



Q3 2021 Earnings

November 2021

Forward-Looking Statements

Certain statements in this presentation are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein (including, but not limited to, statements to the effect that Sprouts Farmers Market, Inc. (the "Company") or its management "anticipates," "plans," "estimates," "expects," "believes," or the negative of these terms and other similar expressions) that are not statements of historical fact should be considered forward-looking statements, including, without limitation, statements regarding the Company's guidance, outlook, strategy, financial targets, growth and opportunities. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this presentation. These risks and uncertainties include, without limitation, risks associated with the COVID-19 pandemic; the Company's ability to execute on its long-term strategy; the Company's ability to successfully compete in its competitive industry; the Company's ability to successfully open new stores; the Company's ability to manage its rapid growth; the Company's ability to maintain or improve its comparable store sales and operating margins; the Company's ability to identify and react to trends in consumer preferences; product supply disruptions; equipment supply disruptions; general economic conditions; accounting standard changes; and other factors as set forth from time to time in the Company's Securities and Exchange Commission filings. The Company intends these forward-looking statements to speak only as of the date of this presentation and does not undertake to update or revise them as more information becomes available, except as required by law.

Non-GAAP Financial Measures

We refer to EBIT, adjusted EBIT, adjusted EBIT Margin, and adjusted diluted earnings per share, each of which is a Non-GAAP Financial Measure. These measures are not prepared in accordance with, and are not intended as alternatives to, generally accepted accounting principles in the United States, or GAAP. The Company's management believes that such measures provide useful information to management, analysts and investors regarding certain additional financial and business trends relating to its results of operations and financial condition. In addition, management uses these measures for reviewing the financial results of the Company, and certain of these measures may be used as components of incentive compensation.

The Company defines EBIT, as net income before interest expense and provision for income tax, and adjusted EBIT as EBIT, excluding the impact of special items. Adjusted EBIT Margin reflects adjusted EBIT, divided by net sales for the applicable period. The Company defines adjusted diluted earnings per share as diluted earnings per share excluding the impact of special items.

Non-GAAP measures are intended to provide additional information only and do not have any standard meanings prescribed by GAAP. Use of these terms may differ from similar measures reported by other companies. Because of their limitations, non-GAAP measures should not be considered as a measure of discretionary cash available to use to reinvest in the growth of the Company's business, or as a measure of cash that will be available to meet the Company's obligations. Each non-GAAP measure has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP.

To the extent forward looking non-GAAP financial measures are provided herein, they are not reconciled to comparable forward-looking GAAP measures due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation.

Chip Molloy

CFO

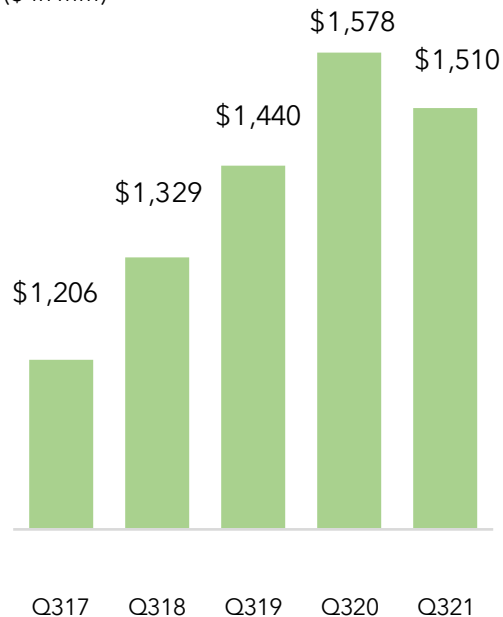


Ongoing Strategic Changes are Producing Solid Financials

Q3 NET SALES

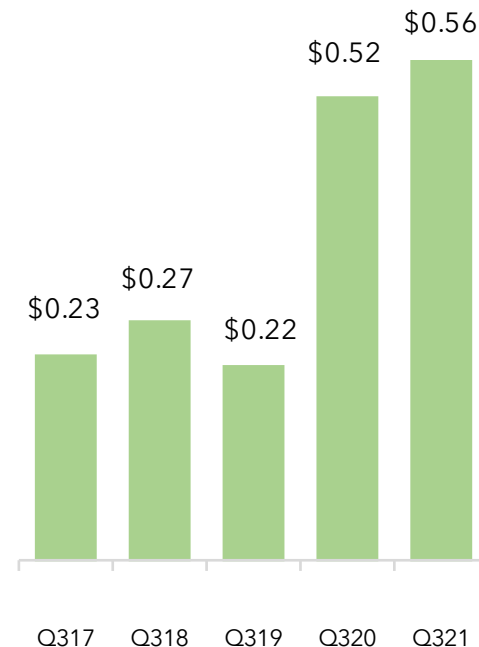
\$1.5B

(\$ in mm)



