



**SunOpta**

Bringing **well-being** to life

SunOpta Inc.  
**Investor Presentation**

August 2017

# 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 July 1, 2017, as well as the Company’s press release issued August 9, 2017.



# Global Company Focused on Organic, Non-GMO and Specialty Foods



## Our Purpose

- To Responsibly bring Healthy Food from the Field to the Table

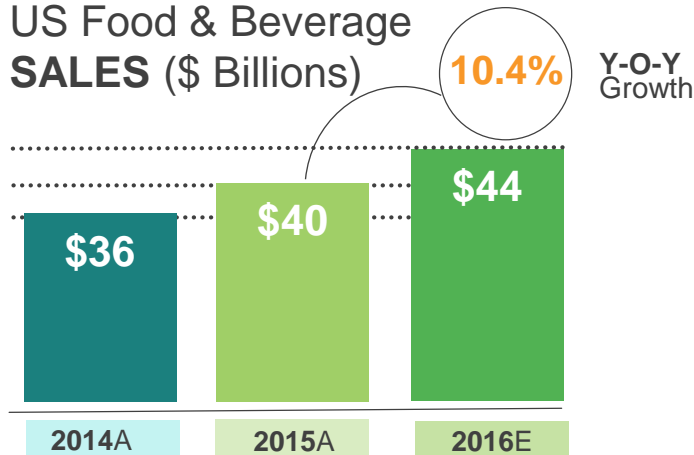
## Key Strategies

- Focus on efficient vertically integrated supply chains
  - Ultimately to build private label brands
  - In emerging healthy categories
- 
- 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

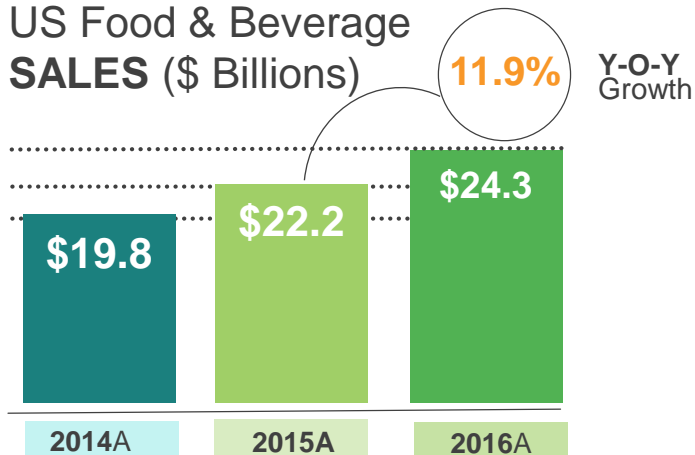
US Food & Beverage  
SALES (\$ Billions)



Source: 2016 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



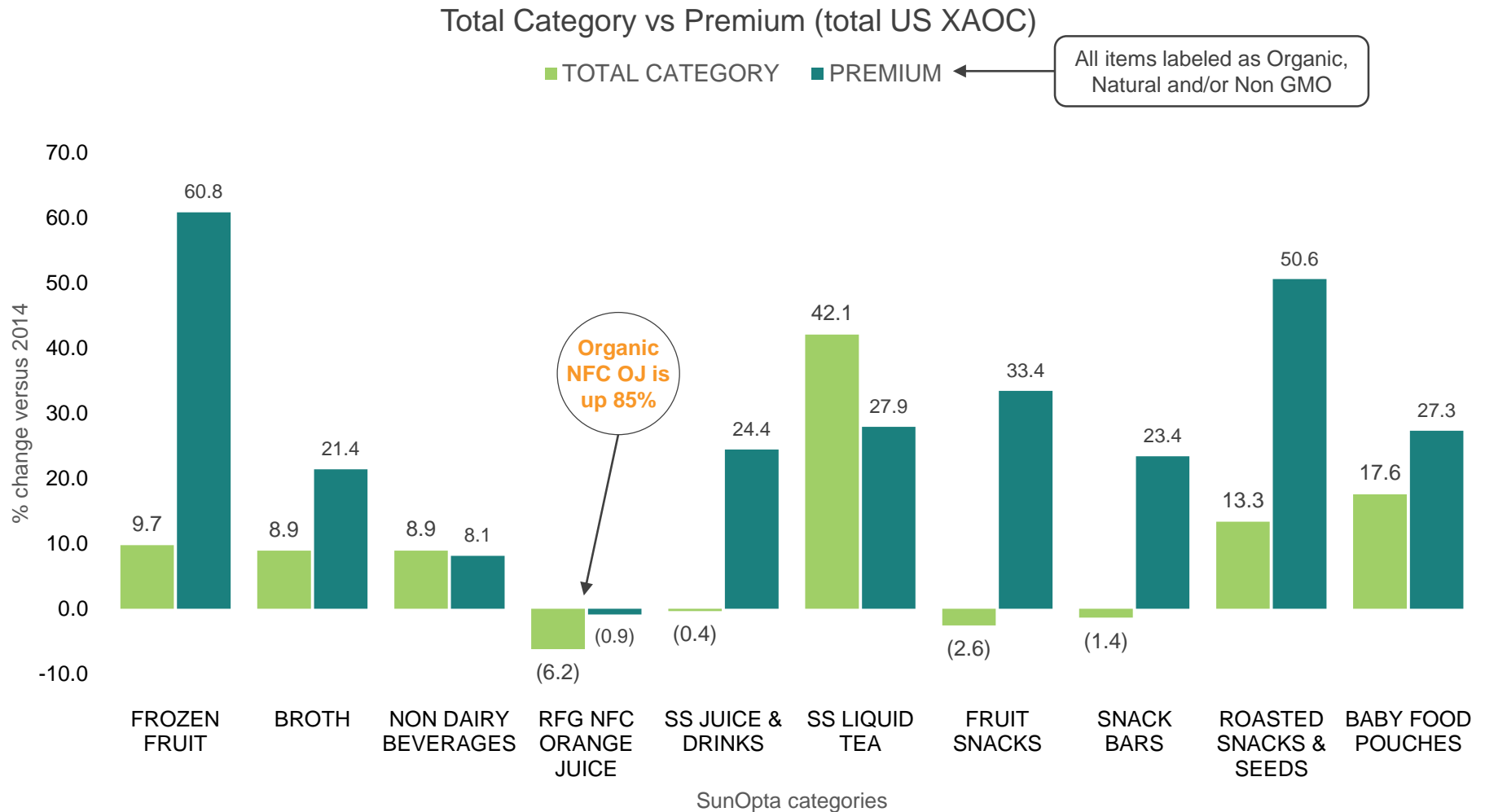
GMO, Food Additive  
& Allergen Concerns



