

John B. Sanfilippo & Son: Where should the next equipment dollar go?

Internal ID: S&F-STR-333

Topic: Operations Strategy, Growth Strategy, Pricing Strategy

Industry: Packaged Foods & Meats

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Student case | Information cutoff: 19 August 2026, end of day Eastern Time

The decision

John B. Sanfilippo & Son, Inc. (JBSS) had just reported its fiscal 2026 results. Management had described a multiyear equipment and infrastructure program, while the company's plants showed different combinations of seasonal bottlenecks and unused capacity. Some product categories had strategic growth priorities; cash, inventory needs, and a large pool of purchase obligations competed for capital.

Assume you are advising JBSS's senior leadership team as it prepares for its next capital-allocation review. This is a hypothetical classroom role, not a report of an actual meeting or board deliberation. Recommend how management should approach future controllable equipment and infrastructure investment. First specify what it must verify about existing binding commitments. Then decide what decision rule should govern any future spending that is genuinely uncommitted.

The public record does not identify a remaining balance of the announced program, project-level cancellation rights, or which dollars can still be redirected. Do not infer that the entire program or any particular project can be paused.

A focused food manufacturer with several routes to market

JBSS processes, packages, and markets nuts, dried fruit, snacks, and bars. It sells under customer private labels and its own brands, including Fisher, Orchard Valley Harvest, Squirrel Brand, and Southern Style Nuts. Its channels include consumer products, commercial ingredients, and contract manufacturing. Management's long-range priorities include accelerating private-brand business in high-growth categories, especially bars; expanding Fisher and Orchard Valley distribution; and partnering with brands in contract manufacturing. Management links bar growth to capacity expansion and innovation. These are stated priorities, not guaranteed demand or returns. [P1, printed pp.2-4 and 24-25, SEC lines 145-201, 824-829.]

The company sells into a competitive setting that includes major branded products and retailers' own brands. JBSS identifies Planters, Diamond, Nature Valley, Quaker, CLIF, Nutri-Grain, and KIND among branded competitors, and says retailer private-brand growth may displace both its private-label and branded products. The filing does not quantify share or customer switching. [P1, p.7, SEC lines 286-291.]

Growth alongside pressure on volume and mix

JBSS reported fiscal 2026 net sales of \$1,175.7 million, up 6.2% from \$1,107.2 million. Weighted average selling price per pound increased 8.9%, which management attributed primarily to pricing actions following higher tree-nut acquisition costs; pounds sold decreased 2.5%. Gross margin was 18.0%, compared with 18.4% the prior year. Operating income was \$89.2 million, or 7.6% of sales, versus \$84.7 million, or 7.7%. Net income was \$61.9 million. [P1, printed pp.27-29, SEC lines 934-944, 981-1003; income statement p.40, lines 1355-1389.]

Bars were 12.5% of gross sales in fiscal 2026, down from 14.0%. The company reports product mix as a share of gross sales because some adjustments to net sales cannot be allocated by product. This measure does not show bar-specific dollars, volume, profit, or brand mix. [P1, p.27, SEC lines 943-958.]

Capacity depends on the product and the season

The company's facilities do not present one common pool of interchangeable capacity. Management estimates and actual throughput describe different plants, products, and operating constraints.

Facility / activity	What the filing reports	Locator and limits
Elgin processing and packaging	Management estimates the current configuration can support 15-20% more production; some lines are full during peak periods. The facility also makes/packages bars.	P1, p.17, SEC lines 605-611. Estimate, not an audited utilization study; no line-level forecast or return is given.
Huntley warehousing	Average storage capacity can accommodate 20% more, but is full in some periods. A 285,000 sq. ft. lease is scheduled to begin in FY2027 Q1 and management expects storage capacity to rise 40%.	P1, p.17, lines 605-611. These are storage measures, not production capacity.
Lakeville bars	The facility could accommodate an estimated 15-20% increase in current capacity, but some lines are full and there is no available physical space for further expansion.	P1, p.18, lines 622-623. No line-by-line volumes, installation costs, or project returns are disclosed.
Selma pecans / Bainbridge peanuts	Selma capacity exceeds 90 million inshell pounds annually and processed about 33 million pounds in FY2026. Bainbridge capacity is about 120 million inshell pounds and shelled about 78 million.	P1, p.17, lines 612-615. Different crops and plants; throughput depends on sourcing, demand, mix, and the operating calendar.
Gustine walnuts	Capacity exceeds 60 million inshell pounds annually; about 39 million pounds were shelled in FY2026.	P1, p.18, lines 622-624. Not directly fungible with capacity elsewhere.

