

J&J SNACK FOODS CORP
Form 10-Q
January 22, 2009

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 27, 2008

or

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

Commission File Number: 0-14616

J & J SNACK FOODS CORP.
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

22-1935537
(I.R.S. Employer
Identification No.)

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

Telephone (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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 January 19, 2009, there were 18,342,024 shares of the Registrant's Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	December 27, 2008 (Unaudited)	September 27, 2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 37,028	\$ 44,265
Marketable securities held to maturity	13,195	2,470
Auction market preferred stock	19,900	14,000
Accounts receivable, net	49,693	61,853
Inventories, net	50,339	49,095
Prepaid expenses and other	2,328	1,962
Deferred income taxes	3,530	3,555
	176,013	177,200
Property, plant and equipment, at cost		
Land	1,416	1,416
Buildings	8,672	8,672
Plant machinery and equipment	125,322	124,591
Marketing equipment	195,468	195,878
Transportation equipment	2,779	2,878
Office equipment	10,918	10,820
Improvements	17,705	17,694
Construction in progress	4,014	2,215
	366,294	364,164
Less accumulated depreciation and amortization	274,396	271,100
	91,898	93,064
Other assets		
Goodwill	60,314	60,314
Other intangible assets, net	52,506	53,633
Marketable securities held to maturity	5,220	-
Auction market preferred stock	-	21,200
Other	2,580	2,997
	120,620	138,144
	\$ 388,531	\$ 408,408

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued
(in thousands)

	December 27, 2008 (unaudited)	September 27, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current obligations under capital leases	\$ 94	93
Accounts payable	41,496	48,580
Accrued liabilities	7,276	5,557
Accrued compensation expense	6,411	10,232
Dividends payable	1,786	1,732
	57,063	66,194
Long-term obligations under capital leases		
	357	381
Deferred income taxes	23,056	23,056
Other long-term liabilities	1,955	1,999
	25,368	25,436
Stockholders' equity		
Capital stock		
Preferred, \$1 par value; authorized, 10,000 shares; none issued	-	-
Common, no par value; authorized 50,000 shares; issued and outstanding, 18,322 and 18,748 shares, respectively	36,641	48,415
Accumulated other comprehensive loss	(3,440)	(2,003)
Retained earnings	272,899	270,366
	306,100	316,778
	\$ 388,531	\$ 408,408

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	Three Months Ended	
	December 27, 2008	December 29, 2007
Net Sales	\$ 141,142	\$ 130,898
Cost of goods sold(1)	100,460	95,511
Gross profit	40,682	35,387
Operating expenses		
Marketing(2)	16,440	15,893
Distribution(3)	11,774	12,116
Administrative(4)	5,613	5,063
Other general expense (income)	24	(21)
	33,851	33,051
Operating income	6,831	2,336
Other income (expenses)		
Investment income	461	814
Interest expense and other	(29)	(35)
Earnings before income taxes	7,263	3,115
Income taxes	2,944	1,218
NET EARNINGS	\$ 4,319	\$ 1,897
Earnings per diluted share	\$.23	\$.10
Weighted average number of diluted shares	18,774	19,076
Earnings per basic share	\$.23	\$.10
Weighted average number of basic shares	18,616	18,769

- (1) Includes share-based compensation expense of \$79 and \$51 for the three months ended December 27, 2008 and December 29, 2007, respectively.
- (2) Includes share-based compensation expense of \$261 and \$183 for the three months ended December 27, 2008 and December 29, 2007, respectively.
- (3) Includes share-based compensation expense of \$8 and \$5 for the three months ended December 27, 2008 and December 29, 2007, respectively.
- (4)

Includes share-based compensation expense of \$255 and \$185 for the three months ended December 27, 2008 and December 29, 2007, respectively.

See accompanying notes to the consolidated financial statements.

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

	Three Months Ended	
	December 27, 2008	December 29, 2007
Operating activities:		
Net earnings	\$ 4,319	\$ 1,897
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	5,495	5,420
Amortization of intangibles and deferred costs	1,276	1,340
Share-based compensation	603	424
Deferred income taxes	(8)	(75)
Other	(11)	3
Changes in assets and liabilities, net of effects from purchase of companies		
Decrease in accounts receivable	11,968	12,649
Increase in inventories	(1,387)	(1,589)
Increase in prepaid expenses	(381)	(807)
Decrease in accounts payable and accrued liabilities	(8,921)	(8,503)
Net cash provided by operating activities	12,953	10,759
Investing activities:		
Purchase of property, plant and equipment	(4,496)	(6,506)
Purchase of marketable securities	(16,135)	-
Proceeds from redemption and sales of marketable securities	190	-
Purchase of auction market preferred stock	-	(10,500)
Proceeds from redemption and sales of auction market preferred stock	15,300	4,000
Proceeds from disposal of property and equipment	71	88
Other	2	(47)
Net cash used in investing activities	(5,068)	(12,965)
Financing activities:		
Payments to repurchase common stock	(12,510)	-
Proceeds from issuance of common stock	126	113
Payments on capitalized lease obligations	(23)	(23)
Payments of cash dividend	(1,732)	(1,588)
Net cash used in financing activities	(14,139)	(1,498)
Effect of exchange rate on cash and cash equivalents	(983)	51
Net decrease in cash and cash equivalents	(7,237)	(3,653)
Cash and cash equivalents at beginning of period	44,265	15,819
Cash and cash equivalents at end of period	\$ 37,028	\$ 12,166

See accompanying notes to the consolidated financial statements.

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

Note In the opinion of management, the accompanying unaudited consolidated financial statements contain all
1 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 27, 2008 and December 29, 2007 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.

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 our Annual Report on Form 10-K for the fiscal year ended September 27, 2008.

Note We recognize revenue from Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage
2 products at the time the products are shipped to third parties. When we perform services under service contracts for frozen beverage dispenser machines, revenue is recognized upon the completion of the services on specified machines. We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors.

Note Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated
3 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 3 to 20 years.

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

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	Three Months Ended December 27, 2008		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	\$ 4,319	18,616	\$.23
Effect of Dilutive Securities			
Options	-	158	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	\$ 4,319	18,774	\$.23

261,595 anti-dilutive shares have been excluded from the computation of diluted EPS because the options' exercise price is greater than the average market price of the common stock.

	Three Months Ended December 29, 2007		
	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	\$ 1,897	18,769	\$.10
Effect of Dilutive Securities			
Options	-	307	-
Diluted EPS			
Net Earnings available to common stockholders plus assumed conversions	\$ 1,897	19,076	\$.10

148,450 anti-dilutive shares have been excluded from the computation of diluted EPS because the options' exercise price is greater than the average market price of the common stock.

Note The Company follows FASB Statement No. 123(R), "Share-Based Payment". Statement 123(R) requires that the
5 compensation cost relating to share-based payment transactions be recognized in financial statements. That cost is measured based on the fair value of the equity or liability instruments issued.

Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

In addition to the accounting standard that sets forth the financial reporting objectives and related accounting principles, Statement 123(R) includes an appendix of implementation guidance that provides expanded guidance on measuring the fair value of share-based payment awards.

At December 27, 2008, the Company has three stock-based employee compensation plans. Share-based compensation was recognized as follows:

Three months ended	
December 27, 2008	December 29, 2007
(in thousands, except per share amounts)	