Evolving  
Consumer  
Demographics  
(Millennials & Boomers)

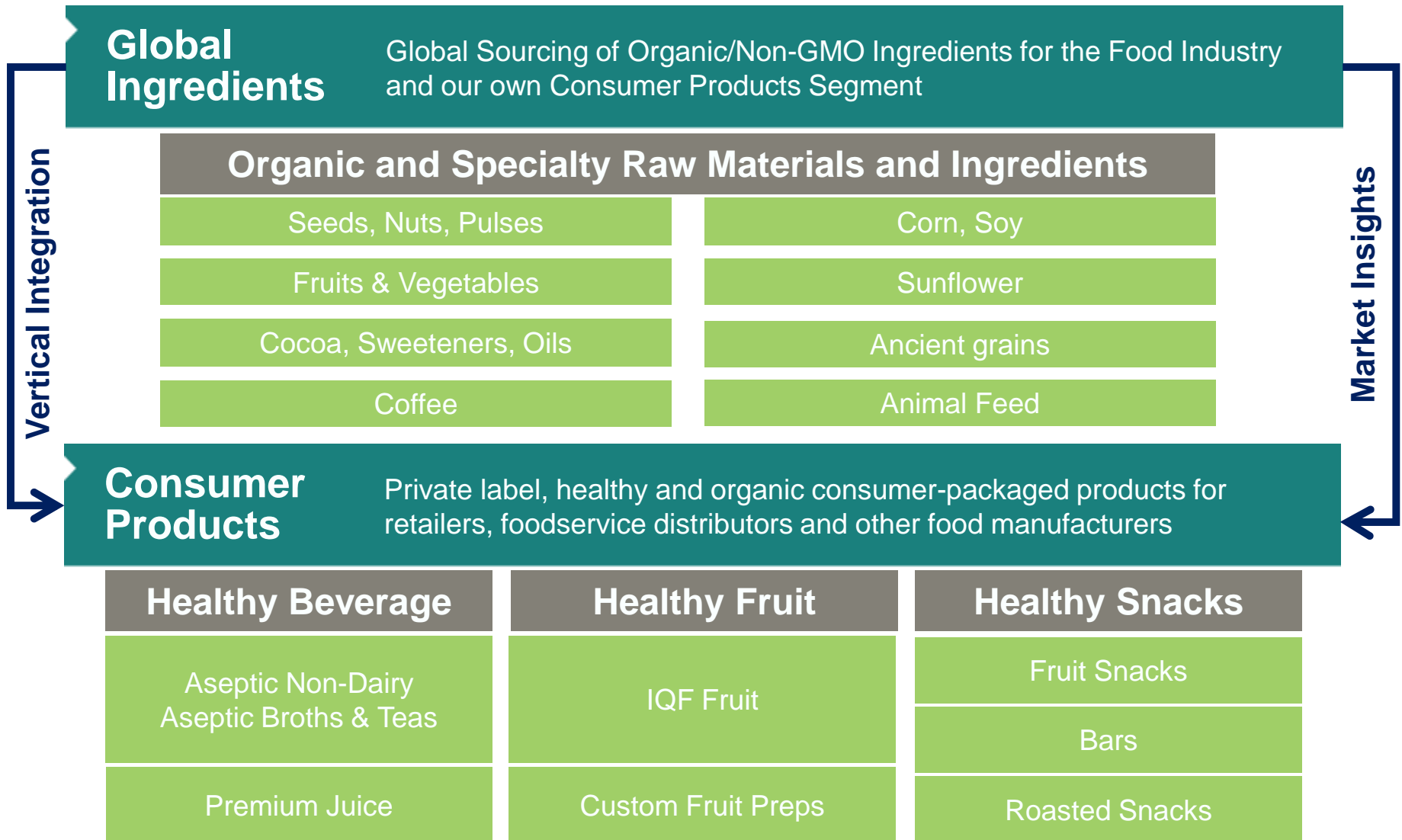


# Participate in Growing Premium Categories



# Unique Vertically Integrated Platform

*With Leading Market Positions in a Number of Categories*

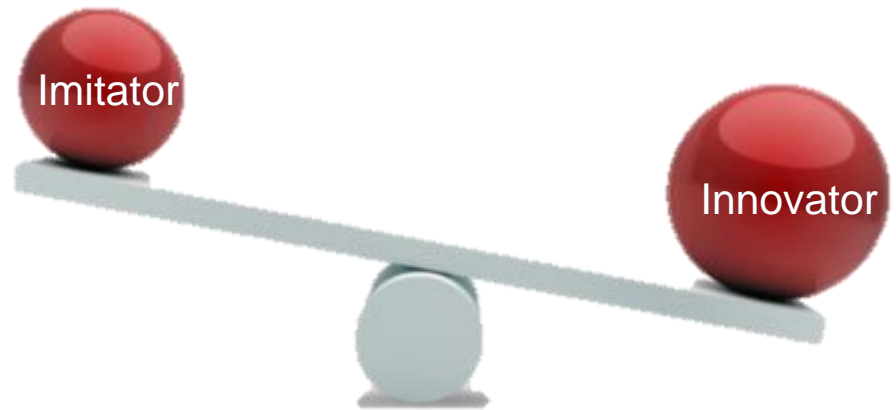


# Focused on Innovation

*Significant R&D Expertise to Drive Improved Revenue and Margin*

Innovation focused on three key activities:

- Delivering value to retailers with unique solutions to build private label brands
- Re-Engineering formulas to drive improved performance and lower costs
- Enhancing manufacturing processes to improve facility productivity



