Natural Grocers by Vitamin Cottage, Inc.

Investor Presentation – May 2022

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, business, labor market, competitive, market, regulatory and other factors, many of which are beyond our control. In addition, our actual results could differ materially from the forward-looking statements in this presentation due to risks and challenges related to the COVID-19 pandemic and the resulting government mandates.

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, 2021 (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

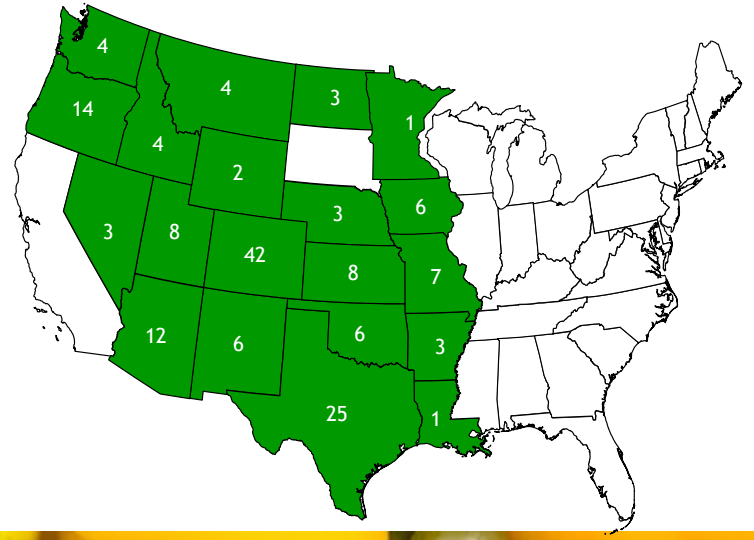
In addition to reporting financial results in accordance with U.S. generally accepted accounting principles (GAAP), this presentation provides information regarding EBITDA and Adjusted EBITDA, which are not in accordance with, or an alternative to, GAAP (i.e., non-GAAP measures). We define EBITDA as 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, lease exit 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.

100%
USDA
ORGANIC
ORGANIC
PRODUCE
HEADQUARTERS
100% ORGANIC PRODUCE
As USDA certified organic handlers, we can ensure the integrity of your organic produce stays true, from the farm all the way to you
Organic is naturally non-GMO! Simply fruits and veggies that support a healthier you and planet!
Sprouting Seeds & Microgreens
THESE CARTS HAVE BEEN CLEANED FOR YOU

Who We Are

Natural Grocers® Overview

- Expanding specialty retailer of natural and organic groceries, body care and dietary supplement 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
- Operate 162 stores in 20 states west of the Mississippi River, as of 5/5/22



Our Five Founding Principles Drive our Core Competencies and Customer Loyalty

Nutrition Education

- Full-time 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

Always Affordable℠ 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® loyalty program members receive digital coupons, discounted pricing on certain staple items (such as free-range eggs), personalized offers and other rewards

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 and have the highest quality standards for our dairy products: pasture-raised, non-confinement dairy products
- Carefully approved products that do not contain artificial flavors, colors, preservatives, sweeteners, or partially hydrogenated or hydrogenated oils

good4u℠ 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 environment
- Bag-free checkouts
- Local sourcing when available
- Shared charitable gifts of $1 million from company donations and customer fundraising in FY 2021
- Product and in-kind donations to local food banks totaled more than $3 million in FY 2021

