

SPROUTS FARMERS MARKET

Investor Deck



April 2025

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 that are not statements of historical fact (including, but not limited to, statements to the effect that Sprouts Farmers Market, Inc. (the "Company") or its management "anticipates," "plans," "estimates," "expects," or "believes," or the negative of these terms and other similar expressions) should be considered forward-looking statements, including, without limitation, statements regarding the Company's outlook, growth, opportunities and long-term strategy. 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 growth; the Company's ability to maintain or improve its operating margins; the Company's ability to identify and react to trends in consumer preferences; product supply disruptions; equipment supply disruptions; general economic conditions that impact consumer spending or result in competitive responses; accounting standard changes; potential inflationary and/or deflationary trends; tariffs; and other factors as set forth from time to time in the Company's Securities and Exchange Commission filings, including, without limitation, the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company intends these forward-looking statements to speak only as of the time 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 adjusted gross profit, adjusted gross margin, 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 Company's financial results, and certain of these measures may be used as components of incentive compensation.

The Company defines adjusted gross profit as gross profit, excluding the impact of special items. Adjusted gross margin reflects adjusted gross profit divided by net sales for the applicable period. EBIT is defined 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.

Unless otherwise indicated, information included in this presentation is as of our 2024 fiscal year ended December 29, 2024.

OUR PURPOSE

We help People Live and Eat Better



SPROUTS' LONG-TERM STRATEGY



OUR
PURPOSE

WE HELP PEOPLE LIVE AND EAT BETTER

DELIVER ON KEY FINANCIAL METRICS

**SALES
GROWTH**

**EARNINGS
GROWTH**

**STORE
EXPANSION**

**EXPANDING
ROIC**

**WIN WITH TARGET
CUSTOMERS**

- Win health attributes, quality & fresh
- Innovation leader via Sprouts Brand & Foraging
- Service-driven store experience
- Build omni-channel experience

**CUSTOMER
ENGAGEMENT &
PERSONALIZATION**

- Deepen understanding of target customers
- Create value via personalization & loyalty
- Grow awareness & acquisition

**MARKET
EXPANSION**

- Add new stores, markets
- More efficient, small box format to de-risk our growth
- Accelerate new store performance

**CREATE AN
ADVANTAGED SUPPLY
CHAIN**

- Own and improve fresh distribution
- Network expansion & efficiency
- Increase local offering

OUR
STRATEGY

INVEST IN TECHNOLOGY FOR SCALEABLE GROWTH

INSPIRE AND ENGAGE OUR TALENT TO MAKE SPROUTS A BEST PLACE TO WORK



WHY INVEST IN SPROUTS FARMERS MARKET?



DIFFERENTIATED ASSORTMENT

Foraging for Innovation

High-quality Sprouts Brand

Curated & differentiated products



TARGET CUSTOMER FOCUS

Attribute-driven

Craves health & wellness

Engagement opportunity



UNIQUE STORE EXPERIENCE

Produce at heart of store

Friendly & knowledgeable teams

Small stores – easy to shop

Omnichannel option provides access



INCREDIBLE GROWTH OPPORTUNITY

Plenty of white space

Advantaged supply chain adding capacity for scale



TEAMS & CULTURE

Strong executive team

Talent engine

Commitment to community & planet



HEALTHY FINANCIALS

Strong box economics

Structurally improved margins

Robust cash flow

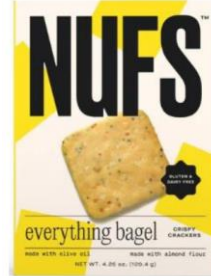
Expanding ROIC



DIFFERENTIATED ASSORTMENT

Foraging for Innovation

- Innovation Center showcases new items monthly
- More than **7,100 new items** introduced in 2024



