

align

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Financial Results

Q3 2017

Align Technology, Inc.

Align Technology, Inc. – Q3 2017 Financial Results

Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - John Morici, CFO
 - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Web cast Archive
 - Telephone replay will be available through 5:30pm ET November 9, 2017
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13671493
 - Audio web cast archive will be available at <http://investor.aligntech.com> for 12 months

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Safe Harbor and Forward Looking Statement

This presentation contains forward-looking statements, including statements regarding certain business metrics for the fourth quarter of 2017, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, tax rate and case shipments. Forward-looking statements contained in this news release and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, or that the expected benefits of new or existing business relationships will not be achieved as anticipated, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, the security of customer and/or patient data is compromised for any reason, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2017, and its latest Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which was filed with the SEC on August 3, 2017. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q3 2017 Financial Highlights

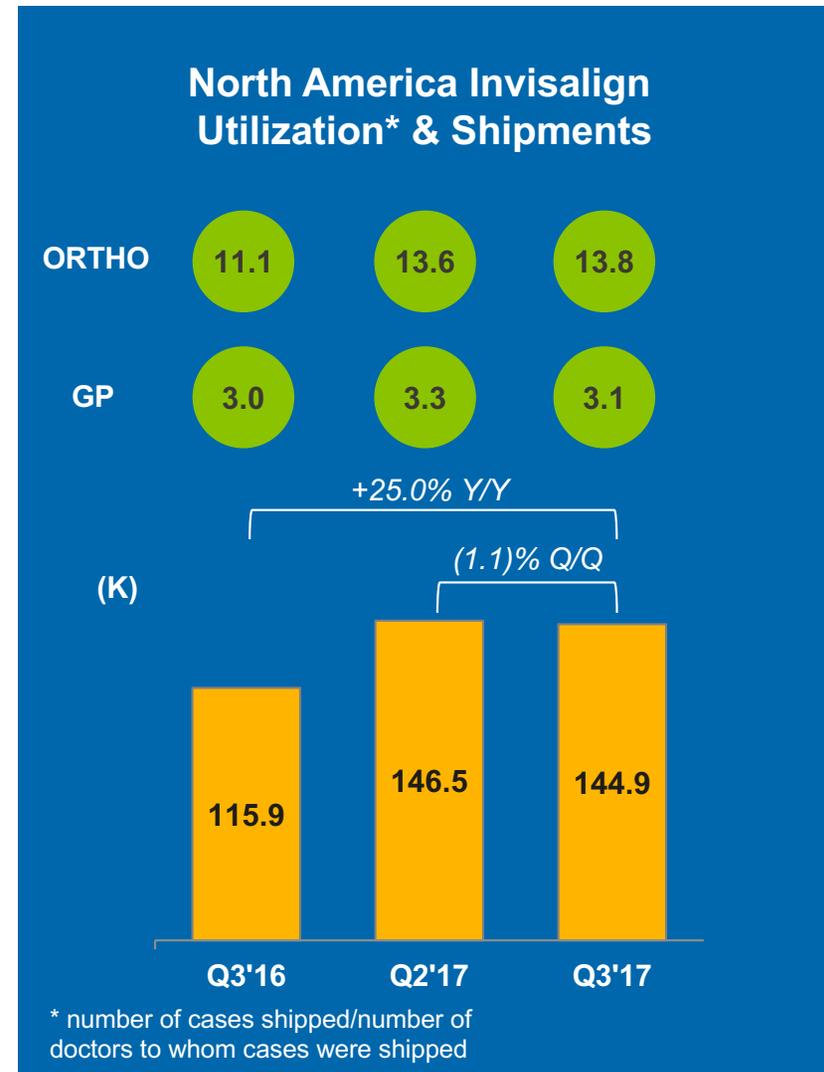
- Another strong quarter with results that exceeded our expectations across our key financial metrics including revenue, volume, margins, and EPS
- Q3 revenues increased 38.3% Y/Y driven by increased Invisalign volumes across all our geographies as well as strong growth from iTero scanners
- Our strong Q3 results also reflect accelerated growth from teenagers in both North America and Asia Pacific, with total Invisalign shipments to teens up 46.3% year-over-year and up 26.5% from Q2
- Revenues increased 8.1% Q/Q driven by continued strength across APAC, which offset expected seasonality in Europe, as well as higher than expected revenues from shipments to SmileDirectClub

	Q3'17	QoQ	YoY
Total Net Revenues	\$385.3M	+8.1%	+38.3%
- Clear Aligner*	\$341.6M	+6.4%	+40.2%
- Scanner & Services	\$43.7M	+23.2%	+25.0%
Invisalign Shipments	236,065	+1.8%	+32.8%
EPS, diluted	\$1.01	+\$0.16	+\$0.38

Q3 2017 Financial Highlights

North America

- Invisalign case volume (1.1)% Q/Q, +25.0% Y/Y
- Q/Q basis reflecting a decrease in the GP Dentist channel due to less patient traffic and fewer days in office from summer holidays. In addition, as a result of the devastation caused by Hurricanes Harvey and Irma, we estimate that our North America volumes were lower by approximately 1,500 cases in Q3 – mostly adults. These declines were partially offset by strong growth from the Ortho channel – especially teens.
- Y/Y basis, North America was up 25.0% reflecting strong growth from the Ortho channel, driven by an increase in teen patients and Invisalign Express/Lite products