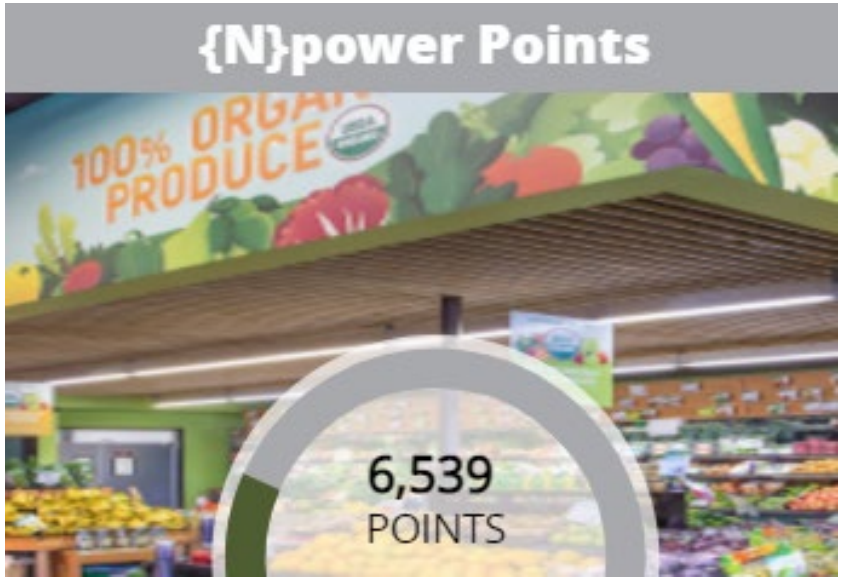
Competitive Strengths

Our Competitive Strengths

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

- More than 1.6 million members as of March 31, 2022
  - Up 19% from 3/31/21
- {N}power penetration represented approximately 73% of sales in Q2 2022
- Designed to drive higher average transaction size
- Efficient and effective marketing outreach to {N}power members



Expansion of Natural Grocers® Brand Products

- Includes grocery, dairy, frozen, bulk prepackaged products, dietary supplements and household products
- Represented 7.7% of total sales in Q2 2022
- Introduced 21 new products in YTD 2022 after introducing 185 new products during FY 2021; total SKU count is approximately 1,000
- Relaunched supplements category in FY 2021 with 150 total newly formulated products under the Natural Grocers brand as of 3/31/22

Sustainability Highlights

- Published our inaugural Environmental, Social, and Governance report for Fiscal Year 2021
- Prioritize sustainable and regenerative agricultural practices. We sell only 100% organic produce, 100% non-GMO bulk, 100% pasture-based dairy, 100% free-range eggs, 100% humanely and conscientiously raised meats, and all our meats are raised without antibiotics, hormones and other growth promoters.
- Disposable bag-free checkouts since 2009, saving more than **400 million** plastic bags from circulation. Added compostable produce bags in 2020.
- BPA and phthalate-free bulk packaging
- Improving the health and wellbeing of our communities through Nutrition Education. In the last five years alone, we've helped more than **30,000** people optimize their health with free health coaching sessions. Hosted about **8,000** free in-store nutrition classes, educating and empowering more than **115,000** lives.
- Focus on reducing our carbon footprint by implementing greener practices

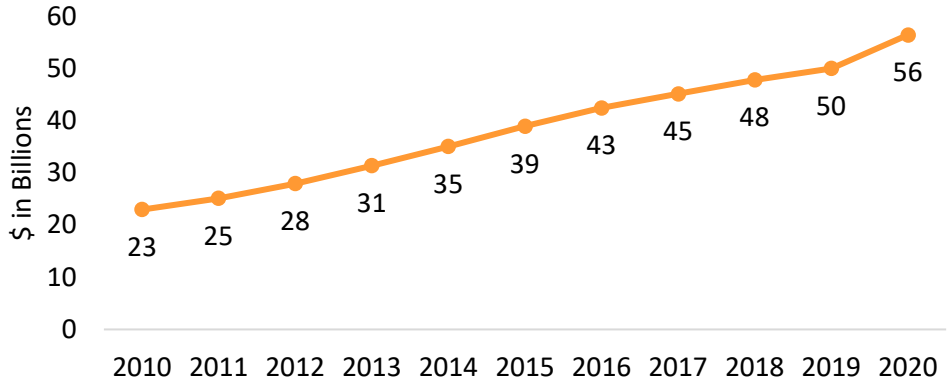
Supporting Growth

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 7.7% to $274B in 2021[1]
- Organic fresh produce sales increased 5.5% in 2021, compared to conventional at 1.9%[2]
- Organic food sales grew 12.8% in 2020 to account for nearly 6% of total food sales[3]
- Dietary supplement sales grew 7% in 2021[1]

