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 September 26, 2020

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 October 30, 2020
Common stock, $0.01 par value	81,020,333

NATIONAL VISION HOLDINGS, INC. AND SUBSIDIARIES

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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, the Form 10-Q filed on May 7, 2020, and the Form 10-Q filed on August 6, 2020, Part I, Item 1A - "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 28, 2019 (the "2019 Annual Report on Form 10-K") and Item 8.01 - "Supplemental Risk Factor" on Form 8-K filed on March 19, 2020, 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 scale, scope and duration of the novel coronavirus, or COVID-19, pandemic and its resurgence, and the impact of evolving federal, state, and local governmental actions in response thereto;
- customer behavior in response to the continuing pandemic and its resurgence, and evolving federal, state, and local governmental actions, including the impact of such behavior on in-store traffic and sales;
- our ability to keep our reopened stores open in a safe and cost-effective manner, or at all, in light of the continuing COVID-19 pandemic and its resurgence, and to open and operate new stores, and to successfully enter new markets in a timely and cost-effective manner;
- operational disruptions if a significant percentage of our workforce is unable to work or we experience labor shortages, including because of illness or travel or government restrictions in connection with the pandemic;
- the impact on our business of civil unrest, implementation of curfews and protests in certain locations, and related store closures or damage;
- our ability to recruit and retain vision care professionals for our stores in general and in light of the pandemic;
- our ability to develop and maintain 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;
- 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 successfully compete in the highly competitive optical retail industry;
- any failure, inadequacy, interruption, security failure or breach of our information technology systems;
- our growth strategy straining our existing resources and causing the performance of our existing stores to suffer;
- the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices;
- our ability to successfully 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;
- overall decline in the health of the economy and consumer spending affecting consumer purchases;
- our ability to manage our inventory balances and inventory shrinkage;
- 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 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;
- risks of losses arising from our investments in technological innovators in the optical retail industry;
- our ability to adequately protect our intellectual property;
- our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our significant debt service obligations;
- an increase 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
As of September 26, 2020 and December 28, 2019
In Thousands, Except Par Value
(Unaudited)

ASSETS	As of September 26, 2020	As of December 28, 2019
Current assets:		
Cash and cash equivalents	$ 377,007	$ 39,342
Accounts receivable, net	49,678	44,475
Inventories	111,700	127,556
Prepaid expenses and other current assets	17,050	23,266
Total current assets	555,435	234,639
Property and equipment, net	330,356	366,767
Other assets:		
Goodwill	777,613	777,613
Trademarks and trade names	240,547	240,547
Other intangible assets, net	51,384	56,940
Right of use assets	335,860	348,090
Other assets	16,318	8,129
Total non-current assets	1,752,078	1,798,086
Total assets	$ 2,307,513	$ 2,032,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 68,629	$ 40,782
Other payables and accrued expenses	125,278	82,829
Unearned revenue	44,723	28,002
Deferred revenue	56,846	55,870
Current maturities of long-term debt and finance lease obligations	3,537	13,759
Current operating lease obligations	57,036	51,937
Total current liabilities	356,049	273,179
Long-term debt and finance lease obligations, less current portion and debt discount	648,138	555,933
Non-current operating lease obligations	320,155	331,769
Other non-current liabilities:		
Deferred revenue	20,773	21,530
Other liabilities	23,686	13,731
Deferred income taxes, net	73,749	60,146
Total other non-current liabilities	118,208	95,407
Commitments and contingencies (See Note 10)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 81,917 and 80,603 shares issued as of September 26, 2020 and December 28, 2019, respectively; 80,989 and 79,678 shares outstanding as of September 26, 2020 and December 28, 2019, respectively	818	805
Additional paid-in capital	790,188	700,121
Accumulated other comprehensive loss	(5,944)	(3,814)
Retained earnings	107,801	107,132
Treasury stock, at cost; 928 and 925 shares as of September 26, 2020 and December 28, 2019, respectively	(27,900)	(27,807)
Total stockholders' equity	864,963	776,437
Total liabilities and stockholders' equity	$ 2,307,513	$ 2,032,725

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
For the Three and Nine Months Ended September 26, 2020 and September 28, 2019
In Thousands, Except Earnings Per Share
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenue:				
Net product sales	$ 403,336	$ 355,789	$ 1,005,884	$ 1,096,482
Net sales of services and plans	82,017	76,113	209,180	226,086
Total net revenue	485,353	431,902	1,215,064	1,322,568
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	148,274	144,518	402,279	444,177
Services and plans	62,535	59,984	167,864	174,801
Total costs applicable to revenue	210,809	204,502	570,143	618,978
Operating expenses:				
Selling, general and administrative expenses	190,518	190,290	520,841	566,444
Depreciation and amortization	22,236	22,336	68,970	63,570
Asset impairment	7,150	3,516	20,916	7,387
Litigation settlement	—	—	4,395	—
Other expense (income), net	(154)	146	(312)	975
Total operating expenses	219,750	216,288	614,810	638,376
Income from operations	54,794	11,112	30,111	65,214
Interest expense, net	12,475	7,873	35,432	25,902
Debt issuance costs	—	—	136	—
Loss on extinguishment of debt	—	9,786	—	9,786
Earnings (loss) before income taxes	42,319	(6,547)	(5,457)	29,526
Income tax provision (benefit)	7,030	(7,739)	(6,655)	647
Net income	$ 35,289	$ 1,192	$ 1,198	$ 28,879
Earnings per share:				
Basic	$ 0.44	$ 0.02	$ 0.01	$ 0.37
Diluted	$ 0.42	$ 0.01	$ 0.01	$ 0.35
Weighted average shares outstanding:				
Basic	80,676	78,474	80,376	78,387
Diluted	83,795	81,561	82,718	81,510
Comprehensive income:				
Net income	$ 35,289	$ 1,192	$ 1,198	$ 28,879
Unrealized gain (loss) on hedge instruments	1,894	681	(2,853)	(2,837)
Tax provision (benefit) of unrealized gain (loss) on hedge instruments	483	175	(723)	(727)
Comprehensive income (loss)	$ 36,700	$ 1,698	$ (932)	$ 26,769

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
For the Three and Nine Months Ended September 26, 2020
In Thousands
(Unaudited)

	Three and Nine Months Ended September 26, 2020						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at December 28, 2019	79,678	$ 805	$ 700,121	$ (3,814)	$ 107,132	$ (27,807)	$ 776,437
Cumulative effect of change in accounting principle	—	—	—	—	(529)	—	(529)
Balances at December 28, 2019 - as adjusted	79,678	805	700,121	(3,814)	106,603	(27,807)	775,908
Issuance of common stock	602	6	5,114	—	—	—	5,120
Stock based compensation	—	—	2,066	—	—	—	2,066
Purchase of treasury stock	(2)	—	—	—	—	(74)	(74)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	(6,602)	—	—	(6,602)
Net income	—	—	—	—	9,742	—	9,742
Balances at March 28, 2020	80,278	$ 811	$ 707,301	$ (10,416)	$ 116,345	$ (27,881)	$ 786,160
Issuance of common stock	137	1	877	—	—	—	878
Stock based compensation	—	—	3,324	—	—	—	3,324
Conversion option related to convertible senior notes, net of allocated costs and tax	—	—	71,349	—	—	—	71,349
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	3,061	—	—	3,061
Net income (loss)	—	—	—	—	(43,833)	—	(43,833)
Balances at June 27, 2020	80,415	$ 812	$ 782,851	$ (7,355)	$ 72,512	$ (27,881)	$ 820,939
Issuance of common stock	575	6	4,474	—	—	—	4,480
Stock based compensation	—	—	2,863	—	—	—	2,863
Purchase of treasury stock	(1)	—	—	—	—	(19)	(19)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	1,411	—	—	1,411
Net income	—	—	—	—	35,289	—	35,289
Balances at September 26, 2020	80,989	$ 818	$ 790,188	$ (5,944)	$ 107,801	$ (27,900)	$ 864,963

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
For the Three and Nine Months Ended September 28, 2019
In Thousands
(Unaudited)

	Three and Nine Months Ended September 28, 2019						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at December 29, 2018	78,167	$ 782	$ 672,503	$ (2,810)	$ 74,840	$ (2,161)	$ 743,154
Cumulative effect of change in accounting principle	—	—	—	—	(506)	—	(506)
Balances at December 30, 2018 - as adjusted	78,167	782	672,503	(2,810)	74,334	(2,161)	742,648
Issuance of common stock	51	1	512	—	—	—	513
Stock based compensation	—	—	2,937	—	—	—	2,937
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	(947)	—	—	(947)
Net income	—	—	—	—	17,429	—	17,429
Balances at March 30, 2019	78,218	$ 783	$ 675,952	$ (3,757)	$ 91,763	$ (2,161)	$ 762,580
Issuance of common stock	266	3	1,550	—	—	—	1,553
Stock based compensation	—	—	1,714	—	—	—	1,714
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	(1,670)	—	—	(1,670)
Net income	—	—	—	—	10,257	—	10,257
Balances at June 29, 2019	78,484	$ 786	$ 679,216	$ (5,427)	$ 102,020	$ (2,161)	$ 774,434
Issuance of common stock	1,357	14	8,224	—	—	—	8,238
Stock based compensation	—	—	6,101	—	—	—	6,101
Purchase of treasury stock	(819)	—	—	—	—	(25,000)	(25,000)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	506	—	—	506
Net income	—	—	—	—	1,192	—	1,192
Balances at September 28, 2019	79,022	$ 800	$ 693,541	$ (4,921)	$ 103,212	$ (27,161)	$ 765,471

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
For the Nine Months Ended September 26, 2020 and September 28, 2019
In Thousands
(Unaudited)

	Nine Months Ended	
	September 26, 2020	September 28, 2019
Cash flows from operating activities:		
Net income	$ 1,198	$ 28,879
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,970	63,570
Amortization of debt discount and deferred financing costs	7,248	1,071
Asset impairment	20,916	7,387
Deferred income tax expense (benefit)	(6,735)	651
Stock based compensation expense	8,335	10,840
Losses (gains) on change in fair value of derivatives	4,596	—
Inventory adjustments	3,502	3,065
Credit loss expense	482	6,265
Loss on extinguishment of debt	—	9,786
Other	1,665	1,963
Changes in operating assets and liabilities:		
Accounts receivable	(5,685)	(6,023)
Inventories	12,354	1,063
Other assets	2,538	11,373
Accounts payable	27,847	1,694
Deferred revenue	219	7,068
Other liabilities	56,266	22,286
Net cash provided by operating activities	203,716	170,938
Cash flows from investing activities:		
Purchase of property and equipment	(40,837)	(76,472)
Other	323	564
Net cash used for investing activities	(40,514)	(75,908)
Cash flows from financing activities:		
Borrowings on long-term debt, net of discounts	548,769	566,550
Repayments on long-term debt	(369,269)	(564,300)
Proceeds from exercise of stock options	10,478	9,992
Purchase of treasury stock	(93)	(25,000)
Payments of debt issuance costs	(12,462)	(2,930)
Payments on finance lease obligations	(2,517)	(2,054)
Net cash provided by (used for) financing activities	174,906	(17,742)
Net change in cash, cash equivalents and restricted cash	338,108	77,288
Cash, cash equivalents and restricted cash, beginning of year	40,307	17,998
Cash, cash equivalents and restricted cash, end of period	$ 378,415	$ 95,286
Supplemental cash flow disclosure information:		
Cash paid for interest	$ 19,508	$ 25,182
Capital expenditures accrued at the end of the period	$ 13,516	$ 13,808
Right of use assets acquired under finance leases	$ 1,257	$ 9,551
Right of use assets acquired under operating leases	$ 45,154	$ 84,643

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

National Vision Holdings, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

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 direct wholly owned subsidiaries. We are a leading value retailer of eyeglasses and contact lenses in the United States and its territories. We operated 1,201 and 1,151 retail optical locations as of September 26, 2020 and December 28, 2019, 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

We prepared the accompanying 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 December 28, 2019 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 financial position as of September 26, 2020, the consolidated results of operations and comprehensive income, the statements of changes in stockholders’ equity for the three and nine months ended September 26, 2020 and September 28, 2019, and its statements of cash flows for the nine months ended September 26, 2020 and September 28, 2019.

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 December 28, 2019 included in the 2019 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 nine months ended September 26, 2020, except for the adoption of Accounting Standards Update (“ASU”) No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* and ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. See “Adoption of New Accounting Pronouncements” below for further discussion.

The condensed consolidated financial statements include our accounts and those of our subsidiaries, all of which are wholly-owned. All intercompany balances and transactions have been eliminated in consolidation.

Refer to Note 4. “Long-term Debt” for information on convertible debt issued in the second quarter of 2020.

Refer to Note 5. “Interest Rate Derivatives” for information on changes in our assessment of hedge effectiveness in fiscal year 2020 and for information on our accounting for hedge ineffectiveness.

Fiscal Year

Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31. Fiscal year 2020 contains 53 weeks and will end on January 2, 2021. All three and nine month periods presented herein contain 13 and 39 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 nine months ended September 26, 2020 and September 28, 2019, 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. 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. Due to the temporary closure of our stores for a portion of the first half of 2020, the COVID-19 pandemic has caused changes in fiscal year 2020 seasonality and may cause changes beyond 2020 to 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.

Asset Impairment

We evaluate impairment of long-lived tangible and right of use ("ROU") store assets at the store level, which is the lowest level at which independent cash flows can be identified, when events or conditions indicate the carrying values of such assets may not be recoverable. In making this evaluation, we may consider multiple factors including financial performance of the stores, regional and local business climates, future plans for the store operations and other qualitative factors. If the store's projected undiscounted net cash flows expected to be generated by the related assets over the life of the primary asset within the asset group (generally leasehold improvements) are less than the carrying value of the subject assets, we determine an estimate of the fair value of the asset group using an income approach based on discounted cash flows, which require estimates and assumptions related to forecasted store revenue growth rates and store profitability. The cash flows used in estimating fair value were discounted using market rates from 6.3% to 8%. If the fair value of the asset group is less than its carrying value, the loss is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long lived asset of the group shall not reduce the carrying amount of that asset below its fair value. We consider market-based indications of prevailing rental rates for retail space when estimating the fair values of ROU assets. 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.

We identified indicators of impairment of certain stores and other assets and recorded $7.2 million and $20.9 million of related asset impairment charges during the three and nine months ended September 26, 2020, respectively, in Corporate/Other segment. These impairment charges were primarily driven by lower than projected customer sales volume in certain stores; we also considered the historical performance of the stores before the temporary store closures in response to the COVID-19 pandemic, the effect of store closures and uncertainty in store revenues over the remaining useful life of the asset group as a result of the COVID-19 pandemic. The estimated remaining fair value of the impaired assets was $28.1 million as of September 26, 2020; this value includes fair value estimates related to impairments recorded in the first and second quarters of 2020. Substantially all of the remaining fair value of the impaired store assets in fiscal year 2020 represents the fair value of ROU assets. The asset impairment expense for the nine months ended September 26, 2020 also includes $1.1 million related to a write-off of certain software assets that were deemed to be obsolete due to a decision to cease further development.

