



# Q3 2022 Financial Results

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November 10, 2022



# 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 2022 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, including the impact of such behavior on in-store traffic and sales; overall decline in the health of the economy and other factors impacting consumer spending, including inflation, rising interest rates, and geopolitical instability; our ability to open and operate new stores in a timely and cost-effective manner, or keep stores safely open in light of the continuing COVID-19 pandemic, and to successfully enter new markets; 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; the impact of wage rate increases, inflation, cost increases and increases in raw material prices and energy prices; our growth strategy straining our existing resources and causing the performance of our existing stores to suffer; our ability to successfully and efficiently 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; 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; risks associated with environmental, social and governance issues, including climate change; 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, 2022, and subsequently filed reports, which are accessible on the SEC’s website at [www.sec.gov](http://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 2022, which is available at [www.nationalvision.com/investors](http://www.nationalvision.com/investors), together with this presentation.

# Agenda

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## Topic

## Presenter

Third Quarter 2022 Highlights

Reade Fahs, CEO

Third Quarter 2022 Financial Update

Patrick Moore, COO/CFO

Melissa Rasmussen, CFO-Elect

Moment of Mission

Reade Fahs, CEO

Q&A



**Reade Fahs**  
CEO



**Patrick Moore**  
COO / CFO



**Melissa Rasmussen**  
CFO-Elect

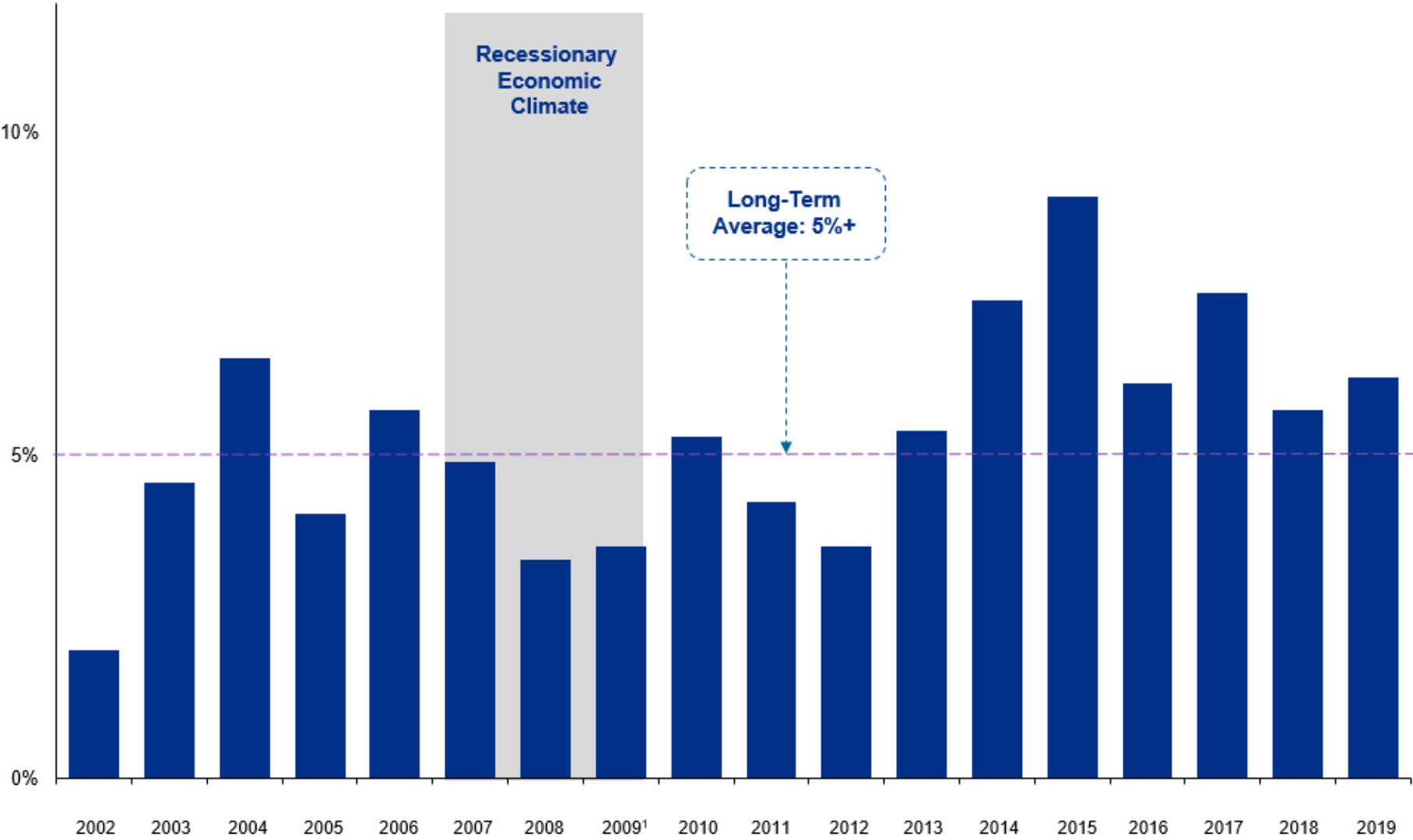
# Q3 Highlights

	Amount	Change vs Q3 2021	Change vs Q3 2019
<b>Net Revenue</b>	\$499.2 million	(3.6)%	+ 15.6%
<b>Adjusted Operating Income<sup>1</sup></b>	\$21.5 million	(60.8)%	(17.7)%
<b>Adjusted Diluted EPS<sup>1</sup></b>	\$0.15	(59.8)%	(6.1)%

