

SunOpta Inc.
Form 10-K
February 27, 2019

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 29, 2018**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. **001-34198**

SUNOPTA INC.

(Exact Name of Registrant as Specified in Its Charter)

CANADA
(Jurisdiction of Incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

2233 Argentia Drive, Suite 401
Mississauga, Ontario L5N 2X7, Canada
(Address of Principal Executive Offices)

(905) 821-9669
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<u>Common Shares, no par value</u>	<u>The NASDAQ Stock Market, Toronto Stock Exchange</u>

Securities registered pursuant Section to 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Aggregate market value of the common equity held by non-affiliates of the registrant, computed using the closing price as reported on the NASDAQ Global Select Market for the registrant's common shares on June 30, 2018, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$600 million. The registrant's common shares trade on the NASDAQ Global Select Market under the symbol STKL and on the Toronto Stock Exchange under the symbol SOY.

The number of shares of the registrant's common stock outstanding as of February 22, 2019 was 87,478,618.

Documents Incorporated by Reference: Portions of the SunOpta Inc. Definitive Proxy Statement for the 2019 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Basis of Presentation

Except where the context otherwise requires, all references in this Annual Report on Form 10-K for the fiscal year ended December 29, 2018 (Form 10-K) to SunOpta , the Company , we , us , our or similar words and phrases refer to SunOpta Inc. and its subsidiaries, taken together.

In this report, all currency amounts presented are expressed in thousands of United States (U.S.) dollars (\$), except per share amounts, unless otherwise stated. Other amounts may be presented in thousands of Canadian dollars (C\$), euros (€) and Mexican pesos (M\$). The following table sets forth, for the periods indicated, the rate of exchange for the Canadian dollar, euro, and Mexican peso, expressed in U.S. dollars, based on Bank of Canada exchange rates. These rates are provided solely for convenience, and do not necessarily reflect the rates used by us in the preparation of our financial statements.

Year	Canadian Dollar		Euro		Mexican Peso	
	Closing	Average	Closing	Average	Closing	Average
2018	0.7332	0.7723	1.1446	1.1812	0.0503	0.0520
2017	0.7971	0.7708	1.1998	1.1281	0.0509	0.0530
2016	0.7448	0.7548	1.0553	1.1066	0.0485	0.0537

Forward-Looking Statements

This Form 10-K contains forward-looking statements which are based on management's current expectations and assumptions and involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and are typically accompanied by words such as anticipate , estimate , target , intend , project , potential , continue , believe , expect , can , could , would , should , may , might , budget , forecast , the negatives of such terms, and words and phrases of similar impact and include, but are not limited to references to future financial and operating results, plans, objectives, expectations and intentions; our ability to rationalize certain expenses and redeploy capital to enhance our focus on growing our consumer products and international organic sourcing platforms following the sale of our soy and corn business; the anticipated benefits of our Value Creation Plan, including the estimated amount, timing and sustainability of adjusted earnings before income taxes, depreciation and amortization (EBITDA) enhancements; our intention to implement business strategies and operational actions, and make structural investments under the Value Creation Plan, and the associated timing and costs of these actions; our ability to drive growth and deliver long-term value; future expectations related to our businesses, including operational growth and expansion plans, plans to improve profitability, and the global markets for our products; the expected increased capacity utilization resulting from our aseptic capacity expansion plan and the associated cost and timing; proposed construction of new cold storage facility at Santa Maria, California; improved revenue growth and profitability as a result of customer and product mix optimization efforts; and expected enhancements resulting from and timing of implementation of our new demand planning system; and other statements that are not historical facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on certain assumptions, expectations and analyses we make in light of our experience and our interpretation of current conditions, historical trends and expected future developments, as well as other factors that we believe are appropriate in the circumstances.

Whether actual results and developments will be consistent with and meet our expectations and predictions is subject to many risks and uncertainties. Accordingly, there are important factors that could cause our actual results to differ materially from our expectations and predictions. We believe these factors include, but are not limited to, the following:

- failure or inability to implement our value creation strategies to achieve anticipated benefits;
- conflicts of interest between our significant investors and our other stakeholders;

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- disruptions to our business caused by shareholder activism;
- product liability suits, recalls and threatened market withdrawals that may arise or be brought against us;
- food safety concerns and instances of food-borne illnesses that could harm our business;
- litigation and regulatory enforcement concerning marketing and labeling of food products;

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- significant food and health regulations to which we are subject;
- ability to obtain additional capital as required to maintain current growth rates;
- the potential for impairment charges for goodwill or other intangible assets;
- the highly competitive industry in which we operate;
- that our customers may choose not to buy products from us;
- the potential loss of one or more key customers;
- changes and difficulty in predicting consumer preferences for natural and organic food products;
- our ability to effectively manage our supply chain;
- volatility in the prices of raw materials, freight and energy;
- the availability of organic and non-genetically modified ingredients;
- unfavorable growing and operating conditions due to adverse weather conditions;
- an interruption at one or more of our manufacturing facilities;
- technology failures that could disrupt our operations and negatively impact our business;
- the potential for data breaches and the need to comply with data privacy and protection laws and regulations;
- the loss of service of our key management;
- labor shortages or increased labor costs;
- technological innovation by our competitors;
- ability to protect our intellectual property and proprietary rights;
- changes in laws or regulations governing foreign trade or taxation;
- agricultural policies that influence our operations;
- substantial environmental regulation and policies to which we are subject;
- changes in laws or regulations governing climate change;
- the enactment of new climate change laws;
- fluctuations in exchange rates, interest rates and the prices of certain commodities;
- exposure to our international operations;
- increased vulnerability to economic downturns and adverse industry conditions due to our level of indebtedness;
- restrictions under the terms of our debt and equity instruments on how we may operate our business;
- our ability to renew our revolving asset-based credit facility (the Global Credit Facility) when it becomes due on February 10, 2021;

- our ability to meet the financial covenants under the Global Credit Facility or to obtain necessary waivers from our lenders;
- our ability to effectively manage our growth and integrate acquired companies;
- our ability to achieve the estimated benefits or synergies to be realized from business acquisitions;
- exposure to unknown liabilities arising from business acquisitions;
- unexpected disruptions in our business, including disruptions resulting from business acquisitions;
- our ability to successfully consummate possible future divestitures of businesses;
- volatility of our operating results and share price;
- that we do not currently intend to, and are restricted in our ability to, pay any cash dividends on our common shares in the foreseeable future;
- dilution in the value of our common shares through the exchange of convertible preferred stock, exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities; and
- impact of the publication of industry analyst research or reports about our business on the value of our common shares.

All forward-looking statements made herein are qualified by these cautionary statements, and our actual results or the developments we anticipate may not be realized. Our forward-looking statements are based only on information currently available to us and speak only as of the date on which they are made. We do not undertake any obligation to publicly update our forward-looking statements, whether written or oral, after the date of this report for any reason, even if new information becomes available or other events occur in the future, except as may be required under applicable securities laws. The foregoing factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A, Risk Factors, included elsewhere in this report.

PART I

Item 1. Business

INTRODUCTION

SunOpta, a corporation organized under the laws of Canada in 1973, is a leading global company operating businesses focused on a healthy products portfolio that promotes sustainable well-being. We are focused on sourcing non-genetically modified (non-GMO) and organic ingredients and manufacturing healthy food and beverage products. We operate an integrated field-to-table business model leveraging our global ingredient sourcing platform to process and market non-GMO and organic ingredients for retailers, food manufacturers and foodservice operators. We also manufacture packaged products focused on the high growth healthy beverages, healthy fruit and healthy snacks categories for our retail, foodservice and branded food customers. We believe we are a North American market leader in non-dairy organic aseptic beverages, premium refrigerated private label orange juice, individually quick frozen (IQF) organic fruit, healthy premium fruit snacks, and the global sourcing and supply of non-GMO and organic raw materials and ingredients. Our scalable global sourcing platform makes us one of the leading suppliers of non-GMO and organic raw materials and ingredients in the food industry, and provides us leading insights into emerging food and beverage trends. Our product portfolio is strategically aligned with the fast-growing consumer demand for high quality, healthy non-GMO and organic food and beverage products.

Our vertically integrated business model makes us a preferred partner to our retail (e.g., grocery, mass, club, natural and specialty chains), foodservice and branded food customers. We deliver a diverse, innovative portfolio of high quality food and beverage products supported by our global sourcing platform, scalable operating footprint, manufacturing expertise and commitment to innovation. This platform enables us to consistently supply our customers with a broad range of non-GMO and organic ingredients as well as high quality healthy food and beverage products that cater to the evolving demands of today's consumers. As a leading supplier of non-GMO and organic ingredients to the food industry, we leverage our insights into emerging consumer tastes and preferences to develop innovative new food and beverage products.

Our Product Portfolio

Our diverse consumer products portfolio utilizes non-GMO and organic raw materials and ingredients that are sourced primarily by our vertically integrated global ingredients capabilities, and consists of three main commercial platforms:

- *Healthy Beverages* We offer a full line of aseptic beverages, comprising non-dairy beverages (including almond, soy, coconut, oat, hemp, rice and others), broths, teas and nutritional beverages. We also offer refrigerated premium juices, shelf-stable juices and functional waters. We believe we are the leading North American provider of non-dairy organic aseptic beverages and premium refrigerated private label organic orange juice.
- *Healthy Fruit* We offer IQF fruit for retail (e.g., strawberries, blueberries, mango, pineapple, blends and other berries and fruit), IQF and bulk frozen fruit for foodservice (e.g., purées, fruit cups and smoothies), and custom fruit preparations for industrial use. We believe we are the leading North American provider of private label non-GMO and organic IQF fruit.
- *Healthy Snacks* We offer fruit snacks (including bars, twists, ropes and bite-sized varieties), and roasted grain and seed snacks. We believe we are a leading North American provider of premium healthy fruit snacks. During 2017, we exited our flexible resealable pouch and nutrition bar product lines and operations, which were formerly part of the Healthy Snacks platform.

Our global ingredients platform is focused on the procurement and sale of non-GMO and organic grains and seeds (including ancient grains and seeds), fruits, vegetables, sweeteners, coffees, nuts, cocoa and other products as ingredients in both raw material and processed ingredient forms. In addition to supplying ingredients for our own

healthy food and beverage product portfolio, we are a leading supplier of raw materials and processed ingredients to a number of global food manufacturers and foodservice operators. Our vertically integrated model allows us to leverage our scalable and diverse supply of high quality non-GMO and organic ingredients, adding value to a product at multiple stages of the supply chain and delivering comprehensive non-GMO and organic food ingredients and packaged goods solutions to our customers' evolving demands. This model allows us to generate additional revenue from our global ingredients customers by providing them with high quality healthy food and beverage products.

Using our vertically integrated business model, we process non-GMO and organic food ingredients into consumer-packaged products. Our food ingredients are converted from raw materials, and our raw materials are sourced from approximately 5,000 suppliers encompassing approximately 10,000 growers in over 65 countries. Our employees and assets, which include 20 processing and packaging facilities, are principally located in North America and Europe, with smaller sourcing and processing operations in Africa and China. Our operations and capabilities provide the flexibility to modify our product portfolio to adapt to the changing consumer needs for non-GMO and organic food and beverage products. As a general principle, we do not own or operate our own farms, retail stores, or extensively market our own consumer brands.

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Our commitment and proactive approach to new product development and innovation drives our ability to introduce new higher margin food and beverage products to the market. The resources of our advanced innovation center in Edina, Minnesota, support our product development activities, with a dedicated team of food scientists, engineers and technicians, who proactively engage customers in creating and developing new products. Our innovation platform supports our leadership position in non-GMO and organic food and strengthens our relationships with our retail, foodservice and contract manufacturing customers.

Sale of Specialty and Organic Soy and Corn Business

On February 22, 2019, our subsidiary, SunOpta Grains and Foods Inc., completed the sale of our specialty and organic soy and corn business to Pipeline Foods, LLC (Pipeline Foods) for \$66.5 million, subject to certain post-closing adjustments. The soy and corn business engaged in seed and grain conditioning and corn milling and formed part of our North American-based raw material sourcing and supply operating segment, included in the Global Ingredients reportable segment. The business included five facilities located in Hope, Minnesota, Blooming Prairie, Minnesota, Ellendale, Minnesota, Moorhead, Minnesota, and Cresco, Iowa. As part of the transaction, we entered into a multi-year supply agreement with Pipeline Foods for certain ingredients used in our consumer products business. We will continue to operate our other North American-based sourcing and supply operations, consisting of sunflower and roasting operations, as well as our European- and U.S.-based organic ingredient operations, which were not part of the sale.

The sale of the soy and corn business was driven by the portfolio optimization strategy of the Value Creation Plan (see below), which is designed to simplify our business and exit product lines where we are not effectively positioned to drive long-term profitable growth. We intend to initially apply the net proceeds from the transaction to reduce debt, and over time redeploy this capital to further enhance our consumer products and international organic sourcing platforms.

Additional financial information related to this transaction and the soy and corn business can be found at Item 7 of this Annual Report on Form 10-K. The sale of the soy and corn business was completed after the end of the periods covered by this report and did not affect our results of operations as reported herein for the fiscal year ended December 29, 2018. Unless otherwise stated, the disclosures in this report reflect our business as it was conducted during the periods covered by this report, without giving effect to the sale of the soy and corn business.

Value Creation Plan

On October 7, 2016, we entered into a strategic partnership with Oaktree Capital Management L.P., a private equity investor (together with its affiliates, Oaktree), and, on that date, Oaktree invested \$85.0 million through the purchase of cumulative, non-participating Series A Preferred Stock (the Preferred Stock) of our wholly-owned subsidiary, SunOpta Foods Inc. (SunOpta Foods).

Following the strategic partnership, with the assistance of Oaktree, we conducted a thorough review of our operations, management and governance, with the objective of maximizing our ability to deliver long-term value to our shareholders. As a product of this review our management and the Board of Directors implemented a Value Creation Plan built on four pillars: portfolio optimization, operational excellence, go-to-market effectiveness and process sustainability. The Value Creation Plan is a broad-based initiative focused on increasing shareholder value through strategic investments made to the people and assets of the Company to deliver sustained profitable growth.

In the first phase of the Value Creation Plan, implemented over 2017 and 2018, we have achieved \$30 million of productivity-driven annualized enhancements to adjusted EBITDA. For 2017, the adjusted EBITDA benefits were offset by expenses associated with the Value Creation Plan, including structural investments made in the areas of quality, sales, marketing, operations and engineering resources, and non-structural third-party consulting support, severance and recruiting costs. For 2018, the adjusted EBITDA benefits were offset by a decline in profitability in the

frozen fruit platform as a result of sales price reductions to improve competitive positioning, and higher costs including enhancements in sales, service and quality. The Value Creation Plan also calls for increased investment in capital upgrades at several manufacturing facilities to continue to enhance food safety and manufacturing efficiencies and capabilities.

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During 2018, the following actions were taken under each of the four pillars of the Value Creation Plan:

Portfolio Optimization

- Completed an expansion project at our Mexican frozen fruit facility, which is expected to drive incremental cost savings, in addition to enhanced profitability from the addition of retail bagging capabilities while continuing to ensure high quality product and customer service. The increased freezing and storage capacity also enables further diversification of the fruit varieties sourced from Mexico, which is also expected to provide long-term cost advantages.
- Completed commissioning of a second roasting and processing line at our organic cocoa facility in the Netherlands. In addition to adding new capabilities at the facility, this expansion approximately doubled cocoa processing capacity.
- Completed the commissioning of new roasting equipment at our Crookston, Minnesota, facility. The new equipment is designed to increase production efficiencies and add incremental capacity and roasting capabilities in support of demand for on-trend healthy snacks including roasted grains, seeds and legumes.
- Progressed with the commissioning of a new oil processing line at our Bulgarian sunflower facility, which is expected to drive incremental margins through growth and production efficiency.
- Initiated an expansion project at our Allentown, Pennsylvania, aseptic beverage facility to add processing and packaging capacity. This investment is also designed to add enhanced mixing and processing capabilities that should enable us to bring further innovation to the plant-based beverage market. The additional processing and filling capacity is also expected to provide increased flexibility and cost advantages across our network of aseptic plants, while creating needed capacity to continue to grow our organic and conventional aseptic beverage offerings.

Operational Excellence

- Continued to advance food safety and quality efforts across our entire manufacturing footprint, which has resulted in positive trends in third-party audit scores versus the prior year, including an approximately one-third reduction in consumer complaints in the Healthy Fruit platform year-over-year.
- Achieved approximately \$20 million of productivity-driven margin enhancements in 2018 through our *SunOpta 360* continuous improvement initiative in the areas of manufacturing, purchasing and supply chain management.
- Invested considerable time and resources into pack plan readiness initiatives across our California and Mexico fruit facilities in preparation for the 2018 strawberry harvest, resulting in high scores for fruit quality from enhanced sorting and handling processes, and a rebalancing of inventory levels.
- Approved a significant capital enhancement project to bring new automation and technology to our California fruit facilities and negotiated a long-term lease at the Santa Maria, California, location, which will involve the construction by the landlord of an adjacent public cold storage facility. These enhancements are designed to lower cost and increase productivity and improve quality in the Healthy Fruit platform.
- Continued to improve operational performance across the network of aseptic facilities, with overall capacity utilization exceeding 80% in the fourth quarter of 2018.

Go-To-Market Effectiveness

- Achieved commercial wins including the introduction of an innovative oat-based, non-dairy beverage into retail and industrial channels, expanded distribution of traditional non-dairy products into retail and broadline foodservice channels, expanded distribution of everyday broth with a large mass retailer, a new agreement to provide private label frozen fruit for a specialty retailer, increased orders for private label frozen fruit items following a category reset, and increased sales of co-manufactured fruit snacks.
- Successfully commercialized over 100 new and refreshed everyday broth and frozen fruit products with large mass and traditional retailers.

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- Retained a retail frozen fruit account that was being re-bid plus a 14% increase in distribution, and secured a multi- year supply agreement with a large foodservice operator for aseptic beverage products.
- Maintained a strong pipeline of commercial opportunities in Consumer Products, and grew the overall contract book for organic ingredients both in Europe and the U.S. versus prior year levels.

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Process Sustainability

Enhanced employee health and safety processes resulted in an over 30% reduction in recordable incidents in 2018 versus the prior year.

Enhanced product commercialization capabilities resulted in the launch of over 100 new and refreshed products across the Healthy Beverage and Fruit platforms. Combined with our research and development capabilities, these commercialization processes are expected to aid in successfully bringing new innovation to market.

Implemented a new demand planning system that is expected to enhance our sales and operations planning processes.

Implemented a new specification system for ingredients that is designed to drive improved food safety and quality along with improved research and development efficiencies.

Added improved capacity planning capabilities across the frozen fruit and aseptic beverage networks in preparation for business expansion.

Consolidated transactional and other support functions of the Healthy Fruit platform into our North American shared services.

Completed an enterprise resource planning system implementation project at the Mexican frozen fruit facility.

In 2019, we intend to continue to make the necessary strategic business decisions and structural investments that we believe will deliver sustained profitable growth and deliver long-term value. The four pillars of the Value Creation Plan will continue to be framework that guides all of our enterprise-wide objectives. Our focus for 2019 will be in the following two key areas:

Operational Efficiency and Expansion

Continued execution of critical efficiency and expansion projects, including:

- o New fruit margin optimization plan, which includes the installation and commissioning of new automation and quality improvement equipment in our California fruit facilities ahead of the 2019 and 2020 strawberry pack seasons, and construction of the new public cold storage facility adjacent to our Santa Maria facility, all designed to drive margin improvement over the 2019 and 2020 crop seasons through lower labor and conversion costs, improved yield, and lower overall storage and freight costs.
- o Addition of new filling and processing capacity and capabilities at our Allentown beverage facility by the third quarter of 2019.
- o Opening of a new organic avocado oil facility located in Ethiopia during the second half of 2019.