Income Taxes

Our income tax provision for the three months ended September 26, 2020 reflected our statutory federal and state rate of 25.5%, offset by a discrete benefit of $3.0 million associated primarily with stock option exercises. Our income tax benefit for the nine months ended September 26, 2020 reflected our statutory federal and state rate of 25.5%, combined with a discrete benefit of $6.0 million associated primarily with stock option exercises. In comparison, the income tax provision associated with the three and nine months ended September 28, 2019 reflected income tax expense at our statutory federal and state rate of 25.6% and was reduced by discrete benefits resulting from stock option exercises of $6.3 million and a $7.7 million, respectively.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, accelerates a company's ability to recover Alternative Minimum Tax ("AMT") refundable credits that otherwise could have been claimed in 2020 and 2021, to 2018 and 2019, with an option to elect recovery of the full credit amount for 2018. The Company has elected to apply the AMT refundable credit provision of the CARES Act and has reclassified $1.3 million of AMT credits from Deferred income taxes, net as of December 28, 2019 to Prepaid expenses and other assets as of September 26, 2020. The CARES Act also includes a technical correction wherein qualified improvement property placed in service in 2018 and after is eligible for 100% bonus depreciation. This provision of the CARES Act resulted in an increase in our NOL carry-forwards with an offsetting increase in our gross deferred tax liability relating to property and equipment of approximately $25.0 million as of September 26, 2020. In addition, as a result of the employee retention credits made available under the CARES Act for U.S. employees the Company recognized $0.2 million as a reduction to SG&A during the three months ended September 26, 2020, and recognized $0.4 million as a reduction to costs of products, $6.2 million as a reduction to costs of services and plans, and $4.4 million as a reduction to SG&A during the nine months ended September 26, 2020. The Company recognizes government grants for which there is a reasonable assurance of compliance with grant conditions and receipt of credits. We believe there is a reasonable assurance that the Company will comply with the relevant conditions of the employee retention credit provision of the CARES Act, and that we will receive the credits for which we have applied. We elected to offset credits recognized under the CARES against against payroll taxes that would otherwise be payable. We will continue to assess our treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act to the Company, and the potential impacts on our business.

Adoption of New Accounting Pronouncements

Cloud Computing. In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This new guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years and may be adopted on a prospective or retrospective basis. We adopted the accounting standard on a prospective basis in the first quarter of 2020. The adoption of this guidance did not have a material impact on the Company's financial condition, results of operations or cash flows.

Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments.* This new guidance requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Initial adoption of ASU 2016-13 is required to be reported on a modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, except for certain provisions that are required to be applied prospectively. This guidance is effective for fiscal years beginning after December 15, 2019, and for interim reporting periods within those fiscal years.

We adopted ASU No. 2016-13 as of December 29, 2019 (the first day of fiscal year 2020), using the modified retrospective approach without adjusting the comparative periods presented. Upon adoption, the Company recorded a $0.7 million increase to the allowance for credit losses as a result of increases in our allowance for credit losses of notes receivable. Refer to Note 7. "Equity in Assets of Non-Consolidated Investee" for more information on our non-consolidated investee's secured convertible promissory note. After adjusting for deferred taxes, we recorded a $0.5 million decrease in Retained earnings through a cumulative-effect adjustment. Adoption of this new guidance did not have a material impact on the Company's financial condition, results of operations or cash flows.

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.") ASU 2020-04 is effective from March 2020 through December 2022. A substantial portion of our debt is subject to interest payments that are indexed to LIBOR;

additionally, we are party to multiple interest rate derivatives based on LIBOR. We are currently evaluating the effect of this guidance.

Convertible Instruments and Contracts in an Entity's Own Equity. In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"). This new guidance simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. ASU 2020-06 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption possible for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020. We are currently evaluating the effect of this guidance and are considering early adoption of this guidance in our fiscal year beginning January 3, 2021; ultimate decisions regarding the timing of adoption are subject to further evaluation.

2. Details of Certain Balance Sheet Accounts

In thousands	As of September 26, 2020	As of December 28, 2019
Accounts receivable, net:		
Trade receivables	$ 25,448	$ 28,635
Credit card receivables	18,470	14,173
Other receivables	6,300	4,707
Allowance for credit losses	(540)	(3,040)
	$ 49,678	$ 44,475

In thousands	As of September 26, 2020	As of December 28, 2019
Inventories:		
Raw materials and work in process [(1)]	$ 50,394	$ 65,179
Finished goods	61,306	62,377
	$ 111,700	$ 127,556

(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 September 26, 2020	As of December 28, 2019
Property and equipment, net:		
Land and building	$ 3,624	$ 3,632
Equipment	198,601	188,593
Information technology hardware and software	116,232	115,283
Furniture and fixtures	55,068	55,146
Leasehold improvements	215,598	213,124
Construction in progress	21,743	26,517
Right of use assets under finance leases	37,162	36,437
	648,028	638,732
Less: Accumulated depreciation	317,672	271,965
	$ 330,356	$ 366,767

In thousands	As of September 26, 2020	As of December 28, 2019
Other payables and accrued expenses:		
Employee compensation and benefits	$ 45,532	$ 28,347
Advertising	2,164	2,919
Self-insurance liabilities	9,378	8,403
Reserves for customer returns and remakes	7,266	7,158
Capital expenditures	13,516	6,782
Legacy management & services agreement	5,030	4,461
Fair value of derivative liabilities	6,109	6,382
Supplies and other store support expenses	3,098	2,926
Litigation settlements	8,302	3,840
Lease concessions	6,319	—
Other	18,564	11,611
	$ 125,278	$ 82,829

In thousands	As of September 26, 2020	As of December 28, 2019
Other non-current liabilities:		
Fair value of derivative liabilities	$ 9,324	$ 1,603
Self-insurance liabilities	8,360	7,283
Other (1)	6,002	4,845
	$ 23,686	$ 13,731

(1) Includes CARES Act deferred employer payroll taxes in the amount of $3.5 million as of September 26, 2020.

3. Fair Value Measurements of Financial Assets and Liabilities

The Company uses a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect pricing based upon a reporting entity's own market assumptions.

The Company is required to measure certain assets and liabilities at fair value or disclose the fair values of certain assets and liabilities recorded at cost. Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated assuming the transaction occurs in the principal or most advantageous market for the asset or liability and includes consideration of non-performance risk and credit risk of both parties. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1 - Valuation inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - Valuation inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the instruments.
- Level 3 - Valuation inputs are unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are determined using model-based techniques that include discounted cash flow models and similar techniques.

The fair value estimates of financial instruments are not necessarily indicative of the amounts we might pay or receive in actual market transactions. The use of different market assumptions and/or estimation methodologies may have a material impact on the estimated fair value amounts.

Cash Equivalents and Restricted Cash

The carrying amount of cash equivalents approximates fair value due to the short-term maturity of the instruments. All cash and cash equivalents are denominated in U.S. currency.

Accounts Receivable, Net

The carrying amount of accounts receivable approximates fair value due to the short-term nature of those items and the effect of related allowances for credit losses.

Accounts Payable and Other Payables and Accrued Expenses

The carrying amounts of accounts payable and other payables and accrued expenses approximate fair value due to the short-term nature of those items.

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

The non-recurring fair value measurements associated with these tangible long-lived and ROU store assets are classified as Level 3 measurements in the fair value hierarchy. Refer to Note 1. "Description of Business and Basis of Presentation".

Long-term Debt - Term Loan and Revolving Credit Facility

Since the borrowings under our term loan and revolving credit facility utilize variable interest rate setting mechanisms such as LIBOR, the fair values of these borrowings are deemed to approximate the carrying values. We also considered the effect of our own credit risk on the fair values of our term loan and revolving credit facility. Refer to Note 4. "Long-term Debt".

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 September 26, 2020. The estimated fair value of the 2025 Notes was approximately $560.9 million as of September 26, 2020. The estimated fair value of the 2025 Notes is based on the prices the 2025 Notes have traded in the market as of September 26, 2020, 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. Refer to Note 4. "Long-term Debt" for more information on the 2025 Notes.

Finance Lease Obligations

The fair value of finance lease obligations is based on estimated future contractual cash flows discounted at an appropriate market rate of interest (Level 2 inputs). The estimated fair values of our finance leases were $35.6 million and $38.2 million as of September 26, 2020 and December 28, 2019, respectively, compared to carrying values of $31.6 million and $33.3 million, respectively.

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. Fair value is based on information that is model-driven and whose inputs are observable (Level 2 inputs). Refer to Note 5. "Interest Rate Derivatives" for more information.

4. Long-term Debt

Long-term debt consists of the following:

In thousands	As of September 26, 2020	As of December 28, 2019
2025 Notes, due May 15, 2025	$ 402,500	$ —
Term loan, due July 18, 2024	317,375	392,375
Revolving credit facility, due July 18, 2024	—	148,000
Long-term debt before debt discount	719,875	540,375
Unamortized discount and issuance costs - 2025 Notes	(97,507)	—
Unamortized discount and issuance costs - term loan	(2,303)	(3,979)
Long-term debt less debt discount	620,065	536,396
Less current maturities	—	(10,500)
Long-term debt - non-current portion	620,065	525,896
Finance lease obligations	31,610	33,296
Less current maturities	(3,537)	(3,259)
Long-term debt and finance lease obligations, less current portion and debt discount	$ 648,138	$ 555,933

2025 Notes

In May 2020, we completed the issuance of the 2025 Notes, pursuant to an indenture (the "Indenture"), dated as of May 12, 2020, between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2025 Notes were sold only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2025 Notes will pay interest semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2020, at an annual rate of 2.50% and will be convertible into cash, shares of common stock or a combination of cash and shares of common stock, at our election, based on the applicable conversion rate at such time.

We received proceeds from the offering of $390.9 million, net of $11.6 million in underwriter fees and other issuance costs. We used $294.3 million of the net proceeds from the offering to repay all outstanding amounts of the revolving credit facility and $75.0 million to partially repay the term loan. We intend to use the remainder of the net proceeds for general corporate purposes.

Prior to February 15, 2025, the 2025 Notes will be convertible at the option of the holder only under the following circumstances:

(i) during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the Last Reported Sale Price (as defined in the Indenture) per share of the Company's common stock exceeds 130% of the Conversion Price (as defined in the Indenture) for each of at least 20 Trading Days (as defined in the Indenture), whether or not consecutive, during the 30 consecutive Trading Days ending on, and including, the last Trading Day of the immediately preceding calendar quarter;

(ii) during the five consecutive business days immediately after any ten consecutive Trading Day period (such ten consecutive trading day period, the "measurement period") in which the Trading Price (as defined in the Indenture) per $1,000 principal amount of the 2025 Notes for each Trading Day of the measurement period was less than 98% of the product of the Last Reported Sale Price per share of the Company's common stock on such Trading Day and the conversion rate (as described below) on such Trading Day;

(iii) upon the occurrence of certain corporate events or distributions on the Company's common stock, as described in the Indenture; or

(iv) if the Company calls such Notes for redemption.

On or after February 15, 2025 until 5:00 p.m., New York City time, on the second Scheduled Trading Day (as defined in the Indenture) immediately before the maturity date, the 2025 Notes will be convertible at the option of the holder at any time.

The 2025 Notes will initially be convertible at a conversion rate of 32.0783 shares of common stock per $1,000 principal amount of 2025 Notes, which is equivalent to an initial conversion price of approximately $31.17 per share of common stock. The conversion rate is subject to adjustment upon certain events. The Company can choose to settle upon conversion in cash, shares or a combination. Based on the initial conversion rate, the 2025 Notes are convertible into 12.9 million shares of our common stock and we reserved for the possible issuance of 16.5 million shares, which is the maximum amount that could be issued upon conversion. As of September 26, 2020, the "if-converted value" exceeded the principal amount of the 2025 Notes by $73.3 million. See Note 12. "Earnings Per Share" for the treatment of earnings per share in relation to the 2025 Notes.

In accordance with accounting guidance on embedded conversion features indexed to and settled in equity, the Company valued and bifurcated the conversion option associated with the 2025 Notes from the respective host debt instrument, which is referred to as debt discount, and initially recorded the post-tax conversion option of $73.5 million ($95.2 million pre-tax) for the 2025 Notes in stockholders' equity. The resulting debt discount on the 2025 Notes is amortized to interest expense using the effective interest rate method over the contractual term of the 2025 Notes. The Company allocated post-tax debt issuance costs of $2.2 million ($2.7 million pre-tax) to the equity component and the remaining debt issuance costs of $8.9 million are amortized to interest expense under the effective interest rate method at 9.09% over the contractual term of the 2025 Notes. We recognized $6.8 million and $10.4 million in interest expense for the interest coupon and amortization of debt discount and issuance costs during the three and nine months ended September 26, 2020, respectively. As of September 26, 2020, the remaining period for the unamortized debt discount balance was approximately five years.

May 2020 Amendment to Credit Agreement

On March 17, 2020, as a precautionary measure to preserve financial flexibility during the COVID-19 pandemic, we borrowed the remaining $146.3 million in available funds under our revolving credit facility. On May 5, 2020, certain of the Company's subsidiaries entered into an agreement (the "Credit Agreement Amendment") with the lenders under their existing secured credit facility in order to amend certain provisions of the Amended and Restated Credit Agreement, dated as of July 18, 2019 (as amended by the Credit Agreement Amendment, the "Credit Agreement"), by and among Nautilus Acquisition Holdings, Inc. ("Holdings"), National Vision, Inc. ("NVI"), the other subsidiaries of the Company party thereto, as guarantors, each lender party thereto and Bank of America, N.A., in its capacity as administrative agent and as collateral agent. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement and Amendment, as applicable.

This Credit Agreement Amendment is intended to prevent the effects of the COVID-19 pandemic, including the temporary closure of our stores, from creating uncertainty relative to our ability to comply with certain financial covenants and allow the Company to focus on prudent management of the business over the quarters ahead. As set forth in greater detail below, the Amendment suspends certain financial maintenance covenants contained in the Credit Agreement until testing at the end of the second fiscal quarter of 2021. Based on our current plans and management operational assumptions, we anticipate we will be in compliance with these amended covenants.

Pursuant to the Credit Agreement Amendment, the financial covenants relating to maintenance of a maximum Consolidated Total Debt to Consolidated EBITDA Ratio and a minimum Consolidated Interest Coverage Ratio are suspended until testing at the end of the second fiscal quarter of 2021. From and after such time, such covenants will be reinstated on a modified basis so that, subject to certain exceptions and limitations as described in the Credit Agreement Amendment, (i) with respect to the second and third fiscal quarters of 2021, the Consolidated Total Debt to Consolidated EBITDA Ratio shall not exceed 4.50 to 1.00 and, with respect to the fourth fiscal quarter of fiscal 2021 and thereafter, the Consolidated Total Debt to Consolidated EBITDA Ratio shall not exceed 4.00 to 1.00, in each case with NVI being able to elect to annualize certain quarterly periods so that quarterly performance from fiscal 2020 is excluded and (ii) with respect to the second fiscal quarter of 2021 and thereafter, the Consolidated Interest Coverage Ratio shall not be less than 3.00 to 1.00. In lieu of such financial covenants, pursuant to the Credit Agreement Amendment NVI has agreed during the suspension period, (i) not to have Consolidated EBITDA for any six fiscal quarter period be less than $0, with the second fiscal quarter of 2020 permitted to be excluded in certain circumstances, and (ii) to have a minimum level of liquidity (defined as cash and cash equivalents plus the unused portion of the revolving credit facility) equal to the lesser of (x) $100,000,000 and (y) $40,000,000 plus the amount of any net proceeds from capital markets financings during such period in excess of $75,000,000.

In addition, the Credit Agreement was amended pursuant to the Credit Agreement Amendment to, among other things, (i) limit the flexibility of NVI and Holdings with respect to certain transactions during the covenant suspension period, including the ability to declare or pay dividends, incur debt and make investments and dispositions, (ii) require prepayments of the term loans under certain circumstances during the covenant suspension period from the net proceeds from debt or equity capital markets transactions by the Company (with the amount of the term loans to be paid down equal to $75 million from the first $400 million of capital raised and 50% of any proceeds above such amount) and (iii) restrict NVI's ability to borrow under the revolving credit facility if unrestricted cash and cash equivalents exceeds $50 million (and, in the event of any such excess, to require a mandatory prepayment of such amount). Also pursuant to the Credit Agreement Amendment, the margins upon which interest is calculated for the term loans were amended to a range of 1.75% to 2.75% (for LIBOR Loans) and 0.75% to 1.75% (for ABR Loans), in each case based on NVI's Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio at such time, with such margins subject to an increase of 50 basis points in the event that either (i) the Company has not raised at least $135 million in additional proceeds from certain capital markets transactions within 30 days of the date of the Credit Agreement Amendment or (ii) Consolidated EBITDA for the most recently ended four quarters is less than $0.