Q3 ADJUSTED DILUTED EARNINGS PER SHARE⁽¹⁾

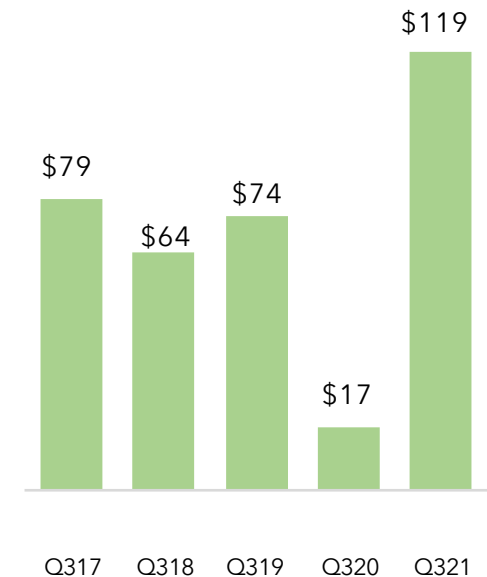
\$0.56



Q3 NET CASH PROVIDED BY OPERATIONS

\$119M

(\$ in mm)



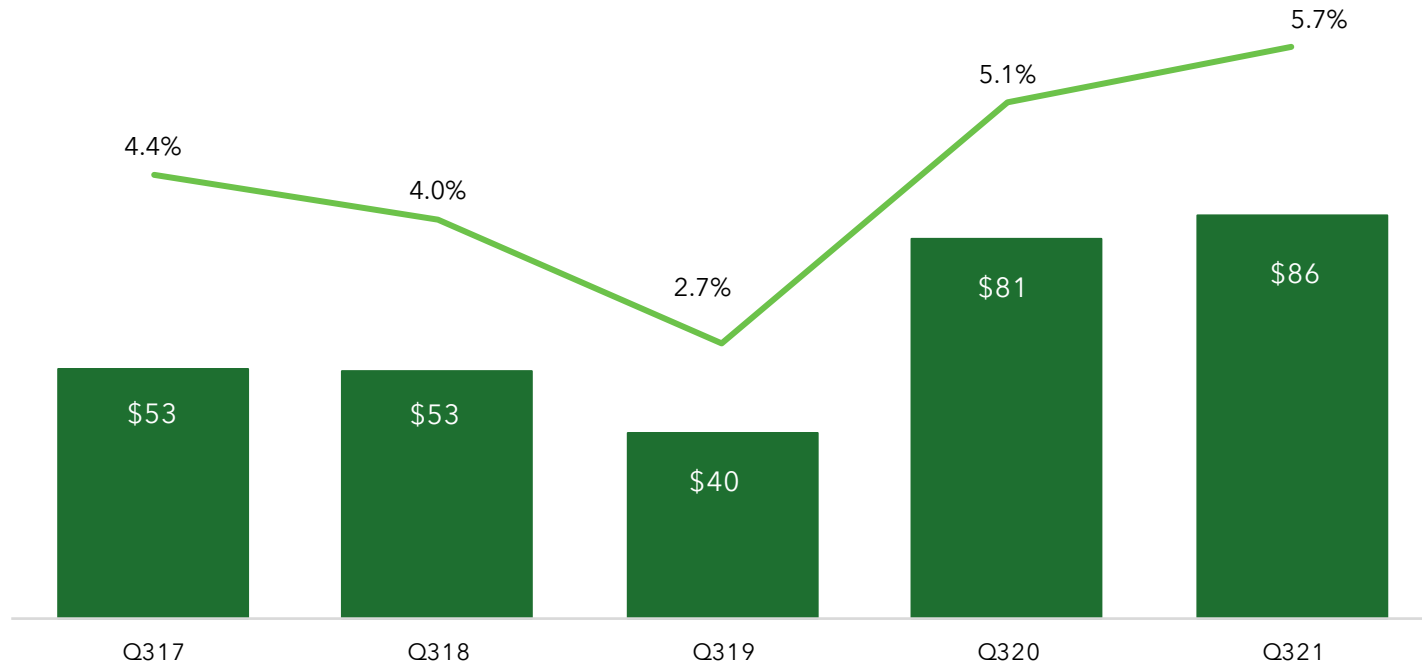
(1) See the Appendix to this presentation for a reconciliation of adjusted diluted EPS to net income



Structurally Improved Margin Profile

ADJUSTED EBIT & ADJUSTED EBIT MARGIN⁽¹⁾

(\$ in mm)



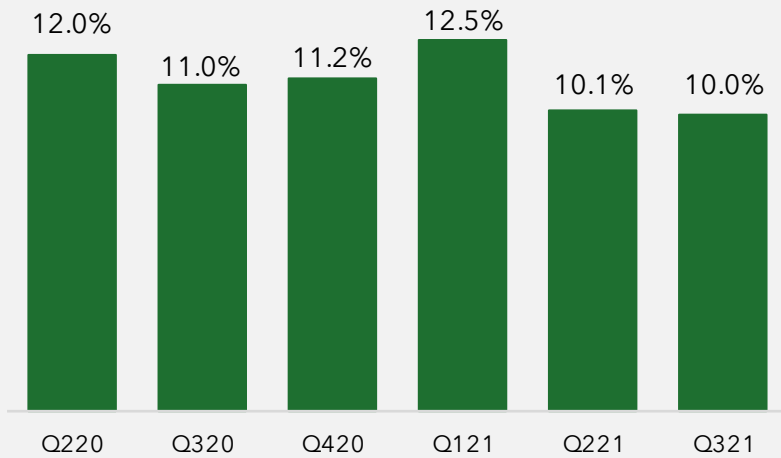
(1) See the Appendix to this presentation for a reconciliation of EBIT to adjusted EBIT. For 2017, 2018, 2019, & 2021 adjustments to EBIT were immaterial; thus only EBIT is presented.





