

smile

DIRECT CLUB

Q4 2022



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 current noncompliance with the minimum bid requirement pursuant to the Nasdaq Listing Rules; the duration and magnitude of the COVID-19 pandemic and related containment measures; our management of 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, 2022.

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. We provide additional disclosures regarding our marketing claims on our web site which can found at smiledirectclub.com/claims/.

Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures, including adjusted EBITDA (“Adjusted EBITDA”) and Free Cash Flow. We utilize certain non-GAAP measures, including Adjusted EBITDA, and Free Cash Flow to evaluate our actual operating performance and for planning and forecasting of future periods. 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. We do not provide a reconciliation of forward-looking Adjusted EBITDA to the most directly comparable GAAP financial measure (net loss), as the reconciliation to the corresponding GAAP measure is not available due to the variability, complexity and limited visibility of the non-cash items that are excluded from forward-looking Adjusted EBITDA.

This presentation is a supplement to, and should be read in conjunction with, SmileDirectClub’s earnings release for the quarter ended December 31, 2022.

**Mission driven
business delivering
shareholder value
through innovation.**



Our Vision: Become the world's leading oral care brand by helping more people realize the life-changing potential of a confident smile.

Our vision.

We started by disrupting the 120+ year old orthodontic industry.

We created the first telehealth platform for orthodontia that connects doctors with their patients, removing significant barriers to open teeth straightening to entirely new populations where it was historically out of reach. Now, with **a winning team and best-in-class partnerships**, we're making it increasingly convenient, more affordable, and more comfortable by utilizing the **transformative innovations** in digital scanning, materials science, and taking a "big data" approach to treatment planning and in-treatment monitoring to improve outcomes.



Evolve the brand into an everyday oral care staple:

Through **transformative innovation**, we will democratize access to quality daily routine oral care products with superior performance. SmileDirectClub should own the oral care half of the bathroom vanity countertop. This grows our brand presence and connection points by offering oral care products in retail, and online, and through subscription models, keeping us physically present to be top of mind.



Extend the access spectrum:

Building on the success we've seen with our telehealth model, we will launch offerings that **appeal to even more people**, including orthodontia's traditional customers. This includes a higher-end, hybrid (in-person and virtual) service model for teens and high-income households delivered via a large and comprehensive network of dental offices.

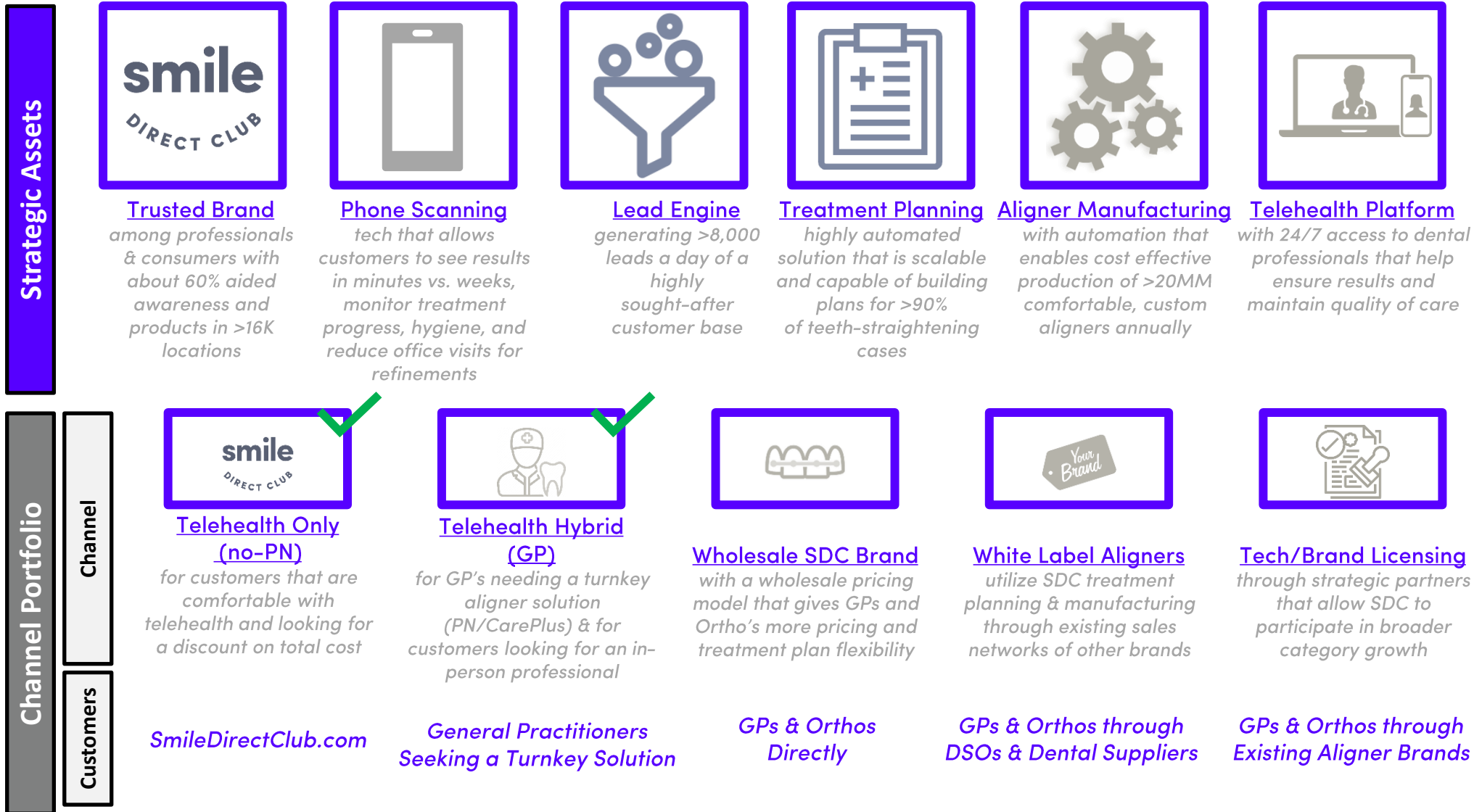


Establish SDC as the largest referrer of dental care:

Strengthen our Partner Network by introducing partner practices to new patients as the first step in their teeth straightening journey and through **AI-driven diagnosis via connected devices**.

Expand Our Reach...

Pairing assets with a multi-channel portfolio approach



Our strategic pillars.

Our Mission: Democratize access to a smile each and every person loves.

Expand our reach



Grow existing base and acquire new customer segments

through

Transformative innovation



Dissatisfaction with the status quo coupled with a pipeline of innovation

driven by

A winning team



Attracting and retaining top talent and partners

with

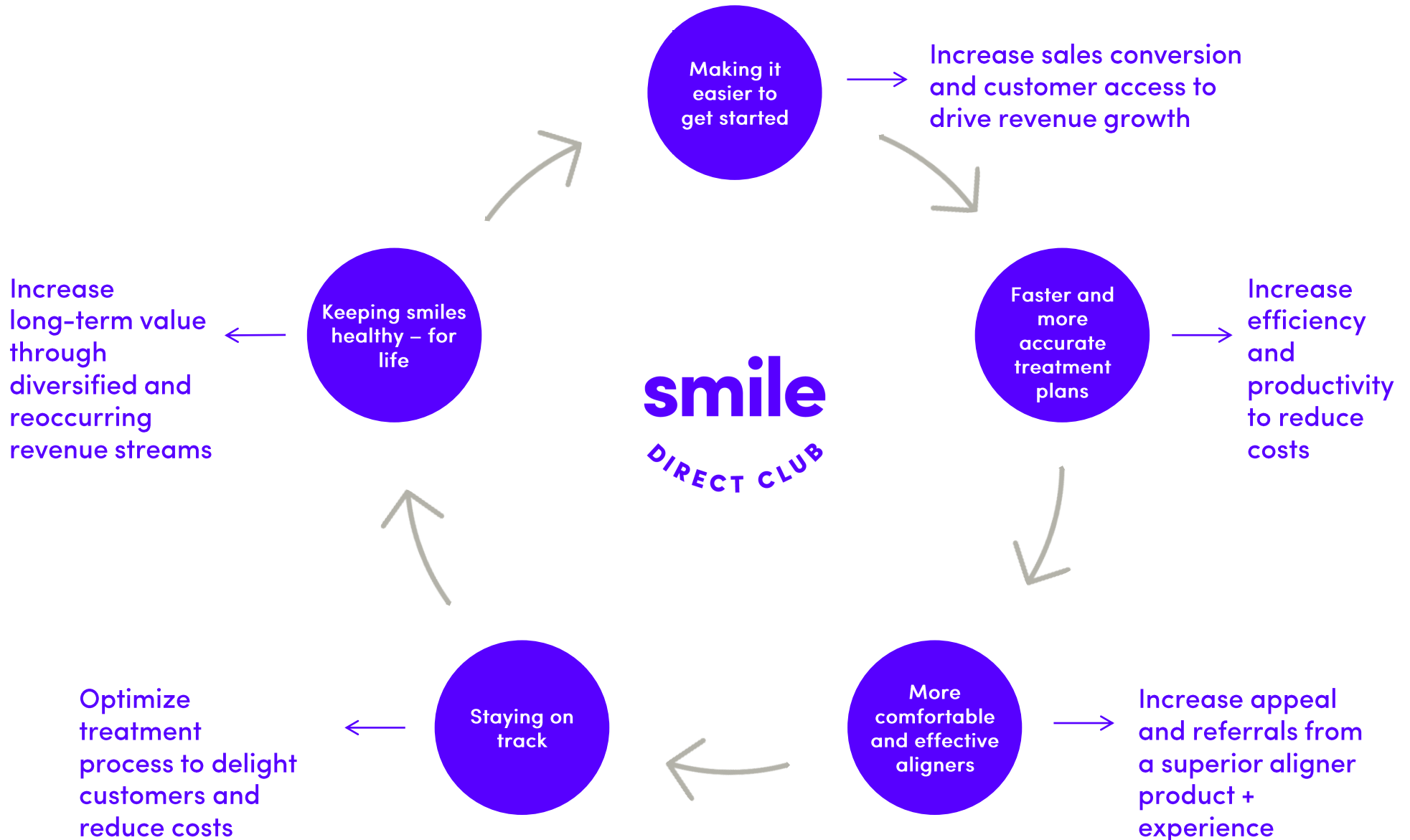
Rigorous financial discipline



Demonstrating investment focus and discipline across the organization in every decision we make

...Through Transformative Innovation.

