



**SunOpta**

Bringing **well-being** to life

**ICR Conference**

January 2018

# Forward Looking Statements

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This presentation may include forward-looking statements and therefore is subject to important risks and uncertainties. Actual results could differ materially from the conclusions, forecasts and projections as certain material factors and assumptions were applied in drawing conclusions and in making the forecasts or projections upon which the forward-looking statements are premised.

Additional information about these material factors and assumptions, as well as other risks, uncertainties and/or relevant factors, are set forth under “Forward Looking Statements,” and “Risk Factors” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (available at [www.sec.gov](http://www.sec.gov)), Form 10-Q for the quarter ended September 30, 2017, as well as the Company’s press release issued November 8, 2017.



# Healthy Food Company with Global Reach



## Our Purpose

To be the most innovative, integrated provider of organic ingredients and healthy food solutions across multiple channels

## Key Strategies

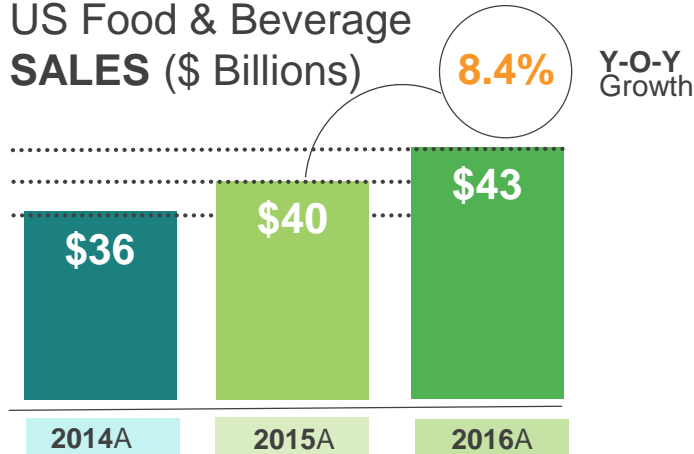
- Innovate in growing healthy food and beverage categories
  - Invest in and grow efficient integrated supply chains
  - Focus on food safety & quality and best-in-class operational performance
- 
- SunOpta specializes in the sourcing, processing and packaging of **organic** and **non-GMO** food products, vertically integrated from seed to finished consumer products
  - Sourcing value-added **grain**, **seed**, **fruit** and **vegetable** based product offerings
  - Serving retail, foodservice and branded food customers with healthy **Beverage**, **Frozen**, and **Snack** products
  - All supported by a **global sourcing and supply infrastructure**



# Operate in Growing Markets

## ORGANIC

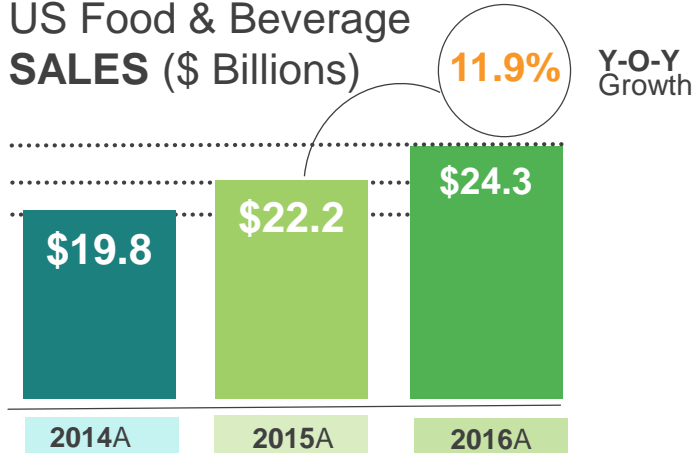
US Food & Beverage  
SALES (\$ Billions)



Source: 2017 Organic Trade Association Survey

## NON GMO - LABELED

US Food & Beverage  
SALES (\$ Billions)



Source: Nielsen - TTL US XAOC - WE 1/28/17

## Underpinned by Growing Consumer Trends

Awareness of  
Linkage Between  
Diet & Health



GMO, Food Additive  
& Allergen Concerns



Evolving  
Consumer  
Demographics  
(Millennials & Boomers)



# Integrated Business Model

“FIELD TO TABLE” INTEGRATION



WE SOURCE FROM APPROX.

