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# Financial Results

Q1 2021

Align Technology, Inc.

# Align Technology, Inc. – Q1 2021 Financial Results

## Conference Call

- Speakers:
  - Joe Hogan, President and CEO
  - John Morici, CFO
  - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Webcast Archive:
  - Telephone replay will be available through 5:30pm ET, May 12, 2021
  - Domestic callers: 877-660-6853
  - International callers: 201-612-7415
  - Conference # 13718065
  - Audio web cast archive will be available at <http://investor.aligntech.com> for one month

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# Safe Harbor and Forward-Looking Statement

- This presentation contains forward-looking statements, including those regarding business and product momentum and growth, our expectations for digital adoption in dentistry and the potential impact of our products in the transition, our intentions regarding stock repurchases and the timing of any repurchases, our marketing activities, our expectations regarding manufacturing expansion in EMEA, our expectations for our new products, features, and accessories and their availability, and statements regarding our FY 2021 business outlook concerning certain business metrics on either or both a GAAP or non-GAAP basis for 2021, including, but not limited to, anticipated net revenues for the year and, in particular, the second half of 2021, operating margin, and in connection with the timing, means and amount of anticipated stock repurchases. Forward-looking statements contained in this news release 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:
  - the impact of the COVID-19 pandemic on the health and safety of our employees, customers, patients, and our suppliers, as well as the physical and economic impacts of the various recommendations, orders, and protocols issued by local and national governmental agencies in light of continual evolution of the pandemic, including any periodic reimplementations of preventative measures in various global locations;
  - difficulties predicting customer and consumer purchasing behavior and changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages, and consumer confidence, particularly in light of the pandemic and as pandemic-related restrictions are eased regionally and globally;
  - unexpected or rapid changes in the growth or decline of our domestic and/or international markets;
  - increasing competition from existing and new competitors;
  - rapidly evolving and groundbreaking advances that fundamentally alter the dental industry or the way new and existing customers market and provide products and services to consumers;
  - the ability to protect our intellectual property rights;
  - continued compliance with regulatory requirements;
  - declines in, or the slowing of the growth of, sales of our intra-oral scanners domestically and/or internationally and the impact either would have on the adoption of Invisalign products;
  - 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 or enhancements to existing products do not proceed in accordance with the anticipated timeline or may themselves contain bugs or errors requiring remediation and that the market for the sale of these new or enhanced products may not develop as expected;
  - a tougher consumer demand environment in China generally, especially for manufacturers and service providers whose headquarters or primary operations are not based in China;
  - the risks relating to our ability to sustain or increase profitability or revenue growth in future periods (or minimize declines) while controlling expenses;
  - the impact of excess or constrained capacity at our manufacturing and treatment operations facilities and pressure on our internal systems and personnel;
  - the compromise of customer and/or patient data for any reason;
  - the timing of case submissions from our doctors within a quarter as well as an increased manufacturing cost per case;
  - foreign operational, political and other risks relating to our international manufacturing operations; and
  - the loss of key personnel or work stoppages.
- The foregoing and other risks are detailed from time to time in our periodic reports filed with the Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the Securities and Exchange Commission (SEC) on February 26, 2021. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

# About Non-GAAP Financial Measures

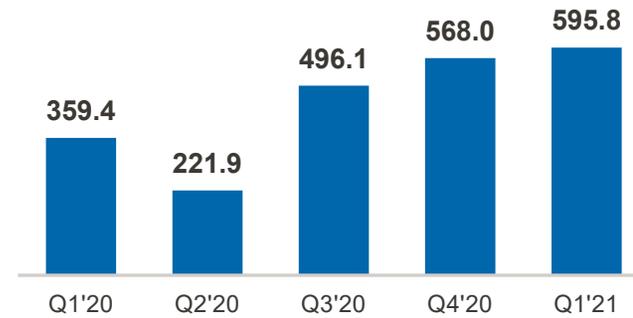
- To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we may provide investors with certain non-GAAP financial measures for gross profit, gross margin, operating expenses, income from operations, operating margin, interest income and other income (expense), net, net income before provision for (benefit from) income taxes, effective tax rate, net income and diluted net income per share, which exclude certain items that may not be indicative of our fundamental operating performance including discrete cash and non-cash charges or gains that are included in the most directly comparable GAAP measure. Non-GAAP measures will exclude the effects of stock-based compensation, amortization of acquired intangibles, non-cash deferred tax assets and associated amortization related to the intra-entity transfer of non-inventory assets, acquisition-related costs, and arbitration award gain, and, if applicable, any associated tax impacts.
- We use non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our recurring core operating performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal evaluation of period-to-period comparisons. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they will be provided to and used by our institutional investors and the analyst community to help them analyze the performance of our business.
- There are limitations to using non-GAAP financial measures, though, because they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is meant to be considered in addition to, not as a substitute for or in isolation from, the directly comparable financial measures prepared in accordance with GAAP. We urge investors to review the reconciliation of our GAAP financial measures to the comparable Non-GAAP financial measures included in this presentation and not to rely on any single financial measure to evaluate our business. For more information on these non-GAAP financial measures, please see the table captioned "Unaudited GAAP to Non-GAAP Reconciliation" and other historical reconciliations which are available at [aligntechnology.com](http://aligntechnology.com).

# Trended GAAP Financials

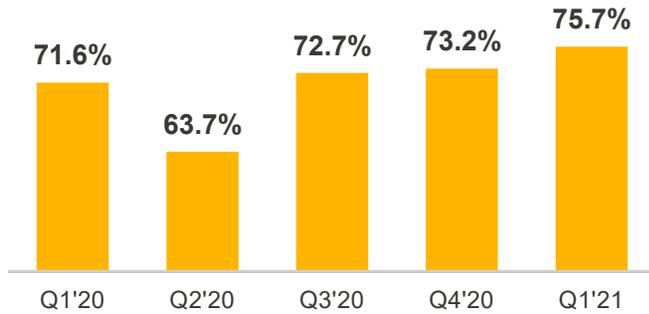
WW Net Revenues (\$M)



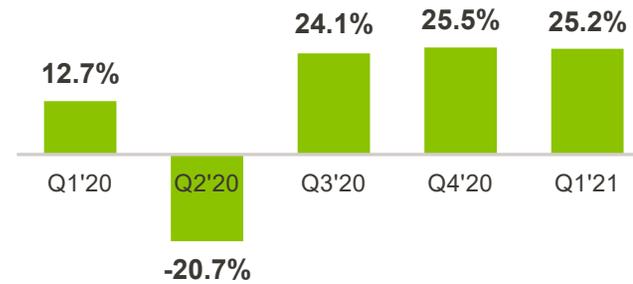
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %



# Opening Commentary

- We're pleased to report another strong quarter with record revenues and volumes reflecting strong growth for both Invisalign Clear Aligners and iTero Systems and Services across products and customer channels worldwide. Q1 sequential Invisalign Clear Aligner growth was driven by strength in both adult and teen market segments, across products and customer channels especially in North America and the EMEA region. The year is off to a great start and Q1 reflects increasing momentum and the benefit from continued investments in our strategic initiatives, focusing on:
  - expanding our operations globally in existing and emerging International markets;
  - increasing Ortho adoption and utilization of Invisalign treatment especially with teens;
  - training and educating GP Dentists and increasing conversion to clear aligners; and
  - building Invisalign brand preference with millions of Consumers through advertising, PR, digital, social media, and influencer marketing to drive demand and conversion through Invisalign trained doctors.
- During the quarter we reached a significant milestone with our 10 millionth Invisalign patient, Gabriela Silva, who recently began treatment with Dr. Eunice Blind, an Invisalign-trained orthodontist in São Paulo, Brazil, one of our fastest growing country markets. It's remarkable to think about the pace of growth and adoption that we are experiencing worldwide, especially when considering it took 10 years to achieve our one millionth Invisalign patient milestone and now we are adding one million new Invisalign patients in less than six months. We are grateful to our doctor partners and their patients, and to our 20,000 employees around the world who have helped us reach this milestone.
- In recognition of our 10 millionth Invisalign milestone, we have donated \$10M to the Align Foundation donor-advised fund and are kicking off a campaign called "10 Million Smiles. 10 Million Thanks" centered around the transformative power of Invisalign treatment through the eyes of Invisalign patients.



