12-August-2026

National Vision Holdings, Inc. (EYE)

Q2 2026 Earnings Call Transcript

CORPORATE PARTICIPANTS

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

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

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

OTHER PARTICIPANTS

Simeon Siegel – Analyst, Guggenheim Securities LLC

Michael Lasser – Analyst, UBS Securities LLC

Jack Slevin – Analyst, Jefferies LLC

Skylar Tennant – Analyst, Morgan Stanley & Co. LLC

Dylan Carden – Analyst, William Blair & Co. LLC

Robert Ohmes – Analyst, BofA Securities LLC

Zachary Fadem – Analyst, Wells Fargo Securities LLC

Matthew Koranda – Analyst, ROTH Capital Partners LLC

Angus Kelleher-Ferguson – Analyst, Barclays Capital, Inc

Paul Lejuez – Analyst, Citigroup Global Markets, Inc.

Anthony Chukumba – Analyst, Loop Capital Markets LLC

PRESENTATION

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

Thank you, and good morning, everyone. Welcome to National Vision's second quarter 2026 earnings call. Joining me on the call today are Alex Wilkes, CEO and Chris Laden, CFO. Our earnings release issued this morning and the presentation accompanying our call are both available in the Investors section of our website, ir.nationalvision.com. A replay of the audio webcast will be archived in the Investor section after the call.

Before we begin, let me remind you that our earnings materials and today's presentation include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. These risks and uncertainties include, but are not limited to the factors identified in the release and our filings with the Securities and Exchange Commission. The release and today's presentation also include certain non-GAAP measures. Reconciliation of these measures is included in our release and the supplemental presentation. We would like to draw your attention to slide 2 in today's presentation for additional information about forward-looking statements and non-GAAP measures. As a reminder, National Vision provides investor presentations and supplemental materials for investor reference in the

Investor section of our website.

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

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

Thanks, Tamara, and good morning, everyone. Thank you for joining us today for our second quarter earnings call. The second quarter marked an important step forward for National Vision. We completed a significant technology milestone following the implementation of our ecommerce replatform. And most importantly, we delivered underlying results in line with our strategic framework, driving growth through underdeveloped customers, underpenetrated products, and an enhanced customer experience, all while delivering meaningful improvement in profitability. This is the flywheel we are building. A stronger customer mix, better product attachment, and a more connected experience at a store base that supports sustainable growth, margin expansion and increased profitability.

For the quarter, net revenue grew 2.5% to $499 million, and adjusted comp store sales increased 2.2%, in line with our expectations discussed on our last quarter call, with accelerated ticket growth helping to offset the temporary replatform impact and broader pressure on lower value transactions. Our trend analysis suggests the replatform impacted total adjusted comp store sales by approximately 150 basis points. Excluding this impact, we estimate America's Best would have delivered slightly over 4% adjusted comp store sales growth, a result we are really proud of, especially in light of the current environment and represents another proof point that our strategy to build a more profitable and durable business is taking hold.

We sustain momentum with higher value customers, a key segment that we have deliberately focused our customer acquisition efforts against. This is reflected in our positive comp growth with managed care driven by strength in both ticket and traffic. And in product categories that we have prioritized, anti-reflective coatings, transitions lenses, polycarbonate lenses and premium progressive lenses, each grew meaningfully this quarter. Importantly, our average ticket expansion is coming from the quality of sale and consumers raising their hands to opt into premium offerings versus simply passing price through to drive growth. The bottom line benefits of our strategy are evident in our profitability.

Adjusted operating margin expanded 140 basis points to 6.3% in the quarter, and adjusted EPS increased to $0.25 per share from $0.18 in the prior year quarter. Perhaps, the clearest evidence that our strategy to become a more profitable company is working is reflected in our updated outlook. Our strategic initiatives continue to perform as expected, and we're seeing the benefits in customer mix, premium product attachment, and consequently in profitability. Given this, we are meaningfully increasing our adjusted operating income outlook.

As the replatform disruption faded and we gained greater insight into underlying demand patterns, it became clear that the lower value customer continues to somewhat defer their purchases, leading us to take a more measured view of the top end of our comparable store sales range. And this was particularly evident at the introductory bundled offer price point. While we are never satisfied with losing transactions, those transactions are among the least profitable in our portfolio. We remain fully committed to serving these customers through a compelling entry-level offer, and are confident they will continue to find great value offerings at our banners when the environment improves.

At the same time, we're seeing our strategic initiatives perform as expected, as we continue to strengthen higher value customer transactions, premium attachment and ticket growth. We believe this growth in higher value customers insulates us from the macro challenges so many other retailers are experiencing with their most budget-focused customers. This combination gives us increasing confidence in the quality of our growth and the earnings power of the business.

Just as importantly, we're increasing our investment in marketing in the back half of the year to drive awareness of America's Best and Eyeglass World and support customer acquisition. For example, this fall, America's Best will have a national presence through Fox College Football Saturdays as a sponsor of Fox Weather segments across Big Ten Tailgate pre-game broadcast, all complemented by on-site activations and live broadcast integrations designed to increase awareness and engagement with the brand. This sort of high profile media initiative is a first ever for National Vision.

As I reflect on our performance, I think it is important to take a moment to explain why the ecommerce replatform was such a milestone achievement in the quarter. While it certainly created some short-term headwinds, it sets the organization up for growth and it capitalized on our long-term aspirations. We now have moved from a legacy digital experience to a modern commerce platform that gives us capabilities we have never had before. The new website platform significantly enhances the customer experience with faster, more intuitive shopping, a meaningful step-up in functionality from our previous platform. This is not simply a technology upgrade. It is a foundational growth platform that we believe will drive higher conversion, deeper engagement, stronger retention, and more personalized customer relationships for years to come.

