National Vision (EYE)
UBS Consumer and Retail Conference

March 13, 2024
1:00 PM EDT

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PRESENTATION

Michael Lasser: Good afternoon, everybody. Welcome to the afternoon session of our Day 1 of our UBS Consumer and Retail Conference. Unfortunately, it all goes downhill from here, because this is as good as it's going to get. With the National Vision team, we are so excited to have Reade Fahs who has become an institution as part of our UBS Consumer Conference. It's great to get an update. Reade Fahs has been at National Vision as CEO since 2002. He started when he was 4 years old. Melissa Rasmussen who has been with National Vision since 2019, and more, most recently has been promoted into the Chief Financial Officer role, for a couple of years now.

Melissa Rasmussen: As of the beginning of '20.

Michael Lasser: Time flies when you're having fun.

Melissa Rasmussen: Oh, indeed it does.

Michael Lasser: There is a new Vice President of Investor Relations, Tamara Gonzalez, who will be a great resource for all of us in the investment community. Did you want to read a quick disclaimer?

Melissa Rasmussen: Before starting, I'd like to remind everyone that we'll be discussing forward-looking statements and our actual results may differ materially from those we make today. The factors that could cause our actual results to differ materially are discussed in our most recent 10-K filed with the SEC.

Reade Fahs: I'll share that they no longer let me do disclaimers because I try to inject levity into them, and they don't like that.

Michael Lasser: One area that the lawyers get a little worked up about. That totally makes sense.

Reade Fahs: It used to be such fun.

Michael Lasser: I will remind everybody that on the app for the conference there is the ability to submit questions and we'll include those in our conversation for anything that you want us to talk about. But we certainly have no shortage of things to talk about. It's been an interesting journey as I'm sure you will agree, Reade. Both for National Vision over the longer term, but also in the last few years, kind of going on some of the volatility of the core consumer. Where do you see the health of National Vision's customers today? And how have their purchasing patterns evolved over the last few years?

Reade Fahs: Good, I'd love to talk about that. First of all, I do know that the biggest question from the crowd is probably about your socks. And yes, Michael is wearing National Vision socks. Those are two years ago, this is this year's National Vision sock collection, but we appreciate that, and they look great on you there.

Michael Lasser: There are retro.

Reade Fahs: Yes, retro National Vision socks. Our consumer is generally making under $100,000 and our consumer has been strapped by this economy, by the inflation. It was in this morning's Wall Street Journal about what the price of food is doing to folks, and our consumer is strapped in that way. About 35% of our business comes from managed care consumers. That is a different situation in that that tends to be a wealthier consumer and for them it's not really as much their money that they are spending, so that part of our business has been going up very nicely. Our consumer is feeling pretty strapped right now.

Michael Lasser: Pretty strapped, yeah. It's been an interesting last few years because 2020, a lot of optical retail stores closed. 2021 there was a reopening, some injection of capital that the consumer got, and it made a lot of sense for them to go and get a new pair of glasses. That arguably pulled forward some demand or disrupted their purchasing cycle. That was witnessed in part of 2022. And then at the same time, this optometrist who is so critical of the model of the industry, had seen some ebbs and flows as well and some constraints. Give a state of affairs where you feel you stand today. Especially from the purchasing cycle standpoint.

Reade Fahs: Yeah, so within our conference rooms we refer to it as the new reality. And the new realities were that our customer in 2021 had never been richer. Between the savings they had by not going out during the COVID closure period and then our generous government giving out so much money, that our customer had a lot of found money. And we've always said, when our customer has found money, they come and spend it with us. That's why tax return season is generally our highest seasonality period.

Our consumer had found money in 2021. They came in, they bought a great pair of glasses as they generally spent more than they normally would have on them, and then soon thereafter, several new realities hit. The new reality of the optometric market where optometrists, like almost every other healthcare professional out there, had sort of a big rethink and wanted to work less days. That affected the market in large ways. That was one new reality, sort of less optometrists from a few retirements, but mostly less capacity due to less days.

