

J&J SNACK FOODS CORP  
Form 10-Q  
April 28, 2014  
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 29, 2014

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 22-1935537  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer () Accelerated filer ()

Non-accelerated filer () Smaller reporting company ()  
(Do not check if a smaller reporting company)

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

Yes

No

As April 21, 2014 there were 18,701,116 shares of the Registrant's Common Stock outstanding.

1

---

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets March 29, 2014 (unaudited) and September 28, 2013	3
Consolidated Statements of Earnings (unaudited) – Three and Six Months Ended March 29, 2014 and March 30, 2013	4
Consolidated Statements of Comprehensive Income (unaudited) – Three and Six Months Ended March 29, 2014 and March 30, 2013	5
Consolidated Statements of Cash Flows (unaudited) – Six Months Ended March 29, 2014 and March 30, 2013	6
Notes to the Consolidated Financial Statements (unaudited)	7
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
Part II. Other Information	
Item 6. Exhibits	24

**J & J SNACK FOODS CORP. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)

	<b>March 29, 2014</b>	<b>September 28, 2013</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 77,301	\$ 97,345
Marketable securities held to maturity	-	256
Accounts receivable, net	86,870	87,545
Inventories, net	76,752	71,785
Prepaid expenses and other	3,918	3,284
Deferred income taxes	4,638	4,502
Total current assets	249,479	264,717
Property, plant and equipment, at cost		
Land	2,496	2,496
Buildings	26,741	26,741
Plant machinery and equipment	188,172	179,331
Marketing equipment	252,260	244,770
Transportation equipment	6,730	5,953
Office equipment	17,847	16,282
Improvements	26,231	24,917
Construction in progress	4,600	9,952
	525,077	510,442
Less accumulated depreciation and amortization	369,822	363,278
	155,255	147,164
Other assets		
Goodwill	84,615	76,899
Other intangible assets, net	42,575	44,012
Marketable securities held to maturity	2,000	2,000
Marketable securities available for sale	128,740	107,664
Other	3,330	3,205
	261,260	233,780
	\$ 665,994	\$ 645,661
<b>Liability and Stockholder's Equity</b>		
Current Liabilities		
Current obligations under capital leases	\$ 212	\$ 211

Edgar Filing: J&J SNACK FOODS CORP - Form 10-Q

Accounts payable	54,226	50,906
Accrued insurance liability	10,044	9,954
Accrued income taxes	465	1,740
Accrued liabilities	4,913	3,769
Accrued compensation expense	10,153	13,671
Dividends payable	5,983	2,988
Total current liabilities	85,996	83,239
Long-term obligations under capital leases	430	136
Deferred income taxes	45,132	45,183
Other long-term liabilities	536	538
<b>Stockholders' Equity</b>		
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 18,701,000 and 18,677,000 respectively	36,712	34,516
Accumulated other comprehensive loss	(4,777 )	(5,930 )
Retained Earnings	501,965	487,979
	533,900	516,565
	\$ 665,994	\$ 645,661

The accompanying notes are an integral part of these statements.

## J &amp; J SNACK FOODS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(in thousands, except per share amounts)

	Three months ended		Six months ended	
	March	March	March	March
	29,	30,	29,	30,
	2014	2013	2014	2013
Net Sales	\$205,321	\$201,326	\$408,844	\$392,734
Cost of goods sold <sup>(1)</sup>	144,208	143,175	287,825	280,448
Gross Profit	61,113	58,151	121,019	112,286
Operating expenses				
Marketing <sup>(2)</sup>	17,519	16,809	35,551	33,945
Distribution <sup>(3)</sup>	16,382	15,713	32,502	31,113
Administrative <sup>(4)</sup>	6,781	6,460	13,765	13,059
Other general expense (income)	99	10	898	(51 )
	40,781	38,992	82,716	78,066
Operating Income	20,332	19,159	38,303	34,220
Other income (expense)				
Investment income	976	896	2,114	1,672
Interest expense & other	(27 )	(28 )	(63 )	(53 )
Earnings before income taxes	21,281	20,027	40,354	35,839
Income taxes	7,760	7,367	14,407	12,953
NET EARNINGS	\$13,521	\$12,660	\$25,947	\$22,886
Earnings per diluted share	\$0.72	\$0.67	\$1.38	\$1.21
Weighted average number of diluted shares	18,819	18,886	18,806	18,878
Earnings per basic share	\$0.72	\$0.67	\$1.39	\$1.22
Weighted average number of basic shares	18,693	18,800	18,686	18,803

