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National Vision Holdings, Inc. (EYE)

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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.

Melissa Rasmussen – Chief Financial Officer, National Vision Holdings, Inc.

OTHER PARTICIPANTS

Michael Lasser – Analyst, UBS Securities LLC

Anthony Chinonye Chukumba – Analyst, Loop Capital Markets LLC

Taylor Brimberg – Analyst, Wells Fargo Securities LLC

Brandon Cheatham – Analyst, Citigroup Global Markets, Inc.

Simeon Ari Gutman – Analyst, Morgan Stanley & Co. LLC

Meghan Holtz – Analyst, Jefferies LLC

Adrienne Yih – Analyst, Barclays Capital, Inc

Molly Baum – Analyst, BofA Securities, Inc.

PRESENTATION

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

Thank you and good morning, everyone. Welcome to National Vision's fourth quarter and fiscal 2024 earnings call. Joining me on the call today are Reade Fahs, CEO; Alex Wilkes, President; and Melissa Rasmussen, 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. We will review our 2024 results, then Alex will discuss our 2025 strategic priorities, and then Melissa will provide our financial results and detail on our outlook for 2025.

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 and today's presentation also includes 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 2 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 presentations and supplemental materials 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.

Thank you, Tamara, and good morning, everyone. Thank you for joining us today. Before we begin our review of the fourth quarter and fiscal 2024 results, I'd like to take a moment to extend our appreciation to Melissa Rasmussen. Last month, we announced that Melissa is stepping down as CFO and will be taking an opportunity in another industry. Melissa has been instrumental in key aspects of our transformation to date and we thank her for her dedication to National Vision in the over five years she's been with us. I've enjoyed our time working together and wish her the very best in her future endeavors.

Earlier today, we announced the appointment of Chris Laden as our new CFO, who will begin on March 31. Chris joins us from Community Veterinary Partners, where he served as Chief Financial Officer. He brings with him nearly two decades of experience in both healthcare and optical retail, having also held leadership positions at Pearle Vision, a division of EssilorLuxottica, including Head of Finance. We're thrilled to welcome Christopher to the NVI team. To assist with the transition, Patrick Moore, who currently serves as a Special Advisor and who was recently our COO for just over two years and our former CFO for eight years, will serve as Interim CFO. Patrick will work closely with Christopher to ensure a smooth transition.

2024 was an important year for National Vision, as we took ever more aggressive actions to transform the business. We implemented meaningful change throughout the organization, including adding new members to our leadership team, who bring deep optical and retail expertise and new approaches that will help accelerate our transformation efforts, particularly across managed care, pricing and our field leadership organization. The early success of these results is evident in our strong fourth quarter results.

Sales in the fourth quarter increased 3.9% to \$437.3 million, and we delivered our eighth consecutive quarter of positive adjusted comparable store sales. For the quarter, adjusted comparable store sales were plus 1.5% supported by America's Best comparable store sales growth of plus 2%, which was on top of 7.2% comp in last year's fourth quarter. This was offset by Eyeglass World's comparable store sales decline of negative 1.7%, as the brand was disproportionately affected by Hurricane Helene in October, and approximately 35% of its stores are located in Florida.

Our stronger than expected top line performance was driven by actions started mid-quarter, including new selling methods and targeted pricing actions, which together drove increases in average ticket. Importantly, while average ticket rose, conversion held steady, which is an encouraging sign of consumer acceptance of the price changes. Sales in the quarter also continued to benefit from strong managed care sales, which comped high single digits throughout the year, offsetting continued relative softness in cash pay sales.

With respect to profitability, adjusted operating income increased to \$3.2 million and adjusted diluted earnings per share was a loss of \$0.04. These results led to full year top line performance that came in as expected and bottom line performance above our expectations. For the year, fiscal 2024 net revenue

increased 3.8% to \$1.823 billion, and adjusted comparable store sales increased 1.3%, driven by continued strength in managed care sales. In 2024, managed care grew to approximately 40% of our revenues. Adjusted operating income of \$65.5 million increased 21.5%, resulting in adjusted diluted earnings per share of \$0.52.

With that, let me review the progress we're making on our transformation initiatives. Over the past two years, we've made great strides evolving and strengthening the foundation of our operations, improving exam capacity through recruiting and retention initiatives, and expanding our remote exam capabilities. We've also made meaningful progress in enhancing our systems to further digitize our stores and corporate office.

These efforts resulted in ending 2024 with doctor capacity on solid footing. Doctor retention is squarely in line with historical ranges of between 80% and 90%. And for the third consecutive year in a row, we recruited at least 10% of the 2024 graduating class of all the optometry schools in the US. In addition, we ended 2024 with over 730 locations enabled with remote technology, with remote exams, representing about 12% of exams in remote-enabled states for the year and with remote doctor patients seen per day exceeding that of in-store doctors in the second half of fiscal 2024. We also launched our hybrid remote pilot in 2024, enabling in-store optometrists to perform exams in other stores based on availability and demand.

