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PRESENTATION

Operator

Good morning and welcome to SunOpta's fourth quarter and fiscal 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 on SunOpta's website at www.SunOpta.com. This call is being webcast, and its transcription will also 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 more detailed discussion of the factors that could cause 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 the teleconference. A reconciliation of these non-GAAP financial measures was included in 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'd like to turn the conference all over SunOpta board member, Kathy Houde.

Kathy Houde - *SunOpta Inc. - Board Member*

Good morning, and thank you for joining us. With me today are David Colo, Chief Executive Officer; and Rob McKeracher, Chief Financial Officer. Over the past few months, we have been building out our Value Creation Plan, taking decisive steps to evaluate the business, addressing immediate operational issues, enhancing the team, refining our go-to-market strategy and designing processes to ensure sustainable growth going forward.

A key component of these efforts has been identifying a CEO. Today I am pleased to introduce you to David Colo who joined us as Chief Executive Officer last month. David is an exceptional leader and an experienced operator. Dave brings a unique set of skills ideally suited for SunOpta, including substantial experience executing turn-arounds in the food industry that includes both packaged and food ingredients companies. Dave also worked closely with our partner, Oaktree, while at Diamond Foods and this history will provide for a seamless integration of Dave into the CEO role at SunOpta. Now, let me turn the floor over to Dave.

David Colo - *SunOpta Inc. - CEO*

Thank you, Kathy. I appreciate your support and the support of the entire board in bringing me to SunOpta. As you know I joined the company about a month ago and have been busy evaluating the business and finalizing our strategic actions with our team and our external resources. Let me begin by briefly discussing the fourth quarter and recent trends, following which I will provide my perspective on the opportunities that have me excited to lead the transformation of SunOpta, followed by a discussion of our strategic plan.

I'd like to remind those of you 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. Slide two of the deck covers forward-looking statements, which the operator covered.

Before I get into my thoughts on strategy and, of course, the Value Creation Plan, let's review the fourth quarter. Clearly, fourth quarter financial performance fell short of expectations and was impacted by several of our strategic decisions which led to asset impairments and goodwill write-offs as well as inventory reserves, severeness, and other one-time items related to the initial execution of the Value Creation Plan.

Additionally, sales weakness in beverage and fruit contributed to low production volumes and associated operational inefficiencies that led to increased manufacturing costs. We also established reserves for quality issues within the healthy fruit platform of our consumer products segment. All these items impacted the fourth quarter results. These sales challenges and the operational issues are each a further reflection of the opportunities we have to improve product quality,operational execution, and go-to-market effectiveness through the Value Creation Plan.

Turning our attention to the fourth quarter financial highlights on slide three,I will briefly review the key fourth quarter trends and later on during today's call, Rob will take you through the results in greater detail. Our fourth quarter revenue was $297.5 million,a 6% decline versus the prior year, or a 0.9% decline when normalized for commodities, currency, and other items.

Within healthy fruit, we were pressured by overall category decline as a result of higher on-shelf prices, reflecting higherinput costs that led to an 8% year-over-year decline on a normalized basis. The change is volume category wide is leading to higher inventory levels which could translate into lower pricing that reinvigorates volume. Our challenge will be to manage our existing inventory that reflects higher input prices as we work to drive volume.

Within our IQF retail business, a project is under way to optimize logistics and evaluate increased IQF volumes and local packaging in Mexico to further improve our cost advantage and drive profitable growth.

In the beverage segment, revenue was essentially flat with the prior year. Our aseptic product mix this quarter was impacted somewhat by a decline in food service sales as the initial sale of the almond beverage we launched in the third quarter led to lower volumes with this customer during the fourth quarter as inventory levels normalized. We expect the ordering pattern for this new offering to stabilize in 2017.

Sales of juice were up 10.8% from the prior year, as a result of a successful rollout of a new format model to a large private label customer. Within the beverage platform, we expect further volume challenges beginning as early as second quarter of 2017 when a contract with a large, private label, aseptic, non-dairy customer ends. However, as I will discuss later on, we have already made progress replacing this business with our reinvigorated go-to-market strategy.

Turning to healthy snacks, fourth quarter revenue was also flat with the prior year as growth in specialty bars was offset by the negative impact of the loss of our West Coast pouch contract manufacturer, who lost their facility to a fire, and lower fruit snack volumes. Adjusting for the impact of the fire, snack revenue would have been up about 15% year-over-year.

Finally, global ingredients declined about 8% an unadjusted basis. However, if we adjust for the impact of lower commodity prices, foreign exchange and the impact of the sunflower recall, this segment posted about 1% growth. The trend in global ingredients remains consistent with prior quarters, as a 4% decline in domestic ingredients due to an intentional reduction in acreage wasoffset by approximately 4% growth in international organic Ingredients led by organic coffee and sunflower.

The lower than expected revenue and gross margin pressures combined with increased SG&A investments to support the Value Creation Plan led to a loss in the purpose that Rob will discuss in detail. The fourth quarter adjusted loss per share was $0.08. Despite the soft finish in 2016, our opportunity is unchanged. The entire management team is fully committed to executing against our strategies and delivering profitable growth over the long-term.

Please turn to slide four. It was obvious during my initial diligence, which has been confirmed as I have had time to evaluate the company, visit facilities and staff membersover past few weeks, that SunOpta is in a great space with a great portfolio, on-point products and a broad, multi-channel customer list. Our offerings are on trend and the trends are powerful. The opportunity and our challenge is to immediately improve our executional ability, refine and better align with the market, invest appropriatelyand relentlessly execute to leverage our enviable positioning.

