

National Vision

**March 12, 2025
2:00 p.m. ET**

Michael Lasser: Good afternoon, everyone. I'm Michael Lasser, the hardline, broadline and food retail analyst from UBS. We are so excited to have the team from National Vision with us. National Vision is a super-interesting and unique story that we're going to get into. It's a little awkward, Alex and I wore the same socks.

Alex Wilkes: You've got good taste.

Michael Lasser: These are the 2023s, but we'll get into that.

Reade Fahs: And anyone who buys stock during this meeting, we'll give them socks. Okay?

Michael Lasser: Well, they don't need any introduction. But Reade Fahs has been the longtime CEO of National Vision. Alex Wilkes is the President of National Vision. Tamara runs the Investor Relations operation. There's a lot to talk about. So we will get into it. Again, thank you so much for joining us.

Reade Fahs: Always a pleasure.

Michael Lasser: The pleasure is all ours for sure. Where we want to start is, coming off of the fourth quarter, you gave a statement on what was happening with the National Vision consumer. Can you provide the audience a little bit of a sense of So how do you see the health of your consumer? You talked a little bit about some of the weather impact. You are selling a medical necessity and these purchases ultimately happen but the timing can get shifted around based on events. You are also doing well by doing good because you serve an underserved segment of the market. So, A, if you could give us a little bit more about who your customer is; and B, if you could give us a sense of how the health of that consumer is doing. That would be helpful.

Reade Fahs: Well, Michael, thanks so much. And we frankly did feel like our Q4 earnings call was sort of the coming-out party for our transformation. We've been talking about transformation for a while. The first chapter of that involved making sure we have enough exam capacity to handle the business that we thought we could send in. And then starting last summer, we started talking about the second stage of the transformation. And on the call, I think we're able to really bring out exactly what that is and put meat on the bone as to what the initiatives are and how many are in place and what's coming next. So I actually thought it was a pretty big and important call. But on your specific question about our consumer, we did a lot of work this summer. Alex arrived last summer, a few other new folks, a few retirees, and this was just as we were feeling like we really had our hands around getting the capacity pieces under control. And really, our customer base is a broader

base than I think people give us credit for it. Now, rich people do not shop with us, okay? So, the over \$200,000 income.

Michael Lasser: Not yet, not yet.

Reade Fahs: Yes, after this meeting, they'll buy. But really if you look at the income brackets of our consumer, it's more in line with the American population than most people perceive. And frankly, I think we had a head set that was very much around our customers are very low-income folks. But we appeal to a broader base of income ranges that I think most people give us credit for there. And frankly, what we've been doing is really focusing on the most valuable segments. We only really talked to the cash pay, single-vision, budget-conscious consumer for a long time. And frankly, given our heritage and our DNA, that was what our operations and our messaging was really designed around. And this summer, we were saying, "Hey, managed care, it looks like it's going to hit 40% of our business for the year," which is what occurred last year. And we saw that as a tipping-point moment. And given that the managed care consumer is growing at a high single-digit comp rate, we can see a milestone of hitting 50%. And it was especially fortuitous to have somebody like Alex arrive, because his background is not our DNA of cash pay consumers, but his background having run Peal Vision and working for EssilorLuxottica is one of the DNA of a managed care business. And he arrived this summer and said, "Wow, it looks like we're at an important tipping point," and you manage a managed care business very differently than you do a cash pay business. In fact, I might toss it to you and say, give them news from the world of managed care business.

Alex Wilkes: Yes, sure. I mean one of the things that's great about National Vision, we built the fishing net to catch the cash pay, budget-conscious consumer. And we were incredibly effective at that for many, many, many years. But what we found is that we're actually catching other consumers with that same fishing net. So 40% of our sales are related to managed vision care transactions. So that portion of Americans that have an insurance benefit for eyewear and eye care. So we're like, hey, wow, we're getting these customers. We haven't really distorted our marketing or our in-store experience. We haven't distorted against this consumer type. So the thesis for us is with a little bit more effort, with a bit more of a targeted marketing approach, with a different in-store experience, can we actually grow that segment more meaningfully than we have in the past, while not abandoning the value-based consumer who seeks us really as a destination for affordable eyewear, but can we win with both of those consumers? And for me, the answer is a resounding yes because we are already winning. So this now just gives us the opportunity as we focus on that consumer a bit more to be a bit more pointed in our strategy.

