UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 2, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-38257

National Vision Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**46-4841717**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2435 Commerce Ave	
Building 2200	**30096**
Duluth, Georgia	(Zip Code)
(Address of principal executive offices)	

(770) 822-3600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	EYE	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 29, 2022
Common stock, $0.01 par value	78,887,096

NATIONAL VISION HOLDINGS, INC. AND SUBSIDIARIES

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by those sections. All statements, other than statements of historical facts included in this Form 10-Q, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, results of operations, financial position, business outlook, business trends and other information, may be forward-looking statements.

Words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” or “anticipates,” and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts or guarantees of future performance and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth in Part II, Item 1A - “Risk Factors” in this Form 10-Q and Part I, Item 1A - “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended January 1, 2022 (the “2021 Annual Report on Form 10-K”), as filed with the Securities and Exchange Commission (the “SEC”), as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov, and also include the following:

- the COVID-19 pandemic and its resurgence and variants, and the impact of evolving federal, state, and local governmental actions in response thereto, including risks stemming from vaccination and testing programs and mandates;
- customer behavior in response to the continuing pandemic and its more recent outbreaks of variants, including the impact of such behavior on in-store traffic and sales;
- overall decline in the health of the economy and other factors impacting consumer spending, including inflation, rising interest rates and geopolitical instability;
- our ability to open and operate new stores in a timely and cost-effective manner, or keep stores safely open in light of the continuing COVID-19 pandemic, and to successfully enter new markets;
- our ability to recruit and retain vision care professionals for our stores in general and in light of the pandemic;
- our ability to develop, maintain and extend relationships with managed vision care companies, vision insurance providers and other third-party payors;
- our ability to maintain the performance of our Host and Legacy brands and our current operating relationships with our Host and Legacy partners;
- our ability to adhere to extensive state, local and federal vision care and healthcare laws and regulations;
- our compliance with managed vision care laws and regulations;
- our ability to maintain sufficient levels of cash flow from our operations to execute or sustain our growth strategy or obtain additional financing at satisfactory terms or at all;
- the loss of, or disruption in the operations of, one or more of our distribution centers and/or optical laboratories, resulting in the inability to fulfill customer orders and deliver our products in a timely manner;
- risks associated with vendors from whom our products are sourced, including our dependence on a limited number of suppliers;
- our ability to compete successfully;
- our ability to effectively operate our information technology systems and prevent interruption or security breach;
- the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices;
- our growth strategy straining our existing resources and causing the performance of our existing stores to suffer;
- our ability to successfully and efficiently implement our marketing, advertising and promotional efforts;
- risks associated with leasing substantial amounts of space, including future increases in occupancy costs;
- the impact of certain technological advances, and the greater availability of, or increased consumer preferences for, vision correction alternatives to prescription eyeglasses or contact lenses, and future drug development for the correction of vision-related problems;
- our ability to retain our existing senior management team and attract qualified new personnel;

- our ability to manage our inventory;
- seasonal fluctuations in our operating results and inventory levels;
- our reliance on third-party coverage and reimbursement, including government programs, for an increasing portion of our revenues;
- risks associated with our e-commerce and omni-channel business;
- product liability, product recall or personal injury issues;
- our failure to comply with, or changes in, laws, regulations, enforcement activities and other requirements;
- the impact of any adverse litigation judgments or settlements resulting from legal proceedings relating to our business operations;
- risk of losses arising from our investments in technological innovators in the optical retail industry;
- our ability to adequately protect our intellectual property;
- risks associated with environmental, social and governance issues, including climate change;
- our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our debt obligations;
- a change in interest rates as well as changes in benchmark rates and uncertainty related to the foregoing;
- restrictions in our credit agreement that limits our flexibility in operating our business;
- potential dilution to existing stockholders upon the conversion of our convertible notes; and
- risks related to owning our common stock, including our ability to comply with requirements to design and implement and maintain effective internal controls.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this Form 10-Q apply only as of the date of this Form 10-Q or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

All references to "we," "us," "our," or the "Company" in this Form 10-Q mean National Vision Holdings, Inc. and its subsidiaries, unless the context otherwise requires. References to "eye care practitioners" in this Form 10-Q mean optometrists and ophthalmologists and references to "vision care professionals" mean optometrists (including optometrists employed by us or by professional corporations owned by eye care practitioners with which we have arrangements) and opticians.

Website Disclosure

We use our website www.nationalvision.com as a channel of distribution of Company information. Financial and other important information regarding the Company is routinely accessible through and posted on our website. Accordingly, investors should monitor our website, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about National Vision Holdings, Inc. when you enroll your e-mail address by visiting the "Email Alerts" page of the Investor Resources section of our website at www.nationalvision.com/investors. The contents of our website are not, however, a part of this Form 10-Q.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
In Thousands, Except Par Value
(Unaudited)

	As of July 2, 2022	As of January 1, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 254,382	$ 305,800
Accounts receivable, net	63,774	55,697
Inventories	129,493	123,669
Prepaid expenses and other current assets	32,821	29,410
Total current assets	480,470	514,576
Noncurrent assets:		
Property and equipment, net	350,840	346,436
Goodwill	777,613	777,613
Trademarks and trade names	240,547	240,547
Other intangible assets, net	38,275	42,020
Right of use assets	372,121	354,900
Other assets	18,477	16,999
Total non-current assets	1,797,873	1,778,515
Total assets	$ 2,278,343	$ 2,293,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 70,000	$ 64,331
Other payables and accrued expenses	107,578	119,323
Unearned revenue	34,329	29,895
Deferred revenue	64,295	65,325
Current maturities of long-term debt and finance lease obligations	4,651	3,999
Current operating lease obligations	72,938	60,930
Total current liabilities	353,791	343,803
Noncurrent liabilities:		
Long-term debt and finance lease obligations, less current portion and debt discount	564,152	566,081
Non-current operating lease obligations	350,186	342,241
Deferred revenue	23,015	23,166
Other liabilities	9,043	8,974
Deferred income taxes, net	86,487	82,846
Total non-current liabilities	1,032,883	1,023,308
Commitments and contingencies (See Note 9)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 84,147 and 83,840 shares issued as of July 2, 2022 and January 1, 2022, respectively; 78,885 and 81,405 shares outstanding as of July 2, 2022 and January 1, 2022, respectively	841	838
Additional paid-in capital	759,562	750,478
Accumulated other comprehensive loss	(1,562)	(1,940)
Retained earnings	318,276	278,395
Treasury stock, at cost; 5,262 and 2,435 shares as of July 2, 2022 and January 1, 2022, respectively	(185,448)	(101,791)
Total stockholders' equity	891,669	925,980
Total liabilities and stockholders' equity	$ 2,278,343	$ 2,293,091

The accompanying notes are an integral part of these condensed consolidated financial statements.

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
In Thousands, Except Earnings Per Share
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Revenue:				
Net product sales	$ 421,600	$ 458,206	$ 854,853	$ 901,273
Net sales of services and plans	87,955	91,283	182,413	182,396
Total net revenue	509,555	549,489	1,037,266	1,083,669
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	163,361	167,028	327,580	326,719
Services and plans	71,206	68,918	143,024	133,917
Total costs applicable to revenue	234,567	235,946	470,604	460,636
Operating expenses:				
Selling, general and administrative expenses	227,829	234,235	456,383	457,828
Depreciation and amortization	25,245	24,025	50,396	47,580
Asset impairment	3,509	519	3,915	1,478
Other expense (income), net	34	(65)	265	(130)
Total operating expenses	256,617	258,714	510,959	506,756
Income from operations	18,371	54,829	55,703	116,277
Interest expense (income), net	3,963	10,188	(181)	16,518
Earnings before income taxes	14,408	44,641	55,884	99,759
Income tax provision	4,674	7,040	16,003	18,726
Net income	$ 9,734	$ 37,601	$ 39,881	$ 81,033
Earnings per share:				
Basic	$ 0.12	$ 0.46	$ 0.49	$ 0.99
Diluted	$ 0.12	$ 0.42	$ 0.47	$ 0.89
Weighted average shares outstanding:				
Basic	80,061	81,601	80,744	81,457
Diluted	80,403	96,082	94,109	96,044
Comprehensive income:				
Net income	$ 9,734	$ 37,601	$ 39,881	$ 81,033
Unrealized gain on hedge instruments	255	2,959	507	4,609
Tax provision of unrealized gain on hedge instruments	65	756	129	3,302
Comprehensive income	$ 9,924	$ 39,804	$ 40,259	$ 82,340

The accompanying notes are an integral part of these condensed consolidated financial statements.

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
In Thousands
(Unaudited)

	Three and Six Months Ended July 2, 2022						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at January 1, 2022	81,405	$ 838	$ 750,478	$ (1,940)	$ 278,395	$ (101,791)	$ 925,980
Issuance of common stock	289	3	1,366	—	—	—	1,369
Stock based compensation	—	—	3,692	—	—	—	3,692
Purchase of treasury stock	(272)	—	—	—	—	(10,649)	(10,649)
Settlement of 2025 Notes	—	—	(1)	—	—	—	(1)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	188	—	—	188
Net income	—	—	—	—	30,147	—	30,147
Balances at April 2, 2022	81,422	$ 841	$ 755,535	$ (1,752)	$ 308,542	$ (112,440)	$ 950,726
Issuance of common stock	18	—	421	—	—	—	421
Stock based compensation	—	—	3,606	—	—	—	3,606
Purchase of treasury stock	(2,555)	—		—	—	(73,008)	(73,008)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	190	—	—	190
Net income	—	—	—	—	9,734	—	9,734
Balances at July 2, 2022	78,885	$ 841	$ 759,562	$ (1,562)	$ 318,276	$ (185,448)	$ 891,669

	Three and Six Months Ended July 3, 2021						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at January 2, 2021	81,239	$ 821	$ 795,697	$ (4,400)	$ 142,880	$ (28,496)	$ 906,502
Cumulative effect of change in accounting principle	—	—	(71,385)	—	7,271	—	(64,114)
Balances at January 3, 2021 - as adjusted	81,239	821	724,312	(4,400)	150,151	(28,496)	842,388
Issuance of common stock	174	2	1,056	—	—	—	1,058
Stock based compensation	—	—	2,971	—	—	—	2,971
Purchase of treasury stock	(28)	—	—	—	—	(1,421)	(1,421)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	(896)	—	—	(896)
Net income	—	—	—	—	43,432	—	43,432
Balances at April 3, 2021	81,385	$ 823	$ 728,339	$ (5,296)	$ 193,583	$ (29,917)	$ 887,532
Issuance of common stock	471	5	3,863	—	—	—	3,868
Stock based compensation	—	—	7,178	—	—	—	7,178
Purchase of treasury stock	(1)	—	—	—	—	(45)	(45)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	2,203	—	—	2,203
Net income	—	—	—	—	37,601	—	37,601
Balances at July 3, 2021	81,855	$ 828	$ 739,380	$ (3,093)	$ 231,184	$ (29,962)	$ 938,337

The accompanying notes are an integral part of these condensed consolidated financial statements.

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
In Thousands
(Unaudited)

	Six Months Ended	
	July 2, 2022	July 3, 2021
Cash flows from operating activities:		
Net income	$ 39,881	$ 81,033
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,396	47,580
Amortization of debt discount and deferred financing costs	1,584	2,268
Asset impairment	3,915	1,478
Deferred income tax expense	3,512	14,582
Stock based compensation expense	7,372	10,201
Losses (gains) on change in fair value of derivatives	(10,745)	125
Inventory adjustments	1,429	619
Other	2,455	1,253
Changes in operating assets and liabilities:		
Accounts receivable	(8,661)	2,393
Inventories	(7,253)	(10,208)
Operating lease right of use assets and lease liabilities	568	149
Other assets	2,246	(1,148)
Accounts payable	5,669	12,816
Deferred and unearned revenue	3,253	18,782
Other liabilities	(7,590)	7,885
Net cash provided by operating activities	88,031	189,808
Cash flows from investing activities:		
Purchase of property and equipment	(55,714)	(38,812)
Other	20	22
Net cash used for investing activities	(55,694)	(38,790)
Cash flows from financing activities:		
Repayments on long-term debt	(4)	(117,375)
Proceeds from issuance of common stock	2,246	5,738
Purchase of treasury stock	(83,632)	(1,466)
Payments of debt issuance costs	—	(900)
Payments on finance lease obligations	(2,218)	(2,526)
Net cash used for financing activities	(83,608)	(116,529)
Net change in cash, cash equivalents and restricted cash	(51,271)	34,489
Cash, cash equivalents and restricted cash, beginning of year	306,876	375,159
Cash, cash equivalents and restricted cash, end of period	$ 255,605	$ 409,648
Supplemental cash flow disclosure information:		
Cash paid for interest	$ 9,329	$ 14,640
Cash paid for taxes	$ 5,632	$ 6,995
Capital expenditures accrued at the end of the period	$ 9,300	$ 8,827

The accompanying notes are an integral part of these condensed consolidated financial statements.