- Q3 factors:
  - Macro headwinds, constraints to exam capacity
- Adjusted Comparable Store Sales Growth<sup>1</sup>: (8.1)% (compared to +0.2% in Q3 21)
  - Hurricane Ian impact: ~(40 bps)
- Opened 18 new stores and ended the quarter with 1,332 stores
  - Opened record 7 Eyeglass World stores
- Remote medicine currently enabled in ~300 stores
- Cash balance of \$256 million
- Signed amendment that extends current lens supply agreement with EssilorLuxottica for three years
- Released 2021 Sustainability report (October)

<sup>1</sup>-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of total comparable store sales growth of (8.0)% in 2022 and 3.4% in 2021; net income of \$11.5 million in 2022, \$41.0 million in 2021 and \$1.2 million in 2019; and diluted EPS of \$0.15 in 2022, \$0.45 in 2021 and \$0.01 in 2019.

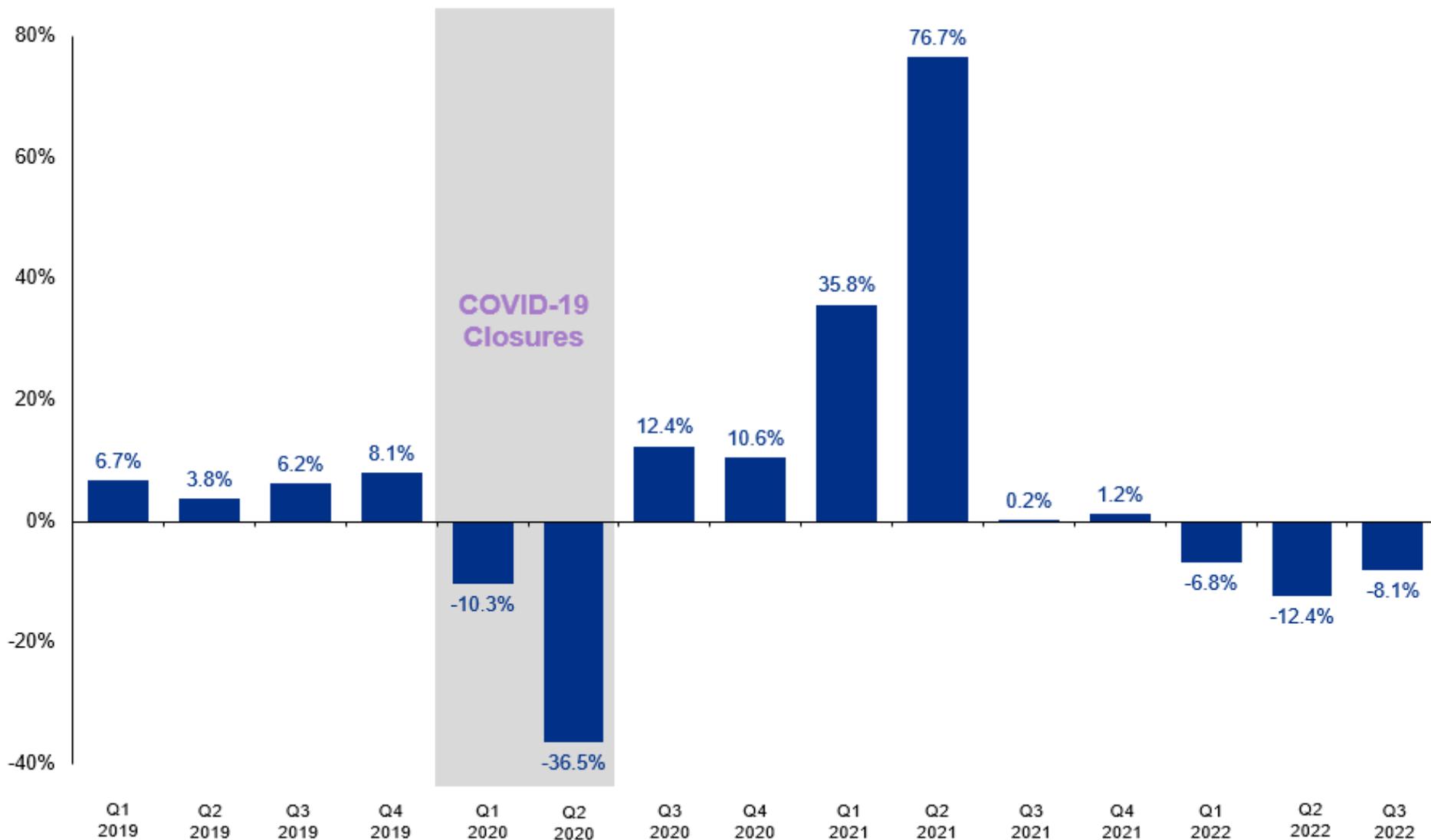
# Long History of Consistent Comparable Store Sales Growth ('02 - '19)



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.

# COVID Disrupted the Optical Purchase Cycle

## Adjusted Comparable Store Sales Growth<sup>1</sup>



1 - Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure of total comparable store sales growth of 6.2% for Q1 2019, 4.4% for Q2 2019, 5.7% for Q3 2019, 10.1% for Q4 2019, (2.9)% for Q1 2020, (44.7)% for Q2 2020, 11.6% for Q3 2020, 14.3% for Q4 2020, 18.2% for Q1 2021, 99.1% for Q2 2021, 3.4% for Q3 2021, 1.7% for Q4 2021, (4.9)% for Q1 2022 (11.0)% for Q2 2022 and (8.0)% for Q3 2022.

