

Financial Results

Q2 FY2014

Align Technology, Inc



Align Technology Q2 FY2014 Conference Call

- **Speakers:**

- Tom Prescott, President and CEO
- David White, CFO

- **Moderator:**

- Shirley Stacy, Vice President, Investor and Corporate Communications

- **Replay and Web cast Archive**

- Telephone replay will be available through 5:30pm ET July 31, 2014
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13585899
- Audio web cast archive will be available at <http://investor.aligntech.com> for approximately 12 months

Safe Harbor and Forward Looking Statement

This presentation contains forward-looking statements, including statements regarding certain business metrics for the third quarter of 2014, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, case shipments, additional common stock repurchases and cash, cash equivalents and short-term and long-term investments. Forward-looking statements contained in this news release and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, our ability to successfully achieve the anticipated benefits from the scanner and services business, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2013, which was filed with the Securities and Exchange Commission on February 28, 2014. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q2 FY2014 Overview

Tom Prescott
President and CEO

Q2 FY2014 Financial Highlights

	Total Net Revenues	Invisalign Clear Aligner Net Revenues		Scanner & Services Net Revenues
	\$192.5M	\$179.7M	119.3K cases	\$12.8M
YoY	+17.5%	+17.2%	+12.4%	+21.6%
QoQ	+6.6%	+6.8%	+6.3%	+3.1%

- Q2 results were good and we're pleased to get the important summer Teen season off to a solid start
- Record revenues, which increased 17.5% year-over-year, were driven by increased Invisalign volume across North America, EMEA and the Asia Pacific regions, as well as higher Invisalign ASPs.
- Record quarter for scanner and services revenues with unit volume up over 50% year-over-year.

Proven Strategic Growth Drivers



Market Expansion

Increase Teen Share

Grow Adult Segment

Drive European Growth

Continue INTL Expansion-APAC



Innovation

Increase Product Predictability & Applicability

Enhance Customer Experience



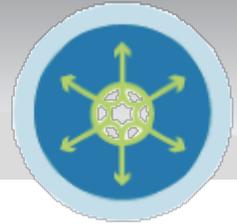
Brand Strength

Drive Awareness Among Consumers

Increase Consumer Purchase Intent

Market Expansion – Q2 FY2014 Highlights

Strategic Growth Driver



- **Teenage Patient Segment**

- 28.3K teenager cases for Invisalign worldwide, +8.6% Q/Q, +20.4% Y/Y
- Good progress in the largest and most important segment of the market.
- Q2 teen promotions intended to address potential barriers to teen adoption, including “mom acceptance”. Goal to increase utilization among high volume N.A. Orthos who infrequently use Invisalign for their teen patients. Results favorable, as doctors that participated, grew teen volume significantly higher.

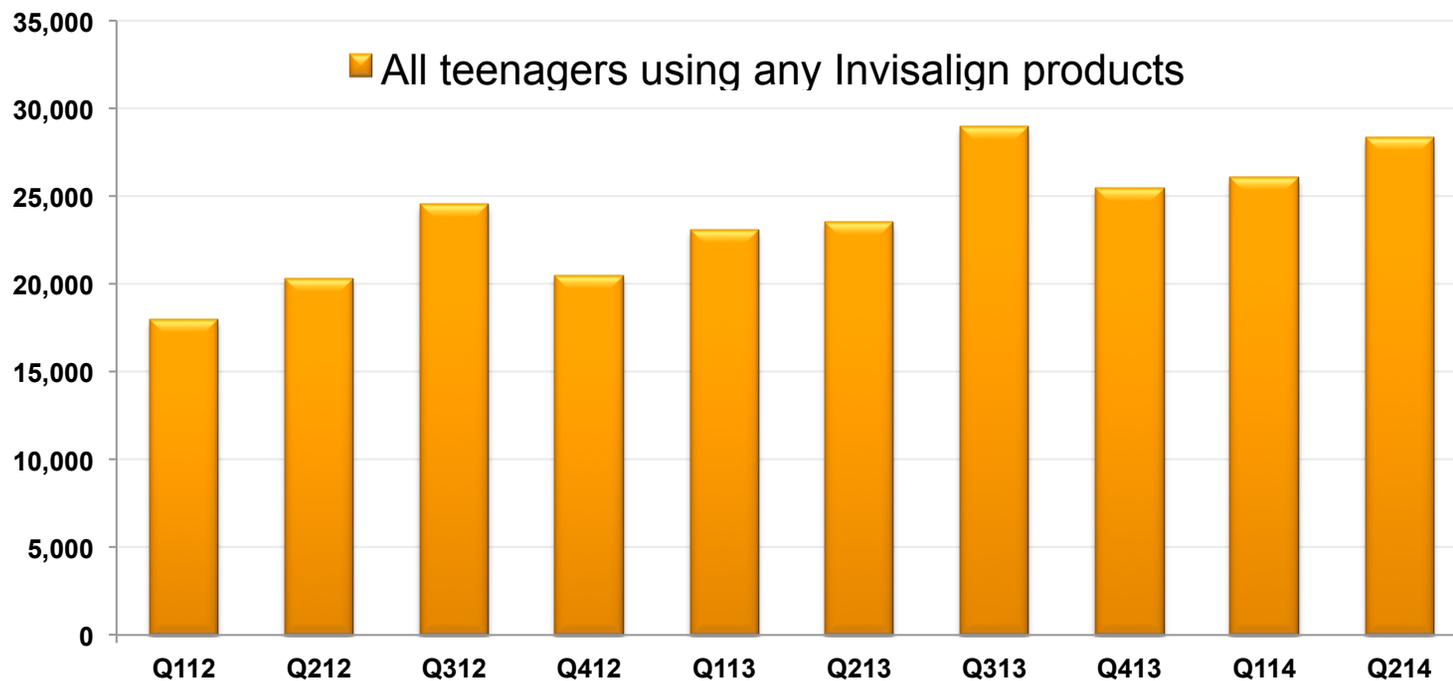
- **Expansion into New Geographies**

- In Q3, will add 14 European countries to our direct sales organization. Do not expect material impact from these countries for some time. Leverage existing infrastructure in adjacent country markets as we build local sales organizations.
- While individually small today, taken together, these new country markets will complement our growing base and increased critical mass across Europe.
- Simon Beard, will join Align November 3, 2014 as our new VP of EMEA

Q2 FY2014 Invisalign Performance

Teenage Segment Worldwide

- Teen market remains one of the largest growth opportunities for Invisalign
- 28,300 teenagers worldwide started Invisalign treatment in Q2
 - up 8.6% sequentially and up 20.4% year-over-year.



Innovation – Q2 FY2014 Highlights

Strategic Growth Driver



- Q2 continued successful programs to commercialize Invisalign G5 -- our latest innovation specifically designed for deep bite treatment.
- Deep bite is a very pervasive, functional orthodontic problem that presents in almost half of the existing ortho case starts in N.A. and EMEA, with approximately one third of the case starts in Asia.
- While experienced doctors have been using Invisalign to treat deep bites for years, Invisalign G5 is designed to make treatment with Invisalign easier for our doctors and help them achieve even better, more predictable outcomes.
- Good initial use of Invisalign G5, especially in the EMEA and Asia Pacific regions where doctors are routinely treating more complex cases.

