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 30, 2023

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 27, 2023
Common stock, $0.01 par value	78,245,619

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 and Part I, Item 1A - “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Annual Report on Form 10-K”), as filed with the Securities and Exchange Commission (the “SEC”), as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov, and also include, but are not limited to, market volatility and an overall decline in the health of the economy and other factors impacting consumer spending, including inflation and uncertainty in financial markets (including as a result of recent events affecting financial institutions); our ability to recruit and retain vision care professionals for our stores and remote medicine offerings in general and in light of the pandemic; our ability to compete successfully; our ability to successfully open new stores and enter new markets; our ability to expand our remote medicine offerings and electronic health records capabilities; 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 successfully navigate the termination of our Walmart partnership, including the transition period; our ability to maintain sufficient levels of cash flow from our operations to execute or sustain our growth strategy or obtain additional financing at satisfactory terms or at all; the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices; our growth strategy straining our existing resources and causing the performance of our existing stores to suffer; the COVID-19 pandemic and future resurgences, and related impacts including federal, state, and local governmental actions in response thereto; customer behavior in response to the pandemic, including the impact of such behavior on in-store traffic and sales; our ability to successfully and efficiently implement our marketing, advertising and promotional efforts; risks associated with leasing substantial amounts of space, including future increases in occupancy costs; the impact of certain technological advances, and the greater availability of, or increased consumer preferences for, vision correction alternatives to prescription eyeglasses or contact lenses, and future drug development for the correction of vision-related problems; our ability to retain our existing senior management team and attract qualified new personnel; our ability to manage our inventory; seasonal fluctuations in our operating results and inventory levels; risks associated with our e-commerce and omni-channel business; 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; risk of losses arising from our investments in technological innovators in the optical retail industry including artificial intelligence; risks associated with environmental, social and governance issues, including climate change; risks associated with vendors from whom our products are sourced, including our dependence on a limited number of suppliers; our ability to develop, maintain and extend relationships with managed vision care companies, vision insurance providers and other third-party payors; our ability to effectively operate our information technology systems and prevent interruption or security breach; our reliance on third-party coverage and reimbursement, including government programs, for an increasing portion of our revenues; 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 adhere to changing state, local and federal privacy, data security and data protection laws and regulations; 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; our ability to adequately protect our intellectual property; our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our debt obligations; a change in interest rates as well as changes in benchmark rates and uncertainty related to the foregoing; restrictions in our credit agreement that limits our flexibility in operating our business; potential dilution to existing stockholders upon the conversion of our convertible notes; and risks related to owning our common stock (including the timing, manner and volume of repurchases of common stock pursuant to our share repurchase program), including our ability to comply with requirements to design and implement and maintain effective internal controls.

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

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

Website Disclosure

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

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

	As of September 30, 2023	As of December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 265,815	$ 229,425
Accounts receivable, net	76,640	79,892
Inventories	120,583	123,158
Prepaid expenses and other current assets	37,024	41,361
Total current assets	500,062	473,836
Noncurrent assets:		
Property and equipment, net	358,010	359,775
Goodwill	717,544	777,613
Trademarks and trade names	240,547	240,547
Other intangible assets, net	20,814	34,669
Right of use assets	402,788	382,825
Other assets	26,669	21,981
Total noncurrent assets	1,766,372	1,817,410
Total assets	$ 2,266,434	$ 2,291,246
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 62,882	$ 65,276
Other payables and accrued expenses	113,378	94,225
Unearned revenue	40,082	41,239
Deferred revenue	64,061	62,201
Current maturities of long-term debt and finance lease obligations	10,636	4,137
Current operating lease obligations	82,489	77,186
Total current liabilities	373,528	344,264
Noncurrent liabilities:		
Long-term debt and finance lease obligations, less current portion and debt discount	552,191	563,388
Noncurrent operating lease obligations	374,810	358,110
Deferred revenue	22,116	21,601
Other liabilities	9,786	8,900
Deferred income taxes, net	93,651	93,870
Total noncurrent liabilities	1,052,554	1,045,869
Commitments and contingencies (See Note 10)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 84,652 and 84,273 shares issued as of September 30, 2023 and December 31, 2022, respectively; 78,179 and 78,992 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	846	842
Additional paid-in capital	783,355	767,112
Accumulated other comprehensive loss	(611)	(1,179)
Retained earnings	270,603	320,517
Treasury stock, at cost; 6,473 and 5,281 shares as of September 30, 2023 and December 31, 2022, respectively	(213,841)	(186,179)
Total stockholders' equity	840,352	901,113
Total liabilities and stockholders' equity	$ 2,266,434	$ 2,291,246

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenue:				
Net product sales	$ 435,556	$ 410,701	$ 1,333,242	$ 1,265,554
Net sales of services and plans	96,800	88,506	286,823	270,919
Total net revenue	532,356	499,207	1,620,065	1,536,473
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	167,407	160,645	508,023	488,225
Services and plans	84,619	72,155	245,894	215,179
Total costs applicable to revenue	252,026	232,800	753,917	703,404
Operating expenses:				
Selling, general and administrative expenses	249,705	225,028	743,598	681,411
Depreciation and amortization	24,407	24,852	74,149	75,248
Asset impairment	80,834	1,263	82,114	5,178
Other expense (income), net	(19)	(95)	(153)	170
Total operating expenses	354,927	251,048	899,708	762,007
Income (loss) from operations	(74,597)	15,359	(33,560)	71,062
Interest expense (income), net	3,722	(1,977)	10,425	(2,158)
Earnings (loss) before income taxes	(78,319)	17,336	(43,985)	73,220
Income tax provision (benefit)	(4,521)	5,834	5,929	21,837
Net income (loss)	$ (73,798)	$ 11,502	$ (49,914)	$ 51,383
Earnings (loss) per share:				
Basic	$ (0.94)	$ 0.15	$ (0.64)	$ 0.64
Diluted	$ (0.94)	$ 0.15	$ (0.64)	$ 0.63
Weighted average shares outstanding:				
Basic	78,163	78,910	78,328	80,133
Diluted	78,163	79,304	78,328	93,477
Comprehensive income (loss):				
Net income (loss)	$ (73,798)	$ 11,502	$ (49,914)	$ 51,383
Unrealized gain on hedge instruments	255	255	763	762
Tax provision of unrealized gain on hedge instruments	65	65	195	194
Comprehensive income (loss)	$ (73,608)	$ 11,692	$ (49,346)	$ 51,951

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

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

	Three and Nine Months Ended September 30, 2023						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at December 31, 2022	78,992	$ 842	$ 767,112	$ (1,179)	$ 320,517	$ (186,179)	$ 901,113
Issuance of common stock	282	3	490	—	—	—	493
Stock-based compensation	—	—	4,271	—	—	—	4,271
Purchase of treasury stock	(1,189)	—	—	—	—	(27,609)	(27,609)
Settlement of 2025 Notes	—	—	—	—	—	—	—
Unrealized gain on hedge instruments, net of tax	—	—	—	188	—	—	188
Net income	—	—	—	—	18,270	—	18,270
Balances at April 1, 2023	78,085	$ 845	$ 771,873	$ (991)	$ 338,787	$ (213,788)	$ 896,726
Issuance of common stock	70	1	451	—	—	—	452
Stock-based compensation	—	—	5,438	—	—	—	5,438
Purchase of treasury stock	(1)	—	—	—	—	(8)	(8)
Unrealized gain on hedge instruments, net of tax	—	—	—	190	—	—	190
Net income	—	—	—	—	5,614	—	5,614
Balances at July 1, 2023	78,154	$ 846	$ 777,762	$ (801)	$ 344,401	$ (213,796)	$ 908,412
Issuance of common stock	27	—	381	—	—	—	381
Stock-based compensation	—	—	5,212	—	—	—	5,212
Purchase of treasury stock	(2)	—	—	—	—	(45)	(45)
Unrealized gain on hedge instruments, net of tax	—	—	—	190	—	—	190
Net income (loss)	—	—	—	—	(73,798)	—	(73,798)
Balances at September 30, 2023	78,179	$ 846	$ 783,355	$ (611)	$ 270,603	$ (213,841)	$ 840,352

	Three and Nine Months Ended October 1, 2022						
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balances at January 1, 2022	81,405	$ 838	$ 750,478	$ (1,940)	$ 278,395	$ (101,791)	$ 925,980
Issuance of common stock	289	3	1,366	—	—	—	1,369
Stock-based compensation	—	—	3,692	—	—	—	3,692
Purchase of treasury stock	(272)	—	—	—	—	(10,649)	(10,649)
Settlement of 2025 Notes	—	—	(1)	—	—	—	(1)
Unrealized gain on hedge instruments, net of tax	—	—	—	188	—	—	188
Net income	—	—	—	—	30,147	—	30,147
Balances at April 2, 2022	81,422	$ 841	$ 755,535	$ (1,752)	$ 308,542	$ (112,440)	$ 950,726
Issuance of common stock	18	—	421	—	—	—	421
Stock-based compensation	—	—	3,606	—	—	—	3,606
Purchase of treasury stock	(2,555)	—	—	—	—	(73,008)	(73,008)
Unrealized gain on hedge instruments, net of tax	—	—	—	190	—	—	190
Net income	—	—	—	—	9,734	—	9,734
Balances at July 2, 2022	78,885	$ 841	$ 759,562	$ (1,562)	$ 318,276	$ (185,448)	$ 891,669
Issuance of common stock	26	—	483	—	—	—	483
Stock based compensation	—	—	3,121	—	—	—	3,121
Purchase of treasury stock	(1)	—	—	—	—	(40)	(40)
Unrealized gain on hedge instruments, net of tax	—	—	—	190	—	—	190
Net income	—	—	—	—	11,502	—	11,502
Balances at October 1, 2022	78,910	$ 841	$ 763,166	$ (1,372)	$ 329,778	$ (185,488)	$ 906,925

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

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

	Nine Months Ended	
	September 30, 2023	October 1, 2022
Cash flows from operating activities:		
Net income (loss)	$ (49,914)	$ 51,383
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	74,149	75,248
Amortization of debt discount and deferred financing costs	2,604	2,456
Asset impairment	82,114	5,178
Deferred income tax expense (benefit)	(413)	4,652
Stock-based compensation expense	15,040	10,540
Losses (gains) on change in fair value of derivatives	(1,942)	(16,724)
Inventory adjustments	2,886	2,218
Other	2,283	3,531
Changes in operating assets and liabilities:		
Accounts receivable	2,743	(8,896)
Inventories	(311)	(582)
Operating lease right of use assets and lease liabilities	59	262
Other assets	4,797	3,070
Accounts payable	(2,394)	4,648
Deferred and unearned revenue	1,218	752
Other liabilities	20,353	(16,399)
Net cash provided by operating activities	153,272	121,337
Cash flows from investing activities:		
Purchase of property and equipment	(81,965)	(86,120)
Other	(614)	53
Net cash used for investing activities	(82,579)	(86,067)
Cash flows from financing activities:		
Repayments on long-term debt	(1,875)	(4)
Proceeds from issuance of common stock	1,326	2,515
Purchase of treasury stock	(27,662)	(83,676)
Payments of debt issuance costs	(2,869)	—
Payments on finance lease obligations	(3,085)	(3,459)
Net cash used for financing activities	(34,165)	(84,624)
Net change in cash, cash equivalents and restricted cash	36,528	(49,354)
Cash, cash equivalents and restricted cash, beginning of year	230,624	306,876
Cash, cash equivalents and restricted cash, end of period	$ 267,152	$ 257,522
Supplemental cash flow disclosure information:		
Cash paid for interest	$ 6,378	$ 11,000
Cash paid for taxes	$ 6,338	$ 6,617
Capital expenditures accrued at the end of the period	$ 8,969	$ 11,167

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

National Vision Holdings, Inc. and Subsidiaries
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1. Description of Business and Basis of Presentation

Nature of Operations

National Vision Holdings, Inc. ("NVHI," the "Company," "we," "our," or "us") is a holding company whose operating subsidiaries include its indirect wholly-owned subsidiary, National Vision, Inc. ("NVI") and NVI's wholly-owned subsidiaries. We are a leading value retailer of eyeglasses and contact lenses in the United States. We operated 1,402 and 1,354 retail optical locations in the United States and its territories as of September 30, 2023 and December 31, 2022, respectively, through our five store brands, including America's Best Contacts and Eyeglasses ("America's Best"), Eyeglass World, Vista Optical locations on select U.S. Army/Air Force military bases ("Military") and within select Fred Meyer stores, and our management & services arrangement with Walmart ("Legacy"). Refer to Note 2. "Termination of Walmart Partnership" for developments related to the Walmart exit.

