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PRESENTATION

Operator

Good morning and welcome to SunOpta's third quarter 2016 earnings conference call. By now everyone should have access to the earnings press release that was issued this morning. The release as well as the accompanying slides are available on the Investor Relations page on SunOpta's website at www.SunOpta.com. This call is being web cast, 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 would like to turn the conference call over to Dean Hollis, the new Chairman of Sunopta's Board of Directors.

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

Good morning. And thank you for joining us today. With me on the call today are Rik Jacobs, Rob McKeracher and Kathy Houde. As noted in today's earnings press release Rik is stepping down as President and CEO of the Company, and Director Kathy Houde will serve as interim CEO as the Board has initiated a search for a new CEO. We are appreciative of all of the hard work that Rik has undertaken during his tenure at SunOpta and that he is with us on the call today to discuss the results of the third quarter and answer any questions you have on Q3 results.

I would like to thank our prior Chairman, Alan Murray for his leadership on the Board, his years of service and for the effort he put forth to help get SunOpta to the point where we have a real opportunity to now optimize this business and unlock meaningful long-term value for all of our shareholders. I would 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 in our prepared remarks.

Slide two of the deck covers forward-looking statements, which the Operator covered.

Turning to page three, I want to remind you of SunOpta's vision and key strategies which are not changing and have been endorsed by our new partners. Our vision is to responsibly bring healthy food from the field to the table. Responsibly means we aspire to deliver products consistently and reliably to customers while always doing what is right for the consumer. Healthy means organic and non-GMO products without artificial flavors, colors or preservatives. From the field to the table refers to our unique core competency of having the world's largest vertically integrated organic raw material supply chain and taking this all the way to consumer products.

The three strategies underpinning our vision are, number one, focus on an efficient and reliable vertically integrated supply chain. We believe that as demand for healthy products continues to outstrip supply, having our own vertically integrated global supply chain will lead to more opportunities for increased competitive advantages. We intend to invest in that installation.

Number two, ultimately bringing consumer products via private label brands across both retail and food service channels which creates customer loyalty and provides a pipeline of innovation. And number three, focusing on three emerging categories. Healthy beverages, healthy fruit, and healthy snacks.

On slide 4, much has certainly happened at SunOpta in the last six months. In April, the Company communicated its mid-term targets. In June, the Company announced a strategic review process. In October, the Company announced acceptance of an $85 million investment from Oaktree which it used to reduce leverage. Oaktree also added dedicated operational resources which immediately began work on a value creation plan.

The Board also appointed three new directors with operational, strategic and financial expertise and established a new committee on the board to oversee the work necessary to create long-term shareholder value. Today, we are reaffirming our overall mid-term targets. The Board also announced I will be assuming the role of Board Chair and Kathy as Interim CEO. We are also disclosing our value creation plan designed to maximize our ability to deliver long-term shareholder value.

The Board is very pleased to have Kathy assume the role of Interim CEO and feels she is very well qualified to oversee this work while we search for our new CEO. Kathy will talk in more detail about the four pillars of the value creation plan as well as the actions already taken. We have identified a range of overall cost savings and are very confident in the long-term shareholder value this will create. We know there is a desire for more granularity but we are not yet in a position to give you specifics as to how these savings may impact the 2017 plan or the long-term plan.

First, because we will need to invest to achieve these savings. Second, transformation and change is hard it takes time and it is not linear. Finally, we are building a culture of accountability and sustainable results. When we have more details of how and when these net savings will be realized, we will share those with you.

I have done numerous successful transformations in my career and I am more excited and more confident in the long-term value creation of SunOpta than perhaps any other time in my career. I appreciate your investment, your interest and your patience as we focus on implementing and executing our value creation plan.

I would now like to turn the call over to Kathy so she can take you through the four pillars of the value creation plan and the near-term actions we have already taken. Kathy?

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Thank you, Dean. The strategic investment by Oaktree was the first step of the many positive changes this Board and management intend to bring to SunOpta. As you all know, our strategic review took a number of months and what was exceedingly impressive about Oaktree during that process was the resources they invested in due diligence which was clearly a cut above and beyond the standard.

Aside from the benefits of the capital committed as part of the transaction, they knew they wanted to be a partner of SunOpta and really hit the ground running on creating a framework for helping the Company reset and evolve.

Immediately after closing, Oaktree has worked with a newly formed Operations Transformation Committee of the Board, and management to create a framework that focuses on product portfolio, drives operational and go-to-market excellence and invent a culture and system of continuous improvement across the organization. Working together, and with key Oak side advisors we are taking steps immediately addressing legacy issues and costs, identifying opportunities to drive margin expansion, invest in ways that can augment innovation and revenue growth while meeting the highest of quality standards.

As Dean noted, we are not yet in a position to give you specifics of how the value creation plan may impact 2017 but I am able to present the four pillars of the plan and some key themes and early decisions.

If you would all turn to slide five. The four pillars are portfolio optimization, operational excellence, go to market effectiveness and process sustainability.

