UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended June 24, 2023

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, New Jersey 08109
(Address of principal executive offices)

Telephone (856) 665-9533

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	JJSF	The NASDAQ Global Select Market

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.
☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
☐ Yes ☒ No

At July 31, 2023 there were 19,289,799 shares of the Registrant’s Common Stock outstanding.

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

	June 24, 2023 (unaudited)	September 24, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 65,643	$ 35,181
Marketable securities held to maturity	-	4,011
Accounts receivable, net	217,520	208,178
Inventories	177,620	180,473
Prepaid expenses and other	8,420	16,794
Total current assets	469,203	444,637
Property, plant and equipment, at cost		
Land	3,714	3,714
Buildings	34,232	34,232
Plant machinery and equipment	438,579	374,566
Marketing equipment	291,424	274,904
Transportation equipment	14,551	11,685
Office equipment	46,934	45,865
Improvements	50,976	49,331
Construction in progress	53,916	65,753
Total Property, plant and equipment, at cost	934,326	860,050
Less accumulated depreciation and amortization	562,985	524,683
Property, plant and equipment, net	371,341	335,367
Other assets		
Goodwill	185,070	184,420
Other intangible assets, net	186,667	191,732
Marketable securities available for sale	4,513	5,708
Operating lease right-of-use assets	83,089	51,137
Other	4,214	3,965
Total other assets	463,553	436,962
Total Assets	$ 1,304,097	$ 1,216,966
Liabilities and Stockholders' Equity		
Current Liabilities		
Current finance lease liabilities	$ 188	$ 124
Accounts payable	100,025	108,146
Accrued insurance liability	17,312	15,678
Accrued liabilities	22,408	9,214
Current operating lease liabilities	14,675	13,524
Accrued compensation expense	19,479	21,700
Dividends payable	13,489	13,453
Total current liabilities	187,576	181,839
Long-term debt	83,000	55,000
Noncurrent finance lease liabilities	650	254
Noncurrent operating lease liabilities	73,361	42,660
Deferred income taxes	69,432	70,407
Other long-term liabilities	3,911	3,637
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 19,270,000 and 19,219,000 respectively	104,250	94,026
Accumulated other comprehensive loss	(8,999)	(13,713)
Retained Earnings	790,916	782,856
Total stockholders' equity	886,167	863,169
Total Liabilities and Stockholders' Equity	$ 1,304,097	$ 1,216,966

The accompanying notes are an integral part of these statements.

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 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Net sales	$ 425,769	$ 380,227	$ 1,114,966	$ 980,230
Cost of goods sold	282,887	271,151	790,845	726,431
Gross profit	142,882	109,076	324,121	253,799
Operating expenses				
Marketing	31,308	24,002	79,024	65,945
Distribution	44,485	48,157	124,722	109,821
Administrative	18,740	15,724	53,050	37,812
Other general expense (income)	55	(67)	(490)	28
Total operating expenses	94,588	87,816	256,306	213,606
Operating income	48,294	21,260	67,815	40,193
Other income (expense)				
Investment income	633	106	1,719	537
Interest expense	(1,314)	(156)	(3,697)	(231)
Earnings before income taxes	47,613	21,210	65,837	40,499
Income tax expense	12,632	5,647	17,352	10,574
NET EARNINGS	$ 34,981	$ 15,563	$ 48,485	$ 29,925
Earnings per diluted share	$ 1.81	$ 0.81	$ 2.51	$ 1.56
Weighted average number of diluted shares	19,327	19,234	19,299	19,198
Earnings per basic share	$ 1.82	$ 0.81	$ 2.52	$ 1.56
Weighted average number of basic shares	19,257	19,174	19,239	19,131

The accompanying notes are an integral part of these statements.

J&J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three months ended		Nine months ended	
	June 24, 2023	**June 25, 2022**	**June 24, 2023**	**June 25, 2022**
Net earnings	$ 34,981	$ 15,563	$ 48,485	$ 29,925
Foreign currency translation adjustments	2,775	(93)	4,714	9
Total other comprehensive income (loss), net of tax	2,775	(93)	4,714	9
Comprehensive income	$ 37,756	$ 15,470	$ 53,199	$ 29,934

The accompanying notes are an integral part of these statements.

J & J Snack Foods Corp. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Loss	Earnings	Total
Balance as September 24, 2022	19,219	$ 94,026	$ (13,713)	$ 782,856	$ 863,169
Issuance of common stock upon exercise of stock options	10	1,285	-	-	1,285
Foreign currency translation adjustment	-	-	871	-	871
Dividends declared	-	-	-	(13,461)	(13,461)
Share-based compensation	-	1,239	-	-	1,239
Net earnings	-	-	-	6,633	6,633
Balance at December 24, 2022	19,229	$ 96,550	$ (12,842)	$ 776,028	$ 859,736
Issuance of common stock upon exercise of stock options	14	1,713	-	-	1,713
Issuance of common stock for employee stock purchase plan	9	1,061	-	-	1,061
Foreign currency translation adjustment	-	-	1,068	-	1,068
Dividends declared	-	-	-	(13,475)	(13,475)
Share-based compensation	-	1,313	-	-	1,313
Net earnings	-	-	-	6,871	6,871
Balance at March 25, 2023	19,252	$ 100,637	$ (11,774)	$ 769,424	$ 858,287
Issuance of common stock upon exercise of stock options	18	2,230	-	-	2,230
Issuance of common stock for employee stock purchase plan	-	-	-	-	-
Foreign currency translation adjustment	-	-	2,775	-	2,775
Dividends declared	-	-	-	(13,489)	(13,489)
Share-based compensation	-	1,383	-	-	1,383
Net earnings	-	-	-	34,981	34,981
Balance at June 24, 2023	19,270	$ 104,250	$ (8,999)	$ 790,916	$ 886,167

	Common Stock		Accumulated Other Comprehensive	Retained	
	Shares	Amount	Loss	Earnings	Total
Balance as September 25, 2021	19,084	$ 73,597	$ (13,383)	$ 785,440	$ 845,654
Issuance of common stock upon exercise of stock options	5	706	-	-	706
Foreign currency translation adjustment	-	-	(444)	-	(444)
Dividends declared	-	-	-	(12,092)	(12,092)
Share-based compensation	-	1,083	-	-	1,083
Net earnings	-	-	-	11,091	11,091
Balance at December 25, 2021	19,089	$ 75,386	$ (13,827)	$ 784,439	$ 845,998
Issuance of common stock upon exercise of stock options	76	10,012	-	-	10,012
Issuance of common stock for employee stock purchase plan	8	1,023	-	-	1,023
Foreign currency translation adjustment	-	-	546	-	546
Dividends declared	-	-	-	(12,136)	(12,136)
Share-based compensation	-	1,267	-	-	1,267
Net earnings	-	-	-	3,271	3,271
Balance at March 26, 2022	19,173	$ 87,688	$ (13,281)	$ 775,574	$ 849,981
Issuance of common stock upon exercise of stock options	11	1,452	-	-	1,452
Issuance of common stock for employee stock purchase plan	-	-	-	-	-
Foreign currency translation adjustment	-	-	(93)	-	(93)
Dividends declared	-	-	-	(12,138)	(12,138)
Share-based compensation	-	1,134	-	-	1,134
Net earnings	-	-	-	15,563	15,563
Balance at June 25, 2022	19,184	$ 90,274	$ (13,374)	$ 778,999	$ 855,899

The accompanying notes are an integral part of these statements.

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine months ended	
	June 24, 2023	**June 25, 2022**
Operating activities:		
Net earnings	$ 48,485	$ 29,925
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation of fixed assets	41,319	36,292
Amortization of intangibles and deferred costs	5,065	1,775
(Gain) loss from disposals of property & equipment	(255)	50
Share-based compensation	3,935	3,484
Deferred income taxes	(937)	(227)
(Gain) loss on marketable securities	(105)	412
Other	(237)	(212)
Changes in assets and liabilities, net of effects from purchase of companies		
Increase in accounts receivable	(7,680)	(78,058)
Decrease (increase) in inventories	4,875	(42,784)
Decrease (increase) in prepaid expenses	8,487	(102)
Increase in accounts payable and accrued liabilities	2,992	19,798
Net cash provided by (used in) operating activities	105,944	(29,647)
Investing activities:		
Payments for purchases of companies, net of cash acquired	-	(221,301)
Purchases of property, plant and equipment	(76,472)	(64,231)
Proceeds from redemption and sales of marketable securities	5,300	11,526
Proceeds from disposal of property and equipment	774	1,147
Net cash (used in) investing activities	(70,398)	(272,859)
Financing activities:		
Proceeds from issuance of stock	6,289	12,168
Borrowings under credit facility	102,000	125,000
Repayment of borrowings under credit facility	(74,000)	-
Payments for debt issuance costs	-	(225)
Payments on finance lease obligations	(150)	(150)
Payment of cash dividend	(40,389)	(36,299)
Net cash (used in) provided by financing activities	(6,250)	100,494
Effect of exchange rates on cash and cash equivalents	1,166	103
Net increase (decrease) in cash and cash equivalents	30,462	(201,909)
Cash and cash equivalents at beginning of period	35,181	283,192
Cash and cash equivalents at end of period	$ 65,643	$ 81,283

The accompanying notes are an integral part of these statements.