Reade Fahs: And final thing on the consumer, the key part of our transformation is going after valuable segments to us. And there are three particular ones. We talked about managed care. But we also found we could get good transition with progressive wearers, who we had really never talked to or really designed our offerings around and also outside-Rx consumers. Those are people who get their eyes examined some place else, often an independent shop, and they come to us because they think they can save a lot of money on their glasses and contacts versus that. So we're seeing these three segments as segments that we've gotten without really casting a net for them. They are growing very nicely, and we've shown we can continue to grow those nicely, and where we are underdeveloped in the category, relative to most of the industry and which are pretty much insulated in many ways from the crazy economy out there. Managed care, it's somebody else's money. And outside-Rx, the tougher it gets out there, and the more expensive the independents get, the more our value is appealing.

Michael Lasser: There's a lot to unpack.

Reade Fahs: Sorry about that. You'd like to get short answers? Okay.

Michael Lasser: All right. And let's even level-set. So National Vision's, just for those who are not familiar, primary business is America's Best, very value-oriented segment of the market. You can get 2 pairs of glasses and an eye exam for a very low fee.

Reade Fahs: \$89.

Michael Lasser: Yes. And then there's Eyeglass World that has a slightly higher income demographic, slightly higher offering. And these 2 businesses have been relatively stable for a long period of time. One of Reade's favorite charts is a chart that showed 5% same-store sales growth for-

Reade Fahs: 72 quarters.

Michael Lasser: 72 quarters.

Reade Fahs: Consistent. Averaging 5%, averaging 7% comp going into COVID. But around our offices, we say that's ancient history, because we got disrupted by COVID.

Michael Lasser: So let's roll forward the clock that the ability to do eye exams was disrupted. And then coming out of COVID, there was some demand pull forward because that consumer base that you serve was flush with cash. And at the same time, there was a complicated factor because some optometrists decided to retire, which creates some constraints.

Reade Fahs: Some cut back days or cut back number of patients they want to see. Right.

Michael Lasser: So that led to some challenging changes that needed to be made, some capacity additions, a pivot to remote medicine, which means that I as a consumer can go to an America's Best in Brooklyn and my exam can be administered in some way, shape or form by optometrists in Naples, Florida. And that has addressed some of the capacity constraints.

Reade Fahs: Yes.

Michael Lasser: So with all that being said, what has, A, created some of the still volatility on the core consumer because you've already demonstrated for 72 consecutive quarters that this is still a very stable market. And B, do you see the managed pay consumer as all-additive? How do you serve these 2 segments of the market without having some cannibalistic impact?

Alex Wilkes: Yes. So I mean, the managed care consumer we want because it's a resilient consumer. They come in with essentially a predefined purchasing power that's both funded through their premiums and through the insurance plan and through their employers' contributions. That is a segment that's grown in the U.S. market in totality. Close to 70% of the market is now covered by some form of a vision insurance.

Michael Lasser: Maybe in 2025, more like 50%, do you think?

Alex Wilkes: I can't even reckon a guess. I can tell you, when I joined the category in 2010, it was a fraction of what it is today. So it has been a high-growth part of the category. It is one of the easiest benefits for a benefit manager of a company to say, "Yes, it makes sense. Let's give our employees this additional benefit." As their premiums have risen on traditional insurance products, adding on vision care has been a way to keep employees happy. They're getting more benefit, they're getting more value out of their total kind of cost for or investment in healthcare. So companies have been adding that benefit at a very high clip for their employees. So we like to think about 70% of the market is now covered by this benefit.

