



Investor Presentation – November 2023

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, 2022 (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://lnvestors.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.

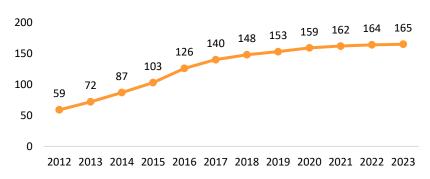


Natural Grocers® Overview



- 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
- Operate 167 stores in 21 states west of the Mississippi River, as of 11/16/23

Store Count (FYE)



Stores by State (as of 11/16/23)



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



Always Affordables 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

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 environment
- Bag-free checkouts since 2009 saved more than 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



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



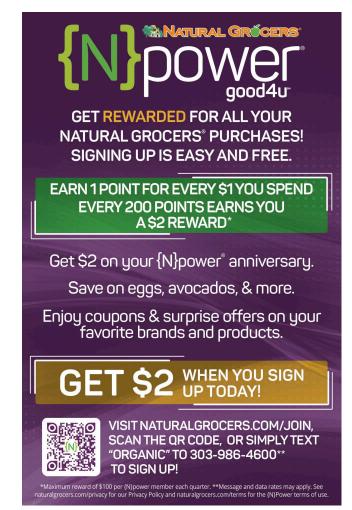
Experienced and committed management team with proven track record



{N}power® Customer Loyalty Program



- More than 2 million members as of September 30, 2023
 - Up 17% from 9/30/22
- {N}power penetration represented approximately 77% of total sales in Q4 2023
- Designed to drive higher average transaction size
- Efficient and effective marketing outreach to {N}power members



Expansion of Natural Grocers® Brand Products



- Positioned as premium quality offerings at compelling prices
- Includes diverse assortment of products found throughout the store
- Represented 7.8% of total sales in Q4 2023 vs. 7.6% in Q4 2022
- Introduced 59 new products in FY 2023 after introducing 41 new products during FY 2022; total SKU count is over 800



Supporting the Environment and our Communities



- Publish annual Environmental, Social, and Governance report
- Prioritize products that have regenerative and sustainable agricultural practices
- Bag-free checkouts since 2009, eliminating the use of more than **500 million** single-use bags. Our 'Bring Your Own Bag' program life-to-date donations to food banks totals more than \$2 million.
- Converted to compostable produce bags in 2020, saving more than 50 million conventional produce bags from entering the waste stream and impacting the environment.
- Installed CO₂ refrigeration systems at two stores, which are designed to save energy and provide enhanced environmental protection compared to conventional refrigeration technologies
- Through process changes and automation, our bulk packaging facility and distribution center reduced plastic stretch wrap use by approximately 50% compared to the prior system.
- Our bulk packaging closed production loop was converted to engineered wood pallets that have operational and environmental benefits.
- Improving the health and wellbeing of our communities through Nutrition Education. Impact over the last five years alone:
 - Educated and empowered more than 118,000 lives
 - Helped more than 43,000 people optimize their health with free health coaching sessions
 - Hosted more than **7,000** free in-store nutrition classes
 - Attended more than 12,000 community outreach events

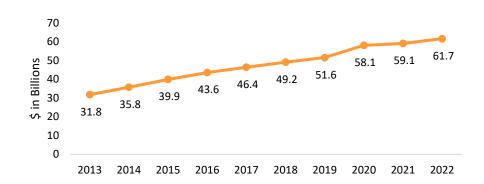


The Market Opportunity



- 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

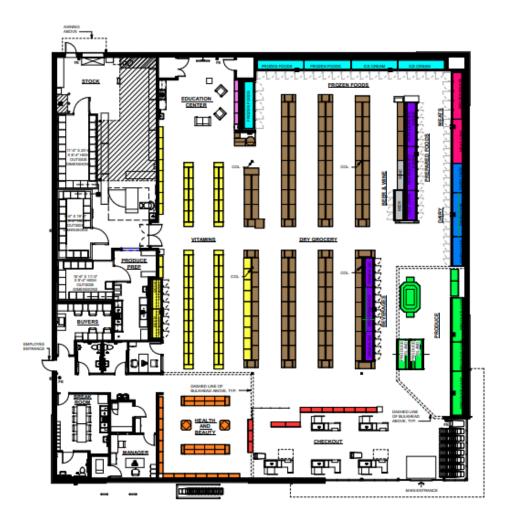
² Organic Produce Network

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

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 supplement sales and free nutrition education services are a key differentiator relative to mainstream competition
 - ~6,700 SKUs in supplements category



