



7-May-2025

**National Vision Holdings, Inc. (EYE)**

Q1 2025 Earnings Call Transcript

## **CORPORATE PARTICIPANTS**

**Tamara Gonzalez** – Vice President-Investor Relations, National Vision Holdings, Inc.

**L. Reade Fahs** – Chief Executive Officer and Director, National Vision Holdings, Inc.

**Alex Wilkes** – President, National Vision Holdings, Inc.

**Christopher Laden** – Chief Financial Officer, National Vision Holdings, Inc.

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## **OTHER PARTICIPANTS**

**Simeon Gutman** – Analyst, Morgan Stanley & Co, LLC

**Zachary Fadem** – Analyst, Wells Fargo Securities LLC

**Brandon Cheetham** – Analyst, Citigroup Global Markets, LLC

**Angus Kelleher-Ferguson** – Analyst, Barclays Capital, Inc

**Michael Lasser** – Analyst, UBS Securities LLC

**Kate McShane** – Analyst, Goldman Sachs

**Robert Ohmes** – Analyst, Bank of America Securities, LLC

**Jonathan Elias** – Analyst, BMO

**Anthony Chukumba** – Analyst, Loop Capital Markets LLC

**Michael Lasser** – Analyst, UBS Securities LLC

**Dylan Carden** – Analyst, William Blair

**Meghan Holtz** – Analyst, Jefferies LLC

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## **PRESENTATION**

**Tamara Gonzalez, Vice President-Investor Relations, National Vision Holdings, Inc.**

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Thank you. And good morning, everyone. Welcome to National Vision's first quarter 2025 earnings call. Joining me on the call today are Reade Fahs, CEO, Alex Wilkes, President, and Chris Laden, CFO.

Our earnings release issued this morning and the presentation accompanying our call are both available in the Investors section of our website, nationalvision.com. A replay of the audio webcast will be archived in the Investors section after the call.

Before we begin, let me remind you that our earnings materials and today's presentation include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. These risks and uncertainties include, but are not limited to the factors identified in the release and our filings with the Securities and Exchange Commission.

The release in today's presentation will also include certain non-GAAP measures. Reconciliation of these measures is included in our release and the supplemental presentation. We would like to draw your attention to Slide two in today's presentation for additional information about forward-looking statements and non-GAAP measures.

Further, please note that all financial measures in today's commentary are based on a continuing operations basis unless otherwise noted. As a reminder, National Vision provides investor presentation and supplemental material for investor reference in the Investors section of our website.

I will now turn the call over to Reade. Reade?

**L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.**

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Thank you, Tamara. And good morning, everyone. Thank you for joining us today. Last week, Alex and I met with over 1,200 store managers, along with our field and optometric leadership, to ensure that they are all fully enrolled, engaged and aligned with our transformation strategies and tactics.

As so many of the company's leaders were uniquely all in one place, it was an ideal time to share the news of our CEO succession plans live and in-person that as of August 1, Alex Wilkes will be succeeding me as CEO, and I will be transitioning to the role of Executive Chair. The Board, Alex and I have done a lot of research and have a lot of mindful conversations about best practices associated with CEO transition.

That, combined with Alex and my natural compatibility and chemistry has helped us to ensure a smooth and orderly transition. As such on this, my last earnings call after 23 years and 30 earnings calls as CEO, I'm pleased to be able to share that the strength of our first quarter results are further evidence that National Vision's transformation is working and should continue to be successful well into the future.

Our entire team's disciplined approach to executing on our strategic initiatives was evident in the strong continued growth we saw this quarter in our three target customer cohorts managed care, progressives and outside Rx customers, leading to a return to mid-single-digit comp performance and achieving solid bottom line performance.

We are pleased with the ongoing momentum we've seen and are confident we are headed in the right direction. We believe that our value offering positions us well particularly in this environment and the results in the quarter reinforce our confidence in the long-term potential of our go-forward strategy and initiatives.

Recall that the National Vision transformation began following the many changes in the marketplace and the business that started in 2022. We addressed the emergent optometrist shortage through a variety of efforts including enhanced flexibility, recruiting improvements and the implementation of remote exam capability. While there remain plenty of opportunities to further optimize the efficiency of the network, we believe we now have a strong foundation of optometrist coverage in place.

With this foundation, we kicked the transformation into a higher gear last year, which included the recruitment of new leaders with fresh perspectives to help develop and implement a multiyear transformation agenda. That's when we recruited Alex Wilkes, an industry veteran from EssilorLuxottica and Cooper Vision and Mark Banner, who was new to our industry, but brought enlightened insights from his analogous consultative selling retail experiences with Sleep Number and Zales.

A month ago, we also added Chris Laden to the team as CFO. Chris worked alongside Alex as Head of Finance during their transformation of Pearle Vision for EssilorLuxottica. Most recently, he was CFO of Community Veterinary Partners, a business similar to optical given its reliance on medical professionals. Welcome, Chris.

Last fall, the new team performed a deep dive analysis on our customer and our business and developed a simple but mighty strategy that we shared with you last quarter. Our new strategy involves heightening our attention to segmentation, personalization and digitization in our messaging, product, pricing architecture, and customer experience with a special focus on our three target customer cohorts that represent about half of our customers, but a disproportionately larger percentage of our sales. These segments, while already significant to us and growing faster than the rest of the business, are also segments where we are significantly underdeveloped versus the category. Thus, focusing on them should help to expand our addressable market. Plus, they each in their own way help to insulate us more from the impact of difficult macroeconomic times.

