SunOpta: 'Broad-Based Gains' Across Segments Boost Q1 Revenue

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SunOpta posted volume-fueled revenue growth that "exceeded its expectations" in Q1 2025, according to its latest earnings report (https://www.businesswire.com/news/home/20250507674045/en/SunOpta-Announces-First-Quarter-Fiscal-2025-Financial-Results) released yesterday.

Revenue climbed 9.3% to $201.6 million in the first quarter, lifted by 12.2% volume growth. That increase reflected volume growth across the company's core segments: plant-based beverages, broth, protein shakes and fruit snacks.

Earnings from continuing operations were $4.8 million in Q1 compared to $3.8 million in the prior year period. Adjusted EPS was $0.04 compared to $0.02 in 2024.

SunOpta, which touts itself as a category leader in plant-based beverages, also claims to be the manufacturing leader in better-for-you fruit-based snacks. During the quarter, fruit snacks and ready-to-drink protein shakes grew at a rate exceeding 15%, while broth and tea saw mid-single-digit growth. Each of the company's top five customers delivered growth in Q1, with foodservice increasing mid-single-digits and club channel growing double digits.

"We have a sustaining value proposition in light of heightened market uncertainty. It's important to highlight how resilient our business is given the diversification across categories, segments and channels, the core strength of our model and the core differentiation in terms of categories," said Brian Kocher, CEO, during a call with analysts and investors.

Whereas a number of packaged food and beverage companies are pointing to a slowdown in consumer demand and spending, SunOpta expressed confidence in its consumers' willingness to shell out more for better-for-you products.

"There's reasons that our categories are growing. Most of our products either fall outside of what someone would consider a luxury or are considered a small luxury they can afford themselves, even in tough times or challenging environments," said Kocher, noting that SunOpta's customers are outperforming the categories in which they participate.

Additionally, the company's new business pipeline stands at nearly 25% of annual sales volume, double the level it has seen in the past 15 months.

Gross profit fell 2.4% to $30.3 million. As a percentage of revenues, gross profit margin was 15% compared to 16.8% in Q1 2024. The decrease was driven by investments in talent and infrastructure to improve long-term margins and inefficiencies related to temporary volume limitations resulting from excess wastewater at SunOpta's Midlothian, Texas, facility.

According to Kocher, the wastewater issue has created a bottleneck limiting output volume and headwinds will continue until a solution is installed in mid-2026. Until that time, the company expects to incur $500,000 per quarter in excess.

During the Q&A session, executives were asked whether there are other plants on which SunOpta can lean amidst the wastewater problem. Kocher said the company is already leaning on other plants but still believes Midlothian can "eke out some more units that eventually we could sell."

Looking ahead, SunOpta has raised its full-year outlook based on its strong first quarter. The company now expects revenue between $775 million and $805 million (previously $788 million to $805 million), adjusted EBITDA between $97 million and $103 million (previously $99 million to $103 million).

The company expects some impact from tariffs, as it sources a portion of its raw material, packaging and ingredients globally, and less than 8% of its revenue comes from the sale of fruit snacks imported into the U.S. from its Niagara, Ontario, facility.

SunOpta plans to pass through “substantially all” incremental costs related to tariffs to its customers and does not anticipate a material impact on adjusted EBITDA. However, there could be an increase in revenue and a decrease in gross margin due to the pass-through.

“Based on the Q1 results and the notable increase in our sales pipeline, I’m very confident in our 2025 outlook and in achieving 2026 revenue and adjusted EBITDA growth rates that approximate the midpoints of our long-term algorithm of 10% and 15%, respectively,” said Kocher.

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