

Vision Industry Overview

















Q2 2022

Vision Industry Overview

VISION REPRESENTS A ~\$48 BILLION INDUSTRY COMPOSED OF THE SERVICES AND SALE OF CORRECTIVE EYE GLASSES AND LENSES WITH STEADY EXPECTED GROWTH OF ~3-5%.⁽¹⁾⁽²⁾

- Industry participants include independent opticians, optometrists, ophthalmologists, national vision retailers, mass merchandisers, and glasses and contact lens manufacturers and distributors
- Vision care providers compete based on service quality, patient loyalty, professional training, and personalization of service
- Corrective device retailers compete based on location, merchandising, price, treatment technologies and products, and ability to franchise operations
- The vast majority of vision service providers also sell corrective devices and are part of a highly fragmented independent provider landscape
- Several vertically integrated providers, most notably Essilor Luxottica, participate throughout the value chain

VISION SERVICE AND PRODUCT SUPPLY CHAIN⁽³⁾

		Manufacturers		Service Providers			Market Structure	
		Contact Lenses	Glasses / Ophthalmic Lenses	National/ Mass Retail	Independent			
					Optometrist	Ophthalmologist		
Activity	Corrective Device Manufacturing	✓	✓				- Highly concentrated	
	Eye Exams			✓	✓		- Mass retail ~32% patient share - Independent ~68% patient share	
	Medical Eye Care			✓	✓	✓	- Highly fragmented	
	Surgical Eye Care					✓	- Mass retail ~54% share - Independent ~46% share	
	Retail Sale Corrective Device		✓	✓	✓	✓		
Notable Participants		   	Frames:    	Lenses:   	    	~23K Independent Providers	~18K Independent Providers	

(1) IBIS Reports: *Optometrists in the U.S., Eye Surgery Clinics, Eyeglasses & Contact Lens Stores in the U.S., Ophthalmologists in the U.S., and Glasses & Contact Lens Manufacturing in the U.S.*
(2) HW internal estimates. Additional Sources: Jobson Optical Research, HW proprietary data and internal estimates
(3) Dark green denotes higher level of focus

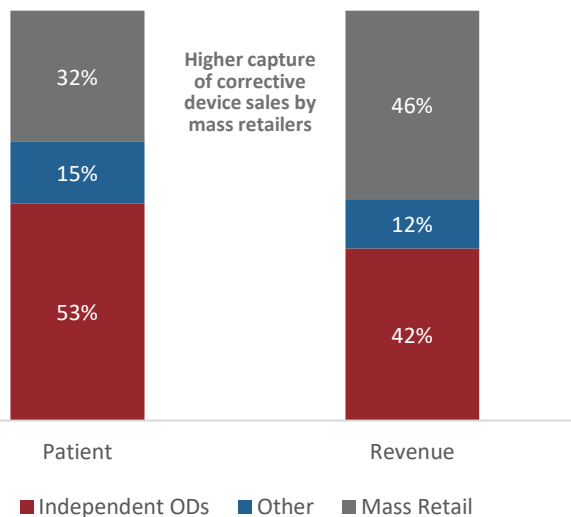
Vision Care Overview: Primary Eye Care

INDEPENDENT EYE CARE PROVIDERS CONTROL A SIGNIFICANT PORTION OF THE PATIENT POPULATION.

- Eye care services include exams and treatment for dry eye, glaucoma, cataracts, diabetes, and macular degeneration
- A prescription issued within the past one to two calendar years, depending on the state, is required for the purchase of prescription eyewear and contact lenses; **as a result, the relationship between patients and eye care professionals heavily influences buying decisions**
- Differentiated patient relationships, service quality, earlier technology adoption, and clinical and product knowledge enable strong independent market share positions:
 - Independents perform 68% of all patient eye care service, with share remaining stable⁽¹⁾
 - Despite lower service share, chains capture 46% of all primary eye care revenue driven by higher sales of eyeglasses and contact lenses⁽¹⁾
- Growth in eye care professionals will be driven by a steady increase in optometrists (ODs), while growth in ophthalmologists is expected to remain stable
 - ODs are licensed practitioners who have obtained a Doctor of Optometry degree from an accredited optometry school (four-year postgraduate program) and who have passed both a written and clinical state board examination