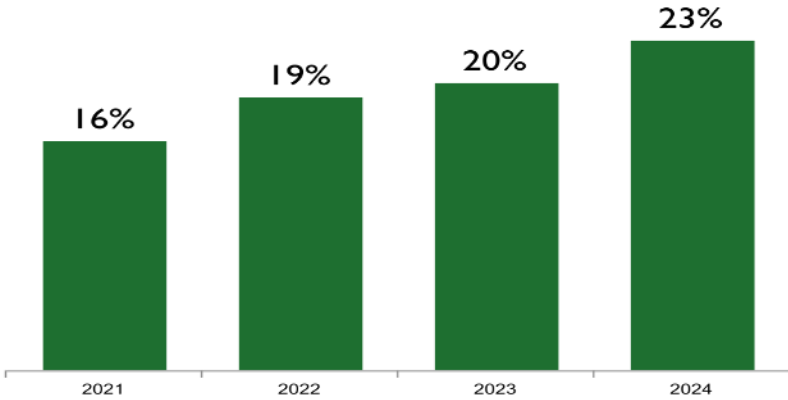


DIFFERENTIATED ASSORTMENT

High Quality Sprouts Brand



Sprouts Brand Sales Penetration⁽¹⁾



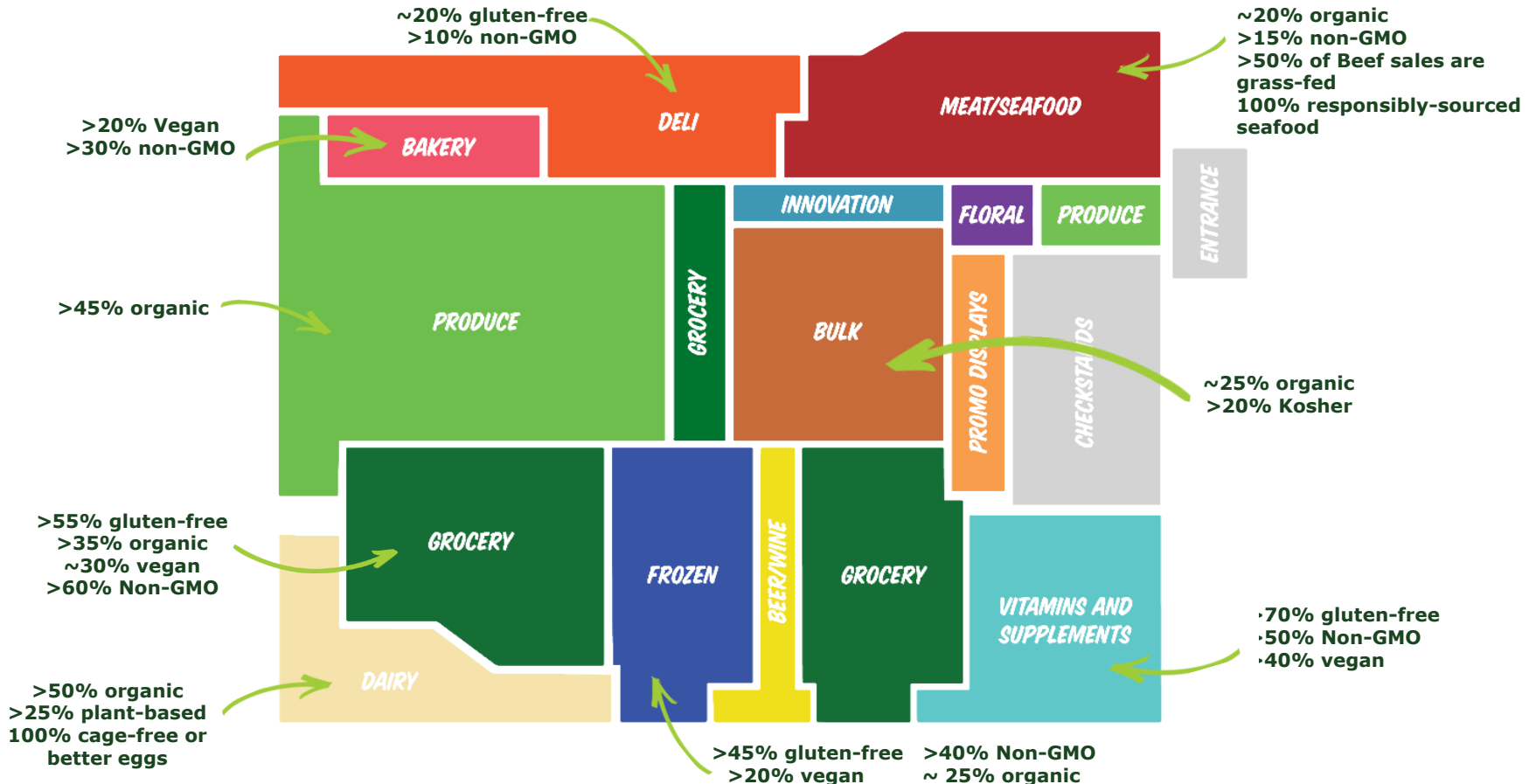
- **\$1.7B** in sales of Sprouts Brand Products in 2024
- **300** Sprouts Brand products launched in 2024

⁽¹⁾ Sprouts Brand Sales Penetration represents sales of Sprouts Brand products, as a percentage of total company sales.