This modernization is also foundational to a world where we expect AI to play a greater role in consumer buying habits. More modern approaches to our website, and unified commerce is one of the most significant opportunities in front of National Vision and one that can reshape how customers engage with us across the full optical journey. Each year, tens of millions of users interact with our brands online, primarily starting their journey by booking an eye exam. What an opportunity we have in front of us as we can marry this level of interaction with a best-in-class commercial experience and access to incredible eye care.

That is what we are creating, a unified commerce platform, supported by our employed doctor model that will connect the exam, prescription, product selection, and purchase experience in a way that is more seamless, more personalized, and more relevant to each consumer. Unified commerce gives us the opportunity to turn millions of annual consumer interactions into more connected, higher value relationships. We believe we are the first optical retailer able to combine online purchasing with in-store eyecare at this scale, and we see that combination as a winning one and a key differentiator for our model going forward.

Now, let me turn to more near-term plans as we look to the second half of the year. First, we continue to see growth driven by durable ticket expansion as we have seen throughout this year. We're attracting premium frame brands that now view National Vision as a strong fit, reflecting the evolution of our customer base toward higher income cohorts and the momentum we're seeing in higher value categories. Premium product attachment continued to improve in the second quarter, supported by stronger branded frame performance, growing adoption of premium branded lenses, and superior materials, all key categories where we continue to close the gap against the overall market.

Earlier this year, we outlined a path to grow premium materials and anti-reflective attachment and we are already demonstrating meaningful progress against those ambitions. Our expanded assortment of premium and performance frame brands include Versace, Burberry, Persol and Costa, and it's helping us attract a higher value customer to support continued premiumization. Ray-Ban continued to be a strong contributor, supported by dedicated branded presentations and new frame launches. We're also advancing product innovation through initiatives such as the launch of Nikon Eyes, Stellest lenses and continued store segmentation.

Nikon Eyes, our newest branded premium lens, is exceeding expectations, with strong customer adoption, validating demand for higher value lens solutions. Early results show significant mix shift in frames to more premium products, generating significant average ticket lift. Building on that momentum, our store segmentation initiative is helping us put the right brands, products and price points in the right stores. Store segmentation was rolled out in America's Best at the end of Q2, with plans on track for Eyeglass World by Q4. These efforts allow us to better tailor assortments by customer need, local demand, lifestyle and price point, while supporting stronger premium attachment and more personalized engagement across our store base.

We're also seeing strong momentum in newer categories that align with where consumer demand is headed. Smart eyewear is one of the clearest examples. Our smart eyewear category continues to do very well, demonstrating our ability to be a clear leader in smart glasses with the strong customer adoption we are seeing with Ray-Ban Meta. At the beginning of the quarter, we expanded Ray-Ban Meta and added Oakley Meta Smart Glasses to each of our over 1,200 locations and they are continuing to perform above expectations. Although the number of frames still represent a small portion of our SKUs, smart eyewear is our fastest turning branded category. A differentiator for National Vision is that we are at scale with this distribution of this rapidly emerging category.

We can fit these devices with prescription lenses through our 2,000-plus licensed optometrists and then help customers apply their managed care benefits to make them more affordable. That combination of distribution and scale and clinical expertise puts us in a structurally advantaged position as the category continues to scale. For Q2, adjusted comp store sales at Eyeglass World increased to 0.4% as we continued to lay the foundation for the brand's next phase. The biggest opportunity at Eyeglass World is still ahead of us. In this quarter, we took three important steps towards that. First, brand repositioning. We've developed a new brand identity, and we're thrilled with where it's landed. It will be live online in just a couple of weeks and our store teams are excited about what's ahead.

This new identity gives us the opportunity to refresh our advertising and marketing message for the first time in several years in a way that's fully aligned with our labs, lens and frame strategy. Second, our lab operating model. During the quarter, we moved lens surfacing from stores into a larger centralized lab. Historically, doing this work in stores limited our ability to offer premium progressive lenses. This change gives us the capacity to expand that offering and better support future growth. Third, segmentation and ticket growth. Store segmentation is on track to roll out at Eyeglass World by the fourth quarter, and we expect that, together with the new brand of lab strategy, to be a meaningful driver of ticket growth in the back half of the year.

Similar to what we did with America's Best, we are applying a bold, but disciplined approach unique to Eyeglass World that is focused on clear brand differentiation, stronger customer engagement, and profitable growth. We're really excited about what's ahead for Eyeglass World and look forward to sharing more in the coming weeks as we bring this evolution to market, including a refreshed brand identity and updated marketing and messaging designed to better reflect the brand's differentiated position and growth opportunity. For a preview of where we're headed, I encourage you to look at our earnings presentation, which highlights elements of the brand evolution currently underway. The key takeaway is that Eyeglass World is another example of how we're leveraging a repeatable transformation playbook to unlock value across our portfolio and drive durable long-term growth.

To close, the second quarter was an important step forward and provided further evidence that our strategy is working. We're delivering against the priorities we outlined with measurable progress across our key growth vectors and meaningful runway still ahead. The progress is visible in the business, stronger managed care momentum, higher premium attachment, continued ticket growth, a more modern e-commerce platform, and meaningful operating margin expansion. As we enter the third quarter, while traffic trends with our lower value transactions continue to be deferred, our America's Best comp is performing in line with our Q2 performance ex replatform. We are building a stronger National Vision, one with better customer engagement, more durable ticket growth, a healthier mix, and a more modern platform for long-term growth.

With that, I'll turn the call over to Chris to walk through our second quarter financial results and updated outlook in more detail. Chris?