We began to see initial evidence of this during the first quarter where Americas best saw positive comp in sales from higher income groups offsetting negative trends from lower income consumers. This was true with managed care customers and those self-paying in these income brackets.

While these segments are receiving heightened attention, we remain mindful of maintaining focus on the value we provide to our more purely budget-oriented customers, especially in an environment where all consumers, especially cash consumers, are ever more value seeking. The initial programs springing from this new strategy helped us to deliver a strong quarter. After I take you through first quarter results, Alex will provide more details on our ongoing transformation programs and progress.

With that, I'll turn to the highlights in the first quarter. Sales in the first quarter rose 5.7% to \$510 million. Adjusted comparable store sales growth of 5.5% represented the ninth consecutive quarter of positive growth – solidly in the mid-single-digit range, thanks to positive traction on our initiatives with every brand delivering positive comp growth. America's best comparable store sales were 5.9% on top of 1.2% in last year's first quarter and Eyeglass World comp store sales of 3.1%, its best quarter since 2021. All three of our target customer segments delivered double-digit comps.

While strong comp was due to average ticket, we were encouraged to see traffic turn positive for the quarter. Importantly, while we experienced average ticket gains, we continued to see exam to eyeglass purchase conversions hold steady and healthy Net Promoter Score. This is a confirmation that our pricing actions were accepted by customers. Adjusted operating income increased 21.8% to \$41.3 million and adjusted diluted earnings per share increased to \$0.34.

As stated previously, exam capacity remains in good shape. Retention remains healthy, and our recruitment efforts are in line with expectations. Remote technology is enabled in approximately two-thirds of the store base and is now embedded in our operations. We are encouraged that this strong momentum continued as we entered the second quarter, which gives us further confidence in our transformation program.

And with that, let's turn to guidance. The strength of our first quarter results gives us the confidence to raise our guidance for the year. Chris will take you through our outlook in more detail. While we're confident in our strategy and seeing strong response to our initiatives, we believe in this environment, it's hard to predict consumer demand. Thus, our focus on cost efficiency couldn't be timelier. Amidst all this, we feel good about the course we're on and are confident in our future.

With that, I'll turn the call over to Alex.

**Alex Wilkes, President, National Vision Holdings, Inc.**

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Thank you, Reade. Thank you for the partnership over these past nine months and going forward. I'll start with saying just how honored I am to be given the opportunity to lead National Vision during this important time of transformation. I've shared that I've always been impressed by the remarkable growth of National Vision by our special culture and by the strength of our brands. This was especially evident at our

store manager, doctor and field leadership meeting last week.

I'm privileged to lead the company as we define our next chapter of growth. I also recognize that I am in a unique position to continue to benefit from Reade's involvement in the business as Executive Chairman. These past few months, Reade and I have worked closely to prepare for this next phase of our transformation.

With this in mind, I'd like to take a moment to give you a sense for how I'm thinking about National Vision and what my priorities will be as CEO. National Vision is uniquely positioned to capitalize on the growing need for value that we see across income demographics, particularly in this environment. National Vision has truly differentiated characteristics, our fantastic optometry network provides patients with an eye exam experience that we believe is unmatched including using industry-leading exam technology, both for in-store and remote exams.

We are unique in how we go to market with our optometrist network and in the phenomenal quality of the exams they provide. When you pair this up with our scale and market recognition, as a leading value provider, you have a winning combination. With these characteristics and the strength of the team we have in place, I'm confident in our ability to drive sales and improve our profitability going forward.

Over the past two quarters, we've outlined specific initiatives to achieve these goals. The strength of our first quarter results and continued momentum is a proof point of their success. My priority as CEO is to continue the transformation strategy that we've put in place and that has shown success. This involves heightened segmentation, personalization and digitization across our messaging, assortment and pricing architecture and our in-store experience. Our strategic initiatives are focused on growing our business around this expanding customer review.

We're defining value propositions concentrated more on our highest-value customers and creating an improved customer and store experience, all while being intently focused on disciplined expense management. This approach places National Vision in a position of strength as we pursue profitable growth. Importantly, the investments we're making are phased over the course of this year, and we believe they have a long runway of future benefits. As we look ahead to the balance of the year, we are on track with the initiatives we laid out for you last quarter.

In store, this shift is taking place on a few fronts, most notably in our pricing actions, product offerings and selling approach that are giving us meaningful traction in growing average ticket. We started evolving our pricing structure to better match our customer profile with pricing actions in the fourth quarter. These have been well received by customers as they have grown average ticket with no degradation in conversion or NPS. Pricing is an especially important competency to strengthen in a world of heightened tariffs.

Over the last two quarters, we've demonstrated runway on ticket with conversion flat to increasing, giving us confidence that we have room as needed to mitigate tariffs. Pricing will be an ongoing and robust capability as we've proven that the pricing we've taken to date is holding strong. Average ticket is, of course a function of both price and mix.

So along with pricing actions, we are currently in the process of evolving our product assortment. We are rapidly moving from a focus on a wide selection of lower-price frames to a wider assortment that attracts a broader customer base. After the second quarter, the percent of our frame mix over \$99 will be 2x what it was at the end of 2024.