Turning to our investments in technology, which continued in 2024, we invested in a finance ERP which will go live in the second quarter, as well as the new Adobe's CRM platform, which we expect to go live in the second half of this year. Thus, we're entering 2025 on a healthier footing relative to exam capacity and the tools we need to improve efficiencies and customer marketing strength. In terms of store operations, we identified areas where we can improve operational execution to drive comparable store sales and improve profitability.

We completed a comprehensive review of our store fleet and announced that we will be taking action on 43 stores through fiscal year 2026 to improve the underlying foundation of our core business. In addition, we are incorporating learnings from the review into our go-forward store growth plans and testing a few smaller sized store formats for America's Best.

Finally, during the year, we began to use new and different promotional approaches such as a progressives bundle and a single pair offer. We entered 2025 ready to accelerate the next phase of our transformation, which we began to lay the groundwork for in the second half of fiscal 2024. Alex will go into more specifics, but in a sentence, the next phase of our transformation involves a strategic shift in focus to our more valuable current customer segments, while maintaining our traditional base.

Historically, our business was built for cash pay, highly budget conscious consumers, with our messaging and customer journeys heavily emphasizing the lowest out-the-door price. Despite our messaging and offerings speaking more directly to this customer segment, we also attracted managed care customers, progressive lens wearers, and those who came to us with a prescription already in hand looking for the solution for their eyewear needs.

This group of customers over time has grown to represent about half of our customer base and a significantly higher percentage of our sales today. They find value in the quality of eye care we offer, our accessibility, and our broad range of product offerings to solve their needs rather than just the absolute lowest price.

Given the significance that this group has on our business today and the opportunity we see, our efforts going forward will focus on creating enhanced journeys and experiences for these types of customers and personalizing messaging to their different motivations. With this approach, we believe we can grow our share of these more valuable customers and ultimately more profitably expand our customer base. Alex will go into more detail on how we're approaching the shift in mindset and selling strategy, but we're very encouraged by the early results we saw in the fourth quarter from the initial efforts underway.

Concurrent with this customer facing aspect of our transformation, we're maintaining strong discipline across expense management. We're attacking SG&A by driving operational efficiencies and better aligning our cost structure to reinvest in the patient and customer experience.

Before I turn the call over to Alex, I'd like to give some commentary on our guidance range. January sales were quite strong for us, but more recently we experienced negative traffic trends, beginning the second week of February. While we believe it's too soon to determine the cause for this, we've observed significantly colder weather than normal across the country. And of course, we've all seen news about the uncertainty around consumer sentiment. Given this, we believe a wider range is appropriate to cover a broader set of scenarios.

Melissa will go into this in more detail after Alex shares more of our 2025 priorities. Alex?

Alex Wilkes, President, National Vision Holdings, Inc.

Thank you, Reade, and good morning, everyone. I'll start by saying just how encouraged I am by the momentum we saw during the fourth quarter. Our teams are embracing our strategic priorities with excitement, and that is evident in both the stores and our retail support center. I'm impressed with the way in which our teams are engaged to drive improvement. And as Reade mentioned, the entire team is executing with a transformation mindset.

Since joining the team in August, I've spent my time with our team developing a framework that aligns our investment decisions with our operational action plan. We're getting the organization focused on creating an improved store experience and building our brand around our expanded customer view, all with intense focus on disciplined expense management to improve profitability.

As we shared on our third quarter call, 2025 will be a year to continue to strengthen our core business and to accelerate long term growth. We are being thoughtful in our focus on all aspects of demand generation and cost efficiency in this next phase of our transformation.

Our priorities for 2025 begin with our customer in mind and their journey with us. We know that we attract a wider audience than we have historically targeted and one that is much more skewed to middle income households, similar to that of the US population. We are making rapid advances to ensure we provide value across this wider audience, that is unique to each of our customer segments with an emphasis on managed care, our fastest growing customer cohort. Over the years, we've seen a broadening of our customer base, demonstrating that America's Best has diverse appeal and importantly validates our go-forward approach to targeting value-seeking consumers across need basis and income demographics.

As we continue to enhance our customer segmentation, we are defining value propositions focused on our highest value customers. As Reade said, we know our highest value customers generate a disproportionate level of sales. And going forward, we expect to tailor messages and offers to them.

While not walking away from our price seeking segments, we will evolve our approach to the customer segments that are not as price sensitive as our historical target.

With this perspective and building on the work we've accomplished throughout 2024, for the next phase of the transformation, we've outlined the following key strategic priorities for 2025.

First, our pricing strategy has historically been architected around the cash pay customer, which made sense at a time when managed vision care represented a smaller portion of our customer base. Fast forward, as managed care continues to supply a larger portion of our customers, now 40% and growing high single-digits, we're adapting accordingly with attractive products at price points better suited to the managed care customer.

Separately, during the fourth quarter, we implemented a set of tactical pricing actions on frames. This, along with sales force training, is reflected in our higher average ticket performance. And during the first quarter of 2025, we increased our headline two-pair offers by \$10 at both Eyeglass World and America's Best.

