

align

 invisalign® | iTero®

Financial Results

Q2 2019

Align Technology, Inc.

Align Technology, Inc. – Q2 2019 financial results

Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - John Morici, CFO
 - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Webcast Archive:
 - Telephone replay will be available through 5:30pm ET August 7, 2019
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13691835
 - 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, including the tables below, contains forward-looking statements, including statements regarding certain business metrics for the third quarter of 2019, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, capital expenditures, depreciation and amortization, diluted earnings per share, tax rate, case shipments, and our expectations regarding stock repurchases during the quarter. 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, including Align's predictions related to a tougher consumer demand environment in China, especially for U.S. based products and services, Align's expectations regarding the continued growth of our international markets, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's expectations regarding the sales growth of its intra-oral scanner sales in international markets, its belief that technology features and functionality of the iTero scanners will increase adoption of Invisalign and increase sales of Align's intra-oral scanners, Align's expectations regarding the financial and strategic benefits of establishing regional order acquisition, treatment planning and manufacturing facilities, 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, Align's expectation to incur additional costs related to the planned corporate structure reorganization, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, the expected impact additional sales representatives will have on our sales in 2019, growth related risks, including excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel, the security of customer and/or patient data is compromised for any reason, system integration and implementation issues, 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 as well as an increased manufacturing costs per case, 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, 2018, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2019 and its latest Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, which was filed with the SEC on May 2, 2019. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q2 2019 financial highlights

- Our second quarter revenues were at the high-end of our guidance, reflecting Invisalign volume growth primarily from international doctors, as well as very strong sales from iTero scanner and services. Q2 Invisalign volumes were up 24.6% year-over-year reflecting continued adoption from teenage and younger patients, as well as increased utilization and expansion of our customer base which totaled over 60,000 active doctors worldwide.
- From a product perspective, we had good growth across the Invisalign portfolio with non-comprehensive products outpacing comprehensive - led by Invisalign Go globally. Total Invisalign case shipments for Q2 were lower than expected, primarily due to softness in China related to a tougher consumer environment and slower growth in young adult case in North America.
- Now, let's turn to the specifics around our second quarter results, starting with the Americas region.

	Q2'19	QoQ	YoY
Total Net Revenues	\$600.7M	+9.4%	+22.5%
- Clear Aligner*	\$496.7M	+5.9%	+14.6%
- Scanner & Services	\$104.0M	+30.4%	+82.4%
Invisalign Case Shipments	377.1K	+8.0%	+24.6%
EPS, diluted	\$1.83	+\$0.94	+\$0.53

Q2 2019 financial highlights

Americas

- For the Americas region, Q2 Invisalign case volume was up 4.2% sequentially and 16.5% year-over-year, reflecting growth in both the Orthodontist and GP Dentist channels, as well as continued strength from teenage patients and Invisalign Go. In Q2, we trained approximately 3,000 new Invisalign doctors in the Americas region, of which more than half were North American doctors.
- On a sequential basis, Q2 Invisalign volume growth reflects increased utilization for the Americas region overall, driven by North American Orthos at 18.9 cases per doctor, with continued adoption of Invisalign with Mandibular Advancement and Invisalign First - used to treat patients as young as 6 years old. We also had solid performance from GP dentists, with continued momentum from Invisalign Lite and Invisalign Go.
- Invisalign Go is uniquely designed for GPs and features a digital chairside experience using the iTero intra oral scanner and streamlined tooth movement capabilities. It's a really great product and we're very pleased with its performance, including with our DSO partners who are using it to help their providers introduce Invisalign treatment into practice. Invisalign Go integrates well into the DSO model, which remains a very important part of our overall business as we continued to see DSO growth rates outpacing non-DSO doctors significantly.
- Year-over-year, Q2 Invisalign volume growth for the Americas region was driven by continued strength in the Ortho channel with 19.7% growth (compared to 25% y/y in Q2'18), as well as an increase of 11.6% from the GP channel.
- In Q2, we saw slower adult case growth from North American orthodontists, reflecting a more crowded competitive environment - especially for young adults in the 20-29 year old demographic who really value convenience and cost. We know there is about 10% overlap in our adult demographic with SDC. Given increased awareness for direct to consumer clear aligners and heavy advertising spend from DTC players, case starts may be shifting away from traditional practices. We also believe that doctors are sampling alternative products and/or taking advantage of wires & brackets bundles that essentially give clear aligners away for free or at very low prices. These competitive dynamics are not surprising and were validated during a recent customer visits. Nonetheless, they appear to be working themselves out and in the first few weeks of Q3, we've seen improving trends in North America.
- In July, our executive team and I spent a week meeting with over 200 orthodontists in 4 major U.S. cities and I did not hear anything that gave me pause from a competitive performance standpoint. That's not to say that we didn't get feedback about how we can make things better, especially around how to help doctors compete more effectively against DTC offerings, but doctors consistently told us that the Invisalign system is the best product there is - hands down...technically and clinically.
- Given the changing DTC landscape, we are focused on further differentiation of Invisalign treatment for both consumers and doctors. In Q3, we're increasing investment in consumer demand with a new advertising campaign for North America and expanding marketing programs such as Concierge Service, which connects potential patients with Invisalign doctors increasing conversion and stickiness. In addition, we're launching new sales tools and professional marketing materials and also expect to see increased productivity from the 100+ sales representatives we added in Q1.
- We'll also look for opportunities to leverage the Invisalign product portfolio to doctors to treat patients as needed to and compete with DTC offerings....Expanding on products like Invisalign Go and Lite will help close the gaps many doctors see with DTC patients who are looking for price and convenience.
- Finally, in Latin America, we continue to make great progress led by Brazil in developing the emerging clear aligner segment in the world's leading market for beauty and cosmetic procedures. In Q2, Invisalign volume in Latin America was up significantly year-over-year, reflecting our ongoing investments as we continue to build our business in the region, training approximately 1,300 Invisalign doctors during the quarter.

