



smile

DIRECT CLUB

2019 Q3 Results
November 2019

CONFIDENTIAL

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 guarantees 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: 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2019.

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

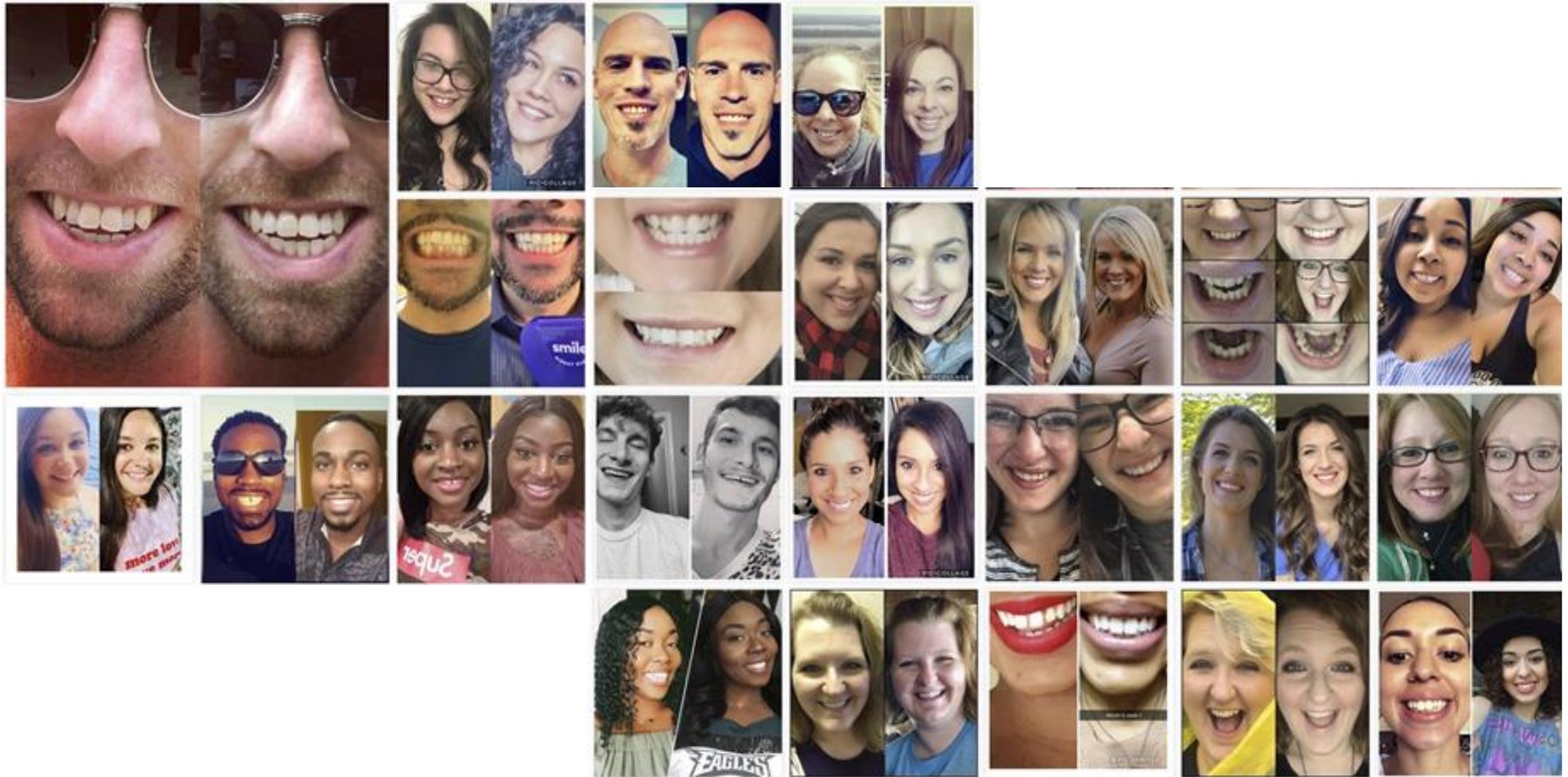
This presentation also contains estimates and other statistical data obtained from independent parties and by us relating to market size and growth and other data about our industry and ultimate consumers. This data involves a number of assumptions and limitations, and you are cautioned not to give undue 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”). We provide a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure 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 September 30, 2019.