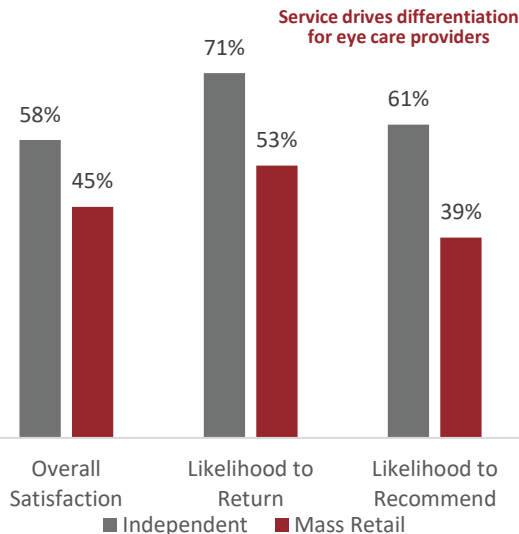
PRIMARY EYE CARE PROVIDER SHARE⁽¹⁾

Percentage of Patients and Revenue (%)



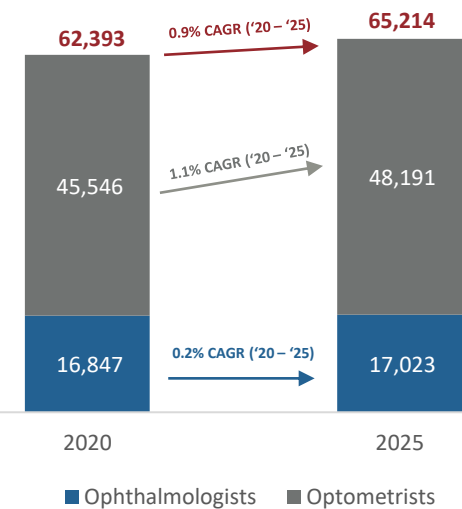
PATIENT ASSESSMENT OF EYE CARE⁽¹⁾

Patient Satisfaction Percentages (%)



EYE CARE PROFESSIONALS BREAKDOWN⁽²⁾

Projected Growth in Ophthalmologists and Optometrists



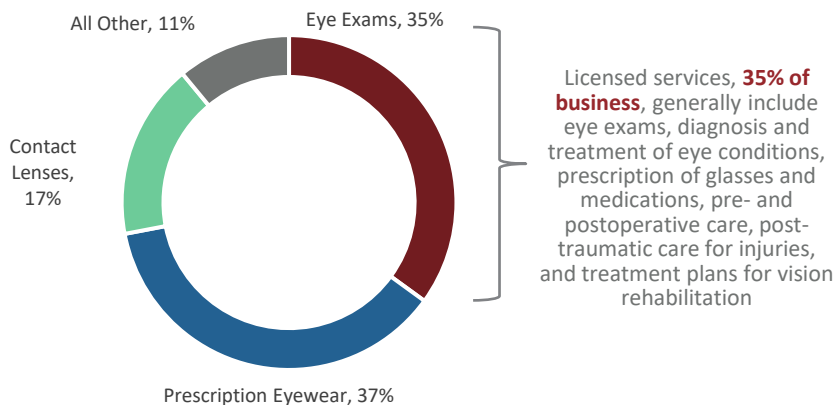
Vision Care Overview: Optometrists

OPTOMETRISTS CAPTURE ~\$17 BILLION OF ANNUAL VISION SERVICE AND PRODUCT SPENDING.⁽¹⁾⁽²⁾

- Optometrists offer services through private practices, chain and mass merchandisers, and government organizations
- Independent optometrists are differentiated by strength in eye exams and medical eye care through personalization of care, patient loyalty, and clinical care
- Increasing proportion of U.S. population will rely on ODs for refractive and medical eye care services:
 - ODs perform ~88 million refractive eye exams annually, representing 85% of all comprehensive eye exams⁽¹⁾
 - Number of practicing optometrists is expected to grow ~1-2% annually through 2025 to 48,000+ to meet rising demand⁽³⁾
 - Number of ophthalmologists and primary care physicians will not keep pace with demand growth
- Expanding the scope of the service offering drives new revenue opportunities:
 - Medical service offering includes treatment of ocular diseases from diabetes, ocular infection, dry eye, ocular allergies, and glaucoma
 - Medical eye care represented ~7% of optometrist revenue in 2020⁽¹⁾