Note 1 Basis of Presentation

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended September 24, 2022.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows.

The results of operations for the three and nine months ended June 24, 2023 and June 25, 2022 are not necessarily indicative of results for the full year. Sales of our frozen beverages and frozen novelties are generally higher in the fiscal third and fourth quarters due to warmer weather.

While we believe that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the fiscal year ended September 24, 2022.

Note 2 Business Combinations

On June 21, 2022, J & J Snack Foods Corp. and its wholly-owned subsidiary, DD Acquisition Holdings, LLC, completed the acquisition of one hundred percent (100%) of the equity interests of Dippin' Dots Holding, L.L.C. ("Dippin' Dots") which, through its wholly-owned subsidiaries, owns and operates the Dippin' Dots and Doc Popcorn businesses. The purchase price was approximately $223.6 million, consisting entirely of cash, and may be modified for certain customary post-closing purchase price adjustments.

Dippin' Dots is a leading producer of flash-frozen beaded ice cream treats, and the acquisition will leverage synergies in entertainment and amusement locations, theaters, and convenience to continue to expand our business. The acquisition also includes the Doc Popcorn business operated by Dippin' Dots.

The financial results of Dippin' Dots have been included in our consolidated financial statements since the date of the acquisition. Sales and net earnings of Dippin' Dots were $31.4 million and $6.8 million for the three months ended June 24, 2023, and $60.8 million and $6.0 million for the nine months ended June 24, 2023. Post-acquisition sales and net earnings of Dippin' Dots were $2.2 million and $0.6 million for the three and nine months ended June 25, 2022. Dippin' Dots is reported as part of our Food Service segment.

Dippin' Dots Results Included in the Company's Consolidated Results

	Three months ended		Nine months ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
	(in thousands)		(in thousands)	
Net sales	$ 31,417	$ 2,218	$ 60,762	$ 2,218
Net earnings	$ 6,786	$ 621	$ 5,956	$ 621

Upon acquisition, the assets and liabilities of Dippin' Dots were adjusted to their respective fair values as of the closing date of the transaction, including the identifiable intangible assets acquired. In addition, the excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill. The fair value estimates used in valuing certain acquired assets and liabilities are based, in part, on inputs that are unobservable. For intangible assets, these include, but are not limited to, forecasted future cash flows, revenue growth rates, attrition rates and discount rates.

During the prior quarter ended March 25, 2023, we recorded a measurement period adjustment to the estimated fair values initially recorded on June 21, 2022 which resulted in an increase in Other Current Liabilities of $0.7 million and an increase in Goodwill of $0.7 million. In fiscal year 2022, we previously recorded measurement period adjustments to the estimated fair values initially recorded on June 21, 2022, which resulted in an increase to Property, plant, and equipment, net of $6.5 million, and reductions in Goodwill, Identifiable intangible assets, and Inventories of $4.0 million, $2.2 million, and $0.3 million, respectively. The measurement period adjustments were recorded to better reflect market participant assumptions about facts and circumstances existing as of the acquisition date and did not have a material impact on our consolidated statement of income for the three months, or the nine months, ended June 24, 2023.

The following table reflects: (i) the Company's preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date; (ii) measurement period adjustments made to the preliminary allocation during the measurement period; and (iii) the final allocation of the purchase price to the assets acquired and liabilities assumed:

Final Dippin' Dots Purchase Price Allocation

	Preliminary Value as of acquisition date (as previously reported as of June 25, 2022)	Measurement Period Adjustment (in thousands)	As Adjusted
Cash and cash equivalents	$ 2,259		$ 2,259
Accounts receivable, net	12,257		12,257
Inventories	8,812	(301)	8,511
Prepaid expenses and other	1,215		1,215
Property, plant and equipment, net	24,622	6,548	31,170
Intangible assets	120,400	(2,200)	118,200
Goodwill (1)	66,634	(3,397)	63,237
Operating lease right-of-use assets	3,514		3,514
Other noncurrent assets	243		243
Total assets acquired	239,956	650	240,606
Liabilities assumed:			
Current lease liabilities	619		619
Accounts payable	6,005		6,005
Other current liabilities	3,532	650	4,182
Noncurrent lease liabilities	2,954		2,954
Other noncurrent liabilities	3,285		3,285
Total liabilities acquired	16,395	650	17,045
Purchase price	$ 223,561	$ -	$ 223,561

(1) Goodwill was assigned to our Food Services segment and was primarily attributed to the assembled workforce of the acquired business and to our expectations of favorable growth opportunities in entertainment and amusement locations, theaters, and convenience based on increased synergies that are expected to be achieved from the integration of Dippin' Dots.

Acquired Intangible Assets

	Weighted average life (years)	(in thousands) June 21, 2022
Amortizable		
Trade name	indefinite	$ 76,900
Developed technology	10	22,900
Customer relationships	10	9,900
Franchise agreements	10	8,500
Total acquired intangible assets		$ 118,200

As the measurement period ended on June 21, 2023, the adjusted purchase price allocation amounts included in the table above are no longer subject to change. Any adjustments to the purchase price allocation required after the one-year measurement period are expected to be recorded in the consolidated statement of earnings as operating expenses or income.

The following unaudited pro forma information presents the consolidated results of operations as if the business combination in 2022 had occurred as of September 26, 2021, after giving effect to acquisition-related adjustments, including: (1) depreciation and amortization of assets; (2) amortization of unfavorable contracts related to the fair value adjustments of the assets acquired; (3) change in the effective tax rate; (4) interest expense on any debt incurred to fund the acquisitions which would have been incurred had such acquisitions occurred as of September 26, 2021; and (5) merger and acquisition costs.

J & J Snack Foods Corp and Dippin' Dots Unaudited Pro Forma Combined Financial Information

	Three months ended June 25, 2022 (in thousands)	Nine months ended June 25, 2022 (in thousands)
Net sales	$ 404,182	$ 1,028,079
Net earnings	$ 17,838	$ 31,501
Earnings per diluted share	$ 0.93	$ 1.64
Weighted average number of diluted shares	19,234	19,198

The pro forma information does not reflect the potential benefits of cost and funding synergies, opportunities to earn additional revenues, or other factors, and therefore does not represent what the actual Net sales and Net earnings would have been had the companies actually been combined as of this date.

Note 3 Revenue Recognition

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

The singular performance obligation of our customer contracts for product and machine sales is determined by each individual purchase order and the respective products ordered, with revenue being recognized at a point-in-time when the obligation under the terms of the agreement is satisfied and product control is transferred to our customer. Specifically, control transfers to our customers when the product is delivered to, installed or picked up by our customers based upon applicable shipping terms, as our customers can direct the use and obtain substantially all of the remaining benefits from the product at this point in time. The performance obligations in our customer contracts for product are generally satisfied within 30 days.

The singular performance obligation of our customer contracts for time and material repair and maintenance equipment service is the performance of the repair and maintenance with revenue being recognized at a point-in-time when the repair and maintenance is completed.

The singular performance obligation of our customer repair and maintenance equipment service contracts is the performance of the repair and maintenance with revenue being recognized over the time the service is expected to be performed. Our customers are billed for service contracts in advance of performance and therefore we have contract liability on our balance sheet.

Significant Payment Terms

In general, within our customer contracts, the purchase order identifies the product, quantity, price, pick-up allowances, payment terms and final delivery terms. Although some payment terms may be more extended, presently the majority of our payment terms are 30 days. As a result, we have used the available practical expedient and, consequently, do not adjust our revenues for the effects of a significant financing component.

Shipping

All amounts billed to customers related to shipping and handling are classified as revenues; therefore, we recognize revenue for shipping and handling fees at the time the products are shipped or when services are performed. The cost of shipping products to the customer is recognized at the time the products are shipped to the customer and our policy is to classify them as Distribution expenses.

Variable Consideration

In addition to fixed contract consideration, our contracts include some form of variable consideration, including sales discounts, trade promotions and certain other sales and consumer incentives, including rebates and coupon redemptions. In general, variable consideration is treated as a reduction in revenue when the related revenue is recognized. Depending on the specific type of variable consideration, we use the most likely amount method to determine the variable consideration. We believe there will be no significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. We review and update our estimates and related accruals of variable consideration each period based on historical experience. Our recorded liability for allowances, end-user pricing adjustments and trade spending was $17.7 million at June 24, 2023 and $14.7 million at September 24, 2022.

Warranties & Returns

We provide all customers with a standard or assurance type warranty. Either stated or implied, we provide assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No services beyond an assurance warranty are provided to our customers.

We do not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. We do not estimate a right of return and related refund liability as returns of our products are rare.

