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.
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!
SPROUTS STRATEGY

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

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

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
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<tbody>
<tr>
<td>• Distribution Centers (DC) are located within 500 or more miles of the stores</td>
<td>• Aspire DC to be within 250 miles of the majority of stores</td>
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<tr>
<td>• 5 DC serving 345 stores (Atlanta serving southern Florida)</td>
<td>• Additional Florida &amp; Colorado DCs in 2020/2021</td>
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<tr>
<td>• Multiple deliveries to the stores daily</td>
<td>• Mid-Atlantic DC 2021/2022</td>
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<td>• Leverage existing DC space to reduce overall costs; cross-docking more products</td>
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<tr>
<td></td>
<td>• Drive efficiencies and simplicity in store &amp; DC replenishment process</td>
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Deliver on Fresh Commitment
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

Long Runway of Organic Growth
Key Comp Drivers

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

**NET CASH PROVIDED BY OPERATIONS**

($ in mm)

- 2015: $240
- 2016: $254
- 2017: $310
- 2018: $294
- 2019: $355

- 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

CAPEX SPEND AS % OF SALES

<table>
<thead>
<tr>
<th>Year</th>
<th>New Stores</th>
<th>Sales Initiatives &amp; Infrastructure</th>
<th>Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.0%</td>
<td>~2.0%</td>
<td>~2.5% to 3.5%</td>
</tr>
<tr>
<td>2018</td>
<td>3.0%</td>
<td>~2.0%</td>
<td>~2.5% to 3.5%</td>
</tr>
<tr>
<td>2019</td>
<td>2.8%</td>
<td>~2.0%</td>
<td>~2.5% to 3.5%</td>
</tr>
<tr>
<td>2020</td>
<td>~2.0%</td>
<td>~2.0%</td>
<td>~2.5% to 3.5%</td>
</tr>
<tr>
<td>2021+</td>
<td>~2.5%</td>
<td>~2.0%</td>
<td>~2.5% to 3.5%</td>
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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