UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 3, 2021

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** **Duluth, Georgia**	**30096**
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

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

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

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

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

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

Class	Outstanding at July 30, 2021
Common stock, $0.01 par value	81,875,123

NATIONAL VISION HOLDINGS, INC. AND SUBSIDIARIES

Table of Contents

		Page
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS		3
Part I – Financial Information		5
Item 1.	Financial Statements (Unaudited)	5
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Operations and Comprehensive Income	6
	Condensed Consolidated Statements of Stockholders' Equity	7
	Condensed Consolidated Statements of Cash Flows	9
	Notes to Condensed Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	42
Item 4.	Controls and Procedures	43
Part II – Other Information		44
Item 1.	Legal Proceedings	44
Item 1A.	Risk Factors	44
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3.	Defaults Upon Senior Securities	44
Item 4.	Mine Safety Disclosures	44
Item 5.	Other Information	44
Item 6.	Exhibits	45
	Signatures	46

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

There are a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth in Part II, Item 1A - "Risk Factors" in this Form 10-Q and Part I, Item 1A - "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended January 2, 2021 (the "2020 Annual Report on Form 10-K"), as filed with the Securities and Exchange Commission (the "SEC"), as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov, and also include the following:

- the COVID-19 pandemic and its resurgence and variants, and the impact of evolving federal, state, and local governmental actions in response thereto;
- customer behavior in response to the continuing pandemic and its more recent outbreaks of variants;
- 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 variants;
- our ability to recruit and retain vision care professionals for our stores in general and in light of the pandemic;
- our ability to develop, maintain and extend relationships with managed vision care companies, vision insurance providers and other third-party payors;
- our ability to maintain the performance of our host and legacy brands and our current operating relationships with our host and legacy partners;
- our ability to adhere to extensive state, local and federal vision care and healthcare laws and regulations;
- our compliance with managed vision care laws and regulations;
- our ability to maintain sufficient levels of cash flow from our operations to execute or sustain our growth strategy or obtain additional financing at satisfactory terms or at all;
- the loss of, or disruption in the operations of, one or more of our distribution centers and/or optical laboratories, resulting in the inability to fulfill customer orders and deliver our products in a timely manner;
- risks associated with vendors from whom our products are sourced, including our dependence on a limited number of suppliers;
- our ability to compete successfully;
- our ability to effectively operate our information technology systems and prevent interruption or security breach;
- 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 other factors impacting consumer spending;
- our ability to manage our inventory;
- seasonal fluctuations in our operating results and inventory levels;
- our reliance on third-party coverage and reimbursement, including government programs, for an increasing portion of our revenues;
- risks associated with our e-commerce and omni-channel business;

- product liability, product recall or personal injury issues;
- our failure to comply with, or changes in, laws, regulations, enforcement activities and other requirements;
- the impact of any adverse litigation judgments or settlements resulting from legal proceedings relating to our business operations;
- risk of losses arising from our investments in technological innovators in the optical retail industry;
- our ability to adequately protect our intellectual property;
- our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our debt obligations;
- a change in interest rates as well as changes in benchmark rates and uncertainty related to the foregoing;
- restrictions in our credit agreement that limits our flexibility in operating our business;
- potential dilution to existing stockholders upon the conversion of our convertible notes; and
- risks related to owning our common stock, including our ability to comply with requirements to design and implement and maintain effective internal controls.

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

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

Website Disclosure

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of July 3, 2021 and January 2, 2021
In Thousands, Except Par Value
(Unaudited)

ASSETS	As of July 3, 2021	As of January 2, 2021
Current assets:		
Cash and cash equivalents	$ 408,301	$ 373,903
Accounts receivable, net	54,733	57,989
Inventories	120,863	111,274
Prepaid expenses and other current assets	24,466	23,484
Total current assets	608,363	566,650
Property and equipment, net	335,504	341,293
Other assets:		
Goodwill	777,613	777,613
Trademarks and trade names	240,547	240,547
Other intangible assets, net	45,766	49,511
Right of use assets	343,708	340,141
Other assets	17,715	17,743
Total non-current assets	1,760,853	1,766,848
Total assets	$ 2,369,216	$ 2,333,498
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 77,677	$ 64,861
Other payables and accrued expenses	116,508	110,309
Unearned revenue	39,071	32,657
Deferred revenue	68,612	58,899
Current maturities of long-term debt and finance lease obligations	4,285	3,598
Current operating lease obligations	64,330	58,356
Total current liabilities	370,483	328,680
Long-term debt and finance lease obligations, less current portion and debt discount	616,160	651,763
Non-current operating lease obligations	326,478	327,371
Other non-current liabilities:		
Deferred revenue	23,483	20,828
Other liabilities	14,272	17,415
Deferred income taxes, net	80,003	80,939
Total other non-current liabilities	117,758	119,182
Commitments and contingencies (See Note 9)		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 82,828 and 82,183 shares issued as of July 3, 2021 and January 2, 2021, respectively; 81,855 and 81,239 shares outstanding as of July 3, 2021 and January 2, 2021, respectively	828	821
Additional paid-in capital	739,380	795,697
Accumulated other comprehensive loss	(3,093)	(4,400)
Retained earnings	231,184	142,880
Treasury stock, at cost; 973 and 944 shares as of July 3, 2021 and January 2, 2021, respectively	(29,962)	(28,496)
Total stockholders' equity	938,337	906,502
Total liabilities and stockholders' equity	$ 2,369,216	$ 2,333,498

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

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
For the Three and Six Months Ended July 3, 2021 and June 27, 2020
In Thousands, Except Earnings Per Share
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Revenue:				
Net product sales	$ 458,206	$ 209,707	$ 901,273	$ 602,548
Net sales of services and plans	91,283	50,300	182,396	127,163
Total net revenue	549,489	260,007	1,083,669	729,711
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	167,028	97,635	326,719	254,005
Services and plans	68,918	43,145	133,917	105,329
Total costs applicable to revenue	235,946	140,780	460,636	359,334
Operating expenses:				
Selling, general and administrative expenses	234,235	136,582	457,828	330,323
Depreciation and amortization	24,025	21,924	47,580	46,734
Asset impairment	519	2,411	1,478	13,766
Litigation settlement	—	—	—	4,395
Other expense (income), net	(65)	(92)	(130)	(158)
Total operating expenses	258,714	160,825	506,756	395,060
Income (loss) from operations	54,829	(41,598)	116,277	(24,683)
Interest expense, net	10,096	15,502	16,426	22,957
Debt issuance costs	92	136	92	136
Earnings (loss) before income taxes	44,641	(57,236)	99,759	(47,776)
Income tax provision (benefit)	7,040	(13,403)	18,726	(13,685)
Net income (loss)	$ 37,601	$ (43,833)	$ 81,033	$ (34,091)
Earnings (loss) per share:				
Basic	$ 0.46	$ (0.55)	$ 0.99	$ (0.42)
Diluted	$ 0.42	$ (0.55)	$ 0.89	$ (0.42)
Weighted average shares outstanding:				
Basic	81,601	80,325	81,457	80,226
Diluted	96,082	80,325	96,044	80,226
Comprehensive income (loss):				
Net income (loss)	$ 37,601	$ (43,833)	$ 81,033	$ (34,091)
Unrealized gain (loss) on hedge instruments	2,959	4,111	4,609	(4,747)
Tax provision (benefit) of unrealized gain (loss) on hedge instruments	756	1,050	3,302	(1,206)
Comprehensive income (loss)	$ 39,804	$ (40,772)	$ 82,340	$ (37,632)

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

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders’ Equity
For the Three and Six Months Ended July 3, 2021
In Thousands
(Unaudited)

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

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders’ Equity
For the Three and Six Months Ended June 27, 2020
In Thousands
(Unaudited)

	Three and Six Months Ended June 27, 2020						
	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Stockholders' Equity
Balances at December 28, 2019	79,678	$ 805	$ 700,121	$ (3,814)	$ 107,132	$ (27,807)	$ 776,437
Cumulative effect of change in accounting principle	—	—	—	—	(529)	—	(529)
Balances at December 29, 2019 - as adjusted	79,678	805	700,121	(3,814)	106,603	(27,807)	775,908
Issuance of common stock	602	6	5,114	—	—	—	5,120
Stock based compensation	—	—	2,066	—	—	—	2,066
Purchase of treasury stock	(2)	—	—	—	—	(74)	(74)
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	(6,602)	—	—	(6,602)
Net income	—	—	—	—	9,742	—	9,742
Balances at March 28, 2020	80,278	$ 811	$ 707,301	$ (10,416)	$ 116,345	$ (27,881)	$ 786,160
Issuance of common stock	137	1	877	—	—	—	878
Stock based compensation	—	—	3,324	—	—	—	3,324
Conversion option related to convertible senior notes, net of allocated costs and tax	—	—	71,349	—	—	—	71,349
Unrealized gain (loss) on hedge instruments, net of tax	—	—	—	3,061	—	—	3,061
Net income (loss)	—	—	—	—	(43,833)	—	(43,833)
Balances at June 27, 2020	80,415	$ 812	$ 782,851	$ (7,355)	$ 72,512	$ (27,881)	$ 820,939

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

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended July 3, 2021 and June 27, 2020
In Thousands
(Unaudited)

	Six Months Ended	
	July 3, 2021	June 27, 2020
Cash flows from operating activities:		
Net income (loss)	$ 81,033	$ (34,091)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,580	46,734
Amortization of debt discount and deferred financing costs	2,268	2,717
Asset impairment	1,478	13,766
Deferred income tax expense (benefit)	14,582	(13,686)
Stock based compensation expense	10,201	5,445
Losses (gains) on change in fair value of derivatives	125	4,871
Inventory adjustments	619	2,883
Other	1,253	3,328
Changes in operating assets and liabilities:		
Accounts receivable	2,393	(14,408)
Inventories	(10,208)	6,814
Operating lease right of use assets and lease liabilities	149	1,174
Other assets	(1,148)	2,047
Accounts payable	12,816	11,630
Deferred and unearned revenue	18,782	8,025
Other liabilities	7,885	24,171
Net cash provided by operating activities	189,808	71,420
Cash flows from investing activities:		
Purchase of property and equipment	(38,812)	(25,796)
Other	22	265
Net cash used for investing activities	(38,790)	(25,531)
Cash flows from financing activities:		
Borrowings on long-term debt, net of discounts	—	548,769
Repayments on long-term debt	(117,375)	(369,269)
Proceeds from exercise of stock options	5,738	5,998
Purchase of treasury stock	(1,466)	(74)
Payments of debt issuance costs	(900)	(12,400)
Payments on finance lease obligations	(2,526)	(1,587)
Net cash provided by (used for) financing activities	(116,529)	171,437
Net change in cash, cash equivalents and restricted cash	34,489	217,326
Cash, cash equivalents and restricted cash, beginning of year	375,159	40,307
Cash, cash equivalents and restricted cash, end of period	$ 409,648	$ 257,633
Supplemental cash flow disclosure information:		
Cash paid for interest	$ 14,640	$ 13,810
Cash paid (received) for taxes	$ 6,995	$ (1,452)
Capital expenditures accrued at the end of the period	$ 8,827	$ 11,265

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

1. Description of Business and Basis of Presentation

Nature of Operations

National Vision Holdings, Inc. ("NVHI," the "Company," "we," "our," or "us") is a holding company whose operating subsidiaries include its indirect wholly owned subsidiary, National Vision, Inc. ("NVI") and NVI's wholly owned subsidiaries. We are a leading value retailer of eyeglasses and contact lenses in the United States. We operated 1,249 and 1,205 retail optical locations in the United States and its territories as of July 3, 2021 and January 2, 2021, respectively, through our five store brands, including America's Best Contacts and Eyeglasses ("America's Best"), Eyeglass World, Vista Optical locations on select U.S. Army/Air Force military bases ("Military") and within select Fred Meyer stores, and our management & services arrangement with Walmart ("Legacy").

