



Align Technology, Inc.

Financial Results
Q2 2015

Align Technology Q2 2015 Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - David White, CFO
- Moderator:
 - Shirley Stacy, Vice President, Investor and Corporate Communications
- Replay and Web cast Archive
 - Telephone replay will be available through 5:30pm ET July 30, 2015
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13612927
 - Audio web cast archive will be available at <http://investor.aligntech.com> for approximately 12 months

Safe Harbor and Forward Looking Statement

This presentation contains forward-looking statements, including statements regarding the expectation that the program simplification “Additional Aligners for No Charge” will help increase Invisalign utilization and volume, as well as the expected impact this program change will have on Invisalign Clear Aligner net revenues in the third and fourth quarter of 2015, in addition to certain other business metrics for the third quarter of 2015, including, but not limited to, anticipated net revenues, deferrals, gross margin, operating expenses, operating profit, diluted earnings per share, case shipments, and additional common stock repurchases. Forward-looking statements contained in this news release and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, our ability to successfully achieve the anticipated benefits from the scanner and services business, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission on February 26, 2015. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q2 2015 Financial Highlights



- Revenue +5.8% Q/Q, +8.8% Y/Y
- Reflecting better than expected volumes
- Offset somewhat by lower ASPs
- Constant currency – revenue +14.2% Y/Y and clear aligner revenue +17.5% Y/Y

- Shipments +10.5% Q/Q, +21.2% Y/Y
- Strong Invisalign case volume
- Growth across all customer channels and geographies

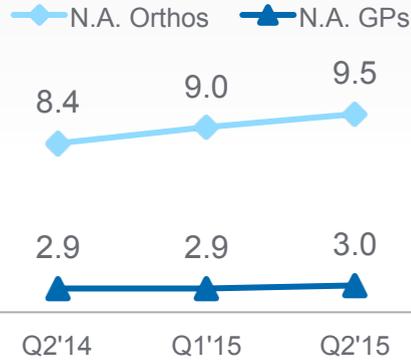
Q2 2015 Clear Aligner Highlights

Geographic Shipments and Utilization

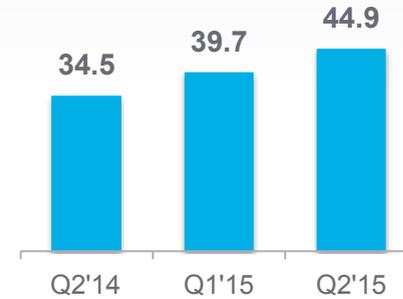
North America
Case Shipments (#K)



N.A. Utilization



International
Case Shipments (#K)



International
Utilization



- North America shipments +9.3% Q/Q, +17.4% Y/Y
- Continuing to implement our sales expansion program
- Increase in sales reps has increased doctor touch points
- Invisalign Express 5 promotion well received by customers - resulted in better than expected uptake in volume and mix shift to entry level products

- International shipments +13.3% Q/Q, +30.4% Y/Y
- Record volume in almost every major country in Europe, as well as China, Japan, Southeast Asia, and Taiwan
- EMEA +27% Y/Y – driven by Spain, France, UK and Italy
- APAC+39% Y/Y – driven by China, Japan, Southeast Asia, and Taiwan.
- China is now our largest Invisalign market in Asia Pacific

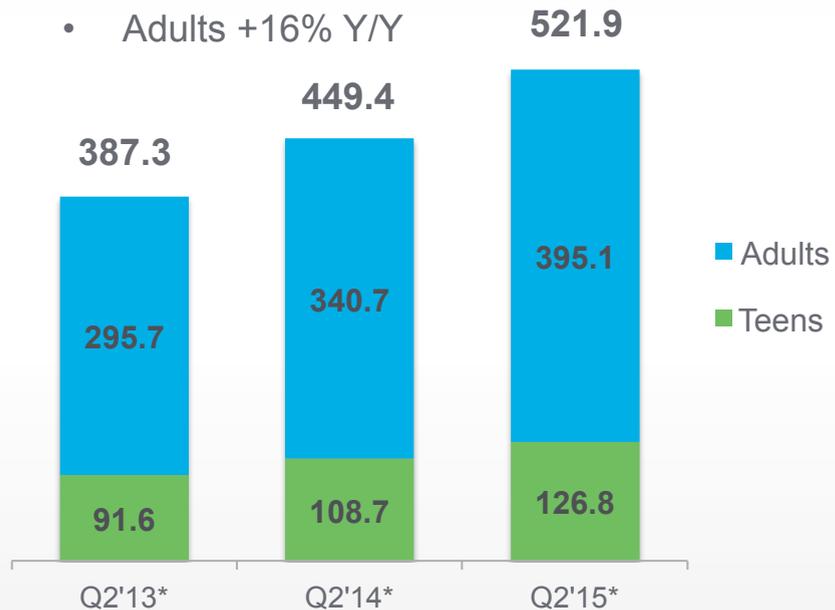
Q2 2015 Clear Aligner Highlights

Teenagers and Adults

Teens & Adults Mix (#K)

Rolling 12 month growth

- Teens +17% Y/Y
- Adults +16% Y/Y



* Rolling 12 months case shipments

Teenagers – Q2 Highlights

- Teenager case starts +18.2% Y/Y
- Teenager case starts within North America Ortho channel +22% Y/Y
- Q2 start of the Teen orthodontic season

Adults – Q2 Highlights

- Adults in treatment +22.2% Y/Y

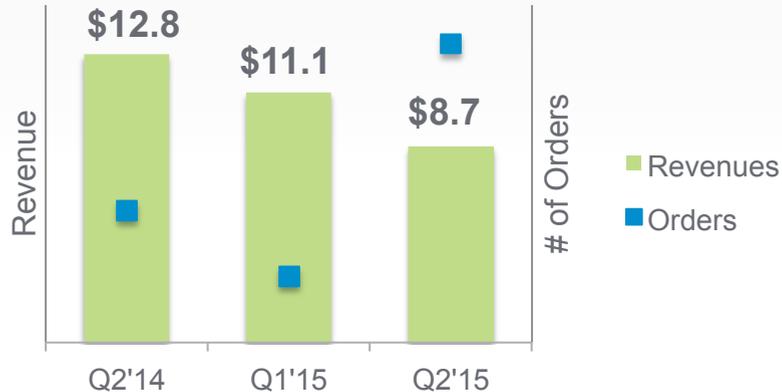
Q2 2015 Product Innovation Highlights

- **Invisalign G6** - early signs are very promising around adoption of Invisalign G6, which is very important for the complex treatment needs in Asia
 - Prevalence of First Premolar Extraction
 - >50% in Asia, ~20% in Europe
 - ~12% in North America
 - >70% in Greater China
- **ClinCheck Pro** - adopted by over 60% of our customers since its launch earlier in the year



Q2 2015 Scanner and Services Highlights

Scanner Revenues (\$M)

