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PRESENTATION

Operator

Good morning, and welcome to SunOpta's Fourth Quarter Fiscal 2018 Earnings Conference Call. By now everyone should have access to the earnings press release that was issued this morning and is available on the Investor Relations page on 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 in other filings with the Securities and Exchange Commission for more detailed discussion of the factors that could cause the actual results to differ materially from those projections and any forward-looking statements. The company undertakes no obligation to publicly correct or update the forward-looking statements made during the presentation to reflect future events or circumstances, except as may be required under applicable securities laws. Finally, we would like to remind listeners that the company may refer to certain non-GAAP financial measures during this 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 U.S. dollars and occasionally rounded to the nearest million. And now I'd like to turn the conference call over to SunOpta interim CEO, Kathy Houde.

Katrina L. Houde ***SunOpta Inc. - Independent Director***

Good morning, and thank you for joining us today. With me on the call is Rob McKeracher, our Chief Financial Officer; and Mike Buick, our Senior Vice President of Consumer Products. Mike joined SunOpta 2 years ago and has been instrumental in leading the return to growth in revenue and margin improvements in our Healthy Beverage and Snacks operation and recently has taken over the leadership of the Healthy Fruit platform. Also, we note in the press release issued earlier today, former CEO and President, David Colo, has been terminated, and the board has initiated a search for a new CEO. I will serve as interim CEO until a successor has been identified.

As you may recall, I previously served as interim CEO of SunOpta in late 2016, which coincided with the development and launch of our Value Creation Plan. Since the launch of the plan, SunOpta has exited and sold unprofitable and noncore alliances business, made significant investment in food safety and quality and in 2018 return to meaningful revenue growth. My deep familiarity with the company and the plan will ensure that our efforts to drive sustainable, profitable growth will continue uninterrupted until the transition period. In addition, the board and I will take full advantage of available resources to continue making progress against the company's operational, go-to-market and profit sustainability initiatives.

Before I turn the call over to Rob, I'd like to reaffirm SunOpta's purpose and key strategies, which are not changing. Our purpose is to be the most innovative, integrated provider of organic ingredients and Healthy Fruit solutions across multiple channels. SunOpta is well aligned with consumer trends towards organic and non-GMO foods, and I believe the acceleration in growth that we delivered in the fourth quarter affirms our right to win in this attractive market.

Our strategy to accomplish our purpose are, first, to innovate and growing in Healthy Fruit and Beverage categories. For example, we've long been a leader in the fast-growing category of nondairy beverages, and we expect to continue to grow in this category with innovation such as oat and health milk. Second, to invest in and grow efficient, integrated supply chains, which are in our organic ingredient sourcing business, we can quickly identify consumer trends and leverage our sourcing expertise to deliver field-to-table innovation to our Consumer Products customers while benefiting from a vertically integrated supply chain.

And third, to focus on food safety and quality and best-in-class operational performance. Since 2016, we've made substantial investments in food safety and quality, which have resulted in meaningful improvements to third-party audit scores of our manufacturing facilities.

In addition, our productivity efforts have taken approximately $30 million of costs out of the business since the launch of the plan. While the board and I remain confident in our purpose and strategy, and we have driven success in many parts of our portfolio, it is clear that performance of our Healthy Fruit business has not met our expectations.

Accordingly, our top priority in 2019 is to drive long-term margin improvements through our fruit margin optimization plan. Under this plan, we will intensely focus on optimizing our cost base, leveraging existing capabilities to improve mix and drive innovation in the category, all with the objective of returning our Healthy Fruit business to historical margin performance over the next 2 crop cycles.

Finally, I'd like to acknowledge the efforts of our world-class leadership team, many of who joined SunOpta since the launch of our Value Creation Plan. I'm extremely proud of their dedication and efforts over the last few years, and I look forward to working closely with the team once again during this transition period.

With that, I will turn the call over to Rob to discuss the sale of our soy and corn business and provide an overview of our fourth quarter results. Rob?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Thanks, Kathy. Let me begin with the sale we announced yesterday of our North American specialty and organic soy and corn business to Pipeline Foods for proceeds of $66.5 million.

One of the key pillars of the Value Creation Plan we initiated 2 years ago is to optimize our portfolio, investing where structural advantages exist and divesting businesses where we are not effectively positioned. This allows us to simplify the business and deploy both our capital and human resources into areas of the business where we have market leadership with long-term growth and favorable margin opportunities. This sale is consistent with this strategy and allows us to focus our Global Ingredients operations on our international organic capabilities where we believe we have built the largest organic sourcing platform in the industry and are investing in expanded capabilities and capacity with more attractive margins and consistent growth. Additionally, this transaction increases the company's focus and mix towards Consumer Products, including retail and food service offerings in Beverage, Fruits and Snacks.

Included in the sale of our soy and corn business are 5 facilities in the Midwest that contributed $104.4 million of external revenue and $8.3 million of gross profit, which included $0.8 million of depreciation and $6.8 million of earnings before income taxes, not included in the sales are Sunflower and roasting operations.

The sale of the business is expected to simplify the company's operations, enabling cost reductions that extend beyond the employees and expenses that we'll transfer to the buyer. As a result, the company expect to rationalize an additional $3 million of SG&A expenses.

On a pro forma basis, assuming the transaction had occurred at the beginning of 2018, and taking into consideration the contribution from the business sold as well as rationalized SG&A, adjusted EBITDA would have been -- would have decreased by approximately $4.6 million.

We are pleased to be able to complete this transaction. We view Pipeline Foods as a strong long-term sourcing partner. We have agreed to a multiyear supply agreement with Pipeline to continue to source certain organic and non-GMO ingredients for our Beverage and Snack consumer platforms.

The transaction enhances our competitive positioning and business focus and provide us with incremental capacity to invest in the key areas of our business where we are strategically advantaged and positioned to create long-term value.

Last but not least, we are pleased with the value we received in this transaction, and believe it reflects the strength of the specialty non-GMO and organic food and feed business we have built over the last 20 years.

Now let me provide an overview of SunOpta's fourth quarter results before turning the call over to Mike to discuss our Consumer Product segment in greater detail.

As expected, revenue growth continue to accelerate during the fourth quarter. After returning to positive revenue growth in the third quarter, where adjusted revenue was up 2%, we generated 16% adjusted revenue growth for the fourth quarter. The growth is driven by double-digit gains in both the Global Ingredients and Consumer Products segments.