DIFFERENTIATED ASSORTMENT

More than 70% of Products Sold are Attribute-Driven





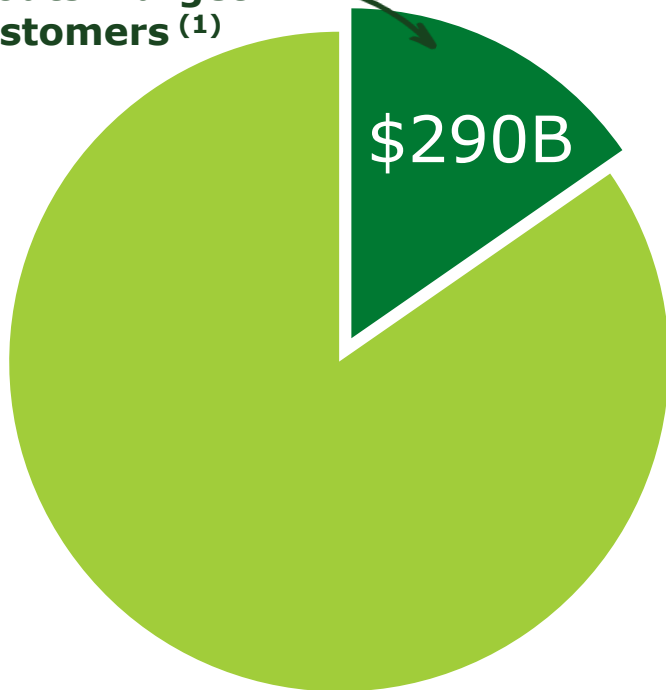
TARGET CUSTOMER FOCUS

Huge Opportunity



CONSUMERS SPEND \$1.6T ON FOOD AT HOME ⁽¹⁾

Sprouts' Target
Customers ⁽¹⁾



- **Focus on natural and organic** products (vs. CPG), a fast-growing channel of food at home
- Emphasis on **Target Customer segment**
- Huge opportunity to **grow** target customer **share of wallet**
- Tailored marketing highlighting **attributes** & store experience
- **Innovation center** with latest healthy trends
- Revamped **site selection** model finding optimal locations for target customer convenience

(1) Source 2019-2024 Consumer Research; Kantar IQ; Willard Bishop Food Retailing Reports; PG100 Reports; Euromonitor

TARGET CUSTOMER FOCUS

Demographics: Consumer Who Craves Health & Wellness



- Continue to attract **younger** customers
- Slightly **higher educated**
- **Skews higher income-** less susceptible to economic downturn
- **Over half** are married/relationship – typically dual income
- Majority of ecommerce customers are **omnichannel** with higher share of wallet
- Seeks high quality, **lifestyle-friendly products, & differentiated assortment**; pays greater attention to labels
- Stronger interest in **organics**, fresh, less processed foods, **sustainability**
- **Willing to make more of an effort** (to drive farther or to make an additional trip) to get the items that meet their needs & standards

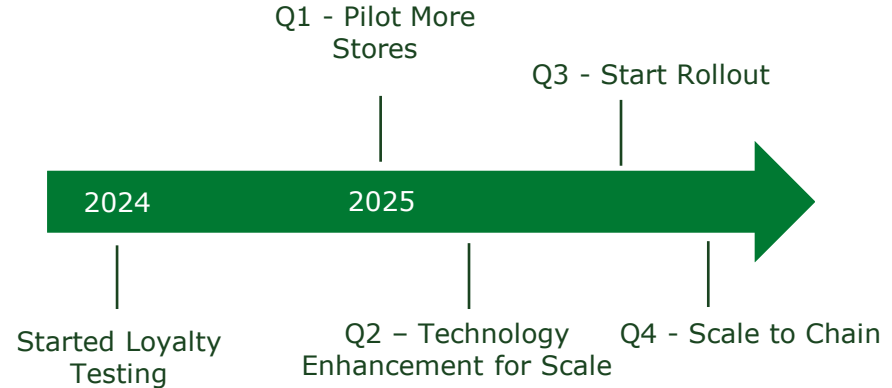




TARGET CUSTOMER FOCUS

Opportunity for Further Engagement

First Loyalty Program To Launch in 2025:



- Customers **love shopping at Sprouts** - they have unique needs and want differentiated products
- Huge opportunity** for further engagement: **only 15% of customers were identifiable**
- Gathering more data allows us to **better understand and serve our target customers:**
 - Personalized experience
 - Product recommendation (hyper relevant)
 - Creates long-term customer stickiness
- Loyalty customers **come more often and spend more**





UNIQUE STORE EXPERIENCE

Farmers Market Feel & Produce at the Heart of the Store



Hybrid produce buying model:
centralized and regional teams allow us to offer the freshest product to our customers

Meaningful farmer partnerships:
delivers new varietals and ensures long-term supply at lower costs