Second, we are implementing targeted initiatives to enhance the customer and patient experience to drive both ticket and traffic. We are evolving our selling model and enhancing our training to provide more emphasis on solving customer's needs rather than primarily providing the lowest possible price point. As Reade mentioned, this effort began in the fourth quarter. And although in early stages, we're seeing encouraging results and expect this to be an increasing benefit as the year progresses and we ramp up our efforts.

And as we expand our managed vision care customer base, we're evaluating technologies and processes that both streamline the customer and patient experience and improve collections as well as implementing associate training program to delight our insured customers.

Over the past year, we've been actively working to evolve our product assortment to better align with the preferences of our customers. As this effort continues in 2025, it will also help our objective of better serving our higher income consumers. Customers will start to see a better balance of high-quality, low-cost frames, with an expanded assortment of more fashion forward and branded frames at higher prices.

Our success with the exclusive launches of Pair and Florence by Mills are some examples, as both target a strong fashion/value proposition. And we're excited to test two innovative new products, the Nuance all-in-one hearing glasses and the Ray-Ban Meta glasses starting in the second quarter. Nuance Audio glasses will be available in 50 America's Best and Eyeglass World stores. Nuance is an exciting and innovative solution for those with mild to moderate hearing loss, affecting approximately 30 million people in the US alone. We're also thrilled to announce that the Ray-Ban Meta glasses will be available in approximately 50 stores in the second quarter of 2025.

And we continue to make progress at the intersection of eye care and healthcare by bringing innovation to our patients. Our investment in Toku, Inc., a leader in applying AI-power diagnostic and screening tools for retinal imaging, continues to be a unique and valuable asset. We've expanded our pilot of BioAge, Toku's wellness product that utilizes retinal images to determine a person's biological age, which can give an indication of their overall health. BioAge is currently in 117 stores across five states, including New York.

Third, complementing these initiatives are the investments we're making to transform our marketing and omni-channel capabilities. We have made intentional investments in the business to position us for growth. In addition to the Adobe's CRM implementation in the second half of this year, we are investing in upgrading our e-commerce platform to strengthen our omni-channel experience. This will allow us to create new, personalized journeys for all of our customers and significantly enhance how our customers' experience us online.

We're moving the organization to better leverage digital marketing and made the decision to change advertising agencies to one that specializes in the entire digital marketing ecosystem. Our new agency of record, VML, is tasked with helping us redefine our communication and brand platforms. We intentionally partnered with an agency that has deep marketing capabilities and a proven track record of maximizing investments in digital marketing technologies, particularly with Adobe platform. Customers will get a refreshed, modern and more personalized experience from America's Best and Eyeglass World marketing and messaging.

Throughout 2025, we will continue to roll out behavior-based training, in addition to investments in digital capabilities, product assortment refreshes, marketing and CRM investments, as we move towards a future where we can personalize our experience and offerings to customer's individual needs. To support these efforts, during the fourth quarter, we established a partnership with Accenture to help us redefine the customer experience and our online presence. Our teams will be working closely together as we enhance our digital experience and implement the tools and capabilities needed to modernize our offering. This work is well underway.

Our primary key performance indicators to determine the success of these initiatives this year are improving comparable store sales and improving our profitability. To help drive this transformation, we reorganized our leadership to better align with our strategic approach and promote growth in strategic areas.

In January, we announced a new leadership structure, with heightened ownership and clarity around accountability. One great example of this is what we did with managed care, which now has one leader driving strategy and revenue cycle management under one umbrella for this key strategic growth priority. We now have more focused and devoted leadership responsible for transforming both the America's Best brand and strengthening Eyeglass World.

America's Best now has a dedicated and experienced leader overseeing enhancements to the customer journey and in-store experience. During 2024, we took several actions to get Eyeglass World on a path towards stabilization, including applying learnings from America's Best. Under dedicated leadership in 2025, we're focused on continuing to stabilize operations while developing a go forward strategy and an updated brand identity with the help of our new agency of record, all with a focus on how we deliver the customer experience and how we deliver our service promise. These leadership changes are an important step to move the business forward.

As we look to increase efficiencies, we're attacking excess cost throughout the business. In 2025, disciplined expense reductions are expected to come in two steps. The first includes \$12 million of expense reduction in 2025, which is reflected in our guidance for the year. To facilitate this expense reduction, we made the tough decision to eliminate just over 10% of our existing corporate support positions.

Although this was difficult, it was necessary for two reasons. One, we are aligning our talent with our strategic priorities and will reinvest some of the savings from impacted positions into areas where we are growing and enhancing the customer experience. And two, we have taken disciplined expense actions to create a stronger, more profitable business. Our cost reduction initiatives will also be supported through our partnership with Accenture, and we will share more on this work as we move through the year.

In summary, we are excited about the opportunities that lie ahead. We have a clear game plan to grow our customer base. We've taken bold decisions to invest in our transformation agenda while remaining disciplined with respect to our cost structure.