And again, we built our business around this value-based, cash pay consumer, so we haven't historically distorted all of our offerings to best serve this patient. Go forward, we are introducing products into the assortment that we know are more resonant with that consumer. We are making investments in the in-store experience to help them get the most out of their benefits. So that could look like, Michael, you come visit us, you tell us what your insurance plan is, and we actually help you navigate what your out-of-pocket is, we help you navigate what your specific formulary is, so that you really get the most out of the premiums that you've paid in and, on the payer side, what your employer will contribute to your purchase.

Again, it's not that we're abandoning that cash pay consumer. It's like, listen, the market has gone in this direction and now we're rapidly catching up.

Michael Lasser: Yes. And Alex has been instrumental in serving this marketing in his former life. What's different about that consumer? Where are expectations for that consumer that contrast to the legacy National Vision consumer?

Alex Wilkes: For that consumer, it's a complicated transaction. They know they have some form of insurance. They know it's a bit tricky to navigate, and they're really looking for expertise within an in-store environment that helps them get the most out of their benefit. And for us, we see that as being enabled through both training our team members to say, look, this is our customer now and here's what they expect, and it's a bit more complicated transaction. So hey, this is what you need to do to rise to the occasion. But at the same time, we also know that we need to empower them with better capabilities to serve that consumer.

Reade Fahs: You're going to hear a lot from us about segmentation and personalization and digitization. And it's using digital tools to help train our associates to figure out which segment of the market this is. Is it a managed care? Is it cash pay? Is it outside-Rx? Is it progressive? And use digital tools to help maximize the experience for whatever that segment is.

Alex Wilkes: I love silly, little tangible examples to bring stuff to life.

Michael Lasser: Yes. Silly is my middle name, by the way.

Alex Wilkes: So we see over 7 million eye exams a year at America's Best and 3.5 million of those exams are booked online at americasbest.com. Not today, but at the end of the year, we will know if a consumer with insurance books an appointment, and between the time they book the appointment and the time they visit us in store, we can campaign against them, against, "You're going to come visit us, you're going to have a benefit. Here's the types of things you can do to make your benefit go further."

So when I talk about tangible things that we're going to be able to do, that's a great example of one of the things that we will be able to do differently to cater to that consumer type.

On the cash pay side, there's also plenty of cash pay consumers who wear contact lenses. When that contact lens consumer, that's a cash pay consumer books their exam with us, we will be able to serve them content promotions and offers between the time they booked and the time they visit with us. Then as those consumers go into our database, we'll be able to be much more personalized in the messages and the connectivity that we keep with them throughout their 1- to 2-year purchase cycle.

Michael Lasser: Yes. And it's interesting. National Vision's customer is not just the end-consumer, it's also the optometrist. That is, in contrast to other areas of retail, there are multiple masters that need to be served by National Vision. So A, can you give us a sense of where recruitment and retention

efforts are? And B, is there any pivot that optometrists need to make in order to serve these multiple segments that National Vision is now going to be more focused on?

Reade Fahs: I'll take that one. Yes, so the process of getting glasses or contacts starts with an eye exam. Having an eye exam available is key to our success. Our mantra for years now has been that National Vision is about creating environments where optometrists will want to spend their entire career. We focus on that in a variety of ways.

Given the changes to the optometric market, post-COVID, so in late '22, '23, et cetera, we had to become much more flexible with our optometrists, and because, frankly, the optometric market was saying, "I want more flexibility." That became the key hallmark, and that helped us to improve retention and improve recruitment. We right now recruit, for the third year in a row, over 10% of the entire graduating class of the 24 optometry schools out there. And our model of employment is on the rise in terms of the sorts of practice modalities that optometrists want.

We feel that with that flexibility, we did a great job in terms of retention and recruitment of doctors. And then in terms of giving us even more flexibility, we added in remote medicine, which Michael described before, the doctor at home, patient in our stores surrounded by expensive digital equipment. It is so easy to recruit and retain optometrists to that mode of practice. They love practicing at home. And it gives us a lot of flexibility in terms of being able to have the doctor appear wherever they are needed.