On May 12, 2020, we fully repaid the outstanding amount on our revolving credit facility of $294.3 million and partially repaid $75 million on the term loan. As a result of the repayments made in 2020 and the $25.0 million principal prepayment in 2019, the Company has no additional mandatory principal payments on the term loan until maturity on July 18, 2024. As a result of the repayment of the outstanding balance on our revolving credit facility, the Company reclassified a proportionate share of unamortized debt issuance costs to Other assets.

We were in compliance with all covenants related to our long-term debt as of September 26, 2020.

Scheduled annual maturities of debt are as follows:

Fiscal Period		*In thousands*
2020 - remaining fiscal year	$	—
2021		—
2022		—
2023		—
2024		317,375
Thereafter		402,500
	$	719,875

5. Interest Rate Derivatives

The Company is party to pay-fixed and receive-floating interest rate swap agreements to offset the variability of cash flows in LIBOR-indexed debt interest payments, subject to a 1.0% floor, attributable to changes in the benchmark interest rate from March 13, 2017 to March 13, 2021 related to its credit agreement. During the first quarter of 2020, in accordance with the original agreements with the counterparties, the notional amount of one swap decreased from $105.0 million to $70.0 million. There were no other changes in the terms of the agreements. Also, during the first quarter of 2020, the Company entered into a forward-starting interest rate collar that will hedge variability of cash flows of LIBOR-indexed debt interest payments from March 13, 2021 to July 18, 2024, following the maturity of the interest rate swap agreements, with an aggregate notional amount of $375 million.

During the second quarter of 2020, as a result of the partial repayment of the Company's LIBOR based debt balances, certain forecasted hedged transactions were deemed not probable of occurring. The Company subsequently discontinued hedge accounting on $78.0 million of interest rate swap notional and $58.0 million of interest rate collar notional, reclassifying net unrealized losses of approximately $2.5 million from AOCL to interest expense, net during the nine months ended September 26, 2020. Additionally, due to changes in the interest rates applicable to the Company's term loan and revolver, the interest rate collar ceased to be a highly effective hedge. Losses on the change in fair value of the interest rate collar of approximately $2.6 million were recorded in interest expense, net during the nine months ended September 26, 2020. Interest expense, net related to derivatives considered to be highly effective hedges for the three and nine months ended September 26, 2020 was $2.0 million and $5.9 million, respectively.

Changes in the cash flows of interest rate swap derivatives designated as hedges are expected to be highly effective in offsetting the changes in interest payments on a principal balance equal to the designated derivative's notional amount, attributable to the hedged risk. 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 nine months ended September 26, 2020 related to derivatives not qualifying as hedges were included in the operating section of the Condensed Consolidated Statements of Cash Flows and were not material. As of September 26, 2020, the Company expects to reclassify approximately $3.5 million of unrealized losses on derivative instruments, net of tax, from AOCL into earnings in the next 12 months as the derivative instruments mature. See Note 14. "Accumulated Other Comprehensive Loss" for further details.

Our positions related to interest rate derivative contracts are as follows:

In thousands	Balance Sheet Classification	As of September 26, 2020	As of December 28, 2019
Derivatives designated as hedging instruments under ASC 815			
Interest rate swaps	Other Payables and Accrued Expenses	$ 3,602	$ 6,382
Interest rate swaps	Other Liabilities	—	1,603
Total derivative liabilities designated as hedging instruments		$ 3,602	$ 7,985
Derivatives not designated as hedging instruments under ASC 815			
Interest rate swap	Other Payables and Accrued Expenses	$ 584	$ —
Interest rate collar	Other Payables and Accrued Expenses	1,923	—
Interest rate collar	Other Liabilities	9,324	—
Total derivative liabilities not designated as hedging instruments		$ 11,831	$ —

6. Stock Incentive Plans

During the nine months ended September 26, 2020, the Company granted 158,206 stock options, 124,863 performance-based restricted stock units ("PSUs") and 157,860 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 time-based options granted in fiscal 2020 vest in three equal annual installments, with one-third of the total options vesting on each of the first, second, and third anniversaries of the grant date, subject to continued employment through the applicable vesting date. The PSUs granted in fiscal 2020 are settled after the end of the performance period (i.e., cliff vesting), which begins on the first day of our 2020 fiscal year and ends on the last day of our 2022 fiscal year, and are based on the Company's achievement of certain performance targets. The RSUs granted in fiscal 2020 vest primarily in three equal installments.

During the nine months ended September 26, 2020, the Company granted 17,215 restricted stock awards ("RSAs") to eligible members of the Company's Board of Directors under the 2017 Omnibus Incentive Plan. The awards vest one year from the grant date.

7. Equity in Net Assets of Non-Consolidated Investee

The Company has an investment in a private start-up company whose principal business is licensing software to eyeglass retailers. We account for our interest in the investee's reported net income or loss under the equity method of accounting and present these results in other expense (income), net in the Company's condensed consolidated statements of operations. After adjusting the carrying value of our interest in the investee's reported net losses, there is no remaining equity investment balance associated with this investee as of September 26, 2020.

On August 29, 2017, the investee issued a secured convertible promissory note to the Company, in the principal amount of $1.5 million, due on August 29, 2020. Upon adoption of ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* in the first quarter of 2020, the Company increased the allowance for credit losses related to the convertible promissory note to $1.5 million. After adjusting for the estimated credit losses, there was no remaining carrying value of the convertible promissory note as of September 26, 2020. Interest income associated with the note was immaterial for the three and nine months ended September 26, 2020 and September 28, 2019. In April 2020, the Company converted the promissory note to an equity investment. The equity investment has a carrying value of zero as of September 26, 2020.

8. Revenue from Contracts with Customers

The Company's 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. 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, eye care club memberships and management fees earned from our legacy partner.

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

	Three Months Ended		Nine Months Ended	
In thousands	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenues recognized at a point in time	$ 447,403	$ 394,709	$ 1,111,118	$ 1,211,942
Revenues recognized over time	37,950	37,193	103,946	110,626
Total net revenue	$ 485,353	$ 431,902	$ 1,215,064	$ 1,322,568

Refer to Note 11. "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.

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

Accounts receivable associated with revenues consist primarily of trade receivables and credit card receivables. Trade receivables consist primarily of receivables from managed care payors and receivables from major retailers. While we have relationships with almost all vision care insurers in the United States and with all of the major carriers, currently, a relatively small number of payors comprise the majority of our managed care revenues, subjecting us to concentration risk. Accounts receivable are reduced by allowances for credit losses. Estimates of our allowance for credit losses are based on our historical and current operating, billing, and collection trends, as well as current conditions and reasonable and supportable forecasts about the future. Accounts receivable are written off after all collection attempts have been exhausted. Credit loss expense recognized on our receivables, which is presented in SG&A expenses in the Company's condensed consolidated statements of operations, were approximately $0.1 million for the three months ended September 26, 2020 and $0.5 million for the nine months ended September 26, 2020 as compared to $2.4 million and $6.3 million for the three and nine months ended September 28, 2019, respectively.

The following table summarizes the activity of allowance for expected credit losses for the nine months ended September 26, 2020.

In thousands		Nine Months Ended September 26, 2020
Beginning balance as of December 28, 2019	$	(3,040)
Current-period provision for expected credit losses		(482)
Write-offs charged against the allowance		775
Other adjustments [(1)]		2,207
Ending balance as of September 26, 2020	$	(540)

[(1)] As part of our adoption of ASU 2016-13, we adjusted the allowance for certain amounts recognized in prior periods that no longer represented an allowance for credit losses. The adjustment was immaterial to the financial results of current and prior periods. See Note 2. "Details of Certain Balance Sheet Accounts" for further details.

Unsatisfied Performance Obligations (Contract Liabilities)

Our retail customers generally make payments for prescription eyewear products at the time they place an order. Amounts we collect in advance for undelivered merchandise are reported as unearned revenue in the accompanying condensed consolidated balance sheets. Unearned revenue at the end of a reporting period is estimated based on delivery times throughout the current month which generally range from approximately seven to 10 days; all unearned revenue at the end of a reporting period is recognized in the next fiscal period.

Our contract liabilities also consist of deferred revenue on services and plans obligations, primarily product protection plans and eyecare club memberships. The unamortized portion of amounts we collect in advance for these services and plans is reported as deferred revenue in the accompanying condensed consolidated balance sheets (current and non-current portions). Our deferred revenue balance as of September 26, 2020 was $77.6 million. We expect future revenue recognition of this balance of $20.4 million, $41.6 million, $12.5 million, $3.0 million, and $0.1 million in fiscal years 2020, 2021, 2022, 2023, and 2024, respectively. We recognized $27.9 million and $80.0 million of previously deferred revenues during the three and nine months ended September 26, 2020, respectively, and $27.9 million and $83.2 million during the three and nine months ended September 28, 2019, respectively.

9. Leases

We lease our stores, laboratories, distribution centers, and corporate offices. These leases generally have noncancelable lease terms of between five and 10 years, with an option to renew for additional terms of one to 10 years or more. The lease term includes renewal option periods when the renewal is deemed reasonably certain after considering the value of the leasehold improvements at the end of the noncancelable lease period. Most leases for our stores provide for a minimum rent and typically include escalating rent over time with the exception of Military for which lease payments are variable and based on a percentage of sales. For Vista Optical locations in Fred Meyer stores, we pay fixed rent plus a percentage of sales after certain minimum thresholds are achieved. The Company's leases generally require us to pay insurance, real estate taxes and common area maintenance expenses, substantially all of which are variable and not included in the measurement of the lease liability. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. With respect to lease accounting guidance, the Company's management & services agreement with its legacy partner does not contain a lease arrangement.

Our lease arrangements frequently include Tenant Improvement Allowances ("TIAs"), which are contractual amounts received from a lessor for improvements made to leased properties by the Company. For operating leases, TIAs are treated as a reduction of the lease payments used to measure the ROU assets in the accompanying consolidated balance sheets, and are amortized as a reduction in rental expense over the life of the respective leases.

We rent or sublease certain parts of our stores to third parties. Our sublease portfolio consists mainly of operating leases with our ophthalmologists and optometrists within our stores.

In response to the COVID-19 pandemic, we began seeking relief from our landlords while our stores were temporarily closed to the public. On April 10, 2020, the Financial Accounting Standards Board staff issued a question-and-answer document providing guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election to account for lease concessions as though the enforceable rights and obligations existed in the original lease. This election is only available when the concessions do not result in a substantial increase in the obligations of the lessee.

During the second quarter of 2020, we reached rent concession agreements where certain of these concession arrangements included lease term extensions between three and 12 months. The Company has elected to account for lease concessions and deferrals resulting directly from the COVID-19 pandemic as though the enforceable rights and obligations to the deferrals existed in the respective contracts at lease inception and will not account for the concessions as lease modifications, unless the concession results in a substantial increase in the Company's obligations. The majority of leases where we received a concession did not result in a substantial increase in our obligations. Lease concessions of $6.3 million were recorded in Other payables and accrued expenses as of September 26, 2020. See Note 2. "Details of Certain Balance Sheet Accounts" for further details.

In thousands		As of September 26, 2020	As of December 28, 2019
Type	**Classification**		
	ASSETS		
Finance	Property and equipment, net [(a)]	$ 25,537	$ 28,128
Operating	Right of use assets [(b)]	335,860	348,090
	Total leased assets	$ 361,397	$ 376,218
	LIABILITIES		
	Current Liabilities:		
Finance	Current maturities of long-term debt and finance lease obligations	$ 3,537	$ 3,259
Operating	Current operating lease obligations [(c)]	57,036	51,937
	Other non-current liabilities:		
Finance	Long-term debt and finance lease obligations, less current portion and debt discount	28,073	30,037
Operating	Non-current operating lease obligations	320,155	331,769
	Total lease liabilities	$ 408,801	$ 417,002

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the net present value of minimum lease payments. We used the incremental borrowing rate on December 30, 2018, for operating leases that commenced prior to that date.

(a) Finance lease assets are recorded net of accumulated amortization of $11.6 million and $8.3 million as of September 26, 2020 and December 28, 2019, respectively.
(b) TIA of $34.9 million and $35.2 million are treated as reductions of lease payments used to measure ROU assets as of September 26, 2020 and December 28, 2019, respectively. Deferred rent of $17.0 million and $15.0 million are treated as reductions of lease payments used to measure ROU assets as of September 26, 2020 and December 28, 2019, respectively.
(c) Current operating lease liabilities are measured net of TIA receivables of $3.9 million and $5.9 million as of September 26, 2020 and December 28, 2019, respectively.

	Three Months Ended		Nine Months Ended	
In thousands	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Operating lease cost				
Fixed lease cost [(a)]	$ 19,473	$ 18,542	$ 57,885	$ 54,955
Variable lease cost [(b)]	7,203	6,745	20,369	19,803
Sublease income[(c)]	(896)	(965)	(1,778)	(2,881)
Finance lease cost				
Amortization of finance lease assets	1,143	1,176	3,424	3,231
Interest expense, net:				
Interest on finance lease liabilities	826	903	2,550	2,689
Net lease cost	$ 27,749	$ 26,401	$ 82,450	$ 77,797

(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 operating lease properties to ophthalmologists and optometrists who are independent contractors.

Lease Term and Discount Rate	As of September 26, 2020	As of December 28, 2019
Weighted average remaining lease term (months)		
Operating leases	78	82
Finance leases	83	88
Weighted average discount rate [(a)]		
Operating leases	4.7 %	4.6 %
Finance leases [(b)]	12.5 %	13.1 %

(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 we pay on our 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

Other Information	Nine Months Ended September 26, 2020	Nine Months Ended September 28, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash outflows - operating leases	$ 53,816	$ 55,817

The following table summarizes the maturity of our lease liabilities as of September 26, 2020:

In thousands

Fiscal Year	Operating Leases [(a)]	Finance Leases [(b)]
2020	$ 9,313	$ 1,358
2021	82,019	7,280
2022	74,613	7,215
2023	66,867	6,241
2024	57,690	4,673
Thereafter	151,914	16,459
Total lease liabilities	442,416	43,226
Less: Interest	65,225	11,616
Present value of lease liabilities[(c)]	$ 377,191	$ 31,610

(a) Operating lease payments include $63.0 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 $29.2 million of legally binding minimum lease payments for leases signed but not yet commenced.

10. 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.

Our subsidiary, FirstSight Vision Services, Inc. (“FirstSight”), is a defendant in a purported class action in the U.S. District Court for the Southern District of California that alleges that FirstSight participated in arrangements that caused the illegal delivery of eye examinations and that FirstSight thereby violated, among other laws, the corporate practice of optometry and the unfair competition and false advertising laws of California. The lawsuit was filed in 2013 and FirstSight was added as a defendant in 2016. In March 2017, the court granted the motion to dismiss previously filed by FirstSight and dismissed the complaint with prejudice. The plaintiffs filed an appeal with the U.S. Court of Appeals for the Ninth Circuit in April 2017. In July 2018, the U.S. Court of Appeals for the Ninth Circuit vacated in part, and reversed in part, the district court’s dismissal and remanded for further proceedings. In October 2018, the plaintiffs filed a second amended complaint with the district court, and, in November 2018, FirstSight filed a motion to dismiss. On March 23, 2020, the district court granted FirstSight’s motion to dismiss the second amended complaint. On April 24, 2020, the plaintiffs filed a third amended complaint. FirstSight filed a motion to dismiss the third amended complaint on May 8, 2020. We believe that the claims alleged are without merit and intend to continue to defend the litigation vigorously.