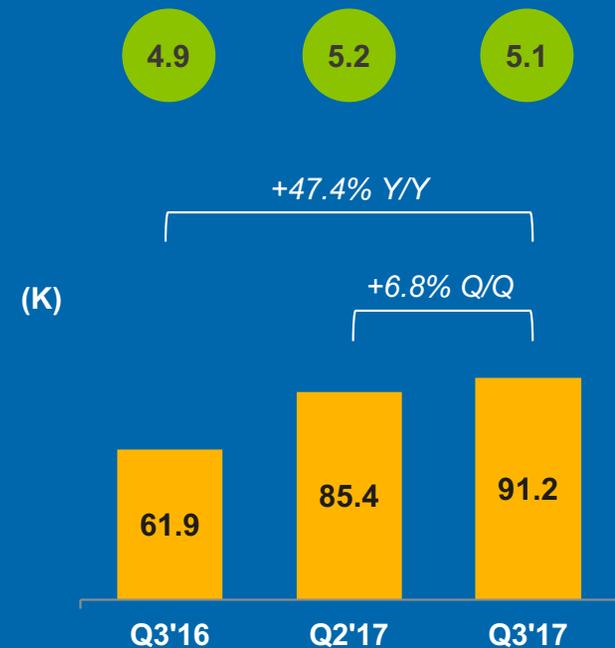


Q3 2017 Financial Highlights

International

- Invisalign case volume for International doctors +6.8% Q/Q primarily driven by the Asia Pacific region, which offset expected summer seasonality declines in EMEA.
- Invisalign case volume was up 47.4% Y/Y reflecting strong growth from both APAC and EMEA.
- EMEA case volume +37.6% Y/Y
 - led by our core European markets, particularly Spain, UK and France. We also saw strong growth across all of our smaller expansion markets, which include Central & Eastern Europe, Benelux, Middle East and Africa, the Nordics, and Russia.
- APAC case volume +57.4% Y/Y
 - Record Invisalign case volume across all country markets, led primarily by China. Q3 marked the first quarter in which China was our 2nd largest market in the world behind the United States. Our active customer base in APAC has almost tripled year over year with over 1500 doctors trained in Q3, mostly within China.

International Invisalign Utilization* & Shipments



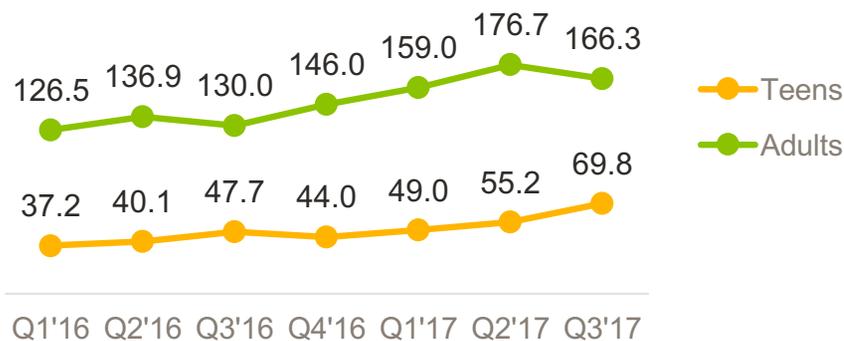
* number of cases shipped/number of doctors to whom cases were shipped

Q3 2017 Financial Highlights

Teens and Adults

- 69,815+ teenagers started treatment with Invisalign clear aligners +26.5% Q/Q and +46.3% Y/Y reflecting a very strong summer teen season and accelerating growth rates.
 - NA Ortho teen cases +22.9% Q/Q and +43.6% Y/Y reflecting our continued efforts to drive adoption of teenage patients through sales initiatives and our direct to consumer campaign emphasizing teens and moms.
 - International Q3 teen cases +36.7% Q/Q and +65.7% Y/Y driven by accelerated growth across the APAC region – primarily led by China. The introduction of Invisalign treatment with Mandibular Advancement is helping to raise visibility for Invisalign treatment of teenagers and contributed to some of the growth in the APAC market.

WW Cases – Patient Mix (#K)



WW Cases – Patient Mix (#K)

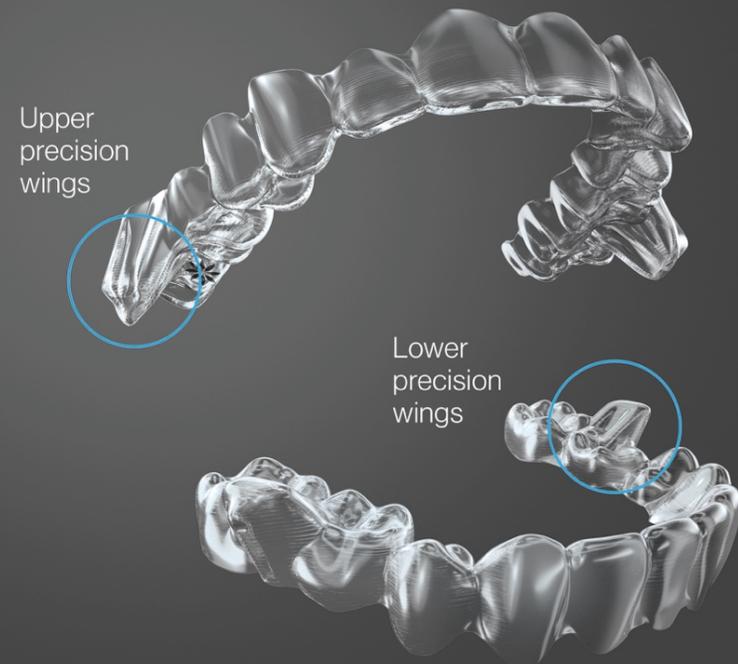


Invisalign Treatment with Mandibular Advancement

- First clear aligner solution for Class II correction that advances the mandible while moving teeth at the same time. Mandibular advancement is integral to driving teenager growth – approximately 30-45% of teen cases globally need Class II correction.
- Based on early indications, we are seeing a positive correlation between those customers who use our Mandibular Advancement feature and increased teen utilization.
- Customer Profile: Dr. Lekic in Canada
 - Started 162 Invisalign patients in treatment since Q217. Of those, 120 were teenagers and 24 were treated with the Mandibular Advancement feature
 - Compared to only 3 Invisalign cases in 2016 and 1 case in Q117.
 - An amazing transformation for Dr. Lekic's business and speaks to the impact of a digital approach for younger patients.
- Invisalign Treatment with Mandibular Advancement is not available in the U.S. yet as it's currently pending FDA approval