Basis of Presentation and Principles of Consolidation

We prepare our unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and, therefore, do not include all information and disclosures required by U.S. GAAP for complete consolidated financial statements. The Condensed Consolidated Balance Sheet as of December 31, 2022 has been derived from the audited consolidated balance sheet for the fiscal year then ended. These condensed consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company's consolidated results of the interim period.

Certain information and disclosures normally included in our annual consolidated financial statements have been condensed or omitted; however, we believe that the disclosures included herein are sufficient for a fair presentation of the information presented. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the fiscal year ended December 31, 2022 included in the 2022 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 30, 2023.

The condensed consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Certain amounts within the footnotes to the financial statements for fiscal year 2022 have been reclassified to conform to the fiscal year 2023 presentation.

The Company has consolidated certain entities meeting the definition of a variable interest entity ("VIE") as the Company concluded that it is the primary beneficiary of the entities under the provisions of Accounting Standards Codification 810, Consolidation. At September 30, 2023, the variable interest entities include 32 professional corporations. The total assets of the consolidated VIEs included in the accompanying Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, were $3.7 million and $7.9 million, respectively, and the total liabilities of the consolidated VIEs were $5.1 million and $8.3 million, respectively.

Fiscal Year

Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31. Fiscal year 2023 contains 52 weeks and will end on December 30, 2023. 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 30, 2023 and October 1, 2022, 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 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.

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

Non-cash impairment charges of $80.8 million and $82.1 million were recorded for the three and nine months ended September 30, 2023, respectively, compared to $1.3 million and $5.2 million for the three and nine months ended October 1, 2022, respectively. The majority of the impairment charges this quarter are associated with our Legacy segment and AC Lens. Refer to Note 2. “Termination of Walmart Partnership” for more detail. In addition to the Walmart and AC Lens related impairment charges, we recorded impairment charges primarily related to tangible long-lived assets and ROU assets associated with our Owned & Host segment which are driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other. Refer to Note 4. “Fair Value Measurements” for additional information on impairment charges unrelated to the termination of the Walmart partnership.

Income Taxes

Our effective tax rate for the three months ended September 30, 2023 was 5.8%, reflecting our statutory federal and state rate of 25.4%, the disallowance of the Legacy segment goodwill impairment loss for income tax purposes and effects of other permanent items. Our effective tax rate for the three months ended October 1, 2022 was 33.7%, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items.

Our effective tax rate for the nine months ended September 30, 2023 was (13.5)%, reflecting our statutory federal and state rate of 25.4%, the disallowance of the Legacy segment goodwill impairment loss for income tax purposes and other permanent items. Our effective tax rate for the nine months ended October 1, 2022 was 29.8%, reflecting our statutory federal and state rate of 25.5% and effects of other permanent items.

Share Repurchases

During the nine months ended September 30, 2023 and October 1, 2022, the Company repurchased 1.1 million shares of its common stock for $25.0 million, and 2.7 million shares of its common stock for $80.0 million, respectively, under the share repurchase program. As of September 30, 2023, $25.0 million remains available under the share repurchase authorization.

In August 2022, the U.S. government enacted the Inflation Reduction Act (“IRA”) which, among other things, provides for a 15% corporate alternative minimum tax based on a prescribed measure of income as well as a 1% excise tax on stock repurchases.

Investment

In the second quarter of fiscal year 2023, we completed an investment in an entity specializing in applying artificial intelligence-powered screening and diagnostic tools to retinal imaging. The initial investment of $0.9 million was recognized in Other assets in the Condensed Consolidated Balance Sheets as of September 30, 2023 and in Other in the investing section of the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2023. We have agreed to invest up to an additional $2.4 million in the entity upon the completion of certain milestones.

Future Adoption of Accounting Pronouncements

Reference Rate Reform. The Financial Accounting Standards Board (“FASB”) has issued guidance at various points over the last several years that 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”). We are currently able to apply this new guidance for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 through December 31, 2024. Refer to Note 5. “Long-term Debt” and Note 6. “Interest Rate Derivatives” for more information on our transition from LIBOR to Term Secured Overnight Financing Rate (“Term SOFR”).

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

2. Termination of Walmart Partnership

On July 20, 2023, the Company received a notice of non-renewal from Walmart Inc. ("Walmart") of the Management & Services Agreement by and between NVI and Walmart, dated as of May 1, 2012 (as amended, supplemented or otherwise modified from time to time, the "Walmart MSA"). In accordance with the terms of the Walmart MSA and the notice, the agreement will terminate as of February 23, 2024, unless an alternate date is agreed by the parties (the "Termination Date"). In connection with the termination of the Walmart MSA, the Amended and Restated Supplier Agreement between NVI and Walmart, dated as of January 17, 2017 (the "Walmart Supplier Agreement"), and certain other related agreements will also terminate as of the Termination Date. The Walmart MSA includes provisions governing the transition period and post-termination obligations of the parties.

In connection with the termination of the Walmart MSA, the agreement between FirstSight Vision Services, Inc. ("FirstSight"), a wholly-owned subsidiary of the Company, and Walmart, which arranges for the provision by FirstSight of optometric services at optometric offices next to certain Walmart stores throughout California, will also terminate as of the Termination Date. Additionally, another wholly-owned subsidiary of the Company, Arlington Contacts Lens Service, Inc. ("AC Lens"), has delivered notices of non-renewal of the agreements it has with Walmart and its affiliate Sam's Club regarding wholesale contact lenses distribution and related services, such that these agreements will terminate as of June 30, 2024, unless an earlier date is agreed by the parties. The Company will also wind down its remaining AC Lens operations, including the closure of its Ohio distribution center, which largely supported the wholesale distribution and e-commerce contact lens services that the Company provided to Walmart and Sam's Club.

The following table details charges recognized in the periods shown. We may incur other exit-related costs, which may be material.

In thousands	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Impairment charges	$ 79,360	$ 79,360
Employee compensation benefits	$ 1,958	$ 1,958
Professional fees	$ 178	$ 178

The table below summarized the Company's Other payables and accrued expenses balance related to the termination of the Walmart Partnership.

In thousands	Employee Compensation Benefits
Balance at December 31, 2022	$ —
Expenses recognized during the period	1,958
Balance at September 30, 2023	$ 1,958

Impairment charges

We determined that the various impending terminations of agreements described above as well as the subsequent decision to consolidate our distribution network and close the distribution center in Ohio constituted triggering events, and accordingly, performed impairment tests during the quarter ended September 30, 2023 on assets related to the Walmart partnership. We used the discounted cash flow method of the income approach in our analyses and considered projected cash flows for the remaining terms of the various agreements and other costs related to ending the Walmart partnership, and used discount rates between 7.8% and 10.0% depending on the asset or asset group being valued. A decrease in the estimated cash flows would lead to a lower fair value measurement, as would an increase in the discount rate. These non-recurring fair value measurements are classified as Level 3 measurements in the fair value hierarchy. The impairment charges recognized during the three and nine months ended September 30, 2023 resulting from the impending Walmart partnership termination include $60.1 million related to goodwill of the Legacy segment, $9.1 million related to the Walmart contracts and relationship intangible asset, and $10.2 million related to property and equipment at Walmart stores and associated with our AC Lens business. These expenses were recognized in Corporate/Other, and the impairment charges are reflected in Asset impairment in the Condensed Consolidated Statements of Operations and Comprehensive Income. The estimated remaining fair value of the assets impaired during the three and nine months ended September 30, 2023 as a result of the termination of the Walmart partnership was $1.5 million. We adjusted the useful lives of the impaired intangible and fixed assets to be aligned with the respective contract termination dates. The impairment testing date for (i) goodwill related to the Legacy segment, (ii) the Walmart contract and relationships intangible asset and (iii) property and equipment located in Walmart stores was contemporaneous with the date that we received notice of non-renewal from Walmart. We did not impair certain assets that we believe can be sold or used in other stores in our Owned & Host segment after the Termination Date. We determined that all long-lived Walmart and AC Lens assets were held and used as of September 30, 2023 and were not available for immediate sale.

Aggregate intangible asset amortization expense is included in Depreciation and amortization in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Aggregate future estimated intangible asset amortization expense, including remaining carrying value of $0.2 million related to the Walmart contracts and relationship intangible asset as of September 30, 2023, is shown in the following table:

Fiscal Year	*In thousands*
2023 - remainder of fiscal year	$ 542
2024	1,675
2025	1,563
2026	1,525
2027	1,525
Thereafter	13,984
	$ 20,814

Refer to the Note 1. "Description of Business and Basis of Presentation" for more details on our impairment testing.

Employee compensation benefits

During the three and nine months ended September 30, 2023, we recognized $0.3 million in Costs of services and plans and $1.7 million in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income, in the Corporate/Other category, related to retention bonus programs implemented for certain associates to ensure continuity of business until the Termination Date, as well as termination benefits for certain associates that are probable to occur within the next 12 months. The liability for employee compensation benefits is recorded in Other payables and accrued expenses in the Condensed Consolidated Balance Sheets.

Professional Fees

During the three and nine months ended September 30, 2023, we recognized $0.2 million in Selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive Income, in the Corporate/Other category, related to professional fees, including advisory fees to assist with the exit.

3. Details of Certain Balance Sheet Accounts

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

	Nine Months Ended	
In thousands	September 30, 2023	October 1, 2022
Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 265,815	$ 256,209
Restricted cash included in other assets	1,337	1,313
	$ 267,152	$ 257,522

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

In thousands		As of September 30, 2023		As of December 31, 2022
Accounts receivable, net:				
Trade receivables	$	43,359	$	41,622
Credit card receivables		18,556		23,311
Other receivables [(1)]		15,117		15,478
Allowance for credit losses		(392)		(519)
	$	76,640	$	79,892

(1) Includes Coronavirus Aid, Relief, and Economic Security ("CARES") Act receivable in the amount of $9.0 million as of September 30, 2023 and December 31, 2022.

