Q2 2020 Financial Results

NATIONAL VISION

August 6, 2020

OUR MISSION

We help people by making quality eye care and eyewear more affordable and accessible.

Disclaimer

Forward-Looking Statements

This presentation 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. These statements include, but are not limited to, statements related to our current beliefs and expectations regarding the performance of our industry, the Company's strategic direction, market position, prospects and future results. You can identify these forward-looking statements by the use of words such as "outlook," "guidance," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Caution should be taken not to place undue reliance on any forward-looking statement as such statements speak only as of the date when made. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

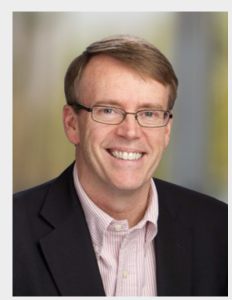
Forward-looking statements are not guarantees and are subject to various risks and uncertainties, which may cause actual results to differ materially from those implied in the forward-looking statements. Such factors include, but are not limited to, the scale, scope and duration of the novel coronavirus, or COVID-19, pandemic and its resurgence, and the impact of evolving federal, state, and local governmental actions in response thereto; customer behavior in response to the continuing pandemic and its resurgence, and evolving federal, state, and local governmental actions, including the impact of such behavior on in-store traffic and sales; our ability to keep our reopened stores open in a safe and cost-effective manner, or at all, in light of the continuing COVID-19 pandemic and its resurgence, and to open and operate new stores, and to successfully enter new markets in a timely and cost-effective manner; operational disruptions if a significant percentage of our workforce is unable to work or we experience labor shortages, including because of illness or travel or government restrictions in connection with the pandemic; the impact on our business of civil unrest, implementation of curfews and protests in certain locations, and related store closures or damage; our ability to recruit and retain vision care professionals for our stores in general and in light of the pandemic; our ability to develop and maintain relationships with managed vision care companies, vision insurance providers and other third-party payors; our ability to maintain the performance of our host and legacy brands and our current operating relationships with our host and legacy partners; our ability to adhere to extensive state, local and federal vision care and healthcare laws and regulations; our compliance with managed vision care laws and regulations; our ability to maintain sufficient levels of cash flow from our operations to execute or sustain our growth strategy; the loss of, or disruption in the operations of, one or more of our distribution centers and/or optical laboratories, resulting in the inability to fulfill customer orders and deliver our products in a timely manner; risks associated with vendors from whom our products are sourced, including our dependence on a limited number of suppliers; our ability to successfully compete in the highly competitive optical retail industry; any failure, inadequacy, interruption, security failure or breach of our information technology systems; our growth strategy straining our existing resources and causing the performance of our existing stores to suffer; the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices; our ability to successfully implement our marketing, advertising and promotional efforts; risks associated with leasing substantial amounts of space, including future increases in occupancy costs; the impact of certain technological advances, and the greater availability of, or increased consumer preferences for, vision correction alternatives to prescription eyeglasses or contact lenses, and future drug development for the correction of vision-related problems; our ability to retain our existing senior management team and attract qualified new personnel; overall decline in the health of the economy and consumer spending affecting consumer purchases; our ability to manage our inventory balances and inventory shrinkage; seasonal fluctuations in our operating results and inventory levels; our reliance on third-party coverage and reimbursement, including government programs, for an increasing portion of our revenues; risks associated with our e-commerce business; product liability, product recall or personal injury issues; our failure to comply with, or changes in, laws, regulations, enforcement activities and other requirements; the impact of any adverse litigation judgments or settlements resulting from legal proceedings relating to our business operations; risks of losses arising from our investments in technological innovators in the optical retail industry; our ability to adequately protect our intellectual property; our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our significant debt service obligations; an increase in interest rates as well as changes in benchmark rates and uncertainty related to the foregoing; restrictions in our credit agreement that limits our flexibility in operating our business; and risks related to owning our common stock, including our ability to comply with requirements to design and implement and maintain effective internal controls. Additional information about these and other factors that could cause National Vision's results to differ materially from those described in the forward-looking statements can be found in filings by National Vision with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, our Form 8-K filed on March 19, 2020, our Quarterly Reports on Form 10-Q filed on May 7, 2020 and August 6, 2020, and subsequent filings with the SEC, which are accessible on the SEC's website at *www.sec.gov*. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in our filings with the SEC.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures designed to supplement, and not substitute, the financial information presented in accordance with generally accepted accounting principles in the United States of America ("GAAP") because management believes such measures are useful to investors. Additional information about these measures and a reconciliation to the nearest GAAP financial measures is provided in the appendix to this presentation and detailed in National Vision's press release for the second quarter of 2020, which is available at www.nationalvision.com/investors, together with this presentation.

Agenda

Topic	Presenter
COVID-19 Update Second Quarter 2020 Highlights	Reade Fahs, CEO
Second Quarter 2020 Financial Update	Patrick Moore, CFO
Moments of Mission	Reade Fahs, CEO
Q&A	



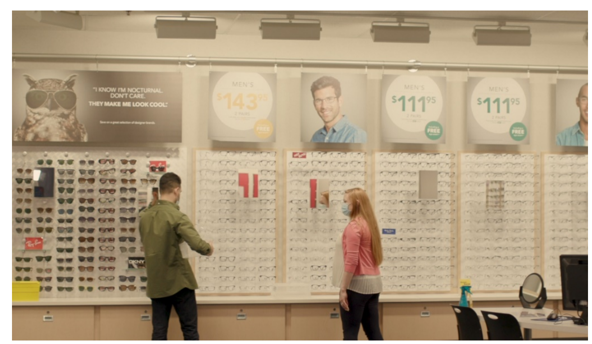
Reade Fahs
CEO

Patrick Moore
CFO

COVID-19 Update

Successful "Safe and Gradual" Reopening of our Stores to the Public

- All stores reopened with enhanced safety and cleaning protocols by early June
  - Protective gear, social distancing, frequent cleanings/disinfecting, facial coverings required in stores
- Safety First approach to operate within COVID-19 environment
- "Essential" business/retail/healthcare
- Well positioned to continue store operations through the remainder of the COVID-19 pandemic



COVID-19 Update

Returning Toward Normalized Operations

- Normalized hours across organization
- Brought back normal compensation across organization, including executive officers
- Resumed unit growth after temporary pause

Strengthened Liquidity & Financial Flexibility

- Completed issuance of $402.5 million of Convertible Senior Notes
- Credit facility amendment to suspend certain financial covenants until Q2 2021
- Recorded credit of $10.8 million related to CARES Act

All Actions Consistent with Company Culture and Long-Term Orientation

- Investments in our people
  - Continued optometrist compensation while stores were closed
  - One-time $250 ‘appreciation’ bonus to all front-line associates and network of optometrists
- Regular two-way communication throughout the organization, especially with our network of optometrists
- Focus to navigate the pandemic with history of business recovery