We've already started this with a deliberate cadence of new on-trend branded frames that we'll be rolling out throughout the year. At the end of the first quarter, we launched LAMB and Ted Baker, two highly sought-after brands at appealing price points for our target customers. LAMB is Gwen Stefani's line of eyewear that reflects a blend of luxury and attitude styling and fills a market void for edgy and inclusive

styling. Ted Baker is a global lifestyle brand known for its modern fine tailoring— a great addition to our stores that brings luxury styling without the luxury price point.

Additionally, as of the end of April, we began our Ray-Ban Meta pilot in select stores in New York and Atlanta markets. In May we will begin piloting Nuance audio glasses an all-in-one vision and hearing solution. Key to making pricing actions and branded product launches work its store associate enrollment and training.

At the core of this is heightened associate understanding of our consumer segments, heightened personalization and lifestyle selling, and heightened focus on overall value and not just price. We started this in the fourth quarter and went a lot deeper at our store manager meetings last week. This work will be ongoing, but clearly, this is already contributing to our improved average ticket.

As the shopping experience is enhanced for the higher-value customer, the experience is enhanced for all customers. We will have more to offer where they have aspirational spend. The key takeaway is that customers are responding to what we're doing, we are seeing strong momentum in our initiatives to deliver enhanced selling and increased personalization requires new digital tools to demonstrate the benefits of the products we carry.

At the end of April, we began the rollout of an in-store app that demonstrates the advantages of the latest lens technologies as well as the benefits of advanced progressive lenses. This is an important milestone as we enhance the in-store experience by digital selling tools, and we have other innovations on the horizon to delight our various customer segments with more personalized in-store experiences. But the digitization of the consumer experience also involves how we attract them and maintain their loyalty.

As we discussed on our last call, we're making rapid enhancements to transform our digital marketing and omnichannel capabilities by a partnership with Adobe, involving our CRM system and ecommerce platform. We're looking forward to our next key milestone with the go-live of our new CRM in the second half of this year.

As a reminder, these will allow us to create new personalized journeys for all our customers and significantly enhance how our customers experience us online, particularly when combined with our new marketing approach. The work that VML, our new agency of record, is doing to redefine our communication and brand platforms is underway and we're excited by the early progress to refresh modernize and create a more personalized experience for our customers.

Before I turn the call over to Chris to take you through our outlook, an important reminder is that while we are focused on our initiatives, we are making significant changes to lower the cost of doing business. This started with \$12 million in corporate cost take out at the beginning of this year. We are working with Accenture on other types of cost saving measures going forward, and we look forward to updating you on, on future calls.

And with that, I'll turn the call over to Chris. Chris?

**Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.**

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Thank you, Alex. And good morning, everyone. I'm excited to be joining the team and talking with you today. I look forward to meeting many of you in the weeks to come. Over the past month, I've been immersed in the business and getting to know all of our team members. I've admired National Vision and its leadership position in the optical industry for some time and I'm excited to be joining at such a pivotal time for the organization, while also partnering once again with Alex.

I am also grateful to be able to continue to work with Reade in his new capacity. Reade, I only have 29

earnings calls to go to catch up to your record with NVI. Let's jump right in. For reference, my comments today will focus on comparisons to the prior year period unless otherwise noted. For the first quarter, net revenue increased 5.7% to \$510 million, driven by adjusted comparable store sales growth of 5.5% and growth from new store sales partially offset by a 150 basis point negative impact from the timing of unearned revenue. The spread between net revenue and adjusted comparable sales was impacted by the timing of store activity.

During the quarter, we opened nine new America's Best stores, while also executing our fleet optimization plan by closing three America's Best stores and nine Fred Meyer stores to end the quarter with a total of 1,237 stores, reflecting a 3% increase in store count year-over-year. Adjusted comparable store sales were driven by an increase in average ticket of 4.5%, supported by our transformation initiatives including the pricing actions we've taken, modernization of our customer experience, and enhanced selling techniques. The positive response to these initiatives from both store teams and customers occurred faster than our original estimates, resulting in a larger impact to average ticket.

As we've mentioned, exam to purchase conversion rates remained consistent. In addition, customer transactions increased 0.7%, recovering from the February declines we noted when we last reported. And as mentioned, we continue to see strength from our three target customer segments. As a percentage of net revenue, cost applicable to revenue decreased 30 basis points to 40.2%. The resulting increase in gross margin reflected a higher-than-anticipated growth in average ticket driven largely by the strong reception to the aforementioned initiatives. This benefit to product margin more than offset the dilution in contact lenses product margin and increase in optometrist-related costs.

Adjusted SG&A expense as a percentage of net revenue decreased 50 basis points compared with the first quarter of 2024. This decrease was primarily driven by lower advertising investments and partially offset by higher compensation expense. Depreciation and amortization expense of \$23 million was relatively flat compared to \$23.2 million in the prior year period. Adjusted operating income increased 21.8% to \$41.3 million compared to \$33.9 million in the first quarter last year. Adjusted operating margin increased 110 basis points to 8.1% due primarily to the factors mentioned above.