Before and happily ever after.





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.

We are a global medtech platform with unique value propositions.

smile

DIRECT CLUB

Access
Convenience
Affordability
Members

1

Mission-driven brand with positive member experience.

2

Omni-channel presence with a large SmileShop network.

3

Exclusive licensed doctor network across the U.S., Canada, U.K., Australia, & New Zealand.

4

SmilePay captive financing increases accessibility and reduces purchasing friction.

5

Vertical integration, powered by SmileCheck, allows us to optimize every step of the member journey.

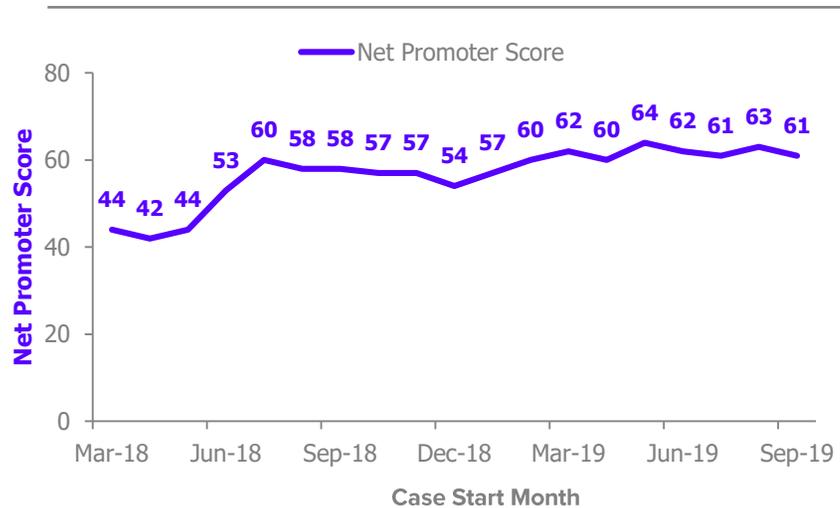
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Visionary, founder-led company with a history of disrupting incumbents.

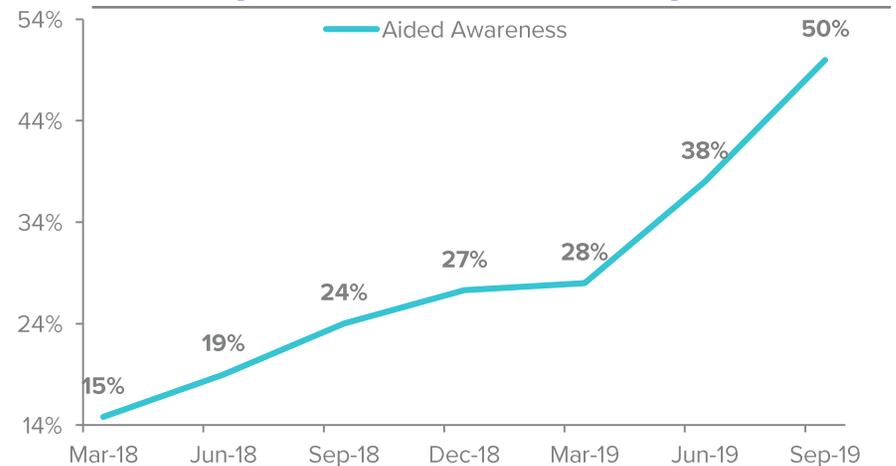
Control of our destiny
Compelling unit economics
Accelerating growth
Business

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

SDC has an NPS of 61 for September 2019 members



SDC's aided awareness has increased by over 100% in the last year



63K Google reviews with **97%** positive sentiment.

NPS 61¹ - one of the highest in spec. healthcare industry.

Approx. **20%** of members come from referrals.

4.0² Yelp rating.

BBB rating of **A**.

Average rating **4.9 / 5.0** with approx. **125K** member reviews.

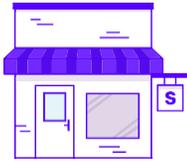


Source: Internal company surveys, public information. Data through Oct. 2019.
 Note: DSO rating is average of two larger DSOs in the US.
¹Current NPS score for new Sept. 2019 members. ²Average Yelp rating of SmileShop locations.

Where SDC is today.