**65 COUNTRIES**

VIA A NETWORK OF APPROX.

**5,000 SUPPLIERS**

ENCOMPASSING APPROX.

**10,000 GROWERS**

TRANSFORMING INPUTS INTO INGREDIENTS & CONSUMER PRODUCTS VIA

**21 MANUFACTURING OPERATIONS**

SERVING APPROX.

**3,300 GLOBAL CUSTOMERS**

WITH OUR HEALTHY FOOD AND BEVERAGE PRODUCTS

OPERATING AS TWO BUSINESS SEGMENTS

**GLOBAL INGREDIENTS & CONSUMER PRODUCTS**

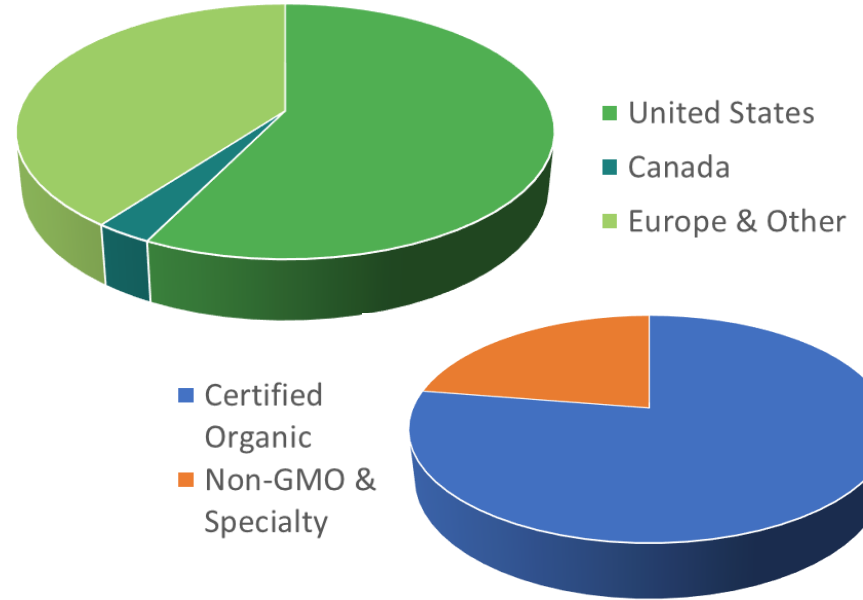
# Global Ingredients

## Product Categories



- Beans & Pulses
- Oils & Fats
- Seeds & Kernels
- Flour, Starch & Flakes
- Nuts
- Cocoa Products
- Coconut Products
- Grains
- Rice
- Dairy Products
- Tastemakers
- Sugar & Sweeteners
- Dried Fruits
- Canned Fruits
- Berries
- Citrus
- Tropical Fruits
- Stone Fruits
- Vegetables
- Juices & Concentrates
- Feed & Meals

## Revenue Composition



## Key Priorities

1. Continue to develop new sources of certified organic supply to support growth
2. Invest in new capacity and capabilities that increase the value of SunOpta's ingredient portfolio and bring more value-added solutions to customers
3. Reposition North American ingredient business for profitable growth in categories where SunOpta has a right to win

