

J&J Snack Foods' Reports Record Fiscal Second Quarter Revenue of \$337.9M

Growth Across All Three Business Segments Leads to Net Earnings of \$6.9M and EPS of \$0.36; Adjusted EPS of \$0.43

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| Source: [J & J Snack Foods Corp.](#)

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PENNSAUKEN, N.J., May 01, 2023 (GLOBE NEWSWIRE) -- J&J Snack Foods Corp. (NASDAQ: JJSF) (the "Company") today reported financial results for the second quarter ended March 25, 2023.

	Second Quarter		
	Actuals	\$ v. LY	% v. LY
Net Sales	\$337.9M	\$56.3M	20.0%
Operating Income	\$10.2M	\$6.1M	149.3%
Net Earnings	\$6.9M	\$3.6M	110.1%
Earnings per Diluted Share	\$0.36	\$0.19	111.8%
Adjusted Operating Income	\$12.1M	\$7.4M	157.7%
Adjusted EBITDA	\$27.5M	\$9.5M	52.5%
Adjusted Earnings per Diluted Share	\$0.43	\$0.24	126.5%

The items presented above are non-GAAP financial measures. Please refer to the Non-GAAP Financial Measures section below for reconciliations to GAAP financial measures.

Dan Fachner, J&J Snack Foods President and CEO, commented, "Our sales this fiscal quarter was the highest second quarter sales in company history, and was driven by strong demand across all three business segments. The quarter benefited from marked improvement in unit volumes for our core brands and products, including strong performances in soft pretzels, churros, frozen novelties and frozen beverages. Higher volumes, combined with the impact of price increases in fiscal 2022, resulted in a 20.0% increase in net sales to \$337.9 million. Our Icee frozen beverages segment delivered a strong quarter growing beverage sales approximately 18% through expanded placement, new customers, and a rebounding theater channel. In addition, we are beginning to realize the benefits of our various operational initiatives, resulting in improvement across a number of key performance metrics including distribution expenses and gross margin. These improvements combined with strong sales led to significant growth in adjusted earnings per share.

"We continue to build momentum executing our plans and initiatives to grow sales. Our teams are focused on growing our core brands and product categories led by a more disciplined innovation process, targeted marketing strategies and improved execution of cross selling across our portfolio. As an example, we expanded Dippin' Dots into theaters, launched an Icee Cherry'n Blue Raze Dippin' Dots product, added the Icee and Slush Puppie pop products to our frozen novelty portfolio, and initiated the roll-out of our SuperPretzel filled knots which will benefit both food service and retail customers. Across our three business segments, we are gaining placement in key channels including theaters, QSR, casual dining and retail, leading to market share gains in our core products. We also continue to build momentum around our Hola! Churros brand with sales up 43% in the quarter and plans to launch this brand into retail later this year.

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“While overall inflation has stabilized, we continue to experience year over year pressures on key commodity inputs such as flour, oils, eggs, mixes and sugar. We estimate inflationary impacts of approximately 9% compared to a year ago as commodity prices gradually improve. Despite these continued challenges, we delivered improved gross margins benefiting from our pricing action last year and initiatives to improve cost management and productivity. Operationally, we continued to expand our production capacity and now have five new automated lines supporting growth opportunities in churros, pretzels, and frozen novelties. In addition, we are implementing the geographic optimization of our distribution and warehousing network by consolidating to a handful of locations, including three new state-of-the-art regional distribution centers. The first RDC will open in June in Terrell, Texas while the other two are expected to come online later this year and in early 2024. This aligns with other strategic initiatives announced in fiscal 2022, including the implementation of a new ERP system and outsourcing of our shipping logistics. We expect that these combined initiatives position us for sales growth, improved operational efficiency, reduced distribution costs and an aligned platform to deliver incremental profitability.

“Looking forward, we are excited about the opportunities in front us. Our sales pipeline is strong, we have the right strategy to improve our operating efficiency and a talented team aligned against our key priorities. In addition, we will continue to rely on our robust balance sheet to strategically invest in attractive growth opportunities. We are doing the right things and taking the right steps to profitably grow our market share while creating added value for our employees, partners, and shareholders.”

Total Company Second Quarter Highlights

Net sales increased 20.0% to \$337.9 million in Q2 of fiscal 2023, compared to Q2 of fiscal 2022.

Key highlights include:

- Sales grew across all three business segments.
 - Food Service sales exceeded Q2 '22 by 23.8%.
 - Retail segment sales exceeded Q2 '22 by 13.7%.
 - Frozen Beverage segment sales exceeded Q2 '22 sales by 13.7%.
- Organic sales growth was driven by our core brands and products, including soft pretzels, churros, frozen novelties and frozen beverages.
- Sales included approximately \$16.0 million in revenue from Dippin' Dots, which we report in our food service segment as frozen novelties.

