



5-November-2025

National Vision Holdings, Inc. (EYE)

Q3 2025 Earnings Call Transcript

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PRESENTATION

Tamara Gonzalez, Vice President-Investor Relations, National Vision Holdings, Inc.

Thank you, and good morning, everyone. Welcome to National Vision's Third Quarter 2025 Earnings Call. Joining me on the call today are Alex Wilkes, CEO; and Chris Laden, CFO. Our earnings release issued this morning and the presentation accompanying our call are both available in the Investors section of our website, ir.nationalvision.com. A replay of the audio webcast will be archived in the Investors section after the call.

Before we begin, let me remind you that our earnings materials and today's presentation includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. These risks and uncertainties include, but are not limited to, the factors identified in the release and our filings with the Securities and Exchange Commission.

The release and today's presentation also include certain non-GAAP measures. Reconciliation of these measures is included in our release and the supplemental presentation. We would like to draw your attention to slide 2 in today's presentation for additional information about forward-looking statements and non-GAAP measures. Further, please note that all financial measures in today's commentary are based on a

continuing operations basis, unless otherwise noted. As a reminder, National Vision provides investor presentations and supplemental materials for investor reference in the Investors section of our website.

I'll now turn the call over to Alex. Alex?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Thanks, Tamara, and good morning, everyone. Thanks for joining us today to discuss our third quarter results. We delivered another strong quarter, thanks to our team's intense focus on our transformation initiatives, which are continuing to gain traction and drive positive responses from our customers, energizing our entire organization.

The third quarter marks our 11th consecutive quarter of positive comp store sales with adjusted comp growth reaching 7.7% compared to the prior year. We drove healthy year-over-year adjusted operating margin expansion of 90 basis points, supported by higher average ticket with our refreshed merchandising mix and new selling methods.

The momentum we're building across our business is driven by the success of the strategy and approach that we have shared this past year. We're growing in areas where we are underdeveloped relative to the category with a focus on our most valuable customers, while enhancing the patient and customer experience for all.

Our momentum is evident with the growth we have seen among managed care customers. Our managed care business continues to be very strong, approaching low-teens comp sales growth in the quarter with both positive transaction and ticket trends. We're also seeing strong performance in the quarter with the two other high value segments we are targeting, progressive lens wearers and outside Rx customers.

As we have discussed throughout this year and will discuss even more at our upcoming Investor Day, we are maintaining a strong value proposition, while focusing on broadening our target customer audience and delivering a healthier bottom line. To this end, while at face value traffic is relatively flat this quarter, we are pleased with the intentional evolution of our customer mix toward higher value customer segments that we are confident will lead to a healthier business overall.

Managed care, progressive and outside Rx traffic trends are very healthy, and we're seeing early indicators that our new marketing strategy and CRM platform and in-store selling tools are leading to stronger customer engagement. As we continue to execute our initiatives, including making meaningful improvements to our assortment, our messaging and our selling behaviors, we are confident we will strengthen our consumers' perception as the destination for style and value.

Although we are just beginning our merchandising transformation, our initial actions are yielding positive results. New premium frames like L.A.M.B., Ted Baker, Jimmy Choo, HUGO BOSS that we recently introduced, are turning faster than our expectations. The fact that our cash-pay ticket is accelerating is a good sign. It means that beyond serving our managed care, outside Rx and progressive customers with better product, the cash-pay customer is also opting in to the premium brands we are now offering. And we've seen this response, even though we still have the opportunity to improve our lifestyle selling techniques, our visual merchandising and product presentation, to really showcase our new and exciting products.

We are also pleased with our initial pilot of Meta-enabled smart glasses, which we began in 50 stores last spring. Our associates are learning how to sell this unique and highly sought-after product, and we're pleased with the consumer uptick we are seeing. Given the traction we have experienced, we're excited to roll out Meta to an additional 250 locations during the fourth quarter.

As we look ahead to the remainder of the year, we will continue to evolve our assortment mix and are on track to have approximately 40% of frames at our stores priced at or above \$99 by year end, up from approximately 20% this time last year. When it comes to our pricing architecture, it's important to keep our journey in mind. When we took our first pricing actions last year, we talked about no regrets pricing, and we successfully delivered on these actions.

We are now looking toward a more sophisticated era of pricing where we consider factors like lens component, managed vision care, packages and targeted discounts and offers in our pricing construct. Our pricing playbook is architected on a thoughtful plan rooted in consumer response and data. And we have our next series of pricing actions already mapped out.

In the fourth quarter, we're taking our next set of pricing actions on lenses, lens add-ons and our bundle offer. We are also modernizing our bundle pricing. We're moving from \$89.95 to a clean and simple \$95 price point for our lead offer. This is a result of listening to our customer feedback that our price points felt dated. Just as we are evolving our assortment to fit the needs of the customers shopping in our stores, our price points must evolve as well. As we continue to take pricing actions, we're being mindful of our customers' response by measuring KPIs around conversion and NPS, both of which remain healthy.