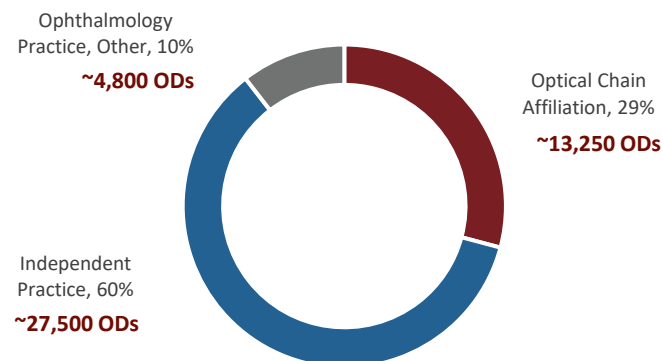
OPTOMETRIST SERVICE SEGMENTATION⁽¹⁾

Estimated Optometrist Revenue by Service Line



PRIMARY PRACTICE BREAKDOWN⁽³⁾

Estimated Optometrist by Site of Practice



Vision Care Overview: Ophthalmologists

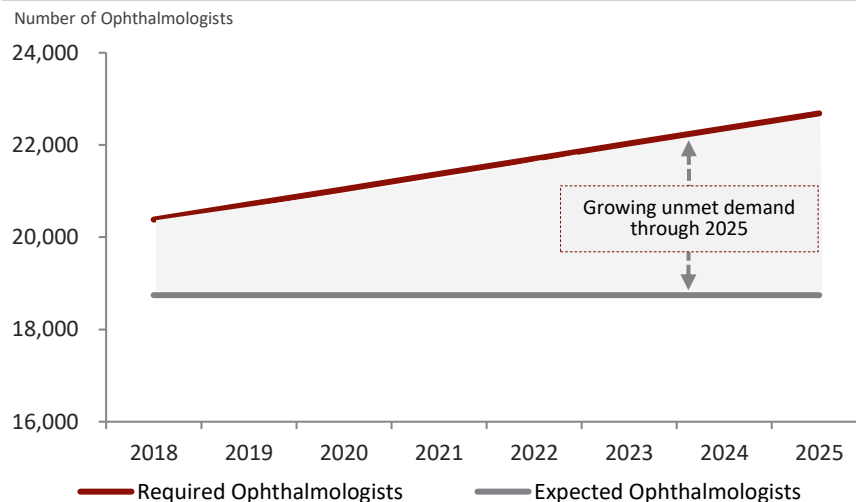
OPHTHALMOLOGISTS CAPTURE ~\$19 BILLION OF VISION SPENDING ANNUALLY. ⁽¹⁾⁽²⁾

- Ophthalmologists are trained MDs specializing in vision care; key differences from optometrists include:
 - Education requirements – 8+ years of medical training plus optional additional “vision specialty” area training
 - Licensed procedures scope – can diagnose and treat full spectrum of eye diseases and perform eye surgery
 - Refractive surgery and LASIK – licensed to perform vision correction surgery in all states
 - Higher average revenue per patient visit – provide premium, specialized services (e.g., \$600-\$2,200 per cataract surgery)
- The stable number of practicing ophthalmologists expected through 2025 will not keep pace with underlying demand:
 - Likely to drive higher production per clinic going forward as demand for medical and surgical eye care grows with aging population

EYE CARE SERVICE COMPARISON

OD	MD	
✓	✓	Vision Services (e.g., eye exams)
✓	✓	Medical Eye Care (e.g., glaucoma, iritis, chemical burns)
✗	✓	Surgical Eye Care (e.g., trauma, cataracts, crossed eyes)
✗	✓	Plastic Surgery (e.g., drooping eyelids, smoothing wrinkles)
✗	✓	Refractive Surgery (e.g., LASIK, PRK, LASEK, RLE, EpiLasik)
✓	✓	Other (e.g., diagnosis and treatment of diabetes or arthritic eye conditions)

INCREASING NEED FOR DELIVERY OF SERVICES⁽³⁾



Shortage of ophthalmologists creates opportunity for ODs to provide greater role in delivery of services

