
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the securities Exchange Act of 1934

Date of Report (Date Earliest Event report):

May 9, 2019

National Vision Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**2435 Commerce Ave,
Building 2200
Duluth, Georgia**

(Address of principal executive offices)

(770) 822-3600

(Registrant's telephone number, including area code)

46-4841717

(I.R.S. Employer
Identification No.)

30096

(Zip Code)

Not Applicable

(Former name, former address and former fiscal year,
if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.42)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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

Item 2.02 Results of Operations and Financial Condition

On May 9, 2019, National Vision Holdings, Inc. (“National Vision”) issued a press release announcing financial results for the quarter ended March 30, 2019. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated by reference herein.

The information in this Current Report on Form 8-K, including exhibits, is being furnished to the Securities and Exchange Commission (the “SEC”) pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any of National Vision’s filings with the SEC under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

See the Exhibit Index immediately preceding the signature page hereto, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.

Description

[99.1](#) National Vision Holdings, Inc. Press Release dated May 9, 2019.

Signatures

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

National Vision Holdings, Inc.

Date: May 9, 2019

By: /s/ Jared Brandman
Name: Jared Brandman
Title: Senior Vice President, General Counsel and Secretary



National Vision Holdings, Inc. Reports First Quarter 2019 Financial Results

- Net revenue increased 13.0% to \$461.2 million
- 69th consecutive quarter of positive comparable store sales growth
- Comparable store sales growth of 6.2%; Adjusted comparable store sales growth of 6.7%
- Net income of \$17.4 million; Adjusted net income increased 0.9% to \$26.7 million
- Adjusted EBITDA increased 4.2% to \$63.3 million
- Diluted EPS of \$0.21; Adjusted diluted EPS decreased 3.6% to \$0.33
- Reaffirms Fiscal 2019 Outlook

Duluth, Ga. -- May 9, 2019 -- National Vision Holdings, Inc. (NASDAQ: EYE) (“National Vision” or the “Company”) today reported its financial results for the first quarter ended March 30, 2019.

Reade Fahs, chief executive officer, stated, “We are very pleased to report our first quarter results, which reflect the ongoing strength of our differentiated business model and compelling value proposition that continue to resonate with customers. Our team delivered its 69th consecutive quarter of positive comparable store sales growth, and its best first quarter comp since 2015. We opened 26 stores this quarter, and are on track to achieve our 2019 store opening plans. Our optometrists and associates remain committed to making quality eye exams and eyewear more affordable for our patients and customers throughout the United States. Overall, we remain well positioned in a very attractive industry and are confident in our growth strategies.”

Adjusted comparable store sales growth, adjusted diluted EPS, adjusted EBITDA, adjusted EBITDA margin, adjusted net income and EBITDA are not measures recognized under generally accepted accounting principles (“GAAP”). Please see “Non-GAAP Financial Measures” and “Reconciliation of GAAP to Non-GAAP Financial Measures” below for more information.