Building an innovation portfolio with multi-channel benefits

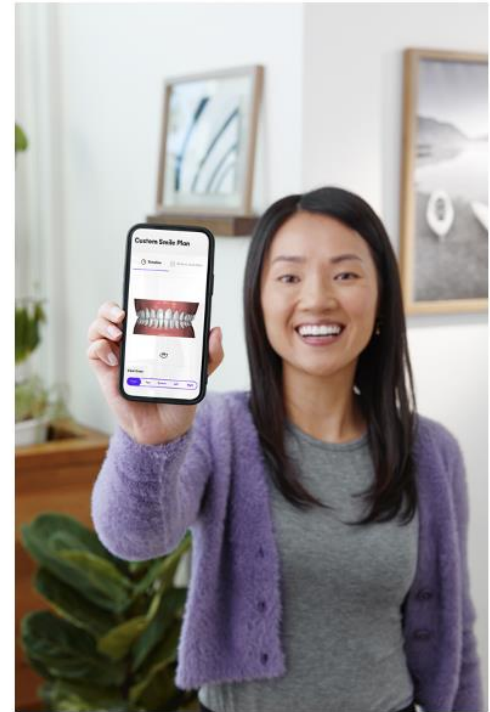
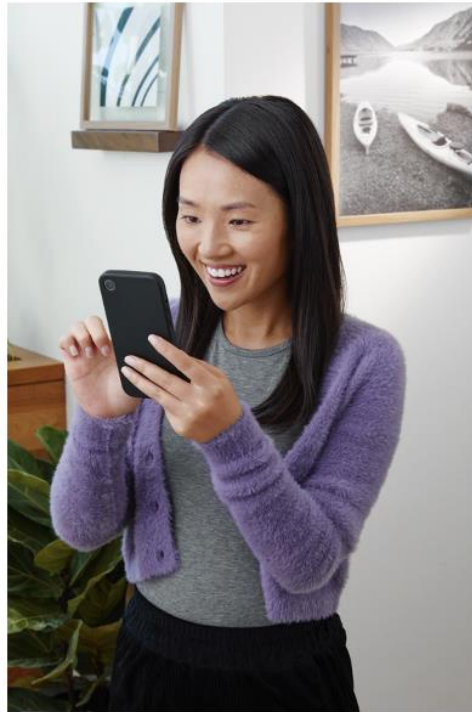
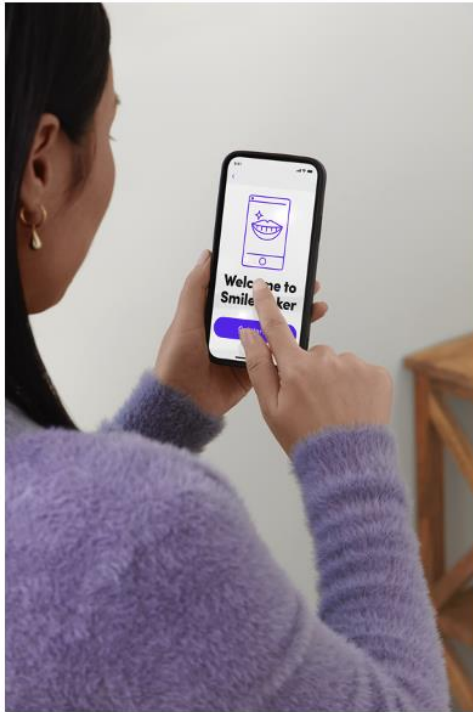


Key initiative overview.



Our SmileMaker Platform uses AI scanning through your smartphone to deliver a view of your potential new smile in minutes.

This transformative process will shrink the ability to scan and buy your aligners from weeks to minutes.



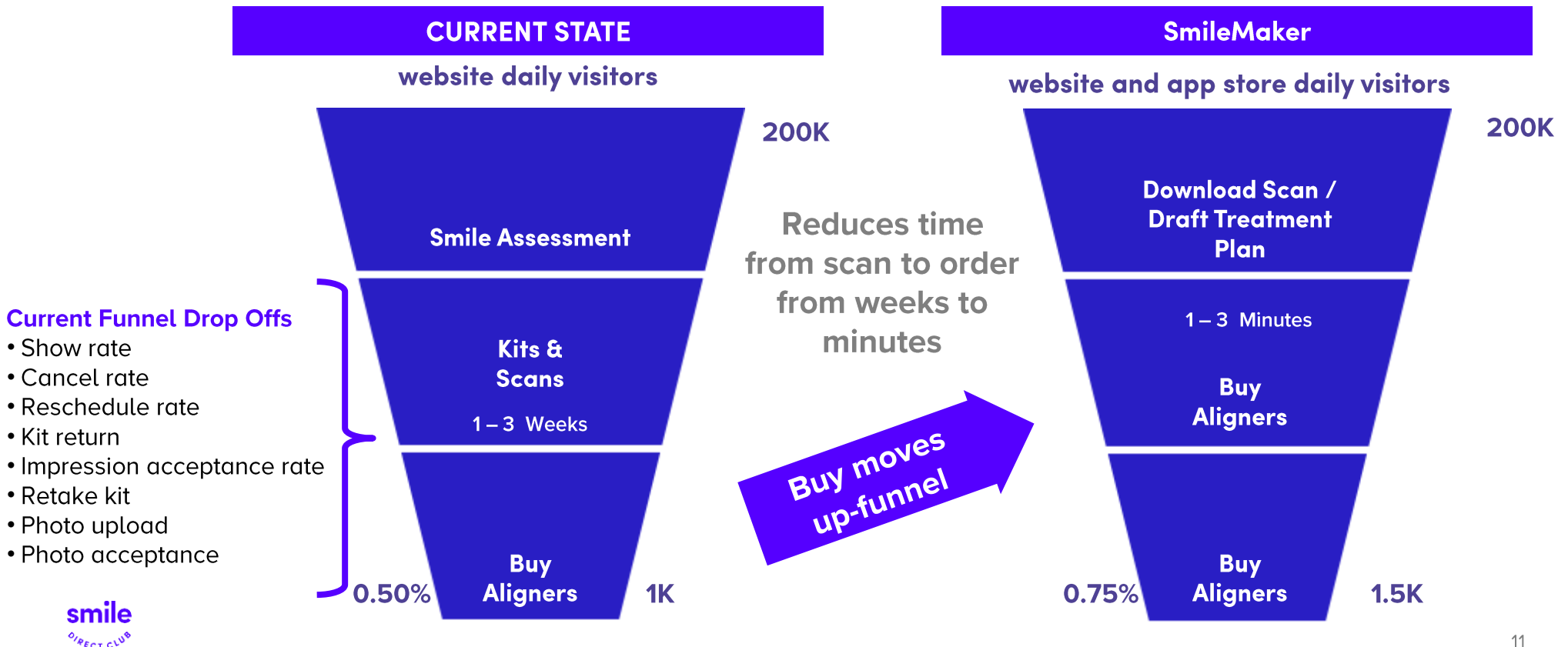
Entire scan done in approximately 2 minutes

SmileMaker Platform is an innovative proprietary AI technology that will drive stronger sales conversion rates.

SmileMaker Model Summary

- Current web site conversion rate per visitor is ~0.5%
 - Large opportunity to increase web site conversion rate by leveraging proprietary AI technologies to shorten treatment plan presentation to customer and the ability to buy now
- A 25bps of improvement would be worth ~\$200 million in annual incremental aligner revenue and up to \$160 million Adjusted EBITDA

Illustrative example of increased conversion from SmileMaker:



Partner network provides CarePlus access to target customer.

	smile DIRECT CLUB	Traditional Customer	smile DIRECT CLUB	Expanded Customer Base with CarePlus
Target consumer.		Historically focused on serving the \$70k income consumer without previous access to teeth straightening		Expanding customer base to higher income and teen segments
Price leader.		Price leadership at a lower cost to traditional braces and competitor clear aligners – \$2,050 or \$89 per month		A higher price point at \$3,900 which provides enhanced access to care, while improving economics to both Partners and SDC
Product.		Refined production know-how and scale capabilities of core 22-hour aligner and nighttime products		Clear aligner product combined with an initial set of retainers and other SDC products
Service.		24/7 global customer care team with app enabled support		High touch, white-glove experience including in person clinician visits, with access to both locally-based and telehealth doctor enabled enhancements
Journey starts.		Journey entry points primarily via SmileMaker or SmileShop scans and secondarily via the Partner Network		Mandatory in person office visit required via Partner Network or SmileShop located in dental office with pilot launched in Q1 2023

CarePlus research confirms strength of offering

HHI Consumers

CarePlus is a compelling proposition for HHI consumers. 73% of higher household income customers surveyed indicated a likelihood to purchase.¹

Interest in CarePlus concept by income bracket

	CarePlus \$3900
Overall (incomes \$25K and up)	70%
Under \$125K (net)	68%
\$25,000 to \$49,999	61%
\$50,000 - \$74,999	66%
\$75,000 - \$124,999	75%
\$125K+ (net)	73%
\$150,000 to \$199,999	71%
\$200,000 to \$299,999	73%
\$300,000 or more	83%

Current Partners

Interest in CarePlus is strong with existing Partner Network partners to expand their offering with CarePlus.²

92% of current partners would like to have both traditional SmileDirectClub & SmileDirectClub CarePlus options

Because SmileDirectClub CarePlus...

