



Sprouts Strategy

2020 and Beyond

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, 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, risks associated with the COVID-19 pandemic; the Company's ability to execute on its long-term strategy; the Company's ability to successfully compete in its intensely 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; general economic conditions; accounting standard changes; 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

This presentation refers to EBITDA Margin, EBIT Margin 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 EBITDA as net income before interest expense, provision for income tax, and depreciation, amortization and accretion and adjusted EBITDA as EBITDA excluding the impact of special items. 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. EBITDA Margin and EBIT Margin reflect such measures divided by net sales for the applicable period. 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.

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We want to recognize our team members for their continued dedication through the COVID-19 health crisis. By helping millions of customers in our stores each week, they truly are everyday heroes. Their efforts support our long-term vision of building a brand that is good for you, good for your family, and good for the planet. - **Jack Sinclair, CEO**

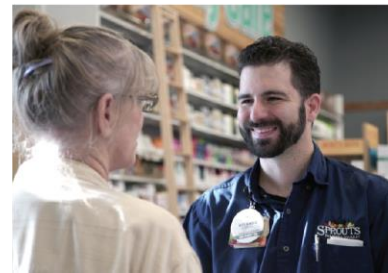


HEALTHY LIVING FOR LESS!®

FRESH



GOOD-FOR-YOU GROCERIES





Win with Target Customer

Identified through research to have tremendous opportunity



Refine Brand and Marketing Approach

Elevate national recognition and top of mind awareness



Update Format and Expand in Select Markets

Smaller stores with higher returns where our core customers live



Create an Advantaged Fresh Supply Chain

Drive efficiencies across our network of fresh distribution centers



Deliver on our Financial Targets and Box Economics

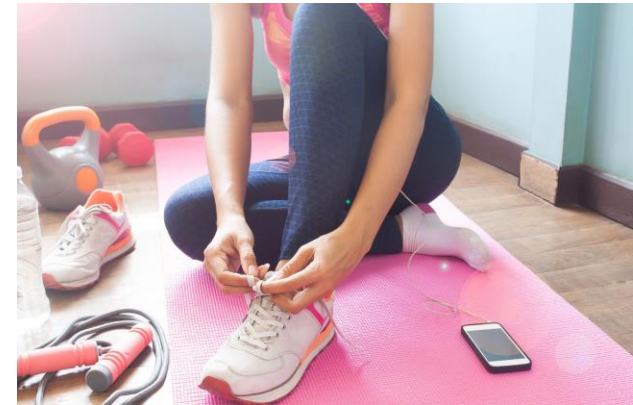
Drive 10+% unit growth and low double-digit earnings growth, while expanding ROIC



New customer segmentation research yielded a deeper understanding of Sprouts' Target Customer

Target Customers looking for:

- Healthy and organic options
- Better for you, quality products
- Innovative and differentiated products
- Great store experience
- Support in living a healthier lifestyle