In thousands		As of September 30, 2023		As of December 31, 2022
Inventories:				
Raw materials and work in process [(1)]	$	58,353	$	64,786
Finished goods		62,230		58,372
	$	120,583	$	123,158

(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 30, 2023		As of December 31, 2022
Other payables and accrued expenses:				
Associate compensation and benefits	$	44,739	$	37,451
Self-insurance liabilities		9,553		8,744
Capital expenditures		8,969		9,594
Advertising		10,510		3,811
Reserves for customer returns and remakes		8,233		7,676
Legacy management & services agreement		4,967		6,488
Income taxes payable [(1)]		22		103
Supplies and other store support expenses		5,105		4,215
Other		21,280		16,143
	$	113,378	$	94,225

(1) Income tax receivables of $4.3 million and $4.6 million were included in Prepaid expenses and other current assets as of September 30, 2023 and December 31, 2022, respectively.

In thousands		As of September 30, 2023		As of December 31, 2022
Other noncurrent liabilities:				
Self-insurance liabilities	$	7,154	$	6,292
Other		2,632		2,608
	$	9,786	$	8,900

4. Fair Value Measurement

Recurring fair value measurements

Interest Rate Derivatives

We recognize as assets or liabilities at fair value the estimated amounts we would receive or pay upon a termination of interest rate derivatives prior to their scheduled expiration dates. The fair value is based on information that is model-driven and whose inputs were observable (Level 2 inputs) such as Term SOFR forward rates. See Note 6. "Interest Rate Derivatives" for further details.

Non-recurring fair value measurements

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

Refer to Note 2. “Termination of Walmart Partnership” for more information on impairment charges related to the termination of the Walmart partnership. This section discusses fair value measurements unrelated to the termination of the Walmart partnership. We recognized impairments of $1.5 million and $2.8 million during the three and nine months ended September 30, 2023, respectively, and $1.3 million, and $5.2 million during the three and nine months ended October 1, 2022, respectively related to store assets. The cash flows used in estimating fair value were discounted using market rates from 10.8% to 11.5%. A decrease in the estimated cash flows would lead to a lower fair value measurement, as would an increase in the discount rate. These non-recurring fair value measurements are classified as Level 3 measurements in the fair value hierarchy. The estimated remaining fair value of the assets impaired during the nine months ended September 30, 2023 and October 1, 2022 was $2.8 million and $5.5 million, respectively; the estimated remaining fair values include amounts estimated at various dates during the related fiscal years. Substantially all of the remaining fair value of the impaired store assets represents the fair value of ROU assets.

Additional fair value information

Long-term Debt - Term A Loans and Revolving Loans

Since the borrowings under the $148.1 million outstanding principal first lien term loan (“Term A Loans”) and revolving credit loans in an aggregate principal amount of $300.0 million (the “Revolving Loans”) utilize variable interest rate setting mechanisms such as Term SOFR, 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 A Loans and Revolving Loans. Refer to Note 5. “Long-term Debt” for more information on these borrowings.

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 30, 2023. Refer to Note 5. “Long-term Debt” for more information on the 2025 Notes. The estimated fair value of the 2025 Notes was approximately $386.1 million and $553.9 million as of September 30, 2023 and December 31, 2022, respectively. The estimated fair value of the 2025 Notes is based on the prices the 2025 Notes have traded in the market, as well as overall market conditions on the date of valuation, stated coupon rates, the number of coupon payments each year and the maturity dates, and represents a Level 2 measurement in the fair value hierarchy. Refer to Note 5. “Long-term Debt” for more information on the 2025 Notes.

5. Long-term Debt

Long-term debt consists of the following:

In thousands	As of September 30, 2023	As of December 31, 2022
2025 Notes, due May 15, 2025	$ 402,497	$ 402,497
Term A Loans, due June 13, 2028	148,125	150,000
Revolving Loans, due June 13, 2028	—	—
Long-term debt before unamortized discount and issuance costs	550,622	552,497
Unamortized discount and issuance costs - 2025 Notes	(3,963)	(5,696)
Unamortized discount and issuance costs - Term A Loans	(1,125)	(570)
Long-term debt less debt discount and issuance costs	545,534	546,231
Less current maturities	(7,500)	—
Long-term debt - noncurrent portion	538,034	546,231
Finance lease obligations	17,293	21,294
Less current maturities	(3,136)	(4,137)
Long-term debt and finance lease obligations, less current portion, discount, and issuance costs	$ 552,191	$ 563,388

Scheduled annual maturities of debt are as follows:

Fiscal Period		*In thousands*
2023 - remainder of fiscal year	$	1,875
2024		5,625
2025		411,872
2026		7,500
2027		7,500
Thereafter		116,250
	$	550,622

Credit Agreement

Reference is made to (i) that certain Second Joinder and Restatement Agreement, dated as of June 13, 2023 (the “Second Restatement Agreement”), by and among the New Lenders party thereto, the Letter of Credit Issuers party thereto, Nautilus Acquisition Holdings, Inc. (“Holdings”), a Delaware corporation and a wholly-owned subsidiary of the Company, NVI, the subsidiaries of NVI party thereto, as guarantors, Bank of America, N.A. in its capacity as administrative agent and as collateral agent and (ii) the Second Amended and Restated Credit Agreement, dated as of June 13, 2023 (the “Credit Agreement”).

On June 13, 2023 (the “Second Restatement Effective Date”), the Second Restatement Agreement amended and restated the Joinder and Amendment and Restatement Agreement, dated as of July 18, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the Second Restatement Agreement, the “Original Credit Agreement”) to, among other things, (i) establish new Term A Loans to repay all principal, interest, fees and other amounts outstanding (other than contingent obligations) under the Original Credit Agreement immediately prior to the Second Restatement Effective Date, (ii) establish new Revolving Loans, (iii) provide for a Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator) (“SOFR”)-based rate, with a credit spread adjustment of 10 basis points for all Interest Periods and a SOFR floor of 0.00% per annum, and (iv) as set forth below, modify the Applicable Margins used to calculate the rate of interest payable with respect to the Term A Loans and Revolving Loans (collectively, the “Loans”).

The Credit Agreement, as amended by the Second Restatement Agreement, provides that the Loans mature on the fifth anniversary of the Second Restatement Effective Date, subject to a springing maturity date, which is 91 days before the maturity date of the Company’s 2025 Notes if Minimum Liquidity is less than the sum of the redemption value of such convertible notes on that date plus $25.0 million (the “Maturity Date”). Commencing on the last day of the first full fiscal quarter ended after the Second Restatement Effective Date, the Term A Loans will amortize in equal calendar quarterly installments at a rate of 5.00% per calendar year. The $114.4 million balance (assuming the springing maturity date does not occur) will be payable on the Maturity Date.

The new Applicable Margins are initially (i) 1.75% for the Loans that are Term SOFR Loans and (ii) 0.75% for the Loans that are Alternative Base Rate (“ABR”) Loans. Following the delivery of the financial statements for the period ending on September 30, 2023, the Applicable Margins for the Loans will instead be based on NVI’s total leverage ratio as follows: (a) if NVI’s consolidated total debt to consolidated EBITDA ratio is greater than 2.50 to 1.00, the Applicable Margin will be 2.25% for Term SOFR Loans and 1.25% for ABR Loans, (b) if NVI’s consolidated total debt to consolidated EBITDA ratio is less than or equal to 2.50 to 1.00 but greater than 1.75 to 1.00, the Applicable Margin will be 2.00% for Term SOFR Loans and 1.00% for ABR Loans, (c) if NVI’s consolidated total debt to consolidated EBITDA ratio is less than or equal to 1.75 to 1.00 but greater than 0.75 to 1.00, the Applicable Margin will be 1.75% for Term SOFR Loans and 0.75% for ABR Loans, (d) if NVI’s consolidated total debt to consolidated EBITDA ratio is less than or equal to 0.75 to 1.00, the Applicable Margin will be 1.50% for Term SOFR Loans and 0.50% for ABR Loans.

In connection with the Second Amended and Restated Credit Agreement, we deferred $2.0 million of debt issuance costs related to the Revolving Loans in Other assets and $0.9 million of debt issuance costs related to the Term A Loans in Long-term debt and finance lease obligations, less current portion and debt discount on our Condensed Consolidated Balance Sheets as of July 1, 2023. We will amortize these costs over the term of the amended credit agreement. We wrote off previously unamortized debt issuance costs of $0.2 million in Interest expense (income), net during the nine months ended September 30, 2023 related to lenders who were parties to the Original Credit

Agreement but are not parties to the Second Restatement Agreement. We recognized $0.2 million of other refinancing fees in Interest expense (income), net during the nine months ended September 30, 2023.

The Second Restatement Agreement contains customary affirmative covenants, negative covenants, and events of default substantially comparable to the Original Credit Agreement.

We were in compliance with all covenants related to our long-term debt as of September 30, 2023.

2025 Notes

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

	Three Months Ended		Nine Months Ended	
In thousands	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Contractual interest expense	$ 2,516	$ 2,516	$ 7,547	$ 7,547
Amortization of issuance costs	$ 617	$ 599	$ 1,733	$ 1,679

As of September 30, 2023, the remaining period for the unamortized debt issuance costs balance was approximately two years. An immaterial amount of the principal balance of the 2025 Notes was converted during the nine months ended October 1, 2022.

As of September 30, 2023, the stock price conditions under which the 2025 Notes can be converted at the holders' option were not met.

6. Interest Rate Derivatives

We are party to an interest rate collar to offset the variability of cash flows in Term SOFR-indexed debt interest payments. During the second quarter of 2023, we amended the reference rate of the collar from LIBOR to Term SOFR. To manage credit risk associated with our interest rate hedging program, we select as counterparties major financial institutions with investment grade credit ratings. The aggregate notional amount of the interest rate collar, which is not designated as a cash flow hedge, was $325.0 million as of September 30, 2023. The fair value of our interest rate collar instrument was an asset of $8.9 million, which is recorded in Prepaid expenses and other current assets as of September 30, 2023, and an asset of $14.1 million ($10.0 million in Prepaid expenses and other current assets and $4.1 million in Other assets) as of December 31, 2022. See Note 4. "Fair Value Measurement" for further details.

We recognized (gains) losses on the change in fair value of the interest rate collar of $(0.4) million and $(2.7) million during the three and nine months ended September 30, 2023 respectively, and $(6.7) million and $(16.5) million during the three and nine months ended October 1, 2022, respectively, in interest expense (income), net. The interest rate collar will mature on July 18, 2024.

Cash flows related to derivatives qualifying as hedges are included in the same section of the Condensed Consolidated Statements of Cash Flows as the underlying assets and liabilities being hedged. Cash flows during the nine months ended September 30, 2023 and October 1, 2022 related to derivatives not qualifying as hedges were included in the operating section of the Condensed Consolidated Statements of Cash Flows and were immaterial.

Changes in the fair value of the Company's cash flow hedge derivative instruments from their inception are recorded in Accumulated other comprehensive loss ("AOCL") if the instruments are deemed to be highly effective as cash flow hedges. As of September 30, 2023, we expect to reclassify approximately $0.6 million of unrealized losses on derivative instruments, net of tax, from AOCL into earnings in the next 12 months as the derivative instruments mature.

