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National Vision Holdings, Inc. (EYE)

Q2 2025 Earnings Call Transcript

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PRESENTATION

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

Thank you and good morning, everyone. Welcome to National Vision's second quarter 2025 earnings call. Joining me on the call today are Alex Wilkes, CEO 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 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 of 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 Alex. Alex?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Thank you, Tamara and good morning everyone – thank you for joining us today to discuss our second quarter results. I'm excited to be speaking with you for the first time as CEO, having officially stepped into this position on August 1st.

Before diving into our results, I'd like to express my sincere gratitude to Reade for his tremendous leadership over the past 23 years and for his continued support as Executive Chairman. I feel privileged to lead National Vision at this time of significant transformation and accelerated growth.

We are thrilled with the continued positive response we are seeing with our customers and throughout our organization to the changes we're making to rapidly modernize the company. Our second quarter results demonstrate that our initiatives are working and progressing at a faster pace than we had planned. We attribute this ongoing, early success to the commitment of our teams who are enthusiastically delivering results.

We have a few exciting initiatives underway for the back half of the year. Last week, we introduced our new National Vision branding; and next week, we are launching a transformational campaign for America's Best: Every eye deserves better, and we're excited for you to see it. We believe that this modern positioning of our largest brand, along with implementing a powerful new CRM platform, will serve us well to attract new customers and retain our existing customer base. Given our strong year-to-date performance, we are raising our full year outlook, while maintaining a prudent view on the remainder of the year against a noisy macro backdrop.

And now on to our Q2 results. We delivered the highest second quarter results that we've seen in recent years, including the 10th consecutive quarter of positive comp store sales growth. This quarter, we saw stronger than expected top and bottom line results with adjusted comp store sales growth of 5.9% and adjusted EPS of \$0.18, supported by a 69% year-over-year growth in adjusted operating income. This resulted in 180 basis point adjusted operating income margin improvement to 4.9%.

Top line performance and adjusted operating income expansion are primarily related to the pricing actions we took earlier this year, our improved product assortment, continued efforts to improve our customer experience and our focus on driving cost efficiency. These actions drove overall comp store sales growth, offsetting a decrease in average transactions as we anniversaried last year's promotional activity. We continue to see strength within our managed care business, which delivered low double-digit comp growth, bolstered by strong growth in both ticket and traffic. Our cash pay business also continued to deliver positive comp growth in the low single-digit range, driven by ticket, which was similar to cash pay trends seen in Q1 even while anniversarying last year's promotional activity. Importantly, while we've experienced average ticket gains across the business, we continue to see exam to eyeglass purchase conversion hold steady. In this quarter, we saw our net promoter scores increase. A key to our success is how we deliver exceptional eye care and the strength of our doctor network. Doctor coverage remains healthy. We've continued to expand our doctor coverage and improve appointment availability, and our remote exam technology reached a significant milestone this quarter, surpassing 1 million exams conducted. I'm sharing all of this, our brand evolution, enhanced capabilities and strengthened doctor network to underscore the sustainability of the strides we're making as we capitalize on the incredible runway for growth ahead.

We shared that our strategy involves heightened segmentation, personalization and digitization in our messaging, product assortment, pricing architecture and consumer experience. And we spent a lot of time talking about the great opportunity and progress we have made with expanding our managed care customer cohort, but we're also making strong progress in expanding our addressable market with progressive lens wearers and outsider ex customers, those who bring prescriptions from other providers. This contributed to growth with higher income brackets overall, particularly in the \$75,000 to \$100,000 range. As we progress,

we expect to continue to sharpen our product assortment, in-store experience and marketing approach to better attract and serve these customers.

We continue to evolve our product assortment to meet their needs. Managed care users have benefits allowing for frame purchases that average \$130, and yet only 20% of our frames were priced over \$99 at the end of last year. That is why we're moving our assortment of frames priced over \$99 to approximate 40% this year through the new brands which we are launching.

Our recently launched designer partnerships are performing really well with both cash pay and managed care customers. The L.A.M.B. and Ted Baker collections are turning at above average rates, validating our strategy of offering designer options. In this quarter, we're excited to launch Jimmy Choo, which features high-quality and glamorous styling; and HUGO BOSS, known for sophisticated and modern designs. Assortment evolution is just one factor contributing to our growth.

Another significant component is our approach to the in-store experience. In May, we conducted comprehensive lifestyle training across our entire organization. This wasn't just a training exercise. It was a significant inflection point for our field team. We conducted immersive training for our associates in this new approach, and it created significant drive and energy throughout the organization. This training is focused on selling to the lifestyle needs of the consumer while still being an obvious destination for great value. It's a subtle nuance, but a very important one for how we are addressing our business. Together, these initiatives are already showing results as we've seen growth in each target customer cohort group.