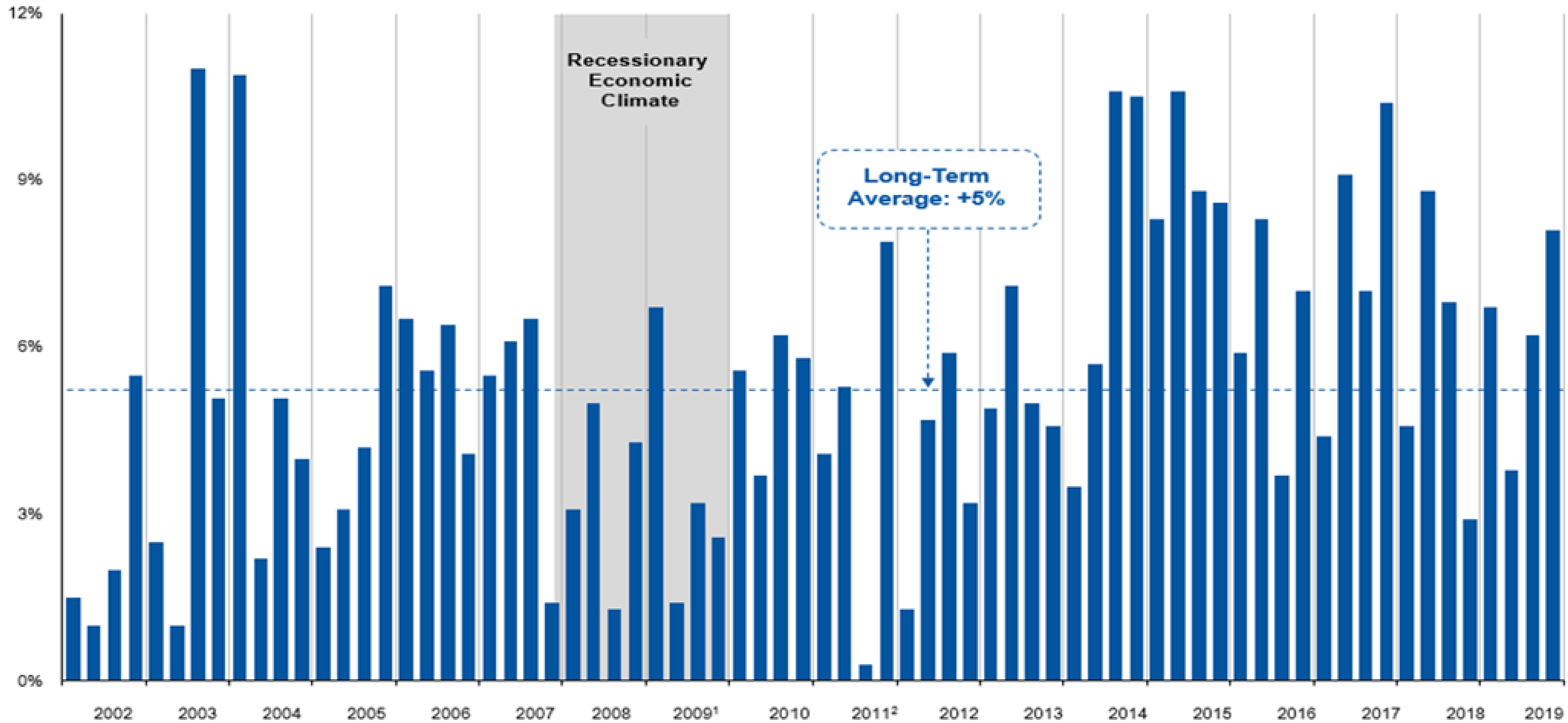
Q2 Highlights

- Net Revenue: $260.0 million, -39.5% below Q2 2019
- Opened 12 new stores
- Transitioned five Walmart Vision Centers to NVI management
- Ended the quarter with 1,185 stores
- Adjusted Comparable Store Sales Growth[1] of -36.5% due to temporary store closures
  - April: -86.6%
  - May: -38.5%
  - June: +19.3% (Best reported comp increase in CEO's 18-year tenure)
- Adjusted Operating Income[1]: $(34.4) million, compared to $29.1 million in Q2 2019
- Adjusted Diluted EPS[1]: $(0.41), compared to $0.18 in Q2 2019

Extended Walmart contract for three years into 2024 with current economics (July 2020)

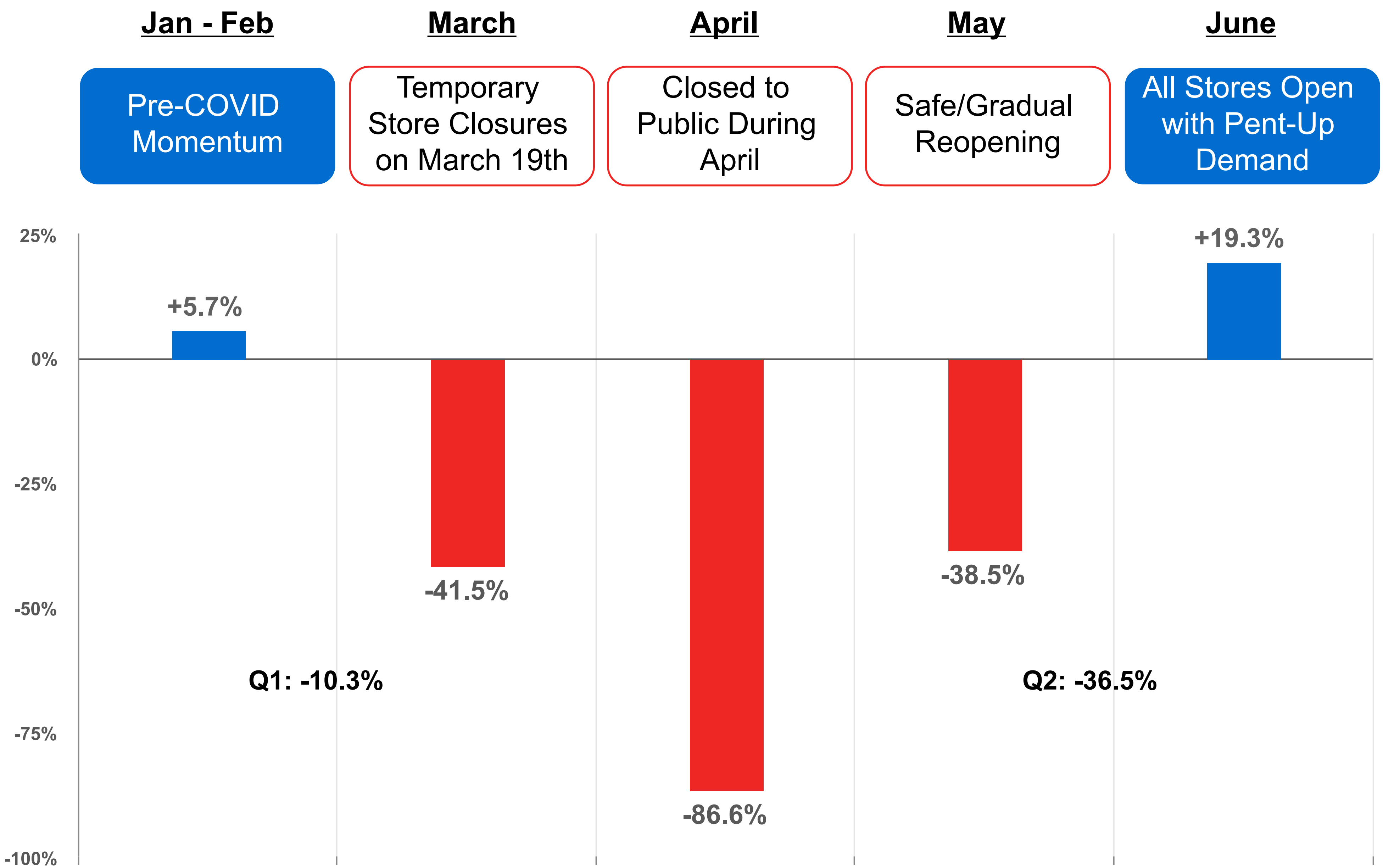
1-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures.

