



Investor Presentation – February 2024

Disclosures

Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 in addition to historical information. All statements that are not statements of historical fact, including those that relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources, future growth, pending legal proceedings and other financial and operating information, are forward looking statements. We may use the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “target” and similar terms and phrases to identify forward-looking statements in this presentation.

The forward-looking statements contained in this presentation are based on management’s current expectations and are subject to uncertainty and changes in circumstances. We cannot assure you that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, national, regional or local political, economic, inflationary, deflationary, recessionary, business, interest rates, labor market, competitive, market, regulatory and other factors, many of which are beyond our control.

In addition to the foregoing, we believe the factors that could cause our actual results to differ materially from the forward-looking statements in this presentation include those referenced in Item 1A - “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023 (the Form 10-K) and in our most recently filed Form 10-Q. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this presentation speaks only as of the date of this report. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by applicable securities laws. You are advised, however, to consult any disclosures we may make in our future reports filed with the Securities and Exchange Commission (the SEC). Our reports and other filings with the SEC are available at the SEC’s website at www.sec.gov. Our reports and other filings with the SEC are also available, free of charge, through our website at <http://Investors.NaturalGrocers.com>.

Non-GAAP Financial Measures

In addition to reporting financial results in accordance with U.S. generally accepted accounting principles (GAAP), this presentation provides information regarding EBITDA and Adjusted EBITDA, which are not in accordance with, or an alternative to, GAAP (i.e., non-GAAP measures). We define EBITDA as net income before interest expense, provision for income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as adjusted to exclude the effects of certain income and expense items that management believes make it more difficult to assess the Company’s actual operating performance, including certain items such as impairment charges, store closing costs, share-based compensation and non-recurring items. EBITDA and Adjusted EBITDA are supplemental measures of operating performance that do not represent, and should not be considered in isolation or as an alternative to, or substitute for, net income or other financial statement data presented in the consolidated financial statements as indicators of financial performance. The reconciliation from GAAP to these non-GAAP financial measures is provided in the appendix to this presentation.



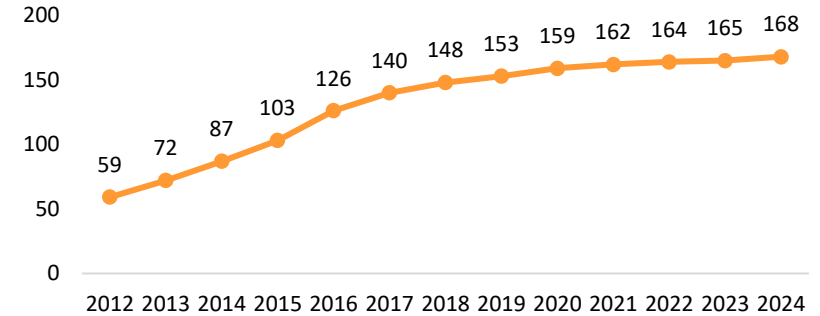


Who We Are

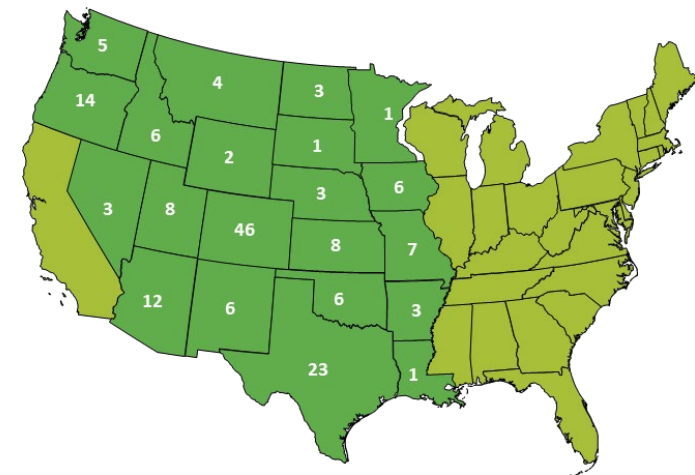
Natural Grocers® Overview

- Expanding specialty retailer of natural and organic groceries, dietary supplements and body care products
- We focus on providing high-quality products at always affordable prices, exceptional customer service, nutrition education and community outreach
- We strive to generate long-term relationships with our customers based on transparency and trust, selling only natural and organic products meeting our strict quality standards
- Operate 168 stores in 21 states west of the Mississippi River, as of 2/8/24