- + Is a great **clinical fit**
- + Enhances **compliance**
- + Will help **retain & refer** patients
- + **Provides economic benefit**

**A brand customers
love & a business
positioned for growth.**



Brand and business model are well positioned to take advantage of large market with unique set of strategic assets.

1

Large and growing market

- Global orthodontics market is large and underserved, and TAM is expanding as aligners are more accessible
- Secular shift from wires and brackets to clear aligners
- COVID-19 has accelerated facetime: we've never been more aware of our own smiles

2

Trusted brand among customers & professionals

- Brand that consumers love (more than 1.9M smiles straightened)
- Second largest aligner brand and largest telehealth orthodontics brand in the world
- Premier teledentistry platform offering consumers accessibility & convenience

3

Leading orthodontic telehealth channel

- Largest telehealth orthodontic channel in the world provides attractive unit economics and substantial growth despite temporary macroeconomic factors
- Strong omnichannel presence maximizes consumer addressability
- Closed loop system offers optimal conversion from sophisticated CRM strategy and opportunities to enhance clinical outcomes from robust data library

4

Differentiated value proposition via teledentistry platform

- Complementary to telehealth offering, meeting patients where and when they are: in-chair or at home
- Professional channel strategy enhances options for consumers to seek treatment, broadening addressability
- Addresses key consumer demands offering convenience, access and lower cost of care

5

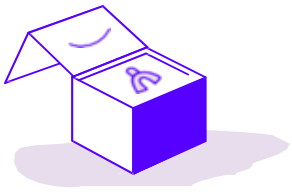
Vertically integrated model

- Substantial investment in treatment planning, manufacturing, contact center and teledentistry platform
- >\$400M of capex, including streamlined state-of-the-art manufacturing facility in Tennessee
- Vertically integrated model allows business to gain profitable leverage on scale and effectively focus on the end-to-end customer experience

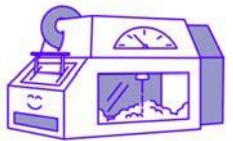
We've brought >1.9MM smiles to customers worldwide through our professional network of licensed orthodontists & dentists.



1.9M+ smiles straightened



232K initial aligner orders shipped¹



10M+ annual aligners trays produced²



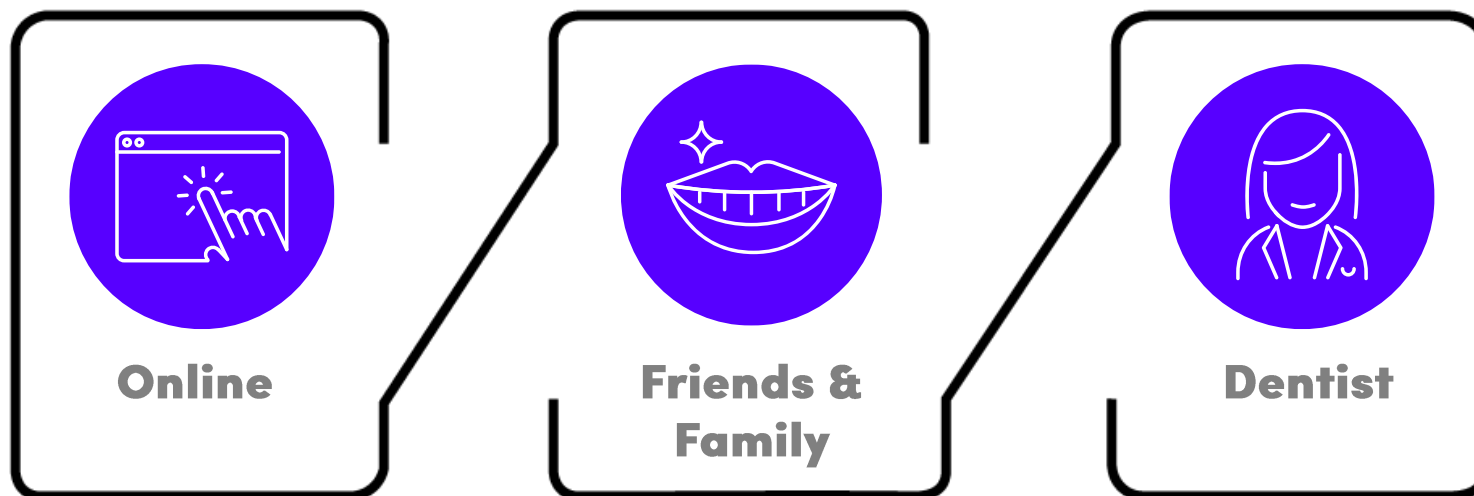
An **affiliated network** of state-licensed doctors in our telehealth platform



\$5B+ saved by consumers who chose SmileDirectClub aligners over braces since 2014³



When customers are considering who to trust, they reference three important channels.



Consumers considering straightening their teeth typically do one or all of the following:

1. Search online to understand their options
2. Ask a friend or family member which option they should choose
3. Ask a dentist

Based on our research, **our product and customer experience is competitive with Invisalign and less expensive.**¹ Our focus continues to be on improving perception across these three channels to continue to gain market share.

Changing perceptions, habits and beliefs is critical to the next phase of our growth as we work to expand our reach and overall share of the market. The following pages provide supplemental information to outline the progress we have made across these three channels.

We have built a brand that our customers love.

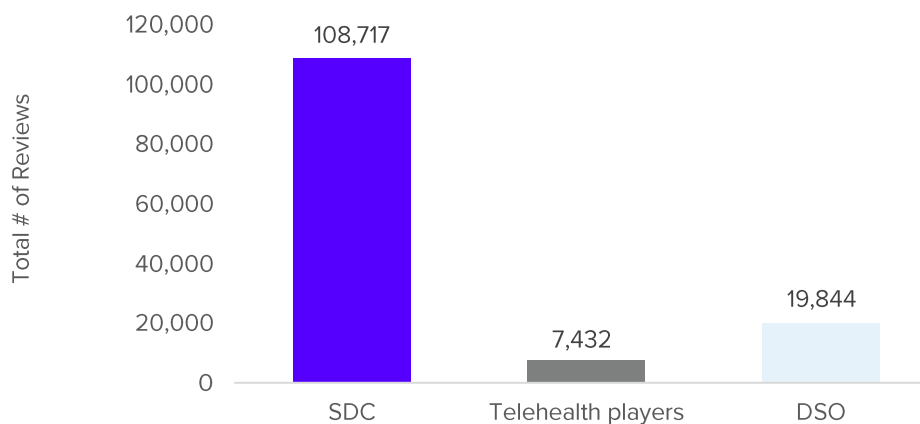
We have made considerable progress on brand perception, and our satisfaction scores consistently track higher than telehealth peers.

Avg Rating⁽¹⁾
4.8/5.0 with over
108K member
reviews.

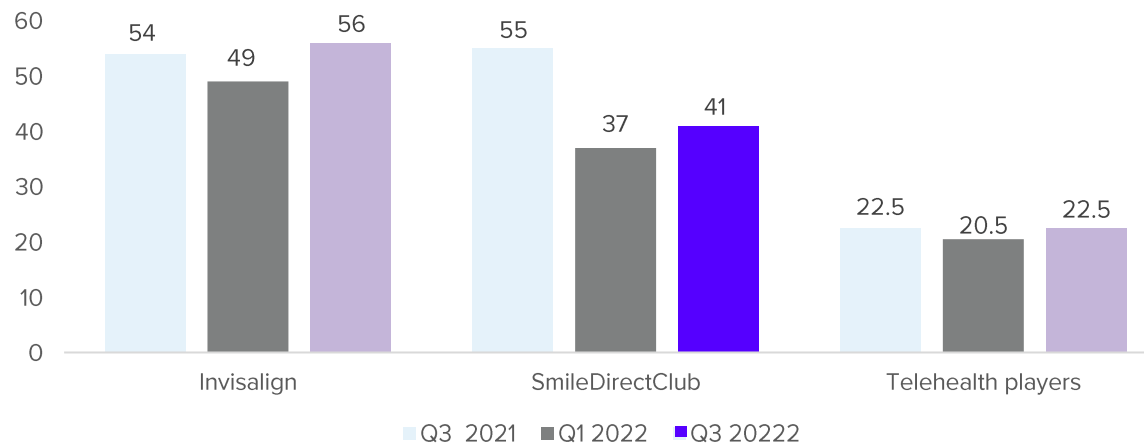
Approx. **21%** of
customers come
from referrals.

BBB rating of
A+

Total Google/Trustpilot Reviews



Third-party NPS²

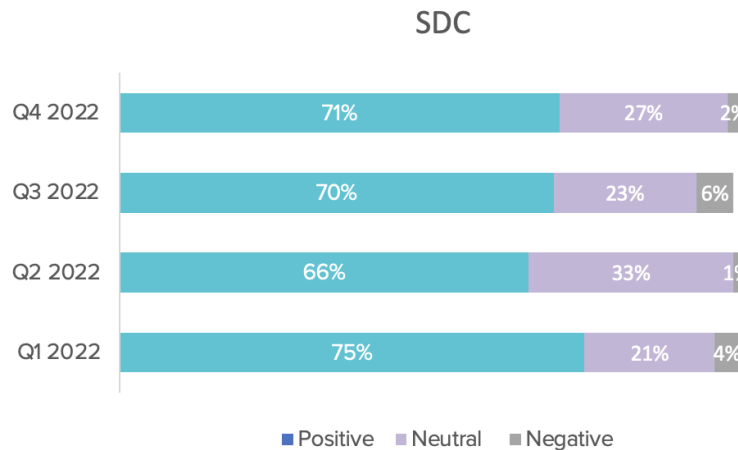


SDC sentiment with dental professionals continues to rise – in line with Invisalign.

