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PRESENTATION

Operator

Good morning and welcome to SunOpta's first-quarter 2016 earnings conference call. By now everyone should have access to the earnings press release that was issued this morning. The release as well as the accompanying slides are available on the Investor Relations page of SunOpta's website at www.SunOpta.com. This call is being webcast and its transcription will be available on the Company's website.

As a reminder, please note that the prepared remarks which will follow contain forward-looking statements, and management may make additional forward-looking statements in response to your questions. These statements do not guarantee future performance and therefore undue reliance should not be placed upon them. We refer you to all risk factors contained in SunOpta's press release issued this morning, the Company's annual report filed on form 10-K, and other filings with the Securities and Exchange Commission for a more detailed discussion of the factors that could cause actual results to differ materially from those projections and any forward-looking statements.

Finally, we would like to remind listeners that the Company may refer to certain non-GAAP financial measures, such as adjusted earnings and adjusted EBITDA, during the teleconference. A reconciliation of these non-GAAP financial measures was included with the Company's press release issued earlier today. Also please note that unless otherwise stated, all figures discussed today are in US dollars and are occasionally rounded to the nearest million.

And now I would like to turn the conference call over to SunOpta's CEO, Rik Jacobs.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Good morning and thank you for joining us today. With me on the call today is Rob McKeracher, our CFO. Today, I would like to highlight our first-quarter results, discuss our business progress, and update you on our 2016 operational goals. After that, Rob will take you through our first-quarter financials in greater detail, and then we look forward to taking your questions.

I'd like to remind those on the call that there is an accompanying presentation on the Investor Relations page of our website which we will reference today in our prepared remarks. Also note that, unless otherwise noted, all of our financial commentary on this call refers to continuing operations, which now includes just our food operations.

Slide 2 is regarding forward-looking statements, which the operator covered. So if you kindly turn to slide 3. Having completed the Opta Minerals divestiture, we are now truly a pure play organic and non-GMO foods company. We believe we have built a scalable business platform with many of our investments completed and acquisitions integrated. Our goal is now to fill up our expanded capacity with new and existing customers, as well as new products, while improving our operational execution to drive higher margins.

Please turn to slide 4. In Q1, our revenue grew by 3.5% year-over-year on a normalized basis. Revenue was $352 million compared to $274 million a year ago and $316 million in Q4. Given the transformation of our Company in 2015 with the acquisition of three businesses, I think it's more relevant to look at our sequential numbers than our year-over-year numbers, so I will place more focus on that. After all, now for the first time in our history, our CPG segment represents close to 60% of our business, while last year this was only about 40%.

Growth was driven by continued strong gains in our international organic sourcing and growth in our consumer products segments, while North American raw materials sourcing continues to face the pressures of the strong US dollar and lower commodity prices. The adjusted EBITDA for the quarter came in at $22.1 million, up significantly from the fourth quarter and a year ago. The EBITDA growth was driven by higher contribution from each of the three CPG platforms and international sourcing and supply.

Our adjusted earnings were $2.7 million or $0.03 a share. We are pleased with several aspects of our first-quarter performance but still have work to do, especially in operational efficiency and execution. Let's discuss the segments and product categories in greater detail. So please turn to slide number 5.

As I mentioned, all three platforms within CPG posted sequential growth during Q1 for both revenue and EBITDA. Given the challenging retail environment that I think all of you are well aware of, we are pleased with that performance. In healthy snacks we grew revenue by 7% sequentially, driven by better utilization of the Allentown pouch operation, which offset softer fruit snacks due to timing of a packaging change at a major customer. In bars, we continue to look to leverage our innovation and we are confident in our opportunities. Innovation has had a measurable impact across the healthy snacks category, with several new product launches during the quarter.

In healthy beverage, we grew revenue by 3% sequentially, primarily due to growth in aseptic, which is benefiting from a growing contribution out of our East Coast facility in Allentown. Aseptic was up 4% sequentially and 7% year-over-year, so we are seeing good growth and continue to have capacity for additional new business. While we continue to see some pressure from startup costs in Allentown, which we expect to continue for just one more quarter, gross margins also improved sequentially.