I have been involved in turn arounds in the past. Each is different, but the common theme is that with a well-positioned portfolio of strong assets, consistent execution and proper processes to ensure repeatability, we can and willdeliver sustainable results. I am confident that we can improve our effectiveness and efficiency and thus enhance shareholder value.

Let me share my immediate goals, key mandates of we will statements. 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. One of the challenges with the turn around of a public company is balancing change with trying to deliver near-term quarterly results. We will make decisions with a long-term focus, even if those decisions do not maximize near term earnings. I look forward to partnering with our approximately 2,000 global employees, our shareholders, and our partners to capitalize on our numerousbusiness opportunities.

This accompanying slide illustrates SunOpta's purpose and key strategies. These strategies are very well aligned with my initial goals. First, our purpose is to responsibly bring healthy food from the field to the table. This will continue to be the key component in developing our business strategies. Responsibly means we aspire to deliver products consistently and reliably to customers while doing what is right for the consumer.

As I have been meeting with our staff over the past few weeks I started with the fact that food safety and employee safety is job number one. This is our responsibility for our consumers and associates. Additionally, we will focus on quality and delivering on-time and in-full every time.

Healthy means organic and non-GMO products, without artificial flavors, colors, or preservatives. We are in an enviable position with an unparalleled organic supply chain and a product focus aligned with food industry trends. We will continue to deliver packaged food solutions and build a pipeline of innovation, focused on delivering natural, organic, and non-GMOpackaged foods and ingredients.

Finally, from the field to the table refers to unique core competency of having the world's largest vertically-integrated organic raw material supply chain, and taking this all the way toconsumer products.

For several years, SunOpta has been transitioning from a raw material and ingredient supplier to a private label and contractsupplier of finished package food products. We will continue to focus on the three on-trend categories of healthy beverages, healthy fruit, and healthy snacks. However, we will not neglect our strong foundation in sourcing and will make investments to enhance our sourcing capabilitiesand services for our customers while growing our packaged food solutions.

Turning to slide five. On the third quarter earnings call, Kathy shared with you the four pillars of the Value Creation Plan thatwe developed in collaboration with our partners from Oaktree. As a reminder, the four pillars are; portfolio optimization, operational excellence, go-to-market effectiveness, and process sustainability.

Over the past few months we have fleshed out the details of the Value Creation Plan and I want to share with you some of thestrategic actions we have and will be taking this year. While our activity continues to evolve and we expect additional opportunity will continue to surface,the Value Creation Plan is currently targeting implementation of $30 million of productivity-related annualized EBITDA enhancements and$20 million of working capital efficiencies over the next 12 to 18 months.

In the near term, all of the benefits that will be derived from the Value Creation Plan will be reinvested back into the business. This reinvestment is needed to solidify the company's foundation and establish the right trajectory for the business that we can then build upon. The reinvestment encompasses three key areas. First, investment into the areas of new quality, marketing, sales, customer marketing, operations, and engineering resources, which we estimate will add approximately $8 million in structural SG&A going forward.

Second, approximately $15 million of up front investment into capital upgrades at several of our manufacturing facilities in order to enhance food safety and manufacturing efficiencies.

And third, $20 million of investment in short-term, non-structural third-party consulting support, as well as severance and recruiting costs as we reorganize our business for sustainable growth.

I understand that some of you may be disappointed that these savings will not drop through to the bottom line in the near term. However, these savings will be sustained over the long-term and provide us the opportunity to invest and, of course, we expect to generate a tangible return on these investments. We also anticipate these investments will set the foundation for additional improvements in EBITDA beyond the $30 million in savings I just mentioned.

Rest assured we fully appreciate that shareholders capital is a precious resource and, as such, we are not taking these investments lightly. That said, this is not just a cost savings exercise. Rather we are building a foundation that can be leveraged for sustained, profitable growth, driving shareholder value over time.

We will continue to provide updates as these numbers evolve. However, we expect at least $10 million of the EBITDA improvement to materialize by the end of 2017, with the balance to be realized in 2018. We expect most of the working capital benefits to be realized by the end of this year. Note that the EBITDA improvements I previously mentioned are expected to come from productivity and cost initiatives andtherefore do not include the benefits that will from our go to market effectiveness to drive increased, profitable sales.

Let me break down the activities further along the lines of the four pillars of the Value Creation Plan. First, in terms of portfolio optimization, the focus is to simplify the business, investing in areas where structural advantages exist,while exiting businesses or product lines where SunOpta is not effectively positioned.

During the fourth quarter, we exited the San Bernardino juice and extraction facility, which is expected to generate $4 million of incremental EBITDA in 2017. We have realigned our premium juice operation, utilizing third party packagers, enhancing our flexibility and packaging options.

Following that additional announcement, the company continued to evaluate its portfolio, which resulted in additional actions that are expected to generate incremental EBITDA improvements once fully implemented. These actions include the closure of our Sorrey extraction facility in Hugeltown, New York, where we have transferred production to our Alexandria, Minnesota, facility while continuing to serve the ingredient customer base. We anticipate an approximate $500,000 margin lift from this decision.

Additionally, we are exiting some soy and sunflower varieties, as well as frozen edamame, and took some reserves during the fourth quarter as a result. We are also exiting a non-vegetable brokerage business and refocusing the sales teams efforts on our core portfolio. We have also launched a global organic ingredients portfolio strategy review which we are very excited about, as there are several large categories for us to invest in and grow the ingredient business, including new geographies, new process, and new processing capabilities.