## Opening Commentary, continued

- From a product perspective, Q1 clear aligner revenues reflect strong growth across the Invisalign portfolio for both comprehensive and non-comprehensive products. Q1 comprehensive volume increased 4.9% sequentially and 62.3% year-over-year, and Q1 non-comprehensive volume increased 5.0% sequentially and 74.4% year-over-year. Invisalign clear aligners address a wide range of case complexity and can treat approximately 90% of case starts for adults, teens and “Phase 1” treatment for kids as young as 6 years old. Q1 adult patients increased 5.8% sequentially and 68.5% year-over-year. Q1 teens or younger patients increased 2.7% sequentially and 58.9% year-over-year. Teenage cases make up nearly 75% of the 15M ortho starts each year and despite our rapid growth and adoption, Invisalign treatment is still only single digit share worldwide, so we continue to see significant runway here.
- Our strong Q1 results also reflect our multi-million-dollar consumer marketing investment across key media channels with broad reach to drive consumers to Invisalign doctor’s practices. Our Teen and Mom-focused consumer campaign generated a more than 138% year-over-year increase in unique visitors to our website and 35% increase in leads generated. In addition, Invisalign social media influencers like Charli D’Amelio, Avani Gregg, and Tan France and many other content creators/influencers enabled a delivery of 4.2 billion impressions in Q1’21, delivering exciting new content and increased engagement for the Invisalign brand among their millions of followers.
- The consumer insights and data we receive from our programs suggest adults are also continuing to invest more in themselves – for their overall health and well-being – and have more disposable income to do so. They are seeking Invisalign clear aligner treatment from our Invisalign doctors – and sharing their positive experiences with their friends, family, and social networks – becoming influencers themselves.

## Q1 2021 Financial Highlights

- For Q1, total revenues were \$894.8M, up 7.2% sequentially and up 62.4% year-over-year. Q1 Systems and Services revenues of \$141.5M were up 5.8% sequentially, and up 104.0% year-over-year. Q1'21 Clear Aligner revenues of \$753.3M were up 7.5% sequentially and increased 56.4% year-over-year.
- In Q1, we shipped a record 595.8 thousand Invisalign cases, an increase of 4.9% sequentially and 65.8% year-over-year. In addition, we shipped to a record 78.6 thousand Invisalign doctors worldwide, of which approximately 6.6 thousand were first time customers.

GAAP	Q1'21	QoQ	YoY
Total Net Revenues	<b>\$894.8M</b>	+7.2%	+62.4%
- Clear Aligner	<b>\$753.3M</b>	+7.5%	+56.4%
- Imaging Systems and CAD/CAM Services	<b>\$141.5M</b>	+5.8%	+104.0%
Invisalign Case Shipments	<b>595.8K</b>	+4.9%	+65.8%
Earnings Per Share, diluted	<b>\$2.51</b>	+\$0.51	\$(16.70)*

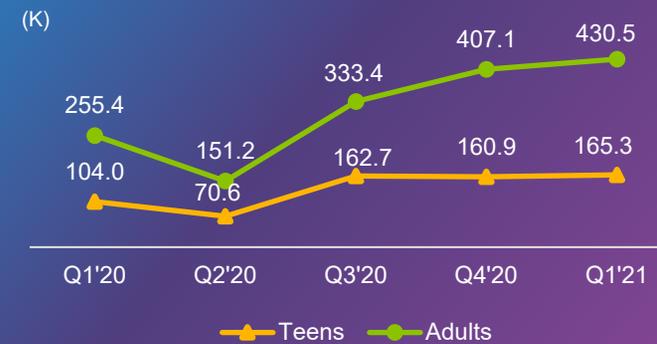
\*Q1'20 indicates the tax benefit associated with our corporate structure reorganization completed during the same quarter last year.

## Q1 2021 Financial Highlights

### *Teens and Adults*

- 10.2M total Invisalign patients to date, with 2.6M teens.
- Continuing to build upon the teen market, in Q1, 165.3K teens and pre-teens started treatment with Invisalign Clear Aligners.

### Worldwide Invisalign Case Shipments Teen versus Adult Mix



# Q1 2021 Financial Highlights

## Americas

- For the Americas region, Q1 was another strong quarter – with Invisalign case volume up 8.4% sequentially and up 53.8% year-over-year, reflecting increased Invisalign submitters and utilization growth for both Orthodontic and GP channels.
- Q1 results also reflect continued investment in digital marketing, sales programs, our channel focus around GPs, Orthos and DSOs, and other initiatives to help drive utilization.
- In the GP channel, Invisalign Moderate and Invisalign Go continue to gain traction. This was especially true for GP dentists that enrolled in the iPro program, as well as doctors that have installed iTero scanners. The GP Accelerator program, designed exclusively for GPs, provides an all-encompassing support plan based on practice needs, that is centered around maximizing iTero integration, clinical support needs, and implementing new marketing strategies. DSO utilization also increased and continues to be a strong growth driver and outpaced non-DSO practices.
- Today, we announced that we have extended our relationship DECA Dental Group and have signed a new multi-year agreement for the Invisalign system through early 2025. In addition, DECA Dental Group is extending utilization of the iTero Element 5D imaging system across its affiliated practices in the US. This provides DECA Dental doctors and clinical support team members with access to Align’s customized clinical education for the Invisalign system and the iTero Element 5D imaging system to support practices in adopting new workflows for restorative dentistry and for digital orthodontics.
- In the Ortho channel, the ‘Teen Awesomeness Centers’ program directs patients to Invisalign doctors who are experts at treating teens and are seen as the ‘go-to’ doctors in their markets, helping to drive increased comprehensive treatments within the North America Ortho channel.
- Tomorrow, registration opens for the 2021 Teen Forum: Virtual Edition – to be held on June 10-11 which combines two days of all-new dynamic sessions focused on the Invisalign teen patient journey. Sessions will focus on building clinical confidence, efficient workflows, teen and parent conversion, and the overall digital treatment experience that teens expect. The timing of the forum is designed as a strong lead into the busy teen season, and attendees will have the option for Post-Forum mentoring by Invisalign teen experts to help Orthos and their staff apply the tools from Teen Forum to their practices and get additional support through the busy summer.

### Americas Invisalign Metrics

#### North Americas Utilization\*



#### Americas Shipments



# Q1 2021 Financial Highlights

## International

- For our International business, Q1 Invisalign case volume was up sequentially 0.9%. On a year-over-year basis, International shipments were up 83.2%.

### EMEA

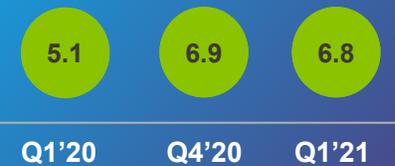
- For EMEA, Q1 volumes were up sequentially 3.7% and up 74.9% year-over-year with strong broad-based growth across all markets, led by UKI, France, and Italy, along with continued growth in our expansion markets, led by Turkey, Russia and CIS and Benelux. We also saw strong performance from both Ortho and GP channels --with momentum in the GP channel with adults, reflected in strong utilization and shipments from Invisalign Go.
- EMEA growth programs are customized by market and customer type to encourage Invisalign utilization, such as Professional 360 Ortho and Advanced 360 Ortho programs, with over 2K orthodontists enrolled. We also have GP Move 360, a program designed to help move doctors along their development journey, with an increase in GP cohorts of over 117% compared to the prior year. We also continue to offer online and on-demand education events, which have reached over 15K GPs cumulatively.
- In the region, we hosted several successful summits and forums for Invisalign doctors this quarter, in all-virtual formats: the UKI GP Forum and Ortho Summit, French Ortho Summit, and the iTero Element Plus launch media event. In addition, we just held the Italian and DACH Ortho Summits last week.
- International expansion remains one of our key strategic pillars. Last week we announced plans to open a new manufacturing facility in Poland, which will be our first aligner plant in the EMEA region and our third manufacturing plant worldwide, joining Juarez, Mexico and Ziyang, China.
- The new facility is expected to begin supplying customers in the EMEA region in early 2022, helping address the large and relatively untapped market of more than 5M annual orthodontic starts and more than 150M EMEA consumers who could benefit from treatment. The investment is part of our strategy to bring its operational facilities closer to our customers and reflects our commitment to Invisalign trained doctors and their patients in the EMEA region and extends our local operations in the region. The state-of-the-art EMEA plant in Wroclaw is expected to add more than 2,500 jobs by the end of 2025, making it the company's largest investment in EMEA to date and the largest 3D printing operations in the region.