- (1) Includes share-based compensation expense of \$117 and \$235 for the three months and six months ended March 29, 2014, respectively and \$102 and \$227 for the three months and six months ended March 30, 2013.
- (2) Includes share-based compensation expense of \$170 and \$340 for the three months and six months ended March 29, 2014, respectively and \$137 and \$310 for the three months and six months ended March 30, 2013.
- (3) Includes share-based compensation expense of \$11 and \$21 for the three months and six months ended March 29, 2014, respectively and \$7 and \$15 for the three months and six months ended March 30, 2013.
- (4) Includes share-based compensation expense of \$227 and \$453 for the three months and six months ended March 29, 2014, respectively and \$163 and \$364 for the three months and six months ended March 30, 2013.

See accompanying notes to the consolidated financial statements



## J&amp;J SNACK FOODS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three months ended		Six months ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net Earnings	\$13,521	\$12,660	\$25,947	\$22,886
Foreign currency translation adjustments	(172 )	570	(276 )	447
Unrealized holding gain on marketable securities	956	166	1,429	184
Total Other Comprehensive Income, net of tax	784	736	1,153	631
Comprehensive Income	\$14,305	\$13,396	\$27,100	\$23,517

All amounts are net of tax.

## J &amp; J SNACK FOODS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited) (in thousands)

	Six months ended March 29,  2014	March 30,  2013
Operating activities:		
Net earnings	\$ 25,947	\$ 22,886
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of fixed assets	15,591	13,864
Amortization of intangibles and deferred costs	2,511	2,388
Share-based compensation	1,049	916
Deferred income taxes	(189 )	(86 )
Loss on sale of marketable securities	296	-
Other	(126 )	(63 )
Changes in assets and liabilities net of effects from purchase of companies		
Decrease(increase)in accounts receivable	636	(2,797 )
Increase in inventories	(5,106 )	(5,090 )
Increase in prepaid expenses	(633 )	(920 )
Decrease in accounts payable and accrued liabilities	(889 )	(2,543 )
Net cash provided by operating activities	39,087	28,555
Investing activities:		
Payment for purchases of of companies, net of cash acquired	(11,000 )	-
Purchases of property, plant and equipment	(20,825 )	(15,557 )
Purchases of marketable securities	(25,747 )	(83,342 )

Edgar Filing: J&J SNACK FOODS CORP - Form 10-Q

Proceeds from redemption and sales of marketable securities	6,060		23,478	
Proceeds from disposal of property and equipment	815		493	
Other	(92	)	(36	)
Net cash used in investing activities	(50,789	)	(74,964	)
Financing activities:				
Payments to repurchase common stock	-		(2,763	)
Proceeds from issuance of stock	1,023		2,576	
Payments on capitalized lease obligations	(204	)	(177	)
Payment of cash dividend	(8,966	)	(5,449	)
Net cash used in financing activities	(8,147	)	(5,813	)
Effect of exchange rate on cash and cash equivalents	(195	)	362	
Net decrease in cash and cash equivalents	(20,044	)	(51,860	)
Cash and cash equivalents at beginning of period	97,345		154,198	
Cash and cash equivalents at end of period	\$ 77,301		\$ 102,338	

See accompanying notes to the consolidated financial statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

In the opinion of management, the accompanying unaudited consolidated financial statements contain all Note adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position  
1 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 and six months ended March 29, 2014 and March 30, 2013 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 our 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 the Company's Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

We recognize revenue from our products when the products are shipped to our customers. Repair and maintenance equipment service revenue is recorded when it is performed provided the customer terms are that the customer is to be charged on a time and material basis or on a straight-line basis over the term of the contract when the customer has signed a service contract. Revenue is recognized only where persuasive evidence of an  
Note arrangement exists, our price is fixed or estimable and collectability is reasonably assured. We record offsets to  
2 revenue for allowances, end-user pricing adjustments, trade spending, coupon redemption costs and returned product. Customers generally do not have the right to return product unless it is damaged or defective. We provide an allowance for doubtful receivables after taking into consideration historical experience and other factors. The allowance for doubtful receivables was \$820,000 and \$854,000 at March 29, 2014 and September 28, 2013, respectively.

