J&J SNACK FOODS CORP
Form 10-Q
July 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended June 27, 2015.

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 (State or other jurisdiction of incorporation or organization)	22-1935537 (I.R.S. Employer Identification No.)

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.

X 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).

X Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “non-accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer (X)	Accelerated filer ( )
Non-accelerated filer ( ) (Do not check if a smaller reporting company)	Smaller reporting company ( )

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

As July 20, 2015 there were 18,698,666 shares of the Registrant’s Common Stock outstanding.

INDEX

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

	June 27, 2015 (unaudited)	September 27, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 126,548	$ 91,760
Accounts receivable, net	115,508	99,972
Inventories, net	83,120	76,083
Prepaid expenses and other	4,212	3,695
Deferred income taxes	4,320	4,096
Total current assets	333,708	275,606
Property, plant and equipment, at cost		
Land	2,496	2,496
Buildings	26,741	26,741
Plant machinery and equipment	206,036	195,566
Marketing equipment	265,272	256,389
Transportation equipment	6,899	6,913
Office equipment	20,059	18,556
Improvements	28,121	26,635
Construction in progress	8,697	4,785
Total Property, plant and equipment, at cost	564,321	538,081
Less accumulated depreciation and amortization	395,045	380,552
Property, plant and equipment, net	169,276	157,529
Other assets		
Goodwill	86,442	86,442
Other intangible assets, net	47,150	50,989
Marketable securities held to maturity	-	2,000
Marketable securities available for sale	103,352	128,117
Other	2,998	4,090
Total other assets	239,942	271,638
Total Assets	$ 742,926	$ 704,773
Liabilities and Stockholder's Equity		
Current Liabilities		
Current obligations under capital leases	$ 270	$ 146
Accounts payable	67,140	59,968
Accrued insurance liability	10,284	10,578
Accrued income taxes	1,091	-
Accrued liabilities	5,946	5,007
Accrued compensation expense	14,109	14,286

Dividends payable	6,729	5,972
Total current liabilities	105,569	95,957
Long-term obligations under capital leases	1,265	374
Deferred income taxes	44,848	44,785
Other long-term liabilities	971	1,139
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 18,692,000 and 18,663,000 respectively	34,508	32,621
Accumulated other comprehensive loss	(10,295)	(5,988)
Retained Earnings	566,060	535,885
Total stockholders' equity	590,273	562,518
Total Liabilities and Stockholder's Equity	$ 742,926	$ 704,773

The accompanying notes are an integral part of these statements.

3

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

	Three months ended		Nine months ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net Sales	$278,724	$257,113	$716,484	$665,957
Cost of goods sold[1]	188,328	172,745	498,037	460,570
Gross Profit	90,396	84,368	218,447	205,387
Operating expenses				
Marketing [2]	23,201	21,274	62,674	56,825
Distribution [3]	20,429	19,314	55,583	51,816
Administrative [4]	7,910	7,883	22,897	21,648
Other general expense	45	234	67	1,132
	51,585	48,705	141,221	131,421
Operating Income	38,811	35,663	77,226	73,966
Other income (expense)				
Investment (loss) income	(53)	1,159	2,579	3,273
Interest expense & other	(34)	(26)	(88)	(89)
Earnings before income taxes	38,724	36,796	79,717	77,150
Income taxes	14,262	13,118	29,362	27,525
NET EARNINGS	$24,462	$23,678	$50,355	$49,625
Earnings per diluted share	$1.30	$1.26	$2.68	$2.64
Weighted average number of diluted shares	18,823	18,832	18,815	18,814
Earnings per basic share	$1.31	$1.27	$2.70	$2.66
Weighted average number of basic shares	18,691	18,686	18,683	18,686

(1) Includes share-based compensation expense of $134 and $354 for the three months and nine months ended June 27, 2015, respectively and $136 and $371 for the three months and nine months ended June 28, 2014.
(2) Includes share-based compensation expense of $201 and $531 for the three months and nine months ended June 27,2015, respectively and $190 and $530 for the three months and nine months ended June 28, 2014.

(3) Includes share-based compensation expense of $12 and $33 for the three months and nine months ended June 27, 2015, respectively and $12 and $33 for the three months and nine months ended June 28, 2014.

(4) Includes share-based compensation expense of $269 and $707 for the three months and nine months ended June 27, 2015, respectively and $251 and $704 for the three months and nine months ended June 28, 2014.

See accompanying notes to the consolidated financial statements

J&J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three months ended		Nine months ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net Earnings	$24,462	$23,678	$50,355	$49,625
Foreign currency translation adjustments	(420)	262	(3,289)	(14)
Unrealized holding gain (loss) on marketable securities	371	965	(1,018)	2,394
Total Other Comprehensive (Loss) income, net of tax	(49)	1,227	(4,307)	2,380
Comprehensive Income	$24,413	$24,905	$46,048	$

For the purposes of Section 203, a business combination is broadly defined to include mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. An interested stockholder is a person who, together with affiliates and associates, owns or within the immediately preceding three years owned 15% or more of the corporation s voting stock.

