



# INVESTOR DECK

August 2022

## 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, 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; risks associated with the COVID-19 pandemic; 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, adjusted EBITDA, adjusted net income, adjusted diluted earnings per share and ROIC, 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 EBITDA as net income before interest expense, provision for income tax, and depreciation, amortization and accretion, excluding the impact of special items. The Company defines adjusted net income and adjusted diluted earnings per share as net income and diluted earnings per share, respectively, excluding the impact of special items. The Company defines ROIC as net operating profit after tax ("NOPAT"), including the effect of capitalized operating leases, divided by average invested capital.

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.

***SPROUTS, WHERE GOODNESS GROWS™***





# WHAT DEFINES SPROUTS AND WHAT MAKES US DIFFERENT

- A farmers market experience – open layout of fresh produce at the heart of the store, community feel, treasure hunt for unique products
- Intentional curation of responsibly and locally sourced products
- A place with happy, helpful team members
- Culture (care, own it, love being different)
- The right assortment of healthy alternatives and good-for-you options
- Making the highest quality fresh foods accessible to all





# WHY INVEST IN SPROUTS?

## A POWERFUL GROWTH BUSINESS



- Targeting at least 30 stores in 2023 with 10%+ annual unit growth beyond 2023 and incredible white space
- Strong and improving unit economics
- Sustainable robust cash flows with shareholder friendly capital allocation
- Building an advantaged fresh supply chain
- Unique farmers market experience
- Innovative & differentiated products with lifestyle friendly ingredients



# 2021 Environment, Social, & Governance Highlights



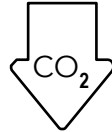
At the core of our identity is a genuine commitment to environmental sustainability. We are taking steps to reduce our carbon footprint and our natural resource intake while providing our customers with local, organic, and other sustainable food choices. We are diverting food from landfills and providing it to those in need.



## CLIMATE

**10%** reduction in carbon emissions per sq. ft. over a 2019 baseline

**49k** MTCO<sub>2</sub>e averted through food recovery programs



## PACKAGING & PLASTICS



172 Sprouts brand products launched with How2Recycle logo

**11M** reusable bags were used at checkout

**500** tons of plastic film recycled from customer and in-store use

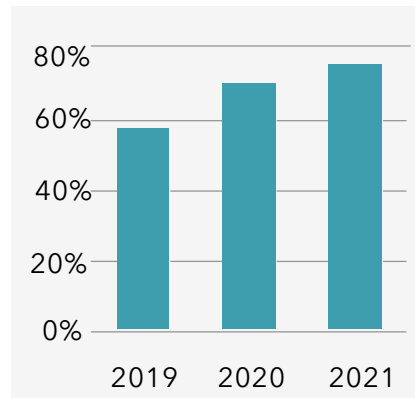
**39%** of our stores do not use single-use plastic bags at checkout

## WASTE

**60%** landfill diversion rate

**79k** tons of food and recyclables diverted from landfill

## FOOD WASTE RECOVERY



Food waste recovery rate

**78%** of food waste recovered, and donated equivalent to 26 million meals



# Sustainable & Responsible Sourcing

Millions of customers choose Sprouts because they can find products that are grown and produced in ways that are healthier for the planet and people. Our stores are stocked with a wide variety of organically grown, non-GMO, and plant-based options that lower the environmental impact of the food consumed.



**24%** of total sales from organic products totaling nearly **\$1.5B** in sales

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**\$2.7B** in sales of products with a social or environmental attribute

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**250** local growers provide fresh seasonally grown produce

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**25%** increase in plant-based product sales

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**100%** responsibly sourced seafood

**100%** of Sprouts Butcher Shop chicken and pork are raised without antibiotics

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**100%** of Sprouts Butcher Shop pork is from suppliers that utilize open-pen or group-housed facilities

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**100%** cage-free, organic, or free-range eggs

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Committed to **improving chicken welfare** in providing **environmental enrichments** by 2024, **reduced stocking density** by 2025, and allow for **more humane processing**, through CAS (controlled-atmosphere stunning), by 2026





# Social

Providing safe and healthy food is at the core of our commitment to health and well-being. We collaborate with our team members, supply chain partners, community organizations, and industry experts to promote food safety, support workers' rights, source responsibly, and develop a diverse and inclusive workplace.



## TEAM MEMBER DEVELOPMENT & INCLUSION



**1,300** new jobs created

**22%** of team members promoted

**51%** female and **48%** racially/ethnically diverse workforce

**585,000 hours** of in-store training delivered

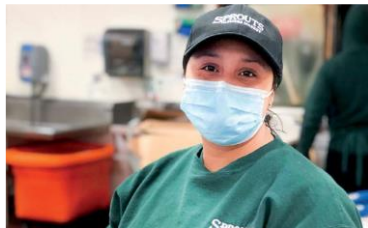


## COMMUNITY IMPACT

**\$3M** awarded local programs supporting youth nutrition education and food system equity

**120** local non-profit partners supported in the communities we serve

## TEAM MEMBER SAFETY



**22%** reduction in workers' safety claims over the prior year

**5,180** safety audits completed

**21,000** safety training hours completed

## SAFE AND HEALTHY FOOD

**\$3.1B** in sales of products labeled to promote health and nutrition attributes

**6,567** food safety audits completed

Over **1M** temperature checks conducted on sales floor

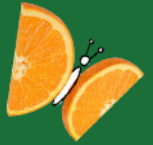




# Governance



We pride ourselves on operating with integrity, accountability, and transparency. Our ESG goals and initiatives are integrated throughout our business strategy, and strong oversight by our executive leadership team and Board of Directors ensures that the long-term interests of our stakeholders are factored into our decision making.



## COPORATE GOVERNANCE<sup>(1)</sup>



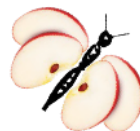
**88%** of board members are independent



**25%** of board members are female and  
**25%** are racially/ethnically diverse

## RISK MANAGEMENT

Formed a board-level Risk Committee to monitor enterprise risk management program and provide oversight of our risks related to cybersecurity, critical systems, and environmental and social matters among others.



## DATA PRIVACY & CYBER SECURITY

Maintaining our customers' and team members' trust by safeguarding their personal data and respecting their privacy decisions is critical to our success. We did not experience any data breaches during 2021 due to our cybersecurity best practices.

## ETHICS AND COMPLIANCE

Acting ethically and with integrity helps us maintain our reputation with our customers as a preferred shopping destination, as a safe and welcoming place to work with our team members, and as a responsible corporate citizen with our communities and stakeholders.

Established Commitment to Human Rights with Board oversight that sets forth our high standards and expectations for human rights and fair labor in our operations and supply chain.

(1) As of June 1, 2022

# Sprouts' Five Pillar Long-Term Strategy



## WIN WITH TARGET CUSTOMERS



ROBUST OMNICHANNEL  
EXPERIENCE  
PRODUCTS STEEPED IN  
INNOVATION

## REFINE BRAND AND MARKETING APPROACH



DIGITAL-FIRST  
MARKETING PROGRAM  
CONNECTING WITH  
TARGET CUSTOMERS

## UPDATE FORMAT AND EXPAND IN SELECT MARKETS



SMALLER STORES  
HIGHER RETURNS  
FOCUSED ON BUILDING  
SCALE

## CREATING ADVANTAGED SUPPLY CHAIN



FRESHER PRODUCTS  
AND INCREASED  
LOCAL OFFERING

## DELIVER ON FINANCIAL TARGETS<sup>(2)</sup>



**10+% UNIT  
GROWTH<sup>(1)</sup>**



**LOW DOUBLE-DIGIT  
EARNINGS GROWTH**



**EXPANDING  
ROIC**

(1) Open at least 30 stores in 2023 with 10%+ unit growth starting in 2024

(2) These are targets and not projections; they are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based on assumptions with respect to future decisions, which may be subject to change. Actual results may vary and the variances may be material. Nothing in this presentation should be regarded as a representation that these targets will be achieved and the Company undertakes no duty to update its targets. See "Forward-Looking Statements."



