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National Vision Holdings, Inc. (EYE)

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CORPORATE PARTICIPANTS

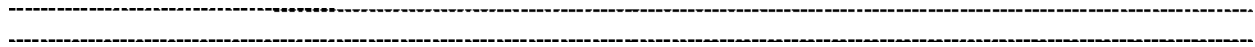
Alex Wilkes – Chief Executive Officer, National Vision Holdings, Inc.

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



OTHER PARTICIPANTS

Simeon Gutman – Analyst, Morgan Stanley & Co. LLC



MANAGEMENT DISCUSSION SECTION

Simeon Gutman, Morgan Stanley & Co, LLC

Hi, everyone. I'm Simeon Gutman, Morgan Stanley's hardlines, broadlines and food retail analyst. It is my pleasure to welcome back National Vision to this conference, represented by Alex Wilkes, CEO; and Chris Laden, CFO.

I'm going to read disclosures, make a quick intro, ask the first question and sit down. For important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

I'll make a fun intro because AI has stolen a lot of thunder away from the retail industry. We're looking for change stories – step change stories. And here's one in National Vision with a story of innovation, price point, customer and wholesale change. And it's an exciting moment for this company. Under Alex's leadership, we've maybe seen Phase 1. We'll talk about what phase we're in and more to go. So, it's an exciting story. We've been multi-rated on this stock; at the moment, equal weight, regrettably missing the last moment of inflection and hoping to catch the next one.

So, the first question for you, Alex, is that, since joining National Vision in 2024 and recently becoming CEO in August, what's your assessment of the business? And what changes have you observed or made actually since you first joined? And what are the biggest opportunities for growth?

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

Great. Thanks so much. And Simeon, thank you for hosting us here. So, I joined National Vision summer of 2024 and I came in lucky enough with a bit of inside baseball knowledge of the company. I spent 12 years at EssilorLuxottica in different positions. I worked in strategy for a bit and then spent six years running Pearle Vision. So, I knew National Vision as a bit of a competitor, but also as a wholesale customer of EssilorLuxottica. And I spent two years at Cooper Companies, where National Vision was one of my biggest customers from the contact lens perspective. So, I knew a lot about the company and the history of the company, and frankly, where some of the opportunity was.

So, when I joined in 2024, it was with a playbook in mind. I saw a company that had been historically very successful, analog, rigid replicator of a business model. And it worked really, really well for 20-or-so years until the consumer started to evolve, until more of the mix became managed vision care and more of the mix of the consumer mix actually wanted a bit more of a higher end experience and higher end product

experience.

And a quick little funny story, when I was at CooperVision, I could see what we were selling out at NVI. And I had a little bit of an insight that said, wow, we're actually selling more expensive, better premium contact lenses than they would have ever even anticipated. So, that even told me a little bit about the consumer before I joined the company.

And joining National Vision in summer of last year, one of the first things we did is, we did a retrospective look at our entire consumer base. And the most significant insight that we came away with from that work was that our customer was wealthier than we ever anticipated or knew, that we actually over-indexed on middle income consumers versus even the US norm and that our customer wasn't, frankly, the cash-strapped consumer that we had historically built this model – that we built this model against.

So, in fairly rapid order, we started to put in some changes to the assortment, some changes to our pricing strategy. And then started down the path of some longer tail initiatives around changing our brand, our brand architecture, our messaging to the consumer. And some of those things took some time. They went live in summer of 2025.

I'd say that in terms of the question or your introduction, we're just kind of closing out chapter one. We have made some early mechanical changes to the business around price, around assortment, around kind of brand strategy. And then as we move into the next phases, it's around further fine-tuning our assortment, introducing more lenses in particular that customers are looking for, deploying our brand content differently than what we've done in the past. And spending a bit more time thinking about how do we deploy messaging to the consumer segments that we're targeting and overall, just pushing the business along that continuum.

