



Q3 2021 Financial Results

November 10, 2021



Disclaimer

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements contained under “Fiscal 2021 Outlook” as well as other statements related to our current beliefs and expectations regarding the performance of our industry, the Company’s strategic direction, market position, prospects and future results. You can identify these forward-looking statements by the use of words such as “outlook,” “guidance,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “projects,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Caution should be taken not to place undue reliance on any forward-looking statement as such statements speak only as of the date when made. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Forward-looking statements are not guarantees and are subject to various risks and uncertainties, which may cause actual results to differ materially from those implied in forward-looking statements. Such factors include, but are not limited to, the COVID-19 pandemic and its resurgence and variants, and the impact of evolving federal, state, and local governmental actions in response thereto, including risks stemming from vaccination and testing programs and mandates; customer behavior in response to the continuing pandemic and its more recent outbreaks of variants; our ability to keep our reopened stores open in a safe and cost-effective manner, or at all, in light of the continuing COVID-19 pandemic and its resurgence and variants; our ability to recruit and retain vision care professionals for our stores in general and in light of the pandemic; our ability to develop, maintain and extend relationships with managed vision care companies, vision insurance providers and other third-party payors; our ability to maintain the performance of our host and legacy brands and our current operating relationships with our host and legacy partners; our ability to adhere to extensive state, local and federal vision care and healthcare laws and regulations; our compliance with managed vision care laws and regulations; our ability to maintain sufficient levels of cash flow from our operations to execute or sustain our growth strategy or obtain additional financing at satisfactory terms or at all; the loss of, or disruption in the operations of, one or more of our distribution centers and/or optical laboratories, resulting in the inability to fulfill customer orders and deliver our products in a timely manner; risks associated with vendors from whom our products are sourced, including our dependence on a limited number of suppliers; our ability to compete successfully; our ability to effectively operate our information technology systems and prevent interruption or security breach; our growth strategy straining our existing resources and causing the performance of our existing stores to suffer; the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices; our ability to successfully implement our marketing, advertising and promotional efforts; risks associated with leasing substantial amounts of space, including future increases in occupancy costs; the impact of certain technological advances, and the greater availability of, or increased consumer preferences for, vision correction alternatives to prescription eyeglasses or contact lenses, and future drug development for the correction of vision-related problems; our ability to retain our existing senior management team and attract qualified new personnel; overall decline in the health of the economy and other factors impacting consumer spending; our ability to manage our inventory; seasonal fluctuations in our operating results and inventory levels; our reliance on third-party coverage and reimbursement, including government programs, for an increasing portion of our revenues; risks associated with our e-commerce and omni-channel business; product liability, product recall or personal injury issues; our failure to comply with, or changes in, laws, regulations, enforcement activities and other requirements; the impact of any adverse litigation judgments or settlements resulting from legal proceedings relating to our business operations; risk of losses arising from our investments in technological innovators in the optical retail industry; our ability to adequately protect our intellectual property; our significant amount of indebtedness and our ability to generate sufficient cash flow to satisfy our debt obligations; a change in interest rates as well as changes in benchmark rates and uncertainty related to the foregoing; restrictions in our credit agreement that limits our flexibility in operating our business; potential dilution to existing stockholders upon the conversion of our convertible notes; and risks related to owning our common stock, including our ability to comply with requirements to design and implement and maintain effective internal controls. Additional information about these and other factors that could cause National Vision’s results to differ materially from those described in the forward-looking statements can be found in filings by National Vision with the Securities and Exchange Commission (“SEC”), including our latest Annual Report on Form 10-K, our Quarterly Report on Form 10-Q filed on November 10, 2021, and subsequently filed reports, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this presentation and in our filings with the SEC.

Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures designed to supplement, and not substitute, the financial information presented in accordance with generally accepted accounting principles in the United States of America (“GAAP”) because management believes such measures are useful to investors. Additional information about these measures and a reconciliation to the nearest GAAP financial measures is provided in the appendix to this presentation and detailed in National Vision’s press release for the third quarter of 2021, which is available at www.nationalvision.com/investors, together with this presentation.