# Indicative Customer Base

## Representative Retail and Food Service Customer Base



## Representative Brands Customer Base





# Global Ingredients

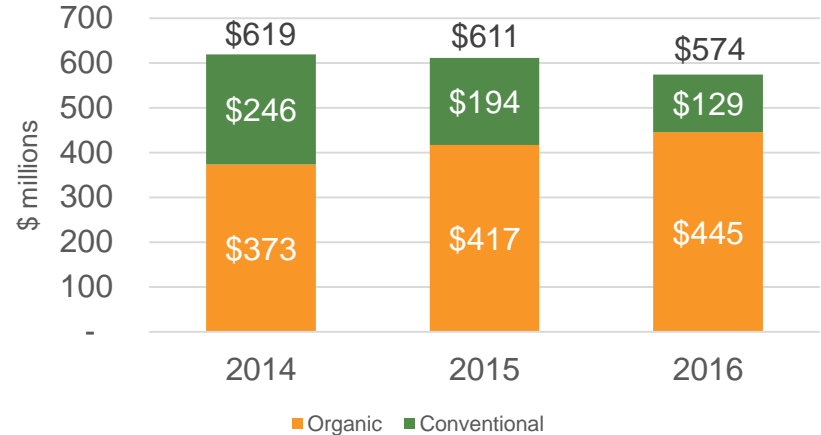
## Products



- Cocoa
- Sugar
- Oils
- Seeds
- Grains
- Nuts
- Pulses
- Juices
- Sweeteners
- Fruits

Organic and non-GMO ingredients sourced from a network of over 10,000 growers, spanning 65 countries

## Segment Revenue



Normalized revenue growth of +0.2%\* (2015 to 2016)

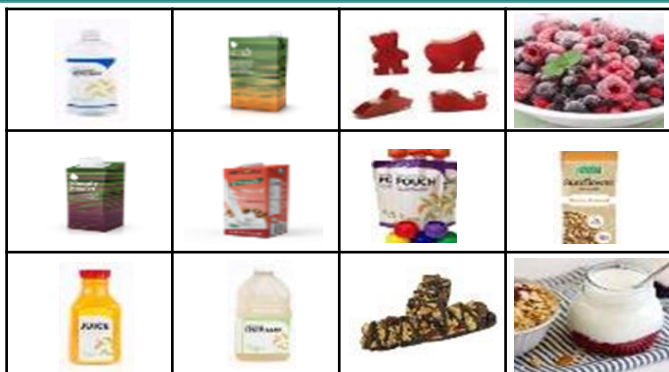
\* Excludes the impact changes in commodity-related pricing and FX rates, and estimated impact of the sunflower recall.