Brand Strength – Q2 FY2014 Highlights

Strategic Growth Driver



- North America

- More than 331M consumer impressions through 426 media placements.
- Four DigiTour 2014 events brought Invisalign Teen brand directly to 17K+ teens.
- September, designated as “Self Improvement month”, PR and social media will provide relevant connection to the Invisalign brand and outreach to teens, moms, and adults.

- EMEA

- New, more localized consumer initiatives targeted at high potential, and under-penetrated cities, are proving successful. Seeing strong impact and growth from these campaigns on social media platforms across EMEA with 150%+ higher social media engagement y/y, and believe this has helped continued progress in this region.
- In UK, launched a competition called “*Invisalign Changed My Life*”. Past patients can share how their new smile and Invisalign transformed their lives. Two winners will be featured in our marketing materials, on Invisalign websites, press and social media.

- APAC

- Participated in the PR launch of two new Invisalign-dedicated practices in Singapore – just two examples of how doctors in the APAC region are leveraging the strength of the Invisalign brand to reach consumers in their respective markets.

Q2 FY2014 Invisalign Geographic Performance

North America

	Worldwide	North America
Shipments	119,300	84,850
Y/Y	+12.4%	+7.6%
Q/Q	+6.3%	+4.2%



- Sequential increase in Q2 primarily reflects growth from both N.A. Orthodontists and GP Dentists.
- Year-over-year increase reflects continued expansion of our customer base as well as increased utilization from our N.A. Ortho customers, including teenager cases.

Q2 FY2014 Invisalign Geographic Performance

International – EMEA and APAC

	Worldwide	International
Shipments	119,300	34,450
Y/Y	+12.4%	+26.3%
Q/Q	+6.3%	+12.0%



- EMEA

- Invisalign volume growth strong across all core countries and up 20.8% Y/Y, with France and Spain leading the way. Progress was driven by incremental investment in sales coverage, continued enhancements in clinical education programs, and growing doctor confidence as innovation in the Invisalign product continues to evolve.

- APAC

- Invisalign case volume increased 42.3% Y/Y. China continues to deliver above our expectations, more than doubling case volume Y/Y. Japan, Australia and New Zealand, as well as the Southeast Asia countries, also delivered strong growth.
- Doctors in this region typically treat more complex cases and continue to rapidly try and adopt product innovations like Invisalign G5. Given we're still in early days of growth in this region, doctors are realizing significant benefits from our clinical education programs.
- 1st Invisalign Asia Pacific Summit in Singapore, with more than 450 Invisalign doctors.

Q2 FY2014 Scanner and Services Performance

	Scanner & Services Net Revenues	Scanner Volume
	\$12.8M	units
Y/Y	+21.6%	+50.7%
Q/Q	+3.1%	+1.9%



- Q2, another great quarter for our Scanner and Services segment.
- Q2, launched the new iTero 5.2 software upgrade, adding new orthodontic laboratory workflow, Vivera scan, Vivera Pre Debonding, and new algorithms for faster Invisalign scanning.
 - Invisalign scan time reductions of more than 25% even while preserving the high quality data required to ensure a great fit for the Invisalign system.
- Launched new iTero monthly subscription packages and multiple scanner subscription discount programs that have been well received by new and existing customers.
- Continue to be pleased with the performance of our Scanner business and the positive impact it is having on our Invisalign franchise.
- Percentage of Invisalign cases submitted digitally from a scanner in North America rose to 32.7%, compared to 30.2% in Q1, and 22.8% in Q2 a year ago.

iTero Software 5.2

Launched Q2 FY2014

• Key Features

- Faster Invisalign Scans
- Vivera Case Type
- Certified Connectivity-Orthodontic Laboratory Workflow
 - allows Orthodontists to immediately send iTero iRecord scans directly to an iTero Orthodontic laboratory Partner.
- Vivera Pre Debond Case Type
 - allows you to scan with brackets and deliver Vivera retainers at the debond appointment

Vivera Pre Debond

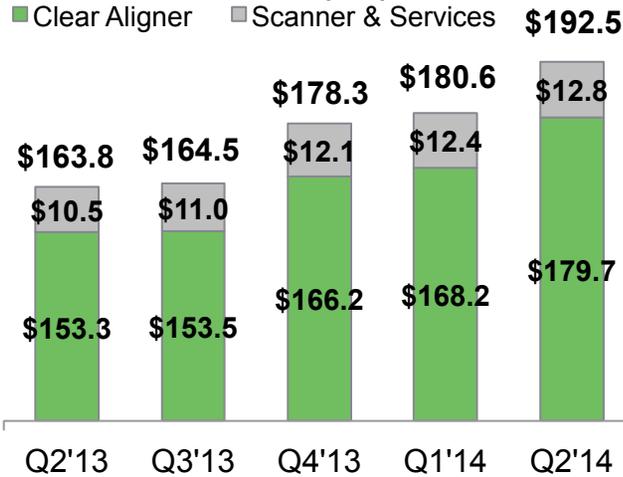


Q2 FY2014 Financial Review

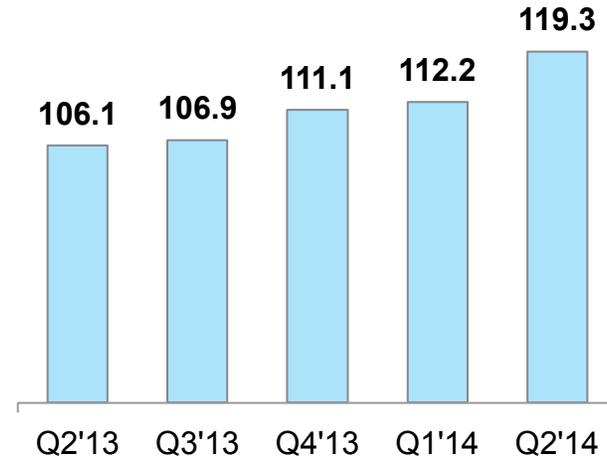
David White
CFO

Q2 FY2014 Trended Financials

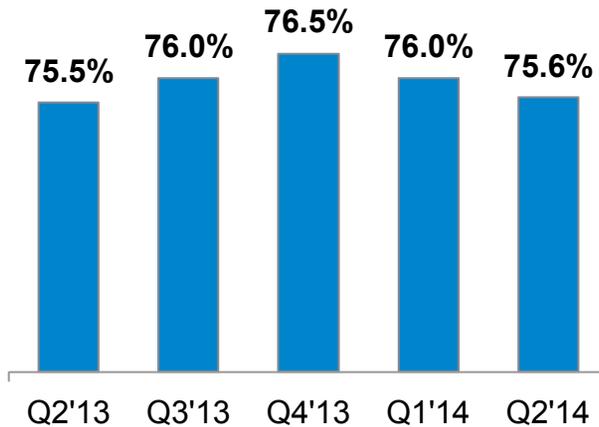
WW Net Revenues (\$M)