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

Thank you, Alex, and good morning, everyone. Before I review our results, as a reminder, our remarks will include certain non-GAAP metrics and I would refer you to today's press release for reconciliations of all non-GAAP financial measures to the most comparable GAAP financial measures. Our second quarter results represent another proof point that our strategic approach is working, as we delivered adjusted operating margin expansion of 140 basis points in a period marked by traffic headwinds. Our deliberate shift toward a higher value customer mix and enhanced product attachment resulted in strong average ticket and operating profit growth despite traffic headwinds, particularly among lower value transactions related to our entry level bundle offer. This is precisely the flywheel we unpacked at our Investor Day last year. Stronger customer mix, better product attachment and more durable profitability, and we're seeing the financial proof points clearly in our results.

Now, turning to our results in more detail. For the second quarter, net revenue increased 2.5% with adjusted comparable store sales growth of 2.2% and a positive 0.8% impact from the timing of unearned revenue. We ended Q2 with a total of 1,281 stores, reflecting 9 openings and 2 closures of America's Best stores during the period. Adjusted comparable store sales growth was driven by an increase in average ticket of 7.1%, offsetting a 4.9% decline in overall customer traffic. As Alex discussed, we had two clear dynamics impacting our traffic performance this quarter. First, the ecommerce replatform created temporary headwinds as we entered the quarter, impacting our total Q2 comp performance by approximately 150 basis points. As our search signals were reconnected and online bookings recovered to pre-replatform rates, we saw the underlying momentum of our business become clear.

The replatform was a significant technology milestone and while it created some near-term disruption, it sets up our organization for long-term growth and positions us to capitalize on our strategic aspirations in digital commerce. Second is the deliberate evolution in our customer mix to higher value, more profitable transactions, which was accelerated by current category trends that continue to see many lower value transactions deferred. As a result, our growth in ticket has accelerated across our combined managed care, progressive and outside Rx customer cohorts, as well as with our cash pay customer cohort.

Now, turning to profitability. Costs applicable to revenue increased approximately 4% compared to the prior year and gross profit increased 1.5% or $4.4 million, driven by the strength in our average ticket. In line with our strategy, this did result in gross margin rate dilution, given the impact of a mix shift towards higher value product offerings. Adjusted SG&A was $236.2 million in the second quarter, and as a percentage of revenue leveraged 200 basis points. This performance reflects efficiencies in store labor, lower variable incentive compensation, and a timing shift of marketing investments from Q2 into Q3 in connection with the replatform that enabled about 50 basis points of leverage in the quarter.

Adjusted operating income increased to $31.6 million, compared to $23.8 million in the prior year period. Adjusted operating margin increased 140 basis points to 6.3% in the quarter. This expansion was driven by both our strong execution in our cost controls and improved profitability from our higher value customer mix. Net interest expense was $3.3 million, compared to $4.2 million in the prior year. This year-over-year decrease was primarily driven by a reduction in debt with the maturity of our $85 million in convertible notes in May of 2025 and a year-over-year reduction in SOFR rates. Adjusted earnings per share was $0.25 per share in the second quarter, up from $0.18 per share last year. For the first half of fiscal 2026, we delivered adjusted comparable store sales growth of 3.4%, adjusted operating income margin expansion of 180 basis points, and nearly 37% growth in adjusted EPS compared to the prior year.

Turning to our balance sheet. We ended the second quarter with a cash balance of $36 million and total liquidity of $329.3 million, including available capacity from our revolving credit facility. During Q2 2026, we repaid $3.3 million in long-term debt, bringing our total debt outstanding net of unamortized discounts to $237.7 million at the end of the quarter. In the trailing 12 months, our net debt to adjusted EBITDA ratio was approximately 0.9. Year to-date, we generated operating cash flow of $69.8 million and invested $39.8 million in capital expenditures, primarily driven by investments in new and existing stores and information technology. During the second quarter, we repurchased approximately 1.2 million shares for $20 million, which was an opportunistic use of capital given the underlying performance of the business.

As of July 2026, the share repurchase authorization had remaining capacity of $30 million. Throughout the quarter, we continued our strategic investments in inventory to support our store segmentation strategy. As of the end of the quarter, inventory increased approximately 37% compared to the prior year. As Alex mentioned, we are deploying our store segmentation approach across the portfolio and we've built our assortment to support tailored offerings by location, customer profile, and lifestyle. Additionally, we're positioned with the right inventory to capitalize on the strong performance we're seeing in premium materials, branded frames, and advanced lens technologies like Nikon Eyes. Looking forward, we expect the pace of inventory growth to moderate as we move through the rest of 2026 and reach optimal levels in support of our segmented store strategy.

Before I turn to our outlook, I wanted to highlight two more actions taken in the quarter. As Alex discussed, we are laying the foundation for Eyeglass World's next phase. During the quarter, we optimized our in-store lab capabilities at Eyeglass World by transitioning in-store lab surfacing to our centralized operations. This enables us to better reflect customer expectations on turnaround time, while expanding our capacity to offer more premium products at scale. As a result, we incurred approximately $3 million in non-cash charges during the quarter and may incur up to an additional $1 million in charges related to the completion of this initiative. Separately, we applied for approximately $5 million in tariff refunds, which is expected to benefit costs applicable to revenue in the third quarter. We have incorporated these refunds into our outlook for the year.

Now, moving to our outlook. Year-to-date progress on our strategic initiatives and the evolution of our customer mix is translating to a healthier and more profitable business. As such, we are raising our full year outlook for profitability while narrowing our top line expectations to reflect a more prudent view on traffic, given the dynamics we've seen to-date with lower value transactions. For the full year, we now expect net revenue between $2.03 billion and $2.08 billion, supported by adjusted comparable store sales growth of 3% to 5%. This outlook reflects our Q3 quarter-to-date trends as well as the expectation that ticket expansion remains a strong and consistent driver of growth. In the second half, we expect initiatives including Nikon Eyes, store segmentation and continued enhancements to our premium frame and lens assortments to contribute approximately 100 to 200 basis points to ticket growth, helping to further offset traffic headwinds.