### APAC

- For APAC, Q1 volumes were down sequentially 3.9% as expected, reflecting seasonality. On a year-over-year basis, APAC was up 101.3% compared to the prior year reflecting continued strong growth across the region, led by China, Japan and ANZ. Invisalign volume growth drivers were young adults, with young kids ramping faster than any other age group.
- In the Teen segment, Invisalign volumes accelerated during the quarter and were driven by increased Invisalign utilization and case submissions from Invisalign doctors. We also continue to see good adoption of the Invisalign Moderate product for Non-Comprehensive treatment in the GP channel. During the quarter, we continued to offer online and on-demand education events, which reached over 14K GPs cumulatively.
- Invisalign volumes in China were flat sequentially and up over 200% year-over-year. In Q1 China volumes gained momentum through the quarter.

## International Invisalign Metrics

### International Utilization\*



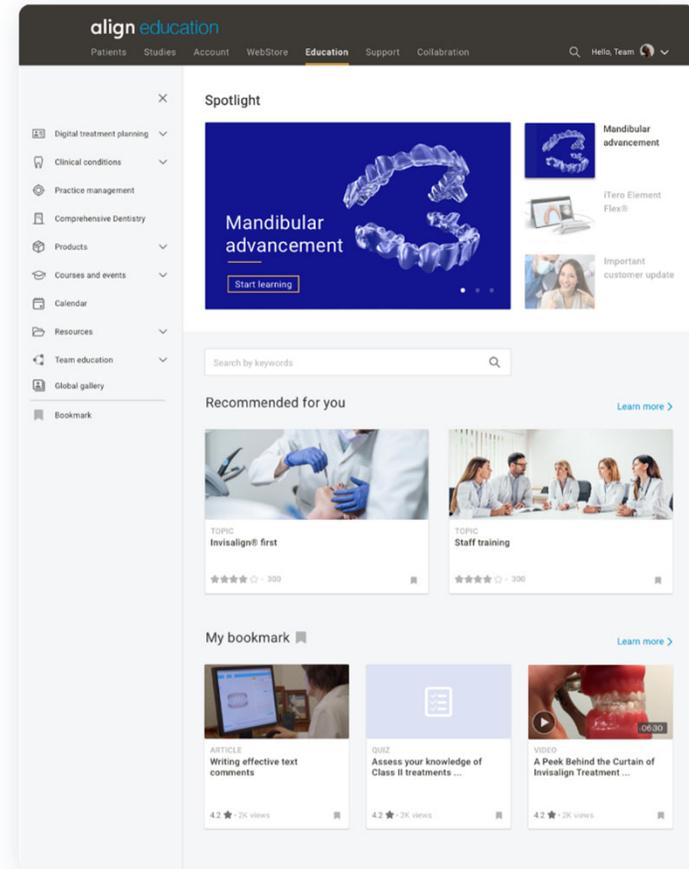
\*number of cases shipped/number of doctors to whom cases were shipped

### International Shipments



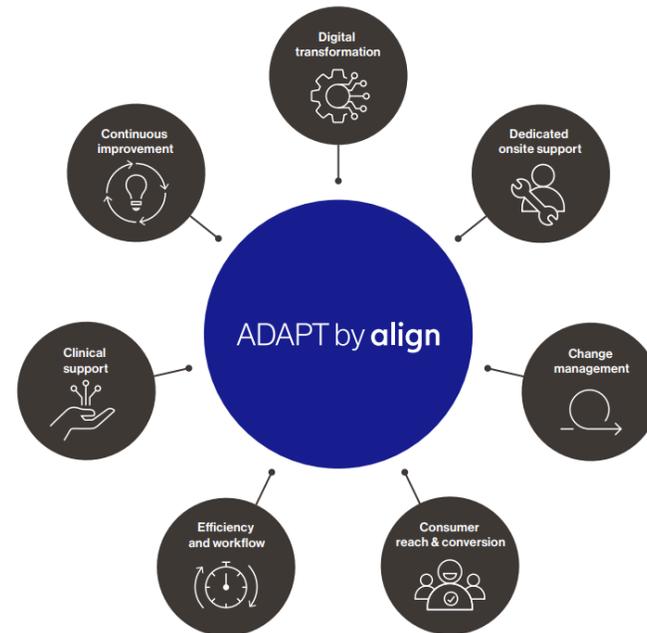
# Align Global Education

- The Align clinical education site is the “go to” digital hub for Invisalign doctor and team education and training. The digital learning environment was relaunched in February 2020 for Invisalign doctors, offering a comprehensive learning platform with role-specific content for Orthos, GPs and their teams. The site enables more online learning opportunities with spotlight features for what’s trending now, recommended learning paths based on doctors’ experiences, and expanded categories including: digital treatment planning, comprehensive dentistry, and team education.
- During the quarter, over 102K unique users have accessed recorded lectures, completed self-paced learning modules, and watched how-to videos, viewing more than 3M pages of learning content. From the Ortho channel, over 38K unique users have engaged with the digital learning site and an additional 63K unique users from the GP channel.



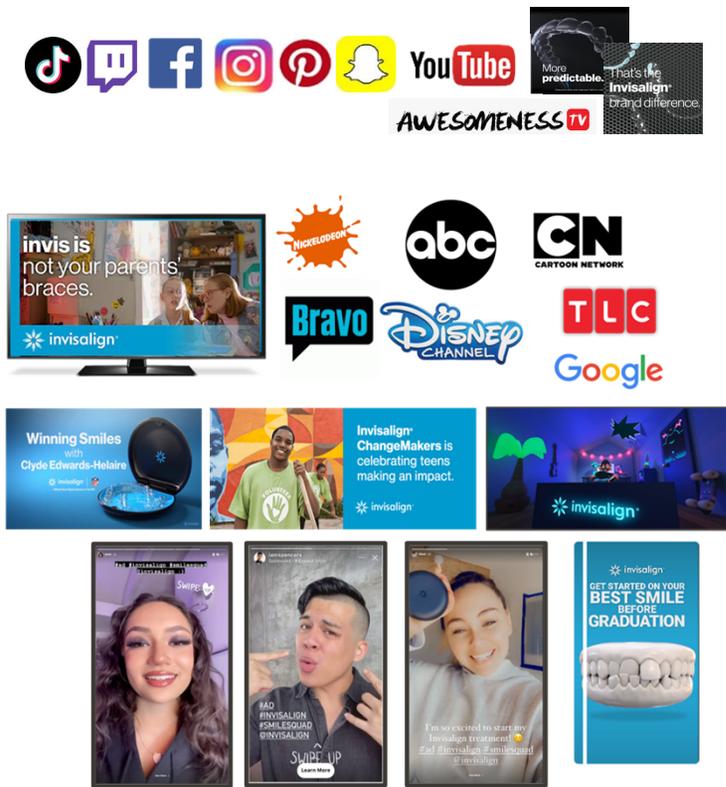
# Align Digital and Practice Transformation (ADAPT)

- We also continue to see good adoption of the ADAPT program, which is an expert and independent fee-based business consulting service offered by Align to optimize clinics' operational workflow and processes to enhance patient experience and customer and staff satisfaction. As a result of the ADAPT service, practices experience higher growth and greater efficiencies for orthodontic practices as well as improved profitability after implementation. To date, we've seen a 50% increase in Invisalign cases among doctor cohorts within six months of participation in the ADAPT program. In addition, while still early in the program, we are also seeing a strong correlation or halo effect on teen utilization among ADAPT doctor cohorts.



# Invisalign Brand Consumer Marketing

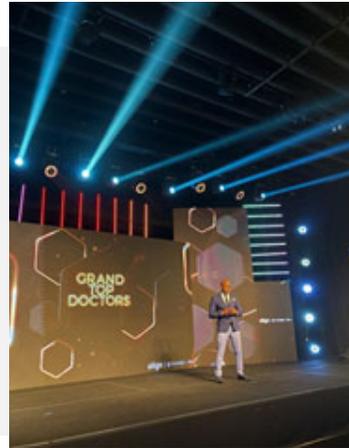
- Our consumer marketing is focused on educating consumers about the Invisalign system and driving that demand to our Invisalign doctor's offices, ultimately capitalizing on the massive market opportunity to transform 500M smiles.
- In Q1, we continued to see strong digital engagement globally with a more than 138% increase in unique visitors, 95% increase in doctor locator searches and 35% increase in leads created on a year-over-year basis, driven by our global adult and mom-focused campaigns and teen-focused influencer content. Our US Mom/Teen multi-touch multi-million-dollar campaign with influencer-led YouTube videos, a mom-focused TV spot, a custom Twitch activation, and mega teen sensations such as Charli D'Amelio and Avani Gregg, continued to perform well and garnered 4.2 billion impressions in Q1.
- The statistics we shared previously speak to the continued success this marketing campaign is having to not only drive demand with consumers, but also to educate them on the benefits of Invisalign treatment through a doctor's office.
- The Align digital platform continues to gain traction globally. Our Consumer and Patient app, My Invisalign is now available in 58 markets, resulting in a more than 4X increase in app downloads and 3X increase in patients actively using our app in Q1'21 versus the same period a year ago. Our consumer and patient feature usage continues to increase – for example, Invisalign Virtual Appointment tool was used 86K times and our insurance verification feature was used 27K times in Q1. Further, we received more than 575K patient photos in our Virtual Care feature to-date globally, providing us rich data to leverage our AI capabilities to improve our services for doctors and patients. Lastly, our new consumer website has been rolled out to more than 50 markets and continues to drive increased effectiveness in lead creation.
- In the EMEA region, we built on the tremendous success we saw with the consumer marketing pilot in Q4 in the UK and expanded our media investments across the UK, Germany and France to drive engagement resulting in more than 335% increase in unique visitors and 95% increase in leads. We also expanded our consumer advertising in the APAC region in Australia, Japan and China, and saw more than a 2,000% increase in consumer engagement and a 298% increase in leads.
- Several key metrics that show increased activity and engagement with the Invisalign brand are included in our Q1 quarterly presentation slides available on our website.
- Our NFL partnership continues to do well generating over 23.5M impressions during the quarter. It continues to be another integral channel to reach adults considering clear aligner treatment through an Invisalign trained doctor. During the quarter, we expanded our sports partnership marketing strategy with the Invisalign brand named the official smile partner of the Golden State Warriors. As part of the agreement with six-time NBA Champion Golden State Warriors, the Invisalign brand is also the Official Smile Partner of the Santa Cruz Warriors, Golden State's G League affiliate, and the Golden Guardians, its esports affiliate. The sponsorship includes an omni-channel activation across TV, digital media, and social and a jersey partnership with the Golden Guardians and the Santa Cruz Warriors.
- Finally, on the consumer marketing front, we also launched our first-ever social purpose initiative in Q1 called Invisalign ChangeMakers, an award program we developed in partnership with the National 4-H Council, to celebrate and highlight teens making an impact in their communities. We were blown away by the number of recommendations and stories we received about teens, from redistributing excess food to combat hunger in their communities, to donating weighted blankets to those on the autism spectrum. Overall, it's been heartwarming to learn about each of these amazing teenagers who bring a unique approach to positively impacting their communities and following their passions to create change.
- In total, we received nearly 800 ChangeMakers applications. On June 28, we will announce 100 winners, each of whom will receive \$5,000 to help them continue their goodwill efforts. We'll also celebrate these young forces of change with a virtual ceremony, currently slated for mid-July.



# Q1 2021 Events-Americas

Simon Beard • 2nd  
SVP & Managing Director - The Americas at Align Technology  
1mo •

Congratulations to the 50 new #Invisalign Grand Top doctors in Brazil! Thankful to have participated virtually and for your ongoing support of #AlignTech. I am looking forward to next year's Top Invisalign Brazilian Doctors event, whi ...see more



Over 275 doctors attended the Grand Top Doctors virtual event in Brazil to celebrate the 50 Brazilian Top Invisalign doctors and many others who helped create new smiles for their patients using the Invisalign system.

Simon Beard • 2nd  
SVP & Managing Director - The Americas at Align Technology  
1mo •

Please join me in congratulating Dr. Keith Sellers for winning #Aligntech's 2020 @Invisalign Ortho Summit Case Shoot-out! We are grateful to you and to orthodontists across North America for sharing how #Invisalign treatme ...see more



During the quarter we announced the winner of the 2020 Invisalign Ortho Summit Case Shoot-out, one of Align's live case presentations during the virtual Summit. Dr. Keith Sellers of Charlotte, North Carolina received the greatest number of attendee votes for his Class II/Class III Invisalign case presentation.



- Webinars: Doctor events
  - Online training sessions
  - Digital courses
  - Patient education materials
- Virtual Events:
  - Chicago MidWinter Meeting
  - Top Invisalign Brazilian Doctors Event
- 2020 Invisalign Ortho Summit Case Shoot-out Winner Announcement

## Q1 2021 Events-EMEA

EMEA hosts successful summits and forums for Invisalign doctors, in all-virtual format:



align | DACH Summit

### 2021 UKI Virtual Orthodontic Summit

26th & 27th February 2021

align | UKI Summit



The two-millionth Invisalign patient in EMEA is Puck, a 15-year-old student from the Netherlands. She is in treatment with with Dr. Lotte Veldhuijzen van Zanten, an Invisalign trained orthodontist based in Zwolle, who prescribed Puck the Invisalign Comprehensive treatment for a deep bite correction.

- Webinars: Doctor events
  - Online training sessions
  - Digital courses
  - Patient education materials
- Virtual Summits:
  - UKI GP Forum
  - UKI Orthodontist Summit
  - French Orthodontist Summit
  - Align Italian Summit
  - iTero Element® Plus launch media event
  - DACH Orthodontist Summit

# Q1 2021 Events-APAC

**Julie Tay** - 2nd  
Senior Vice President & Managing Director  
Tmo

Thank you to all the doctors who attended the Invisalign and iTero South East Asia Forum 2021. Speakers such as **Sasithorn Theinthong** @John Morton @Dr. Barry J. Glaser @Liz Clark Martinez and @Dr. Yau Yi Kwong shared their best pra...see more



The China Team partnered with Tianjin Orthodontic Committee to host a combination of online live broadcast and offline activities for the event. Doctors shared about the challenging extraction cases they had resolved with Invisalign treatment.



- Webinars: Doctor events
  - Online training sessions
  - Digital courses
  - Patient education materials
- Virtual Events:
  - Invisalign and iTero South East Asia Forum 2021
  - Extraction Tour in partnership with Tianjin Orthodontic Committee
  - Forum in Guangdong
  - Digital Transformation Seminar in Japan
  - Japan Faculty Meeting

# Worldwide Invisalign Brand Consumer Highlights



**+116M**

> Website visitors



**+1.2M**

> Social media fans



**+13.7M**

> Doc locator searches



**+6.5M**

> Smile assessments

# Invisalign Brand Consumer Concierge

- We've connected over 226K potential consumers with Invisalign doctors and reached more than 1.5M consumers in North America. The Invisalign Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain.
- The Invisalign Consumer Concierge service teams are located in the U.S., Brazil, Singapore, the Philippines, China, Australia, the UK, Poland, Bulgaria and Saudi Arabia.

**+1.5M**

**>** Consumers contacted

**+226K**

**>** Consultations scheduled

**+50K**

**>** Invisalign cases started

## Invisalign Consumer Concierge

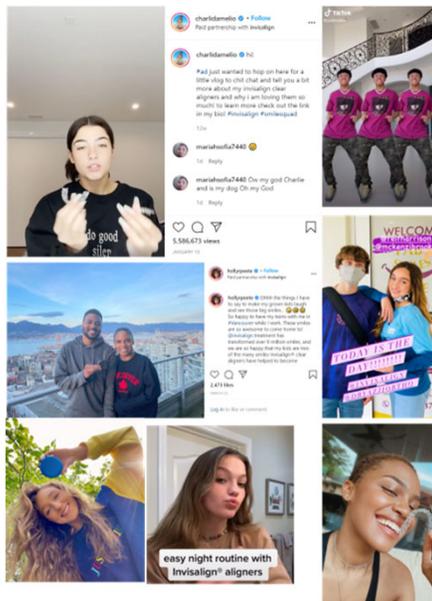
Consumer Conversion connects consumers with top Invisalign providers to deliver a best-in-class experience to achieve a happy and healthy smile.