The Global Ingredients grew 15.5% revenue growth, including 17.1% growth in international Organic Ingredients sourcing and 11.3% growth in domestic raw material sourcing and supply, each adjusted for commodity and/or currency changes.

Consumer Products is up 16.3%, driven by 17.8% growth in the Healthy Beverage platform and 17.3% growth in Healthy Fruit, adjusted for commodity pricing variances. The accelerated growth is being driven by our go-to-market effectiveness enhancements across the portfolio as part of the Value Creation Plan. We called it approximately 18 months ago, we built an entirely new retail and food service sales and marketing organization inside our Consumer Product segment, realigned our sales efforts by key customer and channel and got to work building a sales pipeline -- opportunity pipeline.

We started converting the pipeline into tangible piece of business in early 2018, which started to deliver in the back half of 2018, in particular in broth and frozen fruit categories. The benefits of these investments and the team we have built are increasingly evident in our revenue growth.

During the second half of 2018, we commercialized approximately 100 new broth and frozen fruit SKUs. I would like to emphasize that a key driver to our improved revenue growth has been a significant enhancement to customer relationships, driven by our improved -- our improvement in food safety, quality and service. Implementing lasting improvements in these areas was a key initial focus of the Value Creation Plan.

We entered 2019 confident in our ability to generate sustainable growth and are well positioned in our key categories and with key customers. While we are pleased and very encouraged by accelerated revenue growth and enhanced positioning, we are not satisfied with our profitably. Adjusted EBITDA was $9.1 million during the fourth quarter compared to $9.4 million in the prior year. While we have delivered higher margin from growth and productivity improvements over fiscal '18 in key platforms such as Beverage, Snacks and Organic Ingredients, the decline in profitability of our frozen fruit operations more than offset these improvements.

In 2019 we'll be intensely focused on increasing consolidated profitably, as we continue to grow revenue and execute our fruit margin optimization plan.

We've cleared the first hurdle of the fruit plan, which was to win back lost business, restore customer confidence and improve our position with existing and potential key customers. While these efforts have come at the expense of near-term margin, they are key part of the critical path towards a complete turnaround in this business.

With that, I will turn the call over to Mike to provide deeper insight into our Consumer Product business and provide an update on the fruit margin optimization plan. Mike?

Michael Buick *SunOpta Inc. - Senior VP and GM of Beverage & Snacks*

Thanks, Rob. It's a pleasure to be able to join you and Kathy on the call today. Let me run through our Consumer Product platforms and address our frozen fruit margin optimization plan.

In the Healthy Beverage platform, growth accelerated throughout 2018 as we expected. We successfully diversified our revenue base by customer and category as we entered the broth market.

Production and shipments of broth started in the third quarter and ramped up very quickly in the fourth quarter. During the fourth quarter, we realized significant costs in our aseptic network as a result of the increase in production levels to support broth. We transitioned all facilities across our 3 plant aseptic network to 24/7 continuous production schedules, which led to increased labor and training costs. This investment countered some of the efficiency gains caused by higher utilization, but it was the right investment for future volume and profit expectations and was needed to support the peak broth season, particularly given the timing of our late entrance into this category.

The speedy launch of the broth also caused us to experience increased changeover, freight and logistics costs to meet delivery schedules, as we were unable to prebuild any inventory ahead of the primary broth production season.

We also had to manage higher maintenance costs as we adjusted to the processing of new ingredients. In 2019, we will have the ability to lock down a more optimal production schedule and prebuild inventory, which will enable us to prevent a repeat of these inefficiencies. In short, I consider our accelerated entry into the broth category a great success and a key addition to our beverage portfolio that will contribute to our growth and long-term margin targets.

Healthy Beverage delivered 17.8% growth during the fourth quarter despite some nondairy customers reducing their inventory levels. As evidence of our efforts under the Value Creation Plan, over the course of the full year 2018, Beverage revenue grew 7.7% and gross margin increased 260 basis points on an adjusted basis, and we expect to realize continued improvement in 2019. Volume will now have a back half bias as we serve the peak season of the recently introduced broth business.

While we are very pleased with our commercial and profitability achievement in Beverage, we still have additional margin opportunities given the inefficiencies of the broth launch and the capital investments we will bring online in 2019.

Healthy Snacks was softer during the fourth quarter, as expected, following the strong third quarter push that served back-to-school demands. As a result, both revenue and gross margin dollars were lower sequentially.

Looking ahead, we expect volumes to ramp back up again in the first quarter of 2019 as we begin to fill additional orders to support the promotional calendar of certain customers.

Our Snacks business remains strong, and due to our go-to-market and productivity efforts over the course of the full year, 2018 Snacks revenue grew 22.3% and gross margin increased 640 basis points on an adjusted basis.

Turning to Healthy Fruit, we saw strong revenue growth, reflecting increased volume with existing and new customers. On a combined basis, sales of frozen fruit into the retail and food service channels were up 20% on a dollar basis and up 33% on a volume basis compared to the prior year fourth quarter.

We have solidified the sales base, and as I will discuss shortly, we are beginning to execute our fruit margin optimization plan, which will add automation, reduce labor and increase productivity.

However, fourth quarter profitability remains below our expectation, primarily driven by three factors: inventory write-downs, higher production costs and sales price reductions.

As part of our margin optimization plan, we are tightening management of our fruit inventory. As we enter 2019 on a dollar basis, inventory levels of frozen fruit are down 17% and 27% compared to the 2017 and 2016 year-end balances, respectively. Ensuring our inventory levels are balanced is an important aspect of our improvement plan. In order to achieve this inventory reduction, production levels in the fourth quarter were below sales levels, which contributed to less efficient overhead absorption and thus lower margins.

In addition, we recognized $3.1 million in inventory write-downs in fruit during the fourth quarter. Fourth quarter margins were also compressed as a result of high cost of production in 2018, which included increased cost related to fruit produced in Mexico as we learned to produce finished good -- finished products of a higher quality. Also during the fourth quarter we started experiencing lower volumes in our fruit ingredient operation as consumption trends in the yogurt category are declining.

Finally, the last significant price decrease to a retail customer took effect at the start of the fourth quarter. As an update on the 2019 Mexican fruit season, the market is experiencing a delay in freezer berries due to cold, wet, weather in Central Mexico, which is delaying our tax and placing some price pressure on fruit costs. We are taking appropriate steps to ensure that customer needs are being met during this delayed start and to minimize the financial impact caused by the higher purchase price and lower production levels.