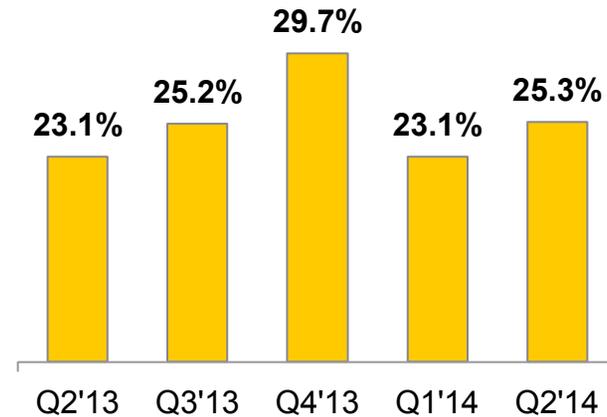
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %



Q2 FY2014 Income Statement Highlights

GAAP

(in millions except per share data and percentages)

	Year/Year Change	Q2'13	Sequential Change	Q1'14	Q2'14
Net Revenues	+17.5%	\$163.8	+6.6%	\$180.6	\$192.5
Gross Margin	0.1% pts	75.5%	(0.4)% pts	76.0%	75.6%
Operating Expenses	+12.8%	\$85.8	+1.4%	\$95.4	\$96.7
Operating Margin	+2.2% pts	23.1%	+2.2% pts	23.1%	25.3%
EPS, diluted	+\$0.07	\$0.36	+\$0.04	\$0.39	\$0.43

Net Revenues Trend

Q2'14 Net Revenues Highlights

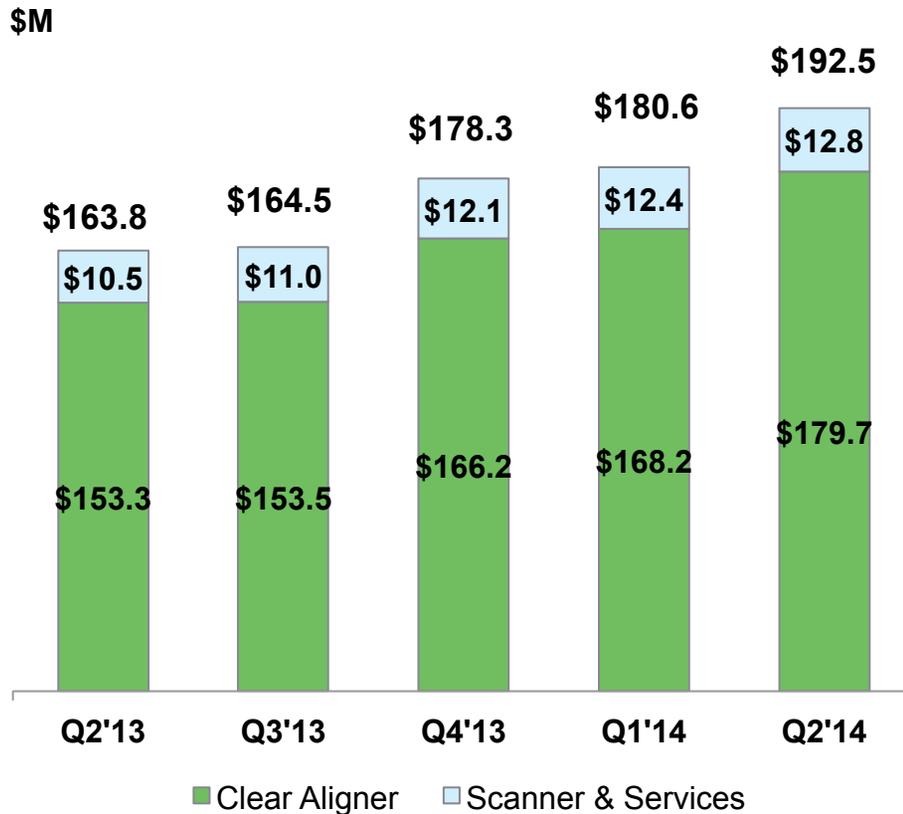
Net revenues of \$192.5M, +6.6% Q/Q, +17.5% Y/Y

Clear aligner net revenues

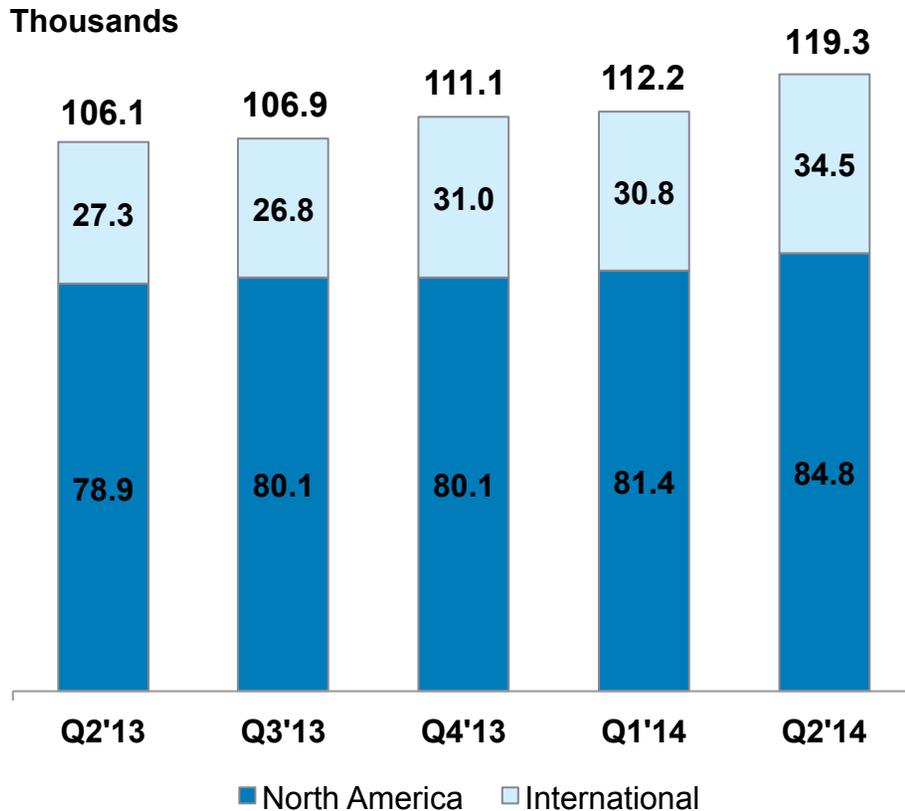
- +6.8% Q/Q, +17.2% Y/Y
- Q/Q growth reflected increased case volume by both N.A. and International geographies. ASPs were essentially flat.
- Y/Y growth reflected case volume growth across all channels as well as favorable ASPs from a higher mix of Full Invisalign products, a higher mix of International business, as well as the favorable impact from the acquisition of our APAC distributor in May 2013.

Scanner & services net revenues

- +3.1% Q/Q, +21.6% Y/Y
- Q/Q growth reflecting continued penetration and market share gains
- Y/Y Scanner and Services segment revenue growth driven by 50.7% increase in scanner volume.