# We Have Multiple Drivers to Continue Our Growth

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**Grow Store Base Across Our Owned Brands**



**Continue to Drive Comparable Store Sales Growth**



**Improve Operating Productivity**



**Leverage Technology**



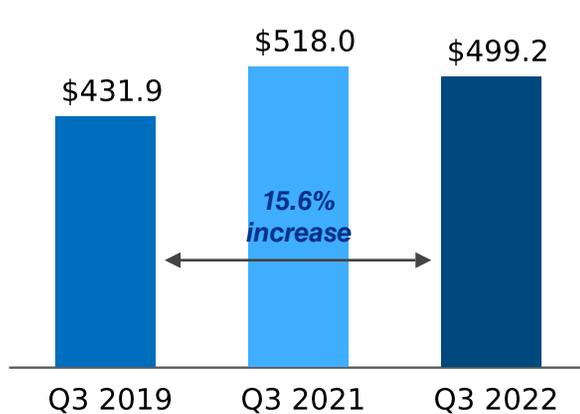


# Third Quarter 2022 Financial Update

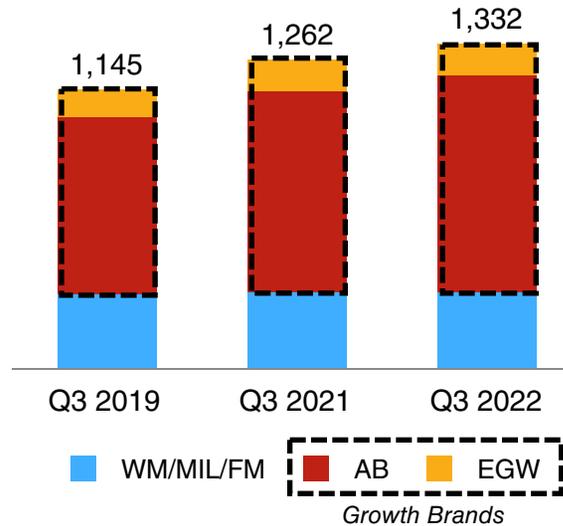


# Revenue Drivers

## Net Revenue (\$M)



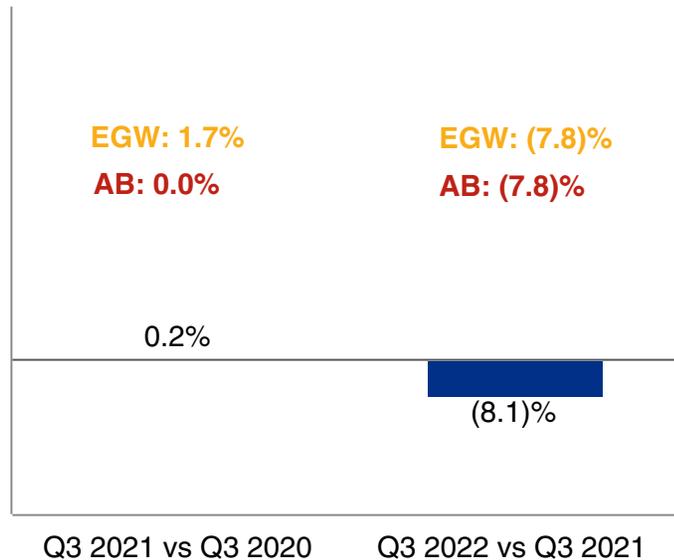
## Total Store Count



## Commentary

- Net revenue decreased 3.6% over Q3 2021 primarily due to:
  - Impact from macro-economic headwinds and constraints to exam capacity, as well as Hurricane Ian
  - Net revenue was negatively impacted by timing of unearned revenue by (0.4)%
- 5.5% increase in store count over Q3 2021
  - Opened 11 AB and 7 EGW stores
- 7.4% increase in store count at growth brands over Q3 2021

## Adjusted Comparable Store Sales Growth<sup>1</sup>



## Commentary

- Adjusted Comparable Store Sales Growth<sup>1</sup> of (8.1)% below Q3 2021
  - Impact from macro-economic headwinds and constraints to exam capacity
  - Hurricane Ian impact of ~ (40 bps)
- Comps driven by a decrease in transactions
- Average ticket was flat and has generally stabilized

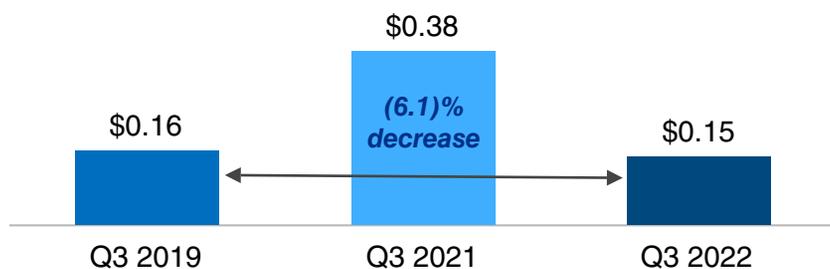
<sup>1</sup>-Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure Q3 2022 total comparable store sales growth over 2021 of (8.0)%; Q3 2021 total comparable store sales growth over 2020 of 3.4%.

