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Q3 2022 Financial Results

Align Technology, Inc.

October 26, 2022

Conference Details

Conference call

Speakers:

- Joe Hogan, President and CEO
- John Morici, CFO
- Shirley Stacy, VP, Global Communications & Investor Relations

Replay and Webcast Archive:

- Telephonic replay will be available through 5:30 pm ET, November 9, 2022
- Domestic callers: 866-813-9403
- International callers: 929-458-6194
- Access code: 119351
- Audio webcast archive will be available at <http://investor.aligntech.com> for one month

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Safe Harbor and Forward-Looking Statements

This presentation, including the tables below, contains forward-looking statements, including statements of beliefs and expectations regarding our business strategies and our confidence regarding execution of those strategies, market opportunities, factors, events and circumstances impacting macro-economic conditions and predictability, consumer confidence, inflation and foreign currency exchange rates, our beliefs regarding the impact of new products and innovations, and our positioning and ability to lead the digital transformation of dentistry. 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 reflect our best judgments based on currently known facts and circumstances 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.

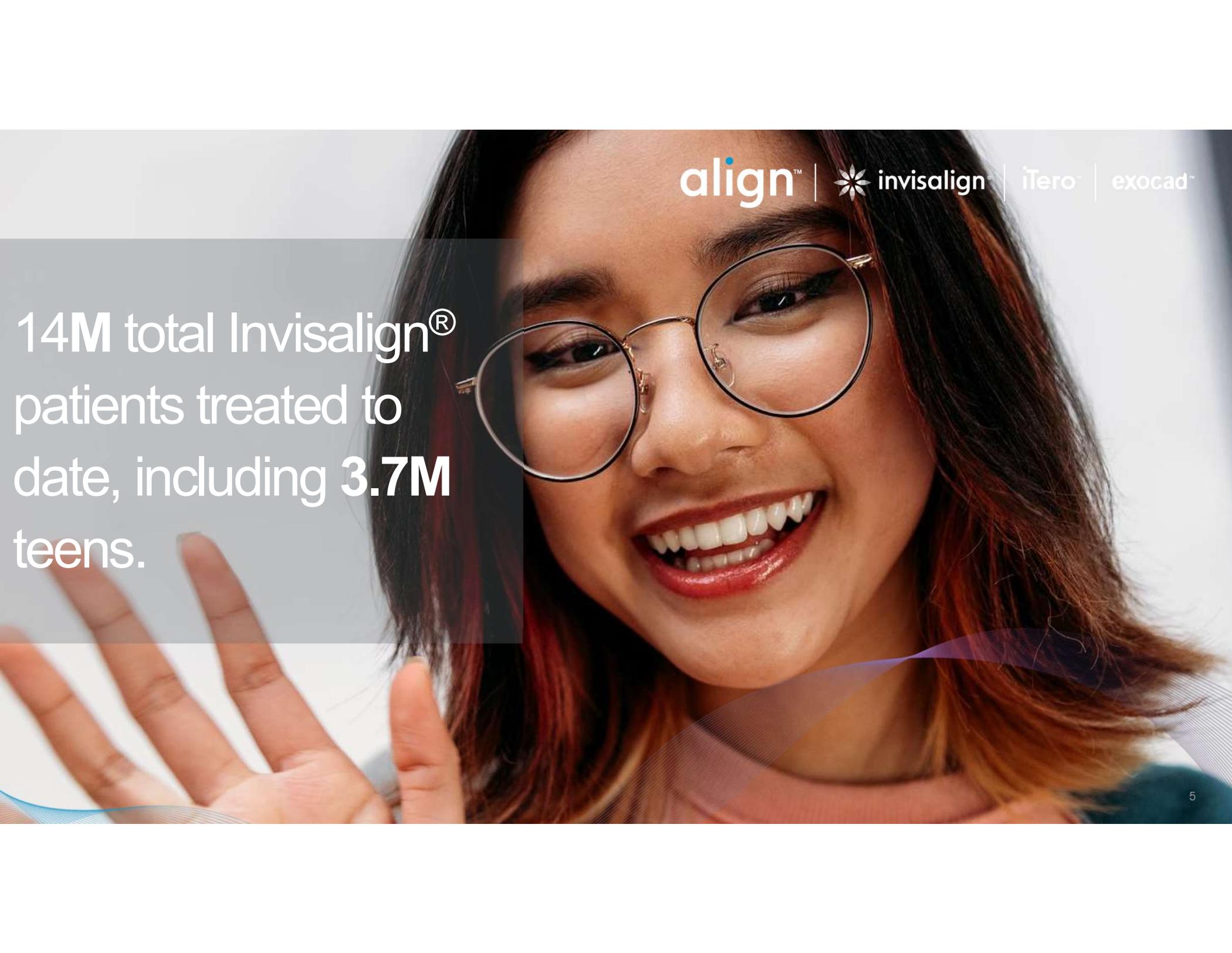
Factors that might cause such a difference include, but are not limited to:

- macroeconomic conditions, including inflation, fluctuations in currency exchange rates, rising interest rates, market volatility, weakness in general economic conditions and recessions and the impact of efforts by central banks and federal, state and local governments to combat inflation and recession;
- customer and consumer purchasing behavior and changes in consumer spending habits as a result of, among other things, prevailing macro-economic conditions, levels of employment, salaries and wages, inflationary pressure, declining consumer confidence, and the military conflict in Ukraine;
- the impact of the COVID-19 pandemic and its variants 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;
- the economic and geopolitical ramifications of the military conflict in Ukraine, including sanctions, retaliatory sanctions, nationalism, supply chain disruptions and other consequences, any of which may or will continue to adversely impact our operations and research and development activities inside and outside of Russia;
- the timing and availability and cost of raw materials, components, products and other shipping and supply chain constraints;
- unexpected or rapid changes in the growth or decline of our domestic and/or international markets;
- 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 clear aligners and intraoral 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, errors or defects in software or hardware 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;
- expansion of our business and products;
- the impact of excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel;
- the compromise of our systems or networks, including any customer and/or patient data contained therein, for any reason;
- the timing of case submissions from our doctors within a quarter as well as an increased manufacturing costs per case;
- foreign operational, political, military and other risks relating to our operations; and
- the loss of key personnel, labor shortages or work stoppages for us or our suppliers.

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, 2021, which was filed with the Securities and Exchange Commission ("SEC") on February 25, 2022 and our latest Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, which was filed with the SEC on August 4, 2022. 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 which may include constant currency net revenues, constant currency gross profit, constant currency gross margin, constant currency income from operations, constant currency operating margin, gross profit, gross margin, operating expenses, income from operations, operating margin, interest income and other income (expense), net, net income before provision for income taxes, provision for income taxes, effective tax rate, net income and/or diluted net income per share, which excludes certain items that may not be indicative of our fundamental operating performance including, foreign currency exchange rate impacts and discrete cash and non-cash charges or gains that are included in the most directly comparable GAAP measure. Unless otherwise indicated, when we refer to non-GAAP financial measures they will exclude the effects of stock-based compensation, amortization of certain acquired intangibles, deferred tax asset amortization related to intra-entity transfer of intangible assets, acquisition-related costs, and arbitration award gain, and, if applicable, any associated tax impacts.
- Our management believes that the use of certain 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. 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 are 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 as 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 herein 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 tables captioned "Unaudited GAAP to Non-GAAP Reconciliation."

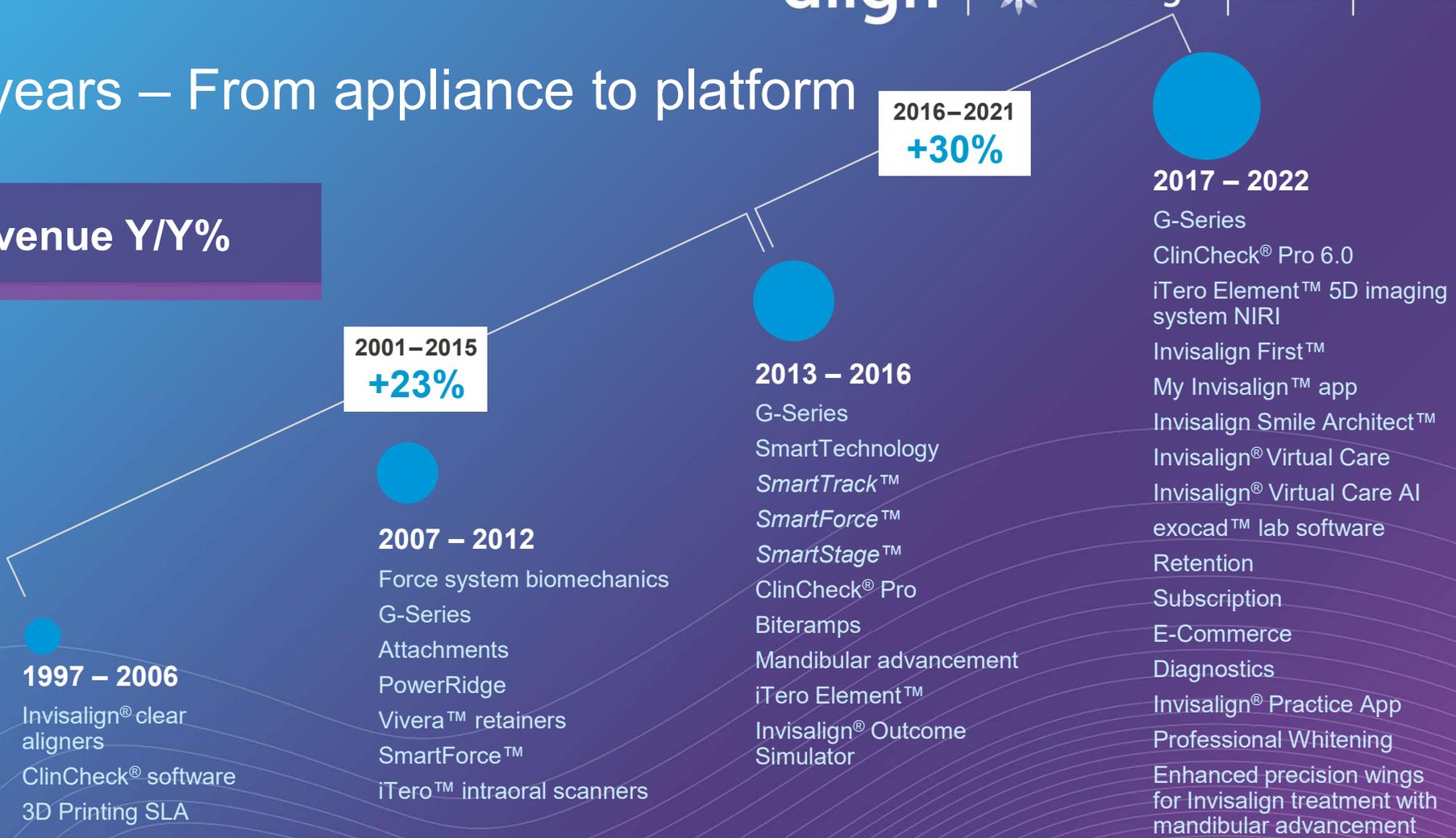


align™ |  invisalign® | iTero® | exocad™

14M total Invisalign®
patients treated to
date, including **3.7M**
teens.