7. Stock Incentive Plans

During the nine months ended September 30, 2023, the Company granted 451,425 performance-based restricted stock units ("PSUs") and 712,218 time-based restricted stock units ("RSUs") to eligible employees and non-employee directors under the National Vision Holdings, Inc. 2017 Omnibus Incentive Plan (the "2017 Omnibus Incentive Plan"). The PSUs granted in fiscal 2023 are settled after the end of the performance period (i.e., cliff vesting), which begins on the first day of our 2023 fiscal year and ends on the last day of our 2025 fiscal year, and are based on the Company's achievement of certain performance targets. The RSUs granted in fiscal 2023 vest primarily in three equal annual installments.

8. Revenue From Contracts With Customers

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

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

	Three Months Ended		Nine Months Ended	
In thousands	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenues recognized at a point in time	$ 492,788	$ 459,196	$ 1,501,469	$ 1,412,526
Revenues recognized over time	39,568	40,011	118,596	123,947
Total net revenue	$ 532,356	$ 499,207	$ 1,620,065	$ 1,536,473

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.

We record reductions in revenue for estimated price concessions granted to managed care providers. The Company considers its revenue from managed care customers to include variable consideration and estimates such amounts associated with managed care customer revenues using the history of concessions provided and cash receipts from managed care providers; we reduced our net revenue for variable consideration of $4.2 million and $4.3 million during the three months ended September 30, 2023 and October 1, 2022, respectively, and $12.6 million and $10.0 million during the nine months ended September 30, 2023 and October 1, 2022, respectively.

Accounts Receivable

Credit loss expense recognized on our receivables, which is presented in SG&A expenses in the Company’s condensed consolidated statements of operations, was $0.1 million and $0.2 million for the three months ended September 30, 2023 and October 1, 2022, respectively, and $0.4 million and $0.8 million for the nine months ended September 30, 2023 and October 1, 2022, respectively.

Unsatisfied Performance Obligations (Contract Liabilities)

During the three months ended September 30, 2023 and October 1, 2022, we recognized $23.1 million and $23.3 million, respectively, of deferred revenues outstanding at the beginning of each respective period. During the nine months ended September 30, 2023 and October 1, 2022, we recognized $53.7 million and $56.8 million, respectively, of deferred revenues outstanding at the beginning of each respective period.

Our deferred revenue balance as of September 30, 2023 and December 31, 2022 was $86.2 million and $83.8 million, respectively. We expect future revenue recognition of the September 30, 2023 balance of $23.3 million, $46.1 million, $13.6 million and $3.2 million in fiscal years 2023, 2024, 2025 and thereafter, respectively.

9. Leases

Our lease costs for the three and nine months ended September 30, 2023 and October 1, 2022 were as follows:

	Three Months Ended		Nine Months Ended	
In thousands	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Operating lease cost				
Fixed lease cost [(a)]	$ 25,038	$ 22,985	$ 73,677	$ 67,422
Variable lease cost [(b)]	9,315	8,215	27,395	24,568
Sublease income [(c)]	(939)	(930)	(2,801)	(2,750)
Finance lease cost				
Amortization of finance lease assets	775	1,025	2,525	3,186
Interest on finance lease liabilities	401	572	1,290	1,830
Net lease cost	$ 34,590	$ 31,867	$ 102,086	$ 94,256

(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 well as lease costs above minimum thresholds for Fred Meyer stores and lease costs for Military stores.

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

In thousands	Nine Months Ended	
Other Information	September 30, 2023	October 1, 2022
Operating cash outflows - operating leases	$ 78,812	$ 71,859
Right of use assets acquired under operating leases	$ 85,989	$ 86,722

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.

On September 23, 2022, we were served with notice of a lawsuit filed by a former employee in California state court alleging, on behalf of a proposed class of employees, several violations of California wage and hour laws. On December 9, 2022, the case was removed to the federal District Court for the Northern District of California. On January 18, 2023, we were served with a related representative action filed in California state court pursuant to California's Private Attorneys General Act. We filed an answer to this action on February 17, 2023. On September 29, 2023, the state court set the PAGA action for trial on October 7, 2024. We intend to vigorously defend the litigation.

On June 6, 2023, the Company was served with notice of a former employee's intention to file a representative action against the Company pursuant to California's Private Attorneys General Act based on alleged violations of California's wage and hour laws. On June 22, 2023, the Company was served with a related lawsuit filed by the former employee in California state court alleging, on behalf of a proposed class of employees, violations of

California wage and hour laws. On July 24, 2023, the Company filed its answer and a notice of removal of the case to the federal District Court for the Southern District of California. On July 28, 2023, the Company filed a Notice of Related Cases, seeking for both the case currently pending in the Northern District of California and described in the paragraph above and this case to be assigned to the same Judge/Magistrate Judge in an effort to save judicial effort and avoid duplication of labor. On August 15, 2023, the parties filed a stipulation to stay the case in the Southern District of California pending the resolution of the lawsuit pending in the Northern District of California. On August 21, 2023, the court entered an Order to Show Cause why the action should not be either dismissed or transferred to the federal court for the Northern District of California. Following the parties' submission of their respective responses, the court dismissed the action without prejudice on September 11, 2023. The plaintiff retains his ability to pursue a PAGA action in state court pursuant to the June 6, 2023 notice. We intend to vigorously defend the litigation.

On January 27, 2023, a purported class action complaint was filed in federal court in the Northern District of Georgia against the Company and two of the Company's officers. The complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 for materially false and misleading statements made between May 2021 and May 2022. The complaint seeks unspecified damages as well as equitable relief. On March 28, 2023, the original plaintiff, City of Southfield General Employees Retirement System, and a new plaintiff, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, filed a lead plaintiff motion, seeking to be appointed co-lead plaintiffs. On April 3, 2023, the Company along with its named officers filed a motion to dismiss the complaint. On May 19, 2023, the court granted the lead plaintiff motion. On June 30, 2023, the plaintiffs filed an Amended Complaint, which added a claim under Section 20A of the Exchange Act and extended the alleged class period to February 28, 2023. On August 21, 2023, the Company filed a Motion to Dismiss the Amended Complaint. The plaintiffs filed their Response in Opposition to this motion on October 5, 2023. We dispute these allegations and intend to defend the litigation vigorously.

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 for the two reportable segments. Refer to Note 2. "Termination of Walmart Partnership" for developments related to the Legacy segment, AC Lens and FirstSight.

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

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

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

In thousands	Three Months Ended September 30, 2023 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 346,538	$ 24,198	$ 64,940	$ (120)	$ 435,556
Net sales of services and plans	84,388	12,523	22	(133)	96,800
Total net revenue	430,926	36,721	64,962	(253)	532,356
Costs of products	99,793	11,128	56,410	76	167,407
Costs of services and plans	77,979	6,347	293	—	84,619
Total costs applicable to revenue	177,772	17,475	56,703	76	252,026
SG&A	169,020	14,050	66,635	—	249,705
Asset impairment	—	—	80,834	—	80,834
Other expense (income), net	—	—	(19)	—	(19)
EBITDA	$ 84,134	$ 5,196	$ (139,191)	$ (329)	
Depreciation and amortization					24,407
Interest expense (income), net					3,722
Earnings (loss) before income taxes					$ (78,319)

In thousands	Three Months Ended October 1, 2022 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 323,472	$ 23,728	$ 61,939	$ 1,562	$ 410,701
Net sales of services and plans	74,710	12,935	—	861	88,506
Total net revenue	398,182	36,663	61,939	2,423	499,207
Costs of products	94,653	11,374	54,129	489	160,645
Costs of services and plans	66,470	5,685	—	—	72,155
Total costs applicable to revenue	161,123	17,059	54,129	489	232,800
SG&A	156,430	14,221	54,377	—	225,028
Asset impairment	—	—	1,263	—	1,263
Other expense (income), net	—	—	(95)	—	(95)
EBITDA	$ 80,629	$ 5,383	$ (47,735)	$ 1,934	
Depreciation and amortization					24,852
Interest expense (income), net					(1,977)
Earnings before income taxes					$ 17,336

In thousands	Nine Months Ended September 30, 2023 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 1,060,684	$ 78,229	$ 193,070	$ 1,259	$ 1,333,242
Net sales of services and plans	250,901	38,232	72	(2,382)	286,823
Total net revenue	1,311,585	116,461	193,142	(1,123)	1,620,065
Costs of products	304,671	35,948	167,192	212	508,023
Costs of services and plans	226,990	18,558	346	—	245,894
Total costs applicable to revenue	531,661	54,506	167,538	212	753,917
SG&A	502,638	43,312	197,648	—	743,598
Asset impairment	—	—	82,114	—	82,114
Other expense (income), net	—	—	(153)	—	(153)
EBITDA	$ 277,286	$ 18,643	$ (254,005)	$ (1,335)	
Depreciation and amortization					74,149
Interest expense (income), net					10,425
Earnings (loss) before income taxes					$ (43,985)

In thousands	Nine Months Ended October 1, 2022 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 1,007,376	$ 75,659	$ 185,521	$ (3,002)	$ 1,265,554
Net sales of services and plans	227,883	40,999	—	2,037	270,919
Total net revenue	1,235,259	116,658	185,521	(965)	1,536,473
Costs of products	290,957	35,787	162,093	(612)	488,225
Costs of services and plans	197,385	17,794	—	—	215,179
Total costs applicable to revenue	488,342	53,581	162,093	(612)	703,404
SG&A	470,125	44,085	167,201	—	681,411
Asset impairment	—	—	5,178	—	5,178
Other expense (income), net	—	—	170	—	170
EBITDA	$ 276,792	$ 18,992	$ (149,121)	$ (353)	
Depreciation and amortization					75,248
Interest expense (income), net					(2,158)
Earnings before income taxes					$ 73,220

12. Earnings Per Share

Diluted EPS related to the 2025 Notes is calculated using the if-converted method; the number of dilutive shares is based on the initial conversion rate associated with the 2025 Notes. The 2025 Notes were dilutive for the nine months ended October 1, 2022. 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 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income (loss)	$ (73,798)	$ 11,502	$ (49,914)	$ 51,383
After-tax interest expense for 2025 Notes	—	—	—	7,127
Numerator for diluted EPS	$ (73,798)	$ 11,502	$ (49,914)	$ 58,510
Weighted average shares outstanding for basic EPS	78,163	78,910	78,328	80,133
Effect of dilutive securities:				
Stock options	—	168	—	189
Restricted stock units	—	226	—	244
2025 Notes	—	—	—	12,911
Weighted average shares outstanding for diluted EPS	78,163	79,304	78,328	93,477
Basic EPS	$ (0.94)	$ 0.15	$ (0.64)	$ 0.64
Diluted EPS	$ (0.94)	$ 0.15	$ (0.64)	$ 0.63
Anti-dilutive securities excluded from diluted weighted average common shares	14,166	13,363	14,046	460

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 March 1, 2023 (the "2022 Annual Report on Form 10-K.") This discussion contains forward-looking statements that reflect our plans, estimates and beliefs as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. These forward-looking statements involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" sections of this Form 10-Q and the 2022 Annual Report on Form 10-K, 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 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. We achieve this by providing eye exams, eyeglasses and contact lenses to value seeking and lower income consumers 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 1,402 retail stores across five brands and 13 consumer websites as of September 30, 2023.

Brand and Segment Information

Refer to Part I. Item 1. Note 2. "Termination of Walmart Partnership" for more information on the termination of our Walmart partnership.