Turning to profitability for 2026, we now expect adjusted operating income between $119 million and $139 million, which includes a range for depreciation and amortization of $92 million to $93 million. At the midpoint, we expect adjusted operating margin expansion of approximately 120 basis points for fiscal 2026 relative to 2025, excluding the 53rd week, driven primarily by SG&A leverage. With respect to quarterly cadence, we now expect Q3 and Q4 to reflect flat to modest adjusted operating margin expansion as we plan to reinvest our tariff refunds into incremental marketing initiatives in the back half of the year to support growth. Our full year guidance takes into account our multi-year cost savings plan, and we remain on track to realize approximately $10 million in annualized savings this year.

Interest expense is expected to be between $11 million and $13 million. We expect our effective tax rate to be approximately 30%, excluding the impact of vesting on restricted stock units and stock option exercises. Bringing this all together, we continue to expect adjusted diluted EPS to be between $0.94 and $1.09 per share, which assumes approximately 80.9 million weighted average diluted shares outstanding. We expect CapEx to be between $72 million and $76 million for fiscal 2026, which includes investments to open approximately 30 to 35 new America's Best and Eyeglass World stores this year and excludes the expansion of our military locations completed at the end of the first quarter.

As a reminder, our openings are weighted towards America's Best branded stores. And based on current timing of openings, we are currently tracking towards the lower end of that range. We also expect to close approximately 15 stores as part of our ongoing fleet optimization efforts, resulting in net new store growth of approximately 15 to 20 stores. We expect store openings to have a relatively balanced cadence throughout the remainder of the year, while the remaining store closures will be more skewed to the third quarter.

In closing, I want to underscore the progress our entire organization is making to transform this business. We are executing a stronger, more disciplined and more profitable business model. At our expected midpoint, we will see adjusted operating income double from our 2024 AOI performance. And we'll do so while continuing to provide customers and patients with best-in-class eye care and eyewear at a value offering that remains second to none.

With that, operator, we’re now ready for questions.

QUESTION & ANSWER SECTION

Simeon Siegel, Guggenheim Securities LLC

Thanks. Hey, guys. So, Alex, anything more you can share on the website replatforming? Just maybe address specifics of how it impacted the business negatively, and then maybe how and when you think we should be seeing the benefits from the initiative on the other side? Maybe just let us know how you calculated the related pressure that you had mentioned? And I think I caught it, sounded like you suggested we may already be through the pressure with the quarter-to-date commentary. Maybe just flesh that out a little more. And then just to clarify, maybe Chris, just the slightly lower full year comp guidance, is that just reflecting the 2Q and the rest of the year is held as you had previously expected or just anything else we should think about from lingering impact? Thanks, guys.

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

Yeah. You got it. Thanks, Simeon. So, how we looked at kind of defining the 150 basis points of headwind that we got from the replatform is really related to our ingoing trend rate on new customer acquisition versus that of repeat customers, and kind of doing a little bit of a test versus base versus control to see the delta in acquisition and then marry that with our kind of cost per acquisition increasing from a marketing perspective. So, we saw that go on for about a six-week time period. So, it was kind of a trough in new customer acquisition around probably the beginning parts of April through mid-May.

And then we started to see the sequential improvement both in new customer acquisition and we saw our CPAs return to normal. So, really, that gave us the high degree of confidence that after the six weeks, we were through the replatform noise, our acquisition engine had turned back on to the degree that we wanted it to. And we started to see the consumer return sequentially as we step through the quarter and then again, as we moved into Q3. We're already starting to see some of the benefits come through the replatform that are more tactical in nature. Obviously, the intention with is, as I mentioned in my prepared statement, is that we become a more forceful ecommerce participant in the optical category.

Ultimately, that required us to build a much more flexible, bolder ecommerce platform that allows us to do that. But even in the near-term, we're seeing key metrics such as completion rate. So as an example, this is consumers who come to our website and then purchase and then schedule an exam. Those completion rates are already trending in a positive direction. So, more consumers visiting us, those visits turning into exams booked, because we're making the booking process more seamless through a more joyful online experience. So, we're starting to see early traction from the replatform just in terms of our exam funnel. But again, the longer-term aspirations is that this sets us up for a more significant play in Unified Commerce. And I'll turn it to Chris for the commentary on balance of the year.

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

Yeah. Thanks, Alex, and thanks, Simeon. Yeah, look, I think we're – first of all, we're super excited to be raising our AOI guide for the rest of the year despite some of the traffic headwinds we've seen year-to-date. On the narrowing of the top line and bringing down the top end of the comp guide. But really two main scenarios, right? Number one is, we feel really confident about the ticket driving initiatives that we have in place year-to-date and what we've got lined up for the back half of the year with the launch of store segmentation and Nikon Eyes growing as a percent of the platform. The open variable remains if and when the lower value transaction consumers choose to re-engage. We've seen a deferral of the purchase cycle. And so, really just trying to be prudent on the top end of the assumptions of when they might come back and begin shopping again

Michael Lasser, UBS Securities LLC

Good morning. Thank you so much for taking my question. So, if we add back the quantified impact from the platform transition, the ecommerce platform transition, traffic did still take a noticeable step down from 1Q to 2Q. You mentioned several times about deferrals of purchases by the lower income consumer. What evidence do you have that it's just simply a result of the deferral cycle rather than either some impact from the elasticity of the price changes that have been made and/or other factors that are contributing to this? And at what point do you think traffic can turn positive in order to drive the growth from here?

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

Hey, Michael. Good morning. Great question. So, first and foremost, we're not actually seeing the deferral happen among low-income consumers. We're actually seeing the deferral occur across the psychographic of value-seeking consumers, which is an important nuance here. We're not actually seeing any meaningful deceleration at any income level across any of our income cohorts that we track. Specifically, what we're seeing is lower participation and lower traffic in the average transaction points below the median. So, typically, these are consumers that engage in our bundle offer only.