Agenda

Topic

Presenter

Third Quarter 2021 Highlights

Reade Fahs, CEO

Third Quarter 2021 Financial Update

Patrick Moore, CFO

Moments of Mission / Corporate Responsibility

Reade Fahs, CEO

Q&A



Reade Fahs
CEO



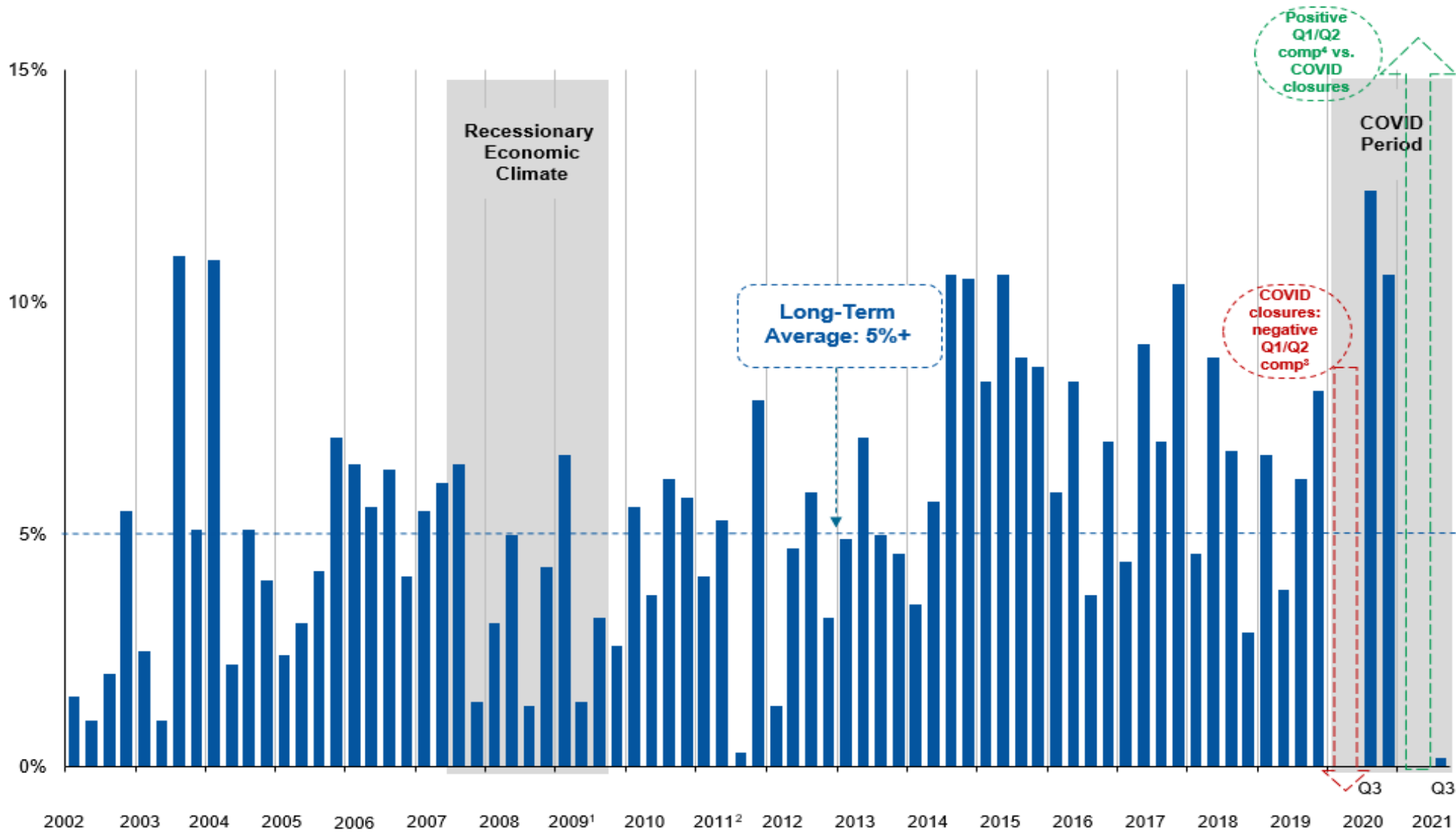
Patrick Moore
CFO

Q3 Highlights

- Net revenue: \$518.0 million, 19.9% above Q3 2019 (6.7% above Q3 2020)
- Opened 14 new stores and ended the quarter with 1,262 stores
- Adjusted Comparable Store Sales Growth¹: 13.3% above Q3 2019 (0.2% above Q3 2020)
- Adjusted Operating Income¹: \$54.7 million, 110% above Q3 2019 (19.2% below Q3 2020)
- Adjusted Diluted EPS¹: \$0.38, 134% above Q3 2019 (28.5% below Q3 2020)
- Cash balance of \$439.1 million
- Released first Corporate Responsibility report (October)
- Board authorized \$50 million share repurchase program (November)
- Prepayment of \$50 million of Term Loan A borrowings (November)
- Updated Fiscal 2021 Outlook

¹-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of total comparable store sales growth over 2019 and 2020 of 15.7% and 3.4%; net income of \$41.0 million in 2021, \$35.3 million in 2020 and \$1.2 million in 2019; and diluted EPS of \$0.45 in 2021, \$0.42 in 2020 and \$0.01 in 2019.

Long History of Consistent Comparable Store Sales Growth ('02 - '21)



1-2009 comparable store sales exclude sales from the Eyeglass World stores for the first six month "transition" period following our acquisition of Eyeglass World

2-Comparable store sales growth in the third quarter of fiscal year 2011 was impacted by the near U.S. federal government debt default/shutdown and the subsequent adverse impact on the consumer environment

3-Adjusted Comparable Store Sales Growth for Q1 and Q2 2020 was (10.3)% and (36.5)% respectively, due to COVID-19 related store closures; see Appendix for reconciliation to GAAP financial measures Q1 and Q2 2020 total comparable store sales growth of (2.9)% and (44.7)%, respectively

4-Adjusted Comparable Store Sales Growth for Q1 and Q2 2021 was 35.8% and 76.7%, respectively; see Appendix for reconciliation to GAAP financial measure Q1 and Q2 2021 total comparable store sales growth of 18.2% and 99.1%, respectively



We Have Multiple Drivers to Continue Our Growth



Grow Store Base Across Our Owned Brands



Continue to Drive Comparable Store Sales Growth



Improve Operating Productivity



Leverage Technology



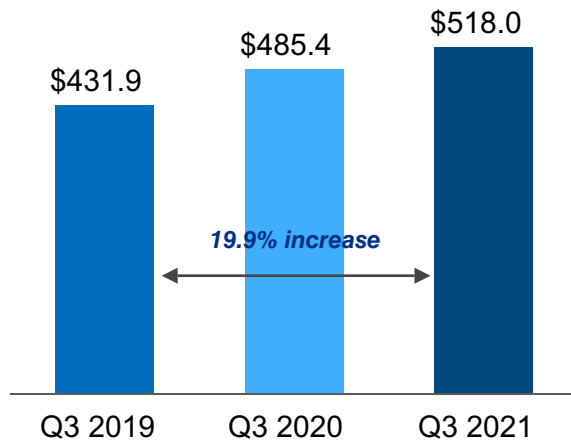


Third Quarter 2021 Financial Update

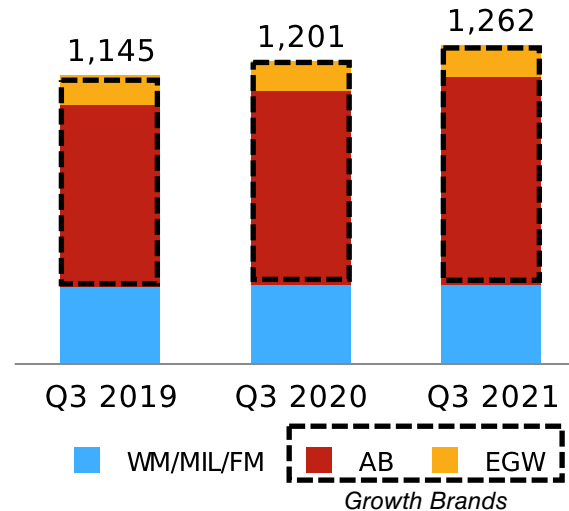


Revenue Drivers

Net Revenue (\$M)