The next reality was the consumer inflation affecting our core consumer and our business. And then the third reality for us was the exit of the Walmart partnership. The mantra around our office is, we are rapidly adapting the business to survive in these new realities, and we have been doing that very aggressively throughout 2023. I would say that all these changes hitting at once to a consistently predictable and steady category, and the category had been very consistent and predictable for several decades prior to COVID, and then post-COVID, especially in 2022, these new realities changed a lot and there was a lot of what is happening to our category, a lot of change. And I would say 2022 we were pretty backfooted during that period of time. 2023, I think we became much more forward footed and I feel that we've been that way pretty much since early last spring.

Michael Lasser: First, the investment community is using that same mantra, so that's a little ironic. Two, you feel like the industry is now back or approaching back to where it was historically where it's got nice and steady mid-single digit, or low to mid-single digit growth, and then National Vision takes market share.

Reade Fahs: What we have here is 2 datapoints that are encouraging. Our back-to-school season was much more like that which we were used to pre-COVID. And our December and end of year experience was much more like pre-COVID. And we feel it's nice to see 2 encouraging datapoints. The next datapoint will come when we report Q1 and we can talk about what's happening with March. But I would say that the industry is sort of waiting and holding its breath to see whether this purchase cycle is going to begin to normalize. And again, to the extent to which your business is majority managed care, as some businesses are out there, you're better insulated. And to the extent to which it's less than half managed care like ours is, 35%, you're dependent on that uninsured consumer.

Michael Lasser: Can you remind us, is there any reason why the industry wouldn't go back to the way it was?

Reade Fahs: This has been such a consistent, predictable industry for a long time because of the biology of the human eye. Human eyes deteriorate with age, it's just how we all are. And as we age, our eyes get worse and that is why the category has been so predictable. I think that combined with actually we're all on screens a lot more and the aging of the population, it should come back and be normalized. It's just exactly when that's going to happen that's the hard thing to predict. But we believe it will.

Michael Lasser: It will. We tend to look at the optical retail market in a way to where the pharmacy market was 20 years ago. A lot of independent players, very fragmented. Is there any reason -- are there any differences in the optical retail markets that would not mean that there would be a similar trend to what happened in the pharmacy where the larger players get larger?

Reade Fahs: I think that's a good analogy, and no, I'm not seeing anything different. I think those broad trends in pharmacy we will see continuing. For, again, for the many years prior to COVID, what we saw was the chains getting bigger, the independent share eroding. Independents have trouble differentiating and have to be -- inherently, they have to higher priced because they have no economies of scale. We've seen overall trends towards heightened value in the category and we think that should continue.

Michael Lasser: We're in this unusual economic environment where everyone feels pressured, but people have jobs. And normally, the way National Vision characterizes when it does see that trade down benefit, it's nicer cares in the parking lot, some of these folks come to an American --

Reade Fahs: Nice cars, right.

Michael Lasser: Actually, some people this morning in our meetings were saying that I was really psychic. You are not our target audience, but I was really psyched to hear it.

Reade Fahs: There's a lot of owl lovers in this audience.

Michael Lasser: Okay. But the point is, give us a sense for are you seeing that trade down? I think the way you described it recently on your call was a little different than how you might have seen it in the past. Maybe people are buying a little bit nicer.

Reade Fahs: '08/'09, where we were comping consistently through '08/'09, it was a jobless economic return instrument which was different than what we're seeing now. We are seeing trade down from wealthier consumers. And part of that does relate to the managed care consumer and the managed care share growth. I think more and more consumers are seeing that their managed care dollars go further with us than with many other places, and that means a lot to them also.

Michael Lasser: Absolutely.

Reade Fahs: If our managed care comps were our overall comps, we'd be drinking a lot of champagne right now.

Michael Lasser: Well, we could still do it, nonetheless. And you mentioned March. This is an important season for National Vision if only because the consumer gets an infusion of cash from their tax refund. Tax refunds have been kind of funky, that's a technical term, a little bit lower.

Reade Fahs: Do you want to discuss that?