Americas Invisalign Metrics

North Americas Utilization*



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

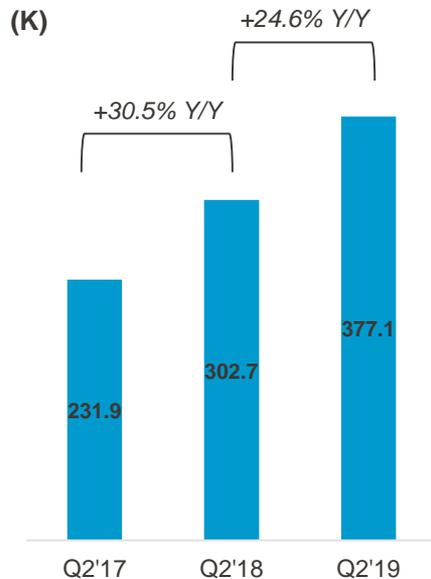
Americas Shipments



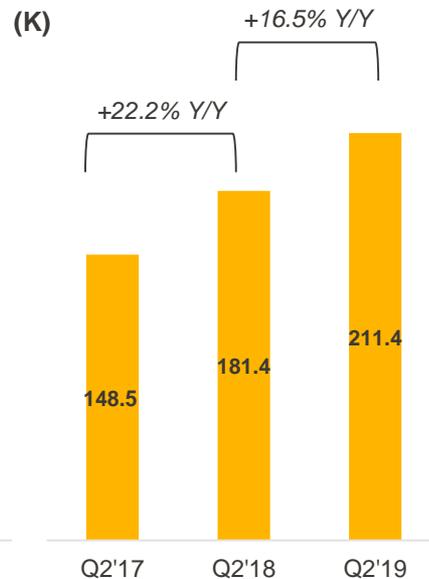
Invisalign shipments

Q2'19 WW and Americas highlights

WW Invisalign Volumes



Americas Invisalign Volumes



Q2 2019 financial highlights

International

- For our International business, Q2 was a good quarter with strong Invisalign volume growth of 36.7% year-over-year, reflecting increased Invisalign utilization and continued expansion of our customer base in both EMEA and the Asia Pacific region. On a sequential basis, International volume was up nicely reflecting growth in both the EMEA and Asia Pacific region. In Q2, we trained approximately 3,500 new Invisalign doctors internationally, over half of which were in the Asia Pacific region.
- In EMEA, Q2 was another strong quarter with volumes up 39.0% year-over-year, driven by growth across the region with record Invisalign volumes in all but one country market, led by Iberia. We saw strength across the Invisalign product portfolio with continued momentum from Invisalign Go. We also continue to see strong growth across our key expansion markets as well, led by Central and Eastern Europe.
- For APAC, Q2 Invisalign volume increased 33.1% year-over-year, reflecting continued growth from nearly all country markets, led by China, Japan, and Australia/New Zealand. We also had strong growth from GP dentists, which were up 52.4% year-over-year.
- On a sequential basis, Q2 Invisalign volume for APAC was up nicely led by Japan, Southeast Asia, Hong Kong and Taiwan. We also had a uptick in adult patients in Q2, following a very strong quarter for teen cases in Q1 in conjunction with a teenage promotion to help drive trial and adoption in the very important teen segment.
- During Q2, we trained over 1,900 new doctors in APAC, over 40% were in China.
- Notwithstanding current consumer sentiment – we remain confident in the long term opportunity in China and will continue to invest in our manufacturing operations and training centers to ensure that we operate like a local company and have the capabilities to expand and scale our business as the environment improves.
- We are also focusing on what we can influence directly to help mitigate consumer sentiment in China. We are expanding our reach and scope in Tier 3 and Tier 4 cities across China, including investment in a GP dentist sales force and sales programs centered on Invisalign Go. In the last year since the launch of Invisalign Go in APAC, we have learned that doctors benefit from a differentiated approach in training and support and will align our resources accordingly.
- We're also increasing consumer marketing spend in APAC including new advertising like our Doctor Centered ad that is launching in North America next week. Finally, in the second half of this year, we expect to have dozens of Invisalign pop up centers in China to ensure we educate consumers and connect more with Invisalign doctors.
- Outside of China, we have strong growth across APAC including Japan, ANZA, Hong Kong, Taiwan. We will continue to drive adoption and utilization by investing through sales & marketing programs, and clinical education with new training centers like the one we just announced in Taiwan. Through this center, we have also launched the first integrated post-graduate Invisalign training program in Asia with National Taiwan University Hospital.