Vision Care Industry Growth Dynamics

THE INDEPENDENT OPTOMETRIST, MASS RETAILER, AND OPHTHALMOLOGIST SEGMENTS OF THE VISION CARE INDUSTRY REPRESENT A COMBINED ~\$48 BILLION MARKET, GROWING ~3-5% ANNUALLY.^(1,2)

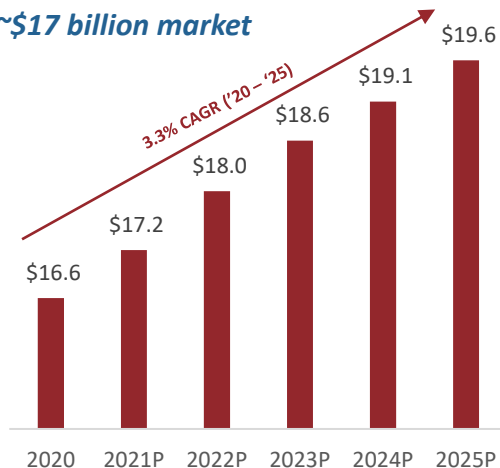
- Steady growth of vision care services driven by the following key market trends:
 - ✓ Aging population
 - ✓ Increase in digital screen usage and asthenopia (eye strain)
 - ✓ Increasing prevalence of chronic disease
 - ✓ Growing coverage for vision care
 - ✓ Technological innovation resulting in new products
 - ✗ Growing adoption of refractive surgery
- Ophthalmology growing more rapidly at 4-5% driven by the increasing incidence of conditions such as glaucoma, cataracts, and macular degeneration requiring medical / surgical procedures⁽²⁾
- In addition to positive secular trends driving long-term growth, the vision market exhibits highly stable demand due to:
 - ✓ Nondeferrable nature of the service and corrective device purchases
 - ✓ The limited instance of excess utilization providing for stable reimbursement

U.S. Vision Care Industry Growth

INDEPENDENT OPTOMETRISTS⁽¹⁾

\$ in billions

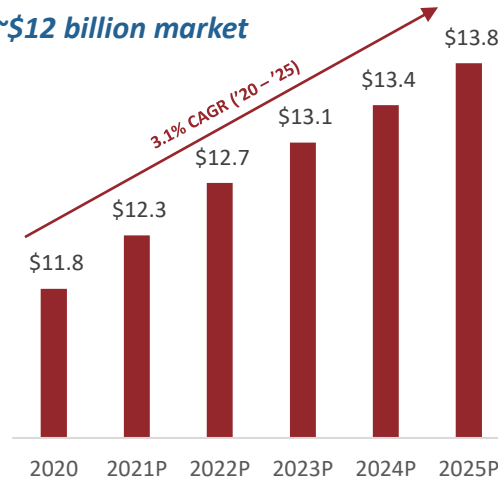
~\$17 billion market



MASS RETAILERS⁽¹⁾

\$ in billions

~\$12 billion market



OPHTHALMOLOGISTS⁽²⁾

~\$19 billion market

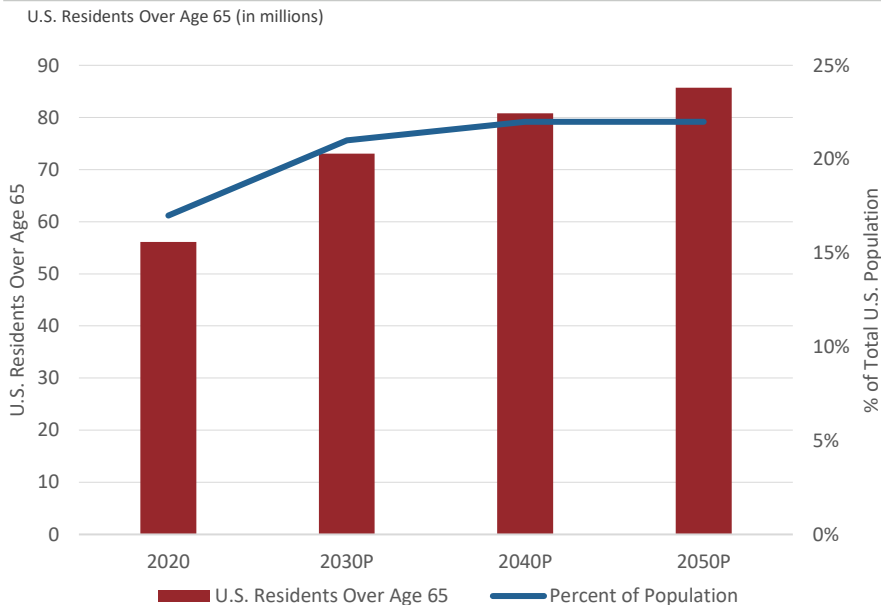
- ~\$1.5 billion refractive surgery market⁽²⁾
- ~\$7.5 billion comprehensive ophthalmology market⁽²⁾
- ~\$10 billion ASC market related to ophthalmology procedures⁽²⁾