25 years – From appliance to platform

Revenue Y/Y%



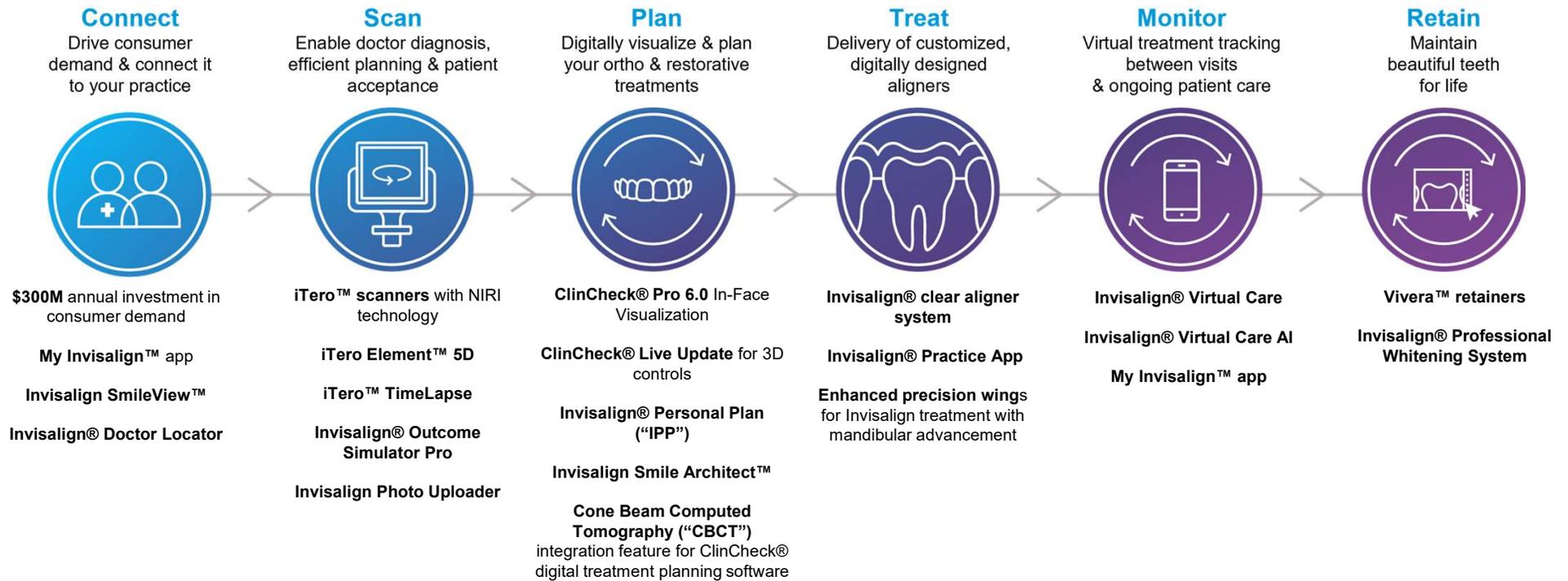
Align Digital Platform™

An integrated suite of proprietary technologies and services delivered as a seamless end-to-end solution to customers, to transform smiles and change lives.



Align Digital Workflow

A seamless end-to-end treatment experience that guides doctor customers from first consultation through to final smile, delivering to them and their patients' superior clinical outcomes, treatment efficiency, and an elevated patient experience.



The Invisalign Virtual Care AI remote monitoring solution is in active global rollout to Invisalign trained doctors with availability beginning in certain markets in APAC, EMEA and Americas. Invisalign Outcome Simulator Pro is currently in limited market release and will be available on all iTero Element Plus Series scanners and imaging systems starting in the second half of 2022. The CBCT integration feature for ClinCheck treatment planning software is currently in technical design assessment (TDA) and will be scaled in phases across our customer population starting in the second half of 2022. Due to the individual nature of each doctors' approach to different cases, IPP is being scaled gradually in phases across our customer population. Invisalign Smile Architect is being piloted on the full line of Invisalign Go™ offerings only.

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Unprecedented Opportunity





7M
AMERICAS
Ortho



7M
EMEA
Ortho



7M
APAC
Ortho



500M
Potential patients through 2M doctors

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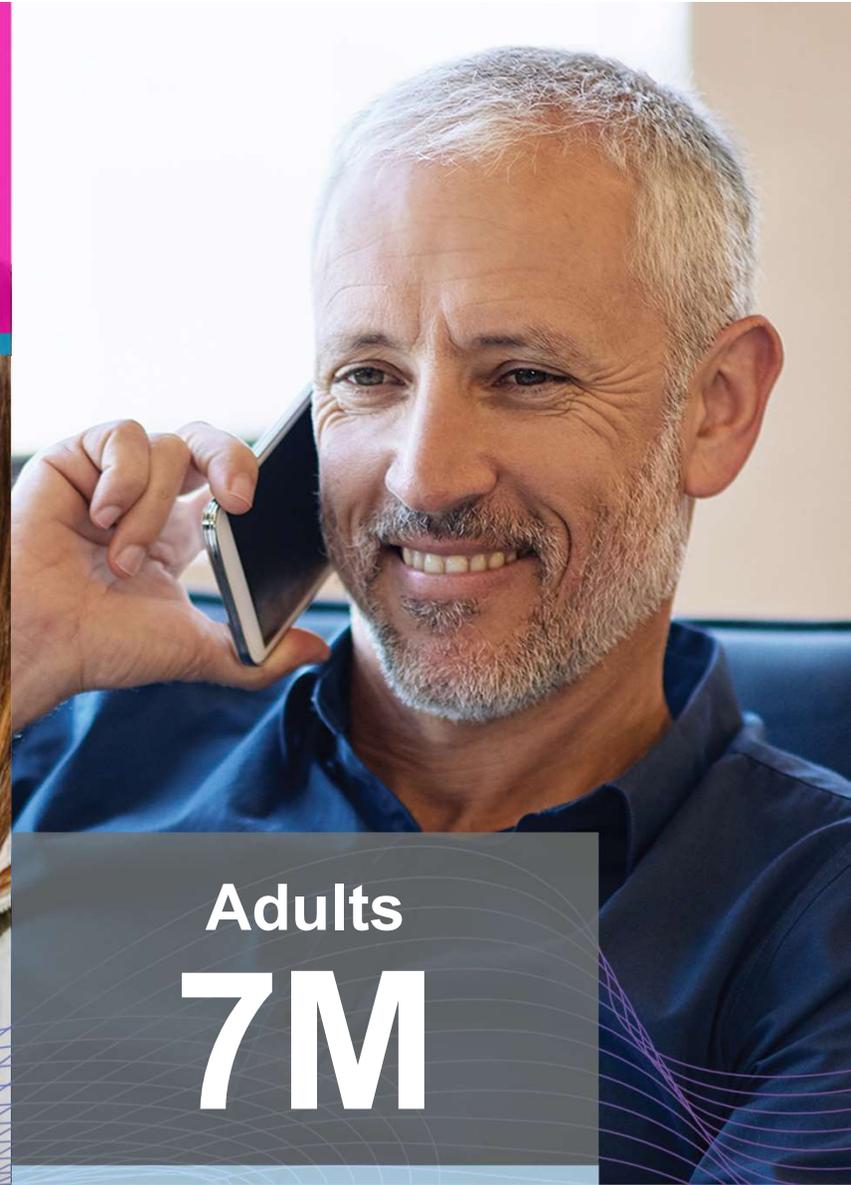


14M

Teens

Orthodontic starts

21M



Adults

7M

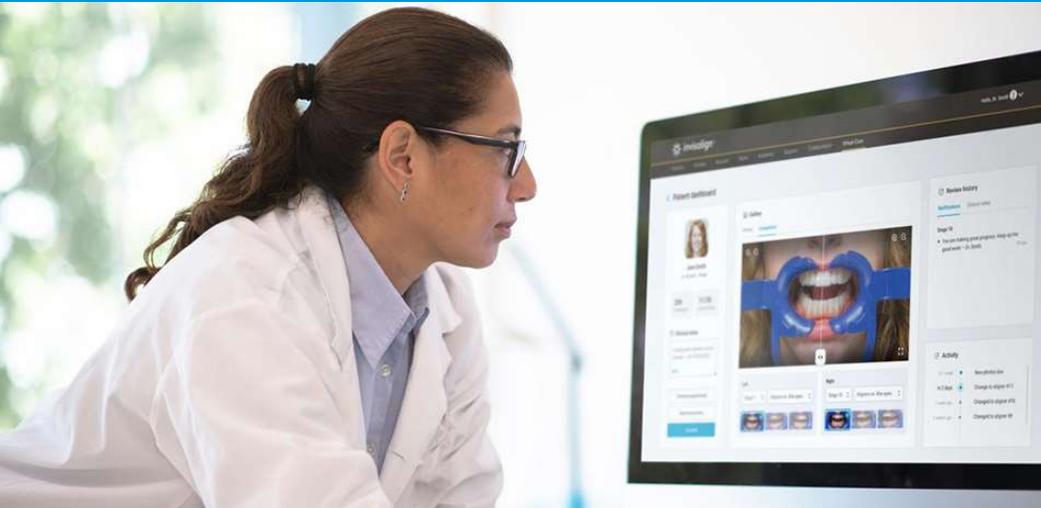
International expansion



Patient demand & conversion



Relentless focus and execution on our strategic growth drivers



Orthodontist utilization



GP dentist treatment

Our unique position and sustainable competitive advantage

Multivariable equation that is very difficult to replicate

Manufacturing Excellence

- ✓ 1M unique clear aligner parts / day
- ✓ > 55K treatment plans / day
- ✓ Proven & Scalable Technology