Clear Aligner Shipments Trend



Q2'14 Clear Aligner Shipment Highlights

Shipments of 119,300

- +6.3% Q/Q, +12.4% Y/Y
- Q/Q rebounding nicely from a slow start in Q1 but offset by some softness in June in N.A.
- Y/Y growth driven by increased utilization from our International and N.A. customers, as well as continued expansion of our customer base

North America

- N.A. Orthodontists +3.7% Q/Q, +10.1% Y/Y
- N.A. GP Dentists +4.7% Q/Q, +5.0% Y/Y

International

- +12.0% Q/Q, +26.3% Y/Y

Q2 FY2014 Net Revenues by Geography and Products

Q2'14 Worldwide Net Revenues: \$192.5M

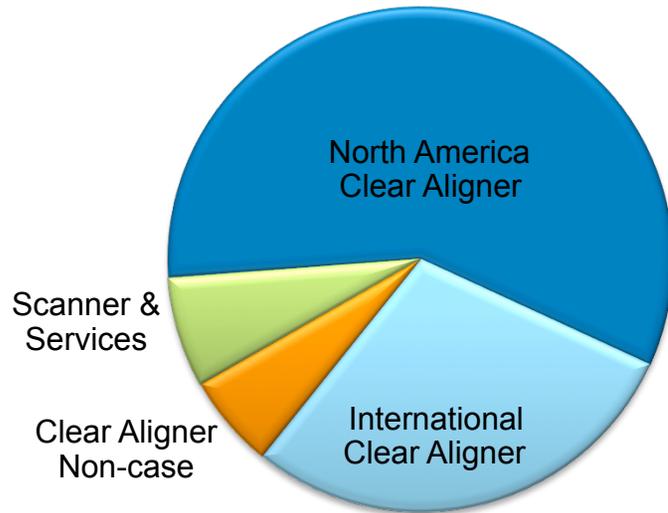
Geographic Mix

North America
Clear Aligner: 58%

- +3.5% Q/Q
- +9.2% Y/Y

International
Clear Aligner: 29%

- +12.3% Q/Q
- +38.9% Y/Y



Scanner & Services: 7%

- +3.1% Q/Q
- +21.6% Y/Y

Clear Aligner Non-case: 6%

- +15.4% Q/Q
- +12.4% Y/Y

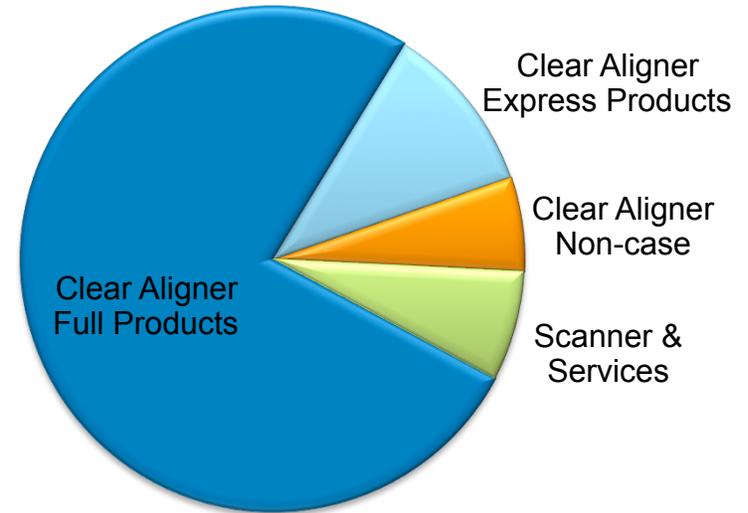
Product Mix

Clear Aligner Full Products: 76%

- +6.5% Q/Q
- +19.3% Y/Y

Clear Aligner Express Products: 11%

- +4.3% Q/Q
- +6.9% Y/Y



Scanner & Services: 7%

- +3.1% Q/Q
- +21.6% Y/Y

Clear Aligner Non-case: 6%

- +15.4% Q/Q
- +12.4% Y/Y

Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Express Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7

Q2 FY2014 Shipments by Geography and Product

Clear Aligner

Q2'14 Clear Aligner Case Shipments: 119,300

Geography Mix

Clear Aligner
North America: 71%

- +4.2% Q/Q
- +7.6% Y/Y

Clear Aligner
International: 29%

- +12.0% Q/Q
- +26.3% Y/Y



Product Mix

Clear Aligner
Full Products: 83%

- +6.7% Q/Q
- +16.2% Y/Y

Clear Aligner
Express Products: 17%

- +4.5% Q/Q
- -(2.6)% Y/Y



Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Express Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7

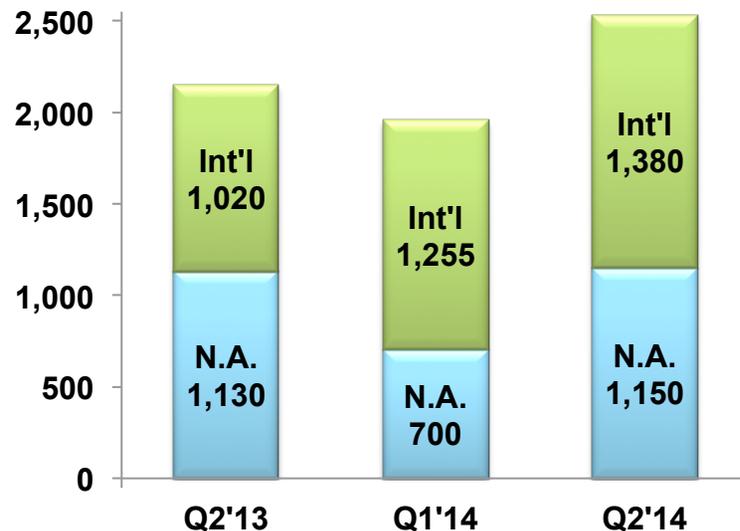
Q2 FY2014 Clear Aligner Adoption Metrics

Doctor Training and Training

- 2,530 new Invisalign-trained doctors in Q2'14
 - 1,150 North America
 - 1,380 International

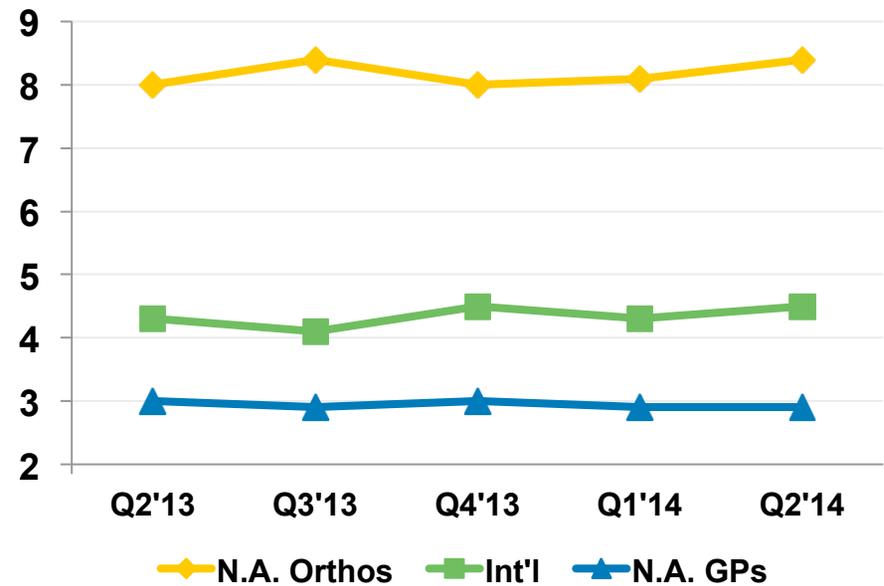
- Q2'14 total utilization was 4.4 cases per doctor compared to 4.3 in Q1'14 and 4.4 Q2'13
 - N.A. Orthodontists 8.4, +5% Y/Y
 - N.A. GP Dentists 2.9, -4% Y/Y
 - International 4.5, +5% Y/Y