So, we've seen those consumers decelerate, which again is actually a little bit of a benefit to us because it's the least profitable consumer in our portfolio. So, that started to occur at a more accelerated basis kind of towards the middle of Q2 timeframe. Our data point to support that this is a deferral challenge versus a share challenge or consumers kind of just in general stepping out is that, we've seen about a two-week increase in the purchase cycle between retained customers that participate in our business. So again, two weeks doesn't sound like a lot, but it does provide about a 2-point headwind to traffic on a full year basis. So again, that's just when we're tracking months between purchase for consumers who are engaging with the lower value transaction.

That being said, we have seen meaningful traffic increases for those customers who are purchasing above the median from a transaction value perspective. So, we kind of triangulate around all of those data points, which gives us the, again, the confidence in the business. And it's part of the reason that we saw the nice profit accretion in the quarter.

Michael Lasser, UBS Securities LLC

Got you. Very helpful. My follow-up question is on the full year profitability outlook. The midpoint of the adjusted operating income was up by $9 million or 7.5%. I think Chris mentioned that about $5 million of that came from the tariff refund that's expected in the third quarter. What drove the remainder of the increase? And to what degree is the shift in marketing that I think you said accounted for 50 basis points in 2Q, is that fully going to be realized in 3Q or is there a net benefit from some of the changes in marketing spend this year? Thank you.

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

Yeah. Thanks, Michael. So, look, actually from a marketing perspective between what we deferred in Q2 into Q3 and beyond and the reinvestment we're planning on making – taking those tariffs dollars towards customer acquisition, I'd say there's actually a net expectation that we're going to grow advertising spend in the second half versus our original guide, original plan.

So, look, I think in terms of why the AOI is growing in aggregate, even with some of these reinvestments is, the team has done just a phenomenal job with cost execution and cost controls from the $10 million that we announced leading into the year. We've also just demonstrated a better ability to execute, particularly on the store labor line. So, as we saw demand soften a bit in Q2, the operating team in our stores did a great job of pivoting our labor to make sure that we were bringing the supply to match the demands. And that's really a main driver of what we are seeing in terms of AOI lift for the rest of the year.

Jack Slevin, Jefferies LLC

Hey. Good morning. Thanks for taking the questions. Maybe to just take a step back and I imagine, there's going to be a lot of focus on traffic that I think you're giving a ton of helpful color on. But thinking a little more structurally, I know there's some specific items, there are some of the changes you have in, in what the consumer base is looking like in your stores. But if I think about on a couple of year basis and look at the gross margin performance and what you're doing on G&A, can you maybe speak to whether or not this current composition of slightly slower traffic, but still getting ticket, I guess, how long can this run paired with some of the G&A discipline to sort of sustainably grow gross profit and earnings in the business? Thanks.

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

Yeah. You got it. I mean, this is one of the things we unpacked last November at our Investor Day that we have years of runway ahead in terms of ticket expansion through mix, right? I mean, I think we've said that historically, we were a bit laggards in taking price and we have certainly under-indexed the category on underdeveloped products in premium lenses, premium frames, et cetera. We are still at a significant discount related to the category measured in multiples, not percentage points, in terms of average transaction value.

And as we continue to skew more premium, in particular with the managed vision care customer, who has a heightened degree of spending power through their plan, we have continued runway to take advantage of that really for multiple years to come. And I've said this previously that, this team has outlined really internally our playbook for the next several years of actions and activities that we're going to take to continue to lean into that. And that ranges from introduction of premium lenses to training the teams in the stores on the benefits of anti-reflective and transitions to the thing we're most excited about in the back half of the year, which is the introduction of store segmentation across our entire fleet, where we're distorting our assortments based on local customer demand and the types of frames that folks want to buy in their specific stores.

So, we still think we're very much in the early innings of executing on these strategies to continue to drive premiumization within the category, which by the way, once we have run these plays, we will still be the obvious destination for value in the category based on our kind of price architecture. So, I mean, that's a bit of color on how we're thinking about average transaction growth over the next several years.

Skylar Tennant, Morgan Stanley & Co. LLC

Hi. This is Skylar Tennant on for Simeon Gutman. Thank you so much for taking our question. So, on the raised EBIT guide, can you just talk a bit more as to how much is left for the annualized SG&A cost savings, and how much more of a lever that is to pull into the back half?

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

Yeah. We are super excited to say that, we're really fully annualizing all of the cost savings initiatives, so they're all in place. So, we actually saw that through Q2. So, you can kind of bank about $2.5 million a quarter coming out of that initiative. Frankly, our performance on cost controls and performance management has given us the ability to reinvest some of the dollars in the back half. So, we spoke about reinvesting more in marketing and customer acquisitions, but we're also investing in things that'll give us some tailwind going to 2027 and beyond in terms of our long-term strategic plan.

Skylar Tennant, Morgan Stanley & Co. LLC

Okay. Great. Thank you. And then stepping back a bit, as you think about what is the right underlying algo for the business once some of your initiatives like the store segmentation and the rollout of the premium brand and lens launches are fully ramped, and how much of that is ticket versus traffic getting to a healthier place? Thank you.

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

Yeah. I mean, our long-term algo of mid-single-digit comps and 50 to 150 basis points of profit accretion per year is still in place and we're still committed to delivering that over the long term. As we said, though, we would believe that in the near term, call it through 2027, we're seeing outsized impact from ticket versus from traffic. And as we've kind of shared previously, we anticipate that we're going to reaccelerate store growth from the last couple of years, we're in the 30 to 35 range to something north of that when we step into 2027 and 2028, and then that's going to be a traffic generator as we move through more the latter phases of our long range plan.

