



J&J Snack Foods Corp. (JJSF)

Updated May 23rd, 2022, by Thomas Richmond

Key Metrics

Current Price:	\$125	5 Year CAGR Estimate:	7.8%	Market Cap:	\$2.4 B
Fair Value Price:	\$114	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	06/16/22
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.8%	Dividend Payment Date:	07/11/22
Dividend Yield:	2.0%	5 Year Price Target	\$168	Years Of Dividend Growth:	18
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

J&J Snack Foods (JJSF) manufactures, markets, and distributes snack foods to retail supermarkets and food service locations throughout North America. The business's 3 segments are Retail Supermarkets, which includes sales to supermarkets, Food Service, which includes sales to non-supermarket locations, and Frozen Beverages, which includes sales of their frozen treats like ICEE, SLUSH PUPPIE, and PARROT ICE. Food Service has historically accounted for the bulk of sales; in 2021, Food Service accounted for 63% of sales, Retail Supermarkets accounted for 21% of sales, and Retail Supermarket made 16% of sales. The conglomerate's brands include SUPERPRETZEL, PRETZEL FILLERS, PRETZELFILS, GOURMET TWISTS, SOFT PRETZEL BITES, AUNTIE ANNE'S, LUIGI'S, WHOLE FRUIT, PHILLY SWIRL, SOUR PATCH KIDS (trademark of Mondelez International Group), MINUTE MAID (trademark of Coca Cola), READI-BAKE, COUNTRY HOME, DADDY RAY's, and HILL & VALLEY. Aside from strong brands, the business has strong distribution channels, which helps it get its products into supermarkets and various food service locations, including snack bars, malls, shopping centers, sports arenas, theme parks, convenience stores, movie theatres, schools, and more.

On May 2nd, 2022, J&J Snack Foods reported Q2 2022 results for the period ending March 26th, 2022. The business saw diluted earnings-per-share of \$0.17, down 46.3% from the year-ago period, but the business saw 9.9% revenue growth from the year-ago quarter.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.86	\$3.41	\$3.82	\$3.73	\$4.05	\$4.21	\$4.46	\$5.00	\$0.96	\$2.91	\$3.80	\$5.58
DPS	\$0.52	\$0.64	\$1.28	\$1.44	\$1.56	\$1.68	1.80	\$2.00	\$2.30	\$2.42	\$2.54	\$3.09
Shares	19	19	19	19	19	19	19	19	19	19	19	19

The business saw a decrease in earnings-per-share in 2020 and 2021 due to decreased sales from the COVID-19 pandemic. Although the business does face headwinds like inflationary pressures on their costs of materials, production, and shipping costs, we expect a strong outlook for this year as the business sees increased demand for its products in a post-COVID world.

Over the past 9 years, J&J Snack Foods has seen earnings-per-share grow at an average annualized rate of 0.2%, but this is a little skewed, since 2021 saw depressed earnings from the pandemic. From 2012 to 2019, the business saw 6.4% annualized earnings-per-share growth, and we expect the business to continue to see this kind of growth over the long term. In 2022, we expect J&J Snack Foods to deliver \$3.80 in earnings-per-share, and we forecast that earnings-per-share will grow at a rate of 8% annually over the next 5 years.

Over the past 5 years, dividend payments have grown at 8.6% annually. We forecast that dividends will grow at 4% annually over the next 5 years. We estimate that dividends will grow slower than earnings-per-share, since the business already has a higher payout ratio than its historical average. J&J Snack Foods has an 18-year track record of increasing its dividend payments.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	18.7	20.9	23.8	28.8	27.9	30.7	32.0	32.3	---	---	32.9	30.0
Avg. Yld.	1.0%	0.9%	1.4%	1.3%	1.4%	1.3%	1.3%	1.2%	1.5%	1.5%	2.0%	1.8%

Over the past 9 years, J&J Snack Foods has averaged a 26.9 P/E ratio. Based on the steady history of valuation multiples, we estimate that a 30 P/E ratio is fair for the business, which makes up the basis of our 2027 P/E estimate. Today, the stock offers a low 2.0% dividend yield, which is low for investors who prioritize dividend income, but investors might consider the company if they're interested in the business's growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