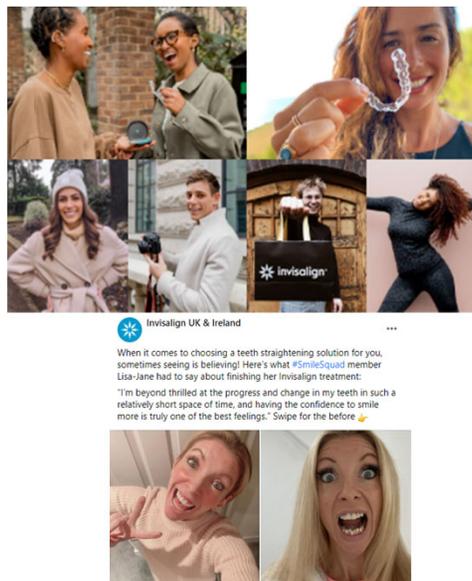
# Q1 2021 Invisalign Brand Consumer Marketing

AMERICAS		EMEA		APAC	
6.3M	565K	3.2M	601K	7.7M	117K
Website Visitors	Doc Locator Searches	Website Visitors	Doc Locator Searches	Website Visitors	Doc Locator Searches

- Social media and influencer marketing
- Teen, Adult and Moms of teens



- Social media and influencer marketing



- Social media and influencer marketing
- Online consumer



# Q1 2021 Financial Highlights

## Systems and Services

- For our Systems and Services business, Q1 revenues were up 5.8% sequentially reflecting slightly lower scanner volume, following a record Q4. This was primarily due to the seasonality of capital equipment sales at year-end, and higher services revenues. On a year-over-year basis, Systems and Services revenues were up 104.0%, reflecting strong scanner shipments and services.
- The iTero Element 5D Imaging System continues gaining traction across all regions. Element 5D is the first integrated dental imaging system that simultaneously records 3D intra-oral optical impressions, 2D color images, and Near Infrared Images (NIRI) technology. Full arch scans can be completed in as little as 60 seconds and NIRI technology scans the structure of a tooth in real time, without harmful radiation, acting as a digital aid for detection of interproximal caries (or cavities) above the gingiva.\*\*
- In APAC, the Element Flex is doing well with its wand-only configuration that provides needed mobility so doctors' can see patients anywhere they choose and/or perform full arch scans in even the smallest office.
- During the quarter we announced the availability of the iTero Element® Plus Series, which expands the iTero portfolio to serve a broader range of the dental market. The new Element Plus Series offers faster processing time and advanced visualization capabilities for a seamless scanning experience in a new sleek, ergonomically designed package. It is also engineered with the latest computing power, a dedicated AI chip, and new AI-based features as well as an easy upgrade path for future innovation.
- In terms of digital scans used for Invisalign case submissions, in Q1 total digital scans increased to 80.9% from 75.8% in Q1 last year. International scans increased to 75.1% up from 68.7% in the same quarter last year. For the Americas, 85.5% of cases submitted digitally compared to 80.5% a year ago.

Americas	76.1%	77.5%	78.8%	79.5%	80.5%	85.7%	83.2%	84.0%	85.5%
International	59.3%	60.9%	62.6%	64.7%	68.7%	72.0%	72.1%	73.7%	75.1%
	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21

- Cumulatively, over 35.4M orthodontic scans and 7.5M restorative scans have been performed with iTero scanners.

## Imaging Systems and CAD/CAM Services



### Systems and Services Revenue



# exocad

- Turning to exocad. A year ago in April, we welcomed exocad into the Align family. We want to thank the entire leadership team for their continued progress on integration and roadmap development. Together, we are working to extend exocad's position as a key technology provider for the dental CAD/CAM industry and drive continuous innovation with the open and integrated approach that is the foundation of exocad.
- During Q1, the new release of exocad's DentalCAD3.0 Galway was successfully rolled-out globally with very positive customer feedback. A record number of over 70K verified prosthetic components were created in DentalCAD Galway, one of the largest prosthetic libraries in the industry.
- exocad also reached a new milestone for the exoplan database, which now supports nearly 10,000 implants from over 90 manufacturers. The new release also includes the unique and highly innovative DentalCAD feature "Instant Anatomic Morphing" that reduces design time by up to 30% compared to the previous version. It also includes new AI technology for exocad's Smile Creator which enables time-saving automatic detection of facial features.
- In addition, the new MyiTero Connector was launched directly to exocad labs. The MyiTero connector creates an easy and integrated way to receive intraoral scan cases from thousands of iTero doctors worldwide. New cases are downloaded automatically and will show up directly in the DentalDB case list.
- exocad also co-hosted a joint digital dentistry event in the UK to showcase full workflow with chairsidecad - titled, "Digital Dentistry Hands-on" . The virtual roadshow, aimed at general dentists, showcases a full digital workflow for the clinical environment with ChairsideCAD- exocad's complete open-architecture CAD software platform for single-visit dentistry. Hosted by Dr. Gulshan Murgai, participants of the roadshow series learn how to use the software for single-visit restorations and implant planning in the dental practice along the entire digital dentistry workflow.
- These are just a few milestones, and we are excited about the opportunities ahead to shape the dental industry with technology and expertise that benefits all customers, labs, partners and users. We look forward to sharing more about ongoing exocad developments.

DentalCAD 3.0 Galway featuring "Instant Anatomic Morphing" reduces design time by 30%\*



the exoplan database now supports nearly 10K implants from over 90 manufacturers



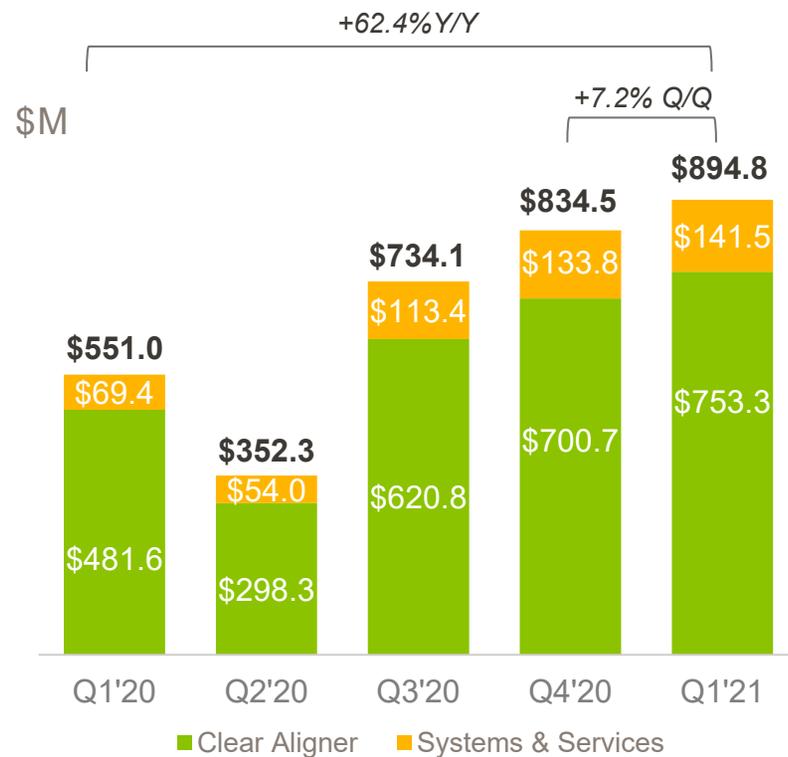
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# + Q1 2021 Financial Review

# Revenues Trend

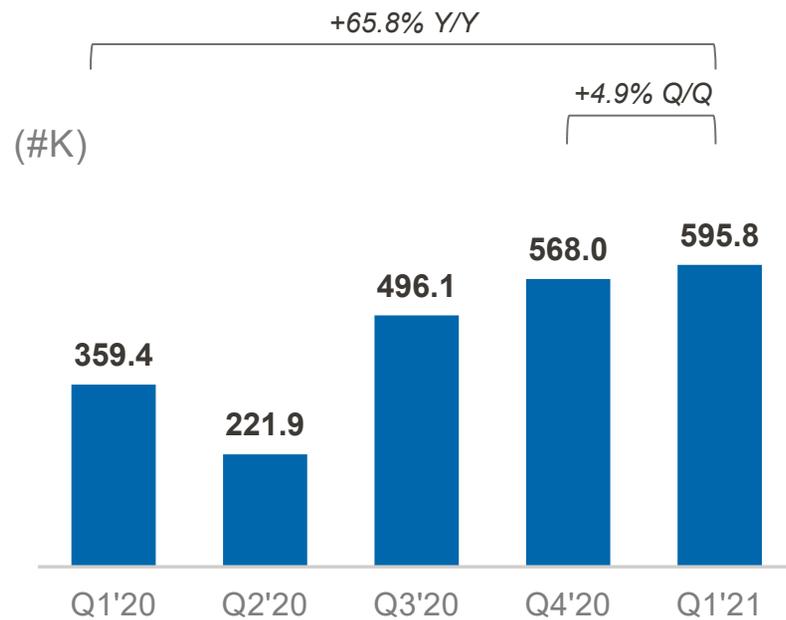
## Q1'21 highlights



- Total revenues for the first quarter were \$894.8M, up 7.2% from the prior quarter and up 62.4% from the corresponding quarter a year ago.
- For Clear Aligners, Q1 revenues of \$753.3M were up 7.5% sequentially and up 56.4% year-over-year reflecting Invisalign volume growth in most geographies. Clear Aligner revenues growth was favorably impacted by foreign exchange of approximately \$14.4M or approximately 2.1 points sequentially and on a year-over-year basis by approximately \$22.3M or approximately 4.6 points.
- For Q1 Invisalign Comprehensive and Non-Comprehensive ASPs were both up sequentially. On a year-over-year basis, Q1 Invisalign Comprehensive and Non-Comprehensive ASPs decreased. Overall, on a sequential and year over year basis, ASPs were favorably impacted by foreign exchange. On a year over year basis, ASPs were impacted by higher net revenue deferrals in all regions and higher promotional discounts.
- Clear aligner deferred revenue on the balance sheet increased \$79M sequentially and \$256M year-over-year and will be recognized as the additional aligners are shipped.
- Our System and Services revenues for the first quarter was a record \$141.5M, up 5.8% sequentially due to product mix and increased services revenues from our larger installed base and exocad's CAD/CAM services. Year-over-year System and Services revenues was up 104.0% due to higher scanner shipments and services and the inclusion of exocad's CAD/CAM services from the April 2020 acquisition and increased services from our larger installed base.
- Our Systems and Services deferred revenue was up 17% sequentially and up 102% year-over-year primarily due to the increase in scanner sales and the deferral of service revenues, which will be recognized ratably over the service period.

# Clear Aligner Shipments Trend

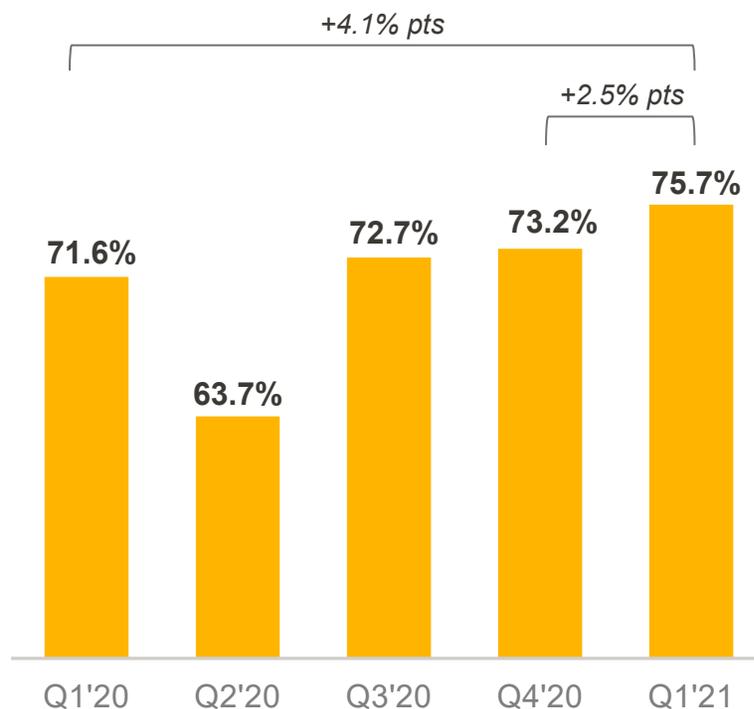
## Q1'21 highlights



- Total Q1 Clear Aligner shipments of 595.8K cases were up 4.9% sequentially and up 65.8% year-over-year.

# GAAP Gross Margin Trend

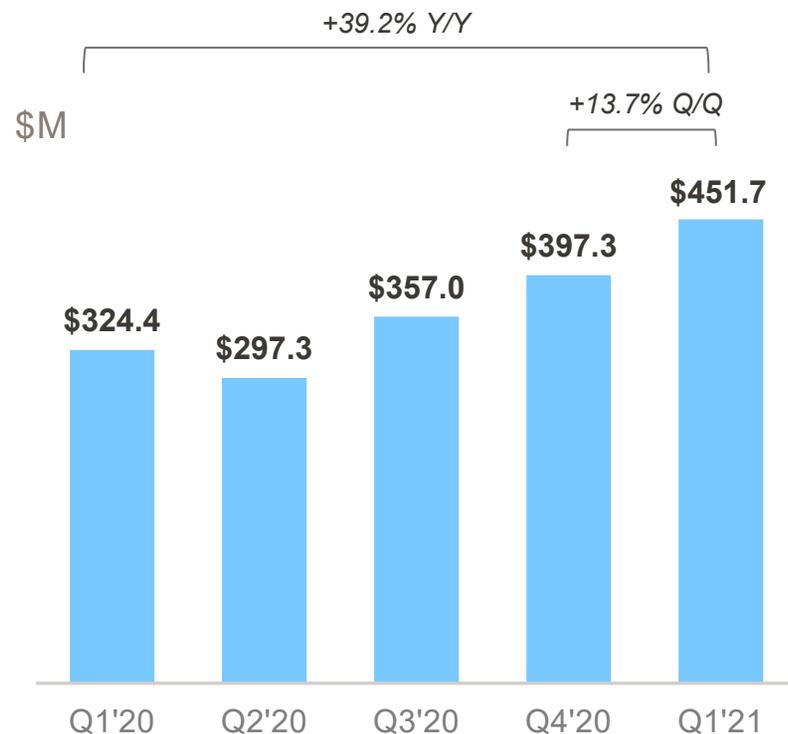
## Q1'21 highlights



- First quarter overall gross margin was 75.7%, up 2.5 points sequentially and up 4.1 points year-over-year. On a non-GAAP basis, excluding stock-based compensation and amortization of intangibles related to our exocad acquisition, overall gross margin was 76.1% for the first quarter, up 2.5 points sequentially and up 4.2 points year-over-year. Overall gross margin was favorably impacted by approximately 0.5 points sequentially and 0.7 points on a year-over-year basis due to foreign exchange.
- Clear Aligner gross margin for the first quarter was 77.6%, up 2.7 points sequentially due to increased manufacturing efficiencies from higher production volumes, higher ASPs, and lower freight, partially offset by higher additional aligner volume.
- Clear Aligner gross margin was up 4.6 points year-over-year due to increased manufacturing efficiencies from higher production volumes and lower freight, partially offset by lower ASPs.
- Systems and Services gross margin for the first quarter was a record 65.4%, up 1.2 points sequentially primarily due to manufacturing efficiencies from higher production volumes and higher ASPs, partially offset by increased freight.
- Systems and Services gross margin was up 3.6 points year-over-year due to manufacturing efficiencies from increased volume, higher ASPs, and service revenues.

# GAAP Operating Expense Trend

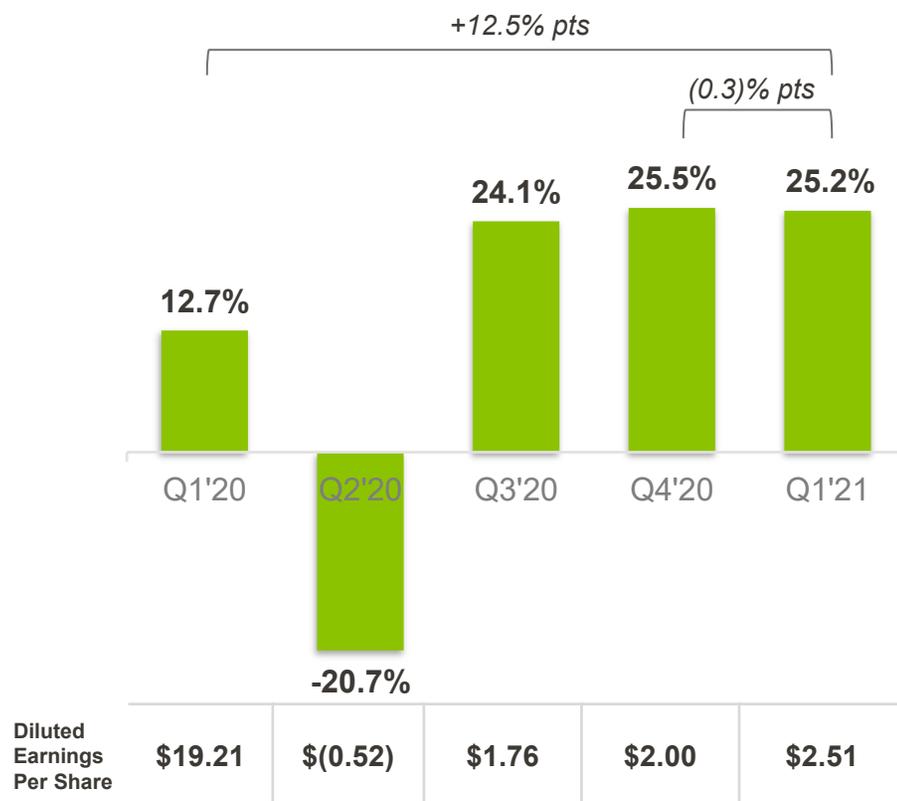
## Q1'21 highlights



- Q1 operating expenses were \$451.7M, up sequentially 13.7% and up 39.2% year-over-year. The sequential increase in operating expenses is due to increased compensation primarily from additional headcount and incentive compensation, consumer marketing spend, and other general and administrative costs. Year-over-year, operating expenses increased by \$127.2M, reflecting our continued investment in sales and R&D activities and investments commensurate with business growth.
- On a non-GAAP basis, which excludes stock-based compensation, amortization of intangibles related to our exocad acquisition, and acquisition costs related to our exocad acquisition, operating expenses were \$424.8M, up sequentially 14.1% and up 40.9% year-over-year.