Contract Balances

Contract liabilities consist of deferred revenue resulting from service contracts in our Frozen Beverages segment where our customers are billed for service in advance of performance. Contract liabilities also consist of deferred revenue in our Food Service segment resulting from initial franchise fees paid by franchisees, as well as renewal and transfer fees paid by franchisees and license fees paid by licensees which are generally recognized on a straight-line basis over the term of the underlying agreement. Therefore, we have contract liabilities on our balance sheet as follows:

	Three months ended		Nine months ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
	(in thousands)		(in thousands)	
Beginning Balance	$ 4,829	$ 1,092	$ 4,926	$ 1,097
Additions to contract liability	2,281	2,270	5,198	4,843
Amounts recognized as revenue	(1,651)	(1,276)	(4,665)	(3,854)
Ending Balance	$ 5,459	$ 2,086	$ 5,459	$ 2,086

Disaggregation of Revenue

See Note 11 for disaggregation of our net sales by class of similar product and type of customer.

Allowance for Doubtful Receivables

The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses. The allowance for doubtful accounts considers a number of factors including the age of receivable balances, the history of losses, expectations of future credit losses, and the customers' ability to pay off obligations. The allowance for doubtful receivables was $3.4 million and $2.2 million on June 24, 2023 and September 24, 2022, respectively.

Note 4 Depreciation and Amortization Expense

Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights, customer relationships, franchise agreements, technology and non-compete agreements arising from acquisitions are amortized by the straight-line method over periods ranging from 2 to 20 years. Depreciation expense was $14.1 million and $12.4 million for the three months ended June 24, 2023 and June 25, 2022, respectively and $41.3 million and $36.3 million for the nine months ended June 24, 2023 and June 25, 2022, respectively.

Note 5 Earnings per Share

Basic earnings per common share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted average common shares outstanding during the period. Diluted EPS takes into consideration the potential dilution that could occur if securities (stock options and restricted stock units ("RSU")'s) or other contracts to issue common stock were exercised and converted into common stock. Our calculation of EPS is as follows:

	Three months ended June 24, 2023		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(in thousands, except per share amounts)		
Basic EPS			
Net earnings available to common stockholders	$ 34,981	19,257	$ 1.82
Effect of dilutive securities			
RSU's and options	-	70	(0.01)
Diluted EPS			
Net earnings available to common stockholders plus assumed conversions	$ 34,981	19,327	$ 1.81

249,440 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 24, 2023.

	Nine months ended June 24, 2023				
	Income (Numerator)		Shares (Denominator)	Per Share Amount	
	(in thousands, except per share amounts)				
Basic EPS					
Net earnings available to common stockholders	$	48,485	19,239	$	2.52
Effect of dilutive securities					
RSU's and options		-	60		(0.01)
Diluted EPS					
Net earnings available to common stockholders plus assumed conversions	$	48,485	19,299	$	2.51

379,920 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 24, 2023.

	Three months ended June 25, 2022				
	Income (Numerator)		Shares (Denominator)	Per Share Amount	
	(in thousands, except per share amounts)				
Basic EPS					
Net earnings available to common stockholders	$	15,563	19,174	$	0.81
Effect of dilutive securities					
RSU's and options		-	60		-
Diluted EPS					
Net earnings available to common stockholders plus assumed conversions	$	15,563	19,234	$	0.81

382,431 anti-dilutive shares have been excluded in the computation of EPS for the three months ended June 25, 2022.

	Nine months ended June 25, 2022				
	Income (Numerator)		Shares (Denominator)	Per Share Amount	
	(in thousands, except per share amounts)				
Basic EPS					
Net earnings available to common stockholders	$	29,925	19,131	$	1.56
Effect of dilutive securities					
RSU's and options		-	67		-
Diluted EPS					
Net earnings available to common stockholders plus assumed conversions	$	29,925	19,198	$	1.56

302,674 anti-dilutive shares have been excluded in the computation of EPS for the nine months ended June 25, 2022.

Note 6 Share-Based Compensation and Post-Retirement Benefits

At June 24, 2023, the Company has two stock-based employee compensation plans. Share-based compensation expense was recognized as follows:

	Three months ended				Nine months ended			
	June 24, 2023		June 25, 2022		June 24, 2023		June 25, 2022	
	(in thousands)				(in thousands)			
Stock options	$	449	$	693	$	1,628	$	2,115
Stock purchase plan		118		90		542		240
Stock issued to outside directors		39		-		66		-
Restricted stock issued to employees		295		152		669		376
Performance stock issued to employees		177		83		420		204
Total share-based compensation	$	1,078	$	1,018	$	3,325	$	2,935
The above compensation is net of tax benefits	$	305	$	116	$	610	$	549

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model.

Expected volatility is based on the historical volatility of the price of our common shares over the past 51 months for 5-year options and 10 years for 10-year options. We use historical information to estimate expected life and forfeitures within the valuation model. The expected term of awards represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation cost is recognized using a straight-line method over the vesting or service period and is net of estimated forfeitures.

The Company did not grant any stock options during the nine months ended June 24, 2023.

During the fiscal year 2022 nine-month period ending June 25, 2022, the Company granted 115,700 stock options. The weighted-average grant date fair value of these options was $23.36.

The Company issued 11,964 service share units (“RSU”)’s in the three months ended June 24, 2023, and 21,864 RSU’s in the nine months ended June 24, 2023. Each RSU entitles the awardee to one share of common stock upon vesting. The fair value of RSU’s was determined based upon the closing price of the Company’s common stock on the date of grant. The Company issued 327 RSU’s in the three months ended June 25, 2022, and 9,200 RSU’s in the nine months ended June 25, 2022.

The Company issued 2,619 performance share units (“PSU”)’s in the three months ended June 24, 2023, and 21,260 PSU’s in the nine months ended June 24, 2023. Each PSU may result in the issuance of up to two shares of common stock upon vesting, dependent upon the level of achievement of the applicable Performance Goal. The fair value of the PSU’s was determined based upon the closing price of the Company’s common stock on the date of grant. Additionally, the Company applies a quarterly probability assessment in computing this non-cash compensation expense, and any change in estimate is reflected as a cumulative adjustment to expense in the quarter of the change. During the nine months ended June 25, 2022, the Company issued 8,868 PSU’s. No such PSU’s were issued in the three months ended June 25, 2022.

Note 7 Income Taxes

We account for our income taxes under the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

Additionally, we recognize a liability for income taxes and associated penalties and interest for tax positions taken or expected to be taken in a tax return which are more likely than not to be overturned by taxing authorities (“uncertain tax positions”). We have not recognized a tax benefit in our financial statements for these uncertain tax positions.

The total amount of gross unrecognized tax benefits is $0.3 million on both June 24, 2023 and September 24, 2022, respectively, all of which would impact our effective tax rate over time, if recognized. We recognize interest and penalties related to uncertain tax positions as a part of the provision for income taxes. As of June 24, 2023, and September 24, 2022, the Company has $0.3 million of accrued interest and penalties, respectively.

In addition to our federal tax return and tax returns for Mexico and Canada, we file tax returns in all states that have a corporate income tax with virtually all open for examination for three to four years.

Our effective tax rate was 26.5% for the three months ended June 24, 2023, as compared with 26.6% in the prior fiscal year period.

Our effective tax rate was 26.4% for the nine months ended June 24, 2023, as compared with 26.1% in the prior fiscal year period.

Note 8 New Accounting Pronouncements and Policies

In December 2022, the FASB issued ASU No. 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", to provide optional guidance to temporarily ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Preceding the issuance of ASU 2020-04, which established ASC 848, the United Kingdom's Financial Conduct Authority ("FCA") announced that it would no longer need to persuade or compel banks to submit to LIBOR after December 31, 2021. In response, the FASB established December 31, 2022 as the expiration date for ASC 848. In March 2021, the FCA announced the intended cessation date of the overnight 1-, 3-, 6-, and 12-month USD LIBOR would be June 30, 2023. Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, this update deferred the sunset date in Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. This guidance is not expected to have a material impact on our consolidated financial statements and disclosures.

In September 2022, the FASB issued ASU No. 2022-04 “Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”. This guidance requires annual and interim disclosures for entities that use supplier finance programs in connection with the purchase of goods and services. These amendments are effective for fiscal years beginning after December 15, 2022, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. We are currently assessing the impact of the guidance on our consolidated financial statements and disclosures.

Note 9 Long-Term Debt

In December 2021, the Company entered into an amended and restated loan agreement (the “Credit Agreement”) with our existing banks which provided for up to a $50 million revolving credit facility repayable in December 2026.

Interest accrues, at the Company’s election at (i) the BSBY Rate (as defined in the Credit Agreement), plus an applicable margin, based upon the Consolidated Net Leverage Ratio, as defined in the Credit Agreement, or (ii) the Alternate Base Rate (a rate based on the higher of (a) the prime rate announced from time-to-time by the Administrative Agent, (b) the Federal Reserve System’s federal funds rate, plus 0.50% or (c) the Daily BSBY Rate, plus an applicable margin). The Alternate Base Rate is defined in the Credit Agreement.