Through the *SunOpta 360* continuous improvement initiative in 2019, we are targeting \$10 million of in-year productivity-driven margin enhancement in the areas of manufacturing, purchasing and supply chain, with a significant portion of this target coming from the fruit margin optimization plan.

Customer Service, Revenue Growth and Margin Accretive Innovation

Relentless focus on food safety, quality, and service including continued enhancements to our sales and operations planning processes and capacity planning capabilities.

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Continued growth across the Healthy Fruit, Beverage, and Snack consumer products categories, with a focus on bringing margin-accretive innovation to market to increase the number of value-added products we offer to our customers and targeting approximately 80% capacity utilization inside the aseptic network by the end of 2019, which includes new capacity expected to come online in the third quarter of 2019.

Targeted growth in our Global Ingredients segment, driving our mix of certified organic ingredients to represent over 80% of the sales in the portfolio, and achieving 85% capacity utilization in the recently expanded organic cocoa processing facility by the end of the 2019.

The statements we make in this Form 10-K about the expected results of the Value Creation Plan, including the expected improvements in earnings and adjusted EBITDA, as well as future actions to drive growth and deliver long-term value including the fruit margin optimization plan, are forward-looking statements. Forward-looking statements contained in this Form 10-K are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the *Risk Factors* section at Item 1A of this Form 10-K. Adjusted EBITDA is a non-GAAP measure that management uses when assessing the performance of our operations. See footnote (3) to the *Consolidated Results of Operations for Fiscal Years 2018 and 2017* table in management's discussion and analysis of financial condition and results of operations at Item 7 of this Form 10-K for a discussion on the use of this non-GAAP measure and for a reconciliation of adjusted EBITDA from loss from continuing operations, which we consider to be the most directly comparable U.S. GAAP financial measure.

Changes in Directors and Executive Officers

On February 21, 2019, the Board of Directors of the Company (the *Board*) terminated David Colo as President and Chief Executive Officer (*CEO*) of the Company. In accordance with the terms of Mr. Colo's employment agreement, his service as a member of the Board also terminated. On February 22, 2019, Katrina Houde, a member of the Board since December 2000, was appointed to the role of interim CEO. Ms. Houde was interim CEO for the Company from November 11, 2016 through February 6, 2017. Ms. Houde has agreed to serve in this capacity until the Board's election of a new, permanent CEO. The Board has initiated a search process for a permanent CEO.

Regretfully, Gregg Tanner, a member of the Board since January 2017, passed away on January 24, 2019.

ACQUISITION HISTORY

SunOpta has been built through business acquisitions and internal growth. The following is a summary listing of business operations that we have acquired and retained since the inception of SunOpta. This summary does not include acquisitions that were subsequently divested.

Date of Acquisition	Business Operations Acquired	Reportable Segment
August 3, 1999	Sunrich Inc.	Global Ingredients
August 15, 2000	Certain assets of Hoffman Aseptic	Consumer Products
September 18, 2000	Northern Food and Dairy, Inc.	Consumer Products
March 14, 2001	First Light Foods Inc.	Consumer Products
May 8, 2003	Kettle Valley Dried Fruit Ltd.	Consumer Products

November 1, 2003	SIGCO Sun Products, Inc.	Global Ingredients
December 1, 2003	Sonne Labs, Inc.	Global Ingredients
September 13, 2004	51% of the outstanding shares of Organic Ingredients, Inc. (remaining 49% of the outstanding shares were acquired on April 5, 2005)	Consumer Products
June 2, 2005	Earthwise Processors, LLC	Global Ingredients
July 13, 2005	Pacific Fruit Processors, Inc.	Consumer Products
November 7, 2006	Hess Food Group LLC	Consumer Products
April 2, 2008	The Organic Corporation	Global Ingredients
November 8, 2010	Dahlgren & Company, Inc.	Global Ingredients
December 31, 2012	Organic Land Corporation OOD	Global Ingredients
March 2, 2015	Citrusource, LLC	Consumer Products
August 11, 2015	Assets of Niagara Natural Fruit Snack Company Inc.	Consumer Products
October 9, 2015	Sunrise Holdings (Delaware), Inc.	Consumer Products

SEGMENT INFORMATION

The composition of our reportable segments is as follows:

Global Ingredients aggregates our North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of specialty and organic grains and seeds, raw material ingredients, value-added grain- and cocoa-based ingredients, and organic commodities.

- Consumer Products consists of three main commercial platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages includes aseptic packaged products including non-dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes IQF fruits for retail; IQF and bulk frozen fruit for foodservice; and custom fruit preparations for industrial use. Healthy Snacks is focused on fruit snack offerings, and formerly included our flexible resealable pouch and nutrition bar product lines, which we exited in 2017.

In 2018, we transferred certain of our specialty ingredient operations from Global Ingredients to the Healthy Beverages platform of Consumer Products. These operations produce liquid bases, including for our non-dairy aseptic beverage operations, as well as spray-dried ingredients

Financial information for each reportable segment describing revenues from external customers, a measure of profit or loss, and total assets for the last three fiscal years, as well as financial information about geographic areas for the last three fiscal years, is presented in note 23 of the Consolidated Financial Statements.

Global Ingredients

Operations and Product offerings Global Ingredients

Global Ingredients aggregates our North American and international raw material sourcing and supply operating segments focused on the procurement, processing and sale of specialty and organic grains, seeds, fruits, grain- and cocoa-based ingredients, and other commodities, which are used primarily in applications serving the natural and organic food industry. Its operations are centered in Amsterdam, the Netherlands; Edina, Minnesota; and Scotts Valley, California.

Global Ingredients sources raw materials, ingredients and certain grain-based food products from approximately 65 countries around the world, which include:

- Organic fruit- and vegetable-based raw materials and ingredients, sweeteners, cocoa, coffees, ancient grains, nuts, seeds and pulses and other organic food products.
- Identity preserved (IP), non-GMO and organic seeds and grains including soy, corn and sunflower for food applications, with control maintained at every stage of production, from seed selection and growing through storage, processing and transportation.
- Seed- and grain-based animal feed and pet food products that originate from select organic and non-GMO soy, corn, sunflower and other commodities.

Global Ingredients also engages in processing and contract manufacturing services that include:

- Seed and grain conditioning services for soy, corn and sunflower.
- Grain milling for corn, with various granulations and batch sizing.
- Cocoa, coffee and sesame seed processing.
- Dry and oil roasting and packaging, including in-shell sunflower and sunflower kernels, corn, soy- and legume- based snacks.
- Processing of crude sunflower oil and sunflower cakes.

Competition Global Ingredients

Food ingredients are considered niche items often sourced, developed or processed for specific customers or industry segments. Global Ingredients competes with large seed, grain, raw material and specialty ingredient suppliers for customers and competes with other companies active in the international commercial seed, grain and raw material procurement market for supply. Its non-GMO and organic specialty products compete in the smaller niche commercial

non-GMO and organic seed, grain and raw material markets. Key to competing in these markets is access to transportation, supply and relationships with producers. Competitors include major food companies with food ingredient divisions, other food ingredient and sourcing companies, and consumer food companies that also engage in the development and sale of food ingredients. Many of these competitors have financial and technical resources, as well as production and marketing capabilities that are greater than our own.

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The international organic food industry is very competitive due primarily to the limited worldwide supply of organic raw materials. Global Ingredients competes with worldwide brokers, traders and food processors for the limited supply of organic raw material ingredients. In many cases, it will enter into exclusive arrangements with growers and/or processors of key strategic commodities to control the reliability of its supply chain.

Distribution, Marketing, and Sales Global Ingredients

As a leading provider of IP, non-GMO and organic, grains, seeds, grain- and cocoa-based ingredients, and other raw materials, Global Ingredients has well established sales and marketing capabilities, including technically oriented sales teams strategically located close to specific geographic sourcing and/or sales regions. Its specialty grains, seeds and other raw materials and ingredients are sold to food manufacturers and producers worldwide, including some of the largest U.S. consumer-packaged food companies. In addition, in our estimation, it maintains one of the largest organic raw material ingredient sourcing and supply networks in the world, working closely to develop and manage global organic supply and link these supplies with diverse customer needs. It also provides procurement and ingredient processing support to the Consumer Products operating segment.

No customers accounted for more than 10% of revenues from our Global Ingredients segment in 2018.

Suppliers Global Ingredients

Global Ingredients has an extensive established IP, organic soy, corn and sunflower grower network in North America, with many relationships existing for over 25 years. It also has a network of growers in Europe, South America, Africa and Asia. Because weather conditions and other factors can limit the availability of raw materials in a specific geography, it continues to focus on expanding production and sourcing capabilities to other parts of the world to ensure supply in years when local production is below normal levels. By diversifying supply, it also has the ability to divert available product based on market demand and customer requirements in order to maximize return.

Organic raw material ingredient suppliers include growers, processors and traders of organic fruit- and vegetable-based ingredients, sweeteners and other food products. The diversity of our supplier base helps to ensure continual supply by providing contra-seasonal solutions to mitigate crop and quality risks. Organic food suppliers are required to meet stringent organic certification requirements equivalent to the U.S. Department of Agriculture (USDA) National Organic Program, European Union (EU) standards, or others.

Consumer Products

Operations and Product Offerings Consumer Products

Consumer Products provides healthy and organic food products that are primarily consumer-packaged to retailers, foodservice distributors and major global food manufacturers with a variety of branded and private label products. Consumer Products packaged food products are categorized into the following three main commercial platforms:

Healthy Beverages

Aseptic beverages including almond, soy, coconut, oat, hemp, rice and other non-dairy beverages, as well as adjacent categories such as broths, teas and nutritional beverages. Specializing in aseptic product offerings, Consumer Products produces a variety of pack sizes, including multi-serve and single-serve formats, all shelf stable with long shelf lives.

Organic and conventional beverage products, including shelf stable and refrigerated juices, specialty beverages, and functional waters. Consumer Products partners with third-party fillers to provide extended shelf life refrigerated packaging formats to its customers.

Liquid soy, oat, rice, hemp and tea bases (including for our non-dairy aseptic beverage operation); spray-dried seed-, grain- and cocoa-based ingredients utilizing non-GMO and organic soy, corn, sunflower, rice, and cocoa; and specialty and organic functional ingredients, including maltodextrins, tack blends, and flavor enhancing products such as, snack coatings and cheese powders.

Our Healthy Beverage platform operates from an east to west network of three aseptic beverage processing facilities and one specialty ingredient facility, as well as co-manufacturing relationships that allow us to minimize distribution costs for our customers, maintain redundant back-up plans, and offer reliable, year-round programs.

Healthy Fruit

IQF natural and organic frozen fruits and vegetables, including strawberries, blueberries, raspberries, mango, peppers, broccoli, blends and many other items. Consumer Products produces a variety of packaging formats, including tubs, stand-up pouches, cups and polybags to address the needs of its retail and foodservice customers.

Specialty fruit toppings and bases, which are custom formulated to provide unique flavor and texture profiles for a wide range of specialized applications. Applications include fruit bases for yogurts, ice creams, cheeses, smoothies, shakes, frozen desserts, bakery fillings, health bars, various beverages, dressings, marinades, dips and sauces, and fruit toppings for foodservice applications.

Our frozen fruit operations consist of five facilities that extend from central Mexico to California, as well as a production facility in Kansas. Strategically our north to south footprint on the west coast allows us to maximize access to supply of fruit over the course of the full growing season, while our operation in the Midwest serves as a lower-cost launching pad to deliver product to the east coast. Our fruit ingredient operations are located in California.

Healthy Snacks

Natural and organic fruit-based snacks in bar, twist, rope and bite size shapes, with the ability to add a variety of ingredients.

Our healthy snack platform maintains bi-coastal production which helps to minimize delivery costs to our customers.

Competition Consumer Products

Consumer Products' healthy beverage and healthy snack offerings compete with major food manufacturing companies, as well as a number of other regional manufacturers. Its healthy fruit offerings face competition from both branded and private label fruit providers. It faces competition when securing fruit and vegetable raw materials; however, due to the location of its processing facilities, it is able to source these raw materials from a number of growing regions and suppliers. Integrated sourcing through Global Ingredients, which supplies a number of core raw materials, combined with in-house processing and packaging capabilities, provides Consumer Products with a low-cost advantage over many of its competitors.

Distribution, Marketing and Sales Consumer Products

Consumer Products supplies the private-label retail market, including large retailers and club stores, branded food companies, food manufacturers, foodservice distributors, quick service and casual dining restaurants located

principally in North America. In addition, it markets branded food products under SunOpta-controlled brands, including Sunrich® Naturals and Pure Nature . Consumer Products generally conducts its business with customers on the basis of purchase orders and price quotations, without other formal agreements related to minimum or maximum supplies or pricing.

In 2018, Starbucks Corporation and two other customers accounted for approximately 18%, 16% and 10%, respectively, of revenues from our Consumer Products operating segment and approximately 10%, 9% and 6%, of our consolidated revenues, respectively. No other customers accounted for more than 10% of revenues from our Consumer Products operating segment in 2018.

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Suppliers Consumer Products

Consumer Products raw materials are subject to the availability of fruit and vegetable supply, which is based on conditions that are beyond our control. Fresh and frozen fruits, berries, and vegetables are sourced directly from a large number of suppliers throughout the U.S., Mexico and globally, or through Global Ingredients. We believe our scale and location close to growing areas makes Consumer Products an attractive customer for fruit growers.

Consumer Products also relies on its packaging suppliers to ensure delivery of often unique, portable, and convenient consumer packaging formats. In our aseptic packaging facilities, we specialize in the use of Tetra Pak equipment in a variety of pack sizes and also offer a variety of opening types and extended shelf life (ESL) options. Consumer Products also partners with third party fillers to provide ESL and refrigerated packaging formats to its customers.

Corporate Services

Our corporate headquarters is located in Mississauga, Ontario. In addition, centralized information technology, human resources, operations, research and development, legal and financial shared services groups are located in Edina, Minnesota. Employees of Corporate Services provide support services across the organization including management, finance, legal, operations, business development, information technology, research and development, human resources and administrative functions.

REGULATION

We are subject to a wide range of governmental regulations and policies in various countries and regions where we operate, including the U.S., Canada, Mexico, the Netherlands, throughout the rest of the EU, China and Ethiopia. Outside of the U.S., regulations concerning the sale or characterization of food ingredients vary substantially from country to country, and we take appropriate steps to comply with such regulations. These laws, regulations and policies are implemented, as applicable in each jurisdiction, on the national, federal, state, provincial and local levels. For example, we are affected by laws and regulations related to: seed, fertilizer and pesticides; the purchasing, harvesting, transportation and warehousing of grain and other products; the processing, packaging and sale of food, including wholesale operations; and product labeling and marketing, food safety and food defense. We are also affected by government-sponsored price supports, acreage set aside programs and a number of environmental regulations.

U.S. Regulations

Our activities in the U.S. are subject to regulation by various government agencies, including the Food and Drug Administration (FDA), the Federal Trade Commission (FTC), the Environmental Protection Agency (EPA), the USDA, Occupational Safety and Health Administration (OSHA), and the Departments of Commerce and Labor, as well as voluntary regulation by other bodies. Various state and local agencies also regulate our activities.

USDA National Organic Program and Similar Regulations

We currently manufacture and distribute a number of organic products that are subject to the standards set forth in the *Organic Foods Production Act* and the regulations adopted thereunder by the National Organic Standards Board. In addition, our organic products may be subject to various state regulations. We believe that we are in material compliance with the organic regulations applicable to our business, and we maintain an organic testing and verification process. Generally, organic food products are produced using:

- agricultural management practices intended to promote and enhance ecosystem health;
- no genetically engineered seeds or crops, sewage sludge, long-lasting pesticides, herbicides or fungicides; and

- food processing practices intended to protect the integrity of the organic product and disallow irradiation, genetically modified organisms or synthetic preservatives.

After becoming certified, organic operations must retain records concerning the production, harvesting, and handling of agricultural products that are to be sold as organic for a period of five years. Any organic operation found to be in violation of the USDA organic regulations is subject to enforcement actions, which can include financial penalties or suspension or revocation of their organic certificate.

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Food Safety, Labeling and Packaging Regulations

As a manufacturer and distributor of food products, we are subject to the *Federal Food, Drug and Cosmetic Act*, the *Fair Packaging and Labeling Act* and regulations promulgated thereunder by the FDA and the FTC. This regulatory framework governs the manufacture (including composition and ingredients), labeling, packaging and safety of food in the U.S.

State and local statutes and regulations may impose additional food safety, labeling, and packaging requirements. For instance, the *California Safe Drinking Water and Toxic Enforcement Act of 1986* (commonly referred to as Proposition 65) requires, with a few exceptions, that a specific warning appear on any consumer product sold in California that contains a substance, above certain levels, listed by that state as having been found to cause cancer or birth defects. We believe we are in material compliance with state and local statutes and regulations as they apply to our business.

Environmental Regulations

We are also subject to various U.S. federal, state and local environmental regulations. Some of the key environmental regulations in the U.S. include, but are not limited to, the following:

- Air quality regulations – air quality is regulated by the EPA and certain city/state air pollution control groups. Emission reports are filed annually.
- Waste treatment/disposal regulations – solid waste is either disposed of by a third-party or, in some cases, we have a permit to haul and apply the sludge to land. Agreements exist with local city sewer districts to treat waste at specified levels of Biological Oxygen Demand (BOD), Total Suspended Solids (TSS) and other constituents. This can require weekly/monthly reporting as well as annual inspection.
- Sewer regulations – we have agreements with the local city sewer districts to treat waste at specified limits of BOD and TSS. This requires weekly/monthly reporting as well as annual inspection.
- Hazardous chemicals regulations – Various reports are filed with local city/state emergency response agencies to identify potential hazardous chemicals being used in our U.S. facilities.
- Storm water – all U.S. facilities are inspected annually and must comply with an approved storm water plan to protect water supplies.

Employee Safety Regulations

We are subject to certain safety regulations, including OSHA regulations. These regulations require us to comply with certain manufacturing safety standards to protect our employees from accidents. We believe that we are in material compliance with all employee safety regulations applicable to our business.

Canadian and Other Non-U.S. Regulations

Outside of the U.S., regulations concerning the sale or characterization of food ingredients vary substantially from country to country, and we take appropriate steps to comply with such regulations.

In Canada, the sale of food is currently regulated under various federal and provincial laws, principally (but not limited to) the *Safe Food for Canadians Act* (SFCA), the *Food and Drugs Act* (FADA), the *Canada Consumer Product Safety Act* (CCPSA), the *Canadian Food Inspection Agency Act* (CFIAA) and the *Canadian Environmental Protection Act, 1999* (CEPA), along with their supporting regulations. The following is a brief summary of each of these statutes to the extent that they apply or potentially apply to the Company and its operations:

- *Safe Food for Canadians Regulations* (SFCR) (under the SFCA) – the SFCR came into effect on January 15, 2019 and consolidated 14 sets of existing food regulations into a single set of regulations which governs all

imported, exported, or inter-provincially traded food products. Some provisions of the SFCA and SFCR also apply intra-provincially. Notably, SFCR replaced the *Organic Products Regulations, 2009*, the *Processed Products Regulations* and, to the extent that they related to food products, the *Consumer Packaging and Labeling Act* and its supporting regulations. Principal elements of the SCFR which may impact the Company include licensing requirements, preventative controls, traceability requirements, commodity specific requirements, reporting requirements and timelines, an export certificate request process, packaging and labeling requirements to ensure food safety and prevent false or misleading labeling, regulation of the use of grades and grade names, standards of identity and expansion of the certification process for organic products, and other requirements.

Timelines for complying with the new requirements vary by food, activity, and size of the food business. Many requirements came into effect immediately while others allow a grace period of up to three years from January 15, 2019 for compliance.