The next stage of that is something we call hybrid remote a doctor in a store that has a no-show or has a quiet afternoon can, from the store, do exams in other stores that may be busier. We think that our capacity challenge is under control. We do believe we will be able to optimize its efficiency using remote and hybrid remote to make cost per exam delivered ever, ever more cost-effective for us going forward. But we think in terms of just raw capacity, we're in a good place now and enter this year in a good place. I don't think that's going to be the focus of our conversations going forward.

Michael Lasser: That's very helpful. And with that being said, Alex, what do you hear from optometrists about their experience in National Vision versus what they might have said to you in your former life? And you worked at the retail brands like Essilor?

Alex Wilkes: I did. I like to joke, I've probably been in more optimistic practices than anyone else in the world.

Michael Lasser: I don't know if that's something to brag about.

Alex Wilkes: We like to brag talk about all the pictures we take with optometrists. I've been in a lot of offices. So between my 12 years at EssilorLuxottica and two years at a CooperVision leading our Americas business, I've been in a lot of optometric practices. And I've spent time with a lot of doctors. I would say, hands down, the investments that we've made in the technology stack for our doctors, the fact that we can deliver remote medicine in 730 locations. But to deliver remote medicine also means that we had to equip all of these stores with the best eye exam technology in the market, right? So we can do digital retinal imaging, we're using a digital phoropter. So no more sitting in front of that phoropter with the doctor spinning the dial, right? It's a more modernized eye care approach. So the doctors that we employ, they love that, right? They love the fact that we've made these investments into their exam lanes. And they can deliver a differentiated experience to the consumer.

Michael Lasser: One question that we hear a lot is, has the competitive environment within the optical retail market changed in any way? It's been obviously a very dynamic story where there were -- there was a move away from the independents during COVID and then some of those folks went back. But what have you seen from a competitive landscape?

- Reade Fahs: There's a small amount of M&A that's occurred, some insurance companies buying retailers, that sort of thing. But really the most interesting thing we think is happening now is some technological innovation on new products that's being led by EssilorLuxottica that we think is really great, and we're pleased to be a part of it. I know you were just getting some further briefings on that. You want to tell them about Nuance and Meta glasses?
- Alex Wilkes: Yes. So we're piloting both Nuance and Meta. A real quick description if you're not familiar with it, Nuance are frames that have a hearing aid, hearing boost function built into them. And they're remarkable. You can sit in the noisiest restaurant in Midtown and sit across from someone and where your eyes track, it boosts the sound coming from your dining partner. Phenomenal product. Just got FDA clearance within the last month or so. So we're piloting this in a good amount of stores here, I think, 50 or so locations in the next quarter. And we're also piloting Ray-Ban Meta. And when I say pilot, we're not piloting this to figure out "are we going to get to scale?". We're piloting it to figure out how it works in our model because we're convinced that this is the direction that consumer is going. So I think, to Reade's point, competitively, we're seeing accelerated innovation in the space. We're seeing accelerated adoption of smart eyewear. So Nuance for hearing and Meta for more interactive, AI-driven content. And we fully believe that this is a space that we need to play in, and frankly, we need to master.
- Michael Lasser: Got you. One outcome of the innovation, the pivot to serve a wider audience of customers, is there more of a pricing muscle that National Vision is exercising today than it ever had. I think for a while, Reade's religion was "We're going to drive our comps through traffic," and that was one of the first statements I think that you made to us. But it shows growth, it shows flexibility. It shows that you are willing to change with the market. So what have you seen about the willingness to accept price? What have you seen about the willingness to use price as a lever to drive the business?
- Reade Fahs: And again, last year, you were hearing me talk about fresh perspectives, and Alex came in with a lot of thoughts about pricing architecture. And they clicked at a moment when we were understanding a lot about these different segments. But talk about that because it is a muscle we have and are using now.
- Alex Wilkes: Yes. So I'd say we started mid-Q4, beginning of Q1 this year, executing some -- I call them "No regrets pricing decisions." So what are the things that we can do that we have a high degree of confidence that will yield a different outcome? We get to take price on some things that are obvious, and not disrupt our consumer conversion rate.
- Luckily, that's exactly what we've done, right? So we've taken some no-regrets pricing decisions. We monitor the conversion rate, which we measure as doctor to purchase. And we have not seen any movement. So that gives us a high degree of confidence that the decisions we have made have not led to any loss in customer. And we're at a point of the elasticity curve to allow us to take more price. But that's kind of Pricing 1.0. As we think about the next iterations of price, there's going to be elements of mix. As I mentioned, we have a disproportionate number of managed care consumers visiting us with \$130 to \$150 allowance. Skewing our mix to best serve that consumer will also allow us to unlock more AUR. So pricing will be an ongoing capability. It's something we're investing in. I think historically, we've been a company reluctant to take price, reluctant to take more aggressive actions to drive ticket. We're learning that the consumer not only will accept it. In some cases, the consumer in our market actually wants it, because we are not optimizing for them if we're not, one, selling to their lifestyle or helping them maximize the benefit that they come in with.

