



Grocery Outlet Business Overview

August 2020

Disclaimer



Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the U.S. securities laws about our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business, all of which are subject to risks and uncertainties. All statements other than statements of historical fact or relating to present facts or current conditions included in this presentation are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “seek,” “plan,” “intend,” “believe,” “will,” “may,” “could,” “continue,” “likely,” “should,” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events but not all forward-looking statements contain these identifying words.

The forward-looking statements contained in this presentation are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. Although we believe the expectations reflected in these forward-looking statements are reasonable, we cannot provide any assurance that these expectations will prove to be correct. As you consider this presentation, you should understand that these statements are not guarantees of performance or results. These assumptions and our future performance or results involve risks and uncertainties (many of which are beyond our control). These risks and uncertainties include, but are not limited to, our access to products and qualified independent operators, the duration and impact of the outbreak of COVID-19, the success of our independent operators and the market in which we will operate in the future.

Such risks and uncertainties, as well as other factors or events that may emerge from time to time, could cause our actual performance to differ from these forward-looking statements, and it is not possible for us to predict all of them. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual financial condition, results of operations, future performance and business may vary in material respects from the performance projected in these forward-looking statements, whether express or implied.

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Industry Information

Market data and industry information used throughout this presentation are based on management’s knowledge of the industry and the good faith estimates of management. We also relied, to the extent available, upon management’s review of independent industry surveys and publications and other publicly available information prepared by a number of third-party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified this information. While we believe the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management’s estimates and beliefs, is inherently uncertain and imprecise. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in our estimates and beliefs and in the estimates prepared by independent parties.

Non-GAAP Financial Measures

We present Adjusted EBITDA and Adjusted EBITDA margin to help us describe our operating performance. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin is intended as a supplemental measure of our performance that is not required by, or presented in accordance with, U.S. generally accepted accounting principles (“GAAP”). Adjusted EBITDA and Adjusted EBITDA margin should not be considered as an alternative to operating income (loss), net income (loss), earnings per share or any other performance measures derived in accordance with U.S. GAAP as measures of operating performance or operating cashflows or as measures of liquidity. Our presentation of Adjusted EBITDA and Adjusted EBITDA margin should not be construed to imply that our future results will be unaffected by these items. See the supplemental materials to this presentation for a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin to net income (loss).

Data in this presentation are generally as of, or for the fiscal year ended, December 28, 2019, unless otherwise noted

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bargain market

COMPANY OVERVIEW

Our Positioning & COVID-19 Response

Our Business Model is Well Positioned...



We are deemed an essential business – our stores generally remain open and have witnessed a surge in demand



We provide our customers with extreme value at a time when they are seeking to maximize savings



We offer an assortment of familiar & trusted high-quality, name-brand consumables along with fresh products



We have a flexible supply chain, logistics network and merchandising to respond to demand spikes



We serve as pillars of our local communities with personalized service

...And We have Acted Decisively to Support Customers, IOs and Partners



Enacted comprehensive safety measures in observance of CDC & public health guidelines



Worked closely with supplier partners to keep pace with demand, purchasing opportunistic & everyday products



Supported our IOs by providing financial support & guidance on local operating requirements



Focused customer communications on local product availability, safety precautions and community outreach



Maintained a strong liquidity position with \$80mm of cash and over \$90mm available on our revolving credit facility

We Are Proud of Our IOs & Their Employees, Who Have Stepped Up in These Extraordinary Times



Grocery Outlet Is a Differentiated, High-Growth, Off-Price Retailer

Differentiated Model

40% - 70%

Prices Below Conventional Retailers
On Our Best Deals

~50%

Opportunisticly
Sourced Products

5,000

Ever-Changing SKUs Per Store
Promote Treasure Hunt Experience

340+

Independent Operators
Create Local Shopping Experience

~14,000

Square Foot
Average Store Size

Attractive Store Base



362 Stores Across 6 States⁽¹⁾

10%

Store Count CAGR
FY 2015 to FY 2019

1,900

In-Market and Neighboring
States Potential Stores⁽²⁾

40%+

Year 4 Cash-on-Cash Returns
Historically

Strong Financial Performance

\$2.9bn

Q2 '20 LTM
Net Sales

\$203mm

Q2 '20 LTM
Adjusted EBITDA

16

Consecutive Years of Positive
Comparable Store Sales Growth⁽³⁾

5.1%

Average Comparable Store Sales
Growth Over Past 16 Years⁽³⁾

\$80mm

Cash Balance as of Q2'20 End⁽¹⁾

(1) As of June 27, 2020.

(2) Source: eSite.

(3) Fiscal years 2004-2019.

We Have Continued to Make Significant Progress Since Our IPO

	Q1 2020 Results	Q2 2020 Results
Delivered Solid Business Performance	<ul style="list-style-type: none"> ✓ Comparable stores sales growth of 17.4% ✓ Net Sales grew 25.4% to \$760.3mm ✓ Adjusted EBITDA grew 45.8% to \$57.0mm 	<ul style="list-style-type: none"> ✓ Comparable stores sales growth of 16.7% ✓ Net Sales growth of 24.5% ✓ Adjusted EBITDA of \$60.6mm, a 34.7% increase relative to Q2 '19
Continued Solid Product, IO Performance, and Marketing Execution	<ul style="list-style-type: none"> ✓ Compelling value and treasure hunt experience from strong opportunistic purchasing ✓ Broad-based growth with Natural, Organic, Specialty, Healthy (NOSH), fresh categories, and beer and wine as standouts ✓ Continued growth of newly introduced fresh seafood and grass-fed meat ✓ Improvements in ordering and distribution systems that enhance IO localized assortment decisions ✓ GO brand refresh supported by new Bargain Bliss marketing campaign ✓ Continued growth in email subscriber database to drive engagement 	
Expanded Footprint and Growth Initiatives	<ul style="list-style-type: none"> ✓ Opened 34 new stores (3 closures) in FY 2019 and 17 new stores (2 closures) in H1'20 with a balanced mix between mature and developing markets ✓ New stores are performing well and in-line with expectations ✓ Started delivering from Southern California refrigerated warehouse ✓ Developing the East infrastructure with hiring of new EVP of East Region 	
Improved Balance Sheet	<ul style="list-style-type: none"> ✓ Reduced net leverage ⁽¹⁾ from 5.5x pre-IPO to 1.9x LTM as of Q2 2020 ✓ Flexible credit facility with no principal payments due until 2025 and ample capacity vs. 7x leverage covenant ✓ Recently repaid in full the \$90mm drawn on the revolving credit facility of its first lien credit agreement ✓ Cash balance of \$80mm as of Q2'20 end 	

(1) Defined as (Total Debt – Cash) / LTM Adj. EBITDA.

The WOW! Shopping Experience



PRICE

- Extreme value
 - ~40% average basket savings ⁽¹⁾
 - ~40% - 70% savings on best deals ⁽¹⁾
- Distinct and proven buying model



QUALITY

- Name-brand products
- Fresh
- Natural Organic Specialty Healthy (NOSH)
- Quality guarantee
- Clean, well-merchandised stores



SERVICE

- Locally owned and operated
- Friendly, high-touch service
- Active in community
- Family-run stores
- Easy-to-shop stores









TREASURE HUNT DISCOVERY = FUN!

- *Unexpected deals*
- *Ever-changing assortment*
- *Curated and localized merchandise*



Grocery Outlet's Model Is Well-Positioned Against Other Off-Price / Discount Retailers



	Opportunistic Sourcing	Treasure Hunt Experience	E-Commerce as a % of Sales
	✓	✓	0%
	✓	✓	0%
	✓	✓	<5%
	✓	✓	<2%
	✓	✓	0%
	✓	✓	<1%

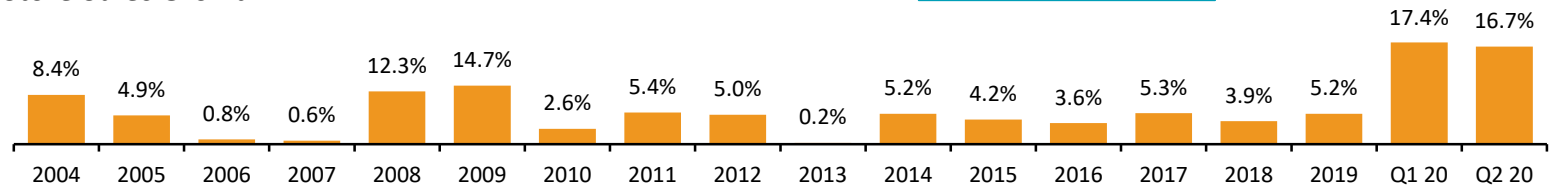
Source: Company filings available as of 12/31/19.