Increasingly locally sourced
fresher produce, through new distribution channels

Organic focused program - 46% of total produce sales are organic

Produce priced below most in the marketplace



UNIQUE STORE EXPERIENCE

Friendly & Knowledgeable Team Members



- Small size reinforces **farmers' market appeal**
- **Low profile** layout enables customer interaction
- **CSAT** Scores are best in company history
- **NPS** scores at +61, with only 5% detractors⁽¹⁾
- Improved **in-stocks**
- Ecomm penetration > 14% of sales⁽²⁾
- Ecomm increases customer access: can shop wherever, whenever



instacart

Uber Eats



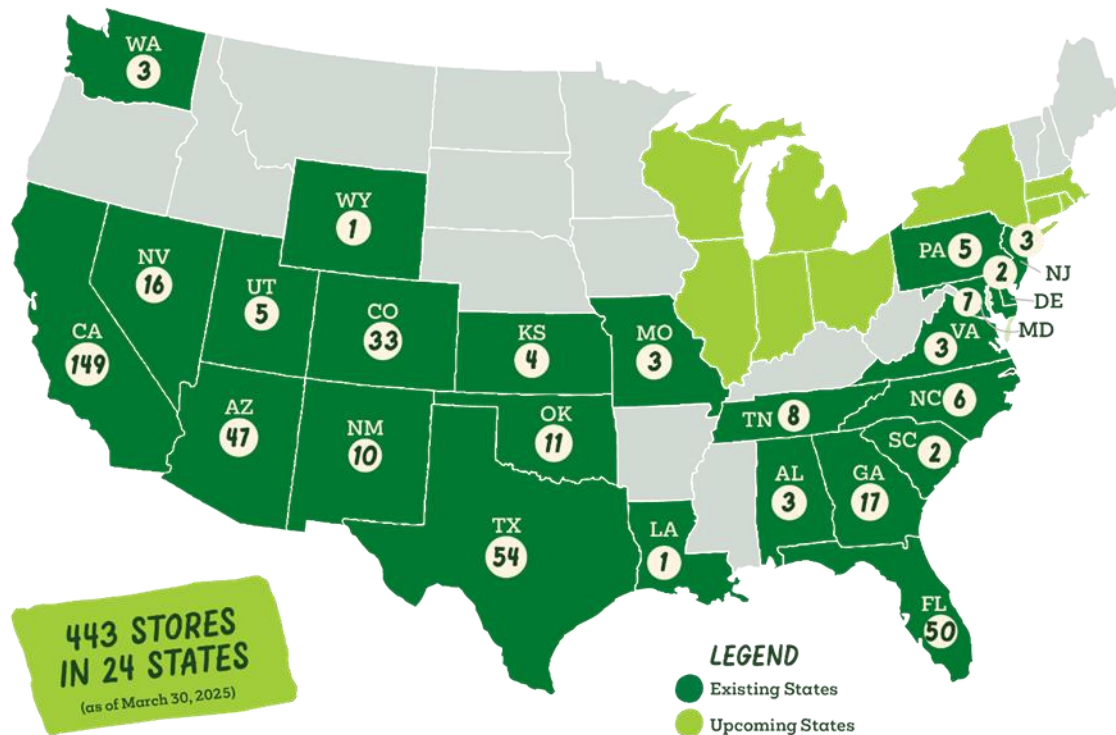
DOORDASH

⁽¹⁾ Sprouts NPS study, August 2024

⁽²⁾ Sprouts e-commerce penetration represents e-commerce sales as a percentage of total company sales.

INCREDIBLE GROWTH OPPORTUNITY

Plenty of White Space



Potential for 1000+ stores from coast to coast

INCREDIBLE GROWTH OPPORTUNITY

Advantaged fresh supply chain: Distribution Centers (DCs) within 250 miles of the majority of stores



Improved Freshness for the Customer:

- Took a day out of the inventory cycle

Local:

- Partnering with 170 local farmers representing more than 19% of total produce sales

Benefits of Closer DCs:

Efficiency

- ~80% (and increasing) of stores within 250 miles of DC
- Reduced total miles driven per store delivery by 7%

Sustainability - launched RPCs (reusable plastic containers) for wet produce SKUs to reduce waste

Service – achieved 99% controllable on time delivery to stores

Optimizing our Supply Chain:

Creating DC capacity to support future growth:

- Transitioning fresh meat & seafood to self-distribution
- Exploring DC expansions, as well as Northeast and Midwest locations



TEAMS AND CULTURE

Executive Management Team with Leading Grocery & Retail Experience



Jack Sinclair
Chief Executive Officer
since 2019



Curtis Valentine
Chief Financial Officer
since 2024 (joined SFM in 2015)



Nick Konat
President & Chief Operating Officer
since 2022



Alisa Gmelich
Chief Marketing Officer
since 2022



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



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



Dustin Hamilton
Chief Stores Officer
since 2023 (joined SFM in 2021)



Kim Coffin
Chief Forager
since 2022 (joined SFM in 2012)



Brandon Lombardi
Chief Legal Officer & Chief Sustainability Officer
since 2012



Joe Hurley
Chief Supply Chain Officer
since 2023 (joined SFM in 2019)



Timmi Zalatoris
Chief Human Resources Officer
since 2023 (joined SFM in 2017)