Over the course of the full year 2018, fruit gross margin decreased 880 basis points on an adjusted basis, reflecting our investments in price, quality and service as well as the reduced level of production to improve our inventory position.

While we're in the early stages, our margin recovery plan is on track and restoring the profitability in the fruit business is the top priority of our management team.

The details behind our fruit margin optimization plan are as follows. First and foremost, we will continue to make food safety, quality and customer service our top priorities. Second, we continue to be focused on volume growth and made significant progress in this area during the fourth quarter. Third, we are committed to driving cost out of the business. The capital enhancement project to be implemented over the 2019 and 2020 crop seasons is the first step in this direction.

We are increasing automation with proven technology in our facilities, which includes further automation of our packing lines and adding optimal sorting capabilities expected to lower labor and other conversion costs while improving yield. We will be increasing IQ up capacity to maximize efficiency during the peak of the season, which will help improve yield and reduce the number of days needed to achieve the pack plan.

As a result of extending our lease at the Santa Maria location, the landlord will be building a new cold storage facility adjacent to the plant, which is expected to lower overall storage, handling and freight costs.

Finally, we will bring margin accretive innovation to the platform to increase the number of value-added products we offer to our customers.

With that, I will hand the call back to Rob to discuss the Global Ingredients segment, provide an update on the Value Creation Plan and recap the fourth quarter financials, including the balance sheet. Rob?

Robert McKeracher *SunOpta Inc. - VP & CFO*

Thanks, Mike. In the Global Ingredients segment, we generate strong revenue growth in both international organic sourcing and the domestic raw material and supply platforms.

We continue to see strong organic ingredient demand and have further enhanced our focus on our Tradin organic operations as a result of the sale of the specialty and organic soy and corn business. In 2018, we commercialized the second organic cocoa processing line in The Netherlands and are now focused on enhancing efficiency and margin with this new capacity.

We've also now fully commercialized the new roasting equipment in our Crookston facility and are positioned to pursue margin accretive growth opportunities in Healthy Roasted Snacks, including products such as chickpeas, pumpkin seeds and other nonallergen-based snacking items.

In addition, we are in the early stages of expanding our global organic sourcing capabilities in an attractive new category. We have broken ground on organic avocado oil processing facility in Ethiopia, which is expected to come online in the second half of 2019. Avocado oil demand is strong, and certified organic avocado oil is in very supply.

Now on to the Value Creation Plan. Our focus on operational excellence is the primary driver of productivity in 2018. We achieved our 2018 target of $20 million of productivity improvements, and this is most noticeable in our Beverage, Snacks and Ingredient platforms. These productivity improvements were offset by investments in price, quality and service in frozen fruit platform. We developed and began to implement our fruit margin optimization plan. And as Mike just discussed, the investments in automation have already begun in our frozen fruit operations.

Our portfolio optimization efforts during 2018 included the sale of our soy and corn business; the addition of a second organic cocoa processing line in The Netherlands; our ongoing project to expand capacity and capabilities in our Allentown Beverage Facility; expanded roasting capacity and capabilities in our Crookston facility; and most recently the new avocado oil facility that we have begun constructing in Ethiopia.

Our accelerated revenue growth during the second half of 2018 reflects our go-to-market effectiveness strategies. We successfully innovated, entered the broth and in a very short time frame ramped up operations to commercialize over 40 new broth SKUs in the back half of 2018.

As previously mentioned, our new sales and marketing organization has driven growth, and we are pleased with our commercial efforts across channels, categories and customers.

As we enter 2019, we will continue to focus our efforts to deliver sustained, profitable growth across the 4 pillars of our Value Creation Plan. These pillars form the basis of the framework that guide all of the company's enterprise-wide objectives.

Our focus for 2019 intensify in two key areas. The first is operational efficiency and expansion, which includes the on-time and efficient cost execution of critical improvement and expansion projects, namely executing our fruit margin optimization plan, completing the addition of new filling and processing capacity and capabilities at our Allentown beverage facility by the third quarter of 2019, opening the new organic avocado oil facility in Ethiopia during the second half of 2019.

In addition, the company is targeting $10 million of in-year productivity-driven cost reduction during 2019, with a significant portion of this being generated within the Healthy Fruit platform as a result of the fruit margin optimization plan.

The second key area of focus is commercial growth and innovation, which includes further growth within the Consumer Product segment, including the expansion of margin accretive innovative private label and control brand offerings; additional growth across international organic ingredient portfolio, including achieving 85% capacity utilization in the recently expanded organic cocoa processing facility by the end of 2019. And we are also targeting to be at approximately 80% capacity utilization by the end of 2019 across our aseptic beverage network following the addition of new capacity.

We'll update you on these key initiatives throughout 2019. Now let me recap the fourth quarter financial results as well as balance sheet and other metrics in greater detail. Unless otherwise noted, all gross percentages for the fourth quarter of 2018 reflect the year-over-year change as compared to the fourth quarter of 2017.

Fourth quarter revenue was $320.5 million, a 9.6% increases as reported. However, excluding the impact on revenues from changes in commodity-related pricing and foreign exchange rates and removing the impact of the bar and pouch lines of businesses that were exited last year, revenue increased 16%, with both our reportable segments posting double digit adjusted growth. The Global Ingredients segment generated revenues from external customers of about $139.9 million, a 10.3% increase as reported or a 15.5% increase after excluding the impact of changes in commodity-related pricing and foreign exchange.

Consumer Products segment generated revenues of $180.6 million during the fourth quarter, an increase of 9.1% as reported.

Excluding the impact of commodity prices and removing the impact of the discontinued bar and pouch lines of business, revenues in the fourth quarter increased to 16.3%.

Consolidated gross profit was $21.3 million for the fourth quarter of 2018, a decrease of $7 million compared to the fourth quarter of 2017.

Consumer Products accounted for $5 million of the decrease in gross profit, primarily as a result of strategic price reductions and unfavorable product mix for frozen fruit, combined with $3.1 million of inventory write-downs due in part to a change in expected use of aged stock and $2 million of costs related to the commercialization of new beverage products.