First Quarter 2019 Summary

- Net revenue increased 13.0% to \$461.2 million from \$408.0 million for the first quarter of 2018. Net revenue was negatively impacted by approximately 120 basis points by the timing of unearned revenue.
- Comparable store sales growth was 6.2% and adjusted comparable store sales growth was 6.7% for the first quarter of 2019.
- The Company opened 26 new stores, closed three stores and ended the quarter with 1,105 stores. Overall, store count grew 7.6% from March 31, 2018 to March 30, 2019.
- Costs applicable to revenue increased 17.5% to \$212.0 million from \$180.5 million for the first quarter of 2018. As a percentage of net revenue, costs applicable to revenue increased 180 basis points to 46.0% from 44.2% for the first quarter of 2018. This increase as a percentage of net revenue was primarily driven by the AC Lens contact lens distribution relationship with Walmart and higher optometrist costs, partially offset by a higher mix of eye exam sales as a result of the Company's growing managed care business.
- Selling, general and administrative expenses (“SG&A”) increased 13.6% to \$193.9 million from \$170.7 million for the first quarter of 2018. As a percentage of net revenue, SG&A increased 20 basis points to 42.0% from 41.8% for the first quarter of 2018. This increase as a percentage of net revenue was primarily driven by non-recurring management realignment and associated stock compensation expenses and performance-based incentive compensation, partially offset by increased net revenue from the AC Lens contact lens distribution relationship with Walmart, store payroll leverage and secondary public offering expenses incurred during the three months ended March 31, 2018 not recurring during the three months ended March 30, 2019.
- Net income was \$17.4 million compared to net income of \$24.5 million for the first quarter of 2018. Diluted EPS was \$0.21 compared to \$0.31 per share for the first quarter of 2018.
- Adjusted net income increased 0.9% to \$26.7 million compared to \$26.4 million for the first quarter of 2018. Adjusted diluted EPS was \$0.33 per diluted share compared to \$0.34 per diluted share for the first quarter of 2018. The net change in margin on unearned revenue negatively impacted year-over-year adjusted net income growth by 1,000 basis points.
- Adjusted EBITDA increased 4.2% to \$63.3 million compared to \$60.7 million for the first quarter of 2018. Adjusted EBITDA margin decreased to 13.7% from 14.9% for the first quarter of 2018, due to the net change in margin on unearned revenue as well as the AC Lens contact lens distribution relationship with Walmart. The net change in margin on unearned revenue negatively impacted year-over-year adjusted EBITDA growth by 590 basis points.

Balance Sheet and Cash Flow Highlights as of March 30, 2019

- The Company's cash balance was \$72.5 million as of March 30, 2019. The Company had no borrowings under its \$100.0 million first lien revolving credit facility, exclusive of letters of credit of \$5.5 million.
- Total debt was \$586.9 million as of March 30, 2019, consisting of outstanding first lien term loans and capital lease obligations.
- Cash flows from operating activities for the first three months of 2019 were \$83.0 million compared to \$77.8 million for the same period of 2018.
- Capital expenditures for the first three months of 2019 totaled \$26.0 million compared to \$22.8 million for the same period of 2018.

Fiscal 2019 Outlook

The Company reaffirms its outlook for the fiscal year ending December 28, 2019, as follows:

	Fiscal 2019 Outlook
New Stores	~75 New Stores
Adjusted Comparable Store Sales Growth	3 - 5%
Net Revenue ⁽¹⁾	\$1.675 - \$1.705 billion
Adjusted EBITDA	\$186 - \$191 million
Adjusted Net Income	\$53.5 - \$56.5 million
Depreciation and Amortization	\$88 - \$90 million
Interest	\$36 - \$37 million
Tax Rate ⁽²⁾	~26.0%
Capital Expenditures	\$100 - \$105 million

(1) Includes an estimated \$20 - 25 million in incremental net revenue from the expanded contact lens distribution relationship with Walmart

(2) Excluding the impact of stock option exercises

The fiscal 2019 outlook information provided above includes Adjusted EBITDA and Adjusted Net Income guidance, which are non-GAAP financial measures management uses in measuring performance. The Company is not able to reconcile these forward-looking non-GAAP measures to GAAP without unreasonable efforts because it is not possible to predict with a reasonable degree of certainty the actual impact of certain items and unanticipated events, including taxes and non-recurring items, which would be included in GAAP results. The impact of such items and unanticipated events could be potentially significant.

The fiscal 2019 outlook information provided above is forward-looking, subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company and its management, and based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and those variations may be material.

Conference Call Details

A conference call to discuss the first quarter 2019 financial results is scheduled for today, May 9, 2019, at 10:00 a.m. Eastern Time. The U.S. toll free dial-in for the conference call is 866-754-6931 and the international dial-in is 636-812-6625. The conference passcode is 7371959. A live audio webcast of the conference call will be available on the "Investors" section of the Company's website www.nationalvision.com/investors, where presentation materials will be posted prior to the conference call.

A telephone replay will be available shortly after the broadcast through Thursday, May 16, 2019, by dialing 855-859-2056 from the U.S. or 404-537-3406 from international locations, and entering conference passcode 7371959. A replay of the audio webcast will also be archived on the "Investors" section of the Company's website.