The Credit Agreement requires the Company to comply with various affirmative and negative covenants, including without limitation (i) covenants to maintain a minimum specified interest coverage ratio and maximum specified net leverage ratio, and (ii) subject to certain exceptions, covenants that prevent or restrict the Company’s ability to pay dividends, engage in certain mergers or acquisitions, make certain investments or loans, incur future indebtedness, alter its capital structure or line of business, prepay subordinated indebtedness, engage in certain transactions with affiliates, or amend its organizational documents. As of June 24, 2023, the Company is in compliance with all financial covenants terms of the Credit Agreement.

On June 21, 2022, the Company entered into an amendment to the Credit Agreement, the “Amended Credit Agreement” which provided for an incremental increase of $175 million in available borrowings. The Amended Credit Agreement also includes an option to increase the size of the revolving credit facility by up to an amount not to exceed in the aggregate the greater of $225 million or $50 million, plus the Consolidated EBITDA of the Borrowers, subject to the satisfaction of certain terms and conditions.

As of June 24, 2023, $83.0 million was outstanding under the Amended Credit Agreement with a weighted average interest rate of 6.12%. These borrowings have been classified as Long-Term Debt on the Company’s Balance Sheet. As of June 24, 2023, the amount available under the Amended Credit Agreement was $132.2 million, after giving effect to the outstanding letters of credit. As of September 24, 2022, $55.0 million was outstanding under the Credit Agreement. As of September 24, 2022, the amount available under the Amended Agreement was $160.2 million, after giving effect to the outstanding letters of credit.

Note 10 Inventory

Inventories consist of the following:

	June 24, 2023 (unaudited)	September 24, 2022
	(in thousands)	
Finished goods	$ 88,390	$ 86,464
Raw materials	35,534	41,505
Packaging materials	14,475	16,637
Equipment parts and other	39,221	35,867
Total inventories	$ 177,620	$ 180,473

Note 11 Segment Information

We principally sell our products to the food service and retail supermarket industries. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business because of different distribution and capital requirements. We maintain separate and discrete financial information for the three operating segments mentioned above which is available to our Chief Operating Decision Maker.

Our reportable segments are Food Service, Retail Supermarkets and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income. These segments are described below.

Food Service

The primary products sold by the food service segment are soft pretzels, frozen novelties, churros, handheld products and baked goods. Our customers in the food service segment include snack bars and food stands in chain, department and discount stores; malls and shopping centers; casual dining restaurants, fast food outlets; stadiums and sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale or for take-away.

Retail Supermarkets

The primary products sold to the retail supermarket channel are soft pretzel products – including SUPERPRETZEL, frozen novelties including LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, WHOLE FRUIT frozen fruit bars and sorbet, DOGSTERS, PHILLY SWIRL cups and sticks, ICEE Squeeze-Up Tubes and handheld products. Within the retail supermarket channel, our frozen and prepackaged products are purchased by the consumer for consumption at home.

Frozen Beverages

The Company markets frozen beverages primarily under the names ICEE, SLUSH PUPPIE and PARROT ICE which are sold primarily in the United States, Mexico and Canada. We also provide repair and maintenance service to customers for customers' owned equipment.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and Frozen Beverages reviews monthly detailed operating income statements and sales reports in order to assess performance and allocate resources to each individual segment. Sales and operating income are key variables monitored by the Chief Operating Decision Maker and management when determining each segment's, and the Company's, financial condition and operating performance. In addition, the Chief Operating Decision Maker reviews and evaluates depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these three reportable segments is as follows:

	Three months ended		Nine months ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Sales to external customers:				
Food Service				
Soft pretzels	$ 63,527	$ 55,946	$ 171,242	$ 149,628
Frozen novelties	47,410	17,155	95,782	32,917
Churros	30,470	25,614	81,147	62,550
Handhelds	17,003	25,740	60,884	64,741
Bakery	87,582	95,495	281,830	287,293
Other	8,988	7,892	20,673	18,785
Total Food Service	$ 254,980	$ 227,842	$ 711,558	$ 615,914
Retail Supermarket				
Soft pretzels	$ 10,269	$ 11,696	$ 40,767	$ 43,642
Frozen novelties	41,684	41,865	80,423	78,586
Biscuits	5,135	6,066	18,906	20,024
Handhelds	4,452	1,589	11,443	3,934
Coupon redemption	(385)	(605)	(936)	(2,227)
Other	(5)	397	(20)	501
Total Retail Supermarket	$ 61,150	$ 61,008	$ 150,583	$ 144,460
Frozen Beverages				
Beverages	$ 72,878	$ 57,791	$ 153,336	$ 126,919
Repair and maintenance service	24,144	22,892	70,556	65,903
Machines revenue	11,554	9,868	26,817	25,257
Other	1,063	826	2,116	1,777
Total Frozen Beverages	$ 109,639	$ 91,377	$ 252,825	$ 219,856
Consolidated sales	$ 425,769	$ 380,227	$ 1,114,966	$ 980,230
Depreciation and amortization:				
Food Service	$ 9,797	$ 7,097	$ 28,852	$ 20,436
Retail Supermarket	540	405	1,423	1,157
Frozen Beverages	5,426	5,514	16,109	16,474
Total depreciation and amortization	$ 15,763	$ 13,016	$ 46,384	$ 38,067
Operating Income:				
Food Service	$ 20,786	$ 2,640	$ 32,306	$ 12,177
Retail Supermarket	4,168	2,341	5,766	8,416
Frozen Beverages	23,340	16,279	29,743	19,600
Total operating income	$ 48,294	$ 21,260	$ 67,815	$ 40,193
Capital expenditures:				
Food Service	$ 20,015	$ 21,673	$ 58,621	$ 45,757
Retail Supermarket	345	2,815	1,824	6,438
Frozen Beverages	6,988	4,437	16,027	12,036
Total capital expenditures	$ 27,348	$ 28,925	$ 76,472	$ 64,231
Assets:				
Food Service	$ 959,657	$ 957,719	$ 959,657	$ 957,719
Retail Supermarket	12,327	29,147	12,327	29,147
Frozen Beverages	332,113	304,376	332,113	304,376
Total assets	$ 1,304,097	$ 1,291,242	$ 1,304,097	$ 1,291,242

Note 12 Intangible Assets and Goodwill

Our reportable segments are Food Service, Retail Supermarkets and Frozen Beverages.

Intangible Assets

The carrying amounts of acquired intangible assets for the Food Service, Retail Supermarkets and Frozen Beverages segments as of June 24, 2023 and September 24, 2022 are as follows:

	June 24, 2023		September 24, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		(in thousands)		
FOOD SERVICE				
Indefinite lived intangible assets				
Trade names	$ 85,872	$ -	$ 85,872	$ -
Amortized intangible assets				
Non compete agreements	-	-	670	670
Franchise agreements	8,500	850	8,500	212
Customer relationships	22,900	9,673	22,900	7,790
Technology	23,110	2,307	23,110	576
License and rights	1,690	1,544	1,690	1,481
TOTAL FOOD SERVICE	$ 142,072	$ 14,374	$ 142,742	$ 10,729
RETAIL SUPERMARKETS				
Indefinite lived intangible assets Trade names	$ 11,938	$ -	$ 11,938	$ -
Amortized intangible Assets				
Trade names	-	-	649	649
Customer relationships	7,687	7,063	7,907	6,693
TOTAL RETAIL SUPERMARKETS	$ 19,625	$ 7,063	$ 20,494	$ 7,342
FROZEN BEVERAGES				
Indefinite lived intangible assets				
Trade names	$ 9,315	$ -	$ 9,315	$ -
Distribution rights	36,100	-	36,100	-
Amortized intangible assets				
Customer relationships	1,439	653	1,439	545
Licenses and rights	1,400	1,194	1,400	1,142
TOTAL FROZEN BEVERAGES	$ 48,254	$ 1,847	$ 48,254	$ 1,687
CONSOLIDATED	$ 209,951	$ 23,284	$ 211,490	$ 19,758

Amortizing intangible assets are being amortized by the straight-line method over periods ranging from 2 to 20 years and amortization expense is reflected throughout operating expenses. Aggregate amortization expense of intangible assets for the three months ended June 24, 2023 and June 25, 2022 was $1.7 million and $0.6 million, respectively. Aggregate amortization expense of intangible assets for the nine months ended June 24, 2023 and June 25, 2022 was $5.1 million and $1.8 million, respectively.

Estimated amortization expense for the next five fiscal years is approximately $1.6 million in 2023 (excluding the nine months ended June 24, 2023), $6.2 million in 2024, $5.6 million in 2025 and 2026, and $4.6 million in 2027.

The weighted amortization period of the intangible assets, in total, is 10.4 years. The weighted amortization period by intangible asset class is 10 years for Technology, 10 years for Customer relationships, 20 years for Licenses & rights, and 10 years for Franchise agreements.

Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket and Frozen Beverages segments are as follows:

	Food Service	Retail Supermarket	Frozen Beverages	Total
		(in thousands)		
June 24, 2023	$ 124,426	$ 4,146	$ 56,498	$ 185,070
September 24, 2022	$ 123,776	$ 4,146	$ 56,498	$ 184,420

Note 13 Investments

We have classified our investment securities as marketable securities held to maturity and available for sale. The FASB defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the FASB has established three levels of inputs that may be used to measure fair value:

Level 1 Observable input such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable inputs, other than Level 1 inputs in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

Marketable securities held to maturity and available for sale consist primarily of investments in mutual funds, preferred stock, and corporate bonds. The fair values of mutual funds are based on quoted market prices in active markets and are classified within Level 1 of the fair value hierarchy. The fair values of preferred stock and corporate bonds are based on quoted prices for identical or similar instruments in markets that are not active. As a result, preferred stock and corporate bonds are classified within Level 2 of the fair value hierarchy.

As of June 24, 2023, the Company held no held to maturity investment securities.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at June 24, 2023 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 709	$ 2,879
Preferred Stock	1,487	147	-	1,634
Total marketable securities available for sale	$ 5,075	$ 147	$ 709	$ 4,513

The mutual funds seek current income with an emphasis on maintaining low volatility and overall moderate duration. The Fixed-to-Floating Perpetual Preferred Stock generate fixed income to call dates in 2025 and then income is based on a spread above LIBOR if the securities are not called. The mutual funds and Fixed-to-Floating Perpetual Preferred Stock do not have contractual maturities; however, we classify them as long-term assets as it is our intent to hold them for a period of over one year, although we may sell some or all of them depending on presently unanticipated needs for liquidity or market conditions.

The amortized cost, unrealized gains and losses, and fair market values of our investment securities held to maturity at September 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Corporate Bonds	4,011	-	21	3,990
Total marketable securities held to maturity	$ 4,011	$ -	$ 21	$ 3,990

The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at September 24, 2022 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
		(in thousands)		
Mutual Funds	$ 3,588	$ -	$ 742	$ 2,846
Preferred Stock	2,816	46	-	2,862
Total marketable securities available for sale	$ 6,404	$ 46	$ 742	$ 5,708

The amortized cost and fair value of the Company's held to maturity securities by contractual maturity at June 24, 2023 and September 24, 2022 are summarized as follows:

	June 24, 2023		September 24, 2022	
	Amortized Cost	Fair Market Value	Amortized Cost	Fair Market Value
		(in thousands)		
Due in one year or less	$ -	$ -	$ 4,011	$ 3,990
Due after one year through five years	-	-	-	-
Due after five years through ten years	-	-	-	-
Total held to maturity securities	$ -	$ -	$ 4,011	$ 3,990
Less current portion	-	-	4,011	3,990
Long term held to maturity securities	$ -	$ -	$ -	$ -

There were no proceeds from the redemption and sales of marketable securities in the three months ended June 24, 2023 or in the three months ended June 25, 2022. Proceeds from the redemption and sale of marketable securities were $5.3 million in the nine months ended June 24, 2023 and were $11.5 million in the nine months ended June 25, 2022, respectively. Gains of $0.1 million were recorded in the three and nine months ended June 24, 2023, respectively, and losses of $0.3 million and $0.4 million were recorded in the three and nine months ended June 25, 2022. Included in the gains and losses were an unrealized gain of $0.1 million and an unrealized loss of $0.4 million in the nine months ended June 24, 2023 and June 25, 2022, respectively. An unrealized gain of $0.1 million and an unrealized loss of $0.3 million were recorded in the three months ended June 24, 2023, and June 25, 2022, respectively. We use the specific identification method to determine the cost of securities sold.

Note 14 Accumulated Other Comprehensive Income (Loss)

Changes to the components of accumulated other comprehensive loss are as follows:

		Three months ended June 24, 2023 (in thousands)		Nine months ended June 24, 2023 (in thousands)
		Foreign Currency Translation Adjustments		Foreign Currency Translation Adjustments
Beginning Balance	$	(11,774)	$	(13,713)
Other comprehensive income		2,775		4,714
Ending Balance	$	(8,999)	$	(8,999)

		Three months ended June 25, 2022 (in thousands)		Nine months ended June 25, 2022 (in thousands)
		Foreign Currency Translation Adjustments		Foreign Currency Translation Adjustments
Beginning Balance	$	(13,281)	$	(13,383)
Other comprehensive (loss) income		(93)		9
Ending Balance	$	(13,374)	$	(13,374)

Note 15 Leases

General Lease Description

We have operating leases with initial noncancelable lease terms in excess of one year covering the rental of various facilities and equipment. Certain of these leases contain renewal options and some provide options to purchase during the lease term. Our operating leases include leases for real estate for some of our office, warehouse, and manufacturing facilities as well as manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these operating leases range from 1 month to 20 years.

We have finance leases with initial noncancelable lease terms in excess of one year covering the rental of various equipment. These leases are generally for manufacturing and non-manufacturing equipment used in our business. The remaining lease terms for these finance leases range from 1 year to 6 years.

Significant Assumptions and Judgments

Contract Contains a Lease

In evaluating our contracts to determine whether a contract is or contains a lease, we considered the following:

- Whether explicitly or implicitly identified assets have been deployed in the contract; and

- Whether we obtain substantially all of the economic benefits from the use of that underlying asset, and we can direct how and for what purpose the asset is used during the term of the contract.

Allocation of Consideration

In determining how to allocate consideration between lease and non-lease components in a contract that was deemed to contain a lease, we used judgment and consistent application of assumptions to reasonably allocate the consideration.

Options to Extend or Terminate Leases

We have leases which contain options to extend or terminate the leases. On a lease-by-lease basis, we have determined if the extension should be considered reasonably certain to be exercised and thus a right-of-use asset and a lease liability should be recorded.

Discount Rate

The discount rate for leases, if not explicitly stated in the lease, is the incremental borrowing rate, which is the rate of interest that we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We used the discount rate to calculate the present value of the lease liability at the date of adoption. In the development of the discount rate, we considered our incremental borrowing rate as provided by our lender which was based on cash collateral and credit risk specific to us, and our lease portfolio characteristics.

As of June 24, 2023, the weighted-average discount rate of our operating and finance leases was 4.3% and 3.9%, respectively. As of June 25, 2022, the weighted-average discount rate of our operating and finance leases was 3.3% and 3.2%, respectively.

Practical Expedients and Accounting Policy Elections

We elected the package of practical expedients that permits us not to reassess our prior conclusions about lease identification, lease classification and initial direct costs and made an accounting policy election to exclude short-term leases with an initial term of 12 months or less from our Consolidated Balance Sheets.

Amounts Recognized in the Financial Statements

The components of lease expense were as follows:

	Three months ended June 24, 2023	Three months ended June 25, 2022	Nine months ended June 24, 2023	Nine months ended June 25, 2022
Operating lease cost in Cost of goods sold and Operating expenses	$ 4,327	$ 3,630	$ 12,077	$ 11,550
Finance lease cost:				
Amortization of assets in Cost of goods sold and Operating expenses	$ 71	$ 19	$ 127	$ 141
Interest on lease liabilities in Interest expense & other	11	1	15	8
Total finance lease cost	$ 82	$ 20	$ 142	$ 149
Short-term lease cost in Cost of goods sold and Operating expenses	-	-	-	-
Total net lease cost	$ 4,409	$ 3,650	$ 12,219	$ 11,699

Supplemental balance sheet information related to leases is as follows:

	June 24, 2023	September 24, 2022
Operating Leases		
Operating lease right-of-use assets	$ 83,089	$ 51,137
Current operating lease liabilities	$ 14,675	$ 13,524
Noncurrent operating lease liabilities	73,361	42,660
Total operating lease liabilities	$ 88,036	$ 56,184
Finance Leases		
Finance lease right-of-use assets in Property, plant and equipment, net	$ 839	$ 328
Current finance lease liabilities	$ 188	$ 124
Noncurrent finance lease liabilities	650	254
Total finance lease liabilities	$ 838	$ 378

Supplemental cash flow information related to leases is as follows:

	Three months ended June 24, 2023	Three months ended June 25, 2022	Nine months ended June 24, 2023	Nine months ended June 25, 2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 4,422	$ 4,181	$ 12,201	$ 12,189
Operating cash flows from finance leases	$ 11	$ 1	$ 15	$ 8
Financing cash flows from finance leases	$ 79	$ 39	$ 150	$ 150
Supplemental noncash information on lease liabilities arising from obtaining right-of-use assets	$ 37,030	$ 4,652	$ 43,527	$ 11,717
Supplemental noncash information on lease liabilities removed due to purchase of leased asset	$ -	$ -	$ -	$ -

As of June 24, 2023, the maturities of lease liabilities were as follows:

	Operating Leases	Finance Leases
Three months ending September 30, 2023	4,716	74
2024	17,447	244
2025	14,033	189
2026	10,808	154
2027	9,807	153
Thereafter	56,572	110
Total minimum payments	113,383	$ 924
Less amount representing interest	(25,347)	(86)
Present value of lease obligations	$ 88,036	$ 838

As of June 24, 2023 the weighted-average remaining term of our operating and finance leases was 10.9 years and 4.4 years, respectively. As of September 24, 2022, the weighted average remaining term of our operating and finance leases was 5.8 years and 3.3 years, respectively.