And with that, I'll turn the call over to Melissa to review our financial results. Melissa?

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Thank you, Alex, and good morning, everyone. As discussed, we are pleased to have delivered a strong end to the year, reflecting the acceleration of our transformation efforts. While the first phase of our transformation initiatives has been critical in stabilizing the foundation of our business, this next phase will enhance focus on accelerating demand generation and aligning our pricing and cost structure to reinvigorate the organization. The team is building a stronger foundation for sustainable long-term growth through the actions currently underway, and our fourth quarter results provide the team with conviction as they move forward.

Before we review our outlook, let me provide more details on our fourth quarter results.

For the fourth quarter, net revenue increased 3.9% compared to the prior year, driven by growth from new store sales and adjusted comparable store sales growth of 1.5%, partially offset by the effect of converted and closed stores and lower revenue from our discountcontacts.com website as expected. The timing of unearned revenue benefited revenue in the period by 80 basis points.

Unit growth in our America's Best and Eyeglass World brands increased 4.4% on a combined basis over the total store base last year. During the quarter, we opened 20 new America's Best stores, while also executing our fleet optimization plan by closing seven America's Best stores and four Eyeglass World stores. In addition, we converted four Eyeglass World stores to America's Best stores, and we ended the quarter with a total of 1,240 stores.

For the year, on average, dark stores continue to represent a low single-digit percentage of our America's Best fleet, while dim stores, on average, continued to represent a high single-digit percentage of the America's Best fleet. As a reminder, we define dark stores as stores that do not have doctor coverage and are not remote-enabled, and dim stores are not remote-enabled and have less than three days of doctor coverage.

Adjusted comparable store sales were driven by an increase in average ticket of 3%, supported by price increases and new selling methods implemented during the quarter. Encouragingly, conversion rates remained consistent as we implemented new pricing adjustments. The increase in average ticket was partially offset by a 1.1% decline in customer transactions, primarily due to the calendar shift resulting in a shorter selling season during our peak year end week. In fact, leading up to the customer holiday, customer transactions were up 1.1%.

As a percentage of net revenue, cost applicable to revenue decreased approximately 150 basis points compared with the prior year quarter, resulting in a gross margin increase of approximately 150 basis points. The improvement in gross margin was driven primarily by lower optometrist related costs and higher eyeglass margin, resulting from the pricing actions taken during the quarter.

Adjusted G&A expense as a percentage of revenue increased 40 basis points compared with the fourth quarter of 2023. The increase in adjusted SG&A as a percentage of net revenue was primarily driven by higher legal and professional fees related to the initial investment in our partnership with Accenture that Alex reviewed, as well as higher payroll expense and amortization of cloud-based software investments, partially offset by lower advertising expense. Depreciation and amortization expense of \$22.7 million decreased slightly, compared to \$23.4 million in the prior year period.

Adjusted operating income was \$3.2 million compared to an adjusted operating loss of \$2.7 million in the prior year period. Adjusted operating margin increased 140 basis points to 0.7% compared to the prior year period, due primarily to the factors mentioned above.

Net interest expense was \$4.6 million, compared to \$3.9 million in the prior year period. The year-over-year increase was driven primarily by lower interest income on cash balances of \$2 million, partially offset by \$0.7 million of lower derivative income and a decrease in interest expense of \$0.5 million, compared to the prior year period. As a reminder, our guidance excludes non-cash mark-to-market and deferred financing costs, which totaled \$0.4 million for the period. Excluding these costs, interest expense was \$4.2 million for the quarter compared to a benefit of \$0.4 million last year. Non-cash mark-to-market charges for the prior year were \$3.6 million, which did not repeat in fourth quarter 2024 as the derivative hedge matured in July. Adjusted EPS was negative \$0.04 per share, the same as the prior year period.

Turning now to our financial results for fiscal 2024, as compared with fiscal 2023. Net revenue increased approximately 3.8%, driven by new stores and adjusted comparable store sales growth of 1.3%. The timing of unearned revenue positively impacted net revenue by 50 basis points.

Adjusted operating margin increased 50 basis points to 3.6% compared to the prior year period, driven primarily by the decrease in adjusted SG&A as a percentage of revenue, given the decline in incentive compensation and improved flow through due to the pricing actions already discussed.

For the year, adjusted diluted earnings per share were \$0.52, which exceeded the high end of our prior guidance range by \$0.02 and the prior year by \$0.05. Please note, our adjusted results for the fourth quarter and full year exclude one-time non-recurring exit charges related to store optimization plan, as well as charges related to our ERP and CRM rollout among other non-recurring items that are detailed in the reconciliation table found in our press release. Adjusted EPS excludes an after tax non-cash impairment charge of \$18.6 million for our Eyeglass World brand following the comprehensive fleet review and actions taken.

Turning next to our balance sheet. We ended the year with a cash balance of approximately \$74 million and total liquidity of \$368 million, including available capacity from our revolving credit facility. As of December 28, our total debt outstanding net of unamortized discounts was \$350 million, and for the trailing 12 months, we ended the year with net debt to adjusted EBITDA of 1.8 times.