Quarterly Doctors Trained Worldwide



*Q1 and Q2 2014 North America training numbers updated August 14, 2014

Average Doctor Utilization by Channel



Utilization = # of cases shipped/# of doctors to whom cases were shipped

Gross Margin Trend

Q2'14 Gross Margin Highlights

Gross margin was \$145.5M or 75.6%

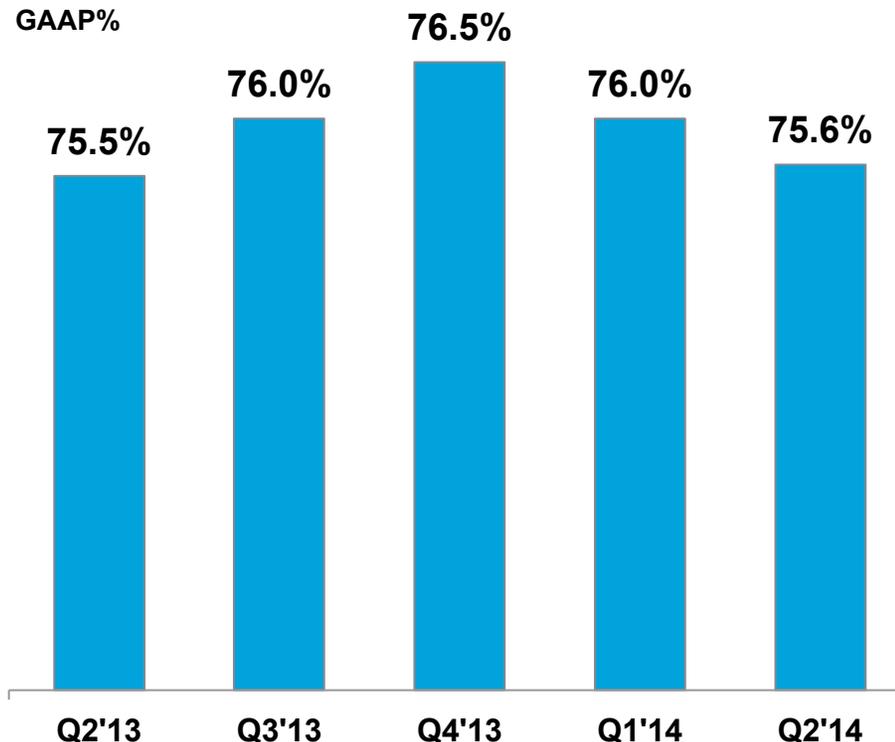
Includes stock based compensation expense of \$0.9M

Clear Aligners: 78.8%

- (-0.3)% pts Q/Q, +0.4% pts Y/Y
- Q/Q decline was primarily the result of increased training events, which are only marginally profitable
- Y/Y increase was primarily the result of increased volumes and higher ASPs

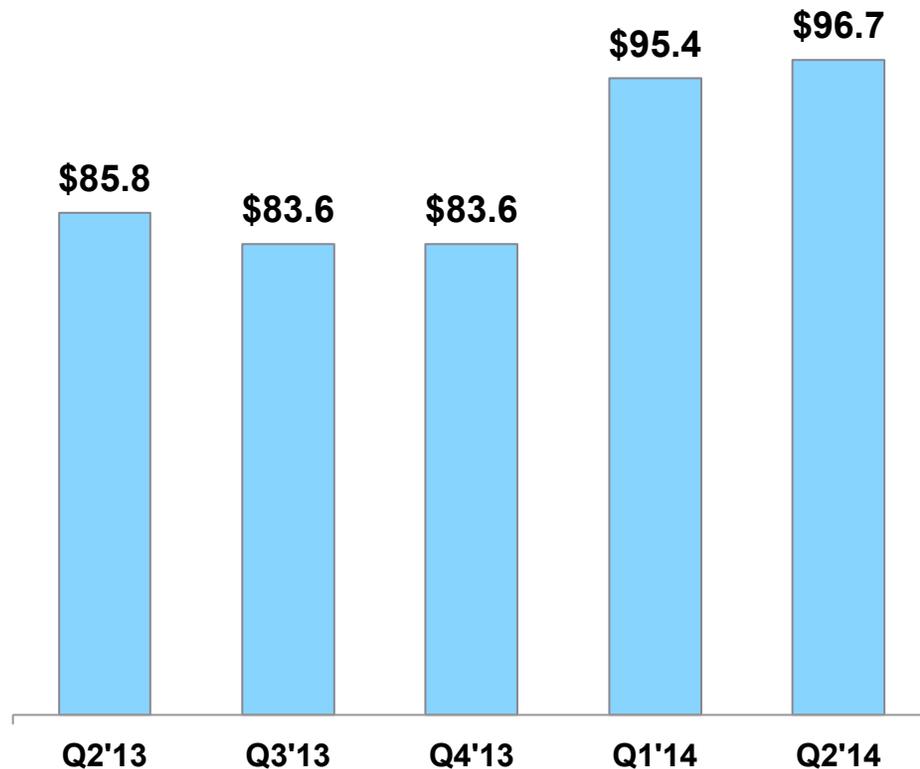
Scanners & Services: 29.5%

- (-4.1)% pts Q/Q, (-4.4)% pts Y/Y
- Q/Q decrease was primarily the result of increased service and warranty costs.
- Y/Y decrease was primarily the result of lower ASPs as we reduced our scanner pricing last year



