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PRESS RELEASE

Sprouts Farmers Market, Inc. Reports Third Quarter 2018 F

Company Release - 11/1/2018

PHOENIX, Nov. 01, 2018 (GLOBE NEWSWIRE) -- Sprouts Farmers Market, Inc. (Nasdaq: SFM) today reported results for the 13-week third quarter ended Se

Third Quarter Highlights:

- Net sales of $1.3 billion; a 10% increase from the same period in 2017
- Comparable store sales growth of 1.5% and two-year comparable store sales growth of 6.1%
- Net income of $38 million; a 19% increase from the same period in 2017
- Diluted earnings per share of $0.29; a 26% increase from the same period in 2017
- Excluding the one-time income tax benefit of $3 million, diluted earnings per share of $0.27; a 17% increase from the same period in 2017
- Raised the low-end of 2018 net sales and EPS guidance and tightened the comparable store sales growth range

“Robust new store productivity, continued product innovation and strong operations drove a double digit increase in net sales in the third quarter,” said A officer of Sprouts Farmers Market. “During this time, we introduced Sprouts’ unique model of health, value and service to two new states where very stror our brand continues to resonate well in communities from coast to coast and is firmly positioned for long-term growth.”

Third Quarter 2018 Financial Results

Net sales for the third quarter of 2018 were $1.3 billion, a 10% increase compared to the same period in 2017. Net sales growth was driven by strong perf opened and a 1.5% increase in comparable store sales.

Gross profit for the quarter increased 10% to $382 million, resulting in a gross profit margin of 28.8%, an increase of five basis points compared to the sar leverage was primarily driven by higher merchandise margins partially offset by increased occupancy costs.

Direct store expense (“DSE”) for the quarter increased 12% to $281 million, or 21.2% of sales, compared to 20.7% in the same period in 2017. This delevera planned wage investments funded by savings from the Tax Cuts and Jobs Act, as well as increased healthcare costs and higher depreciation expense.

Selling, general and administrative expenses (“SG&A”) for the quarter increased 10% to $44 million, or 3.3% of sales, flat as compared to the same period i increased strategic investments and advertising expenses offset by lower bonus and stock-based compensation expense.

Net income for the quarter was $38 million and diluted earnings per share was $0.29. During the third quarter of 2018, the company recorded a $3 millior from the adoption of a tax calculation method change in conjunction with the Tax Cuts and Jobs Act. Excluding this benefit, adjusted net income was $35 r compared to net income for the same period in 2017 and diluted earnings per share was $0.27, an increase of $0.04 or 17%, as compared to diluted earni period in 2017. This increase was driven by a lower effective tax rate due to the Tax Cuts and Jobs Act, higher sales, and fewer shares outstanding due to c partially offset by higher planned wage investments.

Fiscal Year-to-Date Financial Results

For the 39-week period ended September 30, 2018, net sales were $3.9 billion, a 12% increase compared to the same period in 2017. Growth was driven b stores opened and a 2.0% increase in comparable store sales. Net income was $146 million and diluted earnings per share was $1.12. Excluding the $3 mi benefit discussed above, adjusted net income was $143 million, a 21% increase compared to net income for the same period in 2017 and diluted earnings increase of $0.24 or 28%, compared to diluted earnings per share of $0.86 for the same period in 2017.

Growth and Development

During the third quarter of 2018, we opened 12 new stores: three in California, two in Nevada and one each in Arizona, Oklahoma, Maryland, North Caroli in the states of Pennsylvania and Washington. Two additional stores have been opened in the fourth quarter, resulting in a total of 315 stores in 19 states

Leverage and Liquidity

We generated cash from operations of $235 million year-to-date through September 30, 2018 and invested $129 million in capital expenditures net of lan primarily for new stores. We ended the quarter with a $435 million balance on our revolving credit facility, $27 million of letters of credit outstanding unde cash and cash equivalents, and $283 million available under our current share repurchase authorization. Year-to-date through October 29, 2018, we have shares of common stock for a total investment of $193 million.