Ecommerce Remains Here to Stay and Sales Appear to be Settling at New Levels

Ecommerce Penetration



Customers can now shop how they like -
In-Store, Pick-up, or Delivery



**THE BEST IN FRESH IS
JUST A TAP AWAY!**





2021 Fourth Quarter Outlook

Net Sales \$1,450M to \$1,475M

Approximately 9 New Stores

(3%) to (5%) Comps

Adjusted EPS \$0.26 to \$0.30





2021 Annual Outlook

Net Sales \$6,055M to \$6,080M

Approximately 14 New Stores, including 1 relo

(7%) to (7.5%) Comps

Adjusted EBIT \$325M to \$330M

Adjusted EPS \$2.04 to \$2.08

Capex \$95M to \$105M

Approximately 24% Corporate Tax Rate



Jack Sinclair

CEO

Remain Focused on Innovation



Leveraging Brand Messaging with an Embedded Call to Action



- Broadening our mass media targeting
- Focusing on our competitive advantages
 - Produce value
 - Differentiated products
- Increased emphasis on call-to-action messaging
 - Organic sale
 - Bulk sale
 - 72 hour sale
- Q4 will also highlight Holiday



Successfully Launched 2 New Format Stores in Q3, with Two More to Come in Q4 in GA and FL



EARLY DAYS...

- Phoenix relocation - sales up significantly despite new store being 23% smaller
- Remodeled Tustin CA store - performance is encouraging
- Protein sales above company average with the emphasis on center of plate in the front of the store
- Deli sales above company average with more grab and go items
- Frozen sales up dramatically



New Format Will Significantly Reduce Cost to Build and Operate

Cash Investment

On average ~20% less cost to build

- **50% lower cost in Deli fixtures**
- **50% lower cost in Protein fixtures**
- **Partially offset by higher cost in Frozen fixtures (more doors)**

Cost to Operate

On average ~20% less cost to operate

- **Labor mix benefits and self-checkout create savings**
- **Lower Rent due to reduced square footage & lower DA**
- **Improved Shrink**

Appendix

Appendix

The following table shows a reconciliation of EBIT and adjusted EBIT to net income, as well as a reconciliation of net income and diluted earnings per share to adjusted net income and adjusted diluted earnings per share for the thirteen weeks ended October 3, 2021, September 27, 2020, September 29, 2019, September 30, 2018, and October 1, 2017:

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES
NON-GAAP MEASURE RECONCILIATION
(UNAUDITED)
(IN THOUSANDS)

	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
	October 3, 2021	Sept 27, 2020	Sept 29, 2019	Sept 30, 2018	October 1, 2017
Net income	\$ 63,867	\$ 60,241	\$ 26,260	\$ 37,500	\$ 31,486
Income tax provision	19,030	15,023	7,740	7,867	16,071
Interest expense, net	2,911	3,117	5,557	7,411	5,608
Earnings before interest and taxes (EBIT)	85,808	78,381	39,557	52,778	53,165
Special Items:					
Strategic initiatives ⁽¹⁾	-	2,416	-	-	-
Total Special Items - pre tax	-	2,416	-	-	-
Adjusted EBIT	\$ 85,808	\$ 80,797	\$ 39,557	\$ 52,778	\$ 53,165
Net income	\$ 63,867	\$ 60,241	\$ 26,260	\$ 37,500	\$ 31,486
Special Items:					
Strategic Initiatives, net of tax	\$ -	\$ 1,795	\$ -	\$ -	\$ -
Adjusted Net income before one time tax benefits	\$ 63,867	\$ 62,036	\$ 26,260	\$ 37,500	\$ 31,486
Income tax benefit related to Tax Act and other one time tax benefits ⁽²⁾	-	-	-	(2,573)	-
Adjusted Net income	\$ 63,867	\$ 62,036	\$ 26,260	\$ 34,927	\$ 31,486
Diluted EPS	\$ 0.56	\$ 0.51	\$ 0.22	\$ 0.29	\$ 0.23
Adjusted Diluted EPS	\$ 0.56	\$ 0.52	\$ 0.22	\$ 0.27	\$ 0.23
Diluted Weighted Average Shares Outstanding	114,818	118,450	118,174	127,627	136,770

(1) Includes professional fees related to strategic initiatives. After-tax impact includes the tax benefit on the pre-tax charge.

(2) During the quarter ended September 30, 2018, the Company adopted a tax calculation method change for the accelerated deduction of certain items, resulting in a discrete tax benefit of \$3 million that was recognized in the third quarter of 2018.