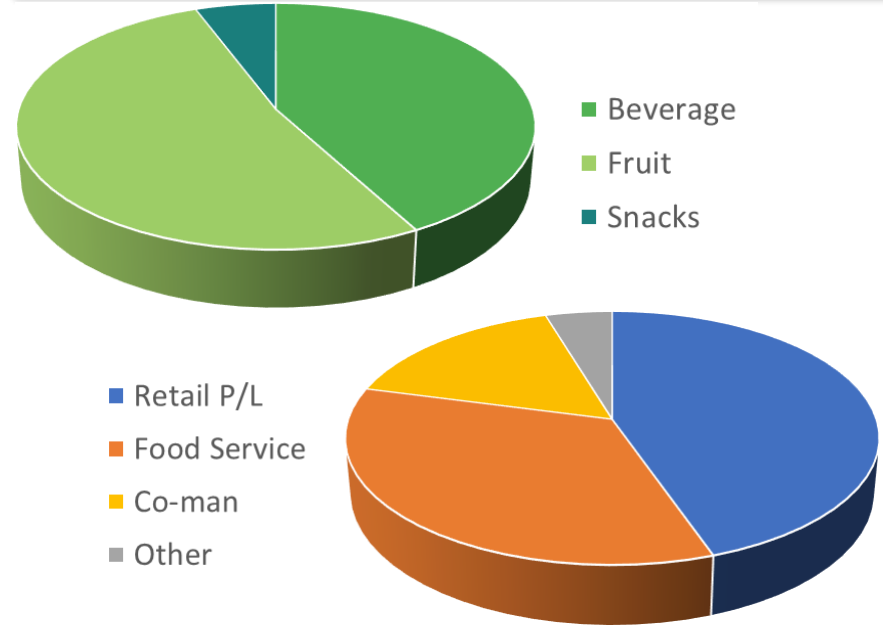
# Consumer Products

## Product Categories



- Aseptic Non-Dairy
- Aseptic Broths
- Aseptic Teas
- Refrigerated Premium Juices
- Functional Waters
- Shelf Stable Beverages
- Fruit Snacks
- Roasted Snacks
- IQF Fruit for Retail
- Formulated Fruit Solutions for Foodservice
- Custom Formulated Fruit Preparations

## Revenue Composition



## Key Priorities

1. Increase distribution with strategic customers in categories where SunOpta has a right to win, and broaden channel exposure by growing food service offerings
2. Expand margins through productivity, cost control, pricing, and utilization
3. Focus on Innovation (Product, Packaging, and Process) to drive new sales and manufacturing efficiency