Long History of Consistent Comparable Store Sales Growth ('02 - '19)



- Consistent performance across strong and weak economic periods over 18 years
- Positive growth during 2008 and 2009 recessionary economic climate
- Industry shift toward chains and value segment

2020 Adj. Comparable Store Sales Growth[1] Impacted by COVID-19



1-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures.

Multiple Drivers to Continue Our Growth Following COVID-19

Grow Store Base Across Our Owned Brands

Continue to Drive Comparable Store Sales Growth

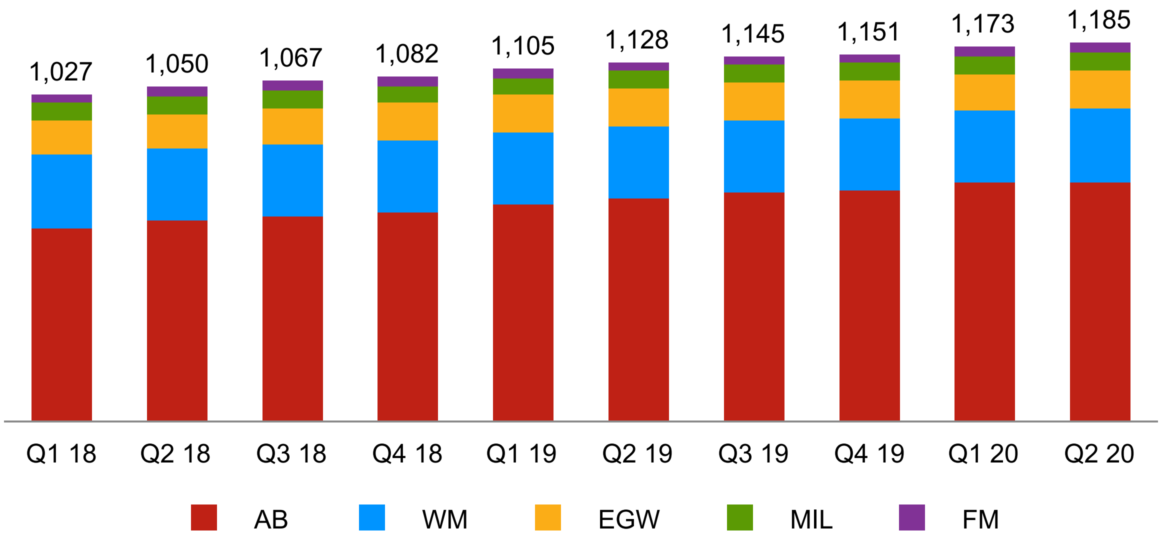
Improve Operating Productivity

Leverage Technology

Second Quarter 2020 Financial Update

Revenue Drivers

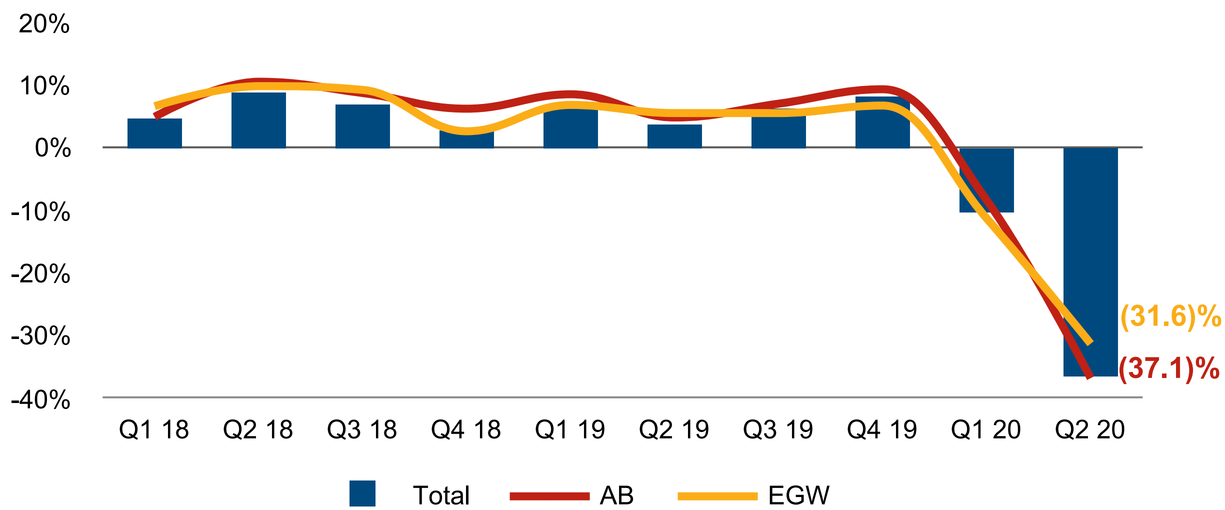
Total Store Count Growth



Commentary

- 12 net new stores in the quarter (11 new AB stores, 1 new EGW and 5 WM, and 5 closed AB stores)
- 57 net new stores in the last 12 months (65 new stores and 8 closed stores)
- Focused store growth on America's Best (58 in the last 12 months) and Eyeglass World (2 in the last 12 months)
- Resumed unit growth in May after temporary pause

Adjusted Comparable Store Sales Growth[1]



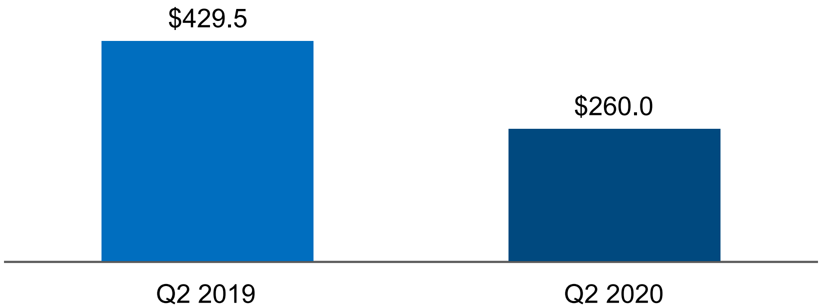
1-Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure.