International Invisalign Utilization* & Shipments



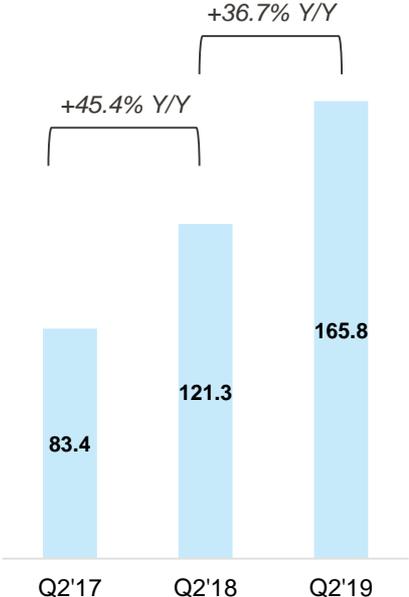
*number of cases shipped/number of doctors to whom cases were shipped

Invisalign shipments

Q2'19 international highlight

International Invisalign Volume

(K)



Clinical education and peer-to-peer learning

- Clinical education and peer to peer learning is one of the most impactful ways we help drive adoption of Invisalign treatment. During Q2, we engaged directly with thousands of Invisalign trained doctors around the world providing them with the ability to learn from clinical experts and practice development leaders, and share their experience and insights with each other:
 - In April we held the 2019 Invisalign China Forum, in Xi'an, attracting over 1,300 industry practitioners and gathering together over 40 experienced orthodontists from all over the country. During the two-day forum, participants held in-depth discussions on frontier topics such as adolescent orthodontics, extraction in orthodontic treatment and digital dentistry.
 - In May, 300 high volume orthodontists from 37 countries across the Americas, EMEA and APAC participated in the inaugural edition of the Invisalign Symposium on the Digital Practice in London. The two-day doctor event featured specially designed sessions, combining plenary interaction and small group of working sessions, covering such topics such as: understanding consumers, practice optimization, challenges of building a digital practice, among others. I was able to address specifically on the digital practice and driving the evolution of digital orthodontics with supporting talks on digital transformation and healthcare and the power of digital treatment planning along with practice optimization with ADAPT.
 - ADAPT is Align's consultative program to provide practices with personalized support to help doctors and staff navigate the journey from a braces model to an aligner model in a timely, efficient, and profitable manner. Emphasis is on digital workflow, finances, and consumer acquisition and early results from test sites in the Americas, EMEA and APAC show significant improvements in conversion, revenue growth, practice profits, and other key metrics as practices shift to a digital model and increase their Invisalign share of chair.
 - In June, we hosted the first Invisalign Scientific Symposium in EMEA, located in Valencia, Spain. The Scientific Symposium focused on evidence-based success cases for Invisalign treatment in growing patients with dedicated focus on treatments with Invisalign First and Mandibular Advancement Feature, bringing together nearly 200 of EMEA's most experienced Invisalign doctors.
 - In July more than 175 general dentists from all across Europe attended the second annual Invisalign GP Growth Summit in Berlin focused on peer-to-peer learning and emerging industry trends.
 - We also just hosted our first Invisalign Teen Summit with about 300 doctors and staff in Los Angeles. The Summit program was focused completely on teen treatment and teen culture, and included a tie-in to VidCon, the top teen culture and community event where Align has a multi-year relationship and strong brand presence. Teen Summit is designed to turn low teen submitters into high teen submitters by combining Invisalign specific clinical and practice "how tos" with an immersive teen culture experience, social media support and training, and insights from teen influencers.



Invisalign China Forum

- Attended by over 1,300 industry practitioners and over 40 professional stomatologists and experienced orthodontists
- Showcased innovation achievements in invisible orthodontics and Align's commitment to lead the change for digital dentistry



The First National iTero Scanning Competition "King of Oral Scanning" final contest was also held at the Invisalign China Forum.



Invisalign Extraction Case Launching Ceremony was held during the forum (From Left to Right: Prof. He Hong from Wuhan University School of Stomatology; Prof. Lai Wenli, West China School of Stomatology, Sichuan University; Prof. Duan Yinzong, Air Force Medical University; Prof. Cai Bin, Hospital of Stomatology, SunYat-Sen University; Zhou Yanheng, Professor of Peking University Hospital of Stomatology; Prof. Jin Zuolin, Air Force Medical University; Prof. Zhao Zhihe, West China School of Stomatology, Sichuan University; Prof. Li Song, Capital Medical University Hospital of Stomatology and Prof. Zhou Hong, Hospital of Stomatology, Xi'an Jiaotong University)

Hong Kong Invisalign Forum



Held on 23-24 May, the Forum highlighted the trend of digital workflow with the theme of "Future Orthodontic". Eleven leading speakers from North America, Japan and Greater China were invited to share their expertise.