LARGE FOOTPRINT

SMILESHOPS



366 SmileShops

across 43 states, Puerto Rico, Canada, Australia, New Zealand, & U.K.

DOCTOR NETWORK



**~250 licensed
orthodontists and
dentists**

in proprietary network across all 50 states, Puerto Rico, Canada, Australia, New Zealand, & U.K.

BUSINESS SCALE



~5MM unique visits
to our website per month.



750K+ members
treated with aligners.

VERTICALLY INTEGRATED OPERATIONS

TEAM



5,400 team members

- 2,100 in TN.
- 1,500 in Costa Rica.
- 1,800 in SmileShops across the U.S., Puerto Rico, Canada, Australia, New Zealand, & U.K.

FACILITIES



3.5 million aligner trays
production capacity per month.

127K sq. ft. TN HQ | 219K sq. ft. TN facilities¹ | 81K sq. ft. Costa Rica facilities.

SmileShops provide an omnichannel experience.

TOTAL SHOPS 366	U.S. 315	U.K. 15
CANADA 21	AUSTRALIA 13	NEW ZEALAND 2

U.S. SmileShop breakdown

FLAGSHIPS 2	SHARED RETAIL 190	SMILE BUSES 6
RETAIL STOREFRONT 18	CVS & WALGREENS 99	

FLAGSHIPS



SHARED RETAIL



RETAIL STOREFRONT



CVS & WALGREENS



Multiple vectors of growth.

CORE



Core growth + penetration.

- Continued direct-to-consumer penetration.
- Attractive U.S. market with ~124MM potential cases and only 750K+ treated to date.
- Continued focus on improving aided awareness and referrals.
- Putting SmileShops into CVS, Walgreens, Shoppers Drug Mart, Chemist Warehouse, and other retailers to expand access to care.



Expand business partnerships.

- Entered into agreements with United Healthcare and Aetna to include insurance coverage for our aligners on an in-network basis.
- Significant opportunity to enter into partnerships with additional insurers and other businesses.



Greater accessibility.

- Mobile SmileBuses for targeting rural areas, events, corporations, schools, etc.

UPSIDE

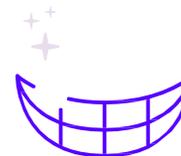


International launch.

- Massive global opportunity of ~500MM people.
- Current countries already launched in:



- More to come in 2019 and 2020.



Product + process innovation.

- Launch new products to become an oral care leader by leveraging the SmileDirectClub brand.
- Leverage AI and deep learning to innovate.

Financial Results.



Q3 2019 results.

- Revenue for the quarter was \$180 million, which represents an increase of 51% over the third quarter of 2018.
 - This increase was driven primarily by a 47% YoY increase in aligner shipments and a modest increase in ASP⁽¹⁾, which came in at 106,070 and \$1,788, respectively.
- Gross margin for the quarter was 77%, an over 700-basis point improvement versus the prior year.
- Q3 Adjusted EBITDA⁽²⁾ loss came in ahead of target at negative \$45 million.

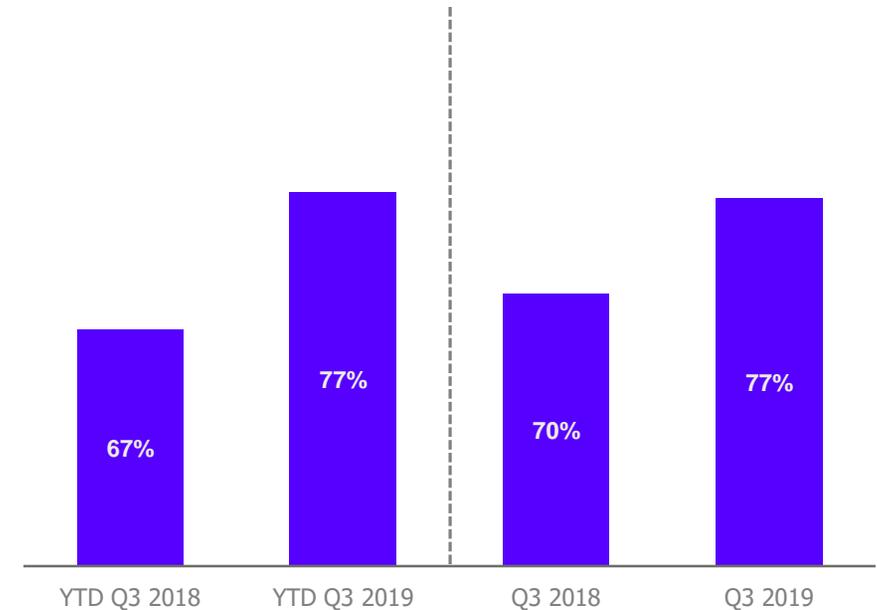
	Q3 2019	YoY
Net Revenue	\$ 180.2mm	+51%
Gross Profit	\$ 138.7mm	+66%
Gross Margin %	77%	+700bps
Adjusted EBITDA ⁽²⁾	\$ (45.2)mm	NM
EPS, Diluted	\$ (0.89)	NA