In May 2017, a complaint was filed against us and other defendants alleging, on behalf of a proposed class of consumers who purchased contact lenses online, that 1-800 Contacts, Inc. entered into a series of agreements with the other defendants, including our wholly-owned subsidiary, Arlington Contact Lens Service, Inc. (“AC Lens”), to suppress certain online advertising and that each defendant thereby engaged in anticompetitive conduct in violation of the Sherman Antitrust Act. We have settled this litigation for $7.0 million, without admitting liability. Accordingly, we recorded a charge for this amount in litigation settlement in the consolidated statement of operations during the second quarter of fiscal year 2017. On November 8, 2017, the court in the 1-800 Contacts matter entered an order preliminarily approving the settlement agreement, subject to a settlement hearing. Pursuant to this order, we deposited 50% of the settlement amount, or $3.5 million, into an escrow account, to be distributed subject to and in accordance the terms of the settlement agreement and any further order of the court. On May 15, 2020, the plaintiffs filed a motion seeking preliminary approval of their settlement with the remaining defendant, 1-800 Contacts, Inc., as well as conditional certification of the class and approval of the plan of distribution of settlement funds. This motion was granted by the court on June 3, 2020. The court held a hearing on plaintiffs’ motion for final approval of class action settlements, approval of the plan of distribution, and final certification of the settlement classes on October 20, 2020. There were no objections and the court entered final judgment and order of dismissal following the hearing. Based on that order, we deposited the final 50% of the settlement amount, $3.5 million, into the designated escrow account to be distributed subject to and in accordance with the settlement agreement.

In February 2019, we were served with a lawsuit by a former employee who alleges, on behalf of himself and a proposed class, several violations of California wage and hour laws and seeks unspecified alleged unpaid wages, monetary damages, injunctive relief and attorneys' fees. On March 21, 2019, we removed the lawsuit from state court to the United States District Court for the Northern District of California. The plaintiff moved to remand the action to state court on April 18, 2019, and the Court denied this motion on July 8, 2019. On July 22, 2019, the plaintiff filed an amended complaint. On July 26, 2019, the parties filed a joint stipulation wherein the Company denied all claims in the amended complaint but joined the plaintiff in seeking a stay of further proceedings in the lawsuit based on the parties' agreement to attend early mediation in an effort to avoid further costs and expenses of protracted litigation. The parties participated in mediation on February 19, 2020, but a resolution of the matter was not reached at that time. On February 27, 2020, following mediation, the parties agreed to a settlement of all claims alleged by the named claimant on behalf of himself and all putative class members and other aggrieved employees. The Company will pay $3.5 million as the gross settlement fund in connection with this settlement. This settlement was preliminarily approved by the court on April 29, 2020. A final approval hearing was conducted by the court on October 27, 2020. The court approved the settlement according to the terms of the parties' agreement and final judgment and order of dismissal was then entered. The Company deposited the settlement amount, or $3.5 million, into the designated account pursuant to the terms of the settlement agreement.

In November 2019, the Company agreed to enter into a pre-litigation settlement with six former employees who asserted, on behalf of themselves and a proposed class, violations of the Fair Labor Standards Act and of California wage and hour laws. In order to avoid the burden, expense and uncertainty of litigation, and without admitting liability, the Company agreed to a settlement with the named claimants and all participating class members for a maximum settlement amount of $895,000. This settlement is subject to approval by a tribunal following a fairness hearing.

11. 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. We incurred $4.7 million and $7.8 million of costs in the three and nine months ended September 26, 2020, respectively, primarily for a tangible appreciation bonus paid to our customer-facing doctors and associates, as well as personal protective equipment and other supplies needed to operate our stores safely. Incremental expenses related to the COVID-19 pandemic are not allocated to the reportable segments, but are included in the Corporate/Other category.

On July 17, 2020, NVI and Walmart entered into Amendment 4 ("Walmart Amendment") to the management & services agreement, to extend the current term and economics of the agreement by three years, to February 23, 2024, and provide that the agreement will automatically renew for an additional three year term unless, no later than seven months prior to the end of the term, one party gives the other party written notice of non-renewal. In addition, the Walmart Amendment deletes certain provisions that are no longer applicable and updates certain administrative provisions, including with respect to background checks, and adds an obligation for the Company to provide Walmart an annual compliance certificate regarding certain of the Company's obligations and to provide Walmart certain inspection and audit rights. All other terms and conditions of the agreement remain in effect.

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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 condensed 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. Asset information is not included in the following summary since the CODM does not regularly review such information for 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, litigation settlement and other corporate costs that are not allocated to the reportable segments, including interest expense are excluded from segment EBITDA. There are no revenue transactions between our reportable segments. We measure assets in our reportable segments on the same basis as 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.

	Three Months Ended September 26, 2020				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Segment product revenues	$ 323,159	$ 24,900	$ 57,906	$ (2,629)	$ 403,336
Segment services and plans revenues	73,241	15,332	—	(6,556)	82,017
Total net revenue	396,400	40,232	57,906	(9,185)	485,353
Cost of products	86,945	11,676	50,154	(501)	148,274
Cost of services and plans	55,680	6,108	747	—	62,535
Total costs applicable to revenue	142,625	17,784	50,901	(501)	210,809
SG&A	128,206	13,068	49,244	—	190,518
Asset impairment	—	—	7,150	—	7,150
Other expense (income), net	—	—	(154)	—	(154)
EBITDA	$ 125,569	$ 9,380	$ (49,235)	$ (8,684)	
Depreciation and amortization					22,236
Interest expense, net					12,475
Income before income taxes					$ 42,319

	Three Months Ended September 28, 2019				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Segment product revenues	$ 270,171	$ 25,252	$ 63,173	$ (2,807)	$ 355,789
Segment services and plans revenues	63,267	14,103	1	(1,258)	76,113
Total net revenue	333,438	39,355	63,174	(4,065)	431,902
Cost of products	77,670	11,681	55,684	(517)	144,518
Cost of services and plans	53,465	6,519	—	—	59,984
Total costs applicable to revenue	131,135	18,200	55,684	(517)	204,502
SG&A	128,054	13,920	48,316	—	190,290
Asset impairment	—	—	3,516	—	3,516
Other expense, net	—	—	146	—	146
Loss on extinguishment of debt	—	—	9,786	—	9,786
EBITDA	$ 74,249	$ 7,235	$ (54,274)	$ (3,548)	
Depreciation and amortization					22,336
Interest expense, net					7,873
Income (loss) before income taxes					$ (6,547)

In thousands	Nine Months Ended September 26, 2020 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Segment product revenues	$ 782,502	$ 65,572	$ 174,950	$ (17,140)	$ 1,005,884
Segment services and plans revenues	172,829	36,530	—	(179)	209,180
Total net revenue	955,331	102,102	174,950	(17,319)	1,215,064
Costs of products	223,759	32,173	150,198	(3,851)	402,279
Costs of services and plans	149,847	17,270	747	—	167,864
Total costs applicable to revenue	373,606	49,443	150,945	(3,851)	570,143
SG&A	349,624	37,260	133,957	—	520,841
Asset impairment	—	—	20,916	—	20,916
Litigation settlement	—	—	4,395	—	4,395
Other expense (income), net	—	—	(312)	—	(312)
Debt issuance costs	—	—	136	—	136
EBITDA	$ 232,101	$ 15,399	$ (135,087)	$ (13,468)	
Depreciation and amortization					68,970
Interest expense, net					35,432
Income (loss) before income taxes					$ (5,457)

In thousands	Nine Months Ended September 28, 2019 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Segment product revenues	$ 827,957	$ 81,178	$ 189,389	$ (2,042)	$ 1,096,482
Segment services and plans revenues	191,117	42,019	12	(7,062)	226,086
Total net revenue	1,019,074	123,197	189,401	(9,104)	1,322,568
Costs of products	239,975	38,123	166,533	(454)	444,177
Costs of services and plans	155,710	19,090	1	—	174,801
Total costs applicable to revenue	395,685	57,213	166,534	(454)	618,978
SG&A	387,345	42,041	137,058	—	566,444
Asset impairment	—	—	7,387	—	7,387
Other expense, net	—	—	975	—	975
Loss on extinguishment of debt	—	—	9,786	—	9,786
EBITDA	$ 236,044	$ 23,943	$ (132,339)	$ (8,650)	
Depreciation and amortization					63,570
Interest expense, net					25,902
Income before income taxes					$ 29,526

Revenues associated with managing operations of our legacy partner were $10.1 million and $23.9 million for the three and nine months ended September 26, 2020, respectively, and $9.3 million and $27.5 million for the three and nine months ended September 28, 2019, respectively. During the nine months ended September 26, 2020, sales associated with our Legacy partner arrangement represented 8.4% of consolidated net revenue. During the nine months ended September 26, 2020, sales associated with Walmart and Sam's Club contact lenses distribution arrangements represented 7.7% of consolidated net revenue. This exposes us to concentration of customer risk.

12. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average common shares outstanding for the period and includes the dilutive impact of potential new common shares issuable upon vesting and exercise of stock options, vesting of restricted stock units, and assumed conversion of $402.5 million of aggregate principal amount of the 2025 Notes. Potential shares of common stock are excluded from the computation of diluted EPS if their effect is anti-dilutive.

We have the intent to settle the principal amount of the 2025 Notes in cash upon conversion, and to pay the conversion premium in cash or stock at our option; potentially dilutive common shares related to the 2025 Notes will be determined by applying the treasury stock method. See Note 4. “Long-term Debt” for more information on the 2025 Notes.

The shares underlying the conversion option of the 2025 Notes will have an impact on our diluted EPS when net income is reported and when the average market price of our common stock for the period exceeds the conversion price of $31.17 per share.

A reconciliation of the numerators and denominators of the basic and diluted EPS calculations is as follows:

	Three Months Ended		Nine Months Ended	
In thousands, except EPS	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	$ 35,289	$ 1,192	$ 1,198	$ 28,879
Weighted average shares outstanding for basic EPS	80,676	78,474	80,376	78,387
Effect of dilutive securities:				
Stock options	1,694	3,024	1,818	3,074
Restricted stock	195	63	114	49
2025 Notes	1,230	—	410	—
Weighted average shares outstanding for diluted EPS	83,795	81,561	82,718	81,510
Basic EPS	$ 0.44	$ 0.02	$ 0.01	$ 0.37
Diluted EPS	$ 0.42	$ 0.01	$ 0.01	$ 0.35
Anti-dilutive options, RSUs outstanding excluded from EPS	426	315	516	289

13. Restricted Cash

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:

	Nine Months Ended	
In thousands	September 26, 2020	September 28, 2019
Cash and cash equivalents	$ 377,007	$ 94,086
Restricted cash included in other assets	1,408	1,200
Total cash, cash equivalents and restricted cash	$ 378,415	$ 95,286

14. 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 during the three and nine months ended September 26, 2020 and September 28, 2019, respectively:

	Three Months Ended		Nine Months Ended	
In thousands	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Cash flow hedging activity:				
Balance at beginning of period	$ (7,355)	$ (5,427)	$ (3,814)	$ (2,810)
Other comprehensive income (loss) before reclassification	(47)	(439)	(11,088)	(5,760)
Tax effect of other comprehensive income (loss) before reclassification	12	112	2,825	1,476
Amount reclassified from AOCL into interest expense	1,941	1,120	8,235	2,922
Tax effect of amount reclassified from AOCL into interest expense	(495)	(287)	(2,102)	(749)
Net current period other comprehensive income (loss), net of tax	1,411	506	(2,130)	(2,111)
Balance at end of period	$ (5,944)	$ (4,921)	$ (5,944)	$ (4,921)

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

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 February 26, 2020 (the "2019 Annual Report on Form 10-K"). This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the 2019 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 1,201 retail stores across five brands and 19 consumer websites as of September 26, 2020.

COVID-19

The COVID-19 pandemic and related federal, state and local governmental and healthcare authority guidelines continue to impact our business results and cause business disruption in the U.S. and globally. To date, the COVID-19 pandemic and related healthcare authority actions have directly and indirectly impacted our operations, including the temporary closure of our stores to the public between March and June 2020, and on consumer behavior, comparable store sales, our employees and optometrists and the overall market. The COVID-19 pandemic has resulted in, and may continue to result in, state, city or local quarantines, labor stoppages and shortages, changes in consumer purchasing patterns, mandatory or voluntary shut-downs of retail locations, severe market volatility, liquidity disruptions, and overall economic instability, which, in many cases, have had, and we expect will continue to have, material adverse impacts on our business, financial condition and results of operations. The scope and nature of these impacts continue to evolve on a daily basis, including with a potential resurgence in COVID-19 cases for the latter portion of this fiscal year.

Since the onset of the COVID-19 pandemic, we have focused on ensuring the health and safety of our employees and customers, securing liquidity, reducing expenses and deferring discretionary capital expenditures. In response to the pandemic, we temporarily closed all of our stores to the public across the U.S. on March 19, 2020 and successfully re-opened all stores with enhanced safety and cleaning protocols by June 8, 2020. We also suspended all non-essential travel for our employees and have implemented a remote work policy for certain corporate employees. On March 17, 2020, as a precautionary measure to preserve financial flexibility during the COVID-19 pandemic, we borrowed the remaining $146.3 million in available funds under our revolving credit facility and, on May 12, 2020, using proceeds from our issuance described below we repaid the full amount outstanding under our revolving credit facility. On May 12, 2020, we completed the issuance of 2.50% convertible senior notes due on May 15, 2025 (the "2025 Notes") and used the net proceeds to repay our outstanding borrowings under our term loan and revolving credit facility. We also entered into an amendment ("Credit Agreement Amendment") of our Amended and Restated Credit Agreement, dated as of July 18, 2019 ("Credit Agreement") to suspend certain financial maintenance covenants until testing at the end of the second fiscal quarter of 2021, allowing us to focus on the prudent management of the business. Since the beginning of the pandemic, we have also implemented capital spending and expense reduction initiatives, including a temporary pause in new store openings between March and June 2020, reduced near term marketing, a temporary reduction in compensation across the organization until the second quarter of 2020, and working with a base of vendors and landlords to extend payment terms and modify existing contracts. In the third quarter of 2020 we paid a tangible appreciation bonus to our customer-facing doctors and associates.

We continue to monitor the evolving situation as there remain many uncertainties regarding the pandemic and its resurgence, including its anticipated duration, and, related healthcare authority guidelines. 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 or temporarily close stores. There can be no assurance whether or when any such measures will be adopted.

The disclosures contained in this Form 10-Q are made only 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. For further information, please see “Risk Factors” and “Forward-Looking Statements.”

Brand and Segment Information

Our operations consist of two reportable segments:

- Owned & Host - As of September 26, 2020, our owned brands consisted of 769 America’s Best Contacts and Eyeglasses (“America’s Best”) retail stores and 119 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 vision 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 September 26, 2020. We have strong, long-standing relationships with our host partners and have maintained each partnership for over 20 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 September 26, 2020. This strategic relationship with Walmart is in its 30th 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; refer to Note 11. “Segment Reporting” included in Part I. Item 1. of this Form 10-Q for further information. 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 nine months ended September 26, 2020, sales associated with our legacy partner arrangement represented 8.4% 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 15 dedicated websites managed by AC Lens. Our e-commerce business consists of six proprietary branded websites, including aclens.com, discountglasses.com and discountcontactlenses.com, and nine 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 7.7% 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 care benefit 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 chief operating decision maker ("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 11. "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

COVID-19 Impact

The COVID-19 pandemic has had far-reaching impacts, directly and indirectly, on our operations. We are continuing to monitor the impacts COVID-19 has had, and continues to have, on our domestic labs and our outsourced third party optical laboratories in China and Mexico, including potential disruptions of product deliveries. To date, we have been able to meet customer demand with operations at our laboratories. We source merchandise from suppliers located in China and a significant amount of domestically-purchased merchandise is manufactured in China. We have partnered with our suppliers and third party laboratories to mitigate any potential significant delays in delivery of merchandise. Our e-commerce business remained open to serve our customers during the unprecedented period of temporary store closures.