Key Market Trends: Aging Population & Chronic Disease

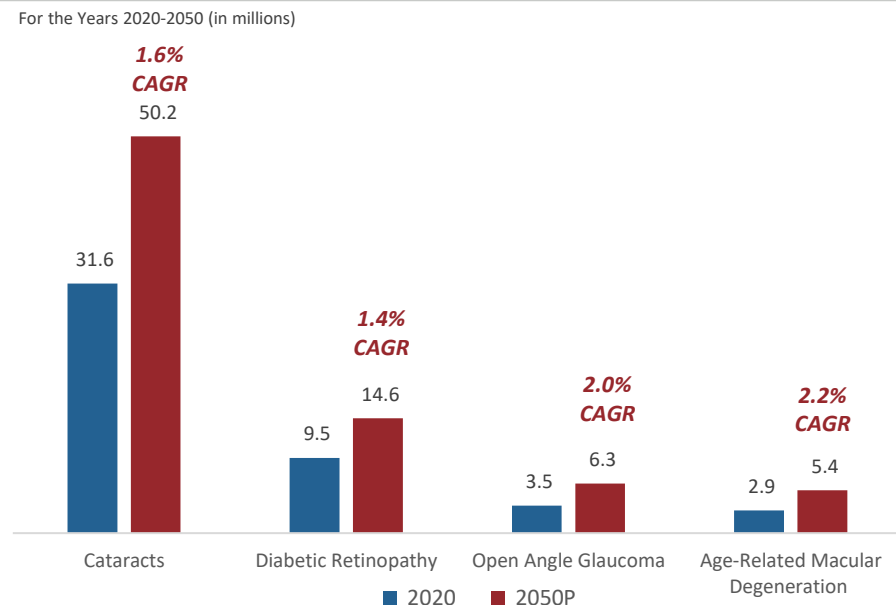
THE AGING U.S. POPULATION AND INCREASING PREVALENCE OF CHRONIC DISEASES RESULTING FROM UNHEALTHY LIFESTYLES WILL CONTINUE TO DRIVE GROWTH IN THERAPEUTIC EYE CARE SERVICES.

- ~75% of the U.S. adult population uses some form of vision correction⁽¹⁾
- The aging of the baby boomer generation will result in accelerating demand for medical eye care services:
 - The over-65 age group is projected to grow ~30% from 56.1 million in 2020 to 73.1 million in 2030⁽²⁾
 - Vision benefits offered under Medicare include cataract surgery, corrective eyewear following cataract surgery, glaucoma screening, and ocular prostheses
- The four leading eye diseases affecting Americans are related to age and/or lifestyle:
 - Cataracts, macular degeneration, and glaucoma occur at a rate of 17.1%, 2.1%, and 1.9%, respectively, in populations over 40⁽³⁾
 - Obesity is directly linked to diabetic retinopathy; ~50% of the U.S. adult population is expected to be obese by 2030, up from 42.4% currently⁽²⁾