	YTD Q3 2019	YoY
Net Revenue	\$ 553.7mm	+88%
Gross Profit	\$ 428.7mm	+116%
Gross Margin %	77%	+1,010bps
Adjusted EBITDA ⁽²⁾	\$ (42.9)mm	NM
EPS, Diluted	\$ (0.89)	NA

Gross margin.

- Gross margin for the quarter was 77%, an over 700-basis point improvement versus the prior year.
 - Gross margin YTD is 77%, an over 1000-basis point improvement versus the prior year.
- This was driven by manufacturing 100% of our aligners in-house, as well as our continued discipline to improve manufacturing automation and supply chain efficiencies.
- We remain very focused on improving our strong gross margin profile through continued advancements in our technology, and further automation of our core manufacturing processes.

Gross margin %

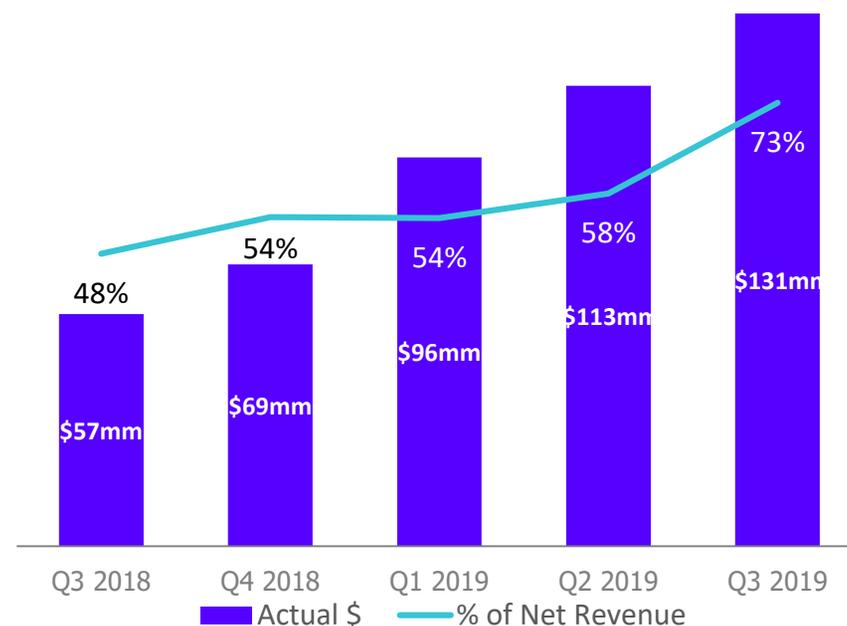


Marketing & selling.

- Marketing and selling expenses were \$131 million or 73% of net revenue.
- In Q3, we continued to make significant strategic investments in both expanding our location footprint, and our digital and media advertising strategy. This focus has driven aided awareness to 50%, which will support our long-term growth.
 - We have been focused on investing heavily in the rollout of SmileShops both domestically, and with a particular emphasis on our efforts overseas.
- We expect to begin to leverage this footprint in 2020 and beyond, with our long-term target being 40-45% of revenue.

