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DIRECT CLUB

**Q4 2020
Investor Presentation**

Forward-Looking Statements

This presentation contains forward-looking statements. All statements other than statements of historical facts may be forward-looking statements. Forward-looking statements generally relate to future events and include, without limitation, projections, forecasts and estimates about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans, and objectives. Some of these statements may include words such as “expects,” “anticipates,” “believes,” “estimates,” “targets,” “plans,” “potential,” “intends,” “projects,” and “indicates.”

Although they reflect our current, good faith expectations, these forward-looking statements are not a guarantee of future performance, and involve a number of risks, uncertainties, estimates, and assumptions, which are difficult to predict. Some of the factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, the forward-looking statements include, but are not necessarily limited to: the duration and magnitude of the COVID-19 pandemic and related containment measures; our ability to manage our growth; the execution of our business strategies, implementation of new initiatives, and improved efficiency; our sales and marketing efforts; our manufacturing capacity, performance, and cost; our ability to obtain future regulatory approvals; our financial estimates and needs for additional financing; consumer acceptance of and competition for our clear aligners; our relationships with retail partners and insurance carriers; our R&D, commercialization, and other activities and expenditures; the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks; laws and regulations governing remote healthcare and the practice of dentistry; our relationships with vendors; the security of our operating systems and infrastructure; our risk management framework; our cash and capital needs; our intellectual property position; our exposure to claims and legal proceedings; and other factors described in our filings with the Securities and Exchange Commission, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

New risks and uncertainties arise over time, and it is not possible for us to predict all such factors or how they may affect us. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We are under no duty to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

Market and Industry Data

This presentation also contains estimates and other statistical data obtained from independent parties and by us relating to market size and growth and other data about our industry and ultimate consumers. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates and data. In addition, projections, assumptions, and estimates of our future performance and the future performance of the geographic and other markets in which we operate are necessarily subject to a high degree of uncertainty and risk.

Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, including adjusted EBITDA (“Adjusted EBITDA”). These non-GAAP measures should not be considered in isolation or as a substitute for the related GAAP measures, and other companies may define such measures differently. We provide a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures in the appendix to this presentation and in our Current Report on Form 8-K announcing our quarterly earnings results, which can be found on the SEC’s website at www.sec.gov and our website at investors.smiledirectclub.com.

This presentation is a supplement to, and should be read in conjunction with, SmileDirectClub’s earnings release for the quarter ended December 31, 2020.

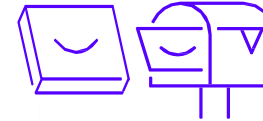


WHAT WE STAND FOR

Our mission is to democratize access to a smile each and every person loves by making it affordable and convenient for everyone.

Why Our Club Members Choose SDC.

Orthodontists have traditionally purchased invisible aligners from a wholesaler or manufacturer, marked up the cost by 3x, and then sold them to consumers for \$5,000-\$8,000. Our proprietary telehealth platform offers consumers the ability to get the same clinically safe and effective treatment, but without the 3x markup.



Credibility

Over 1mm members treated, with a brand at scale that our members love

- Our doctors have straightened over 1 million smiles, which makes us a leading player in the industry
- Brand at scale that our members love
- All doctors have 5+ years of aligner experience
- 100% of our aligners are made in our FDA registered and ISO certified 3D printing facility in Tennessee
- Treatment plan is tailored using our proprietary telehealth platform

Certainty

Customers enjoy a new smile in as little as 4 months

- All smiles come with our lifetime smile guarantee
- Customers can start seeing results in as little as 60 days, and they can be certain in their outcome because we have treated over 1 million members
- Better oral hygiene – customers can brush and floss without brackets in the way
- We deliver all aligners and retainers directly to the customer, upfront

Comfort

Our laser-cut aligners look and feel better than ever

- ComfortSense is our unique soft, medium, firm plastic approach, which provides for more gradual movements and a more comfortable fit
- Smooth edges and a custom-shaped aligner means less overlap and irritation of the gumline
- Matte finish gives aligners a natural look
- No buttons, attachments, or IPR
- Two ways to wear aligners: 22 hours a day, or 10 continuous hours only at night

Convenience

No in-office visits necessary and three ways to get started

- Customers use our telehealth platform for face-to-face remote check-ins and can start treatment from home
- All aligners arrive up front – customers never wait on their next set
- Our experienced dental team is available 24/7 via text, video chat, email or phone
- Customers use our app to track and manage their entire treatment

Cost

Our aligners cost as little as \$3/ day, with no 3x markup

- Two ways for customers to pay: one single payment or monthly over 24 months
- 100% approval on financing, no credit check, no paperwork
- We are in network with most major health insurers
- Customers can use HSA, FSA, and CareCredit funds
- All aligner touch-ups are included
- Whitening is included

We provide a global telehealth platform with unique value propositions.