In addition to these tactical changes, we're also refreshing our branding overall. During the quarter, we made significant progress with the launch of our refreshed branding for National Vision that you see featured in this quarter's earnings presentation. This new identity is more than a visual evolution. It's a powerful expression of our purpose, our people and our momentum as we enter a new chapter for our business. Our new identity reflects the National Vision of today and tomorrow, a modern, agile, purpose-driven company committed to helping people see their best to live their best.

But I'm especially excited about America's Best fresh new look that you'll see launch next week. America's Best was in need of a brand revitalization that speaks to the consumer segments that we are targeting while staying true to our strong value positioning. With the brand's new position that every eye deserves better, we're introducing a new look and feel that's reassuring, modern and joyful.

These launches have energized our teams to rise to the occasion and meet our objective to helping people see their best, to live their best. Take a look at our National Vision website to see how we've elevated and modernized National Vision's corporate look and feel; and in our second quarter presentation, you'll see a sneak peek at how America's Best fresh look puts customers and their eyes front and center while staying true to our heritage of value.

The work we're doing to redefine our communication and brand platforms is just the beginning, and we're excited with the path we see ahead as we modernize and create a more personalized experience for our customers. To that end, we're making rapid enhancements to our digital marketing and omni-channel capabilities. We're making good progress upgrading our CRM capabilities with the support of our partnership with Adobe. We successfully migrated our customer database, launched all of our preexisting campaigns to the new system, and are actively testing the new journeys being developed with the first launching this quarter. This new platform will allow us to create new, personalized journeys for all our customers and significantly enhance their experiences online.

The new system is designed to greatly improve targeting precision and audience selection. We look forward to updating you further on the progress we make.

While much of our current work is focused on America's Best, we are driving improvement in Eyeglass

World. Earlier this year, we made a leadership change that is bringing the right focus and urgency needed for the brand. Since putting in place the new leadership team, Eyeglass World saw its best first half performance since 2021. We recently made an important strategic decision to modify our doctor model in Florida to enhance the patient experience and provide greater access to care. We're excited about the transformation just beginning at EGW.

The second quarter demonstrated meaningful progress across multiple fronts that led to strong and better than expected top line and bottom line results. Our transformation initiatives are gaining traction, and our brand revitalization is energizing associates. Our customers will soon see a fresh and modern America's Best, and our strategic focus on key customer segments is driving improvement in our comp sales.

Before I turn the call over to Chris, I want to thank our team again for their enthusiasm and focus as we deliver on our initiatives. I'm confident in the steps we are taking to rapidly modernize the company and accelerate growth. Importantly, we're doing the things our customers want to create a joyful shopping experience with the products they love, and we are just getting started. We have years of runway ahead to continue to evolve the business. The investments we're making are phased over the course of this and subsequent years, and we believe we will strengthen our position and increase shareholder value for many years to come. I look forward to unpacking our strategic vision in more detail at our Investor Day on November 17.

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

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

Thank you, Alex, and good morning, everyone. With a full quarter now under my belt, I am even more energized by the progress we are making and our clear path forward. As a team, we have an unwavering commitment to deliver on our stated objectives, operate the business with enhanced discipline, and drive sustainable, profitable growth. As part of this commitment, we are focused on driving efficiencies across the business, leveraging our cost structure and ongoing customer value creation, resulting in ticket expansion that we believe has a multiyear trajectory. As Alex said, we look forward to sharing more on this during our upcoming Investor Day.

Now, I'll turn to our second quarter results as compared to the prior-year period. Please refer to today's press release for reconciliations of non-GAAP financial measures to their most comparable GAAP financial measures. For the second quarter, net revenue increased to 7.7%, driven by adjusted comparable store sales growth of 5.9% and growth from new store sales. The timing of unearned revenue benefited revenue in the period by approximately 60 basis points.

During the quarter, we opened eight new America's Best stores and closed five America's Best stores. We ended the quarter with a total of 1,240 stores. Adjusted comparable store sales growth in the period was driven by an increase in average ticket of 6.6%, which reflects the impact of price increases implemented in late 2024 and Q1 of this year, as well as the benefit from our refreshed merchandising mix and new selling methods. The increase in average ticket was partially offset by a 0.4% decline in overall customer transactions as we anniversaried last year's promotions. Overall eye exam conversion to eyeglass sales remained consistent with prior quarters, signaling customer acceptance of our new merchandising and pricing architecture, and we have continued to see strong results in managed care supported by both positive ticket and traffic trends.