In 2024, we generated operating cash flow of \$134 million and invested \$96 million in capital expenditures, primarily driven by investments in new and existing stores and remote exam technology. We continue to maintain a strong balance sheet and healthy cash flow to support our growth and capital allocation priorities.

In 2025, our first priority with respect to capital allocation will continue to be investing in growth through new store openings and technology investments as we continue to digitize our stores and corporate office. Our second priority is on our debt structure, given the May 2025 maturity of our convertible notes of approximately \$85 million. As we demonstrated with the repurchase in August, we plan to take fiscally responsible actions with the outstanding balance and are monitoring the markets for future opportunistic actions and other potential strategies.

Before I discuss our outlook, I'll share how we expect to manage anticipated tariffs in 2025 as we have been closely monitoring these fluid developments. Less than 10% of our cost applicable to revenue are directly subject to tariffs from China. Regarding Mexico, we have mitigation plans in place if tariffs are imposed there, where our exposure relates to our outsourcing relationship with our third-party laboratory. Including mitigation plans, we estimate that less than 1% of our cost applicable to revenue are subject to tariffs in Mexico.

Moving now to the discussion of our 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. In addition, as Reade mentioned, our outlook contemplates the strong performance in January, as well as the recent change in traffic trends we have seen in February. Given the noise with weather, policy changes, and updates in consumer sentiment, we believe it is prudent to widen the range of scenarios underlying our outlook.

For our 2025 fiscal year, we currently expect net revenue between \$1.901 billion and \$1.955 billion, supported by adjusted comparable store sales growth of 0.5% to 3.5%, and new store sales based on our expectation to open approximately 30 to 35 new stores this year. As a reminder, adjusted comparable store sales growth is calculated on a 52-week comparable basis to the prior year.

With respect to profitability for 2025, we expect adjusted operating income between \$73 million and \$88 million, which includes a range for depreciation and amortization of \$93 million to \$96 million. We expect adjusted diluted EPS to be between \$0.52 per share and \$0.64 per share, which assumes approximately 79 million weighted average diluted shares outstanding.

At the midpoint, this outlook assumes fiscal 2025 adjusted operating margin to increase approximately 50 basis points relative to fiscal 2024, more than entirely driven by SG&A leverage, reflecting the disciplined actions we have taken and will continue to take.

Before I turn the call over to Reade, I wanted to acknowledge the National Vision team as they continue to work tirelessly and embrace change to drive results and execute our initiatives. We believe the initiatives being put in place are the right actions to take for the health of the business, controlling what can be controlled. While I look forward to my next chapter, I will miss being part of this organization and will be cheering for the team as they continue to position National Vision for long-term success.

Thank you for your time today. I will now turn the call over to Reade before we open the call for questions. Reade?

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

In summary, we hope you are taking away a greater understanding of our transformation game plan and the tangibility of how we have been and will continue to bring it to life at National Vision. The first phase of our transformation involved addressing our exam capacity constraints via retention, recruitment, remote and hybrid remote initiative. This next phase, which started to impact the fourth quarter, involves significantly heightening segmentation, personalization and digitization in our messaging, experience and product offerings.

We are targeting the segments of our customer base where we've already shown growth and success in recent years, especially managed care, which is now 40% of our customer base and growing at high single-digit comps. The segments that are most insulated from today's economic challenges and the segments that are the most valuable to us, as they currently represent 50% of our customers, but a much higher percentage of our sales.

We are doing this in ways that we think should broaden our appeal to new potential customers. We're doing this in ways that we believe will allow us to concurrently maintain our historical target of the most price driven and budget conscious customers. We're doing this with the help of world class partners like Accenture, Adobe and a new, highly digitally focused ad agency. And we're doing this in a way that is ever-watchful of keeping our costs and expenditures under control.

Most importantly, the organization is embracing this as the right way forward for us to expand and profitably grow in 2025 and the years to come. We think our results in the fourth quarter demonstrate encouraging green shoots and momentum that we hope to build upon throughout 2025.

And with that, I'll open the line for questions.

QUESTION & ANSWER SECTION

Michael Lasser, UBS Securities LLC

Good morning. Thank you so much for taking my question. Reade, can you give us a sense for how you have factored in any resources in risk from what seems like a significant pivot, not away from your core, more need-based customer, to this more moderate middle-income-type consumer. In addition, how do you balance the expectations of what's probably a higher expectation consumer as you expand the focus for the model? Thank you.

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

Sure, Michael. Thank you so much for that. The good thing about how we're approaching this is this is a significant part of our current customer base that we're talking about here. So these are customers who have found us and enjoyed the value that we offer. As we said, customers like managed care customers, progressive customers, and customers who come to us with an RX they got someplace else to take advantage of our great prices on a wide array of products.