# Q3 2022 Results

## Adjusted Operating Income<sup>1</sup> (\$M)



## Adjusted Diluted EPS<sup>1</sup>



## Commentary

- Costs applicable to revenue as a percentage of net revenue increased 290 bps to 46.6% compared to the third quarter of 2021 primarily due to:
  - Deleveraging of optometrist-related costs, reduced eyeglass mix, and lower eyeglass margin
- Adjusted SG&A Percent of Net Revenue<sup>1</sup> increased 320 bps to 44.5% compared to the third quarter of 2021 primarily due to:
  - Deleveraging of payroll, corporate overhead and occupancy expense, partially offset by lower advertising
- Adjusted Operating Income<sup>1</sup> decreased 60.8% to \$21.5 million compared to the third quarter of 2021. Adjusted Operating Margin<sup>1</sup> decreased 630 basis points to 4.3% compared to the third quarter of 2021 due to the factors noted above.
- Adjusted Diluted EPS<sup>1</sup> decreased 59.8% to \$0.15 compared to the third quarter of 2021

1-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of SG&A percent of net revenue of, 42.1% for Q3 2021 and 45.1% for Q3 2022, net income of \$1.2 million for Q3 2019, net income of \$41.0 million for Q3 2021 and net income of \$11.5 million for Q3 2022, operating margin of 0.3% for Q3 2019, 7.9% for Q3 2021 and 2.3% for Q3 2022, and diluted EPS of \$0.01 for Q3 2019, \$0.45 for Q3 2021 and \$0.15 for Q3 2022.



# Q3 2022 Year-to-Date Results

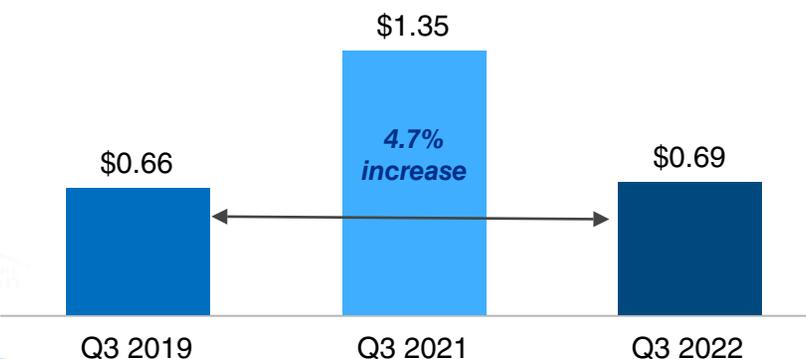
## Net Revenue (\$M)



## Adjusted Operating Income<sup>1</sup> (\$M)



## Adjusted Diluted EPS<sup>1</sup>



## Commentary

- Net revenue decreased 4.1% compared to the same period in 2021 primarily due to:
  - Impact from macro-economic headwinds, constraints to exam capacity, and Omicron surge
  - The impact from timing of unearned revenue on net revenue and profitability was immaterial
- Costs applicable to revenue as a percentage of net revenue increased 290 bps to 45.8% compared to the same period in 2021 primarily due to:
  - Deleveraging of optometrist-related costs, reduced eyeglass mix, and lower eyeglass margin
- Adjusted SG&A Percent of Net Revenue<sup>1</sup> increased 230 bps to 43.5% compared to the same period in 2021 primarily due to:
  - Deleveraging of store payroll, corporate overhead and occupancy expense, partially offset by lower performance-based incentive compensation and lower advertising expense
- Adjusted Operating Income<sup>1</sup> decreased 49.7% to \$94.5 million compared to the same period in 2021. Adjusted Operating Margin<sup>1</sup> decreased 550 basis points to 6.2% compared to the same period in 2021 due to factors noted above and D&A growth
- Adjusted Diluted EPS<sup>1</sup> decreased 49.1% to \$0.69 compared to the same period in 2021

<sup>1</sup>-Non-GAAP financial measures; see Appendix for reconciliation to GAAP financial measures of SG&A percent of net revenue of, 42.2% for Q3 2021 YTD and 44.3% for Q3 2022 YTD, net income of \$28.9 million for Q3 2019 YTD, net income of \$122.0 million for Q3 2021 YTD and net income of \$51.4 million for Q3 2022 YTD, operating margin of 2.2% for Q3 2019 YTD, 7.6% for Q3 2021 YTD and 3.3% for Q3 2022 YTD and diluted EPS of \$0.35 for Q3 2019 YTD, \$1.34 for Q3 2021 YTD and \$0.63 for Q3 2022 YTD.



# Capital Structure and Cash Flow Highlights

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- Significant liquidity with historically low leverage ratio
  - \$550M of liquidity at end of Q3, including a cash balance of \$256M
  - Net debt to TTM Adjusted EBITDA<sup>1</sup>: 1.5x
  - No borrowings outstanding under our revolving credit facility
  - No debt maturities until 2024
- Floating rate debt more than fully hedged
  - Interest rate collar: Caps exposure to LIBOR at 1.8%
  - \$0.4M in cash flow generated in Q3 from collar
- Share repurchase
  - No repurchases in Q3
  - \$50M remaining under current share repurchase authorization
- Capital expenditures
  - \$86M YTD primarily focused on store growth as well as investments in remote medicine and information technology

1-Non-GAAP financial measure; see Appendix for reconciliation to GAAP financial measure of TTM net income of \$57.6 million  
See Appendix for additional Capital Structure and Cash Flow detail.