The net change in margin on unearned revenue negatively impacted net income from continuing operations by \$4.1 million and adjusted operating income by \$5.5 million. Net interest expense increased to \$4.6 million compared to \$4.3 million in the prior year period. Adjusted EPS increased to \$0.34 per share in the first quarter of 2025 from \$0.29 per share a year ago.

Please refer to today's press release for reconciliations of non-GAAP financial measures to their most comparable GAAP financial measures. Turning next to our balance sheet, we ended the quarter with a cash balance of approximately \$80 million and total liquidity of \$374 million including available capacity from our revolving credit facility. As of March 29, our total debt outstanding net of unamortized discounts, was \$346 million. And for the trailing 12 months, our net debt to adjusted EBITDA was 1.6x. During the quarter, we generated operating cash flow of \$32.2 million and invested \$20.2 million in capital expenditures primarily driven by investments in remote exam technology and new and existing stores.

Additionally, the investments we've made in our new ERP are bearing fruit as we successfully went live with the first phase of our ERP in April. We continue to maintain a strong balance sheet and healthy cash flow to support our growth and capital allocation priorities. We have \$84.8 million remaining on our convertible notes, which mature on May 15 of this year. We intend to settle those notes with cash on hand and borrowings from our revolving credit facility. Moving now to the discussion of 2025 outlook, which includes the 53rd week. We estimate that the 53rd week will add approximately \$35 million of net revenue and approximately \$3 million of adjusted operating income. As a reminder, adjusted comparable store sales growth is calculated on a 52-week comparable basis to the prior year.

With respect to tariffs, we have evaluated a variety of scenarios since the April 2nd policy announcements.

The situation is, of course highly fluid as is the potential impact to NVI and our customers. As a result, we have modeled a variety of outcomes and, based on what we know today, we believe that we can mitigate potential higher tariff costs with pricing actions and cost reduction efforts to neutralize the tariff impact on AOI.

To keep our outlook consistent, we have not included the impact of these tariffs nor our planned mitigation responses in our guidance. That said, we estimate that the tariffs communicated as of May 1st would result in approximately \$10 million to \$15 million in incremental product costs for the balance of the year.

For our 2025 fiscal year, while we continue to take a cautious view given the uncertainty with the potential impact tariffs policies may have on consumer spending, we are raising the low end of our adjusted comparable store sales guidance range to reflect the strength in first quarter results and ongoing momentum through the start of the second quarter.

In addition, we are raising our AOI expectations in line with our first quarter results and the performance of our initiatives positively impacting average ticket. Our guidance now assumes that approximately two-thirds of our adjusted comparable store sales growth will come through increases in average ticket, which more closely reflects the composition we saw in the first quarter.

For the year, we currently expect net revenue between \$1.919 billion and \$1.955 billion, supported by adjusted comparable store sales growth of 1.5% to 3.5% and new store sales based on our expectation to open approximately 30 to 35 new stores this year. We expect our new store opening cadence to be relatively equally split across the first and second half of the year, with about a third of the openings currently slated for Q4.

We expect to close seven America's Best stores this year, five in the second quarter and two in the fourth quarter as part of our continuous management of our real estate portfolio. Given the stronger than anticipated reception to our initiatives through the start of the year, particularly with respect to the resulting increase in average ticket, we now expect adjusted operating income between \$81 million and \$92 million, which includes a range for depreciation and amortization of \$93 million to \$96 million.

We expect adjusted diluted EPS to be between \$0.59 and \$0.67 per share, which assumes approximately 79 million weighted average diluted shares outstanding. This outlook range assumes fiscal 2025 adjusted operating margin to increase approximately 60 to 110 basis points relative to fiscal 2024, entirely driven by SG&A leverage. This reflects the disciplined actions we have taken including the \$12 million in SG&A savings discussed last quarter, the majority of which is expected to benefit the back half of the year.

As a reminder, the additional cost savings we are working on with Accenture are not yet quantified and as such, not factored into our outlook. For the year, we expect gross margin to be similar to fiscal 2024. We expect improvement in the first half, driven by eyeglass margins to be offset in the second half of the year, primarily due to headwinds expected in the fourth quarter as we lapped the benefit we saw last year due to a onetime doctor incentive true-up. We have not changed our expectation with respect to depreciation and amortization interest expense, tax rate and capital expenditures. To summarize, we are operating in a dynamic environment.

As Reade and Alex discussed, we are confident in our ability to drive continued success with our transformation initiatives, while remaining diligent to respond to changes in external factors.

I will now turn the call back over to Reade before we open our call for your questions. Reade?

**L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.**

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Thank you, Alex and Chris. In summary, I hope you took away that we feel our Q1 results are further confirmation that the strategy the new team has developed and is in the early stages of implementing involving targeting our most valuable segments has put us back on the right course — a course, we believe is both durable and sustainable. I hope you took away that although tariffs may end up being disruptive to the macro that we have plans at the ready to mitigate their impact and we believe we are among the best positioned in our category to handle them. I hope you took away that through methodical study of best practices, coupled with mutual respect and natural chemistry between Alex and I, that we are implementing a successful transition of leadership.

I'm just so pleased that I'm transitioning the leadership to a person and a team who have proven they can get National Vision back on the sort of long-term growth trajectory that we enjoyed for so long. It feels great to be transitioning during such an upswing. As mentioned previously this will be my last call as CEO. I would like to sincerely thank our analysts and the entire investment community. When we went public, I was told that you all with your probing questions would make us better. And you did just that. And for that, I'm appreciative.