Gross profit as a percentage of sales was 26.8% in Q2 '23, comparing favorably to 23.2% in Q2 '22. While inflation trends are gradually improving, key ingredients including flour, oils, eggs, meats, sugar, and dairy continue to experience inflationary pressures compared to the same period last year, up approximately 9% on average. Three pricing actions implemented in fiscal 2022 along with the initial benefits of our operational initiatives helped to partially offset these headwinds and we expect for these benefits to further increase as we progress on our goal towards achieving 30% gross margin levels.

Total operating expenses of \$80.2 million represented 23.7% of sales for the quarter, compared to 21.8% in Q2 '22, reflecting ongoing inflationary pressures across distribution and administrative costs and the addition of Dippin' Dots to our expense base. Distribution costs represented 11.3% of sales in the quarter, down

sequentially from 12.0%, but up versus 10.1% in the prior year period. We expect to reduce costs and drive significant savings over the coming quarters as our various strategic and operational initiatives have added impact on our logistics management and operational efficiency.

Marketing and selling expenses represented 7.1% of sales, versus 7.5% in the prior year period, and 6.7% in Q1' 23. Administrative expenses were 5.3% of sales in Q2 '23, compared to 4.2% in Q2 '22 and 4.7% in Q1' 23 driven mostly by the expected seasonal impact of Dippin' Dots.

Adjusted operating income was \$12.1 million in the second quarter of fiscal 2023, compared to \$4.7 million in the prior year period, reflecting revenue growth across all three of our business segments. This led to net earnings in Q2 '23 of \$6.9 million, compared to \$3.3 million in Q2 '22. Our effective tax rate was 26% in Q2 '23.

Food Services Segment Second Quarter Highlights

- Q2 '23 food service sales exceeded Q2 '22 by \$41.9 million, or an increase of 23.8%, including approximately \$16.0 million in sales from Dippin' Dots.
- Core brands and products continued to experience revenue growth, including 28.3% growth in soft pretzels, a 42.8% increase in churros and a 264.2% increase in frozen novelties reflecting the acquisition of Dippin' Dots. Handheld and bakery sales were relatively flat, down 1.0% and up 1.6%, respectively, compared to Q2 '22.
- Sales of new products and expanded customer placement were approximately \$3.3 million driven primarily by growth across SUPERPRETZEL Bavarian sticks and a new bakery product with a key strategic customer.
- Q2 '23 operating income increased 857.6% to \$5.1 million driven by stronger sales and improved gross margin performance.

Retail Segment Second Quarter Highlights

- Q2 '23 retail sales increased 13.7% to \$46.4 million, compared to Q2 '22.
- Handhelds sales grew by 283.4%, compared to Q2 '22, frozen novelty sales grew by 9.8%. Soft pretzel sales increased 1.7% and biscuit sales increased 3.0%, versus the prior year period.
- New product innovation and expanded placement contributed approximately \$2.5 million in the quarter led by the recent launch of SUPERPRETZEL filled knots and handheld expansion with a major retailer .
- Operating income decreased 55.4% to \$0.5 million, versus the prior year period, driven by gross margin challenges due to higher promotions and allowances.

Frozen Beverages Segment Second Quarter Highlights

- Frozen beverage segment sales were \$73.2 million, beating Q2 '22 sales by 13.7%.
- Beverage sales grew 18.2%, or \$6.4 million, compared to Q2 '22 led by continued strong consumption trends across travel, sporting events, retail, and amusement venues and improved theater results.
- Machine repair and maintenance service revenues increased 7.5%, versus the prior year period, while equipment sales increased 9.4% on the back of healthy customer installation volume.
- Q2 '23 operating income improved to \$4.6 million, compared to a Q2 '22 operating income of \$2.5 million, reflecting the sales increase and leverage across the business.

Conference Call

J&J Snack Foods Corp. will host a conference call to discuss results and business outlook on May 2, 2023, at 10:00 a.m. Eastern Time. Conference call participants should register by clicking on this [Registration Link](#) to receive the dial-in number and a personal PIN, which are required to access the conference call. A transcript of the conference call will also be available on the Investors homepage at www.jjsnack.com.

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, DIPPIN' DOTS ice cream, LUIGI'S Real Italian Ice, MINUTE MAID* frozen ices, WHOLE FRUIT sorbet and frozen fruit bars, SOUR PATCH KIDS** Flavored Ice Pops, HOLA! CHURROS, and THE FUNNEL CAKE FACTORY funnel cakes and several bakery brands within DADDY RAY'S, COUNTRY HOME BAKERS and HILL & VALLEY. 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.

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 growth 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 our profitability-related continuous improvement initiatives in our operations. 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.