

J & J Snack Foods Fourth Quarter Earnings
J & J Snack Foods
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Dennis Moore
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Operator: Good morning, ladies and gentlemen, and welcome to the J & J Snack Foods Fourth Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to Gerry Shreiber. Mr. Shreiber, you may begin.

Gerald B. Shreiber: Good morning, everybody, and welcome to our conference call. I'm Gerry Shreiber. And with me today is Dennis Moore, our Senior Vice President and Chief Financial Officer; Bob Radano, our COO; Vince Melchiorre, our Executive Vice President of Sales and Marketing, and Vince also serves in a dual capacity of President of COUNTRY HOME; and Teddy Shepherd, who is our CED.

I will begin with the conference call with the obligatory statements. The forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements which reflect management's analysis only as of the date hereof. We undertake no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Results of Operations. Net sales increased 3% for the quarter and 4% for the year. This represents the 38th consecutive year of sales increases and the 152nd, 152, consecutive quarter of sales increases. That is truly something that we are very proud about and crow about. For the quarter, our net earnings increased by 32% to \$14.8 million, or \$0.79 a share, from \$11.2 million, or \$0.59 a share from a year ago. For the year, our net earnings increased by 48% to \$2.21 a share from \$1.47 a share the year ago period. Again, let me restate that, we earned \$2.21 a share, an increase of 48% this year. This is reflective of the total dedication and performance by our staff and people in management and indeed something we're proud of. Our EBITDA, our earnings before interest, taxes, depreciation, and amortization for the past 12 months was \$96.1 million, an increase from \$73.5 million a year ago. That represents \$22.6 million increase in EBITDA.

Food Service. Sales to Food Service customers increased 2% for the quarter and 4% for the year. Soft pretzel sales were down less than 1% for the year. Italian ice and frozen juice treat and dessert sales decreased 6% for the quarter and 2% for the year. Churro sales were up strong, 8% in the quarter and 16% for the year. Bakery sales, excluding biscuit and dumpling and fruit and fig bar sales, were up 5% in the quarter and 4% for the year. Biscuit and dumpling sales were up 8% in the quarter and for the year; and fruit and fig bar sales were down 6% for the quarter, but up 8% for the year. Funnel cake sales were up 38% for the quarter and 49% for the year.

Retail Grocery and Supermarkets. Sales of products to Retail Supermarkets were up 27% for the quarter and 14% for the year. Soft pretzel sales were up 27% for the quarter and 11% for the year on the strength of a 27% case sales

increase. That's unit sales increase in the fourth quarter. It's reflective perhaps of more snacking at home in today's economy; and even more, so it's reflective of having our products in key positions in almost every business segment. Sales of our frozen juice and Italian ices were up 29% for the quarter and up 19% in the year on case volume increase of 32% in the quarter and 25% for the year.

ICEE and Frozen Beverages. ICEE and Frozen Beverages, which include our other brands including ARTIC BLAST and SLUSH PUPPIE and related product sales, were down 2% in the fourth quarter and 1% in the year. Beverage sales alone were down 4% in the quarter and 1% for the year. ICEE business... Service revenue in the ICEE business for others was up 5% in the quarter and 8% in the year. Sales of drink and frozen carbonated beverage machines were up \$300,000 in the quarter, but down \$2.8 million for the year, most due to reduced capital spending by C stores and others.

Consolidated. Gross profit as a percentage of sales in the quarter increased to 33.8% from 31.2% last year and to 32% in the year from 29.7 a year ago. That's an increase of 2.3 full percentage points. We benefited by about \$6 million of lower commodity costs in the quarter and \$11 million for the year. Total operating expense as a percentage of sales was 0.4 percentage points lower in the quarter and 1.1 percentage points lower in the year, primarily due to lower fuel and transportation costs and lower selling expenses in our Food Service business and Frozen Beverage business.

Capital Spending and Cash Flow. Our cash and investment securities balance increased \$17.4 million in the quarter to \$119 million. We bought back \$12.5 million of our stock in the past year, but nothing in the fourth quarter. Our capital

spending was \$27.2 million, right on target, for the year as we increased spending to improve efficiencies and increase capacities on specific product lines. A cash dividend of 0.0975 per share was declared by our Board of Directors and paid on October 6, 2009.