Organic Food Sales in the U.S.[3]

$ Billions



Sources:

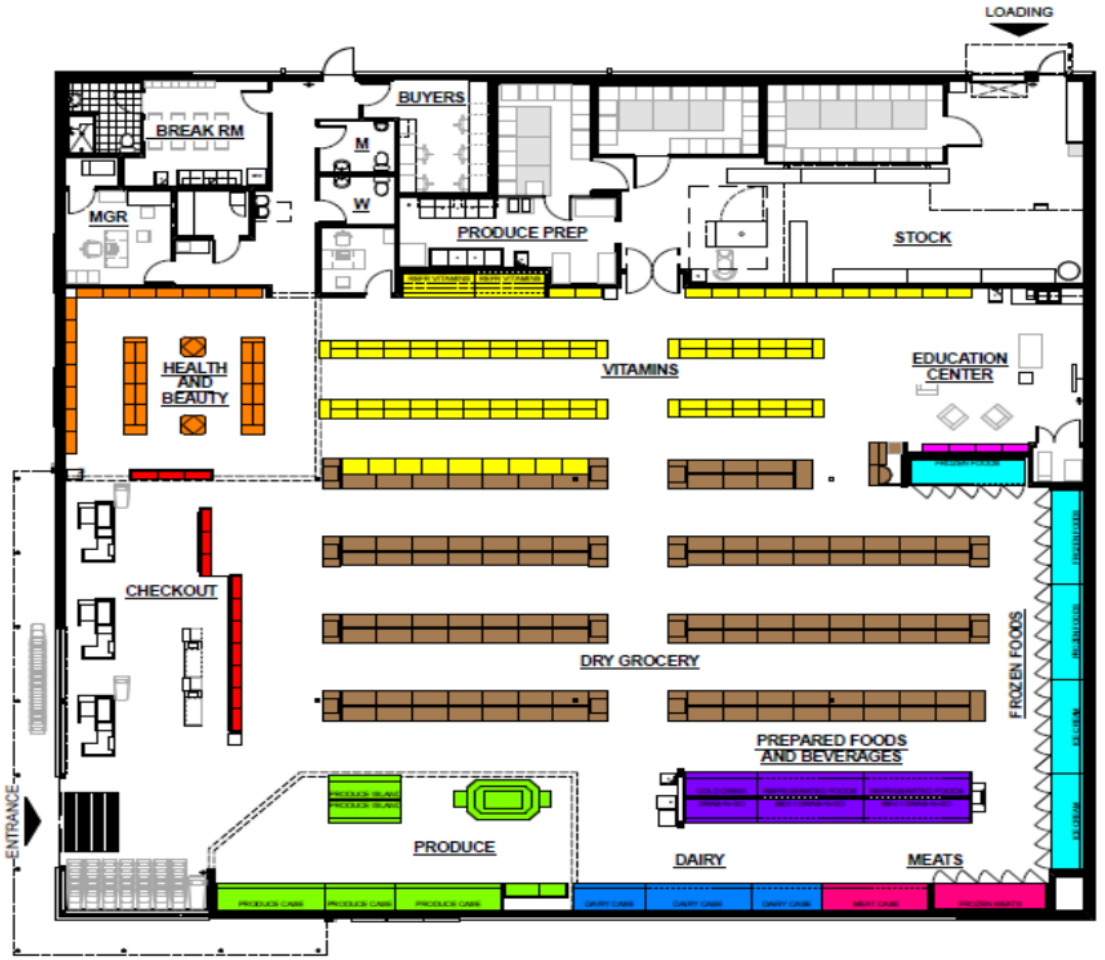
[1] New Hope Network / SPINS

[2] Organic Produce Network / Category Partners

[3] Organic Trade Association

Focus on Core Natural and Organic Categories

- Sales mix is aligned with the key natural product industry categories
  - ~11,000 selling sq. ft average store size
  - ~21,000 average store SKUs
- Dietary supplement sales and free nutrition education services are a key differentiator relative to mainstream competition
  - ~6,900 SKUs in supplements category