Operating Expense Trend

\$M



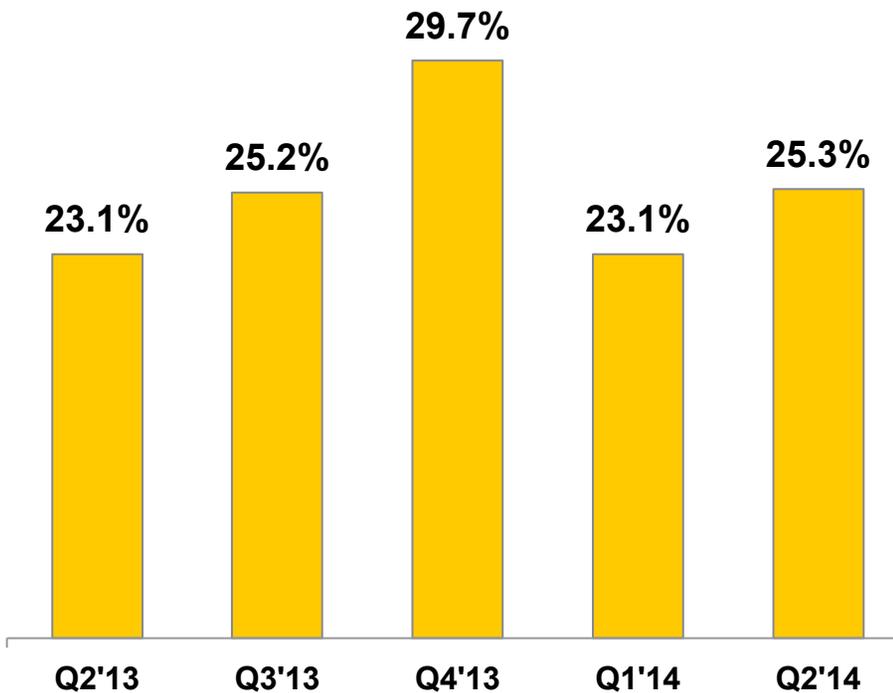
Q2'14 Operating Expenses Highlights

Operating expense was \$96.7M

- +1.4% Q/Q, +12.8% Y/Y
- Includes stock-based compensation expense of \$9.4M
- Q/Q operating expenses were up \$1.3M due primarily to increased marketing programs and headcount. This was offset by the benefit from a refund of Medical Device Excise Taxes paid earlier in Q1.
- Y/Y operating expenses were up \$11.0M incidental to the growth of the business, which primarily relates to headcount additions. This increase was also partially offset by the aforementioned Medical Device Excise Tax refund and elimination of the tax altogether.

Operating Margin Trend

GAAP %



Q2'14 Operating Margin Highlights

Operating profit was \$48.7M

Operating margin 25.3%

- +2.2% pts. Q/Q, +2.2% pts. Y/Y
- Q/Q improvement was primarily driven by higher Invisalign volume

Balance Sheet Highlights

<i>(in millions except for DSOs)</i>	Q2'13	Q1'14	Q2'14
Accounts Receivables, net	\$112.4	\$126.2	\$131.0
DSOs	62 days	63 days	61 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$341.3	\$505.4	\$502.7

Cash Flow from Operations	\$53.3	\$18.0	\$69.7
Capital Expenditures	\$(3.8)	\$(5.0)	\$(5.0)
Free Cash Flow*	\$49.5	\$13.0	\$64.8

*Free cash flow is defined as cash flow from operations less purchase of property, plant and equipment and is a non-GAAP measure

Stock Repurchase Program

- During Q2, we paid \$70M under an accelerated stock repurchase plan (“ASR”) for an initial delivery of approximately 997,000 shares of Align common stock. The final number of shares repurchased will be determined at completion of the ASR based on the Company’s volume-weighted average stock price during the term of the ASR, less an agreed upon discount. The ASR is expected to be completed by July 29, 2014.
- There remains approximately \$230M available for repurchases under the existing stock repurchase authorization, of which \$30M is expected to be used for repurchases over the next nine months.

3 to 5 Year Financial Model Targets

	Q2'13 Actual	Q2'14 Actual	3 – 5 Year Model
Revenue CAGR%			15 - 25%
Gross Margin	75.5%	75.6%	73% - 78%
Operating Expense %	52.4%	50.2%	45% - 50%
Operating Margin	23.1%	25.3%	25% - 30%

Financial Outlook

Factors That Inform Our View of Q3 FY2014

- We're pleased with the business and remain confident in our ability to continue to drive growth of Invisalign globally.
- While customers reported stable overall patient traffic, our June case receipts in N.A. were a little softer than our expectations.
- Most teen case starts occur in the summer months and we expect the positive impact we saw in Q2 from teenagers to continue in Q3.
- Consistent with previous summers, busy teen Ortho practices typically have fewer adult consultations in order to accommodate the summer rush for kids before school starts.
- Q3 is typically a seasonally slower quarter for N.A. GPs and International doctors who spend fewer days in the office due to summer vacations and extended holidays. As such, we anticipate Invisalign case shipments to be down to flat sequentially from Q2 for N.A. GPs and international doctors. This is a more pronounced effect in Europe.
- For our Scanner business, we expect it to be down sequentially in line with lower capital equipment sales in the summer.

Q3 FY2014 Outlook Commentary

- Invisalign case volume is anticipated to be in the range of 118.1 to 120.5 thousand cases, roughly flat with our Q2 results, but consistent with our historical Q2 to Q3 three-year average.
- We expect net revenues to be in the range of \$186.3 to \$190.2 million, slightly down relative to our case volume outlook due to lower scanner revenues, higher promotional activity, and other factors impacting ASPs.
- We expect gross margin to be in the range of 75.1% to 75.6%, flat to slightly down sequentially from Q2 primarily reflecting lower ASPs as just mentioned.
- We expect operating expenses to be in the range of \$96.7 to \$97.4 million. This is flat to slightly up when compared to Q2 reflecting continued investment in our strategic growth drivers.
- Our operating margin should be in a range of 23.2% to 24.3%
- Our effective tax rate should be approximately 23%
- Diluted shares outstanding to be approximately 82.1 million, net of any stock repurchases during the quarter.
- Taken together we expect diluted EPS to be in a range of 41 to 44 cents.

Q3 FY2014 Outlook

Invisalign Case Shipments	118.1 K - 120.5 K
Net Revenues	\$186.3 M - \$190.2 M
Gross Margin	75.1 % - 75.6 %
Operating Expenses	\$96.7 M - \$97.4 M
Operating Margin	23.2 % - 24.3 %
Effective tax rate	23.0 %
EPS, diluted	\$0.41 - \$0.44
Stock based compensation	\$11.3 M
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$525 M - \$535 M
Diluted shares outstanding	82.1 M