Our operations consist of two reportable segments:

- Owned & Host - As of September 30, 2023, our owned brands consisted of 943 America's Best Contacts and Eyeglasses retail stores and 147 Eyeglass World retail stores. 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 30, 2023. 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, 229 Vision Centers in Walmart retail locations as of September 30, 2023. During the nine months ended September 30, 2023, sales associated with this arrangement represented 7.2% of consolidated net revenue. On July 20, 2023, we received a notice of non-renewal from Walmart on the Walmart MSA and, accordingly, the Walmart MSA will terminate on February 23, 2024.

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

- Our e-commerce platform of nine dedicated websites managed by AC Lens. Our e-commerce business consists of five proprietary branded websites, including aclens.com, discountglasses.com and discountcontactlenses.com, and four third-party websites with established retailers, such as Walmart, Sam's Club and Giant Eagle as well as mid-sized vision insurance providers.
- Wholesale contact lenses distribution to Walmart and Sam's Club by AC Lens, which represented 6.9% of consolidated net revenue for the nine months ended September 30, 2023. In connection with the termination of the Walmart MSA, AC Lens has delivered notices of non-renewal of the agreements it has with Walmart and Sam's Club and those agreements are expected to terminate on June 30, 2024.
- Managed care business conducted by FirstSight, our wholly-owned subsidiary that is licensed as a single-service health plan under California law. In connection with the termination of the Walmart MSA, the agreement between FirstSight and Walmart, which arranges for the provision by FirstSight of optometric services at optometric offices next to certain Walmart stores throughout California, will also terminate on February 23, 2024.
- Unallocated corporate overhead expenses.

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

We have remained focused on our long-term growth initiatives despite the ongoing macroeconomic uncertainty. Our core growth initiatives include, but are not limited to, continuing with the expansion of our remote medicine capabilities; maintaining and improving our optometric retention levels; increasing our marketing efficiency and omni-channel capabilities; increasing our participation in vision insurance programs; the further digitization of our stores and corporate office; continuing to position ourselves to capture whitespace opportunity for our stores; and incorporating our corporate sustainability strategy into our operations.

We are focused on the following key drivers, challenges and risks.

Inflation

Rising inflation can result in increased costs and greater profitability pressure for us. While pressures from increases to our raw materials prices have had an impact on our costs applicable to revenue in fiscal year 2023, we have been able to offset these pressures with efficiencies in our laboratory network, pricing actions and lower freight costs. Wage investments as a result of inflation and an increasingly competitive recruiting market for vision care professionals due to the pandemic and related effects have had, and may continue to have, an impact on our profitability. Targeted wage investments, including increases in compensation for optometrists and associates, as well as flexibility initiatives, impacted costs applicable to revenue and selling, general and administrative expenses in the first nine months of fiscal year 2023 and we anticipate that wage pressures in certain markets will continue. Further wage investment pressure and increases in raw materials prices may not be able to be fully offset by leverage from revenue growth, productivity efficiency and, as appropriate, various pricing actions.

Vision care professional recruitment, coverage, and expanded offerings

Our ability to continue to attract and retain qualified vision care professionals may affect exam capacity. Our operations, like those of many of our competitors, depend on our ability to offer both eyewear and eye exams. We believe the impacts of the COVID-19 pandemic on vision care professional availability, including a competitive recruiting market and preferences for adjusted work schedules, and the demand for optometrists exceeding supply in certain areas during the first nine months of fiscal year 2023 have caused constraints in exam capacity which are continuing. Due to these factors, the costs to employ or retain optometrists have increased and may increase further, potentially materially. We are continuing to strategically invest in recruitment and retention initiatives, including flexible adjusted work schedules, along with continuing our implementation of remote medicine technologies, which has expanded our offerings while also increasing costs. We anticipate continuing our investment in our remote medicine capabilities primarily in America’s Best stores in the near term, including enhancements in the efficiency of our remote medicine platform, which could lead to increased costs as we train our personnel to efficiently use these new technologies.

Comparable store sales growth

Our comparable store sales growth in the first nine months of fiscal year 2023 was aided by our participation in managed care programs. Such participation continues to represent an increasingly significant portion of our overall revenues as the challenging economic environment continues to impact our core non-managed care customer base business.

Interim results and seasonality

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 fiscal year, and a lower portion of net revenue, income from operations, and cash flows from operations in the fourth fiscal quarter. The seasonally larger first half of the fiscal year is attributable primarily to the timing of our customers' income tax refunds and annual health insurance program start/reset periods. Because our target market consists of value seeking and lower income consumers, a delay in the issuance of tax refunds or changes in the amount of tax refunds can have a negative impact on our financial results. Consumers could also alter how they utilize tax refund proceeds.

Pricing strategy

We are committed to providing our products to our customers at low prices. We generally employ a simple low price/high value strategy that consistently delivers savings to our customers without the need for extensive promotions. Inflationary pressures, including wage investments, consumer confidence and preferences and increased raw material costs could impact our profitability and lead us to attempt to offset such increases through various pricing actions.

Walmart partnership termination

Our ability to successfully navigate the termination of our Walmart partnership, including the transition period, may significantly impact our business. The transition period, including Walmart's solicitation period under the agreements to offer employment or similar arrangements to certain associates and optometrists from specified Vision Centers, presents numerous risks and may cause disruption to the business, including, without limitation, a reduction in sales, productivity and focus, and may make it harder to retain associates and optometrists, which in turn could adversely affect our financial condition and results of operations. Due to these factors, the costs to retain associates and optometrists during the transition period may increase, potentially materially. We may incur other exit-related costs in connection with the termination of our Walmart partnership and related winding down of our remaining AC Lens operations, which may be material. In addition, while we seek to reduce costs and replace lost business with new America's Best or Eyeglass World stores and by other means, including anticipated non-headline pricing actions, we may not be successful in our efforts, which could impact our revenues and profitability. Refer to Part I. Item 1. Note 2. "Termination of Walmart Partnership," and Part II. Item 1A. "Risk Factors" in this Form 10-Q for more details.

How We Assess the Performance of Our Business

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

Net Revenue

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

Costs Applicable to Revenue

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

Selling, General and Administrative

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

New Store Openings

The total number of new stores per year and the timing of store openings has, and will continue to have, an impact on our results. We expect to open 65 to 70 stores in the current year. We will continue to monitor and determine our plans for future new store openings based on health, safety and economic conditions.

Adjusted Comparable Store Sales Growth

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

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

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

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

Results of Operations

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

In thousands, except earnings per share, percentage and store data	Three Months Ended		Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenue:				
Net product sales	$ 435,556	$ 410,701	$ 1,333,242	$ 1,265,554
Net sales of services and plans	96,800	88,506	286,823	270,919
Total net revenue	532,356	499,207	1,620,065	1,536,473
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	167,407	160,645	508,023	488,225
Services and plans	84,619	72,155	245,894	215,179
Total costs applicable to revenue	252,026	232,800	753,917	703,404
Operating expenses:				
Selling, general and administrative expenses	249,705	225,028	743,598	681,411
Depreciation and amortization	24,407	24,852	74,149	75,248
Asset impairment	80,834	1,263	82,114	5,178
Other expense (income), net	(19)	(95)	(153)	170
Total operating expenses	354,927	251,048	899,708	762,007
Income (loss) from operations	(74,597)	15,359	(33,560)	71,062
Interest expense (income), net	3,722	(1,977)	10,425	(2,158)
Earnings (loss) before income taxes	(78,319)	17,336	(43,985)	73,220
Income tax provision (benefit)	(4,521)	5,834	5,929	21,837
Net income (loss)	$ (73,798)	$ 11,502	$ (49,914)	$ 51,383
Supplemental operating data:				
Number of stores open at end of period	1,402	1,332	1,402	1,332
New stores opened during the period	21	18	53	57
Adjusted Operating Income	$ 15,707	$ 21,463	$ 72,028	$ 94,547
Diluted EPS	$ (0.94)	$ 0.15	$ (0.64)	$ 0.63
Adjusted Diluted EPS	$ 0.15	$ 0.15	$ 0.66	$ 0.69
Adjusted EBITDA	$ 39,137	$ 44,443	$ 141,456	$ 164,179
Percentage of net revenue:				
Total costs applicable to revenue	47.3 %	46.6 %	46.5 %	45.8 %
Selling, general and administrative expenses	46.9 %	45.1 %	45.9 %	44.3 %
Total operating expenses	66.7 %	50.3 %	55.5 %	49.6 %
Income (loss) from operations	(14.0)%	3.1 %	(2.1)%	4.6 %
Net income (loss)	(13.9)%	2.3 %	(3.1)%	3.3 %
Adjusted Operating Income	3.0 %	4.3 %	4.4 %	6.2 %
Adjusted EBITDA	7.4 %	8.9 %	8.7 %	10.7 %

Three Months Ended September 30, 2023 compared to Three Months Ended October 1, 2022

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 30, 2023 compared to the three months ended October 1, 2022.

	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 30, 2023	Three Months Ended October 1, 2022	September 30, 2023	October 1, 2022	Three Months Ended September 30, 2023			Three Months Ended October 1, 2022		
Owned & Host segment										
America's Best	5.7 %	(7.8)%	943	883	$	367,528	69.0 %	$	336,759	67.5 %
Eyeglass World	(1.2)%	(7.8)%	147	136		55,019	10.3 %		53,153	10.6 %
Military	3.8 %	(6.3)%	54	54		5,703	1.1 %		5,492	1.1 %
Fred Meyer	(3.7)%	(7.6)%	29	29		2,676	0.5 %		2,778	0.6 %
Owned & Host segment total			1,173	1,102	$	430,926	80.9 %	$	398,182	79.8 %
Legacy segment	1.0 %	(10.7)%	229	230		36,721	6.9 %		36,663	7.3 %
Corporate/Other	— %	— %	—	—		64,962	12.2 %		61,939	12.4 %
Reconciliations	— %	— %	—	—		(253)	(0.0)%		2,423	0.5 %
Total	3.8 %	(8.0)%	1,402	1,332	$	532,356	100.0 %	$	499,207	100.0 %
Adjusted Comparable Store Sales Growth[3]	4.3 %	(8.1)%								

(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 0.4% from total comparable store sales growth based on consolidated net revenue for the three months ended September 30, 2023 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 0.1% from total comparable store sales growth based on consolidated net revenue for the three months ended September 30, 2023 and October 1, 2022, respectively.

Total net revenue of $532.4 million for the three months ended September 30, 2023 increased $33.1 million, or 6.6%, from $499.2 million for the three months ended October 1, 2022. The increase was driven by approximately 55% from Adjusted Comparable Store Sales Growth, 45% growth from new store sales, and 10% by our AC Lens business, partially offset by effects of deferred and unearned revenue of approximately 10%.

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the three months ended September 30, 2023 were 3.8% and 4.3%, respectively, both reflecting an increase in customer transactions and higher average ticket. Comparable store sales growth was negatively impacted by effects of deferred and unearned revenue.

In the three months ended September 30, 2023, we opened 17 America's Best stores and four Eyeglass World stores. Overall, store count grew 5.3% from October 1, 2022 to September 30, 2023 (60 and 11 net new America's Best and Eyeglass World stores were added, respectively, and one Legacy store was closed).

Net product sales comprised 81.8% and 82.3% of total net revenue for the three months ended September 30, 2023 and October 1, 2022, respectively. Net product sales increased $24.9 million, or 6.1%, in the three months ended September 30, 2023 compared to the three months ended October 1, 2022, driven primarily by a $17.9 million, or 6.4% increase in eyeglass sales, a $4.0 million, or 4.1%, increase in contact lens sales and a $2.5 million, or 7.0%, increase in wholesale fulfillment.