National Vision Holdings, Inc. and Subsidiaries
Index to Notes to Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Nature of Operations

National Vision Holdings, Inc. ("NVHI," the "Company," "we," "our," or "us") is a holding company whose operating subsidiaries include its indirect wholly-owned subsidiary, National Vision, Inc. ("NVI") and NVI's wholly-owned subsidiaries. We are a leading value retailer of eyeglasses and contact lenses in the United States. We operated 1,314 and 1,278 retail optical locations in the United States and its territories as of July 2, 2022 and January 1, 2022, respectively, through our five store brands, including America's Best Contacts and Eyeglasses ("America's Best"), Eyeglass World, Vista Optical locations on select U.S. Army/Air Force military bases ("Military") and within select Fred Meyer stores, and our management & services arrangement with Walmart ("Legacy").

Basis of Presentation and Principles of Consolidation

We prepare our unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and, therefore, do not include all information and disclosures required by U.S. GAAP for complete consolidated financial statements. The Condensed Consolidated Balance Sheet as of January 1, 2022 has been derived from the audited consolidated balance sheet for the fiscal year then ended. These condensed consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's consolidated results of the interim period.

Certain information and disclosures normally included in our annual consolidated financial statements have been condensed or omitted; however, we believe that the disclosures included herein are sufficient for a fair presentation of the information presented. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the fiscal year ended January 1, 2022 included in the 2021 Annual Report on Form 10-K. The Company's significant accounting policies are set forth in Note 1 within those consolidated financial statements. We use the same accounting policies in preparing interim condensed consolidated financial information and annual consolidated financial statements. There were no changes to our significant accounting policies during the six months ended July 2, 2022.

The condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain amounts within the Condensed Consolidated Statements of Operations and Comprehensive Income and footnotes to the condensed consolidated financial statements for fiscal year 2021 have been reclassified to conform to the fiscal year 2022 presentation.

The Company has consolidated certain entities meeting the definition of a variable interest entity ("VIE") as the Company concluded that it is the primary beneficiary of the entities under the provisions of Accounting Standards Codification 810, Consolidation. At July 2, 2022, the variable interest entities include 31 professional corporations. The total assets of the consolidated VIEs included in the accompanying Condensed Consolidated Balance Sheets as of July 2, 2022 and January 1, 2022, were $5.7 million and $6.0 million, respectively, and the total liabilities of the consolidated VIEs were $6.2 million and $6.8 million, respectively.

Fiscal Year

Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31. Fiscal year 2022 contains 52 weeks and will end on December 31, 2022. All three and six month periods presented herein contain 13 and 26 weeks, respectively. All references to years and quarters relate to fiscal periods rather than calendar periods.

Seasonality

The consolidated results of operations for the three and six months ended July 2, 2022 and July 3, 2021, are not necessarily indicative of the results to be expected for the full fiscal year due to seasonality and uncertainty of general economic conditions that may impact our key end markets. Historically, our business has realized a higher portion of net revenue, income from operations, and cash flows from operations in the first half of the year, and a lower portion of net revenue, income from operations, and cash flows from operations in the fourth fiscal quarter. The first half seasonality is attributable primarily to the timing of our customers' personal income tax refunds and annual health insurance program start/reset periods, although delays in tax refund timing have occurred in 2020 and 2021, and may continue to occur in future years. Seasonality related to fourth quarter holiday spending by retail customers generally does not impact our business. Our quarterly consolidated results generally may also be affected by the timing of new store openings, store closings, and certain holidays.

Consumer behavior driven by the COVID-19 pandemic, shifting macroeconomic trends, consumer preferences and demand have resulted in a departure from seasonal norms we have experienced in recent years. We expect COVID-19 and the current macroeconomic environment to continue to impact the seasonality we have historically experienced.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Our effective tax rates for the three months ended July 2, 2022 and July 3, 2021 were 32.4% and 15.8%, respectively, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items. Our effective tax rates for the six months ended July 2, 2022 and July 3, 2021 were 28.6% and 18.8%, respectively, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items as well as a stranded tax effect of $2.1 million associated with our matured interest rate swaps during the six months ended July 3, 2021.

Share Repurchases

During the six months ended July 2, 2022, the Company repurchased 2.7 million shares of its common stock for $80.0 million under the share repurchase program. After these repurchases, $50.0 million remains available under the share repurchase authorization.

Future Adoption of Accounting Pronouncements

Reference Rate Reform. In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that may be affected by the cessation of the London Inter-bank Offered Rate ("LIBOR.") An entity may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 through December 31, 2022. A portion of our debt is subject to interest payments that are indexed to LIBOR; additionally, we are party to an interest rate derivative based on LIBOR. We are currently evaluating the effect of this guidance and have not applied the provisions of this guidance during the current fiscal year.

The FASB issued other accounting guidance during the period that is not currently applicable or expected to have a material impact on the Company's condensed consolidated financial statements, and therefore, is not described above.

2. Details of Certain Balance Sheet Accounts

The following table provides a reconciliation of cash and cash equivalents reported within the Condensed Consolidated Balance sheets to the total of Cash, cash equivalents and restricted cash shown in the Condensed Consolidated Statement of Cash Flows:

	Six Months Ended	
In thousands	July 2, 2022	July 3, 2021
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 254,382	$ 408,301
Restricted cash included in other assets	1,223	1,347
	$ 255,605	$ 409,648

The following tables provide additional details of certain balance sheet accounts as of the dates shown below:

In thousands	As of July 2, 2022	As of January 1, 2022
Accounts receivable, net:		
Trade receivables	$ 32,951	$ 32,504
Credit card receivables	17,189	17,010
Other receivables [(1)]	14,336	6,685
Allowance for credit losses	(702)	(502)
	$ 63,774	$ 55,697

(1) Includes Coronavirus Aid, Relief, and Economic Security ("CARES") Act receivable in the amount of $6.7 million as of July 2, 2022.

In thousands	As of July 2, 2022	As of January 1, 2022
Inventories:		
Raw materials and work in process [(1)]	$ 63,062	$ 65,262
Finished goods	66,431	58,407
	$ 129,493	$ 123,669

(1) Due to the immaterial amount of estimated work in process and the short lead times for the conversion of raw materials to finished goods, the Company does not separately present raw materials and work in process.

In thousands	As of July 2, 2022	As of January 1, 2022
Other payables and accrued expenses:		
Associate compensation and benefits [(1)]	$ 47,929	$ 55,670
Self-insurance liabilities	9,107	9,034
Capital expenditures	9,300	10,571
Advertising	5,102	6,962
Reserves for customer returns and remakes	7,762	7,556
Legacy management & services agreement	5,129	5,518
Income taxes payable	3,863	310
Supplies and other store support expenses	3,468	5,511
Litigation settlements	321	2,100
Fair value of derivative liabilities	—	2,846
Other	15,597	13,245
	$ 107,578	$ 119,323

(1) Includes the CARES Act deferred employer payroll taxes in the amount of $6.7 million as of July 2, 2022.

In thousands		As of July 2, 2022		As of January 1, 2022
Other non-current liabilities:				
Fair value of derivative liabilities	$	—	$	488
Self-insurance liabilities		6,274		6,170
Other		2,769		2,316
	$	9,043	$	8,974

3. Fair Value Measurement

Recurring fair value measurements

Interest Rate Derivatives

We recognize as assets or liabilities at fair value the estimated amounts we would receive or pay upon a termination of interest rate derivatives prior to their scheduled expiration dates. The fair value is based on information that is model-driven and whose inputs were observable (Level 2 inputs) such as LIBOR forward rates. See Note 5. “Interest Rate Derivatives” for further details.

Non-recurring fair value measurements

Tangible Long-lived and Right of Use (“ROU”) Store Assets

We recognized impairments of $3.5 million and $3.9 million during the three and six months ended July 2, 2022, respectively, and $0.5 million and $1.5 million during the three and six months ended July 3, 2021, respectively, related to our long-lived tangible store assets and ROU assets. The impairments were primarily driven by lower than projected customer sales volume in certain stores. The cash flows used in estimating fair value were discounted using market rates from 7.5% to 7.8%. A decrease in the estimated cash flows would lead to a lower fair value measurement, as would an increase in the discount rate. These non-recurring fair value measurements are classified as Level 3 measurements in the fair value hierarchy. The estimated remaining fair value of the assets impaired during the six months ended July 2, 2022 and July 3, 2021 was $4.0 million and $2.9 million, respectively; the estimated remaining fair values include amounts estimated at various dates during the related fiscal years. Substantially all of the remaining fair value of the impaired store assets represents the fair value of ROU assets.

Additional fair value information

Long-term Debt - 2025 Notes

The Company has $402.5 million in aggregate principal amount of 2.50% convertible senior notes due on May 15, 2025 (the “2025 Notes”) issued and outstanding as of July 2, 2022. Refer to Note 4. “Long-term Debt” for more information on the 2025 Notes. The estimated fair value of the 2025 Notes was approximately $453.5 million and $674.9 million as of July 2, 2022 and January 1, 2022, respectively. The estimated fair value of the 2025 Notes is based on the prices the 2025 Notes have traded in the market, as well as overall market conditions on the date of valuation, stated coupon rates, the number of coupon payments each year and the maturity dates, and represents a Level 2 measurement in the fair value hierarchy. Refer to Note 4. “Long-term Debt” for more information on the 2025 Notes.

4. Long-term Debt

Long-term debt consists of the following:

In thousands	As of July 2, 2022	As of January 1, 2022
2025 Notes, due May 15, 2025	$ 402,497	$ 402,500
Term loan, due July 18, 2024	150,000	150,000
Revolving credit facility, due July 18, 2024	—	—
Long-term debt before debt discount	552,497	552,500
Unamortized discount and issuance costs - 2025 Notes	(6,913)	(7,986)
Unamortized discount and issuance costs - term loan	(762)	(948)
Long-term debt less debt discount	544,822	543,566
Less current maturities	—	—
Long-term debt - non-current portion	544,822	543,566
Finance lease obligations	23,981	26,514
Less current maturities	(4,651)	(3,999)
Long-term debt and finance lease obligations, less current portion and debt discount	$ 564,152	$ 566,081

Credit Agreement

We were in compliance with all covenants related to our long-term debt as of July 2, 2022.

2025 Notes

We recognized the following in interest expense (income), net related to the 2025 Notes:

	Three Months Ended		Six Months Ended	
In thousands	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Contractual interest expense	$ 2,516	$ 2,516	$ 5,031	$ 5,031
Amortization of issuance costs	$ 560	$ 542	$ 1,080	$ 1,046

As of July 2, 2022, the remaining period for the unamortized debt issuance costs balance was approximately three years. An immaterial amount of the principal balance of the 2025 Notes was converted during the six months ended July 2, 2022.

As of July 2, 2022, the stock price conditions under which the 2025 Notes can be converted at the holders' option were not met.

5. Interest Rate Derivatives

We are party to an interest rate collar to offset the variability of cash flows in LIBOR-indexed debt interest payments. To manage credit risk associated with our interest rate hedging program, we select as counterparties major financial institutions with investment grade credit ratings. The aggregate notional amount of the interest rate collar, which is not designated as a cash flow hedge, was $350.0 million as of July 2, 2022. The fair value of our interest rate collar instrument was an asset of $7.9 million ($4.2 million in Prepaid expenses and other current assets and $3.7 million in Other assets) as of July 2, 2022, and a liability of $3.3 million ($2.8 million in Other payables and accrued expenses and $0.5 million in Other non-current liabilities) as of January 1, 2022. See Note 3. "Fair Value Measurement" for further details.

We recognized (gains) losses on the change in fair value of the interest rate collar of $(0.8) million and $(9.8) million during the three and six months ended July 2, 2022, respectively, and $0.5 million and $(1.5) million during the three and six months ended July 3, 2021, respectively, in interest expense (income), net. We recognized $1.5 million in interest expense (income), net during the six months ended July 3, 2021 related to our interest rate swaps that were considered to be highly effective hedges and that matured during the six months ended July 3, 2021.

Cash flows related to derivatives qualifying as hedges are included in the same section of the Condensed Consolidated Statements of Cash Flows as the underlying assets and liabilities being hedged. Cash flows during the six months ended July 2, 2022 and July 3, 2021 related to derivatives not qualifying as hedges were included in the operating section of the Condensed Consolidated Statements of Cash Flows and were immaterial.

As of July 2, 2022 we expect to reclassify approximately $0.8 million of unrealized losses on derivative instruments, net of tax, from Accumulated other comprehensive loss ("AOCL") into earnings in the next 12 months as the derivative instruments mature. See Note 12. "Accumulated Other Comprehensive Loss" for further details.