So, in early innings, I could not be happier with how the team has executed on the transformation playbook. I told these guys and you just got Chris and I today, but we have a management team that is really bought into what we're doing. And I can't tell you what pleasure it gives me when we drop off of an earnings call and we walk out of the Investor Day, and I can look at the team and say, hey, you guys did this. And as a team, we're bringing this transformation to life. So, long story short, I think we're in early innings. We've made some really good, smart, mechanical changes. They've pulled through the way we hoped they would. And we have lots more runway as we look into the next few years.

Simeon Gutman, Morgan Stanley & Co, LLC

And as a follow-up, would you say it's wholesale change to this business model? And having followed the company since its been public was a cost issue that needed to be dealt with or was there this opportunity more in the marketing where you realize you're talking to a wealthier customer in the first place?

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

Yeah, it's a bit of both. And I'll turn it to Chris for the cost issue because we spent a lot of time and effort on cost throughout 2025 that's going to manifest in 2026 and beyond. There was certainly an opportunity to transform the commercial model of the company. Actually, one of the things I was most pleased by is, our stores are in fantastic shape. Our real estate positioning is actually better than what people think given our historic target, right? It's interesting, the vast majority of our stores are in regional power centers anchored by T.J.Maxx, anchored by Target. So, we have good real estate.

Our stores are clean, our doctor experience is fantastic. We're the only nationwide chain that offers digital retinal imaging at scale. I mean, that's a really advanced technology in the space of eye care. So, we have great positioning, great real estate, but the commercial model needed to be evolved. So – and that's where we spent a lot of this first year focused on. And Chris, one – procurement is one of the functions under

Chris' domain and the team has really attacked all areas of indirect spend in 2025.

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

On the commercial side, I tend to oversimplify it and say we are doing a much better job of meeting our existing customers where they're at, right? Our message of value that we were shouting was attracting folks of all income demographics, so managed care consumers, cash pay consumers. But we weren't providing them with the optimal experience and products and merchandising that they wanted consistently. And that's part of the early phases of the transformation journey that we're on.

I think from a cost perspective, look, I took the opportunity to work with Alex at Pearle Vision years ago. He gave me a call earlier this year. I joined, what, the last day in March, and it was a pretty clear conversation of, I think, Chris, we're operating at 3.5% adjusted operating margin, you know what's possible in this category. Let's get at it. So, we very quickly kind of launched a full view of cost. We've brought in some partners with Accenture to say, hey, how do we get a turnkey procurement operation up and running in a week, two weeks, and start to interrogate every line of cost across the business. And we are thrilled with the results.

We announced at our Investor Day that we've identified or we took out about \$10 million – \$12 million of costs this year. We identified another \$20 million of cost to come out between 2026 and 2027. Going back to Alex's point on the team, right, the entire leadership team is leaning into this concept of being very disciplined from a cost optimization perspective. So, one of the exercises that we went through over the last 60 days was, say, I'm not sure if I'm the most beloved member of the leadership team, but as we talked our budgeting process, we didn't budget at a top down perspective, we had leaders come in and justify every line item with every vendor that they were planning on spending investments with in 2026 and answering the question of how does this help drive one of the top five initiatives that we're focused on in the year? And it created some really great conversations. We pulled some cost into the business that way. We also identified areas we had to invest more in through this conversation. So, that's been a really healthy dialogue.

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

Well, Chris is – so, in terms of interrogating all indirect spend like the spectrum range from renegotiating our eight digit logistics and shipping contract to why are we paying for vending machines, why are we paying six figures for vending machines in our home offices when Chris can give his credit card to an admin to just go stack a fridge with sodas and it costs a fraction of that. And by the way, I'm not being funny or facetious. Those are real conversations that we had in terms of interrogating every aspect of cost from largest down to that like \$100,000 level this year.

Simeon Gutman, Morgan Stanley & Co, LLC

Sneak peek, because you mentioned that, Chris, in your answer that Alex called you and said this is not a 3.5% EBIT margin business. I know what goals you have in the future, but what would be that industry retail clearing margin for a business like this?