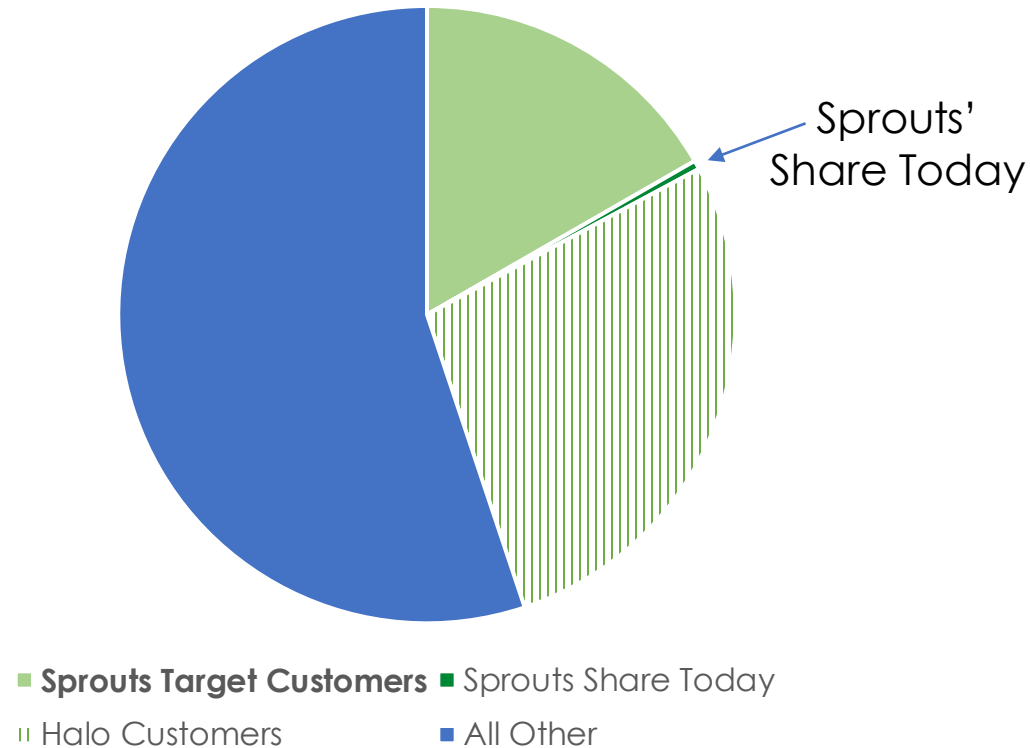
Ample Opportunity to Gain Market Share, as Sprouts Serves Only a Small Portion of these Target Customers Today





Tremendous Opportunity to Gain Share in Winning Target Customer Segment

Consumers Spend \$1.2T on Food at Home

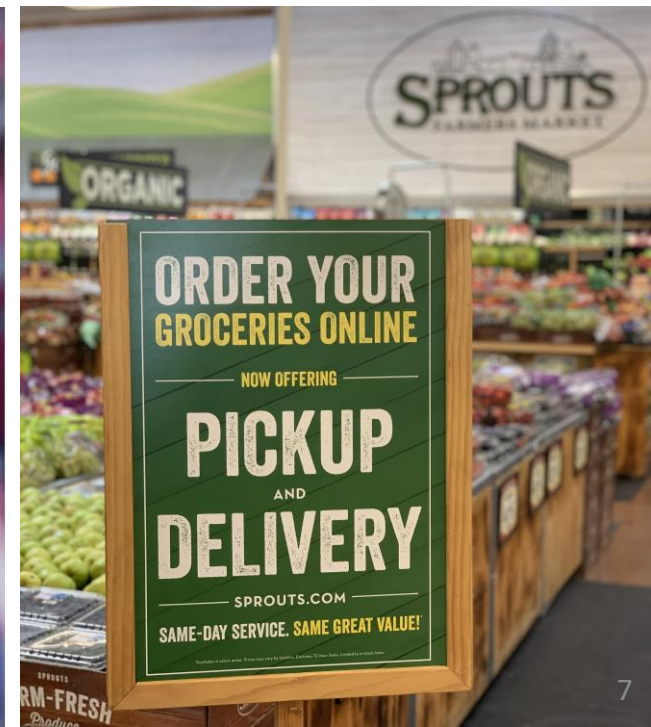


3% Share Increase of the Target Customer would Double Sales



Meeting Customer Needs with Grocery Delivery and Pickup

- Home Delivery in All Major Markets
- Grocery Pickup Expanding to All Stores





Brand and Marketing

- Elevate national brand recognition and top of mind awareness
- Tell the story around differentiation and innovation
- Build more capability around digital and social connections
- Establish a truly differentiated private label
- Focus more on good value every day and meaningful promotions





Meaningful Promotions – We Will Continue to Bring Good Value Everyday to our Customers

- Promotional mix down
- Promotional margins up



HELLO *weekend*
SAVINGS
FRIDAY – SUNDAY

Five more reasons to love the weekend with exclusive deals—now through Sunday!