# Focusing on Sprouts' Target Customers



**WE EXIST FOR THE HEALTH ENTHUSIASTS**  
**WE EXIST FOR THE EXPERIENCE SEEKERS**

What brings them together is simple:

***They're into their food - like, really into it.***

- Cover a wide range of income
- Age demographics - Gen Z to Baby Boomers
- Healthy and organic options, better for you, quality products
- Innovative and differentiated products
- Great store experience



They are **engaged** and **connected** to the what they eat - how it makes them feel, where it comes from, the role it can play in their lives.







# Continue to Expand Customer Engagement

**Currently “speaking” to nearly 6M customers via multiple digital platforms**



**Mobile App Downloads**

<sup>(1)</sup>  
**+ 30%**



**Active SMS Subscribers**

<sup>(2)</sup>  
**+ 70%**



**Active Email Subscribers**

<sup>(1)</sup>  
**+19%**



**Active Push Subscribers**

<sup>(1)</sup>  
**+35%**

(1) Growth rate is Q2 2022 vs. Q2 2021

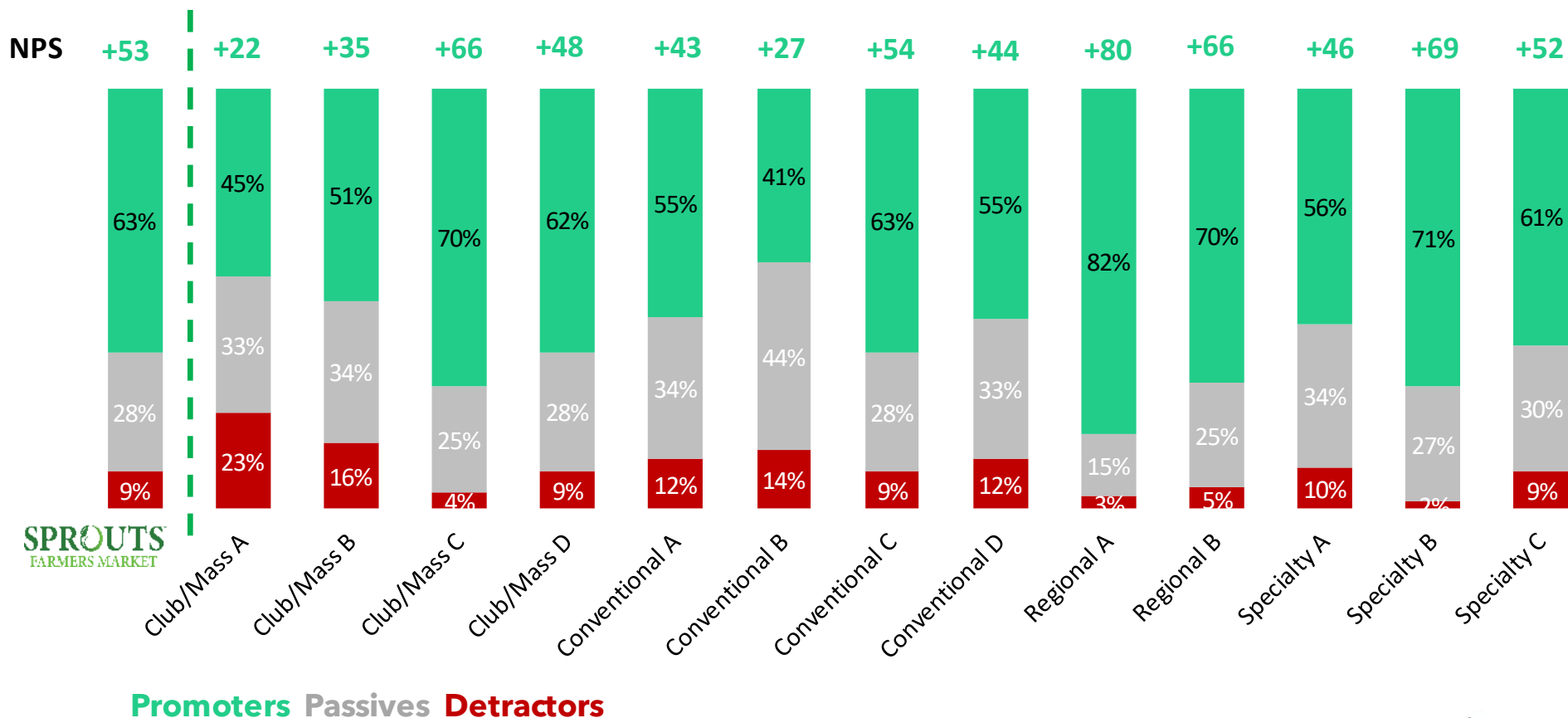
(2) Growth rate is May 2022 vs May 2021 due to data quality issues related to system implementation