We incurred costs of $4.7 million and $7.8 million in the three and nine months ended September 26, 2020, respectively, primarily for a tangible appreciation bonus paid to our customer-facing doctors and associates, as well as personal protective equipment and other supplies needed to operate our stores safely. Incremental expenses related to the COVID-19 pandemic are not allocated to the reportable segments, but are included in the Corporate/Other category.

We have seen, and may continue to see, material reductions in sales across brands and regions as a result of the COVID-19 pandemic. In addition, these reductions in revenue have not been offset by proportional decreases in expense, as we continued to incur store occupancy costs even while stores were temporarily closed, incremental costs directly related to adapting the Company's operations to the COVID-19 pandemic and certain other costs such as compensation and administrative expenses, resulting in a negative effect on profitability. In addition, we could experience further material impacts as a result of COVID-19, including, but not limited to, charges from additional asset impairment, deferred tax valuation allowances and further changes in the effectiveness of our hedging instruments. We believe our financial results in the third quarter of 2020 benefited from strong customer demand, including the effect of our stores being temporarily closed to the public earlier in the year. However, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on overall customer demand, are highly uncertain, although COVID-19 has had, and may continue to have, a material adverse impact on our business, results of operations, financial condition and cash flows in fiscal 2020 to date and beyond.

The Company recorded income totaling $0.2 million and $11.0 million as a result of the employee retention credits made available under the CARES Act for U.S. employees during the three and nine months ended September 26, 2020; recognizing $0.2 million as a reduction to SG&A during the three months ended September 26, 2020, and recognizing $0.4 million as a reduction to costs of products, $6.2 million as a reduction to costs of services and plans, and $4.4 million as a reduction to SG&A during the nine months ended September 26, 2020.

It is possible that our preparations for the events listed above are not adequate to mitigate their impact, and that these events could further adversely affect our business and results of operations. For a discussion of significant risks that have the potential to cause our actual results to differ materially from our expectations, refer to "Item 1A. Risk Factors," included in our 2019 Annual Report on Form 10-K and in this Form 10-Q.

Other developments

As a result of the U.S. government's temporary reduction of tariff rates affecting certain of our products that originate in China, we recognized an immaterial reduction in costs of products for the three and nine months ended September 26, 2020. The temporary reduction of tariff rates expired in September, 2020. We are monitoring ongoing political developments between China and the United States. A worsening of relations could lead to the imposition of additional tariffs, or may cause other disruptions in our supply of products from China.

Long-term trends and 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 unprecedented uncertainty presented by the COVID-19 pandemic. As a result of the COVID-19 pandemic, we implemented capital spending and expense reduction initiatives including a temporary pause in new store openings between March and June 2020, reduced near term marketing spend, temporarily reduced compensation and work hours across the organization, and worked with a base of vendors and landlords to extend payment terms and modify existing contracts. We have also incurred and will continue to incur incremental costs directly related to adapting the Company's operations to the COVID-19 pandemic. While we experienced stronger comparable store sales growth in the third quarter of 2020, we anticipate that comparable store sales growth figures for the fiscal years 2020 and 2021 will reflect the effects of store closures and the pandemic. We believe that the following areas will continue to be affected and relevant risk exposures may be exacerbated by the immediate and ongoing threat of the COVID-19 pandemic:

- New store openings;
- Comparable store sales growth;
- Managed care and insurance;
- Vision care professional recruitment and coverage;
- Overall economic trends;
- Consumer preferences and demand;
- Infrastructure and investment;
- Pricing strategy;
- Inflation;
- Interim results and seasonality;

- Competition; and
- Consolidation in the industry

How We Assess the Performance of Our Business

While we have historically attempted to exercise prudence in our use of cash, the COVID-19 pandemic has required us to 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 will continue to be focused on these items in addition to the other key measures we use to determine how our consolidated business and operating segments are performing, including: 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. Net product sales include sales of prescription and non-prescription eyewear, contact lenses, and related accessories as well as eye exam services associated with our America's Best brand's signature offer of two pairs of eyeglasses and a free eye exam for one low price ("two-pair offer") to retail customers and sales of inventory in which our customer is another retail entity. Net sales of services and plans include sales of eye exams, eye care club memberships, product protection plans (i.e., warranties), and single service eye care plans in California. Net sales of services and plans also include fees we earn for managing certain Vision Centers located in Walmart stores and for laboratory services provided to Walmart.

Costs Applicable to Revenue

Costs applicable to revenue include both costs of net product sales and costs of net sales of services and plans. Costs of net product sales include (i) costs to procure non-prescription eyewear, contact lenses, and accessories, which we purchase and sell in finished form, (ii) costs to manufacture finished prescription eyeglasses, including direct materials, labor, and overhead, and (iii) remake costs, warehousing and distribution expenses, and internal transfer costs. Costs of services and plans include costs associated with product protection plan programs, eye care club memberships, single service eye care plans in California, eye care practitioner and eye exam technician payroll, taxes and benefits and optometric and other service costs. 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

Selling, general and administrative expenses, or SG&A, include store associate (including optician) payroll, taxes and benefits, occupancy, advertising and promotion, field services, corporate support and other costs associated with the provision of vision care services. Non-capital expenditures associated with opening new stores, including rent, store maintenance, marketing expenses, travel and relocation costs, and training costs, are recorded in SG&A as incurred. 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. In an effort to conserve cash during the COVID-19 pandemic, we temporarily paused new store openings during a portion of the nine months ended September 26, 2020. We expect to open 57 stores in the current year. We will continue to monitor and determine our plans for future new store openings based on 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. We did not adjust our calculation of Adjusted Comparable Store Sales Growth for the temporary closure of our stores to the public as a result of the COVID-19 pandemic.

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 EBITDA, Adjusted EBITDA Margin Adjusted Operating Income, Adjusted Operating 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 September 26, 2020	Three Months Ended September 28, 2019	Nine Months Ended September 26, 2020	Nine Months Ended September 28, 2019
Revenue:				
Net product sales	$ 403,336	$ 355,789	$ 1,005,884	$ 1,096,482
Net sales of services and plans	82,017	76,113	209,180	226,086
Total net revenue	485,353	431,902	1,215,064	1,322,568
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	148,274	144,518	402,279	444,177
Services and plans	62,535	59,984	167,864	174,801
Total costs applicable to revenue	210,809	204,502	570,143	618,978
Operating expenses:				
Selling, general and administrative expenses	190,518	190,290	520,841	566,444
Depreciation and amortization	22,236	22,336	68,970	63,570
Asset impairment	7,150	3,516	20,916	7,387
Litigation settlement	—	—	4,395	—
Other expense (income), net	(154)	146	(312)	975
Total operating expenses	219,750	216,288	614,810	638,376
Income from operations	54,794	11,112	30,111	65,214
Interest expense, net	12,475	7,873	35,432	25,902
Debt issuance costs	—	—	136	—
Loss on extinguishment of debt	—	9,786	—	9,786
Earnings (loss) before income taxes	42,319	(6,547)	(5,457)	29,526
Income tax provision (benefit)	7,030	(7,739)	(6,655)	647
Net income	$ 35,289	$ 1,192	$ 1,198	$ 28,879
Operating data:				
Number of stores open at end of period	1,201	1,145	1,201	1,145
New stores opened	18	17	57	67
Adjusted Operating Income	$ 67,742	$ 26,067	$ 71,381	$ 97,808
Diluted EPS	$ 0.42	$ 0.01	$ 0.01	$ 0.35
Adjusted Diluted EPS	$ 0.54	$ 0.16	$ 0.42	$ 0.66
Adjusted EBITDA	$ 88,127	$ 46,552	$ 134,797	$ 155,825
Percentage of net revenue:				
Total costs applicable to revenue	43.4 %	47.3 %	46.9 %	46.8 %
Selling, general and administrative	39.3 %	44.1 %	42.9 %	42.8 %
Total operating expenses	45.3 %	50.1 %	50.6 %	48.3 %
Income from operations	11.3 %	2.6 %	2.5 %	4.9 %
Net income	7.3 %	0.3 %	0.1 %	2.2 %
Adjusted Operating Income	14.0 %	6.0 %	5.9 %	7.4 %
Adjusted EBITDA	18.2 %	10.8 %	11.1 %	11.8 %

Three Months Ended September 26, 2020 compared to Three Months Ended September 28, 2019

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 September 26, 2020 compared to the three months ended September 28, 2019.

	Comparable store sales growth[1]		Stores open at end of period		Net revenue[2]					
In thousands, except percentage and store data	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019	September 26, 2020	September 28, 2019	Three Months Ended September 26, 2020			Three Months Ended September 28, 2019		
Owned & Host segment										
America's Best	13.6 %	6.7 %	769	718	$	334,716	69.0 %	$	279,883	64.8 %
Eyeglass World	18.4 %	5.2 %	119	118		52,837	10.9 %		44,178	10.2 %
Military	(4.6)%	2.5 %	54	54		5,820	1.2 %		6,097	1.4 %
Fred Meyer	(7.8)%	(2.8)%	29	29		3,027	0.6 %		3,280	0.8 %
Owned & Host segment total			971	919	$	396,400	81.7 %	$	333,438	77.2 %
Legacy segment	3.3 %	5.7 %	230	226		40,232	8.3 %		39,355	9.1 %
Corporate/Other	— %	— %	—	—		57,906	11.9 %		63,174	14.6 %
Reconciliations	— %	— %	—	—		(9,185)	(1.9)%		(4,065)	(0.9)%
Total	11.6 %	5.7 %	1,201	1,145	$	485,353	100.0 %	$	431,902	100.0 %
Adjusted Comparable Store Sales Growth[3]	12.4 %	6.2 %								

(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 11. "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 an increase of 0.9% and an increase of 0.6% from total comparable store sales growth based on consolidated net revenue for the three months ended September 26, 2020 and September 28, 2019, 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 0.1% and a decrease of 0.1% from total comparable store sales growth based on consolidated net revenue for each of the three months ended September 26, 2020 and September 28, 2019.

Total net revenue of $485.4 million for the three months ended September 26, 2020 increased $53.5 million, or 12.4%, from $431.9 million for the three months ended September 28, 2019. This increase was primarily driven by comparable store sales growth, partially offset by deferred revenue and wholesale fulfillment.

In the three months ended September 26, 2020, we opened 17 America's Best stores and one Eyeglass World store and closed one Legacy store as a result of our Legacy partner's decision to cease its overall operations at the location. Overall, store count grew 4.9% from September 28, 2019 to September 26, 2020 (51, one and four net new America's Best, Eyeglass World and Legacy stores were added, respectively).

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the three months ended September 26, 2020 were 11.6% and 12.4%, respectively and were driven by increases in average ticket. We also believe that comparable store sales growth and Adjusted Comparable Store Sales Growth benefited from strong customer demand, including the effect of our stores being temporarily closed to the public earlier in the year.

Net product sales comprised 83.1% and 82.4% of total net revenue for the three months ended September 26, 2020 and September 28, 2019, respectively. Net product sales increased $47.5 million, or 13.4%, in the three months ended September 26, 2020 compared to the three months ended September 28, 2019, driven primarily by eyeglass sales and, to a lesser extent, contact lens sales. Net sales of services and plans increased $5.9 million, or 7.8%, driven primarily by eye exam sales.

Owned & Host segment net revenue. Net revenue increased $63.0 million, or 18.9%, driven primarily by comparable store sales growth and new store openings which increased sales across our product categories.

Legacy segment net revenue. Net revenue increased $0.9 million, or 2.2%, driven by increases in fees from our Legacy partner and eye exams.

Corporate/Other segment net revenue. Net revenue decreased $5.3 million, or 8.3%, driven by reductions in wholesale fulfillment that was partially offset by increases in our online retail business.

Net revenue reconciliations. The impact of reconciliations decreased net revenue by $5.1 million for the three months ended September 26, 2020 compared to the three months ended September 28, 2019. Reconciliations include an increase in unearned revenue of $2.6 million compared to a increase in unearned revenue of $2.8 million for the three months ended September 26, 2020 and September 28, 2019, respectively, as well as an increase in deferred revenue of $6.6 million and an increase of $1.3 million for the three months ended September 26, 2020 and September 28, 2019, respectively.

Costs applicable to revenue

Costs applicable to revenue of $210.8 million for the three months ended September 26, 2020 increased $6.3 million, or 3.1%, from $204.5 million for the three months ended September 28, 2019. As a percentage of net revenue, costs applicable to revenue decreased from 47.3% for the three months ended September 28, 2019 to 43.4% for the three months ended September 26, 2020. This decrease as a percentage of net revenue was primarily driven by increased eyeglass mix, higher eyeglass margin and lower growth in optometrist costs.

Costs of products as a percentage of net product sales decreased from 40.6% for the three months ended September 28, 2019 to 36.8% for the three months ended September 26, 2020, primarily driven by increased eyeglass mix and higher eyeglass margin.

Owned & Host segment costs of products. Costs of products as a percentage of net product sales decreased from 28.7% for the three months ended September 28, 2019 to 26.9% for the three months ended September 26, 2020. The decrease was primarily driven by increased eyeglass mix and higher eyeglass margin in the three months ended September 26, 2020.

Legacy segment costs of products. Costs of products as a percentage of net product sales increased from 46.3% for the three months ended September 28, 2019 to 46.9% for the three months ended September 26, 2020. The increase was primarily driven by a higher mix of non-managed care customer transactions versus 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. Decreases in managed care mix increase costs of products as a percentage of net product sales and have a corresponding positive 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 decreased from 78.8% for the three months ended September 28, 2019 to 76.2% for the three months ended September 26, 2020. The decrease was primarily driven by higher eye exam sales.

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 decreased from 84.5% for the three months ended September 28, 2019 to 76.0% for the three months ended September 26, 2020. The decrease was driven primarily by higher eye exam sales and lower growth in optometrist 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 decreased from 46.2% for the three months ended September 28, 2019 to 39.8% for the three months ended September 26, 2020. The decrease was driven primarily by higher management fees from our Legacy partner as well as improved optometrist coverage.

Selling, general and administrative

SG&A of $190.5 million for the three months ended September 26, 2020 increased $0.2 million, or 0.1%, from the three months ended September 28, 2019. As a percentage of net revenue, SG&A decreased from 44.1% for the three months ended September 28, 2019 to 39.3% for the three months ended September 26, 2020. The decrease in SG&A as a percentage of net revenue was primarily driven by lower advertising and stock-based compensation expense. SG&A for the three months ended September 26, 2020 includes $4.7 million 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 decreased from 38.4% for the three months ended September 28, 2019 to 32.3% for the three months ended September 26, 2020, driven primarily by lower advertising costs and payroll and occupancy leverage.

Legacy segment SG&A. SG&A as a percentage of net revenue decreased from 35.4% for the three months ended September 28, 2019 to 32.5% for the three months ended September 26, 2020, driven primarily by lower advertising costs.

Depreciation and amortization

Depreciation and amortization expense of $22.2 million for the three months ended September 26, 2020 decreased $0.1 million, or 0.4%, from $22.3 million for the three months ended September 28, 2019. Our property and equipment balance, net, decreased $9.5 million, or 2.8%, during the three months ended September 26, 2020, reflective of $17.3 million in purchases of property and equipment less $20.4 million in depreciation expense and $6.4 million in impairment and other adjustments.