- *Food and Drug Regulations* (under the FADA) food and drugs are subject to specific regulatory requirements, including composition (such as food additives, fortification, and food standards), packaging, labeling, advertising and marketing, and licensing requirements. New requirements regarding nutrition and ingredient labeling and food color were introduced on December 14, 2016. To the extent the new labeling requirements apply to products manufactured and sold by the Company, we will have a five-year transitional period to adopt them. Amendments dealing with food color specifications and the removal of synthetic color certification requirements came into effect immediately.
- *Canada Consumer Product Safety Act* (CCPSA) the CCPSA provides oversight and regulation of consumer products with respect to manufacturers, importers, and retailers. It includes, without limitation, the ability to require product recalls, mandatory incident reporting, document retention requirements, increased fines and penalties, and packaging and labeling requirements. While the CCPSA does not apply to food, it does apply to its packaging with respect to safety. It is possible that there will be amendments introduced to the FADA, to capture the essence of the regulatory oversight found in the CCPSA. We have no way of anticipating if and when that may occur.
- *Canadian Food Inspection Agency Act* (CFIAA) the CFIAA grants power to the Canadian Food Inspection Agency (the CFIA), which is tasked with the administration and enforcement of certain Canadian food legislation. By virtue of the CFIAA and the SFCA, the CFIA has the power to inspect and, if deemed necessary, recall certain products, including fresh fruit and vegetables, processed foods and organic foods, if the Minister of Health believes that such products pose a risk to the public, animal or plant health.
- *Substance Regulations* Various regulations under CEPA regulate the importation and use of certain substances in Canada. For example, prior to the importation and use in products, the importer must ensure that all ingredients are found on the Domestic Substances List (DSL) maintained by Environment and Climate Change Canada. In the event that an ingredient is not found on the DSL, then subject to the amount of the substance imported into Canada and used in products sold in Canada, a filing may become necessary under the New Substances Notification Regulations.

We are subject to Dutch and European Commission (EC) regulations and policies. Our European subsidiary, The Organic Corporation (TOC), is involved in the sourcing, supplying, processing, marketing, selling and distribution of organic food products and, as such, is subject to standards for production, labeling and inspection of organic products contained in EC Regulation 2092/91 (and its subsequent amendments). TOC is certified by Skal, the inspection body for the production (trading and selling) of organic products in the Netherlands. Products certified as organic by an EU-recognized inspection body, such as Skal, can be marketed within the entire EU. In addition, under the terms of an equivalency arrangement between the U.S. and the EU, organic operations certified to the USDA organic or EU organic standards may be labeled and sold as organic in both the U.S. and EU.

TOC is also affected by general food legislation both at EU and Dutch level relating to product safety and hygiene, among others. TOC is BRC Agents and Brokers certified in the Netherlands and manages a fully computerized system that manages the traceability of each product. In addition, TOC also considers and abides by EU and local legislation with regard to packaging and packaging waste. TOC is also subject to the regulations and policies of the countries outside of the EU in which it operates, including China and Ethiopia.

Our frozen fruit processing facility in Mexico is subject to Mexican regulations, including regulations regarding processing, packaging and sales of food products, labor relations and profit-sharing with employees.

RESEARCH AND DEVELOPMENT

Research and development and new product, process and packaging innovation are key priorities of our Company and initiatives are focused on continuous improvement of our existing product portfolios and continuing efforts to improve production processes to reduce costs and improve efficiencies, as well as the development of innovative new products. Innovation is a key pillar for us and a necessity in the natural and organic foods categories. We believe our commitment and proactive approach to new product development and innovation is important to our ability to introduce new higher-margin food and beverage products to the market.

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Our innovation center located in Edina, Minnesota, supports our product development team of highly trained and experienced food scientists and technologists that are dedicated to the research and development of new product offerings, as well as addressing product development opportunities for our customers. These opportunities include new and custom formulations, innovations in packaging formats, and new production processes and applications. Applications and technical support provided to our customers include all aspects of product development from concept to commercial launch, as well as ongoing manufacturing and processing support.

We continue to develop new products to maximize the capabilities of our aseptic packaging facilities, including the development of non-dairy-based beverages that address the growing consumer demand for beverages that satisfy allergy concerns and provide a unique nutritional profile, as well as broths, teas and nutritional beverages. In addition, we continue to develop new fruit-based beverages, and fruit- and grain-based snacks, as well as innovative fruit ingredient systems for the dairy, foodservice and beverage industries. We are also continually looking to develop new value-added products for our customers that leverage our global sourcing platform.

INTELLECTUAL PROPERTY

The nature of a number of our products and processes requires that we create and maintain patents, trade secrets and trademarks. Our policy is to protect our technology, brands and trade names by, among other things, filing patent applications for technology relating to the development of our business in the U.S. and in selected foreign jurisdictions, registering trademarks in the U.S., Canada and selected foreign jurisdictions where we sell products, and maintenance of confidentiality agreements with outside parties and employees.

Our continued success depends, in part, on our ability to protect our products, trade names and technology under U.S. and international patent laws and other intellectual property laws. We believe that we own or have sufficient rights to use all of the proprietary technology, information and trademarks necessary to manufacture and market our products; however, there is always a risk that patent applications relating to our products or technologies will not result in patents being issued, or, if issued, will be later challenged by a third party, or that current or additional patents will not afford protection against competitors with similar technology.

We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain technologies and processes. However, even with these steps taken, our outside partners and contract manufacturers could gain access to our proprietary technology and confidential information. All employees are required to adhere to internal policies, which are intended to further protect our technologies, processes and trade secrets.

PROPERTIES

We operate 20 processing facilities in seven U.S. states, as well as Canada, Mexico, the Netherlands, Bulgaria, and Ethiopia. In addition, we also own and lease a number of office and distribution locations in the U.S., Canada, Mexico, Europe, Ethiopia and China, and lease and utilize public warehouses to satisfy our storage needs. We also lease farmland that we sublease to fruit growers. For more details see Item 2. Properties, included elsewhere in this report.

ENVIRONMENTAL HAZARDS

We believe that, with respect to both our operations and real property, we are in material compliance with environmental laws at all of our locations.

EMPLOYEES

As at December 29, 2018, we had a total of approximately 2,000 full-time employees (December 30, 2017 – 1,800). We also employ up to 2,100 seasonal employees in the U.S. and Mexico during peak fruit seasons each year. We

consider our relations with our employees to be good and have not experienced any work stoppages, slowdowns or other serious labor problems that have materially impeded our business operations.

AVAILABLE INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the *Securities Exchange Act of 1934* (the Exchange Act), are available free of charge on our website at www.sunopta.com as soon as reasonably practicable after we file such information electronically with, or furnish it to, the U.S. Securities and Exchange Commission (the SEC) and applicable Canadian Securities Administrators (the CSA).

Item 1A. Risk Factors

Our business, operations and financial condition are subject to various risks and uncertainties, including those described below and elsewhere in this report. We believe the most significant of these risks and uncertainties are described below, any of which could adversely affect our business, financial condition and results of operations and could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. In such case, the trading price of our common stock could decline, and our shareholders may lose all or part of their investment. There may be additional risks and uncertainties not presently known to us or that we currently consider immaterial. Consequently, you should not consider the following to be a complete discussion of all possible risks or uncertainties applicable to our business. These risk factors should be read in conjunction with the other information in this report and in the other documents that we file from time to time with the SEC and the CSA.

Risks Related to Strategic Initiatives, Significant Investors and Shareholder Activism

The implementation of our Value Creation Plan could pose a number of risks that could have an adverse impact on our business, financial condition and results of operations

Following our strategic partnership with Oaktree, we conducted a thorough review of our operations, management and governance, with the objective of maximizing our ability to deliver long-term value to our shareholders. As a product of this review, our management and the Board developed a Value Creation Plan built on four pillars: portfolio optimization, operational excellence, go-to-market effectiveness and process sustainability. The Value Creation Plan is a broad-based initiative focused on increasing shareholder value through strategic investments made to the people and assets of the Company to deliver sustained profitable growth. We began implementing the Value Creation Plan in 2016, and implementation is ongoing and could span several more years. In connection with the Value Creation Plan, we will continue to implement operational actions to improve our profitability and streamline our operations for long-term success. These actions include rationalization or consolidation of certain of our operations or facilities, reinvestment in certain of our operations or facilities, investments in personnel, processes and tools, as well as other cost saving initiatives. These ongoing actions could consume capital resources and could also give rise to impairment and other restructuring charges in future periods that would be both cash and non-cash in nature, and these charges could be material.

The implementation of the Value Creation Plan could have a material impact on our operations, strategy, governance, management and future prospects. In addition, we cannot predict whether the actions we take will achieve our goals of improving our profitability and financial performance and delivering long-term value to our shareholders. The ongoing implementation of our Value Creation Plan could expose us to a number of other risks, including the following:

- distraction of management;
- difficulties in hiring, retaining and motivating key personnel as a result of uncertainty generated by the review and the implementation of any resulting recommendations;
- difficulties in maintaining relationships or arrangements with customers, suppliers and other third parties; and
- increases in general and administrative expenses associated with the need to retain and compensate business and recruiting consultants and other advisors.

The occurrence of any one or more of the above risks could have an adverse impact on our business, financial results, liquidity and financial condition.

Our significant investors may have interests that conflict with those of our debtholders and other stakeholders

As at December 29, 2018, Oaktree held a 19.7% voting interest in the Company through its holdings of 11,333,333 special voting shares and 8,092,699 common shares of the Company. Oaktree has also nominated two members of the

Board and is entitled to designate two nominees for election to the Board so long as it beneficially owns or controls at least 11.1% of

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SunOpta Inc.'s common stock on an as-exchanged basis. If Oaktree beneficially owns or controls less than 11.1% but more than 5% of the Company's common stock on an as-exchanged basis, it will be entitled to designate one nominee. In addition, as at December 29, 2018, Engaged Capital, LLC ("Engaged Capital") beneficially owned or controlled approximately 7.8% of the Company's common stock and has nominated one member of our Board.

Oaktree is assisting us with our efforts to improve our operations, management and governance. Oaktree's objectives and perspectives as an equity investor in SunOpta may not always be aligned with those of other stakeholders, including our debtholders and smaller shareholders.

The interests of Oaktree and Engaged Capital, as well as their affiliates, may differ from the interests of our other stakeholders in material respects. For example, our large investors and their affiliates may have an interest in directly or indirectly pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their other equity investments, even though such transactions might involve risks to us, including risks to our liquidity and financial condition. Our large investors and their affiliates are in the business of making or advising on investments in companies, including businesses that may directly or indirectly compete with certain portions of our business. They may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

A concentration of ownership within our large investors could potentially be disadvantageous to, or conflict with, interests of our debtholders or smaller shareholders. In addition, if any significant shareholder were to sell or otherwise transfer all or a large percentage of its holdings, we could find it difficult to raise capital, if needed, through the sale of additional equity securities.

Our business could be negatively impacted as a result of shareholder activism or an unsolicited takeover proposal or a proxy contest

In recent years, proxy contests and other forms of shareholder activism have been directed against numerous public companies. If a proxy contest or an unsolicited takeover proposal was made with respect to us, we could incur significant costs in defending the Company, which would have an adverse effect on our financial results. Shareholder activists may also seek to involve themselves in the governance, strategic direction and operations of the Company. Such proposals may disrupt our business and divert the attention of our management and employees, and any perceived uncertainties as to our future direction resulting from such a situation could result in the loss of potential business opportunities, be exploited by our competitors, cause concern to our current or potential customers, and make it more difficult to attract and retain qualified personnel and business partners, all of which could adversely affect our business. In addition, actions of activist shareholders may cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Risks Related to Our Business

Product liability suits, recalls and threatened market withdrawals, could have a material adverse effect on our business

Many of our products are susceptible to harmful bacteria, and the sale of food products for human consumption involves the risk of injury or illness to consumers. Such injuries may result from inadvertent mislabeling, tampering by unauthorized third parties, faulty packaging materials, product contamination, or spoilage. Under certain circumstances, we or our customers may be required to recall or withdraw products, which may lead to a material and adverse effect on our business, financial condition or results of operations. Our customers may also voluntarily recall or withdraw a product we manufactured or packaged, even without consulting us, which could increase our potential liability and costs and result in lost sales. A product recall or withdrawal could result in significant losses due to the costs of the recall, the destruction of product inventory, and lost sales due to the unavailability of product for a period

of time. In addition, a recall or withdrawal may cause us to lose future revenues from, or relationships with, one or more material customers, and the impact of the recall or withdrawal could affect our customers' willingness to continue to purchase related or unrelated products from us, or could otherwise hinder our ability to grow our business with those customers. We could also be forced to temporarily close one or more production facilities.

Even if a situation does not necessitate a recall or market withdrawal, product liability claims might be asserted against us. If a product recall or withdrawal were to lead to a decline in sales of a similar or related product sold by a customer or other third party, that party could also initiate litigation against us. While we are subject to governmental inspection and regulations and believe our facilities and those of our co-packers comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness in the future, we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or physical harm could adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image.

Moreover, future claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. Further, we may incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a further product recall could have a material and adverse effect on our business, financial condition and results of operations.

Food safety concerns and instances of food-borne illnesses caused by third parties could harm our business

Our internal processes and training may not be fully effective in preventing contamination of food products that could lead to food-borne illnesses. We rely on third-party suppliers and distributors, which increases the risk that food-borne illness incidents (such as e. coli, salmonella or listeria) could occur outside of our control and at multiple locations. If consumers lose confidence in the safety and quality of our products or organic products generally, even in the absence of a recall or a product liability case, our business, financial condition and results of operations could be materially and adversely affected. Instances of food-borne illnesses, whether real or perceived, and whether or not traceable to our operations or a result of our actions or omissions, could cause negative publicity about us or the products we serve, which could adversely affect sales. Food safety concerns and instances of food-borne illnesses and injuries caused by contaminated products sold by third parties could cause customers to shift their preferences, even if no food-borne illnesses or injuries are traced to our products. As a result, our sales may decline. Loss of customers as a result of these health concerns or negative publicity could harm our business, financial condition and results of operations.

Litigation and regulatory enforcement concerning marketing and labeling of food products could adversely affect our business and reputation

The marketing and labeling of any food product in recent years has brought increased risk that consumers will bring class action lawsuits and that the FTC and/or state attorneys general will bring legal action concerning the truth and accuracy of the marketing and labeling of the product. Examples of causes of action that may be asserted in a consumer class action lawsuit include fraud, unfair trade practices, and breach of state consumer protection statutes (such as Proposition 65 in California). The FTC and/or state attorneys general may bring legal actions that seek to remove a product from the marketplace and/or impose fines and penalties. Even when not merited, class claims, action by the FTC or state attorneys general enforcement actions can be expensive to defend and adversely affect our reputation with existing and potential customers and consumers and our corporate and brand image, which could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to significant food and health regulations

We are affected by a wide range of governmental regulations in Canada, the U.S., Mexico and several countries in Europe, among others. These laws and regulations are implemented at the national level (including, among others, federal laws and regulation in Canada and the U.S.) and by local subdivisions (including, among others, state laws in the U.S. and provincial laws in Canada). We are also subject to regulations of the EU and the regulatory authority of regulatory agencies in several different countries. Examples of regulatory agencies influencing our operations include: the USDA, the FDA, the DHS, the EPA, the CFIA, and Skal, among others.

Examples of laws and regulations that affect us include laws and regulations applicable to:

- the use of seed, fertilizer and pesticides;
- the purchasing, harvesting, transportation and warehousing of seeds, grain and other products;
- the processing and sale of food, including wholesale operations; and
- the product labeling and marketing of food and food products, food safety and food defense.

These laws and regulations affect various aspects of our business. For example, certain food ingredient products manufactured by SunOpta may require pre-market approval by the FDA that the ingredient is generally recognized as

safe, or GRAS. We believe that most food ingredients for which we have commercial rights are GRAS. However, this status cannot be determined until actual formulations and uses are finalized. As a result, we may be adversely impacted if the FDA determines that our food ingredient products do not meet the criteria for GRAS.

In addition, certain USDA regulations set forth the minimum standards producers must meet in order to have their products labeled as “certified organic”, and we currently manufacture a number of organic products that are covered by these regulations. While we believe our products and our supply chain are in compliance with these regulations, changes to food regulations may increase our costs to remain in compliance. We could lose our “organic” certification if a facility becomes contaminated with non-organic materials or if we do not use raw materials that are certified organic. The loss of our “organic” certifications could materially and adversely affect our business, financial condition and results of operations.

Our business is also required to comply with the Food Safety Modernization Act (“FSMA”) and the FDA’s implementing regulations. FSMA requires, among other things, that food facilities conduct contamination hazard analysis, implement risk-based preventive controls and develop track-and-trace capabilities. If we are found to be in violation of applicable laws and regulations in these areas, we could be subject to civil remedies, including fines, injunctions or recalls, as well as potential criminal sanctions, any of which could have a material adverse effect on our business.

Our business is subject to the Perishable Agricultural Commodities Act (“PACA”). PACA regulates fair trade standards in the fresh produce industry and governs our purchases of fresh produce and sales of frozen produce. We source fresh produce under licenses issued by the USDA, as required by PACA. Our failure to comply with the PACA requirements could, among other things, result in civil penalties, suspension or revocation of our licenses to sell produce and in certain cases, criminal prosecution, which could have a material and adverse effect on our business, financial condition and results of operations.

Changes in any government laws and regulations applicable to our operations could increase our compliance costs, negatively affect our ability to sell certain products or otherwise adversely affect our results of operations. In addition, while we believe we are in material compliance with all laws and regulations applicable to our operations, we cannot assure you that we have been, or will at all times be, in compliance with all food production and health requirements, or that we will not incur material costs or liabilities in connection with these requirements. Our failure to comply with any laws, regulations or policies applicable to our business could result in fines, lawsuits, enforcement actions, penalties or loss in the ability to sell certain products, any of which could materially and adversely affect our business, financial condition and results of operations.

We may require additional capital, which may not be available on favorable terms or at all

We have grown via a combination of internal growth and acquisitions requiring available financial resources. Our ability to raise capital, through equity or debt financing, is directly related to our ability to both continue to grow and improve returns from our operations. Debt or equity financing may not be available to us on favorable terms or at all. In addition, any future equity financing would dilute our current shareholders and may result in a decrease in our share price if we are unable to realize adequate returns. We will not be able to continue to fund internal growth and/or acquire complementary businesses within the natural and organic food industries without continued access to capital resources.

Impairment charges in goodwill or other intangible assets could adversely impact our financial condition and results of operations

As a result of business acquisitions, a significant portion of our total assets is comprised of intangible assets and goodwill. We are required to perform impairment tests of our goodwill and other intangible assets annually, or at any time when events occur that could affect the value of these assets. We may engage in additional acquisitions, which could result in our recognition of additional intangible assets and goodwill. If the financial performance of the acquired businesses is not as strong as we anticipate, we could be required to record significant impairments to intangible assets and/or goodwill, which could materially and adversely impact our business, financial condition and results of operations.

For example, in 2018 and 2017, we recognized goodwill impairment charges of \$81.2 million and \$115.0 million related to the Healthy Fruit reporting unit of the Consumer Products operating segment, and, in 2016, we recognized a goodwill impairment charge of \$17.5 million related to the Sunflower reporting unit of the Raw Material Sourcing and Supply operating segment.

We operate in a highly competitive industry

We operate businesses in highly competitive product and geographic markets in the U.S., Canada, Europe and various other international markets. We compete with various U.S. and international commercial grain procurement marketers, major companies with food ingredient divisions, other food ingredient companies, trading companies, and consumer-packaged food companies that also engage in the development and sale of food ingredients and other food companies involved in natural and organic foods. These competitors may have financial resources and staff larger than ours and may be able to benefit from economies of scale, pricing advantages and greater resources to launch new products that compete with our offerings. We have little control over and cannot otherwise affect these competitive factors. If we are unable to effectively respond to these competitive factors or if the competition in any of our product markets results in price reductions or decreased demand for our products, our business, financial condition and results of operations may be materially and adversely affected.