6. Stock Incentive Plans

During the six months ended July 2, 2022, the Company granted 158,985 performance-based restricted stock units ("PSUs") and 303,264 time-based restricted stock units ("RSUs") to eligible employees under the National Vision Holdings, Inc. 2017 Omnibus Incentive Plan (the "2017 Omnibus Incentive Plan"). The PSUs granted in fiscal 2022 are settled after the end of the performance period (i.e., cliff vesting), which begins on the first day of our 2022 fiscal year and ends on the last day of our 2024 fiscal year, and are based on the Company's achievement of certain performance targets. The RSUs granted in fiscal 2022 vest primarily in three equal installments.

7. Revenue From Contracts With Customers

The majority of our revenues are recognized either at the point of sale or upon delivery and customer acceptance, paid for at the time of sale in cash, credit card, or on account with managed care payors having terms generally between 14 and 120 days, with most paying within 90 days. For sales of in-store non-prescription eyewear and related accessories, and paid eye exams, we recognize revenue at the point of sale. Our point in time revenues include 1) retail sales of prescription and non-prescription eyewear, contact lenses and related accessories to retail customers (including those covered by managed care), 2) eye exams and 3) wholesale sales of inventory in which our customer is another retail entity. Revenues recognized over time primarily include product protection plans (i.e. warranties), eye care club memberships and management fees earned from our Legacy partner.

The following disaggregation of revenues depicts our revenue based on the timing of revenue recognition:

	Three Months Ended		Six Months Ended	
In thousands	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Revenues recognized at a point in time	$ 468,245	$ 504,969	$ 953,330	$ 998,407
Revenues recognized over time	41,310	44,520	83,936	85,262
Total net revenue	$ 509,555	$ 549,489	$ 1,037,266	$ 1,083,669

Refer to Note 10. "Segment Reporting" for the Company's disaggregation of net revenue by reportable segment. As the reportable segments are aligned by similar economic factors, trends and customers, the reportable segment disaggregation view best depicts how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors.

We record reductions in revenue for estimated price concessions granted to managed care providers. The Company considers its revenue from managed care customers to include variable consideration and estimates such amounts associated with managed care customer revenues using the history of concessions provided and cash receipts from managed care providers; we reduced our net revenue for variable consideration of $3.0 million and $1.6 million during the three months ended July 2, 2022 and July 3, 2021, respectively, and $5.7 million and $4.4 million during the six months ended July 2, 2022 and July 3, 2021, respectively.

Contract Assets and Liabilities

The Company's contract assets and contract liabilities primarily result from timing differences between the performance of our obligations and the customer's payment.

Accounts Receivable

Credit loss expense recognized on our receivables, which is presented in SG&A expenses in the Company's condensed consolidated statements of operations, were $0.5 million and $0.2 million for the three months ended July 2, 2022 and July 3, 2021, respectively, as compared to $0.6 million and $0.3 million for the six months ended July 2, 2022 and July 3, 2021, respectively.

Unsatisfied Performance Obligations (Contract Liabilities)

During the three months ended July 2, 2022 and July 3, 2021, we recognized $23.9 million and $23.0 million, respectively, of deferred revenues outstanding at the beginning of each respective period. During the six months ended July 2, 2022 and July 3, 2021, we recognized $43.3 million and $37.3 million, respectively, of deferred revenues outstanding at the beginning of each respective period.

Our deferred revenue balance as of July 2, 2022 was $87.3 million. We expect future revenue recognition of this balance of $41.7 million, $33.0 million, $10.9 million, $1.5 million and $0.2 million in fiscal years 2022, 2023, 2024, 2025 and thereafter, respectively.

8. Leases

Our lease costs for the three and six months ended July 2, 2022 and July 3, 2021 were as follows:

	Three Months Ended		Six Months Ended	
In thousands	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Operating lease cost				
Fixed lease cost [(a)]	$ 22,488	$ 20,903	$ 44,437	$ 41,554
Variable lease cost [(b)]	8,255	7,515	16,353	14,918
Sublease income [(c)]	(945)	(919)	(1,820)	(1,829)
Finance lease cost				
Amortization of finance lease assets	1,080	1,113	2,161	2,236
Interest on finance lease liabilities	611	743	1,258	1,523
Net lease cost	$ 31,489	$ 29,355	$ 62,389	$ 58,402

(a) Includes short-term leases, which are immaterial.

(b) Includes costs for insurance, real estate taxes and common area maintenance expenses, which are variable, as are lease costs above minimum thresholds for Fred Meyer stores and lease costs for Military stores.

(c) Income from sub-leasing of stores includes rental income from leasing space to independent optometrists.

Lease Term and Discount Rate	As of July 2, 2022	As of January 1, 2022
Weighted average remaining lease term (months)		
Operating leases	76	76
Finance leases	68	72
Weighted average discount rate [(a)]		
Operating leases	4.4 %	4.5 %
Finance leases [(b)]	11.3 %	11.7 %

(a) The discount rate used to determine the lease assets and lease liabilities was derived upon considering (i) incremental borrowing rates on our term loan and revolving credit facility; (ii) fixed rates on interest rate swaps; (iii) LIBOR margins for issuers of similar credit rating; and (iv) effect of collateralization. As a majority of our leases are five-year and 10-year leases, we determined a lease discount rate for such tenors and determined this discount rate is reasonable for leases that were entered into during the period.

(b) The discount rate on finance leases is higher than operating leases because the present value of minimum lease payments was higher than the fair value of leased properties for certain leases entered into prior to adoption of ASC 842. The discount rate differential for those leases is not material to our results of operations.

In thousands	Six Months Ended	
Other Information	July 2, 2022	July 3, 2021
Operating cash outflows - operating leases	$ 47,337	$ 43,860
Right of use assets acquired under operating leases	$ 58,180	$ 44,544

The following table summarizes the maturity of our lease liabilities as of July 2, 2022:

In thousands

Fiscal Year	Operating Leases [a]	Finance Leases [b]
2022	$ 34,363	$ 3,047
2023	93,577	6,263
2024	82,691	4,734
2025	78,136	4,888
2026	60,037	4,496
Thereafter	138,024	6,886
Total lease liabilities	486,828	30,314
Less: Interest	63,704	6,333
Present value of lease liabilities [c]	$ 423,124	$ 23,981

(a) Operating lease payments include $43.0 million related to options to extend lease terms that are reasonably certain of being exercised.
(b) Finance lease payments include $1.7 million related to options to extend lease terms that are reasonably certain of being exercised.
(c) The present value of lease liabilities excludes $19.6 million of legally binding minimum lease payments for leases signed but not yet commenced.

9. Commitments and Contingencies

Legal Proceedings

From time to time, the Company is involved in various legal proceedings incidental to its business. Because of the nature and inherent uncertainties of litigation, we cannot predict with certainty the ultimate resolution of these actions and, should the outcome of these actions be unfavorable, the Company's business, financial position, results of operations or cash flows could be materially and adversely affected.

The Company reviews the status of its legal proceedings and records a provision for a liability when it is considered probable that both a liability has been incurred and the amount of the loss can be reasonably estimated. This review is updated periodically as additional information becomes available. If either or both of the criteria are not met, we reassess whether there is at least a reasonable possibility that a loss, or additional losses, may be incurred. If there is a reasonable possibility that a loss may be incurred, we disclose the estimate of the amount of the loss or range of losses, or that an estimate of loss cannot be made. The Company expenses its legal fees as incurred.

We are currently and may in the future become subject to various claims and pending or threatened lawsuits in the ordinary course of our business.

10. Segment Reporting

The Company provides its principal products and services through two reportable segments: Owned & Host and Legacy. The "Corporate/Other" category includes the results of operations of our other operating segments, AC Lens and FirstSight, as well as corporate overhead support. The "Reconciliations" category represents other adjustments to reportable segment results necessary for the presentation of consolidated financial results in accordance with U.S. GAAP for the two reportable segments. Incremental expenses related to the COVID-19 pandemic are allocated to the reportable segments.

Our reportable segment profit measure is earnings before interest, tax, depreciation and amortization ("EBITDA") or net revenue, less costs applicable to revenue, less SG&A expenses. Depreciation and amortization, asset impairment, and other corporate costs that are not allocated to the reportable segments, including interest expense (income) are excluded from segment EBITDA. There are no revenue transactions between our reportable segments. There are no differences between the measurement of our reportable segments' assets and consolidated assets. There have been no changes from prior periods in the measurement methods used to determine reportable segment profit or loss, and there have been no asymmetrical allocations to segments.

The following is a summary of certain financial data for each of our segments. Reportable segment information is presented on the same basis as our consolidated financial statements, except for net revenue and associated costs applicable to revenue, which are presented on a cash basis, including point of sales for managed care payors and excluding the effects of unearned and deferred revenue, consistent with what the Chief Operating Decision Maker ("CODM") regularly reviews.

Table of contents

Asset information is not included in the following summary since the CODM does not regularly review such information for the reportable segments.

	Three Months Ended July 2, 2022				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product services	$ 326,000	$ 24,301	$ 61,885	$ 9,414	$ 421,600
Net sales of services and plans	73,158	13,536	—	1,261	87,955
Total net revenue	399,158	37,837	61,885	10,675	509,555
Cost of products	95,264	11,506	54,499	2,092	163,361
Cost of services and plans	65,314	5,892	—	—	71,206
Total costs applicable to revenue	160,578	17,398	54,499	2,092	234,567
SG&A	156,234	14,758	56,837	—	227,829
Asset impairment	—	—	3,509	—	3,509
Other expense (income), net	—	—	34	—	34
EBITDA	$ 82,346	$ 5,681	$ (52,994)	$ 8,583	
Depreciation and amortization					25,245
Interest expense (income), net					3,963
Earnings before income taxes					$ 14,408

	Three Months Ended July 3, 2021				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 361,377	$ 26,855	$ 61,520	$ 8,454	$ 458,206
Net sales of services and plans	78,780	16,745	—	(4,242)	91,283
Total net revenue	440,157	43,600	61,520	4,212	549,489
Cost of products	98,539	12,910	53,683	1,896	167,028
Cost of services and plans	62,448	6,470	—	—	68,918
Total costs applicable to revenue	160,987	19,380	53,683	1,896	235,946
SG&A	158,913	14,802	60,520	—	234,235
Asset impairment	—	—	519	—	519
Other expense (income), net	—	—	(65)	—	(65)
EBITDA	$ 120,257	$ 9,418	$ (53,137)	$ 2,316	
Depreciation and amortization					24,025
Interest expense (income), net					10,188
Earnings before income taxes					$ 44,641

In thousands	Six Months Ended July 2, 2022 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 683,904	$ 51,931	$ 123,582	$ (4,564)	$ 854,853
Net sales of services and plans	153,173	28,064	—	1,176	182,413
Total net revenue	837,077	79,995	123,582	(3,388)	1,037,266
Costs of products	196,304	24,413	107,964	(1,101)	327,580
Costs of services and plans	130,915	12,109	—	—	143,024
Total costs applicable to revenue	327,219	36,522	107,964	(1,101)	470,604
SG&A	313,695	29,864	112,824	—	456,383
Asset impairment	—	—	3,915	—	3,915
Other expense, net	—	—	265	—	265
EBITDA	$ 196,163	$ 13,609	$ (101,386)	$ (2,287)	
Depreciation and amortization					50,396
Interest expense (income), net					(181)
Earnings before income taxes					$ 55,884

In thousands	Six Months Ended July 3, 2021 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 730,747	$ 54,275	$ 122,738	$ (6,487)	$ 901,273
Net sales of services and plans	161,857	32,907	—	(12,368)	182,396
Total net revenue	892,604	87,182	122,738	(18,855)	1,083,669
Costs of products	195,643	25,769	106,709	(1,402)	326,719
Costs of services and plans	121,252	12,665	—	—	133,917
Total costs applicable to revenue	316,895	38,434	106,709	(1,402)	460,636
SG&A	308,876	29,095	119,857	—	457,828
Asset impairment	—	—	1,478	—	1,478
Other expense (income), net	—	—	(130)	—	(130)
EBITDA	$ 266,833	$ 19,653	$ (105,176)	$ (17,453)	
Depreciation and amortization					47,580
Interest expense (income), net					16,518
Earnings before income taxes					$ 99,759

11. Earnings Per Share

Diluted EPS related to the 2025 Notes is calculated using the if-converted method; the number of dilutive shares is based on the initial conversion rate associated with the 2025 Notes. The 2025 Notes were antidilutive for the three months ended July 2, 2022. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations is as follows:

	Three Months Ended		Six Months Ended	
In thousands, except EPS	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net income	$ 9,734	$ 37,601	$ 39,881	$ 81,033
After-tax interest expense for 2025 Notes	—	2,362	4,721	4,694
Numerator for diluted EPS	$ 9,734	$ 39,963	$ 44,602	$ 85,727
Weighted average shares outstanding for basic EPS	80,061	81,601	80,744	81,457
Effect of dilutive securities:				
Stock options	170	1,215	200	1,306
Restricted stock	172	354	254	369
2025 Notes	—	12,912	12,911	12,912
Weighted average shares outstanding for diluted EPS	80,403	96,082	94,109	96,044
Basic EPS	$ 0.12	$ 0.46	$ 0.49	$ 0.99
Diluted EPS	$ 0.12	$ 0.42	$ 0.47	$ 0.89
Anti-dilutive securities excluded from diluted weighted average common shares	13,625	110	464	74

12. Accumulated Other Comprehensive Loss

Changes in the fair value of the Company's cash flow hedge derivative instruments from their inception are recorded in AOCL if the instruments are deemed to be highly effective as cash flow hedges. The following table presents the changes in AOCL, net of tax during the three and six months ended July 2, 2022 and July 3, 2021, respectively:

	Three Months Ended		Six Months Ended	
In thousands	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Cash flow hedging activity:				
Balance at beginning of period	$ (1,752)	$ (5,296)	$ (1,940)	$ (4,400)
Other comprehensive income (loss) before reclassification	—	—	—	(10)
Tax effect of other comprehensive income (loss) before reclassification	—	—	—	3
Amount reclassified from AOCL into interest expense	255	2,959	507	4,619
Tax effect of amount reclassified from AOCL into interest expense	(65)	(756)	(129)	(1,180)
Stranded tax effect of matured interest rate swaps	—	—	—	(2,125)
Net current period other comprehensive income (loss), net of tax	190	2,203	378	1,307
Balance at end of period	$ (1,562)	$ (3,093)	$ (1,562)	$ (3,093)

See Note 5. "Interest Rate Derivatives" for a description of the Company's use of cash flow hedging derivatives.