As a percentage of net revenue, costs applicable to revenue decreased approximately 170 basis points. The resulting increase in gross margin reflects growth in average ticket, as well as optometrist and tech cost leverage. Given the gross margin expansion we have seen to the first half of the year, we now expect gross margin to expand slightly for fiscal 2025.

Adjusted SG&A was \$240 million, an increase from the second quarter of fiscal 2024. We have continued to benefit from the cost actions we took earlier this year. However, the increase in SG&A dollars was primarily driven by higher variable compensation expenses related to revenue and profitability performance during the period, as well as higher health care costs. As a percentage of revenue, we leveraged our core expenses, including compensation and benefits. However, total adjusted SG&A deleveraged 20 basis points, largely driven by fewer non-GAAP adjustments taken this year compared to the prior year. For the year, we continue to expect adjusted SG&A to leverage.

Adjusted operating income was \$23.8 million compared to \$14.1 million in the prior year. Adjusted operating margin increased 180 basis points to 4.9%, due primarily to the factors mentioned above. Continued margin expansion through delivering consumer value remains a primary focus for our team. Net interest expense was \$4.2 million compared to \$3.2 million in the prior year, driven by lower interest income on our cash balances, with the settlement of our convertible notes in May.

Adjusted EPS increased to \$0.18 per share in the second quarter of 2025 from \$0.15 per share a year ago. For the first half of fiscal 2025, we delivered adjusted comparable sales growth of 5.7%, adjusted operating income margin expansion of 140 basis points, and nearly 20% growth in adjusted EPS compared to the prior year.

Turning next to our balance sheet. We ended the period with a cash balance of approximately \$48 million and total liquidity of \$327 million, including available capacity from our revolving credit facility. In May, we settled the remaining \$84.8 million in convertible notes through cash on hand and liquidity from our revolving credit facility. As of June 28, our total debt outstanding net of unamortized discounts was \$272 million. And for the trailing 12 months, we ended the period with net debt to adjusted EBITDA of 1.3 times. Year-to-date, we generated operating cash flow of \$87 million and invested \$32 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.

I am also happy to announce that we successfully implemented the first phase of our new ERP focused on finance and accounting in Q2. The implementation of this platform serves as a proof point of our ability to execute on the modernization of our business.

Moving now to our outlook. Based on the successful execution of our initiatives, we are raising our expectations for the year. We now expect revenue between \$1.93 billion and \$1.97 billion, adjusted comparable sales growth of 3% to 5%, adjusted operating income between \$85 million to \$95 million, and adjusted EPS of \$0.62 to \$0.70, which assumes approximately \$80 million weighted average diluted shares outstanding. As a reminder, this outlook incorporates the benefit of a 53rd week, which we estimate will add approximately \$35 million of net revenue and approximately \$3 million of adjusted operating income for the year, though it will not impact adjusted comparable store sales growth, which is calculated on a 52-week basis.

We expect to continue to benefit from our previous pricing actions and have not assumed additional pricing actions in our guidance. We will continue to evaluate the consumer response to our evolving merchandising assortment and selling techniques together with the pricing we've taken and use these insights to inform our next steps. As we've mentioned, pricing strategy is an important component of our annual cycle, and we expect to share more on our plans on our next earning call.

Our guidance assumes that second half traffic trends are in line with our Q2 performance given the continued uncertainty in the macroeconomic environment. We remain optimistic about the launch of our new CRM platform and America's Best brand assets, but we believe it's prudent to wait until we have proof points of their impact on consumer behavior before we incorporate any potential benefit in our guidance.

With respect to costs, our outlook continues to incorporate \$12 million of expense savings from actions taken earlier this year and now incorporates higher expenses related to variable incentive compensation as well as increased health care costs based on updated trends.

On our last earnings call, we committed to monitoring the evolving tariff environment and to mitigate the P&L impact created by the new regulatory environment. The latest tariff policies as of August 1 have significantly reduced the anticipated impact on our business from our Q1 estimates, and our raising guidance includes both the anticipated impact of tariffs and our mitigation strategies. We are very pleased with the progress our team is making in partnership with Accenture on our cost optimization strategy. We recently completed our initial analysis in identifying key areas of cost opportunity. And as we begin to implement actions in these areas, we will provide a more comprehensive update on the potential savings opportunities we have across the organization.