Net sales of services and plans for the three months ended September 30, 2023 increased $8.3 million, or 9.4%, compared to the three months ended October 1, 2022, driven primarily by a $8.7 million, or 18.0% increase in eye exams, partially offset by a $0.7 million, or 8.0% decrease in management fees from our Legacy partner.

Owned & Host segment net revenue. Net revenue increased $32.7 million, or 8.2%, driven primarily by comparable store sales growth and new store openings.

Legacy segment net revenue. Net revenue increased $0.1 million, or 0.2%, driven by positive comparable store sales growth.

Corporate/Other segment net revenue. Net revenue increased $3.0 million, or 4.9%, driven primarily by increases in wholesale fulfillment.

Net revenue reconciliations. The impact of reconciliations negatively impacted net revenue by $2.7 million in the three months ended September 30, 2023. Net revenue was negatively impacted by $1.7 million due to the timing of unearned revenue during the three months ended September 30, 2023. Net revenue was negatively impacted by $1.0 million, primarily due to higher sales of club memberships and product protection plans in the three months ended September 30, 2023 compared to the three months ended October 1, 2022.

Costs applicable to revenue

Costs applicable to revenue of $252.0 million for the three months ended September 30, 2023 increased $19.2 million, or 8.3%, from $232.8 million for the three months ended October 1, 2022. As a percentage of net revenue, costs applicable to revenue increased from 46.6% for the three months ended October 1, 2022 to 47.3% for the three months ended September 30, 2023. This increase as a percentage of net revenue was primarily driven by growth in optometrist-related costs of 150 basis points and a 50 basis-point reduction in components of service revenue, including product protection plan revenue. These costs were partially offset by a 100 basis point effect from higher exam revenue and by a 30 basis point decrease in product costs driven by higher eyeglass margin and decreased freight expense.

Costs of products as a percentage of net product sales was 38.4% for the three months ended September 30, 2023 and 39.1% for the three months ended October 1, 2022, primarily driven by higher eyeglass margin and decreased freight expense.

Owned & Host segment costs of products. Costs of products as a percentage of net product sales decreased from 29.3% for the three months ended October 1, 2022 to 28.8% for the three months ended September 30, 2023, primarily driven by higher eyeglass margin and decreased freight expense.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 47.9% for the three months ended October 1, 2022 to 46.0% for the three months ended September 30, 2023. The decrease was primarily driven by a higher mix of managed care customer transactions versus non-managed care customer transactions. Legacy segment managed care net product revenue is recorded in net product sales while revenue associated with servicing non-managed care customers is recorded in net sales of services and plans. Eyeglass and contact lens product costs for both managed care and non-managed care net revenue are recorded in costs of products. Increases in managed care mix decrease costs of products as a percentage of net product sales and have a corresponding negative impact on costs of services as a percentage of net sales of services and plans in our Legacy segment.

Costs of services and plans as a percentage of net sales of services and plans increased from 81.5% for the three months ended October 1, 2022 to 87.4% for the three months ended September 30, 2023. The increase was primarily driven by higher growth in optometrist-related costs, and lower product protection plan revenues and Legacy partner management fees, partially offset by higher exam revenue.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 89.0% for the three months ended October 1, 2022 to 92.4% for the three months ended September 30, 2023. The increase was primarily driven by growth in optometrist-related costs that was partially offset by higher exam revenue.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 44.0% for the three months ended October 1, 2022 to 50.7% for the three months ended September 30, 2023. The increase was primarily driven by growth in optometrist-related costs and lower management fees from our Legacy partner, partially offset by higher exam revenue.

Selling, general and administrative

SG&A of $249.7 million for the three months ended September 30, 2023 increased $24.7 million, or 11.0%, from the three months ended October 1, 2022. As a percentage of net revenue, SG&A increased from 45.1% for the three months ended October 1, 2022 to 46.9% for the three months ended September 30, 2023. The increase in SG&A as a percentage of net revenue was primarily driven by higher performance-based incentive compensation of 80 basis points, higher payroll of 50 basis points, higher stock-based compensation of 40 basis points, and 40 basis points from other expenses primarily related to the termination of the Walmart partnership, partially offset by 20 basis points from advertising leverage.

Owned & Host SG&A. SG&A as a percentage of net revenue decreased from 39.3% for the three months ended October 1, 2022 to 39.2% for the three months ended September 30, 2023, driven primarily by advertising leverage, partially offset by higher payroll.

Legacy segment SG&A. SG&A as a percentage of net revenue decreased from 38.8% for the three months ended October 1, 2022 to 38.3% for the three months ended September 30, 2023, driven primarily by lower payroll.

Depreciation and amortization

Depreciation and amortization expense of $24.4 million for the three months ended September 30, 2023 decreased $0.4 million, or 1.8%, from $24.9 million for the three months ended October 1, 2022 primarily driven by a decrease in amortization of intangible assets as a result of impairing the Walmart contract and relationship asset during the third quarter of 2023, partially offset by investments in remote medicine technology.

Asset Impairment

We recorded impairment charges of $80.8 million for the three months ended September 30, 2023 compared to $1.3 million for the three months ended October 1, 2022. The majority of the impairment charges in the current period were recorded in connection with the termination of the Walmart Partnership and included impairments at our Legacy and AC Lens operating segments. Refer to Part I. Item 1. Note 2. “Termination of Walmart Partnership” for more detail. In addition, we recorded impairment charges of $1.5 million related to tangible long-lived assets and ROU assets associated with our Owned & Host segment for the three months ended September 30, 2023, which are driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense (income), net

Interest expense (income), net, was $3.7 million for the three months ended September 30, 2023, compared to $(2.0) million for the three months ended October 1, 2022. The change was primarily a result of lower derivative income of $6.3 million and higher Term A Loans expense of $1.4 million, partially offset by higher income on cash balances of $1.7 million.

Income tax provision (benefit)

Our effective tax rates for the three months ended September 30, 2023 and October 1, 2022 were 5.8% and 33.7%, respectively. The change in effective tax rates reflects our statutory federal and state rates of 25.4% and 25.5%, respectively, the disallowance of the Legacy segment goodwill impairment loss for income tax purposes and other permanent items.

Nine Months Ended September 30, 2023 compared to Nine Months Ended October 1, 2022

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 30, 2023 compared to the nine months ended October 1, 2022.

In thousands, except percentage and store data	Comparable store sales growth[1] Nine Months Ended September 30, 2023	Comparable store sales growth[1] Nine Months Ended October 1, 2022	Stores open at end of period September 30, 2023	Stores open at end of period October 1, 2022	Net revenue[2] Nine Months Ended September 30, 2023		Net revenue[2] Nine Months Ended October 1, 2022	
Owned & Host segment								
America's Best	3.0 %	(9.4)%	943	883	$ 1,113,918	68.8 %	$ 1,043,163	67.9 %
Eyeglass World	(1.7)%	(7.7)%	147	136	171,864	10.6 %	166,155	10.8 %
Military	2.3 %	(5.5)%	54	54	17,506	1.1 %	17,117	1.1 %
Fred Meyer	(5.9)%	(5.4)%	29	29	8,297	0.5 %	8,824	0.6 %
Owned & Host segment total			1,173	1,102	$ 1,311,585	81.0 %	$ 1,235,259	80.4 %
Legacy segment	(0.7)%	(9.3)%	229	230	116,461	7.2 %	116,658	7.6 %
Corporate/Other	—	—	—	—	193,142	11.9 %	185,521	12.1 %
Reconciliations	—	—	—	—	(1,123)	(0.1)%	(965)	(0.1)%
Total	2.3 %	(8.0)%	1,402	1,332	$ 1,620,065	100.0 %	$ 1,536,473	100.0 %
Adjusted Comparable Store Sales Growth[3]	2.0 %	(9.1)%						

(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 a decrease of 0.2% and a decrease of 1.0% from total comparable store sales growth based on consolidated net revenue for the nine months ended September 30, 2023 and October 1, 2022, 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% from total comparable store sales growth based on consolidated net revenue for both the nine months ended September 30, 2023 and October 1, 2022.

Total net revenue of $1,620.1 million for the nine months ended September 30, 2023 increased $83.6 million, or 5.4%, from $1,536.5 million for the nine months ended October 1, 2022. The increase was driven by approximately 60% growth from new store sales, 30% by Adjusted Comparable Store Sales Growth and 10% by our AC Lens business.

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the nine months ended September 30, 2023 were 2.3% and 2.0%, respectively, primarily due to an increase in customer transactions and higher average ticket.

In the nine months ended September 30, 2023, we opened 42 new America's Best stores and 11 Eyeglass World stores, and closed four America's Best stores and one Legacy store as a result of our Legacy partner's decision to cease its overall operations at the location. Overall, store count grew 5.3% from October 1, 2022 to September 30, 2023 (60 and 11 net new America's Best and Eyeglass World stores were added, respectively, and one Legacy store was closed).

Net product sales comprised 82.3% and 82.4% of total net revenue for the nine months ended September 30, 2023 and October 1, 2022, respectively. Net product sales increased $67.7 million, or 5.3%, in the nine months ended September 30, 2023 compared to the nine months ended October 1, 2022, primarily due to a $50.6 million, or 5.9%, increase in eyeglass sales, an $11.1 million, or 3.8%, increase in contact lens sales and a $5.5 million, or 5.2%, increase in wholesale fulfillment.

Net sales of services and plans for the nine months ended September 30, 2023 increased $15.9 million, or 5.9%, compared to the nine months ended October 1, 2022, driven primarily by higher exam revenues of $21.2 million, or 14.5% increase, which was partially offset by a $3.3 million, or 5.7% decrease in product protection plan revenues and a $3.3 million, or 12.3%, decrease in management fees from our Legacy partner.

Owned & Host segment net revenue. Net revenue increased $76.3 million, or 6.2%, driven primarily by new store openings and comparable store sales growth.

Legacy segment net revenue. Net revenue decreased $0.2 million, or 0.2%, driven by negative comparable store sales growth.

Corporate/Other segment net revenue. Net revenue increased $7.6 million, or 4.1%, driven primarily by increases in wholesale fulfillment.

Net revenue reconciliations. The impact of reconciliations negatively impacted net revenue by $0.2 million in the nine months ended September 30, 2023 compared to the nine months ended October 1, 2022. Net revenue was positively impacted by $4.3 million due to the timing of unearned revenue. Net revenue was negatively impacted by $4.4 million primarily due to higher sales of club memberships and product protection plans and lower recognition of product protection plan revenue in the nine months ended September 30, 2023 compared to the nine months ended October 1, 2022.

Costs applicable to revenue

Costs applicable to revenue of $753.9 million for the nine months ended September 30, 2023 increased $50.5 million, or 7.2%, from $703.4 million for the nine months ended October 1, 2022. As a percentage of net revenue, costs applicable to revenue increased from 45.8% for the nine months ended October 1, 2022 to 46.5% for the nine months ended September 30, 2023. This increase as a percentage of net revenue was primarily driven by higher growth in optometrist-related costs of 130 basis points and by 60 basis points due to reduction in components of service revenue, including product protection plan revenue as well as other product mix and margin effects. These costs were partially offset by an 80 basis point effect from higher exam revenue and a 40 basis point effect from increased eyeglass mix and higher eyeglass margin.