Invisalign treatment with mandibular advancement



Q3 2017 Consumer Marketing

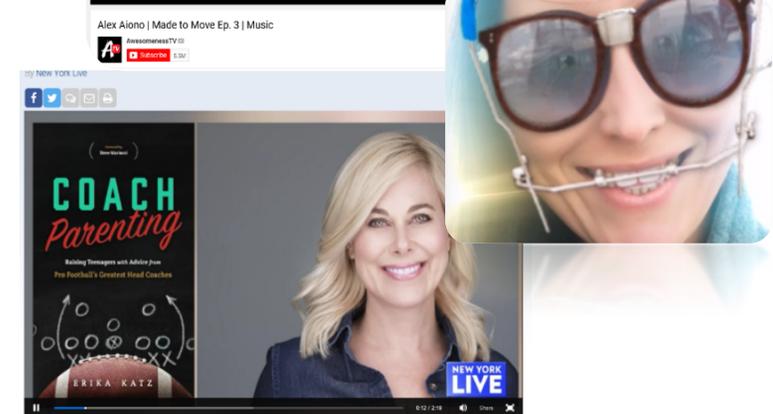
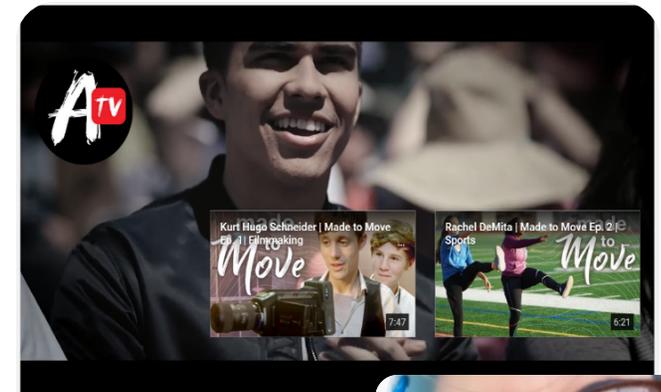
North America

1.9M

145K

Website Visitors Doc Locator Searches

- Awesomeness TV Partnership Drove Significant Reach to Teens
 - Example: Film #3 featuring Singer and Music Producer, Alex Aiono who mentors aspiring artist Connor Greenwell. The film drove more 1 Million views in first week. Total of 1.9M views in 2 months
- Invisalign Snap Lens Drove Engagement with Teens and Providers
 - The Invisalign brand showcased our fun and playful side by partnering with Snap Chat to launch our very own Snap lens and it took the market by storm.
 - As part of our back-to-school efforts for mom, we secured an earned mini press tour that ran from August 17-19th. The brand, was positioned to parents as a must-have for their teens if “teeth straightening” was on the table this school year.
- We continued to use an omni-channel approach to reach both adult males and adult females and included social channels such as Facebook, Instagram, and Pinterest.



Q3 2017 Consumer Marketing EMEA

- Full consumer roll out of “Made to Move” campaign into Central and Eastern Europe as well as Netherlands.
 - Boosted by an accelerated digital campaign in the UK, Germany and Eastern Europe to drive further conversion in core markets and awareness in expansion markets.
 - Seeing a very promising response from initial consumer launches in expansion markets driving a strong uplift in traffic.
- Targeted the launch of the Mandibular Advancement feature to top EMEA customers
- Introduced the brand and therapy-led market split to our customers – delivering a new institutional-first/category driven strategy for key markets where branded communication is restricted. This is supported by a new suite of unbranded in-practice materials and an institutional platform under the Align Technology brand.
- Launched the first suite of in-practice conversion materials for doctors targeting parents of teens.

585K

Website Visitors

130K

Doc Locator Searches



Q3 2017 Consumer Marketing APAC

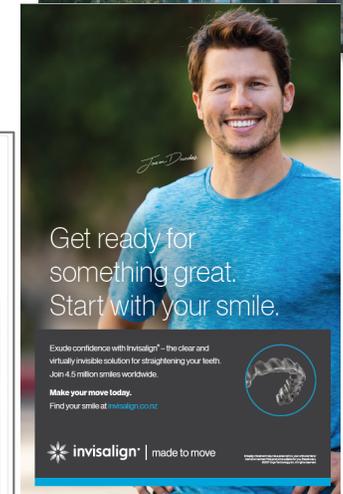
- “Made to Move” campaign drove growth of consumer demand from Q2
 - Greater China
 - Integrated “Made to Move” campaign with local touch-points in drove quality traffic to website, resulting a lift in doctor locator searches and opt-ins
 - Australia/New Zealand:
 - Continued multi touchpoint “Made to Move” campaign with Ambassador Jason Dundas
 - Partnership with Australia’s most engaged community of moms “Mouths of Mums” with 4-part content series featuring video, social media and articles to follow Mouths of Mums founder, Nikki, and her daughter, Emma throughout their Invisalign treatment journey
- Renewed consumer websites launch across APAC markets drove quality conversions to doctor locator searches and opt-ins from website visitors
 - Web traffic to Doctor Locator rose to 28.5%

