



J&J Snack Foods' Record Second Quarter Net Sales Increase 10% to \$281.5M

PENNSAUKEN, N.J., May 02, 2022 (GLOBE NEWSWIRE) -- J&J Snack Foods Corp. (NASDAQ: JJSF) today reported financial results for the second quarter ended March 26, 2022.

| | Second Quarter | |
|---|----------------|----------|
| | Actuals | % vs. LY |
| Net Sales | \$281.5M | 9.9% |
| Operating Income | \$4.1M | (43.5%) |
| Net Earnings | \$3.3M | (46.0%) |
| Earnings per Diluted Share (EPS) | \$0.17 | (46.3%) |

Dan Fachner, J&J Snack Foods President and CEO, commented, "J&J Snack Foods' record second quarter net sales increased 10% year-over-year and by 2% versus the same period in fiscal 2019, exceeding pre-COVID levels for the third consecutive quarter. We had a number of accomplishments throughout the quarter including new customer wins, successful product launches and expanding product distribution. We delivered our best second quarter sales in company history despite the unexpected challenges related to the early-February implementation of a new enterprise resource planning ("ERP") system. This system implementation only affected our Food Service and Retail segments and was intentionally planned at this time since it's our slowest volume quarter. This investment is a critical step in our long-term strategy to automate our business establishing the foundation for transforming our supply chain. It provides a seamless, integrated process from raw materials through production, warehousing, inventory management, and electronic order fulfillment. We did experience operational and supply chain challenges due to this implementation and estimate that these issues had a negative, one-time impact on fiscal second quarter sales of approximately \$20 million and on fiscal second quarter operating income of approximately \$4.5 million. I am proud of how the team worked tirelessly to resolve these issues and already see our business bouncing back in April. We do not anticipate any further material impact going forward."

"Consumer spending remains healthy despite macroeconomic challenges, and we continue to see strong demand for our products as a growing number of consumers return to their favorite amusement parks, restaurants, retailers and outdoor venues. Second quarter net sales in our Frozen Beverages segment, which was not impacted by the ERP transition, increased 50% year-over-year, driven by over 90% growth in frozen beverage sales, which is an indirect indicator of the demand opportunity we are experiencing across our core products."

"As was the case last quarter, sustained significant inflationary pressures continue driving up prices across the entire supply and production chain, including raw materials, packaging, and distribution. We are taking aggressive measures to offset these cost challenges, including strategic cost reduction initiatives in procurement, R&D, production and distribution. We are confident these actions, combined with our most recent price increases, which became effective in early April, will begin to help offset the impact of these costs increases in the back half of the year."

"These initiatives will strengthen our operating infrastructure and standardize processes across key business functions resulting in increased efficiencies, reduced costs and improved margins. Our commitment to driving operational excellence across the business is a key part of our long-term growth strategy and will deliver meaningful benefits to our customers and shareholders today and for many years to come."

"In summary, we are grateful to our customers for their patience and loyalty as we worked to resolve the ERP transition issues in the second quarter. The experience of our team, investments in our operating discipline and the strength of our brands, have us well positioned in the snack food marketplace to accelerate growth and continue enhancing shareholder value. Looking ahead, the overall industry environment and consumer spending remain very strong despite rising prices, and we expect the operating and financial benefits of our recent initiatives will become more visible as we move into the second half of fiscal 2022."

Total Company Second Quarter Highlights

Net sales increased 10% to \$281.5 million in Q2 of fiscal 2022, compared to Q2 of fiscal 2021, and by 1.9%, compared of Q2 of fiscal 2019.

Key highlights include:

- ▮ Sales were driven by growth in core products including pretzels, churros and frozen beverages.
- ▮ Food Service sales exceeded Q2 '21 by 4% and by 1%, versus Q2 '19.
- ▮ Retail segment sales declined versus Q2 '21 by 7%, but grew by 19%, compared to Q2 '19.
- ▮ Frozen Beverage segment sales beat Q2 '21 sales by 50%, led by frozen beverages growing over 90%, but declined by 4%, versus Q2 '19.

Gross profit as a percentage of sales was 23.2% in Q2 '22, compared to 23.8% in Q2 '21, reflecting the significant cost headwinds our industry continues to face. Inflation continued to build over the quarter increasing over 10% from our recent Q1, and further pressuring margins. This impact was especially pronounced in key raw material purchases like flour, oils, eggs, dairy, chocolates, and meats, as well as packaging and fuel. We have pricing and cost initiatives in place to offset these cost pressures, though we do not expect to see most of the benefits on our margins until Q3 and beyond.