AGING POPULATION WILL GROW KEY CONSUMER DEMOGRAPHIC⁽²⁾



U.S. POPULATION WITH OCULAR CONDITIONS⁽³⁾



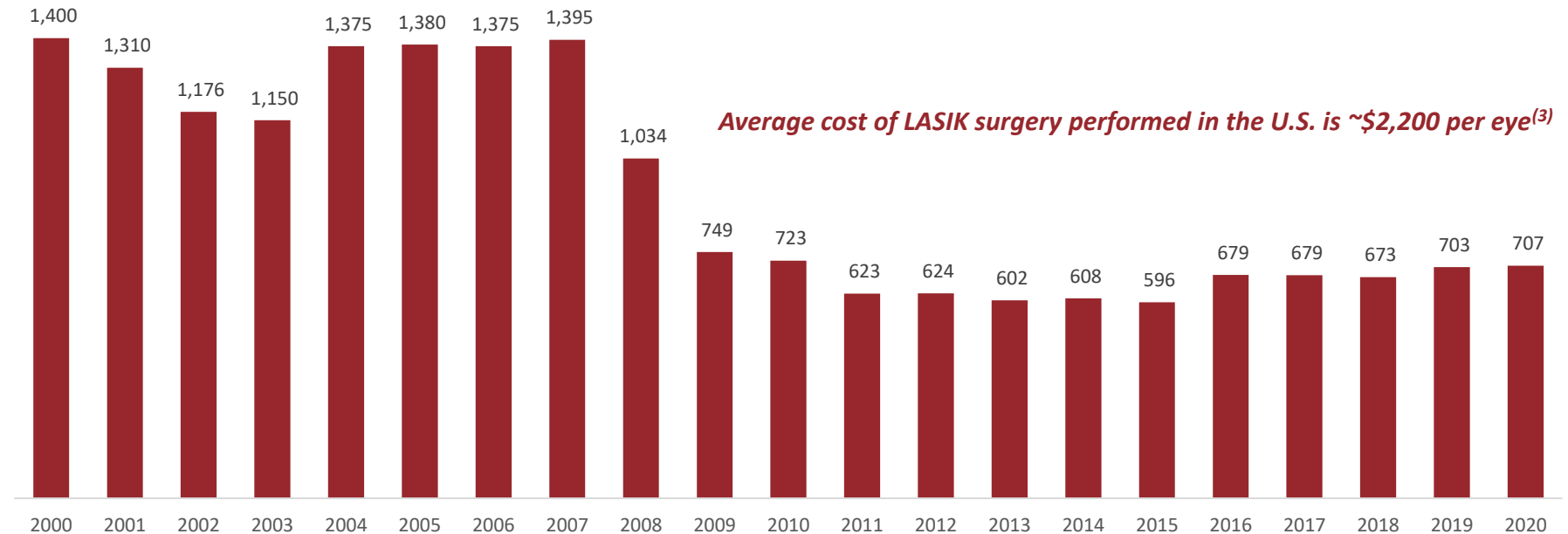
Key Market Trends: Stable Refractive Surgery Volumes

LASIK VISION CORRECTION SURGERY VOLUMES HAVE DECLINED FROM PEAK LEVELS OF ~1.2 – 1.4 MILLION P.A. BETWEEN 2000 AND 2007 TO ~700K TODAY.

- Corrective eye surgery (e.g., LASIK) is removing ~630,000⁽¹⁾ patients annually from the ~200 million addressable vision correction population⁽²⁾
- Growing popularity of corrective eye surgery may lead to higher patient pre- and postoperative care volume for optometrists
- Optometrists are currently seeking to expand their scope of service to include vision correction surgery

LASIK PROCEDURE VOLUME⁽²⁾

Volume in thousands



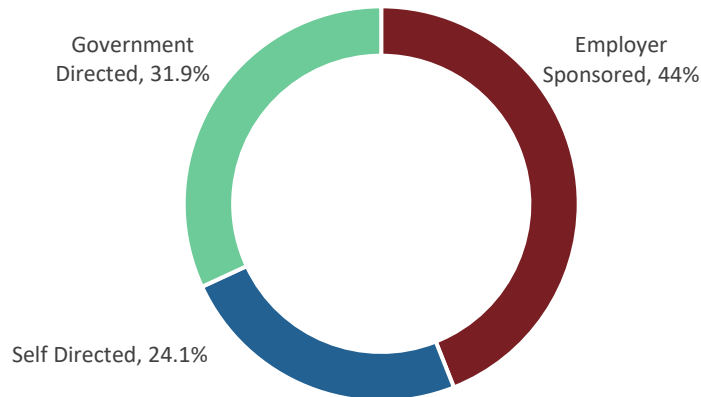
Reimbursement Environment

COMMERCIAL AND SELF-DIRECTED PLANS ACCOUNT FOR THE MAJORITY OF THIRD-PARTY REIMBURSEMENT FOR NONMEDICAL VISION CARE SERVICES.