First, portfolio optimization. We continue to review our product offerings and our focus on simplifying our portfolio. We will invest in areas where we have structural advantage and will assess the impact of exiting product lines where SunOpta is not or cannot be effectively positioned.

Second, operational excellence. We are committed to ensure food safety and improve in our quality performance in all areas of our business and this always has to be our first priority. Beyond that, we need to maintain our reliability and responsiveness to ensure we have satisfied customers. At the same time we have identified significant savings opportunities in both procurement and logistics.

Third, go to market effectiveness. In order to increase top and bottom line growth we need to optimize our customer and product mix in existing channels while also penetrating new channels that have high potential to add revenue and margin.

Fourth, process sustainability. This is probably one of the most important areas as it will set the standards for all operations, guide our culture and motivate our people to find ways to constantly improve SunOpta. It is about further inventing critical business process and implementing best in class tools in operations, finance and sales.

Please turn to slide six. Under each of the four pillars, we are already implementing some near-term actions to drive results. Within portfolio optimization we have initiated the closure of the facility in San Bernardino, California and moving to an entirely co-pack business model. This decision is expected to generate at least $4 million of annual EBITDA improvement.

In the operational excellence pillar, we are engaging third-party support across the supply chain to help us capture a significant savings while also further enhancing food safety and quality. We will centralize non grower related procurement and logistics and drive supply chain excellence, strategic sourcing and product design to cost.

To become more effective in our go-to-market strategy, we will shift our sales and marketing focus towards a channel-based system as opposed to the current regional structure. Additionally, we have identified numerous areas of opportunity to drive incremental sales. For example, food service. Beyond the customers we serve today has been identified as a substantial white space opportunity for the Company and appropriate resources will be deployed to develop this area.

Finally, in the area of process sustainability we have formed a project management office to manage all critical activities and plan the interrelated work streams from the four pillars. Focus will be directed towards simplifying and strengthening the organization, improving the plan operating levers, augmenting flexibilities and capacities, investing in systems that can provide detailed data on supply chain and manufacturing processes to support commercial strategy and optimizing working capital.

With that, I will turn the call over to Rik and Rob to discuss the third quarter results. Rik, over to you.

Rik Jacobs - *SunOpta, Inc. - CEO*

Thank you, Kathy. And Dean, I appreciate your kind words. And it is a pleasure to be here today to provide an update on the quarter and answer any questions you may have about that. Of course, if you can imagine this particular update is a bittersweet moment for me. As working with the new Board and the team from Oaktree on the enhancements you've just heard about makes me more convinced than ever that SunOpta is on the right path. At the same time, while we have implemented many positive changes, I also recognize that more needs to be done and that just may be best achieved with new leadership in place. With that, let's turn to slide seven.

Our Q3 revenue added up to $348.7 million, slightly less than we had predicted due primarily to three factors. First, lower volumes in sunflower products than we had foreseen which cost us about $3 million, a fire on the cold packer on the west coast where we have some of our pouch products filled which cost us about $2 million, and finally slow are than anticipated ramp up of new contracts in the healthy snacks segments.

Looking at the numbers by segments, global ingredients declined about 9% on an unadjusted basis but if we adjust for the impact of lower commodity prices, foreign exchange and the impact of the recall the underlying decline is actually about 3%. As before, domestically sourced raw materials saw a significant decline on the like-for-like basis of about 24%. Because we contracted less acres than in previous years and sold less to export markets as our focus has shifted to margin generation ahead of revenue growth.

Our internationally sourced organic raw materials grew like-for-like by 16% well above end markets although some are slower than in previous quarters and some of the customers slowed down the contracted deliveries. And each quarter, of course, we are facing tougher comps. In consumer products we grew by 67% but, obviously you also need to compare that on a like-for-like basis mainly to adjust for the acquisition of Sunrise Growers last year. When we do, growth was actually only 1%.

Now we are very pleased with the performance of our healthy beverage platform where revenues increased 16% driven primarily by our aseptic beverages. We started shipping the new product to our largest food service customer and also added other new wins as a result of the east coast expansion which truly gives us a national platform unlike anyone else in the space.

In healthy snacks, as I mentioned, the ramp up of new product launches and contract was slower than expected and they also suffered from the fire at the cold packer I mentioned just now. Net/net we declined about 13% percent in revenue due to these factors combined with a slowdown due to lower promotional activity in our fruit snack portfolio.

Finally, in healthy fruit the decline versus prior year after adjusting for some SKU rationalization following the consolidation of our Buena Park facility was roughly 5%, or about $6 million. This decline is mainly attributable to lower sales to our largest food service customer due to timing of deliveries compared to the prior year. Looking ahead, we have contracted a substantial amount of this food service business for 2017 already.

Please turn to slide number eight. Gross margin for the quarter came in at an adjusted rate of 12.3% compared to 10.7% adjusted last year when we had the port issues with importing organic feed as well as the startup costs for the east coast aseptic facility. This compares to a gross margin of 11.5% in the second quarter based on the same adjustments.