Improve Operating Margins



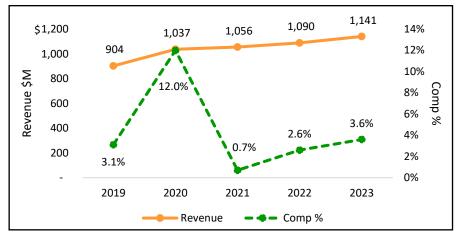
- Moderated new store unit growth (starting in 2018) to focus on productivity of existing store base
- Optimize store labor hours appropriately for volume
- Reduce inventory shrink
- Effectively manage product selection and pricing
- Infrastructure investments to support growth and improve productivity



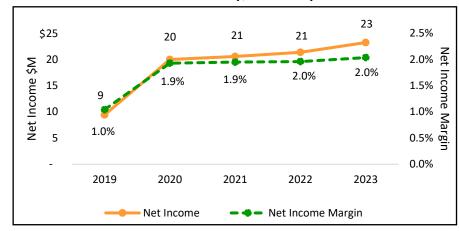


Historical Financial Metrics

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

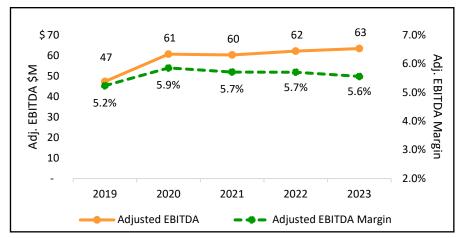


Net Income (\$ millions)

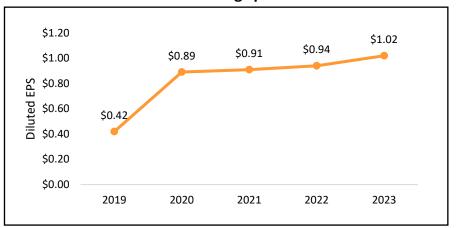


NATURAL GRÜCERS good4u

Adjusted EBITDA (\$ 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—Q4 2023



- Daily average comparable store sales grew 6.9%
 - Daily average transaction count increased 3.6% and average daily transaction size grew 3.3%
- Gross margin increased 100 basis points to 28.6% compared to Q4 2022 driven by higher product margin attributed to effective pricing and promotions, partially offset by higher shrink
- Store expenses decreased 70 basis points, primarily driven by lower long-lived asset impairment charges compared to Q4 2022
- Net income was \$5.9M, or \$0.26 diluted EPS, compared to net income of \$2.2M, or \$0.09 diluted EPS, for Q4 2022
- Declared a special cash dividend of \$1.00 per common share, in addition to a quarterly cash dividend of \$0.10 per common share, both payable on December 13, 2023



Strong Financial Position to Support Growth Investment

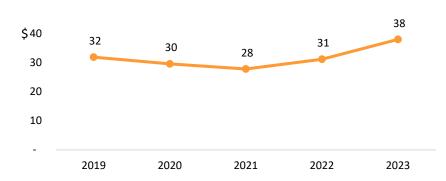


- Strong liquidity position with \$18.3 million in cash & cash equivalents and \$0 outstanding on the revolving credit facility as of September 30, 2023
- \$48.5 million available on the \$50.0 million revolving credit facility, as of September 30, 2023. Amended credit facility to increase revolver commitment to \$75.0 million and extend maturity to November 2028.
- Term loan balance was \$7.7 million as of 9/30/23. Strong cash flow allowed accelerated principal repayment of \$1.6 million in Q4 2023 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 (9/30/2023)

Cash	\$18.3M
Debt#	\$58.5M
Debt/Adjusted EBITDA*	0.9x

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



FY 2024

New stores4-6

• Relocations/Remodels 4-6

• Daily average comparable store sales 2.0% to 4.0%

• Diluted EPS \$1.00 to \$1.10

• Capital expenditures \$30M to \$39M





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 2018-2020, did not exclude share-based compensation. However, Adjusted EBITDA for fiscal years 2018-2020, 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



	 2023	2022 2		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 September 30,

	 2023	2022		
Net income	\$ 5,880	\$	2,160	
Interest expense, net	821		679	
Provision for income taxes	1,036		777	
Depreciation and amortization	 7,480		6,818	
EBITDA	15,217		10,434	
Impairment of long-lived assets and store closing costs	534		2,825	
Share-based compensation	 314		299	
Adjusted EBITDA	\$ 16,065	\$	13,558	

⁽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