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  
Note 3 relationships and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 3 to 20 years. Depreciation expense was \$7,903,000 and \$7,074,000 for the three months ended March 29, 2014 and March 30, 2013, respectively, and for the six months ended March 29, 2014 and March 30, 2013 was \$15,591,000 and \$13,864,000 respectively.



Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to  
 Note common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes  
 4 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 29, 2014		
	Income	Shares	Per Share
	(Numerator)		(Denominator)
	Amount		
	(in thousands, except per share amounts)		
<b>Basic EPS</b>			
Net Earnings available to common stockholders	\$ 13,521	18,693	\$ 0.72
<b>Effect of Dilutive Securities</b>			
Options	-	126	-
<b>Diluted EPS</b>			
Net Earnings available to common stockholders plus assumed conversions	\$ 13,521	18,819	\$ 0.72
	Six Months Ended March 29, 2014		
	Income	Shares	Per Share
	(Numerator)		(Denominator)
	Amount		
	(in thousands, except per share amounts)		
<b>Basic EPS</b>			
Net Earnings available to common stockholders	\$ 25,947	18,686	\$ 1.39
<b>Effect of Dilutive Securities</b>			
Options	-	120	(0.01 )
<b>Diluted EPS</b>			
Net Earnings available to common stockholders plus assumed conversions	\$ 25,947	18,806	\$ 1.38



	Three Months Ended March 30, 2013		
	Income	Shares	Per Share
	(Numerator)		(Denominator) Amount
	(in thousands, except per share amounts)		
<b>Basic EPS</b>			
Net Earnings available to common stockholders	\$ 12,660	18,800	\$ 0.67
<b>Effect of Dilutive Securities</b>			
Options	-	86	-
<b>Diluted EPS</b>			
Net Earnings available to common stockholders plus assumed conversions	\$ 12,660	18,886	\$ 0.67

	Six Months Ended March 30, 2013		
	Income	Shares	Per Share
	(Numerator)		(Denominator) Amount
	(in thousands, except per share amounts)		
<b>Basic EPS</b>			
Net Earnings available to common stockholders	\$ 22,886	18,803	\$ 1.22
<b>Effect of Dilutive Securities</b>			
Options	-	75	(0.01 )
<b>Diluted EPS</b>			
Net Earnings available to common stockholders plus assumed conversions	\$ 22,886	18,878	\$ 1.21

Note 5 At March 29, 2014, the Company has three stock-based employee compensation plans. Share-based compensation was recognized as follows:



	Three months ended		Six months ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
	(in thousands, except per share amounts)			
Stock Options	\$388	\$215	\$700	\$390
Stock purchase plan	48	45	177	137
Stock issued to outside directors	-	12	-	24
Restricted stock issued to an employee	4	5	8	9
	\$440	\$277	\$885	\$560
Per diluted share	\$0.02	\$0.01	\$0.05	\$0.03
The above compensation is net of tax benefits	\$85	\$132	\$164	\$356

The Company anticipates that share-based compensation will not exceed \$1.7 million net of tax benefits, or approximately \$.09 per share for the fiscal year ending September 27, 2014.

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 2014 first six months: expected volatility of 20.6%; risk-free interest rate of 1.4%; dividend rate of .8% and expected lives of 5 years.

During the 2014 six month period, the Company granted 98,975 stock options. The weighted-average grant date fair value of these options was \$15.21. During the 2013 six month period, the Company granted 1,100 stock options. The weighted-average grant date fair value of these options was \$12.24.

Expected volatility is based on the historical volatility of the price of our common shares over the past 55 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.

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 \$420,000 and \$438,000 on March 29, 2014 and September 28, 2013, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to income tax matters as a part of the provision for income taxes. As of March 29, 2014 and September 28, 2013, respectively, the Company has \$222,000 and \$224,000 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.