Store Count (FY)



Stores by State (as of 2/8/24)



Our Five Founding Principles Drive Customer Loyalty



Nutrition Education

- Nutritional Health Coach (NHC) in every store
- Free nutrition coaching and classes for customers
- Provides ongoing training for store associates
- Training and education programs are supplemented by outside experts and materials
- Leverage our Health Hotline magazine to educate customers
- Our investment to provide free nutrition education was more than \$6 million in FY 2023



Highest Quality Natural & Organic Standards

- We only sell 100% USDA certified organic produce
- Meats naturally raised without hormones, antibiotics, or growth promoters
- We only sell free-range eggs or better;
- We only offer pasture-raised, non-confinement dairy products
- Carefully approved products that do not contain artificial flavors, colors, preservatives, sweeteners, or partially hydrogenated or hydrogenated oils

Always AffordableSM Pricing

- Focus on cost efficiencies to deliver value
- Competitively priced with a value advantage against our larger format competitors
- Monthly Health Hotline magazine promotes discounts on items available for all customers
- {N}power[®] rewards program members receive digital coupons, discounted pricing on certain staple items, personalized offers and other rewards

good4uSM Crew Members

- A well-trained, engaged Crew delivers excellent customer service
- Focused on the engagement, development, retention, and health and wellbeing of Crew
- Crew safety and well-being is a priority
- Promote from within mindset
- Accelerated store manager training program provides high-potential store Crew members with management training

Community

- Supporting our communities and our environment
- Bag-free checkouts since 2009 saved >500 million bags
- Local sourcing when available
- Shared charitable gifts of more than \$0.8 million from company donations and customer fundraising in FY 2023
- Product and in-kind donations to local food banks totaled more than \$5 million in FY 2023





Competitive Strengths

Our Competitive Strengths



Strict focus on high-quality natural and organic grocery products, dietary supplements and body care products



Always AffordableSM Pricing - competitively priced with a value advantage against our larger format competitors



Engaging customer service experience based on education and empowerment



Scalable operations and replicable, cost-effective store model



Commitment to sustainable products and practices



Experienced and committed management team with proven track record



{N}power® Customer Rewards Program



- More than 2.1 million members as of December 31, 2023
 - Up 16% from 12/31/22
- {N}power penetration represented approximately 78% of total sales in Q1 2024
- Designed to drive higher average transaction size
- Efficient and effective marketing outreach to {N}power members
- Mobile App provides easy access to rewards, coupons, recipes, and articles

{N}power
good4u


GET **REWARDED** FOR ALL YOUR NATURAL GROCERS® PURCHASES!
SIGNING UP IS EASY AND FREE.

**EARN 1 POINT FOR EVERY \$1 YOU SPEND
EVERY 200 POINTS EARNS YOU
A \$2 REWARD***

Get \$2 on your {N}power® anniversary.
Save on eggs, avocados, & more.

Enjoy coupons & surprise offers on your favorite brands and products.

GET \$2 WHEN YOU SIGN UP TODAY!

 VISIT NATURALGROCERS.COM/JOIN,
SCAN THE QR CODE, OR SIMPLY TEXT
"ORGANIC" TO 303-986-4600**
TO SIGN UP!

*Maximum reward of \$100 per {N}power member each quarter. **Message and data rates may apply. See naturalgrocers.com/privacy for our Privacy Policy and naturalgrocers.com/terms for the {N}Power terms of use.



Expansion of Natural Grocers® Brand Products



- Positioned as premium quality offerings at compelling prices
- Includes diverse assortment of products found throughout the store
- Represented 8.5% of total sales in Q1 2024 vs. 7.9% in Q1 2023
- Introduced 19 new products in Q1 2024 after introducing 59 new products in FY 2023; total SKU count is approximately 850
- Top selling categories include bulk, dietary supplements, cheese, coffee, bacon, frozen fruit, and regenerative eggs



Sustainability

Our Five Founding Principles are interconnected with Environmental, Social and Governance elements. Our Crew are guided by our Five Founding Principles and are dedicated to ensuring that our stores, operations, and supply chain reflect these values.