## Key Priorities

1. Continue to develop new sources of supply to support growth (internal and external)
2. Reposition North American ingredient business for profitable growth
3. Identify categories for further investment (new geographies, products, capabilities)

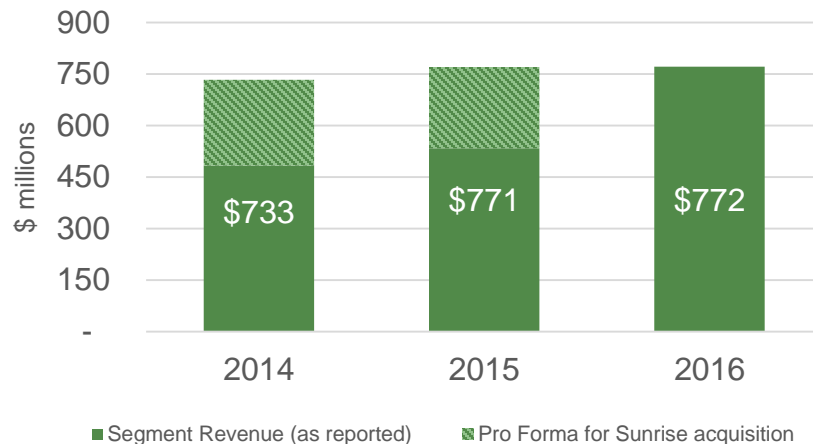
# Consumer Products

## Products



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

## Revenue



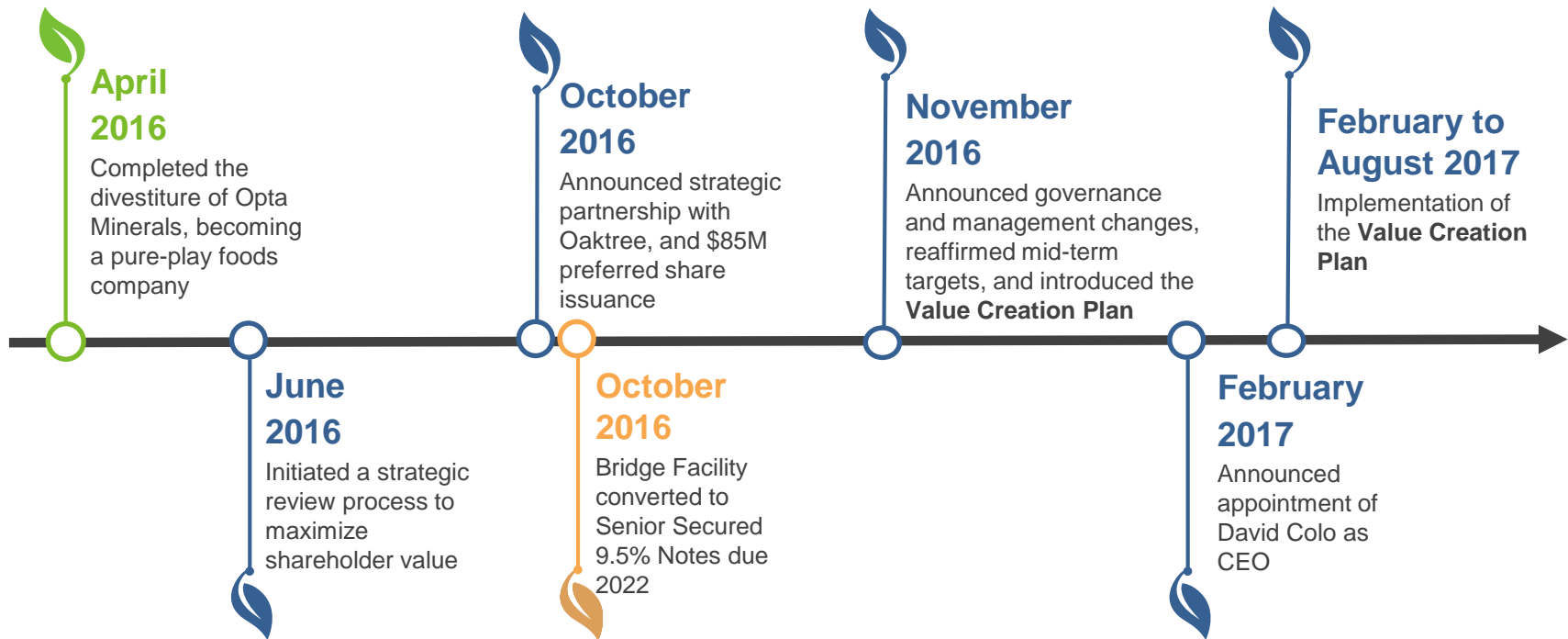
**Normalized revenue growth +1.6%\* (2015 to 2016)**

\* Excludes the impact of business acquisitions and associated product rationalization, and estimated impact on west coast pouch operations as a result of a fire at a third-party facility.