# Indicative Customer Base

## Representative Retail and Food Service Customer Base



## Representative Brands Customer Base





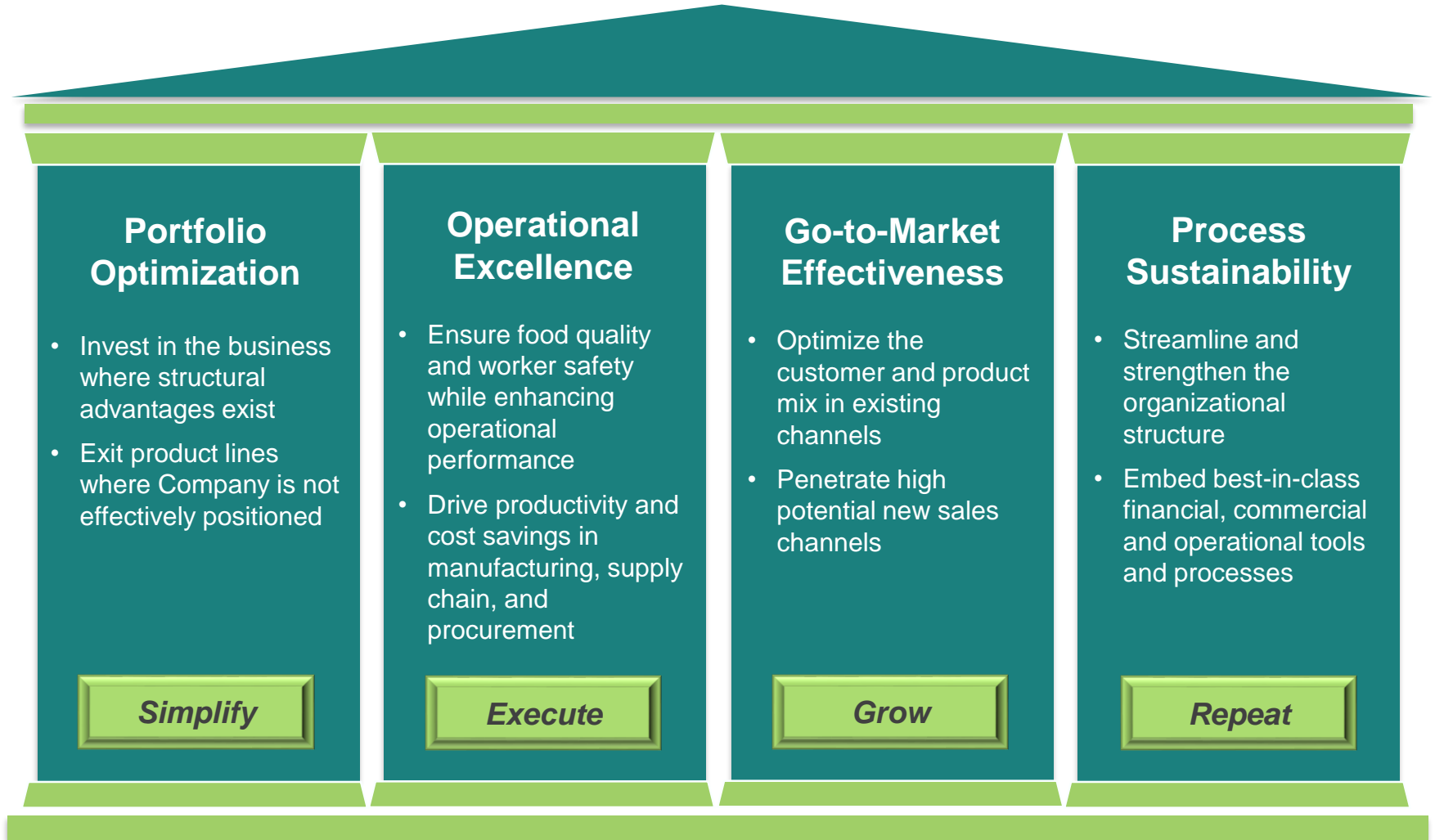
# Value Creation Plan

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- Detailed, multi-year turn around plan announced in November 2016 and officially launched in February 2017
- Designed to maximize the Company's ability to deliver long-term value to its shareholders
- Value creation outcome targeting between 10 – 11% EBITDA as a percentage of revenue
- Based on four key pillars

# Four Pillars to the Value Creation Plan



# Phased Approach to the Value Creation Plan

## Phase 1 “Clean it up”

- **Solidify the Foundation** for Consistent **Quality** and **Service** Performance, drive **Productivity** Enhancements and re-vamp Sales and Marketing Organization
- Plan calls for increased SG&A and seasonal improvements to GM%
- Cash is used to invest in the business (CAPEX and SG&A)



















## Phase 2 “Tune it up”

- **Accelerate Sales** by Diversifying **Customers, Categories** and Penetrating Additional **Channels**, all while Driving **Additional Productivity**
- Plan calls for gradual revenue growth, and improved GM\$ and GM%
- Cash generation re-invested to drive further returns

## Phase 3 “Turn it up”

- Continued **Sales Acceleration** on top of a Strong **Culture of Continuous Improvement** leading to **Sustained Profitable Returns**
- Plan calls for increased revenue growth and EBITDA (~10-11% of sales)
- Cash generation used to reduce debt or fund strategic acquisitions

