Why SunOpta Shares Sank

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of organic food processor **SunOpta** (TSX: SOY) plunged 15% today after its quarterly results disappointed Bay Street.

So what: The stock has soared in 2013 on management's steady restructuring progress, but today's Q3 earnings miss — EPS of $0.07 versus the consensus of $0.10 — is triggering concerns over a slowing pace of improvement. While revenue increased 8.4% over the year-ago period, margins were weighed down heavily by expansion costs and cyclical weakness in its minerals segment, giving investors an uneasy feeling about SunOpta's profitability going forward.

Now what: Management remains positive about the long-term. "Looking forward, our internal re-structuring and expansion efforts are progressing well," CEO Steve Bromley reassured investors, "and while we expect costs associated with these efforts to continue for the next two quarters, we are confident that our re-structured food operations will allow us to simplify our operations, better serve our customers, and will lead to greater alignment between our structure and our strategies." However, given SunOpta's hefty debt load and still-fiery hot share price — up about 80% from its 52-week lows — I'd wait for an even wider margin of safety before buying into that bullishness.

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Fool contributor Brian Pacampara does not own shares of any companies mentioned. The Motley Fool has no positions in the stocks mentioned above at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SOY (SunOpta Inc.)

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