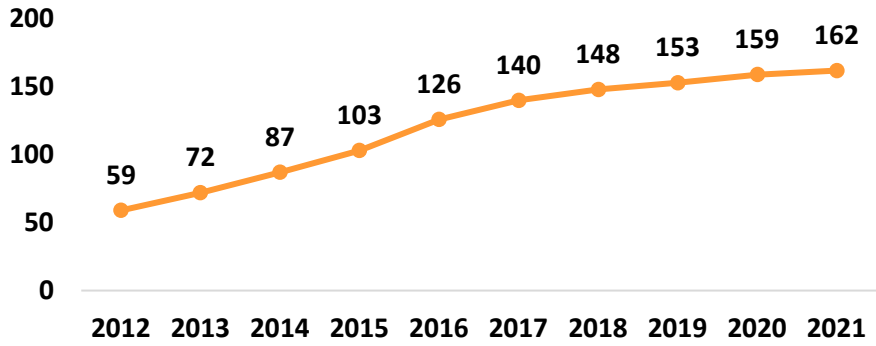
Attractive Store Model for Multiple Market Types

- Smaller format store
  - Highly portable to multiple types of markets
  - Average ~10,000 square feet for new stores
- Modest initial capital investment that supports high unit growth
  - Average capex of $1.7 million
  - Initial inventory of $300,000
  - Pre-opening costs of $200,000
- Attractive unit-level economics with targeted 5 year average payback and favorable cash-on-cash returns

New Store Model Economics

Upfront capital investment	**$2.2MM**
Target Payback period	**5 Years**
Target all-in cash-on-cash return (6 yr)	**30%**

Store Count (FYE)



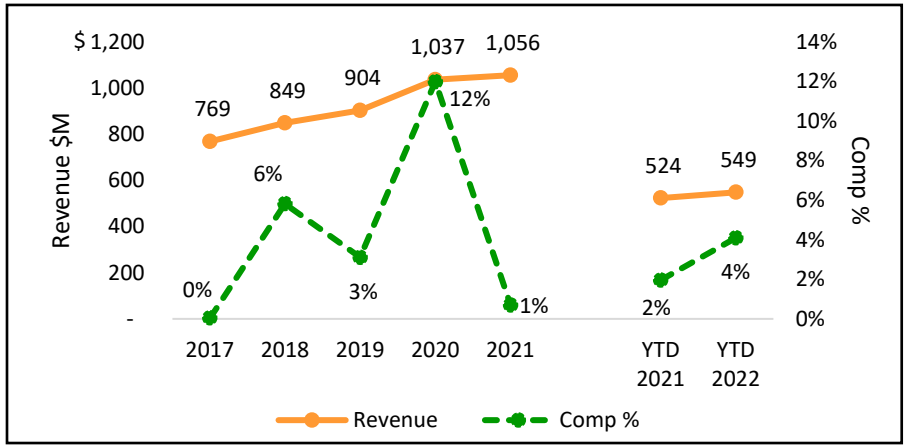
Improve Operating Margins

- 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
- Effectively manage product selection and pricing
- Infrastructure investments to support growth and improve productivity