About National Vision Holdings, Inc

National Vision Holdings, Inc. is one of the largest optical retail companies in the United States with over 1,100 retail stores in 44 states plus the District of Columbia and Puerto Rico. With a mission of helping people by making quality eyecare and eyewear more affordable and accessible, the Company operates five retail brands: America's Best Contacts & Eyeglasses, Eyeglass World, Vision Centers inside select Walmart stores, Vista Optical inside Fred Meyer stores and on select military bases, and several e-commerce websites, offering a variety of products and services for customers' eyecare needs.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements contained under "Fiscal 2019 Outlook" as well as other statements related to our expectations regarding the performance of our industry, growth strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. You can identify these forward looking statements by the use of words such as "outlook," "guidance," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties, including our ability to open and operate new stores in a timely and cost-effective manner and to successfully enter new markets; our ability to recruit and retain vision care professionals for our stores; our relationships with managed vision care companies, vision insurance providers and other third-party payors; our operating relationships with our host and legacy partners; state, local and federal vision care and healthcare laws and regulations; our ability to maintain sufficient levels of cash flow from our operations to grow; the risk of loss or disruption in our distribution centers and optical laboratories; risks associated with vendors and suppliers from whom our products are sourced; macroeconomic factors and other factors impacting consumer spending beyond the Company's control; competition in the optical retail industry; our dependence on a limited number of suppliers; risks associated with information technology systems and the security of personal information and payment card data collected by us and our vendors; any failure, inadequacy, interruption, security failure or breach of our information technology systems; our growth strategy's impact on our existing resources and performance of our existing stores; our ability to retain senior management and attract new personnel; our ability to manage costs; the success of our marketing, advertising and promotional efforts; risks associated with leasing substantial amounts of space; technological advances that may reduce demand for our products; product liability, product recall or personal injury issues; risks associated with managed vision care laws and regulations; our increasing reliance on third-party coverage and reimbursement; issues regarding inventory management; risks related to our e-commerce business; seasonal fluctuations in our business; we may incur losses arising from our investments in technological innovators in the optical retail industry; legal regulatory risks, including adverse judgments or settlements from legal proceedings; our ability to protect our intellectual property; the impact our leverage has on our ability to raise additional capital to fund our operations; risks related to our debt agreements, including restrictions that may limit our flexibility in operating our business; our ability to generate sufficient cash flow to satisfy our significant debt service obligations; and risks related to our common stock, including our ability to comply with requirements to design and implement and maintain effective internal controls. Additional information about these and other factors that could cause National Vision's results to differ materially from those described in the forward-looking statements can be found in filings by National Vision with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which are accessible on the SEC's website at www.sec.gov. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in our filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Non-GAAP Financial Measures

To supplement the Company's financial information presented in accordance with GAAP and aid understanding of the Company's business performance, the Company uses certain non-GAAP financial measures, namely "EBITDA," "Adjusted EBITDA," "Adjusted EBITDA Margin," "Adjusted Net Income," "Adjusted Diluted EPS," "Adjusted SG&A" and "Adjusted SG&A Percent of Net Revenue." We believe EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted SG&A and Adjusted SG&A Percent of Net Revenue 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 these non-GAAP financial 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. Management uses these non-GAAP financial measures to supplement 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 GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone.

To supplement the Company's comparable store sales growth presented in accordance with GAAP, the Company provides "Adjusted Comparable Store Sales Growth," which is a non-GAAP financial measure 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. Management uses 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 Store Sales Growth to be meaningful.

EBITDA: We define EBITDA as net income, plus interest expense, income tax provision (benefit) and depreciation and amortization.

Adjusted EBITDA: We define Adjusted EBITDA as EBITDA, further adjusted to exclude stock compensation expense, asset impairment, new store pre-opening expenses, non-cash rent, secondary offering expenses, management realignment expenses, and other expenses.

Adjusted EBITDA Margin: We define Adjusted EBITDA Margin as Adjusted EBITDA divided by net revenue.