# 2022 Considerations

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- Assumes no material deterioration to the Company's business due to dynamic market conditions
- Wider ranges reflect scenarios for consumer demand amidst forecasting uncertainty

## Fiscal 2022

- **Costs applicable to revenue<sup>1</sup>**: +290-300 basis points
  - Deleveraging of fixed costs
  - Assumes benefit of pricing actions and stable average ticket
- **Adjusted SG&A<sup>1,2</sup>**: +195-205 basis points
  - Deleveraging of fixed costs; Wage investments
  - Includes alignment of costs with lower revenues
  - Advertising: Expect to slightly leverage as % of net revenue

## Fourth Quarter 2022

- **Adjusted Comparable Store Sales Growth<sup>2</sup>**: Negative low to mid single digits
- **Adjusted Operating Income<sup>2</sup>**: Slightly negative
  - Unearned revenue timing: (\$10-\$11) million
  - Wage investments: ~(\$2) million

1 - Expressed as a percentage of net revenue

2 - Non-GAAP measure



# Fiscal 2022 Outlook

## Current Fiscal 2022 Outlook      Prior Fiscal 2022 Outlook

New Stores	At least 80	At least 80
Adjusted Comparable Store Sales Growth	(8%) - (6.5%)	(8%) - (6.5%)
Net Revenue	\$1.99 - \$2.02 billion	\$1.99 - \$2.02 billion
Adjusted Operating Income	\$85 - \$100 million	\$85 - \$100 million
Adjusted Diluted EPS <sup>1</sup>	\$0.65 - \$0.77	\$0.65 - \$0.77
Depreciation and Amortization <sup>2</sup>	\$102 - \$103 million	~\$103 million
Interest <sup>3</sup>	\$14 - \$15 million	~\$17 - \$18 million
Tax Rate <sup>4</sup>	26% - 27%	26% - 27%
Capital Expenditures	\$110 - \$115 million	\$110 - \$115 million

1 - Assumes 80.1 million shares, and does not include 12.9 million shares attributable to the 2025 Notes as they are anticipated to be anti-dilutive to earnings per share for fiscal year 2022

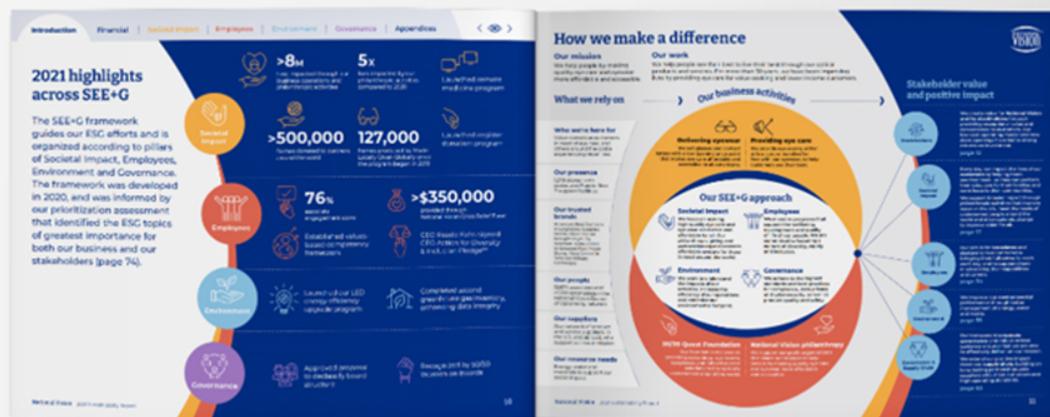
2 - Includes amortization of acquisition intangibles of approximately \$7.5 million, which is excluded in the definition of Adjusted Operating Income

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

4 - Excluding the impact of stock option exercises

# Moment of Mission

## 2021 Sustainability Report: "A World Worth Seeing"



Check out our Sustainability Report:  
[2021 Sustainability Report](#)

## MSCI ESG rating raised to AA: Considered a leader in our industry





# Q&A

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# Appendix



# Q3 2022 Consolidated Financial Results (Unaudited)

Dollars and shares in thousands, except Earnings Per Share	Three Months Ended			Nine Months Ended		
	October 1, 2022	October 2, 2021	September 28, 2019	October 1, 2022	October 2, 2021	September 28, 2019
<b>Revenue:</b>						
Net product sales	\$ 410,701	\$ 425,594	\$ 355,789	\$ 1,265,554	\$ 1,326,867	\$ 1,096,482
Net sales of services and plans	88,506	92,411	76,113	270,919	274,807	226,086
Total net revenue	499,207	518,005	431,902	1,536,473	1,601,674	1,322,568
<b>Costs applicable to revenue (exclusive of depreciation and amortization):</b>						
Products	160,645	158,371	144,518	488,225	485,090	444,177
Services and plans	72,155	68,087	59,984	215,179	202,004	174,801
Total costs applicable to revenue	232,800	226,458	204,502	703,404	687,094	618,978
<b>Operating expenses:</b>						
Selling, general and administrative expenses	225,028	218,214	190,290	681,411	676,042	566,444
Depreciation and amortization	24,852	25,059	22,336	75,248	72,639	63,570
Asset impairment	1,263	—	3,516	5,178	1,478	7,387
Other expense (income), net	(95)	(2,437)	146	170	(2,567)	975
Total operating expenses	251,048	240,836	216,288	762,007	747,592	638,376
Income from operations	15,359	50,711	11,112	71,062	166,988	65,214
Interest expense (income), net	(1,977)	5,743	7,873	(2,158)	22,261	25,902
Loss on extinguishment of debt	—	—	9,786	—	—	9,786
Earnings (loss) before income taxes	17,336	44,968	(6,547)	73,220	144,727	29,526
Income tax provision (benefit)	5,834	3,976	(7,739)	21,837	22,702	647
Net income	\$ 11,502	\$ 40,992	\$ 1,192	\$ 51,383	\$ 122,025	\$ 28,879
Earnings per share - basic	\$ 0.15	\$ 0.50	\$ 0.02	\$ 0.64	\$ 1.49	\$ 0.37
Earnings per share - diluted	\$ 0.15	\$ 0.45	\$ 0.01	\$ 0.63	\$ 1.34	\$ 0.35
Weighted average shares outstanding - basic	78,910	82,290	78,474	80,133	81,729	78,387
Weighted average shares outstanding - diluted	79,304	96,508	81,561	93,477	96,193	81,510