- Vision insurance plan reimbursements totaled ~60% of OD revenue in 2020, though ~80% of patients visiting a practice have some form of third-party insurance:⁽¹⁾
 - Direct patient payments totaled ~40% of OD revenue in 2020
 - Vision providers receive a low level of reimbursement from government payors
 - Vision benefit coverage typically includes an annual eye exam as well as varying levels of expense reimbursement/discounts for prescription glasses and/or contact lenses
- Large managed vision care plan providers include VSP Global, EyeMed (Luxottica), and Versant Heath
- Medical vision services other than LASIK (e.g. cataract, glaucoma, AMD and other retina conditions, etc.) are typically covered and reimbursed under a patient's medical insurance benefit:
 - Payors include national insurers, BCBS affiliates, and CMS

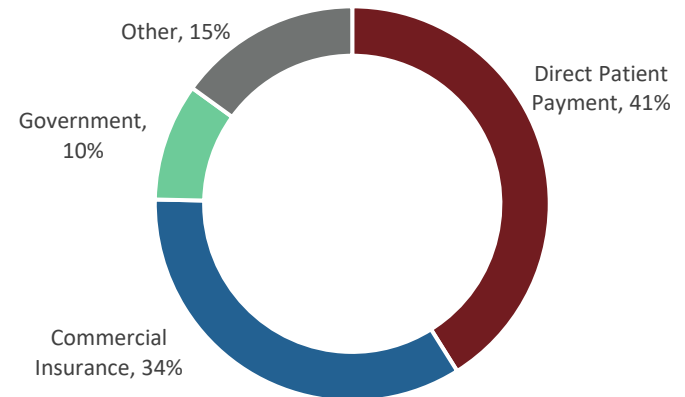
VISION CARE PLAN COVERAGE⁽²⁾

Vision Care Plan Coverage by Third-Party Payors



OD SOURCES OF REVENUE⁽²⁾

Estimated Optometrist Sources of Revenue



Vision Industry M&A Activity

VISION HAS BECOME A FOCAL POINT FOR PE INVESTORS OVER THE PAST SEVERAL YEARS, WITH THE 3-4 YEARS PRIOR TO COVID EXPERIENCING A SURGE OF PLATFORM M&A ACTIVITY, WHICH BEGAN TO RESUME IN LATE 2020.

- Private equity firms have completed 30+ platform investments into the vision industry since 2014, attracted by these underlying theses:
 - Large market opportunity with few providers of scale
 - Highly fragmented landscape with opportunity for consolidation
 - Meaningful runway to drive efficiencies through improved leadership, business and clinical processes, and technology
- Industry remains in early stages of physician practice management lifecycle → significant opportunity for private equity firms to add value through professionalization and consumerization, which enables a private equity firm to pay a premium multiple for quality platforms:
 - Vision industry valuation multiples are among the highest in multisite healthcare services
- Small physician-owned practices are attracted to acquisitions by larger platforms given their desire to broaden their networks, expand access to patients and referral networks, modernize their practices, and relinquish administrative duties; add-on activity for many platforms has accelerated since the beginning of the pandemic

RECENT NOTABLE VISION SERVICES TRANSACTIONS



Vision Industry M&A Activity (Continued)