As hopefully you've seen, we have made a significant transformation to evolve how we are communicating with our consumers. During the third quarter, we launched our new "Every Eye Deserves Better" campaign for America's Best, which has energized our 13,000-plus team members and is clearly resonating with customers. We are really excited with the response to our new campaign, which has resulted in a significant increase in unaided awareness in the third quarter. This new campaign was launched almost simultaneously with our new CRM platform, which is also showing positive inflection with consumer engagement. Beyond engagement, the platform is enabling greater operating efficiency and more personalized solutions with tangible results in increased number of exams scheduled and higher customer reactivation rates.

During the third quarter, we launched our first journey, targeting lapsed customers, those customers who have not returned during their typical purchase cycle. One month into launching lapsed journeys and we are seeing significant improvement in click-through and open rates. Looking ahead, future journeys plan includes post-exam loyalty and scheduler journey, which are all about making sure people show up for their booked exams. We plan to learn from our initial work as we evolve into developing those initiatives intended to improve appointment show rates as these are the most sensitive and business impacting journeys over the next several quarters. Overall, I'm extraordinarily pleased with the urgency and progress we've made in a relatively short time to modernize our marketing approach, both in messaging and technology enablement.

Along with advancements in marketing, we are also continuing to enhance the digital tools and capabilities for our store associates. Earlier this year, we introduced digital selling tools that help our associates to visually explain complicated lens benefits like progressives and transitions to our customers. This tool has been impactful in pilot stores, allowing a more seamless and elevated experience for our customers to ensure they get the product they most want and need. It will also be used for pricing demonstrations to explore various frame and lens combinations to help demystify the customer journey.

Beyond educational and product demonstration features, associates will be able to take digital measurements, offering a more precise outcome versus our historical manual approach. All America's Best and Eyeglass World locations are expected to have this technology live in store before the end of the year. Having capabilities like this, combined with our new lifestyle selling approach, will be a game changer for our stores, and the improvements we're making are being enthusiastically embraced by our store teams. During the quarter, we saw sales gains in premium add-ons like superior progressive lenses and anti-reflective coatings. Behavior changes are happening and ongoing associate adoption of lifestyle selling is certainly contributing to our results.

Our doctor coverage remains healthy and stable, supported by innovative recruiting and retention strategies. We're seeing our best doctor retention numbers in recent memory, and we've once again successfully recruited over 10% of the entire graduating optometry class. Our remote exam technology continues to provide additional capacity flexibility. Our remote hybrid pilot where in-store doctors perform exams in other stores is progressing well with more in-store doctors now trained to perform remote exams in other locations.

Our focus on higher value segments, enhanced product assortment and marketing and in-store selling approach continues to deliver results. Our investments are strategically placed to strengthen our market position and create long-term shareholder value. We remain focused on our core mission of helping people see their best, to live their best through exceptional eye care. And the modernization work we're doing across technology, branding and operations is just at the beginning of our commercial model evolution.

Looking ahead, we have tremendous opportunity. We are pleased with the progress we're making on SG&A leverage. Our cost optimization is giving us flexibility to drive AOI expansion, even as we face higher healthcare expenses than planned. Chris will go into more detail on how we're mitigating healthcare expenses going forward. We are well underway with our broader cost optimization efforts. This is a hyper focus for the organization, and we will be sharing more at our upcoming Investor Day. We're confident in our transformation strategy and the multiple years of runway ahead for continued growth.

Our focus on higher value segments, enhanced product assortment and marketing and in-store selling approach continues to deliver results. Our investments are strategically placed to strengthen our market position and create long-term shareholder value. We remain focused on our core mission of helping people see their best, to live their best through exceptional eye care. And the modernization work we're doing across technology, branding and operations is just at the beginning of our commercial model evolution.

I look forward to sharing more details about our strategic vision and long-term growth opportunities at our November 17 Investor Day. I want to take a moment to thank our team for their exceptional dedication, focus and execution toward delivering an exceptional Q3 and year-to-date.

And with that, I'll turn the call over to Chris. Chris?

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Thank you, Alex, and good morning, everyone. As Alex shared, the disciplined execution of our strategic initiatives is reflected in our strong third quarter performance. These results continue to reinforce our confidence in the multi-year growth opportunity ahead. I believe the consistent performance we have delivered over the past year serves as a compelling validation of our ability to deliver on our stated objectives and drive sustainable results.

Now, I'll turn to our third quarter results as compared to the prior-year period. Please refer to today's press release for reconciliations of non-GAAP financial measures to their most comparable GAAP financial measures.