FRIDAY, AUGUST 9 – SUNDAY, AUGUST 11
HELLO WEEKEND SAVINGS

PRINT OR SHOW THIS COUPON TO REDEEM



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

From...



30K
Enhanced
Layout
square foot box

To...



21K-25K
Small Market
Layout
square foot box

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



Smaller Store Benefits



Lower Cost to Build



Reduce Non-Selling Space



Decreased Occupancy Cost



Reduce Operating Cost



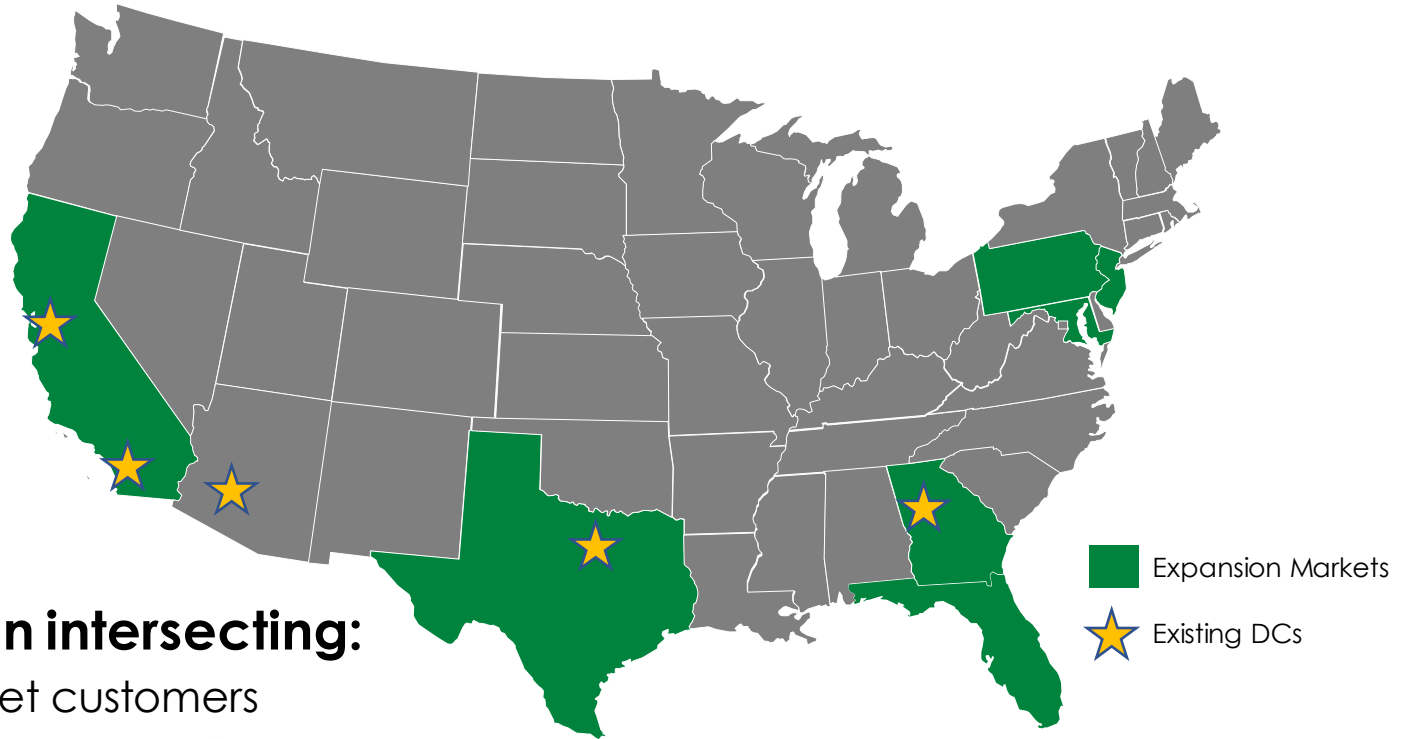
Sales Remain Flat



Strong Returns & Ability to Accelerate Growth



300-400 New Stores in Expansion Markets – Minimum 10% Unit Growth



Site selection intersecting:

- Target customers
- Growth potential
- Supply chain

Drive growth in existing markets with support of Distribution Centers
California & Texas – More opportunity to fill in where we are strong
Build out Mid-Atlantic and Florida



Create an Advantaged Fresh Supply Chain

Current

- Distribution Centers (DC) are located within 500 or more miles of the stores
- 5 DC serving 345 stores (Atlanta serving southern Florida)
- Multiple deliveries to the stores daily

Future

- Aspire DC to be within 250 miles of the majority of stores
- Additional Florida & Colorado DCs in 2020/2021
- Mid-Atlantic DC 2021/2022
- Leverage existing DC space to reduce overall costs; cross-docking more products
- Drive efficiencies and simplicity in store & DC replenishment process

Deliver on Fresh Commitment

STRATEGY

“

Sprouts' strong and resilient cash generation will enable our strategy to come to life, support the long-term, profitable growth of the business, and provide meaningful career opportunities for current and future team members - **Denise Paulonis, CFO**





Financial Targets

Cost to
Build
Reduced &
Attractive
New Store
Economics

+

10% unit
growth or
more

+

Low single
digit comps

+

Stable to
Expanding
EBIT Margins

=

Low Double-Digit Earnings Growth and Expansion of ROIC



Reduction in Target Cost to Build

Reduction in Sq Ft

~ 20% reduction in square feet

Reduction in Fixtures

~ 20% reduction in capital dollars

Other Opening Costs

Reduction in inventory & pre-opening expenses

Cash Investment

\$3.2M blended prototype including CapEx (less TI), IT and other opening costs



New Store Four Wall Box Target Economics

Sales

20% to 25% sales growth in 4 years
\$16M - \$18M annual Sales per Box in year 4

EBITDA Margins

Blended 8% EBITDA Margins in year 4

Cash Investment

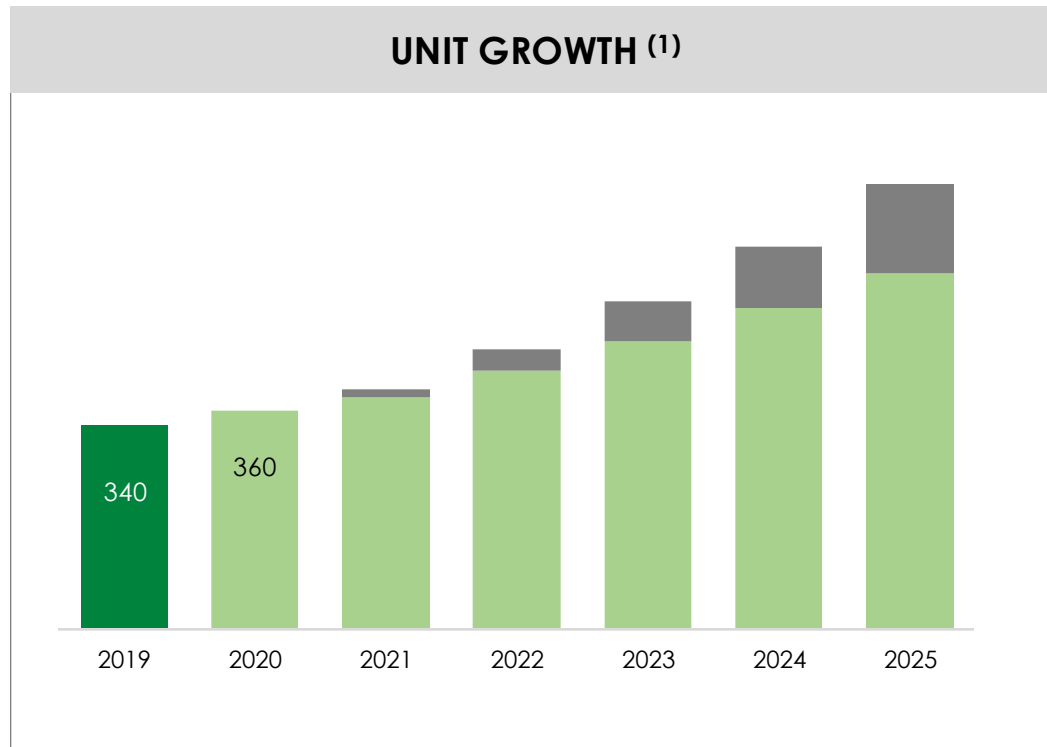
\$3.2M average new store build including
CapEx, Inventory and Pre-opening
expenses