# Recent Timeline

Q4 2016	Q1 2017	Q2 2017	Q3 2017
<ul style="list-style-type: none"> <li> Strategic partnership with Oaktree, and \$85M preferred share issuance</li> <li> Governance and management changes, reaffirmed mid-term targets, and introduced the <b>Value Creation Plan</b></li> <li> Announced closure of unprofitable juice facility in San Bernardino, CA</li> </ul>	<ul style="list-style-type: none"> <li> Appointment of David Colo as CEO</li> <li> Announced closure and consolidation of Heuvelton, NY soy extraction (ingredient) operations</li> <li> Announced exit from certain soy, sunflower, and frozen lines of business</li> <li> Launched a productivity enhancement program designed to drive \$30 million in annualized EBITDA improvements over 2017 and 2018</li> </ul>	<ul style="list-style-type: none"> <li> Significant upgrades in leadership talent</li> <li> Launched network-wide upgrades to worker safety and food safety and quality programs</li> <li> Implemented S&amp;OP in key business segments to improve customer service levels</li> <li> Instituted revamped go-to-market approach organized by channel and focused on proactive engagement</li> </ul>	<ul style="list-style-type: none"> <li> Announced exit from flexible re-sealable pouch products</li> <li> Announced exit from nutrition bar operations</li> <li> Initiated plan to consolidate soy / specialty grain facilities</li> <li> Launched “SunOpta 360” continuous improvement methodology</li> <li> Created new distribution network to grow and diversify penetration into the food service channel</li> <li> Hired new Chief Customer Officer (consumer products) and new marketing talent</li> <li> Focus shift to meaningful pipeline of opportunities in 2018</li> </ul>





# Planned Investment in 2017

*To Establish Solid Foundation for Additional EBITDA Growth*



# Phase 1 of Value Creation Plan

## Targeting \$31M of run-rate EBITDA Improvements



# Tracking Our Progress

Established PMO function to track and audit EBITDA improvements generated by the Value Creation Plan

(\$millions)	Identified	Implemented
Portfolio Optimization	6.6	6.0
Operational Excellence	23.0	5.3
Go-to-Market Effectiveness *	1.2	1.2
Process Sustainability	n/a	n/a
<b>Total</b>	<b>30.8</b>	<b>12.5</b>

**Transparency enhances accountability**

# Delivering Long-Term Shareholder Value

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## As part of the Value Creation Plan...

- **We will** focus on food safety, quality and execution.
- **We will** be focused and decisive as we execute our strategic plan.
- **We will** focus on long-term value creation.
- **We will** make decisions with a long-term focus, even if those decisions do not maximize near-term earnings.

**Successful implementation of the Value Creation Plan  
will deliver value for all stakeholders**





SunOpta

Bringing **well-being** to life

# Appendix

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## Additional Details on the Four Pillars to the Value Creation Plan

### Key Financial Metrics

### Reconciliation of Non-GAAP Measures

This presentation includes certain measures not derived in accordance with generally accepted accounting principles (“GAAP”). Such measures should not be considered substitutes for any measures derived in accordance with GAAP and may also be inconsistent with similar measures presented by other companies. Reconciliation of these non-GAAP financial measures to the most nearly comparable GAAP measures, if applicable, is presented on the slides that follow. The Company believes that these non-GAAP financial measures provide useful information to investors as the measures emphasize core on-going operations and are helpful in comparing past and present operating results. The Company uses these measures to evaluate past performance and prospects for future performance. The presentation of non-GAAP financial measures by the Company should not be considered in isolation or as a substitute for the Company’s financial results prepared in accordance with GAAP.

# Portfolio Optimization

## Portfolio Optimization

- Invest in the business where structural advantages exist
- Exit product lines where Company is not effectively positioned

*Simplify*

## Actions to Date

- Closed unprofitable juice facility in San Bernardino, CA and soy extraction facility in Heuvelton, NY
- Exited certain varieties of specialty soy and sunflower, and a non-core vegetable brokerage operation
- Announced the discontinuation of flexible re-sealable pouch products – sale of related assets closed Nov 2017
- Announced closure of the nutrition bars facility in Carson City, NV – substantially completed at end of fiscal 2017
- Initiated plan to consolidate certain soy and specialty grain volume and close an under-utilized facility to enhance facility utilization and reduce operating costs
- Purchased remaining 25% minority interest stake in Mexican frozen fruit operations and broke ground on new expansion
- Approved plans to increase capabilities at sunflower operations in both North America and Europe, as well as a capacity expansion at the specialty cocoa processing facility in the Netherlands