Total operating expenses were 21.8% of sales for the quarter, an increase of 81 bps, compared to Q2 '21. Expenses continued to be

negatively impacted by industry-wide freight and distribution cost increases. Distribution costs were 10.1% of sales in the quarter, versus 9.9% in the prior year period, while marketing and selling expenses remained at 7.5% of sales. Administrative expenses were 4.2% of sales in Q2 '22, compared to 3.6% in Q2 '21.

Operating income was \$4.1 million in the second quarter of fiscal 2022, compared to \$7.2 million in the prior year period, largely driven by the ERP conversion challenges and the continued historic inflationary environment. Net earnings in Q2 '22 was \$3.3 million, compared to \$6.1 million in Q2 '21. Our effective tax rate was 22% in Q2 '22.

Food Services Segment Second Quarter Highlights

- Q2 '22 food service sales exceeded Q2 '21 by \$7.0 million, or an increase of 4%.
- Theaters, stadiums, amusement parks as well as schools and restaurants and strategic accounts continued to experience an increase in foot traffic and visitation driving strong sales in our core products, including 18% increase in soft pretzel sales to \$43.3 million, churro sales growth of 19% to \$17.4 million led by customer expansion and growing menu penetration, while frozen novelties sales declined 31% due to short term production and shipping delays. Handheld and bakery sales both remained relatively flat at \$20.5 million and \$84.0 million, respectively.
- Sales of new products were approximately \$2 million driven primarily by a new empanada product with a major convenience customer and expanded bakery items.
- Q2 '22 operating income declined 91% to \$0.5 million reflecting the significant increase in ingredients, production and shipping costs as well as by the impacts from the Company's ERP implementation.

Retail Segment Second Quarter Highlights

- Q2 '22 retail sales decreased 7%, compared to Q2 '21.
- Soft pretzels remained relatively flat, compared to Q2 '21, while frozen novelty sales decreased 2% lapping a 22% increase in the same quarter last year. Biscuit and handheld sales decreased 12% and 52%, respectively, versus the prior year period.
- New product innovation contributed approximately \$0.5 million in the quarter driven by three new Luigi's gelato items.
- Operating income decreased 83% to \$1.1 million, versus the prior year period driven by higher cost of goods sold and inefficiencies created by the delays in the Company's ERP implementation.

Frozen Beverages Segment Second Quarter Highlights

- Frozen beverage segment sales beat Q2 '21 sales by 50% led by beverage sales.
- Beverage sales grew over 91%, or \$16.8 million higher than in Q2 '21 reflecting the growing momentum across theaters, amusement parks, convenience, and restaurant channels. In the amusement parks channel, we continue to see strong growth as visitation numbers continue to exceed pre-Covid levels. Theater sales are improving as better content is released and consumers are spending more for snacks but continues to lag 2019 volumes.
- Service revenues increased 15%, led by an acceleration in maintenance calls and additional growth in one of our larger customers. Equipment sales increased 33% driven mainly by growth from large QSR and convenience customers.
- Q2 '22 operating income improved to \$2.5 million, compared to a Q2 '21 operating loss of \$5.2 million, as strong sales drove leverage across the business.

About J&J Snack Foods Corp.

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. J&J Snack Foods Corp. has approximately twenty manufacturing facilities and generates more than \$1 billion in annual revenue. The Company has a history of strong sales growth and financial performance and remains focused on 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 Mondelez International group, used under license.

Certain Definitions

Adjusted EBITDA consists of net earnings adjusted to exclude: income taxes (benefit); investment income; interest expense; depreciation and amortization; share-based compensation expense; COVID-19 related expenses; net (gain) loss on sale or disposal of assets; impairment charges, and restructuring costs.

Non-GAAP Financial Measures

It is important to note that *Adjusted EBITDA* is not a measure of performance calculated in accordance with generally accepted accounting principles ("GAAP"). Management believes that this measure is useful as a way to evaluate the Company and the means for Management to evaluate our performance and operations. Management believes that this measure is useful to an investor in evaluating our performance because it is widely used in the food and beverage industry.