530K Website Visitors **150K** Doc Locator Searches

GREATER CHINA

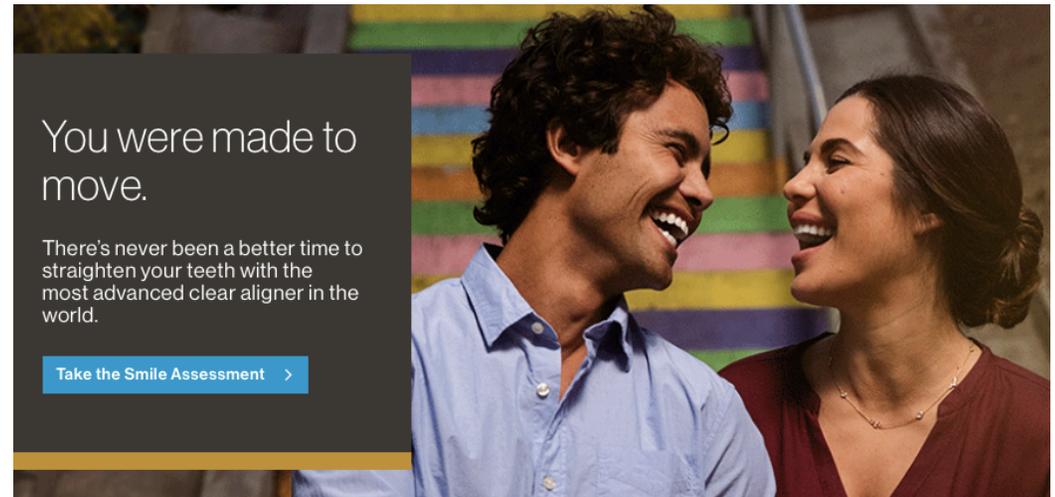


AUSTRALIA & NEW ZEALAND



Invisalign Consumer Marketing Program

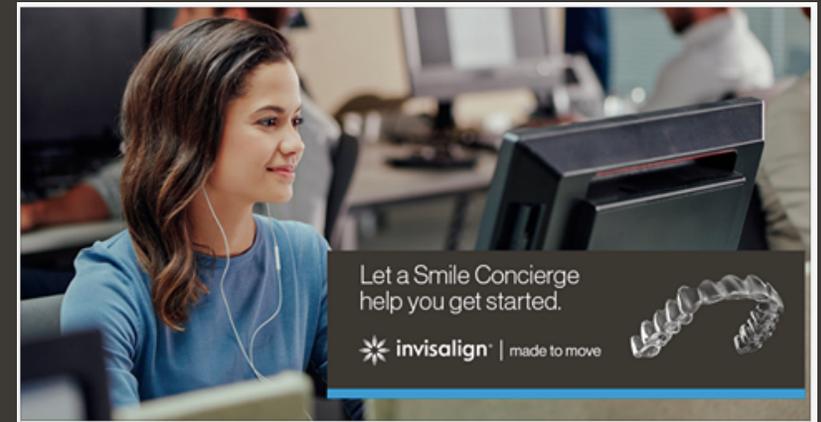
- Our consumer marketing programs continue to increase demand for Invisalign treatment and are key to adoption in both the teen and adult segments.
- Each year, we invest millions in consumer advertising and social media campaigns that raise awareness, create preference, and help consumers find an Invisalign practice near them.
- In 2017, we increased our investment in consumer marketing by 60% which we believe is contributing to our strong growth.
- Despite our efforts, most of the consumers interested in Invisalign treatment still end up in metal braces or don't start any type of orthodontic treatment at all.
- This phenomenon isn't new and we've been working for years to identify gaps like these and develop solutions that turn more consumers into Invisalign patients for our customers.



Invisalign Consumer Marketing Program Smile Concierge Team

Launched in January 2017

- Educates consumers on the benefits of Invisalign treatment, answers their questions, and helps them schedule an appointment with an Invisalign providers from our Next Level Partnership network (listed as VIP on Invisalign.com on Doc Locator/"Find a Doctor").
- Follows up with consumers through digital apps and email to find out whether they keep their appointment and start Invisalign treatment
- Smile Concierge Team receives incredible feedback from consumers every day who appreciate the "white-glove" service we provide which is translating into shorter research cycles for the average consumer interested in Invisalign treatment -- and a win-win for Align, our customers, and consumers



- Launched a new consumer capture program with a Smile Concierge team in Raleigh, North Carolina
- Goal is to reach more consumers one-on-one, and ensure that anyone that contacts us directly has the best experience with the Invisalign brand – beginning to end.

Smile Concierge Team *Launched in January 2017*

Over the past 10 months our Smile Concierge Team has....

contacted

50K

consumers who took a smile assessment on Invisalign.com

scheduled

20K

consultations

with

800

practices

To date....

5,000 patients

have already started Invisalign treatment with an Invisalign provider which equates to millions of dollars in revenue to Invisalign practices

Requesting an appointment has never been easier.

 invisalign | made to move



Smile Concierge Team

Insights & Learnings

- Our new Smile Concierge service is not only helping turn more consumers into Invisalign patients, but we're also learning a lot about consumer conversion
- Convenience and speed of contact are critical to conversion
- If we can't schedule an appointment for a consumer to see a doctor within 72 hours – meaning they can't get onto a doctor's schedule within 3 days, the likelihood of that consumer converting to an Invisalign patient drops by 40%
- 65% of consumers cite financial concerns as the reason they don't start treatment, with 25% of them stating that a high down payment in the practice is the main barrier to acceptance
- For consumers, when it comes to choosing an Invisalign practice - digital technology matters
- Consumers are offered the top 3 Invisalign practices in their areas and it turns out that the iTero scanner is one of the key influencers

72hours

window
to see
a doctor

40%

potential
patient
conversion
rate decline

65%

cite
financial
concerns

25%

state high
down payment
as barrier

Digital technology matters

Patient Financing Pilot

- Launched a patient financing pilot that addresses consumer financing concerns as well as insurance coverage for orthodontic treatment
- Important for us to find a solution that offer consumers the ability to customize their own down payment, monthly payment, and interest rate in a way that can fit into any budget
- Equally important is providing an end-to-end digital workflow for both the consumer and the doctor, and with our new third-party finance partner, we've done just that.

- When consumers finance their treatment through us, Invisalign providers no longer pay Align
- Invisalign providers just receive payment for the treatment fee minus Align's lab fee
- By changing the financial relationship between the patient, Align, and the provider, Invisalign treatment becomes a revenue source for the provider and eliminates the need for them to pass on high down payments to patients

Q3 2017 Financial Highlights

Scanner and Services

- Scanner revenues +23.2% Q/Q, +25.0% Y/Y
- Record iTero scanner shipments
- iTero scanner is central to restorative workflows and key to our GP strategy. In Q3 we saw a nice uptake by GP dentists with record contracts at our GP Summit in September.
- Q3 results also reflect the initial uptake of the iTero scanner from its first commercial availability in Japan, as well as our new distribution agreement with Patterson Dental in the US and Canada.
- Invisalign Cases Submitted Digitally
 - 61.9% in North America
 - 34.6% in International

Scanner & Services Revenues



Doctor-Directed at Home Channel

Exclusive third-party supplier of Smile Direct Club (SDC)

- Continue to be excited about the long term potential for the At Home, Doctor-Directed market and are pleased with our equity investment and supply agreement with SmileDirectClub
- Q3 aligner shipments to SDC were higher than expected and more than doubled sequentially, reflecting continued strong volume growth, as well as a shift to Align manufacturing more of SDCs aligners than what SDC internally produces
- As SDC's exclusive third-party supplier, this quarter we produced about 2/3rds of their clear aligner volume, as compared to only 1/3 in the prior two quarters
- While this shift was not anticipated, our world-class manufacturing operations can accommodate changes in SDC's order flow easily and we're pleased to be able to support their continued rapid growth