Asset Impairment

We recognized $7.2 million for impairment primarily of tangible long-lived assets and ROU assets associated with our retail stores during the three months ended September 26, 2020, compared to $3.5 million recognized during the three months ended September 28, 2019. The impairment charges were primarily related to our Owned & Host segment, caused by lower than projected customer sales volume in certain stores, and were determined using entity-specific assumptions related to our anticipated use of store assets. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and likelihood that these scenarios would be ultimately realized; the historical performance of the stores before the temporary store closures in response to the COVID-19 pandemic; the effect of store closures and uncertainty in store revenues over the remaining useful life of the asset group as a result of the COVID-19 pandemic; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense, net

Interest expense, net, of $12.5 million for the three months ended September 26, 2020 increased $4.6 million, or 58.5%, from $7.9 million for the three months ended September 28, 2019. The increase was primarily driven by interest payments and amortization of debt discounts related to the 2025 Notes of $6.8 million that were partially offset by a reduction in our term loan and revolving credit facility utilization.

Income tax provision

Our income tax expense for the three months ended September 26, 2020 reflected our statutory federal and state rate of 25.5%, offset by a discrete benefit of $3.0 million associated primarily with the exercise of stock options. In comparison, the income tax provision associated with the three months ended September 28, 2019 reflected income tax expense at our statutory federal and state rate of 25.6% and was reduced by a $6.3 million income tax benefit resulting from stock option exercises.

Nine Months Ended September 26, 2020 compared to Nine Months Ended September 28, 2019

As a result of the COVID-19 pandemic, our retail stores closed to the public beginning on March 19, 2020. We began reopening our stores to the public on April 27, 2020, and on June 8, 2020, we announced the successful completion of the reopening process.

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 nine months ended September 26, 2020 compared to the nine months ended September 28, 2019.

	Comparable store sales growth(1)		Stores open at end of period		Net revenue(2)			
In thousands, except percentage and store data	Nine Months Ended September 26, 2020	Nine Months Ended September 28, 2019	September 26, 2020	September 28, 2019	Nine Months Ended September 26, 2020		Nine Months Ended September 28, 2019	
Owned & Host segment								
America's Best	(10.4)%	6.5 %	769	718	$ 805,081	66.3 %	$ 851,759	64.4 %
Eyeglass World	(8.6)%	5.7 %	119	118	127,680	10.5 %	138,451	10.5 %
Military	(20.2)%	(0.7)%	54	54	14,790	1.2 %	18,540	1.4 %
Fred Meyer	(24.6)%	(6.1)%	29	29	7,780	0.6 %	10,324	0.8 %
Owned & Host segment total			971	919	$ 955,331	78.6 %	$ 1,019,074	77.1 %
Legacy segment	(15.4)%	2.5 %	230	226	102,102	8.4 %	123,197	9.3 %
Corporate/Other	—	—	—	—	174,950	14.4 %	189,401	14.3 %
Reconciliations	—	—	—	—	(17,319)	(1.4)%	(9,104)	(0.7)%
Total	(11.7)%	5.5 %	1,201	1,145	$ 1,215,064	100.0 %	$ 1,322,568	100.0 %
Adjusted Comparable Store Sales Growth(3)	(11.1)%	5.6 %						

(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 11. "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 an increase of 0.5% and an increase of 0.3% from total comparable store sales growth based on consolidated net revenue for the nine months ended September 26, 2020 and September 28, 2019, 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 an increase of 0.1% and a decrease of 0.2% from total comparable store sales growth based on consolidated net revenue for the nine months ended September 26, 2020 and September 28, 2019, respectively.

Total net revenue of $1,215.1 million for the nine months ended September 26, 2020 decreased $107.5 million, or 8.1%, from $1,322.6 million for the nine months ended September 28, 2019. This decrease was driven by the closure of our stores to the public for a portion of the nine months ended September 26, 2020 and was partially offset by new store sales. Total net revenue was also negatively impacted by changes in unearned revenue.

In the nine months ended September 26, 2020, we opened 50 new America's Best stores and two Eyeglass World stores, and closed six America's Best stores; we also transitioned five additional Legacy stores to our management and closed one Legacy store as a result of our Legacy partner's decision to cease its overall operations at the location. Overall, store count grew 4.9% from September 28, 2019 to September 26, 2020 (51, one and four net new America's Best, Eyeglass World and Legacy stores, respectively, were added during the same period).

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the nine months ended September 26, 2020 were (11.7)% and (11.1)%, respectively. The decreases in comparable store sales growth and Adjusted Comparable Store Sales Growth were primarily driven by the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Net product sales comprised 82.8% and 82.9% of total net revenue for the nine months ended September 26, 2020 and September 28, 2019, respectively. Net product sales decreased $90.6 million, or 8.3%, in the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019, primarily due to decreased eyeglass sales as a result of the temporary closure of our stores to the public in response to the COVID-19 pandemic. Net sales of services and plans decreased $16.9 million, or 7.5%, primarily due to the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Owned & Host segment net revenue. Net revenue decreased $63.7 million, or 6.3%, due to the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Legacy segment net revenue. Net revenue decreased $21.1 million, or 17.1%, due to the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Corporate/Other segment net revenue. Net revenue decreased $14.5 million, or 7.6%, due to lower wholesale fulfillment, partially offset by growth in our online retail business.

Net revenue reconciliations. The impact of reconciliations decreased net revenue by $8.2 million in the nine months ended September 26, 2020 compared to the nine months ended September 28, 2019. Reconciliations include an increase in unearned revenue of $17.1 million for the nine months ended September 26, 2020 compared to an increase in unearned revenue of $2.0 million for the nine months ended September 28, 2019, and an increase in deferred revenue of $0.2 million compared to an increase of $7.1 million, for the nine months ended September 26, 2020 and September 28, 2019, respectively. The increase in unearned revenue compared to the prior period is due to an increase in the number of days between customer orders and pick up of those orders as well as stronger sales at the end of the third quarter of 2020.

Costs applicable to revenue

Costs applicable to revenue of $570.1 million for the nine months ended September 26, 2020 decreased $48.8 million, or 7.9%, from $619.0 million for the nine months ended September 28, 2019. As a percentage of net revenue, costs applicable to revenue increased from 46.8% for the nine months ended September 28, 2019 to 46.9% for the nine months ended September 26, 2020. This increase as a percentage of net revenue was primarily driven by optometrist costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic as well as increased contact lens mix that was partially offset by higher eyeglass margin.

Costs of products as a percentage of net product sales decreased from 40.5% for the nine months ended September 28, 2019 to 40.0% for the nine months ended September 26, 2020, driven primarily by higher eyeglass margin that was partially offset by increased contact lens mix.

Owned & Host segment costs of products. Costs of products as a percentage of net product sales decreased from 29.0% for the nine months ended September 28, 2019 to 28.6% for the nine months ended September 26, 2020 driven by higher eyeglass margin that was partially offset by increased contact lens mix.

Legacy segment costs of products. Costs of products as a percentage of net product sales increased from 47.0% for the nine months ended September 28, 2019 to 49.1% for the nine months ended September 26, 2020. The increase was primarily driven by increased contact lens mix and by a higher mix of non-managed care customer transactions. Decreases in managed care mix increase costs of products as a percentage of net product sales and have a corresponding positive impact on costs of services as a percentage of net sales of services and plans in our Legacy segment. 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.

Costs of services and plans as a percentage of net sales of services and plans increased from 77.3% for the nine months ended September 28, 2019 to 80.2% for the nine months ended September 26, 2020. The increase was primarily driven by optometrist costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic.

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 81.5% for the nine months ended September 28, 2019 to 86.7% for the nine months ended September 26, 2020. The increase was driven by optometrist and technician costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 45.4% for the nine months ended September 28, 2019 to 47.3% for the nine months ended September 26, 2020. The increase was primarily driven by optometrist costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Selling, general and administrative

SG&A of $520.8 million for the nine months ended September 26, 2020 decreased $45.6 million, or 8.1%, from the nine months ended September 28, 2019. As a percentage of net revenue, SG&A increased from 42.8% for the nine months ended September 28, 2019 to 42.9% for the nine months ended September 26, 2020. The increase in SG&A as a percentage of net revenue was primarily due to store and corporate payroll and occupancy costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic, partially offset by lower advertising expense. SG&A for the nine months ended September 26, 2020 includes $7.8 million of incremental costs directly related to adapting the Company's operations during the COVID-19 pandemic; of these costs, $0.6 million were 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 decreased from 38.0% for the nine months ended September 28, 2019 to 36.6% for the nine months ended September 26, 2020, driven primarily by reduced advertising expense which was partially offset by store payroll and occupancy costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Legacy segment SG&A. SG&A as a percentage of net revenue increased from 34.1% for the nine months ended September 28, 2019 to 36.5% for the nine months ended September 26, 2020 primarily driven by store payroll costs incurred during the temporary closure of our stores to the public in response to the COVID-19 pandemic.

Depreciation and amortization

Depreciation and amortization expense of $69.0 million for the nine months ended September 26, 2020 increased $5.4 million, or 8.5%, from $63.6 million for the nine months ended September 28, 2019 primarily driven by new store openings and investments in new lab equipment. Our property and equipment balance, net, decreased $36.4 million, or 9.9%, during the nine months ended September 26, 2020, reflective of $45.3 million in purchases of property and equipment, $1.3 million in new finance leases, less $63.4 million in depreciation expense, and $19.6 million in impairment expense and other adjustments.

Asset Impairment

We recognized $20.9 million for impairment primarily of tangible long-lived assets and ROU assets associated with our retail stores during the nine months ended September 26, 2020 compared to $7.4 million recognized during the nine months ended September 28, 2019. The impairment charges were primarily related to our Owned & Host segment and were driven by lower than projected customer sales volume in certain stores, and were determined using entity-specific assumptions related to our anticipated use of store assets. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and likelihood that these scenarios would be ultimately realized; the historical performance of the stores before the temporary store closures in response to the COVID-19 pandemic; the effect of store closures and uncertainty in store revenues over the remaining useful life of the asset group as a result of the COVID-19 pandemic; and the remaining useful lives of the assets. The asset impairment expense for the nine months ended September 26, 2020 also includes $1.1 million related to a write-off of certain software assets that were deemed to be obsolete. Asset impairment expenses were recognized in Corporate/Other.

Interest expense, net

Interest expense, net, of $35.4 million for the nine months ended September 26, 2020 increased $9.5 million, or 36.8%, from $25.9 million for the nine months ended September 28, 2019. The increase was primarily driven by losses related to changes in fair value of derivatives due to ineffectiveness of $4.6 million and charges related to interest payments and amortization of debt discounts related to the 2025 Notes of $10.4 million that were partially offset by a reduction in our term loan and revolving credit facility utilization.

Income tax provision

Our income tax benefit for the nine months ended September 26, 2020 reflected our statutory federal and state rate of 25.5%, combined with a discrete benefit of $6.0 million associated primarily with the exercise of stock options. In comparison, the income tax provision associated with the nine months ended September 28, 2019 reflected income tax expense at our statutory federal and state rate of 25.6% offset by a $7.7 million income tax benefit resulting from stock option exercises.

Non-GAAP Financial Measures

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

We define EBITDA as net income, plus interest expense, income tax provision (benefit) and depreciation and amortization. We define Adjusted EBITDA as net income, plus interest expense, 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 other expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of net revenue. We define Adjusted Operating Income as net income, plus interest expense 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 other expenses. We define Adjusted Operating Margin as Adjusted Operating Income 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 discount and deferred financing costs, losses (gains) on change in fair value of derivatives, other expenses, and tax benefit of stock option exercises, less the tax effect of these adjustments.

In the first quarter of 2020, we introduced Adjusted Operating Income and Adjusted Operating Margin as measures of performance we will use in connection with Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS. Further, consistent with our presentation of Adjusted Operating Income, we no longer exclude new store pre-opening expenses and non-cash rent from our presentation of Adjusted EBITDA and Adjusted Diluted EPS. New store pre-opening expenses totaled $0.8 million and $0.8 million for the three months ended September 26, 2020 and September 28, 2019, respectively; $2.0 million and $2.9 million for the nine months ended September 26, 2020 and September 28, 2019, respectively; and non-cash rent totaled $0.6 million and $0.5 million for the three months ended September 26, 2020 and September 28, 2019, respectively; and $2.1 million and $2.4 million for the nine months ended September 26, 2020 and September 28, 2019, respectively. The presentation of Adjusted EBITDA and Adjusted Diluted EPS for the three and nine months ended September 28, 2019 has been recast to reflect these changes. See our Form 8-K filed with the SEC on February 26, 2020, which is incorporated herein by reference, for more information.

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, 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 expense 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 and Adjusted Operating Margin to net income; and EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS for the periods presented:

	Three Months Ended				Nine Months Ended			
In thousands	September 26, 2020		September 28, 2019		September 26, 2020		September 28, 2019	
Net income	$ 35,289	7.3 %	$ 1,192	0.3 %	$ 1,198	0.1 %	$ 28,879	2.2 %
Interest expense	12,475	2.6 %	7,873	1.8 %	35,432	2.9 %	25,902	2.0 %
Income tax provision (benefit)	7,030	1.4 %	(7,739)	(1.8)%	(6,655)	(0.5)%	647	— %
Stock compensation expense [(a)]	2,890	0.6 %	6,123	1.4 %	8,335	0.7 %	10,840	0.8 %
Loss on extinguishment of debt [(b)]	—	— %	9,786	2.3 %	—	— %	9,786	0.7 %
Asset impairment [(c)]	7,150	1.5 %	3,516	0.8 %	20,916	1.7 %	7,387	0.6 %
Litigation settlement [(d)]	—	— %	—	— %	4,395	0.4 %	—	— %
Secondary offering expenses [(e)]	—	— %	401	0.1 %	26	— %	406	— %
Management realignment expenses [(f)]	—	— %	—	— %	—	— %	2,155	0.2 %
Long-term incentive plan [(g)]	—	— %	1,108	0.3 %	—	— %	1,830	0.1 %
Amortization of acquisition intangibles [(h)]	1,851	0.4 %	1,851	0.4 %	5,554	0.5 %	5,553	0.4 %
Other [(k)]	1,057	0.2 %	1,956	0.5 %	2,180	0.2 %	4,423	0.3 %
Adjusted Operating Income / Adjusted Operating Margin	$ 67,742	14.0 %	$ 26,067	6.0 %	$ 71,381	5.9 %	$ 97,808	7.4 %

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 September 26, 2020		Three Months Ended September 28, 2019		Nine Months Ended September 26, 2020		Nine Months Ended September 28, 2019	
Net income	$ 35,289	7.3 %	$ 1,192	0.3 %	$ 1,198	0.1 %	$ 28,879	2.2 %
Interest expense	12,475	2.6 %	7,873	1.8 %	35,432	2.9 %	25,902	2.0 %
Income tax provision (benefit)	7,030	1.4 %	(7,739)	(1.8)%	(6,655)	(0.5)%	647	— %
Depreciation and amortization	22,236	4.6 %	22,336	5.2 %	68,970	5.7 %	63,570	4.8 %
EBITDA	77,030	15.9 %	23,662	5.5 %	98,945	8.1 %	118,998	9.0 %
Stock compensation expense [a]	2,890	0.6 %	6,123	1.4 %	8,335	0.7 %	10,840	0.8 %
Loss on extinguishment of debt [b]	—	— %	9,786	2.3 %	—	— %	9,786	0.7 %
Asset impairment [c]	7,150	1.5 %	3,516	0.8 %	20,916	1.7 %	7,387	0.6 %
Litigation settlement [d]	—	— %	—	— %	4,395	0.4 %	—	— %
Secondary offering expenses [e]	—	— %	401	0.1 %	26	— %	406	— %
Management realignment expenses [f]	—	— %	—	— %	—	— %	2,155	0.2 %
Long-term incentive plan [g]	—	— %	1,108	0.3 %	—	— %	1,830	0.1 %
Other [k]	1,057	0.2 %	1,956	0.5 %	2,180	0.2 %	4,423	0.3 %
Adjusted EBITDA / Adjusted EBITDA Margin	$ 88,127	18.2 %	$ 46,552	10.8 %	$ 134,797	11.1 %	$ 155,825	11.8 %

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 September 26, 2020	Three Months Ended September 28, 2019	Nine Months Ended September 26, 2020	Nine Months Ended September 28, 2019
Diluted EPS	$ 0.42	$ 0.01	$ 0.01	$ 0.35
Stock compensation expense [a]	0.03	0.08	0.10	0.13
Loss on extinguishment of debt [b]	—	0.12	—	0.12
Asset impairment [c]	0.09	0.04	0.25	0.09
Litigation settlement [d]	—	—	0.05	—
Secondary offering expenses [e]	—	—	—	—
Management realignment expenses [f]	—	—	—	0.03
Long-term incentive plan [g]	—	0.01	—	0.02
Amortization of acquisition intangibles [h]	0.02	0.02	0.07	0.07
Amortization of debt discount and deferred financing costs [i]	0.05	—	0.09	0.01
Losses (gains) on change in fair value of derivatives [j]	—	—	0.06	—
Other [k]	0.01	0.02	0.03	0.05
Tax benefit of stock option exercises [l]	(0.04)	(0.08)	(0.07)	(0.09)
Tax effect of total adjustments [m]	(0.05)	(0.08)	(0.16)	(0.14)
Adjusted Diluted EPS	$ 0.54	$ 0.16	$ 0.42	$ 0.66
Weighted average diluted shares outstanding	83,795	81,561	82,718	81,510

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 deferred financing fees related to the extinguishment of debt.
(c) Reflects write-off of property, equipment and lease related assets on closed or underperforming stores for the three and nine months ended September 26, 2020 and September 28, 2019.
(d) Expenses associated with settlement of litigation. See Note 10. “Commitments and Contingencies” for further details.
(e) Expenses related to our secondary public offerings.

