



Sales and Earnings Reported by J & J Snack Foods

PENNSAUKEN, N.J., Nov. 07, 2019 (GLOBE NEWSWIRE) -- J & J Snack Foods Corp. (NASDAQ:JJSF) today announced sales and earnings for its fourth quarter and year ended September 28, 2019.

Sales for the fourth quarter this year increased 4% to \$311.9 million from \$300.7 million in last year's fourth quarter. For the year ended September 28, 2019, sales increased 4% to \$1.186 billion from \$1.138 billion last year. Net earnings increased 11% to \$26.1 million (\$1.36 per diluted share) in this year's fourth quarter compared to \$23.4 million (\$1.24 per diluted share) last year and for the year earnings decreased 8% to \$94.8 million (\$5.00 per diluted share) from \$103.6 million (\$5.51 per diluted share).

Operating income was \$31.1 million in both year's fourth quarter. For the year, operating income increased 6% to \$117.0 million from \$110.8 million last year.

Net earnings for last year's quarter were negatively impacted by a \$1.4 million, or \$0.07 per diluted share, increase in income taxes because of changes to New Jersey tax regulations enacted in July 2018 requiring the re-measurement of deferred tax liabilities.

Net earnings for last year benefited from a \$20.9 million, or \$1.11 per diluted share, gain on the re-measurement of deferred tax liabilities and were impacted by a \$1.2 million, or \$.06 per diluted share, provision for the one-time repatriation tax both of which resulted from the Tax Cuts and Jobs Act enacted in December 2017 and were also impacted by a \$1.4 million, or \$0.07 per diluted share, increase in income taxes because of the changes to New Jersey tax regulations.

Gerald B. Shreiber, J & J's President and Chief Executive Officer, commented, "We are pleased that all of our business segments had increased operating income for the year. We will continue to work diligently toward improving revenues, margins and operating income going forward."

J&J Snack Foods Corp. (NASDAQ: JJSF) is a leader and innovator in the snack food industry, providing innovative, niche and affordable branded snack foods and beverages to foodservice and retail supermarket outlets. Manufactured and distributed nationwide, our principal products include SUPERPRETZEL, the #1 soft pretzel brand in the world, as well as internationally known ICEE and SLUSH PUPPIE frozen beverages, LUIGI'S Real Italian Ice, MINUTE MAID* frozen ices, WHOLE FRUIT sorbet and frozen fruit bars, SOUR PATCH KIDS** Flavored Ice Pops, Tio Pepe's & CALIFORNIA CHURROS, and THE FUNNEL CAKE FACTORY funnel cakes and several bakery brands within DADDY RAY'S, COUNTRY HOME BAKERS and HILL & VALLEY. With nearly twenty manufacturing facilities, and more than \$1 billion in annual revenue, J&J Snack Foods Corp. has continued to see steady growth as a company, reaching record sales for 48 consecutive years. The company consistently seeks out opportunities to expand its unique niche market product offering while bringing smiles to families worldwide. For more information, please visit <http://www.jjsnack.com>.

*MINUTE MAID is a registered trademark of The Coca-Cola Company

**SOUR PATCH KIDS is a registered trademark of Mondelēz International group, used under license.

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

| | Quarter Ended | | Fiscal Year Ended | |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | September 28, 2019 (13 weeks) | September 29, 2018 (13 weeks) | September 28, 2019 (52 weeks) | September 29, 2018 (52 weeks) |
| Net Sales | \$ 311,872 | \$ 300,715 | \$ 1,186,487 | \$ 1,138,265 |
| Cost of goods sold | 218,931 | 209,461 | 836,086 | 801,979 |
| Gross Profit | 92,941 | 91,254 | 350,401 | 336,286 |
| Operating expenses | | | | |
| Marketing | \$ 26,636 | 25,733 | 96,428 | 95,405 |
| Distribution | 24,367 | 24,380 | 94,888 | 92,281 |
| Administrative | 10,812 | 9,743 | 40,721 | 37,757 |
| Other expense (income) | 65 | 261 | 1,408 | 68 |
| Total operating expenses | 61,880 | 60,117 | 233,445 | 225,511 |
| Operating Income | 31,061 | 31,137 | 116,956 | 110,775 |
| Other income (expenses) | | | | |
| Investment income | 1,966 | 1,580 | 7,741 | 6,267 |
| Interest expense & other | (40) | 843 | 1,880 | 1,110 |
| Earnings before | | | | |