# Once Acquired, Sprouts' Customer Affinity is Very Strong and in-line with Best-in-Class Peers

## Net Promoter Score (NPS) - Among Frequent Shoppers

Frequent as defined as in Respondent's Top 3 Most Visited for Grocery



# Pivoting Our Marketing Strategy to Drive More Profitable Growth with More Meaningful Connections



## OUR DIGITAL-FIRST MARKETING PROGRAM IS FOCUSED ON CONNECTING WITH OUR MOST IMPORTANT CUSTOMERS

### HIGHER VALUE CUSTOMERS



#### Target Audience:

Connect with Health Enthusiasts and Experience Seekers

### PRECISION TARGETING



#### Geo-Targeting:

Align media investments with our most valuable trading zone zip codes

### DATA-DRIVEN MEDIA



#### Continuous Optimization:

Improve customer connections in real-time across all their screens

### TAPPING INTO CONSUMER NEEDS



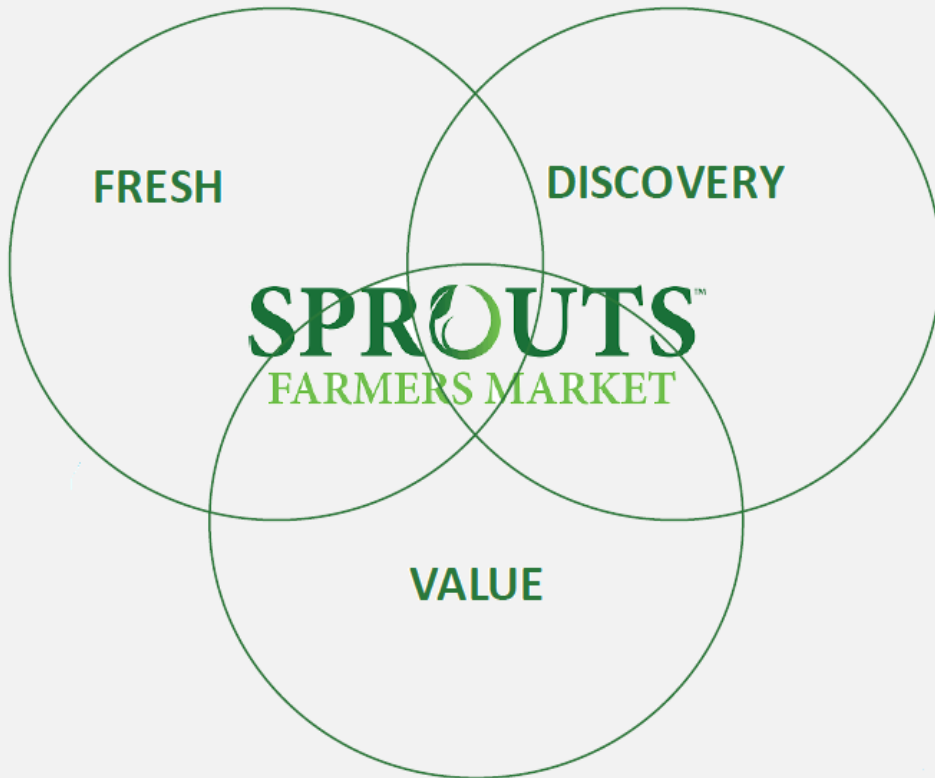
#### Personal Relevance:

Employ data-driven comms addressing target audience's needs and affinities

**Layered with Mass Media to build awareness and Seasonal "Story Telling" Initiatives with Calls-to-Action to Drive more Immediate Transactions and Deeper Engagement**



# Sprouts Unique Selling Proposition

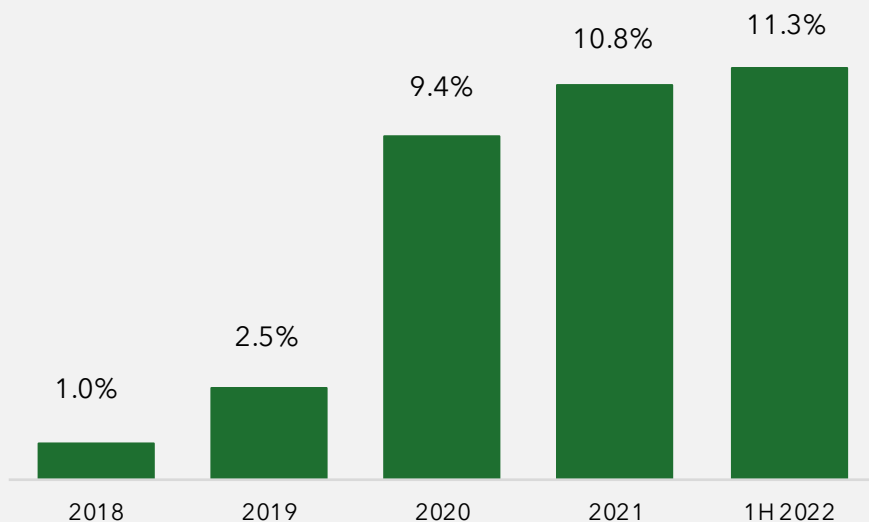


- Promote Sprouts' unique selling proposition by utilizing the following strategy:
- Fresh & Value - **Drive** awareness through broader mass media
- Healthy Discovery - **Increase** through influencers, vendor partnerships and the customer experience



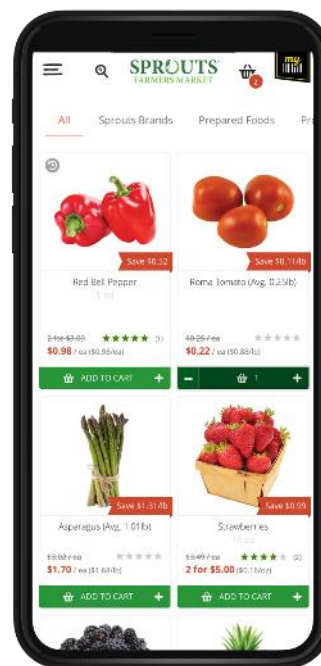
# Ecommerce Remains Here to Stay and Sales Appear to be Settling at New Levels

## Ecommerce Penetration



**50% of online orders can be identified to a customer**

In store Pick-up & Delivery available to all customers in **all** stores & markets



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





# Produce Remains the Heart of the Store and Priced Well Below Most in the Marketplace

- Hybrid produce buying model – centralized and regional teams allow us to be **flexible and react to the produce markets quickly**
- Meaningful farmer partnerships which deliver **new varieties and favorable pricing** to our customers through spot buys
- New distribution channels will allow for **increased local buying** and deliver **fresher products** to our customers
- Building a path forward to **grow with farmers as we grow**







# Sprouts' Stores are Filled with a Curation of Differentiated Good-For-You Products

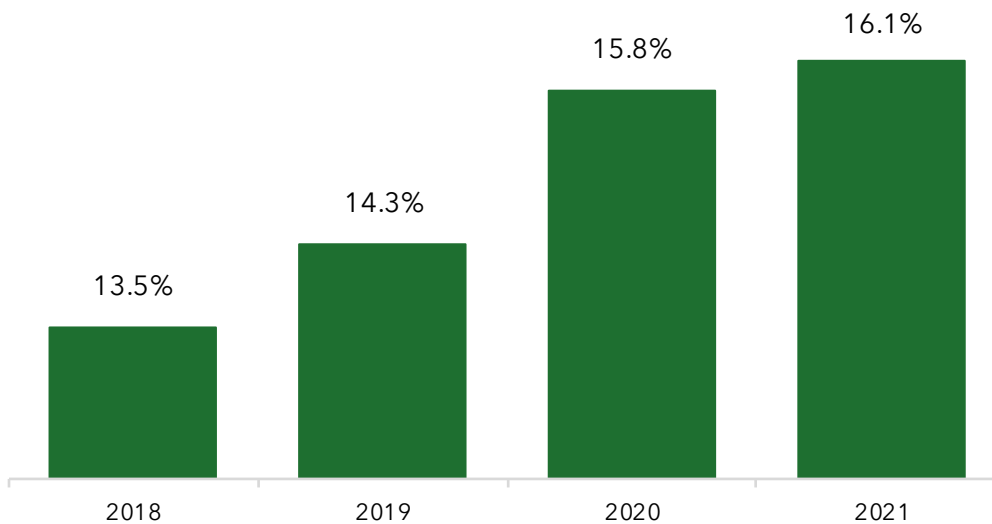


More than 70% of Products Sold in Sprouts are Attribute Driven: Organics, Paleo, Keto, Plant Based, Non-GMO, Gluten Free, Vegan, Dairy-free, Grass Fed, Raw



# Sprouts Aims To Grow and Establish a Differentiated Private Label

## Private Label Sales Penetration







Deliver a Unique, Friendly Experience with Healthy, Innovative Products in a Smaller Box with Higher Returns



**New store size to decrease from 30K to 23K square feet**

Format to Stay True to our Fresh-focused Farmers Market Heritage  
Prioritize Categories For Growth Potential  
Continue to Offer all Categories