For the third quarter, net revenue increased 7.9%, driven by adjusted comparable store sales growth of 7.7%, and growth from new store sales. The timing of unearned revenue negatively impacted revenue in the period by approximately 80 basis points.

During the quarter, we opened four new America's Best stores and closed two Fred Meyer stores. We ended the quarter with a total of 1,242 stores. Adjusted comparable store sales growth in the period was driven by an increase in average ticket of 7.1%, which reflects the combination of price increases implemented in Q4 and Q1, as well as the benefit from our refreshed merchandising mix and new selling methods.

Overall, customer transactions were relatively flat compared to the prior year, as healthy trends in our managed care business continued to offset softer traffic in our cash-pay business. As a reminder, last year, we ran promotions targeted at cash-pay consumers in Q3 that we chose not to anniversary this year. Our eye exam conversion to product sales has remained consistent with prior quarters, which is a key indicator of customer acceptance of our merchandising and pricing transformation. As a percentage of net revenue, costs applicable to revenue decreased approximately 40 basis points. The resulting increase in gross margin is driven by our growth in average ticket and leveraging our optometrist-related costs. We expect gross margin to expand slightly for fiscal 2025.

Adjusted SG&A was \$242.3 million in the third quarter and, as a percentage of revenue, leveraged 10 basis points, despite ongoing headwinds in healthcare costs that many companies like ours are experiencing. Better leveraging our SG&A remains a primary focus for the organization, and we remain on track to leverage adjusted SG&A this year. Additionally, we will share more about the multi-year cost optimization opportunities we are pursuing at our Investor Day.

Adjusted operating income was \$19.8 million compared to \$14.3 million in the prior-year period. Adjusted operating margin increased 90 basis points to 4.1% in the quarter. Net interest expense was \$4.1 million, same as the prior-year period. Adjusted EPS increased to \$0.13 per share in the third quarter of 2025 from \$0.12 per share a year ago.

For the year-to-date fiscal 2025, we delivered adjusted comparable store sales growth of 6.4%, supporting adjusted operating income margin expansion of 120 basis points and nearly 18% growth in adjusted EPS compared to the prior year.

Turning next to our balance sheet. We ended the period with a cash balance of approximately \$56 million and total liquidity of \$349.6 million, including available capacity from our revolving credit facility. During the quarter, we repaid \$15 million of the borrowings outstanding under our revolving credit facility, bringing the balance to zero. Year-to-date, we have repaid \$94.7 million in debt and convertible notes, bringing our total debt outstanding, net of unamortized discounts, to \$253.4 million at the end of Q3. For the trailing 12 months, we ended the period with a net debt to adjusted EBITDA of 1.1 times.

Year-to-date, we generated operating cash flow of \$133.1 million and invested \$48.4 million in capital expenditures, primarily driven by investments in new and existing stores and information technology. We continue to maintain a strong balance sheet and healthy cash flow to support our growth and capital allocation priorities.

Moving now to our outlook, we are very pleased to be in a position to raise our expectations for the year. We now expect revenue of \$1.97 billion to \$1.99 billion; adjusted comparable store sales growth of 5% to 6%; adjusted operating income of \$92 million to \$98 million; and adjusted EPS of \$0.63 to \$0.71, which assumes approximately 81 million weighted average diluted shares outstanding.

As a reminder, this outlook incorporates the benefit of the 53rd week, which we estimate will add approximately \$35 million of net revenue and approximately \$3 million of adjusted operating income for the year. Our adjusted comparable store sales growth is calculated on a 52-week comparable basis to the prior year.

As Alex mentioned, we are in process of executing our Q4 pricing updates in line with our multi-year pricing strategy playbook. These pricing actions are factored into our full-year guidance. We have been closely monitoring consumer response to the merchandising and price framework we've implemented to date, and have seen consistent conversion and NPS rates. We remain confident that we can continue to evolve our assortment and pricing architecture in a way that drives value for our consumers and our investors.

As we discussed, we continue to see strong traffic from managed care customers, offsetting a decline in cash-pay traffic. We continue to guide for traffic trends to be similar to what we've seen year-to-date. Disciplined cost management remains a primary focus for the organization, and we are excited about the projected operating margin expansion presented in our 2025 guidance.

Our outlook includes the cost-out actions we've discussed in prior quarters as well as other cost mitigation actions to offset headwinds in healthcare costs and our investments in associate variable incentive programs as we continue to reward the team for exceeding their plan and drive behaviors contributing to our top line performance. We expect improved leverage on incentive compensation in the future as these behaviors become the new baseline. For clarity, our outlook continues to include the anticipated impact of tariffs, which are not materially changed from prior quarter's guidance.