13. Subsequent Events

On July 19, 2022, the Company entered into an amendment to the letter agreement dated November 12, 2018 with Essilor of America, Inc. (“Essilor”), which, among other things, extends the term of the Company’s contractual agreement with Essilor for three years from May 31, 2023 to May 31, 2026. Under the agreement, Essilor has the sole and exclusive right to supply certain lenses for eyeglasses to the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following contains management's discussion and analysis of our financial condition and results of operations and should be read together with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q (this "Form 10-Q") and the audited consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on January 1, 2022 (the "2021 Annual Report on Form 10-K.") This discussion contains forward-looking statements that reflect our plans, estimates and beliefs as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. These forward-looking statements involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the 2021 Annual Report on Form 10-K and in the "Risk Factors" section of this Form 10-Q, as such risk factors may be updated from time to time in our periodic filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Form 10-Q.

Overview

We are one of the largest and fastest growing optical retailers in the United States and a leader in the attractive value segment of the U.S. optical retail industry. We believe that vision is central to quality of life and that people deserve to see their best to live their best, regardless of their budget. Our mission is to make quality eye care and eyewear affordable and accessible to all Americans. We achieve this by providing eye exams, eyeglasses and contact lenses to value seeking and lower income consumers. We deliver exceptional value and convenience to our customers, with an opening price point that strives to be among the lowest in the industry, enabled by our low-cost operating platform. We reach our customers through a diverse portfolio of 1,314 retail stores across five brands and 17 consumer websites as of July 2, 2022.

Ongoing macroeconomic uncertainty of the U.S. economy, constraints to exam capacity and the COVID-19 pandemic continued to adversely affect our sales in the second quarter of 2022 and may continue to impact our performance going forward.

Consumer preferences and demand, as well as spending habits, including for our goods and services, are impacted by the prevailing macroeconomic conditions and uncertainty, inflation, salaries and wages, consumer confidence and consumer perception. The U.S. economy is experiencing high inflation because of changing economic conditions, labor shortages, supply chain constraints, logistics challenges, the conflict in Ukraine, and steps taken by governments and central banks in response to the pandemic as well as other stimulus and spending programs. These overall economic trends continued to impact consumer demand and adversely impact our sales in the second quarter of 2022.

Exam capacity, which encompasses the overall availability of vision care professionals, is impacted by several factors including retention, hiring, coverage and work schedules, and continued to be constrained in the second quarter of 2022. We remain focused on our strategy to provide our customers and patients reliable and quality low cost eye care and eyewear, and are taking certain actions to enhance our exam capacity through recruitment, retention and remote medicine initiatives.

As a result of the emergence of the Omicron variant and subvariants, the COVID-19 pandemic resulted in increased associate and vision care professional absences, adjusted work schedules and reduced consumer traffic to our stores in 2022. The ultimate impact of COVID-19 on our operations and financial performance in future periods remains uncertain and will depend on future pandemic-related developments, including the duration of the pandemic, potential subsequent waves of COVID-19 infection or potential new variants, the effectiveness and adoption of COVID-19 vaccines and therapeutics, supplier impacts and related government actions to prevent and manage disease spread, including the implementation of any federal, state, local or foreign vaccine mandates, all of which are uncertain and cannot be predicted.

Brand and Segment Information

Our operations consist of two reportable segments:

- Owned & Host - As of July 2, 2022, our owned brands consisted of 872 America’s Best Contacts and Eyeglasses retail stores and 129 Eyeglass World retail stores. In America’s Best stores, vision care services are provided by optometrists employed by us or by independent professional corporations or similar entities. America’s Best stores are primarily located in high-traffic strip centers next to value-focused retailers. Eyeglass World locations primarily feature eye care services provided by independent optometrists and optometrists employed by independent professional corporations or similar entities and on-site optical laboratories that enable stores to quickly fulfill many customer orders and make repairs on site. Eyeglass World stores are primarily located in freestanding or in-line locations near high-foot-traffic shopping centers. Our Host brands consisted of 54 Vista Optical locations on select military bases and 29 Vista Optical locations within select Fred Meyer stores as of July 2, 2022. We have strong, long-standing relationships with our Host partners and have maintained each partnership for over 22 years. These brands provide eye exams primarily by independent optometrists. All brands utilize our centralized laboratories. This segment also includes sales from our America’s Best, Eyeglass World, and Military omni-channel websites.
- Legacy - We manage the operations of, and supply inventory and laboratory processing services to, 230 Vision Centers in Walmart retail locations as of July 2, 2022. This strategic relationship with Walmart is in its 32nd year. Pursuant to a January 2020 amendment to our management & services agreement with Walmart, we added five additional Vision Centers in Walmart stores in fiscal year 2020. On July 17, 2020, NVI and Walmart extended the current term and economics of the management & services agreement by three years to February 23, 2024. Under the management & services agreement, our responsibilities include ordering and maintaining merchandise inventory; arranging the provision of optometry services; providing managers and staff at each location; training personnel; providing sales receipts to customers; maintaining necessary insurance; obtaining and holding required licenses, permits and accreditations; owning and maintaining store furniture, fixtures and equipment; and developing annual operating budgets and reporting. We earn management fees as a result of providing such services and therefore we record revenue related to sales of products and product protection plans to our Legacy partner’s customers on a net basis. Our management & services agreement also allows our Legacy partner to collect penalties if the Vision Centers do not generate a requisite amount of revenues. No such penalties have been assessed under our current arrangement, which began in 2012. We also sell to our Legacy partner merchandise that is stocked in retail locations we manage pursuant to a separate supplier agreement, and provide centralized laboratory services for the finished eyeglasses for our Legacy partner’s customers in stores that we manage. We lease space from Walmart within or adjacent to each of the locations we manage and use this space for vision care services provided by independent optometrists or optometrists employed by us or by independent professional corporations or similar entities. During the six months ended July 2, 2022, sales associated with this arrangement represented 7.7% of consolidated net revenue. This exposes us to concentration of customer risk.

Our consolidated results also include the following activity recorded in our Corporate/Other category:

- Our e-commerce platform of 13 dedicated websites managed by AC Lens. Our e-commerce business consists of five proprietary branded websites, including aclens.com, discountglasses.com and discountcontactlenses.com, and eight third-party websites with established retailers, such as Walmart, Sam's Club and Giant Eagle as well as mid-sized vision insurance providers. AC Lens handles site management, customer relationship management and order fulfillment and also sells a wide variety of contact lenses, eyeglasses and eye care accessories.
- AC Lens also distributes contact lenses wholesale to Walmart and Sam's Club. We incur costs at a higher percentage of sales than other product categories. AC Lens sales associated with Walmart and Sam's Club contact lenses distribution arrangements represented 6.9% of consolidated net revenue.
- Managed care business conducted by FirstSight, our wholly-owned subsidiary that is licensed as a single-service health plan under California law, which arranges for the provision of optometric services at the offices next to certain Walmart stores throughout California, and also issues individual vision plans in connection with our America's Best operations in California.
- Unallocated corporate overhead expenses, which are a component of selling, general and administrative expenses and are comprised of various home office expenses such as payroll, occupancy costs, and consulting and professional fees. Corporate overhead expenses also include field services for our five retail brands.

Reportable segment information is presented on the same basis as our condensed consolidated financial statements, except reportable segment sales which are presented on a cash basis including point of sales for managed care payors and excluding the effects of unearned and deferred revenue, consistent with what our CODM regularly reviews. Reconciliations of segment results to consolidated results include financial information necessary to adjust reportable segment revenues to a consolidated basis in accordance with U.S. GAAP, specifically the change in unearned and deferred revenues during the period. There are no revenue transactions between reportable segments, and there are no other items in the reconciliations other than the effects of unearned and deferred revenue. See Note 10. "Segment Reporting" in our condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

Deferred revenue represents the timing difference of when we collect the cash from the customer and when services related to product protection plans and eye care club memberships are performed. Increases or decreases in deferred revenue during the reporting period represent cash collections in excess of or below the recognition of previous deferrals. Unearned revenue represents the timing difference of when we collect cash from the customer and delivery/customer acceptance, and includes sales of prescription eyewear during approximately the last seven to 10 days of the reporting period.

Trends and Other Factors Affecting Our Business

Various trends and other factors will affect or have affected our operating results, including:

Overall economic trends, consumer preferences and demand

Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer confidence and spending, such as general economic conditions, consumer disposable income, energy and fuel prices, recession and fears of recession, unemployment, minimum wages, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, tax rates and policies, inflation, consumer confidence in future economic conditions and political conditions, war and fears of war (including the Russian invasion of Ukraine), inclement weather, natural disasters, terrorism, outbreak of viruses or widespread illness and consumer perceptions of personal well-being and security. Over the past few years, global markets and economic conditions have been challenging, particularly in light of the COVID-19 pandemic. During periods of economic downturn and uncertainty, our customers especially benefit from our low prices. The long-term effects of the COVID-19 pandemic and other macroeconomic and geopolitical events on consumer preferences and demand remain uncertain. We believe, but cannot be certain, our business model of providing exceptional value and convenience to customers, enabled by our low-cost operating platform will mitigate these impacts to a certain extent; however uncertainties and risk exposures may be exacerbated by the immediate and ongoing impacts of these factors.

Vision care professional recruitment, coverage, and expanded offerings

Our ability to continue to attract and retain qualified vision care professionals affect exam capacity and is critical to our operations. Our operations, like those of many of our competitors, depend on our ability to offer both eyewear and eye exams. We compete with other optical retail companies, health systems and group practices for vision care professionals. We, as well as the professional corporations or similar entities that employ optometrists in certain of our retail locations, could face difficulties attracting and retaining qualified professionals if we or such corporations fail to offer competitive compensation and benefits. Increased compensation for vision care professionals could raise our costs and negatively affect our margins. We believe the impacts of the COVID-19 pandemic on vision care professional availability, including a competitive recruiting market and preferences for adjusted work schedules, and the demand for optometrists exceeding supply in certain areas in the first half of fiscal year 2022 have caused constraints in exam capacity. Due to these factors the costs to employ or retain optometrists may increase, potentially materially, from current levels. We are investing in recruitment and retention initiatives along with continuing our implementation of remote medicine technologies.

Impact of COVID-19

The COVID-19 pandemic has had far-reaching impacts, directly and indirectly, on our operations. We continue to monitor the evolving situation as there remain many uncertainties regarding the pandemic and more recent outbreaks of variants, including anticipated duration, vision care professional availability, related healthcare authority guidelines and efficacy of vaccination initiatives, including the impact of, and associated risks regarding, federal, state and local vaccination and testing programs. We continue to monitor potential impacts on our stores and exam capacity, lab network, and potential disruptions of product and equipment deliveries. To date, we have been able to meet customer demand with operations at our laboratories and our supply chain partners. However, prolonged shutdowns in countries which support our supply chain or a deterioration of conditions in such countries and others or increasing strains on international and domestic supply chain infrastructure could result in product and equipment availability delays in the future. We could experience further material impacts as a result of COVID-19, including, but not limited to, charges from additional asset impairments and deferred tax valuation allowances. We will continue to evaluate additional measures that we may elect to take as a response to the pandemic, including, where appropriate, future action to reduce store hours and patient appointments, temporarily close stores or make additional forward buys. There can be no assurance whether or when any such measures will be adopted. For a discussion of significant risks that have the potential to cause our actual results to differ materially from our expectations, refer to Part II. Item 1A. “Risk Factors” in this Form 10-Q and Part I. Item 1A. “Risk Factors,” included in our 2021 Annual Report on Form 10-K.