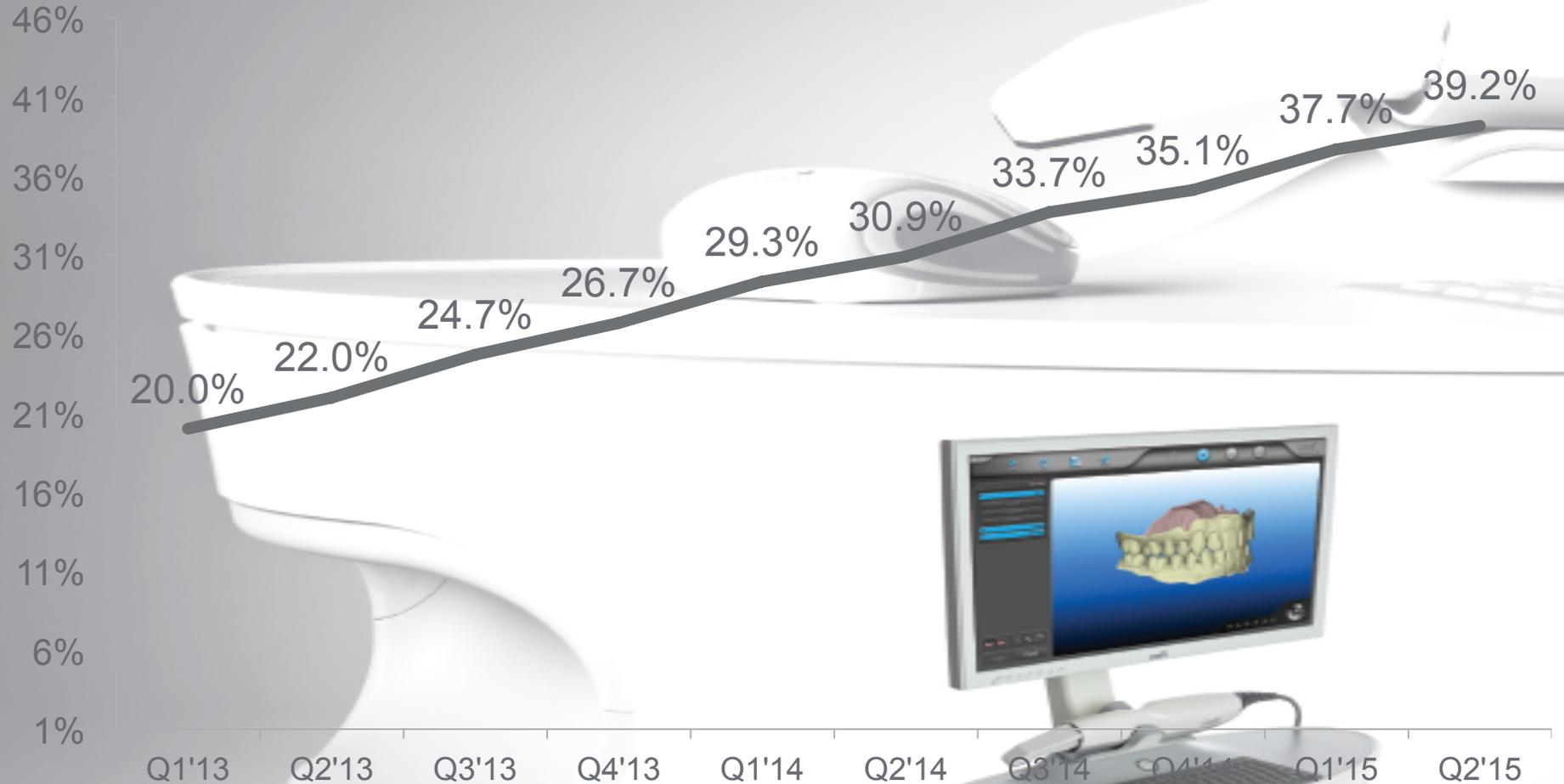


- Revenues down 21.6% Q/Q and down 32.2% Y/Y
- New iTero Element availability in Q3'15
- Interest and demand for our new scanner has been very strong

Invisalign GP Summit Event in July

- Scanning competition among practice staff for the fastest scan time - 2min 16sec fastest scan time winner
- Almost 100 new iTero Element scanner orders at the Summit
- Q2 total orders ~700 – 2X higher than a year ago

Growth in Digitally Submitted Invisalign Cases



North America rates – average for each quarter

Q2 2015 Clear Aligner Consumer Highlights

North America and International Consumer Demand

North America

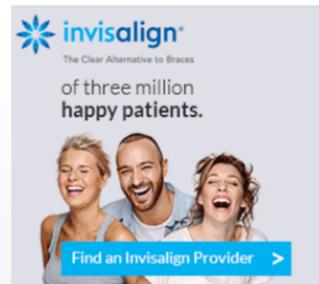
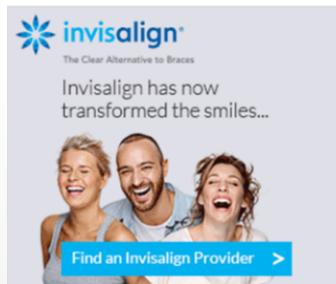
- Over 1.3M unique visitors to website
- Doctor locator searches +26% Y/Y
- Consumers opting in for more information +27% Y/Y

EMEA

- Over 534K people visiting EMEA websites
- ~157K searching for an Invisalign Provider
- 3x growth in the Invisalign social media community over the last year and a half

APAC

- Over 400K unique visitors to website
- ~105K searching for an Invisalign Provider
- Over 13,000 leads generated



Customer Experience Improvements

Net Promoter Score Measurement

NPS measures the loyalty that exists between a provider and the customer

Net Promoter Score (NPS)

“How likely are you to recommend Brand A to colleagues, business associates, friends or family?”

NPS is a Good Indicator of Future Growth

“How likely are you to recommend Brand A to colleagues, business associates, friends or family?”