Adjusted Net Income: We define Adjusted Net Income as net income, plus stock compensation expense, asset impairment, new store pre-opening expenses, non-cash rent, secondary offering expenses, management realignment expenses, other expenses, amortization of acquisition intangibles and deferred financing costs, tax benefit of stock option exercises, tax legislation adjustment, less the tax effect of these adjustments.

Adjusted Diluted EPS: We define Adjusted Diluted EPS as Adjusted Net Income divided by diluted weighted average common shares outstanding.

Adjusted SG&A: We define Adjusted SG&A as SG&A, adjusted to exclude stock compensation expense, new store pre-opening expenses, non-cash rent, secondary offering expenses, management realignment expenses, and other expenses except for the share of losses on equity method investments.

Adjusted SG&A Percent of Net Revenue: We define Adjusted SG&A Percent of Net Revenue as Adjusted SG&A divided by net revenue.

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, compared to when the order is delivered), utilizing cash basis point of sale information from stores; (ii) stores are added to the calculation in their 13th full month; (iii) closed stores are removed from the calculation for time periods that are not comparable; (iv) sales from partial months of operation are ignored 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.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Diluted EPS, Adjusted SG&A, Adjusted SG&A Percent of Net Revenue, and Adjusted Comparable Store Sales Growth are not recognized terms under GAAP and should not be considered as an alternative to net income, the ratio of net income to net revenue as a measure of financial performance, SG&A, the ratio of SG&A to net revenue as a measure of financial performance, cash flows provided by operating activities as a measure of liquidity, comparable store sales growth as a measure of operating performance, or any other performance measure derived in accordance with 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. 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 GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company.

Please see "Reconciliation of GAAP to Non-GAAP Financial Measures" below for reconciliations of non-GAAP financial measures used in this release to their most directly comparable GAAP financial measures.

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of March 30, 2019 and December 29, 2018
In Thousands, Except Par Value Information
(Unaudited)

ASSETS	As of March 30, 2019	As of December 29, 2018
Current assets:		
Cash and cash equivalents	\$ 72,506	\$ 17,132
Accounts receivable, net	58,021	50,735
Inventories	111,936	116,022
Prepaid expenses and other current assets	27,626	30,815
Total current assets	270,089	214,704
Property and equipment, net	364,627	355,117
Other assets:		
Goodwill	777,613	777,613
Trademarks and trade names	240,547	240,547
Other intangible assets, net	62,487	64,532
Right of use assets	330,637	—
Other assets	7,092	8,876
Total non-current assets	1,783,003	1,446,685
Total assets	\$ 2,053,092	\$ 1,661,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 45,087	\$ 43,642
Other payables and accrued expenses	97,668	81,004
Unearned revenue	34,808	27,295
Deferred revenue	55,655	52,144
Current maturities of long-term debt and finance lease obligations	8,484	7,567
Current operating lease obligations	55,967	—
Total current liabilities	297,669	211,652
Long-term debt and finance lease obligations, less current portion and debt discount	578,397	570,545
Non-current operating lease obligations	314,282	—
Other non-current liabilities:		
Deferred revenue	21,307	20,134
Other liabilities	11,523	53,964
Deferred income taxes, net	67,334	61,940
Total other non-current liabilities	100,164	136,038
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000 shares authorized; 78,297 and 78,246 shares issued as of March 30, 2019 and December 29, 2018, respectively; 78,218 and 78,167 shares outstanding as of March 30, 2019 and December 29, 2018, respectively	783	782
Additional paid-in capital	675,952	672,503
Accumulated other comprehensive loss	(3,757)	(2,810)
Retained earnings	91,763	74,840
Treasury stock, at cost; 79 shares as of March 30, 2019 and December 29, 2018	(2,161)	(2,161)
Total stockholders' equity	762,580	743,154
Total liabilities and stockholders' equity	\$ 2,053,092	\$ 1,661,389