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DIRECT CLUB

Access
Convenience
Affordability
Members

Control of our destiny
Compelling unit economics
Accelerating growth
Business

- 1 Mission-driven brand with positive member experience.
- 2 Omni-channel presence with SmileShops, impression kits, and GP footprint.
- 3 Exclusive licensed doctor network across 12 countries¹, powered by our Telehealth platform SmileCheck.
- 4 SmilePay captive financing increases accessibility and reduces purchasing friction.
- 5 Vertical integration allows us to optimize every step of the member journey and continuously improve the process.
- 6 Visionary, founder-led company with a history of disrupting incumbents.

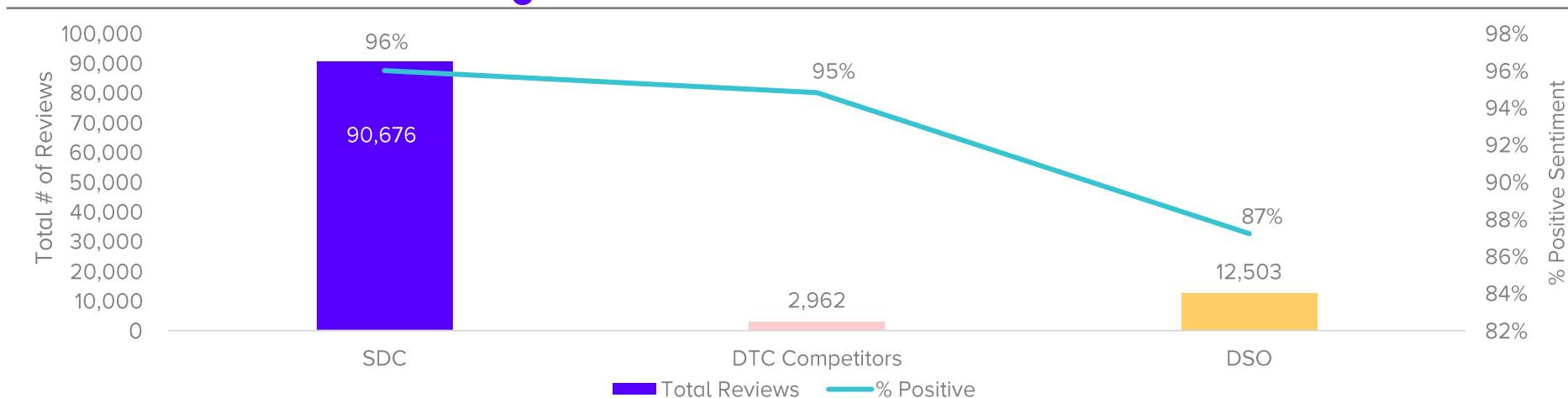
Club Member Satisfaction



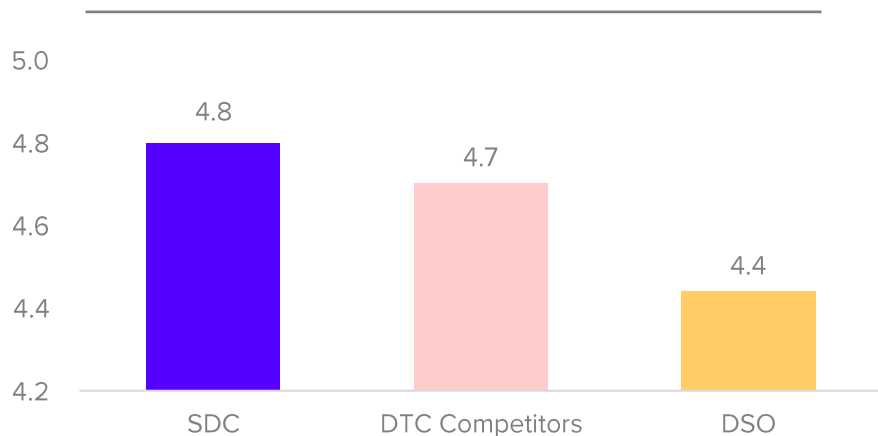
SDC has built a brand at scale that our members love.

We compared our member satisfaction scores with those of other DTC competitors and traditional DSOS and consistently tracked higher than the competition.

Google Reviews & Member Sentiment



Customer Rating⁽¹⁾



NPS 46⁽²⁾ - one of the highest in spec. healthcare industry.