DESCRIPTION OF THE DEBT SECURITIES

The prospectus supplement will describe the particular terms of any debt securities that we may offer and may supplement or differ from the terms summarized herein. The following summaries of the debt securities are not complete. You are urged to read the exhibits to the registration statement that include this prospectus and the description of the additional terms of any debt securities that may be included in the prospectus supplement.

Table of Contents

General

We may offer debt securities in the form of subordinated debt securities. The subordinated debt securities generally will be entitled to payment only after payment of our senior debt. See Subordination below.

Within the total dollar amount of this shelf registration statement, we may issue debt securities in a separate series. We may specify a maximum aggregate principal amount for the debt securities of any such series. The terms of each series of debt securities will be established by or pursuant to a resolution of our Board of Directors or a committee thereof. The particular terms of each series of debt securities will be described in a prospectus supplement relating to such series, including any pricing supplement. The terms of the debt securities may or may not: place limits on the amount of other debt that we may incur; contain provisions to protect holders against a sudden or dramatic decline in our ability to pay our debt; contain financial or similar restrictive covenants, and require that subordinated debt may be paid only if all payments due under our senior indebtedness, have been made.

The prospectus supplement will describe the debt securities and the price or prices at which we will offer the debt securities. The description will include:

- the title, denominations and form of the debt securities;
- the principal amount being offered, and, if a series, the total amount authorized and the total amount outstanding;
- any limits on the aggregate principal amount of the debt securities that may be issued;
- the date or dates on which we must repay the principal, the maturity date and the principal amount due at maturity, and whether any discounts are applicable;
- the rate or rates at which the debt securities will bear interest, and the date or dates from which interest will accrue;
- the person or entity to which any interest on a debt security will be paid and the dates on which interest must be paid;
- our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the terms and conditions on which we may redeem any debt securities, if at all;

whether or not we will issue the series of debt securities in global form and, if so, the terms and who the depositary will be;

whether and under what circumstances the debt securities may be converted into, or exchanged for shares of our Common Stock, our Preferred Stock or other debt securities or for other securities or property;

any subordination provisions that will apply to any subordinated debt securities;

any addition to or change in the events of default applicable to the debt securities and any change in the right of the trustee or the holders to declare the principal amount of any of the debt securities due and payable;

restrictions on transfer, sale or other assignment, if any;

the covenants associated with the debt securities, including any restrictive covenants; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, including any events of default, and any terms which may be required by us or be advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

We can issue debt securities in one or more series with the same or various maturities, at par, at a premium or at a discount. We may issue debt securities that provide for an amount less than their stated principal amount to be due and payable upon declaration of acceleration of their maturity. We will describe U.S. federal income tax considerations, if any, and other special considerations applicable to any of these debt securities in the prospectus supplement.

Table of Contents

Conversion and Exchange Rights

The prospectus supplement will describe, if applicable, the terms on which you may convert debt securities into or exchange them for other debt securities, Preferred Stock and Common Stock or other securities or property. The conversion or exchange may be mandatory or may be at our option or at your option, all as described in the prospectus supplement. The prospectus supplement will describe the conversion or exchange rate, how the amount of debt securities, number of shares of Preferred Stock and Common Stock or other securities or property to be received upon conversion or exchange would be calculated and the applicable conversion or exchange period.

Subordination

The indebtedness underlying any subordinated debt securities will be payable only if all payments due under our senior indebtedness have been made. If we distribute our assets to creditors upon any dissolution, winding-up, liquidation or reorganization or in bankruptcy, insolvency, receivership or similar proceedings, we must first pay all amounts due or to become due on all senior indebtedness before we pay the principal of, or any premium or interest on, the subordinated debt securities. In the event the subordinated debt securities are accelerated because of an event of default, we may not make any payment on the subordinated debt securities until we have paid all senior indebtedness or the acceleration is rescinded. If the payment of subordinated debt securities accelerates because of an event of default, we must promptly notify holders of senior indebtedness of the acceleration. If we experience a bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of subordinated debt securities may receive less, ratably, than our other creditors.

PLAN OF DISTRIBUTION

We may sell the securities described in this prospectus from time to time in one or more transactions:

- to purchasers directly;
- to underwriters for public offering and sale by them;
- through designated agents; or
- through a combination of any of the foregoing methods of sale.

We may distribute the securities from time to time in one or more transactions at

a fixed price or prices, which may be changed;

market prices prevailing at the time of sale;

prices related to such prevailing market prices; or

negotiated prices.