So, I think in the short to medium term, you're going to see continued growth from ticket, a bit more outsized than traffic. But that being said, the things that we're putting in place, the fact that we're thinking differently about marketing, how we're making investments in College Football Saturdays, the investments that we've made in the CRM, those are all traffic driving in nature, but it's getting that flywheel all kind of working in unison that we're currently focused on. So again, I'd see more ticket growth because we still have a considerable amount of headroom in the short to medium term, and then see the traffic engine coming back on a little bit later.

Dylan Carden, William Blair & Co. LLC

Thanks. Let's stay on ticket here. Alex, can you speak to the difference and – as far as sort of what the ticket decline between like-for-like price – sorry, ticket increase between like-for-like price increases versus mix shift both this quarter and kind of over the last two to three years? Let's start there.

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

Yeah. You got it, Dylan. So actually, so far year-to-date, we're seeing more than half of our ticket lift come from mix shift, which we're super pleased by, right, because in most cases, these are consumers that are raising their hand for more premium product. We still have over 40% of our assortment in frames priced at under $99. We still have every lens that we previously had available for sale in our lens catalog and available for consumers to opt into. So, the ticket lift that we're seeing with mix is really one of our teams in the stores becoming more accustomed to lifestyle selling and the consumers raising their hands for the better products that we're introducing.

To the second part of your question, compared to prior year, in prior years, our average ticket increase was predominantly more price driven. So, as we've kind of implemented our merchandising architecture, we've brought new products to market, we're seeing our ticket increases come more from mix versus from price increases, which we obviously think is a much healthier approach.

Dylan Carden, William Blair & Co. LLC

And it's kind of interesting. It's, I think, a related topic that you're seeing kind of traffic decline across income cohorts and that sort of value-seeking customer. Does the guide anticipate that, that could get worse that the consumer more broadly kind of walks away from price or sits out the market for a bit?

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

Yeah. I think probably, the primary variable in the range of our comp guide is exactly what you're putting your finger on, which is at what point does the lower, the value-seeking consumer come back and do they accelerate back into the business into consideration or do they take a step back. So, as I think about the 3% to 5% range, that's the single biggest variable in that equation.

Robert Ohmes, BofA Securities LLC

Hey, guys. Good morning. Hey, two questions. The first, just on the increased marketing for the back half, can you give more color on what the focus is going to be, is it more exam focused, is it more new frames focused? Is smart glasses being highlighted here? Can you give any more color on what you guys incrementally are going to be doing in marketing?

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

Yeah. You got it. Good morning. Thanks for the question. Yeah. So, we are – from a media perspective, we are going to invest a bit more into direct-to-TV, so digital TV. We're going to invest a bit more in social and we're going to invest a bit more in search. So, our linear media plan is actually already before this incremental investment comping positive to last year given the investments that we're making in our College Football Program. But we're going to see meaningful increases in digital spend, again, across search, across social and across connected TV.

The content is going to be really based into kind of three buckets. When we introduced our Every Eye Deserves Better platform last year, we said that's kind of our anthemic marketing approach for the business, but we had an opportunity to create specific content more geared towards the managed care for the outset or action for the progressive consumer. So, some of the assets we're creating are pointed more specifically at those segments that we've declared are the growth segments for us to pursue.

The other thing that we're doing that we're super excited about is, we're going to dip our toe into marketing directly to online, online purchase consumers. So, for the first time, we're going to actually have some more broad-scale media, encouraging consumers to visit us at AmericasBest.com, to engage in our Virtual Try-On tool, and to make purchases online. Again, that is one of the reasons that we have made the strategic investments to replatform our ecommerce site. And now, we're starting to rev up the engine to drive consumers there to do something other than book an exam, but to actually engage with us from a commerce perspective. So, those are the themes, the media and the types of things that you can expect to hear from us from a consumer communications perspective in the back half of the year.

Robert Ohmes, BofA Securities LLC

That sounds great, Alex. And just a quick follow-up. This – on the store segmentation, can you just remind me like testing you've done and what you've seen so far? And do you think different segments will have similar lifts or a little more color there?

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

Yeah. You got it. One of my favorite topics, actually. So, we have – we developed five store segments for America's Best and those have rolled out. We've developed three for Eyeglass World, which are going to roll out in the back half of the year. The five segments from within America's Best kind of range from luxury to value. And each of those segments has approximately 200 stores per segment. We do anticipate to see higher average ticket lift in the luxury locations. In early innings, that's exactly what we're seeing. Frankly, we're seeing average frame purchases increase in each of the segments once we have layered in our new assortments. But the most accelerated results we are seeing in the ones that are getting the more premium, the more premium SKUs. And, again, probably, I'll just say, it's performing as designed and we're actually super pleased with the results just a few weeks in.

Zachary Fadem, Wells Fargo Securities LLC

Hey, good morning. Good morning. First question is, how you think the optical category as a whole is performing this year? And I know you have some moving parts in your business today, but curious, how you gauge your performance year-to-date in terms of market share with both managed care as well as cash-pay?

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

Yeah. That's great question. I mean, from the channel checks that we do through those formal and informal methods, we believe that we are holding our own or taking share in the market. So, we believe that the market is seeing similar dynamics. So, we are a growth in managed care and deferrals in the cash-pay value-seeking segment. So, we don't think that we're unique in the dynamics that we're seeing across our customer cohorts. And frankly, I think on some of the cohorts like managed care, I think we're outperforming, especially because we had room to grow and room for improvement as it pertains to having products in place, and price points in place that do a better job of serving that managed care consumer. So again, in general, I think we are either holding our own or outperforming. And I think on the managed care side, we're doing really well.

Zachary Fadem, Wells Fargo Securities LLC

Got it. And then on Eyeglass World, you have some changes coming that seemingly brings the business model to be a little bit more like America's Best. So, first question is, if you agree with that and if that is right, could you talk about strategically what's the long-term value of having multiple brands today rather than leveraging the benefit of focusing on one brand?

