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PRESS RELEASE

Sprouts Farmers Market, Inc. Reports Fourth Quarter and 2019 Results

Company Release - 2/20/2020

PHOENIX, Ariz., Feb. 20, 2020 (GLOBE NEWSWIRE) -- Sprouts Farmers Market, Inc. (Nasdaq: SFM) today reported results for the 13-week fourth quarter an December 29, 2019.

Fourth Quarter Highlights:

- Net sales of $1.4 billion; an 8% increase from the same period in 2018
- Comparable store sales growth of 1.5% and two-year comparable store sales growth of 3.8%
- Net income of $32 million; compared to net income of $13 million and adjusted net income of $24 million from the same period in 2018
- Diluted earnings per share of $0.27; compared to diluted earnings per share of $0.10 and adjusted diluted earnings per share of $0.19 from the sar

Fiscal Year 2019 Highlights:

- Net sales of $5.6 billion; an 8% increase from 2018
- Comparable store sales growth of 1.1% and two-year comparable store sales growth of 3.2%
- Net income and adjusted net income of $150 million; compared to net income of $159 million and adjusted net income of $168 million in 2018
- Diluted earnings and adjusted diluted earnings per share of $1.25; compared to diluted earnings per share of $1.22 and adjusted diluted earnings p

“During the fourth quarter, I was encouraged by the Sprouts team’s dedication to driving same store sales growth, while we simultaneously delivered posi Sinclair, chief executive officer of Sprouts Farmers Market. “We remain engaged in developing a long-term strategy and are optimistic about the future of that is good for you, good for your family and good for the planet.”

2020 First Quarter and Full Year Outlook

The following provides information on our outlook for 2020, which does not factor in any strategic changes. In addition, the Company notes the fiscal year with the extra week falling in the fourth quarter. We estimate the impact from the 53rd week to be approximately $120 million in sales, $9 million in incom $0.06 in diluted earnings per share:

	Q1 2020 Outlook	Full y
Net sales growth	5.5% to 6.5%	
Comparable store sales growth	0% to 1%	
Unit growth		Ap
Diluted earnings per share	$0.45 to $0.47	$
Earnings before taxes ("EBT") Growth		$
Effective tax rate		Ap
Capital expenditures (net of landlord reimbursements)		$

Fourth Quarter and Full Year 2019 Conference Call

We will hold a conference call at 3 p.m. Mountain Standard Time (5 p.m. Eastern Standard Time) on Thursday, February 20, 2020 during which Sprouts exe our fourth quarter and fiscal year 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: +1-408-337-0130
- Conference ID: 9977410

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 9977410.

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 growth; the company's ability to maintain or improve its operating r
to identify and react to trends in consumer preferences; product supply disruptions; general economic conditions; accounting standard changes; and othe
time to time in the company's Securities and Exchange Commission filings, including, without limitation, the company's Annual Report on Form 10-K. The c
forward-looking statements to speak only as of the time of this release and does not undertake to update or revise them as more information becomes av
law.

Corporate Profile

About Sprouts Farmers Market

Sprouts Farmers Market, Inc., one of the fastest-growing retailers in the country, has made healthy living accessible to shoppers for nearly two decades by
natural and organic products. True to its farmers market heritage, Sprouts is known for pioneering its unique grocery model by offering a welcoming store
produce at the center of the store, an expansive bulk foods section, and a vitamin department focused on overall wellness. Sprouts also offers a unique as
products with special attributes, such as plant-based, gluten-free, keto-friendly, and grass-fed, to meet the growing and diverse needs of today's consume
Ariz., Sprouts employs more than 30,000 team members and operates over 340 stores in 22 states from coast to coast. Visit about.sprouts.com for more i

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

	Thirteen weeks ended		F
	December 29, 2019	December 30, 2018	Decembe 201
Net sales	$ 1,364,991	$ 1,269,338	$ 5
Cost of sales	896,028	848,369	3
Gross profit	468,963	420,969	1
Selling, general and administrative expenses	387,481	352,672	1
Depreciation and amortization (exclusive of depreciation included in cost of sales)	30,703	27,966	
Store closure and other costs	3,864	11,579	
Income from operations	46,915	28,752	
Interest expense, net	5,195	7,420	
Other income	—	—	
Income before income taxes	41,720	21,332	
Income tax provision	10,086	8,629	
Net income	$ 31,634	$ 12,703	$
Net income per share:			
Basic	$ 0.27	$ 0.10	$
Diluted	$ 0.27	$ 0.10	$
Weighted average shares outstanding:			
Basic	117,934	126,574	
Diluted	118,219	127,398	

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

	December 29, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	$ 85,31
Accounts receivable, net	15,71
Inventories	275,97
Prepaid expenses and other current assets	10,83
Total current assets	387,83
Property and equipment, net of accumulated depreciation	741,50
Operating lease assets	1,028,43
Intangible assets, net of accumulated amortization	185,39
Goodwill	368,07
Other assets	11,72
Total assets	$ 2,722,98
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 261,32

