



# J&J Snack Foods Reports Record Fiscal Second Quarter Revenue of \$359.7 Million

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**Net Earnings of \$13.3 Million, EPS of \$0.69 and Adjusted EPS of \$0.84**

**Increased Over 90% Versus Prior Year**

MOUNT LAUREL, N.J., May 03, 2024 (GLOBE NEWSWIRE) -- J&J Snack Foods Corp. (NASDAQ: JJSF) (the "Company") today reported financial results for the second quarter ended March 30, 2024.

	Second Quarter		
	Actuals	\$ vs. LY	% vs. LY
Net Sales	\$359.7M	\$21.9M	6.5%
Operating Income	\$17.9M	\$7.7M	75.6%
Net Earnings	\$13.3M	\$6.5M	94.0%
Earnings per Diluted Share	\$0.69	\$0.33	91.7%
Adjusted Operating Income	\$21.8M	\$9.8M	81.0%
Adjusted EBITDA	\$39.3M	\$11.9M	43.1%
Adjusted Earnings per Diluted Share	\$0.84	\$0.41	95.3%

*This press release contains non-GAAP financial measures. Please refer to the Non-GAAP Financial Measures section below for reconciliations to the most comparable GAAP measures.*

Dan Fachner, J&J Snack Foods Chairman, President, and CEO, commented, "J&J Snack Foods delivered another period of strong financial results, including the highest fiscal second quarter net sales in our company's history -topping our previous record achieved in the prior year. Top line performance was driven by higher volumes of our core products and brands, as well as strong new business performance in our Food Service and Retail channels. Our investments over the last two years to increase production capacity in

churros and pretzels have positioned us to pursue new sales opportunities. Also, the ongoing success of our initiatives to enhance profit margins and drive efficiency across our business led to a 330-basis point improvement in gross margin to 30.1%. This resulted in adjusted operating income and adjusted EBITDA growth of 81.0% and 43.1%, respectively, and a more than 90% increase in net earnings, EPS, and adjusted EPS.”

“Food Service sales increased 5.4%, led by strong growth in churros, bakery, and frozen novelties. Our churros’ partnership with Subway has enjoyed phenomenal success and we remain excited about the opportunity ahead of us. Retail sales increased 14.1%, led by healthy year-over-year growth across all our product categories, including 75% growth in handhelds and 14% growth in frozen novelties. Our Superpretzel branded products, including Bavarian sticks, mini dogs, and bites, continue to perform well and we are making progress expanding our Hola! Churros brand in Retail. The Frozen Beverage segment continues its growth trajectory, with sales growing by 5% versus the prior year period, driven by strong beverage sales.”

“During the quarter, we opened the third regional distribution center (“RDC”) in Arizona completing our strategic supply chain transformation, which is projected to drive significant benefits in how we warehouse and distribute product. As planned, we incurred \$2.3 million in one-time incremental expenses in the quarter as we transitioned from our prior warehouse structure to the new facility. Today, all three RDCs are in operation with over 80% of sales orders now shipped from our new distribution network. This completes a critical initiative for our business, and we are confident in our ability to drive further productivity improvements in our supply chain.”

“In summary, our second quarter performance, together with our robust balance sheet and liquidity position, has us well positioned to continue driving growth across our brand portfolio and customer channels. Looking ahead, we remain focused on executing our strategy, including maximizing every sales and new business opportunity to further grow our core brands, while investing in our capabilities and resources to improve our overall operations. While we are closely monitoring consumer and inflationary trends, we expect to build momentum through the second half of fiscal 2024 and remain excited about the many opportunities ahead of us to deliver long-term value to our employees, partners, and shareholders.”

## **Second Quarter Highlights**

Net sales increased 6.5% to \$359.7 million in Q2 of fiscal 2024, compared to Q2 of fiscal 2023.

Key highlights include:

- Food Service segment sales were 5.4% above Q2 '23.
- Retail segment sales were 14.1% above Q2 '23.
- Frozen Beverage segment sales were 5.0% above Q2 '23.
- Churros, Bakery and Frozen Novelties in Food Service; Soft Pretzels, Handhelds, Frozen Novelties and Biscuits in Retail; and Beverages and Maintenance Services in Frozen Beverages all delivered sales increases in the quarter. This was slightly offset by softer sales of Handhelds and Soft Pretzels in Food Service and relatively flat Machine revenue in Frozen Beverages.
- Dippin' Dots sales increased 5.1% compared to Q2 '23.

Gross profit as a percentage of sales was 30.1% in Q2 '24, comparing favorably to 26.8% in Q2 '23, reflecting the impact of improved product and pricing mix along with ongoing productivity improvements and a stabilization of inflationary pressures across the majority of our input costs. While we experienced deflation in some raw materials for the quarter led by flour, oils, dairy, and eggs, this was offset by continued double-digit inflation in chocolates and mid-single digit increases in sugar/sweeteners, mixes, and meats.

Total operating expenses of \$90.3 million represented 25.1% of sales for the quarter, compared to 23.7% in Q2 '23.