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

You got it. So actually, we see the work that we're doing on Eyeglass World, pulling Eyeglass World a bit further apart from where America's Best is today. We're pulling it further apart in terms of commercial offer to the consumer. We're pulling it apart further from the assortment and the products that we're carrying. We're actually going to have an even more premium assortment available within the Eyeglass World fleet once we complete our segmentation efforts in the back half of the year.

With the refreshed brand identity that we are launching online in a couple of weeks and then more fully in our consumer communications thereafter, we believe that Eyeglass World will play a more premium, a more joyful, frankly, dare I say, a more luxurious spot in the optical market.

So, we're really excited about the direction that the brand is taking. And again, I think with the work that we're doing, it's going to be further pulled apart from where America's Best is today. So, really, really great things to come for Eyeglass World. And, Zach, to your question on, do we – should we have a second brand? The answer is absolutely, especially once we're done with the work to have a more differentiated Eyeglass World experience.

Matthew Koranda, ROTH Capital Partners LLC

Hi, guys. Thanks for taking the question. Maybe spinning back to the America's Best segmentation that was rolled out at the end of the second quarter. You mentioned, I think, a ticket benefit from the re-segmentation. Can you just unpack that a bit more in terms of what you're seeing? It sounds like maybe more on the higher-end store segmentation side where you're going to see a ticket benefit, and is that sustainable into 2027 and beyond? How to think about sort of the durability of that?

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

Yeah. You got it. We actually think that between the introduction of Nikon Eyes and segmentation, we have about another 100 basis points to 200 basis points of ticket growth just from kind of basic mix shift to go, call it, post-12 months after implementation. So, absolutely, we think there's tailwind going into 2027 and certainly through the back half of the year. The ticket growth across segments, again, early innings what we're seeing, performing as expected, higher ticket growth with the higher segments. Again, even ticket growth at the more entry-level segment as well.

So, again, I think this is the power of providing consumers the frames that they want and need tailored to their specific local market. And we're seeing kind of really, really strong results and we have no reason to believe that, that won't sustain. And, Matt, I think an interesting thing, too, when you think about these types of initiatives and to the question I was asked earlier on, sustainability more over the medium term, you have initiatives like this that you get the mechanical impact over the course of a year. But as associates in the stores get more accustomed to selling against it, those benefits actually go beyond the year of introduction.

That's been my experience in the optical category anyway, right? That you make a mix change, you make a price change, you get a year's worth of kind of these mechanical benefits, and then you get multiple years of benefits as the team members in the stores become more accustomed and more acclimated to selling against those types of strategies.

Matthew Koranda, ROTH Capital Partners LLC

That makes sense. Thanks, Alex. And then maybe just now that the segmentation in America's Best is in place, and obviously, you'll probably need a little bit of time to test and learn around the new segments. But does that put into play broader store expansion next year? I think you guys had been previously talking about that as more of a 2028 event, but it seems like maybe we're more within the window where you could step on the gas in terms of store expansion maybe even in the back half of 2027. But wanted to hear your thoughts on that?

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

Matt, I mean, it's certainly a scenario that we're contemplating, right? I mean, I think we're seeing, given the strong degree of cash flow that we're generating and our overall kind of capital strategy, we are always evaluating how to best deploy that. And again, given the strength now that we're seeing in our target customers, which is changing the profitability profile of the individual transactions, and at the store level, new store growth is something that we're thinking really hard about.

Angus Kelleher-Ferguson, Barclays Capital, Inc

Hi. This is Angus Kelleher on for Adrienne Yih. Thanks for taking our question. I wanted to ask about premium lens attachment. Anti-reflective was a major contributor to ticket growth last year. Is AR doing as much heavy lifting this year? And if possible, could you unpack or maybe rank order the relative contribution from your key drivers and where you see the greatest remaining runway? Obviously, you guys have a lot of great things going on in attachment, so it's kind of hard to keep track of.

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

Hey. Good morning. Yeah. Great question. And again, this is one that we're super pleased with the performance against all elements of lens premiumization. Internally, we talk about lens leadership and our lens quality of sale, and we're seeing anti-reflective, transitions, multifocal, premium multifocal all pointing in the right direction. We're seeing the anti-reflective attachment rate trending in the kind of mid-single-digit positive versus LY perspective, which is beyond what our expectations was even when we unpacked it at our Investor Day last year. So, probably in rank order of what's contributing to our lens leadership, it's anti-reflective lenses one, premium progressives two, transitions three, to give some type of color to what degree of impact we're seeing across those three levers.

Angus Kelleher-Ferguson, Barclays Capital, Inc

Excellent. That's great color. And I think then just one for Chris. Inventory up, I believe, 37%. How should we think about the timing of the sell through and any markdown potential if lower value traffic – or sorry, lower income traffic remains pressured or do you feel comfortable that the product is there to support segmentation and premium assortment and is not dependent on a cash-pay traffic turnaround? Thank you.

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

Yeah. No. It's a great question. Look, I think one of the things that we're really proud of is the supply chain model that we have. So, just to unpack that for a moment. We don't keep back stock in store. So, really, we keep our inventory at our manufacturing facilities, which means as we're selling through, let's say, a SKU that's not going to be part of the carry forward or the go-forward segmentation strategy, right? We might keep it in one of our segments for a period of time to allow us to sell through it, which really helps us reduce the risk of obsolescence.

Look, over time, I'd expect, in general, obsolescence to grow just as the average carrying cost per frame goes up. But what's really exciting about our segmentation strategy is it actually better allows us to work through our inventory before needing to move something to obsolete. So, in terms of the overall balanced growth of the quarter, look, I think we're in a great spot to support our ongoing segmentation strategy. We might see some modest growth from where we're at. But in terms of the big moves that we'd anticipate seeing, that was really done through Q2 to support the launch here at the end of the quarter. We feel really good about working capital position going forward.

Paul Lejuez, Citigroup Global Markets, Inc.