Now, turning to our expectations for capital expenditures. As you will see in our press release, CapEx has come down a bit to a range of \$87 million to \$90 million. This change is largely driven by our expectation that we will now open approximately 32 new stores this year as certain projects have shifted into fiscal 2026. Considering planned closures for the year, we expect to open 12 net new stores. This includes 17 America's Best stores opened through the end of Q2 and an expected remaining 15 openings to be largely weighted in Q4. In addition to these new stores, we expect to close 20 stores in total this year. This includes three store closures expected in Q4. For all other details regarding our outlook, please refer to today's press release.

And with that, I would like to thank you for your participation in today's call. Operator, we are now ready for questions.

QUESTION & ANSWER SECTION

Simeon Gutman, Morgan Stanley & Co, LLC

Hey, good morning, guys. Good quarter. My first question is on managed care expansion. Can you talk about – is there visibility in the number of the percentage of new plans that you could get into as we go through contract renewal season? Maybe that's done. And any framework of number of plans or percentage new plan and then where you are in penetration by plan so we can get a sense of what the runway looks like in managed care? Thanks.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Hey, Simeon. Good morning and thanks for the question. Yeah, again, we're really happy with our managed care growth in the quarter. We grew managed care up in the low double-digit range, so continuing to see nice traction there. Though we haven't really talked and we won't talk specifically about individual plans and plan participation, I will say that we are continuing on – our North Star of managed care growth and mix is around the 50% range and we're continuing to push right along that path.

Simeon Gutman, Morgan Stanley & Co, LLC

Okay. And when thinking about the cash customer, is there a line of sight on getting volumes to positive, not just – or ticket – I'm sorry, traffic, not just ticket? How do you think about that?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

No, great question. So, there's a couple of dynamics to think about here. One is the cash pay cohort is

continuing to shrink as more cash pay consumers become managed care customers. So, our data would suggest there is about a 2% mix shift from the cash pay cohort into managed care year-over-year. So, that's one dynamic to think about. So, that being said, we're looking to control our own destiny with the cash pay cohort. And primarily one of the reasons we're reinventing our America's Best approach to marketing, both our campaign assets and our approach to CRM, is really rooted in this idea that we're going to control our own destiny on the cash pay consumer that has not been as resilient as the managed care customer kind of in the post-COVID period.

So, we're pleased with what's occurring. We're pleased that the cohort of cash pay is comping positive once you aggregate both traffic and ticket. And we're looking to drive our – like I said, drive our own destiny as it pertains to that cohort through our marketing activities.

Michael Lasser – Analyst, UBS Securities LLC

Good morning. Thank you so much for taking my question. As you unpack the America's Best comp from the second quarter, how much of the growth came from like-for-like price increases on same SKUs? How much came from elevating the assortment to a greater percentage of your SKUs above \$100 and the first two factors contribute to the traffic decline that was experienced in the second quarter? Thank you very much.

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

Hey, good morning. So, as we look at both Q2 and year-to-date results, we're seeing improvements in ticket driven by both the price actions we've taken and mix. The majority of the impact was driven by price actions. But keep in mind that we're continually refreshing our assortment, so we haven't had a lot of this, the springboard assortment in place for the entire quarter. As we think through the second half of the year, we expect to see a continued evolution of that mix.

In terms of the traffic impacts, yeah, what we're – the interesting that we're seeing both on managed care and on cash pay is that consumers are actually trading up into these more premium frame assortments, as well as some of our more premium lines assortment. So, what's telling us is the changes we're making are resonating with both cash pay and managed care consumers, and we don't have any reason to believe that the assortment changes we're making are getting cash pay customers to opt out..

Michael Lasser, UBS Securities LLC

Okay. My follow-up question is on the margin outlook for the business. National Vision's operating margin is on track to be 4.5% to 5% this year. Historically, the company has achieved an operating margin in the 6.5% to 7% range. So, how quickly do you think you can recapture that 200 basis points of gap between what you're expecting this year and where it's been historically? And should we think about the historic peak as a upward bound of where National Vision's margin can go? Or alternatively, just given all the actions that have been taken along with the elevated assortment, there can be a new peak margin opportunity on the horizon. Thank you very much.

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

Thank you. Look, I think margin expansion is a primary focus for this management team. We're really excited about the margin expansion we saw through the first half and what we're guiding to. Without speaking to kind of multiyear outlooks, what I can say that we'll provide a little more context in our Investor Day coming up here in a few months. But the actions we're taking both on the assortment changes, on some of the CRM activity, on the cost controls that we're implementing and our partnership with Accenture are all hyper-focused on expanding our operating margin rate.

Paul Lejuez, Citigroup Global Markets, Inc.

