J&J Snack Foods Corp. (JJSF)

Updated February 10th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$148	**5 Year CAGR Estimate:**	13.5%	**Market Cap:**	$2.8 B
Fair Value Price:	$187	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	03/18/24
% Fair Value:	79%	**5 Year Valuation Multiple Estimate:**	4.8%	**Dividend Payment Date:**	04/09/24
Dividend Yield:	2.0%	**5 Year Price Target**	$263	**Years Of Dividend Growth:**	20
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Buy

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 2023, Food Service accounted for 60.9% of sales, Retail Supermarkets accounted for 14.6% of sales, and Frozen Beverages accounted for 24.5% 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, Minute Maid (trademark of Coca Cola), Daddy Ray's, and Hill & Valley. In 2022, 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 February 5th, 2024, J&J Snack Foods reported first quarter 2024 results for the period ending December 30th, 2023. The business saw earnings per diluted share of $0.52, which represents a 23.8% increase compared to the $0.42 for the same quarter last year. For the quarter, the company faced a slight decrease in net sales of 0.9% to $348.3 million, but achieved growth across several business segments, with Retail segment sales up by 1.6% and Frozen Beverage segment sales increasing by 8.5% compared to the year-ago quarter. Despite a 4.1% decrease in Food Service sales, the company noted growth in high-margin products like Churros, contributing to an improved gross profit percentage of 27.2% from 25.9% in Q1 '23, reflecting better product mix, aligned pricing, and productivity improvements. Total operating expenses were $84.9 million, representing 24.4% of sales, slightly higher due to strategic investments in marketing and selling, and administrative expenses to support core brands and new product launches.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.82	$3.73	$4.05	$4.21	$4.46	$5.00	$0.96	$2.91	$2.46	$4.08	***$5.35***	***$7.50***
DPS	$1.28	$1.44	$1.56	$1.68	$1.80	$2.00	$2.30	$2.42	$2.60	$2.80	***$2.94***	***$3.58***
Shares	19	19	19	19	19	19	19	19	19	19	***19***	***19***

Over the past decade, J&J Snack Foods has seen earnings-per-share increase at an average annualized rate of 0.7%, but this is a little skewed since JJSF saw depressed earnings-per-share from 2020 to 2022. From 2013 to 2019, the business saw annual earnings-per-share growth of 6.6%. 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. We believe that this growth will come from strong sales growth and streamlining operations in fiscal year 2024. J&J Snack Foods is transforming its logistics network by establishing three regional distribution centers, which will streamline operations, improve customer service, and reduce distribution costs. Over the past 5 years, dividend payments have grown at 8.0% annually. J&J Snack

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Foods has a 20-year consecutive track record of increasing its dividend payments. In August 2023, the quarterly dividend increased by 5% from $0.70 to $0.735 per share.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	23.8	28.8	27.9	30.7	32.0	32.3	161.8	54.3	41.2	26.9	***27.7***	***35.0***
Avg. Yld.	1.9%	1.3%	1.4%	1.3%	1.3%	1.2%	1.5%	1.6%	1.8%	1.7%	***2.0%***	***1.4%***

Over the past decade, J&J Snack Foods has averaged a P/E ratio of 46.0. Based on the steady history of valuation multiples and excluding the spike in 2020, we estimate that a P/E ratio of 35 is fair for the business. Today, the stock offers a 2.0% dividend yield, which could be low for investors who prioritize dividend income, but investors might consider the company if they are interested in the company's growth potential.