Some other commentary. Our sales grew... Our sales growth of 3% this quarter resulted from a combination of limited pricing, unit volume increases and decreases, and increased trade spending in our Retail Supermarket segment related to the introduction of WHOLE FRUIT frozen fruit bars and increased couponing in our Retail Supermarket segment. Soft Pretzel unit volume was flat, which is a significant improvement over the past year. Churros, biscuits and dumplings, cookies and in-store bakery, and funnel cake had strong positive unit growth due to new products and customers and increased distribution. Unit sales of soft pretzels in our Retail Supermarket segment were up 27% in the quarter, which follows a 6% increase in our third quarter. Case sales of frozen ices and juices were up 32% in the quarter, following a 41% increase in the third quarter. Operating income in this segment was impacted by higher slotting costs in connection with the introduction of new products of \$1.3 million for the year. We also began running a TV commercial in June around a baseball and Harry Kalas featuring a Bring 'em Home theme at a cost of about \$500,000 in the quarter and \$1 million for the year. We think that we are benefiting from this TV campaign. Additionally, we increased couponing in our third and fourth quarters to help build and sustain volume. Gallon sales in our base ICEE business continue to be down; however, our service revenue to others increased by 8% for the year and now represents about 25% of our over Frozen Beverage business. Again, this is a business that we - - in adjunct to our ICEE business that we started about six or seven years ago and now represents close to about 40% - -

I'm sorry, close to about \$40 million. We expect our investment income will be significantly lower over the short-term, even though our balance of investments securities and cash and cash equivalents is higher than a year ago, and this is of course related to lower interest rates. Our estimated income tax rate was 39% for the year. We expect and hope our income tax rate to remain in the 39% range, and hopefully those in the Obama administration and President Obama himself are listening.

We want to thank you for your continued interest, and we look forward to having another great year for our fiscal year 2010.

I will now turn it back to the listeners for your questions and comments.

Operator: Thank you. We will now begin the question-and-answer session. If you have a question, please press star then one on your touchtone phone. If you wish to be removed from the queue, please press the pound sign or the hash key. If you're using a speakerphone, you may need to pick up the handset first before pressing the numbers. Once again, if there are any questions, press star then one on your touchtone phone.

First question is from Mitchell Pinheiro. Please go ahead with your question.

Mitchell Pinheiro: Good morning, everybody.

Gerald B. Shreiber: Good morning, Mitch.

Dennis G. Moore: Morning, Mitch.

Mitchell Pinheiro: **Couple things, Gerry. Could you give us some color on the Food Service channel, what you're seeing? I'm seeing trends obviously deteriorate in Food Service. Also love to hear what your thoughts are on the Food Service channel, what you're seeing traffic-wise and anything else you could share with us.**

Gerald B. Shreiber: Well, we've seen some steep challenges for the past year/year and a half, and we appear to be doing okay in handling these challenges. It's like playing ball, when you're hitting high school and a fast ball comes in at 60 miles an hour, you think you'd never - - it's like a freight train and you get better and better.

But why don't I pass it on to Vince, who's been getting his arms around Food Service and been driving our sales growth?

Vincent A. Melchiorre: Yeah, I think, Mitch, in some channels, we've seen a little bit of decreased traffic, some of our theater business just a little bit down. But for the most part, the business - - having the business be flat was good.

Gerald B. Shreiber: And, Mitch, this is Gerry again. Our product line appears to be - - it's certainly not - - it's not completely recessionary proof, but it seems to be having less impacts. I mean it's an affordable product. It's certainly profitable to the retailers, and we're getting good featured space.

Mitchell Pinheiro: **Well what's driving the good featured space? Is it your margins for the - - their margins on your product? Why are you getting more feature as opposed to somebody else?**

Gerald B. Shreiber: It's a combination of features. 1) The margins are - - is good or better. 2) Of the program, we provide everything for the retailer except the customer. 3) The products are nutritious, and we keep emphasizing that more and more. Our soft pretzels are all natural, and it's something that they were before, and we're just starting to bugle it a little bit more, and it's execution in the field. We're doing a better job of executing in the field. If you take a look, walk around, you'll see them. Have you been to the stadiums in the past couple of months in there? I mean they're packed full with pretzels beforehand; they're packed full during, and hopefully not afterwards.