60% of customers consult with a dental professional when considering teeth straightening options. Of those customers, fewer are reporting their doctor expressed a negative sentiment while positive/neutral sentiment improves.

SmileDirectClub

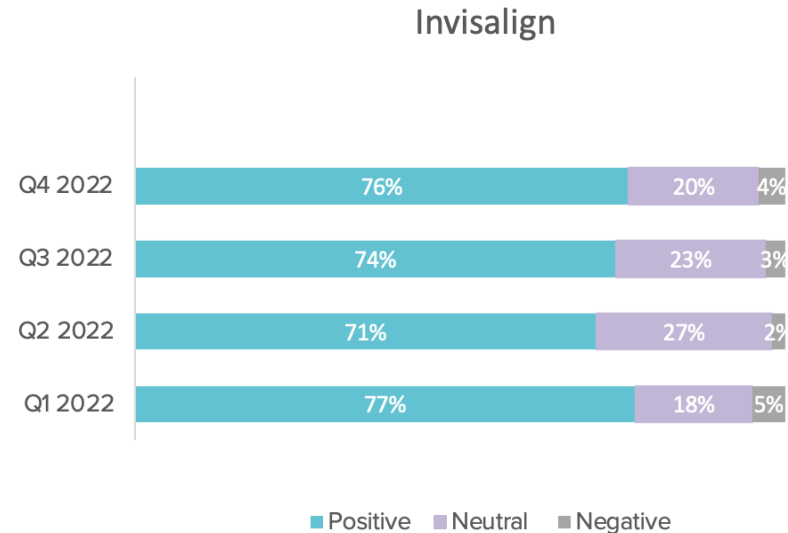
(Previous treatment) Please describe whether you consulted with a dental professional and whether they were positive, negative or neutral on the treatment option¹



- Dental professional was positive
- Dental professional was neutral
- Dental professional was negative

Invisalign

(Previous treatment) Was the dental professional positive, negative or neutral on the treatment options?²



- Dental professional was positive
- Dental professional was neutral
- Dental professional was negative

...and we continue to make progress in building credibility with the dental community.

We have a huge growth opportunity with GPs and the Partner Network, especially with the CarePlus offering. Doctors have high awareness of SmileDirectClub, are open to our offering, and are compelled by our value proposition.

200K

General Practices (GPs) in North America looking to grow their patient base and revenue

85% – 90%

People worldwide eligible for treatment – a missed opportunity for GPs

85%

SDC's awareness with GPs is second only to Invisalign (95%)¹

2%

Total GP revenue that is orthodontics

61%

Doctors who have some degree of interest in being part of our Partner Network and offering SmileDirectClub to patients¹

Grow revenue

The reason GPs are most interested in joining the Partner Network¹

Our industry memberships, affiliations and partnerships are growing, most recently with the American Academy of Clear Aligners (AACA), which has turned from actively campaigning against SDC to asking us to become a member as demonstrated by their recent retraction in the AACA Journal Fall 2021 Issue.²



American
TeleDentistry
Association



Customers continue to choose SDC – now with even more options.

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



Credibility

1.9M customers treated, with a brand at scale they love

- Treatment plan is tailored using proprietary telehealth platform
- All doctors have 4+ years of aligner experience
- 100% of aligners are made in FDA registered and ISO certified 3D printing facility in Tennessee



Certainty

Customers enjoy a new smile in as little as 4 - 6 months

- Efficacy of teleorthodontic treatment with clear aligners validated by clinical research
- Customers can start seeing results in as little as 60 days, and they can be certain in their outcome
- All smiles come with a lifetime smile guarantee
- Better oral hygiene – customers can brush and floss without brackets in the way
- Deliver all aligners and retainers directly to the customer, upfront



Comfort

Laser-cut aligners look and feel better than ever

- ComfortSense is a unique soft, medium, firm plastic, 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

Customers choose the treatment option that works for them

- SDC Care original features pioneering remote treatment via SDC's teledentistry platform. SDC CarePlus offers a hybrid option with in-office and remote treatment plus enhanced service
- With both options, aligners arrive up front – customers never wait on their next set
- Experienced dental team is available 24/7 via text, video chat, email or phone
- Customers use the app to track and manage their entire treatment



Cost

SDC aligners cost as little as \$3 / day

- Two ways for customers to pay: one single payment or monthly over 26 months
- 100% approval on financing, no credit check, no paperwork
- In network with most major health insurers
- Customers can use HSA, FSA, and CareCredit funds
- All aligner touch-ups are included
- Whitening is included

Utilizing clinically distinguished teledentistry to offer clear aligners affordably and conveniently.

Traditional orthodontic model



Cost

\$5,000 – \$8,000

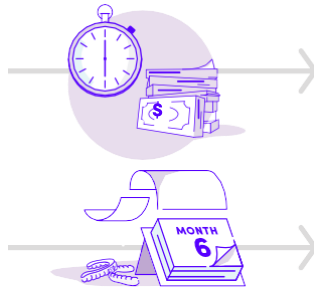


\$2,050⁽¹⁾

Convenience

10 – 15 orthodontist visits

12 – 24 months



Doctor-directed remote teledentistry
In-office visit optional

5 – 10 months

Kits, SmileShops, dentist office

Access

Limited access to treatment
(Only approximately 40% of U.S.
counties have orthodontists)



Access across U.S., Canada, U.K.,
Australia and Ireland

Financing

Barred by poor credit

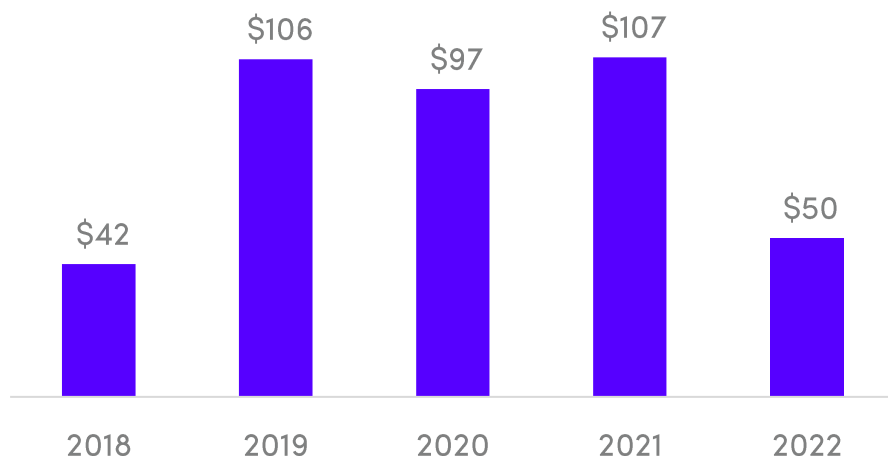


Captive financing for accessible
credit

100% approval rating

Substantial strategic value in vertically integrated business model.

Historical Capex Over Time (\$M)



Facilities Overview

Antioch & Columbia, TN



- 307K sq. ft combined

Alajuela, Costa Rica



- 45K sq. ft.

Commentary

- Vertically integrated business model allows the company to gain profitable leverage on scale and provide customers the best experience possible
- Nashville, TN state-of-the-art facility represents America's largest 3D printing and clear aligner production facility
- >\$400M capex over last 5 years resulted in streamlined manufacturing, positive trends and better customer experience
 - Faster turnaround times
 - Greater productivity and reduced labor
 - Reduction in scrap
 - Higher quality aligner trays
- Investment in proprietary treatment planning software and virtual tools drive greater automation, improved outcomes and better customer experience
- 2nd gen machines producing ~90% of aligners
- Full redundancy back up facility in Columbia, TN



Produced 10M+ individual aligner trays in 2022, averaging over 28K per day

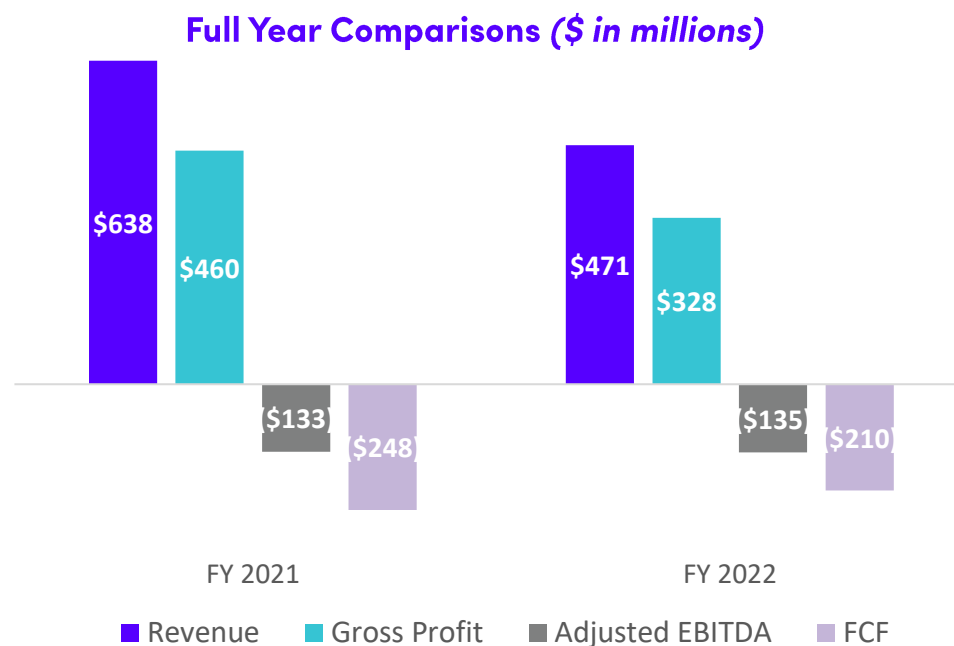
Q4 financial results.



Q4 2022 results.