China: National Medical Beauty Hospital CEO Forum



Held on 21 May, Over 60 hospital CEOs and COOs attended.

Taiwan Invisalign Forum



Held on 21-22 April, the Taiwan Invisalign Forum focus was on Invisalign First and Teen treatments. More than 180 doctors participated in these activities.

ANZ Invisalign Forum



The ANZ Invisalign Forum featured three keynote speakers – Dr. Barry Glaser, Dr. Alessandro Greco and Mr. John Morton with over 300 attendees.

APAC Invisalign Forums

Align hosted Invisalign forums focusing on the latest product innovations; digital dentistry; and frontier topics with leading industry speakers

- China
- Hong Kong
- Taiwan
- Australia / New Zealand

Seoul International Dental Exhibition (SIDEX) 2019



Held on 10-12 May, 300 doctors visited the Invisalign Korea booth during the exhibition.

Ortho 360 Staff Event



Held on 30-31 March, 63 orthodontic staff members from ANZ attended the event at the new Sydney Invisalign Training Centre.

First Step-up Session in Korea



Held on 6-7 April, Dr. Willy Dayan shared several of his own cases during the session.

Other APAC Events

- Seoul International Dental Exhibition
 - Attended by over 300 doctors
 - Latest product innovations
 - Peer-to-peer networking and idea exchange
 - In-booth education
- Ortho 360 Staff Event
 - Attended by over 60 orthodontic staff members
 - Practice overview through interactive learning and peer exchange
- Step-up Session in Korea
 - Featuring Invisalign KOL



Invisalign Symposium on the Digital Practice in London

- Attended by ~300 top orthodontists from across the globe
- Combined plenary, interaction, and small group working sessions
- Practice optimization
- Peer-to-peer learning
- Complex treatments
- Growing children and teens
- Product innovation



Raj Pudipeddi, Align Technology SVP & CMO opened the second day of the Invisalign Symposium on the Digital Practice to discuss key trends that can help doctors better understand and engage with consumers of the digital era.



"We are trying to adapt to the consumers of today by making things more convenient for patients while maintaining best quality of service possible." - Dr. John White on practice experiences that drive patient acceptance.



"We need to think about customer experience & engaging with the people the way THEY want to create long-lasting experience," said George Blankenship, former Tesla, Apple and GAP Inc. executive.



At the 2019 British Dentistry Show, Align showcased the latest innovations to dental professionals from the UK – iTero Element 5D, new Invisalign Go features and the SmileView tool. Pictured above: Dr. Monik Vasant



Speakers pictured from left to right (with the Align Team): Abhishek Ganguly - VP GP Channel Europe; Dr. Rhona Eskander; Dr. Elaine Halley; Dan Gallagher – General Manager, GP Channel UK; and Dr. Monik Vasant

British Dentistry Show

- Product innovation featuring
 - iTero Element 5D
 - Invisalign Go and
 - SmileView tool
- Peer-to-peer learning
- In-booth speakers/education
- Social media



Align Growth Summit in Berlin

- Second edition of the Align GP Growth Summit was attended by more than 175 general dentists from Europe
- Practice growth
- Digital dentistry
- Dental Excellence
- Peer-to-peer learning
- Speakers included the Dr. Coachman, Dr. Eskander, Dr. Orr, Dr. Vesanen, Ken Hughers, Julius van de Laar and others



Event attendees shared best practices regarding treating with the Invisalign Go System and Invisalign System, received a demo of iTero 5D Element intra-oral scanner and saw the latest consumer activations for the EMEA market.

Invisalign European Scientific Symposium in Valencia



Align speakers – Dr. Mitra Derakhshan (VP Global Clinical), Markus Sebastian (SVP & MD EMEA), and Beena Harkison (Director of Clinical & Professional Education, EMEA) discussed the importance of clinical evidence in treating growing patients using Invisalign treatment with Mandibular Advancement and the Invisalign First system. To date, we have seen over 300 scientific publications published, showcasing the efficacy of our technology.

- Attended by 190 top doctors from over 20 countries
- Clinical excellence and growing patient outcomes with Invisalign treatment for Teen and the Invisalign First System
- Science-based discussions
- Invisalign Scientific Symposium Award
- Peer-to-peer learning



Align Technology
47,627 followers
17h

Future orthodontist in the making! Pictured: Dr. Kenji Ojima from Tokyo and his son, Kenya Ojima. #AAO2019



AAO 2019

- Emphasis on Teen and Growing Children
- Teen and Growing Children Ortho Study Club
- ADAPT services
- SmileView station
- Mandibular advancement and Invisalign First station
- Digital practice workflow
- iTero Element scanner digital experience
- In-booth speakers/education
- Social media



Align Technology
47,622 followers
17h

Dr. Willy Dayan has his own philosophy when using ClinCheck treatment plan – "Let the software speak." #AAO2019