Note 7 In February 2013, the FASB issued guidance which requires us to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, we are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts not required under U.S. GAAP to be reclassified in their entirety to net income, we are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This guidance was effective for our fiscal year 2014 first quarter and its adoption did not have a material impact on our financial statements.

Note 8 Inventories consist of the following:

	March 29, 2014 (unaudited) (in thousands)	September 28, 2013
Finished goods	\$36,296	\$ 33,013
Raw Materials	14,530	14,489
Packaging materials	6,428	5,937
Equipment parts & other	19,498	18,346
	\$76,752	\$ 71,785
The above inventories are net of reserves	\$4,544	\$ 4,449

We principally sell our products to the food service and retail supermarket industries. Sales and results of our Note frozen beverages business are monitored separately from the balance of our food service business because of 9 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.

We have applied no aggregation criteria to any of these operating segments in order to determine reportable segments. 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 (loss). 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 by the retail supermarket segment 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, WHOLE FRUIT Sorbet, ICEE Squeeze-Up Tubes, dough enrobed handheld products and TIO PEPE'S Churros. 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, ARCTIC BLAST,

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. 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. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Six months ended	
	March	March	March	March
	29,	30,	29,	30,
	2014	2013	2014	2013
	(unaudited)			
	(in thousands)			
Sales to External Customers:				
Food Service				
Soft pretzels	\$38,815	\$35,337	\$78,123	\$67,931
Frozen juices and ices	11,857	10,122	20,086	17,649
Churros	13,430	14,067	27,381	27,874
Handhelds	5,712	6,938	12,116	13,252
Bakery	66,169	67,084	135,245	135,389
Other	2,346	1,845	4,158	3,485
	\$138,329	\$135,393	\$277,109	\$265,580
Retail Supermarket				
Soft pretzels	\$10,309	\$10,046	\$19,224	\$18,624
Frozen juices and ices	8,402	8,998	14,825	15,468
Handhelds	4,815	5,117	10,102	11,430
Coupon redemption	(689 )	(754 )	(1,369 )	(1,543 )
Other	213	146	432	277
	\$23,050	\$23,553	\$43,214	\$44,256

Edgar Filing: J&J SNACK FOODS CORP - Form 10-Q

Frozen Beverages				
Beverages	\$26,713	\$25,183	\$51,902	\$50,480
Repair and maintenance service	13,135	12,710	26,744	24,552
Machines sales	3,759	3,945	9,282	6,993
Other	335	542	593	873
	\$43,942	\$42,380	\$88,521	\$82,898
Consolidated Sales	\$205,321	\$201,326	\$408,844	\$392,734
Depreciation and Amortization:				
Food Service	\$5,233	\$4,717	\$10,372	\$9,226
Retail Supermarket	8	7	16	15
Frozen Beverages	3,921	3,541	7,714	7,011
	\$9,162	\$8,265	\$18,102	\$16,252
Operating Income:				
Food Service	\$17,562	\$15,363	\$32,713	\$27,960
Retail Supermarket	2,602	2,404	4,566	3,974
Frozen Beverages	168	1,392	1,024	2,286
	\$20,332	\$19,159	\$38,303	\$34,220
Capital Expenditures:				
Food Service	\$4,991	\$4,682	\$10,839	\$9,942
Retail Supermarket	-	-	-	-
Frozen Beverages	6,517	3,394	9,986	5,615
	\$11,508	\$8,076	\$20,825	\$15,557
Assets:				
Food Service	\$505,745	\$471,807	\$505,745	\$471,807
Retail Supermarket	6,051	6,082	6,051	6,082
Frozen Beverages	154,198	141,944	154,198	141,944
	\$665,994	\$619,833	\$665,994	\$619,833

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 29, 2014 and September 29, 2013 are as follows:

	<b>March 29, 2014</b>		<b>September 28, 2013</b>	
	<b>Gross</b>		<b>Gross</b>	
	<b>Carrying</b>	<b>Accumulated</b>	<b>Carrying</b>	<b>Accumulated</b>
	<b>Amount</b>	<b>Amortization</b>	<b>Amount</b>	<b>Amortization</b>
	<b>(in thousands)</b>			
<b>FOOD SERVICE</b>				
Indefinite lived intangible assets				
Trade Names	\$13,072	\$ -	\$12,880	\$ -
Amortized intangible assets				
Non compete agreements	592	493	545	478
Customer relationships	40,797	28,051	40,187	26,187
License and rights	3,606	2,661	3,606	2,614
	\$58,067	\$ 31,205	\$57,218	\$ 29,279
<b>RETAIL SUPERMARKETS</b>				
Indefinite lived intangible assets				
Trade Names	\$4,006	\$ -	\$4,006	\$ -
Amortized Intangible Assets				
Customer relationships	279	78	279	62
	\$4,285	\$ 78	\$4,285	\$ 62
<b>FROZEN BEVERAGES</b>				
Indefinite lived intangible assets				
Trade Names	\$9,315	\$ -	\$9,315	\$ -
Amortized intangible assets				
Non compete agreements	198	198	198	198
Customer relationships	6,478	5,139	6,478	4,830
Licenses and rights	1,601	749	1,601	714
	\$17,592	\$ 6,086	\$17,592	\$ 5,742



CONSOLIDATED                      \$79,944   \$ 37,369                      \$79,095   \$ 35,083

Amortized intangible assets are being amortized by the straight-line method over periods ranging from 3 to 20 years and amortization expense is reflected throughout operating expenses. Intangible assets of \$849,000 were acquired in the food service segment in the New York Pretzel acquisition in the three months ended December 28, 2013.

Aggregate amortization expense of intangible assets for the three months ended March 29, 2014 and March 30, 2013 was \$1,143,000 and \$1,113,000, respectively and for the six months ended March 29, 2014 and March 30, 2013 was \$2,286,000 and \$2,232,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately \$4,600,000 in 2014, \$4,500,000 in 2015 and \$4,300,000 in 2016, \$1,800,000 in 2017 and \$1,000,000 in 2018. The weighted average amortization period of the intangible assets is 10.1 years.

Goodwill

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

	Food Service (in thousands)	Retail Supermarket	Frozen Beverages	Total
Balance at March 29, 2014	\$46,831	\$ 1,844	\$ 35,940	\$84,615

Goodwill of \$7,716,000 was acquired in the New York Pretzel acquisition in the three months ended December 28, 2013, all of which was allocated to the food service segment.

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 Note 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 values are derived solely from level 1 inputs.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at March 29, 2014 are summarized as follows:

	Amortized Cost (in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
US Government Agency Debt	\$2,000	-	\$ 32	\$1,968
	\$2,000	\$ -	\$ 32	\$1,968

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at March 29, 2014 are summarized as follows:

	Amortized Cost (in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Mutual Funds	\$129,538	\$ 779	\$ 1,577	\$128,740
	\$129,538	\$ 779	\$ 1,577	\$128,740

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The funds 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 unrealized losses of \$1,577,000 are spread over 22 funds with total fair market value of \$82.2 million.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 28, 2013 are summarized as follows:

	<b>Amortized</b>	<b>Gross</b>	<b>Gross</b>	<b>Fair</b>
	<b>Cost</b>	<b>Unrealized</b>	<b>Unrealized</b>	<b>Market</b>
		<b>Gains</b>	<b>Losses</b>	<b>Value</b>
	<b>(in thousands)</b>			
US Government Agency Debt	\$2,000	\$ -	\$ 50	\$ 1,950
Certificates of Deposit	256	-	-	256
	\$2,256	\$ -	\$ 50	\$ 2,206

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 28, 2013 are summarized as follows:

	Amortized Cost (in thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Mutual Funds	\$ 109,891	\$ 254	\$ 2,481	\$ 107,664
	\$ 109,891	\$ 254	\$ 2,481	\$ 107,664

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at March 29, 2014 and September 28, 2013 are summarized as follows:

	March 29, 2014		September 28, 2013	
	Amortized Cost	Fair Market Value (in thousands)	Amortized Cost	Fair Market Value
Due in one year or less	\$-	\$ -	\$256	\$ 256
Due after one year through five years	-	-	-	-
Due after five years through ten years	2,000	1,968	2,000	1,950
Total held to maturity securities	\$2,000	\$ 1,968	\$2,256	\$ 2,206
Less current portion	-	-	256	256
Long term held to maturity securities	\$2,000	\$ 1,968	\$2,000	\$ 1,950

Proceeds from the redemption and sale of marketable securities were \$565,000 and \$6,060,000 in the three and six months ended March 29, 2014 respectively, and \$23,238,000 and \$23,478,000 in the three and six months ended March 30, 2013, respectively. Losses of \$36,000 and \$296,000 were recorded in the three and six months ended March 29, 2014, respectively, and none were recorded last year. We use the specific identification method to determine the cost of securities sold.