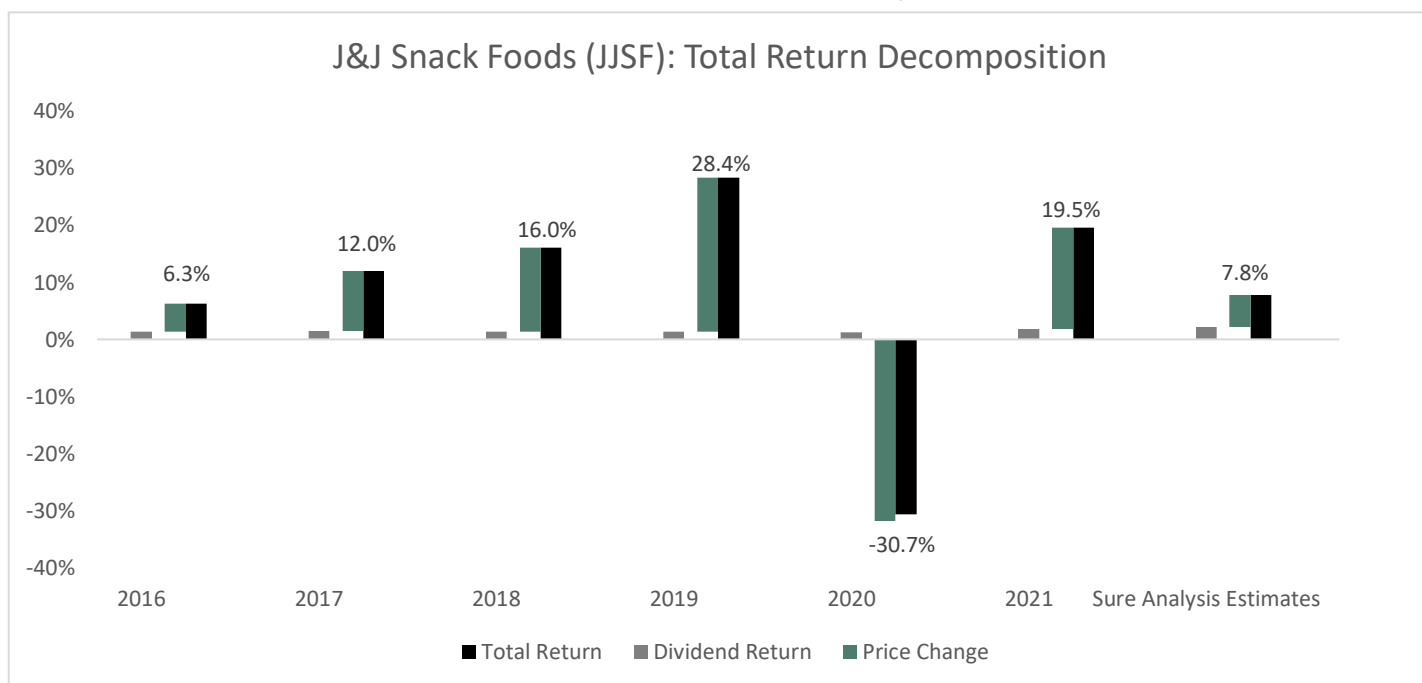
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	18%	19%	34%	39%	39%	40%	40%	40%	240%	83%	67%	55%

J&J Snack Foods has averaged a payout ratio of 59% over the past 9 years. Additionally, the business has an incredibly strong balance sheet, with more cash on the balance sheet than total liabilities. The balance sheet is so strongly fortified that investors might prefer for the business to deploy some of its excess cash to generate returns, rather than hold it for financial safety.

Final Thoughts & Recommendation

J&J Snack Foods offers investors an opportunity to invest in a business with well-known snack food brands like AUNTIE ANNE'S, SOFT PRETZEL BITES, LUIGI'S, etc., and a strong distribution system to successfully get these products into retail supermarkets and food service locations. At today's price, we rate the stock as a hold because total return prospects come in at 7.8% annually over the next five years. Investors might be interested in this stock because of the business's strong collection of brands, its distribution system, and its familiar business model.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	831	868	919	976	993	1,084	1,138	1,186	1,022	1,145
Gross Profit	250	263	288	301	304	331	336	350	238	299
Gross Margin	30.1%	30.3%	31.3%	30.8%	30.7%	30.5%	29.5%	29.5%	23.3%	26.1%
SG&A Exp.	165	166	181	190	191	213	225	233	215	226
D&A Exp.	31	34	37	38	40	42	46	49	53	49
Operating Profit	85	97	107	111	113	118	111	117	24	72
Op. Margin	10.2%	11.2%	11.6%	11.4%	11.4%	10.9%	9.7%	9.9%	2.3%	6.3%
Net Profit	54	64	72	70	76	79	104	95	18	56
Net Margin	6.5%	7.4%	7.8%	7.2%	7.7%	7.3%	9.1%	8.0%	1.8%	4.9%
Free Cash Flow	47	51	68	55	73	53	63	90	34	48
Income Tax	32	36	39	42	41	43	15	32	3	18

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	603	646	705	740	790	867	932	1,019	1,057	1,122
Cash & Equivalents	154	97	92	134	141	91	111	192	196	283
Acc. Receivable	76	88	100	103	98	125	132	141	127	163
Inventories	70	72	76	83	89	103	113	116	109	123
Goodwill & Int.	125	121	137	132	128	164	160	157	203	200
Total Liabilities	128	129	142	140	153	185	173	186	247	277
Accounts Payable	53	51	60	59	62	73	70	72	73	97
Long-Term Debt	---	---	---	---	---	---	---	---	---	---
Total Equity	475	517	563	600	638	682	759	834	809	846
LTD/E Ratio	---	---	---	---	---	---	---	---	---	---

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	9.4%	10.3%	10.6%	9.7%	9.9%	9.6%	11.5%	9.7%	1.8%	5.1%
Return on Equity	11.9%	13.0%	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%
ROIC	11.9%	13.0%	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%
Shares Out.	19	19	19	19	19	19	19	19	19	19
Revenue/Share	43.92	45.96	48.89	51.88	52.89	57.62	60.49	62.58	53.70	59.82
FCF/Share	2.46	2.69	3.60	2.94	3.86	2.83	3.37	4.77	1.80	2.50

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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