Mitchell Pinheiro: **So... Yeah, so.... But, so your soft pretzels were down in the quarter in Food Service, and I realize that baseball attendance, other than maybe in Philadelphia, is down. That must be a big part of it. Are you seeing similar weakness anywhere else within the Food Service channel in soft pretzels?**

Gerald B. Shreiber: Well, yes, movies were down this past quarter, and it's not just because it was summer. It was a summer a year ago too, but more people are perhaps spending less outside. But again, our other side of the business, Grocery Retail, I mean it was up 27% in the quarter. So we appear to be managing, not that it's a seesaw, but we're balancing the ups and the downs. We've expanded our business into the dollar stores. Two years ago that was something that - - that was a segment that we were not in, so we not only get in, but we build and establish a business there. And more recently of late, we've been expanding our product into the channel that we have been focused on for years, the fast food restaurant with some of our newer products, some of the funnel cakes and churros, and that continues to do well. So I think overall, we have focused management; we have

talented management, and the execution in the field. We're just not going around flopping heads in there. We're executing well in the field.

Mitchell Pinheiro: **What's interesting is since 2006, your soft pretzel business is basically been flat in the Food Service. It was about just \$100 million of sales in 2006, and pretty much flat, and this year ended up just under 100 million as well. So as much as you've had some economic factors and puts and takes there, your overall - - that business hasn't grown. Do you think it's... I mean what do you think...**

Gerald B. Shreiber: Mitch, if you take a look at the niches that we're in, we've added over \$100 million in revenue from product lines, Mitch product lines, that we didn't have a couple years ago.

Mitchell Pinheiro: **I agree, but that's not my question. My question is: What is it with the soft pretzel? Are we just... Is it... I mean I understand you're growing in other areas and that's - - it's very good news, but I'm just curious, is the soft pretzel everywhere it should be and consumption levels, everybody's aware of soft pretzels and it's just going to be a slower growth avenue in Food Service or there are areas that your - - that you see growth for the soft pretzel?**

Gerald B. Shreiber: Well we still certainly see areas of growth potential. We're focusing on them. But where we are... We're not everywhere, but we're almost everywhere, and the growth in that product segment maybe is going to be a little bit more subdued than it was in the years that we were channeling out - - bumping out 8 and 10%. So certainly we haven't lost any market share. And if you take - - want to take a

look at the top two or three brands that are out there in soft pretzels, chances are that two or all three are ours, so we need to continue to maintain that share and build overall case sales.

Mitchell Pinheiro: Okay. **How about... When you look at... By the way, you did say that C stores, your in-store bakery was up? Was that up in the quarter?**

Gerald B. Shreiber: In-store bakery...

Mitchell Pinheiro: **Is that what I heard?**

Gerald B. Shreiber: Yeah, C stores, I don't know if we pulled that really out. C stores, I would expect overall would be down.

Mitchell Pinheiro: Okay. **Commodities, so you benefited this quarter. When... Dennis or Gerry, when do you expect to have tougher comparisons on the commodity side?**

Dennis G. Moore: Well, I think we'll start to see a lower spread beginning in this quarter that we're in now; and then towards the second and third quarters, we may start to get really tight.

Mitchell Pinheiro: **So sugar's been up. That's a pretty... That's a fairly big purchase for you isn't it?**

Dennis G. Moore: Yes, it is.

Mitchell Pinheiro: **Are you... Have you... Are you hedged or are you favorably covered for sugar or is it unfavorable for 2010?**

Dennis G. Moore: Well, it's not all that big, but we're - - we actually are bought out pretty far into 2010. We would expect no more than about a million/1.5 million dollar from higher sugar prices 2010 versus 2009.

Gerald B. Shreiber: And again, we use sugars in some of our frozen desserts, of course, all right, and we use sugar in cookies. We don't use any sugar in our soft pretzel product.

Mitchell Pinheiro: Okay. **Does... How about... And any other commodity costs, I mean cocoa is up and your cookie business is... Anything else that you're looking at that we should be aware of on the upside?**

Gerald B. Shreiber: You talk cookie business, that's been one of the most - - one of our proudest turnarounds that we've accomplished here. A couple years ago, we had some issues with the overall cookie business, with reformulation, with margins, with some operating income in there, but the turnaround in there has been nothing short of dramatic. And Vince and his team, including people like Mike Harvison and Don McComas and Bill Dougherty, have done a fabulous job in not only just improving the overall products but in controlling costs and growing our sales and making ourselves more competitive, so we think we still have a long way to go when you get a little bit of taste of the success. You can be challenged just like a D student suddenly getting B minuses, well why can't he get a B or an A?