- Revenue for the quarter was \$86.5 million, which is down (31.5%) year-over-year and down (19.0%) from Q3 2022, due to continued macroeconomic headwinds impacting our customers.
- Gross margin for the quarter was 61.0%, which represents a (388 bps) decline year-over-year, and a (904 bps) decline compared to Q3 2022.
 - Gross margin decreased primarily due to the deleveraging of fixed costs on lower sales volume as well as higher impression kit volumes which have lower margins and higher holiday shipping costs.
- Q4 Adjusted EBITDA⁽¹⁾ was \$(47.3mm) for the quarter, a \$14.3mm year-over-year improvement compared to Q4 2022, despite a (\$39.8mm) decrease in revenue driven primarily by cost control actions including lower marketing costs.
- Net loss for the quarter was (\$69.4mm) an improvement of \$26.0mm vs prior year.
- Q4 Free Cash Flow improved \$16.4 million compared to Q4 2021
 - FY 2022 FCF improved \$38 million compared to FY 2021, despite \$167 million decrease in revenue

	Q4 2022	QoQ	YoY
Net Revenue	\$ 86.5mm	(19.0%)	(31.5%)
Gross Profit	\$ 52.8mm	(29.4%)	(35.6%)
Gross Margin %	61.0%	(904 bps)	(388 bps)
Adjusted EBITDA ⁽¹⁾	\$ (47.3mm)	\$ (17.6mm)	\$ 14.3mm
EPS, Diluted	\$ (0.18)	\$ -	\$ 0.07
Free Cash Flow ⁽¹⁾	\$ (63.3mm)	\$ (28.4mm)	\$ 16.4mm

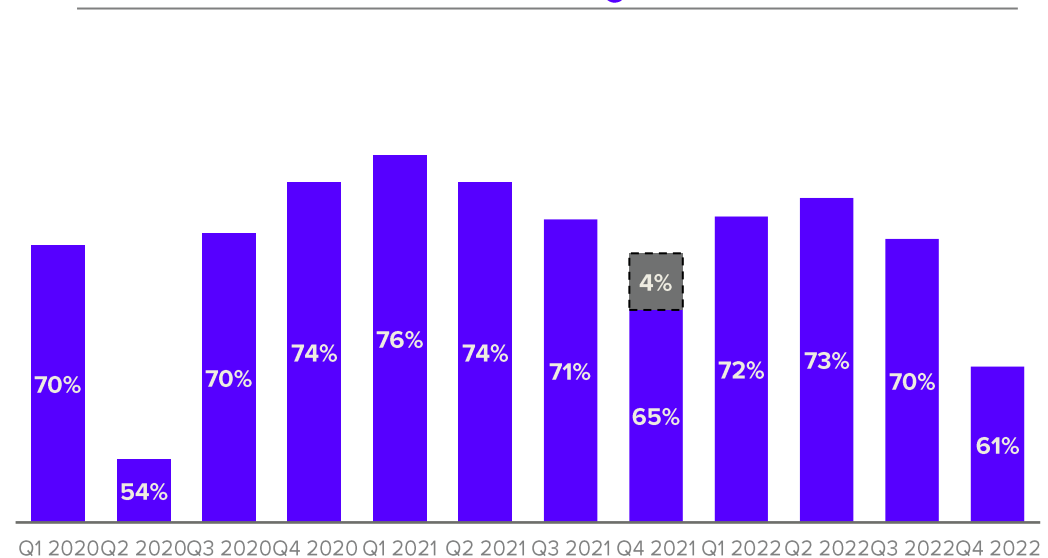


FY 2022 revenue decreased \$167 million compared to FY 2021 while Adjusted EBITDA decreased only \$1 million and Free Cash Flow improved \$38 million

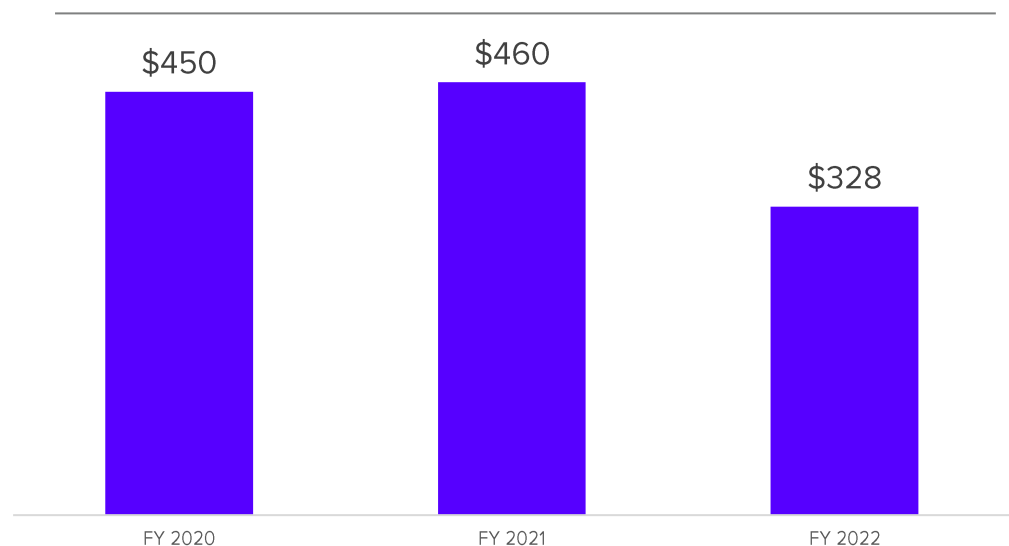
Gross margin.

- Gross margin for the quarter was 61%, which represents 388 bps decrease from prior year and a 904 bps decrease compared to Q3 2022.
 - When compared to Q3 2022 and Q4 2021, approximately 400 bps relates to deleveraging of fixed costs due to lower Q4 2022 sales.
 - Remaining Q3 2022 variance to Q4 2022 relates to lower retail margins, higher holiday shipping costs and higher impression kit volume which has a higher cost relative to sales.
- Full year 2022 margin was 70% compared to 72% in FY 2021. The decrease was primarily due to the deleveraging of fixed costs due to lower FY 2022 sales.
- We continue to leverage our manufacturing automation enhancements with our 2nd Gen machines producing over 90% of our aligners in the quarter.
- The Q4 2022 and FY 2022 decline in gross margin dollars driven by reduced revenue.

Gross margin %⁽¹⁾



Gross Profit



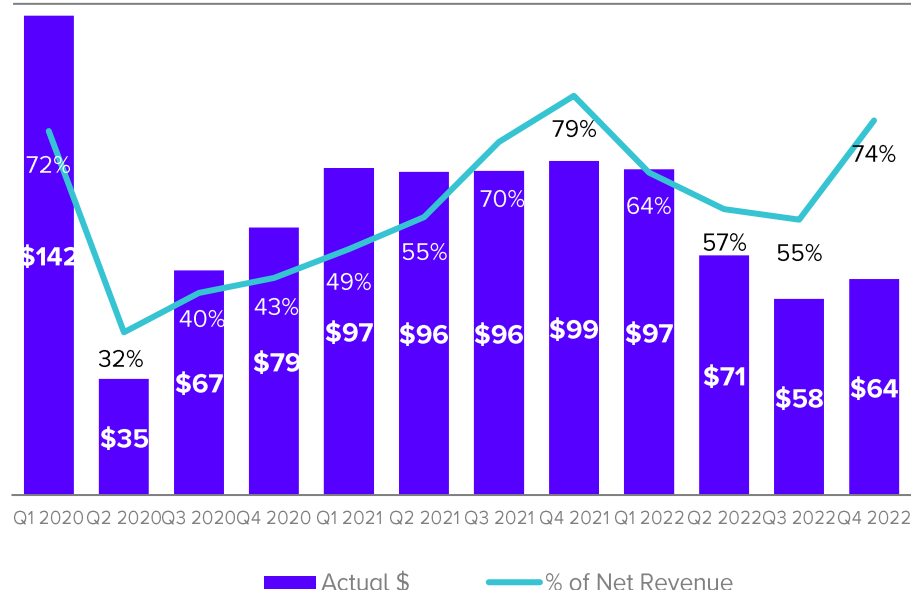
Marketing & selling.

- Marketing and selling expenses were \$64 million, or 74.1% of net revenue in the quarter compared to 78.6% of net revenue in Q4 2021.
 - Total spend was down \$35mm as we continue to focus on marketing efficiency and rationalized store costs.
 - Q4 higher spend as a % of revenue is due to the seasonal increase in preparation for higher volumes in Q1 associated with our “new year, new you” campaign.
- Regarding locations, we had 124 permanent SmileShop locations as of quarter end, compared to 117 locations at the end of Q3 2022
- We also held 32 pop-up events over the course of the quarter, for a total of 156 location sites at the end of the quarter.
- Current Partner Network global locations are now 1,078 active or pending training which represents a net increase of 128 locations from Q3 2022
 - Increased Partner Network growth driven by new CarePlus rollout targeted for 1H 2023
- Full year costs were lower year over year due to the focus on efficiency measures throughout the year.