Consistent Track Record of Earnings Growth

Strong Comp Performance

2019 was our **16th Consecutive Year** of Positive Comparable Store Sales Growth

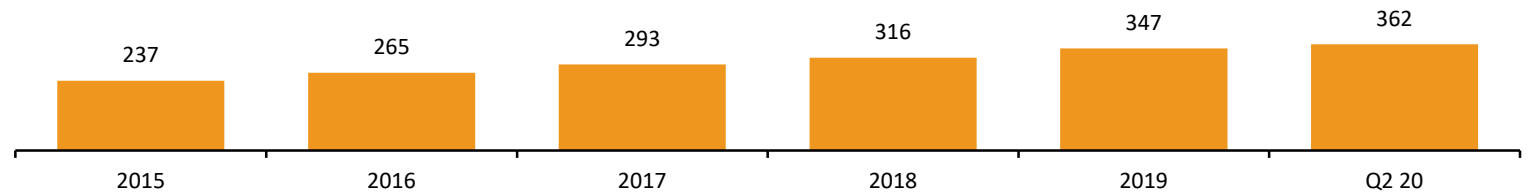
Average: 6.5%



Disciplined Store Growth

Total Stores

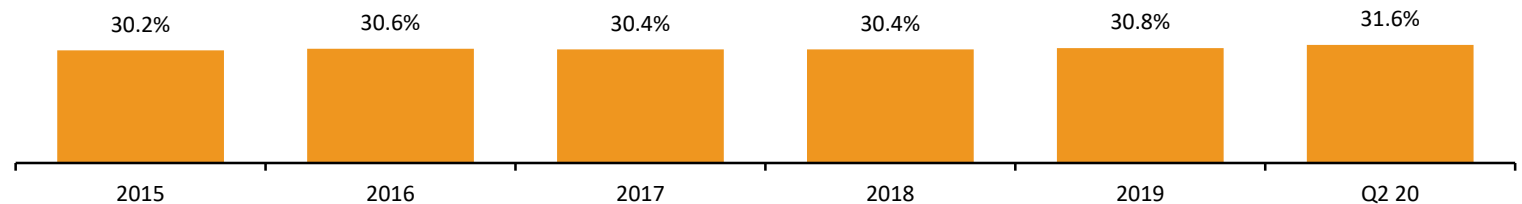
'15 - '19 CAGR: 10%



Consistent Margins

Gross Margin %

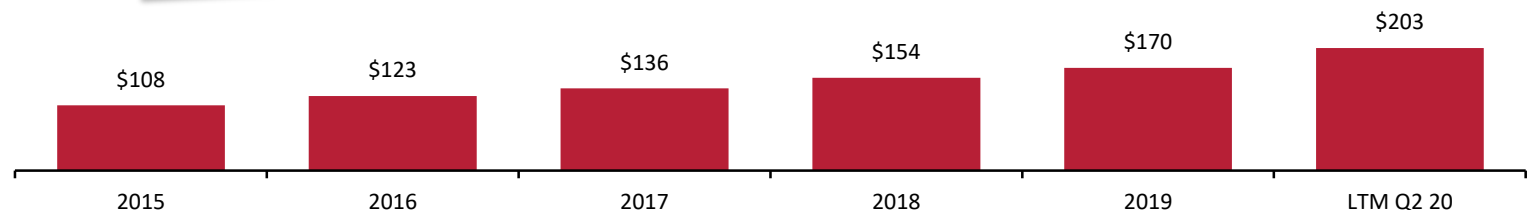
Strong and Consistent Annual Gross Margins Between 30.1% and 30.8% since 2010



Track Record of Earnings Growth

Adjusted EBITDA (\$mm)

'15 - '19 CAGR: 12%

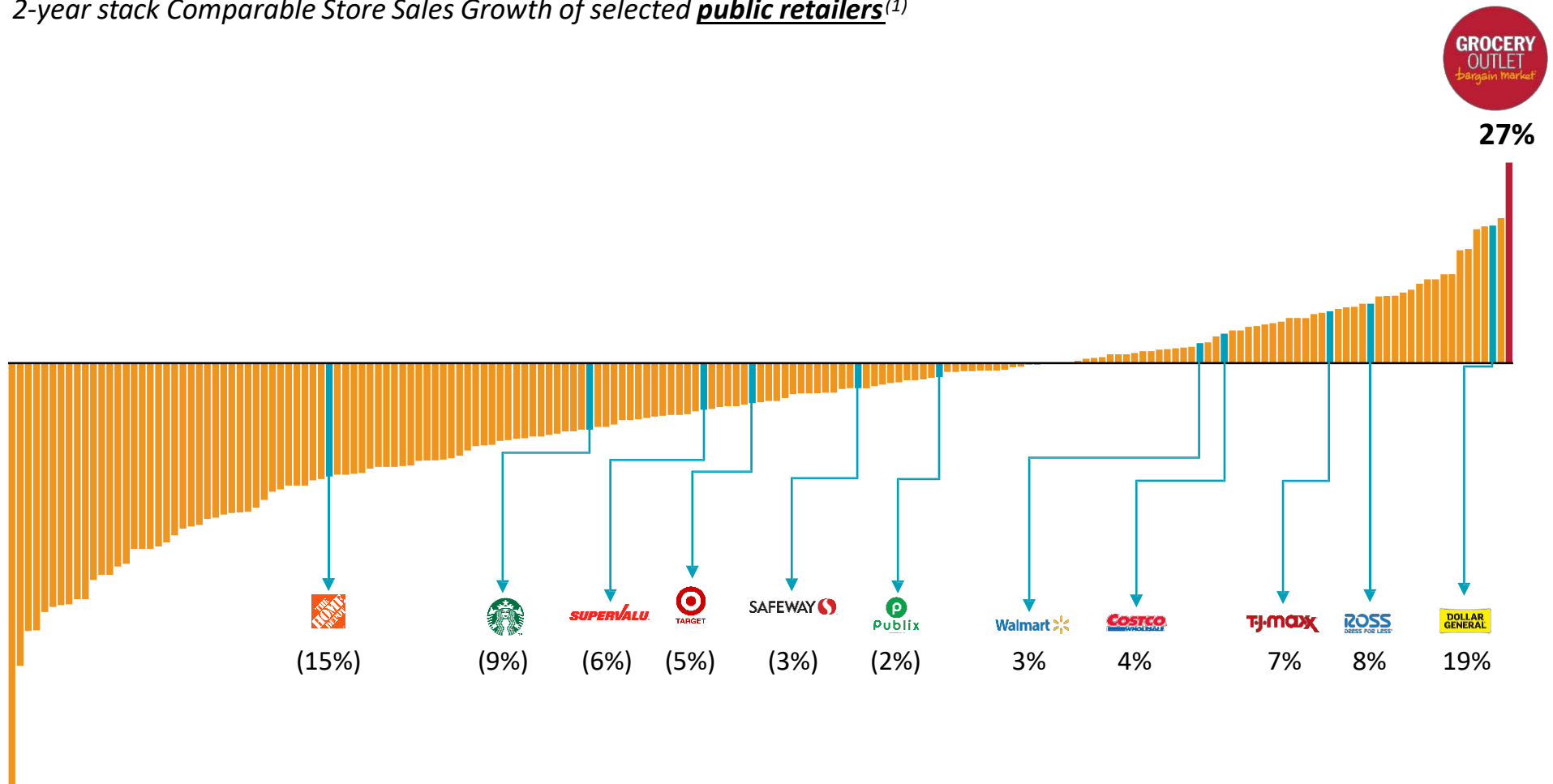


While Each Recession is Unique, Grocery Outlet Had Strong Comparable Store Sales Growth Performance in 2008-2009

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Recessionary Conditions (2008 – 2009)

2-year stack Comparable Store Sales Growth of selected public retailers⁽¹⁾



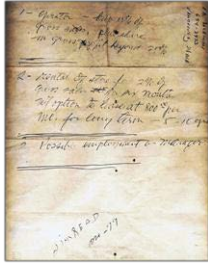
Source: Company filings, company projections, publicly available information and FactSet. n = 184

(1) Reflects 2008 and 2009 comparable store sales growth stack for all U.S. retailers that were public during 2008 and 2009 and have reported comparable store sales growth figures for these years on FactSet.

Grocery Outlet Evolution: Over 70 Years of Delivering The WOW!

**GROCERY
OUTLET**
bargain market

**Signs first IO
Agreement in
Redmond, OR**



**Berkshire
Partners invests**

Berkshire Partners

**Expands to
Southern
California market**



**Reaches \$2
billion in sales**

**\$2bn
Wow!**

**Publicly-listed
Company**



**Jim Read opens
"Cannery Sales"**



**Eric Lindberg
and MacGregor
Read become
Co-CEOs**



**Acquires
Amelia's and
expands to East
Coast**



1946

1973

2006

2009

2011

2012

2014

2017

2018

2019

**Hellman &
Friedman
invests**

H&F

**Opens 300th
store in
Inglewood**



Strong Commitment To Corporate Culture



Grocery Outlet is driven by family values that are reflected throughout the organization

Integrity



Collaboration



Entrepreneurship



Performance



Our Mission:

Touching Lives For The Better

A photograph of a Grocery Outlet Bargain Market store interior, showing high ceilings with exposed beams, fluorescent lighting, and long aisles filled with shelves of various grocery items. The image is overlaid with a semi-transparent red filter. The text "GROCERYOUTLET" is in white, and "bargain market" is in a yellow script font.