Pricing strategy

We are committed to providing our products to our customers at low prices. We generally employ a simple low price/high value strategy that consistently delivers savings to our customers without the need for extensive promotions. Inflationary pressures, including wage investments, consumer confidence and preferences and increased raw material costs, could impact our profitability and lead us to attempt to offset such increases through various pricing actions. Effective May 9, 2022 we changed the price of our America’s Best signature offer to “two pairs of eyeglasses for $79.95, including a free eye exam” from its original $69.95 price. Effective March 14, 2022, we changed the price of our Eyeglass World opening offer to “two pairs of eyeglasses for $89” from its original price of $78. We believe that these changes will enable us to continue to offer the best possible value and service to our customers at prices that allow us to maintain our brands’ strong value propositions in the marketplace.

Comparable store sales growth

Comparable store sales growth is a key driver of our business and our value proposition will continue to drive comparable store sales growth as we attract new customers and increase loyalty with existing customers. During the six months ended July 2, 2022 comparable store sales growth was negatively impacted due to overall economic trends impacting consumer preferences and demand, constraints on exam capacity in certain markets and the Omicron COVID-19 variant. We believe our business model of providing exceptional value and convenience to customers, enabled by our low-cost operating platform will mitigate these impacts to a certain extent. Our strategies to mitigate these effects include, but are not limited to, investing in recruitment and retention initiatives along with continuing our implementation of remote medicine technologies and optimizing our marketing investments. The impact of macroeconomic factors, the COVID-19 pandemic and constraints on exam capacity on our comparable store sales growth remains uncertain, and effects and relevant risk exposures may be exacerbated in the future.

Inflation

Substantial increases in product costs due to increases in materials cost or general inflation could lead to greater profitability pressure as we may not be able to pass costs on to consumers. To date, changes in materials prices and general inflation have not materially impacted our business. However, targeted wage investments, including increases in compensation and other expenses for our optometrists and associates, have impacted our costs applicable to revenue and selling, general and administrative expenses. Any further wage investments, along with increased raw materials costs as a result of inflation or supply chain issues, increases in energy and fuel prices and lease and utility costs, would increase our costs applicable to revenue or selling, general and administrative expenses. Such cost increases may not be offset by leverage from revenue growth, productivity efficiency and, as appropriate, various pricing actions which could impact our profitability and results of operations.

Interim results and seasonality

Historically, our business has realized a higher portion of net revenue, operating income, and cash flows from operations in the first half of the fiscal year, and a lower portion of net revenue, operating income, and cash flows from operations in the fourth fiscal quarter. Consumer behavior driven by the COVID-19 pandemic, impacts on overall economic trends, consumer preferences and demand has resulted in a departure from seasonal norms we have experienced in recent years and we expect it will continue to disrupt the historical quarterly cadence of our results of operations for an unknown period of time.

Other factors

We remain committed to our long-term vision and continue to position ourselves to make progress against our key initiatives while balancing the near-term challenges and uncertainty presented by the COVID-19 pandemic and other macroeconomic factors. We believe the following factors may continue to influence our short-term and long-term results:

- New store openings;
- Managed care and insurance;
- Infrastructure investment;
- Our ability to source and distribute products effectively; and
- Industry competition and consolidation

How We Assess the Performance of Our Business

We consider a variety of financial and operating measures in assessing the performance of our business. The key measures we use to determine how our consolidated business and operating segments are performing are net revenue, costs applicable to revenue, and selling, general, and administrative expenses. In addition, we also review store growth, Adjusted Comparable Store Sales Growth, Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS.

Net Revenue

We report as net revenue amounts generated in transactions with retail customers who are the end users of our products, services, and plans. Comparable store sales growth and new store openings are key drivers of net revenue and are discussed below. Also, the timing of unearned revenue can affect revenue recognized in a particular period.

Costs Applicable to Revenue

Customer tastes and preferences, product mix, changes in technology, significant increases or slowdowns in production, and other factors impact costs applicable to revenue. The components of our costs applicable to revenue may not be comparable to other retailers.

Selling, General and Administrative

SG&A generally fluctuates consistently with revenue due to the variable store, field office and corporate support costs; however, some fixed costs slightly improve as a percentage of net revenue as our net revenues grow over time.

New Store Openings

The total number of new stores per year and the timing of store openings has, and will continue to have, an impact on our results. We expect to open at least 80 stores in the current year. We will continue to monitor and determine our plans for future new store openings based on health, safety and economic conditions.

Adjusted Comparable Store Sales Growth

We measure Adjusted Comparable Store Sales Growth as the increase or decrease in sales recorded by the comparable store base in any reporting period, compared to sales recorded by the comparable store base in the prior reporting period, which we calculate as follows: (i) sales are recorded on a cash basis (i.e., when the order is placed and paid for or submitted to a managed care payor, compared to when the order is delivered), utilizing cash basis point of sale information from stores; (ii) stores are added to the calculation during the 13th full fiscal month following the store's opening; (iii) closed stores are removed from the calculation for time periods that are not comparable; (iv) sales from partial months of operation are excluded when stores do not open or close on the first day of the month; and (v) when applicable, we adjust for the effect of the 53rd week. Quarterly, year-to-date and annual adjusted comparable store sales are aggregated using only sales from all whole months of operation included in both the current reporting period and the prior reporting period. When a partial month is excluded from the calculation, the corresponding month in the subsequent period is also excluded from the calculation. There may be variations in the way in which some of our competitors and other retailers calculate comparable store sales. As a result, our adjusted comparable store sales may not be comparable to similar data made available by other retailers.

Adjusted Comparable Store Sales Growth is a non-GAAP financial measure, which we believe is useful because it provides timely and accurate information relating to the two core metrics of retail sales: number of transactions and value of transactions. We use Adjusted Comparable Store Sales Growth as the basis for key operating decisions, such as allocation of advertising to particular markets and implementation of special marketing programs. Accordingly, we believe that Adjusted Comparable Store Sales Growth provides timely and accurate information relating to the operational health and overall performance of each brand. We also believe that, for the same reasons, investors find our calculation of Adjusted Comparable Stores Sales Growth to be meaningful.

Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS (collectively, the "Company Non-GAAP Measures")

The Company Non-GAAP Measures are key measures used by management to assess our financial performance. The Company Non-GAAP Measures are also frequently used by analysts, investors and other interested parties. We use the Company Non-GAAP Measures to supplement U.S. GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to establish discretionary annual incentive compensation and to compare our performance against that of other peer companies using similar measures. See "Non-GAAP Financial Measures" for definitions of the Company Non-GAAP Measures and for additional information.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net revenue.

In thousands, except earnings per share, percentage and store data	Three Months Ended July 2, 2022	Three Months Ended July 3, 2021	Six Months Ended July 2, 2022	Six Months Ended July 3, 2021
Revenue:				
Net product sales	$ 421,600	$ 458,206	$ 854,853	$ 901,273
Net sales of services and plans	87,955	91,283	182,413	182,396
Total net revenue	509,555	549,489	1,037,266	1,083,669
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	163,361	167,028	327,580	326,719
Services and plans	71,206	68,918	143,024	133,917
Total costs applicable to revenue	234,567	235,946	470,604	460,636
Operating expenses:				
Selling, general and administrative expenses	227,829	234,235	456,383	457,828
Depreciation and amortization	25,245	24,025	50,396	47,580
Asset impairment	3,509	519	3,915	1,478
Other expense (income), net	34	(65)	265	(130)
Total operating expenses	256,617	258,714	510,959	506,756
Income from operations	18,371	54,829	55,703	116,277
Interest expense (income), net	3,963	10,188	(181)	16,518
Earnings before income taxes	14,408	44,641	55,884	99,759
Income tax provision	4,674	7,040	16,003	18,726
Net income	$ 9,734	$ 37,601	$ 39,881	$ 81,033
Operating data:				
Number of stores open at end of period	1,314	1,249	1,314	1,249
New stores opened during the period	22	20	39	45
Adjusted Operating Income	$ 27,780	$ 65,581	$ 73,084	$ 133,249
Diluted EPS	$ 0.12	$ 0.42	$ 0.47	$ 0.89
Adjusted Diluted EPS	$ 0.21	$ 0.48	$ 0.53	$ 0.97
Adjusted EBITDA	$ 51,153	$ 87,735	$ 119,736	$ 177,085
Percentage of net revenue:				
Total costs applicable to revenue	46.0 %	42.9 %	45.4 %	42.5 %
Selling, general and administrative	44.7 %	42.6 %	44.0 %	42.2 %
Total operating expenses	50.4 %	47.1 %	49.3 %	46.8 %
Income from operations	3.6 %	10.0 %	5.4 %	10.7 %
Net income	1.9 %	6.8 %	3.8 %	7.5 %
Adjusted Operating Income	5.5 %	11.9 %	7.0 %	12.3 %
Adjusted EBITDA	10.0 %	16.0 %	11.5 %	16.3 %

Three Months Ended July 2, 2022 compared to Three Months Ended July 3, 2021

Net revenue

The following presents, by segment and by brand, comparable store sales growth, stores open at the end of the period and net revenue for the three months ended July 2, 2022 compared to the three months ended July 3, 2021.

	Comparable store sales growth[1]		Stores open at end of period		Net revenue[2]			
In thousands, except percentage and store data	Three Months Ended July 2, 2022	Three Months Ended July 3, 2021	July 2, 2022	July 3, 2021	Three Months Ended July 2, 2022		Three Months Ended July 3, 2021	
Owned & Host segment								
America's Best	(13.0)%	81.8 %	872	813	$ 336,366	66.0 %	$ 372,846	67.9 %
Eyeglass World	(9.1)%	67.6 %	129	123	54,228	10.6 %	58,061	10.6 %
Military	(6.1)%	65.0 %	54	54	5,640	1.1 %	6,007	1.1 %
Fred Meyer	(9.8)%	61.1 %	29	29	2,924	0.6 %	3,243	0.6 %
Owned & Host segment total			1,084	1,019	$ 399,158	78.3 %	$ 440,157	80.1 %
Legacy segment	(12.9)%	58.2 %	230	230	37,837	7.4 %	43,600	7.9 %
Corporate/Other	— %	— %	—	—	61,885	12.1 %	61,520	11.2 %
Reconciliations	— %	— %	—	—	10,675	2.1 %	4,212	0.8 %
Total	(11.0)%	99.1 %	1,314	1,249	$ 509,555	100.0 %	$ 549,489	100.0 %
Adjusted Comparable Store Sales Growth[3]	(12.4)%	76.7 %						

(1) We calculate total comparable store sales based on consolidated net revenue excluding the impact of (i) Corporate/Other segment net revenue, (ii) sales from stores opened less than 13 months, (iii) stores closed in the periods presented, (iv) sales from partial months of operation when stores do not open or close on the first day of the month and (v) if applicable, the impact of a 53rd week in a fiscal year. Brand-level comparable store sales growth is calculated based on cash basis revenues consistent with what the CODM reviews, and consistent with reportable segment revenues presented in Note 10. "Segment Reporting" in our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q, with the exception of the Legacy segment, which is adjusted as noted in clause (ii) of footnote (3) below.

(2) Percentages reflect line item as a percentage of net revenue, adjusted for rounding.

(3) There are two differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in a decrease of 1.2% and a decrease of 21.6% from total comparable store sales growth based on consolidated net revenue for the three months ended July 2, 2022 and July 3, 2021, respectively, and (ii) Adjusted Comparable Store Sales Growth includes retail sales to the Legacy partner's customers (rather than the revenues recognized consistent with the management & services agreement with the Legacy partner), resulting in a decrease of 0.2% and a decrease of 0.8% from total comparable store sales growth based on consolidated net revenue for the three months ended July 2, 2022 and July 3, 2021, respectively.

Total net revenue of $509.6 million for the three months ended July 2, 2022 decreased $39.9 million, or 7.3%, from $549.5 million for the three months ended July 3, 2021. The decrease was driven primarily by reduced Adjusted Comparable Store Sales Growth, partially offset by growth from new store sales and recognition of deferred revenue.

In the three months ended July 2, 2022, we opened 20 America's Best stores and two Eyeglass World stores. Overall, store count grew 5.2% from July 3, 2021 to July 2, 2022 (59 and six net new America's Best and Eyeglass World were added, respectively).

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the three months ended July 2, 2022 were (11.0)% and (12.4)%, respectively, primarily due to a decrease in customer transactions and, to a lesser extent, lower average ticket. Comparable store sales growth and Adjusted Comparable Store Sales Growth were negative during the three months ended July 2, 2022 due to overall economic trends impacting customer demand and constraints affecting exam capacity in certain markets.