Now, turning to our expectations for capital expenditures. We reduced our guide for CapEx to \$80 million to \$85 million. This change is largely driven by investments in certain projects that have shifted into fiscal 2026. We remain on track to open 32 new stores during fiscal 2025. Including planned closures for the year, we now expect to open nine net new stores in 2025. This includes 21 America's Best stores opened through the end of Q3 and an expected 11 openings in Q4. In addition to new stores, we expect to close 23 stores in total this year related to both our fleet optimization as well as overall disciplined fleet management. This includes 4 store closures expected in Q4. For all other details regarding our outlook, please refer to today's press release.

And with that, I would like to thank you for your participation in today's call. Operator, we are now ready for questions.

QUESTION & ANSWER SECTION

Michael Lasser – Analyst, UBS Securities LLC

Good morning. Thank you so much for taking my question. You've been making a lot of changes over the last year or so, especially with respect to merchandising and the assortment. What signals are you looking for that you're not going too far and it would only come to light too late? And when do you think traffic will inflect? Is that something that we should reasonably expect within the next couple of quarters? Thank you so much.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Thanks, Michael, and good morning. Yeah. So, as it pertains to merchandising here, we're really happy with the changes that we've been made – that have been made to-date. We're monitoring NPS. We're monitoring conversion rate from exam to purchase to ensure that we're not pushing too far. But we do think we have really a long way still to go.

A couple of signs that we're incredibly encouraged by. One is that our cash-pay consumer, the one that we've historically thought is the most sensitive, they're actually adopting some of our higher price point items at a higher clip than we initially anticipated. That's both on the frame side and the lens side. We're seeing inventory turns of our higher value frames that we've just introduced actually exceed our expectations. So, we think that's a really good sign as well. And those are data points that come through in real time. So, from early innings in our merchandising evolution strategy, all signs are still pointing to a very, very positive response rate to what we're up to.

In terms of traffic inflection, we have seen traffic inflection where we have intended to see it, on the managed care customer, on the outside Rx customer and on the progressive wearer. We're certainly pleased

with the inflection and traffic that we're seeing driving those customers into our stores. It was a very intentional approach on behalf of the team to do that. But, overall traffic remains flat as the cash-pay consumer remains a little bit depressed. So again, overall, I just couldn't be happier with all the signals we're seeing in the business.

Michael Lasser – Analyst, UBS Securities LLC

Thank you very much for that. My follow-up question is, given the pricing that you're going to take in the fourth quarter as well as what you will have yet to lap from what you've taken earlier this year, if all else remains equal, what would be the contribution from pricing, if nothing else happens as you look towards 2026, just so we can get a sense of what the embedded comp already is in the model? Thank you.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. Thanks, Michael. Great question. So, we are lapping our price actions from last year, call it, in the mid-November time period. We made some additional changes to the promotion in Q1 of this year. So, the pricing actions that we're taking in Q4, albeit a different character than what we did last year. Right? Remember, we did frame pricing and we took some changes to the base offer. This year, we're evolving it to be a bit more surgical again around lenses, lens packages. We're changing the offer to be a bit more modern. As I like to say around here, we're retiring the decimal points to modernize our price points. So but largely, we believe that our pricing actions will yield around the same contribution in 2026 as they've yielded in 2025.

Simeon Gutman, Morgan Stanley & Co, LLC

Hey, good morning. Thanks for taking my question. A follow-up to the prior one. First, you mentioned some of the pricing changes for 2026 center on contact lenses. It seems like that category may be a little more commoditized, correct me if I'm wrong. So, where do you sit versus peers or brands at this point and how much leeway can you have?

And then, not to put words in your mouth, you said the pricing benefit may look similar to 2025. Is the ticket lift that we saw this quarter, I think around 7%, is that the right proxy for 2026? Thanks.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah, great. On contact lenses, so we're actually taking some pricing action on ophthalmic lenses and we will be taking some pricing actions on contact lenses go forward. One of the things that's been a historic truth for our business is we see cost increases come through from the contact lens vendors. We typically pause for about a quarter or so until we take pricing on contact lenses just to see how the market responds. Because to your point, it is a more commoditized, more shoppable product in our category. So, there generally is about a quarter delay between the time we get cost increases from vendors and when we take our pricing actions to the consumer. But we're always really mindful of how we're positioned, especially versus the online channel.