Approx. 22% of members come from referrals.

BBB rating of **A+**

Average rating **4.5 / 5.0** with over 200K member reviews⁽³⁾.



Source: Internal company surveys, public information. Data as of Jan. 2021.
 Note: DTC rating is an average of DTC competitors. DSO rating is average of two larger DSOs in the US.
 (1) Google rating. (2) All time average rating. (3) Company website.

Q4 Financial Results.

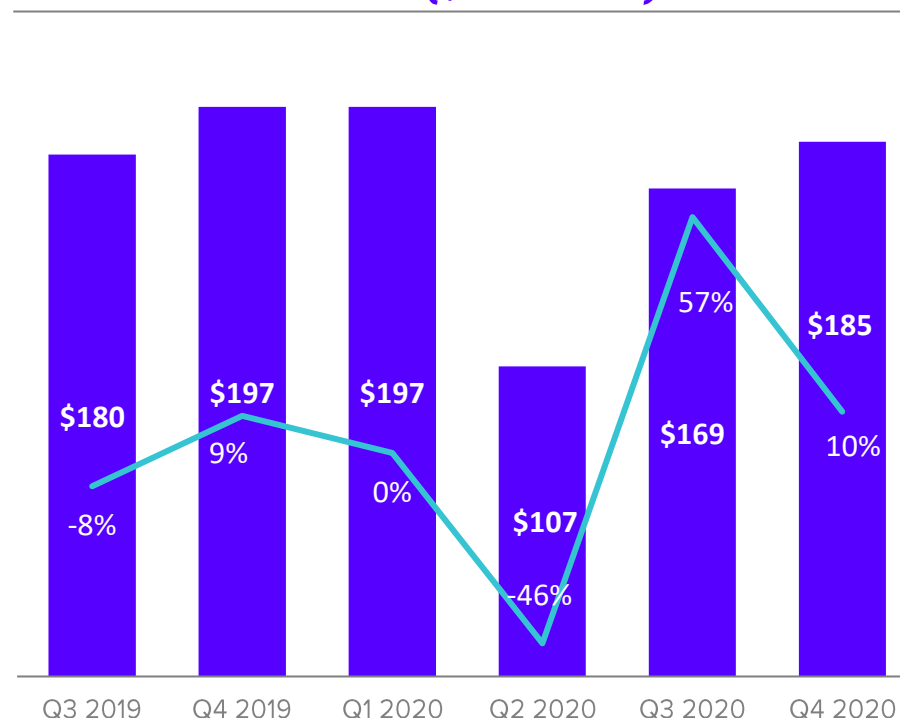


Q4 2020 results.

- Revenue for the quarter was \$184.6 million, which represents a sequential increase of 10% over Q3 2020
- Gross margin for the quarter was 74%, up 323 basis points from Q3 2020
- Net loss for the quarter was negative \$33.0mm, a sequential improvement of \$11mm
- Q4 Adjusted EBITDA⁽¹⁾ was positive \$7.2mm for the quarter. This is a sequential improvement of \$4mm
- Our long-term financial targets remain intact:
 - Average revenue growth of 20-30% per year for the next 5 years.
 - Adjusted EBITDA⁽¹⁾ margins of 25-30% as we scale during that time period.
 - This is driven by an 85% gross margin, 40-45% sales and marketing margin, and a 15% G&A margin.

	Q4 2020	QoQ
Net Revenue	\$ 184.6mm	10%
Gross Profit	\$ 136.0mm	14.5%
Gross Margin %	74%	323bps
Adjusted EBITDA ⁽¹⁾	\$ 7.2mm	137%
EPS, Diluted	\$ (0.09)	+18%

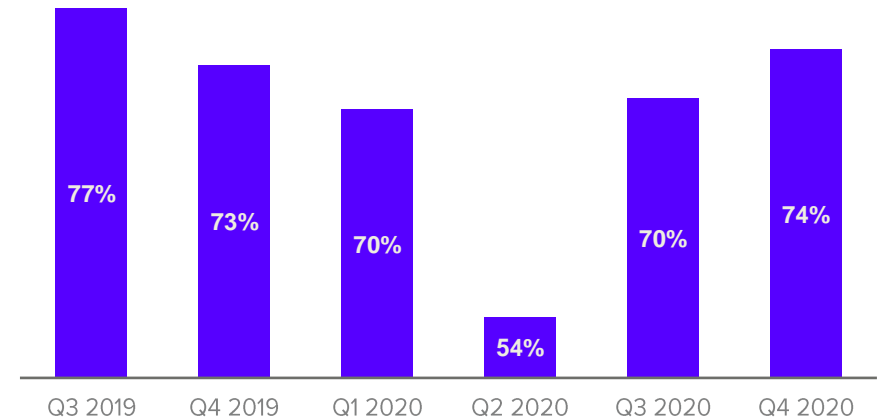
Revenue (\$ in millions)



Gross margin.