Net product sales comprised 82.7% and 83.4% of total net revenue for the three months ended July 2, 2022 and July 3, 2021, respectively. Net product sales decreased $36.6 million, or 8.0%, in the three months ended July 2, 2022 compared to the three months ended July 3, 2021, driven primarily by a $37.0 million decrease in eyeglass sales. Net sales of services and plans decreased $3.3 million, or 3.6%, driven primarily by a $2.3 million decrease in management fees from our Legacy partner.

Owned & Host segment net revenue. Net revenue decreased $41.0 million, or 9.3%, driven primarily by negative comparable store sales growth partially offset by new store openings.

Legacy segment net revenue. Net revenue decreased $5.8 million, or 13.2%, driven by negative comparable store sales growth.

Corporate/Other segment net revenue. Net revenue increased $0.4 million, or 0.6%, driven primarily by higher online retail business.

Net revenue reconciliations. Net revenue was positively impacted by $6.5 million due to the timing of unearned revenue and recognition of deferred revenue for the three months ended July 2, 2022 compared to the three months ended July 3, 2021. Net revenue was positively impacted by $1.0 million due to the timing of unearned revenue during the three months ended July 2, 2022. Net revenue was positively impacted by $5.5 million due to lower sales of product protection plan and club memberships during the three months ended July 2, 2022.

Costs applicable to revenue

Costs applicable to revenue of $234.6 million for the three months ended July 2, 2022 decreased $1.4 million, or 0.6%, from $235.9 million for the three months ended July 3, 2021. As a percentage of net revenue, costs applicable to revenue increased from 42.9% for the three months ended July 3, 2021 to 46.0% for the three months ended July 2, 2022. This increase as a percentage of net revenue was primarily driven by higher growth in optometrist-related costs, reduced eyeglass mix and lower eyeglass margin.

Costs of products as a percentage of net product sales increased from 36.5% for the three months ended July 3, 2021 to 38.7% for the three months ended July 2, 2022, primarily driven by reduced eyeglass mix and lower eyeglass margin.

Owned & Host segment costs of products. Costs of products as a percentage of net product sales increased from 27.3% for the three months ended July 3, 2021 to 29.2% for the three months ended July 2, 2022. The increase was primarily driven by reduced eyeglass mix and lower eyeglass margin.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 48.1% for the three months ended July 3, 2021 to 47.3% for the three months ended July 2, 2022. The decrease was primarily driven by a higher mix of managed care customer transactions versus non-managed care customer transactions. Legacy segment managed care net product revenue is recorded in net product sales while revenue associated with servicing non-managed care customers is recorded in net sales of services and plans. Eyeglass and contact lens product costs for both managed care and non-managed care net revenue are recorded in costs of products. Increases in managed care mix decrease costs of products as a percentage of net product sales and have a corresponding negative impact on costs of services as a percentage of net sales of services and plans in our Legacy segment.

Costs of services and plans as a percentage of net sales of services and plans increased from 75.5% for the three months ended July 3, 2021 to 81.0% for the three months ended July 2, 2022. The increase was primarily driven by higher growth in optometrist-related costs.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans in the Owned & Host segment increased from 79.3% for the three months ended July 3, 2021 to 89.3% for the three months ended July 2, 2022. The increase was primarily driven by higher growth in optometrist-related costs.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans in the Legacy segment increased from 38.6% for the three months ended July 3, 2021 to 43.5% for the three months ended July 2, 2022. The increase was primarily driven by higher growth in optometrist-related costs.

Selling, general and administrative

SG&A of $227.8 million for the three months ended July 2, 2022 decreased $6.4 million, or 2.7%, from the three months ended July 3, 2021. As a percentage of net revenue, SG&A increased from 42.6% for the three months ended July 3, 2021 to 44.7% for the three months ended July 2, 2022. The increase in SG&A as a percentage of net revenue was primarily driven by payroll and occupancy expense, partially offset by lower performance-based incentive compensation, stock-based compensation and advertising expense. SG&A for the three months ended July 2, 2022 and July 3, 2021 includes $0.2 million and $0.3 million, respectively, of incremental costs directly related to adapting the Company’s operations during the COVID-19 pandemic; these costs were not reflected as adjustments for the Company’s presentation of non-GAAP measures below.

Owned & Host SG&A. SG&A as a percentage of net revenue increased from 36.1% for the three months ended July 3, 2021 to 39.1% for the three months ended July 2, 2022, driven primarily by increases in payroll and occupancy expense.

Legacy segment SG&A. SG&A as a percentage of net revenue increased from 33.9% for the three months ended July 3, 2021 to 39.0% for the three months ended July 2, 2022, driven primarily by higher payroll expense.

Depreciation and amortization

Depreciation and amortization expense of $25.2 million for the three months ended July 2, 2022 increased $1.2 million, or 5.1%, from $24.0 million for the three months ended July 3, 2021 primarily driven by new store openings.

Asset Impairment

We recognized $3.5 million for impairment of tangible long-lived assets and ROU assets associated with our retail stores during the three months ended July 2, 2022, compared to $0.5 million recognized during the three months ended July 3, 2021. The store asset impairment charge is primarily related to our Owned & Host segment and is driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense (income), net

Interest expense, net, of $4.0 million for the three months ended July 2, 2022 decreased $6.2 million, or 61.1%, from $10.2 million for the three months ended July 3, 2021. The decrease was primarily driven by gains on our interest rate collar.

Income tax provision

Our effective tax rates for the three months ended July 2, 2022 and July 3, 2021 were 32.4% and 15.8%, respectively, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items.

Six Months Ended July 2, 2022 compared to Six Months Ended July 3, 2021

Net revenue

The following presents, by segment and by brand, comparable store sales growth, stores open at the end of the period and net revenue for the six months ended July 2, 2022 compared to the six months ended July 3, 2021.

In thousands, except percentage and store data	Comparable store sales growth[1]		Stores open at end of period		Net revenue[2]			
	Six Months Ended July 2, 2022	**Six Months Ended July 3, 2021**	**July 2, 2022**	**July 3, 2021**	**Six Months Ended July 2, 2022**		**Six Months Ended July 3, 2021**	
Owned & Host segment								
America's Best	(10.1)%	54.9 %	872	813	$ 706,404	68.1 %	$ 755,201	69.7 %
Eyeglass World	(7.6)%	57.1 %	129	123	113,002	10.9 %	118,836	11.0 %
Military	(5.1)%	38.1 %	54	54	11,625	1.1 %	12,246	1.1 %
Fred Meyer	(4.3)%	36.1 %	29	29	6,046	0.6 %	6,321	0.6 %
Owned & Host segment total			1,084	1,019	$ 837,077	80.7 %	$ 892,604	82.4 %
Legacy segment	(8.6)%	42.6 %	230	230	79,995	7.7 %	87,182	8.0 %
Corporate/Other	—	—	—	—	123,582	11.9 %	122,738	11.3 %
Reconciliations	—	—	—	—	(3,388)	(0.3)%	(18,855)	(1.7)%
Total	(8.0)%	48.9 %	1,314	1,249	$ 1,037,266	100.0 %	$ 1,083,669	100.0 %
Adjusted Comparable Store Sales Growth[3]	(9.6)%	53.3 %						

(1) We calculate total comparable store sales based on consolidated net revenue excluding the impact of (i) Corporate/Other segment net revenue, (ii) sales from stores opened less than 13 months, (iii) stores closed in the periods presented, (iv) sales from partial months of operation when stores do not open or close on the first day of the month and (v) if applicable, the impact of a 53rd week in a fiscal year. Brand-level comparable store sales growth is calculated based on cash basis revenues consistent with what the CODM reviews, and consistent with reportable segment revenues presented in Note 10. "Segment Reporting" in our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q, with the exception of the Legacy segment, which is adjusted as noted in clause (ii) of footnote (3) below.

(2) Percentages reflect line item as a percentage of net revenue, adjusted for rounding.

(3) There are two differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in a decrease of 1.4% and an increase of 4.4% from total comparable store sales growth based on consolidated net revenue for the six months ended July 2, 2022 and July 3, 2021, respectively, and (ii) Adjusted Comparable Store Sales Growth includes retail sales to the Legacy partner's customers (rather than the revenues recognized consistent with the management & services agreement with the Legacy partner), resulting in a decrease of 0.2% from total comparable store sales growth based on consolidated net revenue for the six months ended July 2, 2022.

Total net revenue of $1,037.3 million for the six months ended July 2, 2022 decreased $46.4 million, or 4.3%, from $1,083.7 million for the six months ended July 3, 2021. The decrease was driven primarily by reduced Adjusted Comparable Store Sales Growth, partially offset by growth from new store sales and recognition of deferred revenue.

In the six months ended July 2, 2022, we opened 35 new America's Best stores and four Eyeglass World stores, and closed three America's Best stores; Overall, store count grew 5.2% from July 3, 2021 to July 2, 2022 (59, and six net new America's Best and Eyeglass World stores were added, respectively).

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the six months ended July 2, 2022 were (8.0)% and (9.6)%, respectively, primarily due to a decrease in customer transactions and, to a lesser extent, lower average ticket. Comparable store sales growth and Adjusted Comparable Store Sales Growth were negative during the six months ended July 2, 2022 due to overall economic trends impacting customer demand, constraints affecting exam capacity in certain markets and the Omicron COVID-19 variant impacting customer transactions.

Net product sales comprised 82.4% and 83.2% of total net revenue for the six months ended July 2, 2022 and July 3, 2021, respectively. Net product sales decreased $46.4 million, or 5.2%, in the six months ended July 2, 2022 compared to the six months ended July 3, 2021, primarily due to a $49.8 million, or 7.8% decrease in eyeglass sales which was partially offset by a $2.3 million, or 1.2% increase in contact lens sales.

Net sales of services and plans for the six months ended July 2, 2022 did not change materially compared to the six months ended July 3, 2021, as higher product protection plan revenue was offset by lower management fees from our Legacy partner.

Owned & Host segment net revenue. Net revenue decreased $55.5 million, or 6.2%, driven primarily by negative comparable store sales growth partially offset by new store openings.

Legacy segment net revenue. Net revenue decreased $7.2 million, or 8.2%, driven by negative comparable store sales growth.

Corporate/Other segment net revenue. Net revenue increased $0.8 million, or 0.7%, driven primarily by increases in wholesale fulfillment.

Net revenue reconciliations. The impact of reconciliations positively impacted net revenue by $15.5 million in the six months ended July 2, 2022 compared to the six months ended July 3, 2021. Net revenue was positively impacted by $1.9 million due to the timing of unearned revenue. Net revenue was positively impacted by $13.5 million due to lower sales of product protection plan and club memberships in the six months ended July 2, 2022.

Costs applicable to revenue

Costs applicable to revenue of $470.6 million for the six months ended July 2, 2022 increased $10.0 million, or 2.2%, from $460.6 million for the six months ended July 3, 2021. As a percentage of net revenue, costs applicable to revenue increased from 42.5% for the six months ended July 3, 2021 to 45.4% for the six months ended July 2, 2022. This increase as a percentage of net revenue was primarily driven by higher optometrist-related costs, reduced eyeglass mix and lower eyeglass margin.

Costs of products as a percentage of net product sales increased from 36.3% for the six months ended July 3, 2021 to 38.3% for the six months ended July 2, 2022, primarily driven by reduced eyeglass mix and lower eyeglass margin.

Owned & Host segment costs of products. Costs of products as a percentage of net product sales increased from 26.8% for the six months ended July 3, 2021 to 28.7% for the six months ended July 2, 2022 driven by reduced eyeglass mix and lower eyeglass margin.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 47.5% for the six months ended July 3, 2021 to 47.0% for the six months ended July 2, 2022. The decrease was primarily driven by a higher mix of managed care customer transactions versus non-managed care customer transactions. Legacy segment managed care net product revenue is recorded in net product sales while revenue associated with servicing non-managed care customers is recorded in net sales of services and plans. Eyeglass and contact lens product costs for both managed care and non-managed care net revenue are recorded in costs of products. Increases in managed care mix decrease costs of products as a percentage of net product sales and have a corresponding negative impact on costs of services as a percentage of net sales of services and plans in our Legacy segment.

Costs of services and plans as a percentage of net sales of services and plans increased from 73.4% for the six months ended July 3, 2021 to 78.4% for the six months ended July 2, 2022. The increase was primarily driven by higher growth in optometrist-related costs which were partially offset by higher eye exam revenue.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 74.9% for the six months ended July 3, 2021 to 85.5% for the six months ended July 2, 2022. The increase was primarily driven by higher optometrist-related costs which were partially offset by higher eye exam revenue.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 38.5% for the six months ended July 3, 2021 to 43.1% for the six months ended July 2, 2022. The increase was primarily driven by higher growth in optometrist-related costs.