- Distribution costs of \$44.2 million represented 12.3% of sales in the quarter, versus 11.3% in the prior year period, largely driven by \$2.3 million of one-time transition expenses related to opening the Glendale distribution center in Arizona and higher shipment volume.
- Marketing and selling expenses of \$27.7 million represented 7.7% of sales, versus 7.1% in the prior year period, reflecting incremental licensing fees on new churros business, and additional strategic promotional and marketing spend to support our core brands and new product launches.
- Administrative expenses of \$18.5 million represented 5.1% of sales in Q2 '24, compared to 5.3% in Q2 '23, with the year-over-year decrease largely attributable to tight management of payroll cost and discretionary spend.

Adjusted operating income was \$21.8 million in the second quarter of fiscal 2024, compared to \$12.1 million in the prior year period, with the increase driven by sales growth, improved gross margins and operational efficiencies. This led to net earnings in Q2 '24 of \$13.3 million, favorably comparing to \$6.9 million in Q2 '23. Our effective tax rate was 26.6% in Q2 '24.

## **Food Service Segment Second Quarter Highlights**

- Q2 '24 food service sales totaled \$230.0 million, or an increase of 5.4%, compared to Q2 '23 sales of \$218.3 million.
- Churros sales continued their strong growth momentum as sales increased 23.7% to over \$30.8 million led by new business growth with a major QSR customer. Bakery and Frozen Novelties sales also increased, by 7.7% and 4.2%, respectively, driven by unit volume growth in cookies and over 5% increase in Dippin' Dots sales. Growth across the segment was offset by a decrease in Soft Pretzel and Handheld sales of 2.1% and 4.0%, respectively, driven primarily by soft consumer trends. Volume sales for core food service handhelds increased for the quarter.
- Sales of new products and added placement with new customers totaled approximately \$13.7 million, driven primarily by the addition of churros to the menu of a major QSR customer.
- Q2 '24 operating income increased 54.5% to \$7.9 million, versus the prior year period reflecting the top-line growth and improved gross margins.

## **Retail Segment Second Quarter Highlights**

- Q2 '24 retail sales totaled \$52.9 million, or an increase of 14.1%, compared to Q1 '23.
- Handheld sales grew by 75.5% driven by expanded placement of product with a major mass merchant. Frozen Novelties sales increased 14% led by growth of Dogsters and Icee novelties, as well as higher shipments as customers build inventory for the peak spring and summer seasons. Biscuit sales increased 6.0% in the quarter and Soft Pretzel sales increased 2.7% led by our continued expansion of Superpretzel products in retail.
- New product innovation contributed approximately \$2.0 million in the quarter driven primarily by the growth of Superpretzel Bavarian sticks into the Retail segment .
- Operating income for the quarter was \$5.1 million, an increase of \$4.6 million versus the prior year period driven by sales growth, product mix and higher gross margins.

## **Frozen Beverages Segment Second Quarter Highlights**

- Frozen beverages segment sales were \$76.9 million and beat Q2 '23 sales by 5.0%.
- Beverage sales grew 6.9%, or \$2.9 million higher than in Q2'23 led by consistent consumer trends across most customer channels.
- Repair and Maintenance revenues increased 2.9%, versus the prior year period reflecting strong maintenance call volumes, while Machine sales were relatively flat down 0.4%.
- Q2 '24 operating income increased 6.3% to \$4.9 million for the quarter, compared to a Q2 '23 operating income of \$4.6 million, and was driven by both sales growth and gross margin performance.

## **Conference Call**

J&J Snack Foods Corp. will host a conference call to discuss results and business outlook on May 7, 2024, 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 live audio webcast of the conference call will also be available on the Investors homepage at <https://www.jjsnack.com/investors/>.

**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, 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.

**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 the future impact of our operational efficiency projects. 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 or similar health outbreaks, 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.

#### **Non-GAAP Financial Measures**

Adjusted EBITDA consists of net earnings adjusted to exclude: income taxes (benefit); investment income; interest expense; depreciation and amortization; share-based compensation expense; net (gain) loss on sale or disposal of assets; impairment charges, restructuring costs, merger and acquisition costs, acquisition related inventory adjustments, strategic business transformation costs, and integration costs.

Adjusted Operating Income consists of operating income adjusted to exclude: impairment charges, restructuring costs, merger and acquisition costs, acquisition related amortization expenses and inventory adjustments, strategic business transformation costs, and integration costs.

Adjusted Earnings per Diluted Share consists of net earnings adjusted to exclude: impairment charges, restructuring costs, merger and acquisition costs, acquisition related amortization expenses and inventory adjustment, strategic business transformation costs, and integration costs. For purposes of comparability, the income tax effect of pre-tax adjustments is determined using statutory tax rates.

This press release contains certain non-GAAP financial measures; Adjusted EBITDA, Adjusted Operating Income, and Adjusted Earnings per Diluted Share. A "non-GAAP financial measure" is a numerical measure of a company's financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP") in the statements of income, balance sheets, or statements of cash flow of the company. Pursuant to applicable reporting requirements, the company has provided reconciliations below of non-GAAP financial measures to the most directly comparable GAAP measure.