- Gross margin for the quarter was 74%, a 323bps increase sequentially. Gross profit was up 15% sequentially.
- On COGS, we are making good progress on manufacturing automation with our 2nd Gen machines now live and producing approximately 60% of our aligners.
 - We plan to increase that percentage significantly over the course of the year, and we expect over 90% by the end of Q2.
- As we have often stated, we believe streamlining our cost profile through operational efficiencies, will not only improve our margin profile, but more importantly, will provide a consistently superior customer experience that meets our expectations and upholds our brand promise.
- Our long-term gross margin target of 85% of revenue remains intact.

Gross margin %

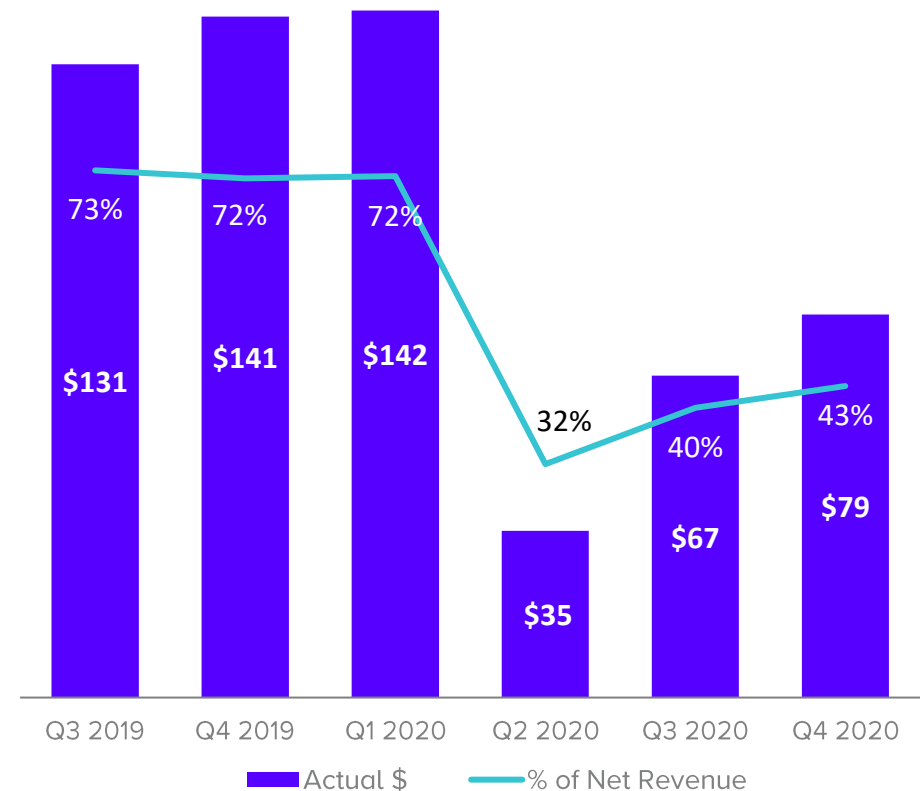


Marketing & selling.

- Marketing and selling expenses came in at \$79 million or 43% of net revenue in the quarter, compared to 72% of net revenue in Q4 of 2019.
- Our efficient deployment of acquisition spend, continued advancements in aided awareness and referral rates, access to highly efficient lead sources, and our highly curated fulfillment network of SmileShops have positioned us well to continue to perform well against our long-term targets.
- On SmileShops, we had 114 permanent locations as of quarter end, and held 104 pop-up events over the course of the quarter, for a total of 218 location sites.
 - These pop-up events are a critical component to supporting our demand, function in the same capacity as a permanent SmileShop, and enable us to fully leverage our SmileShop resources to fulfill demand that is coming through aided awareness, referrals, and marketing.
- Our long-term target of 40-45% margin remains intact.