DETRACTORS

PROMOTERS

0 1 2 3 4 5 6 7 8 9 10

FORMULA

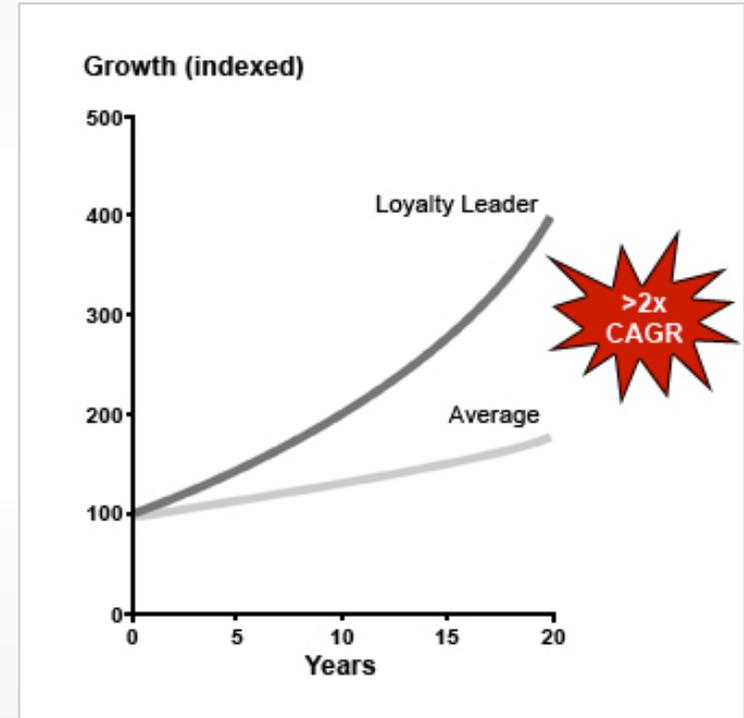
% of PROMOTERS

-

% of DETRACTORS

=

NPS



NPS Leaders Outperform Lagers 2 to 1

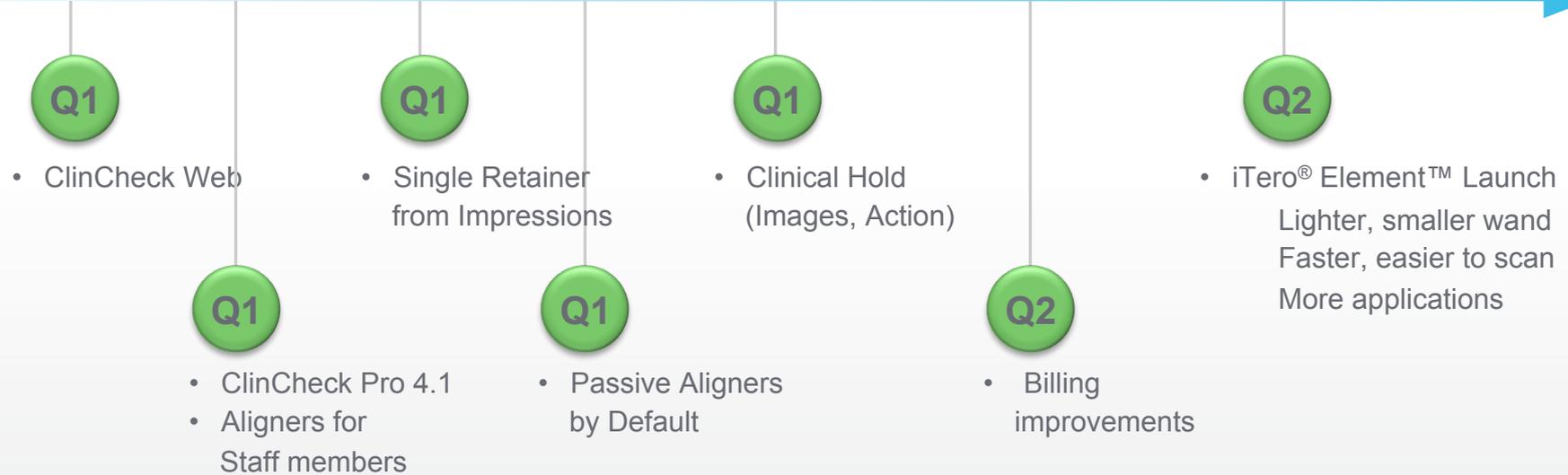


Customer Experience Focus Areas

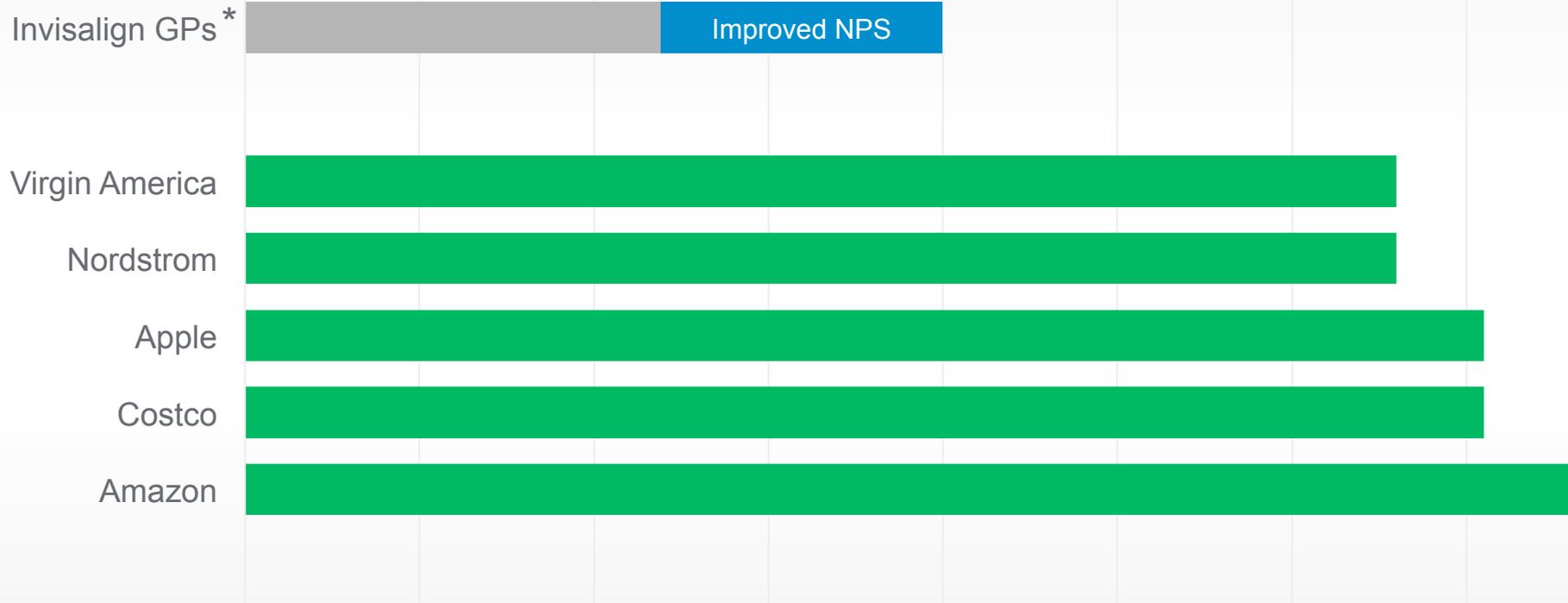
2015 Improvements to Date



Short List of Improvements in 2015



Align Must Improve NPS vs. Best-in-Class Companies



**GP customers previous NPS and progress over last 2 years*

Announcing Additional Aligners at No Charge

Continuous Customer Experience Improvements



Fred

Announcing Additional Aligners at No Charge!

We've been listening to your feedback and are making continuous changes to the Invisalign® experience to better serve you and your patients. You now have up to five years to complete your case, no complicated rules.

Fred Baluyut Jr. Senior Customer Experience Specialist

*Applies to Invisalign®, Invisalign Teen® and Invisalign Assist® treatments

- Addresses number #1 complaint from our doctors
- Aligns our business with the way our customers manage their practice
- New policy is simple
- No longer distinguish between mid-course correction and case refinement
- Allows doctors to order additional aligners at no charge

Additional Aligner Policy Expected to Increase Volumes

- Data shows Invisalign **PROMOTERS** do 2X cases as **DETRACTORS**
- New Additional Aligner Policy expected to increase volumes

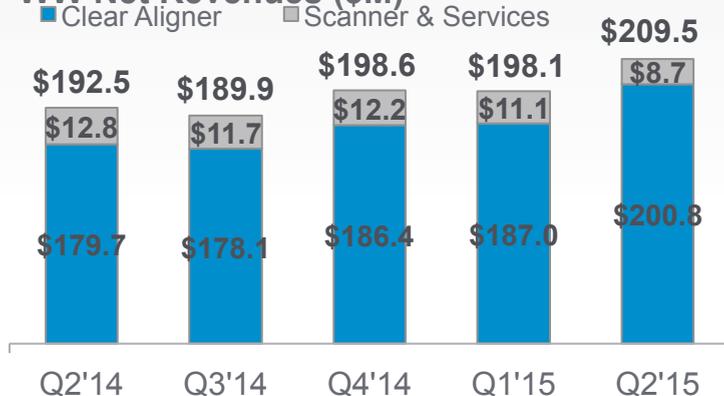


Q2 2015 Financial Review

David White
CFO

Q2 2015 Trended Financials

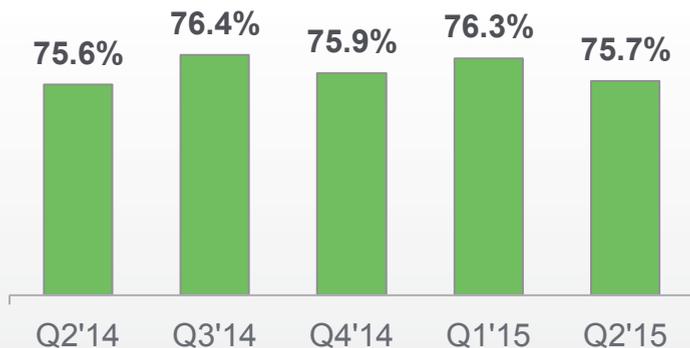
WW Net Revenues (\$M)



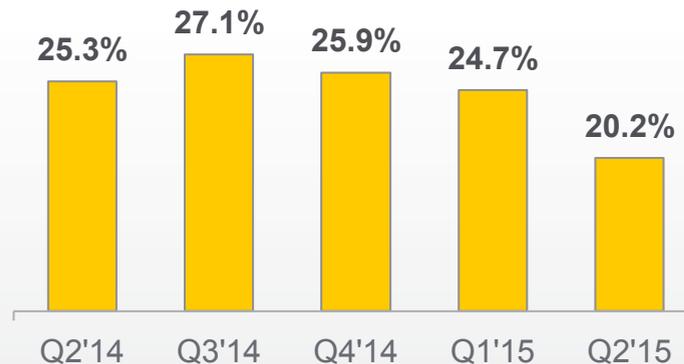
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %

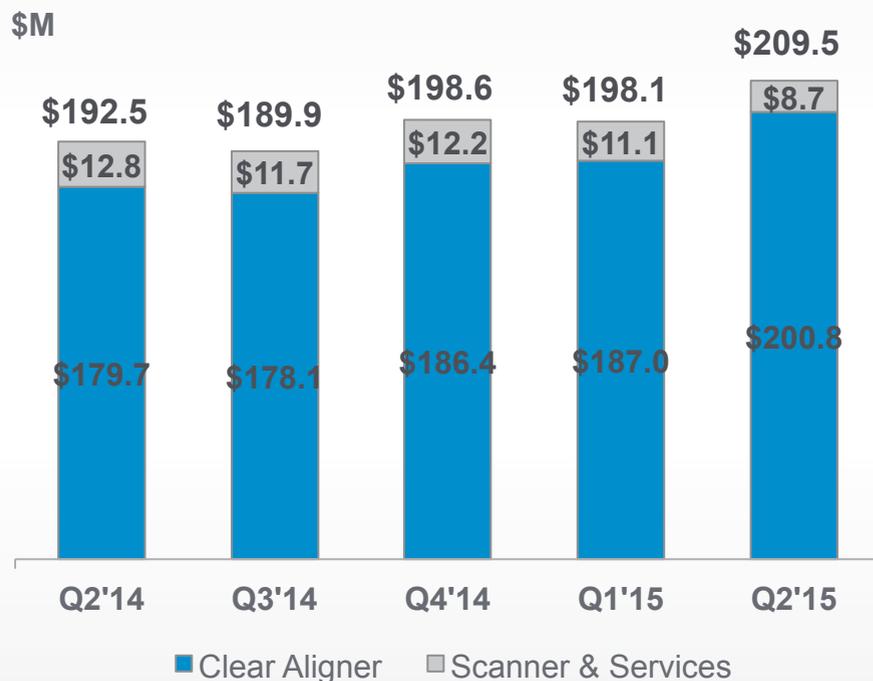


Q2 2015 Income Statement Highlights

<i>(in millions except per share data and percentages)</i>	<i>Year/Year Change</i>	<i>Q2'14</i>	<i>Sequential Change</i>	<i>Q1'15</i>	<i>Q2'15</i>
Net Revenues	+8.8%	\$192.5	+5.8%	\$198.1	\$209.5
Gross Margin	+0.1% pts	75.6%	(0.6)% pts	76.3%	75.7%
Operating Expenses	+20.2%	\$96.7	+13.8%	\$102.2	\$116.3
Operating Margin	(5.1)% pts	25.3%	(4.5)% pts	24.7%	20.2%
EPS, diluted	\$(0.04)	\$0.43	\$(0.05)	\$0.44	\$0.39

Note: Data may not total due to rounding

Net Revenues Trend



Q2'15 Net Revenues Highlights

Net revenues of \$209.5M, +5.8% Q/Q, +8.8% Y/Y. Constant currency +14.2% Y/Y

Clear aligner net revenues

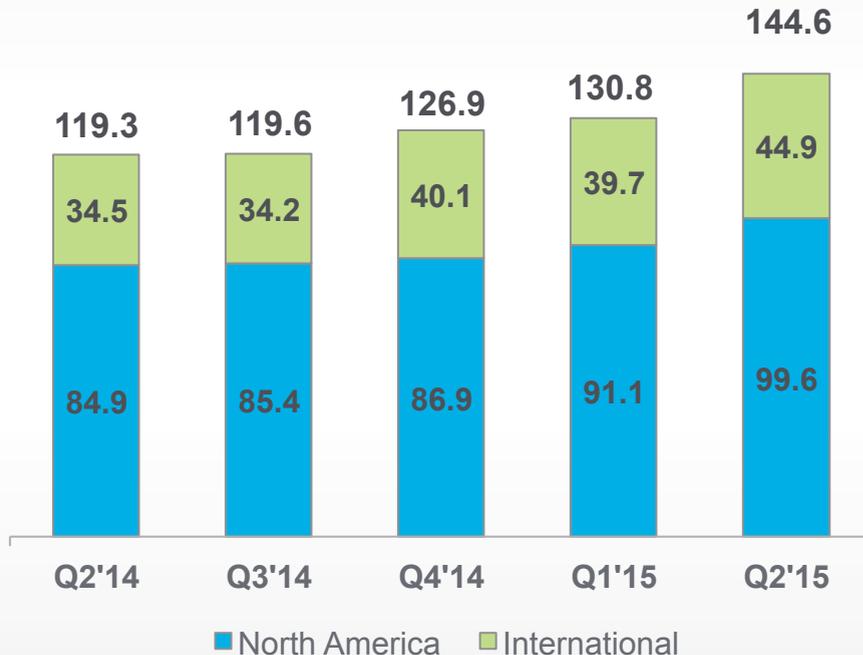
- +7.4% Q/Q, +11.7% Y/Y. Constant currency +17.5%
- Q/Q growth reflected higher volumes across our all of our major geographies and channels, offset by lower worldwide ASPs.
- ASPs down ~\$35 Q/Q due to higher promotional discounts, higher revenue deferrals as we treat more complex cases, and FX
 - Partially mitigated by a price increase we implemented in N.A.
 - Largest promotional impact on ASP was related to a new staff aligner promotion launched in North America in February
- Y/Y growth reflected Invisalign case volume growth across all customer channels, partially offset by lower ASPs, primarily related to FX rates and higher revenue deferrals

Scanner & Services net revenues

- (21.6)% Q/Q, (32.2)% Y/Y
- Reflecting reduced pricing for the current iTero scanner as well as lower scanner volumes as some customers delayed purchase decisions and many others ordered our new iTero Element - expected to commence shipping in Q3

Clear Aligner Shipments Trend

Thousands



Note: Data may not total due to rounding

Q2'15 Clear Aligner Shipment Highlights

Shipments of 144.6K, +10.5% Q/Q, +21.2% Y/Y

- Q/Q reflecting growth from our International and N.A. customers.
- Y/Y reflecting continued strength in International, as well as growth from our N.A. Orthodontists and to a lesser extent our N.A. GP dentists

Channel Highlights

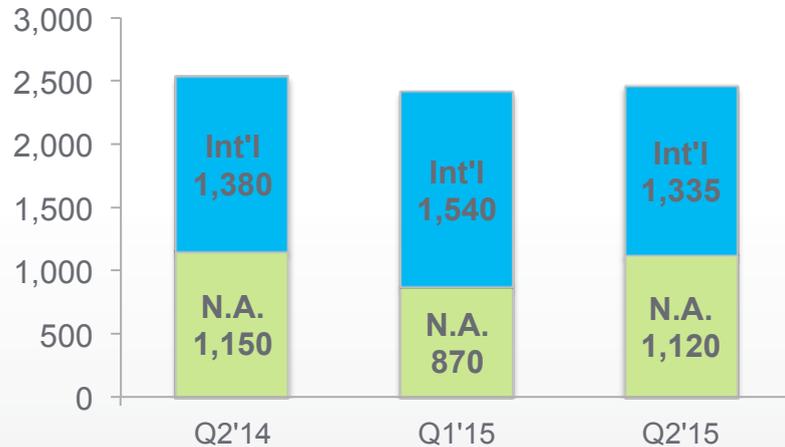
- N.A. Orthodontists +7.9% Q/Q, +21.6% Y/Y
- N.A. GP Dentists +11.1% Q/Q, +13.0% Y/Y
- International +13.3% Q/Q, +30.4% Y/Y