But mostly, I want to end the call by saying that it's been an honor to serve in this role with National Vision for the past 23 years. I leave proud of the millions of patients whose lives and vision have been saved and improved by the thousands of optometrists practicing alongside our stores. Optometry is such an admirable profession and I'm pleased with the work we do to help enable them to provide the patient care they do. I leave proud of the tens of millions of customers who we have helped save money while improving their lives and self-images with great eyeglasses and contacts. I leave proud of the tens of thousands of associates who have found life giving fulfillment working here and advanced up our career ladder, thus helping them to have happier, more successful lives. I leave proud of the millions of ultra low income people in American and abroad, who we have helped to see again philanthropically. I've witnessed the multiple ways this has improved their lives, their family's life and their communities.

Over the years, I have delighted in saying that National Vision is a “people business”, we just happen to be selling eye exams, eyeglasses and contact lenses. Our people make the business successful and the people we serve and care for are what makes it life-giving for all of us. I move on in my new role, pleased and confident in the knowledge that all this and more will continue in National Vision's future chapters.

With that, I'll turn it over for questions.

## **QUESTION & ANSWER SECTION**

*Simeon Gutman, Morgan Stanley & Co, LLC*

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Alex, congratulations. My first question is if you assume from the noise, if you assume no conversion degradation like you said, like you're getting the ticket is the run rate for what ticket can become in the next couple of quarters? Are we seeing it? Or it should accelerate given the mix changes that are still occurring?

*Alex Wilkes, President, National Vision Holdings, Inc.*

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Yes, Simeon. Thanks for the question. Thanks for the congratulations. Certainly, a big day for all of us at National Vision. Yes, look, we're super happy with the ticket acceleration that we've seen in both the fourth quarter and the first quarter. And logically, if you look at the things that we're going to do go forward, we said that pricing is an ongoing muscle, and we have not yet kind of achieved the point on the elasticity curve where we're seeing degradation in conversion.

So we think there's runway. Ticket expansion has been fairly proliferated across the category over the last

several years. We have not necessarily kept up with the market. Now I think we're leveraging our strength, and we're seeing positive response. Again super proud of the fact that we're seeing ticket grow without degradation, not only in conversion but also in the MPS rate. So our customers are saying, "God, we appreciate what you're doing. We like the stuff that you're introducing, and we're seeing a high take rate on it. So yes, we absolutely think we have runway left.

***Simeon Gutman, Morgan Stanley & Co, LLC***

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And as a follow-up, if you decompose the revenue growth between managed care and customer pay are you now optimizing some of the managed care budgets that you just weren't fully optimizing before? Or is it customer pay side that's driving it as the customer has more choice and potentially higher price points to choose from?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. I think it's actually a bit of both. So certainly by introducing some more premium product, it's a product that the managed care customer is hungry for and introducing those products and those capabilities is actually raising the experience for the totality of our customer base. So we know that the managed care customer has a higher degree of spending power and that's giving us the right to introduce some products that really benefits our customer base in totality, the progressive customer, the outside of x customer in those three segments that we know have a higher resiliency in the market. And frankly, again we're seeing great response there.

***Zachary Fadem, Wells Fargo Securities LLC***

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Reade, first of all, it's been a pleasure, wishing you all the best. Alex and Chris, congrats to you. So first of all, as you think through all the drivers of your Q1 comp, particularly the nearly 6% at America's Best. First of all, could you walk us through the cadence in the quarter? Then perhaps, any color on income demographics and whether the gap between your cash pay customers and managed care customers widened or narrowed in the quarter?

***L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.***

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Yes. So thank you for that, Zach. So first of all, the quarter was a strong January, and then we had that two weeks in February that were particularly peculiar, which happened to be right before our call. So on that, we said that, that made us cautious on our last call and then March came back strong. So we had a weird anomaly of two weeks in February that just happened to coincide with our last earnings call. And as we suggested, the healthy trends have continued into April.

In terms of the demographic side, we did see a trade into us of higher-income customers, so sort of more higher income customers and some of the lower-income customers dropping out, which happens in tough economic times. We've seen that before, but it was very much offsetting and the key thing is we are providing great value to all. This is the moment when people are seeking value and that's who we are and that's what our brand has always been known for.

***Zachary Fadem, Wells Fargo Securities LLC***

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Yes. On that note, we had always talked about Reade, how the value segment of the industry was an outperformer in terms of growth relative to the rest of the industry. And as you think about all the opportunities across the business today how would you compare industry growth rates across some of the new buckets like managed care progressive, et cetera, relative to your core value offering?

***L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.***

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So the key thing about our three segments, the managed care, the progressive and the outside Rx is we are underdeveloped to the category in all of those. We do think that sort of when we hit 40% last year, it was sort of a tipping point and thus having sort of designing things a bit more for that managed care customer made a lot of sense and a lot of things. Alex and the team are doing to bring in new products to make sure that people are getting their full benefits worth is helping us, and we see that continuing to help us going forward.

So overall, one, yes, value should continue to be an ever more important trend as the macro gets more uncertain; and two, we have picked the right segments where we're underdeveloped and are showing great growth with them and great success.