# Small Store Benefits



**Lower Cost to Build**



**Reduce Non-Selling Space**



**Decrease Occupancy Cost**



**Reduce Operating Cost**



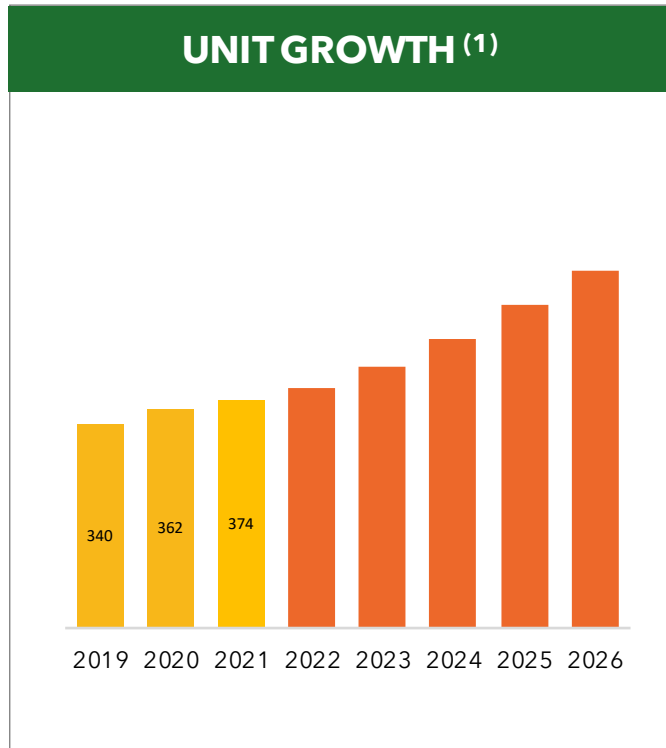
**Sales to Remain Flat**

**Strong Returns & Ability to Accelerate Growth**

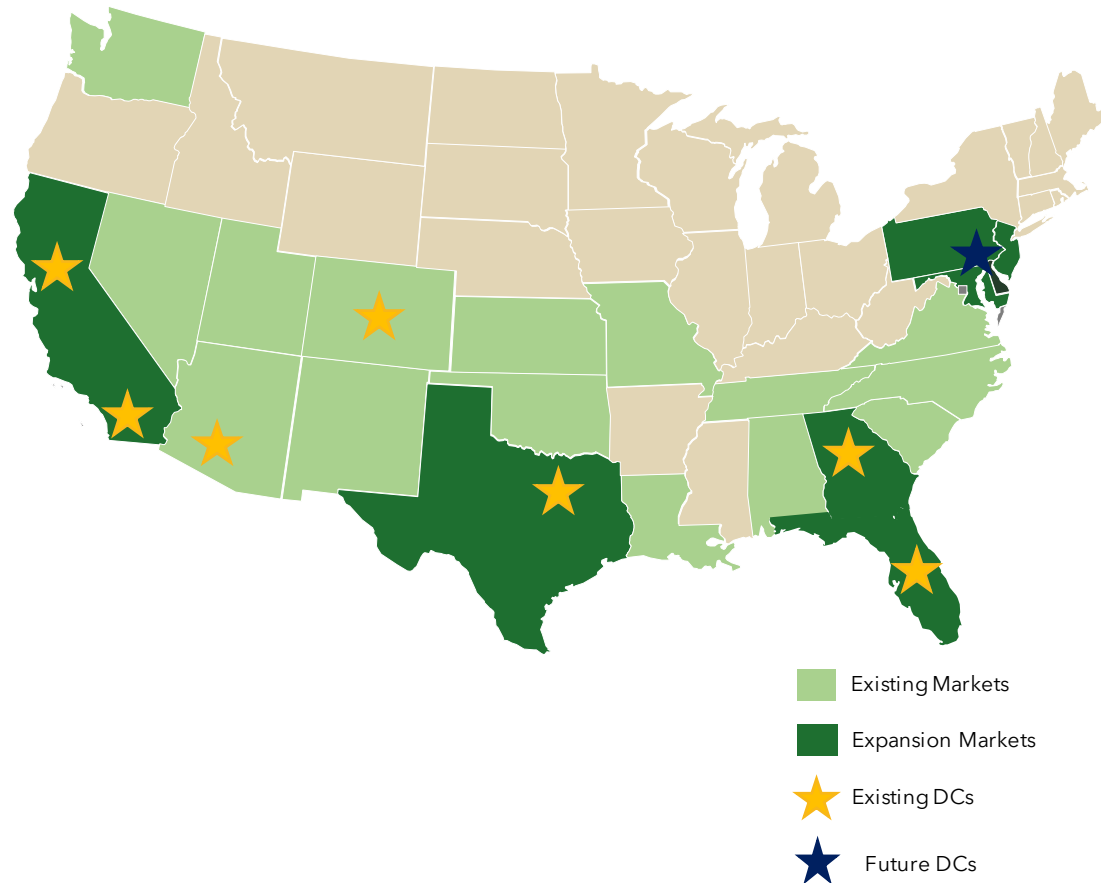




# High Growth Retailer



(1) 2019, 2020, 2021 actual unit growth, 2022 outlook, at least 30 stores in 2023 & 10% unit growth in 2024 and thereafter



**300-400 New Stores in Expansion Markets**



# Creating an Advantaged Fresh Supply Chain of DCs within 250 Miles of the Majority of Stores



## DCs Focused on Fresh, Local and Organic Offerings



## Meet our Local Farmer Partners

### HIRAKATA FARMS

#### DID YOU KNOW?

Hirakata Farms is a fifth generation owned family farm located in Rocky Ford, Colorado. In the early 1900's, Tatsunosuke Hirakata came to the United States from Japan, eventually settling in Colorado, where he and his son began farming and building what is now Hirakata Farms! Today, Hirakata Farms is committed to bringing Colorado and surrounding regions the best tasting cantaloupe, honeydew and watermelons from their 1,200-acre farm.





# Long-Term Strategic Financial Targets<sup>(1)</sup>



**Cost to Build  
Reduced &  
Attractive New  
Store Economics**



**10+% unit growth  
or more <sup>(2)</sup>**



**Low single digit  
comps**



**Stable to  
Expanding EBIT  
Margins**

## Low Double-Digit Earnings Growth and Expansion of ROIC

(1) These are targets and not projections; they are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based on assumptions with respect to future decisions, which may be subject to change. Actual results may vary and the variances may be material. Nothing in this presentation should be regarded as a representation that these targets will be achieved and the Company undertakes no duty to update its targets. See "Forward-Looking Statements."