Overall, a good up tick of 160 and 80 basis points respectively. Global ingredient (inaudible) at 12.5% compared to 11.4% last year and about the same as a 12.4% we booked in the last quarter. The positive change to last year is because our sales continue to shift to higher margin organic products which we have been experiencing for some time now. Overall, good progress and as we have stated before, we are managing the domestic sourcing business for margin and not revenue.

Consumer products came in at an adjusted rate of 12.2% versus 9.9% last year and 10.7% in the second quarter of this year. The margin rate improved significantly, both against last year and against the prior quarter as we anticipated following the challenges we experienced in healthy fruit in the second quarter of this year. Also, as our aseptic beverage plants are now filling up to more than 70% utilization, this is helping to drive plant efficiencies inside beverages.

With that, I will turn the call over to Rob to go through the numbers in more detail.

Rob McKeracher - *SunOpta, Inc. - CFO*

Thanks, Rik. I will take you through some of the key financial statistics as well as balance sheet and cash flow metrics for the third quarter. Turning to slide nine. Gross profit was $41 million for the third quarter of 2016, compared with $36 million in the second quarter of 2016, and $26.3 million for the third quarter of 2015.

As a percentage of revenues, gross profit for the third quarter of 2016 was 11.8% compared to 10.3% in the second quarter and 9.5% in the third quarter last year. Excluding the impact of an acquisition accounting adjustment related to the sale of Sunrise inventory and losses caused by the interruption of production in our roasting operations, the gross profit percentage for the third quarter of 2016 would have been approximately 12.3%, compared to 11.5% in the second quarter of 2016.

The sequential improvement in gross profit reflects increased volumes of IQF fruit and improved production efficiencies within our frozen operations as early season crop shortages were recovered. For the third quarter, we reported operating income of $13.2 million or 3.8% of revenues compared to operating income of $8.8 million or 2.5% of revenues in the second quarter of 2016. And operating income of $4.1 million or 1.5% of revenues in the third quarter of 2015.

Adjusting for the same items I just mentioned as well as the impact of legal costs mainly related to the plum dispute and the strategic review, operating income in the third quarter would have been $16.8 million or 4.8% of revenues. Earlier today we announced the planned closure of our juice facility located in San Bernardino, California as we determined it will be more profitable to transfer our juice production from the facility to contract manufacturers with whom we have ongoing relationships rather than make further investments in support of the bottling or extraction areas of the facility.

These investments would have been necessary to satisfy packaging format changes that were initiated by our largest juice customer and to address challenges in contracting sufficient supply of raw citrus for the upcoming season which would have allowed for effective and efficient use of the facilities extraction capabilities. In the third quarter of 2016, we recorded an impairment loss of $10.3 million to write down the carrying value of the long-lived assets associated with the facility.

We expect to incur additional facility closure costs of approximately $4 million to $5 million over the next one to two quarters relating to lease termination and severance costs. On a GAAP basis for the third quarter, we reported a loss from continuing operations of $3.4 million or $0.04 per common share compared to a loss from continuing operations of $0.2 million or $0.00 per diluted common share during the third quarter of 2015. Third results were impacted by a number of items that are not reflective of normal operations and have been excluded when calculating adjusted earnings.

These items included $5.5 million of costs associated with the purchase accounting, financing and integration of the sunrise acquisition, $0.7 million associated with product recall costs, $0.6 million of litigation-related professional fees, $0.5 million in costs associated with the strategic review and a $1.3 million gain from changes in unrecognized tax benefits. Excluding all of these items on an after-tax basis adjusted earnings in the quarter were $6.3 million or $0.07 per diluted common share compared to adjusted earnings of $4.7 million or $0.07 per share in the third quarter of 2015.

The realized adjusted EBITDA of $26.7 million during the third quarter of 2016 compared to $23.5 million during the second quarter and $13.2 million in the third quarter of 2015.

I would like to remind listeners adjusted EBITDA and adjusted earnings are non-GAAP measures and reconciliation of these measures to GAAP can be found towards the back the press release issued early this morning. Turning to slide ten, from a cash flow perspective during the third quarter of 2016 we generated $17 million from cash from continuing operating activities reflecting cash results from operations and a small reduction in working capital.

During the third quarter, we invested $5.5 million to purchase capital assets and we expect to incur capital expenditures of approximately $18 million to $20 million for 2016. During the quarter, we applied $13.1 million of cash against our global credit facility. As we mentioned on the last call, the seasonal outflow of cash in our business is greatest during the first half of the fiscal year due to the timing of raw material purchases from growers.

The buildup in working capital is then reduced over the back half of the year resulting in a positive cash flow expectation as the Company heads towards year end. We expect further positive cash flows from continuing operations in the fourth quarter.

If you will please turn to slide 11 you will see our key balance sheet metrics. At October 1, 2016 SunOpta's balance sheet reflected total assets of $1.2 billion, total debt of $546.3 million and a total debt to equity ratio of 1.36 to 1.