James Bahrenburg
Chief Technology Officer
since 2023





TEAMS AND CULTURE

Three Simple Values at the Heart of our Strong Culture



WE CARE



**WE LOVE BEING
DIFFERENT**



WE OWN IT



- **\$30M** in bonuses paid to field team members
- **\$23M** in savings for team members with store discount



TEAMS AND CULTURE

Creating a Talent Engine to Support our Growth



In 2024:

- **3,300** New jobs created
- **33,200** Leadership training hours delivered
- **\$20.59/hr** Average pay rate for store team members
- **54%** Store Manager positions filled with internal candidates





TEAMS AND CULTURE

*Commitment to Community
& Planet at Sprouts in 2024*



- **71%** landfill diversion rate
- **70M** pounds of food recovered through donation, animal feed, and composting programs
- **60%** of sales of products with a social or environmental attribute
- **30%** of total sales from Organic products
- **2%** intensity reduction in carbon emissions per square foot, against our **25%** reduction target by **2033**

Sprouts Healthy Communities Foundation:

- **5 Million** estimated students nationwide educated at Growing School Gardens Summit
- **\$4 Million** invested in hyper-local grants to 578 nonprofit organizations and schools focused on school garden education and health and wellness programs



HEALTHY FINANCIALS

Long-term Strategic Financial Targets⁽¹⁾



**~10%-unit
growth⁽²⁾**



**Attractive
New Store
Economics**



**Low single
digit comps**



**Stable EBIT
Margins off a
Higher Base**

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⁾ Expect to open at least 35 new stores in 2025



HEALTHY FINANCIALS

New stores' Strong Performance: Four Wall Box Target Economics⁽¹⁾



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

CASH ON CASH RETURN

- Low to mid thirties by year 5

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HEALTHY FINANCIALS

Low Single-digit Comps Targets & Stable EBIT Margins⁽¹⁾



KEY COMP DRIVERS

- Tailored marketing: to target customer and regions
- Enhanced in-store events
- Innovative, differentiated products
- Omnichannel offering
- Customer engagement – loyalty
- New store comp tailwind – partially offset by cannibalization

MARGIN STABILITY

- + Supply chain optimization
- + Inventory Management
- + Fixed cost leverage as we scale
- + Labor productivity and cost management
- Headwinds from ecommerce and new store growth

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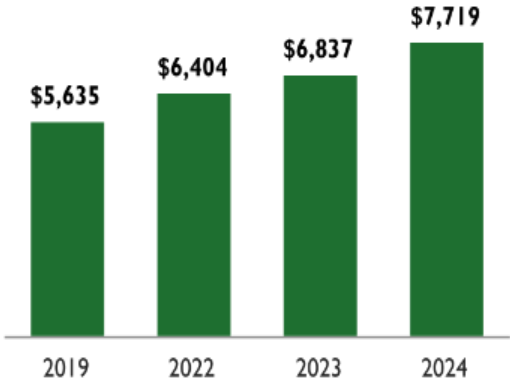


HEALTHY FINANCIALS

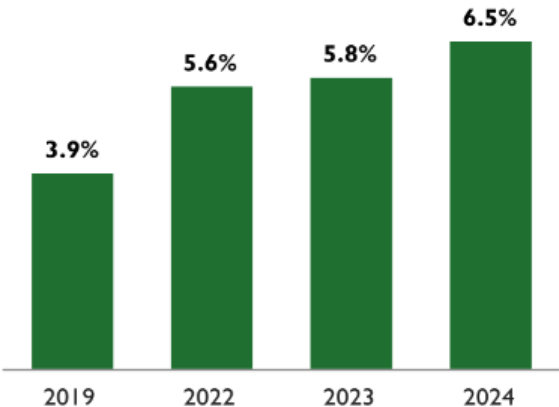
Stronger Foundation: Strategic Initiatives Taking Hold⁽¹⁾



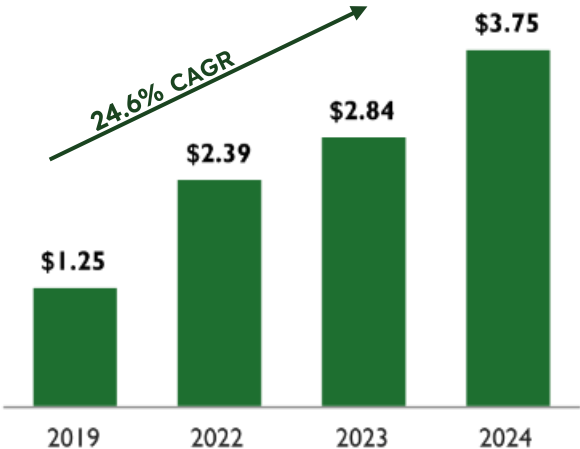
NET SALES
(\$ in mm)