(2) Open at least 30 stores in 2023 with 10%+ unit growth starting in 2024





# Low Single Digit Comps Targets with Stable to Expanding EBIT Margins

## Key Comp Drivers

- Brand and marketing
- Innovative, differentiated products
- Omnichannel offering
- Better new store ramp with smarter promotional approach

## All Stores

- Smarter Promotions
- Improved Buying
- Supply Chain Optimization
- Labor Productivity
- Improving Shrink
- Headwinds from Labor & Benefit Costs

## New Stores

- Reduction in Cost to Build (improved DA)
- Lower Rents driven by Smaller Boxes
- Less Efficient Operations during maturity ramp-up

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# New Store Four Wall Box Target Economics<sup>(1)</sup>

## Sales

Box opens on average at \$13M in year 1 annual sales

Grows 20% to 25% over next the next 4 years

## EBITDA Margins

Break even year 1

Grows to a blended ~8% EBITDA Margins over the next 4 years

## Cash Investment

\$3.8M average new store build including CapEx, Inventory and Pre-opening expenses<sup>2</sup>

## Cash on Cash Return

Low to mid thirties by year 5

- (1) These are targets and not projections; they are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and are based on assumptions with respect to future decisions, which may be subject to change. Actual results may vary and the variances may be material. Nothing in this presentation should be regarded as a representation that these targets will be achieved and the Company undertakes no duty to update its targets. See "Forward-Looking Statements."
- (2) Reflective of inflationary environment



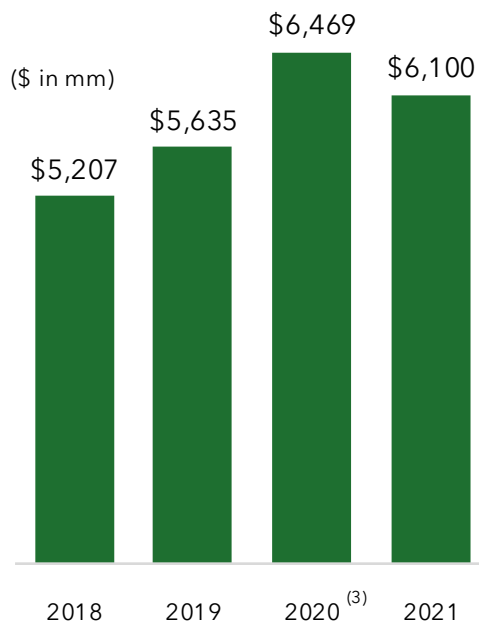


# Sprouts is on a Stronger Foundation with Strategic Initiatives Beginning to Take Hold in 2021

## NET SALES

**\$6.1B**

+ 8% VS 2019 <sup>(2)</sup>



## ADJUSTED DILUTED EARNINGS PER SHARE <sup>(1)</sup>

**\$2.10**

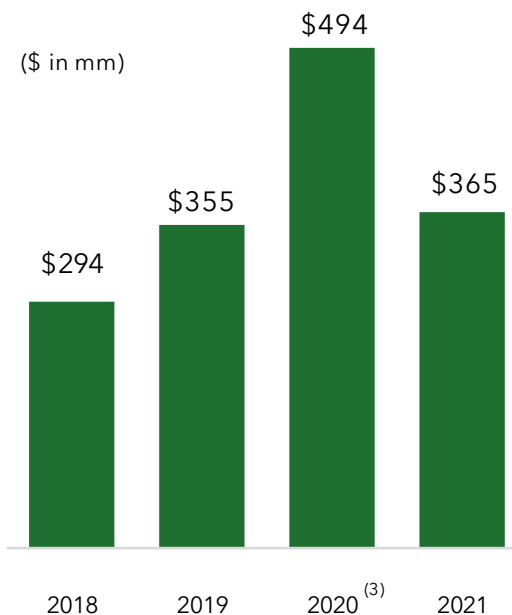
+ 68% VS 2019 <sup>(2)</sup>



## NET CASH PROVIDED BY OPERATIONS

**\$365M**

+ 3% VS 2019 <sup>(2)</sup>



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

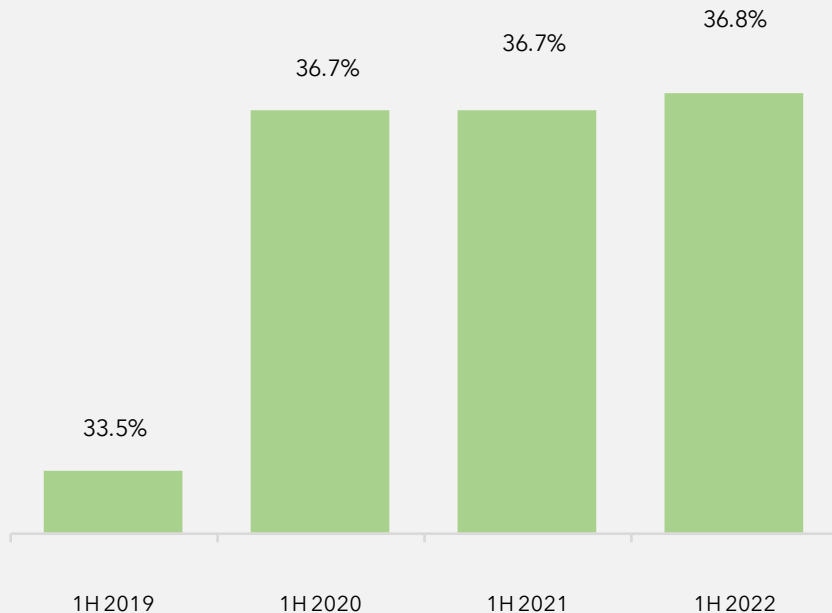
(2) The Company's results for FY2020 were significantly impacted by the Covid-19 pandemic. Accordingly, this presentation also includes comparisons to result in FY 2019

(3) 2020 is presented on a 53-week basis



# Gross Margin Has Increased and Structurally Changed Since 2019

## Quarterly Gross Margin %



## Structural Changes Driven By:

- Promotional strategy changes
- Differentiated products
- Operational improvements
- Addition of two new distribution centers in FL & CO

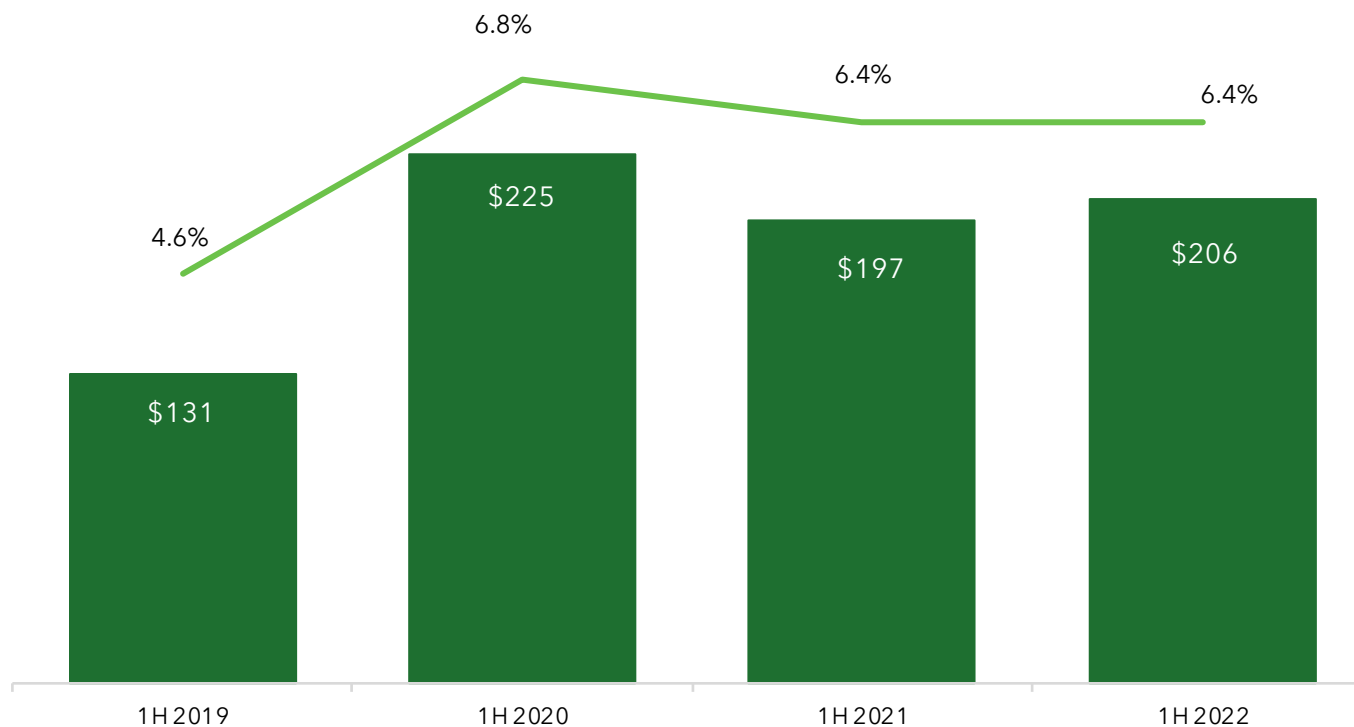




# Maintained a Structurally Improved Margin Profile

## YTD ADJUSTED EBIT & ADJUSTED EBIT MARGIN<sup>(1)</sup>

(\$ in mm)