GROCERYOUTLET
bargain market

INVESTMENT HIGHLIGHTS AND GROWTH STRATEGIES

Investment Highlights & Growth Strategies



Investment Highlights

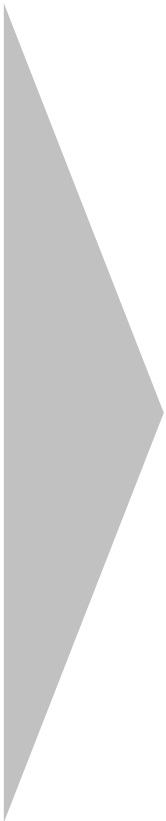
I POWERFUL CUSTOMER VALUE PROPOSITION SUPPORTED BY A “WOW!” EXPERIENCE

II FLEXIBLE SOURCING AND DISTRIBUTION MODEL THAT IS DIFFICULT TO REPLICATE

III INDEPENDENT OPERATORS: OUR “SMALL BUSINESS AT SCALE” MODEL

IV STRONG CONSUMER ENGAGEMENT AND ALIGNMENT WITH MACRO TRENDS

V ATTRACTIVE AND CONSISTENT NEW STORE ECONOMICS SUPPORT WHITESPACE





Growth Strategies

Be the First Choice for Bargain-Minded Customers Across the Country

DRIVE COMPARABLE STORE SALES GROWTH

EXECUTE ON STORE EXPANSION PLANS

IMPROVE PRODUCTIVITY AND REINVEST IN THE VALUE PROPOSITION





Our Fundamentally Different Approach To Buying and Selling

Small Business at Scale

How We Buy

-  Opportunistic sourcing of quality, name-brand, fresh products
-  Large, centralized purchasing team
-  Long-standing, actively managed supplier relationships
-  Proactive sourcing of on-trend products and brands
-  Everyday core staples to complement our WOW! offerings

How We Sell

-  Independently operated, local, small-box stores
-  Personalized customer service
-  High community involvement
-  IOs control store operations and oversee:
 -  Product selection
 -  Hiring, training and managing their store workers
 -  Local marketing

"Out Chain the Locals, Out Local the Chains"



Flexible Sourcing and Distribution Model Anchored by Purchasing Team and Relationships



Long-Standing Suppliers...