In June 2012, we acquired the assets of Kim & Scott's Gourmet Pretzels, Inc., a manufacturer and seller of a Note premium brand soft pretzel. This business had sales of approximately \$8 million over the prior twelve months to 12 food service and retail supermarket customers and had sales of approximately \$1.8 million in our 2012 fiscal year from the acquisition date.

In October 2013, we acquired the assets of New York Pretzel, a manufacturer and distributor of soft pretzels selling primarily in the northeast to foodservice and retail locations. Of the purchase price of \$11.8 million, \$849,000 was allocated to intangible assets, \$7,716,000 was allocated to goodwill and \$3,049,000 was allocated to property, plant and equipment.

These acquisitions were and will be accounted for under the purchase method of accounting, and their operations are and will be included in the consolidated financial statements from their respective acquisition dates.

The goodwill and intangible assets acquired in the business combinations are recorded at fair value. To measure fair value for such assets, we use techniques including discounted expected future cash flows (Level 3 input).

Note 13 Changes to the components of accumulated other comprehensive loss are as follows:

	Three Months Ended March 29, 2014 (unaudited) (in thousands)			Six Months Ended March 29, 2014 (unaudited) (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Loss on Marketable Securities	Total	Foreign Currency Translation Adjustments	Unrealized Holding Loss on Marketable Securities	Total
Beginning Balance	\$(3,807)	\$ (1,754 )	\$(5,561)	\$(3,703)	\$ (2,227 )	\$(5,930)
Other comprehensive income (loss) before reclassifications	(172 )	914	742	(276 )	1,126	850
Amounts reclassified from accumulated other comprehensive income	-	42	42	-	303	303
Ending Balance	\$(3,979)	\$ (798 )	\$(4,777)	\$(3,979)	\$ (798 )	\$(4,777)

All amounts are net of tax.





	Three Months Ended March 30, 2013 (unaudited) (in thousands)			Six Months Ended March 30, 2013 (unaudited) (in thousands)		
	Foreign Currency Translation Adjustments	Unrealized Holding Loss on Marketable Securities	Total	Foreign Currency Translation Adjustments	Unrealized Holding Loss on Marketable Securities	Total
Beginning Balance	\$ (3,255)	\$ 18	\$ (3,237)	\$ (3,132)	\$ -	\$ (3,132)
Other comprehensive income (loss) before reclassifications	570	166	736	447	184	631
Amounts reclassified from accumulated other comprehensive income	-	-	-	-	-	-
Ending Balance	\$ (2,685)	\$ 184	\$ (2,501)	\$ (2,685)	\$ 184	\$ (2,501)

All amounts are net of tax.

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

### Liquidity and Capital Resources

Our current cash and cash equivalents balances 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 \$.32 per share of its common stock payable on April 3, 2014, to shareholders of record as of the close of business on March 14, 2014.

In our fiscal year ended September 28, 2013, we purchased and retired 204,397 shares of our common stock at a cost of \$14,500,215. We did not purchase any shares in the six months ended March 29, 2014. On November 8, 2012 the Company's Board of Directors authorized the purchase and retirement of an additional 500,000 shares of the Company's common stock; 343,858 shares remain to be purchased under this authorization.

In the three months ended March 29, 2014 and March 30, 2013 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 \$172,000 in accumulated other comprehensive loss in the 2014 second quarter and an decrease of \$570,000 in accumulated other comprehensive loss in the 2013 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 \$276,000 in accumulated other comprehensive loss in the 2014 six month period and a decrease of \$447,000 in accumulated other comprehensive loss in the 2013 six month period.

Our general-purpose bank credit line which expires in December 2016 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 29, 2014.