As it pertains to ticket evolution throughout overall 2026, we think of our ticket evolution really in three components. There's a pricing component. There is an assortment mix component, and there's also a consumer mix component that drives our ticket as well, right? As we're driving more outside Rx, more progressive, more managed care customers, those consumers tend to have a higher purchase value when they shop with us. So, really, you have to deconstruct our average ticket growth along those three components. We're going to share more about our long-term algorithm on the 17th, and share some more of the details, specifically where we will showcase where we're underdeveloped and where we think that can continue to grow over a multi-year time horizon.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. And, Simeon, just one data point for – you asked about, the Q3 run rate. Just keep in mind that we're lapping a promotion from last year, which kind of gave us some additional upside to average ticket, Q3 this year versus Q3 of last year, which we don't think will replicate again in 2026

Simeon Gutman, Morgan Stanley & Co, LLC

Okay. And then, a follow-up, this is maybe preempting the Investor Day a little, so respect, maybe a less of an answer. The flow through of the business, if you're going to – if the business is going to comp, call it, mid-single digits for the foreseeable future, are you spending into it? Sounds like there's some advertising and other things you can spend and flow through comes in outer years or should there be proportional flow through as the comps accelerate here?

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. It's a great question. Look, I think we're super pleased with the year-to-date operating margin expansion of 120 basis points this year. I'll tell you that as a focus area for this management team, operating margin expansion remains a primary focus kind of year-over-year. We are definitely investing back into the business to bring some of these strategic initiatives and transformation to life. But we believe we can do so, while continuing to drive positive operating margins

Robert Ohmes, BofA Securities LLC

Hey, Alex. Hey, Chris. Thanks for taking my question. Not to front run the Analyst Day either, but can you give some color on what market share trends look like from your perspective, both on a volume and dollar basis? Are you guys gaining share on both the dollar – obviously, on the dollar, I would expect you are, but on a unit basis as well?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Hey, Robby, great questions. Thanks so much. Yeah. So, we actually do believe we're getting share on a volume basis as well. So, we look at The Vision Council's data that gives a good indication for what exam growth is in the category. And we have been outstripping that through kind of year-to-date. So, we do believe we are gaining share on a customer count basis.

Robert Ohmes, BofA Securities LLC

And then my follow-up question is, can you guys give a little more color on the cash-pay customer? It's interesting that you're seeing them trade up, but is that – what are you seeing there? And are you seeing any kind of changes that you could see growth in that cohort again?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

I'd say three things related to the cash-pay consumer. We are seeing ever so slight acceleration in the purchase cycle that we think is an encouraging sign. On the ticket evolution perspective, we are seeing them, like I said, up into higher frames – higher end frames at a rate that was much above what our expectation was when we started to make some of these changes, right? When we started to make assortment changes early on, we thought that these were going to be more significantly impacting to the

managed care customer. And the managed care consumers absolutely have responded well. But the really pleasant surprise has been the cash-pay consumer that's also opting in to our more premium frames. The third component is, I'm super pleased with some of the advancements we've seen as we started leaning into more premium lens sales. We're seeing the cash-pay consumer also opt in to a higher degree of anti-reflective, of transitions and premium progressive lenses. So, the uptake there with the cash-pay consumer has also been super healthy. One additional point just to note is that there is absolute growth in the managed care consumer over the cash-pay cohorts. Actually, the cash-pay cohorts are becoming managed care customers, as the managed care category grows in general by somewhere in the rate of 2% per year. So again, I think our strategy has been working super well for managed care consumers and for where the cash-pay customer is we're also super pleased with the progress being made there.

Cameron Harbilas, Jefferies LLC

Hi. This is Cameron Harbilas on for Brian. Can I dig a little bit more on the cash-pay consumer? You guys said you're gaining share. So, it almost sounds like it's not people switching to other providers, but it's just the cash-pay consumer base as a whole in the industry. Are you seeing any losses to other competitors or do you think it's just like a pause in demand that you expect to reaccelerate in the future?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Again kind of double clicking on that. We actually do think we are taking share from the category. I can't speak to specific retailers or competitors that we could be seeing some movement between. But on a category basis, we are share takers based on the data that we have at our fingertips. But that's true for both the cash-pay and the managed care consumer, right? This is the consumer group in general.

I think that the thing that's true across the category is there is still a delayed purchase cycle of the cash-pay consumer. I'd say our data point that months between purchase is still depressed is a true one for the category. And as we've talked about at length over many, many of these calls, at some point that that has to accelerate as we burn through the purchases of consumers that were made in the kind of post-COVID era.

Cameron Harbilas, Jefferies LLC

Thank you. And then, just as a follow-up, thinking about pricing actions in Q4, that price increase to \$95 per exam, that's going to hit in Q4, correct?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

That's correct. Yeah. That's going to be rolled out on November, call it, the weekend of November 15, November 16 is when that will go live.

Paul Lejuez, Citigroup Global Markets, Inc.