Total debt declined by approximately $12 million from the end of the second quarter of 2016 as a result of the positive cash that I just mentioned. At October 1, 2016 SunOpta's leverage was approximately 5.8 times adjusted EBITDA on a trailing four quarter basis after eliminating the negative impact on EBITDA from the San Bernardino juice facility. From a liquidity perspective, we ended the quarter with approximately $105 million of available capacity on our asset-backed credit facility.

And following the conversion of our bridge loan into six year notes, which I will discuss in a moment, we are very well positioned with sufficient capital resources to support the value creation plan mentioned by Kathy. On October 7, 2016, we announced a strategic partnership with Oaktree Capital Management whereby Oaktree invested $85 million into cumulative non participating series A preferred stock of SunOpta Foods, Inc. that are exchangeable at any time into common shares of SunOpta, Inc.

The net proceeds from the issuance of the preferred stock were used to repay $79 million of borrowings on our second lien loan reducing the aggregate principle amount of the second lien loan to $231 million. On October 9, 2016, the remaining $231 million of the second lien loan matured and automatically converted into a term loan bearing interest at 9.5% with a maturity date of October 29, 2022.

On October 20, 2016, all of the outstanding term loan was exchanged for a corresponding amount of 9.5% senior secured second lien notes through 2022 which effectively completes our debt capital structuring following the purchase of Sunrise Growers in 2015.

Finally, during the second quarter of 2016, the Company announced a voluntary recall of certain roasted sunflower kernel products produced at its Crookston, Minnesota facility. For the first three quarters of 2016, estimated losses of $28 million were recognized in relation to the recall.

The Company carries general liability and product recall insurance and expects to recover recall-related costs through these policies less applicable deductibles and subject to coverage limits. As a result, during the first three quarters of 2016 the Company recorded estimated insurance recoveries of $27.4 million for the losses recognized to date. As the Company continues to work with its customers and insurance providers to substantiate claims received, it may need to revise estimates in subsequent periods.

With that, I will turn it over to Kathy who will conclude our prepared remarks. Kathy?

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Thanks, Rob. If I could leave all of you with some key messages it would be those on slide twelve. The successful implementation of the value creation plan will deliver value for all stakeholders. For our customers, it will lead us to the most trusted reliable supplier of natural and organic ingredients as well as private label solutions supported by timely and on trend innovation.

For our employees, we aim to provide them with the tools, resources and support to help them do their work and incent them to align with our objectives. Finally, for our shareholders, it is all about delivering value long-term through meeting or beating our mid-term EBITDA target. So with that, I would 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 Peter Prattas with Alta Corp Capital. Your line is now open.

Peter Prattas - *AltaCorp Capital - Analyst*

Good morning, everyone. I'm wondering if you can provide an update on the capacity utilization rate within the aseptic healthy beverages business and how that has progressed through the quarter? And maybe where you expect it to end the year given any new sales you may have signed? And with respect to the healthy fruit business, you had a few head winds which faced you in Q2 related to the later strawberry harvest and some competitor recalls that hurt sales. I'm wondering here if you could tell me if we saw any transition towards tail winds through the third quarter and whether those are expected to continue to unfold here in the fourth quarter? Thanks.

Rik Jacobs - *SunOpta, Inc. - CEO*

Good morning. So basically as I mentioned in the remarks our utilization rate is now above 70%. And we expect to continue to improve that utilization probably to about 75%, as I also mentioned. We started shipping the new beverages to our food service customer and that will only continue to grow as we progress into the fourth quarter. When it comes to healthy fruit, yes, sales were impacted in Q2. You look at IRI data which we just received last week, the category has been growing in the third quarter.

So we accept for this large customer in food service that basically caused the year-over-year decline. What is more important, though, is that definitely our margins bounced back to more historical levels. You know, you remember in Q2 how the margins were impacted by all of the sorting issues that we had to go through. We have been over coming those and margins are back up and we continue to expect good things from our IQF fruit business.

Operator

Our next question comes from Eric Gottlieb with D.A. Davidson. Your line is now open.

Eric Gottlieb - *D.A. Davidson - Analyst*

I was just trying to get through this plan a little bit more. Can we compare and contrast where we were in April, what are we giving up on and what goals are going to remain? There was a lot of specifics back then. There really wasn't specifics now and I'm wondering if you could just shed some light? I know you said that we weren't trying to get into it but at least somewhat.

Rik Jacobs - *SunOpta, Inc. - CEO*

Look, if I go back to, you know, the house that we have been presenting that is now obviously being replaced to some degree with the value creation plan but if you just look at the house itself first of all, innovation. We are far exceeding our goal of $10 million of innovation this year, on the back of this food service win that we had. Secondly, if we say about healthy beverages where we said we need to get double digit growth inside of aseptic. Definitely getting that.

You look at the healthy fruit segment where we said we had to go for successful integration. We are getting the synergies although the base plan is off of our expectations mainly due to the issues we had in Q2. If you look at it on the SG&A you can see that yourself. We are definitely below the 8% that we have stated. I think the latest quarter, Rob, was?

Rob McKeracher - *SunOpta, Inc. - CFO*

Right around 7%.