Quarter	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Aided Awareness	24%	27%	28%	38%	50%
Referrals as a % of Aligner Orders	19%	19%	20%	20%	20%
SmileShop Count	139	190	223	310	366

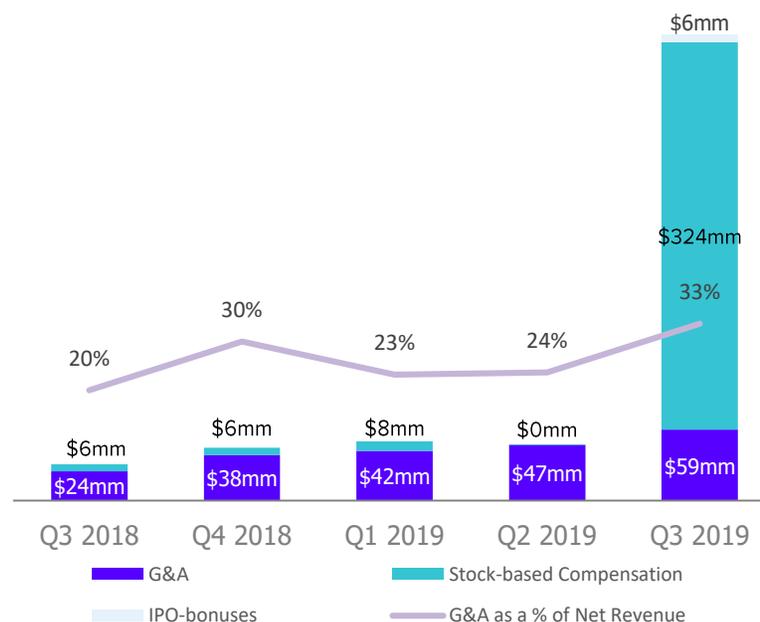
Marketing & selling expenses



General & administrative.

- General and administrative expenses were \$390 million in Q3 compared to \$30 million in the prior year period.
- The current year period includes a one-time charge of \$324 million related to equity-based compensation, and \$6 million of other one-time IPO specific costs during the third quarter.
 - Our legal expenses doubled in the third quarter of 2019, compared to the second quarter. We expect this to continue into the fourth quarter, as we maintain our proactive stance to defend our mission in support of consumer access to care.
 - Additionally, we continue to invest in human capital across the company in preparation for our long-term growth. This investment is focused on technology, marketing, data analytics, data science, finance, and other corporate functions.

