J&J Snack Foods Corp. (JJSF)

Updated November 15th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$152	**5 Year CAGR Estimate:**	6.4%	**Market Cap:**	$2.9 B
Fair Value Price:	$137	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	12/16/22
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	01/10/22
Dividend Yield:	1.8%	**5 Year Price Target**	$191	**Years Of Dividend Growth:**	19
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 2022, Food Service accounted for 63.2% of sales, Retail Supermarkets accounted for 14.3% of sales, and Frozen Beverages accounted for 22.5% 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. Last quarter, J&J Snack Foods completed a $222 million acquisition of Dippin' Dots, a powerful ice cream brand. 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. The business saw a decrease in earnings-per-share in 2020 and 2021 due to decreased sales from the COVID-19 pandemic, but the business's performance has rebounded.

On November 14th, 2022, J&J Snack Foods reported Q4 2022 results for the period ending September 24th, 2022. The business saw non-GAAP earnings-per-share of $1.05, beating analyst estimates by 10 cents, and earnings-per-share grew 1.0% year-over-year. Revenue beat analysts' estimates by $16.5 million, reaching $400.4 million for the quarter and revenue saw 23.9% year-over-year growth.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$3.41	$3.82	$3.73	$4.05	$4.21	$4.46	$5.00	$0.96	$2.91	$2.74	***$4.55***	***$6.38***
DPS	$0.64	$1.28	$1.44	$1.56	$1.68	$1.80	$2.00	$2.30	$2.42	$2.60	***$2.80***	***$3.41***
Shares	19	19	19	19	19	19	19	19	19	19	***19***	***19***

Over the past 9 years, J&J Snack Foods has seen earnings-per-share decrease at an average annualized rate of 2.4%, but this is a little skewed since JJSF saw depressed earnings-per-share from 2020-2022. From 2013 to 2019, the business saw annual earnings-per-share growth of 6.6%, and we expect the business to continue to see this kind of growth over the intermediate term, which is why we forecast earnings-per-share to grow at 7% annually from 2023 to 2028. In 2023, we expect J&J Snack Foods to deliver about $4.55 in earnings-per-share. We believe that this strong growth will come from strong sales growth in fiscal year 2023.

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 because we estimate that dividends will grow at a slower pace since the business has a high payout ratio today. J&J Snack Foods has a 19-year consecutive track record of increasing its dividend payments.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	20.9	23.8	28.8	27.9	30.7	32.0	32.3	---	---	---	***33.4***	***30.0***
Avg. Yld.	0.9%	1.4%	1.3%	1.4%	1.3%	1.3%	1.2%	1.5%	1.5%	1.8%	***1.8%***	***1.8%***

Over the past 9 years, J&J Snack Foods has averaged a P/E ratio of 28.1. Based on the steady history of valuation multiples, we estimate that a P/E ratio of 30 is fair for the business, which makes up the basis of our 2028 P/E ratio estimate. Today, the stock offers a 1.8% dividend yield, which is low for investors who prioritize dividend income, but investors might consider the company if they're interested in the company's growth potential.