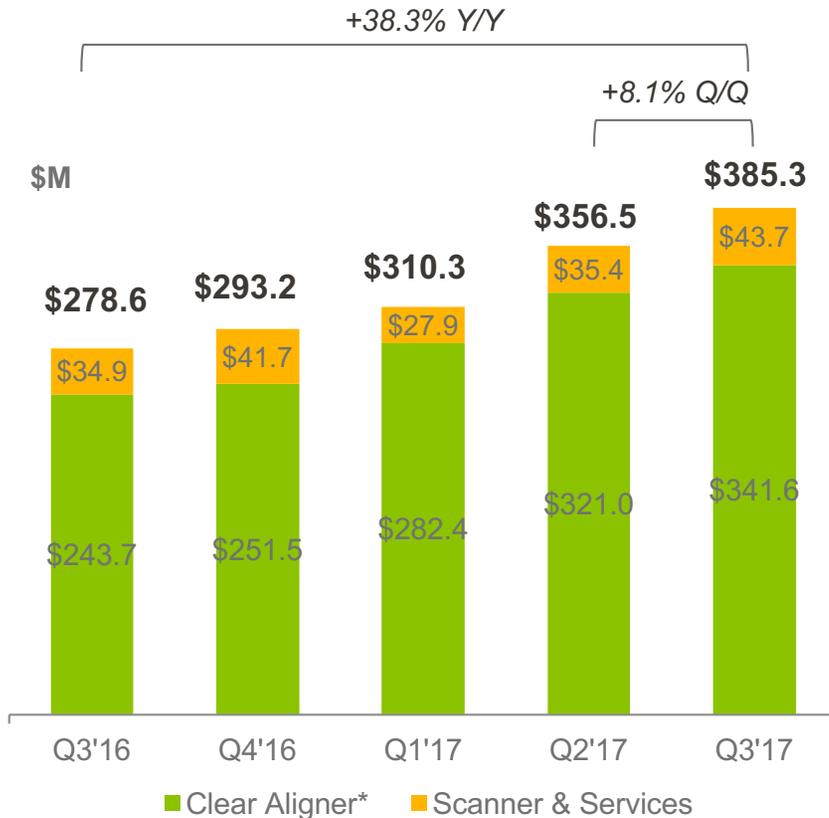
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Net Revenues Trend

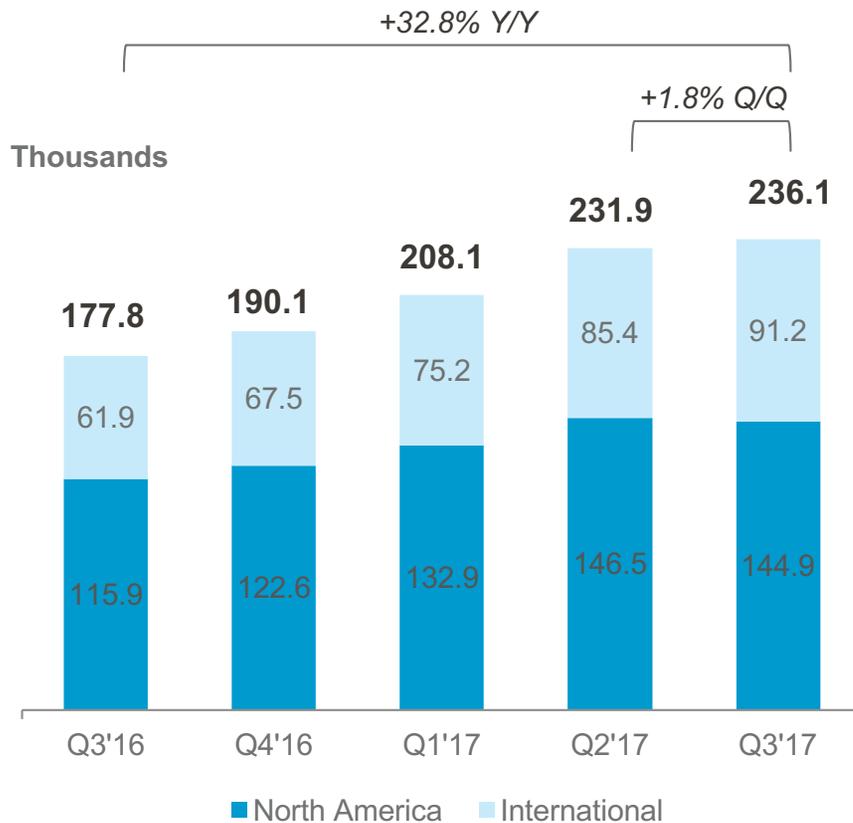
Q3'17 Highlights



- Clear Aligner* net revenues, +6.4% Q/Q, +40.2% Y/Y
 - Q/Q increase driven by higher than expected volume and favorable foreign exchange rates as well as increased revenue from aligner shipments to SDC
 - Y/Y increase reflected strong Invisalign shipment growth across all customer channels and geographies, increased Invisalign prices, and revenue from aligner shipments to SDC
 - Invisalign ASPs up ~\$25 Q/Q, at about \$1310 reflecting favorable FX, a favorable shift in our product mix, and price increases, partially offset by increased promotional discounts
 - Invisalign ASPs up ~\$25 Y/Y reflecting price increases, an increase in additional aligner revenue, favorable FX, offset by increased promotional discounts
- Scanner & Services net revenues, +23.2% Q/Q, +25.0% Y/Y
 - Primarily due to our continued investment in go-to-market activities in APAC & EMEA as well as the initial uptake of the iTero scanner from its first commercial availability in Japan