Referrals as a % of Aligner Orders



Marketing & selling expenses (\$ in millions)



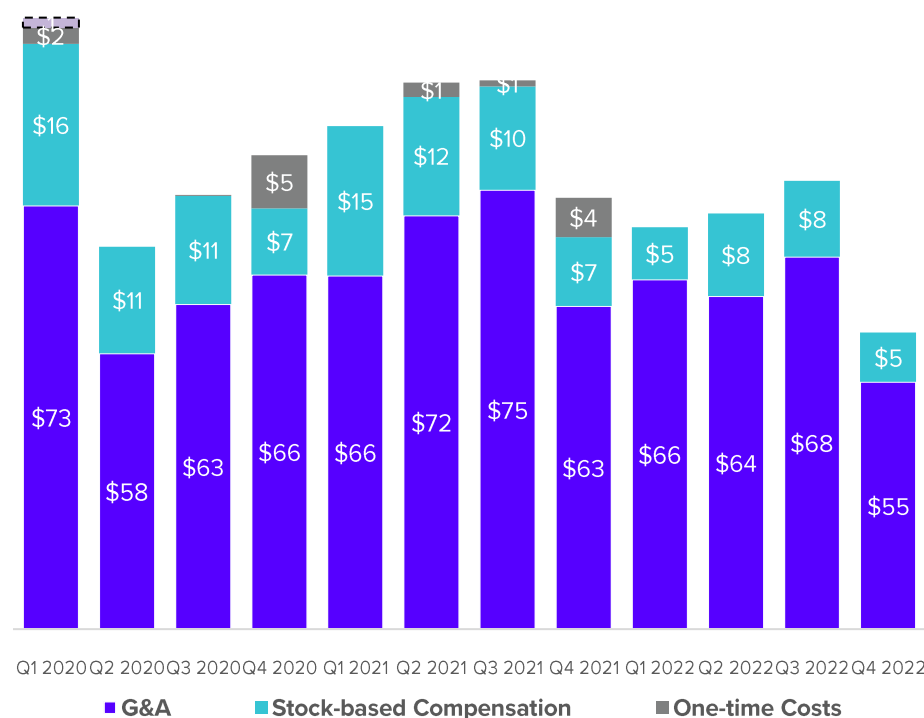
Marketing & selling expenses (\$ in millions)



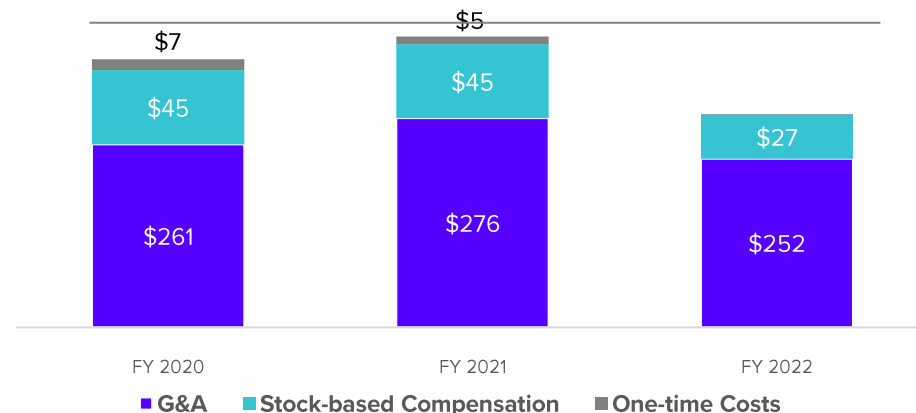
General & administrative.

- General and administrative expenses were \$60mm in Q4, compared to \$76 million in Q3 2022
 - The \$55mm base G&A includes the reversal of \$4mm of incentive compensation costs based on full year results
 - We also incurred lower legal expenses and reduced depreciation and amortization as a result of a decrease in capital spending over time.
- Cost actions taken in January 2022 now achieving full run rate savings
- We plan to stay vigilant with cost control throughout 2023 and beyond, as we focus on continuing to leverage this line item.
- Full year G&A expense down \$47mm year over year with a focus on cost control and financial discipline.

G&A expenses (\$ in millions)



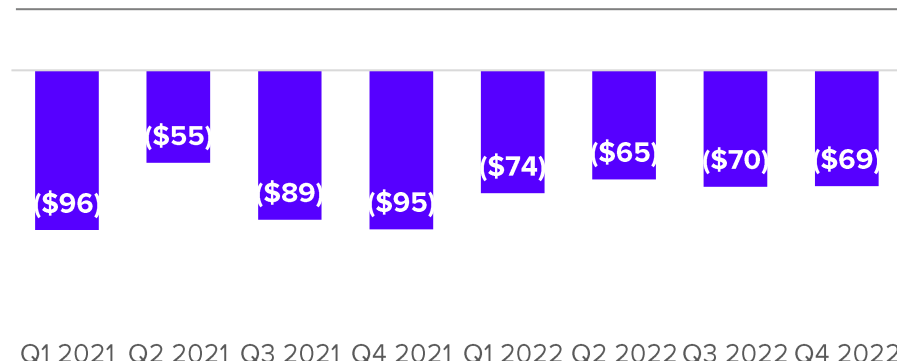
G&A expenses (\$ in millions)



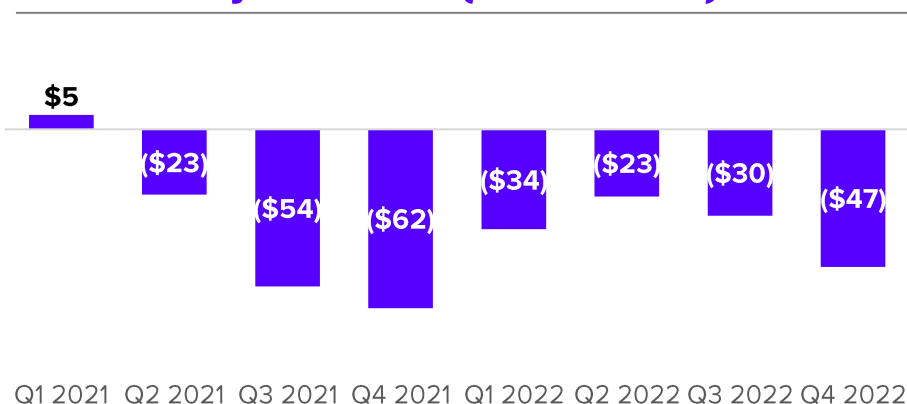
Other expenses, Adj. EBITDA, and Net income.

- Interest Expense:
 - Totaled \$6.6 million in Q4 2022, of which \$5.2 million is associated with the new debt facility secured in April 2022 and \$1.4 million was deferred loan costs from with the convert we issued last year and capital lease expense
- Other:
 - Other store closure and restructuring costs were ~\$1.6 million primarily related to team member costs for severance or retention payments and international facility closure costs.
 - Unrealized currency gain impact of \$3.4 million.
 - Other includes insurance proceeds from our cyberattack of approximately \$7mm.
- Q4 Adjusted EBITDA⁽¹⁾ was (\$47.3) million for the quarter
 - US/Canada Adjusted EBITDA was (\$34.5) million
 - Rest of World Adjusted EBITDA was (\$12.8) million

Net income (Loss) (\$ in millions)



Adj. EBITDA⁽¹⁾ (\$ in millions)



Adj. EBITDA⁽¹⁾ (\$ in millions)



Balance sheet highlights.

- We ended Q4 with \$118.4 million in cash and cash equivalents.
- Cash from operations for the fourth quarter was (\$51.5) million.
- Cash spent on investing for the fourth quarter was (\$11.8) million
- Free Cash Flow was (\$63.3) million in the quarter compared to (\$79.7) million in Q4 2021
- In Q4 2022, SmilePay financing, which drives our accounts receivable, as a percentage of total aligners purchased was 62.7%, which is about a 260 bps increase over Q3 2022.
- Overall, SmilePay delinquency rates continue to be in line with past performance. SmilePay delinquency as a % of sales has increased as a result of lower current period sales.

(\$ in millions)	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Cash	\$144.7	\$158.3	\$120.2	\$118.4
Debt	\$739.6	\$792.2	\$792.4	\$849.4
Accounts Receivable, Net	\$240.5	\$221.6	\$201.8	\$187.0
Cash Flow from Operations	(\$64.8)	(\$17.8)	(\$24.1)	(\$51.5)
Cash Flow from Investing	(\$11.6)	(\$17.8)	(\$10.8)	(\$11.8)
Free Cash Flow ⁽¹⁾	(\$76.4)	(\$35.6)	(\$34.9)	(\$63.3)

2023 guidance & macro customer impacts.



2023 Guidance includes Strategic Actions to Reduce Costs and Focus on Critical Business Needs.

SDC engaged a third-party advisor to evaluate cost saving opportunities while protecting key investment initiatives. Q1 2023 implementation with transition over a 6-month period.

COST SAVINGS PLAN

\$120MM to \$140MM annual run rate cash savings by end of 2023

G&A Savings: \$50MM to 55MM

- Protects near-term profitability initiatives that launch during 2023

Marketing and Selling Savings: \$60MM to \$65MM

- Continuing efforts to drive marketing efficiency and leverage new initiatives
- Store rationalization and leverage new initiatives

CapEx Savings: \$10MM to \$15MM

- Reduction in overall investment by focusing on key initiatives
- Completion of initiative investments to launch in 2023

2023 Core Business Annual Guidance.

Stronger gross margin and reduced operating costs driving stronger EBITDA and reduced CapEx optimizing investment spend

REVENUE

Between \$400MM to \$450MM

- Represents core business only
- Macro factors are key drivers for range of aligner orders driving revenue

COSTS & CAPITAL

Gross Margin: 72.0% to 75.0%

- Efficiencies gained with increased aligner volumes leveraging fixed costs

Adjusted EBITDA⁽¹⁾: (\$35MM) to (\$5MM)

- Range largely driven by top line revenue results
- Positive Adjusted EBITDA by Q3 2023

Capex: \$35MM to \$45MM

One-Time Costs: \$12MM to \$15MM

- Reorganization costs which may include lease buyouts, asset impairments related to the closure of regional operating centers and SmileShops, and employee-related costs, including severance and retention payments, associated with the organizational changes

Revenue and Adjusted EBITDA guidance represents core business only and excludes any contributions from 2023 SmileMaker Platform rollout or launch of CarePlus program



(1) Adjusted EBITDA is a non-GAAP financial measure. See appendix for definition of Adjusted EBITDA. Prior period reconciliations are available in historical SEC filings at <https://investors.smiledirectclub.com/financial-filings/sec-filings>.