ADJUSTED EBIT MARGIN



ADJUSTED DILUTED EARNINGS PER SHARE



⁽¹⁾ See the Appendix to this presentation for a reconciliation of Adjusted Diluted Earnings Per Share to diluted Earnings Per Share and Adjusted EBIT margin to EBIT margin

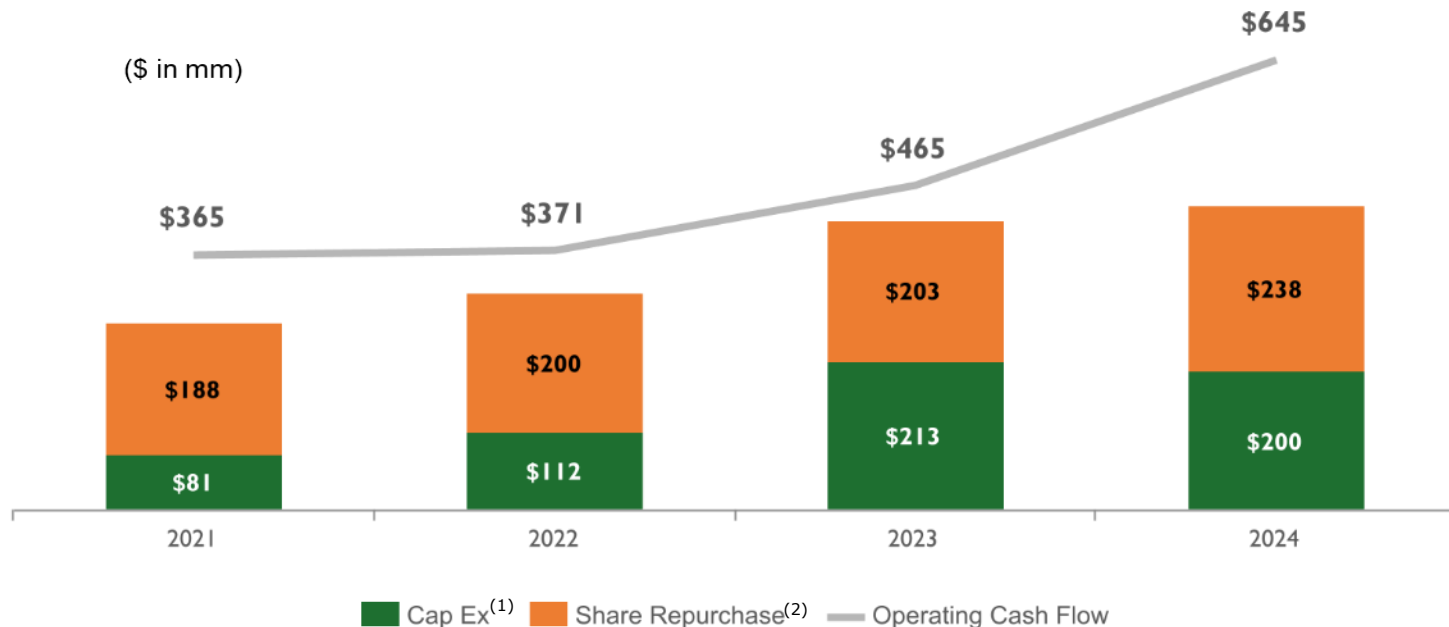


HEALTHY FINANCIALS

Strong Balance Sheet. Robust Cash Flows



Self Fund our Growth and Deliver Shareholder Value
through Ongoing Share Repurchase Program