Invisalign Shipments Trend

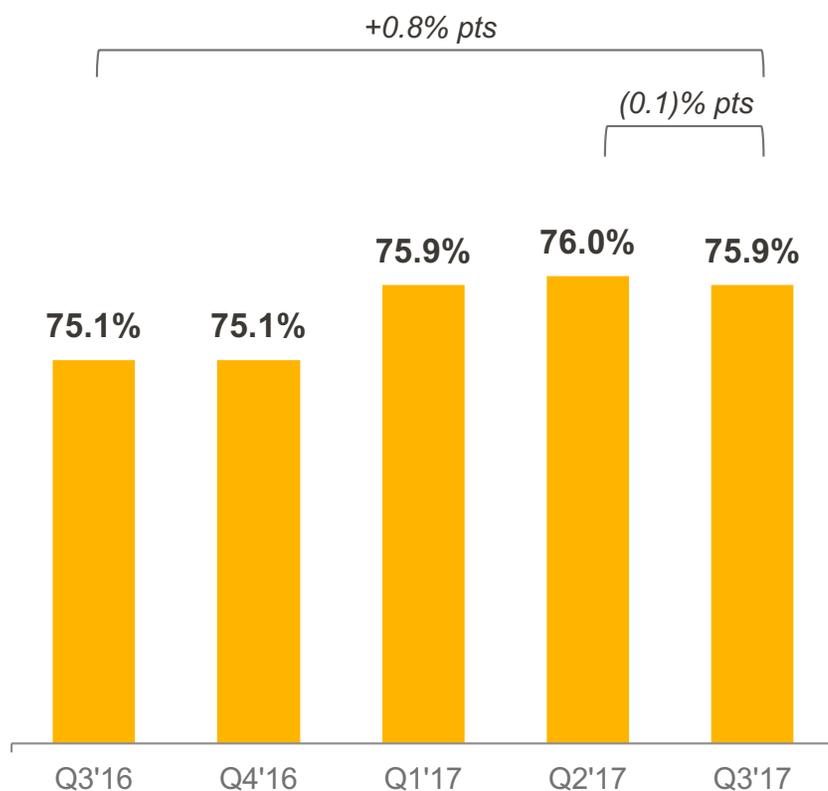
Q3'17 Highlights



- Q/Q driven primarily by our Asia Pacific doctors and North American orthodontists
- Y/Y driven by growth across all regions as well as expansion of our customer base predominantly from the Asia Pacific
- Invisalign Channel Highlights
 - N.A. Orthodontists +1.8% Q/Q, +31.9% Y/Y
 - N.A. GP Dentists (5.2)% Q/Q, +15.9% Y/Y
 - International +6.8% Q/Q, +47.4% Y/Y

Gross Margin Trend

Q3'17 Highlights



- Gross profit was \$292.5M or 75.9% gross margin
- Includes stock based compensation expense of \$833K

Clear Aligner* Gross Margin: 77.9%

- (0.2) pts Q/Q decrease primarily due to an increase in aligners per case driven by additional aligners, partially offset by higher clear aligner ASPs
- +0.2 pts Y/Y increase primarily due to leveraging our manufacturing costs over higher volumes

Scanners & Services Gross Margin: 60.0%

- +3.3 pts Q/Q increase primarily due to higher ASPs
- +2.9 pts Y/Y increase primarily a result of lower service costs

Operating Expense Trend

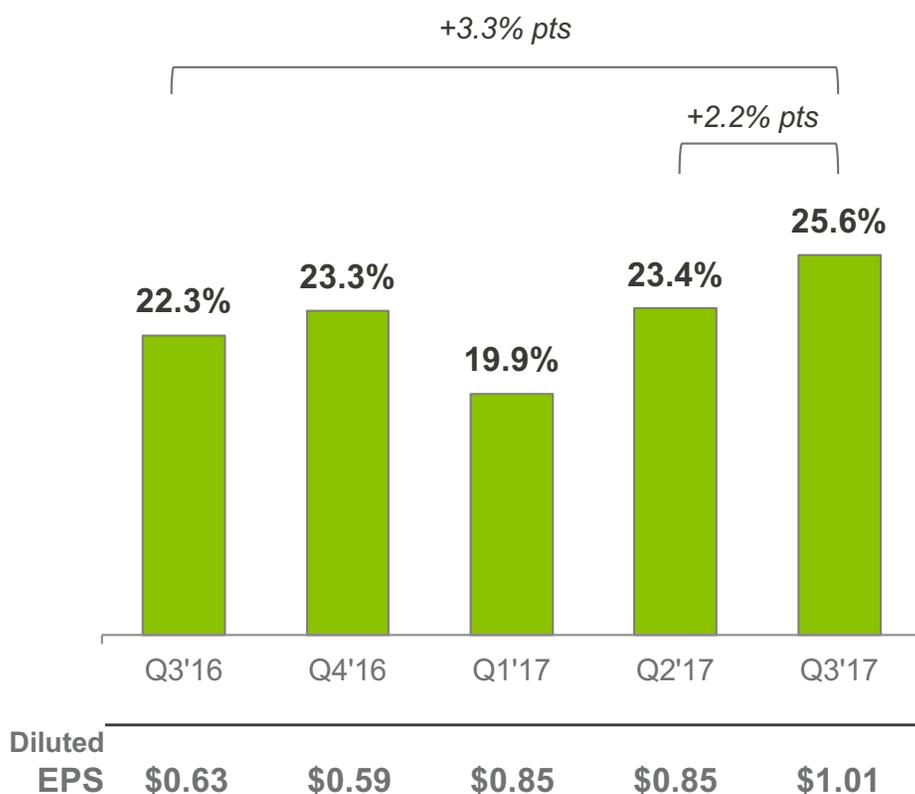
Q3'17 Highlights



- Q/Q: +\$6.4M primarily related to increased global headcount
- Y/Y: +\$46.6M reflecting increased headcount and continued investment in our go-to-market activities critical to the growth of our business
- Includes stock-based compensation expense of \$14.1M