# Operational Excellence

## Operational Excellence

- Ensure food quality and worker safety while enhancing operational performance
- Drive productivity and cost savings in manufacturing, supply chain, and procurement

**Execute**

## Actions to Date

- Enhanced food safety and quality across the manufacturing platform via the roll-out of new processes and systems
- Launched a productivity enhancement program that is systematically evaluating all manufacturing facilities, supply chain, and procurement activities
  - Targeting \$30 million in annualized EBITDA improvements to be implemented
  - Targeting \$20 million of working capital cash flow enhancements
- Launched “SunOpta 360”, establishing a sustainable continuous improvement methodology for the company
- Hired a new SVP Operations & Engineering, and upgraded plant management at numerous facilities

# Go-to-Market Effectiveness

## Go-to-Market Effectiveness

- Optimize the customer and product mix in existing channels
- Penetrate high potential new sales channels

*Grow*

## Actions to Date

- Activated a new food service distribution and sales brokerage network, leveraging third parties, which will support the Company's plan to grow and diversify penetration into the food service channel
- Created channel-dedicated sales teams to more effectively service customer needs and kicked off a strategic plan to penetrate specific retail and foodservice white spaces
- Hired a new Chief Customer Officer, to drive increased sales volume of consumer packaged products
- Hired a new SVP of Beverage and Snacks, SVP of Food Services, as well as new commercial talent in the areas of sales, marketing and R&D
- Strategically adjusted pricing for certain customer product offerings driving expanded margins
- Generated business wins with existing and new customers, in existing and new categories, across frozen fruit, healthy beverage, and global ingredients

# Process Sustainability

## Process Sustainability

- Streamline and strengthen the organizational structure
- Embed best-in-class financial, commercial and operational tools and processes

*Repeat*

## Actions to Date

- New leadership team:
  - Appointed new CEO, COO for CPG, CHRO, CIO, CQO, SVP of Operations and Engineering, SVP of Supply Chain, and Chief Customer Officer
  - Also filled other management level positions in sales, marketing, customer marketing, engineering, operations, quality, and other functional support services
- Centralized the Consumer Products supply chain team, beneath a new SVP of Supply Chain, to manage sales and operations planning (“S&OP”), warehousing and distribution
  - Focus to reduce inventory while improving customer service
- Initiated several data foundations projects to improve the quality of information we utilize to run the business
  - Focus on product costing, inventory management, master data governance, specification management and KPI and functional reporting

# Key Financial Metrics - Income Statement

(\$ millions, except per share amounts, excludes results from discontinued operations)	Q3 2017		Q3 2016	
Revenues <sup>(1)</sup>	\$320.7		\$348.7	
Gross profit <sup>(2)</sup>	36.5	[37.7]	41.0	[43.6]
As % of Revenue	11.4%	[11.8%]	11.8%	[12.3%]
Operating income <sup>(3)</sup>	5.0	[8.6]	13.2	[16.8]
As % of Revenue	1.5%	[2.7%]	3.8%	[4.8%]
Adjusted (loss) earnings <sup>(4)</sup>	(1.9)		6.3	
Adjusted EPS <sup>(4)</sup>	\$(0.02)		\$0.07	
Adjusted EBITDA <sup>(4)</sup>	19.1		26.7	

Excluding flexible resealable pouch and nutrition bar operations, adjusted EBITDA for Q3 2017 would have been \$20.1 million, compared to \$26.6 million in Q3 2016.<sup>(4)</sup>