The capacity disclosures give neither practical utilization by line and month nor the contribution available from incremental output. Reported headroom does not by itself establish that more output would be profitable or that a bottleneck can be moved economically.

The investment and funding picture

JBSS described an approximately \$90 million investment in capital expenditures and related expenses, excluding applicable tariffs, beginning in FY2025 and extending through early FY2027. The program concerns equipment, infrastructure, capability, efficiency, and product offerings. Management said an equipment loan financed part of it and expected operations and available borrowing to fund operations and capital expenditures over the following 12 months. The disclosure does not break the program into completed, committed, and discretionary project amounts. [P1, p.30, SEC lines 1037-1042.]

Measure	Reported amount and scope	What it does not establish
FY2026 capital expenditure	\$88.089 million of cash purchases of property, plant, and equipment. MD&A rounds this to \$88.1 million.	It is not the remaining portion of the multiyear program. [P1, p.42, lines 1488-1490; p.30, lines 1064-1065.]
FY2027 capital expenditure outlook	Approximately \$48 million of total capital expenditure, including completion of equipment/infrastructure work and facility maintenance, food safety, and other bar expansion needs.	A management forecast for broader companywide capex, not a disclosed program balance or discretionary amount. [P1, p.30, lines 1066-1068.]
FY2027 purchase obligations	\$237.9 million expected to settle in FY2027, primarily inventory and capital-equipment commitments.	A mixed inventory/equipment obligation total; the filing does not provide a contract-level split or cancellation terms. Walnut purchase agreements are excluded because price and quantity are uncertain. [P1, p.30, lines 1058-1063.]

At 25 June 2026, JBSS had \$1.147 million cash, \$245.826 million inventory, and \$110.7 million of reported available credit. FY2026 operating cash flow was \$123.837 million; investing cash flow was negative \$86.169 million and financing cash flow negative \$37.106 million. Management attributed the improvement in operating cash flow largely to working capital, primarily inventory. Inventory dollars declined from the prior year while average raw nut and dried-fruit cost per pound increased 12.1%. Operating cash flow is not free cash flow; property and equipment purchases are investing cash flows. [P1, p.30, SEC lines 1042-1057; pp.38-39, lines 1261-1329.]

On 15 July 2026, JBSS declared a \$0.95 annual and \$1.05 special cash dividend per share, payable 9 September 2026. The payment had not yet been made at the case cutoff. This is capital-allocation context; it does not establish a funding constraint for any particular project. [P3, 15 July 2026 8-K, Item 8.01 / Ex. 99.1.]

The company also reported \$33.615 million of revolver borrowings, current maturities of long-term debt (net) of \$6.052 million, and long-term debt (net) of \$43.567 million. It disclosed \$44.3 million outstanding under an equipment-loan commitment and said full borrowing of the available facility amount would remain within covenant requirements. Availability remains subject to borrowing-base and covenant terms. [P1, pp.30-32, lines 1090, 1097-1100; pp.38-39, lines 1312-1329 and Note 6, around lines 2039-2045.]

Your assignment

Prepare a recommendation for the hypothetical capital-allocation review. Address the following:

1. What operating and commercial information should management obtain to distinguish seasonal congestion from a sustained capacity constraint?
2. What must be checked in purchase orders, deposits, contracts, and project records before classifying any expenditure as binding, avoidable, deferrable, or redirectable?
3. Once commitments are verified, what should govern future controllable equipment and infrastructure investment: continue stated priorities, sequence new spending against demand and cash gates, or reprioritize among capacity, efficiency, storage, maintenance, and safety needs?
4. What measures and decision triggers would show that the chosen approach is working, and what evidence would cause management to revise it?

There is no project-level return forecast in the public information set. If you use a numerical scenario, label every added input as an assumption and show how the recommendation changes when it moves. Do not treat plant capacity estimates, aggregate capex, or credit availability as a project business case.

Sources and information boundary

The case uses information publicly available by 19 August 2026, end of day ET. The FY2026 Form 10-K was accepted at 16:17:17 ET on that date. The company's 25 August investor update is after cutoff and excluded.

- **P1:** JBSS FY2026 Form 10-K, accession 0001193125-26-356919, year ended 25 June 2026. **SEC filing**. Printed page and SEC line locators appear throughout.
- **P2:** JBSS FY2026 fourth-quarter/full-year earnings release, 19 August 2026, **SEC exhibit**, used as corroboration.

Amounts are U.S. dollars. Fiscal 2026 ended 25 June 2026. No later outcomes or post-cutoff disclosures inform the assignment.