These factors were partially offset by increased sales volumes and productivity-driven cost savings for aseptic beverages and operational saving from the discontinuance of bar -- pouch and bar products. Global Ingredients accounted for $1.9 million of the decrease in gross profit, which was largely due to $0.7 million of start-up costs associated with new roasting equipment and the second organic cocoa processing line and a $0.5 million net reduction in commodity and foreign exchange gains related to the organic cocoa hedging activities and mark-to-market measurements on certain contracts within the European-based operations of the international Organic Ingredients platform.

Global Ingredients also experienced margin compression due in part to sales mix and lower margin and more competitive -- and more price competitive commodities and storage costs from increased inventory levels as the business stocks up to support 2019 contract book.

In addition, the overall performance of the organic cocoa facility was below targeted levels due mainly to increased labor and plant spend as we ramp the facility. We expect this trend to continue in the near term, but improve over the course of 2019.

As a percentage of revenue, gross profit for the fourth quarter of 2018 was 6.6% compared to 9.7% in the prior year. The gross profit percentage for the fourth quarter of 2018 would've been approximately 8.5%, excluding $3.1 million of inventory write-downs in frozen fruit, $2 million of costs related to the commercialization of new beverage products and start-up cost of $0.7 million inside the Global Ingredient segment. This compares to a gross margin percentage for the fourth quarter of 2017 of 10.1%, excluding the impact of $1.3 million in inventory write-downs and facility closure costs associated with the exit from the flexible resealable pouch and nutrition bar operations.

As discussed earlier, we're not satisfied with our performance on margins in the fourth quarter, and the biggest driver of improving margins in the business will be the fruit margin optimization plan. That said, we do not believe overall gross profit in the fourth quarter of 2018 is reflective of the run rate of our business due in part to the seasonality and timing of inventory bills, production efficiency and cost of manufacturing our consumer product segment.

In our aseptic beverage business, we ramped our network to near maximum production schedules for most of the quarter as we very quickly brought on substantial amount of new broth business, due in part to the production inefficiencies previously mentioned as well as customer ordering patterns, our gross shipments were somewhat held back in the fourth quarter. At the same time, key nondairy customers drew down their inventory levels, which overall led to lower production utilization levels compared to our expectations.

This weighed on fourth quarter Beverage margin by approximately 100 basis points and $1 million in the fourth quarter. Similarly, in our fruit snack operations, the fourth quarter was seasonally the lowest sales and production quarter of the year, reflecting timing and promotions and back-to-school activity. Compared to the quarterly average of 2018, gross profits for Healthy Snacks was down $1.3 million in the fourth quarter.

As noted earlier on the call, low production levels in the fourth quarter combined with higher cost of production contributed to less efficient overhead absorption and higher cost of goods sold inside the fruit platform, which weighed on gross margins approximately 130 basis points or $1.1 million when compared to a more balanced production schedule.

Operating loss was $6.9 million or 2.2% of revenue compared to an operating loss of $3.9 million or 1.3% of revenue in the prior year period. Excluding the cost I previously mentioned related to inventory write-downs in frozen fruit, costs related to commercialization of new beverage products, start-up cost inside the Global Ingredients segment, $0.4 million of SG&A costs related to new product commercialization and a $0.2 million gain from the reversal of previously recognized stock-based compensation, segment operating loss would have been $0.9 million for the fourth quarter of 2018 compared to an adjusted segment operating loss of $1.1 million for the fourth quarter of 2017.

On a GAAP basis, for the fourth quarter, we reported a loss attributable to common shareholders of $99 million or $1.13 per common share compared to a loss of $119.4 million or $1.38 per common share during the fourth quarter of 2017.

In the fourth quarter of 2018, the company recognized an $81.2 million noncash goodwill impairment related to the frozen fruit operations.

The fourth quarter of 2017 included a noncash goodwill impairment of $115 million.

On an adjusted basis, we reported a loss of $9.3 million or $0.11 per common share compared to an adjusted loss of $8.8 million or $0.10 per common share in the fourth quarter of 2017.

Adjusted EBITDA for the fourth quarter of 2018 was $9.1 million compared to $9.4 million in the prior year period.

I'd like to remind listeners that adjusted EBITDA and adjusted earnings are non-GAAP measures and a reconciliation of these measures to GAAP can be found towards the back of the press release issued earlier this morning.

From a cash flow perspective, during the fourth quarter, cash generated by operating activities was $5.1 million compared to $48.9 million in the fourth quarter of 2017. The lower cash from operations reflects an increase in accounts receivable as a result of higher sales and higher inventory levels, primarily in Organic Ingredients, to support expect the 2019 sales volume.

We invested $6.7 million in capital expenditures during the fourth quarter of 2018 compared to $18.4 million in the prior year.

For full year 2018, we invested $31.6 million in capital expenditures compared to $41.1 million in 2017.

For 2019, we expect or we anticipate capital expenditures in the range of $25 million to $30 million.

At the end of the fourth quarter, total debt was $509.2 million, reflecting $217 million net of issuance costs of 9.5% senior secured second lien notes due in 2022.

$276.8 million drawn on our first lien global asset-based credit facility, with the balance representing smaller credit facilities, lease and other financing arrangements.

The global asset-based credit facility is a syndicated credit agreement maturing in February of 2021 with an aggregate commitment of up to $370 million.

For 2019, we anticipate cash interest expense of $30 million to $32 million, noncash interest expense of approximately $2.5 million and cash dividend payments against the Series A preferred stock of approximately $7 million.

As a result of available noncapital loss carry forwards, in 2019 we do not expect to have significant cash tax income tax demand, which includes tax related to the sale of the soy and corn business.

Gross proceeds on the sale were $66.5 million, and we expect net proceeds after fees, expenses and taxes to be approximately $64 million.

The net proceeds will initially be applied against our first lien global asset-based credit facility, which on a pro forma basis would lower total debt as at December 29, 2018, to approximately $445 million and would create $46 million in incremental borrowing capacity, which would bring total available capacity in our global asset-based credit facility to approximately $101 million.

Before I turn the call back to Kathy for concluding remarks, I want to provide some thoughts on the cadence and seasonality of 2019 revenue and adjusted EBITDA improvements, all normalized for commodity, foreign exchange and changes such as the sale of the corn and soy business.

From a top line perspective, we expect to realize revenue growth over 2018 levels in the low- to mid-single digits in the first half of 2019. Growing to the mid- to high-single digits in the back half of 2019.

This expectation represents continued growth in our Consumer Products and Global Ingredients segments, driven primarily by the aseptic beverage and Organic Ingredients platforms.