Our customers generally are not obligated to continue purchasing products from us

Many of our customers buy from us under purchase orders, and we generally do not have long-term agreements with, or commitments from these customers for the purchase of products. We cannot provide assurance that our customers will maintain or increase their sales volumes or orders for the products supplied by us or that we will be able to maintain or add to our existing customer base. Decreases in our customers' sales volumes or orders for products supplied by us may have a material adverse effect on our business, financial condition and results of operations.

Loss of a key customer could materially reduce revenues and earnings

Our relationships with our key customers are critical to the success of our business and our results of operations. Our three largest customers accounted for approximately 25% of consolidated revenues for the year ended December 29, 2018. The loss, decrease or cancellation of business with any of our large customers could materially and adversely affect our business, financial condition and results of operations.

Consumer preferences for natural and organic food products are difficult to predict and may change

Our success depends, in part, on our ability and our customers' ability to offer products that anticipate the tastes and dietary habits of consumers and appeal to their preferences on a timely and affordable basis. A significant shift in consumer demand away from our products or products that utilize our integrated foods platform, or a failure to maintain our current market position, could reduce our sales and harm our business. Consumer trends change based on a number of factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is a growing focus among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, which could result in a decrease in the demand for food products and ingredients that we import from other countries or transport from remote processing locations or growing regions. Further, failures by us or our competitors to deliver quality products could erode consumer trust in the organic certification of foods. These changes could lead to, among other things, reduced demand and price decreases, which could have a material and adverse effect on our business, financial condition and results of operations.

If we do not manage our supply chain effectively, our operating results may be adversely affected

Our supply chain is complex. We rely on suppliers for our raw materials and for the manufacturing, processing, packaging and distribution of many of our products. The inability of any of these suppliers to deliver or perform for us in a timely or cost-effective manner could cause our operating costs to rise and our margins to fall. Many of our products are perishable and require timely processing and transportation to our customers. Additionally, many of our products can only be stored for a limited amount of time before they spoil and cannot be sold. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory that may reach its expiration date. If we are unable to manage our supply chain efficiently and ensure that our products are available to meet consumer demand, our operating costs could increase and our margins could fall, which could have a material and adverse effect on our business, financial condition and results of operations.

Some of our operations are subject to seasonal supply fluctuations. For example, we purchase strawberries and other fruit from farmers during the peak California growing season, which occurs during the first two quarters of the year. As a result, our costs may be higher during these periods. We may not be successful in counteracting or smoothing out the effects of seasonality, and we expect that certain parts of our operations will continue to remain subject to significant seasonality.

Part of our supply source also depends in part on a seasonal temporary workforce comprised primarily of migrant workers. Changes in immigration laws or policies that discourage migration to the U.S. and political or other events

(such as war, terrorism or health emergencies) that make it more difficult for individuals to immigrate to or migrate throughout the U.S. could adversely affect the migrant worker population and reduce the workforce available for farms and production facilities in the U.S. Additionally, increased competition from other industries for migrant workers could increase our costs and adversely affect our business, financial condition and results of operations.

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Volatility in the prices of raw materials, freight and energy could increase our cost of sales and reduce our gross margins

Raw materials represent a significant portion of our cost of sales. Our cost to purchase services and materials, such as grains, fruits and other commodities, processing aids, freight, and natural gas, can fluctuate depending on many factors, including weather patterns, economic and political conditions and pricing volatility. In addition, we must compete for limited supplies of these raw materials and services with competitors having greater resources than we have. If our cost of materials and services increases due to any of the above factors, we may not be able to pass along the increased costs to our customers.

We enter into a number of exchange-traded commodity futures and options contracts to partially hedge our exposure to price fluctuations on transactions to the extent considered practicable for minimizing risk from market price fluctuations. Futures contracts used for hedging purposes are purchased and sold through regulated commodity exchanges. Our inventories, however, may not be completely hedged, due in part to our assessment of exposure from expected price fluctuations and an inability to hedge a number of raw materials.

Exchange purchase and sales contracts may expose us to risks that a counterparty to a transaction is unable to fulfill its contractual obligation. We may be unable to hedge 100% of the price risk of each transaction due to timing and availability of hedge contracts and third-party credit risk. In addition, we have a risk of loss from hedge activity if a grower does not deliver the commodity as scheduled. We also monitor the prices of natural gas and from time to time lock in a percentage of our natural gas needs based on current prices and expected trends.

An increase in our cost of sales resulting from an increase in the price of raw materials and energy could have a material and adverse effect on our business, financial condition and results of operations.

Our future results of operations may be adversely affected by the availability of organic and non-GMO ingredients

Our ability to ensure a continuing supply of organic and non-GMO ingredients at competitive prices depends on many factors beyond our control, such as the number and size of farms that grow organic and non-GMO crops, climate conditions, changes in national and world economic conditions, currency fluctuations and forecasting adequate need of seasonal ingredients.

The organic and non-GMO ingredients that we use in the production of our products (including, among others, fruits, vegetables, nuts and grains) are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, water scarcity, temperature extremes, frosts, earthquakes and pestilences. Natural disasters and adverse weather conditions (including the potential effects of climate change) can lower crop yields and reduce crop size and crop quality, which in turn could reduce our supplies of organic or non-GMO ingredients or increase the prices of organic or non-GMO ingredients. If our supplies of organic or non-GMO ingredients are reduced, we may not be able to find enough supplemental supply sources on favorable terms, if at all, which could impact our ability to supply product to our customers and adversely affect our business, financial condition and results of operations.

Adverse weather conditions and natural disasters could impose costs on our business

Our various food products, from seeds and grains to ingredients, fruits, vegetables and other inputs, are vulnerable to adverse weather conditions and natural disasters, including windstorms, hurricanes, floods, droughts, fires, temperature extremes and earthquakes, some of which are common but difficult to predict, as well as crop disease and infestation. Severe weather conditions may occur with higher frequency or may be less predictable in the future due to the effects of climate change. Unfavorable growing conditions could reduce both crop size and crop quality. In extreme cases, entire harvests may be lost in some geographic areas. Adverse weather conditions or natural disasters may adversely affect our supply of one or more food products or prevent or impair our ability to ship products as planned. These factors can increase costs, decrease our sales volumes and revenues and lead to additional charges to

earnings, which may have a material adverse effect on our business, financial condition and results of operations.

A significant portion of our strawberry supply is sourced from California, which has experienced severe drought conditions from time to time, resulting in lost crops and water restrictions for growers in California. As strawberry growers are largely dependent on well water, diminishing groundwater resources could also lead to a reduced strawberry supply. Drought conditions are a recurring feature of California's climate, and existing and future water conservation laws could negatively impact the agricultural industry in California and have a material adverse effect on our business, financial condition and results of operations.

In recent years, California has experienced numerous wildfires, including the largest wildfires in recorded state history. In addition to the potential for direct damage to agriculture from wildfires, heavy smoke from large wildfires can adversely affect crops, delay harvests and adversely affect local agriculture in other ways. Due to recurring drought conditions, California could continue to experience significant wildfires, which could negatively impact the agricultural industry in California and have a material adverse effect on our business, financial condition and results of operations.

An interruption at one or more of our manufacturing facilities could negatively affect our business, and our business continuity plan may prove inadequate

We own or lease, manage and operate a number of manufacturing, processing, packaging, storage and office facilities. We may be unable to accept and fulfill customer orders as a result of disasters, epidemics, business interruptions or other similar events. Some of our inventory and manufacturing facilities are located in areas that are susceptible to harsh weather, and the production of certain of our products is concentrated in a few geographic areas. In addition, we store chemicals used in the equipment for quick freezing of fruit or used for cooling processes during ingredient processing, and our storage of these chemicals could lead to risk of leaks, explosions or other events. Although we have a business continuity plan, we cannot provide assurance that our business continuity plan will address all of the issues we may encounter in the event of a disaster or other unanticipated issues. Our business interruption insurance may not adequately compensate us for losses that may occur from any of the foregoing. In the event that a natural disaster, or other catastrophic event were to destroy any part of any of our facilities or interrupt our operations for any extended period of time, or if harsh weather or epidemics prevent us from delivering products in a timely manner, our business, financial condition and results of operations could be materially and adversely affected. In addition, if we fail to maintain our labor force at one or more of our facilities, we could experience delays in production or delivery of our products, which could also have a material adverse effect on our business, financial condition and results of operations.

Technology failures could disrupt our operations and negatively impact our business

In the normal course of business, we rely on information technology systems to process, transmit, and store electronic information. For example, our production and distribution facilities and inventory management utilize information technology to increase efficiencies and limit costs. Information technology systems are also integral to the reporting of our results of operations. Furthermore, a significant portion of the communications between, and storage of personal data of, our personnel, customers, consumers and suppliers depends on information technology. Our information technology systems may be vulnerable to a variety of interruptions, as a result of updating our enterprise platform or due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. These events could compromise our confidential information, impede or interrupt our business operations, and may result in other negative consequences, including remediation costs, loss of revenue, litigation and reputational damage.

Our reputation and our relationships with customers, consumers and suppliers would be harmed if our systems are accessed by unauthorized persons

We maintain certain personal data, including personal data regarding our personnel, customers, consumers and suppliers. This data is maintained on our own systems as well as that of third parties we use in our operations. If a breach or other breakdown results in disclosure of confidential or personal information, we may suffer reputational, competitive and/or business harm. While we have implemented administrative and technical controls and taken other preventive actions to reduce the risk of cyber incidents and protect our information technology, they may be insufficient to prevent physical and electronic break-ins, cyber-attacks or other security breaches to our computer systems. The costs relating to any data breach could be material, and we currently do not carry insurance against the risk of a data breach. Any data breach or other access of our systems by unauthorized persons could have a material adverse effect on our business, financial condition and results of operations.

Changes in laws and regulations of privacy and protection of user data could adversely affect our business

We are subject to data privacy and protection laws and regulations that apply to the collection, transmission, storage and use of proprietary information and personally-identifying information. The regulatory environment surrounding information security and data privacy varies from jurisdiction to jurisdiction and is constantly evolving and increasingly demanding. The restrictions imposed by such laws continue to develop and may require us to incur

substantial costs, adopt additional compliance measures, such as notification requirements and corrective actions in the event of a security breach, and/or change our current or planned business models. We are already subject to strict data privacy laws in the European Union and other jurisdictions governing the collection, transmission, storage and use of employee data and personally-identifying information. The General Data Protection Regulation (“GDPR”), which became effective in Europe in May 2018, creates a range of new compliance obligations and increases financial penalties for non-compliance and extends the scope of the European Union data protection law to all companies processing data of European Union residents, regardless of the company’s location. The GDPR and other privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. Such regulations increase our compliance and administrative burden significantly. While we have developed and are executing comprehensive plans to meet these requirements and do not currently foresee significant obstacles that would prevent timely compliance, these plans are subject to many variables that could delay or otherwise affect implementation.

If our current security measures and data protection policies and controls are found to be non-compliant with relevant laws or regulations in any jurisdiction where we conduct business, we may be subject to penalties and fines, and may need to expend significant resources to implement additional data protection measures. In addition, we may be required to modify the features and functionality of our system offerings in a way that is less attractive to customers.

If we lose the services of our key management, our business could suffer

Our prospects depend to a significant extent on the continued service of our key executives, and our continued growth depends on our ability to identify, recruit and retain key management personnel. We are also dependent on our ability to continue to attract, retain and motivate our personnel. We do not typically carry key person life insurance on our executive officers. If we lose the services of our key management or fail to identify, recruit and retain key personnel, our business, financial condition and results of operations may be materially and adversely impacted.

If we face labor shortages or increased labor costs, our results of operations and our growth could be adversely affected

Labor is a significant component of the cost of operating our business. Our ability to meet our labor needs while controlling labor costs is subject to external factors, such as employment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs and governmental labor and employment requirements. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, while increasing our wages could cause our earnings to decrease. If we face labor shortages or increased labor costs because of increased competition for employees from our competitors and other industries, higher employee-turnover rates, unionization of farm workers or increases in the federal- or state-mandated minimum wage, change in exempt and non-exempt status, or other employee benefits costs (including costs associated with health insurance coverage or workers' compensation insurance), our operating expenses could increase and our business, financial condition and results of operations could be materially and adversely affected.

Technological innovation by our competitors could make our food products less competitive

Our competitors include major food ingredient and consumer-packaged food companies that also engage in the development and sale of food and food ingredients. Many of these companies are engaged in the development of food ingredients and other packaged food products and frequently introduce new products into the market. Existing products or products under development by our competitors could prove to be more effective or less costly than our products, which could have a material adverse effect on the competitiveness of our products and our business.

We rely on protection of our intellectual property and proprietary rights

Our success depends in part on our ability to protect our intellectual property rights. We rely primarily on patent, copyright, trademark and trade secret laws to protect our proprietary technologies. Our policy is to protect our technology by, among other things, filing patent applications for technology relating to the development of our business in the U.S. and in selected foreign jurisdictions.

Our trademarks and brand names are registered in the U.S., Canada and other jurisdictions. We intend to keep these filings current and seek protection for new trademarks to the extent consistent with business needs. We also rely on trade secrets and proprietary know-how and confidentiality agreements to protect certain of the technologies and processes that we use.

The failure of any patents, trademarks, trade secrets or other intellectual property rights to provide protection to our technologies would make it easier for our competitors to offer similar products, which could result in lower sales or gross margins.

Changes in laws or regulations governing foreign trade or taxation could adversely affect our business

Changes in governmental laws or regulations affecting foreign trade or taxation, or the introduction of new laws or regulations, may have a direct or indirect effect on our business or those of our customers or suppliers. Such changes could increase the costs of doing business for the Company, our customers, or suppliers, or restrict our actions, causing our results of operations to be adversely affected.

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The current U.S. administration has expressed strong concerns about imports from countries that it perceives as engaging in unfair trade practices, and it is possible the administration could impose import duties or other restrictions on products, components or raw materials sourced from those countries, which may include countries from which we import components or raw materials. Any such import duties or restrictions could have a material adverse effect on our business, results of operations or financial condition. Moreover, these new tariffs, or other changes in U.S. trade policy, could trigger retaliatory actions by affected countries. Certain foreign governments have instituted or are considering imposing trade sanctions on certain U.S. goods. Other foreign governments are considering the imposition of sanctions that will deny U.S. companies access to critical raw materials. A “trade war” of this nature or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and/or the economic environments in which we operate and, thus, to adversely impact our businesses.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In December 2017, the U.S. enacted significant tax reform, and certain provisions of the law may adversely affect our business. In addition, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition and results of operations may be adversely impacted.

Our operations are influenced by agricultural policies

We are affected by governmental agricultural policies such as price supports and acreage set aside programs and these types of policies may affect our business. The production levels, markets and prices of the grains and other raw products that we use in our business are materially affected by government programs, which include acreage control and price support programs of the USDA. Revisions in these and other comparable programs, in the U.S. and elsewhere, could have a material and adverse effect on our business, financial condition and results of our operations.

We are subject to substantial environmental regulation and policies

We are, and expect to continue to be, subject to substantial federal, state, provincial and local environmental regulation. Some of the key environmental regulations to which we are subject include air quality regulations of the EPA and certain city, state and provincial air pollution control groups, waste treatment/disposal regulations, sewer regulations under agreements with local city sewer districts, regulations governing hazardous substances, storm water regulations and bioterrorism regulations. For a more detailed summary of the environmental regulations and policies to which we are subject, see “Item 1. Business—Regulation” of this report. Our business also requires that we have certain permits from various state, provincial and local authorities related to air quality, storm water discharge, solid waste, land spreading and hazardous waste.

In the event that our safety procedures for handling and disposing of potentially hazardous materials in certain of our businesses were to fail, we could be held liable for any damages that result, and any such liability could exceed our resources. We may be required to incur significant costs to comply with environmental laws and regulations in the future. In addition, changes to environmental regulations may require us to modify our existing plant and processing facilities and could significantly increase the cost of those operations.

The foregoing environmental regulations, as well as others common to the industries in which we participate, can present delays and costs that can adversely affect business development and growth. If we fail to comply with applicable laws and regulations, we may be subject to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, any changes to current regulations may impact the development, manufacturing

and marketing of our products, and may have a negative impact on our future results.

Climate change laws could have an impact on our financial condition and results of operations

Legislative and regulatory authorities in the U.S., Canada and internationally will likely continue to consider numerous measures related to climate change and greenhouse gas emissions. In order to produce, manufacture and distribute our products, we and our suppliers use fuels, electricity and various other inputs that result in the release of greenhouse gas emissions. Concerns about the environmental impacts of greenhouse gas emissions and global climate change may result in environmental taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact our operations, as well as those of our suppliers, who would likely pass all or a portion of their costs along to us. We may not be able to pass any resulting cost increases along to our customers. Any laws or regulations regarding greenhouse gas emissions or other climate change laws enacted by the U.S., Canada or any other international jurisdiction where we conduct business could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates, interest rates and commodity prices could adversely affect our business, financial condition, results of operations or liquidity

We are exposed to foreign exchange rate fluctuations as our non-U.S.-based operations are translated into U.S. dollars for financial reporting purposes and we also sell product in currencies that are different from the currency used to purchase materials, or process finished goods. We are exposed to changes in interest rates as a significant portion of our debt bears interest at variable rates. We are exposed to price fluctuations on a number of commodities as we hold inventory and enter into transactions to buy and sell products in a number of markets. Additional qualitative and quantitative disclosures about these risks can be found in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of this report. As a result of these exposures, fluctuations in exchange rates, interest rates and certain commodities could adversely affect our business, financial condition, results of operations or liquidity.

Our international operations expose us to additional risks

We source our products from numerous suppliers and growers from around the world. Outside of the U.S. and Canada, we have processing, packaging and warehousing facilities in Mexico, Europe, Africa and Asia. Our international operations and customers expose us to certain risks inherent in doing business abroad, including:

- exposure to local economic conditions, expropriation and nationalization, foreign exchange rate fluctuations and currency controls;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions;
- compliance with anti-corruption and anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- compliance with export controls and economic sanctions laws;
- increases in working capital requirements related to long supply chains; and
- disruptions in our supply chain from unforeseen events, such as natural disasters, terrorism and political and civil unrest.

For example, we have significant operations in Mexico, including a facility in the State of Michoacán, near areas where there have been incidents of unrest, which may heighten the risks of our international operations described above.

As we continue to expand our business globally, we may have difficulty anticipating and effectively managing these and other risks that our international operations may face, which may adversely impact our business, financial condition and results of operations. In addition, any acquisition of businesses with operations outside of the U.S. and Canada may exacerbate this risk.

A significant portion of our assets and certain of our executive officers and directors are located outside of the U.S.; it may be difficult to effect service of process and enforce legal judgments upon us and certain of our executive officers and directors

A significant portion of our assets and certain of our executive officers and directors are located outside of the U.S. As a result, it may be difficult to effect service of process within the U.S. and enforce judgment of a U.S. court obtained against us or our executive officers and directors. Particularly, our stakeholders may not be able to:

- effect service of process within the U.S. on us or certain of our executive officers and directors;
- enforce judgments obtained in U.S. courts against us or certain of our executive officers and directors based upon the civil liability provisions of the U.S. federal securities laws;
- enforce, in a court outside of the U.S., judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws; or
- bring an original action in a court outside of the U.S. to enforce liabilities against us or any of our executive officers and directors based upon the U.S. federal securities laws.

Risks Related to Our Indebtedness

Our level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt obligations

Our level of indebtedness could adversely affect our business, financial condition and results of operations, including, without limitation, impairing our ability to obtain additional financing for working capital, capital expenditures, debt service requirements or other general corporate purposes. In addition, we will have to use a substantial portion of our cash flow to pay principal, premium (if any) and interest on our indebtedness, which will reduce the funds available to us for other purposes. If we do not generate sufficient cash flows to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our level of indebtedness will also make us more vulnerable to economic downturns and adverse industry conditions and may compromise our ability to capitalize on business opportunities, and to react to competitive pressures as compared to our competitors.