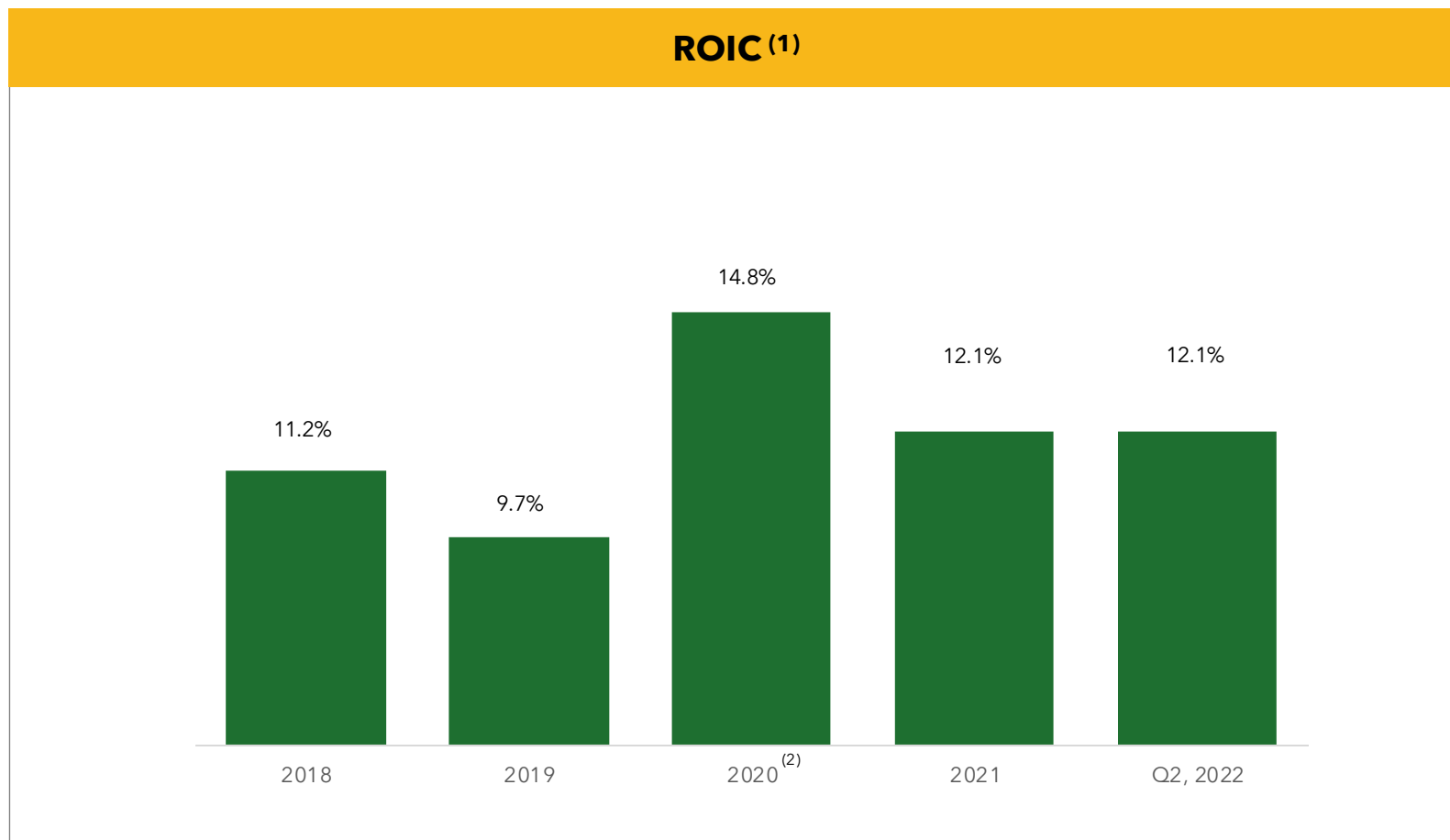


(1) See the Appendix to this presentation for a reconciliation of EBIT to adjusted EBIT; For 2021 & 2022, adjustments to EBIT were immaterial; thus, only EBIT is presented.





# In-line with Strategic Goals...Improving ROIC



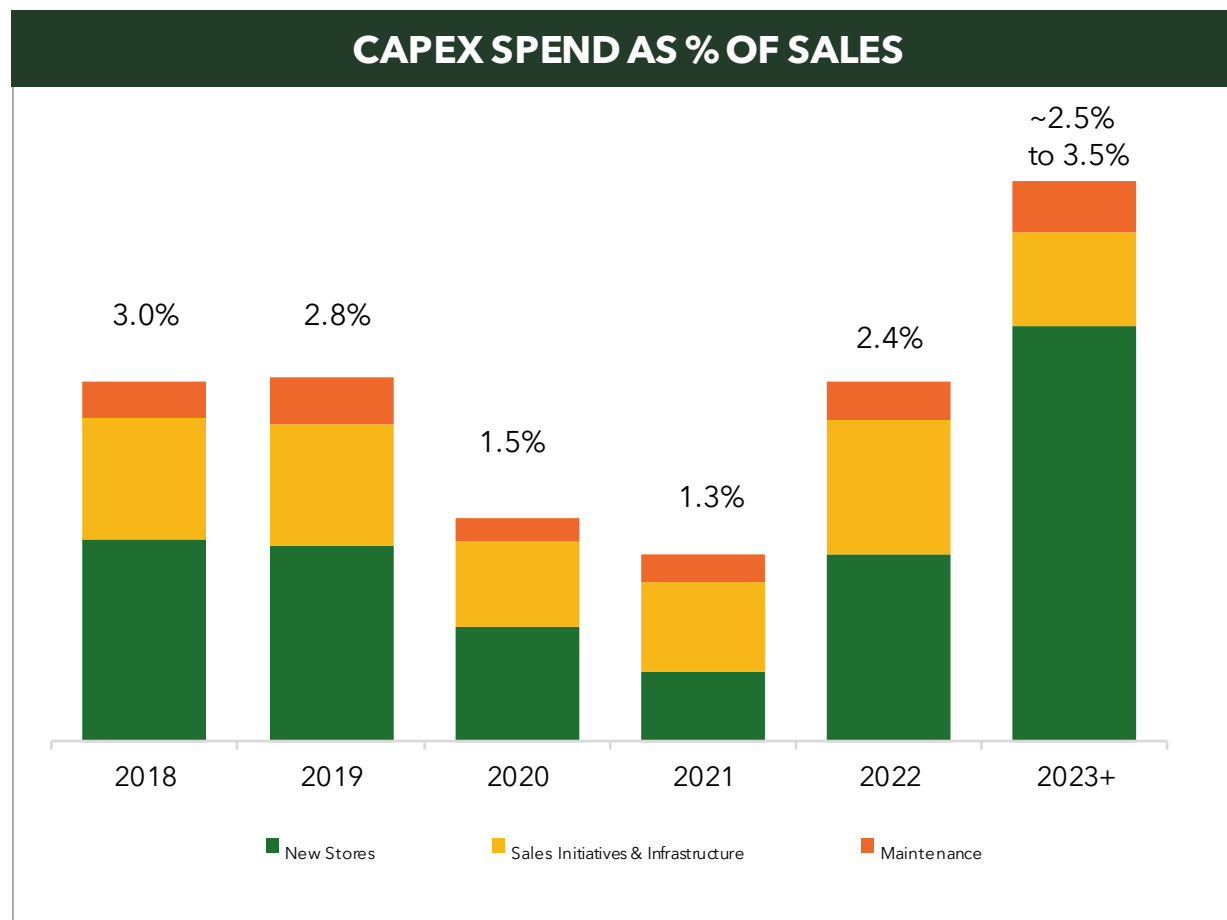
(1) ROIC is a non-GAAP measure that we define as net operating profit after taxes divided by average invested capital. See the Appendix to this presentation for a reconciliation of ROIC to net income