Environment

- We positively impact environmental sustainability through our high-quality, and industry-leading product standards. We prioritize products that have regenerative and sustainable agricultural practices, and support the quality of soil, water, air, and biodiversity. We embrace meat and animal standards that nurture the welfare of animals and our communities. We offer pricing that makes regenerative, sustainable, healthful choices more affordable for our communities and Crew.

Social

- In FY 2023 we invested more than \$6 million to offer free nutrition education services, provided by our Nutritional Health Coaches, to positively impact community health and wellness. We are committed to supporting our Crew's well-being through free nutrition education, compensation above minimum wage, discounts and store credit, and comprehensive benefits. We promote the efforts of non-profit groups that support the health and well-being of our communities and the environment.

Governance

- We are committed to strong corporate governance: we believe it builds trust and serves the long-term interests of a diverse set of stakeholders. In FY 2023 we added a fourth independent member to our Board of Directors.

For more information about our ESG initiatives, please see our ESG report: [Environmental, Social, and Governance report](#)



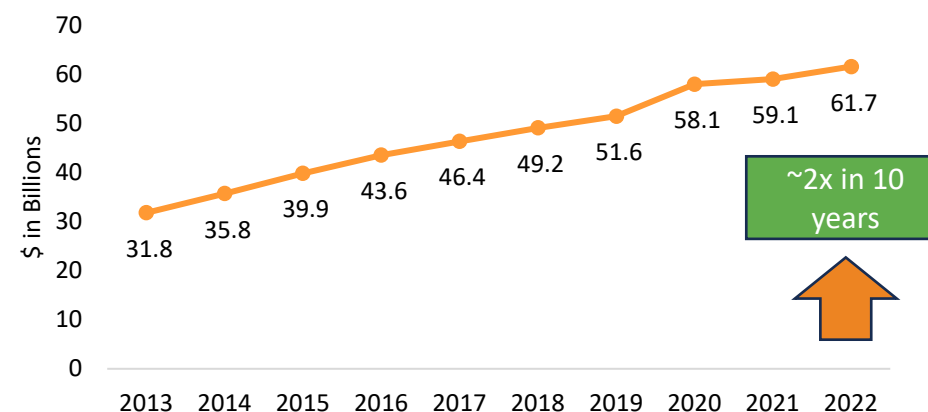


Supporting Growth

The Market Opportunity

- Natural and organic products constitute a large and growing segment of the U.S. food industry
- The U.S. natural and organic products industry sales grew 5.4% to \$278B in 2022¹
- Organic food sales grew 4.3% in 2022³
- Organic fresh produce sales increased 3% in 2022 to \$9.4B²
- Dietary supplement sales grew 1.7% in 2022 and 9.2% on a two-year basis¹

Organic Food Sales in the U.S.³ \$ Billions



Sources:

¹ New Hope Network / SPINS

² Organic Produce Network

³ Organic Trade Association (historical data restated on 2022 release)



Smaller Format Focused on Core Natural and Organic Categories

- Smaller format store
 - Highly portable to multiple types of markets
 - Average ~10,000 selling square feet for new stores
- Sales mix is aligned with the key natural product industry categories
 - ~11,000 selling square feet average store size
 - ~21,000 average store SKUs
- Dietary supplements assortment drives differentiation
 - ~6,700 SKUs in supplements category



Improve Operating Margins

- Moderated new store unit growth (starting in 2018) to focus on productivity of existing store base
- Optimize store labor hours appropriately for volume
- Reduce inventory shrink with process and technology improvements
- Effectively manage product selection and pricing
- Infrastructure investments to support growth and improve productivity