| | | | | |
|---|------------------|------------------|------------------|-------------------|
| income taxes | 32,987 | 33,560 | 126,577 | 118,152 |
| Income taxes | 6,920 | 10,175 | 31,758 | 14,556 |
| NET EARNINGS | \$ 26,067 | \$ 23,385 | \$ 94,819 | \$ 103,596 |
| Earnings per diluted share | \$ 1.36 | \$ 1.24 | \$ 5.00 | \$ 5.51 |
| Weighted average number of diluted shares | 19,101 | 18,867 | 18,959 | 18,817 |
| Earnings per basic share | \$ 1.38 | \$ 1.25 | \$ 5.04 | \$ 5.54 |
| Weighted average number of basic shares | 18,867 | 18,726 | 18,812 | 18,694 |

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

| | September 28, 2019 | September 29, 2018 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 192,395 | \$ 111,479 |
| Marketable securities held to maturity | 51,091 | 21,048 |
| Accounts receivable, net | 140,938 | 132,342 |
| Inventories | 116,165 | 112,884 |
| Prepaid expenses and other | 5,768 | 5,044 |
| Total current assets | 506,357 | 382,797 |
| Property, plant and equipment, at cost | 749,532 | 697,517 |
| Less accumulated depreciation and amortization | 496,084 | 454,844 |
| Property, plant and equipment, net | 253,448 | 242,673 |
| Other assets | | |
| Goodwill | 102,511 | 102,511 |
| Other intangible assets, net | 54,922 | 57,762 |
| Marketable securities held to maturity | 79,360 | 118,765 |
| Marketable securities available for sale | 19,903 | 24,743 |
| Other | 2,838 | 2,762 |
| Total other assets | 259,534 | 306,543 |
| Total Assets | \$ 1,019,339 | \$ 932,013 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Current obligations under capital leases | \$ 339 | \$ 324 |
| Accounts payable | 72,029 | 69,592 |
| Accrued insurance liability | 10,457 | 11,217 |
| Accrued liabilities | 7,808 | 8,031 |
| Accrued compensation expense | 21,154 | 20,297 |
| Dividends payable | 9,447 | 8,438 |
| Total current liabilities | 121,234 | 117,899 |
| Long-term obligations under capital leases | 718 | 753 |
| Deferred income taxes | 61,920 | 52,322 |
| Other long-term liabilities | 1,716 | 1,948 |
| 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 18,895,000 and 18,754,000 respectively | 45,744 | 27,340 |
| Accumulated other comprehensive loss | (12,988) | (11,994) |
| Retained Earnings | 800,995 | 743,745 |
| Total stockholders' equity | <u>833,751</u> | <u>759,091</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 1,019,339</u> | <u>\$ 932,013</u> |