Hey. Thanks, guys. Curious, if you could talk about what's happening on the competitive front from a pricing perspective and if you're seeing anything today on that, on the pricing side that's different than what you were thinking three months ago.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. So in terms of category pricing, our category data would indicate that the category is generally

growing on price versus on exam growth or customer count growth. And I think that's been a true statement for the last five years. I think historically, we've shared that National Vision has not kept up with the market in terms of price evolution. And we are certainly using that as an opportunity now to close that gap. We still believe at our core that we are going to be the destination for value in the category, right? We are not looking to match some of the more premium priced competitors in the market, but we are certainly closing the gap versus some of the actions that they have taken over the past five years.

Paul Lejuez, Citigroup Global Markets, Inc.

Got it. And also, if you could speak to any regional differences that are noteworthy?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Generally, not so much. I mean, the category doesn't really experience a ton of regional price discrepancy, at least from a chain retail perspective.

Kate McShane, Goldman Sachs & Co. LLC

Hi. Good morning. Thanks for taking our question. We were curious about two things. One, with regards to just new customer acquisition, is there anything more there that you can tell us about how many new customers you're acquiring that are walking through the door for the first time and just what the brand awareness scores may have changed or how they've changed since the brand relaunch that you've had?

And then a second unrelated question is just with the change in CapEx, is there anything meaningfully changing with context that you're pursuing in 2025 versus 2026?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. Kate, thanks for the questions. I'll take the first ones and then Chris can take the CapEx one. As it pertains to traffic, we're seeing traffic growth in the low-teens for managed care, outside Rx and progressive wearers. So, again, from our traffic driving initiatives, that's where we're seeing – and that's where we pointed our assets to drive growth. With the brand relaunch in the third quarter, we're super, super happy with our growth in unaided brand awareness.

Since we've launched a new campaign, we've actually seen some of our best scores today. We've seen unaided brand awareness grow around 19%. We've seen brand consideration up about 10%. And our overall creative copy has scored better than our ads in recent memory. So again, in terms of things that give us a whole lot of confidence in our direction, the leading indicators of our new campaign resonating with consumers – again, we just could not be happier with the results, and we couldn't be happier with the early indicating scores that we've seen on our campaign assets.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah, Kate, now on the CapEx front, the decrease in our guidance for capital really just comes from a timing perspective. We're not investing any less in the strategic initiatives that we anticipated investing in. It really just becomes a matter of timing as the bills to be paid shifting into 2026 versus Q4 of this year.

Matt Koranda, ROTH Capital Partners LLC

Hey, guys. Thanks. Just wanted to see if you could break down the lens pricing actions that you referenced earlier in a little more detail. Is that going to be on basic ophthalmic lenses or more specialized lenses like progressives and coatings? And I guess how would those actions impact out-of-pocket spend for managed care customers?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. Great questions. This is going to be an era of much more surgical increases, right, because lens pricing is a much more complicated endeavor. We are taking some price changes on some coatings. We are taking some price changes on our lens materials in light of some planned reimbursement rates. So, we're considering how plans pay and what the division is between plan pay versus member out-of-pocket in our lens pricing architecture. So, those are really the areas of focus. So, when I talk about our lens playbook evolving, the no regret actions we've taken previously have been more of the kind of straightforward, obvious 101 level stuff. And now, we're graduating into 201 pricing architecture within optical.

Matt Koranda, ROTH Capital Partners LLC

Okay. Makes sense. And then my follow-up, I guess, is if I look at the fourth quarter implied comp, even if I'm sort of looking at the higher end of the guide, I guess it's in the kind of mid-4% range, which would be a bit of a deceleration from the third quarter growth rate. Is that actually what you guys have observed in October? Just wanted to hear a little bit more color on sort of what you're seeing on the ground level?

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah, I think in Q4, we haven't seen anything that would materially take us off of our guide. We did – just a reminder from a Q3 perspective, right, we're lapping our promotion. So, as you think about the run rate from Q3 into Q4, we should see some deceleration in comp driven by that. From a consumer sentiment perspective, I think we're remaining pragmatic about what is our customer sentiment to open their wallet in Q4, given to some of that macro uncertainty, especially around the holidays.

Anthony Chukumba, Loop Capital Markets LLC

Good morning. Thank you so much for taking my question. I guess my first question, you talked about the new America's Best advertising campaign, which I've seen it a lot. It's a vast improvement. But – and you also talked about taking price in America's Best. I was just wondering what your plans are for Eyeglass World in terms of a new advertising campaign and also potentially, raising that opening price point.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Anthony, thanks for that. One of my favorite topics recently with our management team actually. So, as we have just kind of cleared the work with America's Best – and just to be clear, there's a lot more to do, right? And in terms of marketing evolution, we've nailed the campaign assets that we feel just so great about. There is more work to do on the media side on America's Best. Historically, I've talked about we needed to re-architect our campaign and messaging, so that we could have assets that work better in mid-funnel media. We now have that. So, we're turning our attention a bit to now how we invest media go forward in America's Best, but we're turning our creative teams onto an Eyeglass World re-platforming.