The 2025 Notes were antidilutive for the three months ended October 1, 2022 and, therefore, excluded from the computation of the weighted average shares for diluted EPS

# Capital Structure and Cash Flow

<b><u>Q3 2022 Capital Structure (\$M)</u></b>	<b>Debt Amount</b>	<b>Less: Deferred Financing Costs</b>	<b>Amounts per Balance Sheet</b>	<b>% of Total</b>	<b>Coupon</b>	<b>Maturity</b>
First Lien - Term Loan	\$ 150.0	\$ (0.7)	\$ 149.3	26 %	L + 125	7/18/2024
First Lien - Revolving Credit Facility <sup>1</sup>	—	—	—	— %	L + 125	7/18/2024
Convertible senior notes	402.5	(6.3)	396.2	70 %	2.50 %	5/15/2025
Other debt <sup>2</sup>	22.6	—	22.6	4 %		
<b>Total debt</b>	<b>\$ 575.1</b>	<b>\$ (7.0)</b>	<b>\$ 568.2</b>	<b>100 %</b>		
Cash and cash equivalents			256.2			
<b>Net debt</b>			<b>\$ 311.9</b>			

## **Cash Flow (\$M)**

	<b>Nine Months Ended</b>		
	<b>October 1, 2022</b>	<b>October 2, 2021</b>	<b>September 28, 2019</b>
Net cash provided by operating activities	\$ 121.3	\$ 233.8	\$ 170.9
Net cash used for investing activities	(86.1)	(56.4)	(75.9)
Net cash used for financing activities	(84.6)	(112.1)	(17.7)
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>\$ (49.4)</b>	<b>\$ 65.3</b>	<b>\$ 77.3</b>

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



# Reconciliation of Adjusted Comparable Stores Sales Growth (Unaudited)

	Comparable store sales growth <sup>(a)</sup>				
	Three Months Ended October 1, 2022	Three Months Ended October 2, 2021	Nine Months Ended October 1, 2022	Nine Months Ended October 2, 2021	2022 Outlook <sup>(b)</sup>
<b>Owned &amp; Host segment</b>					
America's Best	(7.8)%	0.0 %	(9.4)%	31.8 %	
Eyeglass World	(7.8)%	1.7 %	(7.7)%	33.9 %	
Military	(6.3)%	(0.6)%	(5.5)%	22.6 %	
Fred Meyer	(7.6)%	(1.6)%	(5.4)%	21.2 %	
<b>Legacy segment</b>					
	(10.7)%	0.0 %	(9.3)%	25.5 %	
Total comparable store sales growth	(8.0)%	3.4 %	(8.0)%	30.3 %	(7%) - (5.5%)
Adjusted Comparable Store Sales Growth <sup>(b)</sup>	(8.1)%	0.2 %	(9.1)%	31.1 %	(8%) - (6.5%)

	2019				2020				2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total comparable store sales growth	6.2 %	4.4 %	5.7 %	10.1 %	(2.9)%	(44.7)%	11.6 %	14.3 %	18.2 %	99.1 %	3.4 %	1.7 %	(4.9)%	(11.0)%	(8.0)%
Adjustments for effects of: <sup>(b)</sup>															
Unearned & deferred revenue	0.8 %	(0.4)%	0.6 %	(1.9)%	(7.5)%	8.1 %	0.9 %	(3.3)%	13.8 %	(21.6)%	(3.0)%	(0.6)%	(1.8)%	(1.2)%	— %
Retail sales to Legacy partner's customers	(0.3)%	(0.2)%	(0.1)%	(0.1)%	0.1 %	0.1 %	(0.1)%	(0.4)%	3.8 %	(0.8)%	(0.2)%	0.1 %	(0.1)%	(0.2)%	(0.1)%
Adjusted Comparable Store Sales Growth	6.7 %	3.8 %	6.2 %	8.1 %	(10.3)%	(36.5)%	12.4 %	10.6 %	35.8 %	76.7 %	0.2 %	1.2 %	(6.8)%	(12.4)%	(8.1)%

Note: Q4 2021 and Q4 2019 include 13 weeks. Q4 2020 includes 14 weeks.

