# Free Stock Pick from our Exec Comp Aligned with ROIC Model Portfolio for July 2025

Incentives play a critical role in shaping behavior. When a company ties executive compensation to revenue growth or flawed metrics like adjusted EBITDA, it's only natural that executives will prioritize those targets.

However, growing revenue or adjusted EBITDA without regard for real profits undermines the company's long-term financial health. It also destroys shareholder value.

We think that the board of directors for more publicly-traded companies should tie executive compensation to metrics that drive shareholder value creation. There is no better metric for this purpose than return on invested capital (ROIC). Linking executive compensation to ROIC aligns the interests of the executives with those of the shareholders.

Our Exec Comp Aligned with ROIC Model Portfolio includes only those stocks that (1) receive an Attractive-or-better rating and (2) directly link executive compensation to ROIC. We believe this combination signals disciplined capital allocation and strong upside potential.

We are proud to offer the Exec Comp Aligned with ROIC Model Portfolio, and we are excited to give you a free stock pick from this Model Portfolio.

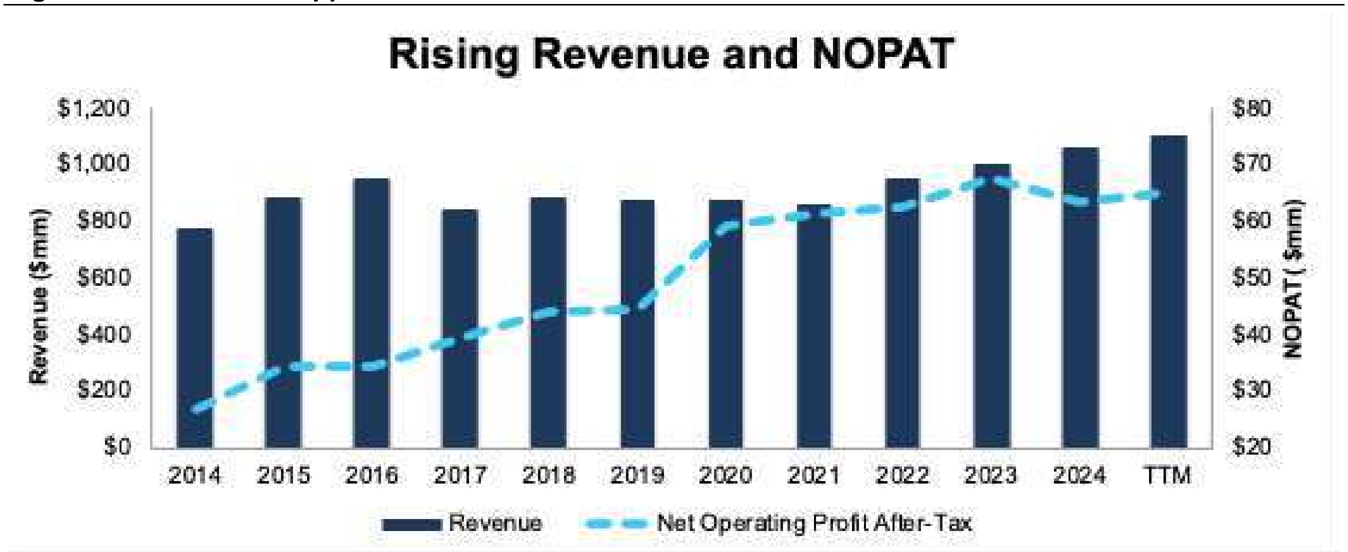
The goal behind sharing these free stock picks with you is to deliver insight into the uniquely high value-add of our research. We want you to know how hard we work and how we do research, so you know what you should expect from a good research provider and how real AI works.

We update this Model Portfolio monthly, and July's Exec Comp Aligned with ROIC Model Portfolio was updated and published for clients on July 16, 2025.

**Free Stock Pick for July: John B. Sanfilippo & Son, Inc. (JBSS: $68/share)**

John B. Sanfilippo has grown revenue and net operating profit after tax (NOPAT) by 3% and 9% compounded annually since fiscal 2014, respectively. The company's NOPAT margin improved from 3% in fiscal 2014 to 6% in the TTM and invested capital turns increased from 2.4 to 2.5 over the same time. Rising NOPAT margins and invested capital turns drive the company's return on invested capital (ROIC) from 8% in fiscal 2014 to 14% in the TTM.