Our debt and equity agreements restrict how we may operate our business, and our business may be materially and adversely affected if these restrictions prevent us from implementing our business plan

The agreements governing our debt and preferred equity instruments contain restrictive covenants that limit the discretion of our management with respect to certain business matters. These covenants place restrictions on, among other things, our ability to obtain additional debt financing, to create other liens, to complete a merger, amalgamation or consolidation, to make certain distributions or make certain payments, investments and guarantees and to sell or otherwise dispose of certain assets. These restrictions may hinder our ability to execute on our growth strategy or prevent us from implementing parts of our business plan.

Our business may be materially and adversely affected if we are unable to renew the Global Credit Facility and/or refinance our senior secured second lien notes

The Global Credit Facility matures on February 10, 2021. We may not be able to renew this facility to the same level or size, or on terms as favorable as at present. A reduced facility may impact our ability to finance our business, requiring us to scale back our operations and our use of working capital. Alternatively, obtaining credit on less favorable terms would have a direct impact on our profitability and operating flexibility. Our senior secured second lien notes mature on October 9, 2022. Our ability to refinance these notes upon maturity will depend on the capital markets and our financial condition at such time. As a result, we may not be able to obtain refinancing on commercially reasonable terms, which could have a material and adverse impact on our business, financial condition and results of operations. Alternatively, we may have to undertake alternative financing plans, such as restructuring our debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital.

Our business could be materially and adversely affected if we are unable to meet the financial covenants of the Global Credit Facility

Our ability to comply with the financial covenants under the Global Credit Facility agreement will depend on the success of our businesses, our operating results, and our ability to achieve our financial forecasts. Various risks

uncertainties and events beyond our control could affect our ability to comply with the financial covenants and terms of the Global Credit Facility agreement. Failure to comply with our financial covenants and other terms could result in an event of default and the acceleration of amounts owing under this agreement, unless we are able to negotiate a waiver. The lenders could condition any such waiver on an amendment to the agreement on terms (including, but not limited to, the payment of consent fees) that may be unfavorable to us. If we are unable to negotiate a covenant waiver or replace or refinance the Global Credit Facility agreement on favorable terms, our business, financial condition and results of operations will be materially and adversely impacted.

Risks Related to Business Acquisitions and Divestures

We may not be able to effectively manage our growth and integrate acquired companies

From time to time we may pursue acquisition opportunities that are consistent with our overall growth strategy. Our ability to effectively integrate past or future business acquisitions, including our ability to realize potentially available marketing opportunities and cost savings in a timely and efficient manner will have a direct impact on our future results. We may encounter problems in connection with the integration of any new businesses, such as challenges relating to the following:

- integration of an acquired company's products into our product mix;
- the amount of cost savings that may be realized as a result of integrating an acquired product or business;
- unanticipated quality and production issues with acquired products;
- adverse effects on business relationships with suppliers and customers;
- diversion of management's attention;
- integrating acquired operations that have management teams and company cultures that differ from our own;
- difficulty with personnel and loss of key employees;
- implementation of an integrated enterprise-wide accounting and information system and consolidation of back office accounting;
- compatibility of financial control and information systems;
- exchange rate risk with respect to acquisitions outside the U.S.;
- potential for patent and trademark claims or other litigation against or involving the acquired company;
- integration of businesses that operate in new geographic areas, including difficulties in identifying and gaining access to customers in new markets; and
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences.

If we experience any of these problems in the integration of acquisitions, they could have a material and adverse effect on our business, financial condition and results of operations.

We may not have accurately estimated the benefits or synergies to be realized from business acquisitions

Our expected benefits and synergies from acquired businesses may not be realized if our cash flow estimates associated with the assets of those businesses are materially inaccurate or if we fail to identify operating problems or liabilities prior to acquisition. We perform inspections of the assets to be acquired, which we believe to be generally consistent with industry practices. However, the accuracy of our assessments of the assets and our estimates are inherently uncertain. There could also be environmental or other problems that were not discovered in the course of our due diligence and inspections. If problems or risks are identified after the closing of an acquisition, there may be limited recourse against the former owners.

Business acquisitions may expose us to unknown liabilities

When we acquire a business, we often assume or otherwise become subject to liabilities of acquired businesses, including contingent liabilities that may depend on the outcome of legal and administrative proceedings or other events. As a result, we may become subject to liabilities that are unknown to us or that cannot be quantified at the time of the acquisition. If we become subject to significant liabilities or other obligations as a result of an acquisition, our business could be materially affected. Moreover, to the extent we have contractual rights to indemnification against losses and liabilities of businesses we acquire, the amount of indemnification available could be limited and may not be sufficient to cover the actual losses we suffer.

Business acquisitions could result in unexpected disruptions of our business

In response to an acquisition, the customers may cease or reduce their business with the combined company, which could negatively affect our business. Similarly, current or prospective employees may experience uncertainty about their future roles with the combined company. This may adversely affect our ability to attract and retain key management, marketing and technical personnel. In addition, the diversion of the attention of our respective management teams away from day-to-day operations during the pendency of the business acquisition could have an adverse effect on our financial condition and operating results.

The possible future divestiture of businesses could impact our profitability

We may, from time to time, divest businesses that are no longer a strategic fit or no longer meet our growth or profitability targets. Our profitability may be impacted by gains or losses on the sales of such businesses, or lost operating income or cash flows from such businesses. Additionally, we may be required to record asset impairment or restructuring charges related to divested businesses, or indemnify buyers for liabilities, which may reduce our profitability and cash flows. For example, under the Value Creation Plan, we recognized asset impairment and facility closure costs of \$34.6 million, as well as related employee termination costs of \$8.7 million, in connection with portfolio optimization measures taken under the plan, including the exits from flexible resealable pouch and nutrition bar product lines and operations. We may also not be able to negotiate such divestitures on terms acceptable to us. Such potential divestitures will require management resources and may divert management's attention from our day-to-day operations. If we are not successful in divesting such businesses, our business could be harmed.

Risks Related to Ownership of our Common Shares

Our operating results and share price are subject to significant volatility

Our net sales and operating results may vary significantly from period to period due to:

- changes in our customers and/or their demand;
- changes in our operating expenses;
- management's ability to execute our business strategies focused on improved operating earnings;
- organizational and personnel changes;
- interruption in operations at our facilities;
- product recalls or market withdrawals;
- legal and administrative cases (whether civil, such as environmental or product related, or criminal), settlements, judgments and investigations;
- foreign currency fluctuations;
- supply shortages or commodity price fluctuations; and
- general economic conditions.

In addition, our share price may be highly volatile compared to larger public companies. Certain announcements could have a significant effect on our share price, including announcements regarding:

- fluctuations in financial performance from period to period;
- mergers, acquisitions and/or divestitures, either by us or key competitors;
- changes in key personnel;
- strategic partnerships or arrangements;
- litigation and governmental inquiries;
- changes in governmental regulation and policy;
- patents or proprietary rights;
- changes in consumer preferences and demand;
- new financings; and
- general market conditions.

Higher volatility increases the chance of larger than normal price swings which reduces predictability in the price of our common shares and could impair investment decisions. In addition, price and volume trading volatility in the stock markets can have a substantial effect on our share price, frequently for reasons other than our operating performance. These broad market fluctuations could adversely affect the market price of our common shares.

Periods of volatility in the overall market and the market price of a company's securities, is often followed by securities class action litigation alleging material misstatements or omissions in disclosures provided to shareholders. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Our debt instruments restrict, and our future debt instruments may restrict, our ability to pay dividends to our shareholders, and we do not currently intend to pay any cash dividends on our common shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their common shares until their shares are sold

We have never paid or declared any cash dividends on our common shares. We do not anticipate paying any cash dividends on our common shares in the foreseeable future because, among other reasons, we currently intend to retain any future earnings to finance the growth of our business. In addition, the covenants included in our debt instruments, and the covenants to be included in our future debt instruments may restrict our ability to receive cash from our subsidiaries and pay dividends on our common shares. The future payment of dividends will be dependent on factors such as these covenant restrictions, cash on hand, or achieving and maintaining profitability, the financial requirements to fund growth, our general financial condition and other factors the Board may consider appropriate in the circumstances. Until we pay dividends, which we may never do, our shareholders will not receive a return on their common shares until their shares are sold.

The future issuance of additional common shares in connection with the exchange of convertible preferred stock, exercise of stock options, participation in our employee stock purchase plan and issuance of additional securities could dilute the value of our common shares

We have unlimited common shares authorized but unissued. Our articles of amalgamation authorize us to issue these common shares, and we may also issue options, rights, warrants and appreciation rights relating to common shares for consideration and on terms and conditions established by the Board in its sole discretion.

The exchange of outstanding convertible preferred stock, exercise of stock-based awards, participation in our employee stock purchase plan, and issuance of additional securities in connection with acquisitions or otherwise could result in dilution in the value of our common shares and the voting power represented thereby. Furthermore, to the extent common shares are issued pursuant to the exchange of outstanding convertible preferred stock, exercise of stock-based awards, participation in our employee stock purchase plan and issuance of additional securities, our share price may decrease due to the additional amount of common shares available in the market. The subsequent sales of these shares could encourage short sales by our shareholders and others, which could place further downward pressure

on our share price. Moreover, the holders of our stock options may hedge their positions in our common shares by short selling our common shares, which could further adversely affect our stock price.

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If securities or industry research analysts do not publish or cease publishing research or reports about our business or if they issue unfavorable commentary or downgrade our common shares, our share price and trading volume could decline

The trading market for our common shares relies in part on the research and reports that securities and industry research analysts publish about us, our industry, our competitors and our business. We do not have any control over these analysts. Our share price and trading volumes could decline if one or more securities or industry analysts downgrade our common shares, issue unfavorable commentary about us, our industry or our business, cease to cover our Company or fail to regularly publish reports about us, our industry or our business.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The following table lists the location, description, ownership and segment of our principal properties:

Location	Facility Description	Owned/ Leased	Lease Expiry Date
Mississauga, Ontario(1)	Corporate head office	Leased	June 2021
Edina, Minnesota(1)	Corporate administrative office and Consumer Products head office	Leased	November 2022
Hope, Minnesota(2)	Grain processing and Raw Material Sourcing and Supply head office	Owned	
Cresco, Iowa(2)	Grain milling	Owned	
Bloomington Prairie, Minnesota(2)	Grain storage	Owned	
Ellendale, Minnesota(2)	Grain storage	Owned	
Moorhead, Minnesota(2)	Sales office	Leased	August 2020
Moorhead, Minnesota(2)(4)	Vacant	Owned	
Breckenridge, Minnesota(2)	Grain processing and distribution	Owned	
Crookston, Minnesota(2)	Grain processing, warehouse and distribution	Owned	
Crookston, Minnesota(2)	Warehouse	Leased	November 2019
Grace City, North Dakota(2)	Grain processing, warehouse and distribution	Owned	
Scotts Valley, California(2)(3)	Sales and administrative office	Leased	February 2021
Amsterdam, The Netherlands(2)	Sales and International Sourcing and Supply head office	Leased	October 2022
Middenmeer, The Netherlands(2)	Cocoa processing	Leased	December 2022
Middenmeer, The Netherlands(2)	Warehouse	Leased	December 2022
Cavaillon, France(2)	Sales office	Leased	July 2022
Skye, Germany(2)	Sales office	Leased	November 2020
Dalian, China(2)	Warehouse and office	Leased	November 2019
Dalian, China(2)	Warehouse and office	Leased	November 2024
Addis Ababa, Ethiopia(2)	Grain and coffee processing and sales office	Leased	October 2021
Silistra, Bulgaria(2)	Grain processing	Owned	
Varna, Bulgaria(2)	Sales and administrative office	Leased	July 2019
Kenema, Sierra Leone(2)	Cocoa storage	Leased	July 2019
Alexandria, Minnesota(3)	Aseptic beverage processing and packaging	Owned	

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Alexandria, Minnesota(3)	Ingredient processing	Owned	
Alexandria, Minnesota(3)	Warehouse	Owned	
Heuvelton, New York(3)(5)	Vacant	Owned	
Modesto, California(3)	Aseptic beverage processing and packaging	Leased	May 2024
Modesto, California(3)	Warehouse	Leased	May 2024
Allentown, Pennsylvania(3)	Aseptic beverage processing and packaging	Leased	April 2027
Allentown, Pennsylvania(3)	Warehouse	Leased	November 2025
Omak, Washington(3)	Fruit snack processing, warehouse and distribution	Leased	May 2027
St. David s, Ontario(3)	Fruit snack processing, warehouse and distribution	Leased	December 2020
Placentia, California(3)	Sales and administration office	Leased	January 2022
South Gate, California(3)	Fruit ingredient processing, warehouse and distribution	Leased	June 2020
Edwardsville, Kansas(3)	Frozen fruit processing, warehouse and distribution	Owned	
Oxnard, California(3)	Frozen fruit processing, warehouse and distribution	Owned	
Oxnard, California(3)	Frozen fruit processing, warehouse and distribution	Leased	December 2019
Santa Maria, California(3)	Frozen fruit processing, warehouse and distribution	Leased	April 2035
Jacona, Mexico(3)	Frozen fruit processing, warehouse and distribution	Owned	
Rogers, Arkansas(3)	Sales office	Leased	July 2019

- (1) Included in Corporate Services.
- (2) Included in Global Ingredients.
- (3) Included in Consumer Products.
- (4) Moorhead, Minnesota, grain handling facility was closed on August 31, 2017.
- (5) Heuvelton, New York, ingredient processing facility closed in January 2017.

Executive Offices

Our executive head office is located at 2233 Argentia Drive, Suite 401, Mississauga, Ontario.

Item 3. Legal Proceedings

For a discussion of legal proceedings, see note 22 of the consolidated financial statements included at Item 15 of this Form 10-K.

Item 4. Mine Safety Disclosures

Not Applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares trade in U.S. dollars on The NASDAQ Global Select Market under the symbol **STKL**, and in Canadian dollars on the TSX under the symbol **SOY**.

As at December 29, 2018, we had approximately 402 shareholders of record. We have never paid cash dividends on our common stock and do not anticipate paying dividends in the foreseeable future. Our future dividend policy will depend on our earnings, capital requirements and financial condition, requirements of the financial agreements to which we are then a party and other factors considered relevant by our Board of Directors. Additionally, the terms of our existing debt instruments include covenants that restrict our ability to pay dividends to shareholders. The receipt of cash dividends by U.S. shareholders from a Canadian corporation, such as we are, may be subject to Canadian withholding tax.

Equity Compensation Plan Information

The following table provides information as at December 29, 2018, with respect to our common shares that may be issued under the Company's stock incentive and employee share purchase plans:

Plan Category	Number of	Weighted-Average	Number of
	Securities to be		
	Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Outstanding Options, Warrants and Rights (b)	(c)
Equity compensation plans approved by securities holders:			
2013 Stock Incentive Plan ⁽¹⁾	4,658,283	\$ 7.76 ⁽³⁾	4,028,729
Employee Stock Purchase Plan	-	-	999,915
Equity compensation plans not approved by securities holders:			
CEO Plan ⁽²⁾	818,386	\$ 7.00 ⁽³⁾	-
Total	5,476,669	\$ 7.65	5,028,644

- (1) Represents common shares of the Company issuable in respect of 2,698,550 stock options, 597,837 restricted stock units (RSUs) and 1,361,896 performance share units (PSUs) granted to selected employees and directors of the Company.
- (2) Represents common shares of the Company issuable in respect of 473,940 performance-based stock options, 66,666 RSUs and 277,780 PSUs granted to the Chief Executive Officer of the Company.
- (3)

Vested RSUs and PSUs entitle the holder to receive one common share per unit without payment of additional consideration. Accordingly, these units are disregarded for purposes of computing the weighted-average exercise price.

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Shareholder Return Performance Graph

This performance graph shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of SunOpta under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph compares the five-year cumulative shareholder return on our common shares to the cumulative total return of the S&P/TSX Composite and the NASDAQ Industrial Indices for the period which commenced December 28, 2013.

	2013	2014	2015	2016	2017	2018
SunOpta Inc.	100.00	118.38	68.33	70.43	77.42	38.36
Nasdaq Industrial Index	100.00	101.99	110.39	119.64	148.42	144.21
S&P/TSX Composite Index	100.00	107.42	95.51	112.23	119.00	104.41

Assumes that \$100.00 was invested in our common shares and in each index on December 28, 2013.

Item 6. Selected Financial Data

The following information has been derived from financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with the consolidated financial statements and related notes thereto prepared in accordance with U.S. GAAP contained in Item 8 of this report, as well as the discussion in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations .

	2018	2017	2016	2015 ⁽¹⁾	2014
	\$	\$	\$	\$	\$
Revenues	1,260,852	1,279,593	1,346,731	1,145,134	1,102,745
Earnings (loss) from continuing operations attributable to SunOpta Inc.	(109,205) ⁽²⁾	(135,320) ⁽³⁾	(50,618) ⁽⁴⁾	(2,996)	19,295 ⁽⁵⁾
Basic earnings (loss) per share from continuing operations	(1.34)	(1.66)	(0.61)	(0.04)	0.29
Diluted earnings (loss) per share from continuing operations	(1.34)	(1.66)	(0.61)	(0.04)	0.28
Total assets	896,738	982,173	1,129,558	1,219,203	640,950
Bank indebtedness	280,334	234,090	201,494	159,773	78,454
Long-term debt (including current portion)	228,863	228,033	231,087	322,995	4,581
Long-term liabilities (including current portion)	6,365	13,652	20,854	23,052	1,086

- (1) Includes the results of operations of Sunrise Holdings (Delaware), Inc. (acquired October 9, 2015), Niagara Natural Fruit Snack Company Inc. (assets acquired August 11, 2015) and Citrusource, LLC (acquired March 2, 2015) from the respective dates of acquisition.
- (2) Includes a goodwill impairment charge of \$81.2 million related to the Healthy Fruit reporting unit of the Consumer Products operating segment.
- (3) Includes a goodwill impairment charge of \$115.0 million related to the Healthy Fruit reporting unit of the Consumer Products operating segment, as well as a charge of \$18.2 million for the impairment of long-lived assets associated with the exit from flexible resealable pouch and nutrition bar product lines and operations, and consolidation of roasted snack operations, as well as the closure of a juice processing facility located in San Bernardino, California.
- (4) Includes a goodwill impairment charge of \$17.5 million related to the Sunflower reporting unit of the Raw Material Sourcing and Supply operating segment, as well as a charge of \$13.3 million for the impairment of long-lived assets associated with the closure of the San Bernardino juice facility and a soy extraction facility located in Heuvelton, New York.
- (5) Includes a charge for the impairment of investment of \$8.4 million, as well as a gain on disposal on assets of \$1.3 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Financial Information

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section provides analysis of our operations and financial position for the fiscal year ended December 29, 2018 and includes information available to February 26, 2019, unless otherwise indicated herein. It is supplementary information and should be read in conjunction with the consolidated financial statements included elsewhere in this report.

Certain statements contained in this MD&A may constitute forward-looking statements as defined under securities laws. Forward-looking statements may relate to our future outlook and anticipated events or results and may include statements regarding our future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives. In some cases, forward-looking statements can be identified by terms such as anticipate , estimate , target , intend , project , potential , continue , believe , expect , would , should , might , plan , will , may , might , predict , budget , forecast , or other similar expressions that are not historical facts, or the negative of such terms are intended to identify forward-looking statements; however, the absence of these words does not necessarily mean that a statement is not forward-looking. To the extent any forward-looking statements contain future-oriented financial information or financial outlooks, such information is being provided to enable a reader to assess our financial condition, material changes in our financial condition, our results of operations, and our liquidity and capital resources. Readers are cautioned that this information may not be appropriate for any other purpose, including investment decisions.