Commentary

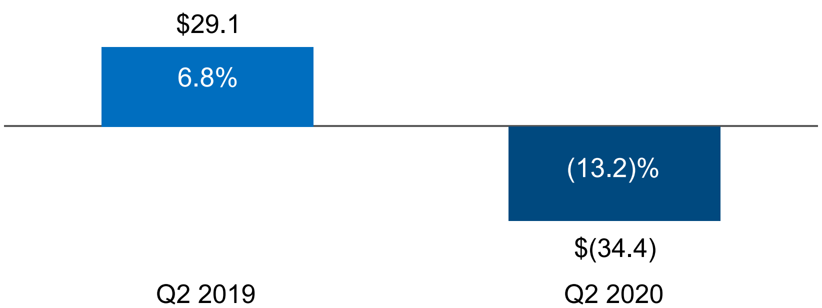
- Negative Adjusted Comparable Store Sales Growth[1] for the quarter driven by temporary store closures
  - April: -86.6%
  - May: -38.5%
  - June: +19.3%
- For June, Adjusted Comparable Store Sales Growth[1] driven by increases in average ticket and transactions, with eyeglasses comps driven by transactions and to a lesser extent average ticket

Q2 2020 Results

Net Revenue ($M)



Adjusted Operating Income[1] ($M)



Adjusted Diluted EPS[1]

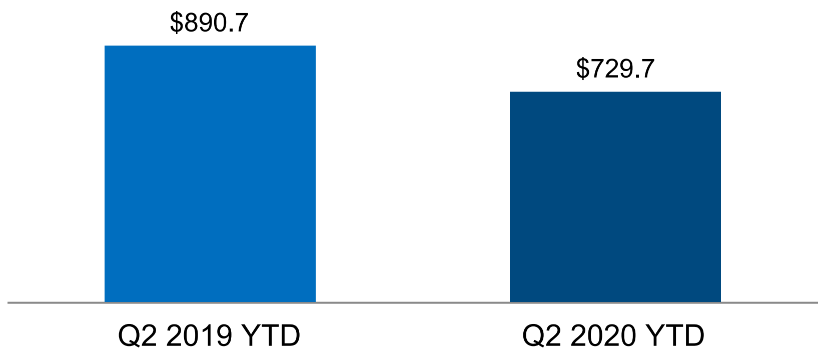
Commentary

- Net revenue decreased 39.5% year-over-year; Net revenue growth was impacted by:
  - COVID-19 related store closures
  - Timing of unearned revenue reduced revenue growth by (10)%
- Costs applicable to revenue as a percentage of net revenue increased 690 bps year-over-year impacted by:
  - Continued optometrist compensation incurred during store closures and higher contact lens mix
- Adjusted SG&A Percent of Net Revenue[1] increased 970 bps year-over-year impacted by:
  - Store and corporate payroll and occupancy costs, partially offset by lower advertising investment
  - Incremental COVID-related expenses of $2.5 million
- Adjusted EBITDA[1] decreased to $(14.4) million; Adjusted EBITDA Margin[1] decreased by 16.7% year-over-year due to factors noted above
- Adjusted Operating Income[1] decreased to $(34.4) million. Adjusted Operating Margin[1] decreased by 20.0% year-over-year due to factors noted above and higher D&A
  - Margin on unearned revenue impacted both Adjusted EBITDA and Adjusted Operating Income by $(32.5) million
- Diluted EPS of $(0.55); Adjusted Diluted EPS[1] of $(0.41)
  - Margin on unearned revenue reduced Adjusted Diluted EPS[1] by $(0.30)

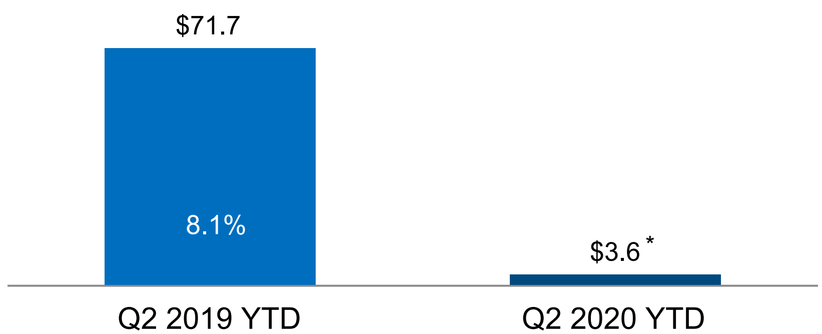
1-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures.

Q2 2020 Year-to-Date Results

Net Revenue ($M)

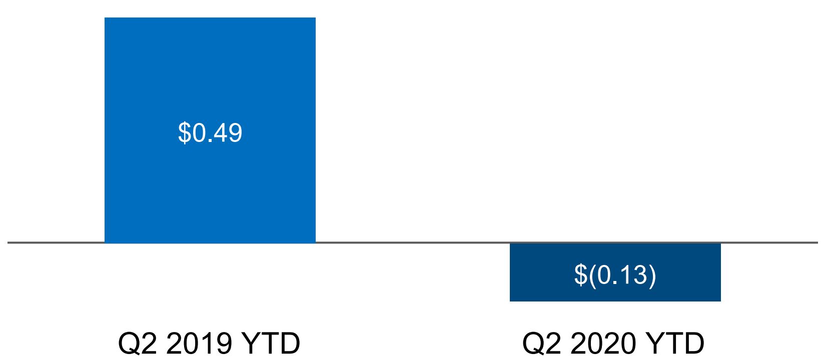


Adjusted Operating Income[1] ($M)



* *Q2 2020 YTD Adjusted Operating Income was 0.5% of Net Revenue.*

Adjusted Diluted EPS[1]



Commentary

- Net revenue decreased 18.1% year-over-year; Net revenue growth was impacted by:
  - COVID-19 related store closures
  - Timing of unearned revenue reduced revenue growth by (1.7)%
- Costs applicable to revenue as a percentage of net revenue increased 270 bps year-over-year primarily due to:
  - Continued optometrist compensation incurred during store closures and contact lens revenue growth, partially offset by higher eyeglass margin
- Adjusted SG&A Percent of Net Revenue[1] increased 320 bps year-over-year primarily due to:
  - Store and corporate payroll and occupancy expense, partially offset by lower advertising investment.
  - Incremental COVID-related expense of $3.1 million
- Adjusted EBITDA[1] decreased to $46.7 million; Adjusted EBITDA Margin[1] decreased by 5.9% year-over-year due to factors noted above
- Adjusted Operating Income[1] decreased to $3.6 million. Adjusted Operating Margin[1] decreased by 7.6% year-over-year due to factors noted above and higher D&A
  - Margin on unearned revenue impacted both Adjusted EBITDA and Adjusted Operating Income by $(11.9) million
- Diluted EPS of $(0.42); Adjusted Diluted EPS[1] of $(0.13)
- Margin on unearned revenue reduced Adjusted Diluted EPS[1] by $(0.11)

1-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures.