**Figure 1: John B. Sanfilippo's Revenue & NOPAT: Fiscal 2014 – TTM**




Sources: New Constructs, LLC and company filings

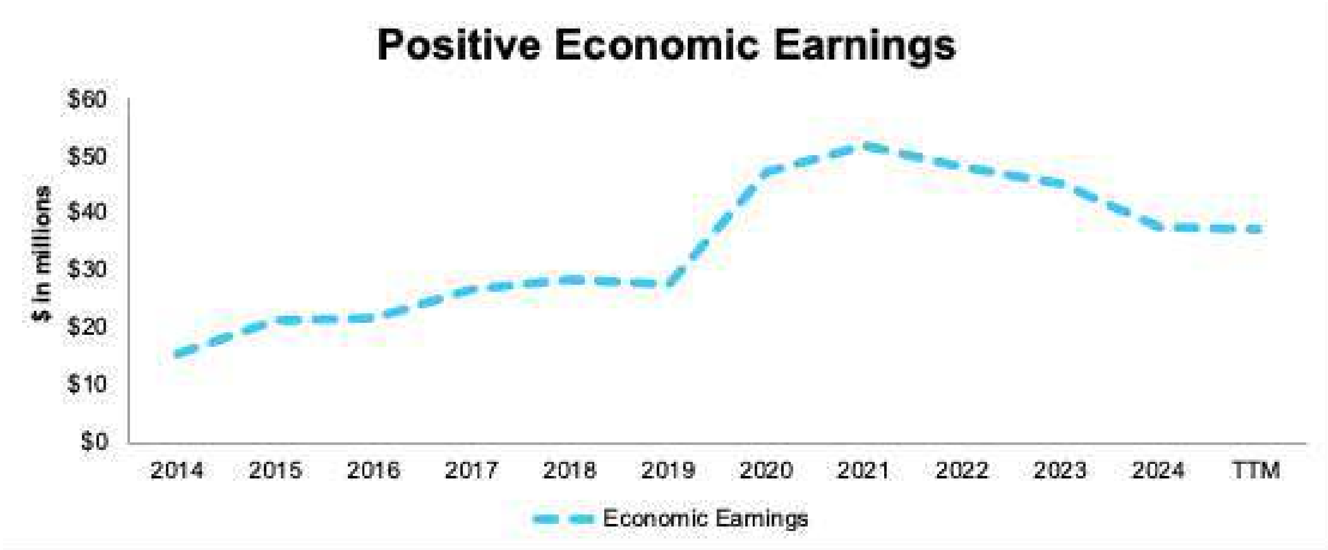
### Executive Compensation Properly Aligns Incentives

John B. Sanfilippo's executive compensation plan aligns the interests of executives and shareholders by tying its annual bonus awards to a "Return on Capital/economic value added" model which, according to the company's proxy statement, the company calls the Sanfilippo-Value Added plan. Under the plan, executives are rewarded for year-over-year improvement in economic profit.

The company's inclusion of economic profit targets, which are similar to our economic earnings, has helped create shareholder value by driving higher ROIC and economic earnings. When we calculate ROIC using our superior fundamental data, we find that John B. Sanfilippo's ROIC has increased from 8% in fiscal 2014 to 14% in the TTM.

Economic earnings rose from $15 million to $37 million over the same time. See Figure 2.

**Figure 2: John B. Sanfilippo's Economic Earnings: Fiscal 2014 – TTM**




Sources: New Constructs, LLC and company filings

### JBSS Has Further Upside

At its current price of $68/share, JBSS has a price-to-economic book value (PEBV) ratio of 0.9. This ratio means the market expects John B. Sanfilippo's NOPAT to permanently fall 10% from current levels. This expectation seems overly pessimistic for a company that has grown NOPAT 7% and 9% compounded annually over the last five and ten years, respectively.

Even if John B. Sanfilippo's:

- NOPAT margin falls to 5% (below five-year average of 7% and TTM NOPAT margin of 6%) through 2034, and
- revenue grows just 4% (equal to CAGR over the last five years) compounded annually through 2034 then,

the stock would be worth $87/share today – a 28% upside. Contact us for the math behind this reverse DCF scenario. In this scenario, John B. Sanfilippo's NOPAT would grow just 2% compounded annually from 2025 through 2034.

Should the company grow NOPAT more in line with historical growth rates, the stock has even more upside.

### Critical Details Found in Financial Filings by Our Robo-Analyst Technology

Below are specifics on the adjustments we made based on Robo-Analyst findings in John B. Sanfilippo's 10-K and 10-Qs:

Income Statement: we made under $15 million in adjustments with a net effect of removing under $5 million in non-operating expense. Professional members can see all adjustments made to the company's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made under $100 million in adjustments to calculate invested capital with a net decrease of under $10 million. One of the most notable adjustments was for asset write downs. Professional members can see all adjustments made to the company's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made over $150 million in adjustments, all of which decreased shareholder value. The most notable adjustment to shareholder value was total debt. Professional members can see all adjustments to the company's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

*This article was originally published on July 28, 2025.*

*Disclosure: Kyle Guske II owns JBSS. David Trainer, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, style, or theme.*

*Questions on this report or others? Join our online community and connect with us directly.*

## *It's Official: We Deliver the Best Fundamental Data in the World*

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of Core Earnings and Earnings Distortion materially improve stock picking and forecasting of profits.

**Best Fundamental Data in the World**

In The Journal of Financial Economics, a top peer-reviewed journal, Core Earnings: New Data & Evidence proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior fundamental data, earnings models, and research. More details.

Key quotes from the paper:

- "[New Constructs'] *Total Adjustments* differs significantly from the items identified and excluded from Compustat's adjusted earnings measures. For example… 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global's (SPGI) Adjustments* individually." – pp. 14, 1st para.
- "A final source of differences [between New Constructs' and S&P Global's data] is due to data collection oversights…we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.

**Superior Models**

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg's in Getting ROIC Right. See the Appendix for direct comparison details.

Key quotes from the paper:

- "…an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [ as New Constructs does] can investors get an accurate calculation of ROIC." – pp. 8, 5th para.
- "The majority of the difference…comes from New Constructs' machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies." – pp. 4, 2nd para.

**Superior Stock Ratings**

Robo-Analysts' stock ratings outperform those from human analysts as shown in this paper from Harvard Business School. Bloomberg features the paper here.

Key quotes from the paper:

- "the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant." – pp. 6, 3rd para.
- "Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts." – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are here.

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