## Results of Operations

Net sales increased \$3,995,000 or 2% to \$205,321,000 for the three months and \$16,110,000 or 4% to \$408,844,000 for the six months ended March 29, 2014 compared to the three and six months ended March 30, 2013.

We believe our sales, and to a lesser extent, our costs, were impacted by the severe weather which occurred in many parts of the country during the current three month period; although we are unable to quantify the impact on our operating income. Most of our product sales are to consumers at snack bar and food stand locations, restaurants and schools so to the extent that traffic was reduced at these locations because of weather, our sales were affected.

## FOOD SERVICE

Sales to food service customers increased \$2,936,000 or 2% in the second quarter to \$138,329,000 and increased \$11,529,000 or 4% for the six months. Excluding sales resulting from the acquisition of New York Pretzel in October 2013, food service sales increased approximately 1.5% for the second quarter and increased 4% for the six months. Soft pretzel sales to the food service market increased 10% to \$38,815,000 in the second quarter and increased 15% to \$78,123,000 in the six months due to increased sales to restaurant chains, warehouse club stores, school food service and throughout our customer base. Increased sales to one customer accounted for approximately 1/2 of the increase in pretzel sales in the quarter and 40% in the six months. Without New York Pretzel, pretzel sales increased about 7% for the second quarter and 13% for the six months. Frozen juices and ices sales increased 17% to \$11,857,000 in the three months and 14% to \$20,086,000 in the six months resulting from sales increases primarily to warehouse club stores. Churro sales to food service customers decreased 5% to \$13,430,000 in the second quarter and were down 2%

to \$27,381,000 for the six months which was net of a decline in sales of \$465,000 in the quarter and \$1,229,000 in the six months to one restaurant chain which rolled out a churros product in the year ago period.

Sales of bakery products decreased \$915,000 or 1% in the second quarter to \$66,169,000 and were essentially unchanged at \$135,245,000 for the six months as sales increases and decreases were spread throughout our customer base.

Sales of new products in the first twelve months since their introduction were approximately \$2.1 million in this quarter and \$4.6 million in the six months. Price increases accounted for approximately \$1.3 million of sales in the quarter and \$2.2 million in the six months and net volume increases, including new product sales as defined above and sales resulting from the acquisition of New York Pretzel, accounted for approximately \$1.6 million of sales in the quarter and \$9.3 million in the six months.

Operating income in our Food Service segment increased from \$15,363,000 to \$17,562,000 in the quarter and increased from \$27,960,000 to \$32,713,000 in the six months. Operating income for the quarter and six months benefited from increased sales volume, price increases and lower ingredient costs.

#### RETAIL SUPERMARKETS

Sales of products to retail supermarkets decreased \$503,000 or 2% to \$23,050,000 in the second quarter and decreased \$1,042,000 or 2% to \$43,214,000 in the six months. Soft pretzel sales for the second quarter were up 3% to \$10,309,000 and were up 3% to \$19,224,000 for the six months on a unit volume increase of 2% for the quarter and 2% for the six months. Sales of frozen juices and ices decreased \$596,000 or 7% to \$8,402,000 in the second quarter and were down 4% to \$14,825,000 for the six months on a unit volume decrease of 8% in the quarter and 7% in the six months. Lower sales to one customer accounted for all of the sales decrease in both periods. Coupon redemption costs, a reduction of sales, decreased 9% or about \$65,000 for the quarter and decreased 11% to \$1,369,000 for the six months. Handheld sales to retail supermarket customers decreased 6% to \$4,815,000 in the quarter and decreased 12% to \$10,102,000 for the six months with sales increases and decreases throughout our customer base; however, sales to one customer were down over \$700,000 for the second quarter and sales to two customers were down about \$1.7 million for the six months as products introduced in the year ago period have not been successful.

Price increases accounted for approximately \$300,000 of sales in the quarter and \$1.0 million in the six months and net volume decreases, net of decreased coupon costs, accounted for approximately \$800,000 of the sales decrease in this quarter and \$2.0 million in the six months. Operating income in our Retail Supermarkets segment increased from \$2,404,000 to \$2,602,000 in the quarter and from \$3,974,000 to \$4,566,000 in the six months primarily because of higher gross margins because of product mix and lower coupon expense.