2018 Outlook

As previously communicated, we are investing $10 million, or approximately one third of our savings from the Tax Cuts and Jobs Act [(1)] in team member w following provides information on our guidance for 2018:

	Full-Year 2018 Current Guidance	Full Prio
Net sales growth	11% to 11.5%	10.5
Unit growth	30 stores	Approxi
Comparable store sales growth	1.7% to 2.0%	1.5
Diluted earnings per share	$1.28 to $1.30 (1)	$1.
Effective tax rate	Approximately 18% (2)	19%
Capital expenditures	$160M to $165M	$165

(net of landlord reimbursements)

Footnotes

(1) Including the one-time income tax benefit of $3 million, or $0.02 EPS, from the adoption of a tax calculation method change in conjunction with the Tax Cuts and Jobs Ac

(2) The lower effective tax rate is due to the Tax Cuts and Jobs Act and the tax accounting method change noted above.

Third Quarter 2018 Conference Call

We will hold a conference call at 7 a.m. Pacific Daylight Time (10 a.m. Eastern Daylight Time) on Thursday, November 1, 2018, during which Sprouts execut third quarter 2018 financial results.

A webcast of the conference call will be available through Sprouts' investor webpage located at investors.sprouts.com. Participants should register on the minutes prior to the start of the webcast.

The conference call will be available via the following dial- in numbers:

- U.S. Participants: 877-398-9481
- International Participants: Dial +1-408-337-0130
- Conference ID: 8892508

The audio replay will remain available for 72 hours and can be accessed by dialing 855-859-2056 (toll-free) or 404-537-3406 (international) and entering th

Important Information Regarding Outlook

There is no guarantee that Sprouts will achieve its projected financial expectations, which are based on management estimates, currently available inform management believes to be reasonable. These expectations are inherently subject to significant economic, competitive and other uncertainties and contir beyond the control of management. See "Forward-Looking Statements" below.

Forward-Looking Statements

Certain statements in this press release are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Any statements contained h of historical fact (including, but not limited to, statements to the effect that Sprouts Farmers Market or its management "anticipates," "plans," "estimates," the negative of these terms and other similar expressions) should be considered forward-looking statements, including, without limitation, statements reg guidance, outlook and opportunities. These statements involve certain risks and uncertainties that may cause actual results to differ materially from expe release. These risks and uncertainties include, without limitation, risks associated with the company's ability to successfully compete in its intensely comp ability to successfully open new stores; the company's ability to manage its rapid growth; the company's ability to maintain or improve its operating margi identify and react to trends in consumer preferences; product supply disruptions; general economic conditions; and other factors as set forth from time t Securities and Exchange Commission filings, including, without limitation, the company's Annual Report on Form 10-K. The company intends these forwar only as of the time of this release and does not undertake to update or revise them as more information becomes available, except as required by law.

Corporate Profile

Sprouts Farmers Market, Inc. specializes in fresh, natural and organic products at prices that appeal to everyday grocery shoppers. Based on the belief tha affordable, Sprouts' welcoming environment and knowledgeable team members continue to drive its growth. Sprouts offers a complete shopping experie fresh produce in the heart of the store, a deli with prepared entrees and side dishes, The Butcher Shop, The Fish Market, an expansive vitamins and suppl more. Headquartered in Phoenix, Arizona, Sprouts employs more than 28,000 team members and operates more than 300 stores in 19 states from coast about.sprouts.com for more information.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Thirteen Weeks Ended		Thirty-
	September 30, 2018	October 1, 2017	September 30, 2018
Net sales	$ 1,329,109	$ 1,206,059	$ 3,937,
Cost of sales, buying and occupancy	946,734	859,650	2,788,
Gross profit	382,375	346,409	1,149,
Direct store expenses	281,365	250,191	816,
Selling, general and administrative expenses	43,944	39,955	128,
Store pre-opening costs	3,819	2,456	9,
Store closure and other costs	461	803	
Income from operations	52,786	53,004	194,
Interest expense	(7,419)	(5,609)	(20,
Other income	—	162	
Income before income taxes	45,367	47,557	174,
Income tax provision	(7,867)	(16,071)	(28,
Net income	$ 37,500	$ 31,486	$ 145,
Net income per share:			
Basic	$ 0.30	$ 0.23	$ 1
Diluted	$ 0.29	$ 0.23	$ 1
Weighted average shares outstanding:			
Basic	126,855	134,320	129,