- (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 1, 2022, with the exception of the Legacy segment, which is adjusted as noted in clause (b) (ii) below.
- (b) There are two differences between total comparable store sales growth based on consolidated net revenue and Adjusted Comparable Store Sales Growth: (i) Adjusted Comparable Store Sales Growth includes the effect of deferred and unearned revenue as if such revenues were earned at the point of sale, resulting in the changes from total comparable store sales growth based on consolidated net revenue as shown in the table above; and a decrease of 1.0% and an increase of 0.9% for the nine months ended October 1, 2022 and October 2, 2021, 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 changes from total comparable store sales growth based on consolidated net revenue as shown in the table above, and a decrease of 0.1% and a decrease of 0.1% for the nine months ended October 1, 2022 and October 2, 2021, respectively; (iii) with respect to the Company's 2022 Outlook, Adjusted Comparable Store Sales Growth includes an estimated 1.0% impact for the effect of deferred and unearned revenue as if such revenues were earned at the point of sale and retail sales to the Legacy partner's customers (rather than the revenues recognized consistent with the management & services agreement).

# Reconciliation of Adjusted Operating Income to Net Income (Unaudited)

	Three Months Ended			Nine Months Ended		
	October 1, 2022	October 2, 2021	September 28, 2019	October 1, 2022	October 2, 2021	September 28, 2019
<i>Dollars in thousands</i>						
<b>Net income</b>	\$ 11,502	\$ 40,992	\$ 1,192	\$ 51,383	\$ 122,025	\$ 28,879
Interest expense (income)	(1,977)	5,743	7,873	(2,158)	22,261	25,902
Income tax provision (benefit)	5,834	3,976	(7,739)	21,837	22,702	647
Stock compensation expense <sup>(a)</sup>	3,168	3,665	6,123	10,540	13,866	10,840
Loss on extinguishment of debt <sup>(b)</sup>	—	—	9,786	—	—	9,786
Asset impairment <sup>(c)</sup>	1,263	—	3,516	5,178	1,478	7,387
Secondary offering expenses <sup>(e)</sup>	—	—	401	—	—	406
Management realignment expenses <sup>(f)</sup>	—	—	—	—	—	2,155
Long-term incentive plan <sup>(g)</sup>	—	—	1,108	—	—	1,830
Amortization of acquisition intangibles <sup>(h)</sup>	1,872	1,872	1,851	5,616	5,616	5,553
Other <sup>(k)</sup>	(199)	(1,512)	1,956	2,151	37	4,423
<b>Adjusted Operating Income</b>	<u>\$ 21,463</u>	<u>\$ 54,736</u>	<u>\$ 26,067</u>	<u>\$ 94,547</u>	<u>\$ 187,985</u>	<u>\$ 97,808</u>
<b>Net income margin</b>	2.3 %	7.9 %	0.3 %	3.3 %	7.6 %	2.2 %
<b>Adjusted Operating Margin</b>	4.3 %	10.6 %	6.0 %	6.2 %	11.7 %	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 1, 2022
	October 1, 2022	October 2, 2021	September 28, 2019	October 1, 2022	October 2, 2021	September 28, 2019	
<i>Dollars in thousands</i>							
<b>Net income</b>	\$ 11,502	\$ 40,992	\$ 1,192	\$ 51,383	\$ 122,025	\$ 28,879	\$ 57,602
Interest expense (income)	(1,977)	5,743	7,873	(2,158)	22,261	25,902	1,193
Income tax provision (benefit)	5,834	3,976	(7,739)	21,837	22,702	647	20,216
Depreciation and amortization	24,852	25,059	22,336	75,248	72,639	63,570	99,698
<b>EBITDA</b>	40,211	75,770	23,662	146,310	239,627	118,998	178,709
Stock compensation expense <sup>(a)</sup>	3,168	3,665	6,123	10,540	13,866	10,840	11,560
Loss on extinguishment of debt <sup>(b)</sup>	—	—	9,786	—	—	9,786	—
Asset impairment <sup>(c)</sup>	1,263	—	3,516	5,178	1,478	7,387	8,127
Litigation settlement <sup>(d)</sup>	—	—	—	—	—	—	1,500
Secondary offering expenses <sup>(e)</sup>	—	—	401	—	—	406	—
Management realignment expenses <sup>(f)</sup>	—	—	—	—	—	2,155	—
Long-term incentive plan <sup>(g)</sup>	—	—	1,108	—	—	1,830	—
Other <sup>(k)</sup>	(199)	(1,512)	1,956	2,151	37	4,423	3,625
<b>Adjusted EBITDA</b>	<u>\$ 44,443</u>	<u>\$ 77,923</u>	<u>\$ 46,552</u>	<u>\$ 164,179</u>	<u>\$ 255,008</u>	<u>\$ 155,825</u>	<u>\$ 203,521</u>
<b>Net income margin</b>	2.3 %	7.9 %	0.3 %	3.3 %	7.6 %	2.2 %	
<b>Adjusted EBITDA Margin</b>	8.9 %	15.0 %	10.8 %	10.7 %	15.9 %	11.8 %	
<b>Net debt/Net income</b>							5.4x
<b>Net debt/Adjusted EBITDA</b>							1.5x