Reade Fahs: Right. And we believe we are, because of the value we offer, able to keep our cash pay consumers. But what we're trying to build is the traffic amongst the most valuable segment. Like managed care. Go ahead.

Michael Lasser: Like managed care. So well, there's a few different angles to dive into this. Number one is you've raised the price of the core offer at America's Best. It was \$69, now it's at \$89. So you've seen some ability to move there, rightly so. Costs have gone up. So that's one area where you're flexing the muscle. Presumably, you can also -- on average, there's 1,200 frames. So within the assortment, there's probably ability to take some price. And then everyone knows, who has a pair of glasses, it's never straightforward. There's different coatings. There's different lenses. So there's probably within that the ability to take price. How are all of those levers being managed?

Alex Wilkes: You got it. I mean, look, on the frame pricing piece, we're introducing additional premium brands this year in the second half of the year. We're introducing Hugo Boss, we're introducing Brooks Brothers, we're introducing Jimmy Choo. So those things are coming into our assortment at a higher price point. So that's going to benefit AUR because we will have a greater share of our mix over that kind of magical price point of \$150. So that's occurring.

We have also retrained our teams to sell. I think historically, it's fair to say, Reade, that we had a selling culture that was, help consumers purchase from us leave feeling that they have saved as much as possible. So that was the mindset that we were teaching and training folks against. Now we're teaching them, hey, when you have a consumer in front of you, help them get what they actually need for their lifestyle, right? So if we have a customer that comes in that says, "Hey, I need a product that helps me compromise between outdoor and indoor wear." Have a conversation with them about transition lenses, which is one of the add-ons. If we have a consumer that we know spends a lot of time driving at night time, talk to them about anti-reflectives, because if we don't do that, we're doing those consumers a disservice. Because for a relatively small investment, the quality of their visual experience and the quality of their life actually is profoundly impacted. But that's a mindset shift that we are driving with our selling organization of over 12,000 people, but that we have this obligation to help people see the best and get the most out of their eyewear. That's different than helping them save the most on their purchase. But those two things will need to go together to some extent.

Reade Fahs: Again, personalization. Help training our associates to figure out which consumer they're dealing with, what the key drivers are, and selling to their needs.

Michael Lasser: How much opportunity does National Vision have with pricing? Is this the type of situation where, yes, in the past, National Vision might have driven mid-single-digit comps through traffic. But now think of the formula as more half and half, or more tilted towards pricing, a little less towards traffic?

Alex Wilkes: Yes. I mean so we guided this year at 0.5% to 3.5% comp, and I think our famous line is, at the midpoint, about half comes from traffic, half comes from ticket. That being said, we had a really nice fourth quarter and proving that we can drive 3% growth in ticket price. So your question was, is there a long-term horizon? From my perspective, the answer is absolutely yes. As we look forward to a kind of multiyear platform of things we can do to both take price, to evolve our mix, to make the right investments into our selling strategy, I think there's lots of runway for opportunities.