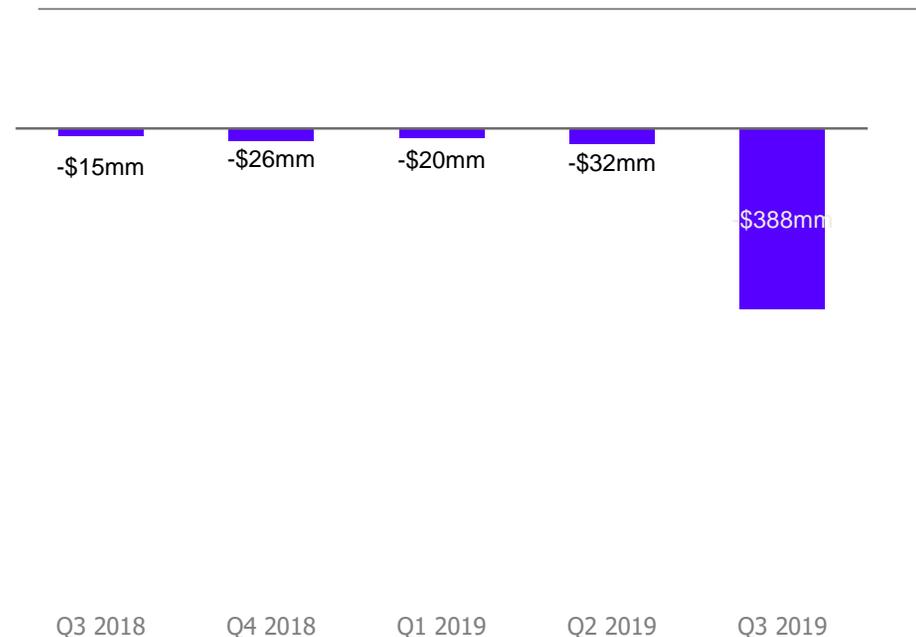
General & administrative expenses



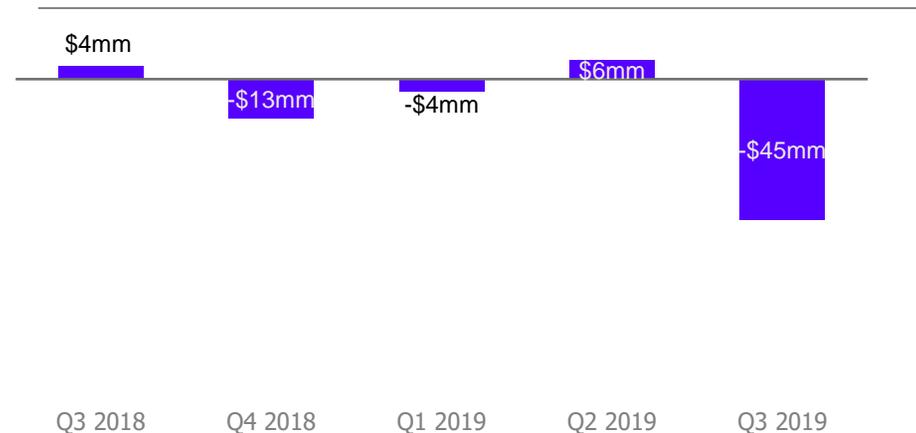
Adjusted EBITDA & net income.

- Interest Expense:
 - Interest expense was \$4 million in the third quarter, associated with borrowings on indebtedness from our JPM credit facility.
 - The interest rate on our facility is LIBOR + 320bps.
- Taxes:
 - Our provision for income tax was \$0.5 million in the third quarter, which represents state income taxes.
 - We generated \$23 million of deferred tax assets related to net operating losses in the third quarter, of which \$19 million relates to Federal and \$4 million relates to State.
 - No liability has been recorded under our Tax Receivable Agreement as part of our Up-C structure in Q3.
- Other:
 - Other expense was \$0.5mm in the third quarter and was primarily associated with foreign currency changes.

Net income



Adj. EBITDA⁽¹⁾



Balance sheet highlights.

- We ended the third quarter with \$548 million in cash and cash equivalents.
- Debt as of the end of Q3 was \$219 million. This is primarily associated with our JPM credit facility, which finances our SmilePay program.
- Cash from operations for the third quarter was negative \$94 million, driven by negative \$45 million of Adjusted EBITDA⁽¹⁾ and an increase in accounts receivable of \$37 million.
- Cash flow from investing for the third quarter was \$28 million, mainly associated with the launch of 56 SmileShops and continued investment in manufacturing infrastructure.
- Current cash on the balance sheet is expected to take us through cash flow profitability.

(\$ in millions)	Q3 2018	Q2 2019	Q3 2019
Cash	\$279.3	\$149.1	\$547.6 ¹
Debt	\$153.8	\$205.0	\$219.4
Accounts Receivable, Net	\$142.3	\$275.1	\$311.7
Cash Flow from Operations	\$(35.7)	\$(65.9)	\$(94.1)
Cash Flow from Investing	\$(14.0)	\$(10.7)	\$(28.2)
Free Cash Flow	\$(49.7)	\$(76.7)	\$(122.3)

(1) Includes approximately \$100 million set aside for IPO expenses and future payments or distributions as referenced in our S-1.