So, I would look to that as a 2026 initiative. Priti, our Eyeglass World's General Manager is going to share a little bit more color on that on the 17th, but we do plan on taking a similar approach to what we took in

America's Best for Eyeglass World in 2026.

That being said, we are really, really happy with the early success that we're seeing in Eyeglass World. Eyeglass World is coming in the mid-single digits for the first time in quite some time. And that's been on the on the back of some assortment evolution and some price evolution at Eyeglass World taken out of the America's Best playbook. So, we're borrowing from the America's Best playbook. We haven't fully yet rolled it out, but we're seeing some really nice early wins with an Eyeglass World brand.

Anthony Chukumba, Loop Capital Markets LLC

Got it. That's really helpful. And then, just my second question, quick one. Just in terms of managed vision care penetration, I know it was 40% for a while last quarter, I believe you said it was 50%. I was just wondering if we had any update on that. Thank you.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. So managed care penetration is growing, like I said, it's been growing in the low double-digit rate for the past quarters, and we're still on that trend.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. I think what we had said previously that our North Star was 50%, not that we were at 50% just yet. Yeah. We entered the year around the 40% penetration mark and we do see that growing up as part of that journey to 50%

Dylan Carden, William Blair & Co. LLC

Thank you. Curious, if you could unpack, kind of, the puts and takes in the gross margin for the quarter and maybe specifically kind of some of those comments around the leverage on optometrist costs and what to expect perhaps from a rate of change standpoint as you raise your teaser price? And then kind of related, how you're thinking about availability of doctors now that we're kind of in a more stable market, go forward, relative to your scale?

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. I think we were excited about our gross margin expansion in Q3 as we saw neutral traffic and increase in average ticket. Just as you kind of think through the operational impact of that, we're generating more value per customer without necessarily needing to put more doctors in lanes. So, we did see some improved leverage there. which – what we're even more excited about is Q3 is a large hiring quarter for us. So generally, we bring on a lot of doctors that are not as productive as they're onboarding with us.

In terms of kind of long-range opportunity, I think it's an area for us to continue to focus on as we drive focus both on average ticket and traffic. We're remaining laser focused on how do we drive efficiency in the doctor spend line as well as other areas of SG&A.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

And then, Dylan, just a couple soundbites on overall doctor recruiting and doctor availability. I'm pleased that this is a topic that, as a management team, we're not having to have a whole lot of discussion about at

the moment, right? We're super pleased with what we're accomplishing from a recruiting perspective. We don't necessarily see a lot of risk or challenge from a dark store perspective. So it's a topic that, again, full credit to the organization for the last few years on what's happened from a remote capability perspective, from a hybrid capability perspective, from dialing up our recruiting efforts and landing the right messages, so that we can recruit over 10% of the graduating class every year. So, again, it's – I think, a great progress that's been made over the last few years that we're now continuing to benefit from.

Dylan Carden, William Blair & Co. LLC

Thank you. And I don't know how much you can speak to this, but Essilor is putting up some pretty large numbers as it relates to the Meta glasses. Any comment you kind of have about the opportunity, current business, anything really?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Yeah. I mean, our bullish notion on it is, similar to the premium frames turning at or above our expectations, we've seen great performance with Meta in the first 50 pilot locations that we rolled out, again exceeding our expectations. And as I've talked to my pals at EssilorLuxottica, they say that in the 50 stores that we've launched, our turns and sell-through is among the best that they've seen globally. So, we're really happy with our first kind of entree into the smart glass arena, hence our plan is to scale it to an additional 250 stores as rapidly as possible.

Adrienne Yih, Barclays Capital, Inc

Great. Thank you very much. It's great to see the progress on the initiatives. Alex, I guess my first quick question is the trends that you saw throughout the quarter. I'm imagining they sound like they're pretty consistent from back-to-school through end of quarter and into current day. Also, are you seeing the cash-pay consumer, the target household income is edging upwards in any way to suggest that they're a little bit becoming more resilient to kind of price increases? And kind of along those lines, what advertising or acquisition strategies are you using to engage this MC customer to get them into the exam room and to bring them in-house? Thank you.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Great. Thanks, Adrienne. Great question. We didn't see much kind of variation throughout Q3. I think the character of our sales, July, August, September were roughly all kind of in line and similar. So, not a whole lot of variability there. And as Chris mentioned, into October, we haven't seen anything that would signal a difference in our guide or in our performance. What we're doing from an acquisition perspective against the managed vision care consumer is specifically activating a bit better mid-funnel. We're spending a bit more in social. We're spending a bit more in display. We're shifting our media out of the overall kind of broad TV advertising into more digital assets.