Melissa Rasmussen: Yeah. What we've been seeing with the tax refunds so far is, while individua tax refunds have been slightly higher than last year, overall tax refunds seem to be lagging what last year was bringing in. When we released guidance in February, we had talked about different scenarios built-in our first quarter flat to negative comps, slightly negative comps that we talked about. We still expect that with the sequential improvement that we saw from January into February, we still expect to see improvement as we progress through March. And the level of tax refund tied to that can vary and still fall within that range we released.

Reade Fahs: And I will say, when the stores start feeling the tax returns coming in, like the word rushes through our highway, they're starting, they're starting. That's an exciting time for us. But I think a key thing to take away that Melissa was just referencing is, given all that's happening in the macro, our guidance is planning for a lot of different scenarios. I love that McKinzie published something they just referred to that we're in a period of fundamental uncertainty. That there's so many different options, more so than any, harder to predict, and our guidance is saying, okay, a range of things could occur and we want to make sure we're covering those in our guidance.

Michael Lasser: You mentioned previously that there's 2 good datapoints so far about the normalization of the purchase cycle. In your mind, what are you waiting for, for that third? Do you have to get past this season, get into the deeper part of spring to say, and even if the deeper part of spring might be a little volatile, it's still going to be on the right trajectory?

Reade Fahs: We will be, as we're describing March, we will be describing it that's a third datapoint for us. That will be comforting. We'd like us to have a little bit more time before we declare that the purchase cycle has normalized, just because we've never seen anything like this.

Michael Lasser: No doubt. Well, you can all stand around the Atlanta headquarters and hear those noises coming down the hall that, they're coming, they're coming. On the optometrist recruiting effort, this has been a new element to the story because National Vision has really been an employer of choice for an optometrist for a while. For an optometrist who is coming out of optometry school, and not have to worry about payroll and administrative things and dealing with reimbursement, really attractive. Now, with that being said, there has been more challenges I think across the recruitment market for optometrists.

Reade Fahs: Sure. It got a lot tighter in 2022.

Michael Lasser: Yeah. Where does -- A), what drove that? Was it just the optometrist saying, hey, my priorities are changing? And how is National Vision addressing it?

Reade Fahs: Two factors. Factor one is, there were more retirements in 2020 and 2021, but the bigger factor is something that's happening across healthcare. They call it the great rethink where people, where healthcare professionals, especially those with a lot of advanced degrees, advanced years of education, were saying, I want to work less days.

Michael Lasser: The investment community has been doing the same thing.

Reade Fahs: But it's happening throughout healthcare and so the average number of days that an optometrist works is less. It used to be, again, during sort of what I call the rigid phase of our company, you came to work for us, you worked 5 days a week, and your days off were Wednesday and Sunday. Those were the days off you got. Well, that actually became a hindrance to our ability to recruit, and so last year we started offering a variety of different flexible packages and that helped us immensely with retention and with recruitment. Again, we've always been, especially for the new grads, an employer of choice because we got very good at saying, hey, come with us and you will become a better doctor through learning how to practice from our more experienced doctors. And we're pleased that over 10% of the graduates of all 24 schools chose us last year. And we think that the employment mode of practice that we are and always been behind, and I think we're the largest employer of optometrists out there, we think the employment model is becoming ever more popular because of a few things. What you said of people not wanting all the burdens of running a practice. It used to be in the earlier era that a young doctor would join an older doctor's practice and gradually buy it as the doctor shifted to retirement. Now with the number of private equity rollups out there, the odds of that doctor turning the practice over to a younger person has gone down a lot. And then the headset of late 20-somethings coming out of optometry school is far more of a work to live mode. The expression that I hear the most is, we like working for National Vision, America's Best, because at the end of the day, I get to leave without a care in the world. That's it. Leave without a care in the world because we're doing all the other pieces. They're doing what they're trained to do which is patient care. That's why they went to optometry school. That's what they learned there. They did not learn, there are not business courses there, they did not learn how to run a business. They come in, they do the patient care, and then at the end of the day they can leave without a care in the world.

Michael Lasser: Sounds like the sell side.

Reade Fahs: My next career.