Mitchell Pinheiro: **But... So what happened... So cocoa is going to be up. And any other commodity costs that are going to be up in the quarter?**

Dennis G. Moore: When you look at the overall mix, we have fruit-based products, fruit-based ingredients, flavors, some will be up, some will be down. So overall.... Other than the one that you mentioned, sugar, which is clearly going to be higher this year, the overall mix of the others is really - - it could be, could be down, but we don't think substantially one way or the other.

Mitchell Pinheiro: Okay. **So it'll be kind of a neutral year for you on the commodity side largely?**

Dennis G. Moore: We would expect flour costs to be down a little bit, at least the first part of the year.

Mitchell Pinheiro: Gotcha. **Last... Two more questions. One, you have sizeable cash balance, 99 million if you include the marketable securities.**

Gerald B. Shreiber: There's more than that, Mitch. There's about 119 million because I just counted it this morning before I came on the call.

Mitchell Pinheiro: So...

Gerald B. Shreiber: We run a tight ship here, Mitch.

Mitchell Pinheiro: What's that?

Gerald B. Shreiber: I said, "You know, we run a tight ship here."

Mitchell Pinheiro: Yep. **But now my question would be, number one, obviously you're looking for acquisitions, or you always are, what's the pipeline look like there? And then second, are there any other - - I mean are you going to be stock? What are your other issues for your cash?**

Gerald B. Shreiber: Dennis.

Dennis G. Moore: Well we are looking for acquisitions and that would be the number one preferred use of the cash. Whether we do... Whether we buy back stock or not is - - we may and we may not. We have an authorization in place, so we might go out there and buy back.

Gerald B. Shreiber: But at this level, Dennis is looking.

Dennis G. Moore: At this price is still - - it's a good buy. Our stock is a good buy.

Mitchell Pinheiro: Okay. **Final question is: I was just looking at the FCB, the assets and it generally has been - - it's been flat year-over-year. My question is: Are... Is that reflective of the number of beverage dispensers in the market? Is that also roughly been flat or are there other things happening on that line?**

Dennis G. Moore: Well we probably... Dispensers have gone up a little bit, but we've also - - some of our current assets have dropped actually this year, inventories and receivables have come down, which have offset a little bit of the increase in equipment.

Mitchell Pinheiro: Okay. Thank you. That's helpful. No further questions.

Gerald B. Shreiber: Thanks, Mitch.

Operator: *Thank you. The next question is from Brian Rafn. Please go ahead.*

Brian Rafn: Good morning, guys.

Gerald B. Shreiber: Good morning, Brian.

Brian Rafn: **Give me a sense on your dollar store business, Gerry, what kind of penetrations? Are you guys looking at maybe packaging more smaller convenient sizes across your product line for that channel? Give me a sense as to what you have in offerings in the dollar stores today versus what you think you could do over the next couple of years?**

Gerald B. Shreiber: Well, let me just back up a moment and couple years ago we had virtually nothing in the dollar stores, and our sales and marketing team... And the one thing about us, and I think you know that, Brian, is we're quick; we're efficient, and we don't know the meaning of the word 'we cannot.'" So we've been able to develop special packaging and special sizing of our brands, primary brands, and some of the secondary tertiary brands and we've been able to get in there very, very quickly to the point that it has been great relationships that we've been building with these stores and building them quickly in there and now we have a business in there where we have our fig and fruit bars in there, and that is well over 30 million. We have our - - a specialty frozen novelty product. We have some soft pretzel products in there, and there all in different sizes in there and keeping with the economic theme is you can have anything you want for a dollar.

So we've done a good job with that and it gives us some margin challenges and it gives us some distribution challenges, but I'm proud to say we've been equal to the task.

Brian Rafn: Okay, all right. **What... From the standpoint in the grocery wars relative to the encroachment of private label on some of your brands, have you been successful in defending some of that with your brands, or is it more profitable for J&J to actually manufacture some house brands or some private label brands from the supermarket?**

Gerald B. Shreiber: That's a great question, all right. That's a good question, and let me just answer you in a way where I'm - - I'll give you some rough comparisons. We're about a 70 share in the soft pretzel market with our brand, and we're probably at 85 to 90 share in private label. With our cookies in the in-store bakery, I mean we're making product for Target under the Archer Farms with the roster. We're making product for Costco. We made a... Costco's been a terrific partner for long - - for a long time. We make the private label product. So on the cookie business, it's been primarily private label brands; and with the pretzels and Italian ices, it's been a combination of both.