Q2 2015 Clear Aligner Adoption Metrics

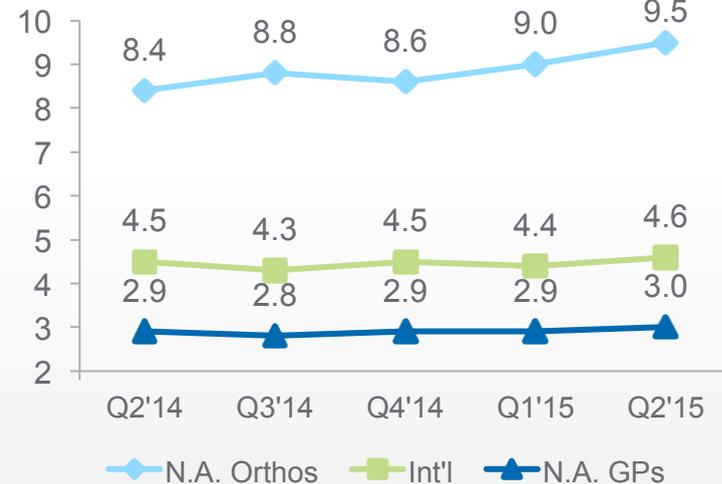
Invisalign Doctor Training and Utilization

- 2,455 new Invisalign-trained doctors in Q2'15
 - 1,120 North America
 - 1,335 International
- Q2'15 doctor utilization 4.6 cases/doctor up compared to 4.5 in Q1'15 and 4.4 Q2'14
 - N.A. Orthodontists 9.5, +1.1 pts Y/Y
 - N.A. GP Dentists 3.0, +0.1 pts Y/Y
 - International 4.6, +0.1 pts Y/Y

Quarterly Doctors Trained Worldwide



Average Doctor Utilization by Channel



Q2 2015 Geographic Mix by Net Revenues and Volume

Revenue Mix

Net Revenues of \$209.5M

Clear Aligner
North America: 60%
• +6.1% Q/Q
• +13.0% Y/Y

Clear Aligner
International: 30%
• +10.7% Q/Q
• +10.6% Y/Y

Scanner & Services
Clear Aligner Non-case



Scanner & Services: 4%
• (21.6)% Q/Q
• (32.2)% Y/Y

Clear Aligner
Non-case: 6%
• +4.2% Q/Q
• +5.7% Y/Y

Volume Mix

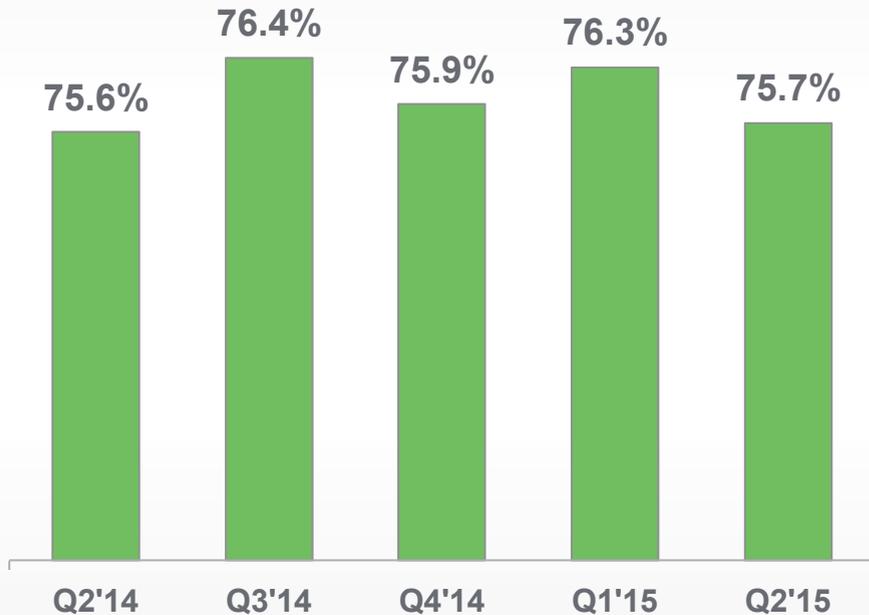
Shipments of 144,570

Clear Aligner
North America: 69%
• +9.3% Q/Q
• +17.4% Y/Y

Clear Aligner
International: 31%
• +13.3% Q/Q
• +30.4% Y/Y



Gross Margin Trend



Q2'15 Gross Margin Highlights

- Gross profit was \$158.6M or 75.7% gross margin
- Includes stock based compensation expense of \$1.0M

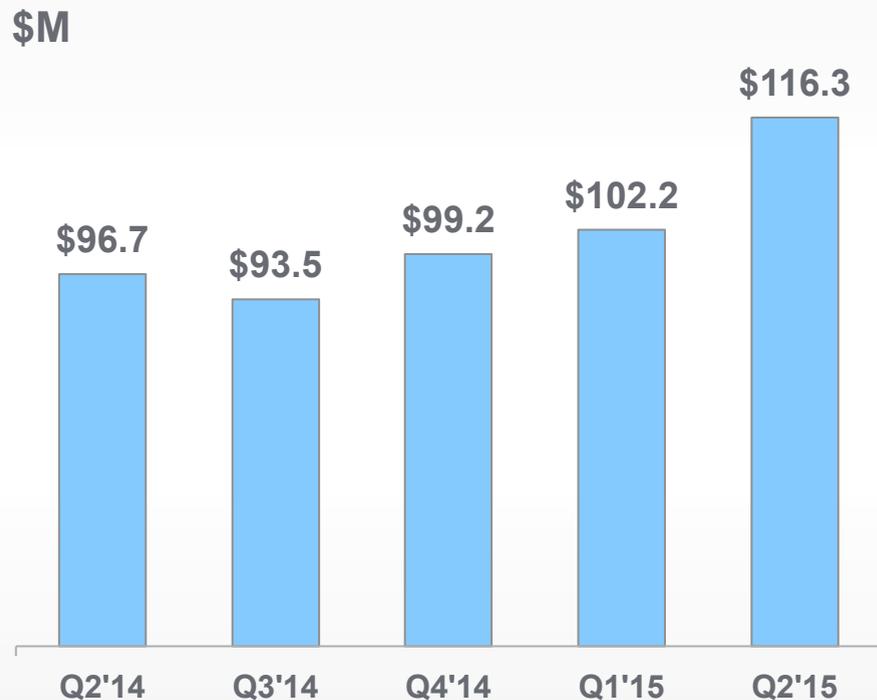
Clear Aligners: 78.3%

- (0.8)% pts Q/Q, (0.5)% pts Y/Y
- Q/Q decrease was primarily the result of lower ASPs and seasonally higher training events, which are only marginally profitable

Scanners & Services: 15.0%

- (13.3)% pts Q/Q, (14.5)% pts Y/Y
- Q/Q and Y/Y decrease due lower volumes and pricing on our iTero 2.9 scanner