Quarter	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Referrals as a % of Aligner Orders	20%	20%	21%	23%	22%

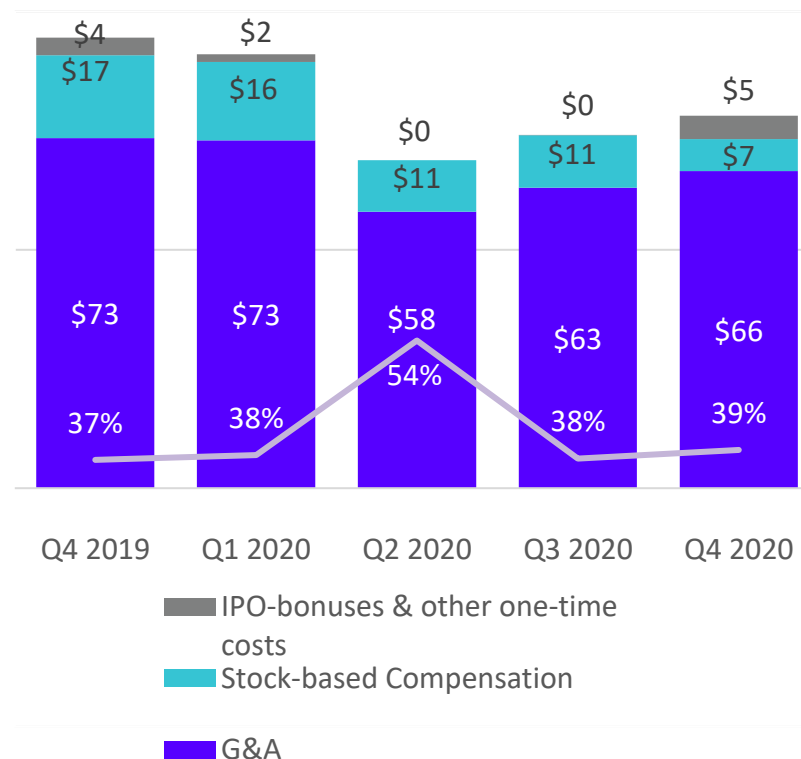
Marketing & selling expenses (\$ in millions)



General & administrative.

- General and administrative expenses were \$78 million in Q4, compared to \$74 million in Q3 2020.
 - G&A expenses were up \$4 million sequentially but included \$5.0 million in one-time expenses primarily associated with a non-recurring legal settlement.
 - Adjusting for this, G&A expenses were down \$1 million on a quarter over quarter basis.
 - Excluding D&A, stock-based compensation, and one-time items, G&A expenses remain down \$10 million, or 14%, versus Q4 of 2019.
- The stability throughout the quarter was a direct result of the cost control initiatives we discussed on prior earnings call.
 - We plan to stay vigilant with cost control throughout the remainder of the year and beyond, as we focus on continuing to leverage this line item
- Our long-term target of 15% of revenue remains intact.

G&A expenses⁽¹⁾ (\$ in millions)



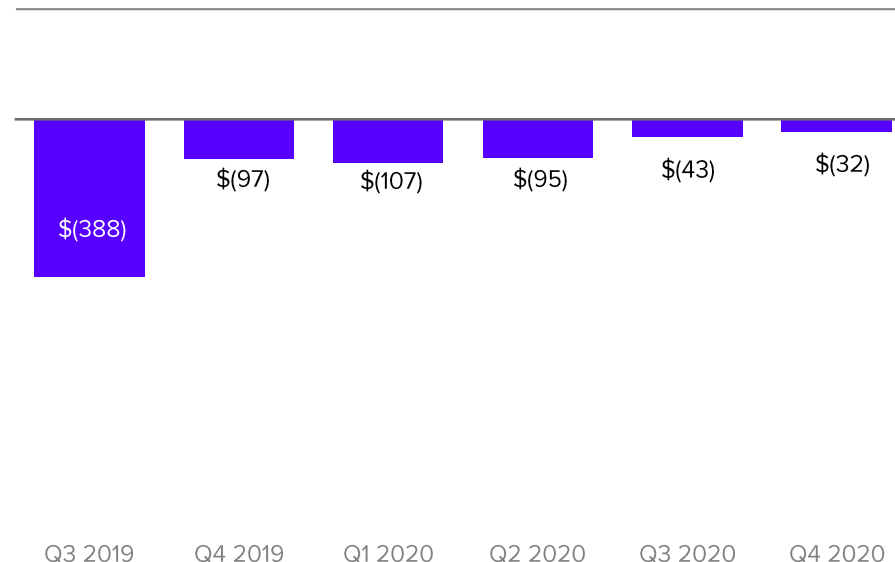
One-time items:

- Q4'19 – IPO related bonuses and related costs.
- Q1/Q2'20 – One time severance (COVID).
- Q3 – International one-time severance (COVID).
- Q4 - \$4.8mm legal settlement accrual. Remainder is international severance (COVID).

