



4-June-2025

National Vision Holdings, Inc. (EYE)

William Blair Growth Stock
Conference Fireside Chat Transcript

CORPORATE PARTICIPANTS

L. Reade Fahs – Chief Executive Officer and Director, National Vision Holdings, Inc

Alex Wilkes – President, National Vision Holdings, Inc.

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

OTHER PARTICIPANTS

Dylan Carden – Analyst, William Blair

MANAGEMENT DISCUSSION

L. Reade Fahs – Chief Executive Officer and Director, National Vision Holdings, Inc

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

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

Dylan Carden, William Blair

I'm the analyst here that covers National Vision. We've got the whole slate here. Alex Wilkes, Reade Fahs, Chris Laden. The compliance guy usually comes in here to make sure I give you the compliance spiel. You can find all our disclosures on our website, and I'll let you guys take it away.

L. Reade Fahs – Chief Executive Officer and Director, National Vision Holdings, Inc

Thank you, Dylan. And let's get back to our compliance spiel. Oh, there we go. There's our compliance spiel. But the key – the thing is that we will not be sharing anything new relative to our Q1 earnings call a few weeks ago. I'm Reade Fahs. I've been CEO of National Vision for the past 23 years, and I'm going to be CEO for another two months before turning it over to our President, Alex Wilkes. So, this is my last presentation to you all.

For those of you unfamiliar with National Vision, we sell three products. We sell eye exams, eyeglasses, and contact lenses. It's that simple. Three products. And we've been doing this for several decades, and we're very value price. We're the low price place to go to get this medical necessity that we all need to get

by in life to be able to see.

So, the category is a nice large category. \$70 billion in sales last year with – from 45,000 retail outlets out there. So, we have just over 1,000 of those. So, it's just a highly fragmented business.

Guess what, your eyes go bad as you age. It's a biological fact. It's been that way forever. It will continue as long as there are humans, and we are the ones who help you solve that problem. And so it's a steady, predictable business. And especially if you're insured, as the majority of Americans are, because then your eye exams and your product are paid for by insurance. And so it's no cost for the insured group to come back with the frequency that their insurance allows.

And the use of computers, as most of you are using computers right now, it's no news to you that there's some eye strain that comes with that. And that eye strain actually affects your vision over time, which increases your need for vision correction over time.

And finally, we have the – amongst the largest collection of eye doctors, of optometrists in the nation. And the eye doctors will be playing an ever larger role in health care over time as there aren't enough providers of either ophthalmology services or even general medicine services, and there will be tasks shifting that will come to optometry over time, which gives further confidence in the prospects of this category.

So, last year, we did \$1.8 billion in sales from just over 1,200 stores. 1,000 of those – just over 1,000 are the America's Best contacts and eyeglasses brand, which is in high-powered strip centers, often next to Marshalls and down the strip center from Ross or TJ Maxx or Five Below, those sort of power value strip centers.

We have 14,000 associates, including 2,000 optometrists. Again, the largest collection of employed optometrists in the nation, we believe. We have a centralized lab structure where we own all of our labs. What labs do is they take the lenses and cut them down to your prescription. The vast majority of this occurs in our four domestically owned American-based labs. And it's the efficiency of this network that is one of the reasons that we can save people money on their eyeglasses. And, of course, as the amongst the largest optical providers in the nation, we have wonderful economies of scale.

So, the business was founded a couple decades ago. We went through a few rounds of private equity with Berkshire Partners out of Boston and KKR. KKR took us public in 2017. And right now, we're sort of going through a large sort of transformation of our business that relates to what occurred post-COVID. After COVID, sort of the presence of medical professionals in the nation diminished. They either – many medical professionals retired at the end of COVID, or during COVID, and many more decided to cut back the number of days they were working or the number of patients they saw. You see this in a wide variety of medical fields, and it affected optometry as well. This sort of put us in a back-footed position because the process of buying eyeglasses begins with an eye exam. And if we can't provide an eye exam, we can't sort of start the process for so many customers.

We spent 2022 and 2023 solving that problem. We solved it through offering our doctors increased flexibility versus what they had before, which allowed us to recruit and retain ever more doctors. But primarily, we put in place a remote medicine approach whereby optometrists could be at home and do eye exams on people in our stores. And just over 10% of the eye exams being done in the States where we're doing this are being done remotely, and that has really made our whole system of providing eye exams ever more efficient. And we'll continue to get ever more efficient into the future because of this new, exciting technology and that is having very nice patient and customer acceptance.