Forward-looking statements contained in this MD&A are based on certain factors and assumptions regarding expected growth, results of operations, performance, and business prospects and opportunities. While we consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. Forward-looking statements are also subject to certain factors, including risks and uncertainties that could cause actual results to differ materially from what we currently expect. These factors are more fully described in the Risk Factors section at Item 1A of this Form 10-K.

Forward-looking statements contained in this commentary are based on our current estimates, expectations and projections, which we believe are reasonable as of the date of this report. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. Other than as required under securities laws, we do not undertake to update any forward-looking information at any particular time. Neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements, and we hereby qualify all our forward-looking statements by these cautionary statements.

Unless otherwise noted herein, all currency amounts in this MD&A are expressed in U.S. dollars. All tabular dollar amounts are expressed in thousands of U.S. dollars, except per share amounts.

Overview

SunOpta is a global company focused on sourcing organic and non-genetically modified (non-GMO) ingredients, and manufacturing healthy food and beverage products. Our global sourcing platform makes us one of the leading suppliers of organic and non-GMO raw materials and ingredients in the food industry. Our consumer products portfolio utilizes internally and externally sourced raw materials and ingredients to manufacture healthy food and beverage products for supply to retail, foodservice and branded food customers. We operate our business in the following reportable segments:

- Global Ingredients aggregates our North American-based Raw Material Sourcing and Supply and European-based International Sourcing and Supply operating segments focused on the procurement and sale of organic commodities and value-added ingredients, and specialty and organic grains and seeds.

- Consumer Products consists of three main commercial platforms: Healthy Beverages, Healthy Fruit and Healthy Snacks. Healthy Beverages includes aseptically-packaged products including non-dairy beverages, broths and teas; refrigerated premium juices; and shelf-stable juices and functional waters. Healthy Fruit includes individually quick frozen (IQF) fruits for retail; IQF and bulk frozen fruit for foodservice; and custom fruit preparations for industrial use. Healthy Snacks is focused on fruit snack offerings and included flexible resealable pouch and nutrition bar product lines that were exited in 2017.

Effective in 2018, we transferred certain of our specialty ingredient operations from Global Ingredients to the Healthy Beverages platform of Consumer Products. These operations produce liquid bases, including for the Company's non-dairy aseptic beverage operations, as well as spray-dried ingredients. The segment information presented in this MD&A for years ended December 30, 2017 and December 31, 2016 has been restated to reflect this realignment. Specifically, for the years ended December 30, 2017 and December 31, 2016, revenues of \$13.6 million and \$15.5 million, respectively, and operating income of \$2.0 million and \$2.0 million, respectively, generated by these operations have been reclassified from Global Ingredients to Consumer Products.

For a more detailed description of our operating groups and their businesses, please see the Business section at Item 1 of this Form 10-K.

Fiscal Year

We operate on a fiscal calendar that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to December 31. Fiscal years 2018, 2017 and 2016 were each 52-week periods ending on December 29, 2018, December 30, 2017, and December 31, 2016, respectively.

Sale of Specialty and Organic Soy and Corn Business

On February 22, 2019, our subsidiary, SunOpta Grains and Foods Inc., completed the sale of our specialty and organic soy and corn business to Pipeline Foods, LLC (Pipeline Foods) for \$66.5 million, subject to certain post-closing adjustments. The soy and corn business engaged in seed and grain conditioning and corn milling and formed part of our North American-based raw material sourcing and supply operating segment, included in the Global Ingredients reportable segment.

As a result of available U.S. non-capital loss carryforwards, the transaction is expected to be tax efficient with net proceeds after fees, expenses, and taxes contributing approximately \$64 million in cash. The net proceeds from this transaction will initially be used to repay borrowings under our Global Credit Facility (as described below under the heading Liquidity and Capital Resources), which is expected to provide additional incremental borrowing capacity of approximately \$46 million under this facility. Taking into consideration the expected net proceeds and borrowing capacity generated from this transaction, our total debt as at December 29, 2018 would have been approximately \$445 million and the available borrowing capacity under our Global Credit Facility would have been approximately \$101 million, on a pro forma basis. Over time, we intend to redeploy this capital to further enhance our consumer products and international organic sourcing platforms.

The results of operations of the soy and corn business for each of the three fiscal years in the period ended December 29, 2018 are summarized in the table below. These results exclude management fees charged by Corporate Services and do not reflect the anticipated savings from other cost reduction measures taken in connection with this transaction as described following this table.

	December 29, 2018	December 30, 2017	December 31, 2016
	\$	\$	\$
Revenues	104,427	112,336	116,849
Gross profit	8,310	10,449	8,667
Segment operating income	6,777	9,047	7,160
Earnings before income taxes	6,783	8,885	7,047

On the same basis as described above, the results of operations of the soy and corn business for each of the quarters of the year ended December 29, 2018 are summarized in the table below.

March 31,	June 30,	December 29,
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	2018	2018	September 29, 2018	2018
	\$	\$	\$	\$
Revenues	21,399	29,543	27,002	26,483
Gross profit	2,658	2,778	1,251	1,623
Segment operating income	2,275	2,395	868	1,239
Earnings before income taxes	2,292	2,422	817	1,252

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The sale of the soy and corn business is expected to simplify our operations, enabling cost reductions that extend beyond the employees and expenses that will transfer to Pipeline Foods. As a result, we expect to rationalize an additional \$3.0 million of costs and expenses that were included in our consolidated results of operations in 2018. Taking into consideration the contribution from the soy and corn business, as well as the costs and expenses expected to be rationalized, adjusted EBITDA would have decreased by approximately \$4.6 million for the year ended December 29, 2018, on a pro forma basis, if this transaction had occurred at the beginning of 2018. The following table presents by quarter and for the full year of fiscal 2018 a reconciliation of adjusted EBITDA in connection with this transaction from earnings before income taxes of the soy and corn business, which we consider in this case to be the most directly comparable U.S. GAAP financial measure.

	March 31, 2018 \$	June 30, 2018 \$	September 29, 2018 \$	Quarter ended December 29, 2018 \$	Year ended December 29, 2018 \$
Earnings before income taxes of soy and corn business	2,292	2,422	817	1,252	6,783
Depreciation	213	217	212	205	847
Interest income	(15)	(27)	(39)	(16)	(97)
Other expense (income)	(2)	-	91	2	91
Less costs and expenses to be rationalized	(995)	(901)	(652)	(490)	(3,038)
Adjusted EBITDA	1,493	1,711	429	953	4,586

Adjusted EBITDA is a non-GAAP measure that management uses when assessing the performance of our operations. See footnote (3) to the Consolidated Results of Operations for Fiscal Years 2018 and 2017 table below for a discussion on the use of this non-GAAP measure.

The sale of the soy and corn business was completed after the end of the periods covered by this MD&A and did not affect our results of operations as reported herein for the fiscal year ended December 29, 2018. Unless otherwise stated, the disclosures in this MD&A reflect our business as it was conducted during the periods covered by this report, without giving effect to the sale of the soy and corn business.

Value Creation Plan

On October 7, 2016, we entered into a strategic partnership with Oaktree Capital Management L.P., a private equity investor (together with its affiliates, Oaktree), and, on that date, Oaktree invested \$85.0 million through the purchase of cumulative, non-participating Series A Preferred Stock (the Preferred Stock) of our wholly-owned subsidiary, SunOpta Foods Inc. (SunOpta Foods).

Following the strategic partnership, with the assistance of Oaktree, we conducted a thorough review of our operations, management and governance, with the objective of maximizing our ability to deliver long-term value to our shareholders. As a product of this review, our management and the Board of Directors developed a Value Creation Plan built on four pillars: portfolio optimization, operational excellence, go-to-market effectiveness and process sustainability. The Value Creation Plan is a multi-year, broad-based initiative focused on increasing shareholder value through strategic investments made to the people and assets of the Company to deliver sustained profitable growth.

Costs incurred in connection with measures taken under the Value Creation Plan included impairment charges and facility closure costs primarily related to the closure of certain of our processing facilities and rationalization of our product portfolio, including the exits from flexible resealable pouch and nutrition bar product lines and operations in 2017, and consolidations of grain-handling and roasted snack operations. In addition, we incurred employee

recruitment, relocation, retention and severance costs related to exit activities and organizational changes within management and executive teams, and recruiting efforts in the areas of quality, sales, marketing, operations and engineering. We also incurred third-party legal advisory, consulting and temporary labor costs in support of the Value Creation Plan.

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Costs incurred and charged to expense for the years ended December 29, 2018, December 30, 2017 and December 31, 2016 were recorded in the consolidated statement of operations as follows:

	December 29, 2018 \$	December 30, 2017 \$	December 31, 2016 \$
Cost of goods sold ⁽¹⁾	100	3,189	-
Selling, general and administrative expenses ⁽²⁾	613	22,894	4,041
Other expense ⁽³⁾	1,661	23,829	14,285
	2,374	49,912	18,326

- (1) Inventory write-downs and facility closure costs recorded in cost of goods sold were allocated to the Consumer Products operating segment.
- (2) Consulting/professional fees and temporary labor costs, and employee recruitment, relocation and retention costs recorded in selling, general and administrative expenses were allocated to Corporate Services.
- (3) For the year ended December 29, 2018, asset impairment, lease obligation and employee termination costs recorded in other expense were allocated as follows: Raw Material Sourcing and Supply operating segment - \$0.7 million; Consumer Products operating segment - \$0.8 million; and Corporate Services - \$0.2 million. For the year ended December 30, 2017, asset impairment and employee termination costs recorded in other expense were allocated as follows: Raw Material Sourcing and Supply operating segment - \$2.1 million; Consumer Products operating segment - \$20.6 million; and Corporate Services - \$1.1 million. For the year ended December 31, 2016, asset impairment and employee termination costs recorded in other expense were allocated as follows: Raw Material Sourcing and Supply operating segment - \$1.6 million; Consumer Products operating segment - \$10.6 million; and Corporate Services - \$2.1 million.

We do not expect to incur significant additional direct costs related to the Value Creation Plan in future periods. However, it is possible that additional costs could arise if we determine to initiate further strategic actions in the future.

For more information regarding the Value Creation Plan, see note 3 to the consolidated financial statements at Item 15 of this Form 10-K.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, related revenues and expenses, and disclosure of gain and loss contingencies at the date of the financial statements. The estimates and assumptions made require us to exercise our judgment and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. We continually evaluate the information that forms the basis of our estimates and assumptions as our business and the business environment generally changes. The use of estimates is pervasive throughout our financial statements. The following are the accounting estimates which we believe to be most significant to our business.

Revenue Recognition

We recognize revenue when we transfer control of promised goods to our customers in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods. Control is typically transferred when title and physical possession of the product has transferred to the customer, which is at the point in time that product is shipped from our facilities or delivered to a specified destination, depending on the terms of the contract, and we have a present right to payment.

Consideration is typically determined based on a fixed unit price for the quantity of product transferred. Certain of our revenue contracts may give rise to an element of variable consideration in the form of rebates or discounts; however, variable consideration has historically been immaterial in the context of the total consideration due under the contracts. We do not typically grant customers a general right of return for goods transferred but we will generally accept returns of product for quality-related issues. The cost of satisfying this promise of quality is accounted for as an assurance-type warranty obligation rather than variable consideration. Our contracts do not typically include any significant payment terms, as payment is normally due shortly after the time of transfer.

For sales of raw commodities or organic ingredients, the duration of our contracts is typically one year or less and may involve multiple delivery dates over the course of the contract. For consumer products, contracts are typically represented by short-term, binding purchase orders from customers. The timing of our revenue recognition, customer billings and cash collections, does not result in significant unbilled receivables (contract assets) or customer advances (contract liabilities) on the consolidated balance sheet. Contract costs, such as sales commissions, are generally expensed as incurred given the short-term nature of the associated contracts.

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See note 2 of the consolidated financial statements at Item 15 of this Form 10-K for disclosures related to revenue.

Accounts Receivable

Our accounts receivable primarily includes amounts due from our customers. The carrying value of each account is carefully monitored with a view to assessing the likelihood of collection. An allowance for doubtful accounts is provided for as an estimate of losses that could result from customers defaulting on their obligations to us. In assessing the amount of reserve required, a number of factors are considered including the age of the account, the credit-worthiness of the customer, payment terms, the customer's historical payment history and general economic conditions. Because the amount of the reserve is an estimate, the actual amount collected could differ from the carrying value of the amount receivable. Note 6 of the consolidated financial statements at Item 15 of this Form 10-K provides an analysis of the changes in the allowance for doubtful accounts.

Inventory

Inventory is our largest current asset and consists primarily of raw materials and finished goods held for sale. Inventories are valued at the lower of cost and estimated net realizable value except for certain grain inventories that are carried at market value. In order to determine the value of inventory at the balance sheet date, we evaluate a number of factors to determine the adequacy of provisions for inventory. These factors include the age of inventory, the amount of inventory held by type, future demand for products, and the expected future selling price we expect to realize by selling the inventory. Our estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from our estimated value of inventory. We perform a review of our inventory by operation and product line on a quarterly basis. Note 7 of the consolidated financial statements at Item 15 of this Form 10-K provides an analysis of the movements in the inventory reserve.

Intangible Assets

We evaluate amortizable intangible assets acquired through business combinations for impairment if events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. Our evaluation is based on an assessment of potential indicators of impairment, such as an adverse change in the business climate that could affect the value of an asset; the loss of a significant customer; current or forecasted operating or cash flow losses that demonstrate continuing losses associated with the use of an asset; the introduction of a competing product that results in a significant loss of market share; and a current expectation that, more likely than not, an intangible asset will be disposed of before the end of its previously estimated useful life, such as a plan to exit a product line or business in the near term.

Impairment exists when the carrying amount of an amortizable intangible asset is not recoverable through undiscounted future cash flows and its carrying value exceeds its estimated fair value. A discounted cash flow analysis is typically used to determine fair value using estimates and assumptions that market participants would apply. Some of the estimates and assumptions inherent in a discounted cash flow model include the amount and timing of the projected future cash flows, and the discount rate used to reflect the risks inherent in the future cash flows. A change in any of these estimates and assumptions could produce a different fair value, which could have a material impact on our results of operations. In addition, an intangible asset's expected useful life can increase estimation risk, as longer-lived assets necessarily require longer-term cash flow forecasts, which for some of our long-lived assets can be in excess of 20 years. In connection with an impairment evaluation, we also reassess the remaining useful life of the intangible asset and modify it, as appropriate.

Goodwill

Goodwill represents the excess in a business combination of the purchase price over the estimated fair value of the identifiable net assets acquired. Goodwill is not amortized but is instead tested for impairment at least annually, or whenever events or circumstances change between the annual impairment tests that would indicate the carrying amount of goodwill may be impaired. We perform the annual test for goodwill impairment in the fourth quarter of each fiscal year. Goodwill impairment charges are recognized based on the excess of a reporting unit's carrying amount over its estimated fair value.

Goodwill is tested for impairment at the reporting unit level, which is defined as an operating segment or one level below. Our Raw Material Sourcing and Supply operating segment comprises two reporting units, namely Grains and Sunflower. Our International Sourcing and Supply operating segment consists of one reporting unit. Our Consumer Products operating segment comprises three reporting units based on commercial platforms, namely Healthy Beverages, Healthy Fruit and Healthy Snacks.

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The fair values of our reporting units are determined using an income approach (discounted cash flow method). We believe an income approach provides the most reliable indication of fair value as it reflects forecasted revenues and earnings based on business and market conditions that are unique to each individual reporting unit, which a market approach may not fully incorporate. Because the business is assumed to continue in perpetuity, the discounted cash flows include a terminal value. Cash flows to perpetuity are forecasted based on projected revenue growth and our planned business strategies in future periods. Examples of planned strategies would include a plant or line expansion at an existing facility; a reduction of working capital at a specific location; and price increases or cost reductions within a reporting unit. The discount rate is based on a reporting unit's targeted weighted-average cost of capital, which is not necessarily the same as our weighted-average cost of capital. These assumptions are subject to change and are impacted by our ability to achieve our forecasts and by economic conditions that may impact future results and result in projections not being attained. Each year we re-evaluate the assumptions used to reflect changes in the business environment.

Based on the results of the annual impairment test performed for the years ended December 29, 2018 and December 30, 2017, we recognized goodwill impairment charges of \$81.2 million and \$115.0 million respectively, to fully write-off the goodwill related to our Healthy Fruit reporting unit. For the year ended December 31, 2016, we recognized a goodwill impairment charge of \$17.5 million to fully write-off the goodwill related to our Sunflower reporting unit. None of the goodwill balances of our other reporting units were considered to be at risk of impairment, as the fair value of those reporting units substantially exceeded their carrying values – that is, a hypothetical 10% decrease in the fair value of any of our other reporting units would not have triggered a goodwill impairment. The results of our annual impairment tests for goodwill are described in note 9 of the consolidated financial statements at Item 15 of this Form 10-K.

Acquisitions

Business acquisitions are accounted for by the acquisition method of accounting. Under this method, the purchase price is allocated to the assets acquired and the liabilities assumed based on the fair value at the time of the acquisition. Any excess purchase price over the fair value of identifiable assets acquired and liabilities assumed is recorded as goodwill. We believe the fair values assigned to the assets acquired and liabilities assumed are based on reasonable assumptions; however, these assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

The assumptions and estimates with respect to determining the fair value of customer relationship intangible assets acquired are among the most significant in our acquisition accounting and generally require the most judgment. Key variables in determining the fair value of customer relationships are the estimated customer attrition rate and the percentage of revenue growth attributable to existing customers. Changes to either or both of these variables could have a significant impact on the customer relationships intangible assets' values, and changes to the estimated customer attrition rate could have a significant impact on the estimated useful lives of these assets. The expected customer attrition rate assumed in the estimate of fair value for the customer relationships intangible assets is generally supported by an analysis of historical attrition of the acquired business's customers and consideration of its amortization policy of previously acquired customer relationships, amortization policies adopted for acquired customer relationships by other companies in similar transactions, and the contractual terms between the acquired business and its customers. The percentage of revenue growth attributable to existing customers assumed in the estimate of fair value for the customer relationships intangible assets is typically supported by an analysis of the acquired business's historical and forecasted revenue growth rates by customer. Changes in any of the assumptions or estimates used in determining the fair value of the customer relationship intangible assets could have a significant impact on the amounts assigned to goodwill in the purchase price allocation. Future net earnings can be affected by changes in these estimates resulting in an increase or decrease in amortization expense, or impairment of the intangible assets and/or goodwill. Note 10 of the consolidated financial statements at Item 15 of this Form 10-K outlines annual amortization expense relating to these intangibles.

Some acquisitions involve contingent consideration to be potentially paid based on the achievement of specified future financial targets by the acquired business. Acquisition-related contingent consideration is initially recognized as a liability at estimated fair value and re-measured each reporting period with changes in the estimated fair value recognized in earnings. These estimates of fair value involve uncertainties as they include assumptions about the likelihood of achieving the specified financial targets, projections of future financial performance, and assumed discount rates. A change in any of these assumptions could produce a different fair value, which could impact the amounts assigned to assets and liabilities in the purchase price allocation, or the amounts recognized in earnings to reflect subsequent changes in the carrying value of the liability. Note 5 of the consolidated financial statements at Item 15 of this Form 10-K includes disclosures regarding the estimated fair value of contingent consideration.

Contingencies

We make estimates for payments that are contingent on the outcome of uncertain future events. These contingencies include accrued but unpaid bonuses; tax-related matters; and claims or litigation. In establishing our estimates, we consider historical experience with similar contingencies and the progress of each contingency, as well as the recommendations of internal and external advisors and legal counsel. We re-evaluate all contingencies as additional information becomes available; however, given the inherent uncertainties, the ultimate amount paid could differ from our estimates.