Rik Jacobs - *SunOpta, Inc. - CEO*

Right around 7%. And then finally, I think the issue where we have been struggling, of course, is in terms of the reduction of the cost of non performance on the operational side. I can't call that a win for this year when we had to announce the product recall in the second quarter. So that is a little bit more detailed update for you on the house, if you like.

Eric Gottlieb - *D.A. Davidson - Analyst*

Okay. And then moving on to the food service opportunities. What specific categories or channels are you targeting?

Rik Jacobs - *SunOpta, Inc. - CEO*

When all of the external partners have been looking at the business, they really identified that the food service is just not one channel, right. You have broad line distributors, you have the chain accounts, you have, you know, the contract feeders, et cetera, et cetera. If we are looking at the success we are having with a very large food service customer from the focus on coffee on the west coast, we think that success can be replicated by going to broad line distributors for our aseptic beverages.

The outside-in look is also there is more opportunities for our snacks portfolio as well as our fruit portfolio into that channel. And, I have to say that as a Company I think we have under invested into marketing and sales resources in the past. It is a significant area of white space that the Company will be well served to invest in so that we can increase the growth across the platform.

Eric Gottlieb - *D.A. Davidson - Analyst*

Okay. Fair enough. And do you have a targeted leverage?

Rob McKeracher - *SunOpta, Inc. - CFO*

Our target as we said before is we expect the cash flow over the coming period of time to get down to hopefully in the 3 to 3.5 range I would say is what we are targeting. The important thing right now is you look before us and with the value creation plan and acknowledging that this will take potentially some investment to start to get at the improvement. We do have $105 million of availability on our ABL today which offers us good capital flexibility to actually use that. Our goal of continuing to deleverage is obviously still something that we are pursuing and I would suggest a 3.0 to 3.5 is a comfortable spot for us to end up.

Eric Gottlieb - *D.A. Davidson - Analyst*

So before you were going to use that ABL to kind of swap out some of the 9.5% and now you are going to hold some of that back to make some investments in the business, is that right?

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Rob McKeracher - *SunOpta, Inc. - CFO*

We definitely will be investing in the business. What we will be doing as we cash flow is making sure we put the money to the most effective use by way of where we are going to be generating returns. And so, that will be ultimately what guides our decision-making on whether we are in your words holding it back, Eric. But, that is the key here. We have got the flexibility, we need to deliver on the value creation plan. If long-term we feel that the benefit is better to invest rather than reducing the debt, the debt will bear that interest. The debt is temporary and we can reduce that as the cash flows pick up over time.

Eric Gottlieb - *D.A. Davidson - Analyst*

Okay.

Rob McKeracher - *SunOpta, Inc. - CFO*

And important to note, and it wasn't in the script, we do have the ability under what is now the notes to make payments against that in each of the first two years. So in terms of the debt capital structure we have done, we have afforded ourselves that flexibility where we can continue to reduce the 9.5% debt to a certain extent over the first couple of years.

Eric Gottlieb - *D.A. Davidson - Analyst*

Okay. I will pass it on with that, thank you.

Rob McKeracher - *SunOpta, Inc. - CFO*

Thanks.

Operator

Our next question comes from Amit Sharma with BMO Capital Market. Your line is now open.

Amit Sharma - *BMO Capital Market - Analyst*

Rik, thanks a lot for helping us through the last several years and good luck with your next endeavor. With that, Dean and Kathy, could you just reiterate what mid-term goals are in terms of both top line and margin profile. If you want to go at it the divisional level that would be better. But just put on the table what are those goals?

Rob McKeracher - *SunOpta, Inc. - CFO*

Maybe I will just jump in Amit, what we have got in the release here and as everyone is aware we did put out our mid-term targets back in April. 24 to 36 month was the time horizon provided. That was very much a buildup by all of the pieces of the business but the fundamental metric (inaudible) was to achieve the EBITDA of between 8.5% and 10.5% of sales. To me, fundamentally, that is what will drive the most value here in terms of achieving those. So I think to be really short about it, that is the ultimate target we've got in mind.

Amit Sharma - *BMO Capital Market - Analyst*

And what is that goal for top line?

Rob McKeracher - *SunOpta, Inc. - CFO*

For top line, if you recall, we kind of went segment by segment, but the top line grown was high singles when you balance it all out between what we expected to grow in terms of our organic sourcing versus what we said is not expected to be growth and coming through this year is not growth in the domestic sourcing. And across our consumer portfolio we very much went channel by channel specific and said we expect to grow at or in some cases above the market. It really was a sum of the parts that balanced itself out to high single digits.

I think that as we look forward here, obviously, we are going to be in the first pillar of our value creation plan and an important feature is where are we going to invest more heavily and what aspects of our portfolio do we step back and say we are perhaps not best situated to succeed in. Obviously, way too early to give you anymore than that kind of visual in terms of where our head is at. If there are changes there obviously that would change what would be a simple revenue growth number so it is a buildup piece by piece but the focus is hitting that EBITDA goal.