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
For the Three Months Ended March 30, 2019 and March 31, 2018
In Thousands, Except Per Share Information
(Unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Revenue:		
Net product sales	\$ 383,160	\$ 338,777
Net sales of services and plans	78,055	69,198
Total net revenue	461,215	407,975
Costs applicable to revenue (exclusive of depreciation and amortization):		
Products	154,004	130,878
Services and plans	57,965	49,576
Total costs applicable to revenue	211,969	180,454
Operating expenses:		
Selling, general and administrative expenses	193,876	170,689
Depreciation and amortization	20,415	17,862
Asset impairment	2,082	—
Other expense, net	473	122
Total operating expenses	216,846	188,673
Income from operations	32,400	38,848
Interest expense, net	9,061	9,313
Earnings before income taxes	23,339	29,535
Income tax provision	5,910	5,080
Net income	\$ 17,429	\$ 24,455
Earnings per share:		
Basic	\$ 0.22	\$ 0.33
Diluted	\$ 0.21	\$ 0.31
Weighted average shares outstanding:		
Basic	78,205	74,714
Diluted	81,466	77,837
Comprehensive income:		
Net income	\$ 17,429	\$ 24,455
Unrealized gain (loss) on hedge instruments	(1,273)	6,216
Tax provision (benefit) of unrealized gain (loss) on hedge instruments	(326)	1,592
Comprehensive income	\$ 16,482	\$ 29,079

National Vision Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended March 30, 2019 and March 31, 2018
In Thousands
(Unaudited)

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash flows from operating activities:		
Net income	\$ 17,429	\$ 24,455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,415	17,862
Amortization of loan costs	406	430
Asset impairment	2,082	—
Deferred income tax expense	5,910	5,080
Stock based compensation expense	2,976	1,596
Inventory adjustments	1,319	522
Bad debt expense	2,021	1,620
Other	1,041	64
Changes in operating assets and liabilities:		
Accounts receivable	(9,307)	(166)
Inventories	2,767	(3,049)
Other assets	5,791	(554)
Accounts payable	1,445	10,418
Deferred revenue	4,684	4,261
Other liabilities	24,035	15,248
Net cash provided by operating activities	<u>83,014</u>	<u>77,787</u>
Cash flows from investing activities:		
Purchase of property and equipment	(25,992)	(22,792)
Other	186	116
Net cash used for investing activities	<u>(25,806)</u>	<u>(22,676)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	513	2,312
Principal payments on long-term debt	(1,250)	(1,425)
Purchase of treasury stock	—	(855)
Payments on finance lease obligations	(617)	(333)
Net cash used for financing activities	<u>(1,354)</u>	<u>(301)</u>
Net change in cash, cash equivalents and restricted cash	55,854	54,810
Cash, cash equivalents and restricted cash, beginning of year	17,998	5,193
Cash, cash equivalents and restricted cash, end of period	<u>\$ 73,852</u>	<u>\$ 60,003</u>
Supplemental cash flow disclosure information:		
Cash paid for interest	9,857	10,573
Property and equipment accrued at the end of the period	13,980	8,934
Right of use assets acquired under finance leases	7,270	1,416
Right of use assets acquired under operating leases	32,981	—

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 above:

	Three Months Ended	
	March 30, 2019	March 31, 2018
Cash and cash equivalents	\$ 72,506	\$ 58,433
Restricted cash included in other assets	1,346	1,570
Total cash, cash equivalents and restricted cash	<u>\$ 73,852</u>	<u>\$ 60,003</u>

National Vision Holdings, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP Financial Measures
For the Three Months Ended March 30, 2019 and March 31, 2018
In Thousands, Except Per Share Information
(Unaudited)

Reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

<i>In thousands</i>	Three Months Ended			
	March 30, 2019		March 31, 2018	
Net income	\$ 17,429	3.8%	\$ 24,455	6.0%
Interest expense	9,061	2.0%	9,313	2.3%
Income tax provision	5,910	1.3%	5,080	1.2%
Depreciation and amortization	20,415	4.4%	17,862	4.4%
EBITDA	52,815	11.5%	56,710	13.9%
Stock compensation expense ^(a)	2,976	0.6%	1,596	0.4%
Asset impairment ^(b)	2,082	0.5%	—	—%
New store pre-opening expenses ^(c)	885	0.2%	474	0.1%
Non-cash rent ^(d)	1,198	0.3%	528	0.1%
Secondary offering expenses ^(e)	—	—%	963	0.2%
Management realignment expenses ^(f)	2,155	0.5%	—	—%
Other ^(g)	1,192	0.3%	459	0.1%
Adjusted EBITDA/ Adjusted EBITDA Margin	\$ 63,303	13.7%	\$ 60,730	14.9%