Invisalign Teen Summit

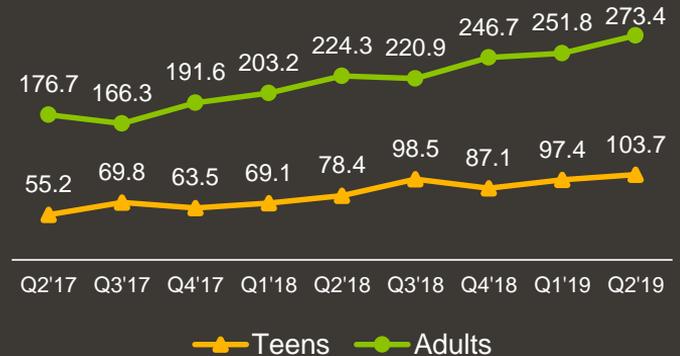
- Attended by over 150 North American doctors
- Connected doctors with our partner Awesomeness TV, top teen influencers and best practices from Orthos that have grown their practice by growing their teen share of chair
- Tailored tour of VidCon, the world's largest activation of digital video & online creators with live exhibits and immersive brand experiences, including a highly popular Invisalign brand presences
- Peer-to-peer learning
- Social media

Q2 2019 financial highlights

Teens and adults

- 7.2M total Invisalign patients to date, with approximately 1.7M teens.
- Speaking of teens, in Q2 over 100,000 teenagers started treatment with Invisalign clear aligners, an increase of 32.2% year-over-year driven by continued strong adoption across all major regions.
- For Q2, year-over-year Invisalign teen patient growth for North Americas Orthodontists increased 25.0% and International doctors were up 44.4%. Invisalign First and Invisalign treatment with Mandibular Advancement continue to ramp globally and are helping to increase our share of teenagers and younger patients worldwide.
- Overall, we're very pleased to see that use of Invisalign treatment among teenagers continues to outpace adults and that Invisalign First is driving really strong growth in the kid/tween segment.
- In fact we reached our 7 millionth Invisalign patient during the quarter - a child in the U.S. being treated with Invisalign First. Since the launch of Invisalign First a year ago, kids under 10 years old have become our fastest growing demographic – up 140% year over year, which also bodes well for continued adoption of teens too.

Worldwide Invisalign Case Shipments Teen versus Adult Mix



Smile Concierge Program

- Year-to-date we've scheduled over 108K Invisalign consultations in the U.S., which equates to connecting hundreds of consumers to Invisalign doctors every day and providing leads they might not otherwise have had.
- The Smile Concierge service teams are located in the U.S., LATAM, Singapore, Brazil, Australia, the UK, Poland and Saudi Arabia.

+480K

Consumers
contacted

+108K

Consultations
scheduled

+27K

Invisalign
cases started

Smile Concierge Team

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.



Consumer marketing

- Our consumer marketing efforts are designed to build the category and drive demand for Invisalign treatment through a doctor's office. We invest over \$120 million each year in consumer marketing programs including TV, digital and social media, PR, event marketing and our Patient Concierge service. Our goals are to make the Invisalign brand a household name worldwide and to motivate consumers to seek Invisalign treatment through a doctor's office.
- In Q2, we continued to see strong digital engagement with consumers - reaching nearly 4.3 million unique visitors on Invisalign.com sites worldwide for a total of 57.5 million visitors to date. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q2 quarterly slides.
- During the quarter we developed a new consumer advertising campaign for our 3 largest markets, the U.S., Canada and China. This new multichannel campaign, which launches across North America this Monday, educates consumers on the significant benefits of Invisalign treatment, highlighting our patented SmartTrack technology based on years of research which moves teeth more predictably and comfortably combined with the personalized care of a doctor.
- We are more than doubling our media investment behind this new multichannel campaign to extend our reach across adults and parents of teens, increasing our reach/frequency from 50% to over 70%, in order to capture even more of our target audiences. In the U.S. our new campaign will run across all media channels including broadcast and national TV networks, connected TV such as Hulu and other streaming services, digital media and all social media channels. In Canada, our new ad will go live on digital channels first and then we will layer in TV in the coming weeks. And China will follow suit in the second half.

Q2 2019 consumer marketing

AMERICAS

2.3M

Website Visitors

277K

Doc Locator Searches

- Teens and Moms
- Influencer marketing
- Partnership with Awesomeness TV
- Ortho-as-hero

The Invisalign brand delivers straight smiles to patients as young as 6 years old



Board-certified orthodontist and founder of Bella Smile, Dr. Bella Garnett is a leading Invisalign provider in San Francisco/Marin and delivers top care for Invisalign patients before, during, and after treatment. In this segment, Dr. Bella provides in depth information on the benefits of Invisalign!
<https://abc7news.com/society/invisalign-first-delivers-straight-teeth-to-kids/5373397/>



1.3M views on June episode featuring influencer Simmi Singh

Matt Steffanina & DanceOn: 14M followers

EMEA

1.1M

Website Visitors

235K

Doc Locator Searches

- Consumer campaign
- City-focus campaign
- SmileView campaign
- Parent of teen campaign
- #SmileSquad influencer programme

Ein Lächeln kann Türen öffnen.



Testen Sie Ihr neues Lächeln mit der Invisalign Behandlung.