2023 Growth Initiatives Upside.

Reflects Estimated Potential Contributions to Core Business from 2023 Growth Initiatives including SmileMaker Platform rollout and of CarePlus Program Launch

Revenue

Potential \$125MM incremental contribution to Core Business

CarePlus

- Assumes CarePlus priced at \$3,900
- Initial CarePlus launch to 4 DMAs occurred in February with planned rollout to all Partner Network locations throughout 2023

SmileMaker Platform (SMP)

- SMP launched in Australia at end of November 2022
- U.S. launch targeted by end of Q2

Adjusted EBITDA

Potential \$80MM incremental contribution to Core Business

- Leverages existing Core Business Operating Expense base to drive higher incremental margins

Reflects 2023 contributions weighted to second half of 2023 due to timing of market launches

2023 Potential Full Business Outlook.

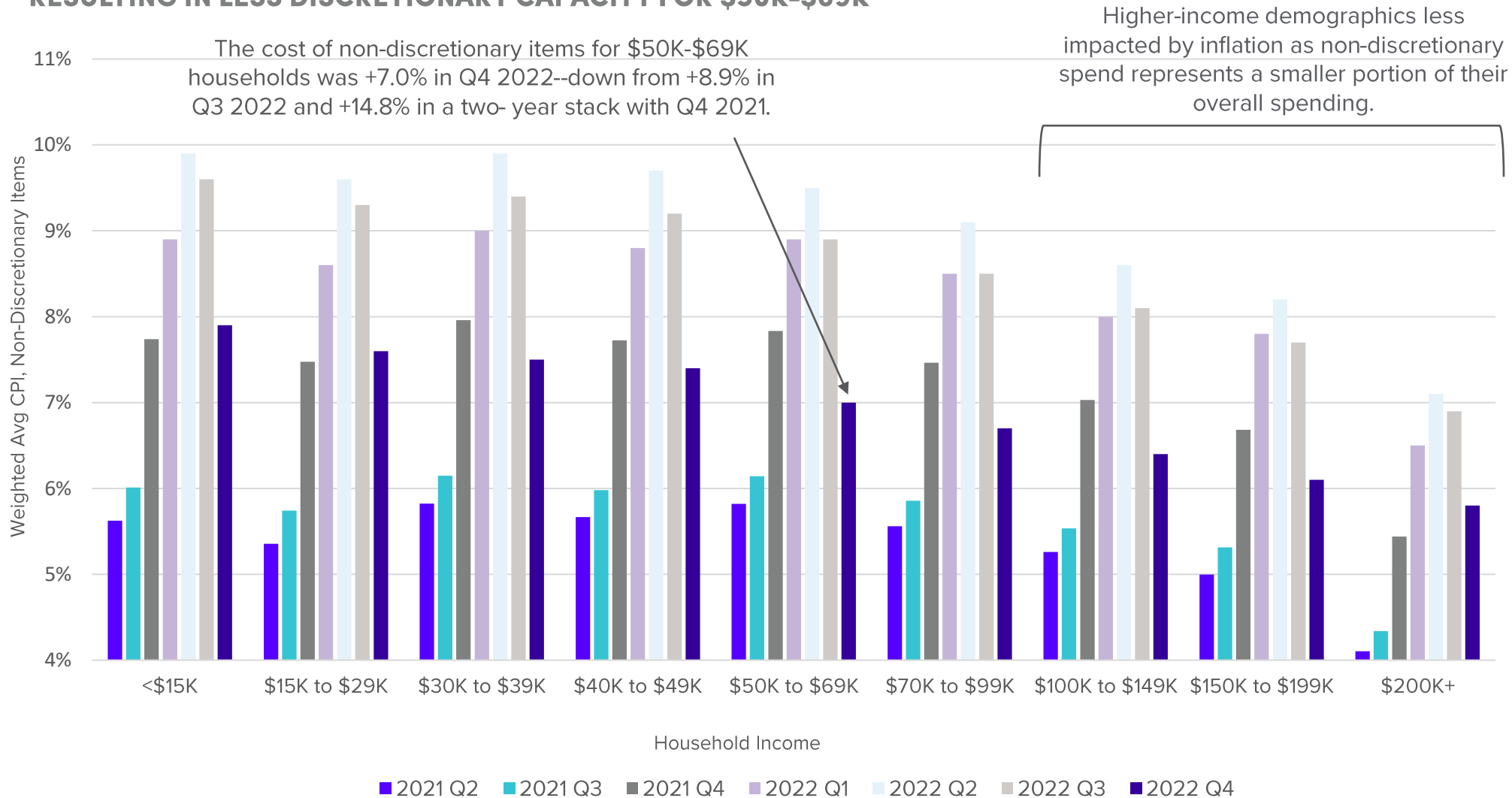
Combines 2023 Core Business Guidance with 2023 Growth Initiatives Potential Contributions including SmileMaker Platform rollout in U.S. and Continued CarePlus Program Expansion

Measure	Core Business	Growth Initiatives Potential Contribution ⁽¹⁾	Potential Full Business
Revenue	\$400M to \$450M	\$125M	\$525M to \$575M
Gross Margin	72.0% to 75.0%		
Adjusted EBITDA	(\$35M) to (\$5M)	\$80M	\$45M to \$75M
CapEx	\$35M to \$45M		
One-Time Costs	\$12M to \$15M		

⁽¹⁾ Potential growth initiative contributions weighted to second half of 2023 due to timing of market launches

Our core customer is still experiencing outsized price increases of non-discretionary purchases.

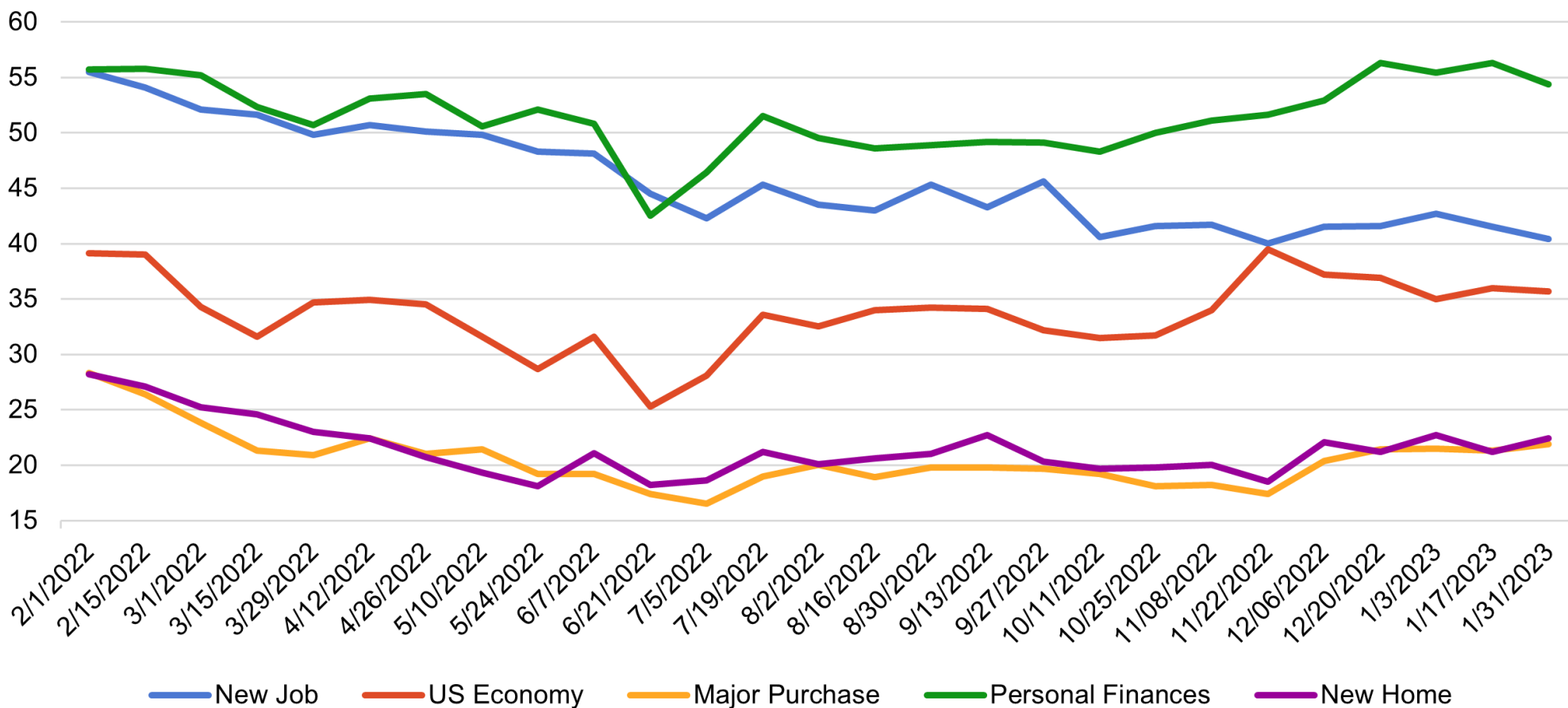
RESULTING IN LESS DISCRETIONARY CAPACITY FOR \$50K-\$69K