Hey. Thanks, guys. Curious if you can talk about what percent of your stores where you're actually seeing positive traffic. You mentioned there were five segments, curious how different those are from a traffic and ticket perspective? Maybe we will start there.

And then the second question, I'd love to hear a little bit more about the Meta product. How much of a sales driver that's been for you guys, and what's next in terms of smart glasses? What it can mean to you in the coming quarters and years? Thanks.

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

You got it. Good morning. So, a little bit too early to tell traffic drivers by segments. Again, this is something we just rolled out within the last, call it, five weeks or so. But again, where we're seeing traffic increases are among consumers that are purchasing in the top median average ticket or average transaction value. And so, that's both with the managed care traffic is up in that segment. The self-pay, the cash-pay is down slightly in that segment. But overall, we're seeing traffic in those median consumers or those consumers purchasing over the median average ticket value increase. And the decrease has been more concentrated in those that are engaging at the lower end of our kind of commercial scale.

This has been the trend that's been a bit more exasperated since the beginning or mid-Q2. In terms of product as a sales drivers in smart eyewear, we're seeing equal parts of our frame premiumization and lens premiumization drive our product mix, which again is something we're super proud of. Especially in light of that, as I mentioned during a question earlier, we still have a significant portion of our assortment available at a value or entry-level value price point. So, the fact that consumers are raising their hands for the better products, we just can be – we couldn't be happier with.

And we think that's – when you hear the confidence in our strategy over the multiple years, that's what gives us the confidence of the durability of the changes we've made and the durability of the business go forward is that we do see this acceleration of consumers who are opting in to better product. In terms of smart eyewear, super pleased with the progress that we've made with Ray-Ban Meta and we introduced an Oakley Meta Frame as well. Our store associates are getting ever more accustomed to selling this product and we're seeing consumer demand continue to be to be strong.

Again, it's not yet a material contributor to our overall business. However, we do think that in the long term, more and more consumers are going to adopt smart eyewear. And as they adopt smart eyewear, what we have seen is an average transaction value that is amongst the most valuable in our portfolios. These are the consumers who are also opting into the most premium lenses with their smart eyewear. So, certainly more work to do here, but super pleased with the adoption acceleration that we're seeing in this category.

Paul Lejuez, Citigroup Global Markets, Inc.

And Alex, you've mentioned a couple of things that were going to be drivers of ticket. I don't think smart eyewear was one of them. When do you think it's material enough to actually move the dial from a top line perspective and ticket perspective?

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

Yeah. I mean, I think once we start to see a few more players come to the category, we'll start to see material contribution to the growth. in terms of how that materializes quarter-over-quarter.

Anthony Chukumba, Loop Capital Markets LLC

Good morning. Thank you so much for taking my question. I'm going to start with more of a comment than a question. I was going through the presentation slides and I saw the new Eyeglass World advertising, change your glasses, change your world. And I'm just happy to see that Mr. World would no longer be haunting my dreams. So, I just wanted to quickly mention that. So, anyway, but sticking with Eyeglass World, I just had a clarification. So, okay, you mentioned you're going to move those lens surfacing from the stores to larger centralized labs. My understanding, though, has been part of the reason to do the lens surfacing in the store was to offer same-day eyeglasses. So, are you still going to be offering same-day eyeglasses in Eyeglass World?

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

Yeah. Anthony, it's a great question. I mean, it's the in-store lab surfacing is a bit of a double-edged sword. In one aspect, it allows you to do same-day service. But on another side, it prevents you from providing the consumer more advanced materials and advanced coatings. So, for instance, on same-day in-store work on progressives, you cannot offer things like Nikon Eyes and you cannot offer anti-reflective coatings because that's just not a capability that's available in the store. So, it's the balancing act of what's more valuable to the consumer, same-day service or a more premium offering.

And the way the market is going, the more premium offering supersedes the need for same-day service. That being said, we do still offer same-day single vision service in the store. So, we're changing the lab operating model from one that does full surfacing for progressive lenses to doing finishing work for single vision.

So, for those consumers who require same-day service or same-day lenses for a broke or lost pair of glasses, you can still service those in Eyeglass World with that same-day service promise. It's just not going to be a kind of core central thesis for the brand go forward. It also helps us from an inventory management perspective. It helps us from an efficiency perspective. And again, it helps significantly from the ability to offer more premium product to the consumer.

Anthony Chukumba, Loop Capital Markets LLC

Got it. And then just one quick follow-up. So, I know you mentioned in the past kind of moving men's vision care penetration from, call it, like around 40% to 50%. I just want to know if we have any update in terms of where we stood maybe even just through the first half of this year? Thank you.

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

Yeah. We are really, really proud of the progress we're making against growing our managed care penetration. I think a, call it a headwind to that even last year was the fact that our cash-pay was also comping positive net. So, we were – we need to outpace our managed care growth against our cash-pay growth and a byproduct of the fact that we saw some weakness in the cash-pay consumer in Q2 as the overall mix of managed care grows as part of the portfolio as they grew in both traffic and ticket in the quarter.

So, look, I think all the strategies we're deploying against growing our value proposition for the managed care consumer continues to be strong. I strongly believe the availability of Nikon Eyes in a Tier 4 lens, the availability of a broader swath of more premium frames in the store is going to continue to make us a strong part of the consideration set for managed care consumers in the category.

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

Great. Thank you. So, before I close, I want to thank all of our National Vision team members and our affiliated doctors. Q2 certainly raised some challenges to the business and I just couldn't be prouder of the execution, the focus that this team has put forward every single day to take great care of our patients and customers. So, the work you're doing is truly helping to drive our results and drive our ongoing transformation. Thank you also to all of you who joined our call today and for the thoughtful questions. As always, we appreciate your dedication, your time, your focus, and the thoughtfulness to what you come to these calls. Thanks so much, everyone.