...And New Emerging Suppliers



...Who Make Us One of Their First Calls

RELATIONSHIP

BRAND PROTECTION

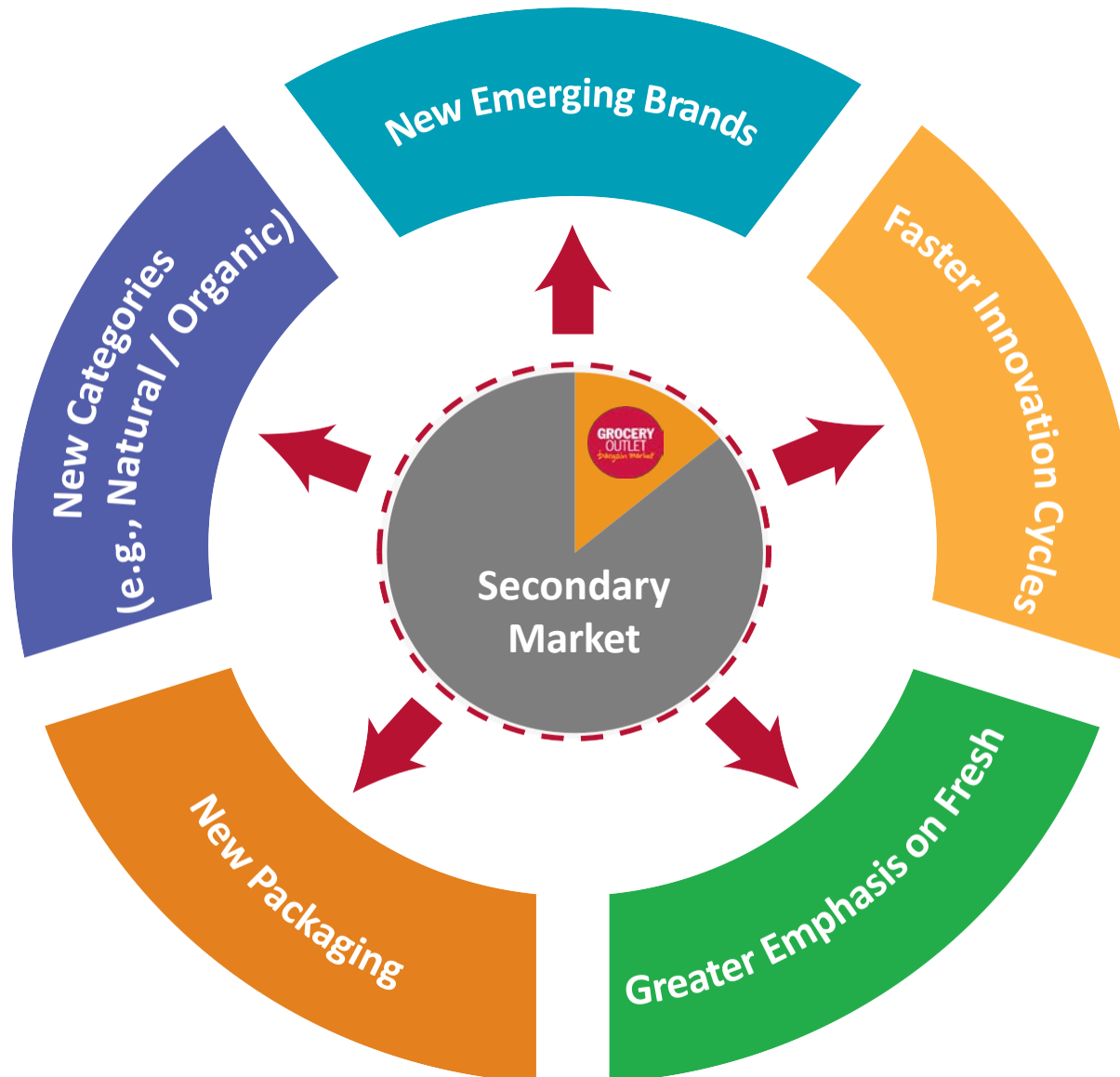
EXECUTION

SCALE

Substantial Opportunity to Further Grow Opportunistic Supply

Significant Share Gain Opportunity

Ongoing Secondary Market Growth



Grocery Outlet's Differentiated Sourcing Model Delivers Great Value To Customers



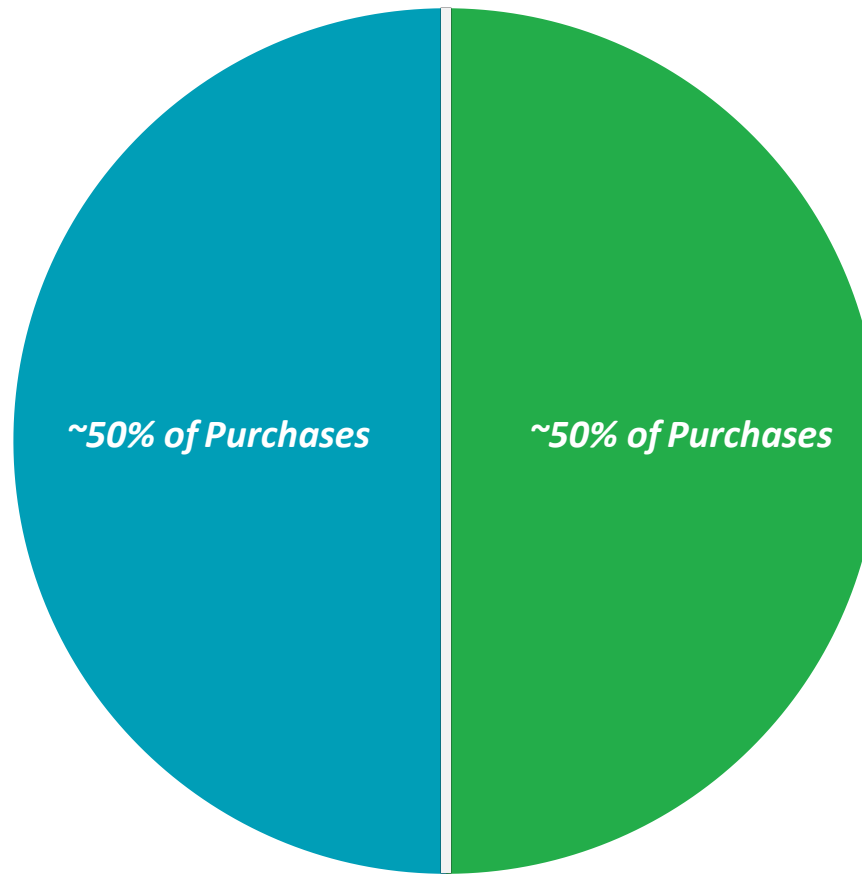
Two Primary Methods

Opportunistic

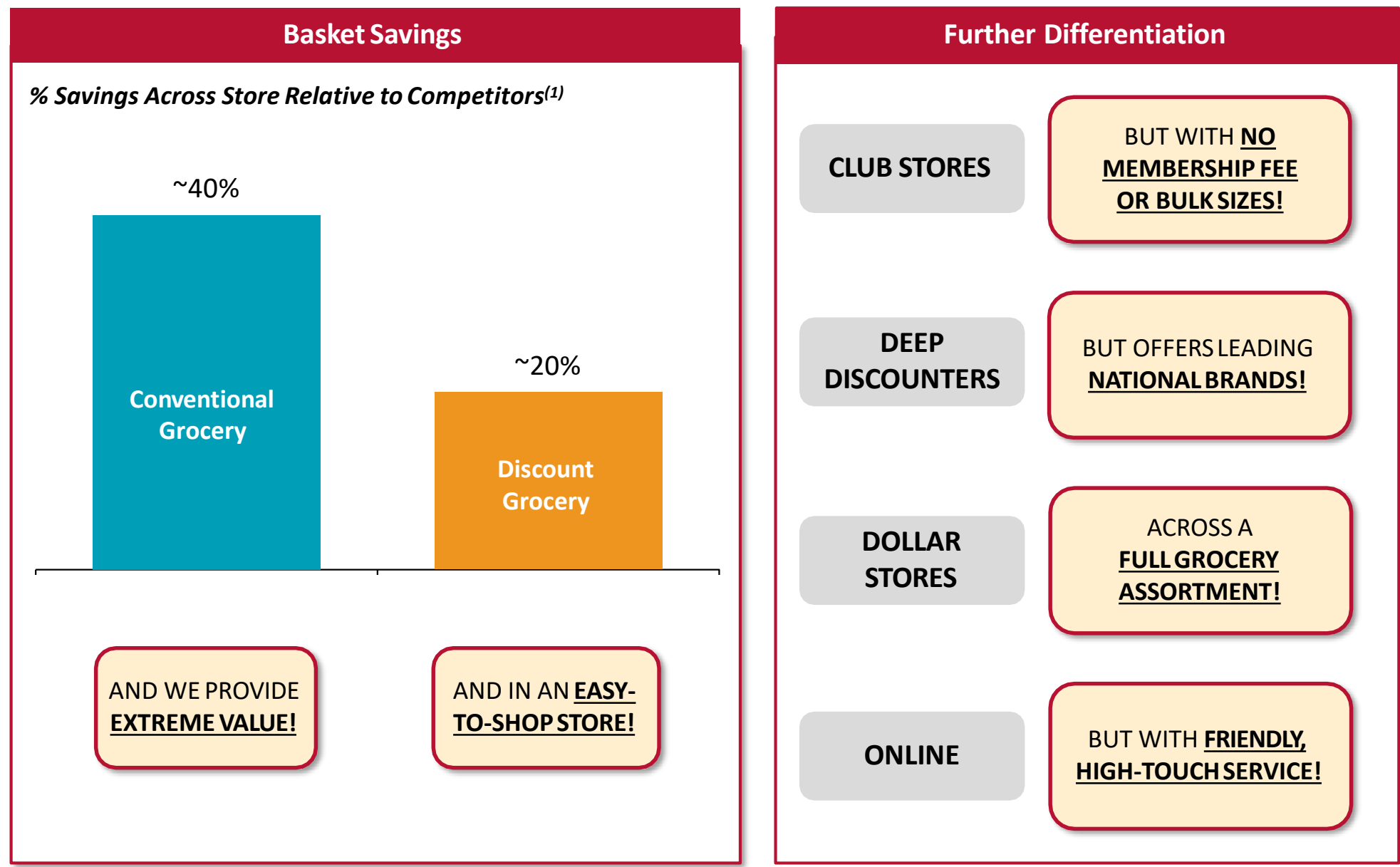
- Opportunistic purchases represent **CPG excess inventory**
- GO is a **preferred CPG partner** for a non-disruptive, brand-protected sales channel
- Allows GO to **pass along significant savings to customers** while making a healthy margin

Everyday Core Staples

- When **staples, such as milk or sugar**, cannot be sourced opportunistically, GO buys from suppliers
- Provides customer convenience via a **more complete product assortment**
- Products **priced at or below conventional supermarkets'** and discount competitors' everyday prices



Favorable Value Proposition vs. Other Retailers



(1) Savings vs. Conventional/Discount derived from Grocery Outlet’s pricing research as of June 2019 based on a blended basket of items from Safeway and Walmart for 5,000+ SKUs from multiple regions.

Unique Independent Operator Model Fuels Success

“Out Chain the Locals, Out Local the Chains”

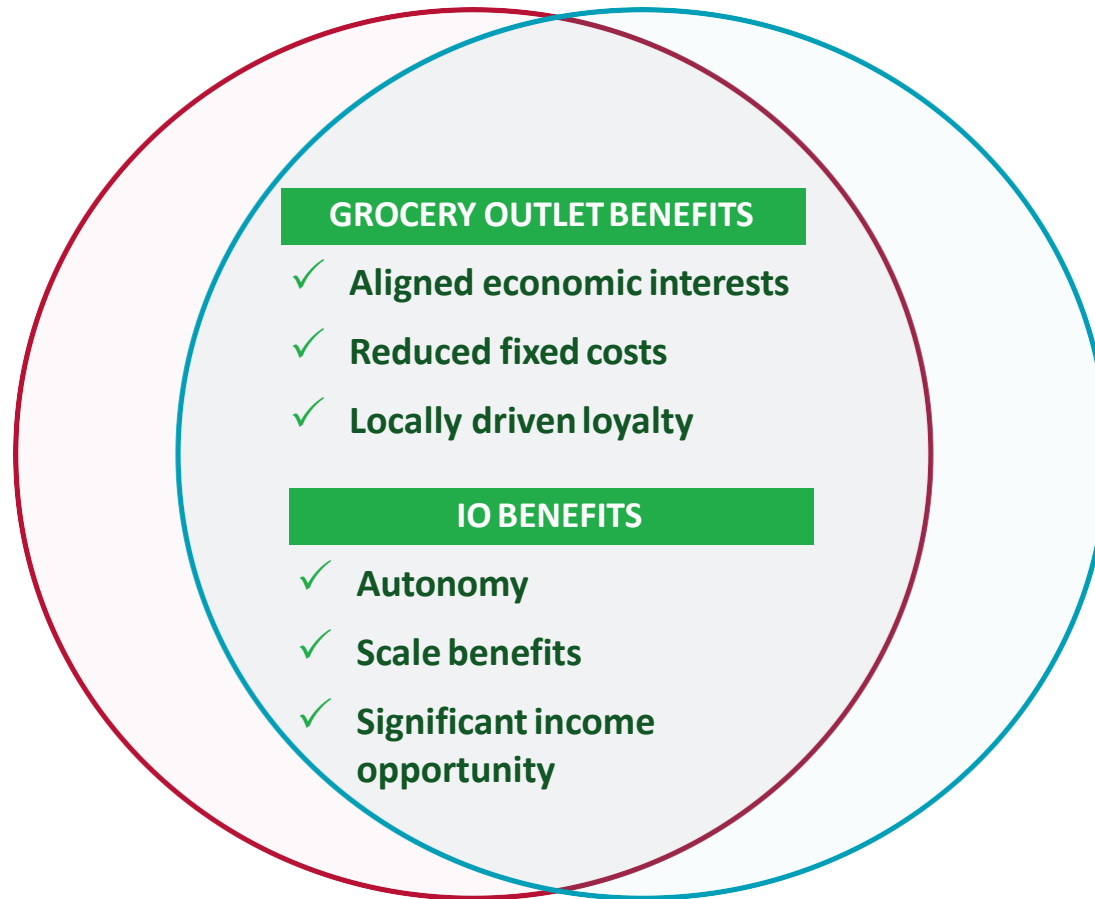


Operational

- Sourcing
- Initial Pricing
- Recruiting and training IOs
- Real estate
- Distribution and logistics

Financial

- Own inventory (consigned to IOs)
- Regional marketing
- Rent
- Capex
- Corporate SG&A



Independent Operators

Operational

- Merchandising
- Managing inventory
- Modify pricing
- Hiring and training store employees
- Community and customer service

Financial

- Wages
- Local marketing
- Store operating expenses
- Operating working capital
- Operating assets

Collaboration with and amongst IOs enables real-time feedback and best-practice sharing for continual improvement