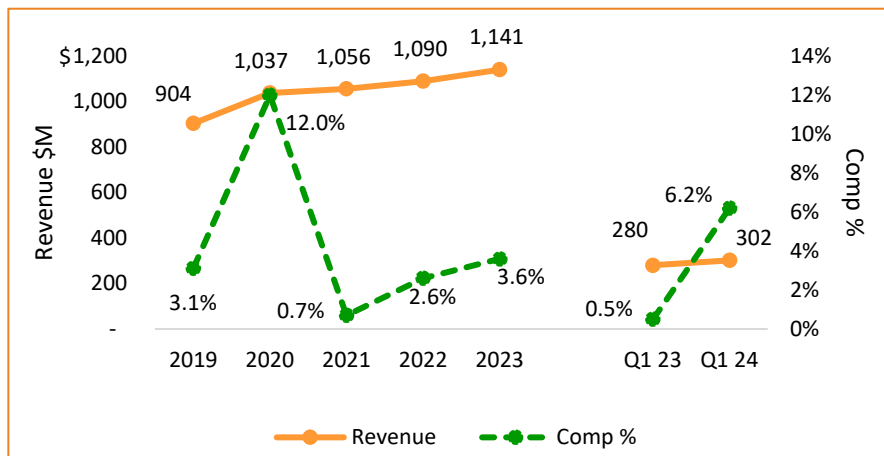




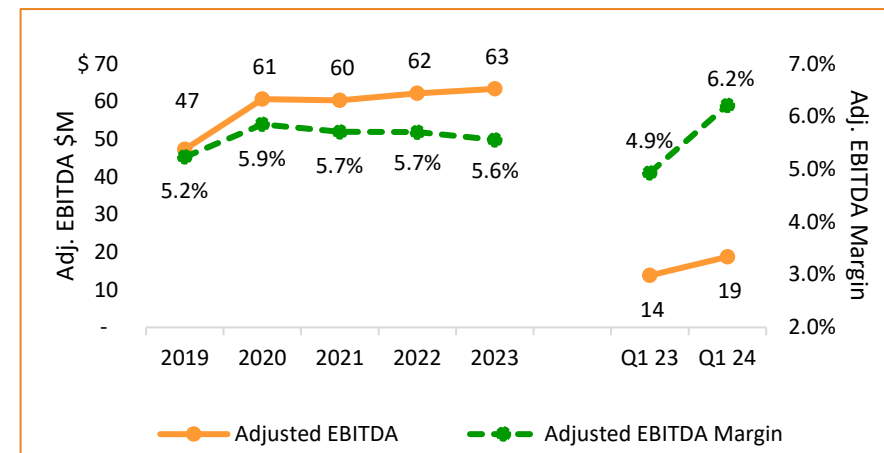
Financial Highlights

Historical Financial Metrics

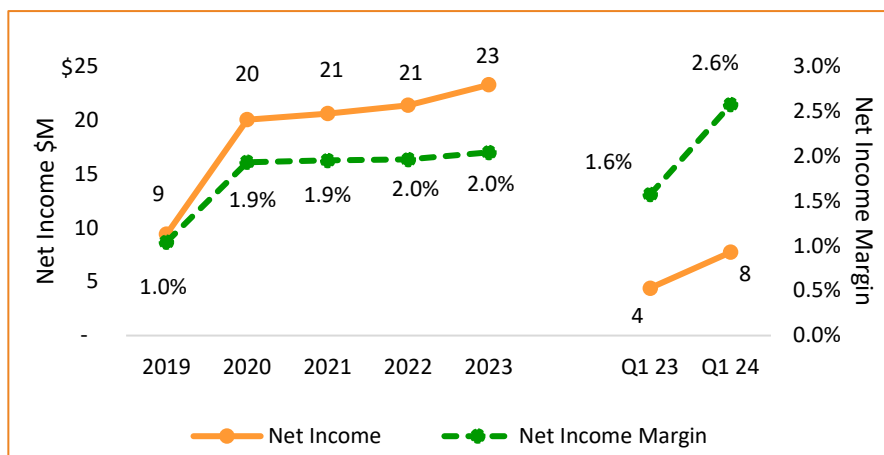
Revenue (\$ millions) and Daily Average Comparable Store Sales Growth