Michael Lasser: And the opportunity is probably also in that it gives more of an umbrella to do selective promotions from time as a call to action, as a call to the consumer to say, hey, we are here for your value, if that's what you needed. It's something that seemingly was started last year or at least moved a bit more forward last year. So can you give us a sense of how much opportunity and how far National Vision is willing to push with some of those promotional activities?

- Reade Fahs: Yes, I'll give two examples. Last year was the first year that we did a promotion on progressive. It worked really nicely.
- Michael Lasser: But lens is not the political movement. Go ahead.
- Reade Fahs: Yes. And it worked very well. And so we actually made a progressives offer part of our ongoing offer. So that sort of changed our ongoing approach. We also, although we did go from -- 2 pairs for \$69 with an eye exam included up to 2 for \$79 last year. But every now and then, we drop back down to 2 for \$69 for a short period of time. These are ways to drive traffic on a near-term basis that we also can learn from and adopt and sometimes put in our ongoing model.
- Alex Wilkes: And historically, we have been a one-message-to-many marketer. So we've had one promotional message that we would run on linear, we'd have a better kind of CRM, but everyone would get message. So if everyone in this room shopped at Americas best, you would get the same CRM message from us. That was in the past.
- Go forward, we're in the process of a big implementation with Adobe CRM, which is one of the leading CRM platforms in the world. What that will allow us to do is have a personalized message, potentially a personalized promotion, for consumers based on what they have purchased from us, based on what their history has been, based on if they're managed care or cash pay, based on if their contact lens is multifocal or single vision. So, when we have historically run promotions, they've been very, very broad at the kind of linear level. Go forward, we think the role of promotions are going to be much more personalized and much more one-to-one.
- Michael Lasser: And is that how National Vision can use this lever, this capability without becoming too dependent on it? Because once you get into that cycle, then you run the risk of becoming too reliant.
- Alex Wilkes: And it also tells you really quick what's working and what's not, right? Because with those types of capabilities, you put a promotion out on linear, it can go sideways for you very quickly. Having these types of capabilities will allow us to kind of test and learn and fine-tune what we do. And again, I think that's the path for us, is being personalized and leveraging these types of tools to get to consumers more for what they're needing and what they're asking for than necessarily what we've thought in the past.
- Michael Lasser: Got you. I want to talk about the "T word," tariffs. National Vision has dealt with tariffs in the past and navigated through it. Where does the company's exposure to tariffs and overseas sourcing stand today? How difficult is it to just simply manage through this very dynamic environment? And are you doing anything different to adjust accordingly?
- Alex Wilkes: Michael, what tariffs are you talking about? We have been talking about this for nothing for the last couple of days? No. Listen, one of the things I think National Vision has done incredibly well. Starting in 2019, the company has started to reduce, greatly, dependence on China. So less than 10% of our cost of goods are exposed to China and less than 1% to Mexico. So we've done a really, really nice job pivoting our private label supply out of China into markets that, at least, in today's world, aren't necessarily in the bull's eye of the administration. So, nice job on some mitigation strategies. We have limited exposure there. Frankly, we think that we've done, from a category perspective, a very, very nice job, and it could potentially be a competitive advantage for us.
- Michael Lasser: Does National Vision have any more or less exposure? Plus the construct of the industry is very unique in that there is one provider that supplies a very large portion of the frames, also is a competitor or distributing those frames. So if you can walk us through those dynamics as it relates to tariffs, that would also be humble.

Alex Wilkes: Be careful, I can't get into the specifics. But we have moved, like I said, the vast majority of our private-label products out of China and into other jurisdictions have not yet been in the crosshairs. We do know that the market, the broader market sources, broadly from China, Brazil and Italy. And so a fair amount of the risk that we had previously seen, we've made adjustments to our supply chain.

Michael Lasser: And how does this work? We talked a little bit about the purchase cycle at certain times being disrupted. Those are for very understandable reasons. People got a lot of money. They gotten glasses. They took a disproportionate time to replace those glasses. We're now operating, and you tell me if you see it differently, in a heightened level of consumer uncertainty. Does that same mindset persist for the consumer to say, listen, these are kind of annoying frames. I don't love them. There's something Bob -- nothing wrong with Bob Lasser's frame, but he might have still be wearing 1985.