Geographical Expansion

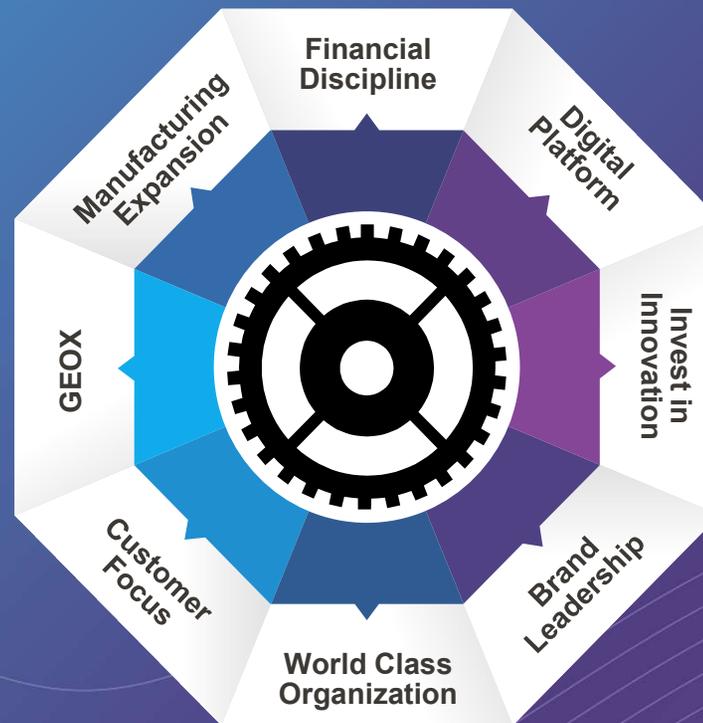
- ✓ > 120 Markets
- ✓ 14 Fab & Treat locations

Diversified Customer Base

- ✓ 234K Orthos and GPs
- ✓ ~52K Labs

Strong Workforce

- ✓ 3K+ Specialty Reps
- ✓ 1K+ Engineers
- ✓ 12K+ Manufacturing Experts



Reliable Financial Results

- ✓ Excellent Top-line & profit growth
- ✓ Strong Balance Sheet
- ✓ Great cash generation

Leading Digital Platform

- ✓ Strong Digital Technology in ClinCheck® & iTero scanners
- ✓ Flexible design (integrate exocad)

Product, Technology, and IP

- ✓ Consistent product launches (G7, G8)
- ✓ Partnership with leading universities
- ✓ Healthy Product / Technology pipeline

Top Brand for Aligner & Scanner

- ✓ \$300M+ annual brand investment
- ✓ 14M+ satisfied patients
- ✓ 80K+ scanners sold

Opening Commentary

Our third quarter results reflect continued macroeconomic uncertainty and weaker consumer confidence, as well as a significant impact from unfavorable foreign exchange rates across all currencies that affect our operations. On a constant currency basis, total Q3 revenues were reduced by \$25.1 million or 2.7% sequentially and \$57.4 million or 6.1% year over year – one of the largest quarterly foreign exchange impacts in our history.*

We remain confident in the execution of our strategic growth drivers despite the continuing economic headwinds. In Q3, we reached our 14th million Invisalign® patient milestone during the quarter – which includes nearly 4 million teenagers and kids as young as 6 years old who have been treated with Invisalign clear aligners. In Q3, teen case starts of 200 thousand were up 13% sequentially and off slightly compared to Q3'21 when a record 206 thousand teenagers started Invisalign treatment.

We're also excited to be launching significant new products and technologies that further enhance the Align Digital Platform™, leading the digital transformation of the practice of dentistry. During the quarter, we also began to commercialize ClinCheck® Live Update software, Invisalign® Practice App, Invisalign® Personal Plan, Invisalign Smile Architect™, Invisalign® Outcome Simulator Pro with in-face visualization, Cone Beam Computed Tomography integration with ClinCheck® software, Invisalign® Virtual Care AI software, and the iTero-exocad Connector™. These technology advancements represent an important expansion of our digital platform that we believe will help our doctor customers increase treatment efficiency and deliver superior clinical outcomes and patient experiences positioning us to drive growth when the markets inevitably rebound.

We'll be showcasing these innovations next month at the Invisalign Ortho Summit in Las Vegas, the premier education and networking experience for Invisalign practices with the most peer-to-peer presentations of any Invisalign education event.

*Non-GAAP measure

Quarterly Highlights

Third quarter results

Reflect continued macro-economic uncertainty and weaker consumer confidence, as well as a significant impact from unfavorable foreign exchange rates across all currencies that affect our operations

TOTAL REVENUES	TOTAL SYSTEMS AND SERVICES REVENUES	TOTAL CLEAR ALIGNER REVENUES	GAAP OP PROFIT MARGIN
Q3'22	Q3'22	Q3'22	Q3'22
\$890.3M	\$157.5M	\$732.8M	\$143.7M 16.1%
Q/Q (8.2%) Y/Y (12.4%)	Q/Q (8.0%) Y/Y (11.7%)	Q/Q (8.2%) Y/Y (12.5%)	Q/Q (3.3)% pts Y/Y (9.6)% pts
Q3'21	Q3'21	Q3'21	Q3'21
\$1,015.9M	\$178.3M	\$837.6M	\$261.2M 25.7%
Q/Q +0.5% Y/Y +38.4%	Q/Q +5.0% Y/Y +57.3%	Q/Q (0.4)% Y/Y +34.9%	Q/Q (0.9)% pts Y/Y +1.6% pts
Q3'22 FX Impact:	Q3'22 FX Impact:	Q3'22 FX Impact:	Q3'22 FX Impact:
<ul style="list-style-type: none"> Q/Q: ~\$25.1M unfavorable impact from FX⁽¹⁾ Y/Y: ~\$57.4M unfavorable impact from FX⁽¹⁾ 	<ul style="list-style-type: none"> Q/Q: ~\$4.1M unfavorable impact from FX⁽¹⁾ Y/Y: ~\$9.9M unfavorable impact from FX⁽¹⁾ 	<ul style="list-style-type: none"> Q/Q: ~\$21.0M unfavorable impact from FX⁽¹⁾ Y/Y: ~\$47.4M unfavorable impact from FX⁽¹⁾ 	<ul style="list-style-type: none"> Q/Q: ~1.6 pts unfavorable impact from FX⁽¹⁾ Y/Y: ~3.5 pts unfavorable impact from FX⁽¹⁾

(1) See table: Unaudited GAAP to Non-GAAP Reconciliation.

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invisalign®

iTero™

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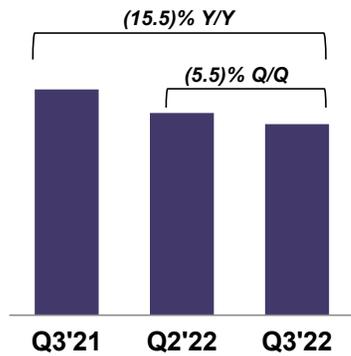
Business and Regional Review



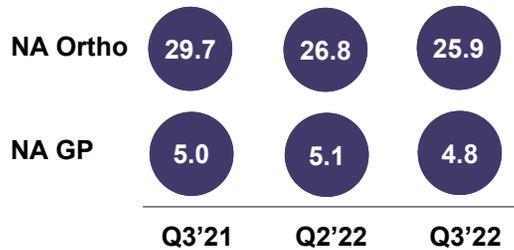
Clear Aligner business

Americas Clear Aligner Metrics

Americas Clear Aligner Shipments

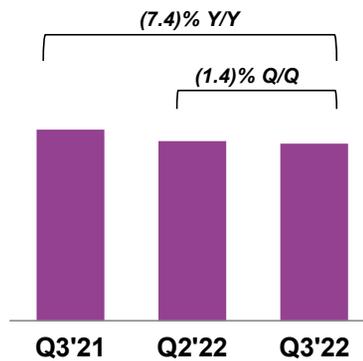


North Americas Utilization*



International Clear Aligner Metrics

International Clear Aligner Shipments

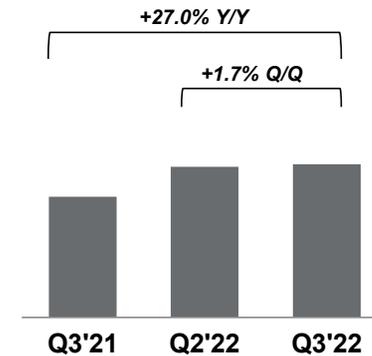


International Utilization*



Non-Case Clear Aligner Metrics

Non-Case Clear Aligner Revenues



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

The Invisalign® system was recently awarded the Good Design Award for 2022, making it the first orthodontic appliance to win this prestigious award in Japan

“There is a high level of interest in teeth alignment in Japan, but only 20% of the Japanese population are actually receiving orthodontic treatment. One of the causes for this is a mental hurdle towards existing orthodontic appliances, but the Invisalign system appliance is a see-through mouthpiece meaning it will not be noticeable in daily life, and it can be removed when eating. Invisalign clear aligners were praised as an orthodontic solution that can improve quality of life during treatment.”