We expect limited growth and adjusted EBITDA in the first 3 quarters of the year compared to 2018 levels, given the margin pressure in fruit, and the fourth quarter timing of realizing the benefit from the first round of margin optimization efforts. We expect the progression of our productivity efforts over the course of the year.

Start-up costs and the seasonal ramp up of volume in Beverage, which is concentrated in the back half of the year from a production and sales perspective, and a steady improvement in margin over the course of the year from our recently commercialized roasting and cocoa assets and the Global Ingredients segments.

As a result of the fact that I just mentioned, we expect improved EBITDA in the fourth quarter of 2019.

I'd like to direct listeners at the back of the press release issued earlier this morning where they can find additional disclosure regarding the results of operations from the soy and corn business on a quarterly basis for 2018.

With that, let me turn the call over to Kathy, who will conclude our prepared remarks. Kathy?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

Thanks, Rob. Before we begin the Q&A, I'd like to leave you with a few key messages. When we launched the Value Creation Plan, we gave our commitments to generate long-term value for all our stakeholders, our customers, our employees and our shareholders. We remain steadfast in achieving this goal. SunOpta is well aligned with consumer trends towards organic and non-GMO foods, and we are more convinced than ever that we have the right team and the platform needed to succeed.

So with that, I'd like to ask the operator to please open up the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Amit Sharma with BMO Capital Markets.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

Kathy, lots of discussion on the operation, but very light on details of why David was let go. Can you provide a little bit more clarity on that issue?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

Sure. Thanks, Amit. I think the overall results were the main factor and the board just thought it was time to make a change in leadership, which was highlighted by Q4. The board has a commitment to the shareholders to deliver this plan, and as a result we acted decisively, and we believe that the company is best served by finding a new leader at this time.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

You're not changing operational metrics around Value Creation Plan or the speed of the -- of what the changes are. Is that going to change with the new leadership, or simply the impression was that we are not as far along as we would have liked to this time of Value Creation Plan?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

So you're correct. We're not as far along as we'd like to be. And we also believe that different phases of the plan required different leadership skills. If we can reflect on what's happened, we've cleaned up the portfolio by selling noncore assets such as our soy and corn business. We've stabilized our foundation, we've improved quality, systems and process. And now we're much more CPG company. So we feel we progressed to phase 1 and partway through phase 2. But going forward, we're focused on accelerating sales and generating increased gross margin and profit, and we feel that it would be best served with different leadership skills at this time.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

And then, Rob, a little bit more clarity on the CPG margins. I mean, obviously, top line exceeded everybody's expectations. But you did provide some -- little bit detail on what was the margin have been, but can you provide a little bit more clarity on what those headwinds are? And I want to make sure I heard you correctly that EBITDA for the first 3 quarter is going to be very limited growth? And then what is the growth or whatever growth is in the fourth quarter, is that fair?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. No, exactly, Amit, you interpreted that correctly. So to help to provide some clarity on what we're thinking in our expectations in '19, we are seeing limited growth in the first 3 quarters. The biggest headwind being, of course, the fruit business. As I reflect on (inaudible) from a -- kind of progression through the Value Creation Plan and it is very similar we commented on last quarter, when it comes to Beverage, when it comes to Snacks, when it comes to organic, green operations, we're more or less right where we expected to be at this phase. The prepared remarks included some insight into what the margins step ups were. (inaudible) obviously, fruit is one of the areas where there's a big headwind and we need to overcome that. So as we look at the puts and the takes and the work it's going to take to get them to margin improvement on the underway and EBITDA lift, it really is back half and especially fourth quarter oriented. The fruit efforts that we're undertaking with the optimization plan, they're designed to lower the cost of our 2019 back season. But of course, the effort that goes into that does present itself on the P&L, so you get to selling that inventory, which is really in the fourth quarter and beyond. So when you consider that and you consider the buildup and the things like productivity efforts where they build upon themselves. Consider the seasonality of our broth business, which is very back half centric in production. Production really started in the third quarter, but the sell-through peaking just ahead of the Thanksgiving season, all those factors taken into consideration really point to the reason why we'd expect the EBITDA to show up more -- from an improvement perspective more predominantly in the fourth quarter.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

And how much of a drag was [approved] in 2018?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

So if you look at...

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

From a -- sorry, go ahead.

Robert McKeracher ***SunOpta Inc. - VP & CFO***

From a growth margin perspective, 2018 and it was the MD&A as it relates to (inaudible), but fruit is down $33 million year-over-year. Just to add some context, if you will, to the size of the drop off, that means it's an additional $7 million here in fourth quarter. Now within that, we did take $3.1 million of inventory write-downs in decisions on cleaning up inventory and reducing our overall inventory levels, which we provided some context on that in the script that also weighed on margins. So the fourth quarter change compared to prior year was nowhere near what we experienced in the first 3 months of the year, but nonetheless it was down. So you can think of 2018 in that context where fruit is down $33 million and Beverage and Snack and the Organic Ingredient operations not being able to compensate.

Operator

(Operator Instructions) Our next question comes from the line of Jon Andersen with William Blair.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

I do want to come back to Amit's question about the leadership change because just from outside, kind of looking in, it seems a strange time to make that kind of a change. The company is on the cusp of an inflection in the frozen fruit business, i.e, you've made a significant improvements as you pointed out today in the Beverage business and the Snacks business, some improvement in Global Ingredients, particularly on the International Organic side. And it feel like what you're trying to communicate today is that you're getting close on fruit, which is in many ways I think the last piece to the puzzle. So I think the external perception here would be that, why make a change if that's the case. It just doesn't seem to make sense. I don't know if you can comment a little bit about that, if is there anything more you can say.