(f) Expenses related to a non-recurring management realignment described in our Current Report on Form 8-K filed with the SEC on January 10, 2019.
(g) Expenses pursuant to a long-term incentive plan for non-executive employees who were not participants in the management equity plan for fiscal year 2019. This plan was effective in 2014 following the acquisition of the Company by affiliates of KKR & Co. Inc. (the "KKR Acquisition").
(h) Amortization of the increase in carrying values of finite-lived intangible assets resulting from the application of purchase accounting to the KKR Acquisition.
(i) Amortization of debt discount is associated with the amortization of the conversion feature related to the convertible note and amortization of deferred financing costs relate to the convertible notes, term loan and revolving credit facility borrowings. Amortization of debt discount and deferred financing costs in aggregate total $4.5 million and $0.2 million for the three months ended September 26, 2020 and September 28, 2019, respectively, and $7.2 million and $1.1 million for the nine months ended September 26, 2020 and September 28, 2019, respectively.
(j) Reflects $0.3 million of gains recognized in interest expense on change in fair value of de-designated hedges for the three months ended September 26, 2020 and $4.6 million of losses for the nine months ended September 26, 2020.
(k) 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), including our share of losses on equity method investments of $0.2 million for the three months ended September 28, 2019 and $1.2 million for the nine months ended September 28, 2019; the amortization impact of adjustments related to the KKR Acquisition, (e.g., fair value of leasehold interests) of $0.1 million for each of the three months ended September 26, 2020 and September 28, 2019, respectively and $0.4 million and $0.3 million for the nine months ended September 26, 2020 and September 28, 2019, respectively; costs of severance and relocation of $0.6 million and $1.0 million for the three months ended September 26, 2020 and September 28, 2019, respectively, and $1.1 million and $1.8 million for the nine months ended September 26, 2020 and September 28, 2019, respectively; excess payroll taxes related to stock option exercises of $0.2 million and $0.5 million for the three months ended September 26, 2020 and September 28, 2019, respectively, and $0.6 million for each of the nine months ended September 26, 2020 and September 28, 2019; incremental costs directly related to adapting the Company’s operations during the COVID-19 pandemic of $0.6 million for the nine months ended September 26, 2020; and other expenses and adjustments totaling $0.1 million and $0.2 million for the three months ended September 26, 2020 and September 28, 2019, respectively, and $(0.5) million and $0.5 million for the nine months ended September 26, 2020 and September 28, 2019, respectively.
(l) 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.
(m) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.

Liquidity and Capital Resources

As described in more detail below, on May 5, 2020, we entered into the Credit Agreement Amendment with the lenders under our credit facility in order to prevent the effects of the COVID-19 pandemic, including the temporary closure of our stores, from creating uncertainty relative to our ability to comply with certain financial covenants and allow the Company to focus on prudent management of the business over the quarters ahead. In addition, on May 12, 2020, we completed the issuance of the 2025 Notes and we used the net proceeds of this offering to repay a portion of the outstanding borrowings on our term loan and revolving credit facility. Our primary cash needs are for inventory, payroll, store rent, capital expenditures associated with new stores and updating existing stores, as well as information technology and infrastructure, including our corporate office, distribution centers, and laboratories. 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 believe that cash on hand, cash expected to be generated from operations and the cash available through our revolving credit facility will be sufficient to fund our working capital requirements, liquidity obligations, anticipated capital expenditures, and payments due under our existing credit facilities for at least the next 12 months. The Company is continuing to evaluate additional measures that it may elect to take as it continues to respond to the impact of COVID-19 on its business. There can be no assurance whether or when any such measures will be adopted.

As of September 26, 2020, we had $377.0 million in cash and cash equivalents and $294.3 million of availability under our revolving credit facility, which includes $5.7 million in outstanding letters of credit.

We purchased $40.8 million in capital items in the nine months ended September 26, 2020. 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 infrastructure, including omni-channel platform related investments). Our working capital requirements for inventory will increase as we continue to open additional stores. We primarily fund our working capital needs using cash provided by operations.

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

	Nine Months Ended	
In thousands	September 26, 2020	September 28, 2019
Cash flows provided by (used for):		
Operating activities	$ 203,716	$ 170,938
Investing activities	(40,514)	(75,908)
Financing activities	174,906	(17,742)
Net increase in cash, cash equivalents and restricted cash	$ 338,108	$ 77,288

Net Cash Provided by Operating Activities

Cash flows provided by operating activities increased $32.8 million from $170.9 million during the nine months ended September 28, 2019 to $203.7 million for the nine months ended September 26, 2020. The increase in cash provided by operating activities consisted of a decrease in net income of $27.7 million, due primarily to the temporary closure of our stores to the public as a result of the COVID-19 pandemic, and an increase of non-cash expense items of $4.4 million driven by asset impairment charges of $13.5 million, amortization of loan costs of $6.2 million, depreciation and amortization of $5.4 million, losses recognized for the changes in the fair values of derivatives of $4.6 million, partially offset by decreases in loss on extinguishment of debt of $9.8 million, deferred income tax expense of $7.4 million and credit loss expense of $5.8 million.

Changes in net working capital and other assets and liabilities contributed $56.1 million in cash compared to the nine months ended September 28, 2019. Increases in other liabilities during the nine months ended September 26, 2020 contributed $34.0 million in year-over-year cash, which was driven by a $14.8 million increase in year-over-year cash due to timing of unearned revenue during the nine months ended September 26, 2020, as well as increases in accrued capital expenditures of $8.3 million due to increases in new store accruals and increases of $6.3 million due to lease concessions and deferrals. Increases in accounts payable during the nine months ended September 26, 2020 contributed $26.2 million in year-over-year cash, primarily due to timing of payments.

Decreases in inventory contributed $11.3 million in year-over-year cash, due to no forward buys occurring after the first quarter of 2020, offset by increases in other assets which used $8.8 million in year-over-year cash driven by cloud hosted software assets of $4.2 million and smaller decreases in rent-related items during the nine months ended September 26, 2020 when compared with the nine months ended September 28, 2019. Changes in deferred revenue used $6.8 million in year-over-year cash driven by decreased sales of our eye care club membership and purchase protection plan.

Net Cash Used for Investing Activities

Net cash used for investing activities decreased by $35.4 million, to $40.5 million, during the nine months ended September 26, 2020 from $75.9 million during the nine months ended September 28, 2019. The decrease was primarily due to reduced new store openings.

Net Cash Provided By (Used For) Financing Activities

Net cash provided by (used for) financing activities increased $192.6 million, from $17.7 million use of cash during the nine months ended September 28, 2019 to $174.9 million provision of cash during the nine months ended September 26, 2020. The increase in cash provided by financing activities was primarily related to proceeds of $548.8 million from the issuance of the 2025 Notes and borrowings on our revolving credit facility, partially offset by principal payments on our revolving credit facility and term loan debt of $369.3 million during the nine months ended September 26, 2020.

Term Loan and Revolving Credit Facility

As of September 26, 2020, we had $317.4 million of first lien term loan outstanding under our credit agreement. As of September 26, 2020, we also had $294.3 million of availability under our $300.0 million Revolving Credit Facility which includes $5.7 million in outstanding letters of credit.

The interest rate payable on the first lien term loan is based on either LIBOR or an alternative borrowing rate plus an additional margin that varies dependent on NVI’s consolidated first lien leverage ratio. The first lien term loan will amortize in quarterly installments equal to 2.50% per annum in the first three years of the loan and 5.00% per annum thereafter. As a result of the $75.0 million pay down of the term loan and the $25.0 million principal prepayment in 2019; we have no additional mandatory principal payments on the term loan until maturity on July 18, 2024.

In addition, under our credit agreement we must maintain certain covenants based on our financial results. Our credit agreement also contains covenants that, among other things, limit NVI’s ability to incur additional debt, create liens against assets, make acquisitions, pay dividends or distributions on its stock, merge or consolidate with another entity and transfer or sell assets. As of September 26, 2020, we were in compliance with all of our debt covenants under our credit agreement.

May 2020 Amendment to Credit Agreement

On May 5, 2020, we entered into the Credit Agreement Amendment with the lenders under our credit facility in order to amend certain provisions of the Credit Agreement. As set forth in greater detail below, the principal purpose of the Credit Agreement Amendment was to suspend certain financial maintenance covenants contained in the Credit Agreement until testing at the end of the second fiscal quarter of 2021. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Credit Agreement and Amendment, as applicable.

Pursuant to the Credit Agreement Amendment, the financial covenants relating to maintenance of a maximum Consolidated Total Debt to Consolidated EBITDA Ratio and a minimum Consolidated Interest Coverage Ratio are suspended until testing at the end of the second fiscal quarter of 2021. From and after such time, such covenants will be reinstated on a modified basis so that, subject to certain exceptions and limitations as described in the Credit Agreement Amendment, (i) with respect to the second and third fiscal quarters of 2021, the Consolidated Total Debt to Consolidated EBITDA Ratio shall not exceed 4.50 to 1.00 and, with respect to the fourth fiscal quarter of fiscal 2021 and thereafter, the Consolidated Total Debt to Consolidated EBITDA Ratio shall not exceed 4.00 to 1.00, in each case with NVI being able to elect to annualize certain quarterly periods so that quarterly performance from fiscal 2020 is excluded and (ii) with respect to the second fiscal quarter of 2021 and thereafter, the Consolidated Interest Coverage Ratio shall not be less than 3.00 to 1.00. In lieu of such financial covenants, pursuant to the Credit Agreement Amendment NVI has agreed during the suspension period, (i) not to have Consolidated EBITDA for any six fiscal quarter period be less than $0, with the second fiscal quarter of 2020 permitted to be excluded in certain circumstances, and (ii) to have a minimum level of liquidity (defined as cash and cash equivalents plus the unused portion of the revolving credit facility) equal to the lesser of (x) $100,000,000 and (y) $40,000,000 plus the amount of any net proceeds from capital markets financings during such period in excess of $75,000,000.

In addition, the Credit Agreement was amended pursuant to the Credit Agreement Amendment to, among other things, (i) limit the flexibility of NVI and Holdings with respect to certain transactions during the covenant suspension period, including the ability to declare or pay dividends, incur debt and make investments and dispositions, (ii) require prepayments of the term loans under certain circumstances during the covenant suspension period from the net proceeds from debt or equity capital markets transactions by the Company (with the amount of the term loans to be paid down equal to $75 million from the first $400 million of capital raised and 50% of any proceeds above such amount) and (iii) restrict NVI’s ability to borrow under the revolving credit facility if unrestricted cash and cash equivalents exceeds $50 million (and, in the event of any such excess, to require a mandatory prepayment of such amount). Also pursuant to the Credit Agreement Amendment, the margins upon which interest is calculated for the term loans were amended to a range of 1.75% to 2.75% (for LIBOR Loans) and 0.75% to 1.75% (for ABR Loans), in each case based on NVI’s Consolidated First Lien Secured Debt to Consolidated EBITDA Ratio at such time, with such margins subject to an increase of 50 basis points in the event that either (i) the Company has not raised at least $135 million in additional proceeds from certain capital markets transactions within 30 days of the date of the Credit Agreement Amendment or (ii) Consolidated EBITDA for the most recently ended four quarters is less than $0.

2025 Notes

In May 2020, we completed the issuance of the 2025 Notes. The 2025 Notes were sold only to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The 2025 Notes will pay interest semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2020, at an annual rate of 2.50% and will be convertible into cash, shares of common stock or a combination of cash and shares of common stock, at our election, based on the applicable conversion rate at such time. The 2025 Notes have a maturity date of May 15, 2025. Refer to Note 4. “Long-term Debt” for more information.

We received proceeds from the offering of $390.9 million, net of $11.6 million in underwriter fees and other issuance costs.

Future cash requirements and sources of cash

The Company’s capital allocation strategy, priorities and investments are reviewed by the Company’s Board of Directors considering both liquidity and severity of impacts to the business resulting from COVID-19.

Primary sources of cash

The Company’s primary source of cash to execute its growth strategy is its operating cash flows, used to fund operations throughout the fiscal year and to support future growth. The Company continues to operate in this period of COVID-19 uncertainty with a healthy liquidity position and remains focused on prudently enhancing the Company’s ability to meet its short-term liquidity needs in order to best position the business for its key stakeholders, including the Company’s associates, customers and shareholders.

Primary uses of cash

The Company’s current capital allocation strategy is to prioritize effectively managing the near-term uncertainties that COVID-19 presents and continuing to fund operating activities. As a result, over the next twelve months, the Company expects its primary cash requirements to be towards funding operating activities, including the acquisition of inventory, and obligations related to compensation, leasing arrangements, taxes and other operating activities.

The Company also evaluates opportunities for investments in line with our key initiatives that position the business for sustainable long-term growth. These improvements may include opening new stores, improving store experiences or investments in its omni-channel initiatives or other technology opportunities. In addition, the Company evaluates store closures, including options to terminate store leases early at certain underperforming locations. Historically, the Company has utilized free cash flow generated from operations to fund any discretionary capital expenditures, which have been prioritized towards new store openings, as well as digital and omni-channel investments, information technology, and other projects.

When appropriate, the Company may utilize excess liquidity, towards debt service requirements, including voluntary debt prepayments, or required interest and principal payments, if any, based on excess cash flows.

Off-balance Sheet Arrangements

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 our fiscal year 2019 annual consolidated financial statements filed on the Form 10-K. We were not a party to any other off-balance sheet arrangements.

