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PRESS RELEASE

Sprouts Farmers Market, Inc. Reports First Quarter 2019 R

Company Release - 5/2/2019

PHOENIX, May 02, 2019 (GLOBE NEWSWIRE) -- Sprouts Farmers Market, Inc. (Nasdaq: SFM) today reported results for the 13-week first quarter ended Mar

First Quarter Highlights:

- Net sales of $1.4 billion; a 10% increase from the same period in 2018
- Comparable store sales growth of 1.4% and two-year comparable store sales growth of 4.1%
- Net income of $56 million, compared to $67 million from the same period in 2018
- Adjusted net income[(1)] of $57 million; compared to $67 million from the same period in 2018
- Diluted earnings per share of $0.46; compared to $0.50 from the same period in 2018
- Raised the low-end of 2019 EPS guidance

"Sprouts' efficient model continues to produce strong returns on invested capital resulting in healthy cash generation," said Brad Lukow, interim co-chief e financial officer of Sprouts Farmers Market. "This sound financial footing, coupled with strong new store productivity, supports continued expansion of ou existing markets and three additional states this year. We are on track to achieve our 2019 financial targets, and we are raising the bottom-end of our EPS

"Our focus on fresh and healthy products at great prices has positioned us well to meet the needs of today's customers, and our ongoing investments in t digital channels for brand and product awareness, and innovation for differentiation are paving the way to success for years to come," said Jim Nielsen, in officer, president and chief operating officer of Sprouts Farmers Market.

[1] Adjusted net income and adjusted diluted earnings per share, non-GAAP financial measures, exclude the impact of certain special items. See the "Non-GAAP Financial M for additional information about these items.

First Quarter 2019 Financial Results

Net sales for the first quarter of 2019 were $1.4 billion, a 10% increase compared to the same period in 2018. Net sales growth was driven by a 1.4% incre and strong performance in new stores opened.

Gross profit for the quarter increased 9% to $484 million, resulting in a gross profit margin of 34.3%, a decrease of 30 basis points compared to the same deleverage was primarily driven by cost inflation that was not fully reflected in retail pricing due to the competitive landscape, as well as changes in produ

Selling, general and administrative expenses ("SG&A") for the quarter increased 11% to $375 million, or 26.5% of sales, compared to 26.3% in the same pe basis points impact of the adoption of the new lease accounting standard that went into effect at the beginning of 2019, SG&A leveraged 15 basis points. lower payroll taxes for California team members, rent credits from delayed store openings, as well as reduced stock and bonus compensation expenses p open chief executive officer position. This was partially offset by increased expense related to our wage investments.

Depreciation and amortization for the quarter increased 13% to $29 million, or 2.1% of sales, compared to the same period in 2018.

Net income for the quarter was $56 million and diluted earnings per share was $0.46, compared with $67 million and $0.50, respectively, in 2018. Adjuste a 15% decrease compared to the same period in 2018. This decrease was driven by cycling a lower effective tax rate (9.8%, compared to 24.4% for the first quarter of 2018, primarily due to the exercise of a significant number of expiring pre-IPO stock options, as well as the impact of the adoption of the new le 2019. This was partially offset by higher sales and fewer shares outstanding due to our repurchase program. (see "Non-GAAP Financial Measures")

Growth and Development

During the first quarter of 2019, we opened 8 new stores. One additional store has been opened in the second quarter to date, resulting in a total of 322 2, 2019.

Leverage and Liquidity

We generated cash from operations of $113 million in the first quarter of 2019 and invested $24 million in capital expenditures net of landlord reimburse In addition, we repurchased 4.9 million shares of common stock for a total investment of $112 million. We ended the quarter with a $500 million balance $27 million of letters of credit outstanding under the facility, $20 million in cash and cash equivalents, and $106 million available under our current share Subsequent to the end of the quarter and through April 29, 2019, we have repurchased 2.4 million shares of common stock for a total investment of $51 r

2019 Outlook

The following provides information on our guidance for 2019:

	Full-Year 2019 Current Guidance	Full Prio
Net sales growth	9% to 10.5%	9%
Unit growth	Approximately 28 stores	Approxi
Comparable store sales growth	1.5% to 3.0%	1.5
Diluted earnings per share [2]	$1.18 to $1.24	$1.1
Effective tax rate	Approximately 26%	Appro
Capital expenditures (net of landlord reimbursements)	$170M to $175M	$170

Footnotes

[2] The adoption of the new lease accounting standards will result in net incremental noncash rent expense of approximately $7 million pre-tax (or approxi
diluted earnings per share) for 2019.

First Quarter 2019 Conference Call

We will hold a conference call at 7 a.m. Pacific Daylight Time (10 a.m. Eastern Daylight Time) on Thursday, May 2, 2019, during which Sprouts executives w
quarter 2019 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: 9849759

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 cont
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, growth and opportunities. These statements involve certain risks and uncertainties that may cause actual results to differ materially fro
of this release. These risks and uncertainties include, without limitation, risks associated with the company's ability to successfully compete in its intensely
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 oper
ability to identify and react to trends in consumer preferences; product supply disruptions; general economic conditions; the company's ability to manage
accounting standard changes including the new lease accounting guidance; and other factors as set forth from time to time in the company's Securities ar
filings, including, without limitation, the company's Annual Report on Form 10-K. The company intends these forward-looking statements to speak only as
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 30,000 team members and operates in more than 320 stores in 19 states from coa
about.sprouts.com for more information.