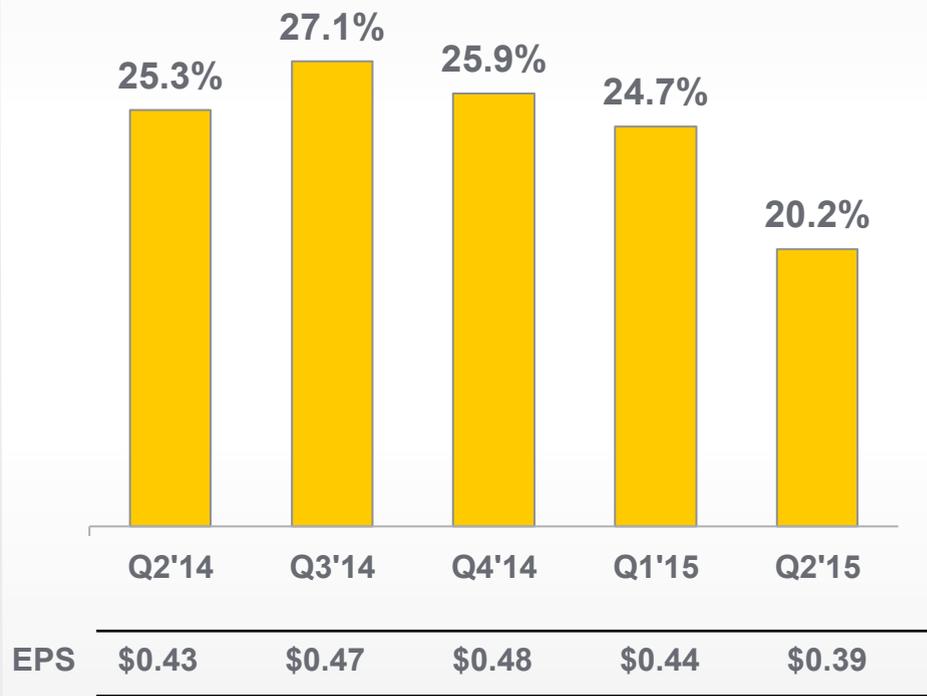
Operating Expense Trend



Q2'15 Operating Expense Highlights

- Operating expense was \$116.3M, +13.8% Q/Q, +20.2% Y/Y
- Includes stock-based compensation expense of \$11.9M
- Q1 included a \$6.8M benefit for the refund of Medical Devices Taxes paid in prior years. Q2 increased spending of \$7.3M related to sales force expansion and other investments.
- Y/Y increase primarily relates to similar investments, and our ERP implementation project, which were partially offset by a benefit from FX rates. Recall that Q2'14 benefitted from a Medical Device Excise Tax Refund of \$1.2M

Operating Margin and EPS Trend



Q2'15 Operating Margin Highlights

- Operating profit was \$42.3M and operating margin 20.2%
- (4.5)% pts. Q/Q, (5.1)% pts. Y/Y
- Q/Q decrease relates primarily to the Medical Device Excise Tax benefit recorded in Q1, which contributed 3.4 pts. The balance of the sequential decrease was approximately split equally between lower gross margins and higher operating expenses.
- Y/Y decrease decrease is primarily the result of investment in the business related to sales expansion, R&D, and ERP, as well as FX rates.
- Tax rate was 26.2%, up 2.4 points from our Q1 tax rate. This is primarily due to a higher percentage of certain nondeductible expenses

Q2 2015 Results at Constant Currency

(in millions, except percentage change)	Q2 2015	
Net Revenues	\$209.5	8.8% Y/Y
FX impact using Q2'14 FX rates	+10.3	
Non-GAAP Net Revenues	\$219.8	14.2% Y/Y
Clear Aligner Net Revenues	\$200.8	11.7% Y/Y
FX impact using Q2'14 FX rates	+10.3	
Non-GAAP Clear Aligner Net Revenues	\$211.1	17.5% Y/Y

A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com> under Financial Information > Quarterly Results for the quarter.

Balance Sheet Highlights

<i>(in millions except for DSOs)</i>	Q2'14	Q1'15	Q2'15
Accounts Receivables, net	\$131.0	\$138.2	\$146.5
DSOs	61 days	63 days	63 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$502.7	\$613.0	\$596.7

Cash Flow from Operations	\$69.7	\$35.7	\$62.9
Capital Expenditures	\$(5.0)	\$(15.6)	\$(10.5)
Free Cash Flow*	\$64.8	\$20.0	\$52.4

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

Stock Repurchase Program

- During Q2'15, the Company paid out \$70 million under an accelerated stock repurchase plan ("ASR") in which we received an initial delivery of approximately 824,000 shares of our common stock. The final number of shares repurchased will be determined upon completion of the ASR based on Align's volume-weighted average stock price during the term of the ASR, less an agreed upon discount. The ASR is expected to be completed by July 29, 2015.
- There remains approximately \$130 million available for repurchases under the existing stock repurchase authorization, of which \$30 million is expected to be used for open market repurchases pursuant to a 10b-5 trading plan over the next nine months.
- These repurchases were collectively part of a three-year, \$300 million stock repurchase program announced on April 23, 2014 of which the second \$100 million was authorized to be purchased through April 2016.

Financial Outlook

Factors That Inform Our View of Q3 2015

- Pleased with our business, especially with continued growth from our international regions and progress in North America.
- For North America, most teen case starts occur in the summer months and we expect to have a busy teen season with Orthos in Q3. Conversely, Q3 is typically a seasonally slower quarter for North American GPs. While we've made progress in North America with both Orthos and GPs and expect to see some benefit from our investments in sales force expansion, consistent with historical seasonal trends, we're expecting North America volumes to be down slightly quarter-over-quarter.
- In our International markets, our European doctors typically spend fewer days in the office due to summer vacations and extended holidays. China, which has now become the largest Invisalign market in the Asia Pacific region, is beginning to offset some of the seasonality we've typically experienced in the Southern European countries. Notwithstanding this factor, we anticipate International Invisalign case shipments to be down to flat sequentially from Q2.
- We expect our Scanner and Services business to be up sequentially with commercial availability of our New iTero Element commencing in Q3.

New Additional Aligner Policy Increases Deferred Revenue

- New additional aligners policy addresses our #1 complaint from customers. We've historically charged customers for additional aligners ordered beyond those covered by the initial treatment plan. With this new policy, Align will no longer distinguish between mid-course corrections and case refinements and will allow doctors to order additional aligners to address either treatment need at no charge.
- Changes apply to all new Invisalign Full, Teen, and Assist products, our Full Product Group, shipped worldwide after July 18, 2015 as well as any open Invisalign Full, Teen or Assist cases started prior to this product policy change.
- As a result, beginning in Q3'15, our deferrals will increase as we will now recognize lower revenue as a result of providing these additional aligners at no charge and the "grandfathering" of over 1 million open cases.

Financial Impact from New Additional Aligner Policy

- Effect on our future revenues:
 - An increase in the amount we defer for each new case we ship.
 - Revenue recognized on each “additional aligner” shipment will be lower than the amounts we’ve historically recognized until these grandfathered cases complete. The revenue recognized for each “additional aligner shipment” however, will not offset the higher deferrals for new cases for at least 2 years.
- Note: we increased Invisalign prices in North America in Q2 and Internationally in Q3 this year. While these price increases largely offset the economic costs of this policy change, they do not adequately cover the increase in deferred revenues due to grandfathered cases. While this policy change will slightly impact “billed” revenue, because we will no longer charge for the additional aligners, the change is immaterial to our cash flows.

(in millions)	Q3'15	Q4'15	FY 2015
Impact of revenue deferrals & recognitions, net	\$6 - \$7M	\$7 - \$8M	\$13 - \$15M

Q3 2015 Outlook

	GAAP	Non-GAAP(a)
Invisalign Case Shipments	141.8 K – 144.3 K	
Net Revenues	\$201.4 – \$205.7 M	\$213.6 - \$218.9 M
Gross Margin	74.5. % - 75.1 %	
Operating Expenses	\$119.5 M - \$120.9 M	
Operating Margin	15.1 % - 16.4 %	
Effective tax rate	24 %	
EPS, diluted	\$0.28 - \$0.31	\$0.37 - \$0.41
Stock based compensation	\$14.3 M	
Diluted shares outstanding	81.2 M*	

*Note: * Includes impact of ASR program and excludes any other repurchases during the quarter*

(a) Excludes Excludes impact from foreign exchange, additional aligners deferrals and organizational costs

Q3 2015 Guidance Impact Summary

(in millions, except EPS and percentage change)	Q3 2015	
Net Revenues	\$201.4 - \$205.7	6.1% - 8.3% Y/Y
FX impact using Q3'14 FX rates	+\$6.2	
Impact of Additional Aligner deferral	+\$6.0 - \$7.0	
Non-GAAP Net Revenues	\$213.6 - \$218.9	12.5% - 15.3%
Clear Aligner Net Revenues	\$190.6 - \$194.4	7.0% - 9.1% Y/Y
FX impact using Q3'14 FX rates	+\$6.2	
Impact of Additional Aligner deferral	+\$6.0 - \$7.0	
Non-GAAP Clear Aligner Net Revenues	\$202.8 - \$207.6	13.9% - 16.6%
EPS	\$0.28 - \$0.31	
FX impact on revenues using Q3'14 FX rates	+\$0.06	
FX impact on OpEx using Q3'14 FX rates	\$(0.05)	
Impact of Additional Aligner deferral	+\$0.06 - \$0.07	
Impact of org costs	+\$0.02	
Non-GAAP EPS	\$0.37 - \$0.41	+\$0.09 - \$0.10

A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com> under Financial Information > Quarterly Results for the quarter.