Brian Rafn: Okay. **Give me a sense on the soft pretzel business. You guys had launched a couple year ago your pretzel fills or whatever with some different flavors and that. What... How is that going? How is the rollout of that? Give me a sense as to what the traction there is?**

Gerald B. Shreiber: We've been a little bit disappointed with that. And we... Sales were a little bit less than anticipated. We've gone back and looked at the strategies; we've

looked at some formulations in there, and we think that it'll be part of our 2010 relaunch and focus. But again, nothing stops while we're doing this. What we have, we're continuing with, and the new products we just - - went through some focus groups and we think we've improved some of the products we're adding. We're looking at protein to the pretzel fills, and we've come out with a new dynamite pizza product, which we're hopefully getting out in the field. Jonathan T. Manderbach helped us with the development of the product in there, and we think that our product is just absolutely a big improvement over what we had.

Brian Rafn:

Okay. **The consumer in the grocery store, Gerry, what's been... And you guys have talked a little about couponing, what's been kind of the couponing usage this year versus the last few years? Has it been a delta change up?**

Gerald B. Shreiber:

It's been up, and it's up because there's more of it and people are more sensitive to saving \$0.50, to saving a dollar, to buying two for a dollar and putting it away. Vince said something to me like part of the campaign, "They have a freezer, use the freezer space at home in there." So we've been dollaring *[sic]* coupon buy two, buy three for - - get a dollar of, and it's been working. Our coupon expense has been up, but again our retail stores are... Vince and Bob Pape and his group have had a terrific year and a terrific past quarter.

Brian Rafn:

Do you get the sense, Gerry, that you guys are as aggressive or more aggressive in couponing to defend your market share versus some of your competitors?

Gerald B. Shreiber: Well, we're more aggressive in establishing our penetration and then defending it. And keep in mind, we're looking at our competitors as anybody that's putting a snack, a specialty snack in a box. But even in the ice cream aisle, we have some... We picked up a brand about two years ago called 'WHOLE FRUIT' that it was just absolutely dead. It was better than 4:00 a.m. We relaunched the product. We changed some of the packaging. We've got it in pints. We've got in sticks, and that business now is - - next year we're projecting it'll be about \$8/9 million for us, and that's from a zero base. So it's a niche product. The brand, WHOLE FRUIT, says it all, and it has a lot of equity, and we're doing quite well with it.

Brian Rafn: **What are you seeing in the education area as far as - - you talked about - - a little bit about reformulations and low sugar and vending machine sales at schools and that, is that - - give me a sense as to where that is today?**

Gerald B. Shreiber: That's flat. It's better than what it was when everybody was stalled to a crawl about a year/year and a half ago. The reformulation has been done. Our new cookie product for school is called 'Benefit' with no trans fats, with no this, with no that in there. It seems to be doing well. But the business overall... Our overall business this past year appears to be slightly up, which is a lot better than slightly down. We've done the conversions. We've gone through the cost, and our products are in there. They're approved, and some are menued and some our ala carte.

Brian Rafn: Okay. **You hinted a little, Gerry, relative to you broke out top line revenues volume versus price. Did you get a little price inflation in there? You guys have always been very guarded and cautious about defending (inaudible)...**

Gerald B. Shreiber: A little bit of price a year ago when we were getting killed on commodities and it took us - - we were kind of late in getting out there. This past quarter, even though... I mean I read that and said that because Dennis wrote that, but I'm not sure where we got - - I'm not sure where we got any kind of pricing in this past fourth quarter, but far be it for me to argue with my CFO or CED.

Brian Rafn: All right. **The theater cinema business, kind of broad for the overall year, give us a sense what - - you mentioned a little, you saw some weakness this summer. Give us a sense what ICEE in that channel?**

Gerald B. Shreiber: Well, our sales were like soft to down, and part of it was: Were the movies good? Were the movies not good? The ICEE channel was - - they started off the season good - - summer - - fourth good, but it had declining sales too. That may be nothing more than the impact from the overall economy.