In juice, a customer issued a voluntary product withdrawal due to shelf life concerns on a single product. The direct cost of the withdrawal was approximately $1 million. However, the event also impacted both revenue and margin during the quarter. The root cause has been identified and corrected.

In healthy fruit, we grew revenue by 37% sequentially, mostly driven by Sunrise. Sunrise grew revenue roughly 40% over Q4 and delivered double-digit growth on a year-over-year basis. The strong Q1 for Sunrise reflects some seasonal strength, the positive impact of pricing pass-through, and a normalization after revenue was negatively impacted during Q4 as a result of the on-shelf price increases we saw at retail. There was also healthy growth in food ingredients during the quarter versus this last year. Gross margin percentage was relatively flat sequentially and EBITDA grew 37% sequentially in healthy fruit.

As we mentioned last call, we are in the process of winding down our Buena Park facility. The last day of production was April 1, and we are now shipping remaining inventory from the facility. Production is being transferred to Sunrise facilities, mainly in California and Kansas.

In global ingredients, we drove 2% sequential growth and on normalized races 1% growth over the prior year. The year-over-year gains in international sourcing of about 13% are the driver behind the overall segment growth. This growth was partially offset by continued pressure on the North America raw materials sourcing due to the strength of the US dollar and lower commodity prices. As a result, our North American business declined by about 14% year-over-year. Gross profit across global ingredients jumped 35% sequentially. Favorable mix and the impact of exiting certain long positions during Q4 contributed to the improvement.

Now, in our North American ingredient business, we were recently notified by a customer of a product issue related to roasted sunflower kernel. This led to a recall notice we issued on May 3. We are performing extensive testing on retained samples and continue to investigate the root cause of this event. The Crookston facility handles both raw and roasted sunflower, and only the roast production was impacted, which is less than 1% of our annual revenues.

In the quarter, we recognized a loss on the amount of $500,000 for the products shipped to customers that we expect to be returned or replaced. As you can imagine, we are unable to quantify the amount of additional costs that we may incur in connection with this event, as these kernels are mainly used as an ingredient in products that our customers make, and we do not yet have an accurate estimate of how much of their product was produced and/or shipped to the markets. We are working with our insurance companies to confirm the extent of our coverage and we believe we have appropriate policies in place to address these types of food safety events.

Please turn to slide number 6. Next I want to update you on our progress against our 2016 operational goals, which I first laid out after taking over as CEO in the fourth quarter of 2015. In healthy beverage, we said that we anticipate increasing gross margin in chilled juice by at least $6 million, thereby achieving breakeven or better in that business while also converting our pipeline in aseptic to achieve double-digit top-line growth. Thus far in 2016, we have been awarded incremental business and have signed multiple aseptic contracts and are pleased with the aseptic growth to date. Obviously, a big customer win or a successful innovation is going to help a lot here, and we are working on both.

In juice, we did not hit our target in the first quarter, as a result of the voluntary withdrawal. We have additional work to do, but the target here remains in site. In healthy fruit, we are committed to successfully integrating Sunrise Growers and maintaining its strong growth rate. At the same time, we are on track to capture the cost energies we identified, which we believe would add an extra $5 million to $7 million to the bottom line in 2016. Through the first quarter we are on track with this goal, delivering double-digit year-over-year growth at Sunrise during the quarter, and we expect that the Buena Park closing will drive the vast majority of our cost savings target.

In healthy snacks, we have identified fruit snacks as a key growth area as we look to drive growth of at least 10%. For bars and pouches, we plan to fill the available capacity with higher-profitability private-label products, especially in bars. We drove good snack growth during Q1, primarily in pouches. We are working on a large bar contract and innovation is driving new products in fruit snacks. Again, we are tracking towards our goal. All three categories must be heavily supported by increased innovation, and we are planning on at least $10 million of new and product innovation hitting the market in 2016.

We are already one-third of the way to our full-year goal and innovation is driving new product launches into the retail channel across our CPG segment. To name a few, our Lovers line of aseptic nondairy beverages, a lineup of roasted sacks highlighted by chickpeas, and new innovative lemonades we have recently made for a specialty retailer.