We expect to kick off a similar portfolio strategy review in the second quarter for the beverage and fruit platforms of the consumer product segment. We will continue to analyze all assets in our portfolio for potential consolidation, divestiture or investment and expect additional updates in the coming quarters. However, we remain deeply committed to both our CPG and global ingredients platforms. Our portfolio optimization strategy is to leverage the areas where we have a structural advantage and a right to win. These areas are where we will be making investments.

Second is operational excellence. The operational excellence pillar is committed to ensuring food quality and safety and improving operational performance while generating significant savings opportunities in manufacturing, procurement, and logistics. We have already begun to add operational talent in key roles within the company. Clearly my experience in operations was important to the board's hiring decision and we have recently named Collin Smith as Chief Operating Officer of the consumer products segment. Collin has been intimately involved in the business since the Oaktree partnership was announced.

Additionally, we are utilizing third party support to help us identify and implement cost savings in manufacturing, procurement, and logistics. We are going plant by plant evaluating our asset, processes and systems. First we are standardizing our processes across all of our facilities, rolling out the SunOpta plant management system,a standardized set of operating procedures, KPIs, and continuous improvement methodologies that will provide improvedconsistency and productivity performance across our manufacturing network.

We will be enhancing IT systems and hiring talent where necessary, including investing in engineering resourcesso that each plant leader has the tools, the assets, and the systems to support operational excellence.

We have launched a working capital optimization program targeting $20 million of improvements across receivables, payables, and inventory. As noted, we are targeting $30 million of net annualized operational savings. We expect $10 million of these savings to be implemented by the end of 2017, which will be offset by increases in structural head count in marketing,customer marketing, sales, sales operations, quality, and engineering. Other activities include launching network-wide upgrades in our worker safety and food safety programs,with the vision of becoming the leader in safety across the healthy food industry.

Third is go-to-market effectiveness. Following the launch of the Value Creation Plan, the company began a detailed process to evaluate its customer and productmix in relation to end markets and channels. Subsequently, during Q1 of 2017 we kicked off a re-alignment of our go-to-market approach. Let me detail some of our observations in the actions we are taking.

First, we see tremendous opportunity in food service and have hired a new Senior Vice President of Sales to expand our presence in this large channel of distribution. We are also adding and will enable senior sales talent to ensure an effective go-to-market strategy. We have launched a broadbased sales force effectiveness program to ensure we are calling on the right customers at the right time with the right products. This effort is already paying dividends. we have recently won new aseptic [bros] business and IQF fruit listings within our CPG segment and new organic corn business in the global ingredients segment.

We have also begun to evaluate our existing contracts. We have identified some business that was not meeting profit hurdles as our pricing was out of line. We have taken action on some repricing and already fielded over $2 million of price increases on several pieces of businesswhich have been accepted and the business retained.

The fourth and final pillar is process sustainability. This is a key opportunity for SunOpta. The company's excellent products and speed to market have led to new business wins and new product opportunities over the years. Sustaining success is the driver of long-term value creation.

As we initially discussed, our first action was to create a project management office that tracks all aspects of the Value Creation Plan with an audit function. We are now redesigning the organization, investing in people with the right skill-sets and building accountability. Included in our reorganization are the following. In sales we have created dedicated channel-focused sales teams to serve customers with customized solutions that are relevant to their needs and exploit key white space opportunities in both retail and food service. We have created a sales operation support function to provide our sales force the necessary tools to manage customer forecasts, promotions, and other account management tasks.

Further we have rolled out a sales pipeline management tool to provide improved visibility and control over the activities of our sales force. In marketing we will expand our marketing capabilities across both CPG and global ingredients which has been historically been understaffed. And we will also establish a new customer marketing team which allows us to customize product solutions for specific customer needs. Regarding quality and operations, we are increasing quality head count dedicated to manufacturing supplier and supply chain capabilities.

We will also increase our capital engineering, plant engineering,and process engineering capabilities that will enhance our food safety, product flow, and productivity performance. We recently created a centralized CPG supply chain team to help manage sales and operations planning, warehousing, and distribution. As part of this, we have launched a comprehensive sales and operations planning program to improve demand

and supply planning,which will stabilize our facilities, improve customer service and reduce inventory. On the finance side we will reallocate centralized cost accounting resources back into our manufacturing facilities to improve the accuracy of manufacturing-related financial data and enhance inventory management processes to improve working capital performance.

Please turn to slide six. Before I hand the call over to Rob, I wanted to summarize what we see on the horizon as we execute against the Value Creation Plan. In my career I have been part of turn around situations on more than one occasion. It takes time and it's not easy. And it's been my experience that we will transition through three distinct phases as part of our Value Creation program. In simple terms, we will clean it up, tune it up, and turn it up.

The first phase requires building a foundation and launching productivity initiatives. Every successful business needs a stable platform to build off of. We will invest into our people, assets and capabilities while finding ways to streamline our portfolio where it makes sense, thereby increasing focus on the core business. This will be the toughest part of the program. It requires investment up front and the organizational determination to get through the expected ups and downs of the process.

During the second phase we expect to see structural benefits arriving as we realize the rewards of the productivity initiatives. However, most of these benefits will continue to be reinvested into productivity initiatives and growing the top line.

The third phase is marked by realizing the full benefits of our investments. As our productivity initiatives, while taken hold, driving increased margins, we will be accelerating sales efforts to deliver profitable, top-line growth. At this stage, our investments in productivity initiatives will be culturally inherent in the company, and the continuous improvement mind-set will be maximizing the P&L. But it all starts in the first phase. Clean it up, which is the hard work ahead of us to fix the foundation.