Selling, general and administrative

SG&A of $456.4 million for the six months ended July 2, 2022 decreased $1.4 million, or 0.3%, from the six months ended July 3, 2021. As a percentage of net revenue, SG&A increased from 42.2% for the six months ended July 3, 2021 to 44.0% for the six months ended July 2, 2022. The increase in SG&A as a percentage of net revenue was primarily driven by store payroll and occupancy expense, partially offset by lower performance-based incentive compensation. SG&A for the six months ended July 2, 2022 and July 3, 2021 includes $0.4 million and $0.7 million, respectively, of incremental costs directly related to adapting the Company's operations during the COVID-19 pandemic.

Owned & Host SG&A. SG&A as a percentage of net revenue increased from 34.6% for the six months ended July 3, 2021 to 37.5% for the six months ended July 2, 2022, driven primarily by higher payroll and occupancy expense.

Legacy segment SG&A. SG&A as a percentage of net revenue increased from 33.4% for the six months ended July 3, 2021 to 37.3% for the six months ended July 2, 2022 driven primarily by higher payroll expense.

Depreciation and amortization

Depreciation and amortization expense of $50.4 million for the six months ended July 2, 2022 increased $2.8 million, or 5.9%, from $47.6 million for the six months ended July 3, 2021 primarily driven by new store openings.

Asset impairment

We recognized $3.9 million for impairment of tangible long-lived assets and ROU assets associated with our retail stores during the six months ended July 2, 2022 compared to $1.5 million recognized during the six months ended July 3, 2021. The store asset impairment charge is primarily related to our Owned & Host segment and is driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense (income), net

Interest expense (income), net was $(0.2) million for the six months ended July 2, 2022, compared to $16.5 million for the six months ended July 3, 2021. The change was primarily driven by gains on our interest rate collar as a result of increasing interest rates.

Income tax provision

Our effective tax rates for the six months ended July 2, 2022 and July 3, 2021 were 28.6% and 18.8%, respectively, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items as well as a stranded tax effect of $2.1 million associated with our matured interest rate swaps during the six months ended July 3, 2021.

Non-GAAP Financial Measures

Adjusted Operating Income, Adjusted Operating Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS

We define Adjusted Operating Income as net income, plus interest expense (income), net and income tax provision (benefit), further adjusted to exclude stock compensation expense, loss on extinguishment of debt, asset impairment, litigation settlement, secondary offering expenses, management realignment expenses, long-term incentive plan expenses, amortization of acquisition intangibles, and certain other expenses. We define Adjusted Operating Margin as Adjusted Operating Income as a percentage of net revenue. We define EBITDA as net income, plus interest expense (income), net, income tax provision (benefit) and depreciation and amortization. We define Adjusted EBITDA as net income, plus interest expense (income), net, income tax provision (benefit) and depreciation and amortization, further adjusted to exclude stock compensation expense, loss on extinguishment of debt, asset impairment, litigation settlement, secondary offering expenses, management realignment expenses, long-term incentive plan expenses, and certain other expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of net revenue. We define Adjusted Diluted EPS as diluted earnings per share, adjusted for the per share impact of stock compensation expense, loss on extinguishment of debt, asset impairment, litigation settlement, secondary offering expenses, management realignment expenses, long-term incentive plan expenses, amortization of acquisition intangibles, amortization of debt discounts and deferred financing costs of our term loan borrowings, amortization of the conversion feature and deferred financing costs related to our 2025 Notes when not required under U.S. GAAP to be added back for diluted earnings per share, losses (gains) on change in fair value of derivatives, certain other expenses, and tax benefit of stock option exercises, less the tax effect of these adjustments. We adjust for amortization of costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share according to U.S. GAAP.

EBITDA and the Company Non-GAAP Measures can vary substantially in size from one period to the next, and certain types of expenses are non-recurring in nature and consequently may not have been incurred in any of the periods presented below.

EBITDA and the Company Non-GAAP Measures have been presented as supplemental measures of financial performance that are not required by, or presented in accordance with U.S. GAAP, because we believe they assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes EBITDA, and the Company Non-GAAP Measures are useful to investors in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments. We also use EBITDA and the Company Non-GAAP Measures to supplement U.S. GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions, to establish discretionary annual incentive compensation and to compare our performance against that of other peer companies using similar measures. Management supplements U.S. GAAP results with Non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than U.S. GAAP results alone.

EBITDA and the Company Non-GAAP Measures are not recognized terms under U.S. GAAP and should not be considered as an alternative to net income or income from operations as a measure of financial performance or cash flows provided by operating activities as a measure of liquidity, or any other performance measure derived in accordance with U.S. GAAP. Additionally, these measures are not intended to be a measure of free cash flow available for management's discretionary use as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. In evaluating EBITDA and the Company Non-GAAP Measures, we may incur expenses in the future that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and the Company Non-GAAP Measures should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by primarily relying on our U.S. GAAP results in addition to using EBITDA and the Company Non-GAAP Measures.

The presentations of these measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- they do not reflect costs or cash outlays for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA, Adjusted EBITDA and Adjusted Operating Income do not reflect the interest expense (income), or the cash requirements necessary to service interest or principal payments, on our debt;
- EBITDA, Adjusted EBITDA and Adjusted Operating Income do not reflect period to period changes in taxes, income tax provision or the cash necessary to pay income taxes;
- they do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and the Company Non-GAAP Measures should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness.

The following table reconciles our Adjusted Operating Income, Adjusted Operating Margin, EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin to net income; and Adjusted Diluted EPS for the periods presented:

In thousands	Three Months Ended July 2, 2022		Three Months Ended July 3, 2021		Six Months Ended July 2, 2022		Six Months Ended July 3, 2021	
Net income	$ 9,734	1.9 %	$ 37,601	6.8 %	$ 39,881	3.8 %	$ 81,033	7.5 %
Interest expense (income)	3,963	0.8 %	10,188	1.9 %	(181)	0.0 %	16,518	1.5 %
Income tax provision	4,674	0.9 %	7,040	1.3 %	16,003	1.5 %	18,726	1.7 %
Stock compensation expense [a]	3,638	0.7 %	7,213	1.3 %	7,372	0.7 %	10,201	0.9 %
Asset impairment [b]	3,509	0.7 %	519	0.1 %	3,915	0.4 %	1,478	0.1 %
Amortization of acquisition intangibles [c]	1,872	0.4 %	1,871	0.3 %	3,744	0.4 %	3,744	0.3 %
Other [f]	390	0.1 %	1,149	0.2 %	2,350	0.2 %	1,549	0.1 %
Adjusted Operating Income / Adjusted Operating Margin	$ 27,780	5.5 %	$ 65,581	11.9 %	$ 73,084	7.0 %	$ 133,249	12.3 %

Note: Percentages reflect line item as a percentage of net revenue, adjusted for rounding
Some of the percentage totals in the table above do not foot due to rounding differences

In thousands	Three Months Ended July 2, 2022		Three Months Ended July 3, 2021		Six Months Ended July 2, 2022		Six Months Ended July 3, 2021	
Net income	$ 9,734	1.9 %	$ 37,601	6.8 %	$ 39,881	3.8 %	$ 81,033	7.5 %
Interest expense (income)	3,963	0.8 %	10,188	1.9 %	(181)	0.0 %	16,518	1.5 %
Income tax provision	4,674	0.9 %	7,040	1.3 %	16,003	1.5 %	18,726	1.7 %
Depreciation and amortization	25,245	5.0 %	24,025	4.4 %	50,396	4.9 %	47,580	4.4 %
EBITDA	43,616	8.6 %	78,854	14.4 %	106,099	10.2 %	163,857	15.1 %
Stock compensation expense [a]	3,638	0.7 %	7,213	1.3 %	7,372	0.7 %	10,201	0.9 %
Asset impairment [b]	3,509	0.7 %	519	0.1 %	3,915	0.4 %	1,478	0.1 %
Other [f]	390	0.1 %	1,149	0.2 %	2,350	0.2 %	1,549	0.1 %
Adjusted EBITDA / Adjusted EBITDA Margin	$ 51,153	10.0 %	$ 87,735	16.0 %	$ 119,736	11.5 %	$ 177,085	16.3 %

Note: Percentages reflect line item as a percentage of net revenue, adjusted for rounding
Some of the percentage totals in the table above do not foot due to rounding differences

In thousands, except per share amounts	Three Months Ended July 2, 2022	Three Months Ended July 3, 2021	Six Months Ended July 2, 2022	Six Months Ended July 3, 2021
Diluted EPS	$ 0.12	$ 0.42	$ 0.47	$ 0.89
Stock compensation expense [a]	0.05	0.08	0.08	0.11
Asset impairment [b]	0.04	0.01	0.04	0.02
Amortization of acquisition intangibles [c]	0.02	0.02	0.04	0.04
Amortization of debt discount and deferred financing costs [d]	0.01	0.01	0.01	0.01
Losses (gains) on change in fair value of derivatives [e]	(0.01)	0.02	(0.11)	0.00
Other [i]	0.00	0.01	0.02	(0.01)
Tax benefit of stock option exercises [g]	0.00	(0.04)	0.00	(0.05)
Tax effect of total adjustments [h]	(0.03)	(0.04)	(0.02)	(0.05)
Adjusted Diluted EPS	$ 0.21	$ 0.48	$ 0.53	$ 0.97
Weighted average diluted shares outstanding	80,403	96,082	94,109	96,044

Note: Some of the totals in the table above do not foot due to rounding differences

(a) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on the timing of awards and performance vesting conditions.
(b) Reflects write-off of property, equipment and lease-related assets on closed or underperforming stores.
(c) Amortization of the increase in carrying values of finite-lived intangible assets resulting from the application of purchase accounting following the acquisition of the Company by affiliates of KKR & Co. Inc.

(d) Amortization of deferred financing costs and other non-cash charges related to our long-term debt. We adjust for amortization of deferred financing costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share under U.S. GAAP.
(e) Reflects losses (gains) recognized in interest expense (income), net on change in fair value of de-designated hedges.
(f) Other adjustments include amounts that management believes are not representative of our operating performance (amounts in brackets represent reductions in Adjusted Operating Income, Adjusted Diluted EPS and Adjusted EBITDA), which are primarily related to excess payroll taxes on stock option exercises, executive severance and relocation and other expenses and adjustments, including losses on other investments of $0.3 million for the six months ended July 2, 2022.
(g) Tax benefit associated with accounting guidance requiring excess tax benefits related to stock option exercises to be recorded in earnings as discrete items in the reporting period in which they occur.
(h) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.
(i) Reflects other expenses in (f) above, including the impact of stranded tax effect of $(2.1) million for the six months ended July 3, 2021 associated with our interest rate swaps that matured in 2021.

Liquidity and Capital Resources

Our primary cash needs are for inventory, payroll, store rent, advertising, capital expenditures associated with new stores and updating existing stores, as well as information and remote medicine technology and infrastructure, including our corporate office, distribution centers, and laboratories. When appropriate, the Company may utilize excess liquidity towards debt service requirements, including voluntary debt prepayments, or required interest and principal payments, if any, as well as repurchases of common stock, based on excess cash flows. We continue to prioritize cash conservation and prudent use of cash, while safely conducting normal operations. The most significant components of our operating assets and liabilities are inventories, accounts receivable, prepaid expenses and other assets, accounts payable, deferred and unearned revenue and other payables and accrued expenses. We exercise prudence in our use of cash and closely monitor various items related to cash flow including, but not limited to, cash receipts, cash disbursements, payment terms and alternative sources of funding. We continue to be focused on these items in addition to other key measures we use to determine how our consolidated business and operating segments are performing. We believe that cash on hand, cash expected to be generated from operations and the availability of borrowings under our revolving credit facility will be sufficient to fund our working capital requirements, liquidity obligations, anticipated capital expenditures, and payments due under our existing debt for the next 12 months and thereafter for the foreseeable future. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the refinancing or issuance of debt, issuance of equity or other securities, the proceeds of which could provide additional liquidity for our operations, as well as further modifications to our term loan where possible. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside our control. We primarily fund our working capital needs using cash provided by operations. Our working capital requirements for inventory will increase as we continue to open additional stores.

As of July 2, 2022, we had $254.4 million in cash and cash equivalents and $293.6 million of availability under our revolving credit facility, which includes $6.4 million in outstanding letters of credit.

As of July 2, 2022, we had $150.0 million of term loan outstanding under our credit agreement. We were in compliance with all covenants related to our long-term debt as of July 2, 2022.