We remain committed to cost control when it comes to SG&A, targeting to be below our stated goal of 8%. We took specific actions during the first quarter to ensure that we deliver upon this goal, and we are tracking well below 8% for the year. Q1 was exceptionally low, as we did streamline our organization further, but we are in the process of hiring some new resources, especially in the areas of sales and operations.

Please turn to slide 7. We are off to a good start in many respects but recognize that we still have work to do, especially in operations, where we simply have to do better in preventing issues. We are executing against the Sunrise synergy plan and Sunrise sales momentum has sequentially improved over the fourth quarter. In aseptic, we signed multiple contracts, we are launching private-label snacks and beverages innovation, and we remain well-positioned in a growing industry. Our goal remains to demonstrate sequential improvement of EBITDA and CPG margins as the year progresses, which are two of our key measures for 2016.

With that, Rob will walk you through the first quarter numbers. Rob, over to you.

Rob McKeracher - *SunOpta Inc. - VP and CFO*

Thanks, Rik, and good morning, everyone. Please be advised that unless otherwise noted, my comments are focused on our continuing food operations only, as Opta Minerals is accounted for within discontinued operations. The sale of our interest in Opta Minerals concluded shortly after the end of our first quarter, on April 6, 2016. So looking forward, that operation will no longer meaningfully impact our financial results. I'll take you through revenue, margins and earnings, as well as highlight our EBITDA and cash flow performance during the first quarter.

Please turn to slide 8. Slide 8 shows our revenue breakdown by segment. Revenues for the first quarter of 2016 were $352 million, a sequential increase of 11.4% compared to the fourth quarter of 2015 and a 28.6% increase over the first quarter of 2015. Most of the year-over-year growth was driven by acquired businesses as well as internal growth in frozen fruit, aseptic beverages, and resealable pouch products. However, the sequential increase in revenues was driven primarily by growth in frozen fruit sales by Sunrise, due in part to a full quarter of ownership, as well as a favorable response at retail by consumers following price increases taken during the fourth quarter. After adjusting for changes in revenue, including the impact of acquired businesses, commodity prices, and foreign-exchange rates, on a normalized basis consolidated revenues increased 3.5% compared to the first quarter of 2015.

Global ingredients reported revenues of $146 million, growth of 2% over the fourth quarter of 2015 and a 6% decline in comparison to the first quarter of 2015. However, on a normalized basis, revenues in global ingredients grew 1% over the prior year. This growth was driven by increased sales of internationally sourced organic ingredients, which on a normalized basis was up 13.1% year-over-year, offset by lower sales of domestic raw materials, which was down 13.8% year-over-year on a normalized basis, due primarily to the pressure of a high US dollar on our export business, as well as a planned reduction in contracted acres of certain varieties of specialty soy and sunflower.

Consumer products reported revenues of $206 million, growth of 19% over the fourth quarter of 2015 and 74% over the first quarter of 2015. While the vast majority of the year-over-year growth was driven by the acquisitions of Sunrise Growers, Niagara Natural, and Citrusource, the sequential growth reflects true internal growth at Sunrise over the last few months, as we owned the business for 83 days in the fourth quarter of 2015. All three of our platforms within the consumer products segment posted sequential growth, and on a normalized basis year-over-year revenue growth inside consumer products was 5.4%.

In healthy fruit, Sunrise Growers met our expectations, and the segment as a whole posted 37% sequential growth over the fourth quarter of 2015 and growth of 30% after taking into account the stub period in October for Sunrise prior to completing the acquisition. In healthy snacks, pouch volumes are strong in the Allentown operation, recovering from the downtime that impacted the fourth quarter. The strength in pouch sales offset softer fruit snacks sales due largely to a key customer's packaging change.

In healthy beverages, we were able to continue to add new aseptic business to our national network, and post both sequential and year-over-year growth, aided by the new East Coast facility. Non-aseptic sales, including premium juice, were down slightly from the fourth quarter, due mainly to downtime related to a product withdrawal during the quarter with a private-label customer. The withdrawal related to shelf life concerns and we do not believe there was a product safety issue. The withdrawal cost us approximately $1 million during the quarter, most of which is recorded as other expense and therefore not included in gross margin.