Capital Structure and Cash Flow

Q2 2020 Capital Structure ($M)

	Debt Amount	Less: Conversion feature	Less: Deferred Financing Costs	Amounts per Balance Sheet	% of Total	Coupon	Maturity
First Lien - Term Loan	$ 317.4	$ —	$ (2.5)	$ 314.9	49 %	L + 225	7/18/2024
First Lien - Revolving credit facility[1]	—	—	—	—	— %	L + 225	7/18/2024
Convertible senior notes	402.5	(93.1)	(8.7)	300.7	46 %	2.50 %	5/15/2025
Other debt[2]	32.6	—	—	32.6	5 %		
Total debt	$ 752.5	$ (93.1)	$ (11.2)	$ 648.2	100 %		
Cash and cash equivalents				256.3			
Net debt				$ 391.9			

Commentary

- Net debt to TTM Adjusted EBITDA[3] 3.0x
- Issued $402.5M of 2.5% convertible senior notes due 2025
- No borrowings outstanding under our revolving credit facility ($5.7M in outstanding letters of credit)
- $75 million pay down of first lien term loan
- No debt maturities until 2024

Cash Flow ($M)

	Six Months Ended		
	June 27, 2020	June 29, 2019	Variance
Net cash provided by operating activities	$ 71.4	$ 119.3	(47.9)
Net cash used for investing activities	(25.5)	(51.8)	26.3
Net cash provided by (used for) financing activities	171.4	(1.6)	173.0
Net change in cash, cash equivalents and restricted cash	$ 217.3	$ 65.9	$ 151.4

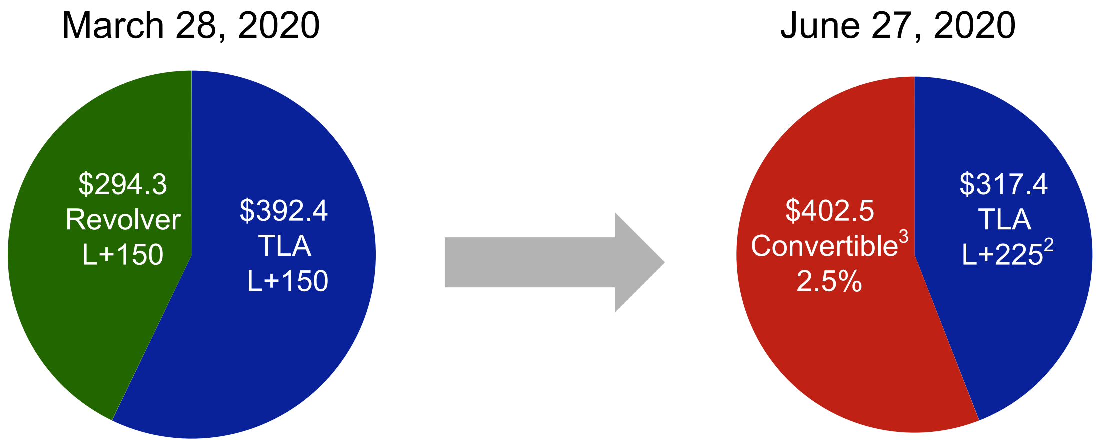
Note: Some of the totals in the table above do not foot due to rounding differences
1- $300.0M facility; $294.3M available
2- Finance lease debt
3- Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure.

Commentary

- $47.9M decrease in operating cash flow due to temporary store closures
- $26.3M decrease in net cash used for investing activities due to pause in new store openings and postponement of capital expenditures
- $173.0M increase in net cash provided by financing activities due to convertible senior note issuance and paydown of long-term debt and revolver.

Capital Structure Strengthening

Debt Balances[1]



- Issued $402.5 million of 2.5% convertible senior notes
- Repaid all outstanding cash borrowings on the revolver plus $75 million of Term Loan A principal
  - No further repayment obligation prior to final maturity
- Amended credit agreement to provide relief from certain covenants due to the COVID-19 pandemic
  - Suspended certain financial covenants until Q2 2021
  - Increased margin across all pricing tiers by 75 bps for both Term Loan A and revolver (current applicable margin increased from L+150 to L+225)

1- Excluding deferred financing costs
2- Per the credit agreement amendment, LIBOR now has a floor of 1%.
3- Gross amount, net proceeds of $390.9 million.

Strong Financial Position / 2020 Navigation

Substantial Liquidity at Q2 end: $550 million

- $256 million in cash on hand
- $294 million in availability under $300M revolving credit facility

Capital Expenditures

- 2020 Capex: $65 to $75 million
- Expect to open between 50 and 55 new stores in 2020

Additional 2020 Considerations

- Expect comps to normalize as pent-up demand moderates
- Expect unearned revenue benefit in Q3
- Depreciation & amortization[1]: $94 to $95 million
- Interest[2]: $33 to $34 million
- COVID-19 related expenses: ~$8 million
  - Q3: ~$4 million, primarily for one time “appreciation” bonus

1 - Includes amortization of acquisition intangibles of approximately $7.4 million
2 - Before the impact of gains or losses related to hedge ineffectiveness and charges related to interest payments and amortization of debt discounts related to the 2025 Notes

Moments of Mission - Supporting Diversity

- **Diversity, Equity and Inclusion Council**
  - Established in June
  - Cross functional team of associates
  - Supported by four Associate Resource Groups

- **Black Eyecare Perspective (BEP)**
  - Co-sponsor of BEP's Impact HBCU program that is designed to attract black students to the field of optometry (July 2020)

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A message from CEO Reade Fahs: Let us commit that this time things will be different.

https://lnkd.in/en6w6Mm

Reade Fahs • 1st
CEO at National Vision – Making eye care and eyewear affordable and accessible
1mo •

Over the last week, a national dialogue on the inequities of our society has once again been sparked by the instant mass distribution of a citizen video that enabled us to collectively bear witness to the violence and innocent deaths that have been an ugly part of our country's history – since its inception.

These are fundamental injustices against humanity.

Tragedies, such as the innocent death of George Floyd and so many others before him, provide reason for us to look inward as individuals, as organizations and as a society. These inequities have gone on far too long. They are unacceptable, and Americans everywhere are speaking up to make that known.

In recent days, I've had many conversations about the depth of the issues that are affecting our African American colleagues, friends, and communities – and are felt deeply by many others as well. Discussions like these I feel are helpful to all involved.