***Brandon Cheetham, Citigroup Global Markets, Inc.***

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Reade, I'll add my congratulations. It's been great working with you and Alex also, congratulations on your new role. I was wondering, if you could share where your private label product is made and how much of your third-party product might be exposed to China tariffs depending on what happens, do you have the ability to switch away from third-party frames that might be made in China and carry something else? Then the product cost increases you mentioned, the \$10 million to \$15 million. How much of that is private label versus third-party frames?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. So we said that less than 10% of our cost of goods is exposed to China. We've done, I think a really nice job over the last several years to reduce our reliance on China and move our supply chain around some of the rest of Asia to mitigate some of the risk that we're now seeing. So I think a great job by the team, having the foresight to work on this over a number of years.

In terms of the mix, it's something we really don't go into to a huge degree of detail publicly. But we do have, as we've shown historically, we have flexibility to move, especially as it pertains to private label. That is where we have made the majority of our sourcing shifts over the last several years.

***L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.***

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And as I said, we're pleased with several countries, which gives us a bit of diversity.

***Brandon Cheetham, Citigroup Global Markets, Inc.***

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Okay. Got it. Then I know this might be hard to parse out, but the ticket performance during the quarter, how much of that is driven by some of the pricing actions you've taken, better frames kind of going up that value add or versus like the selling practices that you've implemented and being able to kind of cater more to that managed care customer? And if you could kind of expand on where do you think you are in kind of getting your sales force up that curve of approaching that managed care customer with better selling practices.

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. Brian, actually, we're quite pleased that all the actions that we put in place are contributing to the expansion of ticket. Approximately two-thirds of the ticket increase is attributable to the no regrets pricing decisions that we introduced in Q4 and Q1 that I talked about a bit more in detail last quarter. The remaining a third is coming from assortment changes and through the selling behaviors and the selling techniques that we're introducing at the store level. So again we're super pleased that really, it's all of those things pulling in the right direction and delivering, frankly, as expected.

***Kate McShane, Goldman Sachs***

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I just wanted to clarify one thing on the tariff commentary. I think you had mentioned \$10 million to \$15 million in incremental product costs for the year as of today our May one tariffs. I also think you said this is not in guidance. But is it right to think that this would be fully mitigated based on what your earlier comments were before?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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Kate, this is Chris Laden. Yes, confirming that your commentary is accurate. The tariff guidance is based off of the May one tariff policies that are in place and the impact to the balance of the year largely in the second half. We do believe that we can offset the incremental costs there either with additional actions to increase average ticket as well as other cost mitigation efforts. And none of those are in guidance.

***Kate McShane, Goldman Sachs***

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Okay. Then unrelated, we wanted to ask about remote exams. We wondered if there was a way to quantify how remote exams did during the quarter or how they comped relative to the company comp it sounds like profitability there, too, is still lower. So how much of a headwind is that from a mix standpoint? And does that improve at all as you grow that business?

***L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.***

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Yes. Remote is now -- thank you, Kate, by the way. Remote is now sort of an ongoing part of how we do business. In terms of percentage of exams, it was roughly the same as it was in Q4. It is just part of how we do things now. We do think -- so what we're trying to communicate is we think we've got our coverage under control, and you're not going to be hearing us talk about being hurt by exam coverage, we have less than five stores are totally dark right now.

So it's really a small number. We use remote as needed throughout the system. But what we're saying is we do think over time there is going to be an opportunity for greater efficiency in the entire exam ecosystem. So that's just going to be improvement overall, but we think we've got the base coverage we need, and we think we can just make it more cost efficient over time as we leverage the various tools we have live, remote, hybrid remote and a few other things we're trying here and there.

***Robert Ohmes, Bank of America Securities***

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Reade, congrats on just an unbelievable career in the industry in 23 years at National Vision. I hope you have a great happy birthday next week. We have the same birthday. That's why I always remember your birthday. And Chris and Alex, welcome. A couple of questions. Just the first question is just on the low-income consumer weakness. I mean obviously it's the position they're entered, but are they going somewhere else? Or are they just deferring? And in general, are you seeing any change in replacement or exam cycles across different demographics?

***L. Reade Fahs, Chief Executive Officer and Director, National Vision Holdings, Inc.***

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So a few things. One, Robbie, I will have a happy birthday because we're paying off our convertible loans on that day. So that will be a real nice -- a real nice milestone. I don't know what you're doing to celebrate, we're paying off \$85 million in debt. That's great.

And Robbie, thank you. You've been with us since the beginning. In 2017, our very first road show in Salt

Lake City, which is a really great and exciting time for us. So thank you for that. The low-income consumer is a tighter and more strapped in this environment than ever more, we do believe that there are increasing trends in terms of the number of people who are insured in terms of total insured lives out there. So it's a shift into managed care cost part of a broader trend that actually is just another proof point as to why insurance -- insured customers are a great target for us. The managed care purchase cycle remains quite normal along the way. But again even managed care customers are seeking value, and we provide great value for them, which is why we've had a steady ongoing increase there.

***Robert Ohmes, Bank of America Securities***

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That's helpful. Then -- and maybe for Alex, the -- can you just talk a little bit more about the recruitment and retention things you're doing? And maybe weave into that, how the optometrist cost outlook looks from here.