Michael Lasser: I have 2 follow-up questions on this. Number one is, you hired 10% of all optometrist graduates in the most recent year. What's the capacity for National Vision? Can you connect into 20%? Is that necessary, especially as you satisfy the aspirations for continuing to open 70+ units per year?

Reade Fahs: Just to correct, we actually said over 10%, so that's the case. Let's just do some quick math. We have over 2,000 optometrists in the network practicing in or next to our stores. We've said that our retention rate ranges from low 80s in bad times like 2022, to high 80s in good times. And then we said we've been steadily improving since 2022. If you think of that and over 2,000 doctors, you inherently, I think it's a good retention rate at that level. Especially when you're dealing with people who are in their late 20s and early 30s. Their lives are not settled, so you need a certain amount just from that retention. We build 70 stores a year, so you need those 70. And then frankly, a lot of stores, as they ramp, you go from needing one doctor to needing another doctor. There is need out there, but recruitment is improving, retention is improving, and our remote medicine options have helped us a great deal in the deployment of doctors to where they're most needed.

Michael Lasser: And let's dig into the remote medicine concept a bit. Because A), I think there's still a bit of a misunderstanding about what it is and it would be a great chance to clear it up. I'll describe it and you tell me how wrong I am. It is as flexible as someone sitting in Naples, Florida can visualize the eye exam, an optometrist eye exam, for a customer sitting in a store in Delaware. And it's a pretty seamless experience because you'll have either an assistant or an associate who is managing the physical patient experience, while all the medical decisions and analytics are taking place remotely in a distant location.

Reade Fahs: Right. And just to make sure there's 100% clarification, in your example the optometrist was sitting in Naples and the patient was sitting in our store environment surrounded by diagnostic equipment where we've taken a lot of testing and sent it digitally to the doctor sitting in their home office in another place. And as long as the doctor is licensed in the place the patient is sitting, then it's a good legal eye exam.

Michael Lasser: Is there synchronous interaction?

Reade Fahs: Yes, and that is the key part. There are synchronous interactions to the point that the doctor is saying, which do you like better, number one or number two? And when you say, oh, I like number two, the doctor presses the button at home and changes the lenses in the store. Which always gets a really nice ooh thing from the patients.

Michael Lasser: I always feel like I get that wrong. One, I never can tell the difference between 1 or 2. Is C better? What is the customer response?

Reade Fahs: I think we have all come to realize that our lives are going to be evermore through a digital interface in so many different ways. We're all spending so much more time in virtual meetings. And I think that -- a few weeks ago, I was driving to work, pulled off the road into a parking lot and had a tele-exam with my GP to get my statins renewed. And I'm thinking, this is amazing. And before that it was I always would have to go to the doctor and it was always like I thought it was a tremendous waste. The fact that halfway through my commute in a parking lot I can have this interaction and I loved it. It was clear the doctor's office thought this was the way of the future, and I think all of us are going to be participating in digital medicine evermore in coming years. And I think it can be very advantageous. You don't have enough healthcare providers to provide the healthcare to everyone, you've got to deploy them ever more efficiently, and telemedicine does that.

Michael Lasser: And how has been the response for the optometrists? Optometrists in general, they've moved a little further in their career, so they were not initially adaptive to some new technology, so it took some time. Where does that stand today?

Reade Fahs: I think it's fair to say that in general, your average optometrist is a late adopter of technologies. Often a little concerned about what it will mean for them and that's been true for decades also. We started talking about remote medicine years ago, and then a year later we'd talk about, oh, we're going to try it. And then a year later, let's tell you how that's been working, so that by the time we wanted to get behind it, they were socialized to it. And frankly, it is the part of our pithos that's very easy to recruit for.

Michael Lasser: Is it lots?

Reade Fahs: Plenty of doctors would like to work remotely and I was very pleased that one of the heads of one of the largest optometry schools said that he had tried all the different remote options and he thought ours was the best.

Michael Lasser: That's awesome. Well, my uncle Kenny is an optometrist and he still uses a flip phone, so further evidence of slow adoption. Where does remote medicine stand today and where can it go over time? And give us a sense for how this is increasing the capacity of the organization.