Note: Percentages reflect line item as a percentage of net revenue

Reconciliation of Net Income to Adjusted Net Income

<i>In thousands</i>	Three Months Ended	
	March 30, 2019	March 31, 2018
Net income	\$ 17,429	\$ 24,455
Stock compensation expense ^(a)	2,976	1,596
Asset impairment ^(b)	2,082	—
New store pre-opening expenses ^(c)	885	474
Non-cash rent ^(d)	1,198	528
Secondary offering expenses ^(e)	—	963
Management realignment expenses ^(f)	2,155	—
Other ^(g)	1,192	459
Amortization of acquisition intangibles and deferred financing costs ^(h)	2,258	2,281
Tax benefit of stock option exercises ⁽ⁱ⁾	(230)	(2,695)
Tax effect of total adjustments ⁽ⁱ⁾	(3,263)	(1,613)
Adjusted Net Income	\$ 26,682	\$ 26,448

Reconciliation of Diluted EPS to Adjusted Diluted EPS

<i>In thousands</i>	Three Months Ended	
	March 30, 2019	March 31, 2018
Diluted EPS	\$ 0.21	\$ 0.31
Stock compensation expense ^(a)	0.04	0.02
Asset impairment ^(b)	0.03	—
New store pre-opening expenses ^(c)	0.01	0.01
Non-cash rent ^(d)	0.01	0.01
Secondary offering expenses ^(e)	—	0.01
Management realignment expenses ^(f)	0.03	—
Other ^(g)	0.01	0.01
Amortization of acquisition intangibles and deferred financing costs ^(h)	0.03	0.03
Tax benefit of stock option exercises ⁽ⁱ⁾	—	(0.03)
Tax effect of total adjustments ⁽ⁱ⁾	(0.04)	(0.02)
Adjusted Diluted EPS	0.33	\$ 0.34

Weighted average diluted shares outstanding	81,466	77,837
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Note: Some of the totals in the table above do not foot due to rounding differences

Reconciliation of SG&A to Adjusted SG&A and Adjusted SG&A Percent of Net Revenue

<i>In thousands</i>	Three Months Ended			
	March 30, 2019		March 31, 2018	
SG&A	193,876	42.0%	170,689	41.8%
Stock compensation expense ^(a)	2,976	0.6%	1,596	0.4%
New store pre-opening expenses ^(c)	885	0.2%	474	0.1%
Non-cash rent ^(d)	1,198	0.3%	528	0.1%
Secondary offering expenses ^(e)	—	—%	963	0.2%
Management realignment expenses ^(f)	2,155	0.5%	—	—%
Other ^(k)	631	0.1%	267	0.1%
Adjusted SG&A/ Adjusted SG&A Percent of Net Revenue	\$ 186,031	40.3%	\$ 166,861	40.9%