Accrued salaries and benefits	48,57
Current portion of capital and financing lease obligations	-
Current portion of operating lease liabilities	106,15
Current portion of finance lease liabilities	75
Total current liabilities	416,81
Long-term capital and financing lease obligations	-
Long-term operating lease liabilities	1,078,92
Long-term debt and finance lease liabilities	549,41
Other long-term liabilities	41,51
Deferred income tax liability	54,35
Total liabilities	2,141,03
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, 117,543,668 shares issued and outstanding, December 29, 2019; 124,975,691 shares issued and outstanding, December 30, 2018	11
Additional paid-in capital	670,96
Accumulated other comprehensive (loss) income	(4,68
Accumulated deficit	(84,44
Total stockholders' equity	581,95
Total liabilities and stockholders' equity	$ 2,722,98

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

	Fifty-tw
	December 29, 2019
Cash flows from operating activities	
Net income	$ 149,62
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization expense	122,80
Operating lease asset amortization	81,84
Store closure and other costs	4,11
Share-based compensation	8,94
Deferred income taxes	(21
Other non-cash items	4,13
Changes in operating assets and liabilities:	
Accounts receivable	36,06
Inventories	(11,61
Prepaid expenses and other current assets	19,20
Other assets	(1,27
Accounts payable and other accrued liabilities	28,69
Accrued salaries and benefits	29
Operating lease liabilities	(88,00
Other long-term liabilities	57
Cash flows from operating activities	355,21
Cash flows used in investing activities	
Purchases of property and equipment	(183,23
Cash flows used in investing activities	(183,23
Cash flows used in financing activities	
Proceeds from revolving credit facilities	265,40
Payments on revolving credit facilities	(180,40
Payments on capital and financing lease obligations	-
Payments on finance lease obligations	(69
Payments of deferred financing costs	-
Cash from landlords related to capital and financing lease obligations	-
Repurchase of common stock	(176,31
Proceeds from exercise of stock options	4,87
Other	(31
Cash flows used in financing activities	(87,44
Increase / (Decrease) in cash, cash equivalents, and restricted cash	84,53
Cash, cash equivalents, and restricted cash at beginning of the period	2,24
Cash, cash equivalents, and restricted cash at the end of the period	$ 86,78

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 income before income taxes (adjusted EBT), adjusted net income and adjusted diluted earnings per share. These measures are not in accordanc as alternatives to, GAAP. The company's management believes that this presentation provides useful information to management, analysts and investors financial and business trends relating to its results of operations and financial condition. In addition, management uses these measures for reviewing the company, and certain of these measures may be used as 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 EBT, adjusted net income and adjusted diluted earnings per share by adjusting the applicable (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 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 and fifty-two weeks ended December 29, 2019 ar reconciliation of EBT, net income and diluted earnings per share to adjusted EBT, adjusted net income and adjusted diluted earnings per share for the thi ended December 29, 2019 and December 30, 2018:

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

	Thirteen weeks ended		Fi
	December 29, 2019	December 30, 2018	December 2019
Net income	$ 31,634	$ 12,703	$ 1
Income tax provision [1]	10,086	8,629	
Income before income taxes (Earnings before taxes "EBT")	41,720	21,332	1
Special Items:			
Executive Compensation [2]	—	3,618	
Store closures [3]	—	7,961	
Total Special Items - pre-tax	—	11,579	
Adjusted EBT	$ 41,720	$ 32,911	$ 1
Net income	$ 31,634	$ 12,703	$ 1
Income tax provision [1]	10,086	8,629	
Interest expense, net	5,195	7,420	
Earnings before interest and taxes (EBIT)	46,915	28,752	2
Depreciation, amortization and accretion	31,258	28,571	1
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 78,173	$ 57,323	$ 3
Special Items:			
Executive Compensation [2]	—	3,618	
Store closures [3]	—	7,961	
Total Special Items - pre-tax	—	11,579	
Adjusted EBITDA	$ 78,173	$ 68,902	$ 3
Net income	$ 31,634	$ 12,703	$ 1
Special Items:			
Executive compensation, net of tax [2]	—	5,652	
Store closures, net of tax [3]	—	5,921	
Adjusted Net income before one-time tax benefit	31,634	24,276	1
Income tax benefit related to Tax Act and other one-time tax benefits [4]	—	—	
Adjusted Net income	$ 31,634	$ 24,276	$ 1
Diluted earnings per share	$ 0.27	$ 0.10	$
Adjusted diluted earnings per share	$ 0.27	$ 0.19	$
Diluted weighted average shares outstanding	118,219	127,398	1

1. Income tax provision includes approximately a $12 million (or $0.10 per diluted share) benefit during the fifty-two weeks ended December 30, 2018 i for share based compensation primarily associated with the exercise of expiring pre-IPO options.
2. During the thirteen and fifty-two weeks ended December 30, 2018, the Company recorded one-time pre-tax compensation charges of $4 million ass the former CEO. The after-tax impact includes incremental tax expense associated with certain nondeductible executive compensation costs.
3. During the thirteen and fifty-two weeks ended December 30, 2018, in connection with the closure to two stores, the Company recorded one-time no million primarily related to the estimated fair value of the lease termination obligations and asset impairments. After-tax impact includes the tax ben
4. During the fifty-two weeks ended December 30, 2018, the Company adopted a tax calculation method change for the accelerated deduction of certa tax benefit of $3 million.

Source: Sprouts Farmers Market, Inc.
Phoenix, AZ
2/20/2020

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Source: Sprouts Farmers Market

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