Income Taxes

We are liable for income taxes in the U.S., Canada, and other jurisdictions where we operate. Our effective tax rate differs from the statutory tax rate and will vary from year to year primarily as a result of numerous permanent differences, investment and other tax credits, the provision for income taxes at different rates in foreign and other provincial jurisdictions, enacted statutory tax rate increases or reductions in the year, the benefit of cross-jurisdictional financing structures, changes due to foreign exchange, changes in valuation allowance based on our recoverability assessments of deferred tax assets, and favorable or unfavorable resolution of various tax examinations.

In making an estimate of our income tax liability, we first assess which items of income and expense are taxable in a particular jurisdiction. This process involves a determination of the amount of taxes currently payable as well as the assessment of the effect of temporary timing differences resulting from different treatment of items for accounting and tax purposes. These differences in the timing of the recognition of income or the deductibility of expenses result in deferred income tax balances that are recorded as assets or liabilities as the case may be on our balance sheet. We also estimate the amount of valuation allowance to maintain relating to loss carry forwards and other balances that can be used to reduce future taxes payable. This judgment is based on forecasted results in the jurisdiction and certain tax planning strategies and as a result actual results may differ from forecasts. We assess the likelihood of the ultimate realization of these tax assets by looking at the relative size of the tax assets in relation to the profitability of the businesses and the jurisdiction to which they can be applied, the number of years based on management's estimate it will take to use the tax assets and any other special circumstances. If different judgments had been used, our income tax liability could have been different from the amount recorded. In addition, the taxing authorities of those jurisdictions upon audit may not agree with our assessment. Note 18 of the consolidated financial statements at Item 15 of this Form 10-K provides an analysis of the changes in the valuation allowance and the components of our deferred tax assets.

While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could differ from our accrued position. Accordingly, additional provisions on federal, provincial, state and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

Consolidated Results of Operations for Fiscal Years 2018 and 2017

	December 29, 2018 \$	December 30, 2017 \$	Change \$	Change %
Revenues				
Global Ingredients	559,712	536,928	22,784	4.2%
Consumer Products	701,140	742,665	(41,525)	-5.6%
Total revenues	1,260,852	1,279,593	(18,741)	-1.5%
Gross Profit				
Global Ingredients	55,270	65,663	(10,393)	-15.8%
Consumer Products	68,200	79,424	(11,224)	-14.1%
Total gross profit	123,470	145,087	(21,617)	-14.9%
Segment operating income (loss)⁽¹⁾				
Global Ingredients	16,430	19,932	(3,502)	-17.6%
Consumer Products	1,238	11,924	(10,686)	-89.6%
Corporate Services	(13,736)	(31,089)	17,353	55.8%
Total segment operating income	3,932	767	3,165	412.6%
Other expense, net	2,825	23,660	(20,835)	-88.1%
Goodwill impairment	81,222	115,000	(33,778)	-29.4%
Loss before the following	(80,115)	(137,893)	57,778	41.9%
Interest expense, net	34,406	32,504	1,902	5.9%
Recovery of income taxes	(5,378)	(35,829)	30,451	85.0%
Net loss^{(2),(3)}	(109,143)	(134,568)	25,425	18.9%
Earnings attributable to non-controlling interests	62	752	(690)	-91.8%
Loss attributable to SunOpta Inc.	(109,205)	(135,320)	26,115	19.3%
Dividends and accretion on Series A Preferred Stock	(7,909)	(7,809)	(100)	-1.3%
Loss attributable to common shareholders⁽⁴⁾	(117,114)	(143,129)	26,015	18.2%

- (1) When assessing the financial performance of our operating segments, we use an internal measure of operating income that excludes other income/expense items and goodwill impairments determined in accordance with U.S. GAAP. This measure is the basis on which management, including the Chief Executive Officer (CEO), assesses the underlying performance of our operating segments.

We believe that disclosing this non-GAAP measure assists investors in comparing financial performance across reporting periods on a consistent basis by excluding items that are not indicative of our operating performance. However, the non-GAAP measure of operating income should not be considered in isolation or as a substitute for performance measures calculated in accordance with U.S. GAAP. The following table presents a reconciliation of segment operating income/loss to loss before the following, which we consider to be the most directly comparable U.S. GAAP financial measure.

Global Ingredients \$	Consumer Products \$	Corporate Services \$	Consolidated \$
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Segment operating income (loss)	16,430	1,238	(13,736)	3,932
Other income (expense), net	(2,209)	1,913	(2,529)	(2,825)
Goodwill impairment	-	(81,222)	-	(81,222)
Earnings (loss) before the following	14,221	(78,071)	(16,265)	(80,115)

December 30, 2017

Segment operating income (loss)	19,932	11,924	(31,089)	767
Other expense, net	(2,311)	(21,093)	(256)	(23,660)
Goodwill impairment	-	(115,000)	-	(115,000)
Earnings (loss) before the following	17,621	(124,169)	(31,345)	(137,893)

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We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude from segment operating income. However, any measure of operating income excluding any or all of these items is not, and should not be viewed as, a substitute for operating income prepared under U.S. GAAP. These items are presented solely to allow investors to more fully understand how we assess financial performance.

- (2) When assessing our financial performance, we use an internal measure of earnings attributable to common shareholders determined in accordance with U.S. GAAP that excludes specific items recognized in other income/expense, impairment losses on goodwill and long-lived assets, and other unusual items that are identified and evaluated on an individual basis, which due to their nature or size, we would not expect to occur as part of our normal business on a regular basis. We believe that the identification of these excluded items enhances an analysis of our financial performance of our business when comparing those operating results between periods, as we do not consider these items to be reflective of normal business operations.

The following table presents a reconciliation of adjusted loss from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure. In addition, in recognition of our exit from flexible resealable pouch and nutrition bar product lines and operations (as described above under Value Creation Plan), we have prepared this table in a columnar format to present the effect of these operations on our consolidated results for the periods presented. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar Per Diluted Share		Flexible resealable pouch and nutrition bar Per Diluted Share		Consolidated Per Diluted Share
	\$	\$	\$	\$	\$
For the years ended					
December 29, 2018					
Net loss	(108,758)		(385)		(109,143)
Less: earnings attributable to non-controlling interests	(62)		-		(62)
Less: dividends and accretion of Series A Preferred Stock	(7,909)		-		(7,909)
Loss attributable to common shareholders	(116,729)	(1.34)	(385)	-	(117,114)
Adjusted for:					
Goodwill impairment ^(a)	81,222		-		81,222
Inventory write-downs ^(b)	3,101		-		3,101
Equipment start-up costs ^(c)	2,913		-		2,913
New product commercialization costs ^(d)	2,729		-		2,729
Costs related to Value Creation Plan ^(e)	1,696		678		2,374
Reserve for notes receivable ^(f)	2,232		-		2,232
Product withdrawal and recall costs ^(g)	1,456		-		1,456
Other ^(h)	296		-		296
	(2,821)		-		(2,821)

Fair value adjustment on contingent consideration ⁽ⁱ⁾						
Recovery of product withdrawal costs ^(j)	(1,200)		-		(1,200)	
Reversal of stock-based compensation ^(k)	(182)		-		(182)	
Net income tax effect ^(l)	681		(176)		505	
Adjusted earnings (loss)	(24,606)	(0.28)	117	-	(24,489)	(0.28)
December 30, 2017						
Net loss	(119,707)		(14,861)		(134,568)	
Less: earnings attributable to non-controlling interests	(752)		-		(752)	
Less: dividends and accretion of Series A Preferred Stock	(7,809)		-		(7,809)	
Loss attributable to common shareholders	(128,268)	(1.49)	(14,861)	(0.17)	(143,129)	(1.66)
Adjusted for:						
Goodwill impairment ^(m)	115,000		-		115,000	
Costs related to the Value Creation Plan ⁽ⁿ⁾	32,160		17,752		49,912	
Product withdrawal and recall costs ^(o)	1,142		-		1,142	
Recovery of legal settlement ^(p)	(1,024)		-		(1,024)	
Reversal of stock-based compensation ^(k)	(546)		-		(546)	
Other ^(h)	442		-		442	
Net income tax effect ^(l)	(18,332)		(6,923)		(25,255)	
Change in unrecognized tax benefits ^(q)	(452)		-		(452)	
Impact of change in enacted U.S. corporate tax rates ^(r)	(8,437)		-		(8,437)	
Adjusted loss	(8,315)	(0.10)	(4,032)	(0.05)	(12,347)	(0.14)

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- (a) Reflects the impairment of the remaining goodwill balance associated with the Healthy Fruit reporting unit of the Consumer Products operating segment.
- (b) Reflects the write-down of certain frozen fruit inventory items in the fourth quarter of 2018, due to a change in expected use of aged stocks, and reduced sales pricing and high production costs, which was recorded in cost of goods sold.
- (c) Reflects mainly costs related to the start-up of new roasting equipment, as well as a second cocoa processing line, which were recorded in cost of goods sold.
- (d) Reflects costs for development, production trials and start-up costs, incremental freight charges, and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold (\$2.3 million) and selling, general and administrative (SG&A) expenses (\$0.4 million).
- (e) Reflects the write-down of inventories of \$0.1 million recorded in cost of goods sold; professional and consulting fees, and employee recruitment and relocation costs of \$0.6 million recorded in SG&A expenses; and asset impairment, facility closure and employee termination costs of \$1.7 million recorded in other expense, all related to the Value Creation Plan.
- (f) Reflects a bad debt reserve for notes receivable associated with a previously sold business, which was recorded in other expense.
- (g) Reflects product withdrawal and recall costs that were not eligible for reimbursement under insurance policies or exceeded the limits of those policies, including costs related to the recall of certain sunflower kernel products initiated in the second quarter of 2016, which were recorded in other expense.
- (h) Other included the accretion of contingent consideration obligations, gain/loss on the sale of assets, severance costs unrelated to the Value Creation Plan, and settlement of a legal matter, which were recorded in other expense/income.
- (i) Reflects a fair value adjustment to reduce the contingent consideration obligation related to a prior business acquisition, based on the results for the business in fiscal 2018, which was recorded in other income.
- (j) Reflects the recovery from a third-party supplier of \$1.2 million of costs incurred relating to the withdrawal of certain consumer-packaged products due to quality-related issues, which was recorded in cost of goods sold. Costs incurred related to this withdrawal were recognized in cost of goods sold in the fourth quarter of 2016.
- (k) Reflects the reversal to SG&A expenses of previously recognized stock-based compensation related to performance share units granted to certain employees as the performance conditions were not achieved.
- (l) Reflects the tax effect of the preceding adjustments to earnings and reflects an overall estimated annual effective tax rate of approximately 27% for 2018 (2017 30%) on adjusted earnings before tax.
- (m) Reflects the partial impairment of goodwill associated with the Healthy Fruit reporting unit of the Consumer Products operating segment.
- (n) Reflects inventory write-downs and facility closure costs of \$3.2 million recorded in cost of goods sold; consulting fees, temporary labor, employee recruitment, relocation and retention costs, and bad debt reserves of \$22.9 million recorded in SG&A expenses; and asset impairment charges and employee termination costs of \$23.8 million recorded in other expense.
- (o) Reflects costs related to the recall of certain sunflower kernel products, including a \$0.7 million adjustment for the estimated lost gross profit in the first quarter of 2017 caused by the sunflower recall, which reflected a shortfall in revenues against prior year volumes of approximately \$3.3 million, less associated cost of goods sold of approximately \$2.6 million; and \$0.4 million of product withdrawal costs not eligible for reimbursement under our insurance policies, which were recorded in other expense.
- (p) Reflects a recovery on the early extinguishment of a rebate obligation that arose from the prior settlement in 2016 of a flexible resealable pouch product recall dispute with a customer, which was recorded in other income.
- (q) Reflects the realization of previously unrecognized tax benefits, due to the expiration of the statute of limitations.
- (r)

Reflects the remeasurement of deferred tax balances to reflect new U.S. corporate tax rates enacted in December 2017.

We believe that investors' understanding of our financial performance is enhanced by disclosing the specific items that we exclude to compute adjusted earnings/loss. However, adjusted earnings/loss is not, and should not be viewed as, a substitute for earnings prepared under U.S. GAAP. Adjusted earnings/loss is presented solely to allow investors to more fully understand how we assess our financial performance.

- (3) We use a measure of adjusted EBITDA when assessing the performance of our operations, which we believe is useful to investors' understanding of our operating profitability because it excludes non-operating expenses, such as interest and income taxes, and non-cash expenses, such as depreciation, amortization, stock-based compensation and asset impairment charges, as well as other unusual items that affect the comparability of operating performance. We also use this measure to review and assess our progress under the Value Creation Plan, and to assess operating performance in connection with our employee incentive programs. In addition, we are subject to certain restrictions on incurring additional indebtedness based on availability and metrics that include in their calculation a measure of EBITDA. We define adjusted EBITDA as segment operating income/loss plus depreciation, amortization and non-cash stock-based compensation, and excluding other unusual items as identified in the determination of adjusted earnings (refer above to footnote (2)). The following table presents a reconciliation of segment operating income/loss and adjusted EBITDA from net loss, which we consider to be the most directly comparable U.S. GAAP financial measure. In addition, as described above under footnote (2), we have prepared this table in a columnar format to present the effect of flexible resealable pouch and nutrition bar operations on our consolidated results for the periods presented. We believe this presentation assists investors in assessing the results of the operations we have exited and the effect of those operations on our financial performance.

	Excluding flexible resealable pouch and nutrition bar \$	Flexible resealable pouch and nutrition bar \$	Consolidated \$
For the years ended			
December 29, 2018			
Net loss	(108,758)	(385)	(109,143)
Recovery of income taxes	(5,243)	(135)	(5,378)
Interest expense, net	34,406	-	34,406
Other expense, net	2,147	678	2,825
Goodwill impairment	81,222	-	81,222
Total segment operating income	3,774	158	3,932
Depreciation and amortization	32,788	-	32,788
Stock-based compensation	7,939	-	7,939
Inventory write-downs ^(a)	3,101	-	3,101
Equipment start-up costs ^(b)	2,913	-	2,913
New product commercialization costs ^(c)	2,729	-	2,729
Costs related to Value Creation Plan ^(d)	713	-	713
Recovery of product withdrawal costs ^(e)	(1,200)	-	(1,200)
Adjusted EBITDA	52,757	158	52,915
December 30, 2017			
Net loss	(119,707)	(14,861)	(134,568)
Recovery of income taxes	(26,328)	(9,501)	(35,829)
Interest expense, net	32,504	-	32,504
Other expense, net	8,847	14,813	23,660
Goodwill impairment	115,000	-	115,000
Total segment operating income (loss)	10,316	(9,549)	767
Depreciation and amortization	31,994	830	32,824
Stock-based compensation ^(f)	6,395	-	6,395
Costs related to Value Creation Plan ^(d)	23,144	2,939	26,083
Product withdrawal and recall costs ^(g)	729	-	729
Adjusted EBITDA	72,578	(5,780)	66,798

- (a) Reflects the write-down of certain frozen fruit inventory items in the fourth quarter of 2018, due to a change in expected use of aged stocks, and reduced sales pricing and high production costs, which was recorded in cost of goods sold.
- (b) Reflects mainly costs related to the start-up of new roasting equipment, as well as a second cocoa processing line, which were recorded in cost of goods sold.
- (c) Reflects costs for development, production trials and start-up costs, incremental freight charges, and employee training related to the commercialization of new consumer products, which were recorded in cost of goods sold (\$2.3 million) and SG&A expenses (\$0.4 million).
- (d) For 2018, reflects the write-down of inventories of \$0.1 million recorded in cost of goods sold; and professional and consulting fees, and employee recruitment and relocation costs of \$0.6 million recorded in SG&A expenses. For 2017, reflects inventory write-downs and facility closure costs of \$3.2 million recorded in cost of goods sold, and consulting fees, temporary labor, employee recruitment, relocation and retention costs of \$22.9 million recorded in SG&A expenses.
- (e) Reflects the recovery from a third-party supplier of \$1.2 million of costs incurred relating to the withdrawal of certain consumer-packaged products due to quality-related issues, which was recorded in cost of goods sold. Costs incurred related to this withdrawal were recognized in cost of goods sold in the

fourth quarter of 2016.

- (f) For 2017, stock-based compensation of \$6.4 million was recorded in SG&A expenses, and the reversal of \$0.7 million of previously recognized stock-based compensation related to forfeited awards previously granted to terminated employees was recognized in other expense.
- (g) Reflects the estimated lost gross profit caused by the recall of certain sunflower kernel products of \$0.7 million, which reflected the shortfall in revenues in the first quarter of 2017 against first quarter 2016 volumes of approximately \$3.3 million, less associated cost of goods sold of approximately \$2.6 million.

Although we use adjusted EBITDA as a measure to assess the performance of our business and for the other purposes set forth above, this measure has limitations as an analytical tool, and should not be considered in isolation, or as a substitute for an analysis of our results of operations as reported in accordance with U.S. GAAP. Some of these limitations are:

- adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest payments on our indebtedness;
- adjusted EBITDA does not include the recovery/payment of taxes, which is a necessary element of our operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements; and
- adjusted EBITDA does not include non-cash stock-based compensation, which is an important component of our total compensation program for employees and directors.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing adjusted EBITDA in isolation, and specifically by using other U.S. GAAP and non-GAAP measures, such as revenues, gross profit, segment operating income, earnings and adjusted earnings to measure our operating performance. Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP and should not be considered as an alternative to our results of operations or cash flows from operations determined in accordance with U.S. GAAP, and our calculation of adjusted EBITDA may not be comparable to the calculation of a similarly titled measure reported by other companies.

- (4) In order to evaluate our results of operations, we use certain non-GAAP measures that we believe enhance an investor's ability to derive meaningful period-over-period comparisons and trends from our results of operations. In particular, we evaluate our revenues on a basis that excludes the effects of fluctuations in commodity pricing and foreign exchange rates. In addition, we exclude specific items from our reported results that due to their nature or size, we do not expect to occur as part of our normal business on a regular basis. These items are identified above under footnote (2), and in the discussion of our results of operations below. These non-GAAP measures are presented solely to allow investors to more fully assess our results of operations and should not be considered in isolation of, or as substitutes for an analysis of our results as reported under U.S. GAAP.

Revenues for the year ended December 29, 2018 decreased by 1.5% to \$1,260.9 million from \$1,279.6 million for the year ended December 30, 2017. Excluding the impact on revenues for the year ended December 29, 2018, of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$50.0 million), changes in commodity-related pricing (a decrease in revenues of \$23.0 million) and foreign exchange rates (an increase in revenues of \$9.7 million), revenues increased by 3.6% in 2018, compared with 2017. The increase in revenues on an adjusted basis reflected higher demand for organic ingredients in the U.S., and higher volumes of aseptic non-dairy beverage products and new broth offerings, as well as fruit snack products. These increases were offset by the impact of lower pricing for frozen fruit (reflecting strategic pricing reductions to gain distribution) and volumes of fruit ingredient products (reflecting changing consumer preferences for certain yogurt items), and lower volumes and pricing for domestically-sourced grains and seeds, as well as lower organic ingredient sales in Europe.

Gross profit decreased \$21.6 million, or 14.9%, to \$123.5 million for the year ended December 29, 2018, compared with \$145.1 million for the year ended December 30, 2017. As a percentage of revenues, gross profit for the year ended December 29, 2018 was 9.8% compared to 11.3% for the year ended December 30, 2017, a decrease of 1.5%. The gross profit percentage for 2018 would have been approximately 10.8%, excluding inventory write-downs for certain frozen fruit inventory items, due to a change in expected use of aged stocks, and reduced sales pricing and high production costs (\$3.1 million), start-up costs related to new roasting equipment and a second cocoa processing line (\$2.9 million), and costs incurred for production trials and employee training related to new product introductions (\$2.4 million), as well as a non-cash foreign exchange loss on U.S. dollar-denominated raw material purchase contracts (\$4.9 million), partially offset by the recovery of \$1.2 million of previously-incurred product withdrawal costs from a third-party supplier. For 2017, the gross profit percentage would have been 11.2%, excluding the impact of a non-cash foreign exchange gain on U.S. dollar-denominated raw material purchase contracts (\$5.2 million), mostly offset by the write-down of flexible resealable pouch and nutrition bar inventories as a result of the exit from these product lines (\$2.6 million), lost margin caused by the recall of certain sunflower kernel products initiated in the second quarter of 2016 (\$0.7 million), and facility closure costs under the Value Creation Plan (\$0.6 million).