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

| | <u>Fiscal Year Ended</u> | | |
|--|--|--|--|
| | <u>September 28, 2019 (52 weeks)</u> | <u>September 29, 2018 (52 weeks)</u> | <u>September 30, 2017 (53 weeks)</u> |
| Operating activities: | | | |
| Net earnings | \$ 94,819 | \$ 103,596 | \$ 79,174 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation of fixed assets | 45,225 | 42,939 | 38,211 |
| Amortization of intangibles and deferred costs | 3,385 | 3,538 | 4,234 |
| Gains from disposals of property & equipment | (347) | (912) | (346) |
| Amortization of bond premiums | 730 | 1,012 | 1,189 |
| Share-based compensation | 4,230 | 3,858 | 3,048 |
| Deferred income taxes | 9,637 | (10,392) | 7,847 |
| Loss (gain) on sale of marketable securities | 404 | 140 | (14) |
| Changes in assets and liabilities, net of effects from purchase of companies: | | | |
| Increase in accounts receivable, net | (8,759) | (7,917) | (20,370) |
| Increase in inventories | (3,231) | (9,639) | (7,410) |
| (Increase) decrease in prepaid expenses and other | (744) | (1,120) | 10,265 |
| Increase (decrease) in accounts payable and accrued liabilities | 2,150 | (1,736) | 9,521 |
| Net cash provided by operating activities | <u>147,499</u> | <u>123,367</u> | <u>125,349</u> |
| Investing activities: | | | |
| Payments for purchases of companies, net of cash acquired | (1,156) | - | (47,698) |
| Purchases of property, plant and equipment | (57,128) | (60,022) | (72,180) |
| Purchases of marketable securities | (26,091) | (91,112) | (39,923) |
| Proceeds from redemption and sales of marketable securities | 39,158 | 75,302 | 22,997 |
| Proceeds from disposal of property, plant and equipment | 2,050 | 2,639 | 1,935 |
| Other | (196) | 54 | (450) |
| Net cash used in investing activities | <u>(43,363)</u> | <u>(73,139)</u> | <u>(135,319)</u> |
| Financing activities: | | | |
| Payments to repurchase common stock | - | (2,794) | (18,229) |
| Proceeds from issuance of common stock | 14,174 | 8,894 | 7,231 |
| Payments on capitalized lease obligations | (356) | (370) | (356) |
| Payment of cash dividend | (36,644) | (33,066) | (30,859) |
| Net cash used in financing activities | <u>(22,826)</u> | <u>(27,336)</u> | <u>(42,213)</u> |
| Effect of exchange rates on cash and cash equivalents | (394) | (2,375) | 2,493 |
| Net increase (decrease) in cash and cash equivalents | 80,916 | 20,517 | (49,690) |
| Cash and cash equivalents at beginning of year | 111,479 | 90,962 | 140,652 |
| Cash and cash equivalents at end of year | <u>\$ 192,395</u> | <u>\$ 111,479</u> | <u>\$ 90,962</u> |

| | September 28, 2019 (52 weeks) | September 29, 2018 (52 weeks) | September 30, 2017 (53 weeks) |
|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Sales to External Customers: | | | |
| Food Service | | | |
| Soft pretzels | \$ 209,227 | \$ 208,544 | \$ 180,138 |
| Frozen juices and ices | 43,672 | 42,364 | 49,469 |
| Churros | 65,976 | 61,726 | 62,809 |
| Handhelds | 31,685 | 38,928 | 36,913 |
| Bakery | 384,636 | 371,391 | 351,357 |
| Other | 26,407 | 22,991 | 21,108 |
| Total Food Service | <u>\$ 761,603</u> | <u>\$ 745,944</u> | <u>\$ 701,794</u> |
| Retail Supermarket | | | |
| Soft pretzels | \$ 36,264 | \$ 36,438 | \$ 35,081 |
| Frozen juices and ices | 73,751 | 74,435 | 71,325 |
| Handhelds | 10,902 | 12,419 | 14,892 |
| Coupon redemption | (3,596) | (4,439) | (4,898) |
| Other | 1,955 | 2,086 | 2,847 |
| Total Retail Supermarket | <u>\$ 119,276</u> | <u>\$ 120,939</u> | <u>\$ 119,247</u> |
| Frozen Beverages | | | |
| Beverages | \$ 171,820 | \$ 160,937 | \$ 154,157 |
| Repair and maintenance service | 85,103 | 78,805 | 74,594 |
| Machines revenue | 45,811 | 28,652 | 31,497 |
| Other | 2,874 | 2,988 | 2,935 |
| Total Frozen Beverages | <u>\$ 305,608</u> | <u>\$ 271,382</u> | <u>\$ 263,183</u> |
| Consolidated Sales | <u>\$ 1,186,487</u> | <u>\$ 1,138,265</u> | <u>\$ 1,084,224</u> |
| Depreciation and Amortization: | | | |
| Food Service | \$ 26,978 | \$ 25,983 | \$ 24,629 |
| Retail Supermarket | 1,418 | 1,313 | 949 |
| Frozen Beverages | 20,214 | 19,181 | 16,867 |
| Total Depreciation and Amortization | <u>\$ 48,610</u> | <u>\$ 46,477</u> | <u>\$ 42,445</u> |
| Operating Income: | | | |
| Food Service | \$ 78,130 | \$ 74,056 | \$ 81,208 |
| Retail Supermarket | 8,876 | 8,304 | 10,627 |
| Frozen Beverages | 29,950 | 28,415 | 26,272 |
| Total Operating Income | <u>\$ 116,956</u> | <u>\$ 110,775</u> | <u>\$ 118,107</u> |
| Capital Expenditures: | | | |
| Food Service | \$ 29,197 | \$ 36,325 | \$ 44,067 |
| Retail Supermarket | 1,979 | 928 | 239 |
| Frozen Beverages | 25,952 | 22,769 | 27,874 |
| Total Capital Expenditures | <u>\$ 57,128</u> | <u>\$ 60,022</u> | <u>\$ 72,180</u> |
| Assets: | | | |
| Food Service | \$ 772,777 | \$ 693,098 | \$ 635,709 |
| Retail Supermarket | 22,673 | 21,366 | 21,129 |
| Frozen Beverages | 223,889 | 217,549 | 210,390 |
| Total Assets | <u>\$ 1,019,339</u> | <u>\$ 932,013</u> | <u>\$ 867,228</u> |