Sponsored By Invisalign



APAC

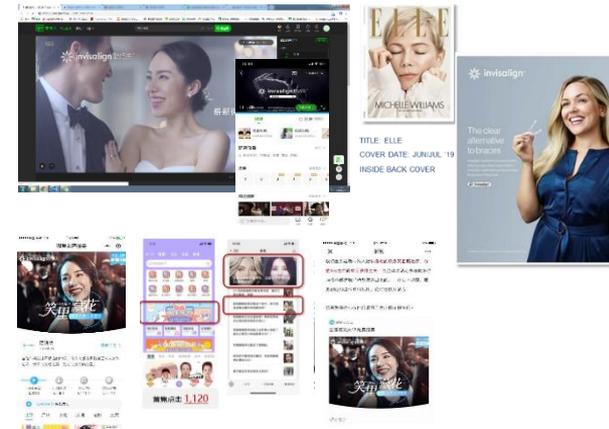
900K

Website Visitors

157K

Doc Locator Searches

- ANZ print ads/articles; influencer marketing
- Asian Campaign via editorial and KOLs
- China digital/videos and consumer campaign



Q2 2019 financial highlights

Scanner and services

- Q2 was another outstanding quarter for our iTero scanner and services business, with revenues up 82.4% year-over-year, reflecting continued strength across all regions and customer channels, including large account DSOs. On a sequential basis, revenues were up 30.4% sequentially, reflecting higher scanner sales following a seasonally weaker Q1, especially in North America and Asia Pacific. Increased services revenues reflect higher subscriptions from installed base growth and multi-year deals. During the quarter we saw continued adoption of the iTero Element 5D imaging system in EMEA, APAC and Canada, since its commercial launch at IDS in the first quarter of this year.
- Cumulatively, over 13.7 million orthodontic scans and 3.6 million restorative scans have started with iTero scanners.
- Use of the iTero scanners for Invisalign case submission continues to grow and remains a positive catalyst for Invisalign utilization. For Q2, total Invisalign cases submitted with a digital scanner in the Americas increased to 77.4% from 69.6% in Q2 last year. International scans increased to 60.8% up from 47.8% in the same quarter last year. Within the Americas, 92.3% of cases submitted by North American Orthos were submitted digitally.

Americas	65.3%	67.3%	69.6%	71.9%	73.5%	76.1%	77.4
International	41.5%	43.5%	47.8%	53.9%	57.5%	59.3%	60.8
	Q4'17	Q1'18*	Q2'18*	Q3'18*	Q4'18*	Q1'19*	Q2'19

*Digital scanner percentages revised.

- We continue to expand the iTero portfolio to address doctor's needs and enable them to more easily adopt Invisalign treatment in their practices. In June, we announced the iTero Element Foundation, extending the portfolio to offer dentists digital workflow capabilities to address their restorative and patient monitoring intraoral scanning needs. The streamlined workflows to dental laboratories includes an option for on-demand chairside milling and exclusive TimeLapse technology for patient communication and monitoring with the iTero Element Foundation, which provides dentists with capabilities beyond basic STL export scanners. Software upgrade pathways are also available for Invisalign clear aligners.
- The iTero scanner and services business has become an integral part of our business and is key to our end-to-end digital workflow. We believe that every exam should begin with an iTero digital scan because it's a better experience, it improves treatment outcomes, and it provides doctors with a chairside tool that enables patients to visualize their future smiles at chairside in less than a minute without any goop -- which increases treatment acceptance and drives practice growth.