Global Ingredients accounted for \$10.4 million of the decrease in gross profit, which was largely due to the impact of foreign exchange movements on certain contracts within the Netherlands-based operations of our international organic ingredients platform. In 2018, we recognized a \$4.9 million non-cash foreign exchange loss on U.S. dollar-denominated raw material purchase contracts, compared with a non-cash foreign exchange gain of \$5.2 million in 2017, which reflected a significant strengthening of the U.S. dollar versus the euro in 2018, compared with a significant weakening of the U.S. dollar versus the euro in 2017. In addition, the decrease in gross profit reflected start-up costs on the new roasting equipment and a second cocoa processing line, and lower volumes and pricing for domestically-sourced grains and seeds. These factors were partially offset by higher volumes and pricing spreads for certain internationally-sourced organic ingredients, as well as a gain on commodity futures contracts used to hedge our organic cocoa position of \$1.3 million in 2018, compared with a gain of \$0.8 million in 2017. We enter into futures contracts to manage exposure to changes in cocoa prices on our physical organic cocoa position, which increased in 2018 versus 2017 due to the expansion of our cocoa processing operations in the Netherlands. Excluding start-up costs, the impacts of foreign exchange and commodity pricing, and the lost margin due the sunflower recall, the gross profit percentage for Global Ingredients would have been approximately 11.0% and 11.2% in 2018 and 2017, respectively.

Consumer Products accounted for \$10.2 million of the decrease in gross profit, reflecting lower sales pricing, unfavorable product mix and inventory write-downs for certain frozen fruit items, and lower sales and unfavorable plant utilization for fruit ingredients, as well as costs related to the commercialization of new beverage products. These factors were partially offset by the favorable impact within the Healthy Beverage and Snacks platforms of higher sales volumes and improved plant utilization, and productivity-driven cost savings across all platforms. In addition, we gained operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017.

Total segment operating income for the year ended December 29, 2018 increased by \$3.1 million, or 412.6%, to \$3.9 million, compared with \$0.8 million for the year ended December 30, 2017. As a percentage of revenues, segment operating income was 0.3% for the year ended December 29, 2018, compared with 0.1% for the year ended December 30, 2017. The increase in segment operating income reflected a \$19.3 million decrease in SG&A expenses and a favorable year-over-year foreign exchange impact of \$5.4 million (including a \$4.8 million favorable result related to forward currency contracts within our international organic ingredient operations, which partially offset the foreign exchange movement within gross profit). The decrease in SG&A expenses mainly reflected a reduction in consulting fees and temporary labor costs (\$16.1 million), and employee recruitment, relocation and retention costs (\$5.8 million) associated with the Value Creation Plan, partially offset by higher employee-related compensation costs in 2018, compared with 2017. Excluding SG&A costs related to the Value Creation Plan, new product development costs (\$0.4 million), and the reversal of previously recognized stock-based compensation for cancelled performance share units (\$0.2 million), as well as those items identified above affecting gross profit, segment operating income as a percentage of revenues on an adjusted basis would have been 1.2% in 2018, compared with 1.6% in 2017.

Further details on revenue, gross profit and segment operating income/loss variances are provided below under “Segmented Operations Information”.

Other expense for the year ended December 29, 2018 of \$2.8 million mainly reflected a bad debt reserve for notes receivable associated with a previously sold business (\$2.2 million), facility closure costs and asset impairment charges related to the closure of our nutrition bar facility and the sale of our former roasted snack facility (\$1.3 million) and employee termination costs (\$0.4 million), all associated with the Value Creation Plan, as well as product withdrawal and recall costs (\$1.5 million). These expenses were partially offset by a \$2.8 million reduction to the remaining contingent consideration obligation that arose from a prior business acquisition. Other expense for the year ended December 30, 2017 of \$23.7 million reflected the impairment of long-lived assets related to the exits from our flexible resealable pouch and nutrition bar product lines and operations, and consolidation of our roasted snack operations, as well as the closure of our premium juice facility (\$18.2 million), and employee termination costs (\$5.6 million) associated with the Value Creation Plan, partially offset by a \$1.0 million recovery on the early extinguishment of a rebate obligation that arose from the prior settlement of a recall dispute with a customer related to flexible resealable pouch products.

In 2018 and 2017, we recognized non-cash impairment charges of \$81.2 million and \$115.0 million, respectively, to fully write-off the goodwill that arose from our acquisition of Sunrise Holdings (Delaware), Inc. (“Sunrise”) in October 2015. These impairments reflected lower-than-expected sales and operating performance for the business since the acquisition of Sunrise, as well as uncertainty of future revenue growth patterns due to potential sales pricing limitations and consumer consumption trends, as well as an extended timeframe to reduce costs and increase profitability in the business through planned productivity initiatives focused on plant automation and supply chain efficiency.

Interest expense increased by \$1.9 million to \$34.4 million for the year ended December 29, 2018, compared with \$32.5 million for the year ended December 30, 2017. Interest expense included the amortization of debt issuance costs of \$2.5 million and \$2.8 million in 2018 and 2017, respectively. The year-over-year increase in cash interest expense primarily reflected higher borrowings under our line of credit facilities to fund increased working capital requirements and settle costs incurred under the Value Creation Plan, together with an increase in weighted-average interest rates.

We recognized a recovery of income tax of \$5.4 million for the year ended December 29, 2018, compared with a recovery of income tax of \$35.8 million for the year ended December 30, 2017 (which included a \$8.4 million recovery related to the remeasurement of deferred tax balances to reflect the corporate tax rates enacted in the U.S. in December 2017, and the realization of \$0.5 million of previously unrecognized tax benefits). Excluding the impact of goodwill impairment and other non-deductible amounts from pre-tax losses, the effective tax rates for 2018 and 2017 would have been 27.5% and 48.6%, respectively. The effective tax rate in 2018 reflected the impact of the reduction in the U.S. federal corporate tax rate from 35% to 21%, and the effective tax rate for 2017 reflected effect of a mix of pre-tax losses in the U.S. (related to costs associated with the Value Creation Plan) and pre-tax earnings in certain other jurisdictions.

On a consolidated basis, we realized a loss attributable to common shareholders of \$117.1 million (diluted loss per share of \$1.34) for the year ended December 29, 2018, compared with a loss attributable to common shareholders of \$143.1 million (diluted loss per share of \$1.66) for the year ended December 30, 2017.

For the year ended December 29, 2018, adjusted loss was \$24.5 million, or \$0.28 per diluted share, on a consolidated basis, compared with an adjusted loss of \$12.3 million, or \$0.14 per diluted share, on a consolidated basis for the year ended December 30, 2017. Excluding flexible resealable pouch and nutrition bar product lines and operations, adjusted loss was \$24.6 million, or \$0.28 per diluted share, for the year ended December 29, 2018, compared with an adjusted loss of \$8.3 million, or \$0.10 per diluted share, for the year ended December 30, 2017. Adjusted EBITDA for the year ended December 29, 2018 was \$52.9 million on a consolidated basis, compared with \$66.8 million on a consolidated basis for the year ended December 30, 2017. Excluding flexible resealable pouch and nutrition bar

product lines and operations, adjusted EBITDA for the year ended December 29, 2018 was \$52.8 million, compared with \$72.6 million for the year ended December 30, 2017. Adjusted earnings and adjusted EBITDA are non-GAAP financial measures. See footnotes (2) and (3) to the table above for a reconciliation of adjusted earnings/loss and adjusted EBITDA from loss from continuing operations, which we consider to be the most directly comparable U.S. GAAP financial measure.

Segmented Operations Information

Global Ingredients	December 29, 2018	December 30, 2017	Change	% Change
Revenue	559,712	536,928	22,784	4.2%
Gross Profit	55,270	65,663	(10,393)	-15.8%
Gross Profit %	9.9%	12.2%		-2.3%
Operating Income	16,430	19,932	(3,502)	-17.6%
Operating Income %	2.9%	3.7%		-0.8%

Global Ingredients contributed \$559.7 million in revenues for the year ended December 29, 2018, compared to \$536.9 million for the year ended December 30, 2017, an increase of \$22.8 million, or 4.2% . Excluding the impact on revenues of changes including commodity-related pricing and foreign exchange rate movements (a decrease in revenues of \$2.4 million), Global Ingredients revenues increased approximately 4.7% . The table below explains the increase in revenue:

Global Ingredients Revenue Changes

Revenues for the year ended December 30, 2017	\$536,928
Increased volumes of internationally-sourced organic ingredients including cocoa, oils, fruits and vegetables, and coffee, offset by lower volumes of animal feed and seeds. Overall volumes of organic ingredients were higher in the U.S. and lower in Europe period-over-period	40,235
Favorable foreign exchange impact on euro-denominated sales due to a weaker U.S. dollar period-over-period	9,730
Increased commodity pricing for domestically-sourced corn, partially offset by lower pricing for sunflower, feed and soy	1,049
Decreased domestically-sourced volumes of specialty soy (due to tighter supply in 2018 and exit from certain varieties in 2017) and milled corn, and soft domestic sunflower market due to global competition, partially offset by higher specialty corn, organic feed and roasted snack volumes	(15,044)
Decreased commodity pricing for internationally-sourced organic ingredients	(13,186)

Revenues for the year ended December 29, 2018 **\$559,712**

Gross profit in Global Ingredients decreased by \$10.4 million to \$55.3 million for the year ended December 29, 2018, compared to \$65.7 million for the year ended December 30, 2017, and the gross profit percentage decreased by 2.3% to 9.9% . The decrease in gross profit percentage was primarily due to the unfavorable non-cash foreign exchange impact on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations. In addition, the decrease in gross profit percentage reflected start-up costs related to new roasting equipment and a second cocoa processing line, reduced sunflower pricing and operating inefficiencies within our sunflower operations due to lower production volumes, as well as the loss of higher margin milled corn volumes and reduced pricing spread on organic feed. These factors were partially offset by a favorable cocoa hedging result within our international organic ingredients operations, as well as improved pricing spreads on organic cocoa and certain other organic ingredients. The table below explains the decrease in gross profit:

Global Ingredients Gross Profit Changes

Gross profit for the year ended December 30, 2017	\$65,663
Unfavorable foreign exchange impact in 2018 on U.S. dollar-denominated raw material purchase contracts within our international organic ingredients operations, compared with a favorable foreign exchange impact in 2017 (partially offset below in operating income by a \$4.8 million favorable reduction in losses on forward currency contracts)	(10,030)
Start-up costs of \$2.7 million and commercial delays related to new roasting equipment, lower volumes and pricing for sunflower inshell and kernel, lower volumes of higher margin milled corn, and reduced pricing spread for animal feed	(5,869)
Higher volumes and pricing spreads for certain internationally-sourced organic ingredients, including cocoa, fruits and vegetables, coffee and oils, partially offset by seeds, animal feed and grains, as well as start-up costs of \$0.2 million related to the expansion of our cocoa facility in the Netherlands	5,054
Favorable cocoa commodity hedging result within our international organic ingredient operations	452

Gross profit for the year ended December 29, 2018 **\$55,270**

Operating income in Global Ingredients decreased by \$3.5 million, or 17.6%, to \$16.4 million for the year ended December 29, 2018, compared to \$19.9 million for the year ended December 30, 2017. The table below explains the decrease in operating income:

Global Ingredients Operating Income Changes

Operating income for the year ended December 30, 2017	\$19,932
Decrease in gross profit, as explained above	(10,393)
Higher employee-related compensation costs and unfavorable foreign exchange impact on euro-denominated SG&A expenses, partially offset by lower professional fees	(1,471)
Decrease in foreign exchange losses within our international organic ingredient operations, which included a \$4.8 million reduction in marked-to-market losses related to forward currency contracts	5,561
Decrease in corporate cost allocations	2,801

Operating income for the year ended December 29, 2018 **\$16,430**

Looking forward, we believe Global Ingredients is well positioned in the growing organic food and non-GMO categories. Having completed the sale of our soy and corn business, which formed part of Global Ingredient, we intend to focus our efforts on growing our international organic sourcing and supply capabilities, and leveraging these capabilities internally with forward and backward integration where opportunities exist. We expect global competition on price and supply in the sunflower category to remain strong, which may continue to negatively impact the margin profile and profitability of this business. In addition, we have experienced delays in the operational start-up of the new roasting equipment, which has impacted our ability to meet existing customer demand for roasted products. However, the equipment has now been fully commissioned, which should enable us to pursue new business opportunities. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Several factors could adversely impact our ability to meet these forward-looking expectations, including increased supply pressure in the commodity-based markets in which we operate, increased competition, volume decreases or loss of customers, unexpected delays in our ingredient expansion plans, or our inability to secure quality inputs or achieve our product mix or cost reduction goals, along with the other factors described above under [Forward-Looking Statements](#).

Consumer Products	December 29, 2018	December 30, 2017	Change	% Change
Revenue	701,140	742,665	(41,525)	-5.6%
Gross Profit	68,200	79,424	(11,224)	-14.1%
Gross Profit %	9.7%	10.7%		-1.0%
Operating Income	1,238	11,924	(10,686)	-89.6%
Operating Income %	0.2%	1.6%		-1.4%

Consumer Products contributed \$701.1 million in revenues for the year ended December 29, 2018, compared to \$742.7 million for the year ended December 30, 2017, a \$41.5 million, or 5.6% decrease. Excluding the impact on revenues of sales of flexible resealable pouch and nutrition bar products (a decrease in revenues of \$50.0 million) and changes in raw fruit commodity-related pricing (a decrease in revenues of \$10.8 million), Consumer Products revenues increased approximately 2.8%. The table below explains the decrease in revenues:

Consumer Products Revenue Changes

Revenues for the year ended December 30, 2017	\$742,665
Impact of the exit from flexible resealable pouch and nutrition bars product lines	(50,039)
Lower pricing (related to strategic pricing reductions to gain distribution) more than offsetting higher volumes of frozen fruit, and lower volumes of fruit ingredients due to declines in consumer consumption trends for certain yogurt items	(12,289)
Decreased commodity pricing for raw fruit	(10,836)
Higher volumes of non-dairy aseptic beverage products into the foodservice and retail channels, and the introduction of new broth offerings, partially offset by lower volumes of premium juice products	23,758
Higher volumes of fruit snack products	7,881
Revenues for the year ended December 29, 2018	\$701,140

Gross profit in Consumer Products decreased by \$11.2 million to \$68.2 million for the year ended December 29, 2018, compared to \$79.4 million for the year ended December 30, 2017, and the gross profit percentage decreased by 1.0% to 9.7%. For the year ended December 29, 2018, the gross profit percentage primarily reflected lower sales pricing, unfavorable product mix and inventory write-downs for certain frozen fruit items, and lower sales and unfavorable plant utilization for fruit ingredients, as well as costs related to the commercialization of new beverage products. These factors were partially offset by the favorable impact within the Healthy Beverage and Snacks platforms of higher sales volumes and improved plant utilization, productivity-driven cost savings across all platforms, and operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017. In addition, in 2018, we recorded a recovery of \$1.2 million of previously-incurred product withdrawal costs from a third-party supplier. The table below explains the decrease in gross profit:

Consumer Products Gross Profit Changes

Gross profit for the year ended December 30, 2017	\$79,424
Lower sales pricing, unfavorable product mix, and inventory write-downs of \$3.1 million in the fourth quarter of 2018 for certain frozen fruit items, and lower volumes and unfavorable plant utilization for fruit ingredients, partially offset by productivity-driven cost savings and the recovery of previously-incurred product withdrawal costs of \$1.2 million	(33,212)
Higher sales volumes, plant utilization and productivity improvements for aseptic beverage and fruit snack products, partially offset by higher processing and supply chain costs for premium juice products, and new product commercialization costs of \$2.4 million	13,760
Operational savings following the discontinuance of flexible resealable pouch and nutrition bar production in the fourth quarter of 2017	8,228
Gross profit for the year ended December 29, 2018	\$68,200

Operating income in Consumer Products decreased by \$10.7 million to \$1.2 million for the year ended December 29, 2018, compared to \$11.9 million for the year ended December 30, 2017. The table below explains the decrease in operating income:

Consumer Products Operating Income Changes

Operating loss for the year ended December 30, 2017	\$11,924
Decrease in gross profit, as explained above	(11,224)
Higher employee-related compensation costs, marketing expenses and unfavorable foreign exchange on international operations, offset by lower consulting costs	(4,570)
Decrease in corporate cost allocations	5,108
Operating income for the year ended December 29, 2018	\$1,238

Looking forward we believe Consumer Products remains well-positioned in markets with long-term growth potential. However, pricing constraints for frozen fruit could continue to adversely affect the near-term revenue and margin performance of the business. We have initiated plans to bring automation and supply chain efficiencies to our frozen fruit operations to return the business to profitable growth, which will be phased in over the next two crop seasons. Meanwhile, we continue to focus our efforts on (i) leveraging our sales and marketing resources to create greater channel specific focus on retail and foodservice to increase opportunities to diversify our portfolio and drive incremental sales volume; (ii) continuing to invest in our facilities to enhance quality, safety, capacity, and manufacturing efficiency to drive both incremental sales and cost reduction, including a significant investment in our Allentown, Pennsylvania, aseptic beverage facility to expand capacity and production capabilities, which is expected to come online in the third quarter of 2019; (iii) executing procurement and supply chain cost reduction initiatives focused on leveraging our buying power and creating increased network efficiency in our planning and logistics efforts; and (iv) leveraging our innovation capabilities to bring new value-added packaged products and processes to market and to increase our capacity utilization across Consumer Products. The statements in this paragraph are forward-looking statements. See [Forward-Looking Statements](#) above. Several factors could adversely impact our ability to meet these forward-looking expectations, including unfavorable shifts in consumer preferences, increased competition, reduced availability of raw material supply, volume decreases or loss of customers, unexpected delays in our expansion and integration plans, inefficiencies in our manufacturing processes, lack of consumer product acceptance, or our inability to successfully implement the particular goals and strategies indicated above, along with the other factors described above under [Forward-Looking Statements](#) .

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Corporate Services	December 29, 2018	December 30, 2017	Change	% Change
Operating Loss	(13,736)	(31,089)	17,353	55.8%

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Operating loss at Corporate Services decreased by \$17.4 million to \$13.7 million for the year ended December 29, 2018, from a loss of \$31.1 million for the year ended December 30, 2017. The table below explains the decrease in operating loss:

Corporate Services Operating Loss Changes

Operating loss for the year ended December 30, 2017	\$(31,089)
Lower non-structural third-party consulting costs and employee recruitment, relocation and retention costs associated with the Value Creation Plan	21,897
Lower employee-related compensation costs, professional fees and travel expenses, as well as favorable foreign exchange impacts on foreign currency transactions and Canadian dollar-denominated SG&A expenses, partially offset by increased product development costs and depreciation expense	4,907
Decrease in corporate cost allocations to SunOpta operating segments	(7,909)
Increased stock-based compensation costs as a result of a change in our long-term incentive plan in the second quarter of 2017	(1,542)
Operating loss for the year ended December 29, 2018	\$(13,736)

Corporate cost allocations mainly consist of salaries of corporate personnel who directly support the operating segments, as well as costs related to the enterprise resource management system. These expenses are allocated to the operating segments based on (1) specific identification of allocable costs that represent a service provided to each segment and (2) a proportionate distribution of costs based on a weighting of factors such as revenue contribution and number of people employed within each segment.

Consolidated Results of Operations for Fiscal Years 2017 and 2016

December 30, 2017 \$	December 31, 2016 \$	Change \$	Change
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