FY 2015 Commentary

Case Volumes

- We see year-over-year Invisalign growth at, to slightly above the mid-point of our 15% to 25% long-term model for revenue. Our North America and International businesses are both responding to investments we've made, and we believe they will respond to continued investment given our significant under penetration of the market.

Revenues

- 2015 has been impacted by significant currency movement when compared to last year. We've seen a further weakening of the Euro and other currencies since we first gave our 2015 preview during our Q4 earnings call in January. On top of this impact, our new Additional Aligner policy will impact 2015 revenue by approximately \$13 to \$15 million. We believe the added volumes we're seeing, however, will largely offset both of these factors.
- On a net, all-in basis, we believe our 2015 revenue growth will still be somewhere in the low double-digit range consistent with our comments in January and notwithstanding these impacts.

Operating Margin

- The incremental impact from FX, the impact from the new Additional Aligner policy, as well as a one point impact from higher costs for ERP will also be, to some extent, offset by higher volumes.
- We believe our 2015 operating margins will be on the order of 4 to 5 points below those we reported in 2014. Largely consistent with our comments in January.

Closing Summary

- Overall, pleased with Q2 volume growth and continued strength in our international business. We are making progress and we have a lot of positive momentum
- Making positive and forward looking changes for the company.
- Reported a solid quarter of growth and we are making measurable progress in improving our customer experience worldwide.
- Simplifying and unifying our sales and marketing across all regions is an important part of seeing and seizing opportunities, while delivering the best products and experience for our customers and their patients.
- Confident these changes will help accelerate our progress and continued success.

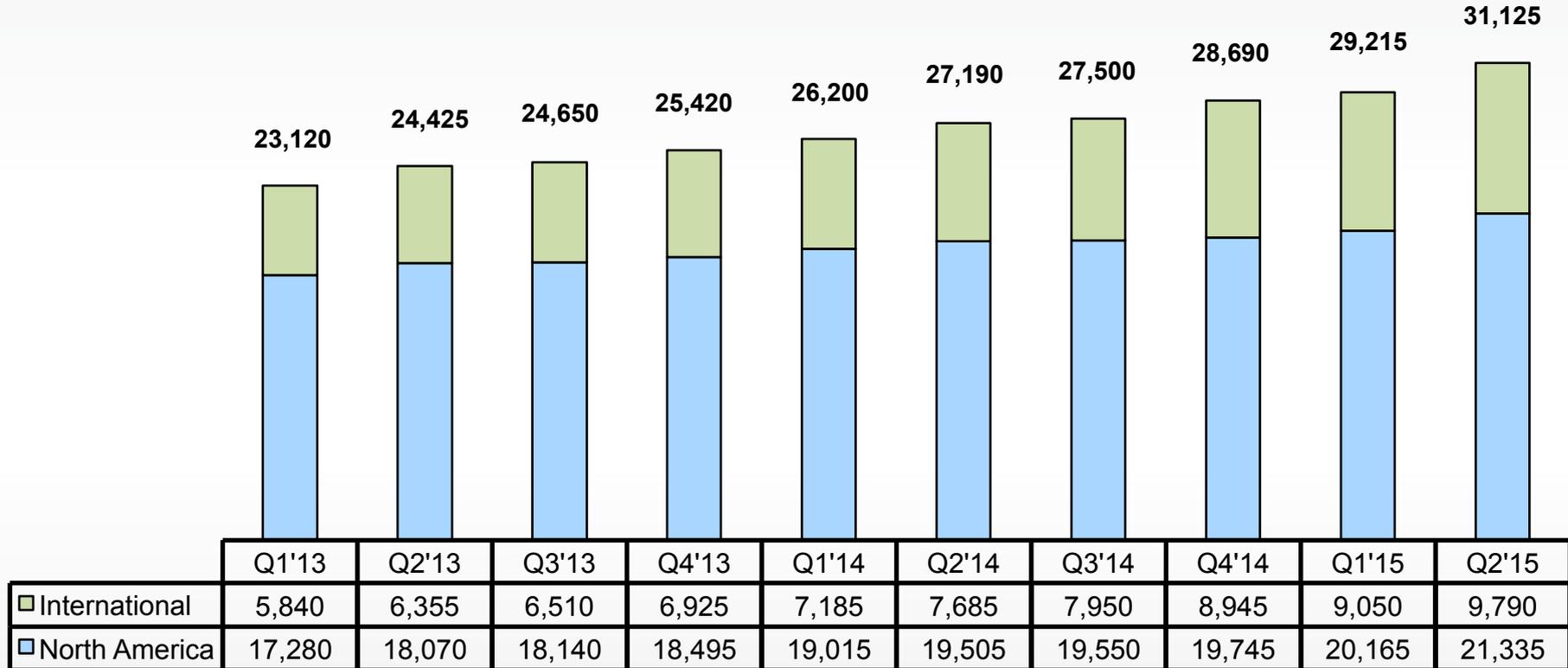
Contact Align Technology at:

- Website: investor.aligntech.com/
- Email: investorinfo@aligntech.com
- Tel: (408) 470-1000
- Corporate and Investor Communications:
 - Shirley Stacy, [sstacy@aligntech.com](mailto:ss Stacy@aligntech.com)
 - Yin Cantor, ycantor@aligntech.com