To wrap up on the Value Creation Plan, this is the largest, most coordinated initiative in SunOpta's history. And we have the focus of the entire organization tied into the four pillars of the plan. We're committed to delivering against the plan, and we will provide quarterly updates on our progress. I will now turn the call over to Rob to go over the fourth quarter financial results. Rob.

Rob McKeracher - *SunOpta Inc. - CFO*

Thanks, Dave. I will take you through the rest of the key financial statistics as well as the balance sheet and cash flow metrics for the fourth quarter. Turning to slide seven, on a GAAP basis, gross profit was $17 million, or 5.7% of revenue for the fourth quarter of 2016, compared with $25.2 million, or 8% of revenue in the fourth quarter of 2015. Excluding the impact of an acquisition accounting adjustment related to the sale of sunrise inventory, aging reserves and low margin sales to reduce inventory exposures, mainly on specialty grain varieties that we are exiting,an inventory reserve for certain package fruit products due to quality-related issues, and lost margin caused by the recall of certain sunflower colonel products; gross margin for the quarter would have been 7.9% compared to an adjusted rate of 11.3% in the prior year.

As Dave already mentioned, during the fourth quarter we experienced sales volume pressure across our consumer products platform, especially in fruit and beverage, which contributed to the lower margin. Additionally, it led to lower production volume which created utilization and spend inefficiency in our plans.

During the fourth quarter gross margin was also impacted by approximately $3 million related to reserves and adjustments for slow-moving and obsolete inventory and spoilage within our beverage, fruit, snacks and ingredient operations. While we normally expect to incur a certain level of spoilage and unplanned inventory costs, this is a higher amount than we anticipated and a key example of what the various work streams inside the operation excellence pillar of our Value Creation Plan are intended to address.

For the fourth quarter, we reported an operating loss of $10 million, compared to an operating loss of $1.7 million in the fourth quarter of 2015. Adjusting for the same items I just mentioned, as well as the impact of external advisory costs associated with the strategic review and Value Creation Plan, operating income in the fourth quarter would have been $0.5 million, or 0.2% of revenue.

On a GAAP basis for the fourth quarter, we reported a loss from continuing operations of $33.5 million or $0.41 per common share, compared to a loss from continuing operations of $13.6 million, or $0.16 per common share during the fourth quarter of 2015.

Fourth quarter results includes several charges in items that are not reflective of normal operations and have been excluded in calculating adjusted earnings. These items include $18.8 million in charges related to goodwill and fixed asset impairments, $3.6 million of costs associated with the strategic review and Value Creation Plan, $3.4 million of costs related to portfolio optimization initiatives, $3 million of product withdrawal and recall costs, #3 million of restructuring severance and retention costs, and $1.9 million of costs associated with the purchase accounting for the Sunrise acquisition and related financing.

Excluding all of these items, on an after-tax basis, adjusted loss in the fourth quarter was $7.3 million, or $0.08 per common share compared to adjusted earnings of $2.4 million or $0.03 per diluted common share in the fourth quarter of 2015.

We realized adjusted EBITDA of $9.4 million in the fourth quarter of 2016, compared to $18.2 million in the fourth quarter of 2015. I would 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 this morning.

Turning to slide eight. From a cash flow perspective, during the fourth quarter of 2016 we generated $36 million of cash from continuing operations, reflecting the seasonally strong cash flows from working capital in the fourth quarter.

During the fourth quarter we spent $7.8 million in capital expenditures, primarily related to projects that increased automation inside the frozen fruit facilities as well as investment into our sunflower platform as we look to enhance that operation following the 2016 recall. For the full year of 2016 total capital expenditures were $22.6 million, and looking ahead to 2017 we expect this spend level to increase to approximately $30 million to $35 million as we reinvestment in our assets for the long-term performance as part of the Value Creation Plan.

During the fourth quarter, total debt declined approximately $114 million as a result of $79 million in net proceeds generated from the issuance of preferred stock, as well as the $36 million in cash from operations I just mentioned. Looking ahead, as Dave mentioned earlier, as part of the Value Creation Plan, we are targeting $20 million of increased cash flow to be generated by efforts to lower working capital over the course of 2017.

If you'll please turn to slide nine, you will see our key balance sheet metrics. At year end SunOpta's balance sheet reflected total assets of $1.1 billion and total debt was $432.6 million. Our leverage is approximately five times adjusted EBITDA on a trailing fourth quarter basis after eliminating the negative impact on EBITDA from the San Bernardino juice facility.

From a liquidity perspective, we ended the year with approximately $102 million of available capacity on our global asset based credit facility. And we are well-positioned with sufficient capital resources to support the Value Creation Plan. With that I'll turn it back over to Dave whom conclude our prepared remarks. Dave?

David Colo - *SunOpta Inc. - CEO*

Thank you, Rob. Again, let me reinforce what our shareholders can expect from us. 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 and we will make decisions with a long-term focus, even if those decisions do not maximize near term earnings. Thank you for joining us and I will now ask the operator to please open up the call for questions.

QUESTIONS AND ANSWERS

Operator

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

Jon Andersen - *William Blair - Analyst*

Good morning, everybody. Good morning, David.

David Colo - *SunOpta Inc. - CEO*

Good morning.

Jon Andersen - *William Blair - Analyst*

My first question is bigger picture question, David, just to get a sense of kind of your historical experience and initial thoughts as you kind of look at the work to be done at SunOpta. How would you characterize the challenges and the opportunities and the time frames involved in working through the three phases that you articulated; clean it up, tune it up, turn it up. And maybe in the context of some of the other turn around efforts you have been involved in with like Diamond Foods, which I think was a couple of years from involvement to sales. Would appreciate any context you can kind of provide there.

