

SunOpta Inc.  
Form 10-Q  
August 09, 2012

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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 **June 30, 2012**

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 August 3, 2012 was 65,940,351.

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**For the quarterly period ended June 30, 2012**  
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<b>Basis of Presentation</b>		

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 preceded by the symbol Cdn \$ and amounts expressed in euros are preceded by the symbol € . As at June 30, 2012, the closing rates of exchange for the U.S. dollar, expressed in Canadian dollars and euro, were \$1.00 = Cdn \$1.0181 and \$1.00 = €0.7901. These rates are provided solely for convenience and do not necessarily reflect the rates used by us 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 , could , believe , expect , could , would , should , might , plan , will , may , the negatives of such terms, and words of similar impact and include, but are not limited to references to 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 the business and global markets for the Company's products. These forward looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform

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Act of 1995. These forward looking statements are based on certain assumptions 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 circumstance.

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Whether actual results and developments will agree with 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 renew our syndicated credit facilities when they become due of July 27, 2016;
- restrictions in our syndicated credit agreement on how we may operate our business;
- our inability to meet the covenants of our credit facilities;
- our potential additional capital needs in order to maintain current growth rates, which may not be available on favorable terms or at all;
- our customers' ability to choose not to buy products from us;
- loss of a key customer;
- changes in 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;
- the effective management of our supply chain;
- volatility in the prices of raw materials and energy;
- enactment of climate change legislation;
- unfavorable growing 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 lack of management and operational control over Mascoma Corporation;
- fluctuations in exchange rates, interest rates and certain commodities;
- our ability to effectively manage our growth and integrate acquired companies; and

- the volatility of our operating results and share price.

Consequently all forward-looking statements made herein are qualified by these cautionary statements and there can be no assurance that our actual results or the developments we anticipate will be realized. 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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (“Form 10-K”). For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors under Item 1A of Part II of this Form 10-Q and under Item 1A, Risk Factors, of the Form 10-K.

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

## Consolidated Statements of Operations

For the quarter and two quarters ended June 30, 2012 and July 2, 2011

(Unaudited)

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

	<b>Quarter ended</b>		<b>Two quarters ended</b>	
	<b>June 30, 2012</b>	<b>July 2, 2011</b>	<b>June 30, 2012</b>	<b>July 2, 2011</b>
	\$	\$	\$	\$
<b>Revenues</b>	<b>282,308</b>	275,188	<b>541,636</b>	520,538
<b>Cost of goods sold</b>	<b>245,220</b>	243,209	<b>470,062</b>	455,926
<b>Gross profit</b>	<b>37,088</b>	31,979	<b>71,574</b>	64,612
Selling, general and administrative expenses	<b>22,086</b>	21,163	<b>42,516</b>	40,906
Intangible asset amortization	<b>1,235</b>	1,017	<b>2,428</b>	2,033
Other expense (income), net (note 9)	<b>1,378</b>	(3,256)	<b>1,742</b>	(2,894)
Foreign exchange (gain) loss	<b>(581)</b>	19	<b>(499)</b>	154
<b>Earnings from continuing operations before the following</b>	<b>12,970</b>	13,036	<b>25,387</b>	24,413
Interest expense, net	<b>2,558</b>	2,520	<b>5,141</b>	4,504
<b>Earnings from continuing operations before income taxes</b>	<b>10,412</b>	10,516	<b>20,246</b>	19,909
Provision for income taxes	<b>2,769</b>	4,170	<b>6,355</b>	7,423
<b>Earnings from continuing operations</b>	<b>7,643</b>	6,346	<b>13,891</b>	12,486
<b>Discontinued operations (note 3)</b>				
Earnings (loss) from discontinued operations, net of income taxes	<b>214</b>	(1,233)	<b>405</b>	(1,625)
Gain on sale of discontinued operations, net of income taxes	<b>676</b>	-	<b>676</b>	-
<b>Earnings (loss) from discontinued operations, net of income taxes</b>	<b>890</b>	(1,233)	<b>1,081</b>	(1,625)
<b>Earnings</b>	<b>8,533</b>	5,113	<b>14,972</b>	10,861
Earnings attributable to non-controlling interests	<b>388</b>	712	<b>935</b>	1,379
<b>Earnings attributable to SunOpta Inc.</b>	<b>8,145</b>	4,401	<b>14,037</b>	9,482
<b>Earnings (loss) per share basic (note 10)</b>				
- from continuing operations	<b>0.11</b>	0.09	<b>0.20</b>	0.17
- from discontinued operations	<b>0.01</b>	(0.02)	<b>0.02</b>	(0.02)
	<b>0.12</b>	0.07	<b>0.21</b>	0.14
<b>Earnings (loss) per share diluted (note 10)</b>				
- from continuing operations	<b>0.11</b>	0.08	<b>0.19</b>	0.17
- from discontinued operations	<b>0.01</b>	(0.02)	<b>0.02</b>	(0.02)
	<b>0.12</b>	0.07	<b>0.21</b>	0.14

(See accompanying notes to consolidated financial statements)

**SunOpta Inc.**

Consolidated Statements of Comprehensive Earnings

For the quarter and two quarters ended June 30, 2012 and July 2, 2011

(Unaudited)

(Expressed in thousands of U.S. dollars)

	<b>June 30, 2012</b>	<b>Quarter ended</b>	<b>June 30, 2012</b>	<b>Two quarters ended</b>
	\$	July 2, 2011	\$	July 2, 2011
	\$	\$	\$	\$
Earnings from continuing operations	<b>7,643</b>			