(2) 2020 is presented on a 53-week basis





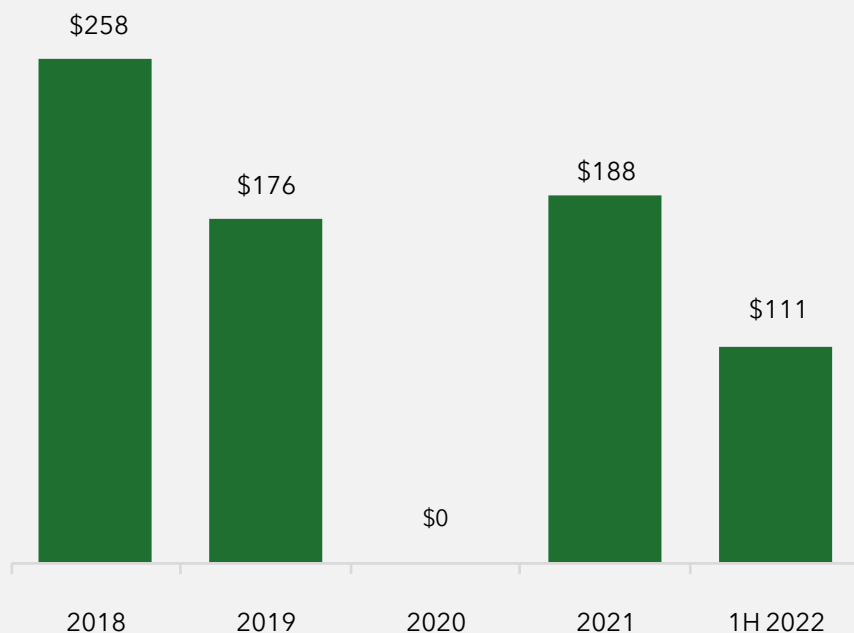
# Capital Expense Driven by New Stores





# In Addition To Investing In Growth, We Drive Shareholder Value Through An Ongoing Share Repurchase Program

## Total Annual Share Repurchase (\$ in mm)



- From 2015 through Q2, 2022:  
Repurchased **54 million shares**  
Reduced shares outstanding **35%**  
Purchased **\$1.3B** to date
- **\$501M** remaining on our share repurchase authorization\*

\* As of July 3, 2022



DELIGHT IN THE GOODNESS OF FRESH, HEALTHY FOODS...



Sprouts delivers a unique farmers market experience that brings together passionate, knowledgeable team members and the best assortment of high-quality food that is good for us, and good for the world.

# APPENDIX



# Executive Management Team with Leading Grocery & Retail Experience



**Jack Sinclair**  
Chief Executive Officer  
*since 2019*



**Lawrence "Chip" Molloy**  
Chief Financial Officer  
*since 2021*



**Nick Konat**  
President & Chief Operating Officer  
*since 2022*



**Scott Neal**  
Chief Merchandising Officer *since 2022*  
*(joined SFM in 2020)*



**Dave McGlinchey**  
Chief Strategy Officer  
*since 2022*  
*(joined SFM in 2017)*



**Dan Sanders**  
Chief Store Operations Officer  
*since 2022*  
*(joined SFM in 2016)*



**Brandon Lombardi**  
Chief Legal Officer  
*since 2012*



**Kim Coffin**  
Senior VP, Chief Forager  
*since 2022*  
*(joined SFM in 2012)*



**Timmi Zalatoris**  
Senior VP, Human Resources  
*since 2020*  
*(joined SFM in 2017)*



**Joe Hurley,**  
Senior VP, Supply Chain  
*since 2019*



**Hunter Bennett**  
Senior VP, Information Technology  
*since 2020*  
*(joined SFM in 2014)*





# Appendix

The following table shows a reconciliation of EBITDA and adjusted EBITDA 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 fifty-two weeks ended January 2, 2022, January 3, 2021 (53 weeks), December 29, 2019, and December 30, 2018:

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

	Fifty-two Weeks Ended	Fifty-three Weeks Ended	Fifty-two Weeks Ended	Fifty-two Weeks Ended
	January 2, 2022	January 3, 2021	December 29, 2019	December 30, 2018
<b>Net income</b>	<b>\$ 244,157</b>	<b>\$ 287,450</b>	<b>\$ 149,629</b>	<b>\$ 158,536</b>
Income tax provision <sup>(1)</sup>	78,235	89,428	46,539	37,260
Interest expense, net	11,684	14,787	21,192	27,435
Earnings before interest and taxes (EBIT)	334,076	391,665	217,360	223,231
<b>Special Items:</b>				
Strategic initiatives <sup>(2)</sup>	-	8,835	-	-
Executive Compensation <sup>(3)</sup>	-	-	-	3,618
Store closures <sup>(4)</sup>	-	-	508	7,961
Total Special Items - pre tax	-	8,835	508	11,579
<b>Adjusted EBIT</b>	<b>334,076</b>	<b>400,500</b>	<b>217,868</b>	<b>234,810</b>
Depreciation, amortization and accretion	125,541	126,508	122,804	110,749
<b>Adjusted EBITDA</b>	<b>\$ 459,617</b>	<b>\$ 527,008</b>	<b>\$ 340,672</b>	<b>\$ 345,559</b>
<b>Net income</b>	<b>\$ 244,157</b>	<b>\$ 287,450</b>	<b>\$ 149,629</b>	<b>\$ 158,536</b>
<b>Special Items:</b>				
Strategic Initiatives, net of tax <sup>(2)</sup>	\$ -	\$ 6,565	\$ -	\$ -
Executive Compensation, net of tax <sup>(3)</sup>	-	-	-	5,652
Store closures, net of tax <sup>(4)</sup>	-	-	377	5,921
<b>Adjusted Net income before one time tax benefits</b>	<b>\$ 244,157</b>	<b>\$ 294,015</b>	<b>\$ 150,006</b>	<b>\$ 170,109</b>
Income tax benefit related to Tax Act and other one time tax benefits <sup>(5)</sup>	-	-	-	(2,573)
<b>Adjusted Net income</b>	<b>\$ 244,157</b>	<b>\$ 294,015</b>	<b>\$ 150,006</b>	<b>\$ 167,536</b>
<b>Diluted EPS</b>	<b>\$ 2.10</b>	<b>\$ 2.43</b>	<b>\$ 1.25</b>	<b>\$ 1.22</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 2.10</b>	<b>\$ 2.49</b>	<b>\$ 1.25</b>	<b>\$ 1.29</b>
Diluted Weighted Average Shares Outstanding	116,077	118,224	119,742	129,776