Reade Fahs: We currently have 550 enabled stores. We have plans to add another 50 and if some legislative things open up, maybe more after that. We have to see how the laws evolve in the various states. We've said it is over 5% of all of our eye exams, including the non-enabled states' eye exams, so that's good. And progressing positively. I think it was about mid-last year, maybe it was the last time we were hanging out, I was referring to how remote medicine is in early innings. I'd say we're like into the start of middle innings now, but I think there's a lot of improvement and added advantage that this can give us

	over time.
	We were sort of a pretty analog company prior to COVID. We were not a cutting-edge technological company. And so doing -- launching an Uber-like delivery system of exams inside a very traditional retailer, there's not much in our DNA that would have said we could be good at that. And all startups have -- they're a little tough, but I am real pleased with where that stands now. It has great, great momentum around it and I just like how it's working in with our network and I see evermore advantages to it going forward.
Michael Lasser:	Who said you can't teach an old dog new tricks, right?
Reade Fahs:	There we go, right.
Michael Lasser:	What percentage of states allow for this? You can ball park it. Half?
Melissa Rasmussen:	We're in about 2/3 of the states where we have remote capabilities.
Michael Lasser:	Okay. And is the only thing that's preventing the last 1/3 is regulations?
Reade Fahs:	There are 1 or 2 states where we just have plenty of coverage, so that we don't invest in it there. And we do believe telemedicine laws are all going to go to more pro-consumer pieces. We think eventually the difficult states will be more open.
Michael Lasser:	One other way that you've been addressing the retention and recruitment efforts by investing into wages. Both for your optometrists and across the organization. Where does that stand? And do you feel confident that your wage rates right now are where they need to be relative to the market?
Melissa Rasmussen:	We do. We offer competitive pay, especially with our optometrist population. When they're coming out of school and they're offered certain different opportunities, we have been competitive. We had historically seen inflation in the low single digit range with optometrist wages. That's inched up to the mid-single digit range and we wouldn't expect that to be declining anytime soon. We have put in place different types of compensation such as incentive compensation that's tied to their level of productivity. That's variable, and the more productive a doctor is, the more incentive compensation they receive. Our guidance incorporates the assumption that mid-single digits is roughly where we'll end up with wage inflation for the doctors going forward.
Michael Lasser:	And in an environment where there is more inflationary pressure for wages and other areas, doesn't it make sense to continue to at least examine the pricing power that National Vision has? You've already been able to flex that muscle in a way that has retained the core value proposition. You can still get 2 pairs of glasses and an eye exam for $79, a very compelling price. How much more room and opportunity do you think you have to push the pricing lever? Especially in an environment where your competitors are using this? I know, Reade, one of the principles that you extolled from the very first time we met was, we really don't want to do this. But hasn't the world change a little bit that you need to have that muscle and use it occasionally to make sure that you're offering your customer a good spend?
Reade Fahs:	I'm going to start and then Melissa, you'll provide the detail there. Yes, what -- ever since we went public we said, real men and women drive their business through footfall. That shows that customers like you and they tell their friends. That we always prefer to and have pretty much consistently riven our business, more from footfall than from average sales. However --
Melissa Rasmussen:	We have pulled and do pull the pricing lever. We try to not pull the headline pricing

lever, and we've done that one time in the past 17 years, when we took that price of the headline price up in 2022. With that, we look to always offset cost increases that we take from our suppliers and vendors through pricing actions. Those are just on the nonheadline pricing factors where we exercise more pricing there.

Michael Lasser: I'm guessing there's 500 lens brands in a typical --

Reade Fahs: No, more like 1,200.

Michael Lasser: Oh my gosh, I didn't know I was shortchanging you by such choice.

Reade Fahs: And at America's Best, more in an Eyeglass World.

Michael Lasser: Eyeglass World. And presumably, on the tail, you still have more room to take pricing up. Is that going to be the strategy?