## Key Priorities

1. Drive operational excellence while increasing facility utilization
2. Penetrate new channels and capture increased market share in existing channels
3. Focus on Innovation – Product, Packaging, and Process

# Timeline



## LEGEND



Divestitures

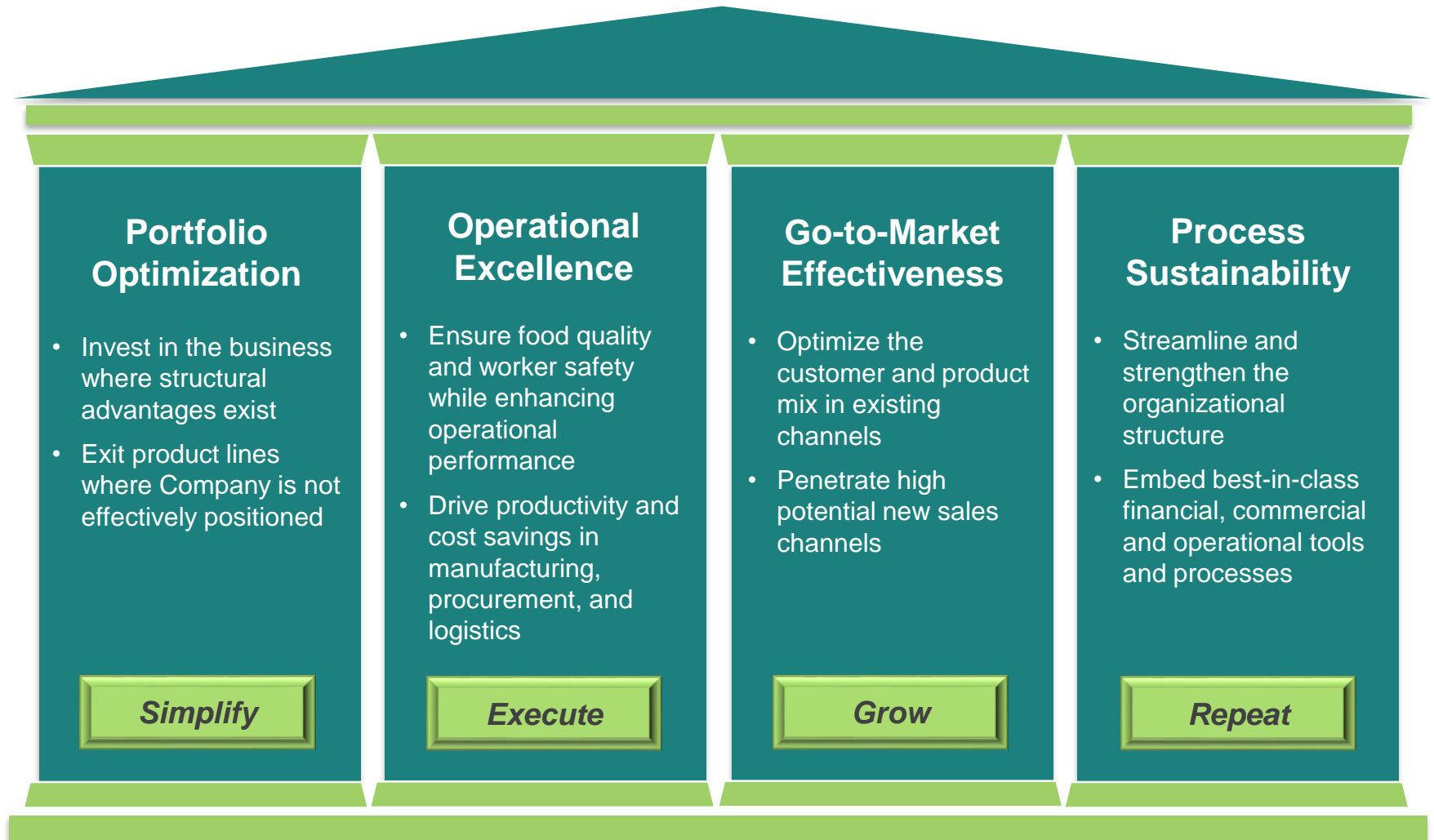


Corporate Strategy



Financing

# Four Pillars to the Value Creation Plan



# 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 – expected to close in Q4 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, procurement, and logistics

*Execute*

## Actions to Date

- Launched “SunOpta 360”, establishing a sustainable continuous improvement methodology for the company
- 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
  - Targeting \$30 million in annualized EBITDA improvements to be implemented
  - Targeting \$20 million of working capital cash flow enhancements before the end of 2017
- Initiated rapid recovery plans to resolve performance issues at certain consumer product manufacturing facilities which have been under-performing