Note 16 Related Parties

We have related party expenses for distribution and shipping related costs with NFI Industries, Inc. ("NFI"). Our director, Sidney R. Brown, is CEO and an owner of NFI Industries, Inc. The Company paid $13.5 million and $41.1 million to NFI in the three and nine months ended June 24, 2023 and paid $12.0 million and $16.0 million through the three and nine months ended June 25, 2022. Of the amounts paid to NFI, the amount related to management services performed by NFI was $0.3 million and $0.6 million in the three and nine months ended June 24, 2023, and $0.1 million and $0.4 in the three and nine months ended June 25, 2022. The remainder of the costs related to amounts that were passed through to the third-party distribution and shipping vendors that are being managed on the Company's behalf by NFI. As of June 24, 2023, and September 24, 2022, our consolidated balance sheet included related party trade payables of approximately $4.1 million and $2.9 million, respectively.

In June 2023, the Company began leasing a regional distribution center in Terrell, Texas that was constructed by, and is owned by, a subsidiary of NFI. The distribution center will be operated by NFI for the Company, pursuant to a Distribution Services Agreement. Under the Distribution Services Agreement, NFI will provide logistics and warehouse management services. NFI will continue to perform distribution-related management services for the Company as well. At the lease commencement date, $28.7 million was recorded as an operating right-of-use asset, $0.2 million was recorded as a current operating lease liability, and $28.5 million was recorded as a non-current operating lease liability. No payments on the lease were made to NFI during the three months ended June 24, 2023.

All agreements with NFI include terms that are consistent with those that we believe would have been negotiated at an arm's length with an independent party.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements made in this Form 10-Q that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate," "intend," or "continue," or, the negative thereof. We intend that such forward-looking statements be subject to the safe harbors of the Act and the Exchange Act. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties, assumptions, and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

Objective

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide a reader of our financial statements with a narrative form from the perspective of our management regarding our financial condition and results of operations, liquidity and certain other factors that may affect our future results. The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and within the Company's Annual Report on Form 10-K filed for the fiscal year ended September 24, 2022.

Business Overview

The Company manufactures snack foods and distributes frozen beverages which it markets nationally to the foodservice and retail supermarket industries. The Company's principal snack food products are soft pretzels, frozen novelties, churros and bakery products. We believe we are the largest manufacturer of soft pretzels in the United States. Other snack food products include funnel cake and handheld products. The Company's principal frozen beverage products are the ICEE brand frozen carbonated beverage and the SLUSH PUPPIE brand frozen non-carbonated beverage, The Company's Food Service and Frozen Beverages sales are made principally to foodservice customers including snack bar and food stand locations in leading chain, department, discount, warehouse club and convenience stores; malls and shopping centers; fast food and casual dining restaurants; stadiums and sports arenas; leisure and theme parks; movie theaters; independent retailers; and schools, colleges and other institutions. The Company's retail supermarket customers are primarily supermarket chains.

RESULTS OF OPERATIONS – Three and nine months ended June 24, 2023

The following discussion provides a review of results for the three and nine months ended June 24, 2023 as compared with the three and nine months ended June 25, 2022.

Summary of Results	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Net Sales	$ 425,769	$ 380,227	12.0%	$ 1,114,966	$ 980,230	13.7%
Cost of goods sold	282,887	271,151	4.3%	790,845	726,431	8.9%
Gross Profit	142,882	109,076	31.0%	324,121	253,799	27.7%
Operating expenses						
Marketing	31,308	24,002	30.4%	79,024	65,945	19.8%
Distribution	44,485	48,157	(7.6)%	124,722	109,821	13.6%
Administrative	18,740	15,724	19.2%	53,050	37,812	40.3%
Other general expense (income)	55	(67)	(182.1)%	(490)	28	(1850.0)%
Total Operating Expenses	94,588	87,816	7.7%	256,306	213,606	20.0%
Operating Income	48,294	21,260	127.2%	67,815	40,193	68.7%
Other income (expense)						
Investment income	633	106	497.2%	1,719	537	220.1%
Interest expense	(1,314)	(156)	742.3%	(3,697)	(231)	1500.4%
Earnings before income taxes	47,613	21,210	124.5%	65,837	40,499	62.6%
Income tax expense	12,632	5,647	123.7%	17,352	10,574	64.1%
NET EARNINGS	$ 34,981	$ 15,563	124.8%	$ 48,485	$ 29,925	62.0%

Comparisons as a Percentage of Net Sales	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	Basis Pt Chg	June 24, 2023	June 25, 2022	Basis Pt Chg
Gross profit	33.6%	28.7%	490	29.1%	25.9%	320
Marketing	7.4%	6.3%	110	7.1%	6.7%	40
Distribution	10.4%	12.7%	(230)	11.2%	11.2%	-
Administrative	4.4%	4.1%	30	4.8%	3.9%	90
Operating income	11.3%	5.6%	570	6.1%	4.1%	200
Earnings before income taxes	11.2%	5.6%	560	5.9%	4.1%	180
Net earnings	8.2%	4.1%	410	4.3%	3.1%	120

Net Sales

Net sales increased by $45.5 million, or 12.0%, to $425.8 million for the three months ended June 24, 2023. Net sales in the period included $31.4 million of net sales from Dippin' Dots, an increase of $29.2 million over prior year quarter. Net sales increased by $134.7 million, or 13.7%, to $1,115.0 million for the nine months ended June 24, 2023. Net sales in the period included $60.8 million of net sales from Dippin' Dots, an increase of $58.5 million over prior year. Organic sales growth, across the nine months ended June 24, 2023, was driven by growth across all three of the Company's business segments, led by our core products including soft pretzels, churros, frozen novelties and frozen beverages. In the three months ended June 24, 2023, organic sales growth was primarily driven by growth in the frozen beverages segment.

Gross Profit

Gross Profit increased by $33.8 million, or 31.0%, to $142.9 million for the three months ended June 24, 2023. As a percentage of sales, gross profit increased from 28.7% to 33.6% for the three months ended June 24, 2023. The increase in gross profit as a percentage of sales was driven by our pricing actions and a better product mix, along with the stabilization of inflationary pressures on the back of historic highs in the fiscal year 2022. Overall, inflationary increases were in the low single digits when compared with prior year quarter. The cost of key ingredients including flour, oils, dairy and meats have declined, though double-digit inflationary increases were seen in sugar/sweeteners and mixes, which continued to negatively impact margins on certain products including frozen novelties and churros.

Gross Profit increased by $70.3 million, or 27.7%, to $324.1 million for the nine months ended June 24, 2023, when compared to the same period of 2022. As a percentage of sales, gross profit for the nine months ended June 24, 2023, increased from 25.9% to 29.1%. The increase in gross profit as a percentage of sales was driven by our pricing actions and a better product mix, along with the stabilization of inflationary pressures on the back of historic highs in the fiscal year 2022.

Operating Expenses

Operating Expenses increased $6.8 million, or 7.7%, to $94.6 million for the three months ended June 24, 2023. As a percentage of sales, operating expenses decreased from 23.1% to 22.2%, As a percentage of sales, distribution expenses for the three months ended June 24, 2023, decreased from 12.7% to 10.4%, reflecting the benefits seen from our supply chain transformation initiatives, along with declining diesel prices and carrier costs. As a percentage of sales, marketing expenses for the three months ended June 24, 2023, increased from 6.3% to 7.4%, with the increase somewhat attributable to the timing of seasonal spend on sponsorships and demos. As a percentage of sales, general and administrative expenses for the three months ended June 24, 2023, increased from 4.1% to 4.4%, with the increase largely attributable to the impact of Dippin' Dots.

Operating Expenses increased $42.7 million, or 20.0%, to $256.3 million for the nine months ended June 24, 2023. As a percentage of sales, operating expenses increased from 21.8% to 23.0%. As a percentage of sales, distribution expenses remained flat at 11.2%, which reflects the benefit noted above on the current quarter's distribution expense offset by inflationary pressures noted in fuel and outbound freight that had impacted the Company comparatively earlier in the fiscal year. As a percentage of sales, marketing expenses increased from 6.7% to 7.1%. As a percentage of sales, general and administrative expenses increased from 3.9% to 4.8%, with the increase largely attributable to the impact of Dippin' Dots.

Other Income and Expense

Investment income increased by $0.5 million to $0.6 million and by $1.2 million to $1.7 million for the three months, and nine months, ended June 24, 2023, respectively. The increases were primary due to the improving interest rate environment in fiscal 2023.