Let us commit that this time things will be different.

Let us commit that this time, the societal indignation does not dissipate but instead turns into real reform and positive significant change.

Q&A

Appendix

New Non-GAAP Measures Framework in 2020

- Introduced new non-GAAP measures
  - Adjusted Operating Income
  - Adjusted Operating Margin
  - See Form 8-K filed on February 26, 2020 for supplemental tables that provide reconciliations from Adjusted EBITDA, Adjusted Operating Income and Adjusted Diluted EPS to Net Income for the quarterly and fiscal year 2018 and 2019 periods.
- Presented new definitions of certain non-GAAP measures
  - No longer adjusting for new store pre-opening expense and non-cash rent
  - The presentation of Adjusted EBITDA and Adjusted Diluted EPS for the three and six months ended June 29, 2019 has been recast to reflect these changes.
  - New store pre-opening expenses totaled $0.4 million and $1.1 million for the three months ended June 27, 2020 and June 29, 2019, respectively; $1.3 million and $2.0 million for the six months ended June 27, 2020 and June 29, 2019, respectively; and non-cash rent totaled $0.9 million and $0.7 million for the three months ended June 27, 2020 and June 29, 2019, respectively; and $1.5 million and $1.8 million for the six months ended June 27, 2020 and June 29, 2019, respectively.
- Continuing to provide Adjusted EBITDA measure

Q2 2020 Consolidated Financial Results (Unaudited)

Dollars and shares in thousands, except Earnings Per Share	**Three Months Ended June 27, 2020**	**Three Months Ended June 29, 2019**	**Six Months Ended June 27, 2020**	**Six Months Ended June 29, 2019**
Revenue:				
Net product sales	$ 209,707	$ 357,533	$ 602,548	$ 740,693
Net sales of services and plans	50,300	71,918	127,163	149,973
Total net revenue	260,007	429,451	729,711	890,666
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	97,635	145,654	254,005	299,658
Services and plans	43,145	56,852	105,329	114,817
Total costs applicable to revenue	140,780	202,506	359,334	414,475
Operating expenses:				
Selling, general and administrative expenses	136,582	182,278	330,323	376,154
Depreciation and amortization	21,924	20,819	46,734	41,234
Asset impairment	2,411	1,790	13,766	3,872
Litigation settlement	—	—	4,395	—
Other expense (income), net	(92)	356	(158)	829
Total operating expenses	160,825	205,243	395,060	422,089
Income (loss) from operations	(41,598)	21,702	(24,683)	54,102
Interest expense, net	15,502	8,968	22,957	18,029
Debt issuance costs	136	—	136	—
Earnings (loss) before income taxes	(57,236)	12,734	(47,776)	36,073
Income tax provision (benefit)	(13,403)	2,477	(13,685)	8,387
Net income (loss)	$ (43,833)	$ 10,257	$ (34,091)	$ 27,686
Earnings (loss) per share - basic	$ (0.55)	$ 0.13	$ (0.42)	$ 0.35
Earnings (loss) per share - diluted	$ (0.55)	$ 0.13	$ (0.42)	$ 0.34
Weighted average shares outstanding - basic	80,325	78,318	80,226	78,262
Weighted average shares outstanding - diluted	80,325	81,424	80,226	81,437

Reconciliation of Adjusted Comparable Stores Sales Growth (Unaudited)

	Comparable store sales growth[a]			
	Three Months Ended June 27, 2020	**Three Months Ended June 29, 2019**	**Six Months Ended June 27, 2020**	**Six Months Ended June 29, 2019**
Owned & Host segment				
America's Best	(37.1)%	4.5%	(22.2)%	6.4%
Eyeglass World	(31.6)%	5.2%	(21.2)%	5.9%
Military	(44.6)%	0.3%	(27.8)%	(2.2)%
Fred Meyer	(48.6)%	(5.3)%	(32.5)%	(7.5)%
Legacy segment	(35.8)%	0.4%	(24.4)%	1.1%
Total comparable store sales growth	(44.7)%	4.4%	(23.0)%	5.4%
Adjusted Comparable Store Sales Growth[b]	(36.5)%	3.8%	(22.6)%	5.3%

Additional Comparable Store Sales Growth information for 2020	***Two Months Ended February 29, 2020***	***One Month Ended March 28, 2020***	***Three Months Ended March 28, 2020***	***One Month Ended April 25, 2020***	***One Month Ended May 30, 2020***	***One Month Ended June 27, 2020***
Total comparable store sales growth	5.6%	(18.8)%	(2.9)%	(83.9)%	(56.6)%	14.3%
Adjusted Comparable Store Sales Growth[b]	5.7%	(41.5)%	(10.3)%	(86.6)%	(38.5)%	19.3%

(a) Total comparable store sales is calculated 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 Chief Operating Decision Maker reviews, and consistent with reportable segment revenues presented in Note 10. "Segment Reporting" in our unaudited condensed consolidated financial statements included in Part I. Item 1. in our Quarterly Report on Form 10-Q for the period ended June 27, 2020, with the exception of the Legacy segment, which is adjusted as noted in clause (b) (ii) below.

(b) The differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth are: (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 the following changes from total comparable store sales growth based on consolidated net revenue: a decrease of 7.5%, an increase of 8.1% and a decrease of 0.4% for the three months ended March 28, 2020, June 27, 2020 and June 29, 2019, respectively, an increase of 0.3% and an increase of 0.2% for the six months ended June 27, 2020 and June 29, 2019, respectively, a decrease of 0.2% for the two months ended February 29, 2020, a decrease of 22.5% for the one month ended March 28, 2020, a decrease of 3.3% for the one month ended April 25, 2020, an increase of 17.7% for the one month ended May 30, 2020, and an increase of 6.0% for the one month ended June 27, 2020; 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 the following changes from total comparable store sales growth based on consolidated net revenue: an increase of 0.1%, an increase of 0.1% and a decrease of 0.2% for the three months ended March 28, 2020, June 27, 2020 and June 29, 2019, respectively, an increase of 0.1% and a decrease of 0.3% for the six months ended June 27, 2020 and June 29, 2019, respectively, an increase of 0.3% for the two months ended February 29, 2020, a decrease of 0.2% for the one month ended March 28, 2020, an increase of 0.6% for the one month ended April 25, 2020, an increase of 0.4% for the one month ended May 30, 2020, and a decrease of 1.0% for the one month ended June 27, 2020.