Basis of Presentation

We prepare our unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and, therefore, do not include all information and disclosures required by U.S. GAAP for complete consolidated financial statements. The condensed consolidated balance sheet as of January 2, 2021 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 prior year amounts in the Condensed Consolidated Statements of Cash Flows have been reclassified to conform to the current presentation.

Certain information and disclosures normally included in our annual consolidated financial statements have been condensed or omitted; however, we believe that the disclosures included herein are sufficient for a fair presentation of the information presented. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the fiscal year ended January 2, 2021 included in the 2020 Annual Report on Form 10-K. The Company's significant accounting policies are set forth in Note 1 within those consolidated financial statements. We use the same accounting policies in preparing interim condensed consolidated financial information and annual consolidated financial statements. There were no changes to our significant accounting policies during the six months ended July 3, 2021, except for the adoption of Accounting Standards Update ("ASU") No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"). See "Adoption of New Accounting Pronouncements" below for further discussion.

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

Fiscal Year

Our fiscal year consists of 52 or 53 weeks ending on the Saturday closest to December 31. Fiscal year 2021 contains 52 weeks and will end on January 1, 2022. All three and six month periods presented herein contain 13 and 26 weeks, respectively. All references to years and quarters relate to fiscal periods rather than calendar periods.

Seasonality

The consolidated results of operations for the three and six months ended July 3, 2021 and June 27, 2020, are not necessarily indicative of the results to be expected for the full fiscal year due to seasonality and uncertainty of general economic conditions that may impact our key end markets. Historically, our business has realized a higher portion of net revenue, income from operations, and cash flows from operations in the first half of the year, and a lower portion of net revenue, income from operations, and cash flows from operations in the fourth fiscal quarter. The first half seasonality is attributable primarily to the timing of our customers' personal income tax refunds and annual health insurance program start/reset periods. Seasonality related to fourth quarter holiday spending by retail customers generally does not impact our business. Our quarterly consolidated results generally may also be affected by the timing of new store openings, store closings, and certain holidays.

The COVID-19 pandemic resulted in the temporary closure of our stores for a portion of the first half of fiscal year 2020 and caused changes in fiscal year 2020 seasonality. COVID-19 may continue to cause changes to the seasonality we have historically experienced in fiscal year 2021 and beyond.

Use of Estimates

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

Income Taxes

Our income tax provision for the three months ended July 3, 2021 and June 27, 2020 reflected our statutory federal and state rate of 25.5%, offset by discrete benefits from stock option exercises of $4.1 million and $0.3 million, respectively. Our income tax provision for the six months ended July 3, 2021 and June 27, 2020 reflected our statutory federal and state rate of 25.5% offset by discrete benefits from stock option exercises of $4.5 million and $3.0 million, respectively, and a stranded tax effect of $2.1 million associated with our matured interest rate swaps during the six months ended July 3, 2021.

Adoption of New Accounting Pronouncements

Convertible Instruments and Contracts in an Entity's Own Equity. In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06. This new guidance simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. The guidance also requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share. ASU 2020-06 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. The company early adopted the guidance in the first quarter of 2021 using the modified retrospective approach and recognized a cumulative effect of the change of $7.3 million as an adjustment to the opening balance of retained earnings. Upon adoption of ASU 2020-06 the Company eliminated the equity components related to its convertible debt and increased the related liability components by $82.9 million. In addition, as a result of the adoption, our deferred tax liabilities decreased by $18.8 million and additional paid-in capital decreased by $71.4 million. The adoption did not have an impact on the calculated weighted average shares outstanding used in the calculation of diluted EPS since the Company was using the if-converted method prior to the adoption of ASU 2020-06. Refer to Note 11. "Earnings per Share" for more information.

The following tables summarize the impact of adoption on the Company's condensed consolidated statement of operations for the three and six months ended July 3, 2021:

In thousands (except earnings per share)	Three Months Ended July 3, 2021					
	With ASU 2020-06 Adoption		Without ASU 2020-06 Adoption		Impact of Adoption	
Income from operations	$	54,829	$	54,829	$	—
Interest expense, net		10,096		14,040		(3,944)
Debt issuance costs		92		92		—
Earnings before income taxes		44,641		40,697		3,944
Income tax provision		7,040		6,144		896
Net income	$	37,601	$	34,553	$	3,048
Earnings per share:						
Basic	$	0.46	$	0.42	$	0.04
Diluted	$	0.42	$	0.42	$	—
Impact of adoption on basic earnings per share is calculated using impact on net income divided by basic weighted average shares outstanding during the period.						

In thousands (except earnings per share)	Six Months Ended July 3, 2021					
	With ASU 2020-06 Adoption		Without ASU 2020-06 Adoption		Impact of Adoption	
Income from operations	$	116,277	$	116,277	$	—
Interest expense, net		16,426		24,176		(7,750)
Debt issuance costs		92		92		—
Earnings before income taxes		99,759		92,009		7,750
Income tax provision		18,726		17,010		1,716
Net income	$	81,033	$	74,999	$	6,034
Earnings per share:						
Basic	$	0.99	$	0.92	$	0.07
Diluted	$	0.89	$	0.89	$	—
Impact of adoption on basic earnings per share is calculated using impact on net income divided by basic weighted average shares outstanding during the period.						

Future Adoption of Accounting Pronouncements

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

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

2. Details of Certain Balance Sheet Accounts

In thousands	As of July 3, 2021	As of January 2, 2021
Accounts receivable, net:		
Trade receivables	$ 28,742	$ 28,405
Credit card receivables	19,830	21,557
Other receivables	6,556	8,460
Allowance for credit losses	(395)	(433)
	$ 54,733	$ 57,989

In thousands	As of July 3, 2021	As of January 2, 2021
Inventories:		
Raw materials and work in process [(1)]	$ 55,246	$ 55,473
Finished goods	65,617	55,801
	$ 120,863	$ 111,274

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

In thousands	As of July 3, 2021	As of January 2, 2021
Other payables and accrued expenses:		
Associate compensation and benefits [(1)]	$ 53,251	$ 51,081
Advertising	4,503	2,173
Self-insurance liabilities	9,634	8,650
Reserves for customer returns and remakes	9,301	8,084
Capital expenditures	8,827	8,455
Legacy management & services agreement	6,722	5,386
Fair value of derivative liabilities	4,077	5,116
Supplies and other store support expenses	2,820	3,461
Litigation settlements	1,720	1,107
Lease concessions	737	3,142
Other	14,916	13,654
	$ 116,508	$ 110,309

(1) Includes the Coronavirus Aid, Relief, and Economic Security ("CARES") Act deferred employer payroll taxes in the amount of $0.0 million and $12.8 million as of July 3, 2021 and January 2, 2021, respectively.

In thousands	As of July 3, 2021	As of January 2, 2021
Other non-current liabilities:		
Fair value of derivative liabilities	$ 4,217	$ 7,663
Self-insurance liabilities	7,491	7,046
Other	2,564	2,706
	$ 14,272	$ 17,415

3. Fair Value Measurement

Recurring fair value measurements

Interest Rate Derivatives

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

Nonrecurring fair value measurements

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

We recognized impairments of $0.5 million and $1.5 million during the three and six months ended July 3, 2021, respectively, related to our long-lived tangible store assets and ROU assets. The impairments were primarily driven by lower than projected customer sales volume in certain stores. The cash flows used in estimating fair value were discounted using a market rate of 7.5%. We consider market-based indications of prevailing rental rates for retail space, market participant discount rates, and lease incentives when estimating the fair values of ROU assets. A decrease in the estimated cash flows would lead to a lower fair value measurement, as would an increase in the discount rate. These non-recurring fair value measurements are classified as Level 3 measurements in the fair value hierarchy. The estimated remaining fair value of the assets impaired as of July 3, 2021 was $2.9 million. Substantially all of the remaining fair value of the impaired store assets in fiscal year 2021 represents the fair value of ROU assets.

Additional fair value information

Long-term Debt - 2025 Notes

The Company has $402.5 million in aggregate principal amount of 2.50% convertible senior notes due on May 15, 2025 (the “2025 Notes”) issued and outstanding as of July 3, 2021. Refer to Note 4. “Long-term Debt” for more information on the 2025 Notes. The estimated fair value of the 2025 Notes was approximately $705.2 million and $655.3 million as of July 3, 2021 and January 2, 2021, respectively. The estimated fair value of the 2025 Notes is based on the prices the 2025 Notes have traded in the market as of July 3, 2021, as well as overall market conditions on the date of valuation, stated coupon rates, the number of coupon payments each year and the maturity date, and represents a Level 2 measurement in the fair value hierarchy.

4. Long-term Debt

Long-term debt consists of the following:

In thousands	As of July 3, 2021	As of January 2, 2021
2025 Notes, due May 15, 2025	$ 402,500	$ 402,500
Term loan, due July 18, 2024	200,000	317,375
Long-term debt before debt discount	602,500	719,875
Unamortized discount and issuance costs - 2025 Notes	(9,153)	(93,123)
Unamortized discount and issuance costs - term loan	(1,515)	(2,141)
Long-term debt less debt discount	591,832	624,611
Less current maturities	—	—
Long-term debt - non-current portion	591,832	624,611
Finance lease obligations	28,613	30,750
Less current maturities	(4,285)	(3,598)
Long-term debt and finance lease obligations, less current portion and debt discount	$ 616,160	$ 651,763

Credit Agreement

During the second quarter of 2021, the Company voluntarily prepaid $117.4 million of term loan principal and wrote off associated deferred debt issuance costs of $0.7 million. The Company also amended its credit agreement to, among other things, add customary LIBOR replacement provisions, modify the applicable margins used to calculate the rate of interest payable on the first lien term loans thereunder to a range of 1.25% to 2.00% for LIBOR Loans and a range of 0.25% to 1.00% for ABR Loans, modify certain financial covenants related to maximum leverage and minimum interest coverage and remove the LIBOR floor, such that LIBOR shall be deemed to be no less than 0.00% per annum (instead of 1.00% per annum previously in effect).

As a result of the principal prepayments made by the Company, we have no additional mandatory principal payments on the remaining $200.0 million term loan balance until maturity on July 18, 2024.

Capitalized terms used but not defined herein shall have the meanings assigned to such terms in our credit agreement. Pursuant to our credit agreement, the Company will not permit (i) the Consolidated Total Debt to Consolidated EBITDA Ratio to be negative or greater than (x) 4.50 to 1.00 with respect to the last day of the Company's second and third fiscal quarters of 2021 and (y) 4.25 to 1.00 from and after the last day of the Company's fourth fiscal quarter of 2021, subject to certain step-ups after the consummation of a Material Acquisition, or (ii) the Consolidated Interest Coverage Ratio of the Company as of the last day of any fiscal quarter of the Company to be less than 3.00 to 1.00. We were in compliance with all covenants related to our long-term debt as of July 3, 2021.

