



3 Signs SunOpta, Inc.'s Best Days Are Ahead

Description

SunOpta Inc. ([TSX:SOY](#))([NASDAQ:STKL](#)) has got to be one of the most inconsistent stocks on the TSX.

How so?

A quick look at SunOpta's long-term performance tells you all you need to know about how its stock over the past 15 years.

SunOpta long-term stock performance

Time PeriodAnnualized Total Return

(through May 15, 2017)

1 Year	106.3%
3 Years	-4.2%
5 Years	14.7%
10 Years	-0.7%
15 Years	5.9%

Source: *Morningstar.com*

Talk about schizophrenic.

If you'd bought SunOpta stock in 2012, you made out like a bandit. However, if you'd bought in 2007, not so much, as it lost 85.4% of its value in the 2008 bloodbath and then another 35% in both 2011 and 2015. I guess market timing cuts both ways.

SunOpta's history suggests that the next six months should be good, and then in 2018 it will go into the tank as it always seems to do after a couple of good years of prosperity.

Despite its inconsistency, I believe SunOpta's best days are ahead. Here are three reasons why.

Competent CEO

In February, SunOpta hired David Colo as its CEO. The American brings to the table a significant amount of experience in the food business, including executive stints at both Diamond Foods, **Con Agra Foods**, **Nestle**, and Ralston Purina before that.

Very few businesses are as competitive as the food industry, both regarding packaged goods and raw ingredients — two areas where Colo has spent plenty of time honing his managerial skills.

As part of the management team that successfully turned around Diamond Foods (its backstory is worth looking into) immediately before its sale for US\$1.9 billion to **Snyder's Lance** in March 2016, Colo knows how to get the job done.

A company with a plan

In November 2016, SunOpta launched a search for a permanent CEO (Colo), terminating Rik Jacobs after little more than a year in the job. Also, leaving was Board Chair Alan Murray.

All of this came about as a result of **Oaktree Capital**, an L.A.-based alternative investment manager founded by well-known investor Howard Marks, buying US\$85 million in SunOpta Series A preferred stock in October 2016 — a move that gave Oaktree an 11.7% voting interest in the company.

As part of the investment, Oaktree installed Dean Hollis as chairman of the board and one other director of its choosing. It then went to work getting Colo on board and creating a plan to grow SunOpta's business.

The plan called for four pillars:

1. Simplify its business along fewer product lines.
2. Improve its operational performance and productivity.
3. Establish a selling proposition that positions it for growth in existing and new sales channels.
4. Flatten the organization while bringing in the best talent possible to sustainably grow its business.

In the hands of an amateur, this might be nothing more than MBA theory, but this isn't Colo's first rodeo, so SunOpta shareholders can rest easy

Q1 2017 results

SunOpta announced first-quarter results May 10. It had a 6.3% decrease in quarterly revenue to US\$330 million and a loss from continuing operations of US\$11.4 million — a 17.5% decline from a year earlier. Although this isn't great news, it's made moves behind the scenes, including a significant number of executive hires that will likely pay dividends in the quarters and years to come.

“While there is significant work to do, we are making tangible progress on creating the platform

necessary to deliver long-term, sustainable value for our shareholders,” said Colo in the Q1 2017 press release. “We look forward to providing quarterly updates on our continued progress towards improving our gross profit, Adjusted EBITDA and sales pipeline expansion.”

Bottom line for SunOpta stock

SunOpta’s all-time high is \$16.22 set at the end of 2014. It reports its second- and third-quarter earnings in August and November, respectively. If it continues to deliver progress, I see it breaking through that number on its way to \$20.

The important thing is that Colo and the rest of his management team demonstrate they’re building a sustainable business model. SunOpta’s big problem in the past has been inconsistent profitability.

We’ll know more in August, but so far, you’ve got to like what you see.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SOY (SunOpta Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Investing

Date

2025/08/20

Date Created

2017/05/17

Author

washworth

default watermark

default watermark