Reconciliation of Adjusted Operating Income to Net Income (Unaudited)

Dollars in thousands	**Three Months Ended June 27, 2020**		**Three Months Ended June 29, 2019**		**Six Months Ended June 27, 2020**		**Six Months Ended June 29, 2019**	
Net income (loss)	$ (43,833)	(16.9)%	$ 10,257	2.4 %	$ (34,091)	(4.7)%	$ 27,686	3.1%
Interest expense	15,502	6.0 %	8,968	2.1 %	22,957	3.1 %	18,029	2.0%
Income tax provision (benefit)	(13,403)	(5.2)%	2,477	0.6 %	(13,685)	(1.9)%	8,387	0.9%
Stock compensation expense [(a)]	3,352	1.3 %	1,741	0.4 %	5,445	0.7 %	4,717	0.5%
Asset impairment [(c)]	2,411	0.9 %	1,790	0.4 %	13,766	1.9 %	3,872	0.4%
Litigation settlement [(d)]	—	— %	—	— %	4,395	0.6 %	—	—%
Management realignment expenses [(f)]	—	— %	—	— %	—	— %	2,155	0.2%
Long-term incentive plan [(g)]	—	— %	781	0.2 %	—	— %	722	0.1%
Amortization of acquisition intangibles [(h)]	1,851	0.7 %	1,851	0.4 %	3,702	0.5 %	3,702	0.4%
Other [(k)]	(307)	(0.1)%	1,223	0.3 %	1,149	0.2 %	2,467	0.3%
Adjusted Operating Income / Adjusted Operating Margin	$ (34,427)	(13.2)%	$ 29,088	6.8 %	$ 3,638	0.5 %	$ 71,737	8.1%

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.

Reconciliation of Adjusted EBITDA to Net Income (Unaudited)

Dollars in thousands	Three Months Ended June 27, 2020		Three Months Ended June 29, 2019		Six Months Ended June 27, 2020		Six Months Ended June 29, 2019		Twelve Months Ended June 27, 2020
Net income (loss)	$ (43,833)	(16.9)%	$ 10,257	2.4 %	$ (34,091)	(4.7)%	$ 27,686	3.1 %	$ (28,978)
Interest expense	15,502	6.0 %	8,968	2.1 %	22,957	3.1 %	18,029	2.0 %	38,229
Income tax provision (benefit)	(13,403)	(5.2)%	2,477	0.6 %	(13,685)	(1.9)%	8,387	0.9 %	(24,381)
Depreciation and amortization	21,924	8.4 %	20,819	4.8 %	46,734	6.4 %	41,234	4.6 %	92,744
EBITDA	(19,810)	(7.6)%	42,521	9.9 %	21,915	3.0 %	95,336	10.7 %	77,614
Stock compensation expense [a]	3,352	1.3 %	1,741	0.4 %	5,445	0.7 %	4,717	0.5 %	13,398
Loss on extinguisment of debt [b]	—	— %	—	— %	—	— %	—	— %	9,786
Asset impairment [c]	2,411	0.9 %	1,790	0.4 %	13,766	1.9 %	3,872	0.4 %	18,788
Litigation settlement [d]	—	— %	—	— %	4,395	0.6 %	—	— %	4,395
Secondary offering expenses [e]	—	— %	—	— %	—	— %	—	— %	425
Management realignment expenses [f]	—	— %	—	— %	—	— %	2,155	0.2 %	—
Long-term incentive plan [g]	—	— %	781	0.2 %	—	— %	722	0.1 %	2,107
Other [k]	(307)	(0.1)%	1,223	0.3 %	1,149	0.2 %	2,467	0.3 %	5,024
Adjusted EBITDA / Adjusted EBITDA Margin	$ (14,354)	(5.5)%	$ 48,056	11.2 %	$ 46,670	6.4 %	$ 109,269	12.3 %	$ 131,537

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

Reconciliation of Adjusted Diluted EPS to Diluted EPS (Unaudited)

Shares in thousands	Three Months Ended June 27, 2020	Three Months Ended June 29, 2019	Six Months Ended June 27, 2020	Six Months Ended June 29, 2019
Diluted EPS	$ (0.55)	$ 0.13	$ (0.42)	$ 0.34
Stock compensation expense [(a)]	0.04	0.02	0.07	0.06
Asset impairment [(c)]	0.03	0.02	0.17	0.05
Litigation settlement [(d)]	—	—	0.05	—
Management realignment expenses [(f)]	—	—	—	0.03
Long-term incentive plan [(g)]	—	0.01	—	0.01
Amortization of acquisition intangibles [(h)]	0.02	0.02	0.05	0.05
Amortization of debt discount and deferred financing costs [(i)]	0.03	0.01	0.03	0.01
Losses (gains) on change in fair value of derivatives [(j)]	0.06	—	0.06	—
Other [(k)]	—	0.02	0.01	0.03
Tax benefit of stock option exercises [(l)]	—	(0.01)	(0.04)	(0.02)
Tax effect of total adjustments [(m)]	(0.05)	(0.02)	(0.12)	(0.06)
Adjusted Diluted EPS	$ (0.41)	$ 0.18	$ (0.13)	$ 0.49
Weighted average diluted shares outstanding	80,325	81,424	80,226	81,437

Note: Certain totals above do not foot due to rounding

Reconciliation of Adjusted SG&A to SG&A (Unaudited)

Dollars in thousands	**Three Months Ended June 27, 2020**		**Three Months Ended June 29, 2019**		**Six Months Ended June 27, 2020**		**Six Months Ended June 29, 2019**	
SG&A	$ 136,582	52.5 %	$ 182,278	42.4 %	$ 330,323	45.3 %	$ 376,154	42.2 %
Stock compensation expense [a]	3,352	1.3 %	1,741	0.4 %	5,445	0.7 %	4,717	0.5 %
Management realignment expenses [f]	—	— %	—	— %	—	— %	2,155	0.2 %
Long-term incentive plan [g]	—	— %	781	0.2 %	—	— %	722	0.1 %
Other [n]	(307)	(0.1)%	776	0.2 %	1,149	0.2 %	1,460	0.2 %
Adjusted SG&A/ Adjusted SG&A Percent of Net Revenue	$ 133,537	51.4 %	$ 178,980	41.7 %	$ 323,729	44.4 %	$ 367,100	41.2 %

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

Reconciliation of Non-GAAP to GAAP Financial Measures Footnotes

In the first quarter of 2020, we introduced Adjusted Operating Income and Adjusted Operating Margin as measures of performance we will use in connection with Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Diluted EPS. Further, consistent with our presentation of Adjusted Operating Income, we no longer exclude new store pre-opening expenses and non-cash rent from our presentation of Adjusted EBITDA and Adjusted Diluted EPS. See our Form 8-K filed with the SEC on February 26, 2020 for more information.