David Colo - *SunOpta Inc. - CEO*

Sure. Yes I think what I see at SunOpta is pretty much what I expected. I think the company has a tremendous amount of growth potential. We're in the right on trend categories that I spoke to on the call here. And the challenges I see are -- the immediate challenges are really focused around operational execution. So I think in this situation there are a lot of legacy-type issues that we're dealing with. So I would expect the first phase of this turn around, if you will, to take maybe a little bit longer than historically what you may be used to in a company of this size.

But there's a lot of structural things that we either need to rebuild or put into place or fine tune. And that is what the organization's completely focused on right now. We have identified several key work streams really within each of the four pillars that I discussed. But on the operational excellence front, food safety, quality, and employee safety, are definitely a priority here.

It's no secret that we've had some issues in the area of food safety. And we have the entire organization working to put the appropriate talent, processes, and procedures in place at our locations to shore that up. And I think once we get the base of this business stabilized, it's going to allow us to really focus on the productivity initiatives that will allow us to expand margins. Reinvest those margins into some of the talent acquisition that we spoke to on the call as well as also funnel some of those savings into top-line growth initiatives.

So there's a lot of work to do, but the good news is, I don't see anything here that I haven't seen historically in these types of situations. And it's just a matter of prioritizing the work that's going to get us the biggest value in the shortest order. And being diligent about it.

From a time frame perspective, every situation is different. But I would say that if you want to compare this to, my past experience at Diamond is an example, this one's probably going to be a little bit longer just because there's -- it's a more complex business given the history and how the company has been structured with the number of acquisitions that have occurred over the last 15 years. So there's a lot more integration work here. So timewise, I think this is a three-year or so situation before we get this thing to a point where it has the margin profile we like, it has the top-line growth perspective we like, and it's operating like a true operating company.

Again, I would say the upside potential for the company, just given the categories that we're in, and there's a lot of white space from a sales perspective to go into new channels, grow distribution in existing channels. Innovation is a big opportunity in this company. So I think there's a lot of upside, Jon. It's just going to take maybe a little bit longer just because of the sheer amount of work that needs to be done in the organization.

Jon Andersen - *William Blair - Analyst*

Thanks. Thanks for all the color on that. On a portfolio optimization part of the Value Creation Plan, it sounds like the work so far has been focused on the global ingredients side of the business. Can you talk a little bit about where you are in the process of evaluating the consumer products portion of the business? And are you able to say you're kind of fully committed to the three segments, beverages, fruit, and snacks at this point, or could there be more wholesale changes on that side of the business as well?

David Colo - *SunOpta Inc. - CEO*

No, I think the -- first of all the strategy work we've done on the global ingredients business is very exciting. I mean, we think that is a excellent platform to continue to build upon. There's organic growth opportunities. There's M&A activities on the horizon potentially for that platform. But from a on-trend perspective, it is one of the most exciting parts of the portfolio of this company. Organic ingredient growth trends are continuing to be very strong, and that is definitely a part of the business that we want to continue to leverage for profitable growth.

On the consumer products side, I like all of our healthy snacks, healthy fruit, and healthy beverage platforms. So I wouldn't anticipate any significant changes in those platforms. I think we'll continue to fine-tune them. And if there's product lines within any of those categories that aren't profitable or don't make sense for us in the long-term and take away focus from the parts of those portfolios that we to want grow, we might make some changes there, but I think we're very well-positioned in those three platforms.

And this strategic review process that we just went through for global ingredients, we're going to take that same approach as we look at the three platforms within our CPG business. And I expect that we'll find a lot of opportunity in each of those platforms as we complete that process. It's a very fulsome review, and we're doing it the right way. We've got the right talent helping us to do the assessments. So I look forward to completing that process on our CPG businesses as well.

Jon Andersen - *William Blair - Analyst*

And on the CPG business, I think historically there has been quite a bit of -- customer turnover has been something that's come up. Not so much -- over the years, let's say. And I think it came up again today in the context of aseptic beverages. Some contract turnover in 2017. What can be done there in terms of the structure of that business? The kinds of relationships? The work that you're doing for specific customers to make that a more -- I guess a more sticky, a more permanent, more sustainable customer relationships relative to kind of the turnover it seems that the company has grappled with over the past new years?

David Colo - *SunOpta Inc. - CEO*

Yeah, I'll tell you, my perspective on that is one of the main contributors to customer turnover has been our inability to consistently serve the customer. And it's because of a lot of the operational issues that I spoke to that we're addressing. You -- we have to have very close relationships and partnerships with our key customers. We have to understand what all their needs are, and we have to be prepared and willing to make the investments to support those needs. And then just as importantly, we have to have the organizational execution capability within all functions of the organization to execute against the customer's needs and do it again in a consistent, reliable way.

Food safety is front and center in the food industry today. It's talked about almost on a daily basis. You can read about it in the press, et cetera. And so we have to get food safety enhanced in this company. We've made a lot of progress on that over the last few months. We have more work to do. But we have the right focus on that. Because it all starts with reliability of supply to your customer. So there's the food safety and quality component that have reliability.

The next piece, though, is can we operationally execute and provide consistent service? And that's why you see us enhancing some of the talent we're bringing into the organization, putting in place a sales and operations planning process so we can provide a forward look what have demand looks like so we can stabilize production in the facilities. And investing the right engineering and leadership talent into the plants so they have the tools and processes to execute against the demand plan. It all works together.