Costs of products as a percentage of net product sales decreased from 38.6% for the nine months ended October 1, 2022 to 38.1% for the nine months ended September 30, 2023, 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 28.9% for the nine months ended October 1, 2022 to 28.7% for the nine months ended September 30, 2023, primarily driven by increased eyeglass mix and higher eyeglass margin.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 47.3% for the nine months ended October 1, 2022 to 46.0% for the nine months ended September 30, 2023. The decrease was primarily driven by a higher mix of managed care customer transactions versus non-managed care customer transactions. Legacy segment managed care net product revenue is recorded in net product sales while revenue associated with servicing non-managed care customers is recorded in net sales of services and plans. Eyeglass and contact lens product costs for both managed care and non-managed care net revenue are recorded in costs of products. Increases in managed care mix decrease costs of products as a percentage of net product sales and have a corresponding negative impact on costs of services as a percentage of net sales of services and plans in our Legacy segment.

Costs of services and plans as a percentage of net sales of services and plans increased from 79.4% for the nine months ended October 1, 2022 to 85.7% for the nine months ended September 30, 2023. The increase was primarily driven by growth in optometrist-related costs, lower product protection plan revenues and lower management fees from our Legacy partner, partially offset by higher exam revenue.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 86.6% for the nine months ended October 1, 2022 to 90.5% for the nine months ended September 30, 2023. The increase was primarily driven by growth in optometrist-related costs, partially offset by higher exam revenue.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans increased from 43.4% for the nine months ended October 1, 2022 to 48.5% for the nine months ended September 30, 2023. The increase was primarily driven by lower management fees from our Legacy partner.

Selling, general and administrative

SG&A of $743.6 million for the nine months ended September 30, 2023 increased $62.2 million, or 9.1%, from the nine months ended October 1, 2022. As a percentage of net revenue, SG&A increased from 44.3% for the nine months ended October 1, 2022 to 45.9% for the nine months ended September 30, 2023. The increase in SG&A as a percentage of net revenue was primarily driven by higher performance-based incentive compensation of 80 basis points, higher payroll of 60 basis points, higher stock-based compensation of 20 basis points, and higher occupancy expense of 20 basis points, partially offset by advertising leverage of 30 basis points.

Owned & Host SG&A. SG&A as a percentage of net revenue increased from 38.1% for the nine months ended October 1, 2022 to 38.3% for the nine months ended September 30, 2023, driven primarily by higher payroll and occupancy expense, partially offset by advertising leverage.

Legacy segment SG&A. SG&A as a percentage of net revenue decreased from 37.8% for the nine months ended October 1, 2022 to 37.2% for the nine months ended September 30, 2023, driven primarily by lower payroll.

Depreciation and amortization

Depreciation and amortization expense of $74.1 million for the nine months ended September 30, 2023 decreased $1.1 million, or 1.5%, from $75.2 million for the nine months ended October 1, 2022 primarily driven by a shift to cloud-based software investments that are amortized in SG&A and a decrease in amortization of intangible assets as a result of impairing the Walmart contracts and relationship asset during the third quarter of 2023, partially offset by investments in remote medicine technology and new store openings.

Asset impairment

We recorded impairment charges of $82.1 million for the nine months ended September 30, 2023 compared to $5.2 million recorded during the nine months ended October 1, 2022. The majority of the impairment charges were recorded in connection with the termination of the Walmart partnership and included impairments at our Legacy and AC Lens operating segments. Refer to Note 2. “Termination of Walmart Partnership” for more detail. In addition, we recorded impairment charges of $2.8 million related to tangible long-lived assets and ROU assets primarily associated with our Owned & Host segment for the nine months ended September 30, 2023, which are driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense (income), net

Interest expense (income), net was $10.4 million for the nine months ended September 30, 2023, compared to $(2.2) million for the nine months ended October 1, 2022. The change was primarily a result of lower derivative income of $13.8 million and higher Term A Loans expense of $4.7 million, partially offset by higher income on cash balances of $5.8 million.

Income tax provision

Our effective tax rates for the nine months ended September 30, 2023 and October 1, 2022 were (13.5)% and 29.8%, respectively. The change in effective tax rates reflects our statutory federal and state rates of 25.4% and 25.5%, respectively, the disallowance of the Legacy segment goodwill impairment loss for income tax purposes and other permanent items.

Non-GAAP Financial Measures

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

We define Adjusted Operating Income as net income (loss), plus interest expense (income), net and income tax provision (benefit), further adjusted to exclude stock-based 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, Enterprise Resource Planning (“ERP”) implementation expenses and certain other expenses. We define Adjusted Operating Margin as Adjusted Operating Income as a percentage of net revenue. We define EBITDA as net income (loss), plus interest expense (income), net, income tax provision (benefit) and depreciation and amortization. We define Adjusted EBITDA as net income (loss), plus interest expense (income), net, income tax provision (benefit) and depreciation and amortization, further adjusted to exclude stock-based compensation expense, loss on extinguishment of debt, asset impairment, litigation settlement, secondary offering expenses, management realignment expenses, long-term incentive plan expenses, ERP implementation expenses and certain other expenses. We define Adjusted EBITDA Margin as Adjusted

EBITDA as a percentage of net revenue. We define Adjusted Diluted EPS as diluted earnings (loss) per share, adjusted for the per share impact of stock-based compensation expense, loss on extinguishment of debt, asset impairment, litigation settlement, secondary offering expenses, management realignment expenses, long-term incentive plan expenses, amortization of acquisition intangibles, amortization of debt discounts and deferred financing costs of our term loan borrowings, amortization of the conversion feature and deferred financing costs related to our 2025 Notes when not required under U.S. GAAP to be added back for diluted earnings (loss) per share, losses (gains) on change in fair value of derivatives, ERP implementation expenses, certain other expenses, and tax expense (benefit) from stock-based compensation, less the tax effect of these adjustments.

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. We continue to evaluate our use of the Company Non-GAAP Measures in the context of the development of our business, and may introduce or discontinue certain measures in the future as we deem appropriate.

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

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

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

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

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

	Three Months Ended				Nine Months Ended			
In thousands	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
Net income (loss)	$ (73,798)	(13.9)%	$ 11,502	2.3 %	$ (49,914)	(3.1)%	$ 51,383	3.3 %
Interest expense (income), net	3,722	0.7 %	(1,977)	(0.4)%	10,425	0.6 %	(2,158)	(0.1)%
Income tax provision (benefit)	(4,521)	(0.8)%	5,834	1.2 %	5,929	0.4 %	21,837	1.4 %
Stock-based compensation expense [a]	5,252	1.0 %	3,168	0.6 %	15,040	0.9 %	10,540	0.7 %
Asset impairment [b]	80,834	15.2 %	1,263	0.3 %	82,114	5.1 %	5,178	0.3 %
Amortization of acquisition intangibles [c]	977	0.2 %	1,872	0.4 %	4,721	0.3 %	5,616	0.4 %
ERP implementation expenses [f]	173	0.0 %	—	— %	173	0.0 %	—	— %
Other [g]	3,068	0.6 %	(199)	(0.0)%	3,540	0.2 %	2,151	0.1 %
Adjusted Operating Income / Adjusted Operating Margin	$ 15,707	3.0 %	$ 21,463	4.3 %	$ 72,028	4.4 %	$ 94,547	6.2 %

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.

	Three Months Ended				Nine Months Ended			
In thousands	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
Net income (loss)	$ (73,798)	(13.9)%	$ 11,502	2.3 %	$ (49,914)	(3.1)%	$ 51,383	3.3 %
Interest expense (income), net	3,722	0.7 %	(1,977)	(0.4)%	10,425	0.6 %	(2,158)	(0.1)%
Income tax provision (benefit)	(4,521)	(0.8)%	5,834	1.2 %	5,929	0.4 %	21,837	1.4 %
Depreciation and amortization	24,407	4.6 %	24,852	5.0 %	74,149	4.6 %	75,248	4.9 %
EBITDA	(50,190)	(9.4)%	40,211	8.1 %	40,589	2.5 %	146,310	9.5 %
Stock-based compensation expense [a]	5,252	1.0 %	3,168	0.6 %	15,040	0.9 %	10,540	0.7 %
Asset impairment [b]	80,834	15.2 %	1,263	0.3 %	82,114	5.1 %	5,178	0.3 %
ERP implementation expenses [f]	173	0.0 %	—	— %	173	0.0 %	—	— %
Other [g]	3,068	0.6 %	(199)	(0.0)%	3,540	0.2 %	2,151	0.1 %
Adjusted EBITDA / Adjusted EBITDA Margin	$ 39,137	7.4 %	$ 44,443	8.9 %	$ 141,456	8.7 %	$ 164,179	10.7 %

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 30, 2023	Three Months Ended October 1, 2022	Nine Months Ended September 30, 2023	Nine Months Ended October 1, 2022
Diluted EPS	$ (0.94)	$ 0.15	$ (0.64)	$ 0.63
Stock-based compensation expense [(a)]	0.07	0.04	0.19	0.11
Asset impairment [(b)]	1.03	0.02	1.05	0.06
Amortization of acquisition intangibles [(c)]	0.01	0.02	0.06	0.06
Amortization of debt discount and deferred financing costs [(d)]	0.01	0.01	0.03	0.01
Losses (gains) on change in fair value of derivatives [(e)]	0.03	(0.08)	0.08	(0.18)
ERP implementation expenses [(f)]	0.00	—	0.00	—
Other [(j)]	0.04	(0.00)	0.05	0.02
Tax expense (benefit) from stock-based compensation [(h)]	0.00	(0.00)	0.01	0.00
Tax effect of total adjustments [(i)]	(0.11)	(0.00)	(0.17)	(0.02)
Adjusted Diluted EPS	$ 0.15	$ 0.15	$ 0.66	$ 0.69
Weighted average diluted shares outstanding	78,163	79,304	78,328	93,477

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 related to impairment of long-lived assets, primarily goodwill of the Legacy Segment, Walmart contracts and relationship asset, property and equipment at Walmart stores and associated with our AC Lens business, and impairment of property, equipment and lease-related assets on closed or underperforming stores.
(c) Amortization of the increase in carrying values of finite-lived intangible assets resulting from the application of purchase accounting following the acquisition of the Company by affiliates of KKR & Co. Inc.
(d) Amortization of deferred financing costs and other non-cash charges related to our long-term debt. We adjust for amortization of deferred financing costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share under U.S. GAAP.
(e) Reflects losses (gains) recognized in interest expense (income), net on change in fair value of de-designated hedges.
(f) Costs related to the Company's ERP implementation.
(g) Other adjustments include amounts that management believes are not representative of our operating performance (amounts in brackets represent reductions in Adjusted Operating Income, Adjusted Diluted EPS and Adjusted EBITDA), which are primarily costs related to the termination of the Walmart partnership of $2.1 million for the three and nine months ended September 30, 2023, excess payroll taxes on vesting of restricted stock units and exercises of stock options, executive severance and relocation and other expenses and adjustments, including losses on other investments of $0.3 million for the nine months ended October 1, 2022.
(h) Tax expense (benefit) associated with accounting guidance requiring excess tax expense (benefit) related to vesting of restricted stock units and exercises of stock options to be recorded in earnings as discrete items in the reporting period in which they occur.
(i) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates, excluding Walmart goodwill impairment charges of $60.1 million for the three and nine months ended September 30, 2023.
(j) Reflects other expenses in (g) above, including debt issuance costs of $0.2 million for the nine months ended September 30, 2023.