2025 Notes

The Company adopted ASU 2020-06 as of January 3, 2021. ASU 2020-06 eliminates the cash conversion and the beneficial conversion feature models. Under the new convertible debt framework, the Company eliminated the equity components and increased the debt balance. Refer to Note 1. "Description of Business and Basis of Presentation" for further discussion of the adoption of ASU 2020-06. As a result of adopting ASU 2020-06, our effective interest rate decreased from 9.1% as of January 2, 2021 to 3.2% starting in the first quarter of 2021. We recognized $2.5 million and $0.5 million in interest expense for the interest coupon and amortization of issuance costs, respectively, during the three months ended July 3, 2021 and $5.0 million and $1.0 million, respectively during the six months ended July 3, 2021. As of July 3, 2021, the remaining period for the unamortized debt issuance costs balance was approximately four years.

As of July 3, 2021, the 2025 Notes can be converted by holders. The conversion rate will be subject to adjustment upon the occurrence of certain specified events including, but not limited to: issuance of stock dividends, splits and combinations; distribution of rights, options and warrants; spin-offs and other distributed property; cash dividends or distributions; tender offers or exchange offers; and certain other corporate transactions. The holders of our term loan would have preference over the holders of the 2025 Notes in the event of a liquidation.

5. Interest Rate Derivatives

We are party to an interest rate collar to offset the variability of cash flows in LIBOR-indexed debt interest payments. The aggregate notional amount of the interest rate collar was $375.0 million as of July 3, 2021. The fair value of our interest rate collar instrument was $8.3 million as of July 3, 2021 and is not designated as a cash flow hedge. The interest rate swaps we held at the end of fiscal year 2020 matured in the first quarter of 2021. The fair value of our interest rate derivative instruments was $12.8 million as of January 2, 2021, $1.5 million of which was designated as a cash flow hedge. See Note 3. "Fair Value Measurement" for further details.

Gains (losses) on the change in fair value of the interest rate collar of approximately $(0.5) million and $1.5 million were recorded in interest expense, net during the three and six months ended July 3, 2021, respectively. Interest expense, net related to our interest rate derivatives considered to be highly effective hedges for the six months ended July 3, 2021 was $1.5 million.

Cash flows related to derivatives qualifying as hedges are included in the same section of the Condensed Consolidated Statements of Cash Flows as the underlying assets and liabilities being hedged. Cash flows during the six months ended July 3, 2021 and June 27, 2020 related to derivatives not qualifying as hedges were included in the operating section of the Condensed Consolidated Statements of Cash Flows and were immaterial.

During the second quarter of 2021, as a result of the partial repayment of the Company's LIBOR based term-loan debt balances, certain forecasted hedged transactions were deemed not probable of occurring. The Company subsequently reclassified unrealized losses of $2.5 million from AOCL to interest expense on $115.0 million of interest rate collar notional, during the three and six months ended July 3, 2021. As of July 3, 2021, the Company expects to reclassify approximately $0.9 million of unrealized losses on derivative instruments, net of tax, from Accumulated other comprehensive loss ("AOCL") into earnings in the next 12 months as the derivative instruments mature. See Note 13. "Accumulated Other Comprehensive Loss" for further details.

During the second quarter of 2020, as a result of the partial repayment of the Company's LIBOR based debt balances, certain forecasted hedged transactions were deemed not probable of occurring. The Company subsequently discontinued hedge accounting on $78.0 million of interest rate swap notional and $58.0 million of interest rate collar notional, reclassifying net unrealized losses of approximately $2.5 million from AOCL to interest expense, net during the three and six months ended June 27, 2020. Additionally, due to changes in the interest rates applicable to the Company's term loan and revolver, the interest rate collar ceased to be a highly effective hedge. Losses on the change in fair value of the interest rate collar of approximately $2.6 million were recorded in interest expense, net during the quarter ended June 27, 2020. Interest expense, net related to derivatives considered to be highly effective hedges for the three and six months ended June 27, 2020 was $2.0 million and $3.9 million, respectively.

6. Stock Incentive Plans

During the six months ended July 3, 2021, the Company granted 107,319 stock options, 108,817 performance-based restricted stock units ("PSUs") and 126,161 time-based restricted stock units ("RSUs") to eligible employees under the National Vision Holdings, Inc. 2017 Omnibus Incentive Plan (the "2017 Omnibus Incentive Plan"). The time-based options granted in fiscal 2021 vest in three equal annual installments, with one-third of the total options vesting on each of the first, second, and third anniversaries of the grant date, subject to continued employment through the applicable vesting date. The PSUs granted in fiscal 2021 are settled after the end of the performance period (i.e., cliff vesting), which begins on the first day of our 2021 fiscal year and ends on the last day of our 2023 fiscal year, and are based on the Company's achievement of certain performance targets. The RSUs granted in fiscal 2021 vest primarily in three equal installments.

During the six months ended July 3, 2021, the Company granted 16,539 restricted stock awards ("RSAs") to eligible members of the Company's Board of Directors under the 2017 Omnibus Incentive Plan. The awards vest one year from the grant date.

7. 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, eye care club memberships and management fees earned from our legacy partner.

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

	Three Months Ended		Six Months Ended	
In thousands	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Revenues recognized at a point in time	$ 504,969	$ 229,536	$ 998,407	$ 663,715
Revenues recognized over time	44,520	30,471	85,262	65,996
Total net revenue	$ 549,489	$ 260,007	$ 1,083,669	$ 729,711

Refer to Note 10. “Segment Reporting” for the Company’s disaggregation of net revenue by reportable segment and product type. 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 considerations of $1.6 million and an immaterial amount during the three months ended July 3, 2021 and June 27, 2020, respectively, and $4.4 million and $3.7 million during the six months ended July 3, 2021 and June 27, 2020, respectively.

Contract Assets and Liabilities

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

Accounts Receivable

Credit loss expense recognized on our receivables, which is presented in SG&A expenses in the Company’s condensed consolidated statements of operations, were $0.2 million for the three months ended July 3, 2021 and $0.3 million for the six months ended July 3, 2021 as compared to an immaterial amount and $0.4 million for the three and six months ended June 27, 2020, respectively.

Unsatisfied Performance Obligations (Contract Liabilities)

Our deferred revenue balance as of July 3, 2021 was $92.1 million. We expect future revenue recognition of this balance of $44.6 million, $34.0 million, $11.6 million, $1.8 million, and $0.1 million in fiscal years 2021, 2022, 2023, 2024, and 2025, respectively. We recognized $23.0 million and $37.3 million of previously deferred revenues during the three and six months ended July 3, 2021, respectively and $24.2 million and $52.2 million during the three and six months ended June 27, 2020, respectively.

8. Leases

Our lease costs for the three months ended July 3, 2021 and June 27, 2020 were as follows:

	Three Months Ended		Six Months Ended	
In thousands	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Operating lease cost				
Fixed lease cost [(a)]	$ 20,903	$ 19,100	$ 41,554	$ 38,412
Variable lease cost [(b)]	7,515	6,356	14,918	13,166
Sublease income [(c)]	(919)	(292)	(1,829)	(882)
Finance lease cost				
Amortization of finance lease assets	1,113	1,125	2,236	2,281
Interest expense, net:				
Interest on finance lease liabilities	743	851	1,523	1,724
Net lease cost	$ 29,355	$ 27,140	$ 58,402	$ 54,701

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

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

(c) Income from sub-leasing of stores includes rental income from leasing space to ophthalmologists and optometrists who are independent contractors.

Lease Term and Discount Rate	As of July 3, 2021	As of January 2, 2021
Weighted average remaining lease term (months)		
Operating leases	77	77
Finance leases	76	79
Weighted average discount rate [(a)]		
Operating leases	4.7 %	4.7 %
Finance leases [(b)]	12.0 %	12.3 %

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

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

In thousands **Other Information**	Six Months Ended July 3, 2021	Six Months Ended June 27, 2020
Operating cash outflows - operating leases	$ 43,860	$ 35,548
Right of use assets acquired under finance leases	$ —	$ 1,257
Right of use assets acquired under operating leases	$ 44,544	$ 35,870

The following table summarizes the maturity of our lease liabilities as of July 3, 2021:

In thousands

Fiscal Year	Operating Leases [a]	Finance Leases [b]
2021	$ 38,606	$ 3,637
2022	77,235	6,635
2023	76,376	6,252
2024	66,456	4,753
2025	61,320	4,913
Thereafter	135,804	11,400
Total lease liabilities	455,797	37,590
Less: Interest	64,989	8,977
Present value of lease liabilities [c]	$ 390,808	$ 28,613

(a) Operating lease payments include $54.4 million related to options to extend lease terms that are reasonably certain of being exercised.
(b) Finance lease payments include $1.7 million related to options to extend lease terms that are reasonably certain of being exercised.
(c) The present value of lease liabilities excludes $20.1 million of legally binding minimum lease payments for leases signed but not yet commenced.

9. Commitments and Contingencies

Legal Proceedings

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

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

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

Our subsidiary, FirstSight Vision Services, Inc. ("FirstSight"), is a defendant in a purported class action in the U.S. District Court for the Southern District of California that alleges that FirstSight participated in arrangements that caused the illegal delivery of eye examinations and that FirstSight thereby violated, among other laws, the corporate practice of optometry and the unfair competition and false advertising laws of California. The lawsuit was filed in 2013 and FirstSight was added as a defendant in 2016. In March 2017, the court granted the motion to dismiss previously filed by FirstSight and dismissed the complaint with prejudice. The plaintiffs filed an appeal with the U.S. Court of Appeals for the Ninth Circuit in April 2017. In July 2018, the U.S. Court of Appeals for the Ninth Circuit vacated in part, and reversed in part, the district court's dismissal and remanded for further proceedings. In October 2018, the plaintiffs filed a second amended complaint with the district court, and, in November 2018, FirstSight filed a motion to dismiss. On March 23, 2020, the district court granted FirstSight's motion to dismiss the second amended complaint. On April 24, 2020, the plaintiffs filed a third amended complaint. FirstSight filed a motion to dismiss the third amended complaint on May 8, 2020. On February 4, 2021, the district court granted FirstSight's motion in part and denied it in part. FirstSight's answer to the remaining claims was filed February 18, 2021. The parties participated in mediation on July 6, 2021 and, in order to avoid the burden and expense of litigation, agreed to a settlement of all claims alleged by the named plaintiffs.

In November 2019, the Company agreed to enter into a pre-litigation settlement with six former associates who asserted, on behalf of themselves and a proposed class, violations of the Fair Labor Standards Act and of California wage and hour laws. In order to avoid the burden and expense of litigation, and without admitting liability, the Company agreed to a settlement with the named claimants and all participating class members for a maximum settlement amount of $895,000. This settlement was submitted by the parties for approval through arbitration and an order granting final approval of the settlement and dismissing the action was issued by the arbitrator on July 13, 2021.

10. Segment Reporting

The Company provides its principal products and services through two reportable segments: Owned & Host and Legacy. The "Corporate/Other" category includes the results of operations of our other operating segments, AC Lens and FirstSight, as well as corporate overhead support. The "Reconciliations" category represents other adjustments to reportable segment results necessary for the presentation of consolidated financial results in accordance with U.S. GAAP for the two reportable segments. Beginning in the first quarter of 2021, incremental expenses related to the COVID-19 pandemic were allocated to the reportable segments but were included in the Corporate/Other category in 2020. Changes in unearned revenue and deferred revenue recognized in the Reconciliations category reflect the effects of our stores being temporarily closed to the public for a portion of 2020.

Our reportable segment profit measure is earnings before interest, tax, depreciation and amortization ("EBITDA"), or net revenue, less costs applicable to revenue, less SG&A expenses. Depreciation and amortization, asset impairment, litigation settlement and other corporate costs that are not allocated to the reportable segments, including interest expense are excluded from segment EBITDA. There are no revenue transactions between our reportable segments. 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.