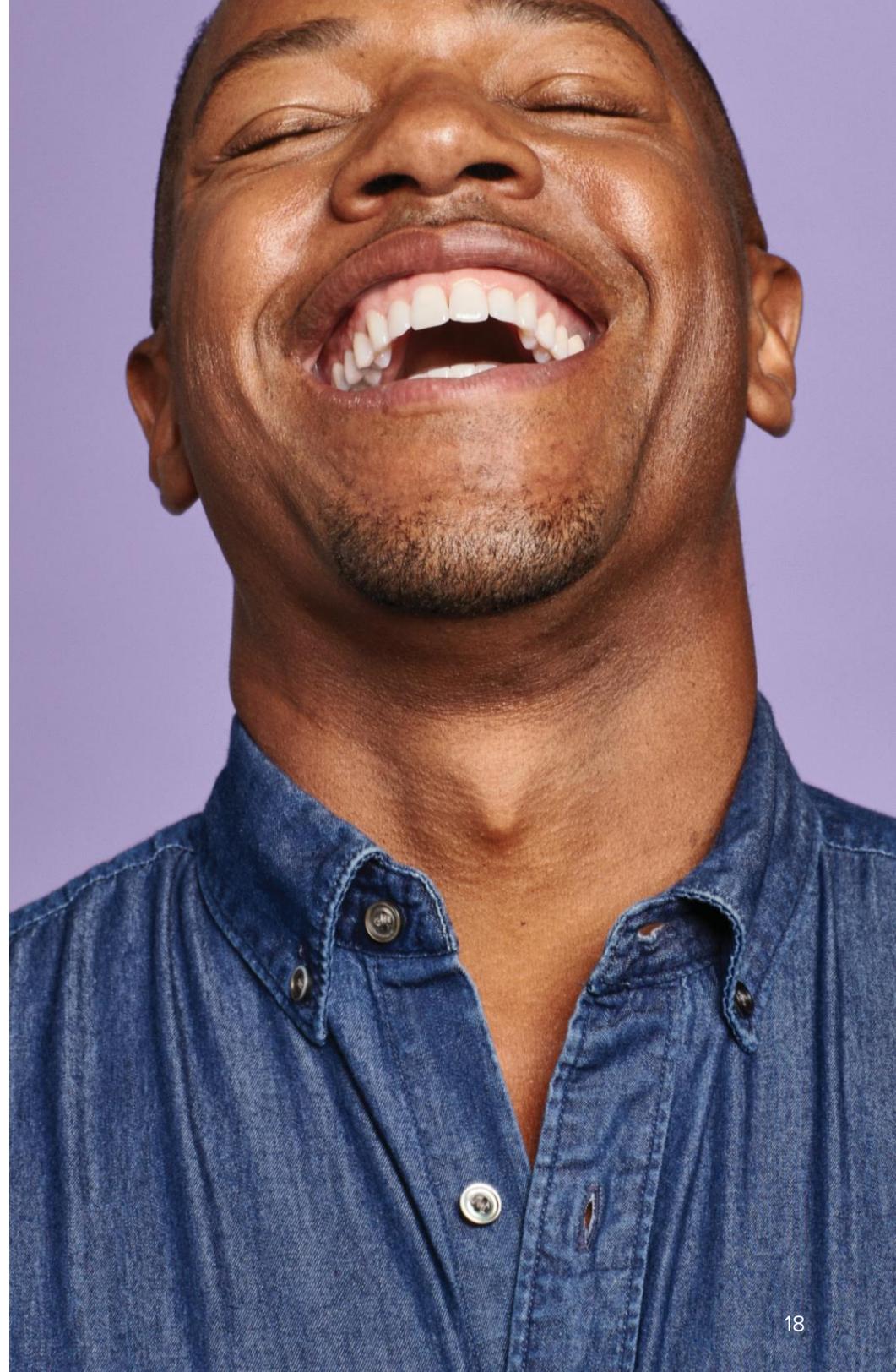
FY 2019 outlook.

- For fiscal year 2019, we expect the following:
 - Revenue between \$750 million to \$755 million representing growth of 78% year-over-year at the mid-point of the range.
 - Adjusted EBITDA⁽¹⁾ for the fiscal year is expected between negative \$73 million to negative \$80 million.

- This means the following for the fourth quarter of 2019:
 - Revenue between \$196 million to \$201 million, representing growth of 55% year-over-year at the mid-point of the range.
 - Adjusted EBITDA⁽¹⁾ between negative \$30 million to negative \$37 million.

	FY 2019
Revenue	\$750mm - \$755mm
Adj. EBITDA ⁽¹⁾	\$(73)mm - \$(80)mm

Appendix.



Net Income to Adjusted EBITDA.

(\$ in millions)

	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018
Net loss	(\$387.6)	(\$15.0)	(\$440.5)	(\$48.8)
Depreciation and amortization	\$6.5	\$2.2	\$16.2	\$5.0
Total interest expense	\$4.3	\$4.6	\$11.7	\$10.5
Income tax expense	\$0.5	\$0.1	\$0.6	\$0.3
Fair value adjustment of warrant derivative	–	\$5.9	–	\$14.5
Loss on extinguishment of debt	\$0.0	–	\$29.7	–
Equity-based compensation	\$324.5	\$5.8	\$332.8	\$13.6
IPO related costs	\$6.1	–	\$6.1	–
Other	\$0.4	\$0.6	\$0.5	\$0.6
Adjusted EBITDA	(\$45.2)	\$4.3	(\$42.9)	(\$4.2)

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