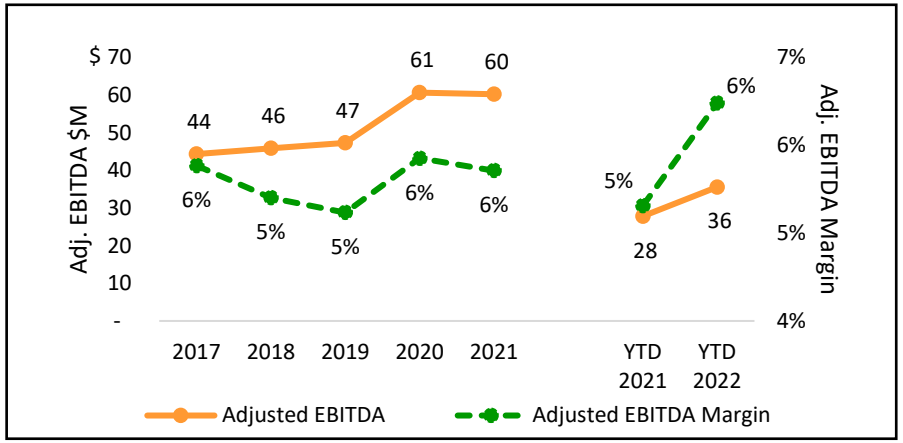
Financial Highlights

Historical Financial Metrics

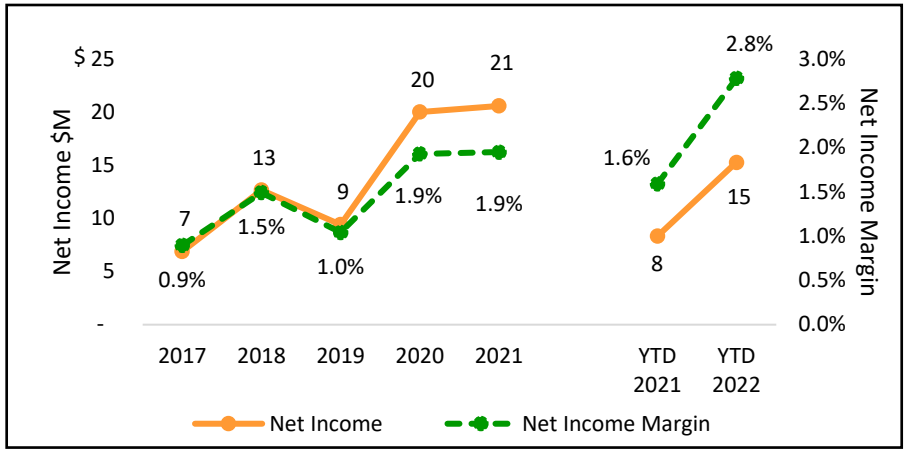
Revenue ($ millions) and Daily Average Comparable Store Sales Growth



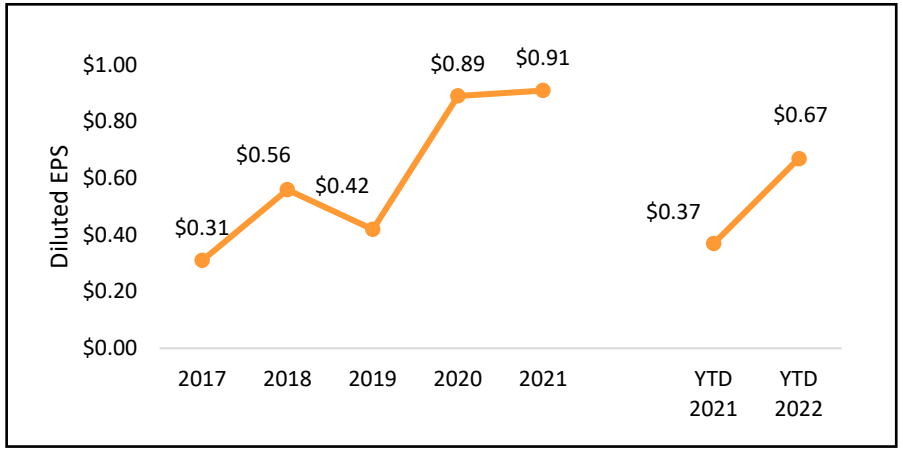
Adjusted EBITDA ($ millions)*



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 2017-2021 data have been recast to exclude share-based compensation.