RESULTS OF OPERATIONS:

Fiscal 2019 (52 weeks) Compared to Fiscal Year 2018 (52 weeks)

Net sales increased \$48,222,000, or 4%, to \$1,186,487,000 in fiscal 2019 from \$1,138,265,000 in fiscal 2018.

We have three reportable segments, as disclosed in the accompanying notes to the consolidated financial statements: Food Service, Retail

Supermarkets and Frozen Beverages.

The Chief Operating Decision Maker for Food Service and Retail Supermarkets and the Chief Operating Decision Maker for Frozen Beverages monthly review detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are the key variables monitored by the Chief Operating Decision Makers and management when determining each segment's and the Company's financial condition and operating performance. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment.

FOOD SERVICE

Sales to food service customers increased \$15,659,000, or 2 percent, to \$761,603,000 in fiscal 2019. Soft pretzel sales to the food service market increased about 1/3 of 1 percent to \$209,227,000 for the year with higher sales to convenience store chains offset by lower sales to restaurant chains and with sales increases and decreases throughout our customer base. Our line of BRAUHAUS pretzels contributed to the increased sales. Frozen juice bar and ices sales increased \$1,308,000, or 3%, to \$43,672,000 for the year due primarily to higher sales to warehouse club stores. Churro sales to food service customers were up 7% to \$65,976,000 for the year with sales increases and decreases across our customer base but with particularly strong sales to warehouse club stores. Sales of bakery products increased \$13,245,000, or 4%, to \$384,636,000 for the year with increased sales to one customer accounting for all of the increase. Handheld sales to food service customers were down 19% to \$31,685,000 in 2019 with sales decreases to three customers accounting for all of the decrease. Sales of funnel cake increased \$3,223,000, or 15% to \$24,793,000 due primarily to increased sales to a quick service restaurant under a limited time offer in our second quarter. Overall food service sales to restaurant chains were down about 2% for the year. Sales of new products in the first twelve months since their introduction were approximately \$13.5 million for the year. Price increases accounted for approximately \$15 million of sales for the year and net volume including new product sales were essentially flat. Operating income in our Food Service segment increased from \$74,056,000 in 2018 to \$78,130,000 in 2019 resulting from benefits of improved operations at several of our manufacturing facilities and increased pricing.

RETAIL SUPERMARKETS

Sales of products to retail supermarkets decreased \$1,663,000 or 1% to \$119,276,000 in fiscal year 2019. Soft pretzel sales to retail supermarkets were \$36,264,000 compared to \$36,438,000 in 2018. Strong pretzel sales increases from sales of AUNTIE ANNE'S products were offset by lower sales of our SUPER PRETZEL products. Sales of frozen juices and ices decreased \$684,000 or 1% to \$73,751,000 as we lost some volume and placements due to price increases. Coupon redemption costs, a reduction of sales, decreased 19% to \$3,596,000 for the year. Handheld sales to retail supermarket customers decreased 12% to \$10,902,000 for the year as sales of this product line in retail supermarkets continues its long-term decline.