Amit Sharma - *BMO Capital Market - Analyst*

And I fully appreciate that you don't have all of the specifics or you are not ready to share all of the specifics today but given the extent of changes that we are talking about not just at the high level of management but the organization and changing the composition structure and sales structure and orientation of customers' consumers, I'm sorry, customers' channels. And Dean, this is perhaps for you. Given your experience is it unreasonable for us to expect for you get there either sooner or achieve or exceed those goals in this time frame?

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

Well, Amit, I think a couple of things. I'm not sure what time frame you are --

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Amit Sharma - *BMO Capital Market - Analyst*

24 to 36 months is what the mid-term goal.

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

24 to 36 months, I think what as Rob says is I think our focus, we are basically saying don't change your models at this point, right? When we have the net impact of the value creation plan we're going to share those details with you. So at this point stay with where we are. Our focus will be on margin and EBITDA, because at the end of the day those are the ultimate measures of our success and our commitment to our shareholders. In my past, do I think the timing is realistic to achieve our plan? I do. You know, it takes time. As I said in my opening remarks, transformation is hard, change is hard, it is not linear. So but we are absolutely committed and believe in the long-term value creation at SunOpta, absolutely.

Amit Sharma - *BMO Capital Market - Analyst*

Okay. That's fair. And then one more for -- I mean we are talking about replacing Rik and Alan. Should we expect more changes throughout the organization as you put the new structure in place?

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

I think anybody that says they are not changing is either lying or dying, right? I hate it when any company no matter where they are in the life cycle or transformation cycle says there is not going to be change. That is actually ludicrous. So, yes, we're going to change and we will have a change oriented mindset and we are going to be decisive and we are going to be results-oriented and we are going to be focus on accountability and focusing on delivering long-term shareholder value. And, I think against the four pillars of our value creation plan, yes, you can expect continued change. And positive change for, as Kathy said, for all of our shareholders, stakeholders, for our customers, our employees and our shareholders.

Amit Sharma - *BMO Capital Market - Analyst*

Got it. And the last one for me just to get you really thinking on the private label brand and clearly that is seen as a very attractive opportunity. Could you at least even in broad term like can you paint where the opportunity is relative to the size of the business that you have in that channel today?

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

I don't know who that is targeted to. I think it is premature for us to establish what the total topline or private label component of that will be. We're very bullish on private label. We're very bullish on consumer brands broadly and specifically private label. And as Rik said across multiple channels. We think we have opportunities in the retail channel and across all of the food service channels. So obviously we will share more as we continue to ferret out those and identify those long-term top line opportunities.

Amit Sharma - *BMO Capital Market - Analyst*

That's it for me. Thank you very much. And I look forward to getting more specifics on this turn around plan.

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

Right, thank you, Amit.

Operator

(Operator Instructions). Our next question comes from the line of Mitch Pinheiro with Wunderlich Securities. Your line is now open.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

A couple of things here. First, you already addressed some of this, but you know, this value creation plan a lot of it I have heard this before over the last three or four years, I mean simplifying the organization, building a culture of accountability, a lot of these, bullets on slide 5 sound like repeats. And I would like to understand like, you know, I mean you are always looking for cost savings. Why is it different this time?

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

So I think the primary difference is, you know, the whole organization is focused on this from the Board on down. We mentioned in the script that we have an Operations Transformation Committee that is overseeing all of the activity in the value creation plan and all of the pillars that feed into the value creation plan. So we have all of the new resources and the existing resources on the Board and there is a far more operational oriented focus with frequency and assistance and guidance and challenges, and I think that is dramatically different than anything we've ever done and we started that in the last couple of weeks.

And right now, you know, we have been meeting actually weekly with the group. You know, the other thing I think is important, we are very decisive, we are action oriented. Because we have all these resources focused on it. We closed San Bernardino. That is something we have been contemplating and thinking about and we knew that the benefit was there and the EBITDA savings were there. So we made that decision very quickly. And I think, you know, that demonstrates our commitment. The other thing that we are doing very differently is, you know, we actually have a structured plan that everybody is involved in and everybody is participating in, and we are getting everybody to buy into.

And work streams related to all of the different activities that feed into these pillars, we are bringing in the resources that are necessary, sometimes outside resources, we have a person working with us full time from Oaktree and access to all of the Oaktree resources. They have access. They are experienced and they know how to do these types of transformations with the consultant resources and all of the different groups of people that can help us with our specific needs. So it is all hands on deck, if we need to do it, let's fix it. We have all been frustrated by the lack of consistent results.

We have great supply. We have a great products, we have great customers but we seem to get bogged down in the middle when it comes to consistent manufacturing. We're really committed, once and for all, to going deep into the factory's, making sure we've got all of the measurements in place, the systems in place, and the quality in place and doing -- you know, it's going to be hard and fast but we have all of the resources focused on that right now. Dramatically different than anything we've ever done before.

And we have a Project Management office that I'm Chairing. Collin Smith from Oaktree, our full-time resource, is acting as our de facto COO, he is here every day. He is leading this. He is leading the work streams and everybody is reporting in to him right now. So, it's quite different.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Okay. Very helpful. With San Bernardino, so you're going to be selling that facility, is that right?