- (1) Normalized revenue growth for Q3 2017, excluding the impact of changes in commodity-related pricing and foreign exchange rates (a decrease in revenues of approximately \$2.7 million) and sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of approximately \$0.8 million), would have decreased by 7.4% compared to Q3 2016.
- (2) Gross profit for Q3 2017, excluding the impact of \$1.3 million write-down of flexible resealable pouch and nutrition bar inventories as a result of the plan to exit these product lines, would have been approximately \$37.7 million or 11.8%. Gross profit for Q3 2016, excluding the impact of costs related to the acquisition accounting adjustment related to the Sunrise's inventory sold subsequent to the acquisition date (\$1.9 million) and lost margins caused by the sunflower recall (\$0.7M), would have been approximately \$43.6 million or 12.3%.
- (3) Operating income for the Q3 2017, excluding the costs noted above, as well as costs related to the Value Creation Plan (\$2.4 million), would have been approximately \$8.6 million or 2.7%. Operating income for Q3 2016, excluding the costs noted above, as well as litigation related legal fees (\$0.7 million) and costs related to the strategic review (\$0.5 million), would have been approximately \$16.8 million or 4.8%.
- (4) Adjusted Earnings, Adjusted EPS and Adjusted EBITDA are non-GAAP measures. Refer to the Appendix slides 26 and 27 for a reconciliation to the most comparable GAAP measure.

# Key Financial Metrics - Balance Sheet

(\$millions)	September 30, 2017	December 31, 2016
Working Capital <sup>(1)</sup>	\$ 395.1	\$ 360.0
Total Assets	1,133.1	1,129.6
First Lien Debt	259.0	201.5
Second Lien Debt <sup>(2)</sup>	222.8	222.2
Other Debt	<u>8.0</u>	<u>8.9</u>
Total Debt	489.8	432.6

(1) Working capital is defined as current assets less current liabilities, excluding cash and cash equivalents, bank indebtedness, current portion of long-term debt, and assets held for sale.

(2) Net of debt issuance costs of \$8.2 million (December 31, 2016 - \$8.8 million).

# Reconciliation of GAAP Results to Adjusted Earnings and Adjusted EPS

(\$ millions, except per share amounts; totals may not sum due to rounding)

	Q3 2017			Q3 2016		
	Excluding flexible resealable pouch and nutrition bar	Flexible resealable pouch and nutrition bar	Consolidated	Excluding flexible resealable pouch and nutrition bar	Flexible resealable pouch and nutrition bar	Consolidated
<b>Loss from continuing operations</b>	\$ (0.6)	\$ (5.2)	\$ (5.9)	\$ (3.8)	\$ (0.1)	\$ (3.9)
Less: earnings attributable to non-controlling interests	(0.1)	-	(0.1)	0.5	-	0.5
Less: dividends and accretion of Series A Preferred Stock	(2.0)	-	(2.0)	-	-	-
<b>Loss from continuing operations available to common shareholders</b>	<b>(2.7)</b>	<b>(5.2)</b>	<b>(8.0)</b>	<b>(3.3)</b>	<b>(0.1)</b>	<b>(3.4)</b>
Adjusted for:						
Costs related to the Value Creation Plan <sup>(a)</sup>	3.1	7.2	10.3	10.8	-	10.8
Product withdrawal and recall costs <sup>(b)</sup>	0.1	-	0.1	0.7	-	0.7
Costs related to business acquisitions <sup>(c)</sup>	-	-	-	5.5	-	5.5
Legal settlement and litigation-related legal fees <sup>(d)</sup>	(1.0)	-	(1.0)	0.6	-	0.6
Other <sup>(e)</sup>	0.3	-	0.3	0.0	-	0.0
Net income tax effect <sup>(f)</sup>	(0.8)	(2.8)	(3.6)	(6.6)	-	(6.6)
Change in unrecognized tax benefits <sup>(g)</sup>	-	-	-	(1.3)	-	(1.3)
<b>Adjusted earnings (loss)</b>	<b>(1.1)</b>	<b>(0.8)</b>	<b>(1.9)</b>	<b>6.4</b>	<b>(0.1)</b>	<b>6.3</b>
Weighted average diluted shares outstanding	86,541	86,541	86,541	85,619	85,619	85,619
<b>Adjusted earnings (loss) per diluted share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ 0.07</b>	<b>\$ (0.00)</b>	<b>\$ 0.07</b>

(a) For Q3 2017, reflects inventory write-downs of \$1.3 million recorded in cost of goods sold; and consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$2.4 million recorded in SG&A expenses; and asset impairment charges and employee termination costs of \$6.6 million recorded in other expense. For Q3 2016, reflects legal advisory costs of \$0.5 million recorded in SG&A expenses; and asset impairment charges of \$10.3 million recorded in other expense.