The following table summarizes cash flows provided by (used for) operating activities, investing activities and financing activities for the periods indicated:

	Six Months Ended	
In thousands	July 2, 2022	July 3, 2021
Cash flows provided by (used for):		
Operating activities	$ 88,031	$ 189,808
Investing activities	(55,694)	(38,790)
Financing activities	(83,608)	(116,529)
Net change in cash, cash equivalents and restricted cash	$ (51,271)	$ 34,489

Net Cash Provided by Operating Activities

Cash flows provided by operating activities decreased $101.8 million from $189.8 million during the six months ended July 3, 2021 to $88.0 million for the six months ended July 2, 2022 as a result of $41.2 million lower net income as compared to the six months ended July 3, 2021 and a decrease of non-cash expense adjustments of $18.2 million and changes in net working capital and other assets and liabilities, which used $42.4 million in cash compared to the six months ended July 3, 2021. Decreases in other liabilities during the six months ended July 2, 2022 used $15.5 million in year-over-year cash primarily due to compensation related accruals, partially offset by increases in payroll and income taxes payable. Decreases in deferred and unearned revenue used $15.5 million in year-over-year cash, primarily as a result of lower sales of product protection plans and club memberships in the current period. Increases in accounts receivable used $11.1 million in year-over-year cash primarily due to other receivables. Decreases in accounts payable during the six months ended July 2, 2022 used $7.1 million in year-over-year cash, primarily due to timing of payments. Offsetting these items were decreases in inventories which contributed $3.0 million in year-over-year cash, primarily due to timing of purchases. Decreases in other assets during the six months ended July 2, 2022 contributed $3.4 million in year-over-year cash consisting primarily of decreases in income tax related receivables.

Net Cash Used for Investing Activities

Net cash used for investing activities increased by $16.9 million, to $55.7 million, during the six months ended July 2, 2022 from $38.8 million during the six months ended July 3, 2021. The increase was primarily due to increased capital investments in remote medicine, information technology and new store openings. Approximately 80% of our capital spend is related to our expected growth (i.e., new stores, optometric equipment, additional capacity in our optical laboratories and distribution centers, and our IT and remote medicine infrastructure, including omni-channel platform related investments).

Net Cash Used For Financing Activities

Net cash used for financing activities was $83.6 million during the six months ended July 2, 2022 as compared to the use of cash of $116.5 million during the six months ended July 3, 2021. The decrease in cash used for financing activities was primarily due to voluntary term loan prepayments of $117.4 million during the six months ended July 3, 2021 that did not recur in the current period, partially offset by increases in purchases of treasury stock of $82.2 million during the six months ended July 2, 2022.

Share Repurchase Authority

During the six months ended July 2, 2022, the Company repurchased approximately 2.7 million shares of its common stock for $80.0 million under the share repurchase program. After these repurchases, $50.0 million remains available under the share repurchase authorization.

Material Cash Requirements

There were no material changes outside the ordinary course of business in our material cash requirements and commercial commitments from those reported in the 2021 Annual Report on Form 10-K.

We follow U.S. GAAP in making the determination as to whether or not to record an asset or liability related to our arrangements with third parties. Consistent with current accounting guidance, we do not record an asset or liability associated with long-term purchase, marketing and promotional commitments, or commitments to philanthropic endeavors. We have disclosed the amount of future commitments associated with these items in the 2021 Annual Report on form 10-K. We are not a party to any other material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management has evaluated the accounting policies used in the preparation of the Company’s unaudited condensed consolidated financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the 2021 Annual Report on Form 10-K, in the “Critical Accounting Policies and Estimates” section of “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” There have been no material changes to our critical accounting policies as compared to the critical accounting policies described in the 2021 Annual Report on Form 10-K.

Adoption of New Accounting Pronouncements

There have been no material changes due to recently issued or adopted accounting standards since those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 1, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have market risk exposure from changes in interest rates. When appropriate, we use derivative financial instruments to mitigate the risk from such exposure. A discussion of our accounting policies for derivative financial instruments is included in Note 3. “Fair Value Measurement” and Note 5. “Interest Rate Derivatives” to our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

A portion of our debt bears interest at variable rates. If market interest rates increase, the interest rate on our variable rate debt will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. Our interest rate collar is intended to mitigate some of the effects of increases in interest rates.

As of July 2, 2022, $150.0 million of term loan borrowings were subject to variable interest rates, with a weighted average borrowing rate of 2.9%. An increase to market rates of 1.0% as of July 2, 2022 would not result in a material increase to interest expense. Assuming a decrease to market rates of 1.0% as of July 2, 2022, the resulting increase to interest expense related to the interest rate derivative would be approximately $5 million. For more information about quantitative and qualitative disclosures about market risk, please see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” in Part II. of the 2021 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In accordance with Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of its management, including its CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of July 2, 2022. Based on that evaluation, the CEO and the CFO have concluded that the Company’s current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company’s periodic filings with the SEC is made known to them in a timely manner.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the second quarter of fiscal year 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 9. "Commitments and Contingencies" in our condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q for information regarding certain legal proceedings in which we are involved, which discussion is incorporated herein by reference.

Item 1A. Risk Factors

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed in Part I. Item 1A. "Risk Factors" in our 2021 Annual Report on Form 10-K. There have been no material changes to the risk factors described in our 2021 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes the repurchases of the Company's common stock during the three months ended July 2, 2022.

In thousands, except per share amounts

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
April 3, 2022 - April 30, 2022	181	$ 39.82	181	$ 115,795
May 1, 2022 - June 4, 2022	2,373	$ 27.71	2,373	$ 50,041
June 5, 2022 - July 2, 2022	—	—	—	$ 50,041
Total	2,554	$ 28.56	2,554	$ 50,041

[1] Information regarding the Company's share repurchases can be found in Note 1, Description of Business and Basis of Presentation, in the condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q. Effective November 8, 2021, the Company's Board of Directors authorized the Company to repurchase up to $50 million aggregate amount of shares of the Company's common stock. On November 29, 2021 and February 23, 2022, the Board authorized increases of $50 million and $100 million, respectively, to the share repurchase program for a total authorization of $200 million. The share repurchase authorization expires on December 30, 2023. Following repurchases in the second quarter of fiscal year 2022, $50.0 million remains available under the share repurchase authorization. The timing and amounts of any such repurchases will depend on a variety of factors, including the market price of the Company's shares and general market and economic conditions.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Index

Exhibit No.	Exhibit Description
3.1	Third Amended and Restated Certificate of Incorporation of National Vision Holdings, Inc. -incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2021.
3.2	Third Amended and Restated Bylaws of National Vision Holdings, Inc. -incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 10, 2021.
10.1	Form of Restricted Stock Unit Agreement under the 2017 Omnibus Incentive Plan, as adopted April 10, 2022 -incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed May 10, 2022.
10.2	Form of Restricted Stock Unit Agreement under the 2017 Omnibus Incentive Plan, as adopted June 15, 2022.
10.3	First Amendment to the Direct Lens Letter Agreement, dated July 19, 2022, by and between Essilor of America, Inc. and National Vision, Inc. -incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 25, 2022.
31.1	Certification of Periodic Report by Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Periodic Report by Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page of the Company's Quarterly report on Form 10-Q for the quarter ended July 2, 2022, formatted in Inline XBRL (included within the Exhibit 101 attachments)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		National Vision Holdings, Inc.
Dated: August 11, 2022	By:	/s/ L. Reade Fahs **Chief Executive Officer and Director** *(Principal Executive Officer)*
Dated: August 11, 2022	By:	/s/ Patrick R. Moore **Senior Vice President, Chief Financial Officer** *(Principal Financial Officer)*

RESTRICTED STOCK UNIT GRANT NOTICE
UNDER THE
NATIONAL VISION HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN
(Non-Employee Directors)

National Vision Holdings, Inc. (the "Company"), pursuant to its 2017 Omnibus Incentive Plan, as it may be amended and restated from time to time (the "Plan"), hereby grants to the Participant set forth below the number of Restricted Stock Units set forth below. The Restricted Stock Units are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto or previously provided to the Participant in connection with a prior grant), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Participant: [*Insert Participant Name*]

Date of Grant: [•], 2022

Number of Restricted Stock Units: [*Quantity Granted*]

Vesting Schedule: Provided the Participant has not undergone a Termination at the time of the vesting date (or event) the Restricted Stock Units will vest on the first (1st) anniversary of the Date of Grant (the "Vesting Date").

In the event that the Participant undergoes a Termination for any reason, (i) all vesting with respect to such Restricted Stock Units shall cease and (ii) all unvested Restricted Stock Units shall be forfeited by the Participant for no consideration as of the date of such Termination.

In addition, in the event of a Change in Control, the Participant shall fully vest in the Participant's Restricted Stock Units to the extent not then vested or previously forfeited.

[*Signatures to appear on following page*]

THE UNDERSIGNED PARTICIPANT ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT NOTICE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

NATIONAL VISION HOLDINGS, INC.

____
By:
Title:

PARTICIPANT[1]

[SIGNATURE]

____

1 To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant’s signature hereof.

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE
NATIONAL VISION HOLDINGS, INC.
2017 OMNIBUS INCENTIVE PLAN

Pursuant to the Restricted Stock Unit Grant Notice (the "Grant Notice") delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Restricted Stock Unit Agreement (this "Restricted Stock Unit Agreement") and the National Vision Holdings, Inc. 2017 Omnibus Incentive Plan, as it may be amended and restated from time to time (the "Plan"), National Vision Holdings, Inc. (the "Company") and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Restricted Stock Units**. Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Restricted Stock Units provided in the Grant Notice (with each Restricted Stock Unit representing the right to receive one share of Common Stock upon the vesting of such Restricted Stock Unit). The Company may make one or more additional grants of Restricted Stock Units to the Participant under this Restricted Stock Unit Agreement by providing the Participant with a new Grant Notice, which may also include any terms and conditions differing from this Restricted Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Restricted Stock Units hereunder and makes no implied promise to grant additional Restricted Stock Units.

2. **Vesting**. Subject to the conditions contained herein and in the Plan, the Restricted Stock Units shall vest and the restrictions on such Restricted Stock Units shall lapse as provided in the Grant Notice. With respect to any Restricted Stock Unit, the period of time that commences on the Date of Grant and ends on the Vesting Date, or, if earlier, the date of any Termination that results in vesting of such Restricted Stock Unit, shall be its Restricted Period.

3. **Settlement of Restricted Stock Units**. The provisions of Section 9(d)(ii) of the Plan are incorporated herein by reference and made a part hereof; *provided*, *however*, that in no event will settlement of a Restricted Stock Unit occur more than thirty (30) days following the expiration of its Restricted Period.

4. **Definitions**.

(a) The term "Company" as used in this Restricted Stock Unit Agreement with reference to employment shall include the Company and its Subsidiaries.

(b) Whenever the word "Participant" is used in any provision of this Restricted Stock Unit Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the word "Participant" shall be deemed to include such person or persons.

5. **Non-Transferability**. The Restricted Stock Units are not transferable by the Participant except to Permitted Transferees in accordance with Section 14(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the Restricted Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Restricted Stock Units shall terminate and become of no further effect.

6. **Rights as Stockholder**. The Participant or a Permitted Transferee of the Restricted Stock Units shall have no rights as a stockholder with respect to any share of Common Stock underlying a Restricted Stock Unit (including no rights with respect to voting or to receive any dividends or dividend equivalents) unless and until the Participant or the Permitted Transferee shall have become the holder of record or the beneficial owner of such Common Stock.

7. **Notice**. Every notice or other communication relating to this Restricted Stock Unit Agreement between the Company and the Participant shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the General Counsel, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

8. **No Right to Continued Service**. This Restricted Stock Unit Agreement does not confer upon the Participant any right to continue as a Non-Employee Director of the Company.

9. **Binding Effect**. This Restricted Stock Unit Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

10. **Waiver and Amendments**. Except as otherwise set forth in Section 13 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Restricted Stock Unit Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however*, that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

11. **Governing Law**. This Restricted Stock Unit Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Restricted Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Restricted Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

12. **Plan**. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Restricted Stock Unit Agreement (including the Grant Notice), the Plan shall govern and control.

13. **Section 409A**.

(a) This Restricted Stock Unit Agreement is intended to be exempt from or comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder, and shall be interpreted consistent with such intent. Without limiting the foregoing, the Committee will have the right to amend the terms and conditions of this Restricted Stock Unit Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations promulgated thereunder, including, without limitation, by delaying the issuance of the shares of Common Stock contemplated hereunder.

(b) The Participant is solely responsible and liable for the satisfaction of all taxes and penalties under Section 409A of the Code that may be imposed on or in respect of the Participant in connection with this Agreement, and the Company will not be liable to any Participant for any payment made under this Plan that is determined to result in an additional tax, penalty or interest under Section 409A of the Code, nor for reporting in good faith any payment made under this Agreement as an amount includible in gross income under Section 409A of the Code. Each payment in a series of payments hereunder will be deemed to be a separate payment for the purposes of Section 409A of the Code.

Exhibit 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, L. Reade Fahs, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 2, 2022 of National Vision Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 11, 2022

/s/ L. Reade Fahs
L. Reade Fahs
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Patrick R. Moore, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 2, 2022 of National Vision Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

/s/ Patrick R. Moore
Patrick R. Moore
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National Vision Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended July 2, 2022 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, L. Reade Fahs, Chief Executive Officer and Director of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 11, 2022

/s/ L. Reade Fahs
L. Reade Fahs
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of National Vision Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended July 2, 2022 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick R. Moore, Senior Vice President, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 11, 2022

/s/ Patrick R. Moore
Patrick R. Moore
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)