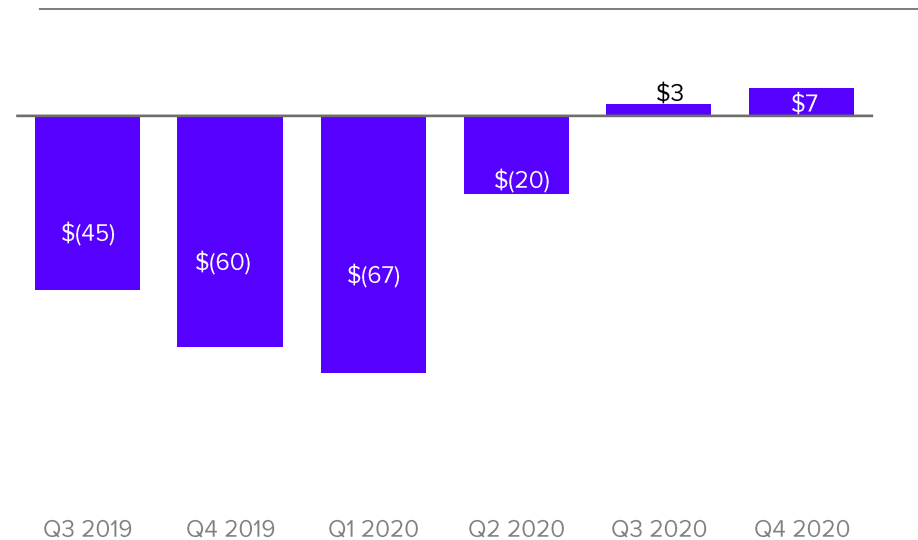
Other expenses, Adjusted EBITDA & net income.

- Interest Expense:
 - Interest expense was \$15.4 million in the fourth quarter, mostly associated with borrowings on indebtedness from our credit facility. This expense will mostly go away once we repay our existing debt facility with the convert proceeds.
- Lease Abandonment and Impairment:
 - We had a gain of \$3.1mm mostly associated with gains on a settlement of lease liabilities that were previously recognized as an expense in Q2 with our Kyle, TX facility.
- Store Closure Costs
 - We had expense of \$0.8mm associated with optimizing our store footprint.
- Other:
 - Expense of \$1.9mm, which is primarily related to a one-time legal expense settlement of \$5.0mm, offset by currency gains recognized in the quarter of \$3.1mm.

Net income (\$ in millions)



Adj. EBITDA⁽¹⁾ (\$ in millions)



Balance sheet highlights.

- We ended Q4 with \$316.7 million in cash and cash equivalents.
- Cash from operations for the fourth quarter was negative \$14.9 million.
- Cash spent on investing for the fourth quarter was \$28.4 million, mainly associated with leasehold improvements, capitalized software and building our manufacturing automation.
- On free cash flow,⁽¹⁾ we've experienced a meaningful improvement since the end of 2019
 - Negative \$43.3 million in Q4, down from negative \$181.2 million in Q4 of 2019.

(\$ in millions)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Cash	\$318.5	\$224.4	\$389.0	\$373.0	\$316.7
Debt	\$208.5	\$221.4	\$420.3	\$415.7	\$408.6
Accounts Receivable, Net	\$345.7	\$345.3	\$311.8	\$302.0	\$293.3
Cash Flow from Operations	\$(141.2)	\$(70.4)	\$(15.5)	\$17.2	\$(14.9)
Cash Flow from Investing	\$(40.0)	\$(28.1)	\$(19.7)	\$(20.9)	\$(28.4)
Free Cash Flow	\$(181.2)	\$(98.5)	\$(35.2)	\$(3.7)	\$(43.3)

- On SmilePay, which drives our accounts receivable, in Q4 2020, SmilePay as a percentage of total aligners purchased was lower than previous quarters at 60% versus 64% for the full year.
- Overall, SmilePay has continued to perform well, and our delinquency rates in Q4 were consistent with prior quarters. Because we keep a credit card on file, and have a low monthly payment, we expect SmilePay to continue to perform well.

(1) Free Cash Flow is a non-GAAP financial measure. See appendix for definition of Free Cash Flow.

Convertible Debt Offering.

- Deal launched at a size of \$350 million and was later upsized to \$650 million due to strong institutional demand.
 - In addition, the bookrunners exercised their full greenshoe option to purchase \$97.5 million convertible notes, bringing the full offering size to \$747.5 million.
 - Notes were priced with a 0% coupon, and a 40% conversion premium.
 - In conjunction, SDC entered into a capped call that will fully offset any potential equity dilution from conversion of the notes.
- This convertible debt financing strengthens our balance sheet, with minimal equity dilution, and fortifies us against a protracted COVID environment, while also enabling to us to comfortably execute our growth strategy over the coming years, while also investing in R&D, innovation, and other business development opportunities.
- After repaying our outstanding debt facility, we will have approximately \$500 million of cash on the balance sheet.