** FY 2018 Includes $4.3M Net Income or $0.19 per diluted share from the non-cash impact of a remeasurement of deferred tax assets and liabilities due to income tax reform

Recent Financial Highlights—Q2 2022

- Daily average comparable store sales increased 4.3%
- Average daily transaction size increased 2.5% and daily average transaction count increased 1.8%.
- The strong sales performance, gross margin improvement, and store expense leverage drove operating income growth of 32% to $8.9M, and operating margin improvement of 70 bps to 3.3%
- Net income was $6.4M with $0.28 diluted EPS in Q2 2022, compared to $4.7M with $0.21 diluted EPS in Q2 2021
- Declared quarterly dividend of $0.10 per common share, payable in June 2022

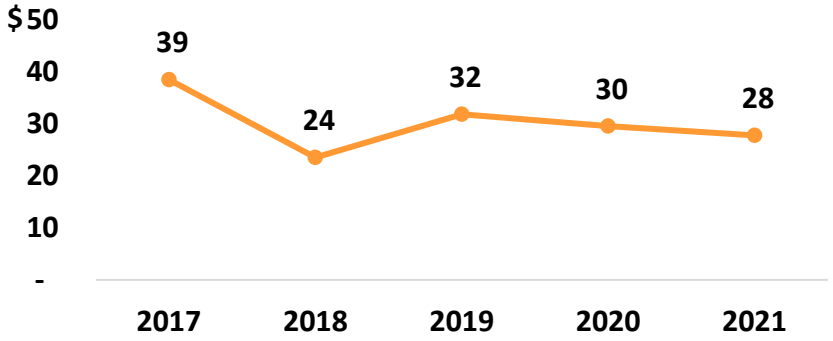
Strong Financial Position to Support Growth Investment

- Strong operating performance with $28.9 million in cash & cash equivalents and $0 outstanding on the revolving credit facility as of March 31, 2022
- $49.0 million available on the $50.0 million revolving credit facility, as of March 31, 2022
- Term loan balance was $19.7 million as of 3/31/22. Strong cash flow allowed accelerated repayment in Q2 2022 of $1.6 million of principal on the $35.0 million term loan.
- $10.0 million share repurchase program extended through May 2024, with $8.3 million remaining to be repurchased

Balance Sheet Metrics (3/31/2022)

Cash	**$28.9M**
Debt#	**$64.9M**
Debt/Adjusted EBITDA*	**1.0x**

Capital Expenditures ($ in millions)



Note: FY 2017 capital expenditures are net of $2.6 million of sale-leaseback proceeds

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 2022 Guidance

	FY 2022
• New stores	4-5
• Relocations/Remodels	2
• Daily average comps	1.0% to 3.0%
• Diluted EPS	$0.85 to $0.96
• Capital expenditures	$28M to $35M

The Company raised its fiscal 2022 comparable store sales and diluted earnings per share outlook on 5/5/22

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, lease exit 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 2017-2021, did not exclude share-based compensation. However, Adjusted EBITDA for fiscal years 2017-2021, 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 measure 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 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,				
	2021	2020	2019	2018	2017
Net income	$ 20,581	$ 20,009	$ 9,416	$ 12,661	$ 6,891
Interest expense, net	2,271	2,048	4,952	4,560	3,793
Provision for income taxes	5,475	5,692	2,398	(2,168)	3,414
Depreciation and amortization	29,633	31,193	28,977	29,430	29,511
EBITDA	57,960	58,942	45,743	44,483	43,609
Impairment of long-lived assets & store closing costs	1,455	612	380	585	-
Share-based compensation	877	1,129	1,185	810	758
Adjusted EBITDA [1]	$ 60,292	$ 60,683	$ 47,308	$ 45,878	$ 44,367

	Three months ended March 31,		Six months ended March 31,	
	2022	2021	2022	2021
Net income	$ 6,357	$ 4,704	$ 15,272	$ 8,336
Interest expense, net	545	603	1,089	1,113
Provision for income taxes	1,962	1,399	4,527	2,459
Depreciation and amortization	6,907	7,420	14,020	15,057
EBITDA	15,771	14,126	34,908	26,965
Impairment of long-lived assets & store closing costs	-	-	95	405
Share-based compensation	296	239	590	487
Adjusted EBITDA	$ 16,067	$ 14,365	$ 35,593	$ 27,857

[1] Adjusted EBITDA for fiscal years 2017-2021, as presented, has been recast to exclude share-based compensation to enhance the comparability of this measure between fiscal periods