Hey. Thanks, guys. A couple of questions. Can you talk about what your actual average price point is for the cash-paying customer and what it is for managed care customer? And how each has changed year-over-year of what you're seeing this quarter? And I guess even a bigger picture, do you think the cash-paying customer is pushing off purchases or are they shopping somewhere else? Curious if you think you might be losing share to someone in that demographic? And then last, if you can talk about any regional differences, strengths, weaknesses? Thanks.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. Hey, Paul. Good morning. So, yeah, first and foremost, we do see that the managed care transaction is generally a higher transaction than the cash pay transaction, right? I mean, these are folks that generally have a higher degree of benefit that also points them to leverage their benefit and use it against some higher quality lenses and some higher quality frames. So, yeah. So, the ticket on the managed care consumer generally outstrips that of the cash pay customer. And certainly, we think that's a significant tailwind in our business and, again, one of the reasons that we're so focused on that managed care consumer cohort.

One of the things as it relates to the cash pay consumer and Chris touched on this a little bit, this last quarter, we actually chose not to anniversary our promotion from last year, which was really a promotion focus at a heavily value-seeking cash pay consumer. So, with our small decline in traffic, we're actually really pleased with that result given the choice to not chase that really low-end, kind of, cash pay consumer with a really sharp promotional message that we have last year. So, I think, all in all, a really nice result there.

That being said, we still see, like I mentioned, a little bit less resiliency on the cash pay consumer from a purchase cycle perspective. It hasn't changed markedly from previous quarters. But again, this is why we're making the investments we are in marketing and acquisition to once again kind of control our own destiny and reactivate that consumer that has been a bit more latent.

Paul Lejuez, Citigroup Global Markets, Inc.

And just the regional, any differences to call out?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

We don't see really any significant regional differences. I said this before related to kind of seasonality in this business. We see moguls, not mountains. I think the same thing holds true for geographic differences. I mean, there are some minor differences related to different managed vision care plan participation, different kind of socioeconomic factors to consider. But generally, we don't see any major regional differences in strengths and weaknesses.

That being said, I've talked about this previously, one of the reasons that we are going to continue to invest in our tech stack, specifically around merchandising ERP, is to take advantage of nuances in the market where there could be different desires for different assortments. Again, we're not there today, but we do anticipate to be there in the back half of 2026 where we can do some tailor market assortment of product by market, and we do think that will play. Again, not really a strength or weakness by geography, but I think it certainly speaks to our opportunity to be a bit more hyper-segmented to where individual kind of consumer wants and desires lie.

Paul Lejuez, Citigroup Global Markets, Inc.

Yeah. Just one follow-up. You mentioned the \$130, I think, spending power when you're talking about the managed care customer. Did I hear that right? And I'm just trying to understand where your average ticket is with that customer relative to that number.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. So, the \$130 is kind of the average mark of what plans pay for – allow managed care consumers to get where there's zero out-of-pocket on the frame component of the transaction. And, again, I mean, the math on this is pretty straightforward, right? The average plan pays \$130. The 20% of our mix was \$99 and above, and we're moving to 40% of our mix being \$99 and above to more closely match our mix of managed care consumers and basically serve them better frames at a price point to let them take better advantage of what their plans allow them to enjoy.

Adrienne Yih, Barclays Capital, Inc

Great. Thank you very much and congratulations on the great start to the year. My question is, typically, the eye care or the vision care sort of from an annual or biannual basis is pretty sticky. You get kind of people who have their doctor or wherever they go. How are you actually targeting and marketing this \$75,000 to \$100,000 cohort? Where are you doing it? How are you reaching out to them? And how easy, I'll put that in air quotes, is it to kind of get them to transact and move kind of the records and all that stuff to kind of America's Best? And then secondarily, can you comment on sort of like the dark, dim locations, sort of how you've been able to incorporate the telehealth and increase the capacity utilization of the optometrist? Thank you so much.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

You got it. And, Adrienne, thanks so much for the commentary. Yes. I mean, your point is spot on. It's one of the reasons we are significantly reinventing how we approach marketing within the company. Historically, we have done really, really well at advertising on linear TV and pumping a bunch of money into search marketing. And that was a good strategy for a time when we were chasing the cash pay consumer and when a large majority of our customer was not in that cohort group that we're chasing today. So, as we shift our campaign strategy to be a bit more elevated, to be a bit sharper, to be more joyful, to be more modern, we're also going to be shifting our approach to media.

So, historically, we spent – I like to talk about the marketing funnel. Kind of historically, we invested in the shape of a barbell, right, so a lot in upper funnel and a lot lower funnel, and we didn't do a whole bunch in mid. This new campaign is going to allow us to do more in social. It's going to allow us to do more in digital. And that's specifically the channels that we believe those consumer cohorts set. So, new campaign will allow us to be better, sharper in mid-funnel marketing, which we haven't historically been. So, that's one component to it.