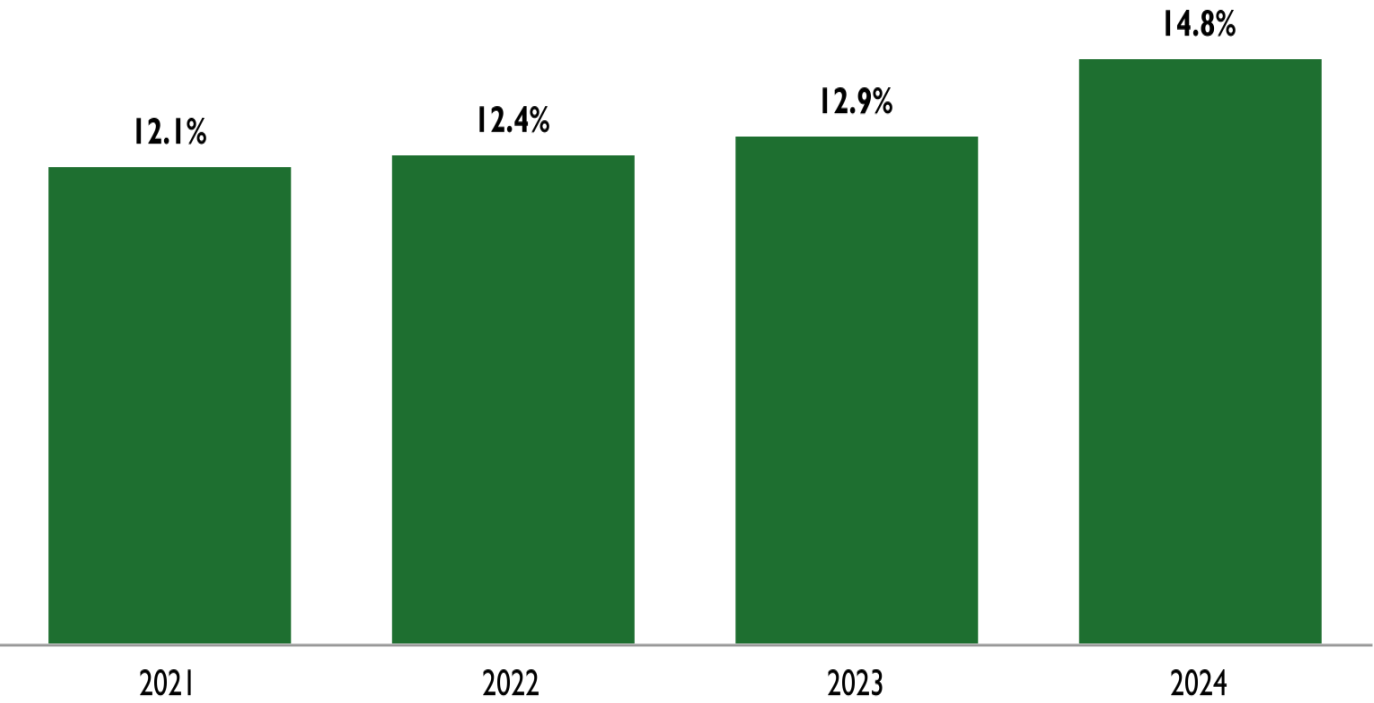


1. Capital expenditures are net of landlord reimbursement
2. Excluding excise tax



HEALTHY FINANCIALS

Improving ROIC⁽¹⁾: Smart Investments Driving Strong Returns



⁽¹⁾ ROIC is a non-GAAP measure defined 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.

We Help People Live and Eat Better



Sprouts delivers a unique farmers market experience: bringing together passionate, knowledgeable team members, and the best assortment of high-quality food



APPENDIX



SPROUTS' STRATEGY MILESTONES



2020/2021

MILESTONES

2023

2024

Customer

- E-commerce Boom
- Change in Promotional Strategy

- Positive Traffic
- Sprouts Brand reaches > \$1B sales
- Foraging Team

- Ecommerce – added Doordash
- Innovation Center

- Ecommerce reaches >\$1B in sales; added UberEats
- Loyalty program test

Store Format

- Created smaller go-forward 23K sq ft store format
- Revamp RE site selection process

- 16 new stores
- Implement small store format stores

- 30 new stores – high single-digit growth

- 33 new stores
- Added new state of Wyoming

Supply Chain

- New DCs: Florida & Colorado

- Implemented inventory management process & systems

- New Southern CA DC and expand TX DC

- Improved shrink by leveraging new systems

Team

- Scott Neal - Chief Merchant

- Nick Konat - President, COO

- Alisa Gmelich - Chief Marketing

- Jim Bahrenburg - CTO
- Curtis Valentine - CFO
- Dustin Hamilton - Chief Operations

Financials

- GM improved by 300 bps over 2019 due to promotional strategy changes

- Double-digit EPS growth
- Comp acceleration begins as strategy takes hold

- Comps over 3%
- Double-digit EPS growth
- GM improved 330 bps over 2019

- Comps 7.6%
- Zero debt on revolver
- Revenue growth 13%
- EPS growth 32%
- EBIT margin +260 bps over 2019



The following table shows a reconciliation of adjusted gross margin to gross margin, EBIT and adjusted EBIT to net income, adjusted EBIT margin to EBIT margin, as well as a reconciliation of adjusted net income and adjusted diluted earnings per share to net income and diluted earnings per share for the fiscal ended December 29, 2024, December 31, 2023, January 1, 2023 and December 29, 2019