 **GOOD DESIGN
AWARD 2022**



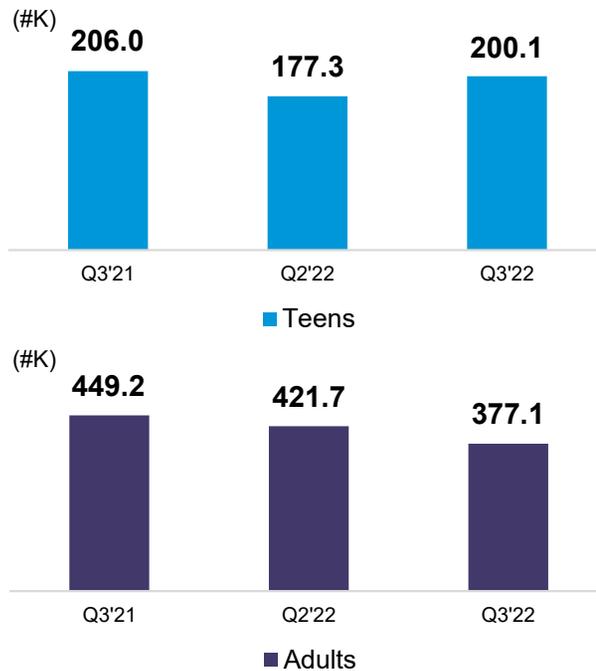
Retention, Doctor Subscription Program (“DSP”), and Accessories / e-Commerce



- For other non-case revenues, which include retention products such as our Viverra® retainers, clinical training and education, accessories/eCommerce, and our new subscription programs such as our DSP, Q3 revenues were up both sequentially and year over year. This reflects strong growth in retainers sequentially and year over year growth across all regions, driven by more submitters
- In the U.S., revenues from DSP increased both sequentially and year over year. We’re very pleased to see continued momentum in non-case revenues driven by our subscription-based programs that we expect to continue expanding across the business

+3.7M Teen and Kids treated with the Invisalign® system, to date

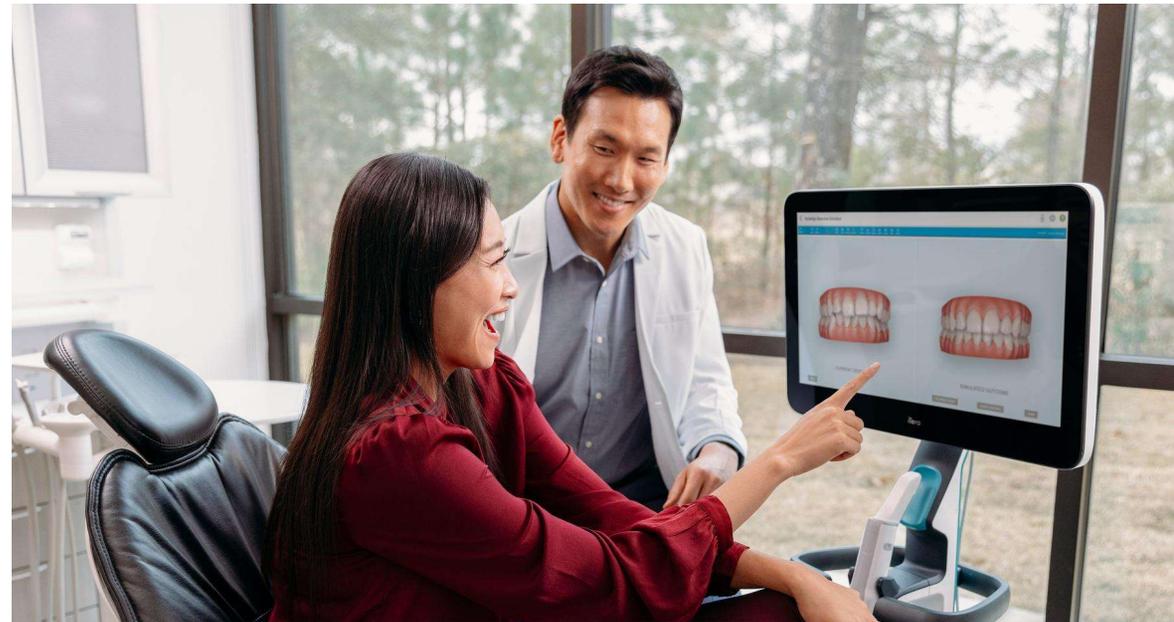
- For Q3, Invisalign First™ for kids as young as 6 grew Y/Y and was strong across all regions
- On a trailing 12-month basis as of Q3, Invisalign® clear aligner shipments for teens and young kids using Invisalign First was up year over year to over 734 thousand cases



Connecting consumers with top Invisalign® doctors

Delivering a best-in-class experience to achieve a happy and healthy smile through doctors

- The Invisalign® Brand Consumer Concierge service teams have connected over **515K** potential consumers with Invisalign doctors and reached more than **4.5M** consumers globally. The Invisalign Brand Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain
- The Invisalign Brand Consumer Concierge service teams are located in the U.S., Brazil, Singapore, the Philippines, China, Australia, the UK, Poland, Bulgaria, Saudi Arabia, United Arab Emirates, and Germany



+4.5M

> Consumers contacted

+515K

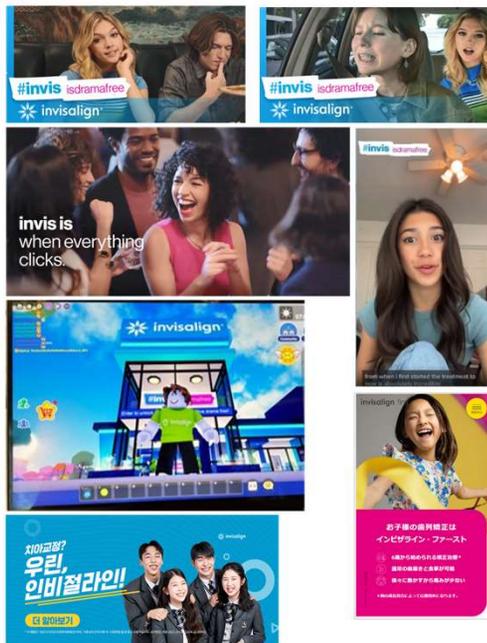
> Consultations scheduled

+106K

> Invisalign cases started

Power of consumer brand

Focusing on educating consumers about the Invisalign® system and driving demand to Invisalign doctors' offices

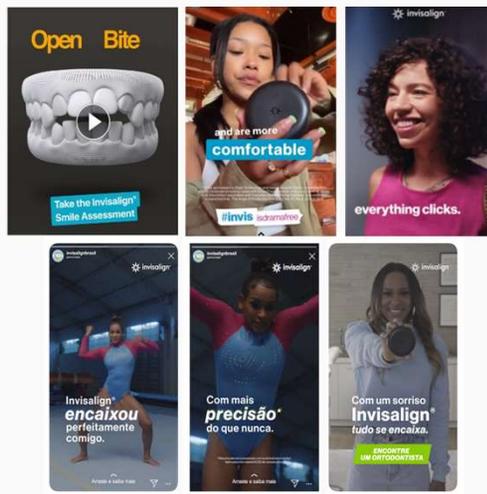


- In Q3, we built on our successful “Invis Is” multi-media campaign and expanded our new campaigns “Invis is Drama Free” targeted at teens and “Invis is When Everything Clicks” targeted at adults, across markets. Our teen campaign “Invis is Drama Free” highlights the benefits of Invisalign® treatment, while humorously juxtaposing them with the significant tradeoffs involved with using braces. Our “Invis is when everything clicks” campaign showcases Invisalign treatment transforming smiles and the resulting confidence it gives to young adults.
- We delivered 4.3B impressions delivered and had 14M visits to our websites in Q3. We leveraged top social media platforms such as TikTok, SnapChat, Instagram and YouTube to increase awareness of the Invisalign brand with young adults and teens across markets. We also launched a global pilot on the Roblox platform within the popular game, LiveTopia, creating an immersive and fun experience for gamers to learn about the benefits of Invisalign treatment. This is our first ever execution in the Metaverse and delivered over 5.9M impressions and 2.6M unique visitors to our in-game experience so far.
- In the US, we continued our influencer and creator centric campaigns, partnering with leading Smile Squad creators like Olympic Gold Medalist Suni Lee, Michael Le, Josh Richards and Marsai Martin. Each of these creators shared their personal experiences with Invisalign treatment and why they chose to transform their smile with Invisalign aligners. Most recently, Suni Lee shared her positive experiences with Invisalign aligners in major media programming including Good Morning America and People.com, resulting in over 93M impressions.
- In the EMEA region, we expanded our Invisalign Smile Squad with new influencers to reach consumers across digital media platforms including YouTube, TikTok, Meta, and SnapChat. Our consumer campaigns delivered more than 414M media impressions and 2.7M visitors to our website. We rolled out our new campaigns across markets, and our teen pilot in the UK and Germany delivered more than 200M media impressions.
- We continued to invest in consumer advertising across the APAC region, resulting in a 72% Y/Y increase in impressions and 29% Y/Y increase in unique visitors (excluding China). We optimized our investments in markets such as Australia, Japan and India by expanding our reach via social media platforms such as TikTok, Meta and YouTube, while reducing media spend. We saw continued strength in brand interest from consumers as evidenced by a 36% Y/Y increase in unique visitors to our website in Japan, and a 51% increase Y/Y in India.
- Adoption of My Invisalign™ Consumer and Patient app continued to increase with 2.2M+ downloads to-date. Usage of our key digital tools also continued to increase. Live update was used by 41K doctors on more than 395K cases, reducing time spent in modifying treatment by 18%. Invisalign Practice app has been downloaded 314K times to date. Further, we received more than 110K patient photos in our Invisalign® Virtual Care capability to-date, providing rich global data to leverage our AI capabilities and improve our services for doctors and patients.