The second piece is around – when I talk about CRM and the evolution that it's going to allow us to take, historically, our CRM messages have been one to many. If we have 10 consumers step foot in our door, historically, those 10 consumers were getting the same message when they were kind of due to be in the repurchase cycle. Go forward, we will have better information about customer demographic, their income, demographic, their purchases to allow us to be much more targeted and personalized to their specific needs to their purchase history and to their individual segments. So, at the macro level, if you can think about what we're doing, we're moving from a company that marketed one to many, more to a one-to-one marketing engine across our platform. So, that's a little bit more of a probably deep dive than you were maybe even expecting. And, in November, we're going to have a much deeper dive and share campaign assets and a bit more of a deep dive into our tech stack that's going to enable us to accomplish all of those things.

In regards to dark, dim locations, we're super happy with the progress that we made there. Our dark and dim is within the prior range when it was in Q1. From a doctor recruiting perspective, we, as in previous years, are recruiting over 10% of the graduating class. And as it pertains to doctor retention, actually, our doctor retention numbers this last quarter were the best in recent memories. So, from an OD perspective, we think we're in a really, really good spot and we're confident where we sit.

Adrienne Yih, Barclays Capital, Inc

Great. And then one follow-up for Chris. On the last, you said that obviously the new tariff regime, meaning the China, 145% to 30%, I think that happened right after you reported like a week after. So, previously, you had said \$10 million to \$15 million of unmitigated, and it was not included in the outlook. Now that it says 30%, is this now – I guess it's kind of inconsequential. Is that a fair way to think about it?

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

Yeah, that's exactly right. Yeah. Between updates in the regulatory environment, as well as, right, the conversations with our strategic partners about what tariff impact on our supplies that we would or would not be willing to accept. It's really something that we've incorporated in the guidance. It's fractional compared to our last estimate. And we've put in place a few cost mitigation strategies in our outlook to offset any impact of the incremental tariffs.

Kate McShane, Goldman Sachs

Hi. Good morning. Thanks for taking our question. We wanted to ask about Eyeglass World. And I know it's a smaller part of the business, but you mentioned in the prepared comments there's been some new leadership changes there. And we're just wondering how you think about this banner in the context of the transformational strategy and what goals do you have set for that banner.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

No, great question, Kate. And again, I'll reemphasize how we couldn't be more pleased with the change in direction we're seeing in Eyeglass World. Our new leader of that brand has – is just working with an incredible urgency, has the team rallied, and is making the significant changes, and has a great road map for the next couple of years to drive improved results. So, second quarter positive comps at 2.8% at Eyeglass World, it's the best first half of Eyeglass World that we've seen since 2021. Again, I think a proof point that it's working.

We've recently made a significant shift and change to our doctor model in Florida. So, Florida is about 40 of our 120 or so Eyeglass World locations where we had a doctor model concentrated with kind of one master sublease. And we've changed that doctor model to more closely mimic what we do at America's Best in terms of having a employed structure. So, we think all of those things have really positioned Eyeglass World well.

As I said, we're launching new America's Best campaign next week. And once we kind of get that under our belt and stabilize and we feel good about all of our creative assets and our brand direction there, we've asked the agency to – their next remit is to look at Eyeglass World and think about the brand, think about how do we modernize Eyeglass World, how do we think about our positioning, how do we think about where we invest our media dollars at EGW. So, again, really nice progress, great kind of early innings results, super happy with what we've seen in the first half of the year. And with layering on additional investments and additional thought into how the brand evolves, just feel great about the direction that Eyeglass World has.

Kate McShane, Goldman Sachs

Thank you. And as a second question, we just wanted to ask about going forward real estate strategy. Just as you think about moving your business more towards a managed care customer, can we expect any kind of meaningful change in terms of how you source your real estate locations versus what you have already built out today?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. So, I wouldn't say it's going to inform a wholesale shift in our real estate strategy. Certainly, I think we will be including data points to go forward that we might not have in the past around like concentration of managed care lives as an input into our real estate model. That's something that historically hasn't been considered as much as it will be go-forward. But in terms of types of real estate and where we look to invest, we're still focused on regional power centers anchored by strong national retail brands. That will not change. We think, obviously, those are great centers to be co-located in. But in terms of where we might expand into markets and additional geographies, certainly, we will be considering concentration of managed care lives as one of the factors in our decision criteria.