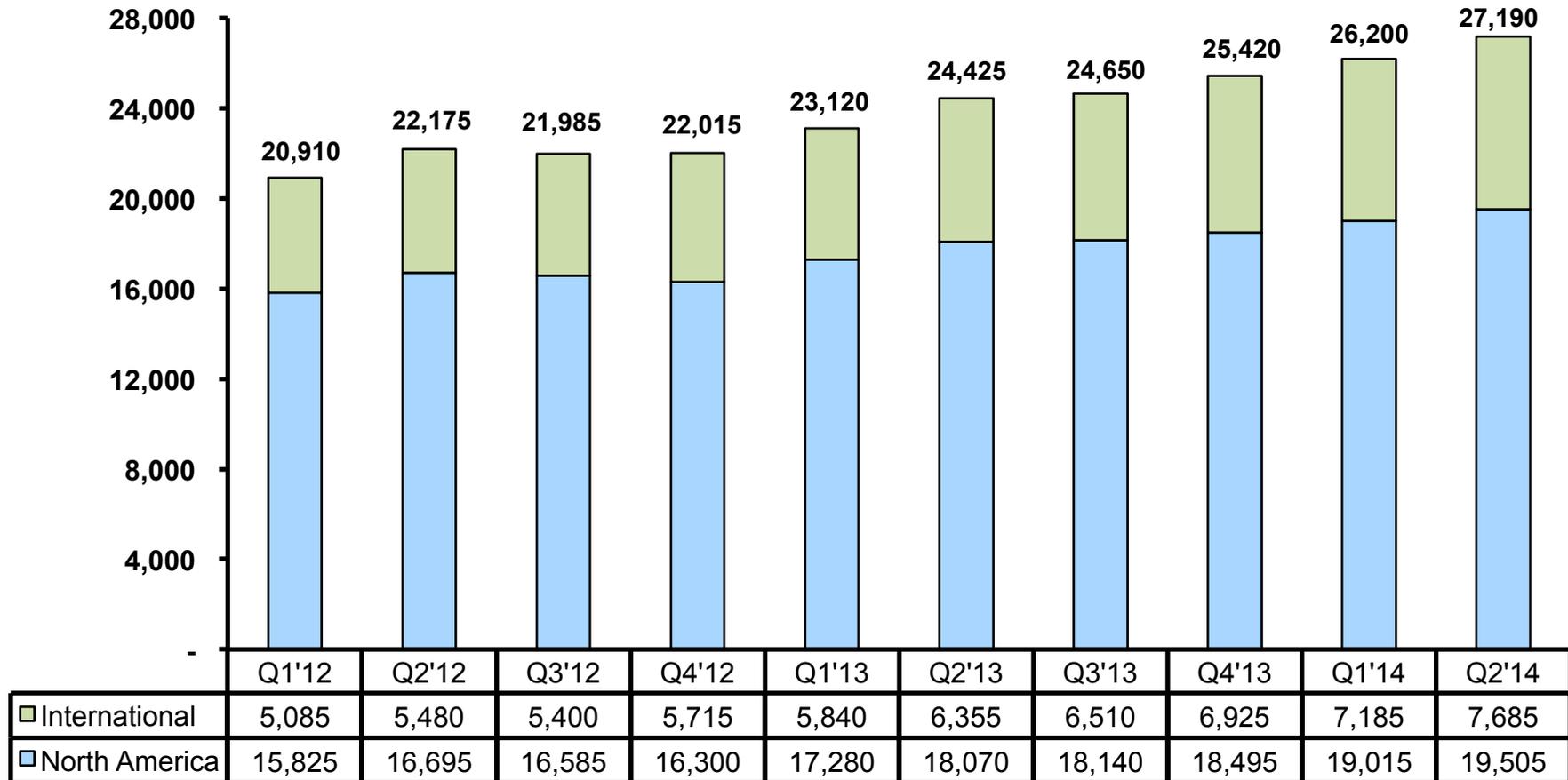
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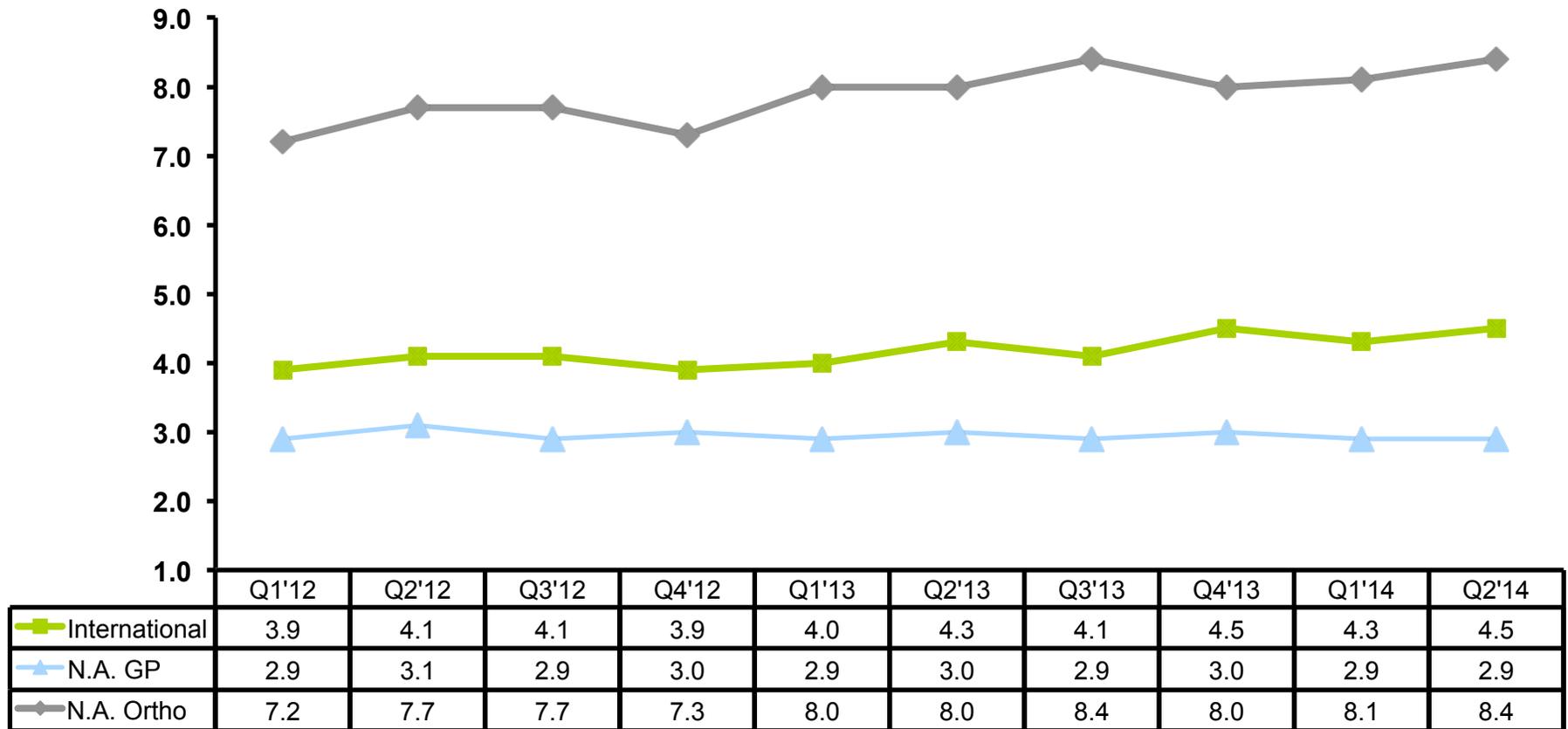
Additional Clear Aligner Data