So the fact that we're leveraging what are currently about half of our customer base already brings us a lot of security that this is the right direction. And these people have been coming to us. They're all three are sort of growing segments. And what we're trying to do is make the experience ever better for them. And this is the customer experience work that Alex has been talking about. We're doing this through enhanced training. We're doing this through enhanced product. We're doing this through just really taking through their customer journeys and how to just make it even better for them.

Michael Lasser, UBS Securities LLC

Thank you. My follow-up question is, can you give us a little bit more context on what you've seen quarter-to-date? Has it been broad based? More specific to certain geographies? And if it persists over the course of the year, how should we think about the achievability of your full year guidance? Thank you.

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

I'm sorry. Were you talking about our reference to the last two weeks of February?

Michael Lasser, UBS Securities LLC

Yes, sir.

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

Yeah. Good, sorry. I noticed there was a little break up in the line there. Yeah. So again, Q4 was really encouraging. We put in a lot of programs, mid-quarter, and saw them then take root, so we're happy with that. And January was quite strong, so we're very encouraged with that.

The last two weeks were choppy and a little surprising, so that's why we decided to call that out. We're pretty sure we're not alone in that. We're hearing that from our category. We're hearing that throughout a lot of consumer retail. We think our initiatives are the right initiatives, but we just wanted to be a little bit more conservative in our guide given the oddity of the past two weeks.

Michael Lasser, UBS Securities LLC

Thank you very much.

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

Thank you, Michael.

Anthony Chinonye Chukumba, Loop Capital Markets LLC

Good morning. Thank you for taking my question. So in terms of – I just wanted to clarify, so okay, so the guidance midpoint is for 50 basis points of expansion. And previously, and I know it was very preliminary, but you previously expected our operating margin to be essentially flat year-over-year. So I just wanted to understand is the 50 basis points, is that just the \$12 million of cost reduction or are there other aspects to it?

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Hi, Anthony, it's Melissa. Apologies in advance. I'm a little under the weather. And yeah, as far as the 50-basis-point expansion, when we had referred to the flat operating margin year-over-year, that was taking into consideration the things that we had announced at the time. We had talked about our fleet optimization, and we had talked about the incentive compensation grow over.

We had also talked about, we expected our initiatives to be upside from that. Those were the factors that were incorporated into that discussion. With that, we have also, subsequent to that point, taken out about \$12 million in reductions in expense, primarily focused on SG&A. So with that, that is what gets you to that midpoint of that 50-basis-point improvement in profitability year-over-year.

Anthony Chinonye Chukumba, Loop Capital Markets LLC

Got it. That's helpful. And then you also talked about the fact that you now offer remote in over 730 stores. What's the plan for the remote roll out in 2025?

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

We'll continue to open whereas laws allow and that sort of thing as we progress and fill in where we need to. And, of course, our new stores in the states where it's allowable will be remote enabled. And this is a balancing act, as we have retention of doctors, we don't need to use the remote as much, but where we need it, we use it.

The nice thing is, and I'd just really like to make this clear, we now just find this is just part of our business. We've rolled it out and we're using it that this is now just an ongoing part of our offering. So we're probably not going to be talking about it in depth a whole lot because we've done it. We've put it in.

Anthony Chinonye Chukumba, Loop Capital Markets LLC

Got it. Thank you so much. And Melissa, good luck on your next opportunity.

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Thank you, Anthony.

Taylor Brimberg, Wells Fargo Securities

Hi, good morning. This is Taylor Brimberg on for Zach. Can you elaborate on the drivers of comps in 2025 and what is implied in the top and bottom of the guide? And any color on cadence expected throughout the year? Thank you.

Alex Wilkes, President, National Vision Holdings, Inc.

Yeah, good morning. It's Alex. Thanks so much for the question. Yeah. As we look at the composition of comp going into 2025, we think its equal parts traffic and equal parts average ticket. Again, as we mentioned during our prepared statement, we've seen nice growth on ticket from the initiatives that we've put in place in Q4 and we're seeing those hold as well as our conversion rates.

So we feel incredibly bullish about our ticket and the actions that we've taken there. Again, we started Q1 and January pretty strong. In the last couple of weeks, as Reade mentioned, we saw some wobble in the consumer. But go forward, we're super bullish on what we're going to achieve through both ticket and through customer count growth.

Taylor Brimberg, Wells Fargo Securities

Okay, great. Thank you. And then for my follow-up, how do you think about immigration policy, potential impacts and how is that reflected in your guide, if it is reflected in your guide?

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

We see immigration as one of the many factors affecting consumer sentiment out there. And so it's part of the combination package of trying to assess just the direction of the consumer, one factor.

Taylor Brimberg, Wells Fargo Securities

Great. Thank you.

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

Thank you, Taylor.

Brandon Cheatham, Citigroup Global Markets

Hey, everyone. Brandon Cheatham on for Paul. I was wondering, can you breakout how you're thinking of managed care in 2025 in terms of top line guidance versus your cash paying customer? As we think about managed care as 40% of the business growing high single-digits that would seem to imply, if those trends kind of continue, that's roughly like 3%. So I'm just wondering if you can help us parse out managed care versus cash paying in 2025.

