

SunOpta Inc.  
Form 10-Q  
November 12, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended **October 3, 2015**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from to .

**Commission file number: 001-34198**

**SUNOPTA INC.**

(Exact name of registrant as specified in its charter)

**CANADA**

(State or other jurisdiction of incorporation or  
organization)

**Not Applicable**

(I.R.S. Employer Identification No.)

**2838 Bovaird Drive West**

**Brampton, Ontario L7A 0H2, Canada**

(Address of principal executive offices)

**(905) 455-1990**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of the registrant's common shares outstanding as of November 6, 2015 was 85,339,007.

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**For the quarterly period ended October 3, 2015**

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Except where the context otherwise requires, all references in this Quarterly Report on Form 10-Q ( "Form 10-Q" ) to the Company , SunOpta , we , us , our or similar words and phrases are to SunOpta Inc. and its subsidiaries, taken together.

In this report, all currency amounts are expressed in thousands of United States ( "U.S." ) dollars ( "\$" ), except per share amounts, unless otherwise stated. Amounts expressed in Canadian dollars are expressed in thousands of Canadian dollars and preceded by the symbol "Cdn \$", and amounts expressed in euros are expressed in thousands of euros and preceded by the symbol "€". As at October 3, 2015, the closing rates of exchange for the U.S. dollar, expressed in Canadian dollars and euros, were \$1.00 = Cdn \$1.3164 and \$1.00 = €0.8925. These rates are provided solely for convenience and do not necessarily reflect the rates used in the preparation of our financial statements.

### Forward-Looking Statements

This Form 10-Q contains forward-looking statements which are based on our current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as "anticipate", "estimate", "intend", "project", "potential", "continue", "believe", "expect", "could", "would", "should", "might", "plan", "will", "may", "predict", "estimate", and words and phrases of similar impact and include, but are not limited to references to our recent acquisitions of Sunrise Holdings (Delaware) Inc. ( "Sunrise" ), Niagara Natural Fruit Snack Company Inc. ( "Niagara Natural" ) and Citrusource, LLC ( "Citrusource" ), including, without limitation, transaction values, future financial and operating results, plans, objectives, expectations and intentions, and other statements that are not historical facts; possible operational consolidation; reduction of non-core assets and operations; business strategies; plant and production

capacities; revenue generation potential; anticipated construction costs; competitive strengths; goals; capital expenditure plans; business and operational growth and expansion plans; anticipated operating margins and operating income targets; gains or losses associated with business transactions; cost reductions; rationalization and improved efficiency initiatives; proposed new product offerings; and references to the future growth of our business and global markets for our products. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on certain assumptions, expectations and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

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Whether actual results and developments will agree with and meet our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- our ability to successfully integrate the operations of Sunrise, Niagara Natural and Citrusource into our business and, once integrated, the effects of these acquisitions on our future financial condition, operating results, strategy and plans, including the impact of the substantial additional debt incurred to finance these acquisitions and our ability to achieve the estimated synergies from these acquisitions;
- our ability to retain key management and employees of Sunrise, Niagara Natural and Citrusource;
- our ability to renew our North American credit facilities when they become due on January 27, 2017;
- restrictions in our credit agreements on how we may operate our business;
- our ability to meet the covenants of our credit facilities or to obtain necessary waivers from our lenders;
- the ability of Opta Minerals Inc. ( Opta Minerals ) to continue to operate as a going concern and our ability to recover the carrying value of our investment in Opta Minerals;
- that our European credit facilities are due on demand with no set maturity date;
- that our customers may choose not to buy products from us;
- loss of one or more key customers;
- changes and difficulty in predicting consumer preferences for natural and organic food products;
- the highly competitive industry in which we operate;
- an interruption at one or more of our manufacturing facilities;
- the loss of service of our key management;
- labor shortages or increased labor costs;
- the effective management of our supply chain;
- volatility in the prices of raw materials and energy;
- enactment of climate change laws;
- unfavorable growing and operating conditions due to adverse weather conditions;
- dilution in the value of our common shares through the exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities;
- impairment charges in goodwill or other intangible assets;



technological innovation by our competitors;

our ability to protect our intellectual property and proprietary rights;

substantial environmental regulation and policies to which we are subject;

significant food and health regulations to which SunOpta Foods is subject;

agricultural policies that influence our operations;

product liability suits, recalls and threatened market withdrawals that may be brought against us;

litigation and regulatory enforcement concerning marketing and labeling of food products;

our exposure to our international operations;

the performance of Sunrise, Niagara Natural and Citrusource following the closing of these acquisitions;

that we do not currently intend to, and are restricted in our ability to, pay any cash dividends on our common shares in the foreseeable future;

fluctuations in exchange rates, interest rates and the prices of certain commodities;

our ability to effectively manage our growth and integrate acquired companies; and

the volatility of our operating results and share price.

All forward-looking statements made herein are qualified by these cautionary statements, and our actual results or the developments we anticipate may not be realized. We do not undertake any obligation to update our forward-looking statements after the date of this report for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities law. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and our Annual Report on Form 10-K for the fiscal year ended January 3, 2015. Additional information about these factors and about the material factors or assumptions underlying such forward-looking statements may be found under Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended January 3, 2015, under Item 1A. Risk Factors of this report, and in our other filings with the U.S. Securities and Exchange Commission and the Canadian Securities Administrators.