Historical Information as of 6/30/14

Total Doctors Invisalign Cases Shipped To



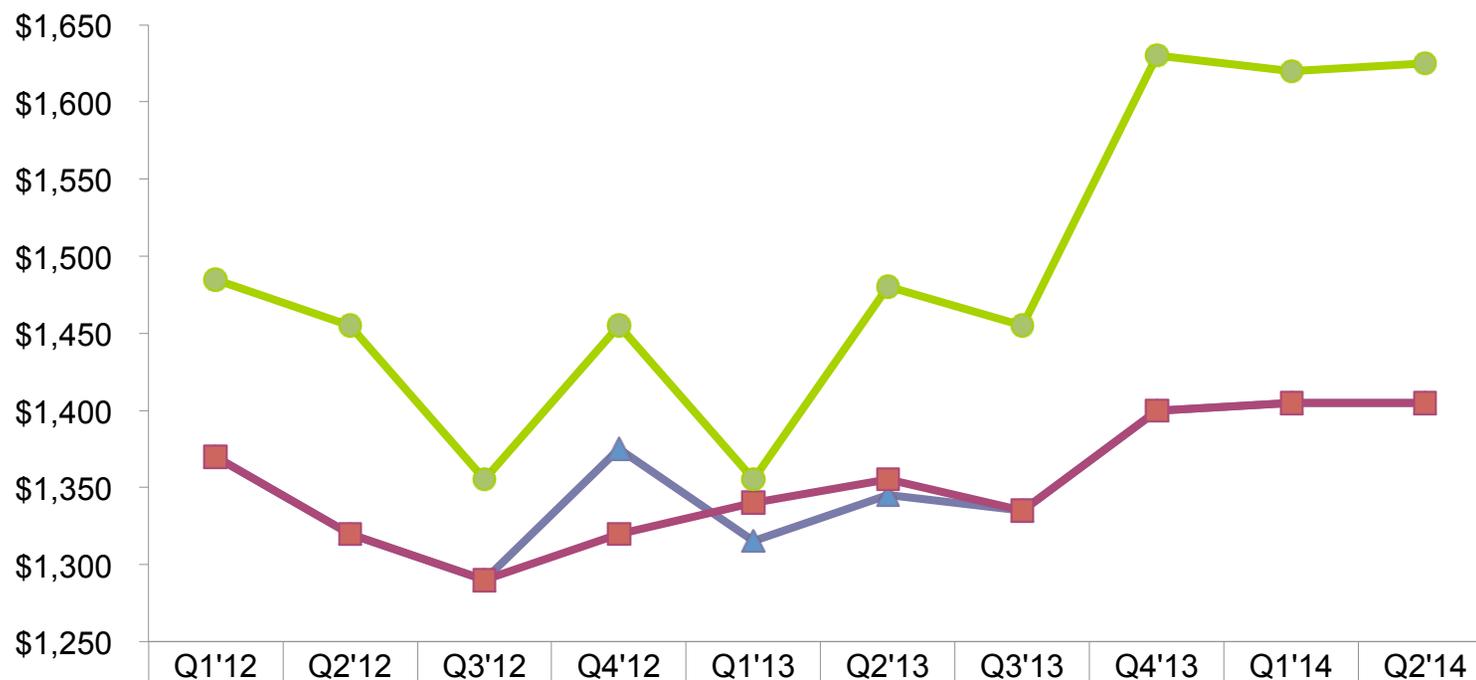
Invisalign Utilization Rate*



*Utilization Rate = # of Cases Shipped / # of Doctors Cases Are Shipped To

Invisalign Average Selling Price (ASP)

Worldwide and International



Worldwide	\$1,370	\$1,320	\$1,290	\$1,375	\$1,315	\$1,345	\$1,335	\$1,400	\$1,405	\$1,405
Worldwide, adjusted	\$1,370	\$1,320	\$1,290	\$1,320	\$1,340	\$1,355	\$1,335	\$1,400	\$1,405	\$1,405
International	\$1,485	\$1,455	\$1,355	\$1,455	\$1,355	\$1,480	\$1,455	\$1,630	\$1,620	\$1,625

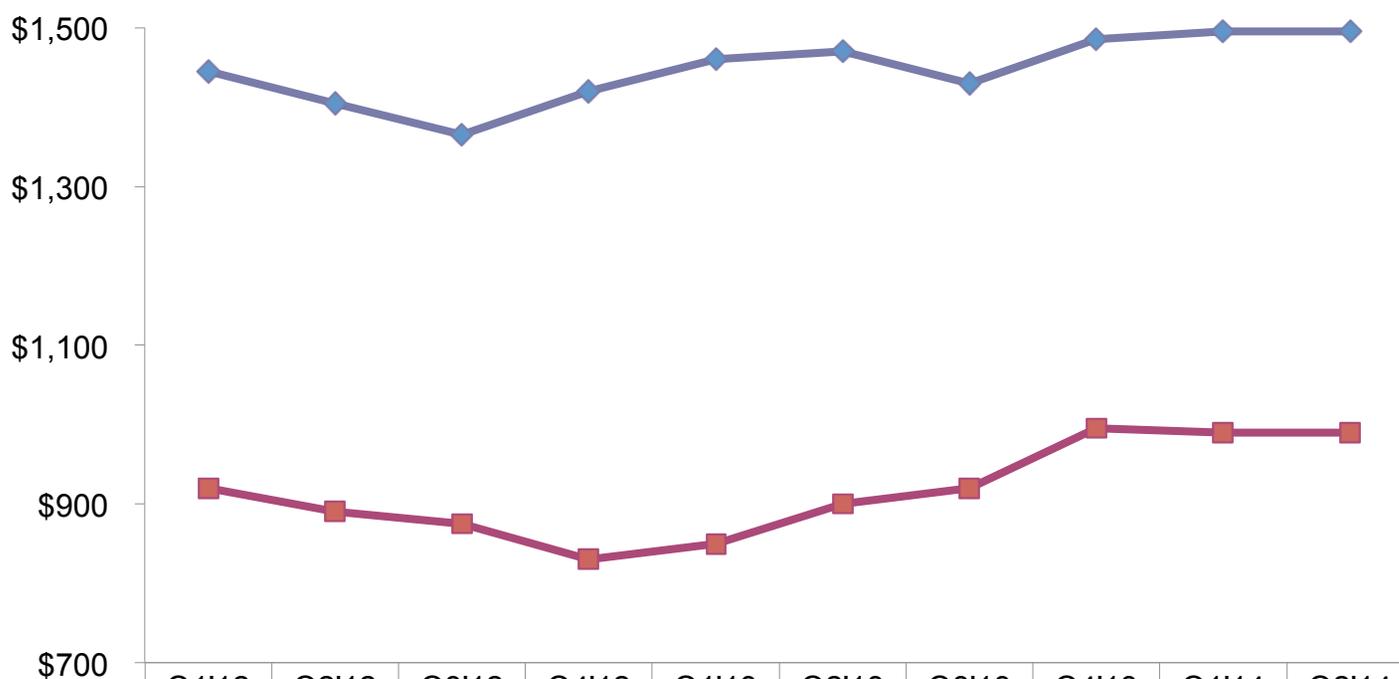
ASP: Invisalign case revenue / Invisalign case shipments

ASP adjusted: adjusted for one-time adjustments (eg. Q4'12 refinement release and Q1'13 and Q2'13 grandfathered mid-course correction)

Note: we are no longer listing billed ASPs which were previously provided to reflect revenue prior to impact from product deferrals.

Invisalign Average Selling Price (ASP)

Product Groups



◆ Full Products*	\$1,445	\$1,405	\$1,365	\$1,420	\$1,460	\$1,470	\$1,430	\$1,485	\$1,495	\$1,495
■ Express Products*	\$920	\$890	\$875	\$830	\$850	\$900	\$920	\$995	\$990	\$990

Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Express Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7

* **ASP adjusted:** adjusted for one-time adjustments (eg. Q4'12 refinement release and Q1'13 and Q2'13 grandfathered mid-course correction)