

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

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net sales	\$ 1,591,026	\$ 1,509,633	\$ 4,827,669	\$ 4,607,073
Cost of sales	1,007,376	969,904	3,051,914	2,931,089
Gross profit	583,650	539,729	1,775,755	1,675,984
Selling, general and administrative expenses	460,834	423,416	1,382,854	1,299,498
Depreciation and amortization (exclusive of depreciation included in cost of sales)	30,313	30,377	93,377	92,036
Store closure and other costs, net	2,164	128	3,034	1,757
Income from operations	90,339	85,808	296,490	282,693
Interest expense, net	1,951	2,911	7,648	8,840
Income before income taxes	88,388	82,897	288,842	273,853
Income tax provision	22,648	19,030	72,798	65,924
Net income	<u>\$ 65,740</u>	<u>\$ 63,867</u>	<u>\$ 216,044</u>	<u>\$ 207,929</u>
Net income per share:				
Basic	\$ 0.61	\$ 0.56	\$ 1.98	\$ 1.78
Diluted	\$ 0.61	\$ 0.56	\$ 1.97	\$ 1.77
Weighted average shares outstanding:				
Basic	<u>107,229</u>	<u>114,201</u>	<u>109,066</u>	<u>116,497</u>
Diluted	<u>108,095</u>	<u>114,818</u>	<u>109,888</u>	<u>117,252</u>

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

	October 2, 2022	January 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 316,042	\$ 245,287
Accounts receivable, net	11,455	21,574
Inventories	301,667	265,387
Prepaid expenses and other current assets	43,867	35,468
Total current assets	673,031	567,716
Property and equipment, net of accumulated depreciation	694,098	716,029
Operating lease assets, net	1,081,514	1,072,019
Intangible assets, net of accumulated amortization	184,960	184,960
Goodwill	368,878	368,878
Other assets	15,036	13,513
Total assets	<u>\$ 3,017,517</u>	<u>\$ 2,923,115</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 166,968	\$ 145,901
Accrued liabilities	144,935	155,996
Accrued salaries and benefits	53,875	58,743
Current portion of operating lease liabilities	158,219	151,755
Current portion of finance lease liabilities	1,141	1,078
Total current liabilities	525,138	513,473
Long-term operating lease liabilities	1,095,154	1,095,909
Long-term debt and finance lease liabilities	258,992	259,656
Other long-term liabilities	38,486	36,306
Deferred income tax liability	58,919	57,895
Total liabilities	<u>1,976,689</u>	<u>1,963,239</u>
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, 106,491,322 shares issued and outstanding, October 2, 2022; 111,114,374 shares issued and outstanding, January 2, 2022	106	111
Additional paid-in capital	720,447	704,701
Accumulated other comprehensive income (loss)	498	(3,758)
Retained earnings	319,777	258,822
Total stockholders' equity	<u>1,040,828</u>	<u>959,876</u>
Total liabilities and stockholders' equity	<u>\$ 3,017,517</u>	<u>\$ 2,923,115</u>

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

	Thirty-nine weeks ended October 2, 2022	Thirty-nine weeks ended October 3, 2021
Operating activities		
Net income	\$ 216,044	\$ 207,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	96,057	94,422
Operating lease asset amortization	87,316	80,295
Store closure and other costs, net	171	—
Share-based compensation	11,672	11,304
Deferred income taxes	1,025	2,085
Other non-cash items	404	883
Changes in operating assets and liabilities:		
Accounts receivable	16,491	12,999
Inventories	(36,280)	(16,860)
Prepaid expenses and other current assets	(7,880)	(6,001)
Other assets	1,678	(2,834)
Accounts payable	23,121	29,479
Accrued liabilities	2,482	1,046
Accrued salaries and benefits	(4,868)	(30,544)
Operating lease liabilities	(99,055)	(88,664)
Other long-term liabilities	(1,588)	1,120
Cash flows from operating activities	<u>306,790</u>	<u>296,659</u>
Investing activities		
Purchases of property and equipment	(80,749)	(70,010)
Cash flows used in investing activities	<u>(80,749)</u>	<u>(70,010)</u>
Financing activities		
Payments on finance lease liabilities	(600)	(507)
Payments of deferred financing costs	(3,373)	—
Repurchase of common stock	(155,094)	(137,484)
Proceeds from exercise of stock options	4,074	1,918
Cash flows used in financing activities	<u>(154,993)</u>	<u>(136,073)</u>
Increase in cash, cash equivalents, and restricted cash	71,048	90,576
Cash, cash equivalents, and restricted cash at beginning of the period	247,004	171,441
Cash, cash equivalents, and restricted cash at the end of the period	<u>\$ 318,052</u>	<u>\$ 262,017</u>

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 EBITDA and EBIT. These measures are not in accordance with, and are not intended as alternatives to, GAAP. The company's management believes that this presentation provides 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.

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 they should not be considered 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 to net income for the thirteen and thirty-nine weeks ended October 2, 2022 and October 3, 2021:

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

	Thirteen Weeks Ended October 2, 2022	Thirteen Weeks Ended October 3, 2021	Thirty-Nine Weeks Ended October 2, 2022	Thirty-Nine Weeks Ended October 3, 2021
Net income	\$ 65,740	\$ 63,867	\$ 216,044	\$ 207,929
Income tax provision	22,648	19,030	72,798	65,924
Interest expense, net	1,951	2,911	7,648	8,840
Earnings before interest and taxes (EBIT)	90,339	85,808	296,490	282,693
Depreciation, amortization and accretion	31,201	31,270	96,057	94,422
EBITDA	<u>\$ 121,540</u>	<u>\$ 117,078</u>	<u>\$ 392,547</u>	<u>\$ 377,115</u>

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Source: Sprouts Farmers Market, Inc
Phoenix, AZ
11/8/22