Interest expense increased by $1.1 million to $1.3 million and by $3.5 million to $3.7 million for the three months, and nine months, ended June 24, 2023, respectively, due to the Company's outstanding borrowings on the Amended Credit Agreement.

Income Tax Expense

Income tax expense increased by $7.0 million, or 123.7%, to $12.6 million for the three months ended June 24, 2023. The effective tax rate was 26.5% as compared with 26.6% in the prior year period.

Income tax expense increased by $6.8 million, or 64.1%, to $17.4 million for the nine months ended June 24, 2023. The effective tax rate was 26.4% as compared with 26.1% in the prior year period.

Net Earnings

Net earnings increased by $19.4 million, or 124.8%, for the three months ended June 24, 2023, due to the aforementioned items.

Net earnings increased by $18.6 million, or 62.0%, for the nine months ended June 24, 2023, due to the aforementioned items.

There are many factors which can impact our net earnings from year to year and in the long run, among which are the supply and cost of raw materials and labor, insurance costs, factors impacting sales as noted above, the continuing consolidation of our customers, our ability to manage our manufacturing, marketing and distribution activities, our ability to make and integrate acquisitions and changes in tax laws and interest rates.

Business Segment Discussion

We operate in three segments: Food Service, Retail Supermarket, and Frozen Beverages. The following table is a summary of sales and operating income, which is how we measure segment profit.

	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Net Sales						
Food Service	$ 254,980	$ 227,842	11.9%	$ 711,558	$ 615,914	15.5%
Retail Supermarket	61,150	61,008	0.2%	150,583	144,460	4.2%
Frozen Beverages	109,639	91,377	20.0%	252,825	219,856	15.0%
Total Sales	$ 425,769	$ 380,227	12.0%	$ 1,114,966	$ 980,230	13.7%

	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Operating Income						
Food Service	$ 20,786	$ 2,640	687.3%	$ 32,306	$ 12,177	165.3%
Retail Supermarket	4,168	2,341	78.0%	5,766	8,416	(31.5)%
Frozen Beverages	23,340	16,279	43.4%	29,743	19,600	51.8%
Total Operating Income	$ 48,294	$ 21,260	127.2%	$ 67,815	$ 40,193	68.7%

Food Service Segment Results

	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Food Service Sales to External Customers						
Soft pretzels	$ 63,527	$ 55,946	13.6%	$ 171,242	$ 149,628	14.4%
Frozen novelties	47,410	17,155	176.4%	95,782	32,917	191.0%
Churros	30,470	25,614	19.0%	81,147	62,550	29.7%
Handhelds	17,003	25,740	(33.9)%	60,884	64,741	(6.0)%
Bakery	87,582	95,495	(8.3)%	281,830	287,293	(1.9)%
Other	8,988	7,892	13.9%	20,673	18,785	10.1%
Total Food Service	$ 254,980	$ 227,842	11.9%	$ 711,558	$ 615,914	15.5%
Food Service Operating Income	$ 20,786	$ 2,640	687.3%	$ 32,306	$ 12,177	165.3%

Sales to food service customers increased $27.1 million, or 11.9%, to $255.0 million for the three months ended June 24, 2023, which included an increase of $29.2 million in sales from Dippin' Dots. Soft pretzels sales to food service customers increased 13.6% to $63.5 million. Frozen novelties sales increased 176.4% to $47.4 million, largely driven by Dippin' Dots sales. Churro sales increased 19.0% to $30.5 million led by customer expansion and growing menu penetration. Sales of bakery products decreased by 8.3% to $87.6 million, with the decrease largely due to the rationalization of certain lower margin Stock Keeping Units ("SKUs"). Sales of handhelds decreased by 33.9% to $17.0 million, with the decrease largely attributable to pricing declines related to the contractual pricing true-up of costing on certain raw material ingredients, as well as some volume declines amongst certain customers in the product category.

Sales of new products in the first twelve months since their introduction were minimal in the quarter. Sales in the quarter benefited from the impact of the prior fiscal year's price increases, offset slightly by minimal volume decreases.

Operating income in our Food Service segment increased $18.1 million in the quarter to $20.8 million, largely driven by the benefit seen from the incremental Dippin' Dots sales, as well as by improved gross margin performance and lower distribution expenses.

Sales to food service customers increased $95.6 million, or 15.5%, to $711.6 million for the nine months ended June 24, 2023, which included an increase of $58.5 million in sales from Dippin' Dots. Soft pretzels sales to food service customers increased 14.4% to $171.2 million. Frozen novelties sales increased 191.0% to $95.8 million, largely driven by Dippin' Dots sales. Churro sales increased 29.7% to $81.1 million led by customer expansion and growing menu penetration. Sales of bakery products decreased by 1.9% to $281.8 million. Sales of handhelds decreased by 6.0% to $60.9 million.

Sales of new products in the first twelve months since their introduction were minimal in the nine months ended June 24, 2023. Price increases benefited sales in the nine-month period, and more than offset some volume declines seen in certain product categories.

Operating income in our Food Service segment increased $20.1 million in the nine months ended June 24, 2023, to $32.3 million, largely driven by the benefit seen from the incremental Dippin' Dots sales, as well as by improved gross margin performance and improving distribution expenses.

Retail Supermarket Segment Results

	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Retail Supermarket Sales to External Customers						
Soft pretzels	$ 10,269	$ 11,696	(12.2)%	$ 40,767	$ 43,642	(6.6)%
Frozen novelties	41,684	41,865	(0.4)%	80,423	78,586	2.3%
Biscuits	5,135	6,066	(15.3)%	18,906	20,024	(5.6)%
Handhelds	4,452	1,589	180.2%	11,443	3,934	190.9%
Coupon redemption	(385)	(605)	(36.4)%	(936)	(2,227)	(58.0)%
Other	(5)	397	(101.3)%	(20)	501	(104.0)%
Total Retail Supermarket	$ 61,150	$ 61,008	0.2%	$ 150,583	$ 144,460	4.2%
Retail Supermarket Operating Income	$ 4,168	$ 2,341	78.0%	$ 5,766	$ 8,416	(31.5)%

Sales of products to retail customers increased $0.1 million, or 0.2%, to $61.2 million for the three months ended June 24, 2023. Soft pretzel sales decreased 12.2% to $10.3 million, frozen novelties sales decreased 0.4% to $41.7 million, and biscuit sales decreased 15.3% to $5.1 million. Both soft pretzel and biscuit sales were impacted by a softer consumer environment during the quarter as retailers and grocery chains reported lower traffic in stores and smaller baskets. Handheld sales increased 180.2% to $4.5 million, with the increases largely driven by an expansion with a major retailer. Sales of new products in retail supermarkets were minimal in the quarter. Sales in the quarter benefited from the impact of the prior fiscal year's price increases, with that benefit largely offset by volume declines across many of the retail product categories.

Operating income in our Retail Supermarkets segment increased $1.8 million in the quarter to $4.2 million with the increase primarily driven by lower distribution expenses.

Sales of products to retail customers increased $6.1 million, or 4.2%, to $150.6 million for the nine months ended June 24, 2023. Soft pretzel sales decreased 6.6% to $40.8 million, frozen novelties sales increased 2.3% to $80.4 million, biscuit sales decreased 5.6% to $18.9 million, and handheld sales increased 190.9% to $11.4 million. Sales of new products in retail supermarkets were minimal in the nine months ended June 24, 2023. Price increases benefited sales in the nine-month period and helped to offset volume declines seen in certain product categories.

Operating income in our Retail Supermarkets segment decreased $2.7 million in the nine months ended June 24, 2023 to $5.8 million primarily driven by gross margin challenges earlier in fiscal 2023 due to higher promotions and allowances, as well as inflationary pressures on raw material costs.

Frozen Beverages Segment Results

	Three months ended			Nine months ended		
	June 24, 2023	June 25, 2022	% Change	June 24, 2023	June 25, 2022	% Change
	(in thousands)			(in thousands)		
Frozen Beverages						
Beverages	$ 72,878	$ 57,791	26.1%	$ 153,336	$ 126,919	20.8%
Repair and maintenance service	24,144	22,892	5.5%	70,556	65,903	7.1%
Machines revenue	11,554	9,868	17.1%	26,817	25,257	6.2%
Other	1,063	826	28.7%	2,116	1,777	19.1%
Total Frozen Beverages	$ 109,639	$ 91,377	20.0%	$ 252,825	$ 219,856	15.0%
Frozen Beverages Operating Income	$ 23,340	$ 16,279	43.4%	$ 29,743	$ 19,600	51.8%

Frozen beverage and related product sales increased $18.3 million, or 20.0%, in the three months ended June 24, 2023. Beverage related sales increased 26.1% to $72.9 million. Gallon sales were up 9% for the three months, reflecting strong theater performance and continued strong consumption trends across mass merchants and amusement venues. Service revenue increased 5.5% to $24.1 million reflecting the healthy ongoing maintenance business and machine revenue (primarily sales of frozen beverage machines) increased 17.1% to $11.6 million due to growing installations with new customers.