	Three Months Ended July 3, 2021				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product services	$ 361,377	$ 26,855	$ 61,520	$ 8,454	$ 458,206
Net sales of services and plans	78,780	16,745	—	(4,242)	91,283
Total net revenue	440,157	43,600	61,520	4,212	549,489
Cost of products	98,539	12,910	53,683	1,896	167,028
Cost of services and plans	62,448	6,470	—	—	68,918
Total costs applicable to revenue	160,987	19,380	53,683	1,896	235,946
SG&A	158,913	14,802	60,520	—	234,235
Asset impairment	—	—	519	—	519
Other expense (income), net	—	—	(65)	—	(65)
Debt issuance costs	—	—	92	—	92
EBITDA	$ 120,257	$ 9,418	$ (53,229)	$ 2,316	
Depreciation and amortization					24,025
Interest expense, net					10,096
Earnings before income taxes					$ 44,641

In thousands	Three Months Ended June 27, 2020 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 177,430	$ 16,254	$ 50,472	$ (34,449)	$ 209,707
Net sales of services and plans	34,275	9,159	—	6,866	50,300
Total net revenue	211,705	25,413	50,472	(27,583)	260,007
Cost of products	54,898	9,093	42,135	(8,491)	97,635
Cost of services and plans	38,573	4,572	—	—	43,145
Total costs applicable to revenue	93,471	13,665	42,135	(8,491)	140,780
SG&A	86,704	10,561	39,317	—	136,582
Asset impairment	—	—	2,411	—	2,411
Other expense (income), net	—	—	(92)	—	(92)
Debt issuance costs	—	—	136	—	136
EBITDA	$ 31,530	$ 1,187	$ (33,435)	$ (19,092)	
Depreciation and amortization					21,924
Interest expense, net					15,502
Earnings (loss) before income taxes					$ (57,236)

In thousands	Six Months Ended July 3, 2021 Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 730,747	$ 54,275	$ 122,738	$ (6,487)	$ 901,273
Net sales of services and plans	161,857	32,907	—	(12,368)	182,396
Total net revenue	892,604	87,182	122,738	(18,855)	1,083,669
Costs of products	195,643	25,769	106,709	(1,402)	326,719
Costs of services and plans	121,252	12,665	—	—	133,917
Total costs applicable to revenue	316,895	38,434	106,709	(1,402)	460,636
SG&A	308,876	29,095	119,857	—	457,828
Asset impairment	—	—	1,478	—	1,478
Other expense (income), net	—	—	(130)	—	(130)
Debt issuance costs	—	—	92	—	92
EBITDA	$ 266,833	$ 19,653	$ (105,268)	$ (17,453)	
Depreciation and amortization					47,580
Interest expense, net					16,426
Earnings before income taxes					$ 99,759

	Six Months Ended June 27, 2020				
In thousands	Owned & Host	Legacy	Corporate/Other	Reconciliations	Total
Net product sales	$ 459,343	$ 40,672	$ 117,044	$ (14,511)	$ 602,548
Net sales of services and plans	99,589	21,198	—	6,376	127,163
Total net revenue	558,932	61,870	117,044	(8,135)	729,711
Costs of products	136,814	20,496	100,045	(3,350)	254,005
Costs of services and plans	94,167	11,162	—	—	105,329
Total costs applicable to revenue	230,981	31,658	100,045	(3,350)	359,334
SG&A	221,418	24,192	84,713	—	330,323
Asset impairment	—	—	13,766	—	13,766
Litigation settlement	—	—	4,395	—	4,395
Other expense (income), net	—	—	(158)	—	(158)
Debt issuance costs	—	—	136	—	136
EBITDA	$ 106,533	$ 6,020	$ (85,853)	$ (4,785)	
Depreciation and amortization					46,734
Interest expense, net					22,957
Earnings (loss) before income taxes					$ (47,776)

11. Earnings Per Share

Diluted EPS related to the 2025 Notes in the current year is calculated using the if-converted method; the number of dilutive shares is based on the initial conversion rate associated with the 2025 Notes. Prior to the fourth quarter of the fiscal year 2020, we intended to settle the principal amount of the outstanding 2025 Notes in cash and, therefore, used the treasury stock method for calculating the potential effect of dilutive securities related to the 2025 Notes, if applicable. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations is as follows:

	Three Months Ended		Six Months Ended	
In thousands, except EPS	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Net income (loss)	$ 37,601	$ (43,833)	$ 81,033	$ (34,091)
After-tax interest expense for 2025 Notes	2,362	—	4,694	—
Numerator for diluted EPS	$ 39,963	$ (43,833)	$ 85,727	$ (34,091)
Weighted average shares outstanding for basic EPS	81,601	80,325	81,457	80,226
Effect of dilutive securities:				
Stock options	1,215	—	1,306	—
Restricted stock	354	—	369	—
2025 Notes	12,912	—	12,912	—
Weighted average shares outstanding for diluted EPS	96,082	80,325	96,044	80,226
Basic EPS	$ 0.46	$ (0.55)	$ 0.99	$ (0.42)
Diluted EPS	$ 0.42	$ (0.55)	$ 0.89	$ (0.42)
Anti-dilutive options and RSUs outstanding excluded from EPS	110	2,458	74	2,512

12. Restricted Cash

The following table provides a reconciliation of cash and cash equivalents reported within the condensed consolidated balance sheets to the total of cash, cash equivalents and restricted cash shown in the condensed consolidated statement of cash flows:

	Six Months Ended	
In thousands	July 3, 2021	June 27, 2020
Cash and cash equivalents	$ 408,301	$ 256,292
Restricted cash included in other assets	1,347	1,341
Total cash, cash equivalents and restricted cash	$ 409,648	$ 257,633

13. Accumulated Other Comprehensive Loss

Changes in the fair value of the Company's cash flow hedge derivative instruments from their inception are recorded in AOCL if the instruments are deemed to be highly effective as cash flow hedges. The following table presents the changes in AOCL, net of tax during the three and six months ended July 3, 2021 and June 27, 2020, respectively:

	Three Months Ended		Six Months Ended	
In thousands	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Cash flow hedging activity:				
Balance at beginning of period	$ (5,296)	$ (10,416)	$ (4,400)	$ (3,814)
Other comprehensive income (loss) before reclassification	—	(360)	(10)	(11,041)
Tax effect of other comprehensive income (loss) before reclassification	—	92	3	2,813
Amount reclassified from AOCL into interest expense	2,959	4,471	4,619	6,294
Tax effect of amount reclassified from AOCL into interest expense	(756)	(1,142)	(1,180)	(1,607)
Stranded tax effect of matured interest rate swaps	—	—	(2,125)	—
Net current period other comprehensive income (loss), net of tax	2,203	3,061	1,307	(3,541)
Balance at end of period	$ (3,093)	$ (7,355)	$ (3,093)	$ (7,355)

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

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

The following contains management's discussion and analysis of our financial condition and results of operations and should be read together with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Form 10-Q (this "Form 10-Q") and the audited consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on January 2, 2021 (the "2020 Annual Report on Form 10-K"). This discussion contains forward-looking statements that reflect our plans, estimates and beliefs and involve numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the 2020 Annual Report on Form 10-K and in the "Risk Factors" section of this Form 10-Q, as such risk factors may be updated from time to time in our periodic filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Form 10-Q.

Overview

We are one of the largest and fastest growing optical retailers in the United States and a leader in the attractive value segment of the U.S. optical retail industry. We believe that vision is central to quality of life and that people deserve to see their best to live their best, regardless of their budget. Our mission is to make quality eye care and eyewear affordable and accessible to all Americans. We achieve this by providing eye exams, eyeglasses and contact lenses to value seeking and lower income consumers. We deliver exceptional value and convenience to our customers, with an opening price point that strives to be among the lowest in the industry, enabled by our low-cost operating platform. We reach our customers through a diverse portfolio of 1,249 retail stores across five brands and 19 consumer websites as of July 3, 2021.

COVID-19

We remain focused on our strategy to provide our customers and patients reliable and quality low cost eye care and eyewear by prioritizing the health and safety of our associates, customers and patients. We have taken a variety of measures, as described in Part I. Item 1A. "Risk Factors" and Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2020 Annual Report on Form 10-K, which had a significant impact on our operations and performance of fiscal year 2020 and continue to have a significant impact on our operations and performance of fiscal year 2021. Please also refer to those Items for further discussion regarding the potential future impacts of COVID-19 and related economic conditions on us. We continue to monitor the evolving situation as there remain many uncertainties regarding the pandemic and more recent outbreaks of variants, including its anticipated duration, related healthcare authority guidelines and efficacy of vaccination initiatives. We could experience potential disruptions of product deliveries with the recent shutdowns in countries which support our supply chain. Prolonged periods of shutdown in these countries or a deterioration of conditions in other countries that are part of our supply chain could result in product availability delays, as well as potential increased costs to obtain and ship these products to meet customer demand. We will continue to evaluate additional measures that we may elect to take as a response to the pandemic, including, where appropriate, future action to reduce store hours and patient appointments or temporarily close stores. There can be no assurance whether or when any such measures will be adopted. Our net revenue in the current fiscal period increased compared to prior fiscal period due in part to strong customer demand, including the effects of our stores being temporarily closed to the public in fiscal year 2020 and government stimulus as a result of COVID-19.

The disclosures contained in this Form 10-Q are made only as of the date hereof, and we undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law. For further information, please see "Forward-Looking Statements."

Brand and Segment Information

Our operations consist of two reportable segments:

- Owned & Host - As of July 3, 2021, our owned brands consisted of 813 America’s Best Contacts and Eyeglasses retail stores and 123 Eyeglass World retail stores. In America’s Best stores, vision care services are provided by optometrists employed by us or by independent professional corporations or similar entities. America’s Best stores are primarily located in high-traffic strip centers next to value-focused retailers. Eyeglass World locations primarily feature eye care services provided by independent optometrists and optometrists employed by independent professional corporations or similar entities and on-site optical laboratories that enable stores to quickly fulfill many customer orders and make repairs on site. Eyeglass World stores are primarily located in freestanding or in-line locations near high-foot-traffic shopping centers. Our host brands consisted of 54 Vista Optical locations on select military bases and 29 Vista Optical locations within select Fred Meyer stores as of July 3, 2021. We have strong, long-standing relationships with our host partners and have maintained each partnership for over 21 years. These brands provide eye exams primarily by independent optometrists. All brands utilize our centralized laboratories. This segment also includes sales from our America’s Best, Eyeglass World, and Military omni-channel websites.
- Legacy - We manage the operations of, and supply inventory and laboratory processing services to, 230 Vision Centers in Walmart retail locations as of July 3, 2021. This strategic relationship with Walmart is in its 31st year. Pursuant to a January 2020 amendment to our management & services agreement with Walmart, we added five additional Vision Centers in Walmart stores in fiscal year 2020. On July 17, 2020, NVI and Walmart extended the current term and economics of the management & services agreement by three years to February 23, 2024. Under the management & services agreement, our responsibilities include ordering and maintaining merchandise inventory; arranging the provision of optometry services; providing managers and staff at each location; training personnel; providing sales receipts to customers; maintaining necessary insurance; obtaining and holding required licenses, permits and accreditations; owning and maintaining store furniture, fixtures and equipment; and developing annual operating budgets and reporting. We earn management fees as a result of providing such services and therefore we record revenue related to sales of products and product protection plans to our legacy partner’s customers on a net basis. Our management & services agreement also allows our legacy partner to collect penalties if the Vision Centers do not generate a requisite amount of revenues. No such penalties have been assessed under our current arrangement, which began in 2012. We also sell to our legacy partner merchandise that is stocked in retail locations we manage pursuant to a separate supplier agreement, and provide centralized laboratory services for the finished eyeglasses for our legacy partner’s customers in stores that we manage. We lease space from Walmart within or adjacent to each of the locations we manage and use this space for vision care services provided by independent optometrists or optometrists employed by us or by independent professional corporations or similar entities. During the six months ended July 3, 2021, sales associated with this arrangement represented 8.0% of consolidated net revenue. This exposes us to concentration of customer risk.