A certain adjusted non-GAAP financial measure is presented in this release. Management believes this adjusted non-GAAP measure provides useful information to Management and investors by excluding certain income, expenses, and gains and losses that may not be indicative of the Company's core operating and financial results. Similarly, Management believes this adjusted measure is a useful performance measure because certain items included in the calculation of net earnings may either mask or exaggerate trends in the Company's ongoing operating performance. Further, the reconciliation corresponding to this adjusted measure, by identifying individual adjustments, provides a useful mechanism for investors to consider this adjusted measure with some, or all, of the identified adjustments.

Management uses this non-GAAP financial measure on an ongoing basis to help track and assess the Company's financial performance.

You, however, should not consider non-GAAP measures in isolation or as a substitute for net earnings, operating income, or any other measure for determining our operating performance that is calculated in accordance with generally accepted accounting principles. This non-GAAP measure is not necessarily comparable to similarly titled measures employed by other companies. The accompanying financial tables provide reconciliations to the nearest GAAP measure of all non-GAAP measures provided in this release.

Cautionary Statement Regarding Forward-Looking Information

This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements regarding the Company's expected future financial position, results of operations, revenue and profit levels, cash flows, business strategy, budgets, projected costs, capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include words such as "anticipate," "if," "believe," "plan," "goals," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions are forward-looking statements. This includes, without limitation, our statements and expectations regarding any current or future recovery in our industry and the future impact of the Company's enterprise resource planning system implementation. Such forward-looking statements are inherently uncertain, and readers must recognize that actual results may differ materially from the expectations of management. We do not undertake a duty to update such forward-looking statements. Factors that may cause actual results to differ materially from those in the forward-looking statements include consumer spending, price competition, acceptance of new products, the pricing and availability of raw materials, transportation costs, changes in the competitive marketplace the uncertainty and ultimate economic impact of the COVID-19 pandemic, and other risks identified in our annual report on Form 10-K, and our other filings with the Securities and Exchange Commission. Many of these factors are outside of the Company's control.

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

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 26, 2022 | March 27, 2021 | March 26, 2022 | March 27, 2021 |
| Net Sales | \$ 281,513 | \$ 256,178 | \$ 600,003 | \$ 497,175 |
| Cost of goods sold | 216,165 | 195,282 | 455,280 | 386,154 |
| Gross Profit | 65,348 | 60,896 | 144,723 | 111,021 |
| Operating expenses | | | | |
| Marketing | 21,036 | 19,192 | 41,943 | 36,493 |
| Distribution | 28,349 | 25,443 | 61,664 | 48,332 |
| Administrative | 11,719 | 9,216 | 22,088 | 18,656 |
| Other general expense (income) | 156 | (185) | 95 | (268) |
| Total Operating Expenses | 61,260 | 53,666 | 125,790 | 103,213 |
| Operating Income | 4,088 | 7,230 | 18,933 | 7,808 |
| Other income (expense) | | | | |
| Investment income | 160 | 579 | 431 | 1,949 |
| Interest (expense) & other | (57) | 4 | (75) | (11) |
| Earnings before income taxes | 4,191 | 7,813 | 19,289 | 9,746 |
| Income tax expense | 920 | 1,752 | 4,927 | 1,907 |
| NET EARNINGS | \$ 3,271 | \$ 6,061 | \$ 14,362 | \$ 7,839 |
| Earnings per diluted share | \$ 0.17 | \$ 0.32 | \$ 0.75 | \$ 0.41 |
| Weighted average number of diluted shares | 19,206 | 19,130 | 19,180 | 19,081 |
| Earnings per basic share | \$ 0.17 | \$ 0.32 | \$ 0.75 | \$ 0.41 |