So, if you think about, historically, we've probably spent 60% of our media budget on linear. We're beginning to pull that down and invest that in more targeted digital assets. So think of your YouTube - YouTube TV, Hulu, et cetera, where you can be much, much more targeted to a specific consumer or a consumer cohort. So, this is going to be a continued evolution for us from a company that was historically spending the vast majority of our advertising on linear and search that we're now entering into spending more mid-funnel where we can be more targeted. But that's certainly going to be part of our media evolution in 2026.

Adrienne Yih, Barclays Capital, Inc

Okay. And then, does that – because of that target where you're going, does that necessarily mean that you're acquiring that managed care customer at an earlier age, at the beginning of their career, perhaps?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Well, what it means is we are acquiring the managed care consumer when either they become insured for the first time. And we are talking to managed care consumers that maybe historically we weren't in their consideration set. And I think one of the things we've learned is that, our historical message of two pair of eyewear for X price with an eye exam was a very compelling message to the cash-pay consumer, but it didn't necessarily speak to the managed care consumer because they knew they were covered by an insurance benefit. So the notion of an included exam didn't resonate as strongly with them. So, being able to shift and change our messaging in a way that's more targeted to that consumer specifically, I think we now have the opportunity to reinforce with them that we actually are an obvious brand destination for them when historically they might not have even had us in their consideration set.

Adrienne Yih, Barclays Capital, Inc

That's super helpful color. And then for Chris, two kind of, I guess, modeling ones. In terms of the healthcare costs, obviously, they're kind of limiting flow through in the third quarter. Was that kind of a step-up in the healthcare costs? How much are those up year-on-year? And then, on the incentive compensation, same thing, typically, I guess you get some accruals in the back half of the year, third quarter, fourth quarter. So, just the timing of when we'll see some maybe less pressure on the incentive comp accrual? Thank you very much.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah, great questions. On the healthcare cost front, that's been something that's been kind of burdened in the P&L. Each quarter, year-to-date Q3 was a little bit more disproportionate in terms of the magnitude of impact. And our guide does assume that that continues into Q4.

In terms of the variable incentive compensation, I mean, that's really something that we'll see kind of rebalance as we get to 2026 planning and guide. We think we're adequately accrued for business performance, inclusive of what's in our guide. So, well, it will be – again, said simply, it's in our guide that the STIP accrual or short-term incentive accrual remains consistent with what we've seen year-to-date. And again, it's an area that we're making intentional investments in rewarding the team for driving these behavior changes. But again, as those behavior changes become run of the business, we do expect to see leverage in 2026.

Adrienne Yih, Barclays Capital, Inc

Now, we love to see incentive comp go up. So, that's always a good thing. So, thanks so much. We'll see you in a couple of weeks in next week.

David Lantz, Wells Fargo Securities LLC

Hey. Good morning, everyone. This is David Lantz on for Zach. Thanks for taking our questions. So, you're still on track to open 32 new stores this year. Curious if you can walk through the new store economic model as it stands today and provide any color around openings for 2026.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

We'll share more details on our 2026 openings at our Investor Day. In terms of new store economics, really no material shifts in terms of what we've previously communicated. As we're thinking about long-term evolution of the model, right, as we contemplate things like new store formats and some of the infrastructure that we're building from a marketing and CRM perspective, we do expect over time that these infrastructural investments will help us accelerate our ability to break even in new stores. But we're still in the early innings of observing kind of the data coming back from these initiatives to be able to model that in.

David Lantz, Wells Fargo Securities LLC

Got it. That's helpful. And then can you talk about the ramp of remote in a bit more detail and where penetration sits today?

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Penetration of remote, we are – north of 70% of our locations are enabled with remote. We are scaling remote to a handful more Eyeglass World locations in context of the doctor model switch out that we just executed in the third quarter in Florida. We are deploying it in the markets that we have – that we can deploy it. But I think we feel – again, we feel great about the penetration where we are and the investments that we've made today. And you can start to see a, I guess, more moderate pacing because we're at our saturation rate that we were hoping to achieve.

Christopher Laden, Chief Financial Officer, National Vision Holdings, Inc.

Yeah. And just a reminder for the group, due to state regulatory constraints, we cannot deploy remote in all of our stores. It's kind of a state-by-state consideration.

Alex Wilkes, Chief Executive Officer, National Vision Holdings, Inc.

Great. Thanks so much, everyone, for the thoughtful questions and thanks for your focus on our business. As I hope you can take away from this call, we're super pleased with the transformation efforts that we've undertaken. The business is performing well, our teams are engaged, and the strategic initiatives that we've put in place are playing out exactly as we'd hoped. So, more to come here from National Vision, guys, and we hope to see you all on November 17 at our Investor Day. Thanks so much.