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****SunOpta Inc.**

## Consolidated Statements of Operations

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	October 3, 2015	Quarter ended October 4, 2014	October 3, 2015	Three quarters ended October 4, 2014
	\$	\$	\$	\$
		(note 1)		(note 1)
<b>Revenues</b>	306,007	307,887	916,681	957,841
<b>Cost of goods sold</b>	275,375	271,774	819,447	842,688
<b>Gross profit</b>	30,632	36,113	97,234	115,153
Selling, general and administrative expenses	23,756	23,461	69,882	71,337
Intangible asset amortization	1,284	1,023	3,610	3,234
Other expense (income), net (note 10)	4,033	11	6,165	(993)
Foreign exchange gain	(613)	(600)	(1,614)	(377)
<b>Earnings from continuing operations before the following</b>	2,172	12,218	19,191	41,952
Interest expense, net	1,919	1,970	6,835	6,128
Impairment loss on investment (note 11)	-	8,441	-	8,441
<b>Earnings from continuing operations before income taxes</b>	253	1,807	12,356	27,383
Provision for (recovery of) income taxes	(411)	2,267	5,969	12,290
<b>Earnings (loss) from continuing operations</b>	664	(460)	6,387	15,093
Earnings (loss) from discontinued operations, net of income taxes (note 4)	(128)	233	(262)	297
<b>Earnings (loss)</b>	536	(227)	6,125	15,390
Earnings (loss) attributable to non-controlling interests	222	157	(1,472)	426
<b>Earnings (loss) attributable to SunOpta Inc.</b>	314	(384)	7,597	14,964
<b>Earnings (loss) per share basic (note 12)</b>	0.01	(0.01)	0.12	0.22

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- from continuing operations				
- from discontinued operations	-	-	-	-
	-	(0.01)	0.11	0.22
<b>Earnings (loss) per share diluted</b> (note 12)				
- from continuing operations	0.01	(0.01)	0.11	0.21
- from discontinued operations	-	-	-	-
	-	(0.01)	0.11	0.21

(See accompanying notes to consolidated financial statements)

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## Consolidated Statements of Comprehensive Earnings

For the quarters and three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015 \$	Quarter ended October 4, 2014 \$ (note 1)	October 3, 2015 \$	Three quarters ended October 4, 2014 \$ (note 1)
<b>Earnings (loss) from continuing operations</b>	664	(460)	6,387	15,093
Earnings (loss) from discontinued operations, net of income taxes	(128)	233	(262)	297
<b>Earnings (loss)</b>	536	(227)	6,125	15,390
Change in fair value of interest rate swap, net of taxes (note 5)	-	46	(129)	10
Reclassification adjustment for loss included in earnings (note 5)	-	-	339	-
Unrealized gain on interest rate swap, net	-	46	210	10
Currency translation adjustment	823	(3,656)	(3,009)	(4,126)
<b>Other comprehensive earnings (loss), net of income taxes</b>	823	(3,610)	(2,799)	(4,116)
<b>Comprehensive earnings (loss)</b>	1,359	(3,837)	3,326	11,274
Comprehensive earnings (loss) attributable to non-controlling interests	51	20	(1,787)	368
<b>Comprehensive earnings (loss) attributable to SunOpta Inc.</b>	1,308	(3,857)	5,113	10,906

(See accompanying notes to consolidated financial statements)

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## Consolidated Balance Sheets

As at October 3, 2015 and January 3, 2015

(Unaudited)

(Expressed in thousands of U.S. dollars)

	October 3, 2015	January 3, 2015
	\$	\$
		(note 1)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 13)	98,989	9,938
Accounts receivable	127,572	125,896
Inventories (note 6)	282,127	264,256
Prepaid expenses and other current assets (note 5)	17,450	18,935
Current income taxes recoverable	5,555	2,233
Deferred income taxes	6,080	8,107
	537,773	429,365
<b>Property, plant and equipment</b>	146,531	134,920
<b>Goodwill</b> (note 2)	47,344	29,082
<b>Intangible assets</b> (note 2)	51,814	40,640
<b>Deferred income taxes</b>	3,308	2,061
<b>Other assets</b> (note 5)	6,838	4,882
	793,608	640,950
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 7)	117,000	91,410
Accounts payable and accrued liabilities	134,712	128,437
Customer and other deposits	5,102	4,127
Income taxes payable	195	3,090
Other current liabilities (note 5)	1,825	3,087
Current portion of long-term debt (note 7)	28,622	5,927
Current portion of long-term liabilities (note 2)	5,261	250
	292,717	236,328
<b>Long-term debt</b> (note 7)	2,830	33,928
<b>Long-term liabilities</b> (notes 2 and 5)	19,527	1,962
<b>Deferred income taxes</b>	14,572	15,404
	329,646	287,622
<b>EQUITY</b>		
<b>SunOpta Inc. shareholders equity</b>		
Common shares, no par value, unlimited shares authorized, 85,333,892 shares issued and outstanding (January 3, 2015 -	298,329	190,668

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67,073,944) (note 9)		
Additional paid-in capital (note 3)	21,852	22,490
Retained earnings	136,906	129,309
Accumulated other comprehensive loss	(3,977)	(1,778)
	453,110	340,689
<b>Non-controlling interests</b>	10,852	12,639
<b>Total equity</b>	463,962	353,328
	793,608	640,950

(See accompanying notes to consolidated financial statements)

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## Consolidated Statements of Shareholders' Equity

As at and for the three quarters ended October 3, 2015 and October 4, 2014

(Unaudited)

(Expressed in thousands of U.S. dollars)

		Common shares	Additional paid-in capital	Retained earnings	Accumulated other com- prehensive loss	Non- controlling interests	Total
	000s	\$	\$	\$	\$	\$	\$
Balance at January 3, 2015	67,074	190,668	22,490	129,309	(1,778)	12,639	353,328
Issuance of common shares, net (note 8)	16,670	96,544	-	-	-	-	96,544
Employee stock purchase plan	36	451	-	-	-	-	451
Exercise of stock options	704	4,624	(1,597)				