Turning to slide 9 you'll see that during the first quarter we generated gross margin of $31.9 million or 9.1% of revenues as compared to $25.2 million or 8% of revenues in the fourth quarter of 2015. After removing the impact of a non-cash acquisition accounting adjustment related to the Sunrise inventory sold in the first quarter, and startup costs related to the ramp-up of production volumes at our Allentown aseptic facility, gross margin but have been 11.6% as compared to 11.1% in the prior-year period.

For the first quarter we reported operating income of $2.6 million or 0.7% of revenues compared to an operating loss of $1.7 million in the fourth quarter of 2015 and operating income of $10 million in the first quarter of 2015. Excluding the non-cash accounting adjustment and startup costs just mentioned, operating income in the first quarter would have been $11.5 million or 3% of revenues.

It is also important to point out the impact foreign exchange had on operating income. We recognize a foreign exchange loss of $2.2 million in the first quarter of 2016 compared with the foreign exchange gain of $2.1 million in the prior year, mainly reflecting the impact of a weakening of the US dollar relative to the euro on forward currency contracts within our international sourcing and supply operations.

First quarter results were impacted by a number of items that are not reflective of normal operations, including $12.5 million of costs associated with the purchase accounting, financing and integration of the Sunrise acquisition; $1.5 million of product withdrawal and recall costs; $1.3 million of costs as we ramp up reduction at our East Coast aseptic facility; $0.2 million of debt issuance cost related to the previous North American credit facility that were written off to interest expense; and $0.8 million of other expense items mainly relating to severance and adjustments to contingent consideration on previous acquisitions. Excluding all of these items, on an after-tax basis, adjusted earnings in the first quarter was $2.7 million or $0.03 per diluted common share, which was consistent with adjusted earnings during the fourth quarter.

On a GAAP basis for the first quarter of 2016, we reported a loss from continuing operations of $9.7 million or $0.11 per diluted common share compared to earnings from continuing operations of $6 million or $0.09 per diluted common share during the first quarter of 2015. We realized adjusted EBITDA of $22.1 million during the first quarter of 2016, which was in line with our internal expectation and represented significant growth over both the fourth quarter and the year-ago period. The EBITDA improvement includes the contribution of both higher revenue and improved margin rates.

Looking ahead to the second quarter, we expect to see some carryover impact from the product withdrawal in healthy beverage and the recently announced recall in global ingredients, along with a more modest quarter in healthy fruit compared to Q1 as the freezer season is experiencing a late start due to the cooler weather in California compared to previous years.

Turning to slide 10, from a cash flow perspective, during the first quarter of 2016 we used $17.9 million of cash in continuing operations compared to $11 million in the first quarter of 2015. The increase in cash used in operation is primarily due to increased working capital. In particular, accounts receivable as a result of increased sales levels, offset some of the lower cash used to fund inventory. During the first quarter, we used cash of $4.5 million to purchase capital assets compared to $5.5 million used last year, plus $13.3 million used to finance the upfront purchase price of Citrusource.

We continue to expect capital expenditures of approximately $25 million for 2016. During the first quarter, cash from financing activities of continuing operations provided $25.8 million compared to $23.4 million in the prior year. During the quarter we drew $39.9 million on our credit facilities to finance the operating and investing cash demands, as well as prepaying an additional $10 million of our second-lien loan, which at April 2 now stands at $310 million, down from $330 million drawn on October 9, 2015, to finance part of the Sunrise acquisition.

It is normal for our business to experience negative operating cash flows in the first quarter as we make payments to growers for prior-year harvests. And with the addition of Sunrise, it is expected that the second quarter will also show a usage of cash to fund working capital. This seasonal outflow of cash then gets offset by positive cash flows in the back half of the year as inventory levels are worked down. We expect cash flows from continuing operations for the full year 2016 to be sufficient to cover capital expenditures, thus leading to lower total debt by the end of the year.