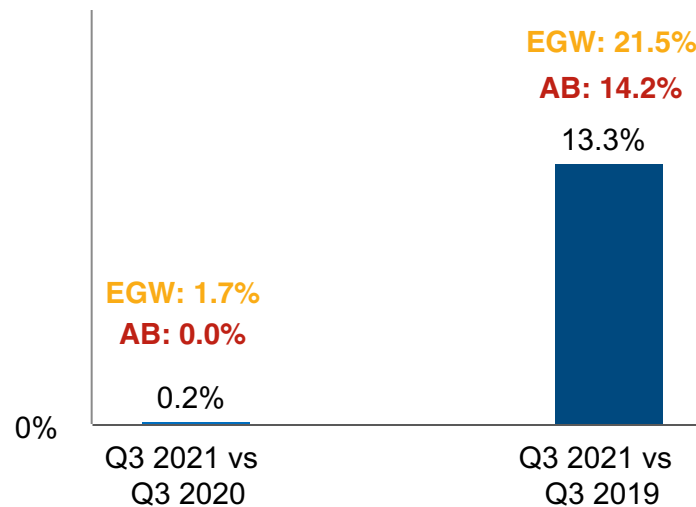
Total Store Count



Commentary

- Net revenue increased 19.9% over Q3 2019
 - Timing of unearned revenue benefited revenue growth by 1.5%
- 5.1% increase in store count over Q3 2020
 - Opened 14 AB stores and closed one AB store in the quarter
 - 10.2% increase over Q3 2019
- 6.9% increase in store count at growth brands over Q3 2020

Adjusted Comparable Store Sales Growth¹



Commentary

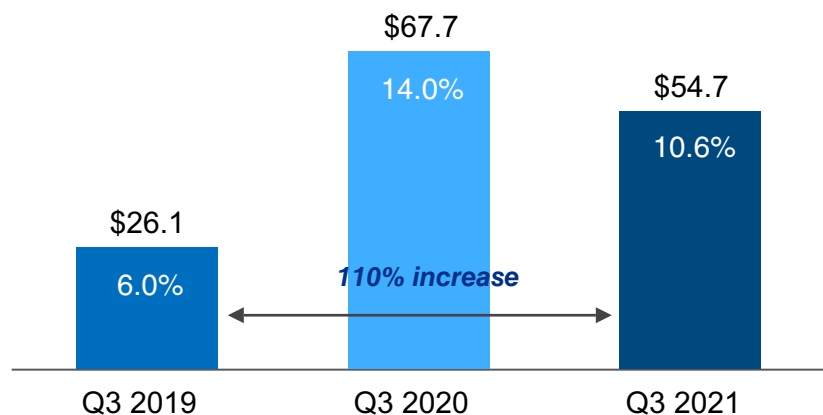
- Adjusted Comparable Store Sales Growth¹ of 13.3% over 2019
 - Comp strength led by growth brands
 - Comps driven by increase in average ticket and transactions
- Adjusted Comparable Store Sales Growth¹ of 0.2% over 2020
 - Comps driven by increase in transactions, offset by decrease in the Q3 2020 elevated ticket

¹-Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure Q3 total comparable store sales growth over 2019 and 2020 of 15.7% and 3.4%, respectively

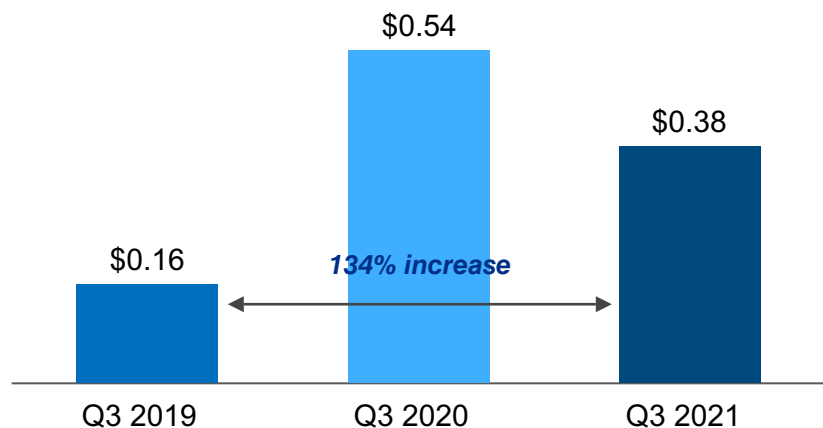


Q3 2021 Margin Drivers

Adjusted Operating Income¹ (\$M)



Adjusted Diluted EPS¹



Commentary

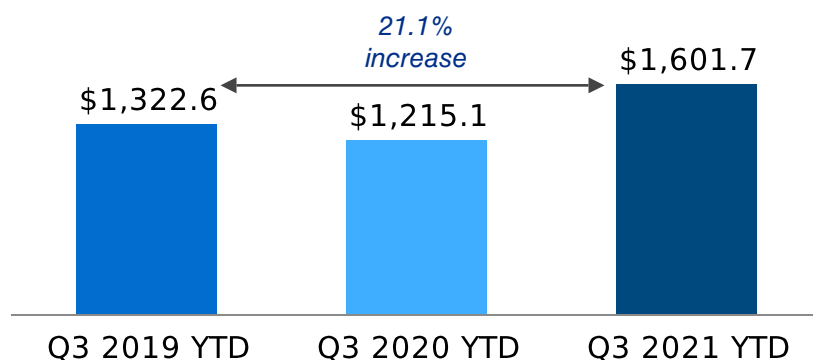
- Costs applicable to revenue as a percentage of net revenue decreased 360 bps to 43.7% compared to Q3 2019 primarily due to:
 - Lower growth in optometrist-related costs, increased eyeglass mix and higher eyeglass margin
- Adjusted SG&A Percent of Net Revenue¹ decreased 60 bps to 41.3% compared to Q3 2019 primarily due to:
 - Leverage of corporate overhead and payroll expenses, and lower performance-based incentive compensation, partially offset by higher advertising investment
- Adjusted Operating Income¹ increased 110% to \$54.7 million. Adjusted Operating Margin¹ increased 460 bps to 10.6% compared to Q3 2019 due to factors noted above and lower D&A growth
- Adjusted Diluted EPS¹ increased 134% to \$0.38 compared to the third quarter of 2019