Katrina L. Houde ***SunOpta Inc. - Independent Director***

Sure. I think that I go back to my previous comment. The results were not there. And they were not quick enough and it was highlighted by what's happened in Q4. We feel like we've made some great progress as you've indicated through phase 1 and partway through phase 2. And certainly the issues lies in the fruit business. However, ongoing demand will be to accelerate sales and generate increased gross margin and profit. And we believe that -- decisively, we believe that a change in leadership will help escalate that and improved skill set in a different CEO will aid in that as well.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Okay. Going to the fruit business specifically, maybe, Rob, can you talk a little bit more detail about what happened in the fruit business in the fourth quarter more from a sales perspective? The business was up in aggregate, in revenue, I'm wondering if you can kind of parse that for us by the retail side of the business versus the industrial and food away from home portions. And were there any kind of one-time factors that lifted sales in the quarter such that the revenue growth that you reported might have been a little bit stronger than we'd expect on kind of a go-forward basis?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Sure. Now let me start and then I -- just from a market perspective, I'll hand it over to Mike and he can provide some insights on just from what we're seeing in the market. But yes, definitely, saw the -- quite a large step up over the prior year in the fruit business. And what's driving that and it was in the prepared remarks is obviously we've seen volume increases. But those volume increases far surpass the revenue increases and then that obviously correlates to sales price reduction that we've been talking about. So when I look at the fourth quarter specifically here, we definitely saw the volume increases both in the retail space and the food service space. We do have a large program that we serve -- that basically serve school lunches for the most part. And there was very high shipments against that program here in the fourth quarter. So that one seasonal anomaly, I guess you call out where we did see increased levels of shipments in that food service, just like a fruit health program here in the fourth quarter. But -- and I quantify that, John, maybe in the $7 million to $8 million range of lift here compared to kind of normal. So this shipment is there, but it definitely help here in the fourth quarter to see that, that flow through in terms of getting our inventories down.

Maybe I'll hand over to Mike, he'll just comment on some of the things we're seeing on the measured channels.

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

Sure. So from a measured channel basis, in the last 12 weeks, while the category is flat in dollars, up 4% in pounds. Private label is up 6% and on a volumes basis up 16%. As I look at the performance -- the top line performance of the business in the fourth quarter, what makes me feel very confident about the go-forward plan on fruit is that we really established trust and partnership with our customers as a result of the heavy work the team has done in the last 2 years in areas of food safety and quality customer service, introducing new tools and processes to manage the business. And so we really hit a really strong spot with our customers, we've expanded distribution within some of those customers. And so we're really seeing the benefits on the top line. That's why the fruit margin optimization plan is so important and it's our singular focus on a go-forward basis. It's all about getting margin back into this business. And we are -- we're very clear eyed and laser focused on how we're going to achieve that. But it starts with making sure that you have a very healthy, strong business -- customer base, right? And so for all those reasons we feel like we're in very good position as we look forward on that business.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

So that's helpful color. So step one is to kind of take some medicine in terms of pricing, cost investment to improve quality and service levels, and it seems like that's translated into stronger customer relationships and volume growth as you described. What are the steps 2 and 3? What should we be looking for or what are you looking for as milestones in that business to help assess whether you're on track toward getting back to, I think, what you said a more normal profitability level by the end of 2020? What are the next milestones we should be looking for?

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

Yes, so the next milestones I'm looking for is -- we're getting ready, we're preparing for the pack season, which is a critical part of delivering the plan on fruit. And so we have some operational and supply chain efficiency program that we're executing. We're measuring the results on a weekly basis, and we've got full support of the broader team. The next step is the capital investment we're making in the business. It's really a two-step program. In year 1, the 2019 plan, it's about downstream packaging efficiencies. So bringing in automation and things like (inaudible), (inaudible), et cetera. That's going to enable us to reduce or eliminate a lot of our manual labor that's in the plants. That will be stepped up in 2020 as we look to drive even greater efficiency, improving and expanding our IQF tunnels, optimal sorting. I mean, really bringing in higher level of automation in these fruit plants, which they so desperately need. That's all kind of what I would call step 2. Step 3 is about innovation. We are an extremely innovative company, we've got very strong R&D teams. We've proven it in Beverage and Snacks that we can not only develop great innovation, but bring it to market and bring it to our customers. And we are working on some very exciting programs on the fruit side to do that as well. So as you think about fruit margin optimization, about 70% of that is optimizing in our cost base. The other 30% is improving customer and product mix and bring innovation to the market. And so it's really a holistic plan that's going to help us achieve the margins that we expect to deliver on this business on a go-forward basis.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Okay. And you referred a little bit to the slow start to the, I think, in Mexico the frozen berry season. Is that -- to what extent is that a risk factor from a cost or a supply perspective as you think about your kind of 2019 tax plan? Because I think this is a time of the year where you're usually taking in a lot of berries from Mexican farmers. So if you could kind of dimensionalize whether that's a -- is that a small concern? Is that something that could set you back in terms of some of your productivity or profitability objectives in fruit this year?

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

Sure. So in a typical season, right now, we would be bringing in quite a bit of strawberries from Central Mexico. We would just be starting Baja California and then moving up to coast. In Mexico, we're delayed, call it, 6 weeks in terms of those strawberries that are coming in. Central Mexico had an extremely cold and wet early season, which has impacted the entire market. And so in terms of the pacing, which we're receiving the strawberry and the cost, there are some headwinds that we are very actively addressing. They are important headwinds. They will not derail the overall margin improvement plan. We have some mitigation steps already in place. The good news is that even in the last week or two, the amount of strawberries that are coming into our Central Mexico facility has increased substantially. And so we're behind. Though, we're making that up very quickly. And we don't expect it to -- ultimately, once we execute our mitigation plan, we think we'll be able to minimize the impact to our P&L delivery.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Is pricing part of that? Do you have the ability to price? Are there...

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

It's absolutely -- pricing is one of the things that we're working through. And then we've started to have those conversations with customers. Customers are aware of the weather conditions of Central Mexico is impacting Baja California. Even California has seen some colder and wetter weather. And so kind of going back to the strong relationships we have with our customers, we're now in a position where we have those strategic conversations. And really, in a partnership fashion, figure out what's the best way to address it to deliver both of our objectives.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