So, once we got that problem solved, and that was mostly 2022 and 2023, we really said this is an era where we can really jumpstart the business more. We brought in some – a new team of folks to sort of lead a transformation. We'll be going into that in just a second. But the transformation involved expansion of our target demographics, revisiting of our pricing architecture, enhanced customer and patient experience works, and then optimizing our cost structure. And the team came in last summer. We developed a series – several new strategies and approaches that Alex is going to take you through in a moment. We began implementing them in mid-Q4 and started to see some green shoots. And we announced on our last call that they were fully in place in Q1 and very – and delivering very encouraging results that we thought were going to be sustainable over time.

And frankly, it was with that confidence and that excitement that I said, this is a great time to turn over the reins of my 23 years of leading the company as CEO. Luckily, Alex and I are very compatible. And he comes to us with just a wonderful, perfect resume for this, having run Pearle Vision, one of the old, proud optical brands in our category. But also, having worked for our largest lens manufacturer, our largest frame manufacturer, one of the key managed care providers to us, and our largest contact lens manufacturer. He really understood our business in great depth. And I was overjoyed when he decided to join our business mid-last year and sort of lead our transformational agenda from there.

And with that, Alex, why don't you take them through what you've done since you've come?

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

Great. And I think about that, like, how lucky am I that I got to see National Vision as both a vendor to them, a competitor, customer, and then, of course, Reade and I have known each other for many, many years.

From the outside in, I looked at National Vision, I saw a business that had a tremendous distribution of stores, a phenomenal network, an incredible culture of doctors, the undisputed leader in value optical retailing, but an incredible opportunity to expand our addressable market base. And I'll double-click on that for this group here in a moment.

We had significant opportunity to rapidly modernize how we approach the consumer through marketing, through product, through price. And those were all opportunities that we felt would give almost immediate results. And I think that's what, as Reade mentioned, we've started to see in Q1. Most importantly, as we look at our road map for the future, we truly believe that we have a long runway of future benefits that's going to come through these initiatives to both expand revenue and to expand our EBIT margins.

Our transformation is really focused on four key pillars. The first is around expanding our target demographic of consumers that we're going to serve go forward. That's a little bit different than our historical base that we have targeted. We spent some time in Q4 implementing some new pricing protocols and some new approaches to how we price to consumers, taking into account that a larger portion of our consumer mix is now managed care consumers who behave and act differently based on the benefits that they have and how they're funded to make purchases.

We're making significant and rapid changes to how we deliver the in-store experience and how consumers experience this both online, and when they're interacting with both our doctors and sales associates on the floor. And Chris is going to talk a little bit more later about what we're doing to optimize our cost structure. In short, we're taking a really, really critical look at all aspects of SG&A and every single dollar that we spend from an indirect perspective. And we have an external partner helping us along that journey.

So, starting with the consumer in mind, when National Vision was built, it was architected around a budget

conscious cash pay consumer. And for many, many years, that was a very successful recipe, as Reade mentioned through the evolution of two premier private equity owners and the scale and the expansion of America's Best, our largest brand.

Last summer, we did a look back on who our consumer actually is versus the consumer that we thought we had. And what we found is, we actually over-indexed on middle income American consumers. And our overall customer base looks much closer to the income demographic of the US than what we had previously thought it was. That was a strong signal to us that we had an opportunity to move our brands and our offerings to a bit more of a premium place than where we've traditionally operated.

So, with that base in mind, and with the mix of our consumer skewing to be more managed care, we started, as I mentioned, to take some pricing action, but we're also beginning to take some rapid actions on expanding our assortment a little bit up market to attract those consumers and serve those consumers that have more purchasing power than what we had previously expected.

When we think about our – the market, in particular, those who shop in the optical categories, there's three really important segments. And for us, most importantly, we under-indexed on these segments and think that we have a tremendous opportunity to catch these consumers. These are the customers that get a prescription from an outside doctor and then shop within the four walls of our retail establishment. It's the consumers who require progressive lenses. So, those are the multifocal consumers that Reade mentioned that cannot outrun biology, however much they might try to. And then lastly, the managed care consumers that are making up an ever more important part of the optical retail landscape.

Managed care represents about 70% of – Americans are covered by some form of managed care insurance. Today, it's about 40% of our mix, and we have said that we believe 50% of our mix being managed care is our next milestone.

The outside Rx consumer is – again, about 50% of category mix, is generated from consumers who get their prescription with an outside doctor and then shop at a different retail location. That number is currently in the teens for us.

The progressive mix, again, about 50% of the market, are consumers who have a progressive need. That's in the 20% range for us today.

So, you can start to see the picture of why we're incredibly excited about the business that has historically been built around a cash pay budget-conscious consumer, yet we were winning these segments without actually distorting effort and resource against them. Now we have a fairly clear thesis that there is an opportunity to win those consumers even more so with our message of value.