¹Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of SG&A percent of net revenue of 44.1% for Q3 2019, 39.3% for Q3 2020 and 42.1% for Q3 2021, net income of \$1.2 million for Q3 2019, net income of \$35.3 million for Q3 2020 and net income of \$41.0 million for Q3 2021, operating margin of 0.3% for Q3 2019, 7.3% for Q3 2020 and 7.9% for Q3 2021, and diluted EPS of \$0.01 for Q3 2019, \$0.42 for Q3 2020 and \$0.45 for Q3 2021

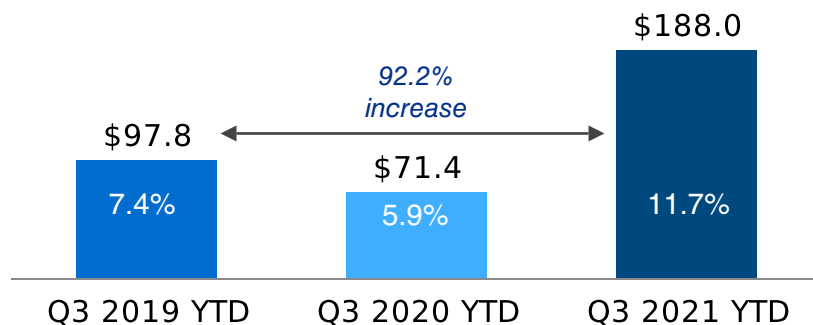


Q3 2021 Year-to-Date Results

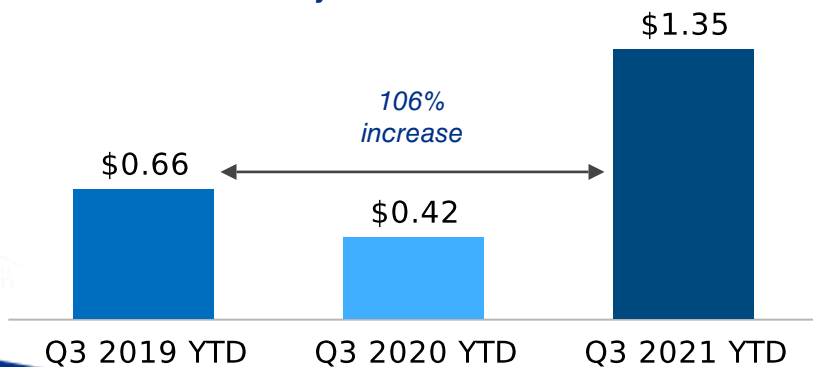
Net Revenue (\$M)



Adjusted Operating Income¹ (\$M)



Adjusted Diluted EPS¹



Commentary

- Net revenue increased 21.1% compared to same period in 2019
 - The impact from timing of unearned revenue on net revenue and profitability was immaterial
- Costs applicable to revenue as a percentage of net revenue decreased 390 bps to 42.9% compared to the same period in 2019 primarily due to:
 - Higher eyeglass margin, higher mix of exam sales, and lower growth in optometrist-related costs
- Adjusted SG&A Percent of Net Revenue¹ decreased 20 bps to 41.2% compared to the same period in 2019 primarily due to:
 - Leverage of corporate overhead and occupancy expenses, partially offset by higher performance-based incentive compensation
- Adjusted Operating Income¹ increased 92.2% to \$188.0 million compared to the same period in 2019. Adjusted Operating Margin¹ increased 430 basis points to 11.7% compared to the same period in 2019 due to factors noted above and lower D&A growth
- Adjusted Diluted EPS¹ increased 106% to \$1.35 compared to the same period in 2019

¹-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of SG&A percent of net revenue of 42.8% for Q3 2019 YTD, 42.9% for Q3 2020 YTD and 42.2% for Q3 2021 YTD, net income of \$28.9 million for Q3 2019 YTD, net income of \$1.2 million for Q3 2020 YTD and net income of \$122.0 million for Q3 2021 YTD, operating margin of 2.2% for Q3 2019 YTD, 0.1% for Q3 2020 YTD and 7.6% for Q3 2021 YTD, and diluted EPS of \$0.35 for Q3 2019 YTD, \$0.01 for Q3 2020 YTD and \$1.34 for Q3 2021.

Capital Structure and Cash Flow

Q3 2021 Capital Structure (\$M)

	Debt Amount	Less: Deferred Financing Costs	Amounts per Balance Sheet	% of Total	Coupon	Maturity
First Lien - Term Loan	\$ 200.0	\$ (1.4)	\$ 198.6	32 %	L + 125	7/18/2024
First Lien - Revolving Credit Facility ¹	—	—	—	— %	L + 125	7/18/2024
Convertible senior notes	402.5	(8.6)	393.9	64 %	2.50 %	5/15/2025
Other debt ²	27.5	—	27.5	4 %		
Total debt	\$ 630.0	\$ (10.0)	\$ 620.0	100 %		
Cash and cash equivalents			439.1			
Net debt			\$ 180.9			

Commentary

- Net debt to TTM Adjusted EBITDA³ 0.5x
- No borrowings outstanding under our revolving credit facility (\$6.4M in outstanding letters of credit)
- No debt maturities until 2024
- \$733M of liquidity at end of Q3

Cash Flow (\$M)

	Nine Months Ended		
	October 2, 2021	September 26, 2020	September 28, 2019
Net cash provided by operating activities	\$ 233.8	\$ 203.7	\$ 170.9
Net cash used for investing activities	(56.4)	(40.5)	(75.9)
Net cash provided by (used for) financing activities	(112.1)	174.9	(17.7)
Net change in cash, cash equivalents and restricted cash	\$ 65.3	\$ 338.1	\$ 77.3