(b) For Q3 2017, reflects product withdrawal costs not eligible for reimbursement under our insurance policies, which were recorded in other expense. For Q3 2016, reflects \$0.7 million adjustment for the estimated lost gross profit caused by the recall of certain sunflower kernel products, which reflected a shortfall in revenues against anticipated volumes of approximately \$2.9 million, less associated cost of goods sold of approximately \$2.2 million.

(c) Reflects costs related to the acquisition of Sunrise Holdings (Delaware), Inc. ("Sunrise") in October 2015 (the "Sunrise Acquisition"), including an acquisition accounting adjustment related to Sunrise's inventory sold in the third quarter of 2016 of \$1.9 million, which was recorded in cost of goods sold; and the non-cash amortization and expense of debt issuance costs incurred in connection with the financing related to the Sunrise Acquisition of \$3.6 million, which was recorded in interest expense.

(d) For Q3 2017, reflects a recovery on the early extinguishment of a rebate obligation that arose from the prior settlement of a flexible resealable pouch product recall dispute with a customer, which was recorded in other income. For Q3 2016, reflects legal costs related to the settlement of the flexible resealable pouch product recall dispute with a customer (see (c) above), which were recorded in SG&A expenses.

(e) Other included fair value adjustments related to contingent consideration arrangements and gain/loss on the sale of assets, which were recorded in other expense.

(f) Reflects the tax effect of the preceding adjustments to earnings and reflects an overall estimated annual effective tax rate of approximately 30% on adjusted earnings before tax.

(g) Reflects the realization of previously unrecognized tax benefits, due to the expiration of the statute of limitations.

# Reconciliation of GAAP Results to Operating Income, EBITDA and Adjusted EBITDA

(\$ millions, totals may not sum due to rounding)

	Q3 2017			Q3 2016		
	Excluding flexible realable pouch and nutrition bar	Flexible realable pouch and nutrition bar	Consolidated	Excluding flexible realable pouch and nutrition bar	Flexible realable pouch and nutrition bar	Consolidated
<b>Loss from continuing operations</b>	\$ (0.6)	\$ (5.2)	\$ (5.9)	\$ (3.8)	\$ (0.1)	\$ (3.9)
Recovery of income taxes	(0.1)	(3.4)	(3.5)	(5.3)	(0.1)	(5.4)
Interest expense, net	8.4	-	8.4	12.2	-	12.2
Other expense, net	0.1	5.9	6.0	10.3	-	10.3
<b>Operating income</b>	<b>7.6</b>	<b>(2.7)</b>	<b>5.0</b>	<b>13.4</b>	<b>(0.2)</b>	<b>13.2</b>
Depreciation and amortization	8.1	0.2	8.3	8.4	0.2	8.6
Stock-based compensation	2.2	-	2.2	1.2	-	1.2
<b>EBITDA</b>	<b>17.9</b>	<b>(2.5)</b>	<b>15.5</b>	<b>23.0</b>	<b>0.0</b>	<b>23.0</b>
Adjusted for: <sup>(a)</sup>						
Costs related to the Value Creation Plan	2.4	1.3	3.7	0.5	-	0.5
Costs related to business acquisitions	-	-	-	1.9	-	1.9
Product withdrawal and recall costs	-	-	-	0.7	-	0.7
Legal settlement and litigation-related legal fees	-	-	-	0.6	-	0.6
<b>Adjusted EBITDA</b>	<b>\$ 20.3</b>	<b>\$ (1.2)</b>	<b>\$ 19.1</b>	<b>\$ 26.6</b>	<b>\$ 0.0</b>	<b>\$ 26.7</b>

(a) The adjustments include all adjustments in the table "Reconciliation of GAAP Results to Adjusted earnings and Adjusted EPS" that are included in cost of goods sold and selling, general and administrative expenses.



# SunOpta

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