I mean to ask, I've got two more, probably ten more, but I will limit it to two. So there have been a couple of large write-downs on the fruit business in the past couple of years. Rob, I think you mentioned the numbers, I didn't got them down, but I mean, is -- I would suggest that something maybe has structurally changed in the profitability or your future expectations for the profitability of this business. At the same time, the fruit optimization program is designed to get you back to what are more normal margins, which I think are in the -- be in the mid-teens. So can you square the two of those? I mean, are you still comfortable, confident, less confident that a mid-teen margin rate for this fruit business is achievable, because it seems like it conflicts with the -- some of the write-downs that you had to take?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. I'll comment on that, John. So you're right, the write-downs this fourth quarter, the $81 million, and last year the same time, the $115 million, both pertain to frozen fruit. There is no more goodwill in that business. So we did recognize the remaining write-down. This fourth quarter -- I think there's a couple of things in play here. The fruit margin optimization plan and as Mike just mentioned, is the top priority. And we have inside the company our best people working on it and it's weekly focused. We're tracking our improvements. We've built a plan that we're quite confident we can deliver to return the business back to the historical, which would be historical mid-teen margins. But when you look at from a recovery perspective, when you do your -- the accounting side of the question, if you will, from a (inaudible) write-down standpoint, there's certain things you can include and certain things you can't and you have apply discount factors and one of the things that it's reflected in -- following the third quarter even in the share price, right, the extended time it's taken the extension at the fruit margin deterioration is causing to us more value creation plan goals, that's a really big determinant in taking a write down. So I wouldn't read into it that the write-down necessarily means that we don't have the conviction or the ability to deliver against this plan, we do. But at the end of the day, from accounting perspective, you tend to air on the side of conservatism and on a discounted cash flow basis that pushing out and getting back to that margin levels is really a key factor to this level of write-down.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Okay. And then on the '19 -- the 2019 outlook, you said a couple of times that you expect EBITDA to -- is it fair to be say -- to be leveled to grow a little bit in the first 3 quarters of the year, with then more significant growth in the fourth quarter? First, is that accurate? Do you expect any growth in Q1 through Q3, or just kind of level year-over-year?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes, I think, our view in prepared remarks is limited. So I would interpret that to meaning more or less what you saw in 2018. Obviously, there's going to be puts and takes in the business. We have some new seasonality inside -- especially inside of beverage. We've got good things going on in Organic Ingredients. And there are things that can lead to it being a little up. But I -- at this stage, Jon, I think, it's safer to set an expectation that we expect the growth to show up here in the fourth quarter of '19 from an EBITDA standpoint.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Okay. And the follow up to that is the base. So I think you did look -- round numbers, $53 million of adjusted EBITDA in 2018. Again, I'm coming up with $53 million. You have -- with the sale of the soy and corn business, I think, maybe Kathy mentioned, that would be a 5% pro forma headwind or $5 million pro forma headwind. So are we working with a base then that's $48 million in 2018 when we talk about growth in '19?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. So as we -- we added a page to the back of the press release, you can see the adjusted EBITDA of $4.6 million that is the net of the business that we sold offset by rationalized SG&A actions that we've taken. And so if you -- that's a $4.6 million pro forma impact on 2018. And you can see what the quarterly effect of that is, too. So yes, I would suggest that is the base from which to model 2019.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

Okay. And then promise the last one. Given the kind of the revised view, where are you from a balance sheet perspective? I mean, are there any covenant issues? Where are things tight to the extent that they are tight? And how do you manage through that to get to this kind of bridge over the next couple of fruit seasons, so you can execute the optimization plan in fruit?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. So I added into the scripts and you can see it. So after the sale, of course, of the soy and corn business, which, of course, we did for all the right strategic reasons, but financially one of the benefits of that was there was not a lot of taxes. In fact, very minimal taxes or fees on that transaction. So we have reduced our debt by around $64 million on a pro forma basis and created almost additional $50 million of borrowing capacity in our global ABL. So just to remind everyone, the way our debt capital structure (inaudible) it's on one hand the global ABL, the other hand (inaudible) notes north. Both of those agreements are what I call covenant late. So from a covenant perspective and other things, this -- apart from the strategic merits, this transaction really did create a much bigger buffer, if you will, to be sitting here on a pro forma basis $100 million excess capacity in that ABL. So in other words, we've got the ability to borrow up to another $100 million. And so that's really what provides us flexibility to continue on this Value Creation Plan journey, including the capital investment it's going to take to succeed with the turnaround inside of fruit business. So certainly after the sale, we don't have any concern with our ability, if you will, to do what we need to do to drive margin and growth in the business. So we feel we're right there.

Operator

Our next question comes from the line of Chris Krueger with Lake Street Capital Markets.

Christopher Walter Krueger ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst***

Just have a few quick ones here. As far as the CEO search is concerned, does the board of directors have any kind of goal as far as the time line for when we could see that come to fruition?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

So Chris, we're moving very quickly as it -- in terms of the search we've created a search committee and we've already begun discussions with candidates. So we're hopeful that it will be a very expeditious process, and we're working very hard at making sure that happens. So we'll hopefully have an update for you on or before Q1.

Christopher Walter Krueger ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst***

Okay, that's good. When we talk about pack season for the frozen fruit, can you refresh my memory when roughly pack season begins and ends?

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

Sure. So in the California plants, we're talking May through July sort of time frame into summer, depending on how quickly the growers convert from fresh to frozen, so there's always some dynamic at play and we've got to be ready. So we're pulling together the group this week and then the next week and we're getting ready for season, as we speak.

Christopher Walter Krueger ***Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst***

Okay. And then my last question. In the past SunOpta has provided operating margin goals for the Global Ingredients segment as well as the Consumer Segment. I think the Global Ingredients was 6% to 8%, long-term goal, and the other was 11% to 13% in Consumer. Do you still have those same goals? Or is there anything changed, especially since the sale of the soy and corn business?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. Those are pretty old targets. But the target that everybody is aligned to now, and I can tell you that the company is still committed to deliver here as an adjusted EBITDA as a percentage of revenue of 10% to 11% as we progress and execute the Value Creation Plan. If you want to think of that in terms of segmented delivery, what it would basically mean is our Global Ingredients segment would be in the mid-teen 14-ish%, maybe 15% gross margins, and then your Consumer Product business will be up in the high teens, so call it 18% to 19%. On a blended average basis, to achieve the 10% to 11% objective, our consolidated gross margin needs to be in the 16% to 17% range. So Chris, as we step back and look at the portfolio that we have and really focus the business on growing the top line and driving profitable sales, meaning gross margin, that's how we structured the Value Creation Plan, the targets we set platform-by-platform to end up at that spot.