## FROZEN BEVERAGES

Frozen beverage and related product sales increased 4% to \$43,942,000 in the second quarter and increased 7% to \$88,521,000 in the six month period. Beverage related sales alone were up 6% to \$26,713,000 in the second quarter and were up 3% to \$51,902,000 in the six month period. Gallon sales were up 5% for the three months and were up 2% for the six month period. Service revenue increased 3% to \$13,135,000 in the second quarter and increased 9% to \$26,744,000 for the six month period with sales increases and decreases spread throughout our customer base.

Sales of beverage machines, which tend to fluctuate from year to year while following no specific trend, were \$186,000 or 5% lower in the second quarter and were \$2,289,000 or 33% higher in the six month period. The approximate number of company owned frozen beverage dispensers was 46,500 and 44,700 at March 29, 2014 and September 28, 2013, respectively. Operating income in our Frozen Beverage segment was \$168,000 in this quarter and \$1,024,000 for the six months compared to \$1,392,000 and \$2,286,000; respectively, last year as higher operating expenses in these seasonally low periods offset the benefits of increased sales. Group health insurance and liability insurance costs were higher by about \$900,000 in the quarter and \$800,000 in the six months compared to last year due primarily to an unusually high level of medical claims under our self-insured group health insurance program.

## CONSOLIDATED

Gross profit as a percentage of sales increased to 29.76% in the three month period from 28.88% last year and increased to 29.60% in the six month period from 28.59% a year ago. Higher volume in our food service segment was the primary reason for the improved gross profit margin in the six month period while lower ingredients costs benefitted both the three and six month periods.

Total operating expenses increased \$1,789,000 in the second quarter and as a percentage of sales increased from 19.37% percent to 19.86%. About 1/3 of the increase in total operating expenses were higher group health insurance costs due primarily to an unusually high level of medical claims under our self-insured group health insurance program. For the first half, operating expenses increased \$4,650,000, and as a percentage of sales increased from 19.88% to 20.23%. Operating expenses in the six months this year include \$800,000 of other general expenses for shutdown costs of our Norwalk, CA manufacturing facility as well as about \$500,000 of higher group health insurance costs. Marketing expenses increased from 8.3% to 8.5% of sales in the quarter and increased from 8.6% to 8.7% of sales in the six months. Distribution expenses were 8.0% of sales in this year's quarter and were 7.8% of sales in last year's quarter, and were 7.9% of sales in both years' six month period. Administrative expenses were 3.3% of sales this quarter and 3.4% for the six month period as compared to 3.2% of sales last year in the second quarter and 3.3% for the six months.



Operating income increased \$1,173,000 or 6% to \$20,332,000 in the second quarter and increased \$4,083,000 or 12% to \$38,303,000 in the first half as a result of the aforementioned items.

Investment income increased by \$80,000 and \$442,000 in the second quarter and six months, respectively, due primarily to increased investments of marketable securities. We have investments of \$128.7 million in mutual funds that seek current income with an emphasis on maintaining low volatility and overall moderate duration. We estimate the annual yield from these funds to approximate 3.5 – 3.75%.

The effective income tax rate has been estimated at 36.5% and 36.8% for the quarter this year and last year, respectively and 35.7% and 36.1% for the six months this year and last year, respectively. We are estimating an effective income tax rate of approximately 36% for the year.

Net earnings increased \$861,000 or 7% in the current three month period to \$13,521,000 and increased 13% to \$25,947,000 for the six months this year from \$22,886,000 as a result of the aforementioned items.

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 2013 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 29, 2014, 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.

23

---

There has been no change in the Company's internal control over financial reporting during the quarter ended March 29, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Exhibits

Item 6.

Exhibit No.

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

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

101.1 The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 29, 2014, 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: April 28, 2014      /s/ Gerald B. Shreiber  
Gerald B. Shreiber  
Chairman of the Board,  
President, Chief  
Executive  
Officer and Director  
(Principal Executive  
Officer)

Dated: April 28, 2014      /s/ Dennis G. Moore  
Dennis G. Moore, Senior  
Vice  
President, Chief Financial  
Officer and Director  
(Principal Financial  
Officer)  
(Principal Accounting  
Officer)