Each time that we use this prospectus to sell securities, we will also provide a prospectus supplement that contains the specific terms of the offering. Any public offering price may be changed from time to time. The prospectus supplement will set forth the terms of the offering, including, without limitation:

the name or names of any underwriters, or agents and the type and amounts of securities underwritten or purchased by each of them;

the name or names of any managing underwriter or underwriters;

the public offering price of the securities;

the net proceeds from the sale of the securities;

any underwriting discounts, commissions and other items constituting underwriters compensation, and

any discounts or concessions allowed or re-allowed or paid.

Table of Contents

Direct Sales

We may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act, with respect to any resale of the securities. A prospectus supplement will describe the terms of any sale of securities we are offering hereunder.

To Underwriters

Unless otherwise provided in a prospectus supplement, the obligations of any underwriters to purchase securities will be subject to certain conditions precedent. The applicable prospectus supplement will name any underwriter or underwriters involved in a sale of our securities, which may be offered and sold at a price or at prices which may be changed, or from time to time at market prices or at negotiated prices. Underwriters may be deemed to have received compensation from us from sales of our securities in the form of underwriting discounts or commissions and may also receive commissions from purchasers of securities for whom they may act as agent. Underwriters may be involved in any of the market offerings of securities by or on our behalf. Underwriters may sell securities from time to time in one or more transactions to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Through Agents

We may name an agent who may be involved in a sale of securities, as well as any commissions payable by us to such agent, in a prospectus supplement. Unless we indicate differently in the prospectus supplement, any such agent will be acting on a reasonable efforts basis for the period of its appointment.

Delayed Delivery Contracts

If we so indicate in a prospectus supplement, we may authorize agents or underwriters to solicit offers from certain types of institutions to purchase securities from us at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

Underwriters and agents participating in a sale of the securities may be deemed to be underwriters as defined in the Securities Act, and any discounts and commissions received by them, and any profit realized by them on resale of the securities, may be deemed to be underwriting discounts and commissions under the Securities Act. We may have agreements with underwriters and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, and to reimburse them for certain expenses. No underwriters or agents will be responsible for the validity or performance of the contracts. We will set forth in the prospectus supplement relating to the contracts the price to be paid for the securities, the commissions payable for solicitation of the contracts and the date in the future for delivery of the securities. Underwriters or agents who may become involved in the sale of our securities may be customers of, engage in transactions with and perform other services for us in the ordinary course of their business for which they receive compensation.

Stabilization Activities

Any underwriter may engage in over-allotment, stabilizing transactions, syndicate-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which create a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate-covering transactions involve purchases of the securities in the open market after the distribution is completed to cover syndicate short positions. Penalty bids permit the underwriters to reclaim a selling

Table of Contents

concession from a syndicate member when the securities originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. These stabilizing activities may cause the price of the securities to be higher than it would otherwise be. If commenced, the underwriters may discontinue any of the activities at any time.

LEGAL MATTERS

Except and unless as otherwise provided in any prospectus supplement or otherwise, certain legal matters in connection with the validity of the securities offered hereby will be passed upon for us by the law firm of Dechert LLP, New York, New York. The name of the law firm advising any underwriters with respect to certain issues relating to any offering will be set forth in the applicable prospectus supplement.

EXPERTS

The consolidated financial statements of Portfolio Recovery Associates, Inc. and subsidiaries as of December 31, 2008 and 2007 and for the years then ended, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2008, have been incorporated by reference in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The consolidated financial statements of Portfolio Recovery Associates, Inc. and subsidiaries for the year ended December 31, 2006 have been incorporated by reference in reliance on the report of PricewaterhouseCoopers LLP, our independent registered public accounting firm for the year ended December 31, 2006, and in reliance upon the authority of said firm as an expert in accounting and auditing.

KPMG LLP s audit report covering the December 31, 2008 and 2007 consolidated financial statements contains an explanatory paragraph that states that Portfolio Recovery Associates, Inc. adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainties in Income Taxes, an interpretation of FASB Statement No. 109, effective January 1, 2007.

KPMG LLP s audit report on the effectiveness of internal control over financial reporting as of December 31, 2008, contains an explanatory paragraph that states that Portfolio Recovery Associates, Inc. acquired MuniServices, LLC (MuniServices) during 2008, and management excluded from its assessment of the effectiveness of Portfolio Recovery Associates, Inc. s internal control over financial reporting as of December 31, 2008, MuniServices internal control over financial reporting associated with less than 5% of the total assets and total revenues reflected in the consolidated financial statements of Portfolio Recovery Associates, Inc. as of and for the year ended December 31, 2008. KPMG LLP s audit of internal control over financial reporting of Portfolio Recovery Associates, Inc. also excluded an evaluation of the internal control over financial reporting of MuniServices.

Table of Contents

1,250,000 Shares

Portfolio Recovery Associates, Inc.

Common Stock

Prospectus Supplement

Sole Book-Running Manager	*Co-Lead Manager*
William Blair & Company	**JMP Securities**

February 17, 2010