Compelling Store Economics For Both Grocery Outlet and Our Independent Operators



	GO	IO
--	----	----

Upfront Investment

CapEx Buildout	✓	✗
Inventory / Pre-Opening	✓	✗
IO Assets / Working Capital	✗	✓

Illustrative Year-4 P&L

Sales

\$6.9

Gross Profit

\$2.1

Share of Gross Profit

50%

50%

Wages, Taxes, Benefits

✗

✓

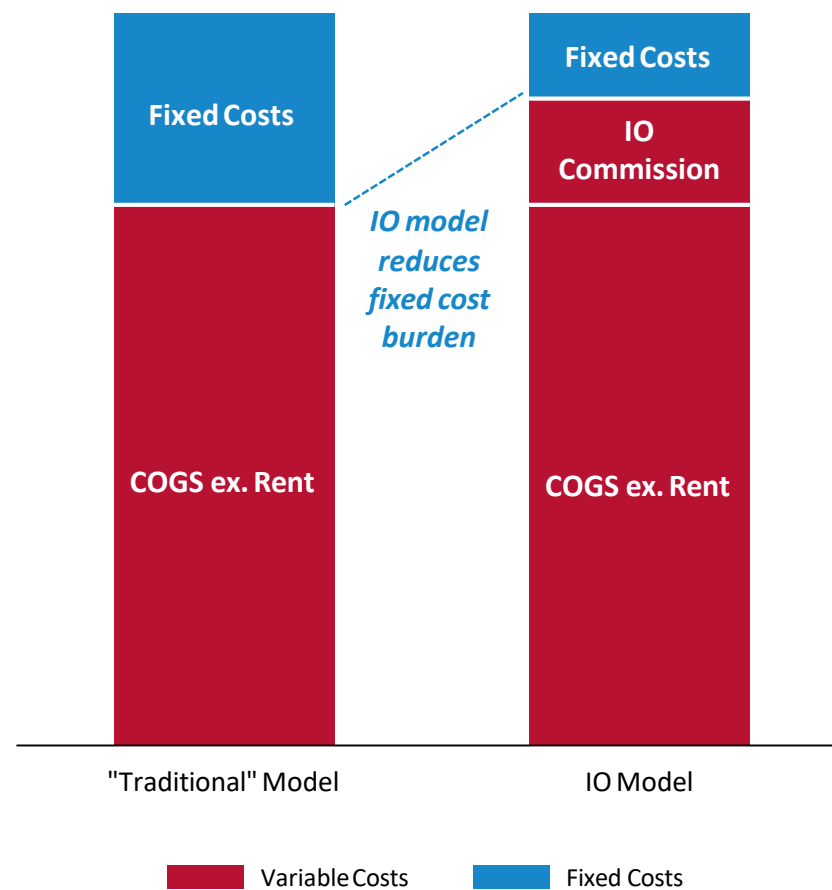
Occupancy

✓

✗

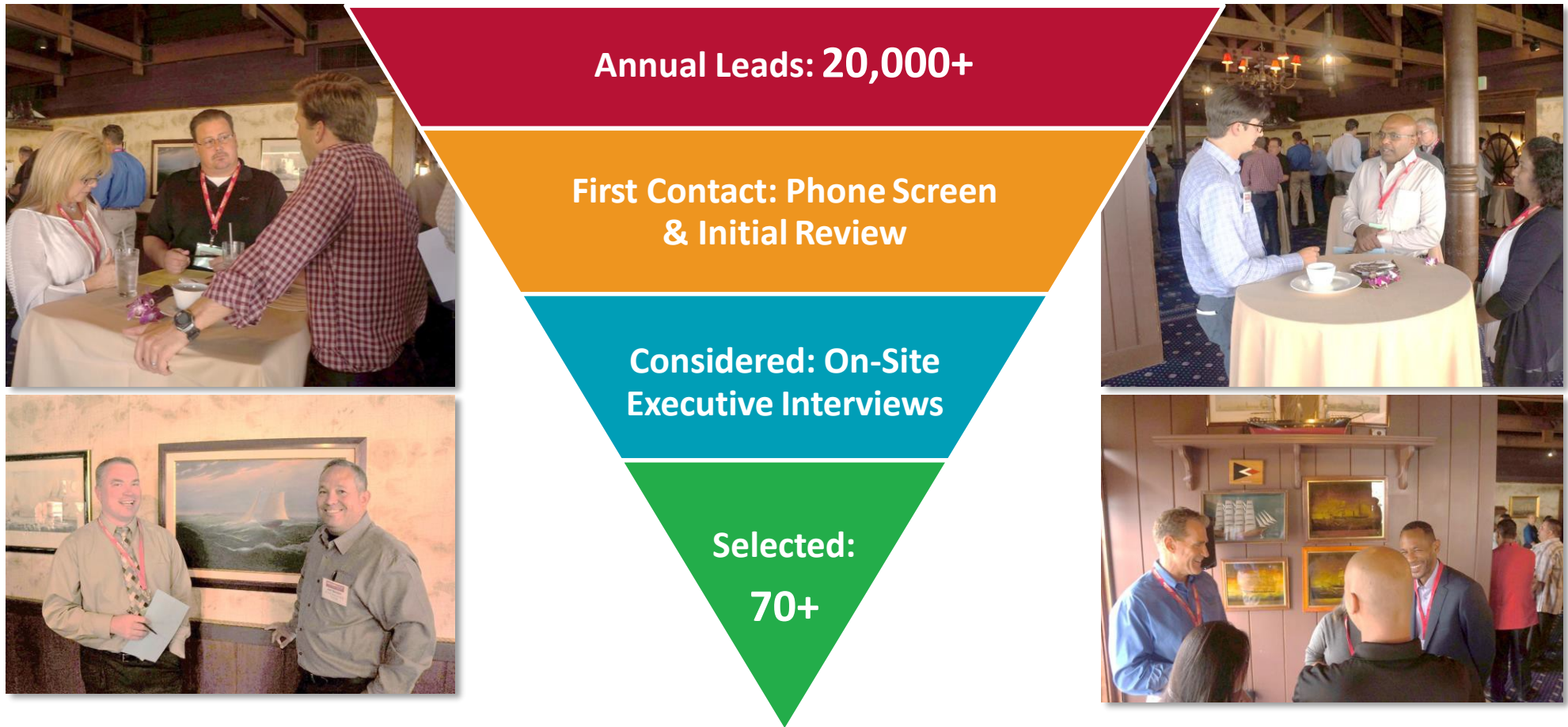
IO Model Reduces GO's Fixed Cost Burden

Illustrative Expense Split



Note: Dollars in millions.

Selective Independent Operator Recruiting And Rigorous Training



Enter 6 – 9 Month Aspiring Operator In Training Program

Centralized Marketing Coupled With Local IO Marketing Efforts

Enterprise Marketing Driven By Grocery Outlet

Digital

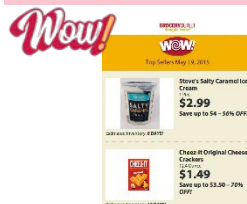
Social Media



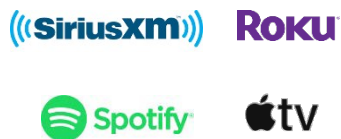
Digital Ads



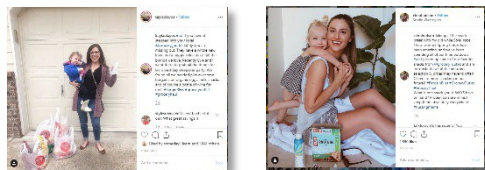
WOW! Alerts



Radio / Connected TV



Influencer



Traditional

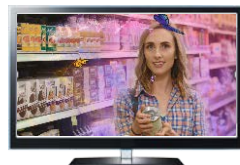
Print



Radio



Television



Local Marketing Driven By IOs

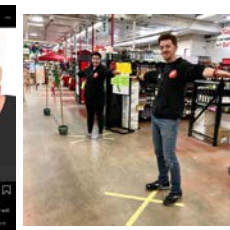
In-Store Localization



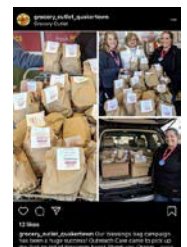
Targeted Promotions



Active Social Media Presence



Community Involvement



The infographic illustrates the significant potential for solar energy in the United States. It features a map of the US with states shaded in orange and red, indicating solar potential. A bar chart compares the current solar capacity (362 MW) as of 6/27/2020 with the potential capacity (~1,900 MW). A cloud icon indicates a +5x potential increase.

Category	Value
As of 6/27/2020	362
In-Market and Neighboring State Potential	~1,900