# Appendix

- (1) Income tax provision includes approximately \$12 million (or \$0.10 per diluted share) benefit during the fifty-two weeks ended December 30, 2018 in excess federal and state tax benefits for share based compensation primarily associated with the exercise of expiring pre-IPO options.
- (2) Includes professional fees related to strategic initiatives. After-tax impact includes the tax benefit on the pre-tax charge.
- (3) During the fifty-two weeks ended December 30, 2018, the Company recorded one-time pretax compensation charges of \$4 million, associated with the resignation of the former CEO. The after-tax impact includes incremental tax expense associated with certain nondeductible executive compensation costs.
- (4) Includes the direct costs associated with store closures and relocation. During the fifty-two weeks ended December 30, 2018, in connection with the closure of two stores, the Company recorded one-time non-cash pre-tax charges of \$8 million primarily related to the estimated fair value of the lease termination obligations and asset impairments. After-tax impact includes the tax benefit on the pre-tax charge.
- (5) During the fifty-two weeks ended December 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.

# 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 twenty six weeks ended July 3, 2022, July 4, 2021, June 28, 2020, and June 30, 2019:

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

	Twenty-six Weeks Ended	Twenty-six Weeks Ended	Twenty-six Weeks Ended	Twenty-six Weeks Ended
	July 3, 2022	July 4, 2021	June 28, 2020	June 30, 2019
<b>Net income</b>	<b>\$ 150,304</b>	<b>\$ 144,062</b>	<b>\$ 158,812</b>	<b>\$ 91,735</b>
Income tax provision	50,150	46,894	52,976	28,713
Interest expense, net	5,697	5,929	8,564	10,440
Earnings before interest and taxes (EBIT)	206,151	196,885	220,352	130,888
<b>Special Items:</b>				
Strategic initiatives <sup>(1)</sup>	-	-	4,617	-
Store closures <sup>(2)</sup>	-	-	-	508
Total Special Items - pre tax	-	-	4,617	508
<b>Adjusted EBIT</b>	<b>\$ 206,151</b>	<b>\$ 196,885</b>	<b>\$ 224,969</b>	<b>\$ 131,396</b>
<b>Net income</b>	<b>\$ 150,304</b>	<b>\$ 144,062</b>	<b>\$ 158,812</b>	<b>\$ 91,735</b>
<b>Special Items:</b>				
Strategic Initiatives, net of tax	\$ -	\$ -	\$ 3,431	\$ -
Store closures, net of tax <sup>(2)</sup>	-	-	-	377
<b>Adjusted Net income</b>	<b>\$ 150,304</b>	<b>\$ 144,062</b>	<b>\$ 162,243</b>	<b>\$ 92,112</b>
<b>Diluted EPS</b>	<b>\$ 1.36</b>	<b>\$ 1.22</b>	<b>\$ 1.35</b>	<b>\$ 0.76</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 1.36</b>	<b>\$ 1.22</b>	<b>\$ 1.38</b>	<b>\$ 0.76</b>
Diluted Weighted Average Shares Outstanding	110,762	118,265	117,997	121,231

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

(2) Includes the direct costs associated with store closures and relocation.

# Appendix

The following table shows a reconciliation of ROIC to net income for the Company's 2018, 2019, 2020, 2021 fiscal years and second quarter of 2022.

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

	<u>Q2, 2022</u>	<u>2021</u>	<u>2020<sup>(1)</sup></u>	<u>2019</u>	<u>2018</u>
Net income	\$ 250,399	\$ 244,157	\$ 287,450	\$ 149,629	\$ 158,536
Income Tax Adjustment <sup>(2)</sup>				-	(2,573)
Special Items, net of Tax <sup>(3,4)</sup>			6,565	377	11,573
Interest expense, net of tax <sup>(4)</sup>	8,639	8,848	11,272	16,214	22,178
Net operating profit after tax (NOPAT)	<u>\$ 259,038</u>	<u>\$ 253,005</u>	<u>\$ 305,287</u>	<u>\$ 166,220</u>	<u>\$ 189,714</u>
Total rent expense, net of tax <sup>(4)</sup>	152,902	150,047	146,630	129,748	111,401
Estimated depreciation on operating leases, net of tax <sup>(4)</sup>	(90,084)	(88,015)	(80,944)	(61,898)	(49,016)
Estimated interest on operating leases, net of tax <sup>(4, 5,6)</sup>	62,818	62,032	65,686	67,850	62,385
NOPAT, including effect of operating leases	<u>\$ 321,856</u>	<u>\$ 315,037</u>	<u>\$ 370,973</u>	<u>\$ 234,070</u>	<u>\$ 252,099</u>
Average working capital	238,717	193,900	101,622	37,505	26,877
Average property and equipment	704,101	712,496	735,651	737,851	754,380
Average other assets	569,054	568,744	567,188	567,554	574,968
Average other liabilities	(99,049)	(101,339)	(100,531)	(120,521)	(199,233)
Average invested capital	<u>\$ 1,412,823</u>	<u>\$ 1,373,801</u>	<u>\$ 1,303,930</u>	<u>\$ 1,222,389</u>	<u>\$ 1,156,992</u>
Average operating leases <sup>(7)</sup>	1,242,722	1,222,513	1,196,822	1,185,080	1,103,128
Average invested capital, including operating leases	<u>\$ 2,655,545</u>	<u>\$ 2,596,314</u>	<u>\$ 2,500,752</u>	<u>\$ 2,407,469</u>	<u>\$ 2,260,120</u>
ROIC, including operating leases	<u>12.1%</u>	<u>12.1%</u>	<u>14.8%</u>	<u>9.7%</u>	<u>11.2%</u>

<sup>1</sup> Fiscal 2020 includes 53 weeks

<sup>2</sup> \$2.6M credit in 2018 related to adopted tax accounting method change.

<sup>3</sup> Special items include strategy related charges in 2020, store closures in 2019 & 2018, and executive severance in 2018.

<sup>4</sup> Net of tax amounts are calculated using the normalized effective tax rate for the period presented.

<sup>5</sup> 2022, 2021, 2020, 2019 estimated interest on operating leases is calculated by multiplying operating leases by a 6.7%, 6.7%, 7.2% and 7.5% discount rate, respectively, for each lease recorded as rent expense within direct store expense.

<sup>6</sup> 2018 interest on operating leases calculated as trailing 4 quarter rents x 8 x 7.0% interest rate factor.

<sup>7</sup> 2022, 2021 & 2020 calculated as trailing 12 month average of operating lease obligations as stated on our balance sheet. 2019 average operating leases represents the net present value of outstanding operating lease obligations. 2018 average operating leases is calculated as the TTM rent expense multiplied by 8.