Reade Fahs: We referenced on our call sort of we did take some product pricing on a lens here or there, things like that. Every now and then we'll look at -- we have various tiers and every now and then we'll look at that. But also, sort of areas like exam services. Things like you come in pink eye and you need a prescription. You'd be surprised how much foreign body removal we do either when something is in somebody's eye or they've lost their contacts. Things like that which don't necessarily affect the core offer, but we brought in a boutique pricing firm last year and they sort of said, hey, here are some things you might not have thought about, and we've put several of those in place recently.

Michael Lasser: Gotcha. Pivoting over to the competitive landscape, it does seem like this is an environment where consumers are gravitating to familiar brands. What are you seeing with respect to the competitive landscape? Is there -- is pricing and promotions becoming more intense? Are there any changes that are taking place in the landscape?

Reade Fahs: Actually, often a subtext of that question is about online related penetration and competition. And conveniently, just yesterday morning, the vision council came out with some data that said that the penetration of online purchases has not changed in 2 years, that that has been flat for 2 years. Of course, during COVID there was a bit of a spike, then there was a decline and then it's been flat for 2 years. Again, as you can see from some of the players who started out saying they were going to big ecommerce players, this is a category that people still buy in stores. We know that many of the more high-end players are far more, pulling the pricing lever a lot more than we do, and we generally see that we believe that that's more short-term benefit than long term, and we try to manage always more towards the long term there, and so we're careful about that. And again, we compete in the value category. Our customers need to leave us saying, hey, I got products I really like and I feel good about what I paid.

Micheal: And have you seen any changes with the independents? Independents kind of ebbed and flowed during 2020, some of them had closed up, and maybe some of them came back?

Reade Fahs: I think the key factor in the independent category is the presence of private equity, several different groups rolling up the better independent practices. And that had been going on for several years prior to COVID and that will continue and I do think that's a factor in just ongoing erosion of the independent sector as you were talking about as in pharmacy over the long term

Michael Lasser: Yeah. And so, if anything, pushing this consolidation should be good for a large player like the bigger getting better?

Reade Fahs: Yeah.

Michael Lasser:	I want to pivot the conversation. I think the discussion around profitability has become more in focus. You were kind enough to give us a roadmap for how National Vision's profitability is going to unfold. You gave some margin targets this year and next. What are the risks to you being able to achieve those margin goals? Is it simply a function of the topline? Are there other factors that investors should consider when they're thinking about how your profitability is going to unfold from here?
Melissa Rasmussen:	When we laid out the guidance in our call, the profitability that we had talked about, when we get to 2025, we're expecting at that point to have the impact of our topline growth based on the initiatives that we started last year. The recruiting, the retention, the remote initiatives, all of that to continue to take, to gain traction and grow the topline. We would expect the topline to come to mid-single digits as we go into 2025 and then assuming that we reach the midpoint of our guidance range this year, we would also expect that our operating margins would also follow coming to the mid-single digit range in 2025 as well.
Michael Lasser:	Gotcha. It sounds like it's very volume dependent. You have good line of sight to the initiatives driving sales and any surprises along the way, outside of the topline growth, are seemingly manageable. Is that a --
Melissa Rasmussen:	Yes. We expect that we would have some margin expansion throughout 2024. And we had talked about that on our call as well. With the Walmart and AC Lens exit, we expect to see the 200 basis points of gross margin benefit that we talked about being all back half related. And to unpack that a little bit more for the first half of the year, we expect that the first quarter specifically is going to be a little more pressured than what we've seen in the past. And we mentioned on the call that there is a drag of about 50 basis points related to the Walmart business. The Walmart activity didn't come in like we had expected in January, and so there will be about a 50-basis point drag. And that will also flow through the P&L as well. That would carry through to gross margin and SG&A impacts as well. Because as we exited that business, the revenue ended mid-February and the costs continued through the end of the month related to the Walmart business. First quarter is going to be more pressured than we've seen in the past and in the back half you'll see the gross margin improvement. You'll see SG&A deleverage from a dollar perspective -- or I'm sorry, from a percent perspective, but the dollars will be declining. And that's just a function of the topline change that we'll experience with the exit of Walmart and AC Lens.
Michael Lasser:	You're making it easy for us. We love the straightforward discussion. Just to clarify and unpack, the Walmart relationship, and it's kind of winding down, there's different elements to it --
Reade Fahs:	The stores ended in February.
Michael Lasser:	And AC Lens --
Reade Fahs:	In June.
Michael Lasser:	Just to put a buttoner on that, National Vision was supplying some contact lenses that were sold through Walmart. That piece of the business is going to end mid-February?
Melissa Rasmussen:	No. The store business ends mid-February. Anything that you would have seen previously in our legacy segment, in our financial segments, that's what ends in February. The corporate other segment is where we had recognized the distribution component of the Walmart and Sam's Club activity. That's AC Lens. And that will be ending mid-June. I'm sorry, end of June. And once we end that, that's where you'll see the gross margins.