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

	Thirteen Weeks Ended March 31, 2019
Net sales	$ 1,413,8
Cost of sales	929,5
Gross profit	484,3
Selling, general and administrative expenses	374,8
Depreciation and amortization (exclusive of depreciation included in cost of sales)	29,4
Store closure and other costs	5
Income from operations	79,5
Interest expense, net	(5,(
Other income	
Income before income taxes	74,5
Income tax provision	(18,1
Net income	$ 56,3
Net income per share:	
Basic	$ 0
Diluted	$ 0
Weighted average shares outstanding:	
Basic	123,2
Diluted	123,9

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

	March 31, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	$ 19,5
Accounts receivable, net	25,1
Inventories	257,8
Prepaid expenses and other current assets	30,6
Total current assets	333,2
Property and equipment, net of accumulated depreciation	694,1
Operating lease assets	1,024,3
Intangible assets, net of accumulated amortization	185,5
Goodwill	368,0
Other assets	11,2
Total assets	$ 2,616,5
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and other accrued liabilities	$ 263,7
Accrued salaries and benefits	38,6
Current portion of capital and financing lease obligations	
Current portion of operating lease liabilities	74,7
Current portion of finance lease obligations	5
Total current liabilities	377,7
Long-term capital and financing lease obligations	
Long-term operating lease liabilities	1,067,2
Long-term debt and finance lease liabilities	512,0
Other long-term liabilities	39,1
Deferred income tax liability	63,9
Total liabilities	2,060,0
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, 120,436,879 shares issued and outstanding, March 31, 2019; 124,975,691 shares issued and outstanding, December 30, 2018	
Additional paid-in capital	661,2
Accumulated other comprehensive (loss) income	(1,4
Accumulated deficit	(103,3
Total stockholders' equity	556,5
Total liabilities and stockholders' equity	$ 2,616,5

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

	Thirteen Weeks Ended March 31, 2019
Cash flows from operating activities	
Net income	$ 56,3
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization expense	30,0
Operating lease asset amortization	20,6
Store closure and other costs	7
Share-based compensation	2,4
Deferred income taxes	6,2
Other non-cash items	
Changes in operating assets and liabilities:	
Accounts receivable	3,2
Inventories	6,5
Prepaid expenses and other current assets	(7
Other assets	(1,0
Accounts payable and other accrued liabilities	18,8
Accrued salaries and benefits	(9,6
Operating lease liabilities	(20,6
Other long-term liabilities	(3
Cash flows from operating activities	112,6
Cash flows used in investing activities	
Purchases of property and equipment	(30,1
Cash flows used in investing activities	(30,1

Cash flows used in financing activities	
Proceeds from revolving credit facilities	89,7
Payments on revolving credit facilities	(42,7
Payments on capital and financing lease obligations	
Payments on finance lease obligations	(1
Payments of deferred financing costs	
Cash from landlords related to capital and financing lease obligations	
Repurchase of common stock	(111,8
Proceeds from exercise of stock options	1,6
Other	(3
Cash flows used in financing activities	(63,7
Increase in cash, cash equivalents, and restricted cash	18,7
Cash, cash equivalents, and restricted cash at beginning of the period	2,2
Cash, cash equivalents, and restricted cash at the end of the period	$ 20,9

Reclassification of Certain Income Statement Items

In the fourth quarter of fiscal 2018, we made a voluntary change to our consolidated statements of income presentation as follows:

- Reclassified occupancy costs and buying costs from cost of sales to selling, general and administrative expenses ("SG&A");
- Reclassified depreciation and amortization (exclusive of depreciation related to supply chain which continues to be included in cost of sales) to a se item; and
- Combined direct stores expense ("DSE") and store pre-opening costs with SG&A.

These reclassifications had no impact on sales, income from operations, net income or earnings per share. We made this voluntary change in presentatio exclusion of occupancy and buying costs from cost of sales provides a more meaningful presentation of our gross margin. The changes also enhance the statements with those of many of our industry peers and align with how we internally manage and review costs and margin. Prior years amounts have be change. Updated financials for the five years prior have been posted on investors.sprouts.com.

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 adjusted net income and adjusted diluted earnings per share. These measures are not in accordance with, and are not intended as alternatives to, GAAP. believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business tre operations and financial condition. In addition, management uses these measures for reviewing the financial results of the company, and certain of these components of incentive compensation.

The company defines EBITDA as net income before interest expense, provision for income tax, and depreciation, amortization and accretion and adjusted the impact of special items. The company defines adjusted net income and adjusted diluted earnings per share by adjusting the applicable GAAP measure 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 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 adjusted EBITDA to net income for the thirteen weeks ended March 31, 2019 and April 1, 2018 ar income and diluted earnings per share to adjusted net income and adjusted diluted earnings per share for the thirteen weeks ended March 31, 2019 and

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

	Thirteen Weeks Ended March 31, 201
Net income	$ 5(
Income tax provision [1]	1
Interest expense, net	
Earnings before interest and taxes (EBIT)	7
Depreciation, amortization and accretion	3(
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 10
Special Items:	
Store closures [2]	
Total Special Items - pre-tax	
Adjusted EBITDA	$ 11(
Net income	$ 5(
Special Items:	
Store closures, net of tax [2]	
Adjusted Net income	$ 5(
Diluted earnings per share	$

Adjusted diluted earnings per share	$
Diluted weighted average shares outstanding	12:

(1) Income tax provision includes approximately an $11 million (or $0.08 per diluted share) benefit during the thirteen weeks ended April 1, 2018 in excess federal and sta compensation primarily associated with the exercise of expiring pre-IPO options.

(2) Special items include the direct costs associated with store closure or relocations. After-tax impact includes the tax benefit on the pre-tax charge.

Source: Sprouts Farmers Market, Inc.
Phoenix, AZ
5/2/19

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Source: Sprouts Farmers Market

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