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

# Reconciliation of Adjusted Diluted EPS to Diluted EPS (Unaudited)

Shares in thousands	Three Months Ended			Nine Months Ended		
	October 1, 2022	October 2, 2021	September 28, 2019	October 1, 2022	October 2, 2021	September 28, 2019
<b>Diluted EPS</b>	\$ 0.15	\$ 0.45	\$ 0.01	\$ 0.63	\$ 1.34	\$ 0.35
Stock compensation expense <sup>(a)</sup>	0.04	0.04	0.08	0.11	0.14	0.13
Loss on extinguishment of debt <sup>(b)</sup>	—	—	0.12	—	—	0.12
Asset impairment <sup>(c)</sup>	0.02	—	0.04	0.06	0.02	0.09
Secondary offering expenses <sup>(e)</sup>	—	—	0.00	—	—	0.00
Management realignment expenses <sup>(f)</sup>	—	—	—	—	—	0.03
Long-term incentive plan <sup>(g)</sup>	—	—	0.01	—	—	0.02
Amortization of acquisition intangibles <sup>(h)</sup>	0.02	0.02	0.02	0.06	0.06	0.07
Amortization of debt discount and deferred financing costs <sup>(i)</sup>	0.01	0.00	0.00	0.01	0.02	0.01
Losses (gains) on change in fair value of derivatives <sup>(j)</sup>	(0.08)	(0.01)	—	(0.18)	0.00	—
Other <sup>(o)</sup>	0.00	(0.02)	0.02	0.02	(0.02)	0.05
Tax benefit of stock option exercises <sup>(l)</sup>	0.00	(0.09)	(0.08)	0.00	(0.14)	(0.09)
Tax effect of total adjustments <sup>(m)</sup>	0.00	(0.01)	(0.08)	(0.02)	(0.06)	(0.14)
<b>Adjusted Diluted EPS</b>	<b>\$ 0.15</b>	<b>\$ 0.38</b>	<b>\$ 0.16</b>	<b>\$ 0.69</b>	<b>\$ 1.35</b>	<b>\$ 0.66</b>
<b>Weighted average diluted shares outstanding</b>	<b>79,304</b>	<b>96,508</b>	<b>81,561</b>	<b>93,477</b>	<b>96,193</b>	<b>81,510</b>

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)

<i>Dollars in thousands</i>	Three Months Ended			Nine Months Ended		
	October 1, 2022	October 2, 2021	September 28, 2019	October 1, 2022	October 2, 2021	September 28, 2019
<b>SG&amp;A</b>	\$ 225,028	\$ 218,214	\$ 190,290	\$ 681,411	\$ 676,042	\$ 566,444
Stock compensation expense <sup>(a)</sup>	3,168	3,665	6,123	10,540	13,866	10,840
Secondary offering expenses <sup>(e)</sup>	—	—	401	—	—	406
Management realignment expenses <sup>(f)</sup>	—	—	—	—	—	2,155
Long-term incentive plan <sup>(g)</sup>	—	—	1,108	—	—	1,830
Other <sup>(n)</sup>	(199)	843	1,727	1,896	2,484	3,187
<b>Adjusted SG&amp;A</b>	<u>\$ 222,059</u>	<u>\$ 213,706</u>	<u>\$ 180,931</u>	<u>\$ 668,975</u>	<u>\$ 659,692</u>	<u>\$ 548,026</u>
<b>SG&amp;A Percent of Net Revenue</b>	45.1 %	42.1 %	44.1 %	44.3 %	42.2 %	42.8 %
<b>Adjusted SG&amp;A Percent of Net Revenue</b>	44.5 %	41.3 %	41.9 %	43.5 %	41.2 %	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 certain litigation.
- (e) Expenses related to our secondary public offerings.
- (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 associates 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 deferred financing costs related to the 2025 Notes only when adjustment for these costs is not required in the calculation of diluted earnings per share under U.S. GAAP.
- (j) Reflects losses (gains) recognized in interest expense (income), net 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), which are primarily related to excess payroll taxes on stock option exercises, executive severance and relocation and other expenses and adjustments, including our share of losses (gains) on equity method investments and other investments.
- (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 losses (gains) 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 losses on other investments of \$0.3 million for the nine months ended October 1, 2022, and other immaterial adjustments in 2021.
- (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, and \$0.1 million debt issuance costs for the nine months ended October 2, 2021.

# Adjusted Comparable Store Sales Growth Primer

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## 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 27)
- 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

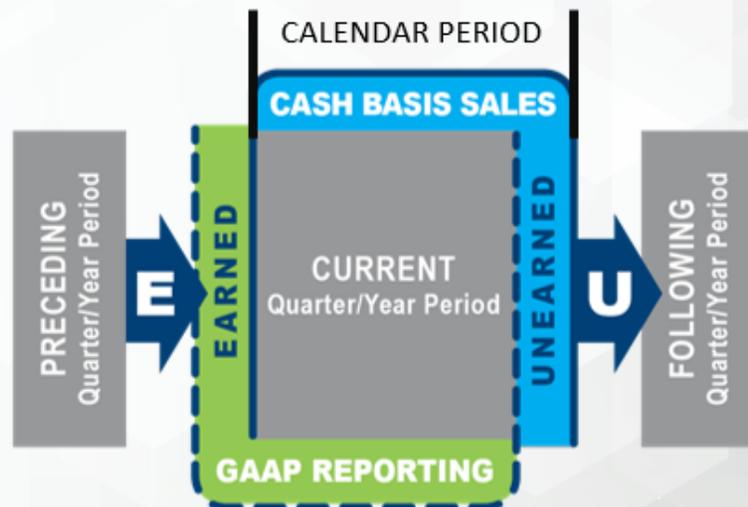
- Company provides total comparable store sales growth measured on GAAP revenue
- Adjusted measure has been lower than or equal to GAAP measure in 16 of last 21 quarters due to unearned revenue
- Total comparable store sales growth based on GAAP revenue was not calculated prior to 2017 IPO

# 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:
 

<b>Q1</b> negative (E<U)	<b>Q2</b> positive (E>U)
<b>Q3</b> pos./neg. (E><U)	<b>Q4</b> 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”***



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