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

	Fifty-Two Weeks ended	Fifty-Two Weeks ended	Fifty-Two Weeks ended	Fifty-Two Weeks ended
	Dec 29, 2024	Dec 31, 2023	Jan 1, 2023	Dec 29, 2019
Net sales	\$ 7,719,290	\$ 6,837,384	\$ 6,404,223	\$ 5,634,835
Gross profit	\$ 2,941,491	\$ 2,521,841	\$ 2,348,564	\$ 1,894,818
Special items	—	2,955 ⁽¹⁾	—	—
Adjusted gross profit	2,941,491	2,524,796	2,348,564	1,894,818
Gross margin	38.1 %	36.9 %	36.7 %	33.6 %
Adjusted gross margin	38.1 %	36.9 %	36.7 %	33.6 %
Net income	\$ 380,601	\$ 258,856	\$ 261,164	\$ 149,629
Income tax provision	126,097	84,884	88,149	46,539
Interest (income) expense, net	(2,201)	6,491	9,047	21,192
Earnings before interest and taxes (EBIT)	504,497	350,231	358,360	217,360
Special items	—	46,034 ⁽²⁾	—	508 ⁽³⁾
Adjusted EBIT	\$ 504,497	\$ 396,265	\$ 358,360	\$ 217,868
EBIT margin	6.5 %	5.1 %	5.6 %	3.9 %
Adjusted EBIT margin	6.5 %	5.8 %	5.6 %	3.9 %
Net Income	\$ 380,601	\$ 258,856	\$ 261,164	\$ 149,629
Special items, net of tax	—	34,272 ⁽²⁾	—	377 ⁽³⁾
Adjusted Net income	\$ 380,601	\$ 293,128	\$ 261,164	\$ 150,006
Diluted EPS	\$ 3.75	\$ 2.50	\$ 2.39	\$ 1.25
Adjusted diluted EPS	\$ 3.75	\$ 2.84	\$ 2.39	\$ 1.25
Diluted weighted average shares outstanding	101,379	103,390	109,139	119,742

(1) Includes approximately \$3 million in Cost of sales related to store closures and our supply chain transition.

(2) Includes approximately \$28 million in store closure and other costs, net primarily related to impairment charges and \$6 million in Depreciation and amortization (exclusive of depreciation in cost of sales) for accelerated depreciation in connection with store closures, \$9 million in selling, general and administrative expenses related to store closures, our supply chain transition and acquisition-related costs, and \$3 million in Cost of sales related to store closures and our supply chain transition. After-tax impact includes the tax benefit on the pre-tax charge.

(3) Includes direct costs associated with store closures or relocations. After-tax impact includes the tax benefit on the pre-tax charge.



The following table shows a reconciliation of ROIC to net income for the Company's 2021, 2022, 2023 and 2024 fiscal years

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

	2024	2023	2022	2021
Net Income ⁽¹⁾	\$ 380.6	\$ 258.9	\$ 261.2	\$ 224.2
Special Items, net of tax ^(2,3)	—	\$ 34.3	\$ —	\$ —
Interest expense, net of tax ⁽³⁾	(1.7)	\$ 4.9	\$ 6.8	\$ 8.8
Net operating profit after tax (NOPAT)	<u>\$ 378.9</u>	<u>\$ 298.0</u> ⁽¹⁾	<u>\$ 267.9</u>	<u>\$ 253.0</u>
Total rent expense, net of tax ⁽³⁾	189.9	\$ 175.6	\$ 154.6	\$ 150.0
Estimated depreciation on operating leases, net of tax ⁽³⁾	(105.6)	\$ (98.5)	\$ (87.8)	\$ (88.0)
Estimated interest on operating leases, net of tax ^(3,4)	84.3	\$ 77.1	\$ 66.9	\$ 62.0
NOPAT, including effect of operating leases	<u>\$ 463.3</u>	<u>\$ 375.1</u>	<u>\$ 334.8</u>	<u>\$ 315.0</u>
Average working capital	184.7	\$ 227.4	\$ 271.6	\$ 193.9
Average property and equipment	838.2	\$ 749.6	\$ 704.8	\$ 712.5
Average other assets	603.0	\$ 595.8	\$ 568.6	\$ 568.7
Average other liabilities	(102.5)	\$ (97.9)	\$ (96.6)	\$ (101.3)
Average invested capital	<u>\$ 1,523.3</u>	<u>\$ 1,474.9</u>	<u>\$ 1,448.4</u>	<u>\$ 1,373.8</u>
Average operating leases ⁽⁵⁾	1,603.8	\$ 1,423.1	\$ 1,259.4	\$ 1,222.5
Average invested capital, including operating leases	<u>\$ 3,127.1</u>	<u>\$ 2,898.0</u>	<u>\$ 2,707.8</u>	<u>\$ 2,596.3</u>
ROIC, including operating leases	<u>14.8 %</u>	<u>12.9 %</u>	<u>12.4 %</u>	<u>12.1 %</u>

(1) Net income amounts represent total net income for the past four trailing quarters.

(2) Special items related to 2023 store closure costs, supply chain transition, acquisition charges.

(3) Net of tax amounts are calculated using the normalized effective tax rate for the period presented.

(4) 2024, 2023, 2022 and 2021 estimated interest on operating leases is calculated by multiplying operating leases by a 7.0%, 7.2%, 7.1%, 6.7% discount rate, respectively, for each lease recorded as rent expense with direct store expense.

(5) 2024, 2023, 2022 & 2021 average operating lease represents the average net present value of outstanding lease obligations over the past four trailing quarters.

THANK YOU!

