

J&J SNACK FOODS CORP
Form 10-Q
February 01, 2018
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 30, 2017

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.)

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

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, 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 (X) Accelerated filer ()

Non-accelerated filer () (Do not check if a smaller reporting company)
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 January 25, 2018 there were 18,678,473 shares of the Registrant's Common Stock outstanding.

1

INDEX

	Page Number
Part I. Financial Information	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets – December 30, 2017 (unaudited) and September 30, 2017	3
Consolidated Statements of Earnings (unaudited) – Three months ended December 30, 2017 and December 24, 2016	4
Consolidated Statements of Comprehensive Income (unaudited) – Three Months Ended December 30, 2017 and December 24, 2016	5
Consolidated Statements of Cash Flows (unaudited) – Three Months Ended December 30, 2017 and December 24, 2016	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)

	December 30, 2017 (unaudited)	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 81,089	\$ 90,962
Marketable securities held to maturity	49,445	59,113
Accounts receivable, net	109,709	124,553
Inventories	113,049	103,268
Prepaid expenses and other	3,800	3,936
Total current assets	357,092	381,832
Property, plant and equipment, at cost		
Land	2,494	2,482
Buildings	26,582	26,741
Plant machinery and equipment	258,738	257,172
Marketing equipment	277,236	278,860
Transportation equipment	8,438	8,449
Office equipment	25,574	25,302
Improvements	37,999	38,003
Construction in progress	21,997	16,880
Total Property, plant and equipment, at cost	659,058	653,889
Less accumulated depreciation and amortization	429,217	426,308
Property, plant and equipment, net	229,841	227,581
Other assets		
Goodwill	102,511	102,511
Other intangible assets, net	60,453	61,272
Marketable securities held to maturity	82,066	60,908
Marketable securities available for sale	30,150	30,260
Other	2,904	2,864
Total other assets	278,084	257,815
Total Assets	\$ 865,017	\$ 867,228
Liabilities and Stockholders' Equity		
Current Liabilities		
Current obligations under capital leases	\$ 339	\$ 340
Accounts payable	68,033	72,729
Accrued insurance liability	11,215	10,558
Accrued liabilities	10,491	7,753
Accrued compensation expense	11,764	19,826
Dividends payable	8,400	7,838

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

Total current liabilities	110,242	119,044
Long-term obligations under capital leases	815	904
Deferred income taxes	44,462	62,705
Other long-term liabilities	2,117	2,253
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 18,668,000 and 18,663,000 respectively	18,589	17,382
Accumulated other comprehensive loss	(12,872)	(8,875)
Retained Earnings	701,664	673,815
Total stockholders' equity	707,381	682,322
Total Liabilities and Stockholders' Equity	\$ 865,017	\$ 867,228

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	
	December December	
	30, 24,	
	2017 2016	
Net Sales	\$265,210	\$ 225,570
Cost of goods sold ⁽¹⁾	191,931	159,675
Gross Profit	73,279	65,895
Operating expenses		
Marketing ⁽²⁾	21,576	20,335
Distribution ⁽³⁾	21,159	18,164
Administrative ⁽⁴⁾	9,356	8,098
Other general income	(40)	(29)
Total Operating Expenses	52,051	46,568
Operating Income	21,228	19,327
Other income (expense)		
Investment income	1,489	1,227
Interest expense & other	509	(26)
Earnings before income taxes	23,226	20,528
Income tax (benefit) expense	(13,023)	6,988
NET EARNINGS	\$36,249	\$ 13,540
Earnings per diluted share	\$1.93	\$0.72
Weighted average number of diluted shares	18,778	18,787
Earnings per basic share	\$1.94	\$0.72

Weighted average number of basic shares 18,666 18,686

(1) Includes share-based compensation expense of \$218 and \$182 for the three months ended December 30, 2017 and December 24, 2016, respectively.

(2) Includes share-based compensation expense of \$339 and \$261 for the three months ended December 30, 2017 and December 24, 2016, respectively.

(3) Includes share-based compensation expense of \$19 and \$18 for the three months ended December 30, 2017 and December 24, 2016, respectively.

(4) Includes share-based compensation expense of \$377 and \$286 for the three months ended December 30, 2017 and

December 24,
2016,
respectively.

The
accompanying
notes are an
integral part of
these
statements.

4

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

	Three months ended December	
	30, 2017	24, 2016
Net Earnings	\$36,249	\$ 13,540
Foreign currency translation adjustments	(3,887)	(1,104)
Unrealized holding loss on marketable securities	(110)	(103)
Total Other Comprehensive Loss	(3,997)	(1,207)
Comprehensive Income	\$32,252	\$ 12,333

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)

	Three months ended December 30, 2017	December 24, 2016
Operating activities:		
Net earnings	\$ 36,249	\$ 13,540
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of fixed assets	11,152	8,728
Amortization of intangibles and deferred costs	834	1,183
Share-based compensation	953	748
Deferred income taxes	(18,265)	(74)
Loss on sale of marketable securities	(8)	-
Other	(317)	222
Changes in assets and liabilities net of effects from purchase of companies		
Decrease in accounts receivable	14,547	5,849
Increase in inventories	(9,933)	(6,727)
Decrease in prepaid expenses	111	5,747
Decrease in accounts payable and accrued liabilities	(9,216)	(2,816)
Net cash provided by operating activities	26,107	26,400
Investing activities:		
Purchases of property, plant and equipment	(14,623)	(11,399)
Purchases of marketable securities	(30,865)	(8,550)
Proceeds from redemption and sales of marketable securities	19,096	475
	1,046	645

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

Proceeds from disposal of property and equipment				
Other	27		(20)
Net cash used in investing activities	(25,319)	(18,849)
Financing activities:				
Payments to repurchase common stock	-		-	
Proceeds from issuance of stock	253		980	
Payments on capitalized lease obligations	(90)	(90)
Payment of cash dividend	(7,838)	(7,280)
Net cash used in financing activities	(7,675)	(6,390)
Effect of exchange rate on cash and cash equivalents	(2,986)	(847)
Net (decrease)increase in cash and cash equivalents	(9,873)	314	
Cash and cash equivalents at beginning of period	90,962		140,652	
Cash and cash equivalents at end of period	\$ 81,089		\$ 140,966	

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 30, 2017.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows.

The results of operations for the three months ended December 30, 2017 and December 24, 2016 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 the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

Note 2
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 arrangement exists, our price is fixed or determinable and collectability is reasonably assured. We record offsets to 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 \$458,000 and \$359,000 at December 30, 2017 and September 30, 2017, 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 Note or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships and 3 non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 3 to 20 years. Depreciation expense was \$11,152,000 and \$8,728,000 for the three months ended December 30, 2017 and December 24, 2016, 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 December 30, 2017		
	Income	Shares	Per Share
	(Numerator)		Amount
	(Denominator)		
	(in thousands, except per share amounts)		
Basic EPS			
Net Earnings available to common stockholders	\$36,249	18,666	\$ 1.94

Effect of Dilutive Securities