Cash on Cash Return

~40% by year 4, continues to grow in year 5



Annual Unit Growth Target of 10% or More



(1) 2019 actual unit growth, 2020 projected unit growth, 2021 and beyond represent a range of potential growth

Long Runway of Organic Growth



Low Single Digit Comps Target

Key Comp Drivers

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

Low Single Digit Comps



Stable to Expanding EBIT Margins

All Stores

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

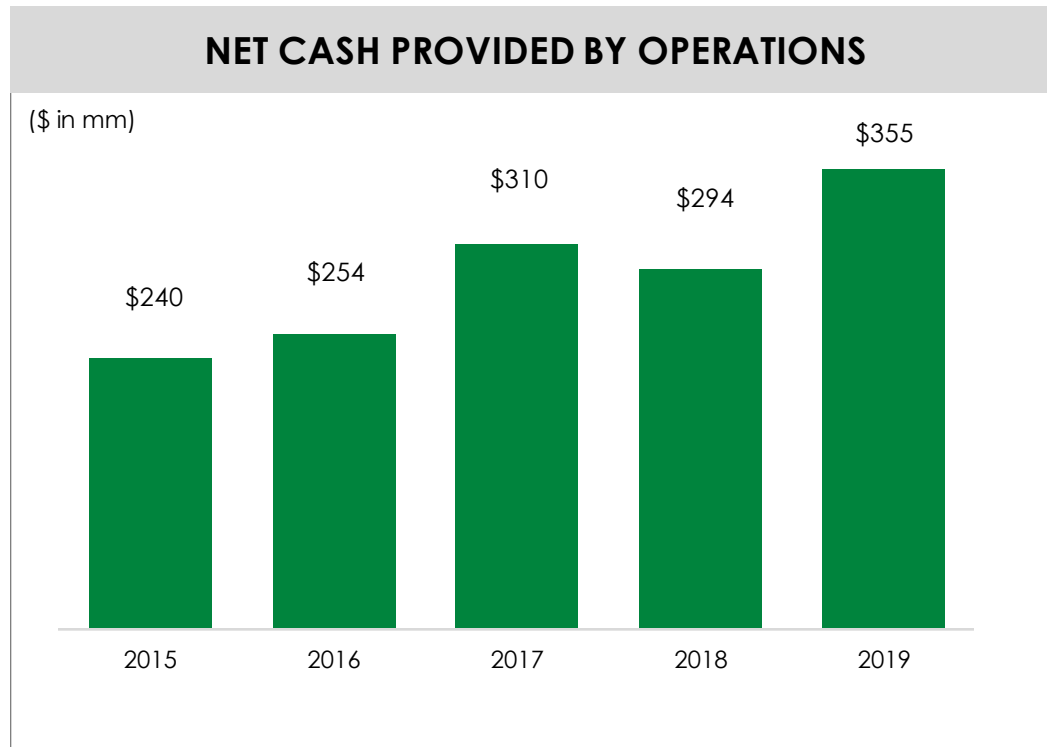
New Stores