Dylan Carden, William Blair

Thank you. Two for me. One, just curious on the closures. Kind of what kind of stores you're closing and the sort of strategy there as far as how many more in the fleet you think you can rationalize. And the demand environment, where you think we are in the repurchase cycle? Has that recovered? And I guess the context for that question is I feel like there either is confusion or risk of confusion as to whether or not you're walking away from kind of a core lower income consumer. It sounds like there's more deliberate action in which you're keeping that consumer maybe yielding them up to some capacity. Anything there would help. Thank you.

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

Yeah, great question. Thanks, Dylan. Look, when we think about our store closures, we're rationalizing the fleet looking at a couple of areas: A, just overall ability to generate profitability and whether that profit was accretive to the portfolio in general; B, right, is demographics for shifting. As populations are shifting, we're looking at are we able to recruit a doctor in that location to provide the best experience possible; and then C, I mean, we're really just looking at where do we want to be from a concentration perspective in the future. So, opportunistically, as leases are renewing, we're taking a look at this place that we want to continue to operate in the long term. And if it's not solving for being part of what we see as our – aligning to our future initiatives, then we'll take the action to close the store. These are all largely aligned to what we communicated in Q4 of 2024 in terms of our rationalization strategy. We still feel great about the footprint that we have. So, I wouldn't expect any massive changes or significant upticks in the pace of our closures. We still feel like the overall balance of the portfolio is very healthy.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. And Dylan, I'll take the one on the demand environment. So, from a cash pay perspective, again, we're still not seeing that return to pre-COVID purchase cycle that we all love. But that being said, our cash pay – everything we're doing is relating to – related to lifestyle selling assortment pricing is also having a strong benefit on the cash pay consumer. We've seen the cash pay customers raise their hands and opt in to better product, better frames, better lenses and better lens attachment all coming through our kind of lifestyle selling approach. So, your point in your question around are we generating additional yield out of that cash pay consumer, the answer is, absolutely, yes, and we're really pleased that that cash pay consumer

is migrating along with the kind of holistic strategy that we've put in place.

Cameron Harbilas, Jefferies LLC

Hi. This is Cameron Harbilas on for Brian Tanquilut. I guess the question I had was, your comps growth guidance, you pulled up for the second half. But after two quarters of comps growth in excess of 5%, it seems like you're guiding towards a bit of a slowdown. Can you talk about like what the back half looks like for comps growth and just what the driving factor there is?

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

Yeah. I'd say two main driving factors. First, we want to be prudent as there still, I believe, a lot of noise in the macroeconomic environment and what that may – how that may impact consumer behavior. I mean, look, we feel confident that we've got a right to win when the economy is strong, and we feel great that we've got the right to win when the economy is not strong. But at this point, we just want to be very prudent about our expectations for the second half.

Now, on the demand side, trying to be pragmatic, we are really excited about our new CRM capabilities that are coming online in the second half of the year. We're very excited about the new America's Best brand assets. And frankly, I want to see proof points that those are driving consumer impact before we take the step of rolling any potential benefit into the guide.

And the second piece on the ticket perspective, we've took our price increases largely Q4 and Q1 of this year. Our guide currently does not assume that we're taking any incremental price actions in Q4 as we anniversary the timing of last year's price increases. We're going to sit tight, evaluate how our new merchandising mix and how our pricing architecture to date has been impacting consumer behavior. And as we have few more months of data under our belt, we'll take a decision as to when the next step is for additional pricing actions.

Cameron Harbilas, Jefferies LLC

Thank you. And then as a follow-up on the comps growth, it sounded like America's Best comps growth was mostly price increases, but you saw low-double digits on managed care and it was positive both from volumes and pricing. Can you talk about the split there on the managed care book and comps growth?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. So, no, you're exactly right. The managed care cohort grew both from a footsteps basis and from a ticket basis, so, again, nice growth there. Again, if you break it down further, obviously, then that leads us to the cash pay consumer that from a ticket perspective was up and then from a traffic perspective was down. So, again, I don't think we're going to break out specifics regarding the composition of that. But directionally, that's absolutely right. Traffic growth on the managed care consumer, ticket expansion on the managed care consumer, ticket expansion on cash pay and the footsteps on cash pay remain largely in line with what we saw in Q1.

Matt Koranda, ROTH Capital Partners LLC

Hey, guys. Thanks. So, just curious to get a little bit of a deeper dive on the pricing discussion you guys have had so far. You mentioned sort of the optimized assortment and sort of the goal of getting to 40% of the mix of frames priced above \$99. I guess our checks would suggest you're kind of already there in America's Best. So, maybe just curious about, sort of, is there further innovation at the other banners that needs to happen? Maybe a little bit more there. And then how do we think about sort of lens pricing

optimization and other avenues for price over time?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah, no, I appreciate that, Matt. And, yeah, we've made a considerable amount of change to our assortment really throughout Q1 and kind of really as we're closing out Q2. So, some of the frame brands that we introduced were late in the quarter, and this, a little bit to Chris' point earlier that super early stages and seeing how it actually pulls through. But obviously, we think the strategy is sound and we have a great degree of optimism there.