Weighted average number of
basic shares

19,134

19,006

19,110

18,971

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

| | March 26, 2022 (unaudited) | September 25, 2021 |
|--|----------------------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 221,017 | \$ 283,192 |
| Marketable securities held to maturity | 4,530 | 7,980 |
| Accounts receivable, net | 187,933 | 162,939 |
| Inventories | 158,991 | 123,160 |
| Prepaid expenses and other | 11,805 | 7,498 |
| Total current assets | 584,276 | 584,769 |
| Property, plant and equipment, at cost | 782,148 | 757,242 |
| Less accumulated depreciation and amortization | 504,249 | 490,055 |
| Property, plant and equipment, net | 277,899 | 267,187 |
| Other assets | | |
| Goodwill | 121,833 | 121,833 |
| Other intangible assets, net | 76,599 | 77,776 |
| Marketable securities held to maturity | - | 4,047 |
| Marketable securities available for sale | 5,951 | 10,084 |
| Operating lease right-of-use assets | 53,892 | 54,555 |
| Other | 2,878 | 1,968 |
| Total other assets | 261,153 | 270,263 |
| Total Assets | \$ 1,123,328 | \$ 1,122,219 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Current finance lease liabilities | \$ 127 | \$ 182 |
| Accounts payable | 101,238 | 96,789 |
| Accrued insurance liability | 15,525 | 16,260 |
| Accrued liabilities | 6,456 | 10,955 |
| Current operating lease liabilities | 13,747 | 13,395 |
| Accrued compensation expense | 16,487 | 17,968 |
| Dividends payable | 12,136 | 12,080 |
| Total current liabilities | 165,716 | 167,629 |
| Noncurrent finance lease liabilities | 336 | 392 |
| Noncurrent operating lease liabilities | 45,501 | 46,557 |
| Deferred income taxes | 61,339 | 61,578 |
| Other long-term liabilities | 455 | 409 |
| 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 19,173,000 and 19,084,000 respectively | 87,688 | 73,597 |
| Accumulated other comprehensive loss | (13,281) | (13,383) |
| Retained Earnings | 775,574 | 785,440 |
| Total stockholders' equity | 849,981 | 845,654 |
| Total Liabilities and Stockholders' Equity | \$ 1,123,328 | \$ 1,122,219 |

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands)

| | Six months ended | |
|---|-------------------|-------------------|
| | March 26, 2022 | March 27, 2021 |
| Operating activities: | | |
| Net earnings | \$ 14,362 | \$ 7,839 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation of fixed assets | 23,868 | 24,253 |
| Amortization of intangibles and deferred costs | 1,183 | 1,457 |
| Loss from disposals of property & equipment | 100 | - |
| Share-based compensation | 2,350 | 2,270 |
| Deferred income taxes | (251) | (4) |
| Loss (Gain) on marketable securities | 69 | (768) |
| Other | (184) | (163) |
| Changes in assets and liabilities net of effects from purchase of companies | | |
| Increase in accounts receivable | (25,031) | (10,884) |
| Increase in inventories | (36,538) | (6,432) |
| Increase in prepaid expenses | (4,308) | (118) |
| (Decrease) increase in accounts payable and accrued liabilities | (2,055) | 9,331 |
| Net cash (used in) provided by operating activities | <u>(26,435)</u> | <u>26,781</u> |
| Investing activities: | | |
| Purchases of property, plant and equipment | (35,306) | (18,829) |
| Proceeds from redemption and sales of marketable securities | 11,526 | 41,337 |
| Proceeds from disposal of property and equipment | 589 | 1,262 |
| Other | - | 18 |
| Net cash (used in) provided by investing activities | <u>(23,191)</u> | <u>23,788</u> |
| Financing activities: | | |
| Proceeds from issuance of stock | 11,741 | 13,582 |
| Payments on finance lease obligations | (111) | (173) |
| Payment of cash dividend | (24,163) | (21,776) |
| Net cash used in financing activities | <u>(12,533)</u> | <u>(8,367)</u> |
| Effect of exchange rate on cash and cash equivalents | (16) | 375 |
| Net (decrease) increase in cash and cash equivalents | <u>(62,175)</u> | <u>42,577</u> |
| Cash and cash equivalents at beginning of period | 283,192 | 195,809 |
| Cash and cash equivalents at end of period | <u>\$ 221,017</u> | <u>\$ 238,386</u> |

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited) (in thousands)

| | Three months ended | | Six months ended | |
|------------------------------|--------------------|-------------------|-------------------|-------------------|
| | March 26, 2022 | March 27, 2021 | March 26, 2022 | March 27, 2021 |
| Sales to External Customers: | | | | |
| Food Service | | | | |
| Soft pretzels | \$ 43,261 | \$ 36,776 | \$ 93,682 | \$ 69,463 |
| Frozen novelties | 7,305 | 10,590 | 15,762 | 16,885 |
| Churros | 17,447 | 14,720 | 36,936 | 26,262 |
| Handhelds | 20,506 | 19,992 | 39,001 | 37,603 |
| Bakery | 83,967 | 82,910 | 191,798 | 171,874 |
| Other | 3,854 | 4,336 | 10,893 | 7,662 |

| | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Total Food Service | <u>\$ 176,340</u> | <u>\$ 169,324</u> | <u>\$ 388,072</u> | <u>\$ 329,749</u> |
| Retail Supermarket | | | | |
| Soft pretzels | \$ 15,752 | \$ 15,789 | \$ 31,946 | \$ 29,677 |
| Frozen novelties | 18,919 | 19,386 | 36,721 | 34,702 |
| Biscuits | 5,687 | 6,495 | 13,958 | 14,155 |
| Handhelds | 1,069 | 2,243 | 2,345 | 5,023 |
| Coupon redemption | (726) | (608) | (1,622) | (1,683) |
| Other | 56 | 601 | 104 | 1,126 |
| Total Retail Supermarket | <u>\$ 40,757</u> | <u>\$ 43,906</u> | <u>\$ 83,452</u> | <u>\$ 83,000</u> |
| Frozen Beverages | | | | |
| Beverages | \$ 35,365 | \$ 18,529 | \$ 69,128 | \$ 34,384 |
| Repair and maintenance service | 21,000 | 18,218 | 43,011 | 37,114 |
| Machines revenue | 7,542 | 5,663 | 15,389 | 12,152 |
| Other | 509 | 538 | 951 | 776 |
| Total Frozen Beverages | <u>\$ 64,416</u> | <u>\$ 42,948</u> | <u>\$ 128,479</u> | <u>\$ 84,426</u> |
| Consolidated Sales | <u>\$ 281,513</u> | <u>\$ 256,178</u> | <u>\$ 600,003</u> | <u>\$ 497,175</u> |
| Depreciation and Amortization: | | | | |
| Food Service | \$ 6,670 | \$ 7,116 | \$ 13,339 | \$ 13,902 |
| Retail Supermarket | 386 | 384 | 752 | 770 |
| Frozen Beverages | 5,484 | 5,648 | 10,960 | 11,424 |
| Total Depreciation and Amortization | <u>\$ 12,540</u> | <u>\$ 13,148</u> | <u>\$ 25,051</u> | <u>\$ 26,096</u> |
| Operating Income : | | | | |
| Food Service | \$ 536 | \$ 6,055 | \$ 9,537 | \$ 12,235 |
| Retail Supermarket | 1,091 | 6,364 | 6,075 | 11,087 |
| Frozen Beverages | 2,461 | (5,189) | 3,321 | (15,514) |
| Total Operating Income | <u>\$ 4,088</u> | <u>\$ 7,230</u> | <u>\$ 18,933</u> | <u>\$ 7,808</u> |
| Capital Expenditures: | | | | |
| Food Service | \$ 13,851 | \$ 7,246 | \$ 24,084 | \$ 15,532 |
| Retail Supermarket | 1,094 | 80 | 3,623 | 101 |
| Frozen Beverages | 4,261 | 1,827 | 7,599 | 3,196 |
| Total Capital Expenditures | <u>\$ 19,206</u> | <u>\$ 9,153</u> | <u>\$ 35,306</u> | <u>\$ 18,829</u> |
| Assets: | | | | |
| Food Service | \$ 799,710 | \$ 760,557 | \$ 799,710 | \$ 760,557 |
| Retail Supermarket | 33,206 | 33,395 | 33,206 | 33,395 |
| Frozen Beverages | 290,412 | 270,963 | 290,412 | 270,963 |
| Total Assets | <u>\$ 1,123,328</u> | <u>\$ 1,064,915</u> | <u>\$ 1,123,328</u> | <u>\$ 1,064,915</u> |

J & J SNACK FOODS CORP. AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURES
(Unaudited) (in thousands)

| | <u>Three Months Ended</u> | | <u>Six Months Ended</u> | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>March 26, 2022</u> | <u>March 27, 2021</u> | <u>March 26, 2022</u> | <u>March 27, 2021</u> |
| <u>Reconciliation of GAAP Net Earnings to Adjusted EBITDA</u> | | | | |
| Net Earnings | \$ 3,271 | \$ 6,061 | \$ 14,362 | \$ 7,839 |
| Income Taxes | 920 | 1,752 | 4,927 | 1,907 |
| Investment Income | (160) | (579) | (431) | (1,949) |
| Interest Expense | 57 | (4) | 75 | 11 |

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Depreciation and Amortization | 12,540 | 12,762 | 25,051 | 25,710 |
| Share-Based Compensation | 1,267 | 1,026 | 2,350 | 2,270 |
| COVID-19 Expenses (Recoveries) | - | 762 | (874) | 1,507 |
| Net Loss on Sale or Disposal of Assets | 127 | - | 100 | - |
| Adjusted EBITDA | \$ 18,022 | \$ 21,780 | \$ 45,560 | \$ 37,295 |