Rob McKeracher - *SunOpta, Inc. - CFO*

Well, for right now what we have announced is our planned closure. And so, you know, listen, the good news there is it is commercially the business is intact. I mean, it goes without saying that we have not been successful in what we had intended to do with that facility both on the supply and on the commercial side there have been changes. Just don't leave us in a spot where we can honestly say we can make it a success. It is not going to impede sales. It will improve the margins because it will stop the losses there. As far as what we will do with the facility, Mitch, that we have to work through how to best maximize the value that remains there.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Let me ask another thing you talk about making decisions quickly and you acted on San Bernardino really quickly. It has been far from quick. It has been two years plus of just a very painful process quarter in and quarter out. Why wasn't a decision made a year ago, just curious what all of a sudden the quickness with San Bernardino is? Is it just time to cut the losses, you sort of saw light at the end of the tunnel and it just never happened?

Rob McKeracher - *SunOpta, Inc. - CFO*

All those things, absolutely. There comes a time. I mean we were managing a lot of change previously. Obviously we were investing, we were committed to turning that facility around and driving results according to our plan. You know, enough is enough now. I think is kind of the message that you heard from Kathy.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Okay.

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

And ultimately, you know, the customers change. The demands of the customer have changed and you know, we can be more nimble by doing it with contract manufacturing. And, it is more profitable. Bottom line. We to make those decisions. It doesn't mean we have to keep the facility.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Yes. Well it would be nice to get San Bernardino out of the conference call transcript once and for all. And then, so a couple other things real quickly. Is investing. You talk about investing in the business. What are we actually talking about? New facilities? Different equipment? What is the investment that you are specifically talking about?

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Well, you know, we are looking at all of the above, however, we think it is premature to start talking about the details. But when we do have that detail we are happy to share it with you.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Okay. So, when we talked when we were looking around $20 million of CapEx are we going to see next year go to $40 million, $60 million? Or is it not in those kind of numbers we are talking about? Just some kind of gauge when I start looking at cash flow for next year. Is it --

Rob McKeracher - *SunOpta, Inc. - CFO*

The $20 million this year obviously that is kind of an average, I would suggest, year for us. Where is it all going beyond maintenance? Right now it is going into things that make a ton of sense. Productivity improvements and things that help us be more efficient and deliver more consistently in the factories. As Kathy mentioned, we are not in a spot to give you a new number at this point. I think it is fair to assume there it going to be some capital spending because we are here to in terms of our portfolio invest and maximize especially in those places where we believe we have got the biggest competitive advantage here.

That is very likely that would take some capital dollars. Mitch, to give you a range from a modeling perspective, certainly we will have more granularity in the future for you. But, you know, if you went back to kind of historical levels for now is, I would suggest that wouldn't be -- you wouldn't be too far away from being correct, so to speak, if you went back.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Okay. That's helpful. And then I guess final question is as you still look at your mid-term targets, it's going to be a mix still of I mean a revenue mix to get to these EBITDA targets and some of the investment and, you know, supply chain and all of the other improvements you are looking to make. Is that fair it's going to be a mix of both revenue, change and --

Rob McKeracher - *SunOpta, Inc. - CFO*

For sure, for sure. And, you know, fully appreciate that as we did the targets and established them and the reason we did is kind of in the sum of the parts is you can appreciate, Mitch, that is how you have to model the Company. Yes, it's going to be a mix of growth. It's going to be a mix of greater productivity improvements, efficiencies, volume, all of the above. And that is really the heavy lifting we are working on now and at some point we will be able to offer more granularity in how to think about that in different pieces.

Mitch Pinheiro - *Wunderluch Securities - Analyst*

Okay. Thank you, I appreciate the insights.

Rob McKeracher - *SunOpta, Inc. - CFO*

Thanks.

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Thanks.

Operator

Our next question comes from the line of Jon Andersen with William Blair. Your line is now open.

Jon Andersen - *William Blair & Company - Analyst*

Most of my questions have been answered. A couple of follow-ups on Mitch's question there to get to the mid-term EBITDA targets, you know there is a lot of discussion around focus, makes sense to me. Should we be assuming that, you know, parts of the business or the business gets kind of maybe smaller from a revenue perspective before a gets larger, and that is part of the equation here that helps you get to the EBITDA targets that you cited?

Rob McKeracher - *SunOpta, Inc. - CFO*

I mean, are all kind of options on the table, absolutely. I think it would be fair to assume, I appreciate it is a difficult thing to model but again it is this whole concept of focus, if you will, is very grounded on investing in areas where we have got the structural right to win and we think we are very competitively positioned. And in other cases we will evaluate whether we have got the same long-term value opportunity. So it could very well be a mix.

And you know, not to sound like I'm repeating my self but we are just not in a position to give you much more detail than that right now but certainly more to come.

Jon Andersen - *William Blair & Company - Analyst*

And the decision on San Bernardino, does that have any implications? I understand the benefit to EBITDA. Does that have any implications on sales or kind of the commercial activities?