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

Yeah. Look, when we IPO-ed, we were at high-single-digit, low-double-digit operating margin percentages. And we've committed that for the next five years. We think we can expand margins between 50 basis points and 150 basis points. We pulled that off for five years in a row, you get right back to where we IPO-ed, if not better. I think that's a better indication of where we think category averages can be.

Simeon Gutman, Morgan Stanley & Co, LLC

Thanks for the sneak peek. Market share, you're 3%-ish in a \$70 billion optical retail market. How high is high? Because now, you're redefining what this model looks like and who you can sell to?

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

So, one of the things that they've done well and we haven't is by virtue of their business, they are more regionalized, localized and segmented to the consumers that they serve. And because we've been this analog rigid replicator, we would have the same products, the same assortment, the same lenses in a store base. So, like, pick my former home city of Cincinnati, like you walk into Hyde Park, Cincinnati, the Hyde Park Store, super high-income demographic location. And you walk in the Price Hill and it's the same product, the same service, the same assortment, right? So, you're not optimizing for the consumer in our current world. In the independents, by virtue of who they are, they've done that, right, because they've figured out who their customer is. So, I think the only structural changes that we have to make are around as we begin to be more segmented as a retail store base.

Simeon Gutman, Morgan Stanley & Co, LLC

Health of the consumer, back-ended way of asking. Business and then expectation over 12 months?

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

So, what we saw through Q3 was even the cash pay consumer who, over the last couple of years, we've publicly acknowledged has been not quite as resilient as a managed care consumer. We've seen the cash pay consumer purchase cycles start to move back in the right direction. Still not where it was pre-COVID. And we've seen the cash pay consumer on a cohort basis comp positively as they're even opting into some of the more higher end product offerings. So, we think those are all really good signs. And that's at least what we've showed through Q3.

Simeon Gutman, Morgan Stanley & Co, LLC

Growth vectors which you introduced at Analyst Day. Can you identify and then rank order?

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

Yeah. So, at our Investor Day, we shared that we have four significant growth vectors, underdeveloped customer segments, underdeveloped product segments, increases to the customer experience in store and through an omni-channel perspective, and growing our physical store count footprint.

To provide just some degree of scale on the consumer side, the outside RX customer, that's the customer that gets a prescription from an independent doctor or different retail chain, that's somewhere around half half of the market are prescriptions filled from somewhere else, it's in the teens for us. So, we think that's a significant opportunity for us, especially since we are an obvious destination for value. And we know the number one and number two reasons people don't buy at point of prescription is either my prescription didn't change or you're too expensive.

Well, we have the solution for number two, but a bit of the unintended consequence of our business historically, because we've always marketed two pair of eyewear for X price with an exam, there's this association that consumers believe they have to get an exam with us, even if they have an exam from an outside doctor. So, we think there's significant opportunity with this outside RX customer.

Managed care, it's about 40% of our mix today. We think we can reach 50% over the next several years. And progressive wearers, those who wear multifocal lenses, we're in the 20-ish-percent range and the market is significantly higher than that. So, we just haven't had the right products, the right messaging. And our historic approach to one-size-fits-all marketing hasn't allowed us to target those consumers, right? We would spend a bunch of money on TV that says, two pair of eyewear for X price and then an exam and we'd spend a bunch of money buying search terms like eye exam near me and America's best location close by. But we weren't doing anything mid-funnel to specifically attract those very, very valuable customer. So, in our – from our perspective, expanding addressable market with those customers is point one and highest kind of rank order opportunity.

Two, around products. We lag the category in almost every aspect of premium lens products that exist. We underindexed – I kind of like to joke that if it wasn't for us, the plastic lens market would no longer exist because we are the most predominant buyer of plastic lenses, whereas the rest of the market has shifted to the polycarbonate higher scratch-resistant, more dense, higher index, thinner lenses. So, we have significant opportunity to move our product, our lens mix from these kind of old plastic, old technology lenses to higher index, lighter, harder and more scratch-resistant lenses.