Sales of new products in the first twelve months since their introduction were approximately \$1 million in fiscal year 2019. Price increases provided about \$4 million of sales for the year and net volume decreased about \$5.5 million for the year. Operating income in our Retail Supermarkets segment increased from \$8,304,000 to \$8,876,000 for the year. The primary contribution to the higher operating income this year was increased pricing.

FROZEN BEVERAGES

Frozen beverage and related product sales increased 13% to \$305,608,000 in fiscal 2019. Beverage sales alone increased 7% or \$10,883,000 for the year with increases and decreases throughout our customer base. About one third of the beverage sales increase was from increased flow through sales to one distributor which did not benefit operating income. Gallon sales were up 3% in our base ICEE business, with sales increases spread throughout our customer base. Service revenue increased 8% to \$85,103,000 for the year with sales increases and decreases spread throughout our customer base. Machines revenue, primarily sales of machines, increased from \$28,652,000 in 2018 to \$45,811,000 in 2019. The estimated number of Company owned frozen beverage dispensers was 26,000 and 25,000 at September 28, 2019 and September 29, 2018, respectively. Operating income in our Frozen Beverage segment increased from \$28,415,000 in 2018 to \$29,950,000 in 2019 as a result of higher sales.

CONSOLIDATED

Other than as commented upon above by segment, there are no material specific reasons for the reported sales increases or decreases. Sales levels can be impacted by the appeal of our products to our customers and consumers and their changing tastes, competitive and pricing pressures, sales execution, marketing programs, seasonal weather, customer stability and general economic conditions.

Gross profit as a percentage of sales was essentially unchanged at 29.53% in 2019 and 29.54% in 2018 as the benefits of improved operations at several of our manufacturing facilities and increased pricing were offset by increases in lower margin sales of machines in our frozen beverages segment and increases in lower margin sales of bakery products in our food service segment.

Total operating expenses increased \$7,934,000 to \$233,445,000 in fiscal 2019 and as a percentage of sales decreased to 19.68% of sales from 19.81% in 2018. Marketing expenses decreased to 8.13% this year from 8.38% of sales in 2018 because of modest spending increases in all of our businesses. Distribution expenses as a percent of sales decreased to 8.00% from 8.11% in 2018 because freight rates have dropped from last year. Administrative expenses were 3.43% and 3.32% of sales in 2019 and 2018, respectively.

Operating income increased \$6,181,000 or 6% to \$116,956,000 in fiscal year 2019 as a result of the aforementioned items.

Our investments generated before tax income of \$7.7 million this year, up from \$6.3 million last year due to increases in the amount of investments and higher interest rates.

Other income in 2019 includes a \$2.0 million payment received from a customer due to cancellation of production under a co-manufacturing agreement.

Other income in 2018 includes \$520,000 gain on a sale of property and \$869,000 reimbursement of business interruption losses due to the

MARY B's biscuits recall in January 2018.

Net earnings for the year ended September 29, 2018 benefited from a \$20.9 million gain, or \$1.11 per diluted share, on the remeasurement of deferred tax liabilities and a \$8.8 million, or \$0.47 per diluted share, reduction in income taxes related primarily to the lower corporate tax rate enacted under the Tax Cuts and Jobs Act in December 2017 which was partially offset by a \$1.2 million, or \$.06 per diluted share, provision for the one time repatriation tax, both of which resulted from the Tax Cuts and Jobs Act enacted in December 2017. Net earnings for the year were also impacted by a \$1.4 million, or \$.07 per diluted share, expense on the remeasurement of deferred tax liabilities due to changes in New Jersey tax regulations effective July 2018. Excluding the deferred tax gain, the deferred tax expense and the one-time repatriation tax, our effective tax rate was 27.8% in the year ended September 29, 2018. Net earnings this year benefitted by a reduction of approximately \$900,000 in tax as the provision for the one-time repatriation tax was reduced as the amount recorded last year was an estimate. Excluding the reduction in the provision for the one-time repatriation tax, our effective tax rate was 25.8% for this year.

Net earnings decreased \$8,777,000 or 8%, in fiscal 2019 to \$94,819,000, or \$5.00 per diluted share, from \$103,596,000, or \$5.51 per diluted share, in fiscal 2018 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.

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