# GAAP Operating Margin and Earnings Per Share Trend

## Q1'21 highlights



- Our first quarter operating income of \$225.4M resulted in an operating margin of 25.2%, down 0.3 points sequentially and up 12.5 points year-over-year. The sequential decrease in operating margin is attributable to operational investments. The year-over-year increase in operating margin are primarily attributable to higher gross margin and operating leverage. On a non-GAAP basis, which excludes stock-based compensation and amortization of intangibles and acquisition costs related to our exocad acquisition, operating margin for the first quarter was 28.6%, down 0.4 points sequentially, and up 11.5 points year-over-year. Our operating margin was favorably impacted by approximately 0.8 points sequentially and 1.5 points on a year-over-year basis due to foreign exchange.
- Interest and other income & expense, net for the first quarter was a gain of \$36.2M, primarily driven by the SDC arbitration award gain. Excluding the SDC arbitration award gain, interest and other income and expense net, was a \$7.2M expense on a non-GAAP basis.
- With regards to the first quarter tax provision, our GAAP tax rate was 23.4%, which includes tax expense of approximately \$11M related to US taxes on the SDC arbitration award received and approximately \$14M of excess tax benefits related to stock-based compensation. Our GAAP tax rate this quarter was lower than the prior quarter rate of 25.9% primarily due to higher excess tax benefits from stock-based compensation partially offset by foreign income taxed at different rates. Our GAAP tax rate was higher than the same quarter last year, which was (2,745.3)%, primarily due to a one-time tax benefit of approximately \$1.5B associated with our corporate structure reorganization completed during the first quarter of 2020. The first quarter tax rate on a non-GAAP basis was 20.2% compared to 14.5% in prior quarter and 33.2% in the prior year. The first quarter non-GAAP tax rate was higher than the prior quarter rate primarily due to lower tax benefits from foreign income taxed at different rates. In comparison to prior year, the non-GAAP tax rate for the first quarter was lower primarily due to higher tax benefits from foreign income taxed at different rates.
- First quarter net income per diluted share was \$2.51, up \$0.51 sequentially and down \$16.70 compared to the prior year. On a non-GAAP basis, net income per diluted share was \$2.49 for the first quarter, down \$0.12 sequentially and up \$1.76 year-over-year.

## Balance Sheet and Cash Flow Highlights

- As of March 31, 2021, cash and cash equivalents were \$1.1B, an increase of approximately \$170.9 million from the prior quarter which is primarily due to cash flow from operations. Of our \$1.1B of cash and cash equivalents, \$684.4M was held in the US and \$447.3M was held by our International entities.
- Q1 accounts receivable balance was \$719.0M, up approximately 9.3% sequentially. Our overall days sales outstanding (DSO) was 72 days, up approximately 1 day sequentially and down approximately 15 days as compared to Q1 last year.
- Cash flow from operations for the first quarter was \$227.2M.
- Capital expenditures for the first quarter were \$43.4M, primarily related to our continued investment in increasing aligner capacity and facilities.
- Free cash flow, defined as cash flow from operations less capital expenditures, amounted to \$183.8M.
- We also have \$300.0M available under the revolving line of credit. Under our May 2018 Repurchase Program, we have \$100.0M remaining available for repurchase of our common stock.

(\$ in millions except for DSO)	Q1'20	Q4'20	Q1'21
Accounts Receivables, net	\$533.0	\$657.7	\$719.0
DSO	87 days	71 days	72 days
Cash and Cash Equivalents	\$790.7	\$960.8	\$1,131.7
Cash Flow from Operations	\$9.8	\$381.4	\$227.2
Capital Expenditures	\$(46.1)	\$(53.2)	\$(43.4)
Free Cash Flow*	\$(36.3)	\$328.3	\$183.8

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

# Financial Outlook for Full Year 2021

- Overall, we are very pleased with our first quarter results and our continued strong momentum across regions and customer channels.
- It's been over a year since the pandemic began and we want to briefly recap the actions we took to support our employees by protecting employee jobs and salaries, and by supporting our customers with PPE, extended payment terms, training, and many other areas of assistance.
- Instead of going quiet, we accelerated our investments in marketing to drive consumer demand to our doctors' offices and stay top of mind with consumers; we accelerated our digital technology investments so that we could provide virtual tools to our doctors, enabling them to stay connected with their patient and keep their treatment moving forward; we continued to grow the business, increasing our investments in R&D and product innovation, and developing our plans for manufacturing expansion in EMEA.
- We did all these things for our customers, partners, employees and shareholders because we believe in the industry and size of our market opportunity. Our results are the outcome of our conviction in our business model, focus and ability to execute.
- While there continues to be uncertainty around the pandemic and global environment, the strength in our business reflects the purposeful decisions we made through the pandemic and fuels our confidence in continuing to invest into growth to drive demand and conversion globally.
- Q2 is off to a great start and momentum has continued through April. Consumer demand trends and patient traffic across the dental industry are favorable and continue to improve.
- Given these factors and the positive trends we continue to see across the business, we believe it is important to share our current outlook and provide guidance for the full year. Note that the outlook we are providing does not reflect any potential significant disruption or additional costs related to any supply constraints. With that, let's turn to our full year 2021 outlook and the factors that inform our view - We have growing confidence in our digital platform and how it is driving growth across all regions and market segments.
- We expect 2021 revenues of \$3.7B to \$3.9B, up 50% to 58% Y/Y. Consistent with past years, we expect 2H revenue to make up more than half of the full year revenue and our 2H revenue to grow Y/Y around the mid-point of our long-term operating model target of 20% to 30%.
- As discussed during our last earnings call, we are increasing our investments in sales, marketing, innovation, and manufacturing capacity to continue to drive our growth programs and accelerate adoption in a vastly underpenetrated market.
- On a GAAP basis, we anticipate 2021 Operating Margin to be between 23.5% and 24.5%. On a Non-GAAP basis, we expect 2021 Operating margin to be approximately 3 points higher than our GAAP Operating Margin, after excluding Stock Based Compensation, and Intangible amortization.
- In addition, during Q2'21 we expect to repurchase \$100 million of our common stock through either open market repurchases or an accelerated stock repurchase agreement we intend to enter into on or prior to May 3, 2021. The repurchase is intended to complete the \$600 million stock repurchase authorization announced on May 23, 2018.
- For 2021, we expect our investments in capital expenditures to exceed \$300.0 million. Capital expenditures primarily relate to building construction and improvements as well as additional manufacturing capacity to support our international expansion. This includes our planned investment in a new manufacturing facility in Wroclaw, Poland, our first one in the EMEA region. We intend to fund these needs with cash generated from operations.