Operating income in our Frozen Beverage segment increased $7.1 million in the quarter to $23.3 million, as strong sales drove leverage across the business.

Frozen beverage and related product sales increased $33.0 million, or 15.0%, in the nine months ended June 24, 2023. Beverage related sales increased 20.8% to $153.3 million. Gallon sales were up 8% for the nine months ended June 24, 2023, led by continued improving trends in travel, sporting events, concerts and amusement parks and theater. Service revenue increased 7.1% to $70.6 million. Machine revenue (primarily sales of frozen beverage machines) increased 6.2% to $26.8 million.

Operating income in our Frozen Beverage segment increased $10.1 million in the nine months ended June 24, 2023 to $29.7 million, as strong sales drove leverage across the business.

Liquidity and Capital Resources

Although there are many factors that could impact our operating cash flow, most notably net earnings, we believe that our future operating cash flow, along with our borrowing capacity, our current cash and cash equivalent balances and our investment securities is sufficient to satisfy our cash requirements over the next twelve months and beyond, as well as to fund future growth and expansion.

	Nine months ended	
	June 24, 2023	June 25, 2022
	(in thousands)	
Cash flows from operating activities		
Net earnings	$ 48,485	$ 29,925
Non-cash items in net income:		
Depreciation of fixed assets	41,319	36,292
Amortization of intangibles and deferred costs	5,065	1,775
(Gain) loss from disposals of property & equipment	(255)	50
Share-based compensation	3,935	3,484
Deferred income taxes	(937)	(227)
(Gain) loss on marketable securities	(105)	412
Other	(237)	(212)
Changes in assets and liabilities, net of effects from purchase of companies	8,674	(101,146)
Net cash provided by (used in) operating activities	$ 105,944	$ (29,647)

- The increase in depreciation of fixed assets was largely due to prior year purchases of property plant and equipment, as well as depreciation expense related to assets acquired in the fiscal 2022 Dippin' Dots acquisition.

- The increase in amortization of intangibles and deferred costs was related to intangible assets acquired in the fiscal 2022 Dippin' Dots acquisition.

- The net cash inflow of $8.7 million associated with changes in assets and liabilities, net of effects from purchase of companies, in the nine months ended June 24, 2023, was primarily driven by a decrease in prepaids of $8.5 million, mostly related to the timing of income tax payments. Additional fluctuations, including a $7.7 million increase in accounts receivable, a $4.9 million decrease in inventories, and a $3.0 million increase in accounts payable and accrued liabilities, were largely offsetting. In the prior year, the net $101.1 million cash outflow was largely attributable to increases in inventory of $42.8 million and increases in accounts receivable of $78.1 million, somewhat offset by increases in accounts payable and accrued liabilities of $19.8 million.

	Nine months ended	
	June 24, 2023	June 25, 2022
	(in thousands)	
Cash flows from investing activities		
Payments for purchases of companies, net of cash acquired	$ -	$ (221,301)
Purchases of property, plant and equipment	(76,472)	(64,231)
Proceeds from redemption and sales of marketable securities	5,300	11,526
Proceeds from disposal of property and equipment	774	1,147
Net cash used in investing activities	$ (70,398)	$ (272,859)

- In fiscal 2022, payments for purchases of companies, net of cash acquired, related to the Dippin' Dots acquisition.

- Purchases of property, plant and equipment include spending for production growth, in addition to acquiring new equipment, infrastructure replacements, and upgrades to maintain competitive standing and position us for future opportunities. The increase was primarily due to increased spend for new lines at various plants aimed at increasing capacity.

- The decrease in proceeds from redemption and sales of marketable securities was due to a strategic decision to no longer re-invest redeemed proceeds into marketable securities given the low interest rate environment.

	Nine months ended	
	June 24, 2023	June 25, 2022
	(in thousands)	
Cash flows from financing activities		
Proceeds from issuance of stock	$ 6,289	$ 12,168
Borrowings under credit facility	102,000	125,000
Repayment of borrowings under credit facility	(74,000)	-
Payments for debt issuance costs	-	(225)
Payments on finance lease obligations	(150)	(150)
Payment of cash dividends	(40,389)	(36,299)
Net cash provided by (used in) financing activities	$ (6,250)	$ 100,494

- The decrease in proceeds from issuance of stock was primarily due to a lower rate of option exercises in the nine months ended June 24, 2023 compared with the nine months ended June 25, 2022.

- Borrowings under credit facility and repayment of borrowings under credit facility relate to the Company's cash draws and repayments made in the nine months ended June 24, 2023 to primarily fund working capital needs, as well as the initial draw made in fiscal 2022 to fund the Dippin' Dots acquisition.

- Dividends paid increased as our quarterly dividend was raised during fiscal 2022.

Liquidity

As of June 24, 2023, we had $65.6 million of Cash and Cash Equivalents, and $4.5 million of Marketable Securities.

In December 2021, the Company entered into an amended and restated loan agreement (the “Credit Agreement”) with our existing banks which provided for up to a $50 million revolving credit facility repayable in December 2026.

Interest accrues, at the Company’s election, at (i) the BSBY Rate (as defined in the Credit Agreement) plus an applicable margin, based upon the Consolidated Net Leverage Ratio, as defined in the Credit Agreement, or (ii) the Alternate Base Rate (a rate based on the higher of (a) the prime rate announced from time-to-time by the Administrative Agent, (b) the Federal Reserve System’s federal funds rate, plus 0.50% or (c) the Daily BSBY Rate, plus an applicable margin). The Alternate Base Rate is defined in the Credit Agreement.

The Credit Agreement requires the Company to comply with various affirmative and negative covenants, including without limitation (i) covenants to maintain a minimum specified interest coverage ratio and maximum specified net leverage ratio, and (ii) subject to certain exceptions, covenants that prevent or restrict the Company’s ability to pay dividends, engage in certain mergers or acquisitions, make certain investments or loans, incur future indebtedness, alter its capital structure or line of business, prepay subordinated indebtedness, engage in certain transactions with affiliates, or amend its organizational documents. As of June 24, 2023, the Company is in compliance with all financial covenants of the Credit Agreement.

On June 21, 2022, the Company entered into an amendment to the Credit Agreement, the “Amended Credit Agreement” which provided for an incremental increase of $175 million in available borrowings. The Amended Credit Agreement also includes an option to increase the size of the revolving credit facility by up to an amount not to exceed in the aggregate the greater of $225 million or $50 million, plus the Consolidated EBITDA of the Borrowers, subject to the satisfaction of certain terms and conditions.

As of June 24, 2023, we had $83.0 million of outstanding borrowings drawn on the Amended Credit Agreement. As of June 24, 2023, we had $132.2 million of additional borrowing capacity, after giving effect to the $9.8 million of letters of credit outstanding.

Recently Issued and Adopted Accounting Pronouncements

See Note 8 to the condensed consolidated financial statements included in this Form 10-Q for a discussion of recently adopted accounting guidance and other new accounting guidance.

Critical Accounting Estimates

We consider revenue recognition, allowance for doubtful receivables, valuation of goodwill, valuation of long-lived assets and other intangible assets, insurance reserves, income taxes, and business combinations to be critical accounting estimates. These policies are summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 24, 2022. These critical accounting policies require us to make estimates and assumptions that affect the amounts reported in the consolidated condensed financial statements and accompanying notes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a. "Quantitative and Qualitative Disclosures About Market Risk," in its 2022 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively) have concluded, based on their evaluation as of June 24, 2023, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting during the quarter ended June 24, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject, from time to time, to certain legal proceedings and claims that arise from our business. As of the date of this Quarterly Report on Form 10-Q, the Company does not expect that any such proceedings will have a material adverse effect on the Company's financial position or results of operations.

Item 1A. Risk Factors

For information on risk factors, please refer to “Risk Factors” in Part I, Item 1A of the Company’s Form 10-K for the fiscal year ended September 24, 2022. The risks identified in that report have not changed in any material respect.

Item 2. Unregistered Sales of Equity Securities and the Use of Proceeds

In April 2023, we withheld 43 shares to cover taxes associated with the vesting of certain restricted stock units held by officers and employees.

Item 6. Exhibits

Exhibit No.

31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1	The following financial information from J&J Snack Foods Corp.'s Quarterly Report on Form 10-Q for the quarter ended June 24, 2023, formatted in XBRL (Inline extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as Inline XBRL and containing in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

J & J SNACK FOODS CORP.

Dated: August 3, 2023	/s/ Dan Fachner Dan Fachner President and Chief Executive Officer (Principal Executive Officer)
Dated: August 3, 2023	/s/ Ken A. Plunk Ken A. Plunk, Senior Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Dan Fachner, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 3, 2023

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Ken A. Plunk, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 3, 2023

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 24, 2023 (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2023

/s/ Dan Fachner
Dan Fachner
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the “Company”), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended June 24, 2023 (the “Report”) that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 3, 2023

/s/ Ken A. Plunk
Ken A. Plunk, Senior Vice
President and Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.