Commentary

- \$30.1M increase in operating cash flow compared to 2020 primarily due to higher net income
- \$15.9M increase in net cash used for investing activities compared to 2020 primarily due to increased store openings
- \$287.0M decrease in net cash provided by financing activities compared to 2020 due to the 2025 convertible notes issuance, paydown of revolver borrowings and Term Loan prepayments

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

1-\$300.0M facility; \$293.6M available

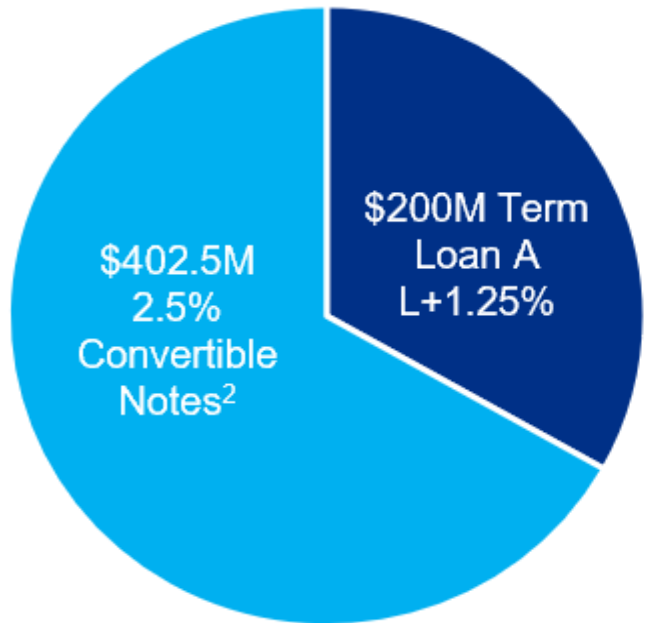
2-Finance lease obligations

3-Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure of TTM net income of \$157.1 million

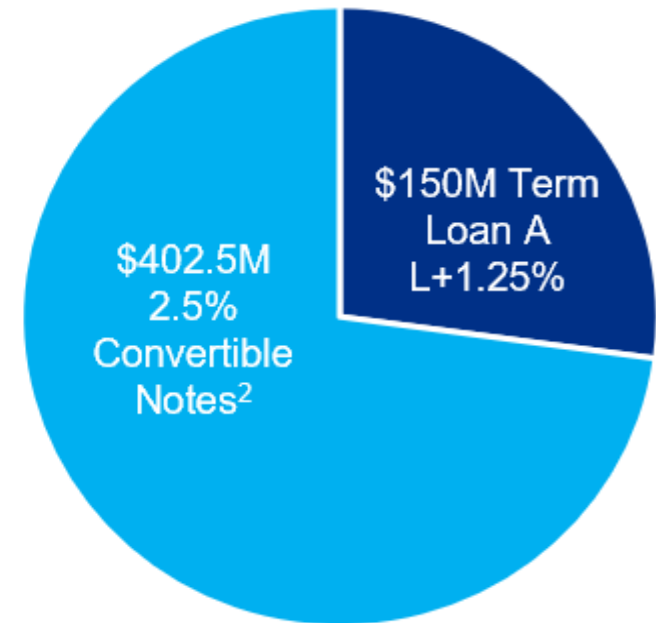
\$100 Million Commitment to Debt Reduction and Share Repurchase

Debt Balances¹

July 3, 2021



November 10, 2021



November 2021 Developments

- Voluntary prepayment of \$50 million of Term Loan A borrowings
- Board of Directors approved a \$50 million share repurchase authorization
 - Under the program, shares may be repurchased through December 30, 2023
 - Intended to offset management equity program dilution

1- Excluding debt discounts and deferred financing costs

2- Gross amount, net proceeds of \$390.9 million

Q4 Considerations

- Assumes no material deterioration due to COVID-19 impacts, including risks from vaccination/testing mandates
- Q4 comparison negatively affected by:
 - 53rd week (2020): ~\$32 million in net revenue, ~\$0.01 benefit to diluted EPS
 - More typical Q4 seasonality
 - Unearned revenue timing and magnitude
- Expect flattish comps as consumer demand and average ticket moderate
- Advertising and wage investments
- Expect incrementally lower margins in Q4 versus Q3 due to above considerations

Fiscal 2021 Outlook

Updated Fiscal 2021 Outlook Prior Fiscal 2021 Outlook

	Updated Fiscal 2021 Outlook	Prior Fiscal 2021 Outlook
New Stores	~75	~75
Adjusted Comparable Store Sales Growth ¹	21% - 22%	19% - 22%
Net Revenue	\$2.04 - \$2.06 billion	\$2.01 - \$2.06 billion
Adjusted Operating Income	\$180 - \$187 million	\$180 - \$187 million
Adjusted Diluted EPS ²	\$1.28 - \$1.33	\$1.28 - \$1.33
Depreciation and Amortization ³	~\$98 million	~\$98 million
Interest ⁴	~\$25 million	~\$25 million
Tax Rate ⁵	~26%	~26%
Capital Expenditures	\$100 - \$105 million	\$100 - \$105 million

1 - For the 52 weeks ending January 1, 2022 compared to the 52 weeks ended January 2, 2021

2 - Assumes 96.3 million shares, including 12.9 million shares for the convertible notes calculated using the if-converted method

3 - Includes amortization of acquisition intangibles of approximately \$7.5 million for the 52 weeks ending January 1, 2022

4 - Before the impact of gains or losses related to hedge ineffectiveness and charges related to amortization of debt discounts and deferred financing costs

5 - Excluding the impact of stock option exercises



Moments of Mission – Corporate Responsibility

Published National Vision's First Corporate Responsibility Report



Report aligns with:

- Sustainability Accounting Standards Board (SASB)
- Global Reporting Initiative (GRI)
- United Nations' Sustainable Development Goals

[View the Report >](#)