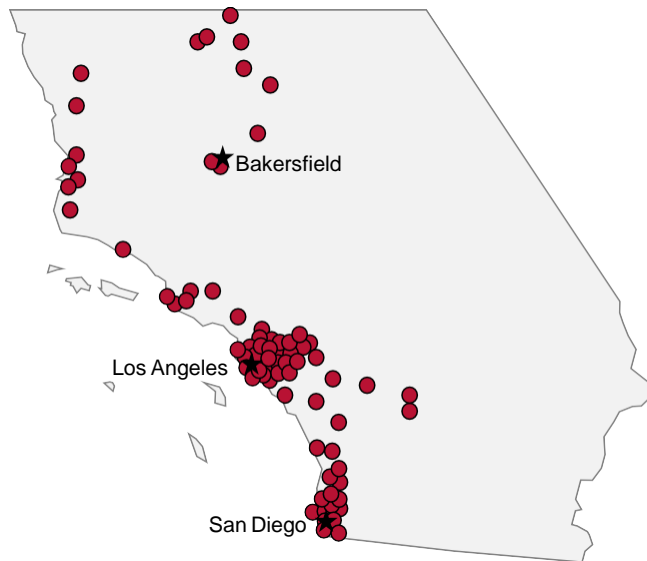
+5x Potential

Market Expansion Strategy and Success



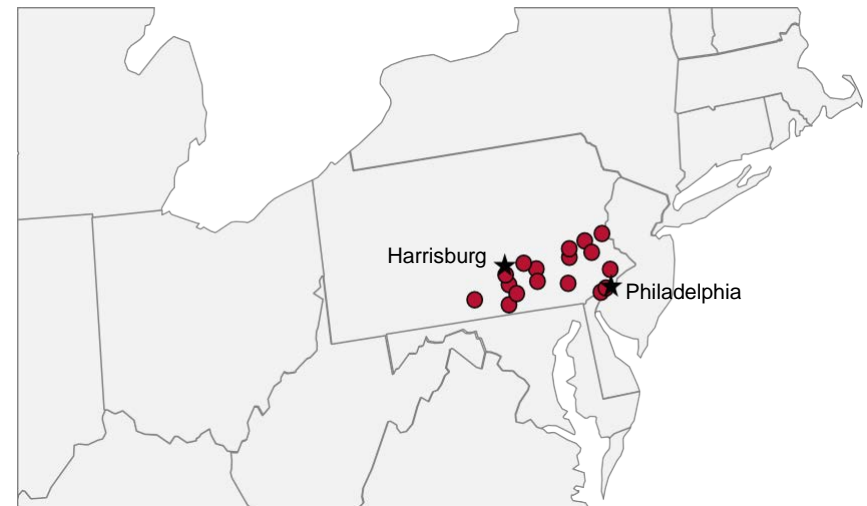
Strong Presence in Southern CA

- Market entry in 2012
- 79 stores in Southern CA⁽¹⁾



Foundation For Growth in The Mid-Atlantic

- Acquired Amelia's Grocery Outlet in 2011
- Goal: to accommodate supplier partners more effectively



Attractive and Historically Consistent New Store Economics

Overview

- We employ a **blended underwriting model** reflecting average economics across all urbanities, geographies and store types
- New stores require average net cash investment of **~\$2mm**
- **4 – 5 year store ramp** until maturity
- Payback period of **less than 4 years**
- Recent cohorts have **outperformed the new store model**



Model Assumptions

	Year4
Sales	~\$6,875
GO Four Wall EBITDA Contribution	~\$680
% Four Wall EBITDA Margin	~10%
Cash-on-Cash Return	~35%

Note: Dollars in thousands. Cash-on-cash return defined as four-wall EBITDA divided by total initial net cash investment.

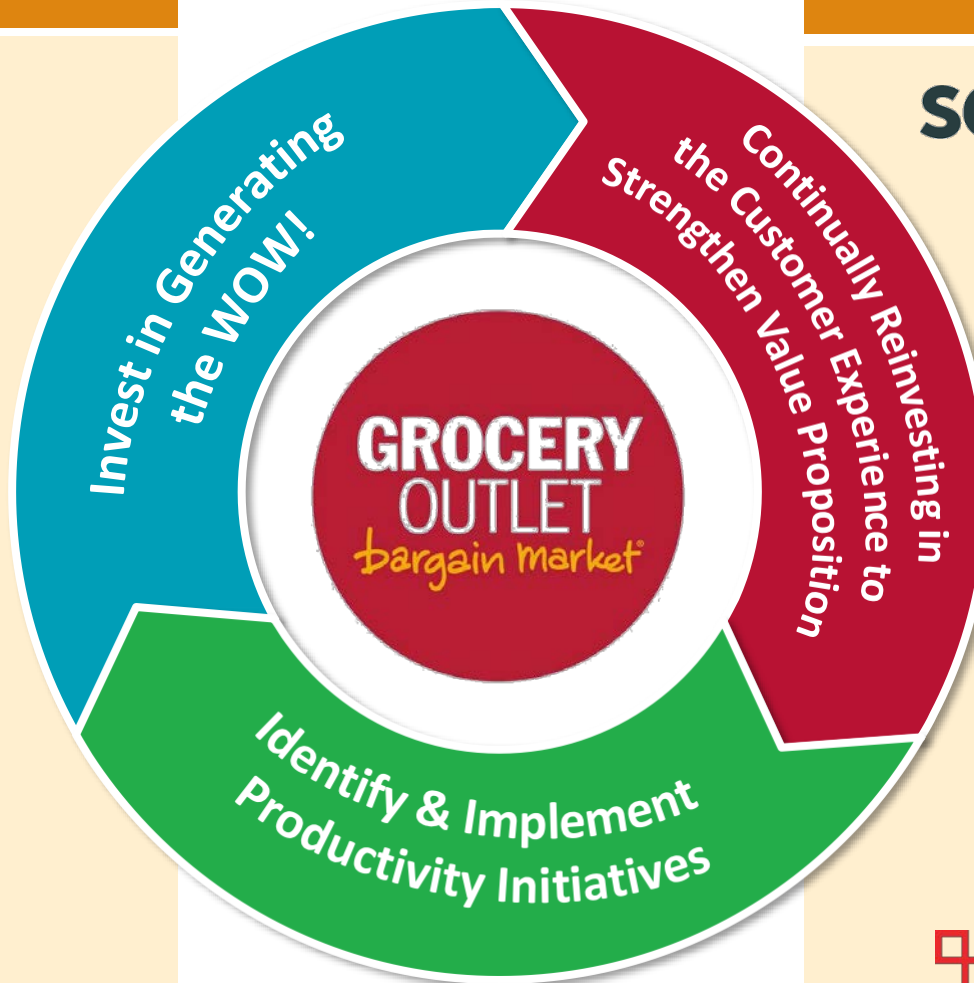
We Are Winning Through Constant Investments To Continually Strengthen Our Value Proposition



Talent



Technology





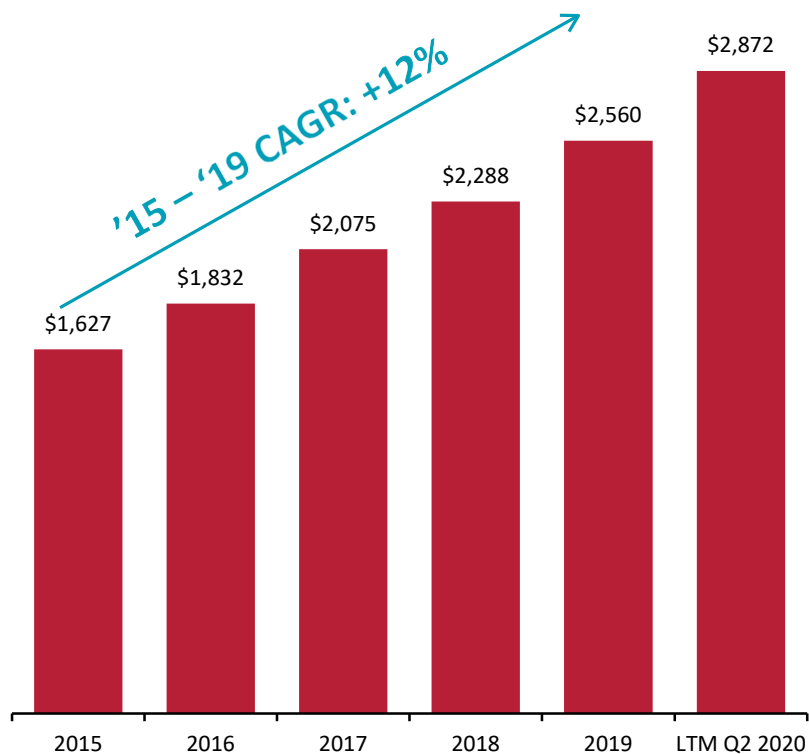
GROCERYOUTLET
bargain market

The logo is centered in the upper half of the image. It features the words "GROCERYOUTLET" in a bold, white, sans-serif font. Below this, the words "bargain market" are written in a smaller, yellow, cursive-style font. The entire logo is superimposed on a red-tinted background of a busy grocery store interior.

FINANCIAL PERFORMANCE AND OUTLOOK

Historical Financial Performance

Strong and Disciplined Net Sales Growth



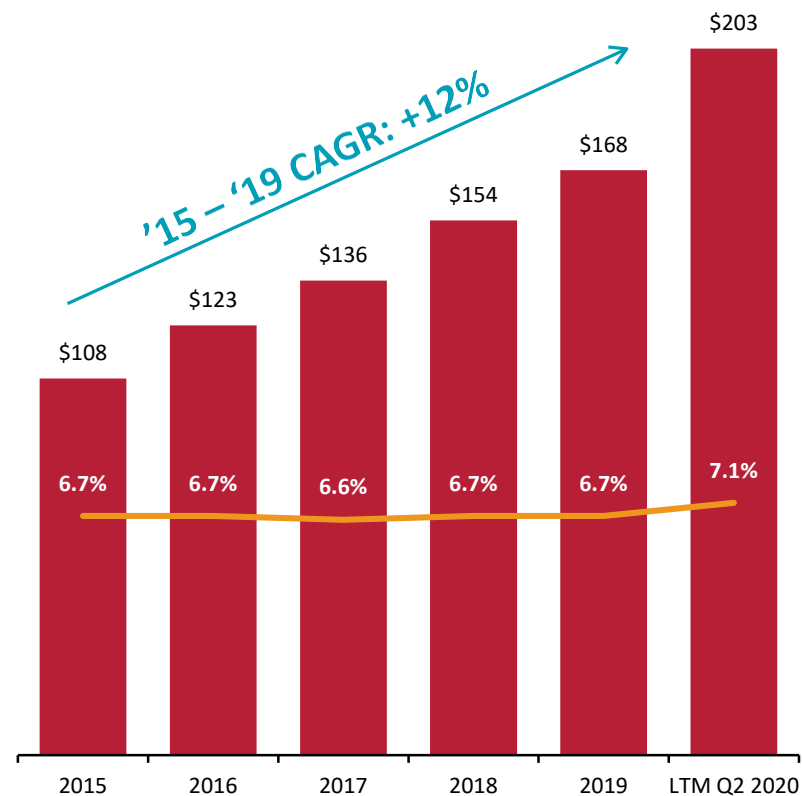
Stores	237	265	293	316	347	362
Unit Growth	9%	12%	11%	8%	10%	10% ⁽¹⁾
Comp	4.2%	3.6%	5.3%	3.9%	5.2%	11.3% ⁽²⁾

Note: Dollars in millions.