Brian Rafn: Okay. **Is the theater cinema channel is that, because you guys have been very good, you talked about it in the dollar stores about being able to penetrate those channels with multiple products. Is the theater cinema chain primarily just an ICEE channel for you guys, or are there other products you can bring to that?**

Gerald B. Shreiber: Well, ICEE's done a remarkable job in the theater chain. Dan Fachner and his group started developing that business about 10 years ago and now we have a significant and tremendous share in that business. We also have pretzels in probably most of the major theaters, either our regular soft pretzels, one of the varieties of it. Theaters used to be candy, oversized candy, and popcorn, and

drinks. Now when you walk into a theater, you're going to see an ICEE machine. You're going to see some type of soft pretzel, whether it be SUPERPRETZEL or bites, bites with the cheese sauce, so we got good penetration, and we got good space. We got penetration and presentation and again because we satisfied their profit objectives. It's a quick wholesome snack, and it's very profitable for the theater chains too.

Brian Rafn: Okay. **Give me a sense, Gerry, you had it now I think a couple years, the SLUSH PUPPIE addition to the - - which is a little different distribution. I think it's a little more of a - - kind of kiosk cart or whatever. How is... From your expectations, how has SLUSH PUPPIE done?**

Gerald B. Shreiber: We've improved. It's performance when we bought it, it was... We knew when we bought it that it had some challenges. It was owned by Dr. Pepper/7-Up people, and they kind of - - they kind of didn't focus on it, so we folded it into our group. And after a challenging year/year and a half, we improved its performance and its profitability this year, and we finished integrating it into our ICEE group, and we're looking forward to expanding the business.

Brian Rafn: **What in dollar terms is SLUSH PUPPIE versus ICEE, Gerry?**

Gerry: Oh ICEE is much bigger. ICEE is much bigger. If ICEE overall \$180 million, SLUSH PUPPIE would be probably about 9% of that.

Brian Rafn: 9%, okay. **What... Anything relative to with a tough market, you're looking at challenges in with consumers and what has been across your product**

lines' reformulations, new flavorings, new seasonings, give us a sense across for J &J what you guys have done in the 2009?

Gerald B. Shreiber: Well what we're really, really let's say excited about, cautiously optimistic is a couple of our product lines related to our fried dough products - churros, funnel cake, variations of that, funnel fries, and we recently expanded our R&D staff where we had great R&D capabilities in California and in Atlanta and they were certainly equal to the challenge with cookies. We recently expanded our R&D staff here and hiring somebody that came out of a chef in a dessert category that has - - that Vince has some high hopes that Joe will be able to help us with our pretzel products and we can get to the - - maybe to the next level of specialty pretzels in there. So we think we're going to have a pretty good year for organic growth for this coming year and as long as... The economy still needs to get better, all right. But as long as we don't go through that fitful stressful October through December of last year, all right, we think we're going to have a decent percentage of organic growth for this year; and then if we can complement that or when we complement that with an acquisition or two, overall it'll bode well for the year.

Brian Rafn: Okay. **Gerry, give us a sense, the stadium, the arena sports, there's probably a little more inelasticity of a family going out to the ballpark or whatever, how - - from your expectations given the difficulties with the consumer and spending and tightening up and price, quality, value, and that, in the sports and stadium channel, whether it be major-league baseball or football, basketball, how has that channel been relative to your sales penetration of pretzels and ICEE and that?**

Gerald B. Shreiber: Well our penetration has been. As matter of fact, it's even been improved. Attendance overall was down, and it was frightfully down early in the year. Philadelphia had a great year. The Phillies had a great year, and we've done well there with our base product and some of our newer products. But since we're talking baseball and since there is a big game tonight and since we're a combination of Phillies and Yankee fans, maybe we're going to discuss who's going to win this game tonight and what kind of criticism we have even for Charlie and Joe because it seems like no matter what happens tonight, one of them is going to be called on the carpet for what they did do or didn't do.

Brian Rafn: Okay. **One final question. You talked about certainly stuff in the pipeline, Gerry, and, as I've always said, you been a master relative to buying things at very attractive valuations. What you seeing as multiples of EBITDA? Is the malaise in the economy, is it prices coming to you or is it a buyer's market; is it a seller's market? Give me a sense as to what you're seeing when you're looking at acquisitions.**

Gerald B. Shreiber: Good stuff at five times EBITDA, that's what I see, but the seller sees them at eight times EBITDA, so that's why we got to narrow the difference before we go on to (inaudible). But I think prices have - - they have steadied or they're certainly down from where they were - - expectations were four/five years ago, and I think overall we're being - - we're still being cautious and conservative, and it has to feel good for us and it has to be good for us, and we're passed the point. Years ago when we were much smaller, it was almost like committing the store or betting the store. We don't do that today. So we're looking at things in a range that is certainly would be accretive to us and that we can bring value to and certainly that they could bring - - they could complement to our value also.