National Vision Named Forbes'
2021 Best Employer for Veterans

2nd year in a row





Q&A





Appendix



Q3 2021 Consolidated Financial Results (Unaudited)

<i>Dollars and shares in thousands, except Earnings Per Share</i>	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	September 28, 2019	October 2, 2021	September 26, 2020	September 28, 2019
Revenue:						
Net product sales	\$ 425,594	\$ 403,336	\$ 355,789	\$ 1,326,867	\$ 1,005,884	\$ 1,096,482
Net sales of services and plans	92,411	82,017	76,113	274,807	209,180	226,086
Total net revenue	518,005	485,353	431,902	1,601,674	1,215,064	1,322,568
Costs applicable to revenue (exclusive of depreciation and amortization):						
Products	158,371	148,274	144,518	485,090	402,279	444,177
Services and plans	68,087	62,535	59,984	202,004	167,864	174,801
Total costs applicable to revenue	226,458	210,809	204,502	687,094	570,143	618,978
Operating expenses:						
Selling, general and administrative expenses	218,214	190,518	190,290	676,042	520,841	566,444
Depreciation and amortization	25,059	22,236	22,336	72,639	68,970	63,570
Asset impairment	—	7,150	3,516	1,478	20,916	7,387
Litigation settlement	—	—	—	—	4,395	—
Other expense (income), net	(2,437)	(154)	146	(2,567)	(312)	975
Total operating expenses	240,836	219,750	216,288	747,592	614,810	638,376
Income from operations	50,711	54,794	11,112	166,988	30,111	65,214
Interest expense, net	5,743	12,475	7,873	22,169	35,432	25,902
Debt issuance costs	—	—	—	92	136	—
Loss on extinguishment of debt	—	—	9,786	—	—	9,786
Earnings (loss) before income taxes	44,968	42,319	(6,547)	144,727	(5,457)	29,526
Income tax provision (benefit)	3,976	7,030	(7,739)	22,702	(6,655)	647
Net income	\$ 40,992	\$ 35,289	\$ 1,192	\$ 122,025	\$ 1,198	\$ 28,879
Earnings per share - basic	\$ 0.50	\$ 0.44	\$ 0.02	\$ 1.49	\$ 0.01	\$ 0.37
Earnings per share - diluted	\$ 0.45	\$ 0.42	\$ 0.01	\$ 1.34	\$ 0.01	\$ 0.35
Weighted average shares outstanding - basic	82,290	80,676	78,474	81,729	80,376	78,387
Weighted average shares outstanding - diluted	96,508	83,795	81,561	96,193	82,718	81,510

Note: The three and nine-months ended October 2, 2021 diluted EPS is calculated using the if-converted method for the 2025 Notes adding back \$2.4 million and \$7.1 million of interest expense (after tax) related to the 2025 Notes, respectively, and assuming conversion of the 2025 Notes at the beginning of 2021.

Reconciliation of Adjusted Comparable Stores Sales Growth (Unaudited)

	Comparable store sales growth ^(a)				
	Third Quarter		Year to Date		2021 Outlook
	2021 vs. 2019	2021 vs. 2020	2021 vs. 2019	2021 vs. 2020	
Owned & Host segment					
America's Best	14.2%	0.0%	17.0%	31.8%	
Eyeglass World	21.5%	1.7%	22.1%	33.9%	
Military	(3.8)%	(0.6)%	(2.3)%	22.6%	
Fred Meyer	(8.2)%	(1.6)%	(9.6)%	21.2%	
Legacy segment	4.0%	0.0%	5.4%	25.5%	
Total comparable store sales growth	15.7%	3.4%	15.5%	30.3%	
Adjusted Comparable Store Sales Growth ^(b)	13.3%	0.2%	15.6%	31.1%	
Additional comparable store sales growth information for 2020 and 2021 (compared to the prior year period)	Three Months Ended April 3, 2021	Three Months Ended March 28, 2020	Three Months Ended July 3, 2021	Three Months Ended June 27, 2020	
Total comparable store sales growth	18.2%	(2.9)%	99.1%	(44.7)%	20% - 21%
Adjusted Comparable Store Sales Growth ^(b)	35.8%	(10.3)%	76.7%	(36.5)%	21% - 22%

(a) Total comparable store sales is calculated based on consolidated net revenue excluding the impact of (i) Corporate/Other segment net revenue, (ii) sales from stores opened less than 13 months, (iii) stores closed in the periods presented, (iv) sales from partial months of operation when stores do not open or close on the first day of the month and (v) if applicable, the impact of a 53rd week in a fiscal year. Brand-level comparable store sales growth is calculated based on cash basis revenues consistent with what the Chief Operating Decision Maker reviews, and consistent with reportable segment revenues presented in Note 10. "Segment Reporting" in our unaudited condensed consolidated financial statements included in Part I. Item 1. in our Quarterly Report on Form 10-Q for the period ended October 2, 2021, with the exception of the Legacy segment, which is adjusted as noted in clause (b) (ii) below.

(b) The differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth are: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in the following changes from total comparable store sales growth based on consolidated net revenue: a decrease of 2.2% for third quarter 2021 vs. 2019, a decrease of 3.0% for third quarter 2021 vs. 2020, an increase of 0.1% for year to date 2021 vs. 2019 and an increase of 0.9% for year to date 2021 vs. 2020; an increase of 17.3% and a decrease of 7.5% for the three months ended April 3, 2021 and March 28, 2020, respectively; and a decrease of 21.6% and an increase of 8.1% for the three months ended July 3, 2021 and June 27, 2020, respectively; and (ii) Adjusted Comparable Store Sales Growth includes retail sales to the Legacy partner's customers (rather than the revenues recognized consistent with the management & services agreement with the Legacy partner), resulting in the following changes from total comparable store sales growth based on consolidated net revenue: a decrease of 0.2% for third quarter 2021 vs. 2019, a decrease of 0.2% for third quarter 2021 vs. 2020, a decrease of 0.1% for year to date 2021 vs 2020, an increase of 0.3% and an increase of 0.1% for the three months ended April 3, 2021 and March 28, 2020, respectively; and a decrease of 0.8% and an increase of 0.1% for the three months ended July 3, 2021 and June 27, 2020, respectively. The differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth for the three months ended April 3, 2021 have been updated from previously reported numbers, with no change to total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth.