Operating Margin and EPS Trend

Q3'17 Highlights



- Operating profit \$98.8M and operating margin 25.6%
 - Q/Q increase primarily relates to increased clear aligner volume
 - Y/Y increase primarily reflects higher revenue and lower cost per case, partially offset by increased headcount and higher marketing expenses
- Tax rate was 17.9% which includes \$1.7M in excess tax benefits and is down by 0.5 points compared to 18.4% in Q3'16, primarily due to the 2017 adoption of ASU 2016-09*
- Clear aligner supplier for SmileDirectClub (SDC)
 - Revenue and costs to supply aligners to SDC are included in our operating profit and reported results
 - Report our share of SDC's losses below op margin and our tax provision and is entitled "Equity in Losses of Investee, net of tax"
 - Q3 loss, net of tax, was ~1.6M, or \$0.02 per diluted share

*ASU 2016-09 requires excess tax benefits related to stock-based compensation be recognized as a reduction to tax expense, and certain one-time tax charges incurred in the prior year from implementing our new international corporate tax structure

Balance Sheet Highlights

- \$737.9M Cash and Cash Equivalent Balance
 - Increase of ~\$61.3M compared to \$676.6 at end of Q2'17, primarily related to earnings growth
 - \$236.3M held by the U.S, \$501.6M held by our international entities
- Anticipate that our DSOs will decline over the next few quarters
- CapEx for Q3 were \$48.1M, primarily relating to building purchases and improvements, equipment purchases for additional manufacturing capacity, as well as our global expansion efforts
- Stock Repurchases
 - During Q3, we concluded our previously announced \$50M accelerated stock repurchase (ASR). Received a total of 0.4M shares under the ASR at a weighted average share price of \$146.48. We have \$250M remaining available for repurchases under the existing stock repurchase authorization.

	Q3'16	Q2'17	Q3'17
Accounts Receivables, net	\$245.0	\$291.7	\$321.3
DSOs	78 days	74 days	75 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$675.8	\$676.6	\$737.9
Cash Flow from Operations	\$59.8	\$110.5	\$118.1
Capital Expenditures	\$(17.3)	\$(18.5)	\$(48.1)
Free Cash Flow*	\$42.5	\$92.0	\$70.0

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

Q4 2017 Outlook

- For International, we expect Invisalign volume to be up from Q3 as EMEA customers return from seasonally slower summer holidays, partially offset by slight decrease in APAC as the greater China market observes the Golden Week holiday.
- For North America, we expect Invisalign volume to be up sequentially reflecting a seasonally stronger quarter, partially offset by some lingering effects of Hurricanes Harvey and Irma.
- For our Scanner business we expect a slight sequential increase reflecting a typical strong end of the year demand for capital equipment. Q4 sequential growth reflects the benefit from orders taken at our North America GP summit in Q3 and global expansion.
- In Q3, we produced 2/3 of SDC aligners, however, we expect our Q4 aligner shipments to SDC to be down sequentially in anticipation of a production shift back to their own internal manufacturing.

	Q4 2017
Invisalign Case Shipments	245 K – 250 K
Net Revenues	\$391 M - \$398 M
Gross Margin	75.0 % - 75.5 %
Operating Expenses	\$198 M - \$202 M
Operating Margin	24.3 % - 24.8 %
Effective Tax Rate	22 % (1)
EPS, diluted	\$0.92- \$0.95 (2)
Stock Based Compensation	\$15.3 M
Diluted Shares Outstanding	81.9 M (1)
Capital Expenditure	\$55 M - \$60 M

(1) Includes the benefit from the adoption of the new accounting standard update for share-based compensation

(2) Excludes any stock repurchases during the quarter

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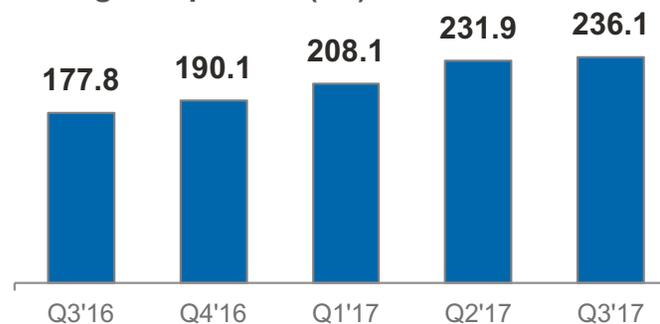
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Trended Financials

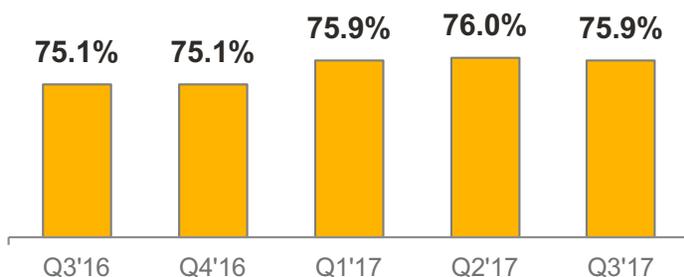
WW Net Revenues (\$M)



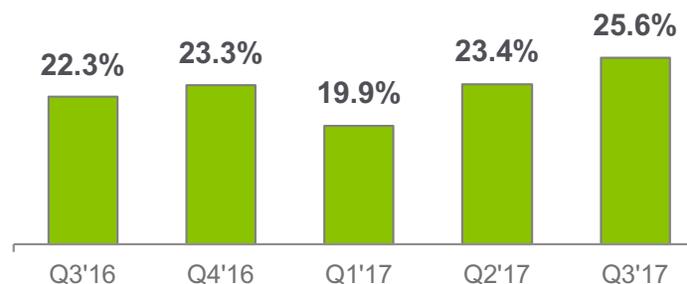
Invisalign Shipments (#K)



Gross Margin %



Operating Margin %



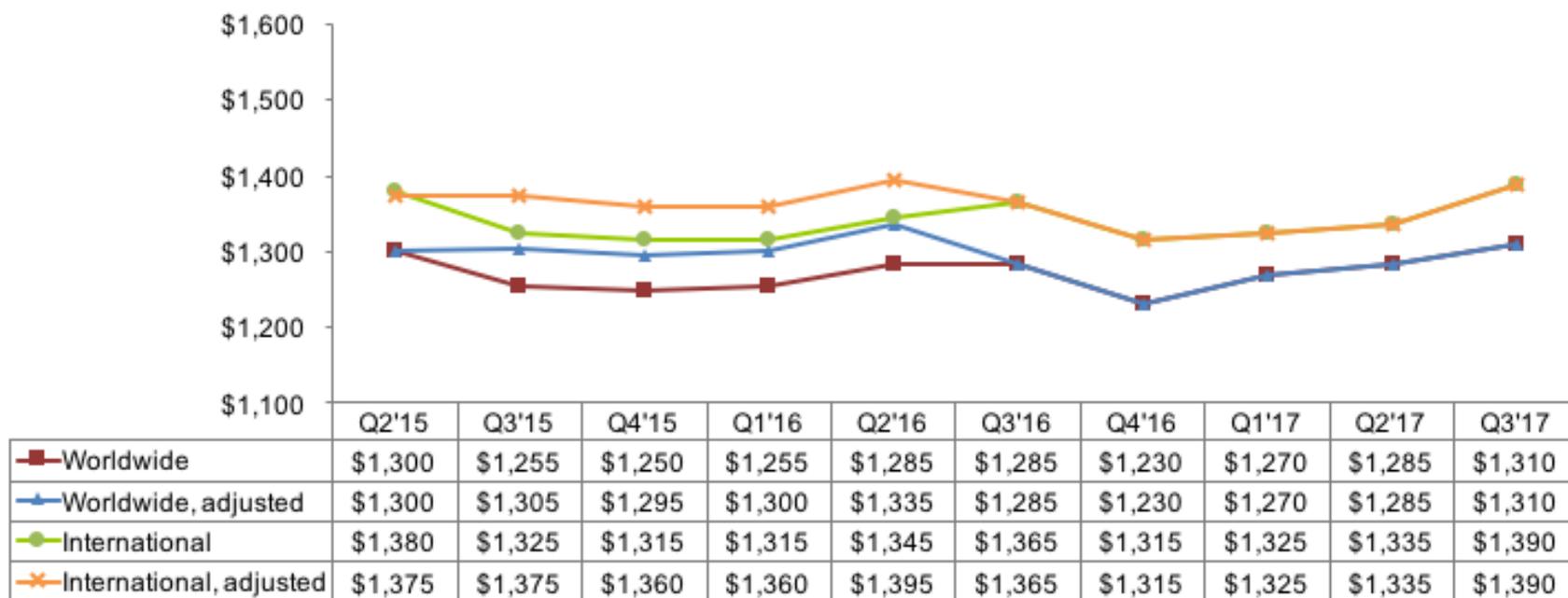
Notes: Rounding may affect totals.

3 to 5 Year Financial Model Targets

	Q3'16 Actual	Q2'17 Actual	Q3'17 Actual	3 – 5 Year Model
Revenue CAGR%				15 - 25%
Gross Margin	75.1%	76.0%	75.9%	73% - 78%
Operating Expense %	52.8%	52.6%	50.3%	45% - 50%
Operating Margin	22.3%	23.4%	25.6%	25% - 30%
Free Cash Flow	15.2%	25.8%	18.2%	20% - 25%

Invisalign Average Selling Price (ASP)

Worldwide and International

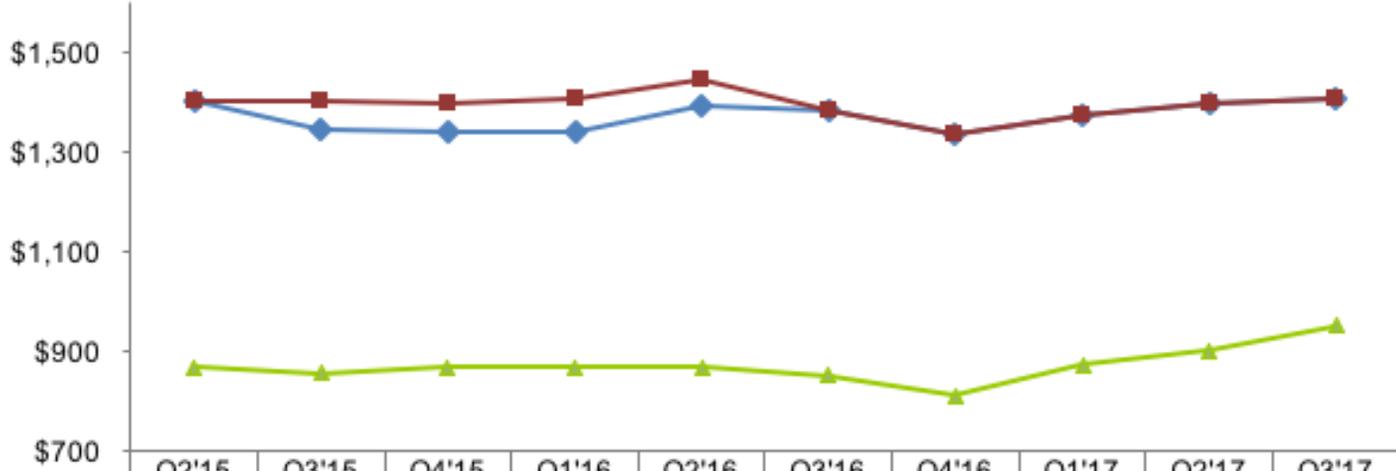


ASP: Invisalign case revenue / Invisalign case shipments

ASP adjusted: adjusted for impact of Additional Aligners at No Charge policy launched in July 18, 2015, effective for all new Invisalign Full, Teen, and Assist products, our Full Product Group, as well as any cases that were open as of this date.

Invisalign Average Selling Price (ASP)

Product Groups



	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17
◆ Comprehensive Products	\$1,400	\$1,345	\$1,340	\$1,340	\$1,390	\$1,380	\$1,335	\$1,370	\$1,395	\$1,405
■ Comprehensive Products, adj	\$1,400	\$1,400	\$1,395	\$1,405	\$1,445	\$1,380	\$1,335	\$1,370	\$1,395	\$1,405
▲ Non-comprehensive Products	\$865	\$855	\$865	\$865	\$865	\$850	\$810	\$870	\$900	\$950

Comprehensive Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Non-Comprehensive Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7, Invisalign Go

Global Strategic Priorities

01 International Expansion



02 Orthodontist Utilization



03 GP Dentist Treat & Refer



04 Patient Demand & Conversion



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