Michael Lasser: Gotcha. Once you get rid of AC Lens, then gross margin is up 200 basis points in the second half of the year. Are there any other factors that are driving the gross margin expansion?

Melissa Rasmussen: You know, disciplined execution is certainly a factor. As we exited fourth quarter, we had had crisp operational execution and so we've carried that forward. And like I said, other than the first half of the year being pressured based on the transition, then we expect back half to be much better.

Michael Lasser: Aside from discipline being rethought as middle name, what in terms of your execution, what does discipline mean? Does it mean you're more aligning your optometrists' hours with the customers in the store? You're doing a better job of seeing the right product to the customer? Are those examples of where gross margin comes from?

Reade Fahs: Right. And it's just crisp execution throughout our operations. That's -- what are we trying to do? Just have a consistent experience in all the stores.

Michael Lasser: Had that not been the case in the last couple of years?

Reade Fahs: It' just the day-to-day slog of a retailer forever, just trying to keep consistency, yeah.

Melissa Rasmussen: As remote gets more mature, the productivity of those doctors increases and that also contributes to some gross margin expansion.

Michael Lasser: Gotcha. You feel like you have good line of sight to the gross margin expansion in the back half. And then stepping up from --

Reade Fahs: What I'd want people to understand, just those 2 Walmart factors is where it was coming from.

Michael Lasser: Then taking it a step further, how do go from your guidance this year to mid-single digit margins next year?

Melissa Rasmussen: Going from this year to mid-single digit next year? We expect to see, like I said, topline growth where we would expect to be at mid-single digits on the topline.

Michael Lasser: Do you lap some of the Walmart dynamics this year?

Melissa Rasmussen: Yes, we will lap some of the Walmart dynamic as we go into 2025. And then the increased productivity, cost discipline, those are all factors that will help drive hat operational margin back to the mid-single digits. And then that's just a stake in the ground. That's not where our end goal is. Once we get to 2025, we expect from there to continue to leverage the initiatives that we've putting in place. The digitization of the stores, we've continued to roll out EHR, so the stores will be digitized.

Michael Lasser: Electronic health records?

Melissa Rasmussen: Yes, electronic health records. And then the digitization of our back offices as well. We'll expect to recognize the benefits of that productivity and efficiency as well.

Michael Lasser: And maybe Reade, you could touch on this as well. Because while National Vision has been a very efficient organization in the past, you need to do different things today to realize efficiencies like EH -- electronic health records and other technology to continue on this glidepath for the margin productivity. Because that is one of the areas that the investment community is focused on is this is a business that has been nicely profitable in the past. How can you get back there? It seems like you've got a pretty good blueprint for it.

Reade Fahs: This business is a lot of fun when we're delivering mid-single digit comps. And we delivered mid-single digit comps consistently for 18 years. We did that in retrospect by being a fairly rigid, somewhat analog replicator of a winning concept. And since COVID, we have shifted to be a flexible innovator, flexible digital innovator along the way. And things like our remote efforts are one aspect of that and a variety of different -- and electronic health records is another aspect of upgrading, our CRM system is another aspect. When the world changed on us, we have adapted as well.

Michael Lasser: Speaking of adaption, it seems like while Eyeglass World had been a strong performer for a long period of time, it's falling behind a little bit.