Source: Bureau of Labor Statistics, U.S. Census Bureau

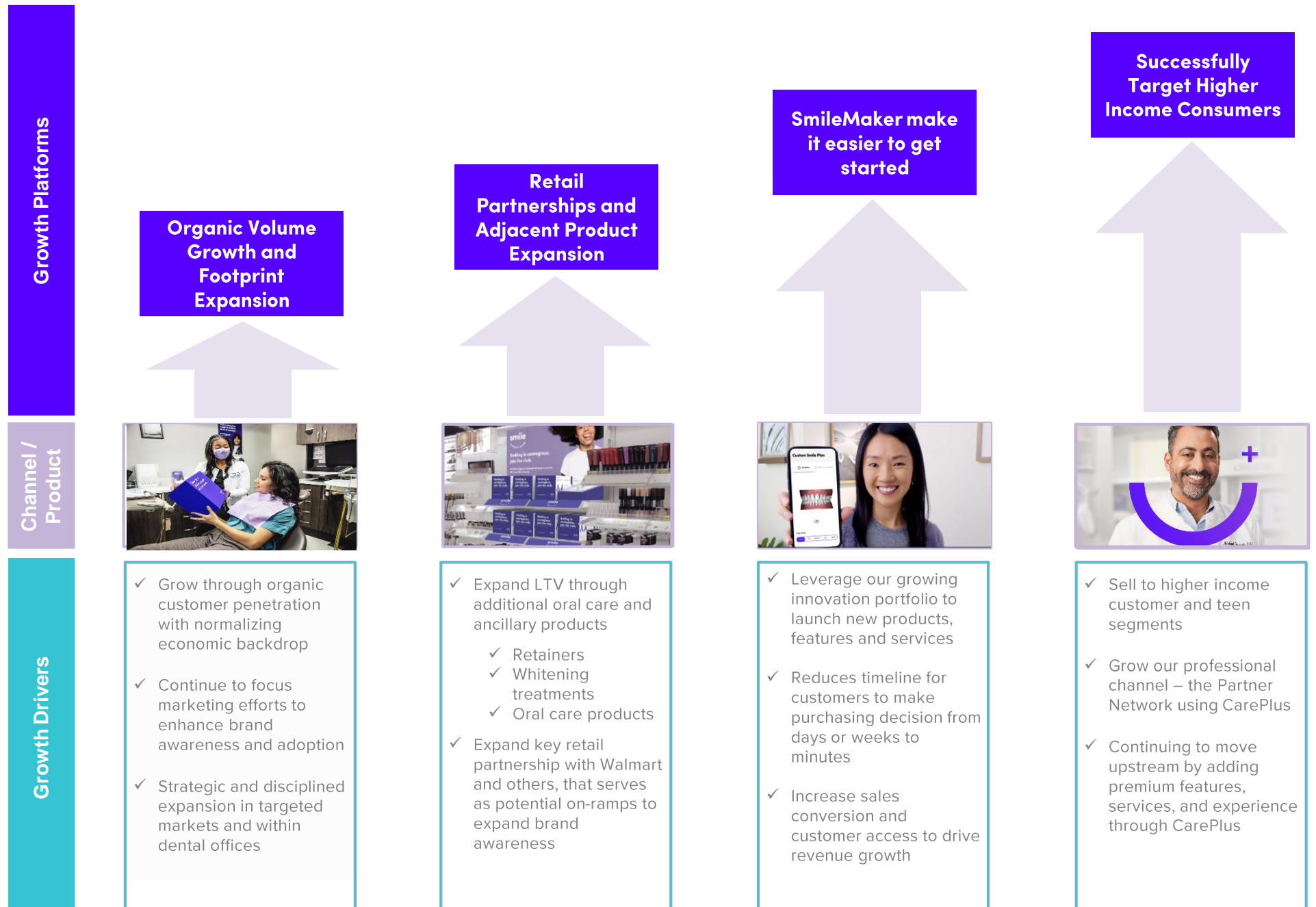
Economic sentiment on major purchases remains down since February 2022.

Penta-CS Economic Sentiment Index - Five Individual Questions, since February 1, 2022



Source: ESI: February 1, 2023 Publication Titled 'Economic sentiment falls as consumer spending slows' URL: <https://esi-civicscience.pentagroup.co>

Multiple avenues to achieve outsized growth.



Appendix.



Summary of debt facility.

- SDC U.S. SmilePay SPV (“SPV”) is a wholly-owned special purpose subsidiary of the Company
- The Company entered into a Loan Agreement (the “Loan Agreement”) by and among SPV, as borrower, SmileDirectClub, LLC as the seller and servicer, the lenders from time to time party thereto, and HPS Investment Partners, LLC, as administrative agent and collateral agent
- Subject to certain exceptions, the Loan Agreement is secured by first-priority security interests in SPV’s assets, which consist of certain receivables, cash, intellectual property and related assets. SPV’s obligations under the Loan Agreement are guaranteed on a limited basis by SmileDirectClub, LLC and SDC Financial LLC (collectively, the “Guarantors”).
- This facility enables us to access additional liquidity on favorable terms by leveraging our receivables and providing us with greater flexibility to fuel ongoing operations and execute on growth initiatives.

Secured Debt Facility	
Amount	\$255 million
Security Interest	Certain Receivables, Cash & IP
Maturity	42 months
Delayed Draw Availability	18 months
Interest	L+700bps Cash & 375bps PIK
Undrawn Commitment Fee	275bps

Other SEC related disclosures.



US/Canada vs. ROW.

	US & Canada			ROW		
Q4 2022 Comparison	Q4 2022	% of Total	QoQ	Q4 2022	% of Total	QoQ
Total Unique Aligner Orders Shipped	32,728	78.9%	(19.0%)	8,734	21.1%	(26.9%)
Average Aligner Gross Sales Price	\$1,999	N/A	2.7%	\$1,814	N/A	3.7%
Total Revenue	\$71.9mm	83.0%	(17.6%)	\$14.7mm	17.0%	(25.2%)
Gross Profit	\$44.4mm	84.1%		\$8.4mm	15.9%	
Gross Margin %	61.7%			57.4%		
S&M	\$50.9mm	79.4%		\$13.2mm	20.6%	
As % of Total Revenue	52.5%			63.5%		
G&A	\$47.9mm	79.6%		\$12.3mm	20.4%	
As % of Total Revenue	71.5%			67.1%		
Adj EBITDA ⁽¹⁾	(\$34.5mm)			(\$12.8mm)		

	US & Canada			ROW		
Full Year 2022 Comparison	FY 2022	% of Total	YoY	FY 2022	% of Total	YoY
Total Unique Aligner Orders Shipped	188,738	81.1%	(30.5%)	44,049	18.9%	(27.7%)
Average Aligner Gross Sales Price	\$1,937	N/A	3.9%	\$1,809	N/A	(8.1%)
Total Revenue	\$395.1mm	83.9%	(24.8%)	\$75.7mm	16.1%	(32.6%)
Gross Profit	\$279.4mm	85.2%		\$48.5mm	14.8%	
Gross Margin %	70.7%			64.0%		
S&M	\$234.3mm	80.7%		\$55.9mm	19.3%	
As % of Total Revenue	59.3%			73.9%		
G&A	\$225.7mm	81.2%		\$52.2mm	18.8%	
As % of Total Revenue	57.1%			69.0%		
Adj EBITDA ⁽¹⁾	(\$92.7mm)			(\$41.8mm)		

Net Income to Adjusted EBITDA.

	Three Months Ended December 31,		Year Ended December 31,	
(In thousands)	2022	2021	2022	2021
Net loss	(\$69,431)	(\$95,365)	(\$277,853)	(\$335,650)
Depreciation and amortization	16,786	18,458	74,354	70,113
Total interest expense	6,591	1,877	17,961	23,154
Income tax (benefit) expense	(174)	(308)	(642)	1,268
Restructuring and other related costs	1,799	2,039	19,668	3,798
Equity-based compensation	5,049	6,969	26,608	44,628
Other non-operating general and administrative costs	(7,957)	4,699	5,250	59,485
Adjusted EBITDA	(\$47,337)	(\$61,631)	(\$134,613)	(\$133,204)

SmileShop Bridge.

Currently 9% of SmileShops are located within Dental Practices

Market	Mar 31, 2021	Jun 30, 2021	Sept 30, 2022	Dec 31, 2022
United States	85	88	89	93
Canada	8	8	7	7
United Kingdom	7	9	9	12
Australia	7	7	6	6
France ⁽¹⁾	2	5	5	5
Ireland	1	1	1	1
Total	110	118	117	124

(1) Subsequent to 12/31/2022, SDC began winding down operations in France beginning in January 2023.

Cash Flow from Operations to Free Cash Flow.

	Three Months Ended December 31,		Year Ended December 31,	
(In thousands)	2022	2021	2022	2021
Cash Flow From Operations	(\$51,470)	(\$43,452)	(\$158,174)	(\$141,519)
Cash Flow From Investing	(11,828)	(36,283)	(51,996)	(106,567)
Free Cash Flow	(\$63,298)	(\$79,735)	(\$210,170)	(\$248,086)

Gross to Net Revenue Bridge.

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

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Total Unique Aligner Orders Shipped⁽¹⁾	69,906	66,133	76,254	62,705	52,367	41,462
Average Aligner Gross Sales Price ("ASP")	\$1,900	\$1,899	\$1,890	\$1,917	\$1,902	\$1,960
Aligner Gross Revenue	\$ 132.8	\$ 125.6	\$ 144.2	\$ 120.2	\$ 99.6	\$ 81.3
Implicit Price Concession ⁽²⁾	(10.7)	(13.6)	(13.9)	(11.0)	(8.9)	(10.4)
Reserves and other adjustments ⁽³⁾	(13.9)	(13.0)	(11.3)	(10.3)	(10.6)	(8.1)
Aligner Revenue⁽⁴⁾	\$ 108.3	\$ 99.0	\$ 118.9	\$ 98.9	\$ 80.1	\$ 62.8
Financing Revenue ⁽⁵⁾	10.9	9.8	9.1	9.0	8.2	7.4
Other Revenue and adjustments ⁽⁶⁾	18.5	17.5	23.5	17.8	18.4	16.4
Total Net Revenue	\$ 137.7	\$ 126.3	\$ 151.6	\$ 125.7	\$ 106.8	\$ 86.5

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 on financing revenue.

(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.

Summary of convertible debt terms.

- 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.

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
Settlement Date	February 9, 2021
Maturity	February 1, 2026

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%

smile

DIRECT CLUB