# 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 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*

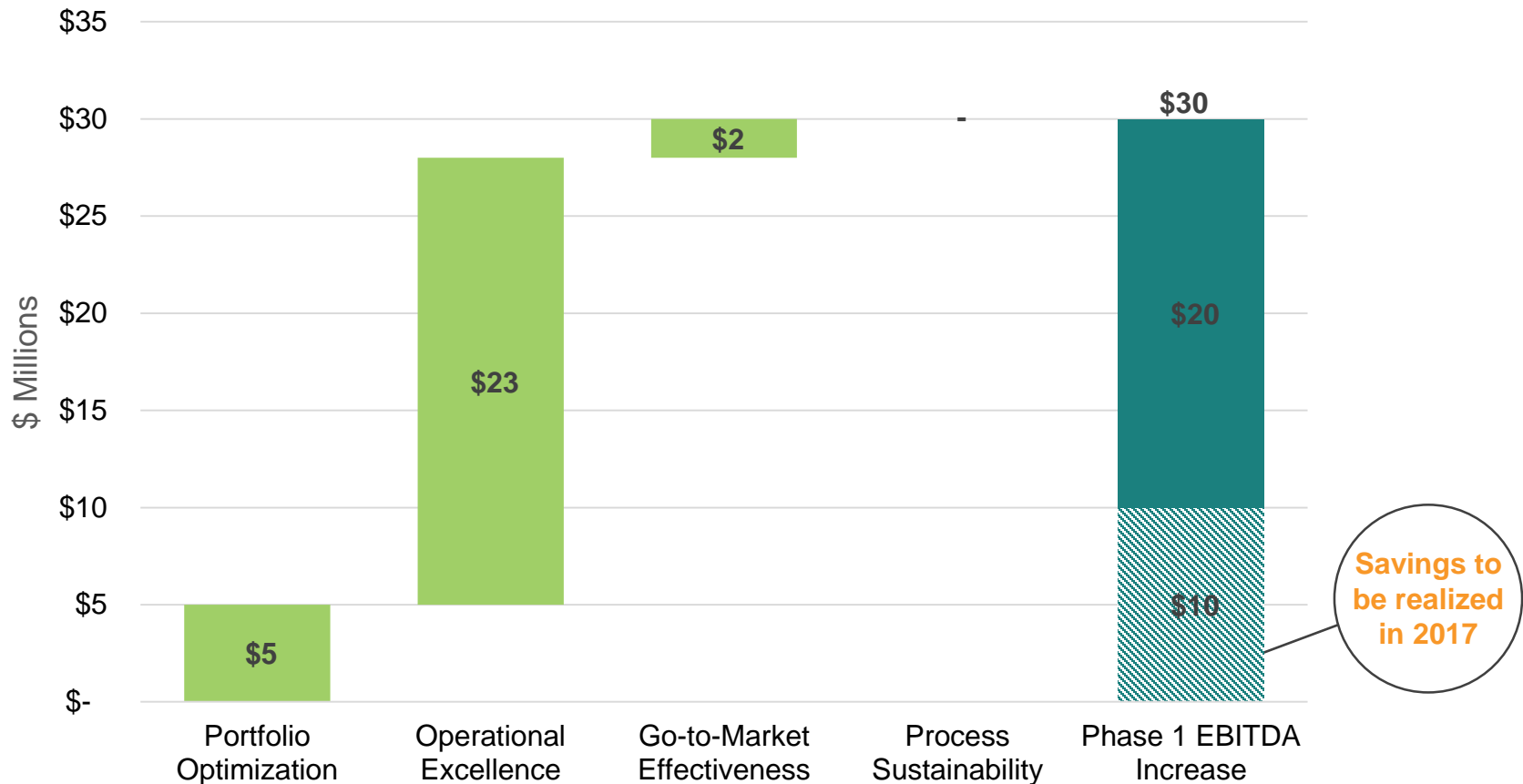
## Actions to Date

- New leadership team:
  - Appointed new CEO, COO for CPG, CHRO, CIO, CQO, SVP of Operations and Engineering, and SVP of Supply Chain
  - 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
  - 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



# Phase 1 of Value Creation Plan

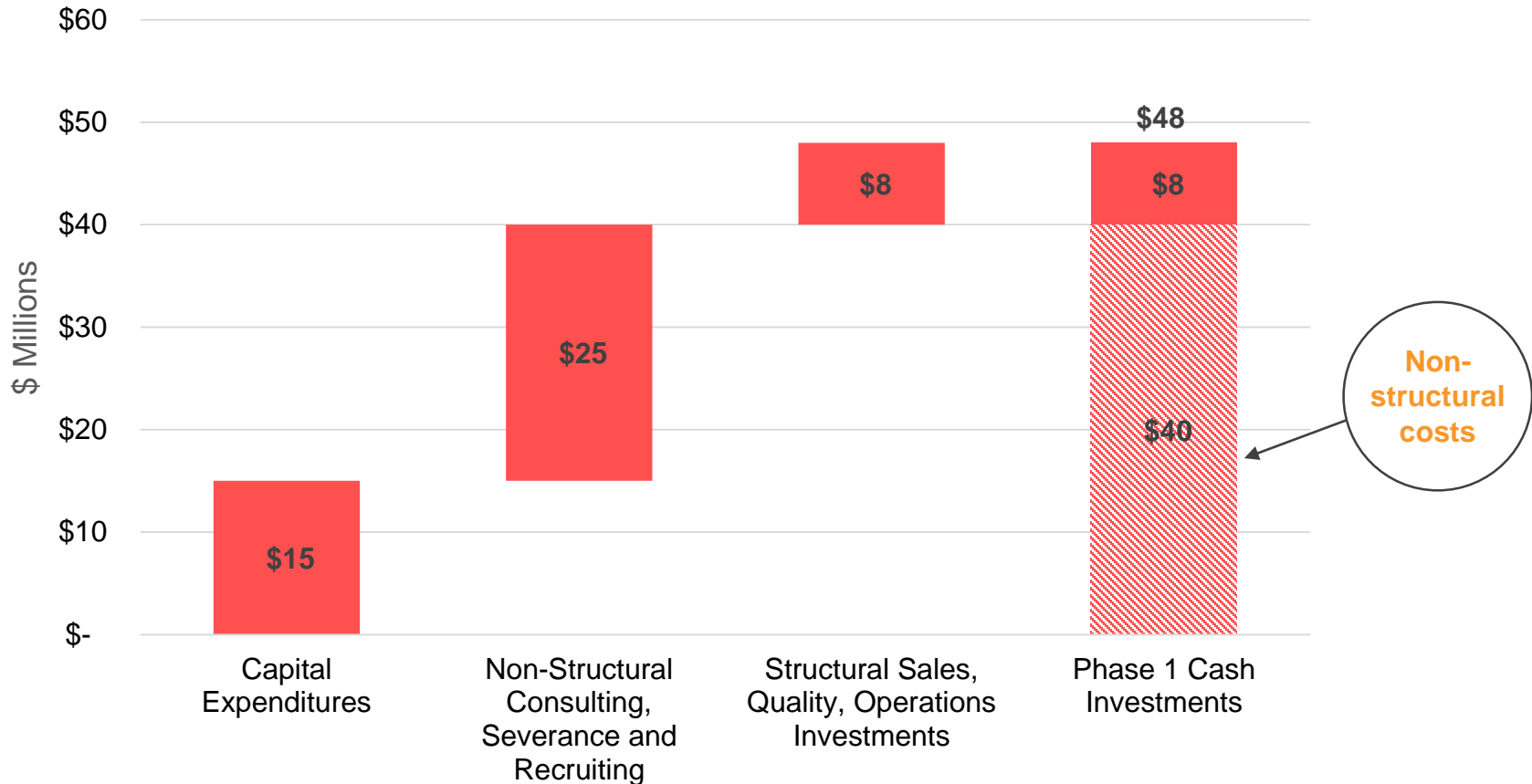
## Targeting \$30M of run-rate EBITDA Improvements



