were down 2% to \$6,629,000. Sales of our flagship SUPERPRETZEL brand soft pretzels decreased 2% in the first quarter. Sales of frozen juices and ices increased \$87,000 or 2% to \$3,943,000 in the quarter.

Bakery sales decreased \$209,000 or 3% to \$7,246,000 in the first quarter due to decreased unit sales to one customer. Sales of our Bavarian Pretzel Bakery decreased \$551,000 or 14% to \$3,413,000

in the quarter from last year due to decreased mall traffic and the closing of unprofitable stores.

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

FROZEN BEVERAGES

Frozen beverage and related product sales increased \$3,903,000 or 19% to \$23,980,000 in the first quarter. Beverage sales alone increased 4% to \$17,918,000 and gross profit on beverage sales increased 6%. Service and lease revenue increased \$833,000 or 33% from the first quarter of fiscal year 2001 and equipment sales increased from \$678,000 last year to \$2,894,000 this year.

CONSOLIDATED

Gross profit as a percentage of sales decreased to 46% in this year's first quarter from 49% last year. The decrease in gross profit percentage is due to the inclusion of Uptown Bakeries, which has a low gross profit percentage

13

relative to the balance of the Company's business, for an entire quarter and the increase in low margin Frozen Beverage equipment sales.

Total operating expenses increased \$712,000 in the first quarter but as a percentage of sales decreased to 45% from 49% in last year's same quarter. Marketing expenses decreased to 32% of sales from 35% in last year's quarter due to the inclusion of Uptown Bakeries, which had no significant marketing expenses, the increase in Frozen Beverage equipment sales and lower spending as a percent of sales in our food service and retail supermarket businesses. Distribution expenses decreased to 8% of sales this year from 9% last year due to the inclusion of Uptown Bakeries, which has no distribution costs, for the full quarter, Frozen Beverage equipment sales and lower fuel costs. Administrative expenses as a percent of sales remained at 4% compared to last year. Amortization of goodwill ceased as a result of the adoption of SFAS 142 this year.

Operating income of \$1,501,000 in this year's first quarter compared to an operating loss of \$438,000 in last year's quarter.

Interest expense decreased \$504,000 from last year's quarter to \$282,000 this year due to decreased debt and lower interest rates.

The effective income tax rate has been estimated at 35% this year compared to 37% in last year's quarter. The reduction is due to the impact of the adoption of SFAS 142 and other factors.

Net earnings of \$822,000 in this year's first quarter compared to a net loss of \$693,000 in the year ago period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 1998 annual report on Form 10-K filed with the SEC.

14

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- a) Exhibits - None
- b) Reports on Form 8-K - There were no reports on Form 8-K for the three months ended December 29, 2001.

SIGNATURES

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

J & J SNACK FOODS CORP.

Dated: January 23, 2002 /s/ Gerald B. Shreiber
Gerald B. Shreiber
President

Dated: January 23, 2002 /s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer