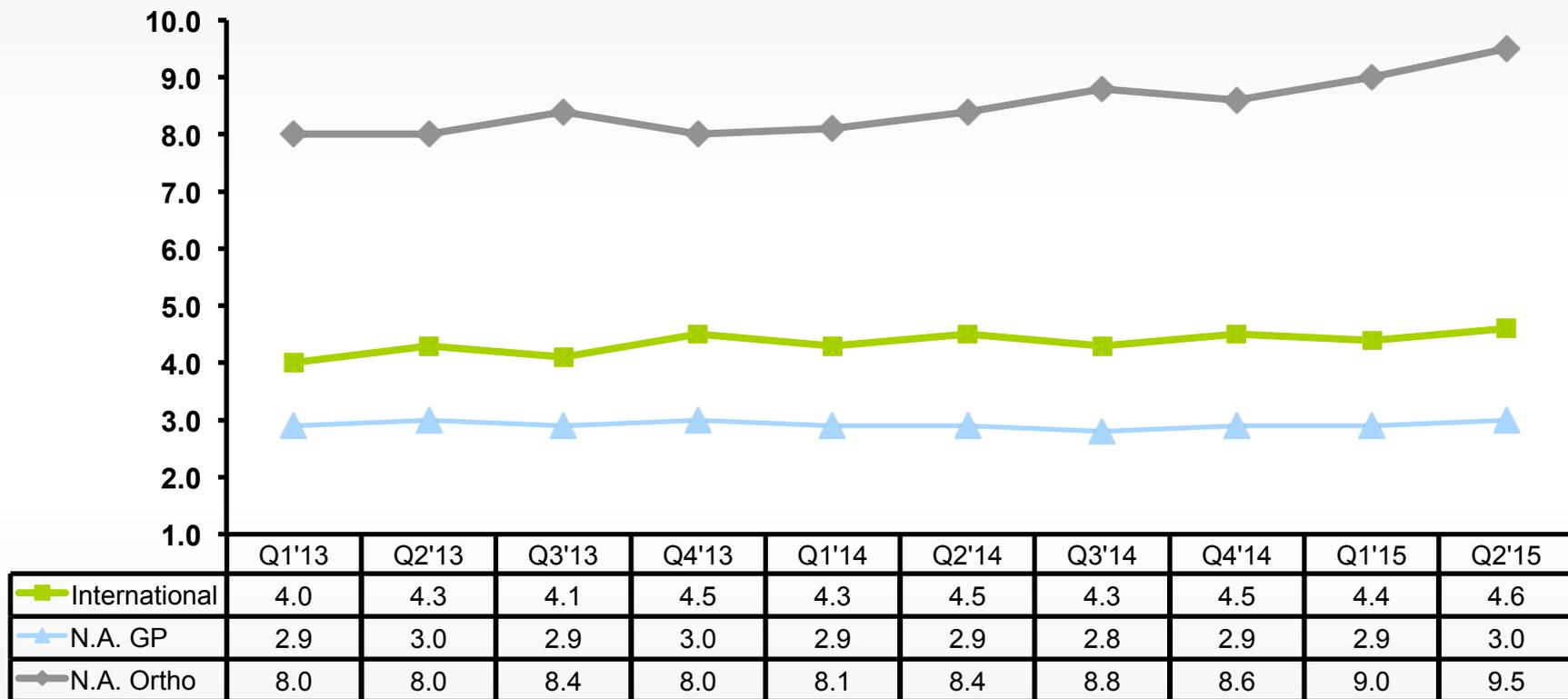
Additional Clear Aligner Data

Historical Information as of 6/30/15

Total Doctors Invisalign Cases Shipped To



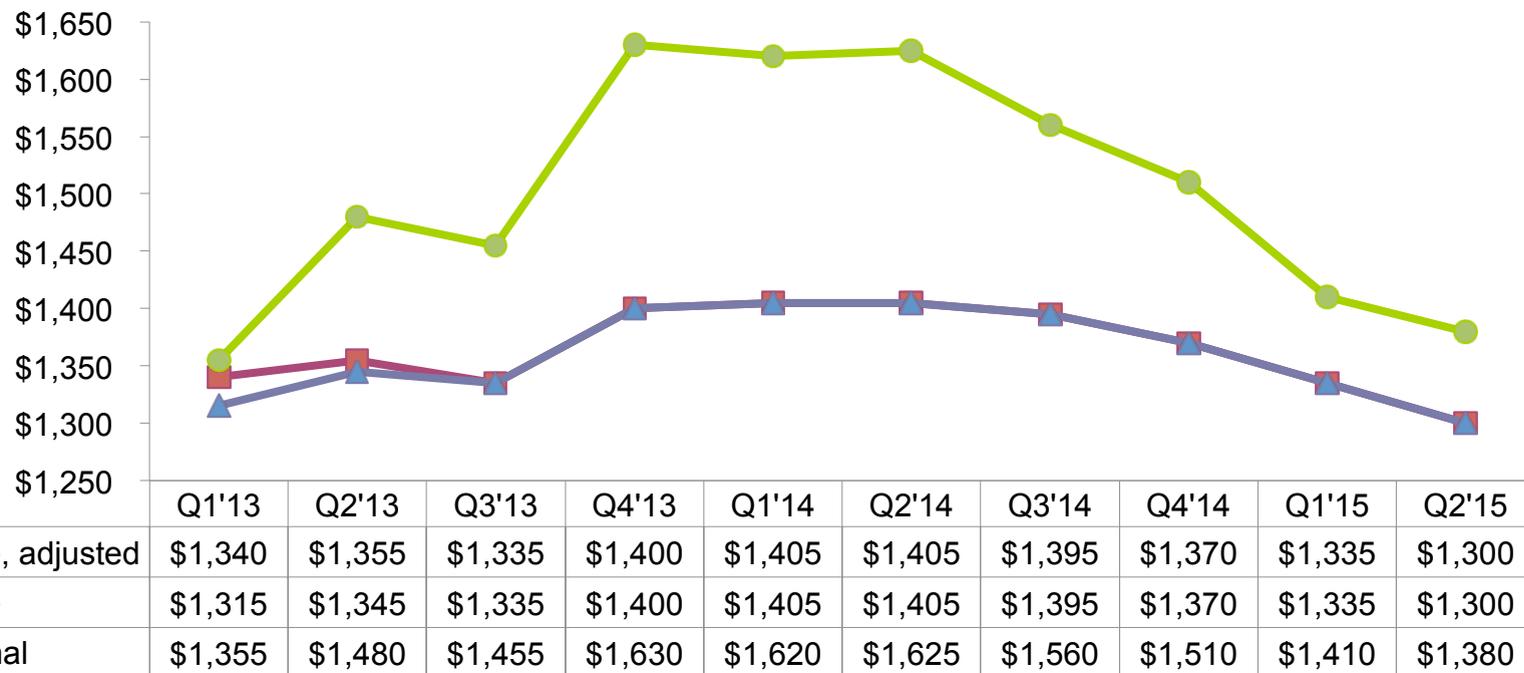
Invisalign Utilization Rate*



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

Invisalign Average Selling Price (ASP)

Worldwide and International



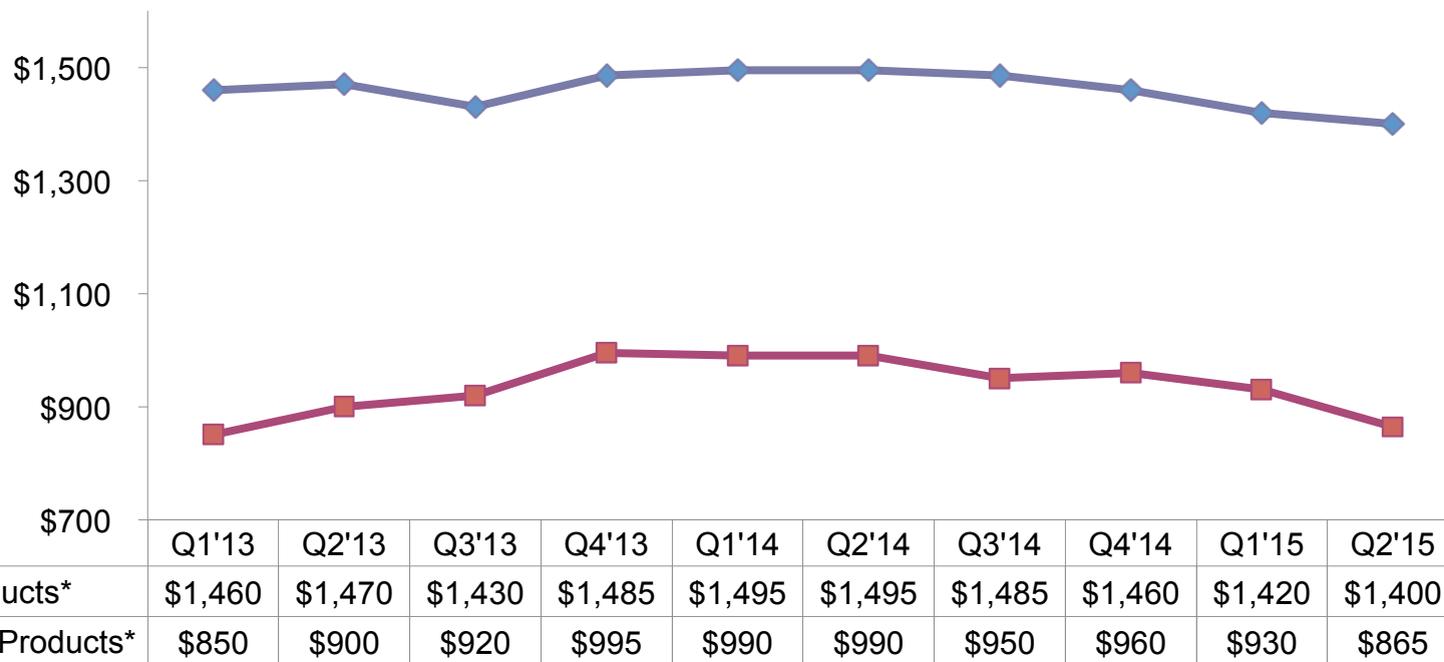
ASP: Invisalign case revenue / Invisalign case shipments

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

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

Invisalign Average Selling Price (ASP)

Product Groups



Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist

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

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