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

- Our e-commerce platform of 15 dedicated websites managed by AC Lens. Our e-commerce business consists of six proprietary branded websites, including aclens.com, discountglasses.com and discountcontactlenses.com, and nine third-party websites with established retailers, such as Walmart, Sam's Club and Giant Eagle as well as mid-sized vision insurance providers. AC Lens handles site management, customer relationship management and order fulfillment and also sells a wide variety of contact lenses, eyeglasses and eye care accessories.
- AC Lens also distributes contact lenses wholesale to Walmart and Sam's Club. We incur costs at a higher percentage of sales than other product categories. AC Lens sales associated with Walmart and Sam's Club contact lenses distribution arrangements represented 6.5% of consolidated net revenue.
- Managed care business conducted by FirstSight, our wholly-owned subsidiary that is licensed as a single-service health plan under California law, which arranges for the provision of optometric services at the offices next to certain Walmart stores throughout California, and also issues individual vision plans in connection with our America's Best operations in California.
- Unallocated corporate overhead expenses, which are a component of selling, general and administrative expenses and are comprised of various home office expenses such as payroll, occupancy costs, and consulting and professional fees. Corporate overhead expenses also include field services for our five retail brands.

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

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

Trends and Other Factors Affecting Our Business

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

Impact of COVID-19

The COVID-19 pandemic has had far-reaching impacts, directly and indirectly, on our operations. We continue to monitor the evolving situation as there remain many uncertainties regarding the pandemic and more recent outbreaks of variants, including anticipated duration, related healthcare authority guidelines and efficacy of vaccination initiatives, potential impacts on our lab network and potential disruptions of product deliveries. To date, we have been able to meet customer demand with operations at our laboratories and our supply chain partners. However, prolonged shutdowns in countries which support our supply chain or a deterioration of conditions in such countries and others could result in product availability delays. We could experience further material impacts as a result of COVID-19, including, but not limited to, charges from additional asset impairments, deferred tax valuation allowances and further changes in the effectiveness of our hedging instrument. We will continue to evaluate additional measures that we may elect to take as a response to the pandemic, including, where appropriate, future action to reduce store hours and patient appointments or temporarily close stores. There can be no assurance whether or when any such measures will be adopted. For a discussion of significant risks that have the potential to cause our actual results to differ materially from our expectations, refer to Part I. Item 1A. "Risk Factors," included in our 2020 Annual Report on Form 10-K.

Comparable store sales growth

Comparable store sales growth is a key driver of our business. The comparable store sales growth and Adjusted Comparable Store Sales Growth benefited in the current period from the effect of our stores being temporarily closed to the public in the prior year due to the COVID-19 pandemic. The impact of the COVID-19 pandemic on our comparable store sales growth remains uncertain and affects and relevant risk exposures may be exacerbated by the immediate and ongoing threat of the COVID-19 pandemic.

Interim results and seasonality

Historically, our business has realized a higher portion of net revenue, operating income, and cash flows from operations in the first half of the fiscal year, and a lower portion of net revenue, operating income, and cash flows from operations in the fourth fiscal quarter. This seasonality, and our interim results were impacted during fiscal year 2020 because our stores were temporarily closed to the public for a portion of the first half of the year due to the COVID-19 pandemic. Our net revenue in the current fiscal period is higher compared to the sales prior to the pandemic due to new store openings and strong customer demand, including the likely effects of our stores being temporarily closed to the public in fiscal year 2020 and government stimulus.

Other factors

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

- New store openings;
- Managed care and insurance;
- Vision care professional recruitment and coverage;
- Overall economic trends;
- Consumer preferences and demand;
- Infrastructure and investment;
- Pricing strategy;
- Our ability to source and distribute products effectively
- Inflation;
- Competition;
- Market wage pressure and unemployment levels; and
- Consolidation in the industry

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. Net product sales include sales of prescription and non-prescription eyewear, contact lenses, and related accessories as well as eye exam services associated with our America's Best brand's signature offer of two pairs of eyeglasses and a free eye exam for one low price ("two-pair offer") to retail customers and sales of inventory in which our customer is another retail entity. Net sales of services and plans include sales of eye exams, eye care club memberships, product protection plans (i.e., warranties), and single service eye care plans in California. Net sales of services and plans also include fees we earn for managing certain Vision Centers located in Walmart stores and for laboratory services provided to Walmart.

Costs Applicable to Revenue

Costs applicable to revenue include both costs of net product sales and costs of net sales of services and plans. Costs of net product sales include (i) costs to procure non-prescription eyewear, contact lenses, and accessories, which we purchase and sell in finished form, (ii) costs to manufacture finished prescription eyeglasses, including direct materials, labor, and overhead, and (iii) remake costs, warehousing and distribution expenses, and internal transfer costs. Costs of services and plans include costs associated with product protection plan programs, eye care club memberships, single service eye care plans in California, eye care practitioner and eye exam technician payroll, taxes and benefits and optometric service costs. Customer tastes and preferences, product mix, changes in technology, significant increases or slowdowns in production, and other factors impact costs applicable to revenue. The components of our costs applicable to revenue may not be comparable to other retailers.

Selling, General and Administrative

Selling, general and administrative expenses, or SG&A, include store associate (including optician) payroll, taxes and benefits, occupancy, advertising and promotion, field services, corporate support and other costs associated with the provision of vision care services. SG&A generally fluctuates consistently with revenue due to the variable store, field office and corporate support costs; however, some fixed costs slightly improve as a percentage of net revenue as our net revenues grow over time.

New Store Openings

The total number of new stores per year and the timing of store openings has, and will continue to have, an impact on our results. In an effort to conserve cash early in the COVID-19 pandemic, we temporarily paused new store openings during a portion of the fiscal year 2020. We expect to open approximately 75 stores in the current year. We will continue to monitor and determine our plans for future new store openings based on based on health, safety and economic conditions.

Adjusted Comparable Store Sales Growth

We measure Adjusted Comparable Store Sales Growth as the increase or decrease in sales recorded by the comparable store base in any reporting period, compared to sales recorded by the comparable store base in the prior reporting period, which we calculate as follows: (i) sales are recorded on a cash basis (i.e., when the order is placed and paid for or submitted to a managed care payor, compared to when the order is delivered), utilizing cash basis point of sale information from stores; (ii) stores are added to the calculation during the 13th full fiscal month following the store's opening; (iii) closed stores are removed from the calculation for time periods that are not comparable; (iv) sales from partial months of operation are excluded when stores do not open or close on the first day of the month; and (v) when applicable, we adjust for the effect of the 53rd week. Quarterly, year-to-date and annual adjusted comparable store sales are aggregated using only sales from all whole months of operation included in both the current reporting period and the prior reporting period. When a partial month is excluded from the calculation, the corresponding month in the subsequent period is also excluded from the calculation. There may be variations in the way in which some of our competitors and other retailers calculate comparable store sales. As a result, our adjusted comparable store sales may not be comparable to similar data made available by other retailers. We did not revise our calculation of Adjusted Comparable Store Sales Growth for the temporary closure of our stores to the public as a result of the COVID-19 pandemic.

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

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

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

Results of Operations

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

In thousands, except earnings per share, percentage and store data	Three Months Ended July 3, 2021	Three Months Ended June 27, 2020	Six Months Ended July 3, 2021	Six Months Ended June 27, 2020
Revenue:				
Net product sales	$ 458,206	$ 209,707	$ 901,273	$ 602,548
Net sales of services and plans	91,283	50,300	182,396	127,163
Total net revenue	549,489	260,007	1,083,669	729,711
Costs applicable to revenue (exclusive of depreciation and amortization):				
Products	167,028	97,635	326,719	254,005
Services and plans	68,918	43,145	133,917	105,329
Total costs applicable to revenue	235,946	140,780	460,636	359,334
Operating expenses:				
Selling, general and administrative expenses	234,235	136,582	457,828	330,323
Depreciation and amortization	24,025	21,924	47,580	46,734
Asset impairment	519	2,411	1,478	13,766
Litigation settlement	—	—	—	4,395
Other expense (income), net	(65)	(92)	(130)	(158)
Total operating expenses	258,714	160,825	506,756	395,060
Income (loss) from operations	54,829	(41,598)	116,277	(24,683)
Interest expense, net	10,096	15,502	16,426	22,957
Debt issuance costs	92	136	92	136
Earnings (loss) before income taxes	44,641	(57,236)	99,759	(47,776)
Income tax provision (benefit)	7,040	(13,403)	18,726	(13,685)
Net income (loss)	$ 37,601	$ (43,833)	$ 81,033	$ (34,091)
Operating data:				
Number of stores open at end of period	1,249	1,184	1,249	1,184
New stores opened during the period	20	17	45	40
Adjusted Operating Income	$ 65,581	$ (34,427)	$ 133,249	$ 3,638
Diluted EPS	$ 0.42	$ (0.55)	$ 0.89	$ (0.42)
Adjusted Diluted EPS	$ 0.48	$ (0.41)	$ 0.97	$ (0.13)
Adjusted EBITDA	$ 87,735	$ (14,354)	$ 177,085	$ 46,670

Percentage of net revenue:				
Total costs applicable to revenue	42.9 %	54.1 %	42.5 %	49.2 %
Selling, general and administrative	42.6 %	52.5 %	42.2 %	45.3 %
Total operating expenses	47.1 %	61.9 %	46.8 %	54.1 %
Income (loss) from operations	10.0 %	(16.0)%	10.7 %	(3.4)%
Net income (loss)	6.8 %	(16.9)%	7.5 %	(4.7)%
Adjusted Operating Income	11.9 %	(13.2)%	12.3 %	0.5 %
Adjusted EBITDA	16.0 %	(5.5)%	16.3 %	6.4 %

Three Months Ended July 3, 2021 compared to Three Months Ended June 27, 2020

As a result of the COVID-19 pandemic, our retail stores were temporarily closed to the public beginning on March 19, 2020. We began reopening our stores to the public on April 27, 2020, and on June 8, 2020, we announced the successful completion of the reopening process. Comparisons of current year results to prior year results reflect the material and unprecedented impact of these temporary store closures.

Net revenue

The following presents, by segment and by brand, comparable store sales growth, stores open at the end of the period and net revenue for the three months ended July 3, 2021 compared to the three months ended June 27, 2020.

	Comparable store sales growth[1]		Stores open at end of period		Net revenue[2]			
In thousands, except percentage and store data	Three Months Ended July 3, 2021	Three Months Ended June 27, 2020	July 3, 2021	June 27, 2020	Three Months Ended July 3, 2021		Three Months Ended June 27, 2020	
Owned & Host segment								
America's Best	81.8 %	(37.1)%	813	752	$ 372,846	67.9 %	$ 176,196	67.8 %
Eyeglass World	67.6 %	(31.6)%	123	118	58,061	10.6 %	30,357	11.7 %
Military	65.0 %	(44.6)%	54	54	6,007	1.1 %	3,328	1.3 %
Fred Meyer	61.1 %	(48.6)%	29	29	3,243	0.6 %	1,824	0.7 %
Owned & Host segment total			1,019	953	$ 440,157	80.1 %	$ 211,705	81.4 %
Legacy segment	58.2 %	(35.8)%	230	231	43,600	7.9 %	25,413	9.8 %
Corporate/Other	— %	— %	—	—	61,520	11.2 %	50,472	19.4 %
Reconciliations	— %	— %	—	—	4,212	0.8 %	(27,583)	(10.6)%
Total	99.1 %	(44.7)%	1,249	1,184	$ 549,489	100.0 %	$ 260,007	100.0 %
Adjusted Comparable Store Sales Growth[3]	76.7 %	(36.5)%						

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

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

(3) There are two differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in a decrease of 21.6% and an increase of 8.1% from total comparable store sales growth based on consolidated net revenue for the three months ended July 3, 2021 and June 27, 2020, 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 0.8% and an increase of 0.1% from total comparable store sales growth based on consolidated net revenue for each of the three months ended July 3, 2021 and June 27, 2020.