Safety, Quality, Competitive Advantage, & Recession Resiliency

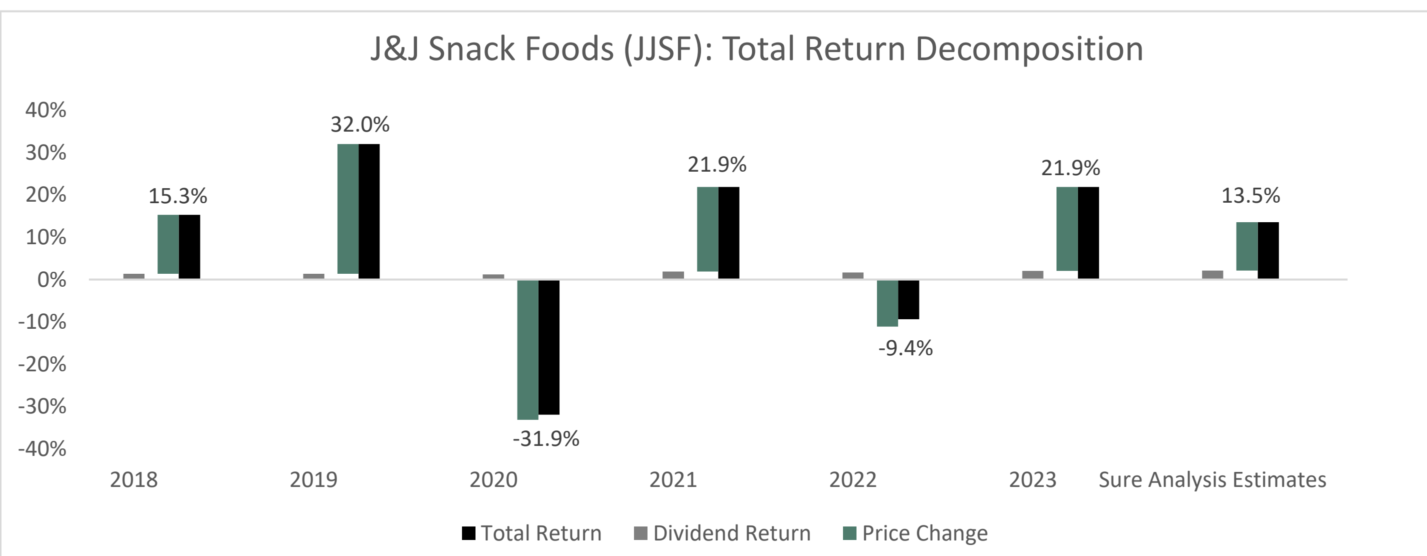
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Payout	34%	39%	39%	40%	40%	40%	240%	83%	106%	69%	***55%***	***48%***

J&J Snack Foods has averaged a payout ratio of 72.8% over the past decade. Additionally, the business has a 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, Luigi's, etc. The company has 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 buy because total return prospects come in at 13.5% annually over the next five years. This projection is driven by a 2.0% dividend yield, an estimated 7% annual growth in earnings-per-share, and a valuation tailwind.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	919	976	993	1,084	1,138	1,186	1,022	1,145	1,381	1,559
Gross Profit	288	301	304	331	336	350	238	299	370	470
Gross Margin	31.3%	30.8%	30.7%	30.5%	29.5%	29.5%	23.3%	26.1%	26.8%	30.1%
SG&A Exp.	181	190	191	213	225	233	215	226	307	359
D&A Exp.	37	38	40	42	46	49	53	49	53	63
Operating Profit	107	111	113	118	111	117	24	72	63	111
Op. Margin	11.6%	11.4%	11.4%	10.9%	9.7%	9.9%	2.3%	6.3%	4.6%	7.1%
Net Profit	72	70	76	79	104	95	18	56	47	79
Net Margin	7.8%	7.2%	7.7%	7.3%	9.1%	8.0%	1.8%	4.9%	3.4%	5.1%
Free Cash Flow	68	55	73	53	63	90	34	48	-61	68
Income Tax	39	42	41	43	15	32	3	18	15	29

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	705	740	790	867	932	1,019	1,057	1,122	1,217	1,277
Cash & Equivalents	92	134	141	91	111	192	196	283	35	50
Acc. Receivable	100	103	98	125	132	141	127	163	208	198
Inventories	76	83	89	103	113	116	109	123	180	172
Goodwill & Int.	137	132	128	164	160	157	203	200	376	369
Total Liabilities	142	140	153	185	173	186	247	277	354	366
Accounts Payable	60	59	62	73	70	72	73	97	108	91
Long-Term Debt	---	---	---	---	---	---	---	---	55	27
Total Equity	563	600	638	682	759	834	809	846	863	912
LTD/E Ratio	---	---	---	---	---	---	---	---	0.06	0.03

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	10.6%	9.7%	9.9%	9.6%	11.5%	9.7%	1.8%	5.1%	4.0%	6.3%
Return on Equity	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%	5.5%	8.9%
ROIC	13.3%	12.1%	12.3%	12.0%	14.4%	11.9%	2.2%	6.7%	5.4%	8.5%
Shares Out.	19	19	19	19	19	19	19	19	19	19
Revenue/Share	48.89	51.88	52.89	57.62	60.49	62.58	53.70	59.82	71.86	80.67
FCF/Share	3.60	2.94	3.86	2.83	3.37	4.77	1.80	2.50	-3.19	3.50

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