Safety, Quality, Competitive Advantage, & Recession Resiliency

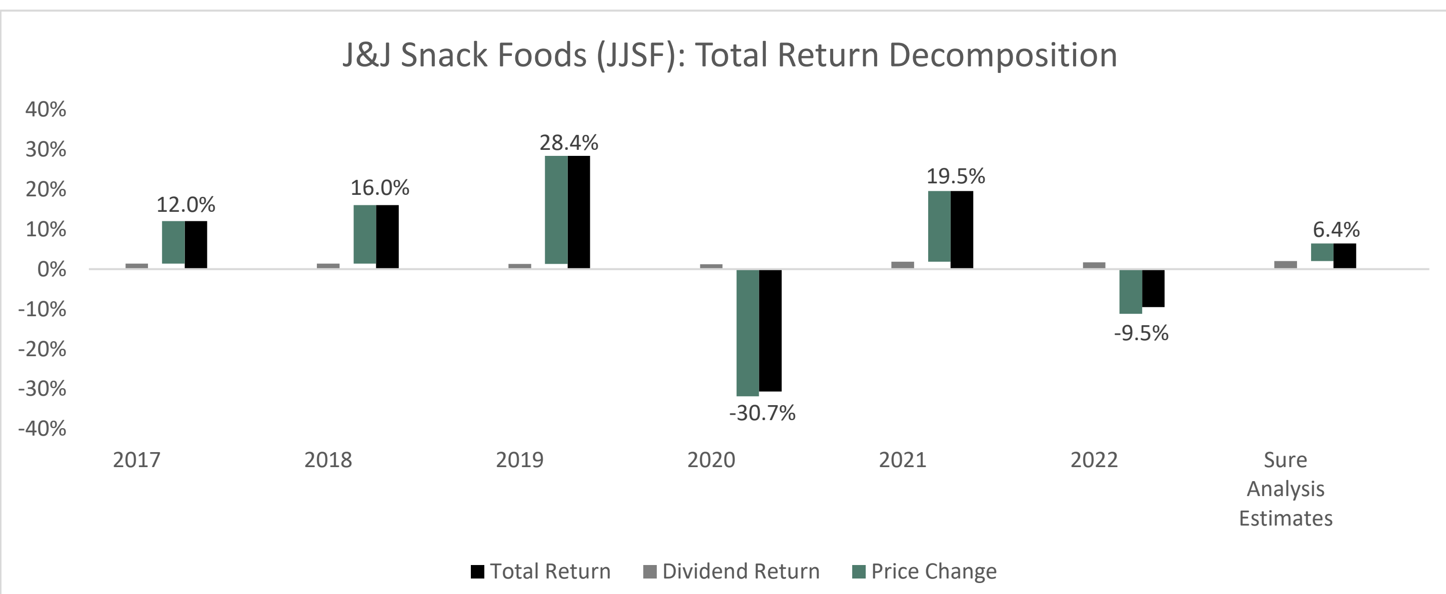
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	19%	34%	39%	39%	40%	40%	40%	240%	83%	95%	***62%***	***53%***

J&J Snack Foods has averaged a payout ratio of 66.7% over the past 9 years. Additionally, the business has an incredibly strong balance sheet, with more current assets on the balance sheet than total liabilities, even after the $222 million Dippin' Dot acquisition. As a business in the Consumer Staple sector, this business has a certain degree of recession resiliency, because people are always going to eat. The company has a competitive advantage due to the strong brand names that the company owns.

Final Thoughts & Recommendation

J&J Snack Foods is 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 6.4% annually over the next five years driven by a 1.8% dividend yield, an estimated 7% annual growth in earnings-per-share, while being offset by a 2.1% annual decline in the stock's valuation multiple. 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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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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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	868	919	976	993	1,084	1,138	1,186	1,022	1,145	1,381
Gross Profit	263	288	301	304	331	336	350	238	299	370
Gross Margin	30.3%	31.3%	30.8%	30.7%	30.5%	29.5%	29.5%	23.3%	26.1%	26.8%
SG&A Exp.	166	181	190	191	213	225	233	215	226	307
D&A Exp.	34	37	38	40	42	46	49	53	49	53
Operating Profit	97	107	111	113	118	111	117	24	72	63
Op. Margin	11.2%	11.6%	11.4%	11.4%	10.9%	9.7%	9.9%	2.3%	6.3%	4.6%
Net Profit	64	72	70	76	79	104	95	18	56	47
Net Margin	7.4%	7.8%	7.2%	7.7%	7.3%	9.1%	8.0%	1.8%	4.9%	3.4%
Free Cash Flow	51	68	55	73	53	63	90	34	48	-61
Income Tax	36	39	42	41	43	15	32	3	18	15

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	646	705	740	790	867	932	1,019	1,057	1,122	1,217
Cash & Equivalents	97	92	134	141	91	111	192	196	283	35
Acc. Receivable	88	100	103	98	125	132	141	127	163	208
Inventories	72	76	83	89	103	113	116	109	123	180
Goodwill & Int.	121	137	132	128	164	160	157	203	200	376
Total Liabilities	129	142	140	153	185	173	186	247	277	354
Accounts Payable	51	60	59	62	73	70	72	73	97	108
Long-Term Debt	---	---	---	---	---	---	---	---	---	55
Total Equity	517	563	600	638	682	759	834	809	846	863
LTD/E Ratio	---	---	---	---	---	---	---	---	---	0.06

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	10.3%	10.6%	9.7%	9.9%	9.6%	11.5%	9.7%	1.8%	5.1%	4.0%
Return on Equity	13.0%	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%	5.5%
ROIC	13.0%	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%	5.4%
Shares Out.	19	19	19	19	19	19	19	19	19	19
Revenue/Share	45.96	48.89	51.88	52.89	57.62	60.49	62.58	53.70	59.82	71.86
FCF/Share	2.69	3.60	2.94	3.86	2.83	3.37	4.77	1.80	2.50	-3.19

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