***Alex Wilkes, President, National Vision Holdings, Inc.***

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I've been sort of focused a bit on that. Retention is really healthy now. We do oftentimes find and when times of economic uncertainty, retention is healthy and where you also think we are doing a number of things just to make it an ever better place to practice optometry. Our recruitment is also quite healthy, and we're pleased with that, especially in the -- in the student arena that's going very well. So both those are good along the way and costs are in line, nothing and we aren't seeing increases there.

***Angus Kelleher-Ferguson, Barclays Capital, Inc***

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Congrats Reed and Alex and Chris, congrats on your first joint call. My question is given the -- what -- given the testing of smaller format America's Best stores and learnings from the fleet review, what early insights can you share about optimal store economics and potential changes to store growth trajectory? And the penetration of remote-enabled capabilities at these smaller locations.

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. So we shared last call that we have a couple new prototype stores we're testing smaller square foot design. We look to understand the results of that better as the year plays out. One of the things that we are currently evaluating is our store design and our store kind of build in totality.

So we have signed an agreement with a world-class design firm to help us review our store design, store footprint of the future. Again that's a more forward-looking statement than something impacting '25. But certainly, our working hypothesis is that there is opportunity for a smaller store footprint than what we have historically built.

***Angus Kelleher-Ferguson, Barclays Capital, Inc***

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Got it. Great. Then I think you touched on this in the prepared remarks, but what's been the feedback from doctors regarding the shift to target managed care customers? And how do you see this playing out over time in that scale?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. I mean I think our doctors are super excited about the direction that we're going in general. The ability to see more managed care patients that also have an insurance benefit for -- that allows them to visit us more frequently. The managed care consumer purchase cycle is generally shorter than the cash pay

consumer. They tend to be more compliant patients, which is something doctors love, right? I mean doctors love the idea of patients that believe in an annualized exam. The managed care plans are architected around that.

So there's really great alignment between what the managed care providers are allowing in terms of benefit and the belief that doctors have just how important annualize is.

***Jonathan Elias, BMO***

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Also adding our congratulations to Reade, Alex and Chris. Can you elaborate on the improved product margins from eyeglass frames and lenses, how much of the benefit was mix shift versus like-for-like improvements? And how do you think about product margins going forward?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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Yes. It's really a combination of both. The ticket impact that we saw in the first quarter, as Alex said, about two-thirds overall was driven by price increases, about a third mix. as we've introduced new products into the assortment that makes us shifted there a bit driving ticket. All those mix shifts have been at a minimal margin percentage neutral, if not accretive.

***Jonathan Elias, BMO***

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Great. Then for my follow-up, how are you thinking about advertising expense for the rest of the year?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. So as previously shared, we're super excited about having a new agency of record to bring a fresh perspective on our creative platform. we generally aren't making any plans to reduce or accelerate our advertising investment. That being said, we are in the process of creating new creative, creating new campaigns, and we are certainly looking at ways to have our marketing investment be more efficient.

We are strongly going to consider ways to evolve our media mix to become more efficient purchasers of media and point our marketing investment to the channels that are yielding the highest return. Historically, we haven't talked much about this, but we are also taking a harder look at our media mix model and really making decisions on how we're going to invest across linear, how we're going to invest across digital and search and continuously optimizing.

Also from a channel mix perspective, we do know that once we have our CRM platform will go live second half of the year, that's really going to make all of our marketing investment just work so much harder for us. So again we feel great about what we're doing from a marketing strategy perspective, and as we evolve our media mix go forward, given that we're going to have stronger capabilities to help us drive consumer acquisition and loyalty.

***Anthony Chukumba, Loop Capital Markets LLC***

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Congrats on the strong start to the year and Alex and Chris, welcome to the party. Obviously Reade, thank you for everything that you've done over the last 23 years for the company. So my first question, as I looked at your comps, obviously the average ticket -- increase in average ticket, very encouraging. But I was pleasantly surprised by the increase in traffic, right, the 0.7% increase in traffic. What do you attribute that to? What was the driver there?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. So I think it's a combination of things. I think it is really leaning into these customer segments that we spoke of. We're doing a better job being -- a place of consumption for the managed care customer for the outside or x customer and for the progressive customers. So seeing the growth in those segments is, frankly, contributing to that overall traffic or that overall customer count that customer count numbers.

So really, first step was around how do we become more relevant to that consumer that as we've talked about, we've been attracting that consumer anyway. But now that we're distorting some effort against them, we think we have a right to win, and I think that is exactly showing up in that 0.7% increase in traffic. During which a time which we all know it's an uncertain time with a lot of macro headwinds.

So Anthony, I really do appreciate you calling out on that. We're incredibly proud of that 0.7% customer increase, especially given the uncertainty that we live in today. Also last point here, our value offering and our value messaging resonates across customer types. And again we think that, that is something that in this particular moment matters a lot.

***Anthony Chukumba, Loop Capital Markets LLC***

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Got it. That's a very helpful perspective. Then just one follow-up. I know in the past, you sort of at least directionally talked about the difference between your managed vision care comp versus your cash pay comp. I was just wondering if you had any commentary in terms of first quarter.