M&A ACTIVITY 2014 - 2021

Date	Target Company	Acquirer
Oct. 21	Cincinnati Eye Institute	EyeCare Partners
July. 21	GrandVision	Essilor Luxottica
Mar. 21	Walman	Essilor Luxottica
Mar. 21	New Look Vision Group	FFL Partners & CDPQ
Nov. 21	1-800 CONTACTS	KKR
Nov. 21	NVISION Eye Centers	Ontario Teachers Pension Plan
Jun. 21	The Retina Group of Washington (RGW)	PRISM Vision Group (Quad-C)
Feb. 21	EyeCare Partners	Partners Group
Oct. 21	Visionworks	VSP Global
Jul. 21	Hatsis Laser Vision	SightMD (Chicago Pacific Founders)
Jun. 21	Northeast Ohio Eye Surgeons & Ohio Eyecare Consultants	Alpine Investors
Jun. 21	Atlantic Vision Partners	Sheridan Capital Partners
Jun. 21	MyEyeDr., Inc.	Goldman Sachs
Jan. 21	California Retina Associates	ShoreView Industries
Jan. 21	Acuity Eyecare Group	J.P. Morgan Asset Management (minority investment)
Oct. 21	Luxottica Group SpA	Essilor International SA
Sep. 21	NJRetina	Quad-C
Sep. 21	SightMD	Chicago Pacific Founders
Aug. 21	Florida Eye Microsurgical Institute	EyeSouth Partners (Shore Capital)
May. 21	Vision Integrated Partners	The Firmament Group
May. 21	Cincinnati Eye Institute	Revelstoke Capital Partners
Apr. 21	Kremer Eye Center	NMS Capital
Mar. 21	Eye Health America	LLR Partners
Feb. 21	Pacific Eye Institute	Unifeye Vision Partners (fka Minnesota Eye Consultants)
Feb. 21	Comprehensive Eyecare Partners	Gauge Capital
Dec. 21	Clarix Vision	Eli Capital
Dec. 21	Davis Vision	Superior Vision (Centerbridge Partners)
Oct. 21	Spectrum Vision Partners	Blue Sea Capital

Date	Target Company	Acquirer
Jul. 21	Chesapeake Eye Care Company, LLC	Centre Partners
Jul. 21	Omni Eye Services	New MainStream Capital
May 21	EyeCare Services Partners	Harvest Partners, LP
Apr. 21	Southwestern Eye Center / BDP Eye Center	H.I.G. Capital
Mar. 21	Acuity Eyecare Group	Riata Capital Group
Mar. 21	EyeSouth Partners	Shore Capital Partners
Feb. 21	SouthEast Eye Specialists	Flexpoint Ford
Feb. 21	Grand Rapids Ophthalmology	Sterling Partners
Feb. 21	Minnesota Eye Consultants	Waud Capital
Dec. 21	ICON EyeCare	Cortec Group
Nov. 21	IDOC, LLC	Investors Management Corporation
Apr. 21	Superior Vision Services, Inc.	Centerbridge Partners, L.P.
Jan. 21	PRIMA, LLC	IDOC, LLC
Jan. 21	March Vision Care	Specialty Benefits, LLC
Dec. 21	1-800 CONTACTS	AEA Investors
Dec. 21	For Eyes Optical Co.	GrandVision NV
Nov. 21	Professional Eyecare Resource Co-op (PERC) / Infinity Vision Alliance	Essilor of America, Inc.
Sep. 21	Vision Service, L.P.	Essilor International SA
Aug. 21	MyEyeDr., Inc.	Caisse de depot et placement du Quebec, Altas Partners LP
Apr. 21	Clarkson Express, LLC	Friedman, Fleischer & Lower, LLC
Dec. 21	Eyemart Express, Inc.	Friedman, Fleischer & Lower, LLC
Aug. 21	Vision Group Holdings	Audax Group
May. 21	EyeCare Services Partners	Varsity Healthcare Partners
Mar. 21	National Vision, Inc.	KKR & Co. L.P.
Feb. 21	Heartland Eye Care	Wolfe Eye Clinic, P.C.
Feb. 21	Tristate Eye Care, P.C.	International Eyecare Center, Inc.
Feb. 21	Nevada Eye Care	NVISION Eye Centers
Jan. 21	1-800 CONTACTS	Thomas H. Lee Partners, L.P.
Jan. 21	Doctors Vision Center, Inc.	MyEyeDr., Inc.

A Collaborative Approach to Consumer Healthcare

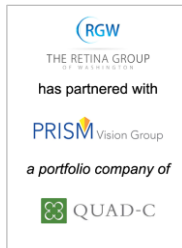
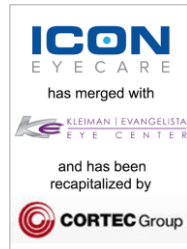
WE POOL THE EXPERTISE IN CONSUMER, HEALTHCARE AND LIFE SCIENCES, AND TECHNOLOGY TO ADVISE PREMIER COMPANIES ACROSS THE CONSUMER HEALTHCARE LANDSCAPE.

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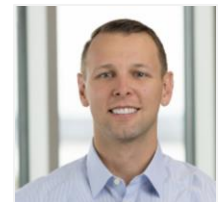
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