Total net revenue of $549.5 million for the three months ended July 3, 2021 increased $289.5 million, or 111.3%, from $260.0 million for the three months ended June 27, 2020. This increase was primarily driven by comparable store sales growth from the effect of our stores being temporarily closed to the public in the second quarter of 2020, strong customer demand, government stimulus, and new store growth and maturation. Total net revenue was also positively impacted by changes in unearned revenue.

In the three months ended July 3, 2021, we opened 18 America's Best stores and two Eyeglass World stores and closed one America's Best store. Overall, store count grew 5.5% from June 27, 2020 to July 3, 2021 (61 and five net new America's Best and Eyeglass World were added, respectively and one Legacy store was closed). The store count as of June 27, 2020 has been updated from the previously reported number.

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the three months ended July 3, 2021 were 99.1% and 76.7%, respectively and were primarily driven by the effect of our stores being temporarily closed to the public for a portion of the three months ended June 27, 2020, strong customer demand and government stimulus.

Net product sales comprised 83.4% and 80.7% of total net revenue for the three months ended July 3, 2021 and June 27, 2020, respectively. Net product sales increased $248.5 million, or 118.5%, in the three months ended July 3, 2021 compared to the three months ended June 27, 2020, driven primarily by eyeglass sales and, to a lesser extent, contact lens sales. Net sales of services and plans increased $41.0 million, or 81.5%, driven primarily by eye exam sales.

Owned & Host segment net revenue. Net revenue increased $228.5 million, or 107.9%, driven primarily by comparable store sales growth and new store openings.

Legacy segment net revenue. Net revenue increased $18.2 million, or 71.6%, driven by comparable store sales growth, as well as increases in fees from our Legacy partner and eye exams.

Corporate/Other segment net revenue. Net revenue increased $11.0 million, or 21.9%, driven primarily by increases in wholesale fulfillment.

Net revenue reconciliations. Net revenue was positively impacted by $31.8 million due to the timing of unearned revenue for the three months ended July 3, 2021 compared to the three months ended June 27, 2020. The Company experienced a decrease in unearned revenue of $8.5 million compared to an increase in unearned revenue of $34.4 million for the three months ended July 3, 2021 and June 27, 2020, respectively, as well as an increase in deferred revenue of $4.2 million and a decrease of $6.9 million for the three months ended July 3, 2021 and June 27, 2020, respectively. The decrease in unearned revenue primarily resulted from higher sales at the end of the first quarter of 2021 compared to the prior period in 2020 when stores were temporarily closed to the public. The increase in deferred revenue is due to higher sales of warranties and club memberships.

Costs applicable to revenue

Costs applicable to revenue of $235.9 million for the three months ended July 3, 2021 increased $95.2 million, or 67.6%, from $140.8 million for the three months ended June 27, 2020. As a percentage of net revenue, costs applicable to revenue decreased from 54.1% for the three months ended June 27, 2020 to 42.9% for the three months ended July 3, 2021. This decrease as a percentage of net revenue was primarily driven by negative margin impacts from the temporary closure of our stores in the prior year that were not experienced in the 2021 period, increased eyeglass mix and lower growth in optometrist costs.

Costs of products as a percentage of net product sales decreased from 46.6% for the three months ended June 27, 2020 to 36.5% for the three months ended July 3, 2021, primarily driven by impact of the temporary store closures in fiscal year 2020, 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 30.9% for the three months ended June 27, 2020 to 27.3% for the three months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, increased eyeglass mix and higher eyeglass margin.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 55.9% for the three months ended June 27, 2020 to 48.1% for the three months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, increased eyeglass mix and 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 decreased from 85.8% for the three months ended June 27, 2020 to 75.5% for the three months ended July 3, 2021. The decrease was primarily driven by the impact of temporary closure of our stores in fiscal year 2020, lower growth in optometrist costs and higher eye exam sales.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans in the Owned & Host segment decreased from 112.5% for the three months ended June 27, 2020 to 79.3% for the three months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, lower growth in optometrist costs and higher eye exam sales.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans in the Legacy segment decreased from 49.9% for the three months ended June 27, 2020 to 38.6% for the three months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, lower growth in optometrist costs and higher management fees from our Legacy partner.

Selling, general and administrative

SG&A of $234.2 million for the three months ended July 3, 2021 increased $97.7 million, or 71.5%, from the three months ended June 27, 2020. As a percentage of net revenue, SG&A decreased from 52.5% for the three months ended June 27, 2020 to 42.6% for the three months ended July 3, 2021. The decrease in SG&A as a percentage of net revenue was primarily driven by negative impacts from the temporary closure of our stores in the prior year that were not experienced in the 2021 period which contributed to leverage of store and corporate payroll and occupancy expenses as well as the decrease in unearned revenue, partially offset by higher advertising expenses. SG&A for the three months ended July 3, 2021 and June 27, 2020 includes $0.3 million and $2.5 million, respectively, of incremental costs directly related to adapting the Company's operations during the COVID-19 pandemic; these costs were not reflected as adjustments for the Company's presentation of non-GAAP measures below.

Owned & Host SG&A. SG&A as a percentage of net revenue decreased from 41.0% for the three months ended June 27, 2020 to 36.1% for the three months ended July 3, 2021, driven primarily by the impact of the temporary store closures in fiscal year 2020 which contributed to a leverage of payroll and occupancy expenses, partially offset by higher advertising expenses.

Legacy segment SG&A. SG&A as a percentage of net revenue decreased from 41.6% for the three months ended June 27, 2020 to 33.9% for the three months ended July 3, 2021, driven primarily by the impact of the temporary store closures in fiscal year 2020 and payroll leverage.

Depreciation and amortization

Depreciation and amortization expense of $24.0 million for the three months ended July 3, 2021 increased $2.1 million, or 9.6%, from $21.9 million for the three months ended June 27, 2020 primarily driven by new store openings.

Asset Impairment

We recognized $0.5 million for impairment primarily of tangible long-lived assets and ROU assets associated with our retail stores during the three months ended July 3, 2021, compared to $2.4 million recognized during the three months ended June 27, 2020. The store asset impairment charge is primarily related to our Owned & Host segment and is driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense, net

Interest expense, net, of $10.1 million for the three months ended July 3, 2021 decreased $5.4 million, or 34.9%, from $15.5 million for the three months ended June 27, 2020. The decrease was primarily driven by changes in fair value of derivatives of $2.5 million and by a reduction in our term loan and revolving credit facility utilization.

Income tax provision

Our income tax expense for the three months ended July 3, 2021 reflected our statutory federal and state rate of 25.5%, offset by a discrete benefit of $4.1 million associated primarily with the exercise of stock options. In comparison, the income tax provision associated with the three months ended June 27, 2020 reflected income tax expense at our statutory federal and state rate of 25.5% and was reduced by a $0.3 million income tax benefit resulting from stock option exercises.

Six Months Ended July 3, 2021 compared to Six Months Ended June 27, 2020

As a result of the COVID-19 pandemic, our retail stores were temporarily closed to the public beginning on March 19, 2020. We began reopening our stores to the public on April 27, 2020, and on June 8, 2020, we announced the successful completion of the reopening process. Comparisons of current year results to prior year results reflect the material and unprecedented impact of these temporary store closures.

Net revenue

The following presents, by segment and by brand, comparable store sales growth, stores open at the end of the period and net revenue for the six months ended July 3, 2021 compared to the six months ended June 27, 2020.

	Comparable store sales growth(1)		Stores open at end of period		Net revenue(2)					
In thousands, except percentage and store data	Six Months Ended July 3, 2021	Six Months Ended June 27, 2020	July 3, 2021	June 27, 2020	Six Months Ended July 3, 2021			Six Months Ended June 27, 2020		
Owned & Host segment										
America's Best	54.9 %	(22.2)%	813	752	$	755,201	69.7 %	$	470,366	64.5 %
Eyeglass World	57.1 %	(21.2)%	123	118		118,836	11.0 %		74,843	10.3 %
Military	38.1 %	(27.8)%	54	54		12,246	1.1 %		8,970	1.2 %
Fred Meyer	36.1 %	(32.5)%	29	29		6,321	0.6 %		4,753	0.7 %
Owned & Host segment total			1,019	953	$	892,604	82.4 %	$	558,932	76.6 %
Legacy segment	42.6 %	(24.4)%	230	231		87,182	8.0 %		61,870	8.5 %
Corporate/Other	—	—	—	—		122,738	11.3 %		117,044	16.0 %
Reconciliations	—	—	—	—		(18,855)	(1.7)%		(8,135)	(1.1)%
Total	48.9 %	(23.0)%	1,249	1,184	$	1,083,669	100.0 %	$	729,711	100.0 %
Adjusted Comparable Store Sales Growth(3)	53.3 %	(22.6)%								

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

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

(3) There are two differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in an increase of 4.4% and an increase of 0.3% from total comparable store sales growth based on consolidated net revenue for the six months ended July 3, 2021 and June 27, 2020, respectively, and (ii) Adjusted Comparable Store Sales Growth includes retail sales to the legacy partner's customers (rather than the revenues recognized consistent with the management & services agreement with the legacy partner), resulting in an increase of 0.1% from total comparable store sales growth based on consolidated net revenue for the six months ended June 27, 2020.

Total net revenue of $1,083.7 million for the six months ended July 3, 2021 increased $354.0 million, or 48.5%, from $729.7 million for the six months ended June 27, 2020. This increase was primarily driven by comparable store sales growth driven by strong customer demand, including the effect of our stores being temporarily closed to the public for a portion of the six months ended June 27, 2020, government stimulus, and new store growth and maturation. Total net revenue was also positively impacted by changes in unearned revenue.

In the six months ended July 3, 2021, we opened 41 new America's Best stores and four Eyeglass World stores and closed one America's Best store; Overall, store count grew 5.5% from June 27, 2020 to July 3, 2021 (61, and five net new America's Best and Eyeglass World stores were added, respectively, and one Legacy store was closed during the same period). The store count as of June 27, 2020 has been updated from the previously reported number.

Comparable store sales growth and Adjusted Comparable Store Sales Growth for the six months ended July 3, 2021 were 48.9% and 53.3%, respectively. The increases in comparable store sales growth and Adjusted Comparable Store Sales Growth were primarily driven by strong customer demand, including the effect of our stores being temporarily closed for a portion of the six months ended June 27, 2020 and government stimulus.

Net product sales comprised 83.2% and 82.6% of total net revenue for the six months ended July 3, 2021 and June 27, 2020, respectively. Net product sales increased $298.7 million, or 49.6%, in the six months ended July 3, 2021 compared to the six months ended June 27, 2020, primarily due to increased eyeglass sales and to a lesser extent increased contact lens sales. Net sales of services and plans increased $55.2 million, or 43.4%, primarily driven by eye exam revenue.