So there's not one silver bullet here that's going to improve our capability to service our customers, it's a multitude of things. But, again, that's why we're taking this holistic approach with the four pillars of the Value Creation Plan. And, again, I say this isn't rocket science. We can do this. It's part of table stakes of running a food company. And we will do it. And I think that's going to be the biggest part, Jon, in how we get some stickiness, if you will, in our customers, and actually bring new customers into the fold as well as we mature as an organization.

Jon Andersen - *William Blair - Analyst*

Thanks for that. One last one and I'll get back in the queue. On the last earnings call you reaffirmed your midterm margin targets, I believe. There was no real -- didn't address that today. Can you talk a little bit about that? Whether you ever seen any kind of change to that midterm outlook, in terms of your ability to get the margins up in the various businesses that we've talked about? Thank you.

David Colo - *SunOpta Inc. - CEO*

Yes, I don't think I have seen anything here that tells me we can't get into that 8.5% to 10.5% range that the company has communicated historically. I think that the change may be just in the timing to get there. And, again, I think the first question that was asked is, how do you see the time frame? How long will it transition take? So it's more of the sheer amount of work that we need to do and the timing associated with getting that work done that's going to maybe extend the timing versus what has historically been communicated. But we still think the 8.5% to 10.5% is a very realistic valuation to get to.

The one key thing I should mention is that sometimes in these situations where you bring in a lot of resources, a lot of outside consulting help, et cetera, in a company to kind of jump start the turn around process, the organization itself doesn't embrace the help, because it's viewed as almost insulting to the organization that you're bringing in outside talent. This organization, one of the most positive things I've seen is the people that we have in this company have absolutely embraced and are very excited about having the help.

Now, recognizing that it's our job internally, right, that once that help goes away, that we have built the right foundations and have the right leadership in place to continue and build on that momentum. But that is a very key thing that I look for when I started in the company. And I'm very, very pleased with what I see in that regard.

Jon Andersen - *William Blair - Analyst*

Thanks so much. And good luck.

David Colo - *SunOpta Inc. - CEO*

Thank you.

Operator

Your next question from Amit Sharma with the BMO Capital markets.

Amit Sharma - *BMO Capital Markets - Analyst*

Good morning, everyone.

David Colo - *SunOpta Inc. - CEO*

Good morning.

Amit Sharma - *BMO Capital Markets - Analyst*

David, just a clarification. So we get your point about it might take a little bit longer to get to the midterm goals, but you're sticking with the margin targets that were communicated, right? Even though, based on your comments today, it looks like a lot more teams are up in the air now than --- at least what our impression was back in April when this was communicated. So why shouldn't we -- if it's going to take longer, you're going to move more things around. Why shouldn't we expect a little bit more payoff even if it is a little bit more delayed -- the margins or the structural growth profile of the business?

David Colo - *SunOpta Inc. - CEO*

Yes, I think that, the range that's been provided in the past, I think that's a very realistic range. And I don't want to sit here today and say that we're going to go above and beyond that. And -- but we are committed to delivering it. And, again, as I said, the timing to get there may take a little bit longer. But as we go, we're going to get smarter every day as we run this business and as we look at other opportunities. We'll continue to go after productivity enhancements. An important thing to note is we want to build a culture here of continuous improvement in every part of the company. A big part of that is having this continuous improvement mind-set and constantly looking for ways to operate this business in a more cost effective manner and going after cost savings in key areas.

The other thing -- we're investing heavily up front here to bring in the right SG&A, if you will, to support the long-term value creation of this company. My expectation is that even though we're front loading SG&A today, over time as we get our systems capabilities put in place, we get some clearly defined processes and the organization gets used to how to operate in that environment, over time we should be able to streamline the SG&A as all those initiatives take hold.

What we'll do is we'll take any savings, whether it's within COGS, SG&A, et cetera. Once we get the margin structure where we want it to be, and we'll continue to make investments to drive top line growth. And that's how we will continue to generate a profitable return to the shareholders over time.))

Amit Sharma - *BMO Capital Markets - Analyst*

And then you talked about bringing in a new talent at various levels already and look to continue to do it. The other question is, no disrespect to the previous regime, we have talked about some of the these issues for awhile, right? So bringing new people and seeking help. What else is being done, perhaps, touch on the compensation policies and whatnot, to really make sure that this time around what we are promising is going to show up in terms of margins?

David Colo - *SunOpta Inc. - CEO*

I can't really speak to the past. I can only speak to the present and the future. What I can tell you is -- my leadership style and the leadership style that we will have in this organization is all about accountability. And putting teeth into the things that matter. And then having ways to track it to make sure that we're making progress in the key areas. And the amount of rigor that is already in the organization around these key work streams is at a very high level. That's not going to go away.

We have processes already in place where we're making sure that we're staying on track, not just on a monthly basis, in some cases on a daily basis. In a lot of cases on a weekly basis. We have built an audit function capability through our finance team to make sure that when we say that we're saving money in a key area, we're tracking that and auditing it all the way through to the P&L.

So, again, without knowing the history per se, I can tell you that what's going to make it different, if you will, this time, it's all about leadership and accountability. But hand-in-hand with that is you also have to provide the organization with the resources and the tools to deliver against what your expectations are. My guess is that may have been an issue historically where we have had high expectations, but maybe not necessarily provided the organization with the right tools and investment to deliver against those expectations.