Convertible Debt Key Terms	
Base Deal Size	\$650 million
Green Shoe (exercised)	\$97.5 million
Coupon	0.00%
Conversion Premium/Price	40.0% / \$18.06

Capped Call Key Terms	
Capped Call Lower Strike	40.0% / \$18.06
Capped Call Upper Strike	100.0% / \$25.80
Net Premium	9.3% of proceeds
Effective all-in Rate/Terms	~2.0% Cost of Capital up 100%

Q1 2021 & Long-Term Outlook



Q1 guidance & long-term outlook.

- We are managing the business to drive towards our long-term financial targets, which include 20-30% revenue growth per year, and Adjusted EBITDA⁽¹⁾ margins of 25-30%. For Q1 2021, we expect the following:
 - Revenue to be in line with our long-term targets on a sequential basis, meaning up 5-7% over Q4 2020.
 - Adjusted EBITDA⁽¹⁾ to be profitable, but not necessarily focused to the level of Q4 2020, as we continue to ramp marketing spend in quarters like Q1 where the ad rates are lower and we can build our lead funnel, which we expect to pay off in future quarters.
 - As a reminder, marketing dollars we spend today, have a long tail.
 - Over 15% of our orders in Q4 became a lead at least 24 months ago.
- Our long-term objectives have not changed:
 - We remain laser focused on providing the best club member experience, and our mantra remains to drive controlled and profitable growth.
 - We remain the low-cost provider, with brand presence, no pricing pressure, and no real competitor that provides an end to end vertically integrated platform for the consumer.
 - We will continue to make strategic investments in the professional channel, international growth, and in penetrating new demographics to drive controlled growth, all wrapped around continued spend on innovation and R&D.
 - We continue to see favorable industry dynamics with broader acceptance of telehealth and specifically tele-dentistry, minimal penetration against our total addressable market, and clear aligners gaining share in the overall industry.
 - All of these position us well for long-term success.

Growth Initiatives.

Continued momentum across our three key revenue growth drivers.

New Acquisition Channels



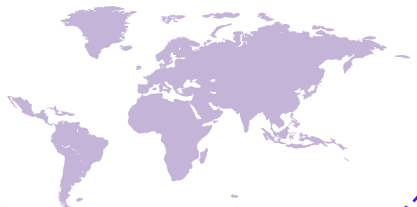
- As we think about expanding our acquisition channels, we are focusing on accommodating new consumer on-ramps to our clear aligner therapy through the professional channel, corporate partnerships, and retail.
 - On the professional channel: Our partnership network is now extended across more than 1,000 practices in the United States, and we have a deep sales pipeline both domestically and internationally.
 - On corporate partnerships, we continue to see progress across all of our programs including those with Allianz, Anthem BCBS, Empire BCBS, MetLife, United, Aetna, and others.
 - On the retail side: our oral care products are available at Walmart, Amazon, CVS, Walgreens, Sam's Club, and SDC.com, and SDC now has the #1 whitening gel product in the US market.
 - These products continue to perform well and serve as a highly efficient lead source and brand building opportunity.

Teens



- Teens are 75% of case starts annually, but approximately 10% of SDC members
- We recently launched SmileDirectClub Teen.
 - Designed just for teens, this new offering includes a more affordable and accessible alternative to metal braces or other aligner options, giving teens and parents the convenience of our telehealth platform, with 24/7 access to dental professionals, while still priced 60% less than traditional orthodontic products.

International



- Massive global opportunity of ~500mm people.
- We have launched into 12 countries⁽¹⁾ since January of 2019 and plan to launch into additional locations in Europe, Latin America and Asia Pacific throughout 2021 and beyond.
- Our International business was 12.5% of our revenue in 2020, but represents approximately 75% of the market opportunity.

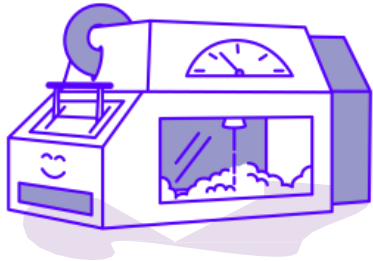
Cost Levers.

Leveraging automation, sales and marketing efficiency, and cost discipline to drive towards profitability.