Initial \$30 million in EBITDA improvements to be fully realized by 2018

# Planned Investment in 2017

*To Establish Solid Foundation for Additional EBITDA Growth*



Targeting \$20M reduction in working capital by end of 2017 which will partially offset the cash investment.

# Tracking Our Progress

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

(\$millions)	Identified	Implemented
Portfolio Optimization	5.0	4.2
Operational Excellence	23.0	3.1
Go-to-Market Effectiveness	2.0	2.0
Process Sustainability	n/a	n/a
<b>Total</b>	<b>30.0</b>	<b>9.3</b>

**Transparency enhances accountability**

# Key Indicators of Our Transformation

As we execute against the Value Creation Plan, we expect to see the following trends:

	Phase 1: “Clean it up”	Phase 2: “Tune it up”	Phase 3: “Turn it up”
<b>Revenue:</b> Focus on product categories, customers and channels where we are positioned to win, leveraging innovation capabilities	—	↑	↑↑
<b>Gross Margin:</b> Driven by manufacturing and supply chain efficiencies, improved product mix and volume	↑%	↑\$	↑↑\$
<b>SG&amp;A:</b> Investing in talent and system and process infrastructure to support business growth	↑\$	↑\$	↓%
<b>EBITDA:</b> Phase 1 focus on EBITDA margin improvement, phases 2 and 3 leverage revenue expansion to accelerate EBITDA growth	↑%	↑\$	↑↑\$
<b>Cash Flow:</b> Investment is front end loaded to drive sustained long-term profitable growth and cash flow	—	—	↑

# Delivering Long-Term Shareholder Value



## 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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## 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.

# Key Financial Metrics - Income Statement

(\$ millions, except per share amounts, excludes results from discontinued operations)	Q2 2017		Q2 2016	
Revenues <sup>(1)</sup>	\$336.5		\$348.1	
Gross profit <sup>(2)</sup>	41.7	[41.9]	36.0	[40.4]
As % of Revenue	12.4%	[12.5%]	10.3%	[11.5%]
Operating income <sup>(3)</sup>	2.6	[9.9]	8.8	[14.0]
As % of Revenue	0.8%	[ 2.9%]	2.5%	[ 4.0%]
Adjusted (loss) earnings <sup>(4)</sup>	(0.7)		4.1	
Adjusted EPS <sup>(4)</sup>	\$(0.01)		\$0.05	
Adjusted EBITDA <sup>(4)</sup>	19.4		23.5	

- (1) Normalized revenue growth for Q2 2017, excluding the impact of changes in commodity-related pricing and foreign exchange rates (a decrease in revenues of approximately \$7.1 million) and estimated impact on west coast pouch operations as a result of a fire at a third-party facility in the third quarter of 2016 (a decrease in revenues of approximately \$2.3 million), would have decreased by 0.6% compared to Q2 2016.
- (2) Gross profit for Q2 2017, excluding facility closure costs under the Value Creation Plan (\$0.3 million) would have been approximately \$41.9 million or 12.5%. Gross profit for Q2 2016, excluding the impact of costs related to the acquisition accounting adjustment related to the Sunrise's inventory sold subsequent to the acquisition date (\$3.9 million), lost margins caused by the sunflower recall (\$0.3M), and start-up costs related to the ramp-up of production at the Allentown aseptic beverage facility (\$0.3 million), would have been approximately \$40.4 million or 11.5%.
- (3) Operating income for the Q2 2017, excluding the costs noted above, as well as costs related to the Value Creation Plan (\$7.0 million), would have been approximately \$9.9 million or 2.9%. Operating income for Q2 2016, excluding the costs noted above, as well as litigation related legal fees of \$0.7 million, would have been approximately \$14.0 million or 4.0%.
- (4) Adjusted Earnings, Adjusted EPS and Adjusted EBITDA are non-GAAP measures. Refer to the Appendix for a reconciliation to the most comparable GAAP measure.