Amit Sharma - *BMO Capital Markets - Analyst*

All right. And then just a quick word on 2017. So you talked about up front investments in SG&A. And the savings would probably ramp up a little bit slower than (inaudible) investment. So should we expect, A, will you provide more guidance on 2017; and if not should we just expect 2017 EBITDA to perhaps even decline?

Rob McKeracher - *SunOpta Inc. - CFO*

Yes, I'll take that one, Amit. First and foremost, we're not going to be, as a policy, providing guidance for 2017. Obviously we're going to be giving fulsome updates every quarter on our progress against the Value Creation Plan. But echoing what Dave just mentioned, we all should expect that the benefit that we start to derive as the productivity initiatives initially start paying off from a P&L perspective, that will all get reinvested back into the business, either in capital spending or certainly into structural and non-structural SG&A.

We're not going to give guidance, but safe to assume that on the face of it, you don't see the step up here in 2017 from 2016. But behind the scenes and certainly in each quarter we will be calling out what that non-structural spend is. There will be sightlines into what that improvement is over the course of 2017. We are targeting $30 million, of course, initially here, still more to come. But initially, in the first phase of this Value Creation Plan, $30 million of improvement to the business. And we are expecting $10 million of that to be showing up before the end of the year.

Amit Sharma - *BMO Capital Markets - Analyst*

Last one for me, can you also talk about seasonality with the sales and the EBITDA line with the portfolio that you have today?

Rob McKeracher - *SunOpta Inc. - CFO*

Yes, so obviously front end loaded on the investment side. You can appreciate that's going to show up in the first half, but still there in the second half as we continue to invest. But just from a seasonality from the base business -- as folks are aware, typically it's our second quarter that has shown -- if there's to be a peak, so to speak, it's the second quarter where a lot of the fruit is coming in on fruit. We, of course, are selling inputs in our ingredients business into some of the growers. And so you'll typically see a spike in margin ever so slightly in the second quarter. That's typically the highest quarter.

So I wouldn't expect based on, what's gone on here so far any of that seasonality to change. So, that's kind of the way to think about that, Amit, and, of course, our fourth quarter tends to be a little softer top line and certainly from a profitability perspective as a result.

Amit Sharma - *BMO Capital Markets - Analyst*

Thank you so much.

Operator

(Operator Instructions) Our next question from the line of Mitch Pinheiro with Wunderluch.

Mitch Pinheiro - *Wunderluch - Analyst*

Good morning.

David Colo - *SunOpta Inc. - CEO*

Good morning.

Mitch Pinheiro - *Wunderluch - Analyst*

And welcome to the call, David.

David Colo - *SunOpta Inc. - CEO*

Thank you.

Mitch Pinheiro - *Wunderluch - Analyst*

So listen, a couple auditing questions. First, some specifics. Can you -- I don't understand how the money that -- I guess, David, you talk about money being reinvested to grow revenue. And it's sort of -- I understand that if you're a branded product company where you're reinvesting for slotting, getting shelf space; but how are you reinvesting money to grow if you're a private label business. You're a raw material supplier. What exactly do you need to do other than investing in the sales force? Is there something else that is in addition to that?

David Colo - *SunOpta Inc. - CEO*

Yes, I think it's what we call our go-to-market effectiveness pillar, if you will. And it's definitely adding resources within the sales organization to go from a geography kind of product line focus in how we go to market to a channel focus that represents the entire portfolio of our product capabilities. That sounds simple, but that's a large shift in our go-to-market approach for this company. So there's an investment there not only in sales, but there's the sales operation support component of that.

And there's the marketing support component of that. We've historically had very little marketing resources. And in today's environment, particularly on the CPG side, our customers expect, that we have an informed opinion about what's going on in the marketplace, what's going on with consumer trends and how can we bring product solutions to them to consider as potential solutions for the consumer demands, if you will. So there's an investment in both marketing and sales operations and sales to ensure that happens.

There's also in the plant area and what I would call supply chain area, we've been historically very underinvested in some key areas. Engineering. We have a very small engineering organization. And that has contributed to some of the operational issues that I spoke to. We've had a -- probably an undersourced sales and operations planning function, including transportation management, warehouse management, how we look at network optimization. So that's where a lot of this investment's going to be and how it will manifest into stabilizing the foundation and allowing us to grow the top line in a profitable way.

Mitch Pinheiro - *Wunderluch - Analyst*

So if I take $8 million of -- sort of reinvesting there on the SG&A line. So you're almost $100 million this year, you add $8 million, you're going to -- is that the right way to think about it? The now base is going to be $108 million? Excluding inflation? Is that how, as you model things, is that how we should look at it?

Rob McKeracher - *SunOpta Inc. - CFO*

I think as you model things it's -- so clearly we ended the year just a little above $80 million on an adjusted basis. I think that is the starting point.

Mitch Pinheiro - *Wunderluch - Analyst*

Okay.

Rob McKeracher - *SunOpta Inc. - CFO*

Certainly we were on record. This fourth quarter is not emblematic of how we think the business is or should perform. That being said, there's a lot of heavy lifting that we're going to do to fix that foundation. So that we can be much more repeatable, so to speak, in terms of our execution and then success. So, I start from that point, Mitch, and then build on top of that the structural benefits that you've mentioned.

Mitch Pinheiro - *Wunderluch - Analyst*

So you still think SG&A can remain below -- I forgot your old target. Roughly 8%?

Rob McKeracher - *SunOpta Inc. - CFO*

We had also set a target to be 8% of sales. I mean, I think what to take from that, we're trying to steer clear of that, clearly the SG&A number is going to grow, both with structural and non-structural spend, non- structural being third party advisers. Longer term? Is it 8%? Is it slightly above 8%? It will depend on exactly what the business needs to deliver long-term value and sort of have that sustained growth position. And so I think what you'll see is the SG&A come in and that's going to be, the catalyst or the spring board for what we're going to be building on the top line.