Anti-reflective coatings that just don't provide the better cosmetics for the lens. They also provide higher durability and scratch resistance. We are significantly under-indexed by a factor of 1:2 to 1:3, where the market is on that as an addition. And frankly, it is a product that once customers get it, they never buy glasses without it again. But historically, it hasn't been a focus for us. So, we are leaning into some of the advanced materials, advanced coatings.

From in-store experience and omni-channel experience perspective, we book over 3.5 million eye exams a year on americasbest.com. We are running on a e-commerce platform that is probably older than most people's cars in this room today. And in 2026, we're migrating our e-com platform to the Adobe Experience Platform to provide better flexibility, higher integration with our CRM and an ultimately a more joyful online experience to those 3.5 million customers that just book eye exams with us there. So, great opportunity not just to get better pull-through from exam booked to people showing up in stores, but also opening up the opportunity for us to transact online in ways that we haven't in the past.

From a store growth perspective, we have made a deliberate decision to take 2026 and 2027. Historically, we've been a grower of 60 to 70 stores per year. We're pulling that down for 2026 and 2027 to let us give us time to reinvest into some of these first three kind of pillars around products and segments and unified experience.

Let's just shift some of the investment into those three and then we'll look to reaccelerate our store growth in 2028 back to more historic norms. It also gives us a minute to take a beat and think about our store design, which we're currently interrogating. We have a design agency who's helping us design our store of the future that can fit in a 2,400 to 3,000 square foot box where we have historically looked for real estate. That was more in the 3,500 to 4,500 square feet. So, that's the kind of rank order of those four and a little bit more texture and color on how we're thinking about each of those.

Simeon Gutman, Morgan Stanley & Co, LLC

Do these accumulate? Do you flip the switch and these things are all on and there's initiatives going or these build over time?

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

Yeah. So, there's initiatives going on against all four. I think the interesting and frankly the fun part is, there's a lot of interplay between them, right? So, as we do a better job of marketing to and attracting

managed care consumers, those are consumers that on average who can demand more premium frames. Their benefits might give them better access and better discounts against more premium lenses. So, when you think about our underdevelopment product categories, right, that's naturally going to help us as we elevate our kind of consumer cohort. It has a natural elevation of average ticket because they're going to have a separate set of expectations.

So, as you pull the lever on one, in most cases, you're actually helping elevate vector two or vector three along the way. But, yeah, we've got initiatives laid out for frankly, the next five years. And then a large part of the debate we have internally is, we've got the playbook, we've got the roadmap, it's how fast we pull these levers to make sure that we are not overwhelming the consumer with the degree of change or not overwhelming store – our 13,000 store associates with the degree of change and making sure that we're investing in a disciplined way where we continue to be disciplined in that home office cost and not necessarily need to go and ramp incremental head count there and de-lever SG&A as we think about driving some of these growth vectors. So, it's a very fun equation that we work to solve on a daily basis, but we feel really confident that the things within our control are going very well.

Simeon Gutman, Morgan Stanley & Co, LLC

Yeah. I was going to ask if it's a fair question, like how do you know if you're going too fast? And then it would strike me that maybe it's to get that customer who's willing to spend more. Yeah, some of it overlaps with your current mix, but also marketing.

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

Yeah. I mean, at the most macro level, what Chris and I talk a lot about is that, historically we've pointed 100% of our organizational resources at attracting that cash pay consumer with our base offer. And now, we're taking a more deliberate, segmented approach and say, we're still going to spend on attracting that customer, but it's going to be more proportional against those other consumers that we need to win. Because, again, as we shared a few weeks ago, the managed care, outside RX, progressive customer, they're not percentage points more valuable. They're multiple times more valuable from a per patient profitability perspective within our business, which again, is why, when we've talked about this notion of traffic within our business, we were more concerned with are we adequately shifting the mix to maximize our profit profile versus I think the historical approach, which was just so laser-focused on drive as many people into the stores as possible, regardless of what their contribution was from a profit perspective per encounter.