Scanner and Services Revenues



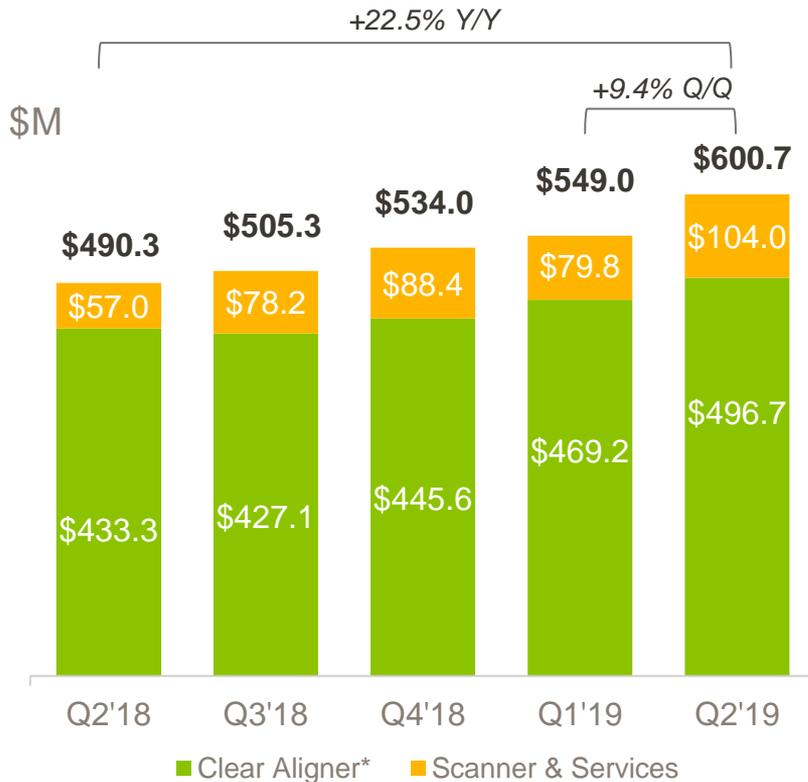
Straumann settlement

- Before I turn the call over to John, I want to mention the decision to terminate discussions regarding a possible development and distribution agreement that was disclosed as part of the patent settlement agreement with Straumann.
- As part of this settlement, Align and Straumann signed a non-binding letter of intent to assess the possibility of a 5-year global development and distribution agreement whereby Straumann would distribute 5,000 iTero Element scanners. Additionally, we considered exploring the possibility of offering existing iTero users access to Straumann's prosthetic and surgical planning workflows.
- In June, after months of deliberations, we announced the decision to terminate those discussions, and as a result, we received an additional \$16 million from Straumann for a total of \$51 million settlement.

+ Q2 2019 Financial Review

Revenues trend

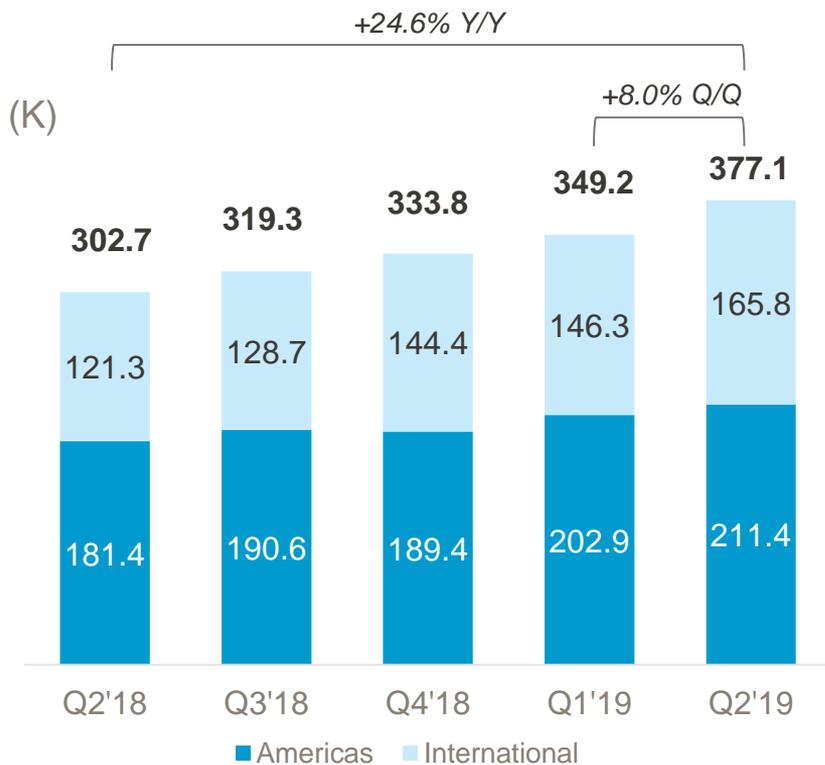
Q2'19 highlights



- Total revenue for the second quarter was \$600.7 million, up 9.4% from the prior quarter and up 22.5% from the corresponding quarter a year-ago. Year-over-year revenue growth includes approximately \$19 million or 4pts of unfavorable foreign exchange.
- For Clear aligners, Q2 revenue of \$496.7 million was flat sequentially due to Invisalign volume growth in most geographies, partially offset by lower Invisalign ASPs and lower SDC volume. Year-over-year clear aligner revenue growth of 14.6% reflects strong Invisalign shipment growth across all customer channels and geographies, partially offset by lower ASPs.
- On June 1st we had a minor issue with a standard software release that impacted some ClinCheck modifications. It was addressed and communicated to customers quickly, however it required some Invisalign doctors to re-review their treatment plans. This disrupted the workflow for many doctors, which was compounded by an increase in call volumes into our Treat Operations and Customer Care center that degraded service levels and customer experience. While it's impossible to quantify, on the margin it probably didn't help the quarter.
- Q2 Invisalign ASPs were down sequentially by approximately \$15, to \$1230 primarily due to unfavorable foreign exchange and discounts. On a year-over-year basis, Q2 Invisalign ASPs were down \$85 primarily reflecting promotional discounts, unfavorable foreign exchange, higher deferrals related to additional aligners and product mix shift, partially offset by price increases.
- Our Scanner and Services revenue for the second quarter was \$104.0 million, up 30.4% sequentially reflecting growth across regions and channels including DSOs, partially offset by lower ASP. Year-over-year revenue was up 82.4%, primarily due to higher scanner units across regions and related service revenues, partially offset by lower ASP.