Brian Rafn: Okay, sounds good. Superb job, Gerry, as always. Thanks.

Gerald B. Shreiber: Thank you very much.

Operator: The next question is from Sarah Lester. Please go ahead.

Sarah Lester: Good morning.

Gerald B. Shreiber: Good morning, Sarah.

Sarah Lester: **Could you talk about pricing I guess more on the Food Service side? Have your competitors become more promotional recently?**

Gerald B. Shreiber: Not really. We're looking for ways that we can maybe instead of getting, whatever the number is, I'm not putting a number, one in 20 shoppers at the snack bar, maybe we can increase that to one in 12 or 14, whether that's a promotion or some type of marketing development, but we haven't really... We really haven't seen that.

Sarah Lester: Okay. That's all. Thank you.

Operator: If there are any additional questions, please press star/one on your touchtone phone.

Brian Rafn is back online with a question, please go ahead.

Brian Rafn: Yeah, let me ask you, guys, maybe a question for Gerry or Dennis, what... From the standpoint of total pretzel volume, what is J & J's - - by case or pounds or kind of what is your annualized production in total pretzels?

Gerald B. Shreiber: Well, in sales?

Brian Rafn: Yeah, I'm just looking at - - not dollar sales, but I'm just saying in volume. I'm just wondering from a production standpoint, everyone's talking. Because from the sales side, you could be couponing or... There are price erosions and, as you said, two for one and that. I'm just on a volume basis what... If you look back, there was a comment about sales being somewhat static since '06, has your production volumes in actual pretzels in poundage actually gone up or is it been about the same the last three/four years?

Gerald B. Shreiber: It's been about the same. It might've dipped a bit maybe a year/18 months ago, and we're back - - getting back to the levels. We're doing... We do about 2 million pretzels a day, and I could almost feel and sense when we're running five days/three shifts that we're at that number when we're not, it'll be slightly less. But we have real good penetration; and during the past year/year and a half/two years when the economy dips slightly and there's less people in a General Motors' plant and the mall shopping has turned off and the mass merchandisers reported a little bit down, that affects us a little bit, so that's why there's a hard and sustained push to some of the other business segments, including the - - and our other products, including the dollar stores and the...

Brian Rafn: **Let me ask you on... Yeah, on the pretzel sales, Gerry, is - - are soft pretzels primarily a single sales - - point of sale where you're going in and buying one or two for current consumption or how much of the business is in cases where you were talking about put them in freezer, put them in the pantry, that type of thing? How much of the business is in cases versus single sales and has that changed over the few years?**

Gerald B. Shreiber: Well I don't want to... The second part of your question relates to super markets and there we've been doing promotions in there with a dollar off so that they could buy a box or two. But I don't want to duck the other part of the question, but most of the sales in Food Service locations are single units, unless there's some type of promotion - buy two/get one free, which we do from time-to-time. So I'm not ducking your question, but I'm just trying to give you a balance for on each side of it.

Brian Rafn: **Okay. You also mentioned funnel cakes and churros in a fast food outlet, is that a national chain or is that local regional chains?**

Gerald B. Shreiber: Well hopefully it'll be both.

Brian Rafn: Hopefully it'll be both, all right. With that, thanks again, Gerry. Great job.

Gerald B. Shreiber: Duck your question in there, but hopefully it'll be both. Next quarter, ask that question next quarter.

Brian Rafn: All right, I will do that. Thanks, Gerry.

Gerald B. Shreiber: You're welcome.

Operator: Once again, if there are any additional questions, please press star then one on your touchtone phone. There are no further questions at this time.

Gerald B. Shreiber: All right, I want to thank everybody for attending this conference call. We look forward to you all being here at our next conference call, and hopefully we'll be reporting similar achievements.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may all disconnect.

Please Note: * Proper names/organizations spelling not verified.
[sic] Verbatim, might need confirmation.
- - Indicates hesitation, faltering speech, or stammering.