So, it's a mindset change within the organization to say, look, we need to be sure we're growing our profitability. Like Chris and I talk about this a lot, growing our profitability like 50 basis points to 150 basis points per year over this next five-year time horizon, that is our number one objective. And everything kind of builds from that, including how we're thinking about the deliberate evolution of our customer, of our customer mix and some of the implications that that might have on seeing less of the cash pay offer customers that we've traditionally spent 100% of our resource on. And we might not proportionately get as many of the higher volume consumers. But if it's stacking to the profit accretion, then it's a very, very positive outcome for the company.

Simeon Gutman, Morgan Stanley & Co, LLC

The path to move managed care from 40% to 50%, does that mean you have to get into more VSPs or you're maxed out?

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

No, I think what it means is, we have to serve those customers better. The managed care customer, we've made great strides to evolve our assortment, but we're just at the kind of parity point in terms of frames that would appeal to the managed care customer. In today's world, we don't offer a Tier 4 progressive lens to the managed care customer. So, if a managed care customer wants to come into our stores today and actually get the maximized benefit for a progressive lens, we don't have a product in our assortment today that allows them to do that. We will be offering a product that allows them to do that. So, a bit of what is our constraint has been not having the products, services and solutions for that managed care customer that helps them actually get the maximum value out of the premium that they pay on their paycheck every cycle.

Simeon Gutman, Morgan Stanley & Co, LLC

You mentioned the profitability of managed care, if I caught that right, was great. I think if I understood the mix right. Was that because of the amount that they're allowed to spend within their plan?

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

Yeah. I think the way to think about it, for those of you that have vision care insurance, right, you're probably seeing a withdrawal every two weeks out of your paycheck. A lot of our consumers think about that is that some folks do this as insurance product, some folks do this as a prepaid, like, I've only spent \$100, \$150, \$200 out of my paycheck, I want to go leverage that benefit. So, they walk in making sure we're speaking that same language and going, look, you've got a frame benefit of \$150. By the way, you funded that. So, here's the selection if you want to maximize your benefits of what's available to you and making sure we have the right product that appeals both from a branding, fashion, colors, et cetera.

And on the lens side, I think, where we've got a great area of opportunity and just really scratched the surface on this which is, hey, your benefit also includes either discounting or access to more premium lens options that previously we may not have highlighted this well. Again, going back to the fact that we're not meeting our existing consumer base where they're at, we're not best serving them in the ways that we know that we could. And so, that's not just a matter of shouting at 13,000 store associates to do better, right? We've got a great trained disciplined staff. It's how do you equip them with the knowledge, the training and frankly, the tools and technology to make that conversation easier.

We spoke a little bit at our Investor Day about a new iPad-based digital platform as kind of a sale support tool, where if you're trying to verbalize the benefits, for example, of a Tier 4 premium progressive lens, a picture is worth a thousand words, right? So, me trying to articulate that in words versus saying, hey, as a quick example, left side of the screen shows you what a standard progressive lens looks like and the right side is a more advanced progressive lens and kind of bringing the use cases of, you're trying to walking downstairs with your current lenses, the edges are fuzzy. It feels a little wonky, like this helps kind of reduce some of that impact of having progressive lenses. And folks go, oh.

Now that I can see that benefit while you're talking of it, that seems maybe like more obvious choice, if it's the right thing for that patient. So, I think it's a matter of just – it's kind of evolving to Alex's point, the product selection and the sales processes that can just better serve the folks walking through the door.

Simeon Gutman, Morgan Stanley & Co, LLC

Did you mention the percentage of the industry that's attaching the higher premium lenses and your penetration? And then what could it do from a ticket perspective?