Reade Fahs: This is, again, is why we're focusing on the managed care consumer. It's the insurance company's money. They generally have an annual benefit, so they can come back for an annual eye exam or an annual pair of glasses. So that group is very insulated from the challenges you're talking about.

Michael Lasser: Got you.

Reade Fahs: And as things get tougher economically, we expect our outside Rx business to grow as well.

Michael Lasser: Very helpful.

Alex Wilkes: One last point real quick on tariffs. And my goodness, I forgot about this, important point for us. The lenses that we produce, right, the vast majority of lenses that we produce are produced in our labs in the U.S. So if you think about the lens, the lens puck is actually the cheapest input into the end-state lens. The puck might come from overseas, but all of the value-add, the prescription that's generated, the coating, all of that stuff is done domestically, right? I just think that it's lost in conversation. We always think about frames, but the lens is an incredibly important commodity.

Michael Lasser: And are frames mostly plastics? Is there a lot of aluminum and steel?

Reade Fahs: Not to the point that it's going to matter.

Reade Fahs: Yes, so those aren't going to be a factor for us.

Michael Lasser: But not meaningful. Got you. The midpoint of the guide for this year is to achieve a 4%, operating margin, which would be some nice expansion off where it was last year. National Vision has been through this evolution, and that has translated to some up-and-down profitability that, to your point, seems like the trajectory is moving in the higher direction. What are the biggest opportunities from here to improve the profitability?

Alex Wilkes: Yes. So we did announce on the call that we took some SG&A actions in the first quarter. We took a \$12 million reduction that was equally spread across vendor spend and headcount. So for us, it was essentially a 10% reduction in corporate overhead in our home office. And that's what was baked into the guide for this year.

Go forward in the rest of the year, we are looking at other opportunities throughout our P&L. In particular, we think there could be more opportunity in SG&A. We think there could be more opportunity in some of our vendor contracts. We have a consulting partner that's helping us understand where those opportunities might be. None of that has been baked into the guidance,

and we think that would be upside to where we land. But again, it's kind of too early to call, but we're taking a more aggressive stance at understanding where those opportunities might be.

Michael Lasser: And it would seem like, at the risk of putting words in your mouths, like the biggest opportunity is you drive sales growth and you will generate some leverage in the model. With that being said, in the past, if National Vision's model was highly driven by traffic, which means you have to add a little bit more labor and other considerations to keep up with that demand, is this more of a model that's balanced between traffic and ticket? Could there be a bit more leverage embedded in the model? And how would you treat that?

Alex Wilkes: Flow-through is higher on ticket than it is on traffic, if you decompose comps so that's absolutely in our thought process. And certainly, we've historically said, if we deliver mid-single-digit comps, we deliver mid-single-digit operating income [margin] ~~expansion~~, with some of the resets that we've taken on SG&A, and as we're thinking about the business, we actually think that our lever point is now a bit lower than what it has been historically.

Michael Lasser: Got you. Where I want to bring our conversation to full circle is you've talked about some of the changes that have been made, you're now casting a wider net for your audience of consumers. There's more opportunity for personalization, segmentation. Does this require significant investment? That it all sounds so alluring, the question that folks are going to ask, potential shareholders, is, what's the catch?

Alex Wilkes: Okay. So Reade and I, I think, will take this one together. I think we've historically been an investor in our store fleet. We've been historically a grower of 65 to 75 units per year. We've said to the market, look, we're going to slow that down for '25 with an aspiration to return to those levels, once we have made the investments in the business that we need to make, once we have made the investments in freshening our CRM, once we've made the investment in refreshing our e-comm stack, making some of these investments in the core capabilities of the business that don't just touch a handful of consumers that might visit our new stores, but actually touch the entirety of our addressable market.