Rob McKeracher - *SunOpta, Inc. - CFO*

No. I mean that is one of the things. San Bernardino is just one of the places where we created the bottled juice. We have co-pack relations and and have always had co-pack relations on both coasts and that is what we will be tapped to continue and grow the sales that we have got in that part of our product portfolio. So no, no top line impact at all as a result of that decision.

Jon Andersen - *William Blair & Company - Analyst*

I may have missed this earlier, but is there anything you can say about the as you work through the value creation plan the timing of updates? Will we get updates with quarterly results? Could there be something you know, on an inter quarter basis so we can get a sense of pacing as you move through the process? Thanks.

Rob McKeracher - *SunOpta, Inc. - CFO*

Yes. Quarterly would be the cadence that I would expect that we would come out. This is priority number one, two and three for the Company so obviously each quarter we will be providing all investors with an update of where we are at and how to expect what is going to come.

Jon Andersen - *William Blair & Company - Analyst*

Last one for me. Where was net debt or where is net debt at present and where do you think your debt level will kind of come in at year end?

Rob McKeracher - *SunOpta, Inc. - CFO*

Sure, so we ended the quarter at $546 million so we are down $12 million from the end of the second quarter and it would be fair for everyone to expect to continue to see that drop as we head towards the end of the year. From my perspective I would use last year's fourth quarter as a decent proxy for what we think this years fourth quarter can do. Keeping in mind that the biggest impact on our debt levels is our working capital so I think last year was in the range of $25 million to $30 million from working capital from the end of the third to the end of the fourth quarter. I would suggest use that as your guide.

Jon Andersen - *William Blair & Company - Analyst*

And then the $79 million that was used to retire second lien.

Rob McKeracher - *SunOpta, Inc. - CFO*

Yes.

Jon Andersen - *William Blair & Company - Analyst*

Okay.

Rob McKeracher - *SunOpta, Inc. - CFO*

Yes. So the $79 million is a straight reduction on a net basis to debt and you will see that come through in the fourth quarter, of course.

Jon Andersen - *William Blair & Company - Analyst*

Thanks, everybody. Good luck.

Rob McKeracher - *SunOpta, Inc. - CFO*

Thanks.

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Thanks.

Operator

We have a follow-up request he from the line of Amit Sharma. Your line is open.

Amit Sharma - *BMO Capital Market - Analyst*

Thanks for taking a follow-up. Two quick ones for me. Dean, as we think about future cost savings, A, is there a metric to think about what those are? And two, I would imagine that sales force optimization would be part non sales force but total workforce optimization would be part of that? Are there any union issues to think of? And then I have one more after that.

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

I will let Rob. Rob is familiar with the union.

Rob McKeracher - *SunOpta, Inc. - CFO*

We have no unions, Amit today, and we don't have anything in that regard.

Amit Sharma - *BMO Capital Market - Analyst*

And are we talking at all about the size of the future savings other than the $4 million cited for the San Bernardino plant?

Rob McKeracher - *SunOpta, Inc. - CFO*

No. Right now we are not giving and appreciate the thirst for knowing more granularity and we fully get that and we plan on providing that when we are prepared but right now it is too premature for us to give much more granularity. What I don't mind sharing is some of the investment will be into bolstering our sales force, our marketing efforts, those sorts of things to take advantage of those white space areas that Kathy mentioned.

Amit Sharma - *BMO Capital Market - Analyst*

And then just one for Dean. You mentioned (inaudible) in the script, SunOpta's right to win in certain areas. Can you highlight when you think of the portfolio as part of your deep dive into it over the last several weeks or not what are the areas that come to mind? What are the top three areas that you think of?

Dean Hollis - *SunOpta, Inc. - Chairman of the Board*

I will let Kathy and Rik chime in as well. As we've said before we have the three areas in healthy fruits, healthy snacks and healthy beverages will continue to be our key focus areas. And as we think about the supply chain all the way from global ingredient sourcing on the healthy non-GMO and organic all the way through finished consumer goods, specifically around private label.

Rik Jacobs - *SunOpta, Inc. - CEO*

Amit, I mean if I could just build on that, I think as everybody recognizes, I hope, we are the only Company that is vertically integrated and as demand continues to outfit supply I think that will serve as well. And if you look at the investments we are making into, for example, our aseptic portfolio where we are now the only one that has a national platform. If you look at the investments that Sunrise has been making where we diversify the sourcing but also where they have diversified where they pack to provide more logistics advantages. Those are all incredibly difficult I think to replicate.

Amit Sharma - *BMO Capital Market - Analyst*

Thank you so much.

Operator

I'm showing no further questions in queue at this time. I would like to turn the call back to Ms. Houde for closing remarks.

Kathy Houde - *SunOpta, Inc. - Director, interim CEO*

Thank you, Operator, and thank you all for participating in our Q3 conference call. We are very excited about the opportunity ahead of us. We are committed to the hard work that is required to deliver on our value creation plan and we look forward to updating you on future calls.

Operator

Ladies and gentlemen, that does conclude the program and you may now disconnect. Have a great day.