Dylan Carden, William Blair

If you were to sum up all three, what does that mean for the business?

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

In terms of addressable market?

Dylan Carden, William Blair

No, in terms of your percentage of sales?

L. Reade Fahs – Chief Executive Officer and Director, National Vision Holdings, Inc

What we've suggested is, is that group is just over 50% of our business, but is disproportionately large – of our customers, but a disproportionately large segment of our sales. So, in essence, they're valuable customers.

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

Yeah. So, lucky for me, I get to step into this company, into this role with a highly experienced executive management team. We have a team that has phenomenal experiences from much larger companies that are bringing their expertise to the story that we're bringing to National Vision, ultimately the trajectory that we're going to drive over the coming years.

In our stores, we have – we deliver a great experience. Our employee doctor network has the opportunity to practice optometry with some of the leading eye care and eye exam equipment in the market. We provide digital retinal imaging in every one of our stores with the most advanced technology in the market. But we haven't necessarily always put our best foot forward on the sales floor. Again, our doctor experience, first rate. On the sales floor, we have some work to do.

So, last year, we started to train our team members on how to more effectively work with consumers that have an insurance benefit. We started to train our associates on lifestyle selling. Historically, our business and our team members were focused on helping consumers save as much as possible and leave the stores feeling great about having spent as little as possible. That's what this model is built on. Go forward, we're training our team members to sell to the lifestyle needs of the consumer while still being an obvious destination for great value. And that's a subtle nuance, but a very, very important one for how we're addressing our business.

The other component is, it is incredibly tricky to articulate to consumers what their benefit entails from an insurance perspective. It is incredibly tricky to demonstrate to consumers the value of a progressive lens or what premium anti-reflective lenses do from a lifestyle perspective. So, just in the last quarter, we've armed our team members with some digital tools that will actually help enable them to do a better job to articulate both the products that they're interested in and, longer term, the construct of their insurance plans, helping them to maximize their benefits that they pay for.

From a frame and assortment perspective, tremendous opportunity for us to advance our assortment, and, again, without skewing luxury to skew more premium. When we ended 2024, only about 20% of our frame assortment was above the \$99 price point. And at the end of 2025, we're essentially going to double that. So, about 40% of our products in-store are going to be over the \$99 price point. That is incredibly important for a percent of our business. That's now the managed care consumer. They're coming into our stores with \$130 to \$150 frame allowance, funded by their insurance plan. So, we're now going to have an assortment that is more rightsized to the consumer mix that we have. So, introducing great brands like L.A.M.B., like Ted Baker. We're introducing BOSS, Jimmy Choo, Brooks Brothers. So, these are all more premium products, more premium frames that the consumers that we now know we're catching actually have a high degree of desire for.

As we're modernizing the in-store experience, this is a screenshot of our Optikam iPad that we've now rolled out to 200 doors that allows us to take measurements, to take more accurate measurements of the consumers' pupillary distance, to give them a more elevated experience, to give them more accurate measurements for the production of glasses. But more importantly, it allows us to give a digital demonstration to the consumer about what the value is of products like premium progressives and our reflective transitions. All these things that we sell, we have the kind of best quality stuff on the market, but we haven't necessarily always been able to sell and demonstrate.

One of the things that we've been – I'd like to say that we have been a one too many marketer in the past. If Reade, Chris, and Alex go into an America's Best store and all three of us buy different things, historically,

we all would have gotten the same message through our CRM platform. We're rapidly, rapidly modernizing our marketing stack in partnership with VML, one of the world's largest ad agencies. That's part of the WPP network. We've hired them as our new agency of record.

We have a partnership with Adobe, who's helping us to implement Adobe CRM, as well as move our e-commerce to the Adobe platform so that once implemented, we'll have single view of the customer from the time they interact with us online to how we communicate with them through CRM. And leveraging a world-class agency to deliver content and a new communications platform to our potential consumers.

That is a big step for us. Historically, we have been buyers of a lot of linear TV, and we spent a lot on search. As we move forward, we're going to have stronger campaign assets that we can leverage more mid-funnel, spend more of our media dollars on both direct digital investments, as well as social media that's ever more playing an important role in customer acquisition.

So, our marketing approach was right for us for the time where we were seeking that budget-conscious, value seeking consumer. But as we're shifting our target demo, moving to this new marketing approach on how we allocate our media dollars and how we communicate to consumers is going to become ever, ever more important.

To the point where now when Chris, Alex, and Reade shop, next year, the three of us would get customized messages that's aligned to our demo, to our purchase history, and allow us to deliver a much, much more personalized experience.