Reconciliation of Adjusted Operating Income to Net Income (Unaudited)

	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	September 28, 2019	October 2, 2021	September 26, 2020	September 28, 2019
<i>Dollars in thousands</i>						
Net income	\$ 40,992	\$ 35,289	\$ 1,192	\$ 122,025	\$ 1,198	\$ 28,879
Interest expense	5,743	12,475	7,873	22,169	35,432	25,902
Income tax provision (benefit)	3,976	7,030	(7,739)	22,702	(6,655)	647
Stock compensation expense ^(a)	3,665	2,890	6,123	13,866	8,335	10,840
Loss of extinguishment of debt ^(b)	—	—	9,786	—	—	9,786
Asset impairment ^(c)	—	7,150	3,516	1,478	20,916	7,387
Litigation settlement ^(d)	—	—	—	—	4,395	—
Secondary offering expenses ^(e)	—	—	401	—	—	406
Management realignment expenses ^(f)	—	—	—	—	—	2,155
Long-term incentive plan ^(g)	—	—	1,108	—	—	1,830
Amortization of acquisition intangibles ^(h)	1,872	1,851	1,851	5,616	5,554	5,553
Other ^(k)	(1,512)	1,057	1,956	129	2,206	4,423
Adjusted Operating Income	<u>\$ 54,736</u>	<u>\$ 67,742</u>	<u>\$ 26,067</u>	<u>\$ 187,985</u>	<u>\$ 71,381</u>	<u>\$ 97,808</u>
Net income margin	7.9%	7.3%	0.3%	7.6%	0.1%	2.2%
Adjusted Operating Margin	10.6%	14.0%	6.0%	11.7%	5.9%	7.4%

Note: Percentages reflect line item as a percentage of net revenue, adjusted for rounding

Reconciliation of Adjusted EBITDA to Net Income (Unaudited)

	Three Months Ended			Nine Months Ended			Twelve Months Ended October 2, 2021
	October 2, 2021	September 26, 2020	September 28, 2019	October 2, 2021	September 26, 2020	September 28, 2019	
<i>Dollars in thousands</i>							
Net income	\$ 40,992	\$ 35,289	\$ 1,192	\$ 122,025	\$ 1,198	\$ 28,879	\$ 157,104
Interest expense	5,743	12,475	7,873	22,169	35,432	25,902	34,908
Income tax provision (benefit)	3,976	7,030	(7,739)	22,702	(6,655)	647	31,760
Depreciation and amortization	25,059	22,236	22,336	72,639	68,970	63,570	95,254
EBITDA	75,770	77,030	23,662	239,535	98,945	118,998	319,026
Stock compensation expense ^(a)	3,665	2,890	6,123	13,866	8,335	10,840	16,271
Loss on extinguishment of debt ^(b)	—	—	9,786	—	—	9,786	—
Asset impairment ^(c)	—	7,150	3,516	1,478	20,916	7,387	2,566
Litigation settlement ^(d)	—	—	—	—	4,395	—	—
Secondary offering expenses ^(e)	—	—	401	—	—	406	—
Management realignment expenses ^(f)	—	—	—	—	—	2,155	—
Long-term incentive plan ^(g)	—	—	1,108	—	—	1,830	—
Other ^(k)	(1,512)	1,057	1,956	129	2,206	4,423	655
Adjusted EBITDA	\$ 77,923	\$ 88,127	\$ 46,552	\$ 255,008	\$ 134,797	\$ 155,825	\$ 338,518
Net income margin	7.9%	7.3%	0.3%	7.6%	0.1%	2.2%	
Adjusted EBITDA Margin	15.0%	18.2%	10.8%	15.9%	11.1%	11.8%	
Net debt/Net income							1.2x
Net debt/Adjusted EBITDA							0.5x

Note: Percentages reflect line item as a percentage of net revenue, adjusted for rounding

Reconciliation of Adjusted Diluted EPS to Diluted EPS (Unaudited)

	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	September 28, 2019	October 2, 2021	September 26, 2020	September 28, 2019
<i>Shares in thousands</i>						
Diluted EPS	\$ 0.45	\$ 0.42	\$ 0.01	\$ 1.34	\$ 0.01	\$ 0.35
Stock compensation expense ^(a)	0.04	0.03	0.08	0.14	0.10	0.13
Loss on extinguishment of debt ^(b)	—	—	0.12	—	—	0.12
Asset impairment ^(c)	—	0.09	0.04	0.02	0.25	0.09
Litigation settlement ^(d)	—	—	—	—	0.05	—
Secondary offering expenses ^(e)	—	—	0.00	—	—	0.00
Management realignment expenses ^(f)	—	—	—	—	—	0.03
Long-term incentive plan ^(g)	—	—	0.01	—	—	0.02
Amortization of acquisition intangibles ^(h)	0.02	0.02	0.02	0.06	0.07	0.07
Amortization of debt discount and deferred financing costs ⁽ⁱ⁾	0.00	0.05	0.00	0.02	0.09	0.01
Losses (gains) on change in fair value of derivatives ^(j)	(0.01)	0.00	—	0.00	0.06	—
Other ^(o)	(0.02)	0.01	0.02	(0.02)	0.03	0.05
Tax benefit of stock option exercises ^(l)	(0.09)	(0.04)	(0.08)	(0.14)	(0.07)	(0.09)
Tax effect of total adjustments ^(m)	(0.01)	(0.05)	(0.08)	(0.06)	(0.16)	(0.14)
Adjusted Diluted EPS	<u>\$ 0.38</u>	<u>\$ 0.54</u>	<u>\$ 0.16</u>	<u>\$ 1.35</u>	<u>\$ 0.42</u>	<u>\$ 0.66</u>
Weighted average diluted shares outstanding	96,508	83,795	81,561	96,193	82,718	81,510