Operator

We have a follow-up question from the line of Amit Sharma with BMO Capital Markets.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

Kathy, one for you. I mean, listening to the EBITDA progression for next year, it's really clear that EBITDA recovery is delayed, right, even if we are going to be at that point at some point, it's certainly delayed. And at the same time, if you look at the multiple that you receive for the North American corn and soy business, right, 8.5, 9 multiple, that's fairly attractive. Now given that the strategic options on the table from a company asset base perspective perhaps these assets are better in the hands of somebody else, and let's look to see how we can monetize even the European business or the aseptic business. Can you talk about that, how the board views those options?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. Let me pick it up off here I think just because there are three questions in there, all good ones. But from a timing perspective, in terms of delivering of the plan, as I step back and look at it, no surprise, fruit is the -- essentially the entire reason that we are not on the path of the time frame that we set out 2 years ago. If I kind of look at what we're expecting in '19, and if I just put fruit back to where we are targeting to get it back to those historical mid-teen ranges, I'd tell you that we're basically right on the algorithm and right on the pace that we expected to get to. So speaking about Beverage and then speaking about Snacks, and certainly the (inaudible) organic on business, which is right where we expected it to be. So just the -- similar to what we have been commenting in the last quarter and again now this quarter, it's definitely, fruit sets us back. We do say it's going to take 2 crop to get back to the margin structure and margin delivery we need. And of course, that will present itself until after we start selling through that inventory. So from a time frame perspective, that's -- it really is all shouldered by fruit and the development there.

As I move on to the soy and corn business and the multiple, yes, we need to -- if you look at the multiple based on the business that was sold, certainly, it's pretty attractive, I think that's kind of in line certainly with what we see, unique in specialty and organic -- not (inaudible) Specialty Ingredients business going forward. From an overall company perspective because of the simplification it will allow us to bring, you're talking a mid-teens multiple after we remove the SG&A that would be a stranded and no longer necessary. So we're quite pleased certainly with multiple of the transaction. I already talked about the proceeds.

So your last question, as you look to the overall component parts of the business, I mean, obviously, we're -- we look at our business, and if you listened to our prepared remarks, we like all the businesses that we're in. And we think they're all attractive and they're all in great market positions for growth, including fruit, albeit we have a big opportunity in front of to drag the margins out. So as I think about the sum of the parts, that's what we're focused on really driving value into this platform now. Obviously, now with a greater weighting towards Consumer and in our Ingredients business now, a very unique specialty, almost exclusively organic platform, which we think from a market perspective is pretty special.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

Thank you. But I think the question really is from board perspective, are those options to monetize these assets at a higher multiple, are those being considered? Are those part of the process? Or is the thought that let's just find somebody else to run these assets and see if we can turn them around?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

In answer to that, Amit, we're always looking at all the options. Our shareholders have indicated their strong commitment to what we're doing right now and executing the plan and the change in leadership, despite -- we're always considering other options, so neither one is exclusive.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

And then just one more on for you and one for Mike as well, you did say that you're looking for somebody with a different skill set. Can you be a little bit more specific, like what are we looking for? Because we didn't see that much change at least in the strategy to get to -- from a turnaround perspective. So what are the skill sets that we're looking for in the new CEO?

Katrina L. Houde ***SunOpta Inc. - Independent Director***

So the skills sets we are looking for in the new CEO I think are track record and execution, that's really important that we actually need our numbers. We're focused on increasing our revenue and somebody who has the proven track record in that as well. Somebody who's able to drive a more profitable growth and somebody with proven private label experience. I think those are the top 4 criteria.

Amit Sharma ***BMO Capital Markets Equity Research - Analyst***

Got it. And that's one last one for Mike. Mike you did talk about the delay in Mexico and we saw that a couple of years ago that delayed crop or short crop generally leads to more inefficient processing on your end. Is that baked into your expectations as you laid for the first 8 quarters? Or could that (inaudible) if the crop continues to get delayed in Mexico or even in California?

Michael Buick ***SunOpta Inc. - Senior VP and GM of Beverage & Snacks***

Yes. So that is certainly a concern and one of the things the team is focused on in managing through. Ultimately, there are a number of things that we're evaluating to mitigate any challenges on that business, up into and including potential customer pricing. So short crops on strawberries are, especially we're seeing the growth that we're seeing is something that we have to navigate through. I have a tremendous amount of confidence in the team that we're going to pull all the right levers to make sure that we're as successful as we can be.

Operator

And that concludes today's question-and-answer section. We do have a follow-up question, actually, from the line of Jon Andersen with William Blair.

Jon Robert Andersen ***William Blair & Company L.L.C., Research Division - Partner***

There's some language in the press release and also in the prepared comments around your focus areas with respect to the Value Creation Plan program in 2019. One of those calls out the continuous improvement and looking to deliver $10 million of gross profit enhancement in 2019. I guess, my question on that is, is that kind of a veiled forecast for profitability improvement in 2019, or is that a target that you think you need to offset some of the cost headwinds that you're going to be facing? Just kind of characterize that $10 million and is it a gross number? Is it a net number? And maybe how you're going after it?

Robert McKeracher ***SunOpta Inc. - VP & CFO***

Yes. Sure, Jon. And we didn't talk as much about (inaudible), so much to cover. But we've really embraced and adopted what we call SunOpta 360, which is our continuous improvement program that goes right across the company. And when you're managing and committing to a program like that, you set productivity targets every single year. So this really -- that $10 million is really what I consider to be structural enhancements to our overall operations that can drive all things equal $10 million more profitability to the business. You set those things up, because in any given year, you're -- and by the way, that's not going to set at the start of year and see where we you end up. This is a perpetual and ongoing stream, if you will, of opportunities that we can do to lower cost in terms of cost of manufacturing, in terms of labor, enhancing yield, lower material costs, lowering conversion costs, all sorts of things. And that $10 million is a gross number. So many of be using that to offset or help offset some of the inflationary pressures you'll be seeing. But I guess, the $10 million are our gross target just from a costing (inaudible) sold perspective in 2019. Don't read into that, that's the only thing that we're looking at because we've already talked and conservative folks, we're in a growth pattern in beverage. We've been in the growth and expect more growth inside the Snacks, inside the Global Ingredients, and so when you're in those modes, we do expect more contribution from that growth. It also come and help them offset certain inflationary pressures and the work we've got from -- on the deferred business.

Operator

And that concludes today's question-and-answer session. I'd like to turn the call back to Kathy Houde for closing remarks.

Katrina L. Houde ***SunOpta Inc. - Independent Director***

Thank you, operator. And thank you all for participating in our fourth quarter conference call. Before I conclude, I would like to again thank all of the employees of SunOpta for their tireless efforts. We look forward to speaking with you in the future and updating you on our progress as we focus our efforts at expanding margins and profitability in 2019 and beyond. Have a great 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.