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

So as you know, managed care is now 40% of the business, growing at high single-digit. Comp for managed care customer is just more insulated from the challenging economic times that we live in because so much of their purchase is covered by their insurance. We sort of said that and we believe this will keep growing. And again, the cash pay consumer is the one that is most challenged so we were saying that we think the next milestone is 50% for managed care, but we aren't saying when we think we'll get there.

I just want to reinforce, though, even though we're talking about sort of these, these higher value consumers groups and segments, we still love our core cash pay, budget conscious consumer. We are still there for them and they are still a key part of what we are. We just see the opportunity, especially in this economic moment of riding the momentum that we've shown that we can drive with the higher value consumers to us.

Brandon Cheatham, Citigroup Global Markets

Got it. And my follow-up, just anything in January that made you feel encouraged that maybe the repurchasing cycle is coming back and then digging in on the last two weeks of February? I

understand it's choppy. There's some weather concerns. Were there any differences by geography? I think the West was not nearly as cold as the rest of the nation. So was the West segment also choppy?

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

So again, January was quite positive. It's positive on a two-year stack basis also. So that was really encouraging. And we saw it as continued momentum from the programs we put in in the middle of the quarter. And yeah, in the past two weeks, there was some variable geographically and again, we think weather was a component of the past two weeks. We just aren't ready to say that that was the only component of the past two weeks, so we're just being cautiously prudent.

Brandon Cheatham, Citigroup Global Markets

Got it. That's helpful. Thanks very much and good luck.

Simeon Ari Gutman, Morgan Stanley & Co LLC

Hello, everyone. I want to ask about the improvement in core EBIT in 2025, excluding the extra week. Can you frame for us how much comes from the operating businesses, America's Best, Eyeglass World versus some of the, I guess, the leeway that you get from the corporate overhead reduction. So just thinking about the sources of upside or growth in EBIT on a core basis.

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. Hey, Simeon. As it relates to the improvement in EBIT year-over-year, a substantial portion of that improvement is coming from the SG&A takeout that we had talked about, that \$12 million of improvement.

As we had talked about the overall year-over-year performance, we had expected that things would be relatively flat when we factored in the initiatives that we had discussed last year. We do expect that we have some upside related to these initiatives that we're putting in place this year, and we expect that we'll continue to see improvement based upon those actions. With that, we continue to mitigate costs where we can and be financially prudent in taking out expenses where it makes sense to do so without stifling ongoing growth.

Simeon Ari Gutman, Morgan Stanley & Co LLC

That's helpful. Is there a way to quantify the comp that's either required on either side of the business, America's Best or Eyeglass World, where the margin expansion, [ph] irrespective (00:48:39). I guess, yeah, there is some leverage in gross margins as well. But so, what's the comp that allows the margins of each of the individual segments to start leveraging or to start expanding?

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Well, what we had historically talked about was a mid-single-digit. However, we had also talked about taking actions to ensure that we could leverage on less than a mid-single-digit comp. We are looking at it holistically from a business. Obviously, America's Best is our larger of the two brands and the movement within that brand derives more profitability just from the sheer size of the brand.

With that, we'll put more information out as the year unfolds between brands. But we do expect that our Eyeglass World initiative will provide some upside as well, however, again, America's Best is the larger of the two brands.

Simeon Ari Gutman, Morgan Stanley & Co LLC

Great. Thanks. Good luck, everyone. Take care.

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

Thank you.

Meghan Holtz, Jefferies LLC

Good morning. This is Meghan Holtz on for Brian. Just want to start with thanks and good luck to Melissa on your next adventure. The question we want to ask is about Toku BioAge. How is this reimbursed? And is this something that could gain traction with commercial insurance plans?

And then as a quick follow-up to the managed care question that was asked earlier, how are you proactively driving that increase to get to that 50% target?

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

Okay, I'll take the first part and then Alex will take the managed care piece. So Toku BioAge is sort of our first step into the world of using AI to scan for a variety of diseases, the disease states and these are – so the key thing that Toku is trying to do is get FDA approval to their AI scan for cardiovascular issue assessment and kidney issue assessment.

While we await that, we're trying to build some muscle memory by offering a product in our stores where patients or customer can get an assessment of their biological age, as opposed to chronological age. This is something that you read about in the press a lot, that people have a lot of interest in. The Wall Street Journal's covered this sort of thing a lot, as part of the longevity movement. And so, people are paying to get that assessment. It is not reimbursable. There's no insurance. This is all consumer cash pay and we've been pleased with the uptake. But primarily this is let's develop the muscle memory on how to use AI scans of the retinal images we take in all our stores.

Alex Wilkes, President, National Vision Holdings, Inc.

Great, thanks. And I'll answer the managed care question. So there's I think about two primary ways that we're going to grow the managed care consumer. The first is as we look to personalize our marketing capabilities, we're going to be able to talk to that managed care consumer with a specific managed care message personalized to them. Again, this is something we haven't been able to do in the past. So being able to have a very specific message to a consumer, with that type of plan and specific to their plan design is going to be a huge advantage for us.