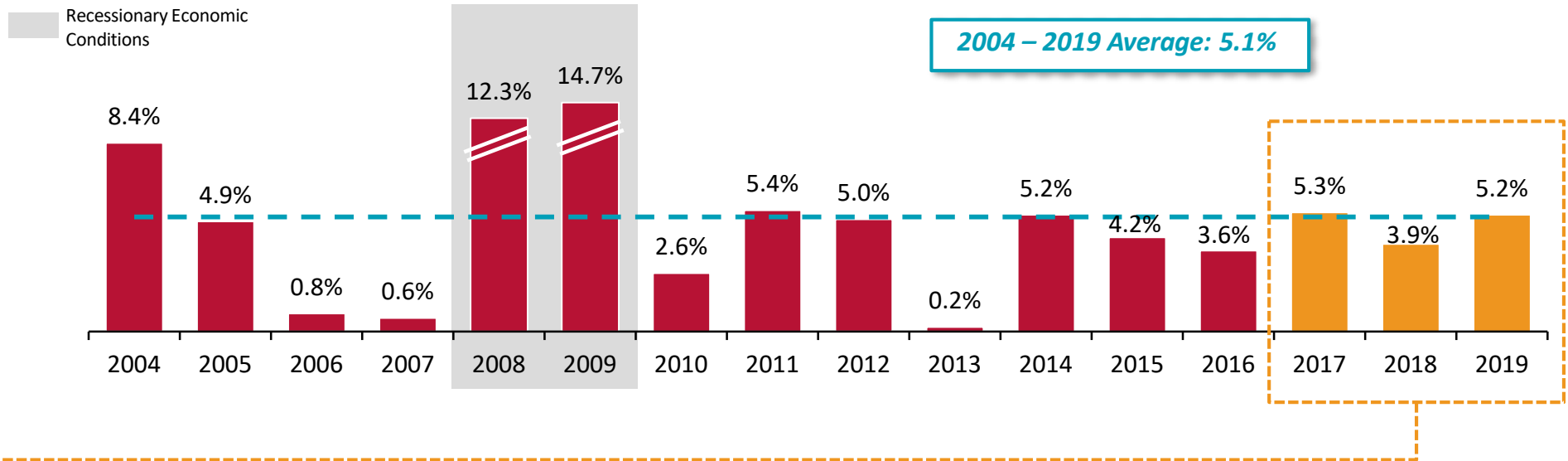
(1) Reflects growth relative to Q2'19 store count of 330 units

(2) Represents average comp over prior 4 quarters as of Q2'20

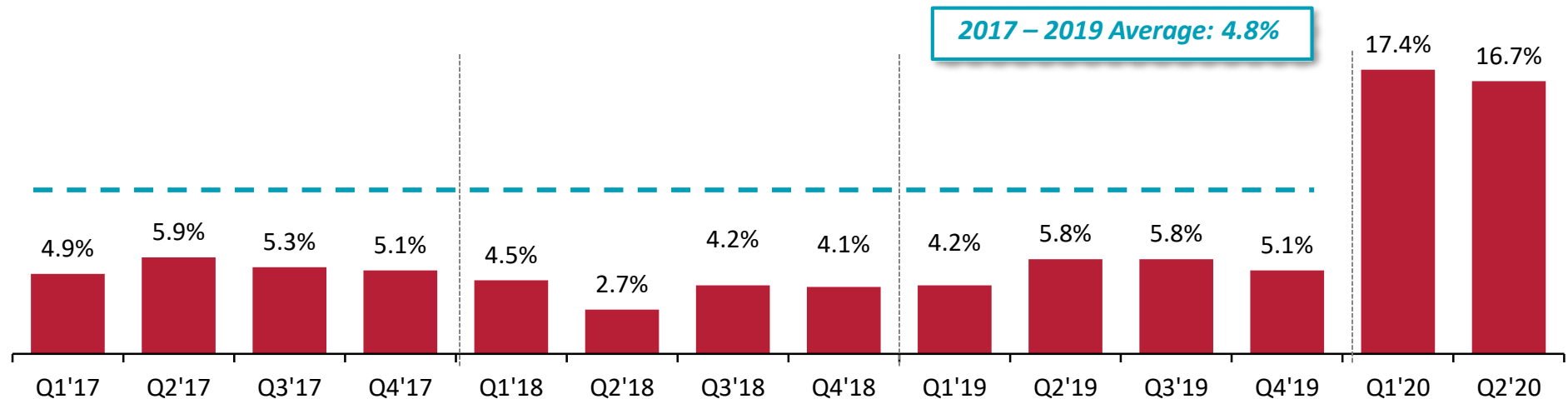
Track Record of Adjusted EBITDA Growth



16 Consecutive Years of Positive Comparable Store Sales Growth



FY 2017 – Q2 2020 Quarterly Comparable Store Sales Growth



Q2 2020 Recent Developments

	Thirteen Weeks Ended June 27, 2020	Y-o-Y Growth
Stores	362	11.3%
Comparable Store Sales Growth	16.7%	—
Net Sales	\$803MM	24.5%
Adj. EBITDA	\$61MM	34.7%
Adj. Net Income	\$41.8MM	189.2%

Note: Dollars in millions.

(1) As of August 10, 2020.

Q2 Highlights

- Second quarter comps remained strong and were driven by an increase in average basket size that was partially offset by traffic declines resulting from shelter-in-place restrictions.
- Q2 Adj EBITDA of \$60.6MM represents 34.7% Y-o-Y growth

H2 2020 ⁽¹⁾

- As of August 10, 2020 quarter-to-date comp store sales stood at 10%. Continue to see growth in average basket size, partially offset by lower traffic as customers continue to consolidate their trips. Anticipate comp growth will continue to moderate as economy reopens.
- Expect to continue to incur incremental cost in the back half of the year associated with COVID-19 such as cleaning and safety costs, costs for protective equipment and supplies, and higher personnel expense.

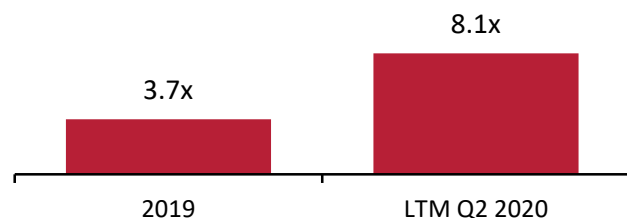
Capital Structure

- Used IPO proceeds to repay in full its second lien term loan (~\$150mm) and prepay ~\$250mm of its outstanding first lien term loan
- In October 2019, the Company prepaid additional \$15mm of its outstanding first lien term loan
- In January 2020, repriced its first lien term loan at L+275bps, down from L+375bps originally
- In March 2020, the Company drew down \$90mm from its revolving credit facility as a precautionary measure in light of COVID-19
- During the second quarter of fiscal 2020, the Company repaid in full the \$90.0 million drawn on the revolving credit facility of its First Lien Credit Agreement
- No required principal payments until 2025

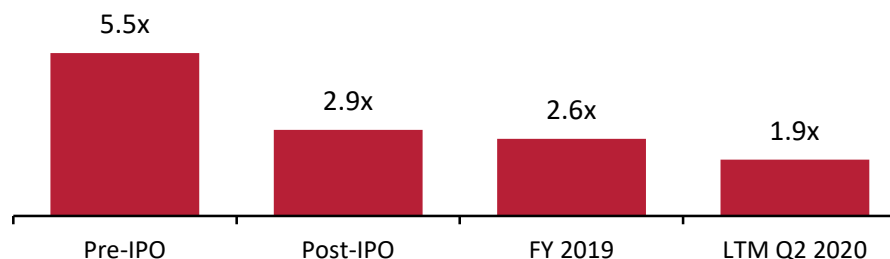
Capitalization

	FY 2019	Revolver Draw	Q2'20
Cash & Cash Equivalents	\$28	\$90	\$80
First Lien	460		
Total Gross Debt	\$460	\$90	\$460
Net Debt	\$432	\$0	\$380
LTM Adj. EBITDA	\$170	—	\$203
Net Debt / Adj. EBITDA	2.6x	—	1.9x

Interest Coverage⁽¹⁾



Net Leverage⁽²⁾



Note: Dollars in millions.

(1) Defined as Adj. EBITDA / Net Interest Expense

(2) Defined as (Total Debt - Cash) / LTM Adj. EBITDA.