Owned & Host segment net revenue. Net revenue increased $333.7 million, or 59.7%, driven primarily by comparable store sales growth and new store openings.

Legacy segment net revenue. Net revenue increased $25.3 million, or 40.9%, driven by comparable store sales growth, increases in fees from our Legacy partner and eye exams.

Corporate/Other segment net revenue. Net revenue increased $5.7 million, or 4.9%, due to increases in wholesale fulfillment.

Net revenue reconciliations. The impact of reconciliations decreased net revenue by $10.7 million in the six months ended July 3, 2021 compared to the six months ended June 27, 2020. Reconciliations include an increase in unearned revenue of $6.5 million for the six months ended July 3, 2021 compared to an increase in unearned revenue of $14.5 million for the six months ended June 27, 2020, and an increase in deferred revenue of $12.4 million compared to a decrease of $6.4 million, for the six months ended July 3, 2021 and June 27, 2020, respectively. The increase in deferred revenue is due to higher sales of warranties and club memberships. Unearned revenue increased net revenue in the current year compared to prior year primarily due to higher sales at the end of the second quarter of 2020 after our stores reopened and customers made purchases reflective of demand that was not met during the temporary closure period.

Costs applicable to revenue

Costs applicable to revenue of $460.6 million for the six months ended July 3, 2021 increased $101.3 million, or 28.2%, from $359.3 million for the six months ended June 27, 2020. As a percentage of net revenue, costs applicable to revenue decreased from 49.2% for the six months ended June 27, 2020 to 42.5% for the six months ended July 3, 2021. This decrease as a percentage of net revenue was primarily driven by negative margin impacts from the temporary closure of our stores in the prior year that were not experienced in the 2021 period, lower growth in optometrist costs, increased eyeglass mix and higher eyeglass margin.

Costs of products as a percentage of net product sales decreased from 42.2% for the six months ended June 27, 2020 to 36.3% for the six months ended July 3, 2021, primarily driven by the impact of the temporary store closures in fiscal year 2020, 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 29.8% for the six months ended June 27, 2020 to 26.8% for the six months ended July 3, 2021 driven by the impact of the temporary store closures in fiscal year 2020, increased eyeglass mix and higher eyeglass margin.

Legacy segment costs of products. Costs of products as a percentage of net product sales decreased from 50.4% for the six months ended June 27, 2020 to 47.5% for the six months ended July 3, 2021. The decrease was primarily driven by impact of the temporary store closures in fiscal year 2020 and 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 decreased from 82.8% for the six months ended June 27, 2020 to 73.4% for the six months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, lower growth in optometrist cost and higher eye exam sales.

Owned & Host segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans decreased from 94.6% for the six months ended June 27, 2020 to 74.9% for the six months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, lower growth in optometrist costs and higher eye exam sales.

Legacy segment costs of services and plans. Costs of services and plans as a percentage of net sales of services and plans decreased from 52.7% for the six months ended June 27, 2020 to 38.5% for the six months ended July 3, 2021. The decrease was primarily driven by the impact of the temporary store closures in fiscal year 2020, higher management fees from our Legacy partner, higher eye exam sales and lower growth in optometrist costs.

Selling, general and administrative

SG&A of $457.8 million for the six months ended July 3, 2021 increased $127.5 million, or 38.6%, from the six months ended June 27, 2020. As a percentage of net revenue, SG&A decreased from 45.3% for the six months ended June 27, 2020 to 42.2% for the six months ended July 3, 2021. The decrease in SG&A as a percentage of net revenue was primarily driven by negative impacts from the temporary closure of our stores in the prior year that were not experienced in the 2021 period and leverage of store and corporate payroll and occupancy expenses, partially offset by higher advertising expenses and higher performance-based incentive compensation. SG&A for the six months ended July 3, 2021 and June 27, 2020 includes $0.7 million and $3.1 million, respectively, of incremental costs directly related to adapting the Company's operations during the COVID-19 pandemic; of these costs, $0.6 million were reflected as adjustments for the Company's presentation of non-GAAP measures below for the six months ended June 27, 2020.

Owned & Host SG&A. SG&A as a percentage of net revenue decreased from 39.6% for the six months ended June 27, 2020 to 34.6% for the six months ended July 3, 2021, driven primarily by the impact of the temporary store closures in fiscal year 2020 and payroll and occupancy leverage, partially offset by higher advertising expense.

Legacy segment SG&A. SG&A as a percentage of net revenue decreased from 39.1% for the six months ended June 27, 2020 to 33.4% for the six months ended July 3, 2021 primarily driven by the impact of the temporary store closures in fiscal year 2020 and payroll and occupancy leverage.

Depreciation and amortization

Depreciation and amortization expense of $47.6 million for the six months ended July 3, 2021 increased $0.8 million, or 1.8%, from $46.7 million for the six months ended June 27, 2020 primarily driven by new store openings.

Asset impairment

We recognized $1.5 million for impairment of tangible long-lived assets and ROU assets associated with our retail stores during the six months ended July 3, 2021 compared to $13.8 million recognized during the six months ended June 27, 2020. The store asset impairment charge is primarily related to our Owned & Host segment and is driven by lower than projected customer sales volume in certain stores, and other entity-specific assumptions. We considered multiple factors including, but not limited to: forecasted scenarios related to store performance and the likelihood that these scenarios would be ultimately realized; and the remaining useful lives of the assets. Asset impairment expenses were recognized in Corporate/Other.

Interest expense, net

Interest expense, net, of $16.4 million for the six months ended July 3, 2021 decreased $6.5 million, or 28.4%, from $23.0 million for the six months ended June 27, 2020. The decrease was primarily driven by changes in fair value of derivatives of $4.7 million and by a reduction in our term loan and revolving credit facility utilization, partially offset by expenses related to the 2025 Notes.

Income tax provision

Our income tax provision for the six months ended July 3, 2021 reflected our statutory federal and state rate of 25.5%, combined with a benefit of $6.6 million primarily with the exercise of stock options and for the stranded tax effect associated with our interest rate swaps that matured in the first quarter of 2021. In comparison, the income tax benefit for the six months ended June 27, 2020 reflected our statutory federal and state rate of 25.5% combined with a benefit of $3.0 million resulting from stock option exercises.

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 and income tax provision (benefit), further adjusted to exclude stock compensation expense, asset impairment, litigation settlement, amortization of acquisition intangibles, and 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 tax provision (benefit) and depreciation and amortization. We define Adjusted EBITDA as net income (loss), plus interest expense, income tax provision (benefit) and depreciation and amortization, further adjusted to exclude stock compensation expense, asset impairment, litigation settlement, and 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 compensation expense, asset impairment, litigation settlement, amortization of acquisition intangibles, amortization of debt discounts and deferred financing costs of our term loan borrowings, amortization of costs related to our 2025 Notes, losses (gains) on change in fair value of derivatives, other expenses, and tax benefit of stock option exercises, less the tax effect of these adjustments. We adjust for amortization of costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share according to U.S. GAAP.

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

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

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

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

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

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

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

	Three Months Ended				Six Months Ended			
In thousands	July 3, 2021		June 27, 2020		July 3, 2021		June 27, 2020	
Net income (loss)	$ 37,601	6.8 %	$ (43,833)	(16.9)%	$ 81,033	7.5 %	$ (34,091)	(4.7)%
Interest expense	10,096	1.8 %	15,502	6.0 %	16,426	1.5 %	22,957	3.1 %
Income tax provision (benefit)	7,040	1.3 %	(13,403)	(5.2)%	18,726	1.7 %	(13,685)	(1.9)%
Stock compensation expense [(a)]	7,213	1.3 %	3,352	1.3 %	10,201	0.9 %	5,445	0.7 %
Asset impairment [(b)]	519	0.1 %	2,411	0.9 %	1,478	0.1 %	13,766	1.9 %
Litigation settlement [(c)]	—	— %	—	— %	—	— %	4,395	0.6 %
Amortization of acquisition intangibles [(d)]	1,871	0.3 %	1,851	0.7 %	3,744	0.3 %	3,702	0.5 %
Other [(g)]	1,241	0.2 %	(307)	(0.1)%	1,641	0.2 %	1,149	0.2 %
Adjusted Operating Income / Adjusted Operating Margin	$ 65,581	11.9 %	$ (34,427)	(13.2)%	$ 133,249	12.3 %	$ 3,638	0.5 %

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

In thousands	Three Months Ended				Six Months Ended			
	July 3, 2021		June 27, 2020		July 3, 2021		June 27, 2020	
Net income (loss)	$ 37,601	6.8 %	$ (43,833)	(16.9)%	$ 81,033	7.5 %	$ (34,091)	(4.7)%
Interest expense	10,096	1.8 %	15,502	6.0 %	16,426	1.5 %	22,957	3.1 %
Income tax provision (benefit)	7,040	1.3 %	(13,403)	(5.2)%	18,726	1.7 %	(13,685)	(1.9)%
Depreciation and amortization	24,025	4.4 %	21,924	8.4 %	47,580	4.4 %	46,734	6.4 %
EBITDA	78,762	14.3 %	(19,810)	(7.6)%	163,765	15.1 %	21,915	3.0 %
Stock compensation expense [a]	7,213	1.3 %	3,352	1.3 %	10,201	0.9 %	5,445	0.7 %
Asset impairment [b]	519	0.1 %	2,411	0.9 %	1,478	0.1 %	13,766	1.9 %
Litigation settlement [c]	—	— %	—	— %	—	— %	4,395	0.6 %
Other [g]	1,241	0.2 %	(307)	(0.1)%	1,641	0.2 %	1,149	0.2 %
Adjusted EBITDA / Adjusted EBITDA Margin	$ 87,735	16.0 %	$ (14,354)	(5.5)%	$ 177,085	16.3 %	$ 46,670	6.4 %

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

In thousands, except per share amounts	Three Months Ended		Six Months Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Diluted EPS	$ 0.42	$ (0.55)	$ 0.89	$ (0.42)
Stock compensation expense [a]	0.08	0.04	0.11	0.07
Asset impairment [b]	0.01	0.03	0.02	0.17
Litigation settlement [c]	—	—	—	0.05
Amortization of acquisition intangibles [d]	0.02	0.02	0.04	0.05
Amortization of debt discount and deferred financing costs [e]	0.01	0.03	0.01	0.03
Losses (gains) on change in fair value of derivatives [f]	0.02	0.06	—	0.06
Other [j]	0.01	—	(0.01)	0.01
Tax benefit of stock option exercises [h]	(0.04)	—	(0.05)	(0.04)
Tax effect of total adjustments [i]	(0.04)	(0.05)	(0.05)	(0.12)
Adjusted Diluted EPS	$ 0.48	$ (0.41)	$ 0.97	$ (0.13)
Weighted average diluted shares outstanding	96,082	80,325	96,044	80,226

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

(a) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on the timing of awards and performance vesting conditions.
(b) Reflects write-off of property, equipment and lease related assets on closed or underperforming stores.
(c) Expenses associated with settlement of litigation.
(d) 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. (the “KKR Acquisition”).
(e) Amortization of deferred financing costs and other non-cash charges related to our long-term debt. We adjust for amortization of costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share according to U.S. GAAP. Amortization of debt discount and deferred financing costs in aggregate total $1.0 million and $2.5 million for the three months ended July 3, 2021 and June 27, 2020, respectively, and $1.2 million and $2.7 million for the six months ended July 3, 2021 and June 27, 2020, respectively.
(f) Reflects losses (gains) recognized in interest expense on change in fair value of de-designated hedges of $2.4 million and $4.9 million for the three months ended July 3, 2021 and June 27, 2020, respectively, and $0.1 million and $4.9 million for the six months ended July 3, 2021 and June 27, 2020, respectively.