Liquidity and Capital Resources

Our primary cash needs are for inventory, payroll, store rent, advertising, capital expenditures associated with new stores and updating existing stores, as well as information and remote medicine technology and infrastructure, including our corporate office, distribution centers, and laboratories. When appropriate, the Company may utilize excess liquidity towards debt service requirements, including voluntary debt prepayments, or required interest and principal payments, if any, as well as repurchases of common stock or other securities, based on excess cash flows. The most significant components of our operating assets and liabilities are inventories, accounts receivable, prepaid expenses and other assets, accounts payable, deferred and unearned revenue and other payables and accrued expenses. We exercise prudence in our use of cash and closely monitor various items related to cash flow including, but not limited to, cash receipts, cash disbursements, payment terms and alternative sources of funding. We continue to be focused on these items in addition to other key measures we use to determine how our consolidated business and operating segments are performing. We believe that cash on hand, cash expected to be generated from operations and the availability of borrowings under our Revolving Loans will be sufficient to fund our working capital requirements, liquidity obligations, anticipated capital expenditures, and payments due under our existing debt for the next 12 months and thereafter for the foreseeable future. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the prepayment, refinancing or issuance of debt, issuance of equity or other securities, the proceeds of which could provide additional liquidity for our operations, as well as modifications to our Term A Loans where possible. We recently refinanced our Term A Loans and Revolving Loans, extending their maturity to 2028. Refer to Part I. Item 1. Note 5. “Long-term Debt” for more information. Our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside of our control. We primarily fund our working capital needs using cash provided by operations. Our working capital requirements for inventory will increase as we continue to open additional stores.

As of September 30, 2023, we had $265.8 million in cash and cash equivalents and $293.6 million of availability under our Revolving Loans, which includes $6.4 million in outstanding letters of credit.

As of September 30, 2023, we had $148.1 million of Term A Loans outstanding under our credit agreement. We were in compliance with all covenants related to our long-term debt as of September 30, 2023.

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 30, 2023	October 1, 2022
Cash flows provided by (used for):		
Operating activities	$ 153,272	$ 121,337
Investing activities	(82,579)	(86,067)
Financing activities	(34,165)	(84,624)
Net change in cash, cash equivalents and restricted cash	$ 36,528	$ (49,354)

Net Cash Provided by Operating Activities

Cash flows provided by operating activities increased $31.9 million from $121.3 million during the nine months ended October 1, 2022 to $153.3 million for the nine months ended September 30, 2023. Changes in net working capital and other assets and liabilities contributed $43.6 million of cash year-over-year. A lower net income of $101.3 million, partially offset by the increase in non-cash adjustments of $89.6 million compared to the nine months ended October 1, 2022, used $11.7 million net in year-over-year cash. Both the decrease in net income and increase in non-cash adjustments were primarily driven by the termination of the Walmart partnership and related impairment charges of $79.4 million.

Increases in other liabilities during the nine months ended September 30, 2023 contributed $36.8 million in year-over-year cash primarily due to increases in compensation-related accruals. Decreases in accounts receivable contributed $11.6 million in year-over-year cash primarily due to an increase in the CARES Act receivable during the nine months ended October 1, 2022 that did not recur during the nine months ended September 30, 2023, as well as a decrease in credit card receivables. These were partially offset by decreases in accounts payable that used $7.0 million in year-over-year cash, primarily as a result of timing of payments.

Net Cash Used for Investing Activities

Net cash used for investing activities decreased by $3.5 million, to $82.6 million, during the nine months ended September 30, 2023 from $86.1 million during the nine months ended October 1, 2022. The year-over-year decrease was primarily due to lower remote medicine and information technology infrastructure investments, partially offset by investments in our labs and distribution center. Refer to Part I. Item 1. Note 1. “Description of Business and Basis of Presentation” for more information on other investments.

Net Cash Used For Financing Activities

Net cash used for financing activities was $34.2 million during the nine months ended September 30, 2023 as compared to $84.6 million during the nine months ended October 1, 2022. The $50.5 million year-over-year decrease in cash used for financing activities was primarily due to decreased purchases of treasury stock of $56.0 million offset by payments of debt issuance costs of $2.9 million during the nine months ended September 30, 2023.

Share Repurchase Authority

During the nine months ended September 30, 2023 and October 1, 2022, the Company repurchased 1.1 million shares of its common stock for $25.0 million, and 2.7 million shares of its common stock for $80.0 million, respectively, under the share repurchase program. As of September 30, 2023, $25.0 million remains available under the share repurchase authorization.

Material Cash Requirements

There were no material changes outside the ordinary course of business in our material cash requirements and commercial commitments from those reported in the 2022 Annual Report on Form 10-K. The refinancing of our Term A Loans and Revolving Loans changed the timing of the repayment of our Term A Loans from what was presented in the 2022 Annual Report on Form 10-K. Refer to Part I. Item 1. Note 5. “Long-term Debt” in this Form 10-Q for the new payment schedule.

We follow U.S. GAAP in making the determination as to whether or not to record an asset or liability related to our arrangements with third parties. Consistent with current accounting guidance, we do not record an asset or liability associated with long-term purchase, marketing and promotional commitments, or commitments to philanthropic endeavors. We have disclosed the amount of future commitments associated with these items in the 2022 Annual Report on Form 10-K. We are not a party to any other material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management has evaluated the accounting policies used in the preparation of the Company’s unaudited condensed consolidated financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving management judgments and estimates may be found in the 2022 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 2022 Annual Report on Form 10-K. In connection with the termination of the Walmart MSA, the Company recorded a total of $79.4 million of long-lived assets impairment in the third quarter of fiscal 2023. Refer to Part I. Item 1. Note 2. “Termination of Walmart Partnership” for more detail.

Adoption of New Accounting Pronouncements

There have been no material changes due to recently issued or adopted accounting standards since those disclosed in our 2022 Annual Report on Form 10-K.

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 4. “Fair Value Measurement” and Note 6. “Interest Rate Derivatives” to our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

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

As of September 30, 2023, $148.1 million of Term A Loans borrowings were subject to variable interest rates, with a weighted average borrowing rate of 3.6%. An increase to market rates of 1.0% as of September 30, 2023 would not result in a material increase to interest expense. Assuming a decrease to market rates of 1.0% as of September 30, 2023, the resulting increase to interest expense related to the interest rate derivative would be approximately $2 million. For more information about quantitative and qualitative disclosures about market risk, please see Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” in Part II. of the 2022 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer

(“CFO”), as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

In accordance with Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of its management, including its CEO and CFO, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of September 30, 2023. Based on that evaluation, the CEO and the CFO have concluded that the Company’s current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company’s periodic filings with the SEC is made known to them in a timely manner.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the third quarter of fiscal year 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 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 2022 Annual Report on Form 10-K. Except as described below, there have been no material changes to the risk factors described in our 2022 Annual Report on Form 10-K.

The termination of our partnership with Walmart, including the transition period, will have a significant impact on our business, revenues, profitability and cash flows, which impact could be material.

Following receipt of notice of non-renewal by Walmart on July 20, 2023, our partnership with Walmart, which includes supplying and operating Vision Centers in select Walmart stores and arranging for the provision of optometric services at certain Walmart locations in California, is ending effective February 23, 2024 unless an alternate date is agreed by the parties. Additionally, the agreements governing our provision of contact lens distribution and related services to Walmart and Sam’s Club are terminating effective June 30, 2024 unless an earlier date is agreed by the parties. The Company will also wind down its remaining AC Lens operations, including the closure of its Ohio distribution center, which largely supported the whole distribution and ecommerce contact lens services that we provided to Walmart and Sam’s Club. The termination of the Walmart partnership and the wind down of AC Lens will result in a reduction of our revenues, profitability and cash flows, and therefore, will adversely affect our business, financial condition and results of operations, which could be material. In addition, in connection with the termination of these agreements, we recorded impairment charges of $79.4 million for the three and nine months ended September 30, 2023, including $60.1 million related to goodwill, $9.1 million related to contracts and relationships, and $10.2 million related to property & equipment, which adversely impacted our profitability during these periods. Additional asset impairment charges may be possible as we further evaluate the effect of the termination on our business.

Certain of the agreements include pre-termination transition and post-termination obligations of the parties, including a solicitation period for Walmart to offer employment or similar arrangements to certain associates and optometrists from specified Vision Centers. The transition period presents numerous risks and may cause disruption to these businesses, including, without limitation, a potential reduction in sales, productivity and focus, and may make it harder to retain associates and optometrists, which in turn could adversely affect our financial condition and results of operations. The termination of the Walmart partnership could negatively impact other parts of our business, including, without limitation, impairing our ability to attract and retain management, associates and optometrists, to compete for managed vision care contracts, to obtain favorable terms from vendors and to generate cash to fund our business. While we are seeking to reduce costs and replace any lost business with new America’s Best or Eyeglass World stores and by other means, we may not be successful in our efforts. In addition, the termination of the Walmart partnership has adversely affected, and may continue to adversely affect, the market price of our common stock, regardless of our actual operating performance during the transition period and thereafter.

For additional risks associated with the termination of the Walmart partnership, see the following risk factors included in our 2022 Form 10-K: "*If we fail to retain our existing senior management team or attract qualified new personnel, such failure could have a material adverse effect on our business, financial condition and results of operations,*" "*The optical retail industry is highly competitive, and if we do not compete successfully, our business may be adversely impacted,*" "*Failure to recruit and retain vision care professionals could adversely affect our business, financial condition and results of operations,*" and "*If we fail to open and operate new stores in a timely and cost-effective manner or fail to successfully enter new markets, our financial performance could be materially and adversely affected.*"

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

On August 30, 2023, L. Reade Fahs, the Company's Chief Executive Officer, modified a Rule 10b5-1 trading arrangement, originally adopted on June 2, 2023. The modified trading arrangement is intended to satisfy the affirmative defense of Rule 10b5-1(c) and provides for the potential sale of up to an aggregate of 260,000 shares of the Company's common stock until the earlier of (1) May 31, 2024 and (2) the date on which all such shares have been sold under the plan.

Item 6. Exhibits.

Exhibit Index

Exhibit No.	Exhibit Description
3.1	Third Amended and Restated Certificate of Incorporation of National Vision Holdings, Inc. - incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2021.
3.2	Third Amended and Restated Bylaws of National Vision Holdings, Inc. - incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 10, 2021.
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 30, 2023, 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 9, 2023	By:	/s/ L. Reade Fahs
		Chief Executive Officer
		(Principal Executive Officer)
Dated: November 9, 2023	By:	/s/ Melissa Rasmussen
		Senior Vice President, Chief Financial Officer
		(Principal Financial and Accounting Officer)

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 30, 2023 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 9, 2023

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

Exhibit 31.2

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

I, Melissa Rasmussen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2023 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 9, 2023

/s/ Melissa Rasmussen
Melissa Rasmussen
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting 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 30, 2023 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, L. Reade Fahs, Chief Executive 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 9, 2023

/s/ L. Reade Fahs
L. Reade Fahs
Chief Executive Officer
(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 30, 2023 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Melissa Rasmussen, 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 9, 2023

/s/ Melissa Rasmussen
Melissa Rasmussen
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)