(a) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on the timing of awards and performance vesting conditions.
(b) Reflects write-off of deferred financing fees related to the extinguishment of debt.
(c) Reflects write-off of property, equipment and lease related assets on closed or underperforming stores.
(d) Expenses associated with settlement of litigation. See Note 9. “Commitments and Contingencies” for further details.
(e) Expenses related to our secondary public offerings.
(f) Expenses related to a non-recurring management realignment described in the Current Report on Form 8-K filed with the SEC on January 10, 2019.
(g) Expenses pursuant to a long-term incentive plan for non-executive employees who were not participants in the management equity plan for fiscal year 2019. This plan was effective in 2014 following the acquisition of the Company by affiliates of KKR & Co. Inc. (the "KKR Acquisition").
(h) Amortization of the increase in carrying values of finite-lived intangible assets resulting from the application of purchase accounting to the KKR Acquisition.
(i) Amortization of debt discount is associated with the amortization of the conversion feature related to the convertible notes and amortization of deferred financing costs relate to the convertible note, term loan and revolving credit facility borrowings. Amortization of debt discount and deferred financing costs in aggregate total $2.5 million and $0.5 million for the three months ended June 27, 2020 and June 29, 2019, respectively, and $2.7 million and $0.9 million for the six months ended June 27, 2020 and June 29, 2019, respectively.
(j) Reflects $4.9 million of losses recognized in interest expense on change in fair value of de-designated hedges for the three and six months ended June 27, 2020.
(k) Other adjustments include amounts that management believes are not representative of our operating performance (amounts in brackets represent reductions in Adjusted Operating Income, Adjusted Diluted EPS and Adjusted EBITDA), including our share of losses on equity method investments of $0.4 million for the three months ended June 29, 2019 and $1.0 million for the six months ended June 29, 2019, and $0.8 million for the twelve months ended June 27, 2020; the amortization impact of adjustments related to the KKR Acquisition, (e.g., fair value of leasehold interests) of $0.1 million for each of the three months ended June 27, 2020 and June 29, 2019, $0.2 million for each of the six months ended June 27, 2020 and June 29, 2019, and $0.5 million for the twelve months ended June 27, 2020; costs of severance and relocation of $0.2 million and $0.6 million for the three months ended June 27, 2020 and June 29, 2019, respectively, $0.5 million and $0.8 million for the six months ended June 27, 2020 and June 29, 2019, respectively, and $2.1 million for the twelve months ended June 27, 2020; excess payroll taxes related to stock option exercises of $0.1 million for the three months ended June 29, 2019, $0.3 million and $0.1 million for the six months ended June 27, 2020 and June 29, 2019, respectively, and $1.0 million for the twelve months ended June 27, 2020; incremental costs directly related to adapting the Company’s operations during the COVID-19 pandemic of $0.6 million for the six months ended June 27, 2020, and $0.6 million for the twelve months ended June 27, 2020; and other expenses and adjustments totaling $(0.7) million and $(31) thousand for the three months ended June 27, 2020 and June 29, 2019, respectively, and $(0.5) million and $0.3 million for the six months ended June 27, 2020 and June 29, 2019, respectively.
(l) Tax benefit associated with accounting guidance requiring excess tax benefits related to stock option exercises to be recorded in earnings as discrete items in the reporting period in which they occur.
(m) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.
(n) Reflects other expenses in (k) above, except for our share of losses on equity method investments of $0.4 million for the three months ended June 29, 2019 and $1.0 million for the six months ended June 29, 2019.

Adjusted Comparable Store Sales Growth Primer

What is Adjusted Comparable Store Sales Growth?

- Calculated using net revenue **on a cash-basis**
- Excludes the impact of unearned and deferred revenue

Why use Adjusted Comparable Store Sales Growth?

- Provides a clear view of the Company's current operating performance
  - Shifts in unearned revenue are difficult to predict and related to short-term customer behavior (see slide 29)
- Used by management to assess business performance and is the basis for store-level business performance
- Consistently applied methodology

Adjusted Comparable Store Sales Growth consistently lower than total comparable store sales growth

- Company provides total comparable store sales growth measured on GAAP revenue
- Adjusted measure has been lower than or equal to GAAP measure in 9 of last 13 quarters due to unearned revenue
- Total comparable store sales growth based on GAAP revenue was not calculated prior to 2017 IPO

Total comparable store sales growth versus Adjusted Comparable Store Sales Growth

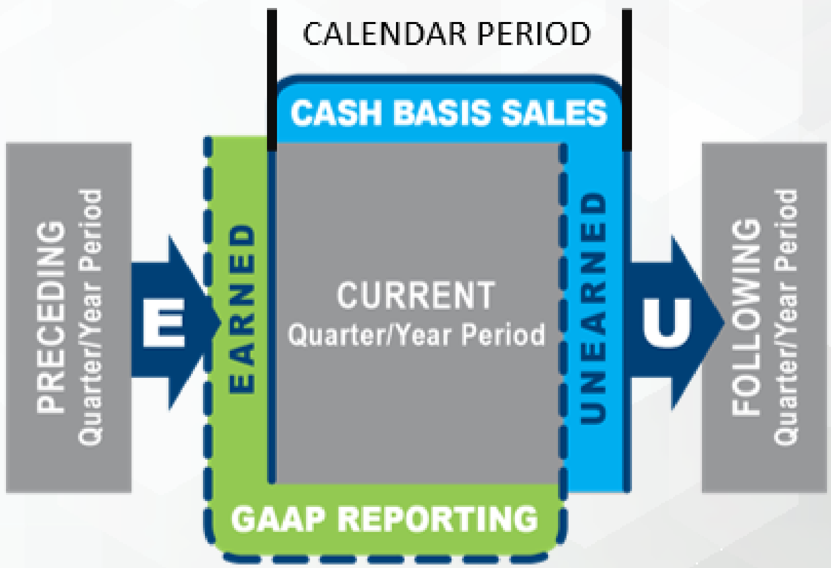
	2017			2018				2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total comparable store sales growth (GAAP)	8.5%	8.3%	11.5%	4.6%	10.4%	7.0%	4.3%	6.2%	4.4%	5.7%	10.1%	(2.9)%	(44.7)%
Adjusted Comparable Store Sales Growth* (non-GAAP)	9.1%	7.0%	10.4%	4.6%	8.8%	6.8%	2.9%	6.7%	3.8%	6.2%	8.1%	(10.3)%	(36.5)%

*See Appendix for reconciliation to GAAP measure

Unearned Revenue Primer

PURCHASE JOURNEY

UNEARNED REVENUE ACCOUNTING



- Customers generally pay for products and services at time of order. Eyeglasses are picked up approximately 7 to 10 days later.
- Unearned revenue represents **CASH BASIS SALES** during approximately the last week of a reporting period. **GAAP REPORTING** requires REVENUE RECOGNITION at time of PICKUP.
- The change in unearned revenue depends on relative magnitude of sales for last week of the preceding E and current U quarters, as well as customer purchase pick-up behavior.
  - The change in activity is then compared to the same periods in the prior year.
- Typical seasonal impact on income statement:

Q1 negative (E<U)	**Q2** positive (E>U)
Q3 pos./neg. (E><U)	**Q4** negative (E<U)

- For a company with growing revenues, unearned revenue should also grow to some degree each year.

"It's a short-term timing difference between quarters"

Check out some of our latest commercials: [National Vision Commercials]