(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), including 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 July 3, 2021 and June 27, 2020, respectively, and $0.2 million for each of the six months ended July 3, 2021 and June 27, 2020, respectively; costs of severance and relocation of $0.7 million and $0.2 million for the three months ended July 3, 2021 and June 27, 2020, respectively, $0.8 million and $0.5 million for the six months ended July 3, 2021 and June 27, 2020, respectively; excess payroll taxes related to stock option exercises of $0.2 million for the three months ended July 3, 2021, and $0.3 million for each of the six months ended July 3, 2021 and June 27, 2020, respectively; 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 other expenses and adjustments totaling $0.2 million and $(0.7) million for the three months ended July 3, 2021 and June 27, 2020, respectively, and $0.3 million and $(0.5) million for the six months ended July 3, 2021 and June 27, 2020, respectively.

(h) 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.

(i) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.

(j) Reflects other expenses in (g) above, including the impact of stranded tax effect of $(2.1) million for the six months ended July 3, 2021 associated with our interest rate swaps that matured in 2021.

Liquidity and Capital Resources

Our primary cash needs are for inventory, payroll, store rent, advertising, capital expenditures associated with new stores and updating existing stores, as well as information technology and infrastructure, including our corporate office, distribution centers, and laboratories. When appropriate, the Company may utilize excess liquidity towards debt service requirements, including voluntary debt prepayments, or required interest and principal payments, if any, as well as repurchases of common stock, based on excess cash flows. We continue to prioritize cash conservation and prudent use of cash, while safely conducting normal operations. The most significant components of our operating assets and liabilities are inventories, accounts receivable, prepaid expenses and other assets, accounts payable, deferred and unearned revenue and other payables and accrued expenses. While we have historically exercised prudence in our use of cash, the COVID-19 pandemic has required us to closely monitor various items related to cash flow including, but not limited to, cash receipts, cash disbursements, payment terms and alternative sources of funding. We continue to be focused on these items in addition to other key measures we use to determine how our consolidated business and operating segments are performing. We believe that cash on hand, cash expected to be generated from operations and the availability of borrowings under our revolving credit facility will be sufficient to fund our working capital requirements, liquidity obligations, anticipated capital expenditures, and payments due under our existing debt for at least the next 12 months. Depending on our liquidity levels, conditions in the capital markets and other factors, we may from time to time consider the refinancing or issuance of debt, issuance of equity or other securities, the proceeds of which could provide additional liquidity for our operations, as well as further modifications to our term loan where possible. However, our ability to maintain sufficient liquidity may be affected by numerous factors, many of which are outside our control. We primarily fund our working capital needs using cash provided by operations.

As of July 3, 2021, we had $408.3 million in cash and cash equivalents and $293.6 million of availability under our revolving credit facility, which includes $6.4 million in outstanding letters of credit.

As of July 3, 2021, we have outstanding $402.5 million aggregate principal of the 2025 Notes. The 2025 Notes are senior unsecured obligations, and interest on the 2025 Notes is paid semi-annually. As of July 3, 2021, the 2025 Notes can be converted by holders. Upon conversion of the 2025 Notes we can choose to settle in cash, shares or a combination. Based on the initial conversion rate, the 2025 Notes are convertible into 12.9 million shares of our common stock; however we reserved for the possible issuance of 16.5 million shares, which is the maximum amount that could be issued upon conversion. See Note 11. "Earnings Per Share" for the treatment of earnings per share in relation to the 2025 Notes.

As of July 3, 2021, we had $200.0 million of term loan outstanding under our credit agreement. We were in compliance with all covenants related to our long-term debt as of July 3, 2021. Our working capital requirements for inventory will increase as we continue to open additional stores.

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

	Six Months Ended	
In thousands	July 3, 2021	June 27, 2020
Cash flows provided by (used for):		
Operating activities	$ 189,808	$ 71,420
Investing activities	(38,790)	(25,531)
Financing activities	(116,529)	171,437
Net increase in cash, cash equivalents and restricted cash	$ 34,489	$ 217,326

Net Cash Provided by Operating Activities

Cash flows provided by operating activities increased $118.4 million from $71.4 million during the six months ended June 27, 2020 to $189.8 million for the six months ended July 3, 2021. The increase in net cash provided by operating activities consisted of an increase in net income of $115.1 million, due primarily to growth in sales during the six months ended July 3, 2021, and an increase of non-cash expense items of $12.0 million including an increase in deferred income taxes of $28.3 million partially offset by a decrease in asset impairment charges of $12.3 million.

Changes in net working capital and other assets and liabilities used $8.8 million in cash compared to the six months ended June 27, 2020. Working capital was most significantly impacted by changes in accounts receivable, inventories, deferred and unearned revenue, and other liabilities. Decreases in accounts receivable contributed $16.8 million in year-over-year cash, primarily reflective of the $10.8 million receivable recorded as a result of the employee retention credits made available under the CARES Act for US employees during the six months ended June 27, 2020 and year-over-year decreases in credit card receivables during the six months ended July 3, 2021 compared to the same period of 2020. Increases in inventories used $17.0 million in year-over-year cash, primarily due to increased purchases. Decreases in other liabilities during the six months ended July 3, 2021 used $16.3 million in year-over-year cash primarily due to decreases in compensation related accruals primarily due to payment of CARES Act deferred employer payroll taxes, timing of litigation settlements, and decreases in lease concessions and deferrals.

Offsetting these items were changes in deferred and unearned revenue, which contributed $10.8 million in year-over-year cash primarily due to a $18.7 million increase in year-over-year cash driven by growth in eye care membership and product protection plan sales, partially offset by year-over-year decreases in unearned revenue during the six months ended July 3, 2021 compared to the same period of 2020.

Net Cash Used for Investing Activities

Net cash used for investing activities increased by $13.3 million, to $38.8 million, during the six months ended July 3, 2021 from $25.5 million during the six months ended June 27, 2020. The increase was primarily due to increased new store openings. Approximately 80% of our capital spend is related to our expected growth (i.e., new stores, optometric equipment, additional capacity in our optical laboratories and distribution centers, and our IT infrastructure, including omni-channel platform related investments).

Net Cash Provided By (Used For) Financing Activities

Net cash provided by (used for) financing activities decreased $288.0 million, from $171.4 million provision of cash during the six months ended June 27, 2020 to $116.5 million use of cash during the six months ended July 3, 2021. The decrease in cash provided by financing activities was primarily due to the prepayment of our term-loan long-term debt in the current fiscal year compared to borrowings of long-term debt in the prior year. The Company made voluntary term loan prepayments of $117.4 million during the six months ended July 3, 2021 compared to proceeds of $548.8 million from the issuance of the 2025 Notes and borrowings on our revolving credit facility partially offset by principal payments on long-term debt of $369.3 million during the six months ended June 27, 2020.

Credit Agreement Amendment

The Company also amended its credit agreement to, among other things, add customary LIBOR replacement provisions, modify the applicable margins used to calculate the rate of interest payable on the first lien term loans thereunder, modify certain financial covenants related to maximum leverage and minimum interest coverage and remove the LIBOR floor, such that LIBOR shall be deemed to be no less than 0.00% per annum (instead of 1.00% per annum previously in effect).

Capitalized terms used but not defined herein shall have the meanings assigned to such terms in our credit agreement. Pursuant to our credit agreement, the Company will not permit (i) the Consolidated Total Debt to Consolidated EBITDA Ratio to be negative or greater than (x) 4.50 to 1.00 with respect to the last day of the Company's second and third fiscal quarters of 2021 and (y) 4.25 to 1.00 from and after the last day of the Company's fourth fiscal quarter of 2021, subject to certain step-ups after the consummation of a Material Acquisition, or (ii) the Consolidated Interest Coverage Ratio of the Company as of the last day of any fiscal quarter of the Company to be less than 3.00 to 1.00. We were in compliance with all covenants related to our long-term debt as of July 3, 2021. Refer to Note 4. "Long-term Debt" for more information.

Off-balance Sheet Arrangements

We follow U.S. GAAP in making the determination as to whether or not to record an asset or liability related to our arrangements with third parties. Consistent with current accounting guidance, we do not record an asset or liability associated with long-term purchase, marketing and promotional commitments, or commitments to philanthropic endeavors. We have disclosed the amount of future commitments associated with these items in the 2020 Annual Report on form 10-K. We are not a party to any other material off-balance sheet arrangements.

Contractual Obligations

There were no material changes outside the ordinary course of business in our contractual obligations and commercial commitments from those reported in the 2020 Annual Report on Form 10-K.

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 2020 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 2020 Annual Report on Form 10-K, except for the adoption of ASU 2020-06. These changes are discussed in Note 1. "Description of Business and Basis of Presentation" to our unaudited condensed consolidated financial statements included in Part I. Item 1. of this Form 10-Q.

Adoption of New Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

As of July 3, 2021, $200.0 million of term loan borrowings were subject to variable interest rates, with a weighted average borrowing rate of 2.5%. An increase to market rates of 1.0% as of July 3, 2021 would not result in a material increase to interest expense. Assuming a decrease to market rates of 1.0% as of July 3, 2021, the resulting increase to interest expense related to the interest rate derivative would be approximately $10 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 2020 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

In accordance with Rule 13a-15(b) of the Exchange Act, the Company carried out an evaluation, under the supervision and with the participation of its management, including its CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 3, 2021. Based on that evaluation, the CEO and the CFO have concluded that the Company's current disclosure controls and procedures are effective in ensuring that material information relating to the Company required to be disclosed in the Company's periodic filings with the SEC is made known to them in a timely manner.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act that occurred during the second quarter of fiscal year 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most corporate employees of the Company began working remotely due to the COVID-19 pandemic, though we will continue to assess the impact on the design and operating effectiveness of our internal controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the principal risks that we believe are material to our business, results of operations, and financial condition from those disclosed in Part I. Item 1A. of our Annual Report.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Index

Exhibit No.	Exhibit Description
3.1	Third Amended and Restated Certificate of Incorporation of National Vision Holdings, Inc. -incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 10, 2021.
3.2	Third Amended and Restated Bylaws of National Vision Holdings, Inc. -incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 10, 2021.
10.1	Amendment No. 2, dated June 2, 2021, the Amended and Restated Credit Agreement, dated as of July, 18, 2019, by and among Nautilus Acquisition Holdings, Inc., National Vision, Inc., certain subsidiaries of National Vision, Inc., as guarantors, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto -incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 3, 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 July 3, 2021, formatted in Inline XBRL (included within the Exhibit 101 attachments)

Signatures

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

		National Vision Holdings, Inc.
Dated: August 12, 2021	By:	/s/ L. Reade Fahs **Chief Executive Officer and Director** *(Principal Executive Officer)*
Dated: August 12, 2021	By:	/s/ Patrick R. Moore **Senior Vice President, Chief Financial Officer** *(Principal Financial Officer)*

Exhibit 31.1

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

I, L. Reade Fahs, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 3, 2021 of National Vision Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2021

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

Exhibit 31.2

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

I, Patrick R. Moore, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 3, 2021 of National Vision Holdings, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 12, 2021

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

Exhibit 32.1

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

In connection with the Quarterly Report of National Vision Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended July 3, 2021 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, L. Reade Fahs, Chief Executive Officer and Director of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2021

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

Exhibit 32.2

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

In connection with the Quarterly Report of National Vision Holdings, Inc. (the “Company”) on Form 10-Q for the quarterly period ended July 3, 2021 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick R. Moore, Senior Vice President, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2021

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