The second thing is, as we begin to evolve our products and product offerings, we know we're going to make investments in products and capabilities that are more attractive to the managed care consumer. So not only are we going to be able to talk to them differently, we're going to be able to

offer them different experiences. And we think those are two significant ways that we're going to increase our managed vision care consumer base.

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

And, Meghan, it's just a great example of when we talk about segmentation, personalization and digitization in our messaging, customer experience and product offerings, managed care is a great example of how we're going to do that.

Meghan Holtz, Jefferies LLC

Got it. Thank you.

Adrienne Yih, Barclays Capital, Inc.

Great. Nice to see the progress. And Melissa, congrats and thanks for all the help over the years.

My question is again on the managed care piece of this. We talked about kind of how the transaction sizes is larger versus the cash pay, but the margin implications may not be as profitable. So can you talk about the gross margin drivers that we've seen over the past three quarters in particular? A lot of that obviously has to do with the Walmart exit. But where can the gross margins go from here and what would the drivers be?

And then secondly, on the store rationalization, can you talk about how many stores of those would be Eyeglass store closures versus AB? Thanks so much.

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Hi, Adrienne. Thank you. Yes, as it relates to gross margin, there has been a lot of factors in gross margin in 2024. With that, obviously, the margin profile changes with the Walmart exit, with the AC Lens wind down and we have basically our core business that remains. With that, you see some movement between quarters based upon specials that we were running or promotions that we were running where if we were running a one pair offer versus the two pair offer, that margin profile looks a bit different. When we released our guidance for 2025, margin is pretty consistent year-over-year. There's some slight deleverage, but we'll make that up as we progress through the year.

We have, as we think about our fleet closures, that impact more of our operating margin than our gross margin. The November press release that we had put out related to our fleet optimization has the details that we expected for the revenue reduction, as well as the operating margin reduction based on those closures.

As we go forward with 2025, we expect that by quarter, we'll be largely consistent with how we were in 2024 as far as the quarter make up. However, that would be based on a continuing operations basis.

Adrienne Yih, Barclays Capital, Inc.

Okay. And just very quickly, there's no issue with – you're not that leveraged to the Easter or spring break kind of March to April transition based on what you said?

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

With spring break, we don't typically see a significant change based upon spring break. Our historical seasonality period, we have managed care at the beginning of the year, the rush at the end of the year. We have a slight bump with back-to-school season. Those are really what our busy periods are. And with that spring break, sometimes you'll have kids coming in because they're out of school. But for the most part, those other seasons that I just mentioned are where we have high seasonality.

Adrienne Yih, Barclays Capital, Inc.

Perfect. And the store closures? Thank you very much.

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

The store closures, for 2025, we expect that we'll still have three America's Best stores closing and Fred Meyer will be closing nine stores. Those are primarily going to be focused in the first quarter for Fred Meyer. And again, with that, the release that we put out in November has the detail of the revenue reduction and then the operating margin improvement based upon those closures.

Adrienne Yih, Barclays Capital, Inc.

Great. Thank you very much. Best of luck.

Melissa Rasmussen, Chief Financial Officer, National Vision Holdings, Inc.

Thank you.

Molly Baum, BofA Securities

Hi. Thanks so much for taking my question. So I just wanted to get a little bit of additional color on the optometrist recruiting. I know you mentioned that for the third year now, you've recruited at least 10% of the graduating class. But in 2Q of this year, you had also talked about a little bit of a softer than expected optometrist recruiting for the year. So can you just kind of talk about where you stand in that process, what your expectations are for 2025? And then maybe at a higher level, do you need to recruit as many doctors now that you have kind of increasing penetration of remote? Thank you.

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

Molly, great questions. Yeah, on the recruitment side, so yes, we will be third year in a row, 10% of the students. We really like that. I think it really shows that our model, our reputation, our brand, our offering and the flexibility programs that we put in place a while ago are really taking hold with the students. Good observation, Molly, that we were sort of, I think, it was midyear talking about recruitment being a little behind where we wanted to be and the team rallied. It was great. The team rallied and stepped up and we ended in a healthy place there. So that was good.

And yes, on the remote side, we are sort of using remote doctors and learning how to adjust to the right levels. Again, it's now only 12% of exams, but it does provide us a lot more flexibility. We do like – sort of have been leaning towards live doctors, but the remote is the thing that allows us to

balance it now in a variety of good way. So, and I hope you're taking away that we both ended the year and entered the year in an encouraging place relative to exams capacity. And it's been a lot of work over the years getting to that and we're pleased to be in the position we're in now.

Molly Baum, BofA Securities

Got it. Thanks so much. That's it for me.

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

Thank you.

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

Good. Elizabeth, thank you so much for your help with this. And thank you all for your time and attention to the call and to our business. We look forward to updating you on the progress of our transformation and our Q1 release in May. Thank you all so much.