Q3 2022 Invisalign® Brand Consumer Marketing

	AMERICAS		EMEA		APAC	
	Website Visitors	Impressions	Website Visitors	Impressions	Website Visitors	Impressions
Q3'22	8.7M	2.9B	2.7M	414M	2.6M	1B

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



- Social media and influencer marketing



- Social media and influencer marketing
- KOL campaigns



Systems and Services business

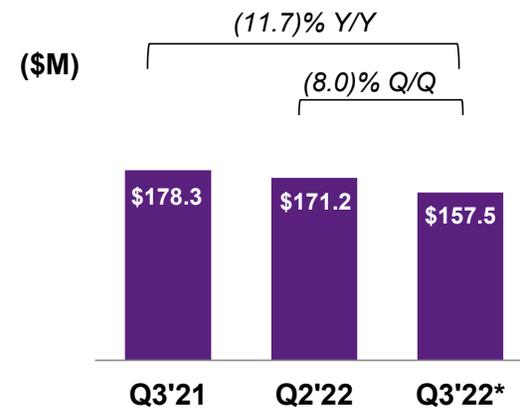


Intraoral digital scans for Invisalign® case submissions

Americas	83.2%	84.0%	85.5%	86.6%	87.9%	89.1%	90.6%	91.4%	92.1%
International	72.1%	73.7%	75.1%	76.2%	79.3%	80.8%	82.8%	83.7%	84.3%
	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22

Imaging Systems and CAD/CAM Services

Systems and Services Revenues



Services revenues represent approximately **48%*** of our Systems and Services business

Invisalign® scans include but not limited to additional aligner order scans, progress tracking, and does not reflect total Invisalign case shipments. Data on file at Align Technology
The iTero Element™ 2 and the iTero Element™ Flex intraoral scanners are currently available in the U.S., Canada, China, and majority of EMEA and APAC markets. The iTero Element™ 5D imaging system is available in the U.S., Canada, China, and the majority of EMEA and select APAC and LATAM markets

*Q3'22

exocad Q3 2022 Highlights

New features and modules for *DentalCAD 3.1. Rijeka* launched

iTero™ NIRI and intraoral camera images are now **automatically imported** into *DentalCAD* when designing restorations, enabling technicians to visualize the internal and external tooth structure and optimize the process of margin line tracing.

The **new xSnap module** is a model attachment for a **printable 3D articulated system** featuring a spherical head, which allows a precisely executed protrusion, laterotrusion and mediotrusion.

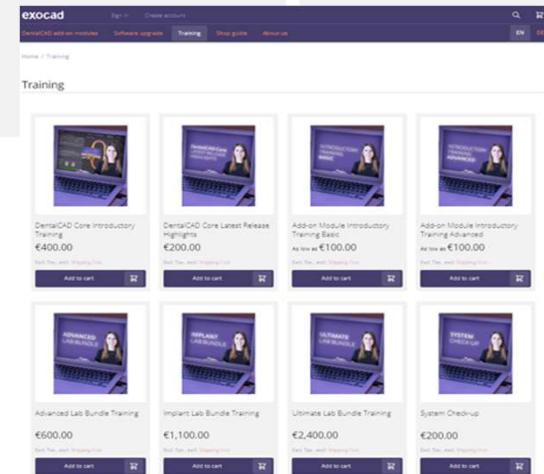
And **Ivoclar's Ivotion Denture System**, a complete workflow for the digital production of high-quality, removable dentures is **now available in exocad**.



exocad™ end-user trainings

exocad offers **end-user trainings** for the first time. These can be purchased via the company's own webshop.

The software sessions cover a range of topics such as exocad software basics, system check-ups and advanced expert sessions.

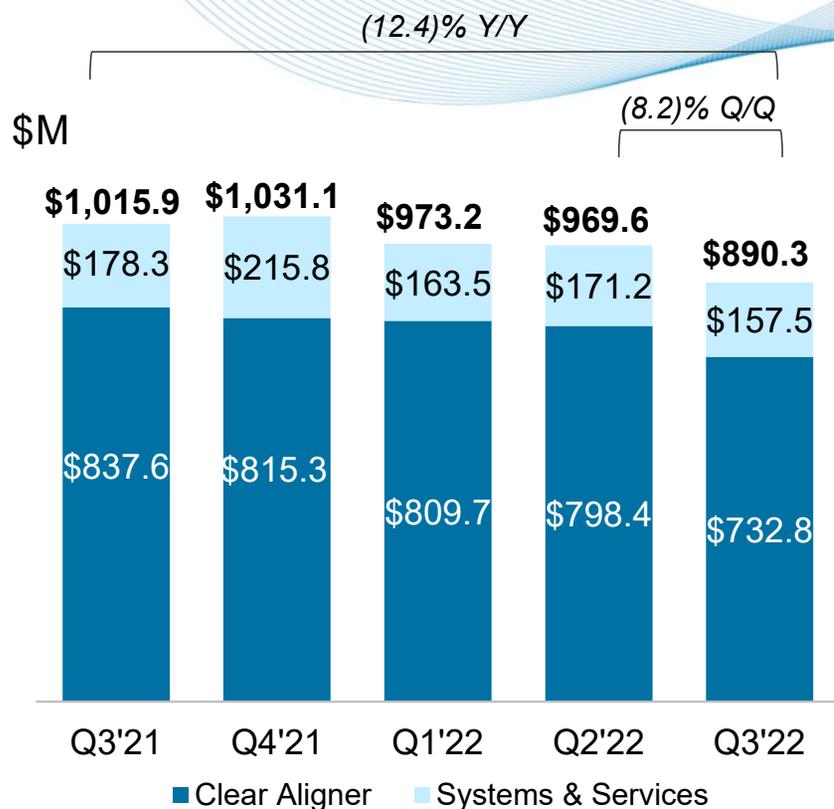


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Q3 2022 Financial Review

Revenues Trend

Q3'22 highlights



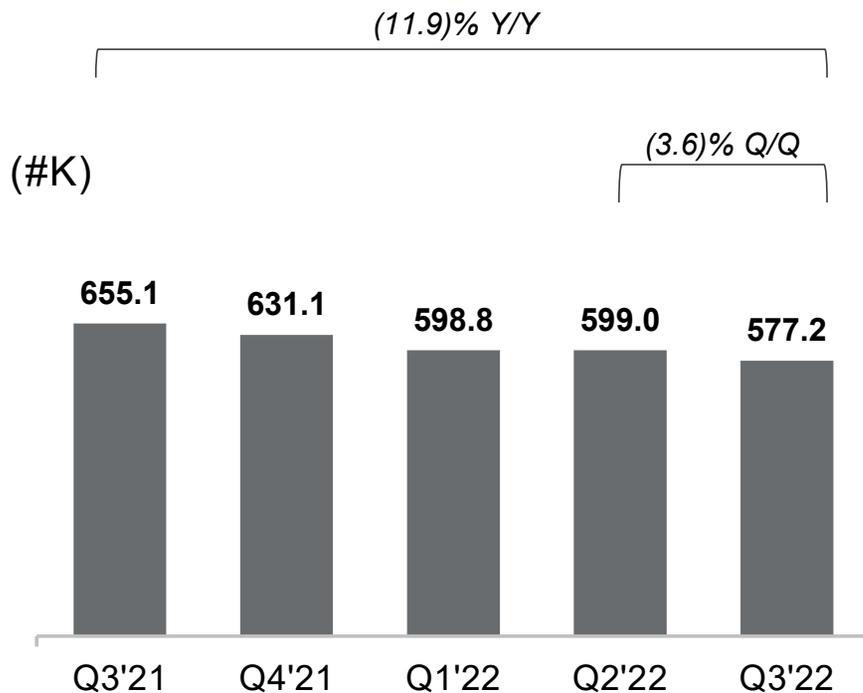
- **Total revenues of \$890.3M, (8.2)% Q/Q and (12.4)% Y/Y**
 - Q/Q, revenues were unfavorably impacted by FX of ~\$25.1M*
 - Y/Y, revenues were unfavorably impacted by FX of ~\$57.4M*
- **Clear Aligners revenues of \$732.8M, (8.2)% Q/Q and (12.5)% Y/Y**
 - Q/Q decline primarily due to lower volumes, unfavorable foreign exchange, higher promotions discounts, and product mix shift, partially offset by higher additional aligners
 - Y/Y decline reflecting the aforementioned items offset somewhat by per-order processing fees and higher non-case revenues
 - Clear Aligner revenues were unfavorably impacted by FX of ~\$21.0M or ~2.8% Q/Q and ~\$47.4M or ~6.1% Y/Y*
- **Invisalign® ASPs, for both comprehensive and non-comprehensive treatment, decreased Q/Q and Y/Y**
 - Q/Q, the decline in ASP reflect the impact from foreign exchange, as well as higher discounts, and product mix shift partially offset by higher additional aligners
 - Y/Y, the decline in ASP reflect the significant impact of unfavorable foreign exchange, product mix shift, and higher discounts, partially offset by higher additional aligners and per-order processing fees
- **Systems and Services revenues of \$157.5M, (8.0)% Q/Q, (11.7)% Y/Y**
 - Q/Q, decline primarily due to lower scanner volume, partially offset by higher services revenues from our larger installed base
 - Y/Y, decline primarily due to lower scanner volume and lower ASP, partially offset by higher services revenues from our larger installed base
 - Q/Q, revenues were unfavorably impacted by FX of ~\$4.1M or ~2.5%*
 - Y/Y, revenues were unfavorably impacted by FX of ~\$9.9M or ~5.9%*

*See table: Unaudited GAAP to Non-GAAP Reconciliation.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals

Clear Aligner Shipments Trend

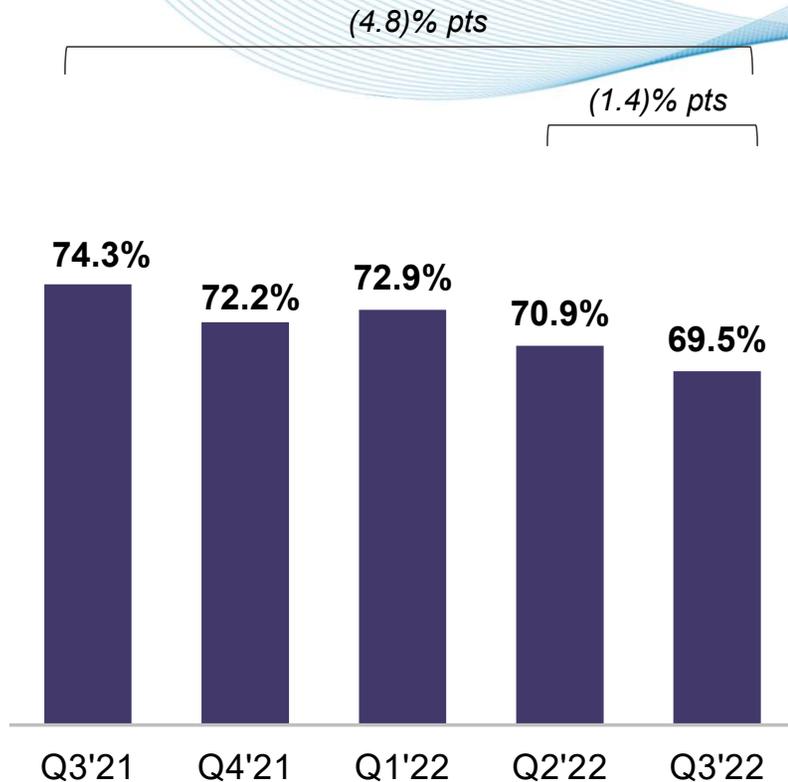
Q3'22 highlights



- In Q3, Clear Aligner case volume was (3.6)% Q/Q, and (11.9)% Y/Y
- For Q3, the total number of new Invisalign trained doctors increased 8.5% Q/Q, driven by North America and Asia Pacific
- In terms of Invisalign submitters, the total number of doctors shipped to for Q3 increased to 84.4K doctors Q/Q – the highest number this year, driven by Asia Pacific and Americas. From a channel perspective, ortho submitters were up slightly Y/Y, especially from doctors submitting teenage cases, offset by fewer GP dentists Y/Y, especially in EMEA

GAAP Gross Margin Trends

Q3'22 highlights



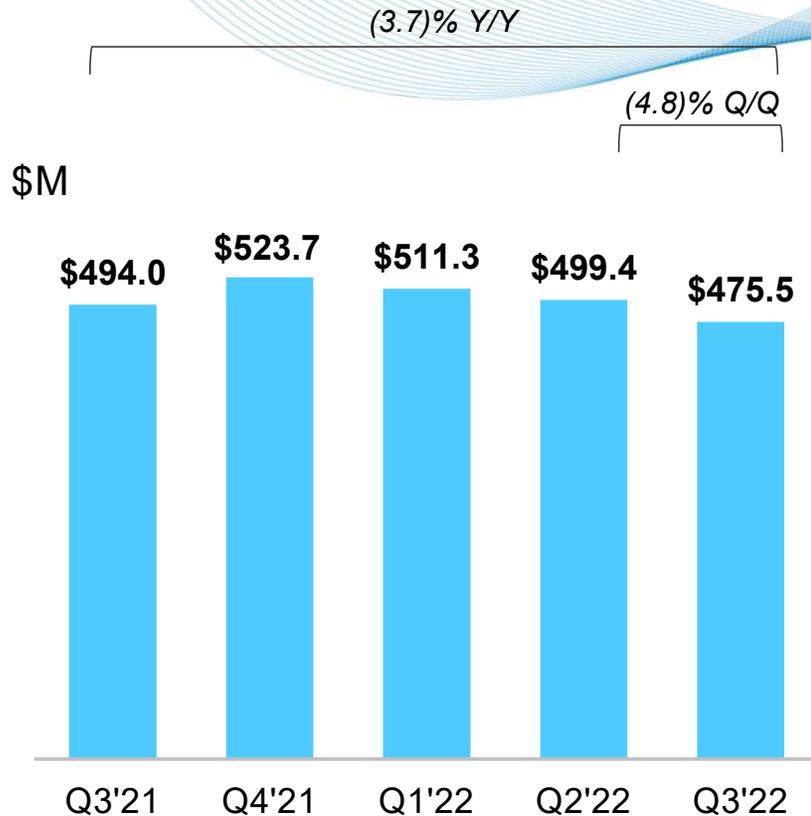
- Overall gross margin was 69.5%, (1.4) pts Q/Q and (4.8) pts Y/Y
- Overall gross margin was unfavorably impacted by 0.8 pts Q/Q and 1.8 pts Y/Y, due to FX
- Clear Aligner gross margin was 70.9%
 - (2.4) pts Q/Q due to lower ASPs and increased manufacturing spend, as we continue to ramp up operations at our new manufacturing facility in Poland
 - (5.3) pts Y/Y due to lower ASPs, increased manufacturing spend, for the reason stated previously, higher freight, and higher mix of additional aligner volume, and lower ASPs
- Systems and Services gross margin was 63.3%
 - +3.6 pts Q/Q due to improved manufacturing absorption and lower freight costs
 - (2.3) pts Y/Y due to higher inventory costs and manufacturing inefficiencies, coupled with lower ASPs, partially offset by higher service revenues

*See table: Unaudited GAAP to Non-GAAP Reconciliation.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

GAAP Operating Expense Trends

Q3'22 highlights



- Operating expenses were \$475.5M, (4.8)% Q/Q and (3.7)% Y/Y
- Overall operating expenses were favorably impacted by ~1.4 pts Q/Q and 3.1 pts Y/Y, due to FX
 - Q/Q, operating expenses \$(23.9M) mainly due to controlled spend on advertising and marketing as a part of our efforts to proactively manage costs
 - Y/Y, operating expenses (\$18.5M), for the same reasons as sequential, as well as lower incentive compensation
- On a non-GAAP basis, excluding stock-based compensation and amortization of acquired intangibles related to certain acquisitions, operating expenses were \$443.4M, (4.8)% Q/Q and (4.9)% Y/Y

Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

GAAP Operating Margin and Earnings Per Share Trends

Q3'22 highlights

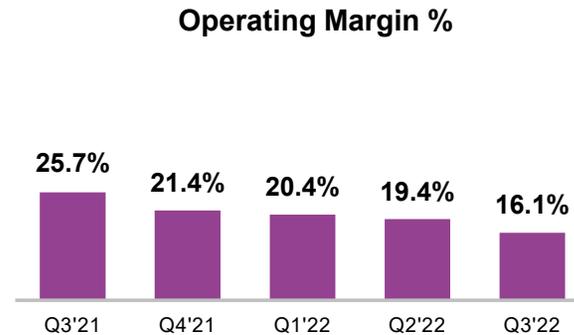
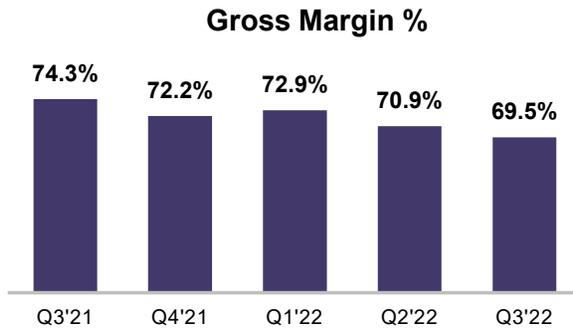
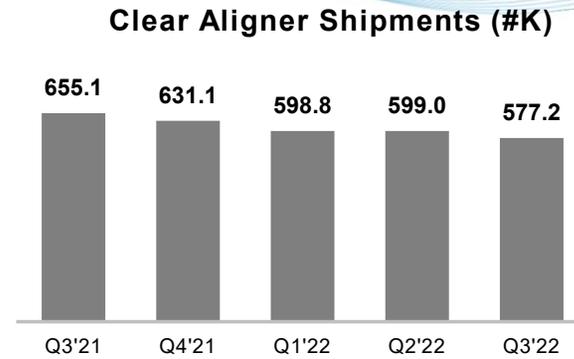
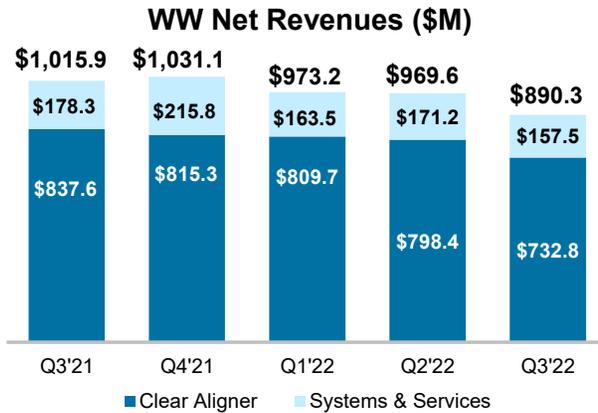


- Operating income of \$143.7M resulted in an operating margin of 16.1%, (3.3) pts Q/Q and (9.6) pts Y/Y
 - Operating margin was unfavorably impacted by 1.6 pts Q/Q due to FX* in addition to lower gross margin
 - Y/Y decrease in operating margin primarily attributable to lower gross margin, investments in our go-to-market teams and technology, as well as unfavorable impact from FX by 3.5 pts*
 - On a non-GAAP basis, which excludes stock-based compensation and amortization of intangibles related to certain acquisitions, operating margin for the third quarter was 20.2%, (3.0) pts Q/Q and (8.6) pts Y/Y
- Interest and other income & expense, net for the third quarter was a loss of \$21.0M, compared to a loss of \$14.6M in Q2 and an income of \$0.8M in Q3'21, primarily due to larger net FX losses from the weakening of certain foreign currencies against the U.S. dollar
- The GAAP effective tax rate in the third quarter was 40.7% compared to 35.0% in the second quarter and 30.9% in the third quarter of the prior year
- The third quarter GAAP effective tax rate was higher than the second quarter effective tax rate primarily due to decrease in profits and changes in jurisdictional mix of income resulting in lower tax benefits from foreign income taxed at different rates and higher taxes in the U.S.
- Our non-GAAP effective tax rate was 33.1% in the third quarter compared to 25.6% in the second quarter and 22.2% in the third quarter of the prior year
- Third quarter net income per diluted share was \$0.93, \$(0.51) Q/Q, \$(1.35) Y/Y. Our EPS was unfavorably impacted by \$0.30 Q/Q and \$0.48 Y/Y due to FX. On a non-GAAP basis, net income per diluted share was \$1.36 for the third quarter, \$(0.64) Q/Q and \$(1.51) Y/Y

*See table: Unaudited GAAP to Non-GAAP Reconciliation.