# Closing Commentary

- In summary, we are very pleased with the first quarter results of 2021. Our strong growth and continued momentum reflect our strategic initiatives and investments, including support for doctors to ensure treatment and business continuity, ramping availability of virtual tools to keep doctors and patients connected throughout treatment, and increased consumer marketing and concierge programs.
- The benefits of digital treatment and digital tools – and the limitations of outdated old analog approaches – continues to drive adoption of Invisalign clear aligners and iTero scanners and services. Over the past year, more doctors have experienced Align’s digital platform which made it possible for thousands of Invisalign practices and patients to continue treatments throughout global disruption, thanks to Invisalign aligners, digital treatment planning, virtual monitoring and care, as well as the iTero scanner, etc.
- But the shift from traditional, analog wire and brackets to a fully end-to-end digital platform is not easy and cannot be done without very complex technology. And this technology is prevalent, touching every aspect of what we do from manufacturing excellence, where we currently manufacture over 700 thousand unique aligners per day – to expanding our geographic footprint to over 100 markets – to building a network of over 200,000 trained Invisalign doctors – and providing the technology to our doctors in a complete digital system - the Align digital platform.
- As the market leader in the clear aligner space, we have been building this industry over 24 years to get to where it is today and yet the majority of the market opportunity remains largely untapped. With over 500 million potential case starts globally, Align is in a rare position to address this market with the Align digital platform --powered by two decades of clinical data, based on more than 10.2 million patients, with AI machine learning and digital tools to help our doctors efficiently communicate with their patients, show and explain any issues, and visualize potential treatment outcomes. And together with doctors, we’re going to leverage the power of digital for dentistry and orthodontics more than ever.
- We remain focused on strategic execution, agility, customer service excellence, and continuing to make investments to grow our business to drive utilization of the Invisalign system, ultimately returning value to our shareholders. This is the multi-variable equation that we talk about and there is no other company in the market today that has all of these capabilities combined.
- Finally, throughout the pandemic, our priority has been the health and safety of our employees and their families, and our doctor customers and their staff – and that has not changed. We remain dedicated to their well-being, and I want to reiterate our commitment to all Invisalign practices and our employees around the world – especially those in areas recently affected by a surge in COVID-19 (India, Brazil, France, Poland, Ukraine, Mexico, Thailand, Japan). We are continuing to monitor the situations and are providing support and resources to impacted employees.

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Transforming

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changing lives

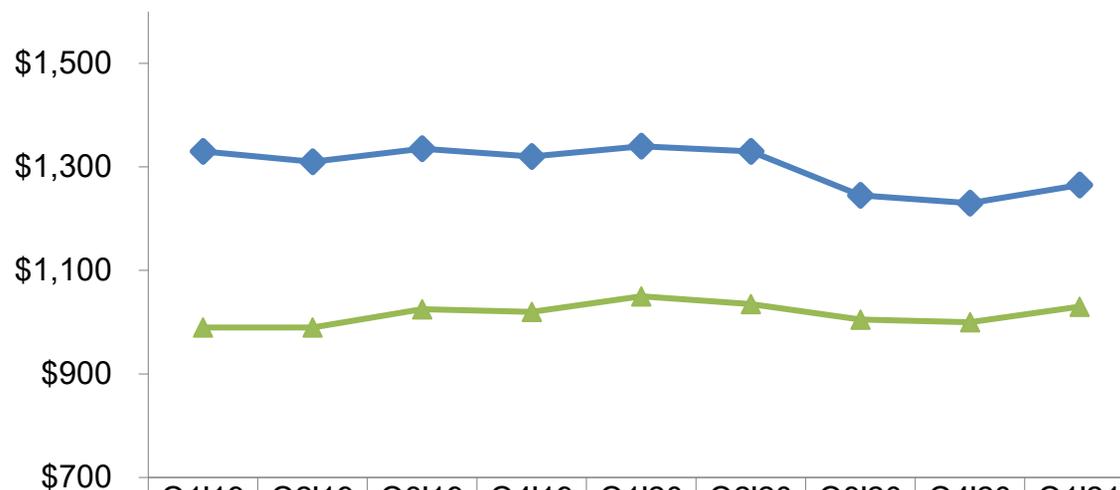
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+ Appendix

# Invisalign Average Selling Price (ASP)

## Product groups



◆ Comprehensive Products	**	\$1,330	\$1,310	\$1,335	\$1,320	\$1,340	\$1,330	\$1,245	\$1,230	\$1,265
▲ Non-comprehensive Products	**	\$990	\$990	\$1,025	\$1,020	\$1,050	\$1,035	\$1,005	\$1,000	\$1,030

**Comprehensive Products:** Comprehensive Products include, but are not limited to, Invisalign Comprehensive, Invisalign Assist and Invisalign First

**Non-Comprehensive Products:** Non-Comprehensive Products include, but are not limited to, Invisalign Moderate, Invisalign Lite, Invisalign Express packages and Invisalign Go

**ASP:** Invisalign case revenue / Invisalign case shipments

# Unaudited GAAP to Non-GAAP reconciliation

ALIGN TECHNOLOGY, INC.  
UNAUDITED GAAP TO NON-GAAP RECONCILIATION  
(in thousands except per share data)

	Three Months Ended March 31,	
	2021	2020
<b>GAAP gross profit</b>	\$ 677,098	\$ 394,356
Stock-based compensation	1,306	1,347
Amortization of intangibles <sup>(1)</sup>	2,175	-
<b>Non-GAAP gross profit</b>	\$ 680,579	\$ 395,703
<b>GAAP gross margin</b>	75.7%	71.6%
<b>Non-GAAP gross margin</b>	76.1%	71.8%
<b>GAAP operating expenses</b>	\$ 451,652	\$ 324,438
Stock-based compensation	(25,935)	(21,580)
Amortization of intangibles <sup>(1)</sup>	(888)	-
Acquisition related costs <sup>(2)</sup>	(36)	(1,339)
<b>Non-GAAP operating expenses</b>	\$ 424,793	\$ 301,519
<b>GAAP income from operations</b>	\$ 225,446	\$ 69,918
Stock-based compensation	27,241	22,927
Amortization of intangibles <sup>(1)</sup>	3,063	-
Acquisition related costs <sup>(2)</sup>	36	1,339
<b>Non-GAAP income from operations</b>	\$ 255,786	\$ 94,184
<b>GAAP operating margin</b>	25.2%	12.7%
<b>Non-GAAP operating margin</b>	28.6%	17.1%
<b>GAAP interest income and other income (expense), net</b>	\$ 36,175	\$ (16,563)
Acquisition related costs <sup>(2)</sup>	-	9,175
Arbitration award gain <sup>(3)</sup>	(43,403)	-
<b>Non-GAAP interest income and other income (expense), net</b>	\$ (7,228)	\$ (7,388)
<b>GAAP net income before provision for (benefit from) income taxes</b>	\$ 261,621	\$ 53,355
Stock-based compensation	27,241	22,927
Amortization of intangibles <sup>(1)</sup>	3,063	-
Acquisition related costs <sup>(2)</sup>	36	10,514
Arbitration award gain <sup>(3)</sup>	(43,403)	-
<b>Non-GAAP net income before provision for (benefit from) income taxes</b>	\$ 248,558	\$ 86,796
<b>GAAP provision for (benefit from) income taxes</b>	\$ 61,245	\$ (1,464,776)
Tax impact on non-GAAP adjustments	7,155	136
Tax related non-GAAP items <sup>(4)</sup>	(18,194)	1,493,494
<b>Non-GAAP provision for (benefit from) income taxes</b>	\$ 50,206	\$ 28,854
<b>GAAP effective tax rate</b>	23.4%	(2,745.3)%
<b>Non-GAAP effective tax rate</b>	20.2%	33.2%
<b>GAAP net income</b>	\$ 200,376	\$ 1,518,131
Stock-based compensation	27,241	22,927
Amortization of intangibles <sup>(1)</sup>	3,063	-
Acquisition related costs <sup>(2)</sup>	36	10,514
Arbitration award gain <sup>(3)</sup>	(43,403)	-
Tax impact on non-GAAP adjustments	(7,155)	(136)
Tax related non-GAAP items <sup>(4)</sup>	18,194	(1,493,494)
<b>Non-GAAP net income</b>	\$ 198,352	\$ 57,942
<b>GAAP diluted net income per share</b>	\$ 2.51	\$ 19.21
<b>Non-GAAP diluted net income per share</b>	\$ 2.49	\$ 0.73
Shares used in computing diluted net income per share	79,798	79,028

## Notes:

(1) During Q1'21, we recorded amortization of intangible assets related to our Q2'20 exocad acquisition.

(2) During Q1'21, acquisition costs were for professional fees related to our Q2'20 exocad acquisition. During Q1'20, acquisition costs included third party advisory, legal, tax, accounting, banking, valuation, and other professional or consulting fees and foreign exchange losses related to a forward contract for the purchase commitment related to our Q2'20 exocad acquisition.

(3) During Q1'21, we recorded a \$43.4 million gain from the SDC arbitration award regarding the value of Align's capital account balance.

(4) During Q1'21, we recorded our quarterly amortization and certain adjustment to the benefit from the transferred intangible assets of our Swiss entity. During Q1'20, we recorded a one-time net tax benefit for the deferred tax asset and certain costs associated with the intra-entity transfer of certain intellectual property rights and assets to our Swiss subsidiary and related tax impact from the amortization of the transferred intangibles assets.

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