



Invest in SunOpta Inc. to Profit From 1 of the Most Lucrative Secular Trends

Description

SunOpta Inc. ([TSX:SOY](#)) is making progress toward greater profitability. The company specializes in the sourcing, processing, and packaging of organic and non-GMO (genetically modified) food, with the advantage of being vertically integrated and of having a large network of organic farms that they source from.

In 2016, the organic foods market grew by more than 10%, and the non-GMO market increased by 12%. And with the increasing awareness of the link between diet and health, and increasing awareness that food can be medicine, I see this as a secular trend that will continue well into the future.

New management

The senior management team has been revamped, and the appointment of former chief operating officer of Diamond Foods, David Colo, as CEO, may be just what SunOpta needs to move forward.

I like the fact that the management incentive program has been reset to be based on margin-improvement and debt-reduction targets. This will further ensure a culture based on results and actions.

Finally, and very key, is that fact that the board of SunOpta has given Mr. Colo added incentive to drive the company and the stock higher. If he buys \$1,000,000 worth of stock, he will get options which will be vested only if the stock price hits certain thresholds. One-third will vest if and when the stock hits \$11; one-third will vest at \$14; the remaining third will vest at \$18.

It is my view that the new management team will be a catalyst for the company and the stock going forward.

Focus on value creation

The new management team has already been very focused in their effort to turn the company around and create value for all stakeholders.

They unveiled their value creation plan, which has four areas of focus.

First is to conduct a strategic review of all operations and areas with the goal of ultimately optimizing the portfolio. Management will invest further into areas where SunOpta is well positioned, and exit those that the company does not have an advantage.

Based on this review, management decided to exit the re-sealable pouch business, close certain unprofitable facilities, exit certain products, and consolidate facilities to improve utilization and reduce operating costs.

The company will also work to improve operational performance, focusing on quality of product and efficiency of manufacturing facilities.

Sales and distribution improvements will be targeted, and a better overall company culture, strategic focus, and processes will be targeted.

Phase one is expected to generate \$30 million in EBITDA improvements, to be achieved in the 2017/2018 time frame.

Second-quarter results

The company's second-quarter results already show progress.

As of the end of the quarter, the company has achieved \$9.3 million in EBITDA improvements, and the gross margin improved to 12.5% from 11.5% last year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:SOY (SunOpta Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/21

Date Created

2017/08/15

Author

karenjennifer

default watermark

default watermark