Long-Term Targets

Annual Unit Growth

~10%

Comparable Store Sales Growth

1 – 3% annually

Adjusted EBITDA

Stable as a % of Sales

Adjusted Net Income Growth

Mid-teens %

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APPENDIX

FY 2019 Adjusted EBITDA Reconciliation

	2015A	2016A	2017A	2018A	2019A	Location on P&L
Net Income	\$5	\$10	\$21	\$16	\$15	
Interest expense, net	46	47	50	55	46	Interest Expense
Taxes	3	7	5	6	1	Income Tax
Depreciation and amortization	31	37	43	47	50	COGS / D&A
EBITDA	\$85	\$101	\$119	\$124	\$113	
Stock-based compensation ⁽¹⁾	0	3	2	10	31	SBC
Debt extinguishment and modification costs ⁽²⁾	5	—	1	5	6	Debt Extinguishment & Modification Expense
Non-cash rent ⁽³⁾	10	8	8	8	11	SG&A
Asset impairment and gain or loss on disposition ⁽⁴⁾	1	1	1	1	2	SG&A
New store pre-opening expenses ⁽⁵⁾	2	3	2	2	2	SG&A
Rent for acquired leases ⁽⁶⁾	2	2	0	—	—	SG&A
Provision for accounts receivable reserves ⁽⁷⁾	1	4	3	1	3	SG&A
Other ⁽⁸⁾	1	1	1	2	3	SG&A
Adjusted EBITDA	\$108	\$123	\$136	\$154	\$170	

Note: Dollars in millions.

(1) Includes \$3.6 million, \$10.0 million, and \$1.3 million of cash dividends paid in fiscal 2019, 2018, and 2017 respectively, in respect of vested options as a result of dividends declared in connection with our recapitalizations in fiscal 2018 and 2016.

(2) Represents the write-off of debt issuance costs and debt discounts related to the repricing and/or repayment of our first and second lien credit facilities. See NOTE 6—Long-term Debt to our Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2019 for additional information.

(3) Consists of the non-cash portion of rent expense, which represents the difference between our straight-line rent expense recognized under GAAP and cash rent payments. The adjustment can vary depending on the average age of our lease portfolio, which has been impacted by our significant growth in recent years. Non-cash rent was impacted by the adoption of ASC 842, Leases, which moved approximately \$3.2 million out of amortization expense and into non-cash rent expense.

(4) Represents impairment charges with respect to planned store closures and gains or losses on dispositions of assets in connection with store transitions to new IOs.

(5) Includes marketing, occupancy and other expenses incurred in connection with store grand openings, including costs that will be the IO's responsibility after store opening.

(6) Represents cash occupancy costs on leases acquired from Fresh & Easy, Inc. in 2015 for the periods prior to opening new stores on such sites (commonly referred to as "dead rent").

(7) Represents non-cash changes in reserves related to our IO notes and accounts receivable.

(8) Other non-recurring, non-cash or discrete items as determined by management, including transaction related costs, personnel-related costs, store closing costs, legal expenses, strategic project costs, and miscellaneous costs.

FY 2019 Adjusted Net Income Reconciliation

	FY 2018	FY 2019
Net Income	\$15.9	\$15.4
Stock-based compensation expenses	10.4	31.4
Debt extinguishment and modification costs	5.3	5.6
Non-cash rent	7.9	10.6
Asset impairment and gain or loss on disposition	1.3	2.0
New store pre-opening expenses	1.6	1.5
Provision for accounts receivable reserves	0.7	2.6
Other	2.1	3.3
Amortization of purchase accounting assets and deferred financing costs	16.7	11.9
Tax effect of total adjustments	(12.6)	(19.4)
Adjusted Net Income	\$49.3	\$65.0

Note: Dollars in millions.

LTM Adjusted EBITDA Reconciliation

	13 Weeks Ended			
	September 28, □ 2019	December 28, □ 2019	March 28, □ 2020	June 27, □ 2020
Net income	\$ 12,445	\$ 9,832	\$ 12,642	\$ 29,333
Interest expense, net	7,342	6,695	5,834	5,270
Income tax benefit	3,689	477	(1,801)	(2,244)
Depreciation and amortization expenses ^(a)	13,782	10,356	13,570	13,887
EBITDA	37,258	27,360	30,245	46,246
Share-based compensation expenses ^(b)	2,892	5,586	20,277	10,175
Debt extinguishment and modification costs ^(c)	472	—	198	—
Non-cash rent ^(d)	1,629	5,275	2,214	2,759
Asset impairment and gain or loss on disposition ^(e)	85	1,457	975	(22)
New store pre-opening expenses ^(f)	294	473	406	337
Provision for accounts receivable reserves ^(g)	309	202	848	(899)
Other ^(h)	1,237	1,183	1,864	2,048
Adjusted EBITDA	\$ 44,176	\$ 41,536	\$ 57,027	\$ 60,644

Note:

- (a) Includes depreciation related to our distribution centers which is included within the cost of sales line item in our condensed consolidated statements of operations and comprehensive income (loss).
- (b) Includes non-cash share-based compensation expense and immaterial cash dividends paid on vested share-based awards for cash dividends declared in connection with our recapitalizations in fiscal 2018 and 2016.
- (c) Represents the write-off of debt issuance costs and debt discounts related to the repricing and/or repayment of our credit facilities.
- (d) Consists of the non-cash portion of rent expense, which represents the difference between our straight-line rent expense recognized under GAAP and cash rent payments. The adjustment can vary depending on the average age of our lease portfolio, which has been impacted by our significant growth in recent years.
- (e) Represents impairment charges with respect to planned store closures and gains or losses on dispositions of assets in connection with store transitions to new IOs.
- (f) Includes marketing, occupancy and other expenses incurred in connection with store grand openings, including costs that will be the IO's responsibility after store opening.
- (g) Represents non-cash changes in reserves related to our IO notes and accounts receivable. The 26 weeks ended June 27, 2020 reflects the adoption of ASU 2016-13.
- (h) Other non-recurring, non-cash or discrete items as determined by management, such as transaction related costs including costs related to secondary offerings, personnel-related costs, store closing costs, legal expenses, strategic project costs, and miscellaneous costs.

LTM Adjusted Net Income Reconciliation

	13 Weeks Ended			
	September 28, □ 2019	December 28, □ 2019	March 28, □ 2020	June 27, □ 2020
Net income	\$ 12,445	\$ 9,832	\$ 12,642	\$ 29,333
Share-based compensation expenses ^(a)	2,892	5,586	20,277	10,175
Debt extinguishment and modification costs ^(b)	472	—	198	—
Non-cash rent ^(c)	1,629	5,275	2,214	2,759
Asset impairment and gain or loss on disposition ^(d)	85	1,457	975	(22)
New store pre-opening expenses ^(e)	294	473	406	337
Provision for accounts receivable reserves ^(f)	309	202	848	(899)
Other ^(g)	1,237	1,183	1,864	2,048
Amortization of purchase accounting assets and deferred financing costs ^(h)	3,705	461	2,936	2,944
Tax effect of total adjustments ⁽ⁱ⁾	2,429	(4,553)	(8,321)	(4,856)
Adjusted net income	\$ 20,639	\$ 19,916	\$ 34,039	\$ 41,819

Note:

- (a) Includes non-cash share-based compensation expense and immaterial cash dividends paid on vested share-based awards for cash dividends declared in connection with our recapitalizations in fiscal 2018 and 2016.
- (b) Represents the write-off of debt issuance costs and debt discounts related to the repricing and/or repayment of our credit facilities.
- (c) Consists of the non-cash portion of rent expense, which represents the difference between our straight-line rent expense recognized under GAAP and cash rent payments. The adjustment can vary depending on the average age of our lease portfolio, which has been impacted by our significant growth in recent years.
- (d) Represents impairment charges with respect to planned store closures and gains or losses on dispositions of assets in connection with store transitions to new IOs.
- (e) Includes marketing, occupancy and other expenses incurred in connection with store grand openings, including costs that will be the IO's responsibility after store opening.
- (f) Represents non-cash changes in reserves related to our IO notes and accounts receivable. The 26 weeks ended June 27, 2020 reflects the adoption of ASU 2016-13.
- (g) Other non-recurring, non-cash or discrete items as determined by management, such as transaction related costs including costs related to secondary offerings, personnel-related costs, store closing costs, legal expenses, strategic project costs, and miscellaneous costs.
- (h) Represents the amortization of debt issuance costs and incremental amortization of an asset step-up resulting from purchase price accounting related to our acquisition in 2014 by an investment fund affiliated with Hellman & Friedman LLC, which included trademarks, customer lists, and below-market leases.
- (i) Represents the tax effect of the total adjustments. Because of the increased impact of discrete items on our effective tax rate including the excess tax benefits from the exercise of stock options and vesting of RSU share-based awards, beginning in the fourth quarter of fiscal 2019, we changed our methodology to calculate the tax effect of the total adjustments on a discrete basis excluding any non-recurring and unusual tax items. Prior to the fourth quarter of fiscal 2019, the methodology we used was to calculate the tax effect of the total adjustments using our quarterly effective tax rate.