If you will please turn to slide 11, you will see our key balance sheet metrics. At April 2, 2016, SunOpta's balance sheet reflected total assets of $1.2 billion, total debt of $518.6 million, and a total debt to equity ratio of 1.25 to 1. At April 2, 2016, our leverage was approximately 5.6 times pro forma adjusted EBITDA after factoring in the run rate EBITDA of acquired businesses and cost synergies expected to be realized in 2016. The increase in leverage primarily reflects the increase in debt that I previously explained is due to the timing of grain and fruit purchases.

We continue to expect to de-lever 1 to 1 1/2 times in the first 12 to 18 months following the Sunrise acquisition through a combination of EBITDA growth and positive cash flow, resulting in debt reduction. On February 11, 2016, we entered into a committed five-year $350 million global credit facility which replaced our previous North American and European credit facilities. The global credit facility will be used to support the working capital and general corporate needs of our global operations in addition to funding future strategic initiatives.

As at April 2, 2016, we had outstanding borrowings have approximately $200 million on this facility with $90 million of available borrowing capacity. With the enhanced liquidity and global operating flexibility provided by the new credit facility, we remain well-positioned to continue to meet the demands of our growing business.

With that, I will turn it back over to Rik, who will conclude on prepared remarks.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Thanks, Rob. If I can leave you all with five key takeaways as we look ahead, it would be the ones that I laid out on slide 12. First, we operate mainly in growing markets that are on-trend with consumers' focus on healthier lifestyle. Second, we have a well-defined strategy to drive our business to higher margins. Third, the Sunrise Growers acquisitions make sense both strategically and financially, and they are performing to plan. Fourth, we do have the committed financing on our second-lien debt through 2022 at a cap rate of 9.5%, and our new ABL has a five-year term through 2021, giving us ample capital with flexibility. And finally, [execution] remains paramount and we recognize that we still have work to do in this regard.

With that, I'd ask the operator to please open up the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Rik Jacobs - *SunOpta Inc. - President and CEO*

We recognize that we are issuing our press release and our conference call at the same time as multiple other companies in our space, which I think is leading to a lack of questions at this stage. And I think, as a result -- ah, there's one.

Operator

Keith Howlett, Desjardins.

Keith Howlett - *Desjardins Securities - Analyst*

Yes, I just wanted to ask on the sunflower recall, what is the expected time to get a sense of where your product might have gone through the supply chain channel, as it were?

Rik Jacobs - *SunOpta Inc. - President and CEO*

Obviously, we are not clear yet how many products are going to be returned from customers and therefore we can't really accurately state that. So, the timing is going to be -- it's going to take some time into the second quarter before we have clarity on that one. However, I'd like to remind everybody that we have insurance in place that we believe is appropriate for the Company and that will address it in such as this.

Keith Howlett - *Desjardins Securities - Analyst*

And would the orange juice voluntary withdrawal -- is that covered by insurance?

Rik Jacobs - *SunOpta Inc. - President and CEO*

Since the orange juice was not a food safety issue, it was rather related to early spoilage after consumers opened the product, that is not covered. But we believe we've captured the total cost inside of the quarter.

Keith Howlett - *Desjardins Securities - Analyst*

Great, thank you.

Operator

(Operator Instructions). Jon Andersen, William Blair.

Jon Andersen - *William Blair - Analyst*

The first question is on the healthy fruit business, which -- it sounded like that was quite strong in the first quarter. Can you talk about the 37%, I guess, sequential growth in the quarter? How much of that we should consider seasonality? And maybe how much is being driven by category and/or share growth? And then as you think about the healthy fruit business during the course of the year, what kind of expectations for year on year growth should we be assuming in our models? Thanks.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Yes. So, look, the healthy fruit category at retail continues to grow at around 10%. And we definitely think that we will get our fair share out of that. But you need to remember that two-thirds of Sunrise's business, and also our own business, quite frankly, is in retail. One-third is in food service, that is not growing at the same rate. So I would say the total growth is -- pin it at about 8%, or something like that. Now, what we saw in Q1, we saw a bounce back from Q4.