Contractual Obligations

As a result of the $75 million prepayment of debt principal during the second quarter of 2020, the Company does not owe principal payments on its term loan until 2024. There were no other material changes outside the ordinary course of business in our contractual obligations and commercial commitments from those reported as of December 28, 2019 in the 2019 Annual Report on Form 10-K, except for the 2025 Notes issued in the second quarter of 2020 and due on May 15, 2025.

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 2019 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 2019 Annual Report on Form 10-K, except for the adoption of Accounting Standards Update (“ASU”) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, and ASU No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. These changes are discussed in Note 1. “Description of Business and Basis of Presentation” of our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

Adoption of New Accounting Pronouncements

The information set forth in Note 1. “Description of Business and Basis of Presentation” to our unaudited condensed consolidated financial statements under Part I. Item 1. under the heading “*Adoption of New Accounting Pronouncements*” of this Form 10-Q is incorporated herein by reference.

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 of Financial Assets and Liabilities,” to our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

A substantial 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. We also have a revolving line of credit at variable interest rates. The general levels of LIBOR affect interest expense. We periodically use interest rate derivative contracts to manage such risk. For contracts that are designated, and highly effective, as cash flow hedges, the net amounts to be paid or received are accrued as interest rates change, and are recognized over the life of the contracts as an adjustment to interest expense from the underlying debt to which the contracts are designated. For contracts that are not designated as cash flow hedges, the gains or losses from changes in fair value are recognized in interest expense, net. The related amounts payable to, or receivable from, the contract counterparties are included in accrued liabilities or accounts receivable in the unaudited condensed consolidated balance sheets.

As of September 26, 2020, $317.4 million of term loan borrowings was subject to variable interest rates, with a weighted average borrowing rate of 5.7%. After inclusion of the notional amount of $317.0 million of interest rate swaps fixing a portion of the variable rate debt, $0.4 million, or 0.1% of our debt, is subject to variable interest rates. Assuming an increase to market rates of 1.0% as of September 26, 2020, the resulting impact to interest expense related to debt subject to variable rates would be immaterial. Assuming a decrease to market rates of 1.0% as of September 26, 2020, the resulting impact to interest expense related to the interest rate collar would be approximately $12 million.

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 September 26, 2020. 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 U.S. Securities and Exchange Commission (“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 defined in Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the third quarter of fiscal year 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most corporate employees of the Company began working remotely due to the COVID-19 pandemic, though we will continue to assess the impact on the design and operating effectiveness of our internal controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10. “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 2019 Annual Report on Form 10-K and the additional risk factor supplemented in our Quarterly Report on Form 10-Q filed on May 7, 2020 (“Q1 Form 10-Q”), our Quarterly Report on Form 10-Q filed on August 6, 2020 (“Q2 Form 10-Q”), and our Current Report on Form 8-K filed on March 19, 2020 (the “March 2020 Form 8-K”), except as described below, there have been no material changes to the risk factors described in our 2019 Annual Report on Form 10-K, Q1 Form 10-Q, Q2 Form 10-Q, and March 2020 Form 8-K.

The scale and scope of the recent COVID-19 outbreak and resulting pandemic is unknown, has had a material adverse impact on our business and may continue to adversely impact our business at least for the near term.

In December 2019, the COVID-19 disease was reported and in January 2020, the World Health Organization (“WHO”) declared COVID-19 a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic. The COVID-19 pandemic has adversely affected global economies, financial markets and the overall environment for our business, and the extent to which it may impact our future results of operations and overall financial performance remains uncertain.

The Company is following the recommendations of U.S. government and health authorities to minimize exposure risk for its associates, doctors, customers and patients. As a result, the Company announced on March 18, 2020, a temporary closure of its retail stores to the public. On April 27, 2020, the Company began the gradual reopening of retail locations to the public with enhanced safety protocols and a focus on meeting the urgent and emergency eye health needs of patients and customers. On June 8, 2020, the Company announced the successful completion of the reopening process. The Company is closely monitoring this global health crisis and will continue to reassess its strategy and operational structure on a regular, ongoing basis as the situation evolves.

The scale and scope of the COVID-19 pandemic has heightened and may continue to heighten the potential adverse effects on our business, operating results, cash flows and/or financial condition described in certain risk factors contained in our 2019 Annual Report on Form 10-K, Q1 Form 10-Q, Q2 Form 10-Q, and March 2020 Form 8-K, including the impact of:

- a disruption to our growth strategy of opening new stores and expanding our operations, including as a result of temporarily pausing new store openings;
- our failure to recruit and retain vision care professionals for our stores in general and in light of the pandemic;
- an inability to staff stores in areas of the country where the population is acutely affected by the COVID-19 pandemic, including the possibility that we may limit hours at, or temporarily close, stores that we are unable to staff sufficiently;
- a failure to adhere to existing laws and regulations or newly enacted state, local and federal vision care or healthcare laws and regulations in response to COVID-19 and exposure to potential lawsuits as a result of any associate or doctor deaths or illness;
- an inability to maintain sufficient levels of cash flow from our operations to fund our business and growth strategy and the diminished availability of credit, higher cost of borrowing and lack of confidence in equity markets could make it more difficult for us to obtain additional financing on terms that are favorable to us;
- a disruption to our distribution centers or optical laboratories, including those of our suppliers, could result in delays in the receipt of inventory and the delivery of merchandise, higher costs, longer lead times and impact the ability to fulfill customer orders;
- travel restrictions and the shutdown of certain businesses on our suppliers and their sourcing operations and pricing practices;

- the temporary reduction in our marketing, advertising and promotional efforts as part of cost management could cause us to have difficulty in retaining existing customers and attracting new customers;
- any significant failure, inadequacy, interruption or security breach on our information technology systems, as well as those of our vendors;
- the impact of our substantial lease obligations, including negotiations with landlords during our temporary store closings, and our high occupancy costs reducing cash available for other purposes and limiting our flexibility;
- any significant future reductions or volatility in consumer demand for one or more of our products, which may be caused by, among other things, the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, financial hardship, or a shift in customer behavior toward purchasing the products we offer from competitors who may have not closed their stores to the public or who may focus entirely on selling their products online;
- the impact on our peak shopping quarters in the first half of the year and resulting impact on our annual operating results;
- the distinct risks our e-commerce business faces, including changes in consumer behavior during the COVID-19 pandemic; and
- significant operating and financial restrictions, including financial maintenance and restrictive covenants, in our recently amended credit agreement and restrictions in the indenture governing our outstanding convertible notes, that may limit the ability of us and our subsidiaries, under certain circumstances, to, among other things, engage in certain fundamental changes, including mergers or consolidations; make acquisitions, investments, loans or advances; pay or modify the terms of certain indebtedness; limitations in how we conduct our business; and our ability to raise additional debt or equity financing.

In addition, the COVID-19 pandemic may adversely impact our business and financial condition in other areas, including:

Operational Impacts

- new or escalated government or regulatory responses in markets where we manufacture, sell or distribute our products, or in the markets of third parties on which we rely, could prevent or disrupt our business operations;
- a future shutdown of one or more retail operations, distribution or laboratory facilities as a result of illness, government restrictions or other workforce disruptions;
- continued higher costs in certain areas such as distribution, employee compensation, as well as incremental costs associated with newly added health screenings, temperature check, and enhanced cleaning and sanitation protocols to protect our associates, optometrists and customers; and
- our operations could be disrupted if key members of our senior management or a significant percentage of our workforce or the workforce of our outsourced laboratories or suppliers are unable to continue to work because of illness, government directives or otherwise. In addition, the interruption of our or their system capabilities could result in a deterioration of our ability to fulfill and sell our products and services, provide customer service or perform other necessary business functions. Having shifted to remote working arrangements, we also face a heightened risk of cybersecurity attacks or data security incidents and are more dependent on internet and telecommunications access and capabilities that are less uniform than in our dedicated workspaces.

Financial Impacts

- As described below, the COVID-19 pandemic has materially impacted our financial results; our future financial results may also be impacted by the pandemic. While we believe that the long-term fundamentals of our business are largely unchanged, and anticipate that our operating results in future fiscal years will begin to reflect a more normal operating environment, the current economic and public health climate has created a high degree of uncertainty.

- *Revenues*. We expect that the impact of COVID-19 on general economic activity will negatively affect our Owned & Host and Legacy segment total revenues. We began to experience this impact in March 2020 and more significantly in the second quarter of 2020. We also expect this impact could further persist for the remainder of 2020 and possibly beyond, but the degree of the impact will depend on the extent and duration of the pandemic and the resulting economic contraction. As a result of the anticipated impact of the pandemic on our total revenues, we expect a decrease in our comparable store sales and adjusted comparable store sales figures for the fiscal year 2020.
- *Costs applicable to revenue.* As a result of COVID-19 and the temporary closing of our stores to the public, we experienced a change in our year-to-date product sales mix with an increase in the share of contact lens sales compared to eyeglasses as contact lenses tend to be easier for a customer to select and order online compared to eyeglasses. Higher contact lens sales mix results in an increase in overall cost of products as a percentage of revenues as contact lenses have higher cost of sales as a percentage of revenues compared to eyeglasses. Due to reductions in revenues expected in the current year, we also expect to recognize lower vendor rebates which will unfavorably impact cost of products as a percentage of net product sales. Additionally, as a result of the lower production levels seen at our central laboratories and distribution centers, our costs of sales as a percentage of revenues have increased from higher allocation of fixed costs. For fiscal year 2020, we also expect our cost of sales as a percentage of revenues to increase compared to prior years as a result of lower eye exam revenues and lower Legacy management fees earned while incurring costs for ophthalmologists, optometrists and optical technicians at a rate typically associated with a normal level of operations.
- *Selling, general and administrative*. We have incurred and will continue to incur, general and administrative expenses primarily related to occupancy costs of our stores, advertising expenses, payroll related to store associates and unallocated corporate overhead expenses such as payroll, consulting and professional fees and incremental costs directly related to adapting the Company's operations during the COVID-19 pandemic. We may experience elevated frequency and severity in our workers' compensation claims liabilities by workers who demonstrate that the injury or illness arose both out of and in the course of their employment. We expect selling, general and administrative expenses as a percentage of revenues to increase compared to previous years primarily due to an overall decrease in revenues for fiscal year 2020.
- *Asset impairment*. The Company considered the disruption in the economy experienced during the nine months ended September 26, 2020 and uncertainty around future conditions in recording asset impairments. We evaluate impairment of long-lived tangible and ROU store assets at the store level and consider multiple factors including financial performance of the stores, regional and local business climates, future plans for the store operations and other qualitative factors. Asset fair values used in impairment are determined using an income approach based on discounted cash flows, which requires estimates and assumptions related to forecasted store revenue growth rates and store profitability. A significant decrease in the estimated cash inflows from our stores in future periods could affect the recoverability of our store level assets as well as other intangible assets of the Company such as goodwill, trademarks and customer relationship. Lower cash flows compared to estimates would lead to a material increase in the asset impairment expense recorded by the Company.

  During the three and nine months ended September 26, 2020, the Company evaluated whether a triggering event related to goodwill impairment had occurred because of the broad impacts of the COVID-19 pandemic. The Company expects the COVID-19 pandemic will continue to negatively affect its results of operations for fiscal year 2020. The Company has concluded a triggering event did not occur during the three and nine months ended September 26, 2020, and, as a result, no interim impairment testing was required. However, as previously noted, the COVID-19 pandemic has had a material adverse effect on the Company's business, and future conditions are highly uncertain. Future unfavorable developments may cause the Company to recognize an impairment of its goodwill. The Company will continue to evaluate the effects of the COVID-19 pandemic on its business.

- *Interest expense*. On May 5, 2020, we entered into an amendment to our credit facility in order to suspend certain financial maintenance covenants contained therein for a specified period. In connection with the amendment, margins upon which interest is calculated on amounts outstanding under the facility were increased and the Company agreed to limit its ability to engage in certain transactions during the covenant suspension period, including the ability to declare or pay dividends, incur additional debt and make investments and dispositions. On May 12, 2020, we completed the sale of $402.5 million in aggregate principal amount of 2.50% Convertible Senior Notes due 2025 between the Company and U.S. Bank National Association, as trustee. The proceeds from the 2025 Notes offering was used to repay all outstanding amounts of the revolving credit facility and $75.0 million to partially repay the term loan. The partial repayments of our LIBOR based long-term debt obligations and margin amendments made to the term loan resulted in a partial de-designation of one interest rate swap and the interest rate collar. All of the above noted measures impacted and are expected to continue to materially impact the Company’s interest expense in 2020 and later. Refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations, “Liquidity and Capital Resources” section above for more information. Lastly, we are continuing to evaluate additional measures that we may elect to take as we continue to respond to the impact of COVID-19 on our business. There can be no assurance whether or when any such measures will be adopted.
- *Inflation.* It is possible that changes in economic conditions and steps taken by the federal government and the Federal Reserve in response to COVID-19 could lead to higher inflation than we had anticipated, which could in turn lead to an increase in our costs of products and services and other operating expenses. To date, changes in material prices and general inflation have not materially impacted our business.

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, accelerates a company’s ability to recover AMT refundable credits that otherwise could have been claimed in 2020 and 2021, to 2018 and 2019, with an option to elect recovery of the full credit amount for 2018. The CARES Act also includes a technical correction wherein qualified improvement property placed in service in 2018 and after is eligible for 100% bonus depreciation. It also contains provisions for deferral of the employer portion of social security taxes incurred through the end of calendar 2020 and an employee retention credit, a refundable payroll credit for 50% of wages and health benefits, up to a maximum of $10 thousand per employee, paid to employees not providing services due to the COVID-19 pandemic. As a result of the CARES Act, we deferred qualified payroll taxes and claimed the employee retention credit. Based on our preliminary analysis of the CARES Act, we recognized a benefit of $11.0 million for the nine months ended September 26, 2020 for employee retention credits. We will continue to assess our treatment of the CARES Act to the extent additional guidance and regulations are issued, the further applicability of the CARES Act to the Company, and the potential impacts on our business. There can be no assurance that we will qualify for additional benefits available under the CARES Act.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the extent and effectiveness of containment actions and the impact of these and other factors on our associates, customers, suppliers and partners. A more prolonged crisis could negatively affect our liquidity. Such impact on our business, operating results, cash flows and/or financial condition may continue to be material.

Conversion of the 2025 Notes could dilute the ownership interest of existing stockholders or may otherwise depress the price of our common stock.

The 2025 Notes will be convertible into cash, shares of common stock or a combination of cash and shares of common stock at our election, based on the applicable conversion rate at such time. Prior to February 15, 2025, the 2025 Notes will be convertible at the option of the holders of such notes under certain circumstances as provided in the governing indenture. Based on the initial conversion rate of the 2025 Notes, which is subject to adjustment, the 2025 Notes are convertible into 12.9 million shares of our common stock with a maximum possible issuance of 16.5 million shares.

The conversion of some or all of the 2025 Notes could dilute the ownership interests of existing stockholders to the extent we elect to deliver shares of our common stock upon conversion of any of the 2025 Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

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

None.

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	Second 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 October 31, 2017.
3.2	Second 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 October 31, 2017.
10.1	Amendment 4 to the Management & Services Agreement between Walmart, Inc. and National Vision, Inc. effective as of July 17, 2020 -incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 20, 2020.
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 September 26, 2020, 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: November 5, 2020	By:	/s/ L. Reade Fahs
		Chief Executive Officer and Director
		(Principal Executive Officer)
Dated: November 5, 2020	By:	/s/ Patrick R. Moore
		Senior Vice President, Chief Financial Officer
		(Principal Financial Officer)

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 September 26, 2020 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: November 5, 2020

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

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 September 26, 2020 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: November 5, 2020

/s/ Patrick R. Moore

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

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 September 26, 2020 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: November 5, 2020

/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 September 26, 2020 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: November 5, 2020

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