That being said, we do believe that there is further room to go here, especially with the encouraging signs that our cash pay consumers are opting into these products, the fact that the products we're introducing at a higher AUR are turning at a higher rate than our historical inventory norms. Again, we think those are all really good signs that we're onto something here, and that is that we can continue to expand our assortment both from a raw price taking perspective and from skewing our assortment a bit more premium. All of those things are working together, lifestyle training, frame evolution. And the consumer is raising their hand and saying, yeah, this makes sense for me. So again, super, super encouraging there.

As it pertains to lens pricing, frankly, we're just scratching the surface there. There is a lot of opportunity in lens pricing. Lens pricing is not as straightforward. It's a much more complicated endeavor than frames. But we do believe we have opportunity there. And when we talk about long-term growth for evolution of mix and price, it certainly includes our aspirations for what we're going to do in lens as well. And that's something we anticipate to be more – that we'll unpack more in future quarters.

Matt Koranda, ROTH Capital Partners LLC

Okay. Appreciate all that detail. And then maybe just as my follow-up. On store productivity, I'm curious how much runway do you guys think we have for improvement there? I assume the majority of it is going to come from sort of the pricing optimization exercise we're going through. But how much benefit could you also get from sort of trimming some of the underperforming stores in the base?

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

Yeah. Look, I think there's still some runway ahead in terms of optimizing our fleet, both in terms of some additional closures, as well as just reinvesting and gaining leverage from the stores that we have. The price changes are definitely going to help drive four-wall store operating profit for us. And look, as we continue to – we spoke quite a bit about our remote exam capabilities. We just celebrated our millionth remote exam. We feel great about where we're at, and we still feel like there's runway ahead in terms of improving the productivity of how we leverage that technology and ultimately kind of see that flow through the P&L.

Anthony Chukumba, Loop Capital Markets LLC

Good morning. Thanks for taking my question. I guess my first question is on the Ray-Ban and the Nuance, the pilots. I was just wondering what the early results have been. And if based on those early results, are we going to be thinking about rolling those products out to additional stores?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. Hey, Anthony. Great question. And so far, I think we are live with these products in about 50 or so locations, and what we're seeing so far is super encouraging. Our associates are excited about the product. Our customers are excited about the product. And from our data, we believe that we are selling at the same

average rate that the category is even in these early innings.

That being said, this is a completely different category of product to sell. And when we – before we take it to scale, we want to ensure that we have the right training, the right talk track, the right ability for our team members to articulate the benefit to the consumer. Again, this is a – you can imagine, it's a complete new product category with new requirements, new approaches of sales to the consumer. And think about this first 50 really is not a – this is not a pilot of are we going to. It is a pilot of how do we figure out how to best take it to scale. We will absolutely be playing in this category. We believe in this category. Early innings suggest that we can win here. So, we're using this as a test bed to understand how do we best take this to scale and what can we learn to make that as smooth and easy for our 14,000 team members as possible.

Anthony Chukumba, Loop Capital Markets LLC

Got it. That's helpful. And then just a quick follow-up. So, you mentioned not anniversarying a promotion. I guess two related questions. One, can you just remind us what that promotion was? And then secondly, do you think – obviously kind of a counterfactual, but do you think that if you had anniversaryed (01:00:05) that promotion, you would have – your traffic would have been positive this quarter? Thanks.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. It was the Wise Buys promotion from last year where we had dropped the intro combo offer by approximately \$10. And that was – we know that was traffic-driving in 2024. However, it was traffic-driving of that kind of consumer cohort that was coming in shopping exclusively for that two pair for \$69 and a free eye exam offer. So, from a profit contribution perspective, it just wasn't that strong. So, we do believe that it drove traffic in 2024. We intentionally chose not to repeat it based on the marginality of the incrementality of traffic that it generated in 2024. And again, we think that's also part of the recipe of our success for the quarter and why we saw such strong basis points accretion at the EBIT line.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Thanks so much. And thanks, everyone, for your time this morning. As you can probably tell, we're really excited about the momentum we have within the company. We think there's lots and lots of runway over the next several years as we layer in initiatives that will drive continued performance of our store base and of our brands. I want to thank everyone again for their time, and we'll talk to you next quarter. Thanks so much.