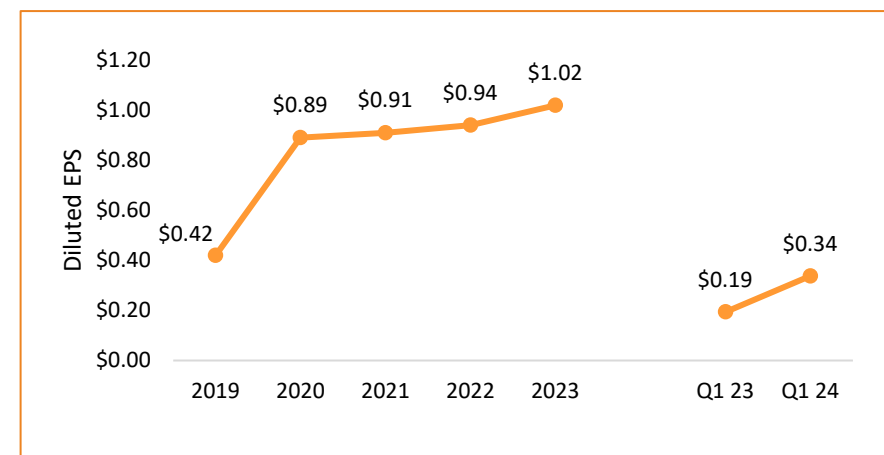
Adjusted EBITDA (\$ millions)*



Net Income (\$ millions)



Diluted Earnings per Share



* See appendix for reconciliation of Adjusted EBITDA (a non-GAAP measure) to Net Income (a GAAP measure). Fiscal years 2019-2020 data have been recast to exclude share-based compensation.



Recent Financial Highlights—Q1 2024

- Daily average comparable store sales grew 6.2%
 - Daily average transaction count increased 3.4% and average daily transaction size grew 2.7%
- Gross margin increased 130 basis points vs. Q1 2023 to 29.4% driven by higher product margin attributed to effective pricing and promotions, and store occupancy cost leverage
- Store expenses as a % of sales decreased 20 basis points vs. Q1 2023
- Net income grew 76.0% to \$7.8M compared to \$4.4M in Q1 2023
- Diluted EPS was \$0.34 compared to \$0.19 in Q1 2023
- Declared quarterly dividend of \$0.10 per common share, payable in March 2024
- Opened two new stores and relocated one store in Q1 2024



Strong Financial Position to Support Growth Investment

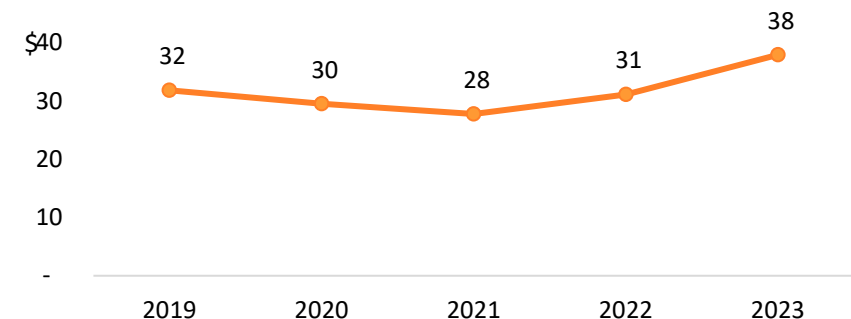


- Strong financial position with \$13.6 million in cash & cash equivalents. \$18.4 million outstanding on the \$75.0 million revolving credit facility as of December 31, 2023.
- Term loan balance was \$5.7 million as of 12/31/23. Strong cash flow allowed accelerated principal repayment of \$2.0 million in Q1 2024 on the \$35.0 million term loan.
- \$10.0 million share repurchase program in place through May 2024, with \$8.1 million remaining to be repurchased

Balance Sheet Metrics (12/31/2023)

Cash	\$13.6M
Debt [#]	\$74.1M
Debt/Adjusted EBITDA [*]	1.1x

Capital Expenditures (\$ in millions)



[#] Debt includes finance lease obligations consistent with ASC 842 lease method

^{*} Debt/Adj. EBITDA calculation utilizes trailing 12-month Adj. EBITDA. See appendix for reconciliation of Adj. EBITDA (a non-GAAP measure) to Net Income (a GAAP measure).