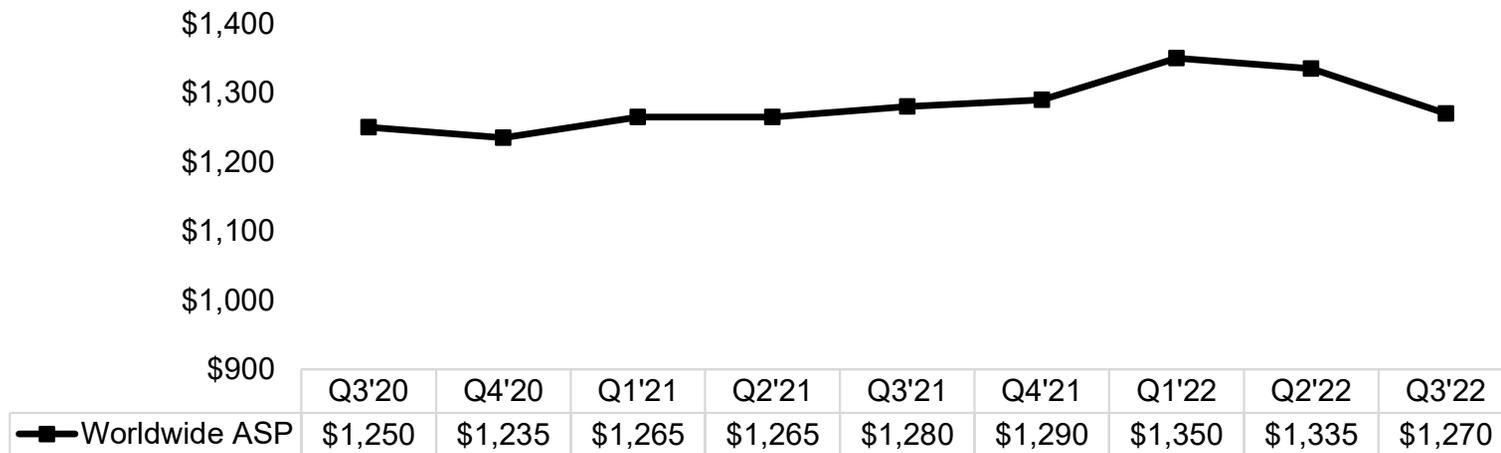
Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

Trended GAAP financials



Clear Aligner Revenue Per Case Shipment

Clear Aligner Revenue Per Case Shipment

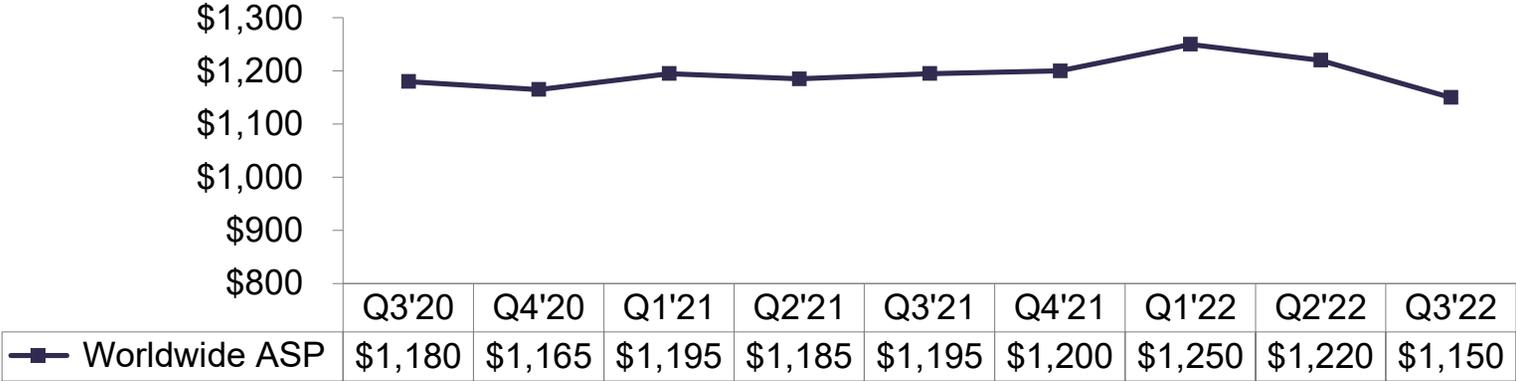


- **ASP:** Clear aligner revenues / Case shipments

Invisalign® Average Selling Price (“ASP”)

Product groups

Worldwide ASP



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

Balance Sheet, Cash Flow, & Stock

(\$ in millions except for DSO)	Q3'21	Q2'22	Q3'22
Accounts Receivables, net	\$855.0	\$931.9	\$859.6
DSO	75 days	85 days	86 days
Cash, Cash Equivalents, and Short-Term and Long-Term Marketable Securities	\$1,237.8	\$977.2	\$1,141.0
Cash Flow from Operations	\$355.0	\$127.0	\$266.5
Capital Expenditures	\$(124.3)	\$(76.0)	\$(75.3)
Free Cash Flow*	\$230.7	\$51.0	\$191.1

*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.

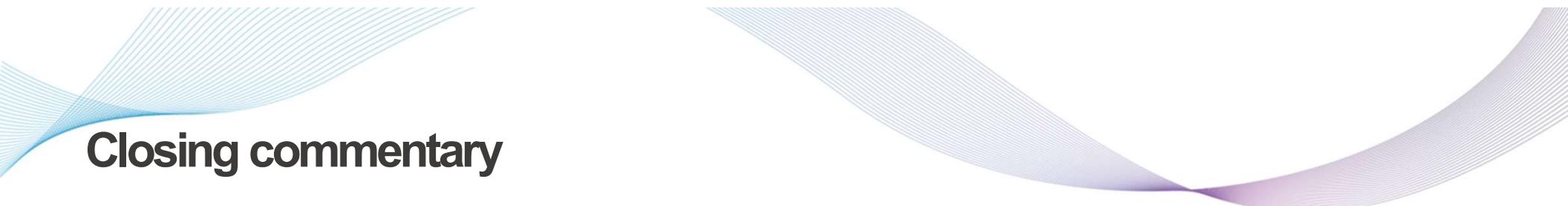
- As of the end of Q3, we are over halfway through our May 2021 \$1.0 Billion Repurchase Program and have approximately \$450.0M remaining available for repurchase
- Clear Aligner deferred revenues on the balance sheet +\$37.0M or +3.3% Q/Q and +\$184.0M or +18.6% Y/Y and will be recognized as the additional aligners are shipped. During the three months ended September 30, 2022, we recognized \$137.2M that was included in the deferred revenue balance at December 31, 2021
- Systems and Services deferred revenues on the balance sheet was +\$4.1M or +1.6% Q/Q and +\$76.5M or +40.9% Y/Y primarily due to the increase in scanner sales and the deferral of service revenues included with the scanner purchase, which will be recognized ratably over the service period. During the three months ended September 30, 2022, we recognized \$19.3M that was included in the deferred revenue balance at December 31, 2021

Closing Comments



Business trends commentary

- Now turning to full year 2022 and the factors that influence our views on our business outlook.
- Underlying market dynamics as well as the reactions to macroeconomic headwinds by central banks, governments and consumers remain uncertain. We will continue to focus on those matters that have been central to our historically successful business strategies by managing those things within our control. This includes maintaining fiscal controls and focused delivery on our business model so that we are positioned for success once this difficult operating environment ultimately abates.
- We remain confident in the huge under-penetrated market for digital orthodontics and restorative dentistry, our technology and industry leadership, and our ability to execute and make progress toward our long-term model of 20% to 30% revenue growth.
- We expect to be below our fiscal 2022 GAAP operating margin target of 20%, which includes the impact from the current unfavorable foreign exchange of approximately 2-3 points that was not factored into our operating margin guidance for fiscal year 2022 when we gave an update on the Q1'22 earnings call in April.
- For 2022, 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 investment in an aligner fabrication facility in Wroclaw, Poland which began serving doctors in the second quarter of 2022.
- In addition, during Q4'22 we expect to repurchase up to \$200.0 million of our common stock through either or a combination of open market repurchases, or an accelerated stock repurchase agreement.



Closing commentary

As we continue to navigate macroeconomic uncertainty, weaker consumer confidence, and the lingering impacts of COVID-19 shutdowns, primarily in China and Japan, we remain focused on our strategic initiatives as well as the incredible market opportunity for digital dentistry and our products. We believe our unwavering drive to transform smiles and change lives for millions of people around the world is one no other clear aligner company can match and positions us better to address this market opportunity.

Regardless of the operating environment, we are committed to balancing investments to drive growth and long-term strategic priorities that will transform the practice of dentistry and strengthen our business.

These are uncertain times. Every business is being impacted by macroeconomic environment uncertainty. In addition, as multinational company based in the U.S. with roughly half of our sales outside the country, the negative impact from unfavorable foreign exchange has been unlike anything we have ever seen in our career. We will continue to invest in digital solutions and demand creation to help doctors and their patients. We are committed to doctor directed care and transforming the industry together, while working through these global macroeconomic challenges.

Transforming



changing lives

align™ | invisalign® | iTero™ | exocad™

Appendix

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Net Revenues

Note:

- 1) We define constant currency net revenues as total net revenues excluding the effect of foreign exchange rate movements and use it to determine the percentage for the constant currency impact on net revenues on a sequential and year-over-year basis. Constant currency impact in dollars is calculated by translating the current period GAAP net revenues using the foreign currency exchange rates that were in effect during the previous comparable period and subtracting it by the current period GAAP net revenues. The percentage for the constant currency impact on net revenues is calculated by dividing the constant currency impact in dollars (numerator) by constant currency net revenues in dollars (denominator).