If you will recall, there were significant raw material input costs changes that we passed through to the customers. As a result, they increased their shelf price significantly. So I would say that Q4 of 2015 was, from a revenue perspective, a bit lower than we had expected. We saw a very good bounce back. Q1 is always a strong quarter, at least from a revenue perspective, not necessarily the best quarter from a mix perspective, though. So, while I don't think the future quarters are going to see as strong of a growth sequentially, I think from a mix perspectives the margins we expect to improve further.

Jon Andersen - *William Blair - Analyst*

Okay. And the comment on frozen fruit in the second quarter being -- the growth being a bit more modest, could you clarify that? You indicated it was due to a late start to the cooler season in California? I didn't catch that; I'm sorry.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Yes, that's okay. So, look, the fields in California -- of course, all the farmers would like to get paid premium dollar for the strawberries that they sell into the fresh market. When the weather is slightly cooler than previous years, it means that they can actually sell to the fresh market longer. That means, if you get a late start into the second quarter, typically they say it starts one week after Mother's Day, so that should be around now. But we are a little bit delayed.

What does that mean? And that is obviously not specific to Sunrise; that impacts the entire industry. What that means is that you then have to work more with fruit that you buy in from the outside rather than that you freeze yourself. That will have some impact on your margins.

Jon Andersen - *William Blair - Analyst*

Excellent. That's helpful, thanks. Could you give us an update -- a little bit more of an update in your progress in the aseptic beverage business? I know you called out a couple of customer wins in the recent past. Are those shipping now? Are there -- or you have better visibility on some additional wins at this point? And then on the cost side it sounds like you are still seeing some pressure from startup costs in Allentown. How long do you anticipate that that will persist? And how quickly can you get some more of a productivity level that you are aspiring to there? Thanks.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Yes. So, look, as we pointed out during the analyst day that we recently had, the nondairy segment in aseptic is not growing. So we are aggressively entering into new segments, most namely the broth segments. We've had a number of meetings with retailers and are quite confident that that's going to lead to multiple listings. So that's quite positive.

I think the Allentown facility is starting to contribute, at least from us being able to land new business, so to speak. But we've been careful in starting that facility up. Up until quite recently we've only down about five SKUs with one customer. We are now ramping up with a second customer. And as I pointed out in my remarks, I foresee startup costs being gone by the end of the second quarter. That's when it should be in full production.

Jon Andersen - *William Blair - Analyst*

Okay, great. The last one for me is just around the domestic raw materials sourcing business, which has been impacted by, obviously, the currency trends in US dollar. Are you looking at this broadly as just a temporary type of phenomenon which will be anniversaried or lapped at some point in time? Or are you looking more strategically at that business and thinking about a planned rationalization? Just some color there on expectations for that part of your business? Thanks.

Rik Jacobs - *SunOpta Inc. - President and CEO*

On that business, we have been scaling back the number of acres that we plant. We have been scaling back the number of facilities that we operate, especially inside of the sunflower business. We already took that action in 2014. Right now it is at an all-time low commodity price, and even though we don't, obviously, sell the conventional, the organic and non-GMO do track the conventional prices. We do see a little bit of a bounce back coming over there as a result of South American harvests not being as strong.

But it's not just the US dollar; it is also very much the low commodity prices. So, while it has an impact on what we are reporting as our overall revenue, what I think we have been very clear about with the team there -- manage for margin and don't manage for revenue over there. So what you will have seen and continue to see is an uptick in our margins that we produce in the global ingredients segment. So we are more focused on margins there than we are on revenue.

Jon Andersen - *William Blair - Analyst*

Great. One more for me. And I just -- a quarter into the year now, Rik, when you say that you are on track in aggregate and comfortable with the full-year operational objectives, which you have noted in your prepared comments, but again just where you sit today based on Q1 performance, what you've seen so far in Q2, should we be thinking about your tracking well against each of those measures? Thank you.