# Key Financial Metrics - Balance Sheet

(\$millions)	July 1, 2017	December 31, 2016
Working Capital <sup>(1)</sup>	\$ 376.8	\$ 360.0
Total Assets	1,149.8	1,129.6
First Lien Debt	237.1	201.5
Second Lien Debt <sup>(2)</sup>	222.5	222.2
Other Debt	<u>8.1</u>	<u>8.9</u>
Total Debt	467.7	432.6

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

(2) Net of debt issuance costs of \$8.5 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)

	Q2 2017	Q2 2016
<b>Loss from continuing operations</b>	<b>\$ (0.1)</b>	<b>\$ (4.0)</b>
Less: earnings attributable to non-controlling interests	(0.3)	(0.1)
Less: dividends and accretion of Series A Preferred Stock	(2.0)	-
<b>Loss from continuing operations available to common shareholders</b>	<b>(2.4)</b>	<b>(4.1)</b>
Adjusted for:		
Costs related to the Value Creation Plan <sup>(a)</sup>	7.7	-
Product withdrawal and recall costs <sup>(b)</sup>	-	0.5
Costs related to business acquisitions <sup>(c)</sup>	-	7.9
Plant start-up costs <sup>(d)</sup>	-	0.3
Legal settlement and litigation-related legal fees <sup>(e)</sup>	-	9.7
Other <sup>(f)</sup>	0.2	0.4
Gain on settlement of contingent consideration <sup>(g)</sup>	-	(1.7)
Net income tax effect <sup>(h)</sup>	(6.3)	(8.8)
<b>Adjusted earnings (loss)</b>	<b>\$ (0.7)</b>	<b>\$ 4.1</b>
Weighted average diluted shares outstanding	86,213	85,557
<b>Adjusted earnings (loss) per diluted share</b>	<b>(\$0.01)</b>	<b>\$0.05</b>

(a) Reflects facility closure costs of \$0.3 million recorded in cost of goods sold; consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$7.0 million recorded in selling, general and administrative ("SG&A") expenses; and employee termination costs of \$0.4 million recorded in other expense.

(b) Reflects costs of \$0.2 million related to the withdrawal or recall of products, which were recorded in other expense, and a \$0.3 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 \$3.5 million, less associated cost of goods sold of approximately \$3.2 million.

(c) Reflects costs related to the acquisition of Sunrise Holdings (Delaware), Inc. in October 2015 (the "Sunrise Acquisition"), including an acquisition accounting adjustment related to Sunrise's inventory sold in the second quarter of 2016 of \$3.9 million, which was recorded in cost of goods sold; the non-cash amortization of debt issuance costs incurred in connection with the initial financing related to the Sunrise Acquisition of \$2.6 million, as well as \$0.9 million of additional financing costs expensed as incurred in the second quarter of 2016, which was recorded in interest expense; and \$0.5 million of integration costs related to the closure and consolidation of our frozen fruit processing operations following the Sunrise Acquisition, which were recorded in other expense.

(d) Plant start-up costs relate to the ramp-up of production at our Allentown, Pennsylvania, facility following the completion of the addition of aseptic beverage processing and filling capabilities in the fourth quarter of 2015, which were recorded in cost of goods sold. These start-up costs reflected the negative gross profit reported by the facility as the facility ramped up to break-even production levels.

(e) Reflects a charge of \$9.0 million for the settlement of a product recall dispute with a customer, which was recorded in other expense, and associated litigation-related legal costs, which were recorded in SG&A expenses.

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

(g) Reflects a gain of settlement of the contingent consideration obligation related to the August 2015 acquisition of Niagara Natural Fruit Snack Company Inc., which was recorded in other income.

(h) 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.

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

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

	<u>Q2 2017</u>	<u>Q2 2016</u>
<b>Loss from continuing operations</b>	<b>\$ (0.1)</b>	<b>\$ (4.0)</b>
Recovery of income taxes	(5.6)	(7.1)
Interest expense, net	7.7	11.5
Other expense, net	0.6	8.4
<b>Operating income</b>	<b>2.6</b>	<b>8.8</b>
Depreciation and amortization	8.2	8.5
Stock-based compensation	1.3	1.0
<b>EBITDA</b>	<b>12.1</b>	<b>18.3</b>
Adjusted for: <sup>(a)</sup>		
Costs related to the Value Creation Plan	7.3	-
Costs related to business acquisitions	-	3.9
Legal settlement and litigation-related legal fees	-	0.7
Plant start-up costs	-	0.3
Product withdrawal and recall costs	-	0.3
<b>Adjusted EBITDA</b>	<b>\$ 19.4</b>	<b>\$ 23.5</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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