Note: Percentages reflect line item as a percentage of net revenue

- (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 and equipment for the three months ended March 30, 2019.
- (c) Pre-opening expenses, which include marketing and advertising, labor and occupancy expenses incurred prior to opening a new store, are generally higher than comparable expenses incurred once such store is open and generating revenue. We believe that such higher pre-opening expenses are specific in nature and are not indicative of ongoing core operating performance. We adjust for these costs to facilitate comparisons of store operating performance from period to period.
- (d) Consists of the non-cash portion of rent expense, which reflects the extent to which our straight-line rent expense recognized under GAAP exceeds or is less than our cash rent payments.
- (e) Expenses related to our secondary public offerings for the three months ended March 31, 2018.
- (f) Expenses related to a non-recurring realignment of management described on the Form 8-K filed with the SEC on January 10, 2019.
- (g) Other adjustments include amounts that management believes are not representative of our operating performance (amounts in brackets represent reductions in Adjusted EBITDA and Adjusted Net Income), including our share of losses on equity method investments of \$0.6 million and \$0.2 million for the three months ended March 30, 2019 and March 31, 2018, respectively; the amortization impact of the KKR Acquisition-related adjustments (e.g., fair value of leasehold interests) of \$0.1 million and \$17 thousand for the three months ended March 30, 2019 and March 31, 2018, respectively; differences between the timing of expense versus cash payments related to contributions to charitable organizations of \$(0.3) million for the three months ended March 31, 2018; costs of severance and relocation of \$0.2 million for the three months ended March 30, 2019 and March 31, 2018; excess payroll taxes related to stock option exercises of \$23 thousand and \$0.3 million for the three months ended March 30, 2019 and March 31, 2018, respectively; and other expenses and adjustments totaling \$0.3 million and \$0.1 million for the three months ended March 30, 2019 and March 31, 2018, respectively.

- (h) Amortization of the increase in carrying values of definite-lived intangible assets resulting from the application of purchase accounting to the KKR Acquisition of \$1.9 million for each of the three months ended March 30, 2019 and March 31, 2018. Amortization of deferred financing costs is primarily associated with the March 2014 term loan borrowings in connection with the KKR Acquisition and, to a lesser extent, amortization of debt discounts associated with the May 2015 and February 2017 incremental First Lien - Term Loan B and the November 2017 First Lien - Term Loan B refinancing, aggregating to \$0.4 million for the three months ended March 30, 2019 and March 31, 2018.
- (i) Tax benefit associated with accounting guidance adopted at the beginning of fiscal year 2017 (Accounting Standards Update 2016-09, *Compensation - Stock Compensation*), requiring excess tax benefits to be recorded in earnings as discrete items in the reporting period in which they occur.
- (j) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.
- (k) Reflects other expenses in (g) above, except for our share of losses on equity method investments, which are non-SG&A expenses.

Reconciliation of Adjusted Comparable Store Sales Growth to Total Comparable Store Sales Growth

	Comparable store sales growth ^(a)		
	Three Months Ended	Three Months Ended	2019 Outlook
	March 30, 2019	March 31, 2018	
Owned & Host segment			
America's Best	8.2 %	4.6%	
Eyeglass World	6.5 %	6.3%	
Military	(4.4)%	2.8%	
Fred Meyer	(9.7)%	6.0%	
Legacy segment^(b)	1.8 %	3.3%	
Total comparable store sales growth	6.2 %	4.6%	3.5 - 5.5%
Adjusted comparable store sales growth^(c)	6.7 %	4.6%	3 - 5%

- (a) 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 9. "Segment Reporting" in our unaudited condensed consolidated financial statements included in Part 1. Item 1. in our Quarterly Report on Form 10-Q, with the exception of the legacy segment, which is adjusted as noted in clause (c) (ii) below.
- (b) As a result of changes in applicable California law, certain optometrists employed by FirstSight Vision Services Inc. ("FirstSight") were transferred to a professional corporation that contracts directly with our legacy segment in the fourth quarter of 2018, similar to optometrist transfers that occurred in the third quarter of 2017. Incremental eye exam revenue as a result of these changes in operations at FirstSight drove a favorable impact to comparable store sales growth in the Legacy segment of approximately 185 basis points and 205 basis points for the three months ended March 30, 2019 and March 30, 2018, respectively.
- (c) There are two differences between total comparable store sales growth based on consolidated net revenue and adjusted comparable store sales growth: (i) adjusted comparable store sales growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in a decrease of 0.8% and 0.1% from total comparable store sales growth based on consolidated net revenue for the three months ended March 30, 2019 and March 31, 2018, 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), resulting in an increase of 0.3% and 0.1% from total comparable store sales growth based on consolidated net revenue for the three months ended March 30, 2019 and March 31, 2018, respectively.

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