So, it's a really fun time to be at National Vision during this point of transformation. The one thing that you cannot put a multiple on is the energy and enthusiasm with which the management team is running on a daily basis. If you step foot in our headquarters, you'd see an organization that's operating with the spirit of a start-up more than the spirit of an incumbent that you play in the value space.

All right. My friend, Chris Laden.

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

Thank you, Alex. And thank you, all, for the opportunity to talk about National Vision today. As the newest member of the leadership team, I've had the opportunity to serve National Vision for two months as their Chief Financial Officer, and I can echo Alex's sentiment about the energy level running through our support center.

As both Alex and Reade have said, we kicked off the second phase of our transformation initiatives in Q4 of last year. That really helped us end the year strong. We also, in 2024, took an intentional decision to moderate our store growth to free up capital, to invest in some of the organic initiatives that both Alex and Reade have discussed today.

The great news is that early innings in Q1, we saw that these initiatives are working. Our Q1 results showed about a 5.7% increase in net revenue growth on the back of a 5.5% adjustable same-store growth, which we'll doubleclick on here in a page. We also grew our adjusted operating income by about 21.8% in Q1. This momentum gave us the confidence to raise our guidance in Q1 to a comp range of 1.5% to 3.5% for 2025, as well as an adjusted operating income range of \$81 million to \$92 million.

As we look through the 5.5% that we put up in Q1, if you break that down between traffic and ticket, happy to report that we saw positive results in both categories. Our traffic was up 0.7%, and our average ticket was up 4.5%. As Alex mentioned, we took some pricing actions in Q4, as well as some early adjustments to our assortment. And so about two-thirds of our average ticket increase in Q1 came from

pricing actions and one-third from assortment changes or consumers trading up, which gives us a lot of excitement about the coming adjustments to our assortment in 2025 and what that might mean for us.

The other thing that we look at as we are looking at comps is, how are our NPS and our conversion doing? And happy to report that in Q1, both of those metrics were either flat or favorable to trend.

Alex mentioned that one of our strategic pillars is optimizing our cost structure. So, in Q1, we did take the difficult decision to take \$12 million of cost out of our corporate support center. And we've engaged with Accenture to take a hard look at all indirect and SG&A spend. We're still in the early innings of that engagement, and we'll report more as we learn more with that engagement.

What this is allowing us to do is to continue to reinvest in growth. So, we still believe that there's over – whitespace for over 1,000 more locations for National Vision, as well as investing in organic initiatives such as the CRM and e-comm platform that Alex mentioned earlier.

And then from a capital structure perspective, maintaining a healthy balance sheet is and will continue to be an important pillar of National Vision. So, we ended Q1 with a 1.6 leverage ratio, and subsequent to Q1 in May, paid off about \$85 million of convertible notes, drawing on our revolver for about \$25 million. We still maintain strong liquidity. And, again, as we look at capital allocation, a good balance between organic investments and new store growth will continue to be a priority.

With that, I'll turn it back over to you, Alex.

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

So, what we hope this group takes away from is, it is an exciting, transformative period of time at National Vision. We are the leaders in value-based optical retailing, and we've been very successful with in the past. And now we're pointing that success in our leadership position at increased segments that we know we have a right to win with. But historically, we haven't distorted against those segments. And we think that is just a tremendous opportunity to win those managed care consumers, the progressive consumers, and the outside Rx consumers. We think there's a tremendous opportunity as we rapidly modernize the company from what we're doing from a marketing perspective, from how we're thinking about our online experience.

There are over 7 million exams that we do per year in our stores, and 3.5 million of those consumers experience us on americasbest.com when they book their exam. We're making rapid changes on how we interact with those consumers online, and then how we pull that thread through to in-store and then ultimately through how we reengage them through CRM.

So, expanding our addressable market rapidly, modernizing how we approach the consumer, and changing our offerings in the store. As Chris mentioned, one of the things we're most proud of is that, as we took pricing actions, as we've taken some actions on assortment, that we're not seeing degradation in conversion rate and we're seeing increases in NPS. So, the customer is raising her hand saying, we appreciate what you're doing, we appreciate your expansion on assortment, and we certainly appreciate the in-store experience that you're now creating.

Last thing, Reade, I want to thank you for this incredible opportunity. For this group, Reade is a mentor. He's a friend. He's helped me through this transition. Just, boy, how lucky am I to have this guy still around as my Chairman for the next foreseeable future to make sure that I do all these things right that I said we're going to do.

L. Reade Fahs – Chief Executive Officer and Director, National Vision Holdings, Inc

And how lucky are we to be on the trajectory we're on now.

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

So, thank you, guys. Thank you, everyone.