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. Like I said before, the cash pay has not quite shown the resiliency of the other customer segments. Managed care continues to grow at or above the high single-digit range that we've talked about in the past, and the cash pay consumer is certainly more strapped. But again that is a bit of a dynamic too, of the managed care ecosystem has grown year-over-year by a good margin as well. So there is some degree of the cash pay consumer pool shrinking the managed care pool increasing. But we still have seen even on the ticket side, the cash pay consumer has also traded up, and we're seeing some of the ticket benefit with our cash pay consumers as well.

***Michael Lasser – Analyst, UBS Securities LLC***

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Best of luck to everybody. You raised the midpoint of your top line guidance by the \$9 million you raised your operating income outlook by \$6 million, is it reasonable and realistic for us to expect that type of flow through moving forward? And at what point does National Vision need to make further investments, especially as it attracts this new customer base that arguably is going to have higher expectations that will need to be met?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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Thanks for that question. We did raise our guidance on AOI for the balance of the year. That was largely attributed to the performance we saw in the first quarter. The initiatives that were put in place in Q4, super happy to report that they actually were adopted both by our store teams and our consumers at a faster pace than we had initially projected. So a lot of what you're seeing in the AOI guidance increase is driven by that accelerated performance.

I think you're absolutely right as we think through the balance of the year from a capital investment perspective, we're going to continue to contemplate what initiatives we have on the table that are going to drive the highest ROI and are certainly open as we introduced our new CRM activity in the second half to

invest more if we're seeing the results drive out of it.

On the flip side, right, we're operating in an uncertain environment. So we want to make sure that we're balancing the positive momentum we've seen with the uncertainty in the second half of the year.

***Michael Lasser, UBS Securities LLC***

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My follow-up question is the pattern you described on how the quarter played out is not dissimilar to what many other retailers have experienced over the last few months. So the question is, is there any evidence that you're seeing that the consumer is trying to go in and get a pair of eyeglasses ahead of what could be a more inflationary environment as the tariffs take hold? So -- and when would you expect -- when would you expect to see that play out if indeed there is some pull forward?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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It's a great question, and we look at it internally as well. The short answer is no. We haven't seen a change in the customer purchase cycle, and we don't believe that our first quarter traffic change was driven by any pull forward of purchase cycle.

***Dylan Carden, William Blair***

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Kind of I guess a related question. The 5.5% comp in the first quarter relative to the full year guide, albeit raised, can you sort of speak to the conservatism that seems to be embedded over the next three quarters? Is that just the environment we're in? Or is there something else that's sort of nuance there?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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No. That's exactly it. It's really largely attributable to just the uncertainty environment. Consumer confidence has been reported down month-over-month, and we just want to make sure that we are being prudent about our expectations for the second half, given a lot of uncertainty from a macro perspective.

***Dylan Carden, William Blair***

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Fair. And the new store openings this year, are you closer to understanding maybe what the cadence would be go forward?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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Yes. Look, we said that we believe about half of the stores will be open in the first half of the year or half the new stores [to be] in the second half. We typically see Q4 a little bit heavier in the second half. But we're still guiding the 30 to 35 new stores opening in the year.

***Dylan Carden, William Blair***

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Sorry, I was unclear. I meant sort of go forward in the sort of coming years, what you might open per year?

***Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.***

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I apologize, misunderstanding your question. No. We don't have guidance yet in terms of '26 new store openings.

***Meghan Holtz, Jefferies LLC***

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I'd like to reiterate our congratulations to Reade and Alex as well. Just for our first question, as the tariff situation likely put some pressure on some of your peers, do you think there's opportunity for you guys to capture some additional market share?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. So we've said that we believe that we are very well positioned in terms of the market from a tariff perspective. And again, I think that goes to the decisions that we've taken over a multi-year time horizon to shift our country of origin and country of sourcing and not be so heavily reliant on one market. So we are very, very thankful for that approach that we took. So yes, I mean we absolutely think the work that we've done best positions us to potentially take advantage of the coming tariffs.

***Meghan Holtz, Jefferies LLC***

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And then just as a follow-up on the labor commentary, some jobs data has pointed to a little bit of elevated wages in the mid-single-digit range for optometry. Is that similar to the labor wage rate that you guys are seeing with -- internally?

***Alex Wilkes, President, National Vision Holdings, Inc.***

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Yes. I'll just a quick comment here. I don't think we have any excessive concerns about any wage rate compression on optometrists. And again, I'll reiterate something we shared earlier, Reade shared this, we're super happy with the fact that we've driven our dark stores down to really just a handful of stores. So we're always managing doctor pay and incentives, of course it's a balance to make sure that we're attracting the best doctors to join our company. And we think that strategy is working again, as evident by seeing the dark stores be reduced to handful.

Again, I think it speaks to the offering that we have to doctors that they can practice in a hybrid world. They can practice in a remote world and they can practice in-store, and we provide them great opportunities for career advancement.

One thing, and I'll just share this and -- sorry, I'll share this on Reade's behalf, last week when we were at our meeting with all of our Eyeglass World and Vista and Military and America's Best Associates, Reade was able to share the team how great is it that in this organization, we have a doctor who is now the General Manager of one of our brands? So talk about a great place for optometrists to build their career. We allow them to practice in the mode that they want to practice, and we provide opportunities for them to sit at the executive table and to lead one of our biggest brands in the company. So I think it's just a testament to how we feel about doctors within our organization.