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

Yeah. So, across the different, like, piece components of premium progressive lenses, anti-reflective transitions, I'd say as a combined cohort, we under-indexed somewhere between 1.5 to 3 times in terms of how significantly we're under-indexed on those product categories. We did share that moving all three of those by 1%, each of them by 1% is worth about \$40 million to us every year. I mean, that's the degree of sensitivity that just a small – relatively small movement in these metrics will have to our business.

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

And for context, we'll do just under \$2 billion in the top line this year. So, that's about a 2% comp.

Simeon Gutman, Morgan Stanley & Co, LLC

Yeah. So, the next question is getting to this high single-digit annual net revenue growth, some of it's store growth, but it feels like there's more than enough building blocks to get there?

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

There are. And I think that some of the questions we've gotten most frequently are about the retail calendar. Folks in this room know the most fun part of the job is talking about a 53-week versus a 52-week calendar. So, as we kind of laid out our long-term projections at Investor Day and said, look, we've – we're confident we can deliver high-single-digit revenue growth, mid-single-digit comps and 50 basis points to 150 basis points of operating margin per year. We're generally thinking long-term cycle. So, that is on a like-for-like 52 versus 52-week calendar.

But to your point about some of the momentum we have like the uppers – the upper end of our planning scenarios for 2026, we think we can grow to that point even comparing against the 53-week year in the prior year, which is around a 2% incremental of revenue. So, yeah, the building blocks are there. Again, the playbook is well laid out. It's really a question of how fast can we move and bring the market, the consumer base and the stores – along the journey.

And thus far, frankly, all of the above have exceeded our expectations. It's one of the reasons when we kicked off this year with our initial guide, we pretty quickly increased in each quarter our expectations because frankly, the consumers and our field teams were really excited about some of the changes we're making. And we saw that come through our comps much earlier in the year than our initial projections. So, it's exciting.

Simeon Gutman, Morgan Stanley & Co, LLC

Remote hybrid exams. Think it's like the metaverse. Is it going to happen? Are we going to go there?

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

We are going there. I mean, we have over 730 of our doors are enabled with remote today. We have trained about 100 of our doctors in hybrid, which remote is where you have a doctor who's sitting at home or in a remote location providing eye care in the store. Hybrid is where we have in-store doctor through our remote platform providing care to a patient that's sitting in a different store.

We are treading very carefully into that area. It's a big change management endeavor, right? Because – I mean, look, the reality is for doctors who see three patients, four patients per hour for three hours to look at that hour on their book and say, well, that's nice. I got a little breather here. I only have one patient during that hour. That's my time to take a beat. The expectation in a pure hybrid world is that you would then say, oh, okay, I have some excess capacity, let me log on and provide care to a store that might need this

capacity. So, we're being really, really mindful of the doctors' well-being, their kind of approach to patient care.

So, this entry into hybrid so far has been one of, how do we get feedback from doctors on how they want to practice because ultimately, we want to do it to get – sure, we want to get leverage in our – out of our doctor expenditure, but we also want to continue to be an obvious destination to attract optometrists. We're proud that we attract over 10% of the graduating class. We're proud to pay doctors a fantastic salary and benefits to be affiliated with National Vision. So, when we think about hybrid, we want to make sure that we are not doing anything that creates risk to our value proposition to attract doctors into our mode of practice.

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

And I think we're around 10% of our annual exams today are delivered through remote care. So, in terms of, hey, are we going to get there? Like, we're really happy with kind of the level to which our – we've incorporated this into our operating model and it's part of our kind of new store build-out. It is assumed in states where remote care is allowed to be delivered that as part of the store build-out model. It's kind of assumed part of the – you've heard us talk a little less in earnings calls because it went from, call it, a project that we were investing a lot of dollars into to this is just who we are today. Like National Vision is a brand and America's Best is a brand that can deliver remote care in the states that allow it.

Simeon Gutman, Morgan Stanley & Co, LLC

Speaking of doctors, as an aside, you're gearing the model now to deal with future inflation. But post-COVID felt like there was rampant inflation and a lot of choice for the doctors where they wanted to work and felt like there was – they got what they wanted for some time. A few industries went through that. Can you talk about the curve?