ALIGN TECHNOLOGY, INC. UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONSTANT CURRENCY NET REVENUES (in thousands, except percentages)

Sequential constant currency analysis:

	Three Months Ended		Impact % of Revenue
	September 30, 2022	June 30, 2022	
GAAP net revenues	\$ 890,348	\$ 969,553	
Constant currency impact ⁽¹⁾	25,072		2.7 %
Constant currency net revenues ⁽¹⁾	<u>\$ 915,420</u>		
GAAP Clear Aligner net revenues	\$ 732,837	\$ 798,398	
Clear Aligner constant currency impact ⁽¹⁾	20,957		2.8 %
Clear Aligner constant currency net revenues ⁽¹⁾	<u>\$ 753,794</u>		
GAAP Imaging Systems and CAD/CAM Services net revenues	\$ 157,511	\$ 171,155	
Imaging Systems and CAD/CAM Services constant currency impact ⁽¹⁾	4,115		2.5 %
Imaging Systems and CAD/CAM Services constant currency net revenues ⁽¹⁾	<u>\$ 161,626</u>		

Year-over-year constant currency analysis:

	Three Months Ended September 30,		Impact % of Revenue
	2022	2021	
GAAP net revenues	\$ 890,348	\$ 1,015,906	
Constant currency impact ⁽¹⁾	57,383		6.1 %
Constant currency net revenues ⁽¹⁾	<u>\$ 947,731</u>		
GAAP Clear Aligner net revenues	\$ 732,837	\$ 837,593	
Clear Aligner constant currency impact ⁽¹⁾	47,445		6.1 %
Clear Aligner constant currency net revenues ⁽¹⁾	<u>\$ 780,282</u>		
GAAP Imaging Systems and CAD/CAM Services net revenues	\$ 157,511	\$ 178,313	
Imaging Systems and CAD/CAM Services constant currency impact ⁽¹⁾	9,938		5.9 %
Imaging Systems and CAD/CAM Services constant currency net revenues ⁽¹⁾	<u>\$ 167,449</u>		

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Gross Profit and Gross Margin

Note:

- 1) We define constant currency gross margin as constant currency gross profit as a percentage of constant currency net revenues. Gross margin constant currency impact is the increase or decrease in constant currency gross margin compared to the GAAP gross margin.

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
CONSTANT CURRENCY GROSS PROFIT AND GROSS MARGIN
(in thousands, except percentages)

Sequential constant currency analysis:

GAAP gross profit
Constant currency impact on net revenues
Constant currency gross profit

Three Months Ended	
September 30, 2022	June 30, 2022
\$ 619,169	\$ 687,559
25,072	
<u>\$ 644,241</u>	

GAAP gross margin
Gross margin constant currency impact ⁽¹⁾
Constant currency gross margin ⁽¹⁾

Three Months Ended	
September 30, 2022	June 30, 2022
69.5 %	70.9 %
0.8	
<u>70.3 %</u>	

Year-over-year constant currency analysis:

GAAP gross profit
Constant currency impact on net revenues
Constant currency gross profit

Three Months Ended September 30,	
2022	2021
\$ 619,169	\$ 755,156
57,383	
<u>\$ 676,552</u>	

GAAP gross margin
Gross margin constant currency impact ⁽¹⁾
Constant currency gross margin ⁽¹⁾

Three Months Ended September 30,	
2022	2021
69.5 %	74.3 %
1.8	
<u>71.3 %</u>	

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Income from Operations and Operating Margin

Notes:

- 1) We define constant currency income from operations as GAAP income from operations excluding the effect of foreign exchange rate movements for GAAP net revenues and operating expenses on a sequential and year-over-year basis. Constant currency impact in dollars is calculated by translating the current period GAAP net revenues and operating expenses using the foreign currency exchange rates that were in effect during the previous comparable period and subtracting it by the current period GAAP net revenues and operating expenses.
- 2) We define constant currency operating margin as constant currency income from operations as a percentage of constant currency net revenues. Operating margin constant currency impact is the increase or decrease in constant currency operating margin compared to the GAAP operating margin.

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
CONSTANT CURRENCY INCOME FROM OPERATIONS AND OPERATING MARGIN
(in thousands, except percentages)

Sequential constant currency analysis:

	Three Months Ended	
	September 30, 2022	June 30, 2022
GAAP income from operations	\$ 143,656	\$ 188,196
Income from operations constant currency impact ⁽¹⁾	18,279	
Constant currency income from operations ⁽¹⁾	<u>\$ 161,935</u>	

	Three Months Ended	
	September 30, 2022	June 30, 2022
GAAP operating margin	16.1 %	19.4 %
Operating margin constant currency impact ⁽²⁾	1.6	
Constant currency operating margin ⁽²⁾	<u>17.7 %</u>	

Year-over-year constant currency analysis:

	Three Months Ended September 30,	
	2022	2021
GAAP income from operations	\$ 143,656	\$ 261,160
Income from operations constant currency impact ⁽¹⁾	42,235	
Constant currency income from operations ⁽¹⁾	<u>\$ 185,891</u>	

	Three Months Ended September 30,	
	2022	2021
GAAP operating margin	16.1 %	25.7 %
Operating margin constant currency impact ⁽²⁾	3.5	
Constant currency operating margin ⁽²⁾	<u>19.6 %</u>	

Unaudited GAAP to Non-GAAP Reconciliation Financial Measures Other Than Constant Currency

Notes:

- 1) Amortization of intangible assets related to certain acquisitions
- 2) Acquisition-related costs for professional fees related to our 2020 exocad acquisition
- 3) Gain from the SDC arbitration award regarding the value of Align's capital account balance
- 4) Amortization and related adjustments to the benefit from the transferred intangible assets of our Swiss entity

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
FINANCIAL MEASURES OTHER THAN CONSTANT CURRENCY
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
GAAP gross profit	\$ 619,169	\$ 755,156	\$2,016,074	\$2,190,792
Stock-based compensation	1,651	1,451	4,779	4,175
Amortization of intangibles ⁽¹⁾	2,644	2,354	7,524	6,704
Non-GAAP gross profit	\$ 623,464	\$ 758,961	\$2,028,377	\$2,201,671
GAAP gross margin	69.5 %	74.3 %	71.2 %	75.0 %
Non-GAAP gross margin	70.0 %	74.7 %	71.6 %	75.4 %
GAAP total operating expenses	\$ 475,513	\$ 493,996	\$1,486,140	\$1,435,284
Stock-based compensation	(31,267)	(26,951)	(93,900)	(80,323)
Amortization of intangibles ⁽¹⁾	(825)	(960)	(2,607)	(2,735)
Acquisition-related costs ⁽²⁾	—	—	—	(104)
Non-GAAP total operating expenses	\$ 443,421	\$ 466,085	\$1,389,633	\$1,352,122
GAAP income from operations	\$ 143,656	\$ 261,160	\$ 529,934	\$ 755,508
Stock-based compensation	32,918	28,402	98,679	84,498
Amortization of intangibles ⁽¹⁾	3,469	3,314	10,131	9,439
Acquisition-related costs ⁽²⁾	—	—	—	104
Non-GAAP income from operations	\$ 180,043	\$ 292,876	\$ 638,744	\$ 849,549
GAAP operating margin	16.1 %	25.7 %	18.7 %	25.9 %
Non-GAAP operating margin	20.2 %	28.8 %	22.5 %	29.1 %
GAAP total interest income and other income (expense), net	\$ (21,015)	\$ 828	\$ (46,198)	\$ 36,903
Arbitration award gain ⁽³⁾	—	—	—	(43,403)
Non-GAAP total interest income and other income (expense), net	\$ (21,015)	\$ 828	\$ (46,198)	\$ (6,500)
GAAP net income before provision for income taxes	\$ 122,641	\$ 261,988	\$ 483,736	\$ 792,411
Stock-based compensation	32,918	28,402	98,679	84,498
Amortization of intangibles ⁽¹⁾	3,469	3,314	10,131	9,439
Acquisition-related costs ⁽²⁾	—	—	—	104
Arbitration award gain ⁽³⁾	—	—	—	(43,403)
Non-GAAP net income before provision for income taxes	\$ 159,028	\$ 293,704	\$ 592,546	\$ 843,049
GAAP provision for income taxes	49,941	\$ 81,019	\$ 163,938	\$ 211,352
Tax impact on non-GAAP adjustments	3,300	6,605	18,405	19,978
Tax related non-GAAP items ⁽⁴⁾	(682)	(22,494)	(21,916)	(57,339)
Non-GAAP provision for income taxes	\$ 52,559	\$ 65,130	\$ 160,427	\$ 173,991
GAAP effective tax rate	40.7 %	30.9 %	33.9 %	26.7 %
Non-GAAP effective tax rate	33.1 %	22.2 %	27.1 %	20.6 %
GAAP net income	\$ 72,700	\$ 180,969	\$ 319,798	\$ 581,059
Stock-based compensation	32,918	28,402	98,679	84,498
Amortization of intangibles ⁽¹⁾	3,469	3,314	10,131	9,439
Acquisition-related costs ⁽²⁾	—	—	—	104
Arbitration award gain ⁽³⁾	—	—	—	(43,403)
Tax impact on non-GAAP adjustments	(3,300)	(6,605)	(18,405)	(19,978)
Tax related non-GAAP items ⁽⁴⁾	682	22,494	21,916	57,339
Non-GAAP net income	\$ 106,469	\$ 228,574	\$ 432,119	\$ 669,058
GAAP diluted net income per share	\$ 0.93	\$ 2.28	\$ 4.07	\$ 7.29
Non-GAAP diluted net income per share	\$ 1.36	\$ 2.87	\$ 5.49	\$ 8.40
Shares used in computing diluted net income per share	78,237	79,516	78,652	79,677

Thank you

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