Long Term% of Revenue

**Gross
Margin:
85%**

Automation



- Continued advancement in automation and streamlining of our manufacturing process. We are making good progress on automation with our 2nd Gen machines now live and producing approximately 60% of our aligners. We expect over 90% by the end of Q2.
- Streamlining our cost profile through operational efficiencies, will not only improve our margin profile, but more importantly, will provide a consistently superior customer experience that meets our expectations and upholds our brand promise.

Leverage omnichannel approach



- Our efficient deployment of acquisition spend, continued advancements in aided awareness and referral rates, access to highly efficient lead sources, and our highly curated fulfillment network of SmileShops have positioned us well to continue to perform well against our long-term targets in quarters to come.

**Sales &
Marketing:
40-45%**

Leveraging G&A Spend



- Continued cost discipline across the business.
- Aligning spend with business priorities and long-term growth targets.

**G&A:
15%**

Long-term Adjusted EBITDA⁽¹⁾ margin of 25%-30%

Appendix.



Net Income to adjusted EBITDA.

	Three Months Ended December 31,	
	2020	2019
(In thousands)		
Net loss	\$(32,951)	\$(97,326)
Depreciation and amortization	16,991	11,099
Total interest expense	15,383	4,052
Income tax expense	1,377	1,672
Lease abandonment and impairment of long-lived assets	(3,136)	--
Other store closure and restructuring costs	844	--
Loss on extinguishment of debt	--	--
Equity-based compensation	6,714	17,363
IPO Related Costs	--	3,746
Other non-operating general and administrative costs ⁽¹⁾	1,943	(644)
Adjusted EBITDA	\$7,165	\$(60,038)

Cash Flow From Operations to Free Cash Flow.

	Three Months Ended December 31,	
	2020	2019
(In thousands)		
Cash Flow From Operations	(\$14,912)	\$(141,177)
Cash Flow From Investing	(28,373)	(40,106)
Free Cash Flow	\$(43,285)	\$(181,183)

Gross to net revenue bridge.

Aligner Gross Revenue to GAAP Net Revenue Bridge

(\$ in millions; except for Aligners Shipped and ASP)

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Total Unique Aligner Orders Shipped⁽¹⁾	76,372	109,894	122,047	106,070	115,042	122,751	57,136	93,301	101,794
Average Aligner Gross Sales Price ("ASP")	\$1,797	\$1,767	\$1,761	\$1,788	\$1,771	\$1,770	\$1,817	\$1,794	\$1,820
Aligner Gross Revenue	\$ 137.3	\$ 194.1	\$ 214.9	\$ 189.6	\$ 203.7	\$ 217.3	\$ 103.8	\$ 167.4	\$ 185.3
Implicit Price Concession ⁽²⁾	(13.8)	(17.3)	(18.9)	(15.5)	(16.3)	(21.3)	(9.3)	(13.4)	(14.2)
Reserves and other adjustments ⁽³⁾	(6.5)	(11.6)	(14.6)	(12.0)	(12.9)	(25.1)	(16.6)	(14.7)	(16.1)
Aligner Revenue⁽⁴⁾	\$ 117.0	\$ 165.2	\$ 181.5	\$ 162.2	\$ 174.5	\$ 170.9	\$ 77.9	\$ 139.3	\$ 155.0
Financing Revenue ⁽⁵⁾	8.4	9.1	10.6	11.5	12.7	12.7	12.7	12.0	12.0
Other Revenue and adjustments ⁽⁶⁾	3.1	3.4	3.8	6.5	9.5	13.0	16.5	17.2	17.6
Total Net Revenue	\$ 128.5	\$ 177.7	\$ 195.8	\$ 180.2	\$ 196.7	\$ 196.7	\$ 107.1	\$ 168.5	\$ 184.6

Note: All information in this file is publicly available from our SEC filings.

(1) Each unique aligner order shipped represents a single contracted member.

(2) Estimated based on historical write-off percentages and expected net collections. Excludes implicit price concessions associated with financing revenue starting in 2019 of \$1.035mm for Q119, \$1.851mm for Q219, \$1.817mm for Q319, \$2.005mm for Q419, \$2.035mm for Q120, \$1.997 for Q220, \$1.927 for Q320, and \$1.914 for Q420. See footnote 5 below.

(3) Includes impression kit revenue, refunds and sales tax.

(4) As defined in quarterly and annual filings (Aligner Gross Revenue less IPC and Reserves and other adjustments).

(5) Represents interest income earned on our SmilePay financing program, net of IPC starting in 2019, as noted in footnote 2 above.

(6) Includes net revenue related to retainers, whitening, and other ancillary products.

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