Rik Jacobs - *SunOpta Inc. - President and CEO*

Yes; I think we are off to -- overall, I would say we are off to a pretty good start. If I look at healthy fruit, I'm happy with that. If I look at healthy snacks and I look at what we've got in the pipeline that we should be converting into sales, happy with that. Aseptic, we still need to get -- land a big customer that we are working hard on or a big innovation into a new category, both of which we are working hard on. While I don't have a contract signed on that yet, I expect some progress on that.

The one I would say that we need to work the hardest on still is really on the operations. Because these surprises -- we must be able to contain those within the four walls of our facilities so that we can limit the costs. So, I would say overall, on track; overall, comfortable with what is out there on an annualized basis from all of you guys. And continue to perform, especially focused on operations and continue to attract more salespeople so we can fill up our factories faster.

Jon Andersen - *William Blair - Analyst*

Really, really helpful. Thank you and good luck going forward.

Operator

Keith Howlett.

Keith Howlett - *Desjardins Securities - Analyst*

I just wanted to clarify. On the overall aseptic plant-based beverage business, is that flat at the moment? I know there are some ups and downs, but --.

Rik Jacobs - *SunOpta Inc. - President and CEO*

It's at sort of what? Sorry, Keith, I didn't --.

Keith Howlett - *Desjardins Securities - Analyst*

Is sort of flattish for you?

Rik Jacobs - *SunOpta Inc. - President and CEO*

No. (multiple speakers) the aseptic business grew 7% year-over-year and 4% sequentially. So, we are seeing good growth, and obviously that is making up for some of the declines with some of the customers that we are seeing. That's as a result of entering into new categories and taking share in our traditional stronghold, which is the nondairy segment.

Keith Howlett - *Desjardins Securities - Analyst*

And is that growth from the broths or is it from coconut milk? Or where is the growth side of it?

Rik Jacobs - *SunOpta Inc. - President and CEO*

I would say it basically is from new customers that we have been able to attract as a result of us having a national network right now. It is from -- so that means taking share in nondairy. It is also coming from entering into new categories, so -- and broth and coconut milk and dairy and nutritional beverages.

Keith Howlett - *Desjardins Securities - Analyst*

And then just in terms of the soy category, you've got a big sourcing business there, a commodity business. How do you view that, given the consumer seems to be, for whatever reason, taking some temporary pause from growing soy category -- from the category growing?

Rik Jacobs - *SunOpta Inc. - President and CEO*

Yes. And, Keith, what we've laid out is that we believe that nondairy as an overall category is going to continue to take share from the dairy category. And we just need to make sure that we are in the growing part of that segment. So, whether it's almonds or whether it's oat, which we believe is going to be a big one, whether it is coconut or whether it is soy. And when it comes to our sourcing business, we are now already working, of course, on an oat supply chain. We've got a coconut supply chain. We have an almond supply chain. So, it's not just the soy supply chain that we have secured. We want to secure it for all of these raw materials.

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Keith Howlett - *Desjardins Securities - Analyst*

And the soy -- you go right back to selling the seeds to the farmer?

Rik Jacobs - *SunOpta Inc. - President and CEO*

Correct.

Keith Howlett - *Desjardins Securities - Analyst*

Generally speaking, do you think that's a one-off? Or would you see that occurring in some of the other segments?

Rik Jacobs - *SunOpta Inc. - President and CEO*

No, no. Look, in coconut we pretty much have a supply chain secured out of the Philippines and out of Indonesia. And when it comes to oat, that is a very, very good rotational crop for the farmers that we already work with on corn and on soy. Because, as you know, you can't plant soy every year. Farmers have to rotate their crops. So that's a very good for us. So I don't see soy as a one-off.

Keith Howlett - *Desjardins Securities - Analyst*

Great, thank you.

Operator

That concludes today's question and answer session. I'd like to turn the call back to Rik Jacobs for closing remarks.

Rik Jacobs - *SunOpta Inc. - President and CEO*

All right. Thank you all for joining us on the call. I'd like to reiterate I think we are off to a pretty okay start for the year and feel confident that we will meet our internal and external expectations. Thanks for joining us and enjoy the rest of your day.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program and you may now disconnect. Everyone have a great day.