Reade Fahs: It's falling short of our standards, that's for sure.

Michael Lasser: Can you A), for those who are a little familiar with, less familiar with this story, just give some of contrasts between America's Best and Eyeglass World. Tell us why it's falling short as of late. What's going to be done about it?

Reade Fahs: Yeah, yeah. Dimensionally, round numbers are 950 America's Best stores, and 135 Eyeglass World stores at the end of the quarter. And America's Best is a free eye exam when you buy 2 pairs of glasses. The eye exam is generally bundled in with the cost of product. Eyeglass World is a larger store with a lab providing same day service, a broader selection of product, but a model where you pay for your eye exam which is more traditionally out there. Both brands were comping very nicely quarter in and quarter out going into COVID. And frankly, 2021 was fantastic for both brands. Especially Eyeglass World had a great 2021. Then in 2022 when we were dealing with the disruptions, frankly I think we were just focusing our time on our biggest brand there and a few things got out of align on Eyeglass World. And it is, as we said, performing below our standards, although it did comp positively in Q4. But we think that there are a few large issues. One, it does have doctor coverage issues which are made more complex that there are 3 different doctor models there versus the one with America's Best.

Michael Lasser: Can you explain that?

Reade Fahs: Sure, sure. We have some stores that are employed, some stores that are leased with either one doctor/one store or one doctor and two stores. And then we have one master lease who has 40-some stores. And so if you've got 3 different flavors and you have to manage them differently, and in the America's Best model, we just have more control over that. It's a different conversation and different approach with the leasing doctors. With our employed situation, we can just go in and put in remote if we want. We have different conversations with a lot of long-term leaseholders on that front, but they also are having the stresses of trying to find doctors. But we are saying, you need to deliver 40 hours of coverage, that's how this works. Coverage issues was one. I actually think we underspent on marketing last year and we're making up for that now. And the third piece is, I think our operations were not as crisp and we just had some operational leadership changes and had bought in one of our best America's Best operators.

Michael Lasser: And you mentioned that it did comp positive in the fourth quarter which is great. How long does it take to get EGW to a point where it needs to be?

Reade Fahs: It's not an overnight thing, but I think we will get there. The concept is a winner. People like to get their glasses fast. Labs in stores have a consumer segment and that's what we're trying to own there. And again, it's a little bit more designer product, so yeah, we will get there. And generally, once you get your coverage right, life works.

Michael Lasser: Yeah. More for guys like me.

Reade Fahs: And it is more for guys like you, and as we said, where -- throughout the franchise, where we have the coverage we want, we are delivering comps at historical levels.

Michael Lasser: That's great. Last couple of minutes I want to talk a little bit bout advertising, because that has been one of the key factors to both banners' success. What's going to be done differently this year? It seems like advertising is a nice lever that National Vision can pull in order to drive traffic. Not only how much are you spending or what's the general school of thought, but where are you spending and how are you able to optimize the productivity of that spend?

Reade Fahs: We are becoming ever more digital. Guess what? People are watching a lot of streaming shows. Who knew? There we go.

Michael Lasser: Once Reade gets on TikTok, it's over.

Reade Fahs: As we've been, our media plans over the years have been shifting to evermore digital and both top of funnel and bottom of funnel. That's been consistent. I'd also say that we're starting to broaden our message a little bit and all of our ads are available on our website in the investor section there. And we're starting to just a little bit talk to a few other audiences about exams, about value in different ways that I think are going to be good for us. We've said the same thing in a variety of ways for a very long time and I think we're expanding the message just a little bit. And there are independent ways of assessing the ads and the new ads are scoring very high in that way.

Michael Lasser: We're getting away from the owl?

Reade Fahs: No. That will not happen.

Michael Lasser: Please, I almost insulted his childhood. I'm sorry.

Reade Fahs: It is a very popular icon, yeah.

Michael Lasser: Without a doubt. Well, please join me in thanking Reade, Melissa, Tamara, Kaylinn. This has been great and we really appreciate and are excited to see what's to come for the National Vision story. Thank you for the time.