J&J Snack Foods Corp. (JJSF)

Updated November 15th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$167	**5 Year CAGR Estimate:**	12.5%	**Market Cap:**	$3.2 B
Fair Value Price:	$201	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	12/18/24
% Fair Value:	83%	**5 Year Valuation Multiple Estimate:**	3.9%	**Dividend Payment Date[1]:**	01/09/25
Dividend Yield:	1.9%	**5 Year Price Target**	$282	**Years Of Dividend Growth:**	21
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 three 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 2024, Food Service accounted for 62.6% of sales, Retail Supermarkets accounted for 14.1% of sales, and Frozen Beverages accounted for 23.4% of sales.

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.

On November 13th, 2024, J&J Snack Foods reported fourth-quarter and full-year results for the period ending September 28th, 2024. The company achieved earnings per diluted share of $1.52, a decrease of 3.2% compared to the $1.57 for the same quarter last year. The company recorded a slight decrease in net sales of down 3.9% to $426.8 million, attributed to the impact of one fewer week in the reporting period.

The Retail Supermarket segment saw a year-over-year decrease in sales of 13.7%, while the Frozen Beverage segment remained nearly flat, but performed better on a normalized basis, showing a 7.7% increase. Softness in certain Food Service products contributed to a lower overall quarterly performance. High-margin items, such as Handhelds, partially offset declines in core products, with a gross profit of $135.5 million compared to $145.7 million last year. Total operating expenses for the quarter were $95.7 million, representing 22.4% of sales, with strategic marketing and selling initiatives continuing to support core brands and new product launches. Adjusted EBITDA decreased 4.0% to $59.7 million. The company's cash position also improved, with cash and cash equivalents increasing to $73.4 million from $49.6 million at the end of the previous fiscal year, reflecting strong cash generation from operations. Additionally, J&J Snack Foods continued its capital investment, with $17.2 million in capital expenditures during the quarter, focusing on enhancing production capabilities and supporting future growth. The company remains optimistic about continuing its growth trajectory into fiscal 2025, with ongoing investments to expand core brands and operational capabilities. For the full fiscal year 2024, J&J Snack Foods reported an earnings per diluted share (EPS) of $4.45, up 9.1% from $4.08 in fiscal 2023, reflecting the company's successful focus on operational efficiencies and strategic growth initiatives across key segments.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.73	$4.05	$4.21	$4.46	$5.00	$0.96	$2.91	$2.46	$4.08	$4.45	***$5.75***	***$8.06***
DPS	$1.44	$1.56	$1.68	$1.80	$2.00	$2.30	$2.42	$2.60	$2.80	$3.12	***$3.12***	***$3.80***
Shares	19	19	19	19	19	19	19	19	19	19	***19***	***19***

[1] Estimated date

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Over the past decade, J&J Snack Foods has seen earnings-per-share increase at an average annualized rate of 2.0%. 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. 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. Over the past 5 years, dividend payments have grown at 9.0% annually. J&J Snack Foods has a 21-year consecutive track record of increasing its dividend payments. In August 2024, the quarterly dividend increased by 6.1% from $0.735 to $0.78 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	28.8	27.9	30.7	32.0	32.3	161.8	54.3	41.2	26.9	29.5	***29.0***	***35.0***
Avg. Yld.	1.9%	1.4%	1.3%	1.3%	1.2%	1.5%	1.6%	1.8%	1.7%	1.9%	***1.9%***	***1.3%***

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 1.9% 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

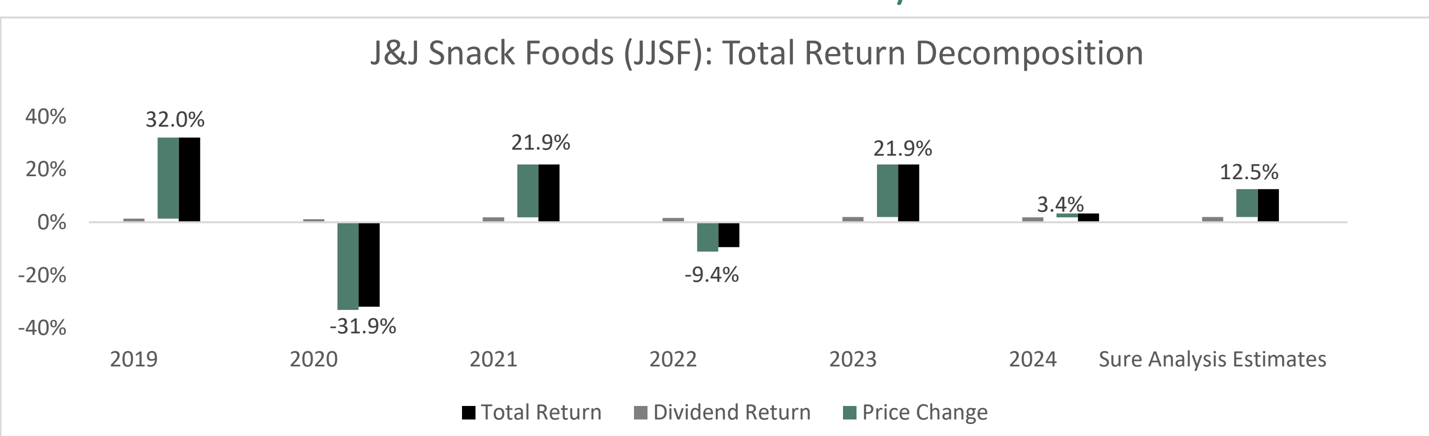
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	39%	39%	40%	40%	40%	240%	83%	106%	69%	70%	***54%***	***47%***

J&J Snack Foods has averaged a payout ratio of 76.5% 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 seek out food products. The company has a competitive advantage due to the strong brand names that it 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 12.5% annually over the next five years. This projection is driven by a 1.9% dividend yield, an estimated 7% annual growth in earnings-per-share, and a valuation tailwind.

Total Return Breakdown by Year



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.