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

Yeah. So, well, I think, from 2022 through 2024, National Vision did an exceptional job of sharpening the value proposition for doctors from both an acquisition and a retention perspective. We know some of our competitors have had challenges on both those topics of acquisition and retention. I'm proud that on our weekly management meeting, we have a 40-page deck. And the last page in that deck is doctor recruiting and retention. And we spend 30 seconds on it. That's the state that we are in today. But it really came after a lot of hard work around what role does remote play? What role does salary and benefits play? What role does flexibility play? Because we do allow doctors to have a bit of the kind of choose your own adventure of when you want to work with the best kind of aligns to your personal commitments as well. So, I think all of those things have strengthened our positioning. So, from a retention and a recruitment perspective, I think our execution has been almost flawless.

Simeon Gutman, Morgan Stanley & Co, LLC

Maybe to – one last one to close on somewhere where we started, 50 basis points to 100 basis points of margin expansion through 2030. What gives you the confidence? And then can you frame the risks to getting there?

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

Yeah, absolutely. I think if we look just from a purely cost optimization perspective, right, we took \$12 million out this year. We've got identified \$10 million of SG&A out in 2026, and an incremental \$10 million in 2027. So, the team's been very disciplined in terms of looking not just at what can we deliver for

today, but what are the structural changes we can make to our operating model, both at the home office and the stores that can deliver long-term cost out of the business.

And then like Alex said, as we begin to better serve and better target more profitable customer cohorts, from a gross margin perspective, we may be neutral because some of these consumers, as they buy more premium product, the gross margin rates might be slightly accretive, slightly dilutive. But what's important is, they're delivering more gross margin dollars. And we don't need to invest anything else in SG&A to let those dollars flow through the bottom line.

So, I think our confidence is looking at the next five years and saying, we can see a high degree of SG&A leverage as we modernize our product assortment, as we better serve our new customer cohorts, as we really lean into all four of our growth vectors, every single one of them points to a higher degree of operating margin, including our new store growth. And typically, you'll see obviously a payback period on those where they're unprofitable for a period of time. But as we – as Alex mentioned, we're looking at new store segmentation, looking at a different footprint. The – our new brand assets are much more modern than previous for America's Best. Like, these are all puzzle pieces that as we assemble them and begin to get more data around what the new store design looks like, they should yield an answer, which is a faster payback and a more profitable store footprint.

Simeon Gutman, Morgan Stanley & Co, LLC

To follow up to that, if growth is flat, then the governor on the 50 basis points to 100 basis points, it's either rate of sales growth, what you reinvest into or what – how quick you take out of – and sales growth is typically the most variable and incremental. But on the other two, is that the right way to think about it?

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

It is. And I think one of the reasons why we're being very disciplined about our investments is, as Alex said, right, we pulled back on new store growth this year to around 30-ish locations. Next year, we're projecting the same, right? We're redeploying those capital dollars back – capital and operating expenditure dollars back in the things we know, the infrastructure we know we need to build to be successful for the next five years. So, Alex mentioned the Adobe CRM platform, so the new e-com platform that we'll be – are investing in and we'll be continuing to invest in.

We launched a new ERP in April, that's unlocking some internal capabilities and efficiencies. These are great platforms. They also require a higher standard of operating investment on an ongoing basis. So, as we look at the year, next year and as we're engaging when to pull those levers, if we have a quarter or we're projecting for the rest of the year to over-deliver in terms of our initial comp expectations, we might also then look at say, well, what do we need to do to make sure we're set up for success in the future and choose to invest more in some of these initiatives, where we can kind of pull forward or push back the things that are, I'll say, discretionary in terms of, do we kick it off this quarter or next quarter, knowing that over the next five years, all of these things have to come to fruition.

Simeon Gutman, Morgan Stanley & Co, LLC

Great. On that note, we appreciate you being here. Good luck for the rest of this year and into till 2030.