Again, there's 3.5 million customers that book their eye exams on americasbest.com. Making an investment into that capability so that we are having a better communication cadence with them, so that we're serving them with better content, so that they have a more joyful experience when they visit us online, we think that's a good return on capital and an investment that we need to make during this time period. So, we're still investing in this business, but we're taking a moment to say, look, there's things we need to do to make investments into the base business that benefits the entirety of our network.

Reade Fahs: Yes. You said it, optimize the current store experience and then get back to building stores. We've said there's a lot more white space. There's another 1,000 stores we think American needs to have from America's Best. We just want to optimize the experience and what we're doing now and then expand from there.

Michael Lasser: Got you. My last question, then I'll turn over to you, is the story sounds really elegant. How should shareholders think about the progression of the progress? Is it going to be every quarter that there's a little bit more as you redirect the staff to say, "Let's make sure that we're tailoring our message to either a managed care pay customer or a more value customer?" What is a reasonable way for us as outsiders to think about the accountability?

Alex Wilkes: I mean, I love Reade's statement, which is we have outlined to the market what our strategy is. We've outlined what our aspiration is, to digitize the experience, to be more personalized, to be more segmented. And we're doing this because we have a right to win. I'd say, measure us against

those aspirations. We've now declared what we are doing. We have a crystal-clear vision of how to attack it. Measure us against the declarations that we made on our Q1 call.

Reade Fahs: And there are several layers of this that are going to roll out over time. We began putting the first ones in the market in mid-Q4, but it's going to go on from there.

Michael Lasser: What are the next iterations?

Alex Wilkes: Yes. So the expanded assortment is coming in the back half of the year. We're turning Adobe CRM on in Q2. So we're going to have the first journeys, we call them journeys, where we reintroduce these kind of segmented messages to different consumers who have lapped. So that's going to be in Q2, fully live in Q4. Our Adobe e-commerce platform, we're shooting for the end of the year. So again, that's a difference in how consumers will expect to visit us online. Later this year, we're arming our sales associates with in-store technology that will help them articulate the benefit of multifocal lenses, transition lenses, make it easier for the consumer to understand the value that those things bring to their lives versus just trying to explain it verbally. We are working on technology that will help our sales team demystify the insurance plans of the consumers that come in front of them, right?

Our selling teams -- not every managed vision care plan is built the same. There's thousands and thousands of different plans. So, we're investing in a technology that will help our team members know, when Michael comes in, here's specifically what's in his formulary, so we can have a guided conversation. That's the capability we also expect to have live end of year. So all of these things, as you can probably tell, are intended to drive in-store satisfaction, conversion, help our AUR, and then ultimately create a better experience that have consumers inspired to come visit us in the future.

Michael Lasser: At the risk of regretting this, I told Reade he could have a minute at the end.

Reade Fahs: I have 1 minute, okay? I'm going to do it.

I hope you're taking away from this that our doctor capacity piece is under control, which it was not in 2023 and 2024. And that this next stage of our transformation is about heightened segmentation, personalization, and digitization, in our marketing, in our product architecture and pricing architecture and in our customer experience, both in-store and online. And we're doing this against the segments of managed care, progressive and outside Rx consumers who we have shown that we can attract, even without talking to them, that we can grow nicely and where we are underdeveloped and where we are, in many ways, insulated against the crazy economy that we are in.

This is going to allow us to expand our addressable market while keeping our current customer. We're doing this in partnership with Adobe, Accenture and VML. We're keeping our costs in line, keeping our SG&A under control with the actions we've taken. And Q4 and the start of this year are proof that we are going down the right road.

That's what we're doing, and we feel really good about the path we're on now. And you have to stay for 10 more seconds while I thank UBS, who just gave a 6-figure donation to one of our philanthropic partners. And because of UBS, 50,000 people making under \$4 a day in sub-Saharan Africa will be able to see again.

Michael Lasser: Thank you.

Reade Fahs: Okay. Take care. Thank you all very much. If anyone buys a stock, come on up, I'll give you socks. All right? All right.

Michael Lasser: Thank you.