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

Stable to Expanding EBIT Margins



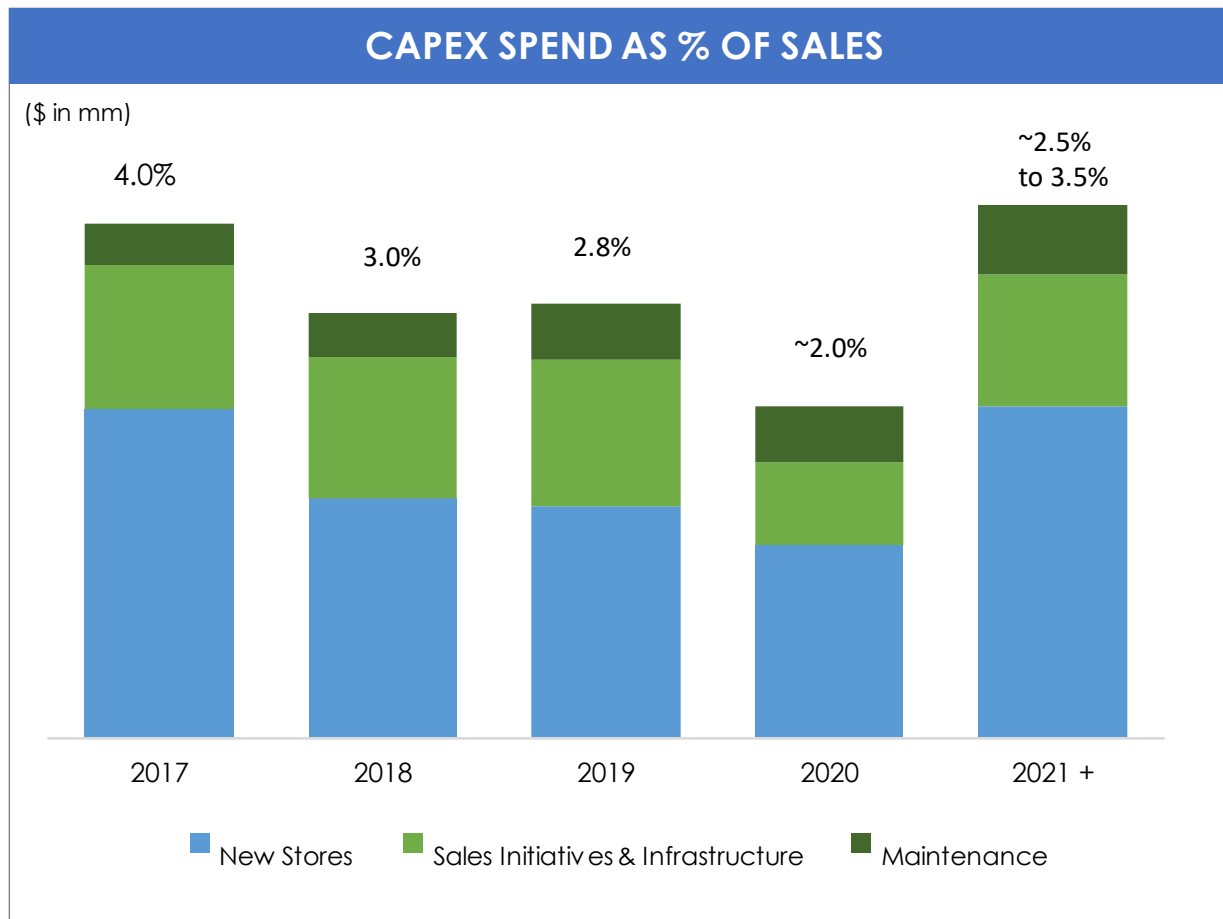
Leveraging Strong Cash Generation



- Invest in store unit growth (self funded)
- Invest in sales initiatives
- Invest in Brand
- Return excess cash/pay down debt



Capital Expense Driven by New Store Growth





Financial Targets

Cost to
Build
Reduced &
Attractive
New Store
Economics

+

10% unit
growth or
more

+

Low single
digit comps

+

Stable to
Expanding
EBIT Margins

=

Low Double-Digit Earnings Growth and Expansion of ROIC