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

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

	Three Months Ended			Nine Months Ended		
	October 2, 2021	September 26, 2020	September 28, 2019	October 2, 2021	September 26, 2020	September 28, 2019
<i>Dollars in thousands</i>						
SG&A	\$ 218,214	\$ 190,518	\$ 190,290	\$ 676,042	\$ 520,841	\$ 566,444
Stock compensation expense ^(a)	3,665	2,890	6,123	13,866	8,335	10,840
Secondary offering expenses ^(e)	—	—	401	—	—	406
Management realignment expenses ^(f)	—	—	—	—	—	2,155
Long-term incentive plan ^(g)	—	—	1,108	—	—	1,830
Other ⁽ⁿ⁾	843	1,057	1,727	2,484	2,206	3,187
Adjusted SG&A	<u>\$ 213,706</u>	<u>\$ 186,571</u>	<u>\$ 180,931</u>	<u>\$ 659,692</u>	<u>\$ 510,300</u>	<u>\$ 548,026</u>
SG&A Percent of Net Revenue	42.1%	39.3%	44.1%	42.2%	42.9%	42.8%
Adjusted SG&A Percent of Net Revenue	41.3%	38.4%	41.9%	41.2%	42.0%	41.4%

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

Reconciliation of Non-GAAP to GAAP Financial Measures Footnotes

- (a) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on the timing of awards and performance vesting conditions.
- (b) Reflects write-off of deferred financing fees related to the extinguishment of debt.
- (c) Reflects write-off of property, equipment and lease related assets on closed or underperforming stores.
- (d) Expenses associated with settlement of significant litigation.
- (e) Expenses related to our secondary public offerings for the three and nine months ended September 28, 2019.
- (f) Expenses related to a non-recurring management realignment described in the Current Report on Form 8-K filed with the SEC on January 10, 2019.
- (g) Expenses pursuant to a long-term incentive plan for non-executive employees who were not participants in the management equity plan for fiscal year 2019. This plan was effective in 2014 following the acquisition of the Company by affiliates of KKR & Co. Inc. (the “KKR Acquisition”).
- (h) Amortization of the increase in carrying values of finite-lived intangible assets resulting from the application of purchase accounting to the KKR Acquisition.
- (i) Amortization of deferred financing costs and other non-cash charges related to our long-term debt. We adjust for amortization of costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share according to U.S. GAAP.
- (j) Reflects losses (gains) recognized in interest expense on change in fair value of de-designated hedges.
- (k) Other adjustments include amounts that management believes are not representative of our operating performance (amounts in brackets represent reductions in Adjusted Operating Income, Adjusted Diluted EPS and Adjusted EBITDA), including our share of (gains) losses on equity method investments of \$(2.4) million and \$0.2 million for the three months ended October 2, 2021 and September 28, 2019, respectively, and \$(2.4) million and \$1.2 million for the nine months ended October 2, 2021 and September 28, 2019, respectively, and \$(2.4) million for the twelve months ended October 2, 2021; and other expenses and adjustments which are primarily related to excess payroll taxes on stock option exercises, executive severance and relocation.
- (l) Tax benefit associated with accounting guidance requiring excess tax benefits related to stock option exercises to be recorded in earnings as discrete items in the reporting period in which they occur.
- (m) Represents the income tax effect of the total adjustments at our combined statutory federal and state income tax rates.
- (n) Reflects other expenses in (k) above, except for our share of (gains) losses on equity method investments of \$(2.4) million and \$0.2 million for the three months ended October 2, 2021 and September 28, 2019, respectively, and \$(2.4) million and \$1.2 million for the nine months ended October 2, 2021 and September 28, 2019, respectively.
- (o) Reflects other expenses in (k) above, including the impact of stranded tax effect of \$(2.1) million for the nine months ended October 2, 2021 associated with our interest rate swaps that matured in 2021.

Adjusted Comparable Store Sales Growth Primer

What is Adjusted Comparable Store Sales Growth?

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

Why use Adjusted Comparable Store Sales Growth?

- Provides a clear view of the Company's current operating performance
- Shifts in unearned revenue are difficult to predict and related to short-term customer behavior (see slide 26)
- Used by management to assess business performance and is the basis for store-level business performance
- Consistently applied methodology

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

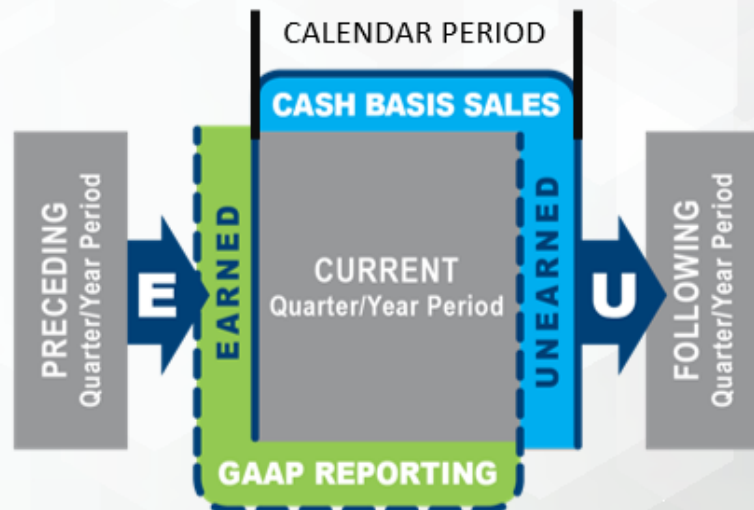
- Company provides total comparable store sales growth measured on GAAP revenue
- Adjusted measure has been lower than or equal to GAAP measure in 12 of last 17 quarters due to unearned revenue
- Total comparable store sales growth based on GAAP revenue was not calculated prior to 2017 IPO

Unearned Revenue Primer

PURCHASE JOURNEY



UNEARNED REVENUE ACCOUNTING



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

Q1 negative (E<U)	Q2 positive (E>U)
Q3 pos./neg. (E><U)	Q4 negative (E<U)
- For a company with growing revenues, unearned revenue should also grow to some degree each year.

“It’s a short-term timing difference between quarters”



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