Fiscal 2024 Guidance

• New stores	<u>FY 2024</u> 4-6
• Relocations/Remodels	4-6
• Daily average comparable store sales growth	3.0% to 5.0%
• Diluted earnings per share	\$1.02 to \$1.12
• Capital expenditures	\$30M to \$39M



The Company raised its fiscal 2024 outlook for daily average comparable store sales growth and diluted earnings per share on 2/8/24





Appendix

Non-GAAP Financial Measures



EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP. We define EBITDA as net income before interest expense, provision for income taxes, depreciation and amortization. We define Adjusted as EBITDA as adjusted to exclude the effects of certain income and expense items that management believes make it more difficult to assess the Company's actual operating performance, including certain items such as impairment charges, store closing costs, share-based compensation and non-recurring items.

Management believes some investors' understanding of our performance is enhanced by including EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. We believe EBITDA and Adjusted EBITDA provide additional information about: (i) our operating performance, because they assist us in comparing the operating performance of our stores on a consistent basis, as they remove the impact of non-cash depreciation and amortization expense as well as items not directly resulting from our core operations, such as interest expense and income taxes and (ii) our performance and the effectiveness of our operational strategies. Additionally, EBITDA is a component of a measure in our financial covenants under our credit facility.

Furthermore, management believes some investors use EBITDA and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry. Management believes that some investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations. By providing these non-GAAP financial measures, together with a reconciliation from net income, we believe we are enhancing investors' understanding of our business and our results of operations, as well as assisting investors in evaluating how well we are executing our strategic initiatives. Commencing with its financial reporting for fiscal year 2021, the Company has revised its definition of Adjusted EBITDA to exclude share-based compensation. The Company's historical presentation of Adjusted EBITDA, including for fiscal years 2019-2020, did not exclude share-based compensation. However, Adjusted EBITDA for fiscal years 2019-2020, as presented in this presentation, has been recast to exclude share-based compensation to enhance the comparability of this measure between fiscal periods. Management believes that excluding share-based compensation from Adjusted EBITDA will enhance investors' ability to assess period-to-period comparisons of the Company's operating performance and make more meaningful comparisons between our operating performance and the operating performance of our competitors.

Our competitors may define EBITDA and Adjusted EBITDA differently, and as a result, our measures of EBITDA and Adjusted EBITDA may not be directly comparable to EBITDA and Adjusted EBITDA of other companies. Items excluded from EBITDA and Adjusted EBITDA are significant components in understanding and assessing financial performance. EBITDA and Adjusted EBITDA are supplemental measures of operating performance that do not represent, and should not be considered in isolation or as an alternative to, or substitute for, net income or other financial statement data presented in the consolidated financial statements as indicators of financial performance. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of the limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect any depreciation or interest expense for leases classified as finance leases;
- EBITDA and Adjusted EBITDA do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on our debt;
- Adjusted EBITDA does not reflect share-based compensation, impairment charges and store closing costs;
- EBITDA and Adjusted EBITDA do not reflect our tax expense or the cash requirements to pay our taxes; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements.

Due to these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA as supplemental information.



EBITDA and Adjusted EBITDA Reconciliation

	Fiscal Year ended September 30,				
	2023	2022	2021	2020	2019
Net income	\$ 23,243	\$ 21,365	\$ 20,581	\$ 20,009	\$ 9,416
Interest expense, net	3,299	2,371	2,271	2,048	4,952
Provision for income taxes	5,127	6,419	5,475	5,692	2,398
Depreciation and amortization	28,906	27,906	29,633	31,193	28,977
EBITDA	60,575	58,061	57,960	58,942	45,743
Impairment of long-lived assets & store closing costs	1,464	2,920	1,455	612	380
Share-based compensation	1,360	1,186	877	1,129	1,185
Adjusted EBITDA ⁽¹⁾	\$ 63,399	\$ 62,167	\$ 60,292	\$ 60,683	\$ 47,308

	Three months ended December 31,	
	2023	2022
Net income	\$ 7,755	\$ 4,407
Interest expense, net	894	796
Provision for income taxes	2,154	1,214
Depreciation and amortization	7,451	7,062
EBITDA	18,254	13,479
Impairment of long-lived assets	90	-
Share-based compensation	406	357
Adjusted EBITDA	\$ 18,750	\$ 13,836

⁽¹⁾ Adjusted EBITDA for fiscal years 2019-2020, as presented, has been recast to exclude share-based compensation to enhance the comparability of this measure between fiscal periods