Mitch Pinheiro - *Wunderluch - Analyst*

Okay. Helpful. And then the $20 million, is this -- that goes away in 2018, is that correct?

Rob McKeracher - *SunOpta Inc. - CFO*

Are you referring to the working capital improvements?

Mitch Pinheiro - *Wunderluch - Analyst*

No, the $20 million of the non-structural, the third party consulting and severence and things like that. That goes away. That's not a really repeatable expense, is it?

Rob McKeracher - *SunOpta Inc. - CFO*

That's correct. So what we'll be doing to sort of help folks see the progress and understand again, what is a non-structural cost, we'll call that out so we can see the fundamental run rate of the business at any point in time.

Mitch Pinheiro - *Wunderluch - Analyst*

Okay. That's helpful. And, I guess, David, you mentioned something, you talked about having strong assets and I'd like -- if you could define that for us. You obviously don't have strong assets in aseptic, as I would define it, being that you have to continue to invest in food safety and it's been -- there's operational execution. So I'm not sure why it's strong or do you know it will be strong one day.

And is -- and how -- when you're selling in a raw material -- as a raw material supplier to the industry, how permanent is the strength in your assets? Why can't -- why wouldn't if the -- it sounds more commodity-like. I realize there's relationships. I get that. But why would that be a strong asset and -- other than being a supply source for your own private label. Outside of that, is there anything else around that business that merits strength?

David Colo - *SunOpta Inc. - CEO*

Yes, look, I think the -- first of all, the manufacturing footprint that we have in the aseptic beverage business is a huge strength for the organization. I mean, we've got West Coast, midwest and East Coast coverage. And that is from a total landed cost perspective and the ability to ring inventory out of our network and the customer's network and meet their fill-rate requirements and on-time delivery requirements, we couldn't be in a better position with that base. So that's a position of strength.

Absolutely, where we continue to always look to upgrade our food safety programs, make the right kind of capital investment from both an infrastructure and productivity enhancement point of view in these facilities? Sure we will. But every company does that.

But the strong asset comment means more the categories we're in as well. Healthy beverage, healthy fruit, healthy snack. Those are all on trend categories. I anticipate that we will find a lot of different growth opportunities in those businesses. Again, just through doing a better job with our customers, through coming up with innovation for the customer base. So I see a lot of opportunity in all of our CPG platforms. As well as our global ingredients positioning.

The organic food ingredients are growing very nicely. I think the stats, the most recent numbers in Europe is Europe's expected to grow in the 10% to 12% range this year from an organic ingredient demand point of view. And that's actually at a higher growth rate than it's been in the last seven years. So this demand for organic ingredients and how we're positioned in that space I think is a very strong asset for this company.

Mitch Pinheiro - *Wunderluch - Analyst*

Okay. And then just I guess last question -- when -- obviously 2017, I think, Rob, you said it's not going to be a step up. But is it a step back?

Rob McKeracher - *SunOpta Inc. - CFO*

No. Definitely not. I mean, if it is, then obviously we haven't executed and that's not what we're here for. What you're going to see is we exited 2017, both foundationally in a much stronger position and financially entering the next -- what's hopefully the next phase of the Value Creation Plan in a stronger position as well. So, no, I wouldn't characterize it as a step back. What we all need to recognize, I think if you're just looking a the face of the financials, yes, there's going to be extra costs -- extra capital. But that's part of the up front investment that we can form the foundation that we can then slingshot from.

Mitch Pinheiro - *Wunderluch - Analyst*

All right. Thanks for your time.

Thank you.

Operator

We have a follow-up question from Amit Sharma from BMO Capital Markets

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Amit Sharma - *BMO Capital Markets - Analyst*

Thank you for taking the follow up. Just a quick clarification on interantionally sourced organic business. You were growing that business mid-teens and then decelerated to 3%, 4% in the quarter. Can you talk about what happened and should we expect a recovery there?

David Colo - *SunOpta Inc. - CEO*

Yeah. The -- first of all we did see some slowdown in the fourth quarter,But we don't think that's emblematic of the potential of that business. As we look to 2017, we think it's going to continue to be a return to more historical growth levels that we've seen in the global organic ingredient business. We feel really good about our positioning. We feel good about the spaces that we're in from an organic point of view. And we like the current customer book we have, if you will, in that business. And it looks to still be a very strong and growing platform for us.

Amit Sharma - *BMO Capital Markets - Analyst*

And can you remind us how much of the -- not the divesture, but the planned exit from the North American market, how much of that is left to come through the top line for that division?

Rob McKeracher - *SunOpta Inc. - CFO*

So there's still more to come through, Amit. The way that business works is everyone -- I think you're aware -- what we're selling in 2017 is really predicated on the planting and then, of course, our contracting with acreage from 2016. And so I think you'll -- you should expect to see a similar trend going forward where, again, the decline is in domestic with the growth in international. Kind of along almost the same lines of what we experienced this year.

Amit Sharma - *BMO Capital Markets - Analyst*

Got it. Thank you so much.

Operator

That concludes today's question and answer session. I would like to turn the call back to Mr. Colo for any closing remarks.

David Colo - *SunOpta Inc. - CEO*

Thank you, Operator. And thank you all for participating in our fourth quarter conference call. I look forward to speaking with you in the future and updating you on our progress as we unlock the opportunity and value in SunOpta.

Operator

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