Diluted	127,627	136,770	130,

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	September 30, 2018
ASSETS	
Current assets:	
Cash and cash equivalents	$ 17,
Accounts receivable, net	34,
Inventories	253,
Prepaid expenses and other current assets	37,
Total current assets	342,
Property and equipment, net of accumulated depreciation	773,
Intangible assets, net of accumulated amortization	195,
Goodwill	368,
Other assets	16,
Total assets	$ 1,694,
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and other accrued liabilities	$ 245,
Accrued salaries and benefits	43,
Current portion of capital and financing lease obligations	7,
Total current liabilities	296,
Long-term capital and financing lease obligations	120,
Long-term debt	435,
Other long-term liabilities	144,
Deferred income tax liability	56,
Total liabilities	1,053,
Commitments and contingencies	
Stockholders' equity:	
Undesignated preferred stock; $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	
Common stock, $0.001 par value; 200,000,000 shares authorized, 127,603,836 shares issued and outstanding, September 30, 2018; 132,823,981 shares issued and outstanding, December 31, 2017	
Additional paid-in capital	653,
Accumulated other comprehensive income (loss)	4,
(Accumulated deficit) retained earnings	(16,
Total stockholders' equity	641,
Total liabilities and stockholders' equity	$ 1,694,

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Thirty-nin
	September 30, 2018
Cash flows from operating activities	
Net income	$ 145,83
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization expense	81,95
Accretion of asset retirement obligation and closed store reserve	2
Amortization of financing fees and debt issuance costs	6
Loss on disposal of property and equipment	4
Equity-based compensation	11,67
Deferred income taxes	29,77
Changes in operating assets and liabilities:	
Accounts receivable	(10,29
Inventories	(23,50
Prepaid expenses and other current assets	(13,75
Other assets	(3,94

Accounts payable and other accrued liabilities	3,2
Accrued salaries and benefits	(2,1
Other long-term liabilities	15,3
Cash flows from operating activities	235,4
Cash flows used in investing activities	
Purchases of property and equipment	(148,4
Proceeds from sale of property and equipment	
Cash flows used in investing activities	(148,4
Cash flows used in financing activities	
Proceeds from revolving credit facilities	180,0
Payments on revolving credit facilities	(93,0
Payments on capital and financing lease obligations	(3,3
Payments of deferred financing costs	(2,1
Cash from landlords related to capital and financing lease obligations	2,1
Repurchase of common stock	(193,3
Proceeds from exercise of stock options	21,0
Other	(
Cash flows used in financing activities	(88,6
(Decrease) increase in cash, cash equivalents, and restricted cash	(1,6
Cash, cash equivalents and restricted cash at beginning of the period	19,4
Cash, cash equivalents and restricted cash at the end of the period	$ 17,8

Non-GAAP Financial Measures

In addition to reporting financial results in accordance with accounting principles generally accepted in the United States ("GAAP"), the company presents accordance with, and is not intended as an alternative to, GAAP. The company's management believes that this presentation provides useful information investors regarding certain additional financial and business trends relating to its results of operations and financial condition. In addition, management u reviewing the financial results of the company and as a component of incentive compensation. The company defines EBITDA as net income before interes income tax, and depreciation, amortization and accretion.

Non-GAAP measures are intended to provide additional information only and do not have any standard meanings prescribed by GAAP. Use of these term measures reported by other companies. Because of their limitations, non-GAAP measures should not be considered as a measure of discretionary cash a 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 li and you should not consider them in isolation or as a substitute for analysis of the company's results as reported under GAAP.

The following table shows a reconciliation of EBITDA and net income excluding a one-time tax benefit[(1)] to net income for the thirteen and thirty-nine wee and October 1, 2017:

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

	Thirteen Weeks Ended		Th
	September 30, 2018	October 1, 2017	Septen 30, 2(
Net income	$ 37,500	$ 31,486	$
Income tax provision	7,867	16,071	
Interest expense, net	7,411	5,608	
Earnings before interest and taxes (EBIT)	52,778	53,165	
Depreciation, amortization and accretion	28,202	24,808	
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 80,980	$ 77,973	$
Net income	$ 37,500	$ 31,486	$
Plus: One time tax benefit [(1)]	(2,573)	-	
Net income excluding one time tax benefit	$ 34,927	$ 31,486	$
Diluted earnings per share excluding one time tax benefit	$ 0.27	$ 0.23	$
Diluted Weighted Average Shares Outstanding	127,627	136,770	

[(1)] 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 discr was recognized in the third quarter of 2018.

Source: Sprouts Farmers Market, Inc.
Phoenix, AZ
11/1/18

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Source: Sprouts Farmers Market

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