Invisalign shipments trend

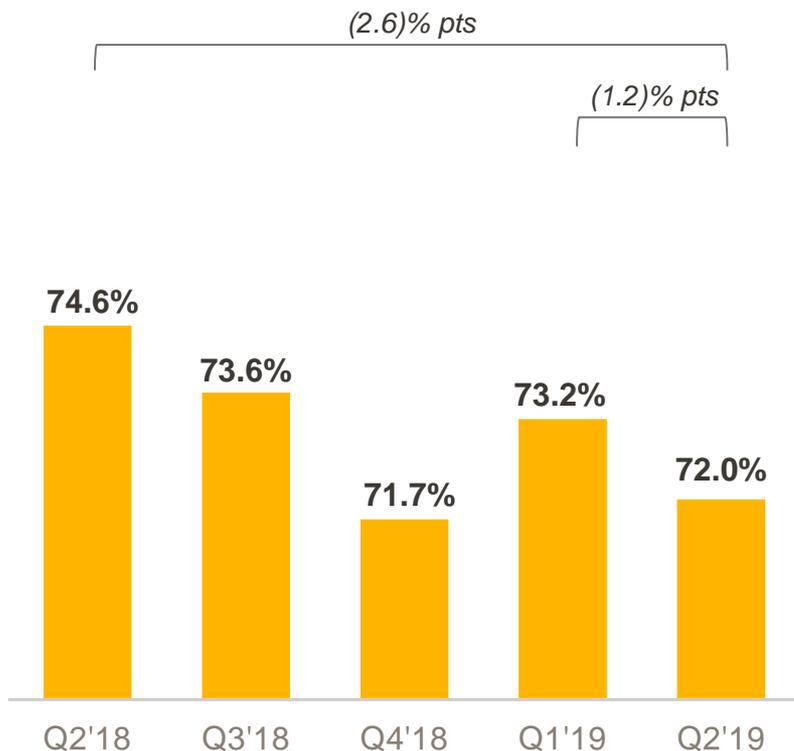
Q2'19 highlights



- Total Q2 Invisalign shipments of 377.1 thousand cases were up 8.0% sequentially and up 24.6% year-over-year.
- For Americas Orthodontists, Q2 Invisalign case volume was up 3.7% sequentially and up 19.7% year-over-year.
- For Americas GP Dentists, Invisalign case volume was up 4.9% sequentially and up 11.6% year-over-year.
- For International doctors, Invisalign case volume was up 13.4% sequentially and up 36.7% year-over-year.

Gross margin trend

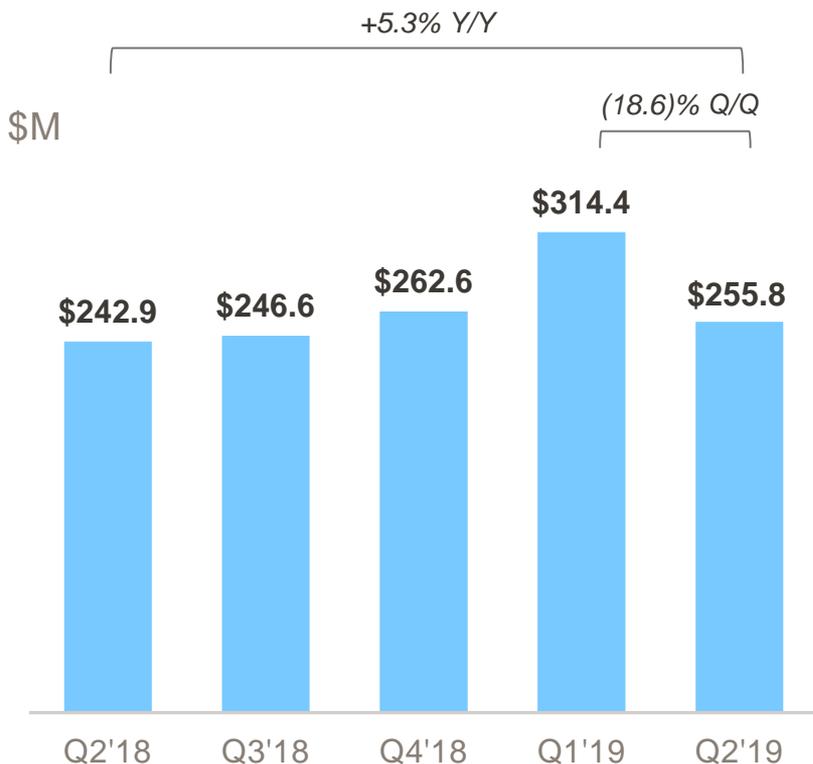
Q2'19 highlights



- Moving on to gross margin. Second quarter overall gross margin was 72.0%, down 1.2 points sequentially and down 2.6 points year-over-year. Gross margin was impacted by approximately 1 point year over year due to unfavorable foreign exchange.
- Clear aligner gross margin for the second quarter was 73.7%, down 1.2 points sequentially primarily due to costs from seasonally higher doctor training and freight.
- Clear aligner gross margin was down 2.8 points year-over-year primarily due to increased aligners per case and lower ASPs, as just described.
- Scanner gross margin for the second quarter was 63.6%, flat sequentially and up 4.0 points year-over-year primarily due to increased manufacturing efficiencies, partially offset by lower ASP driven by mix.

Operating expense trend

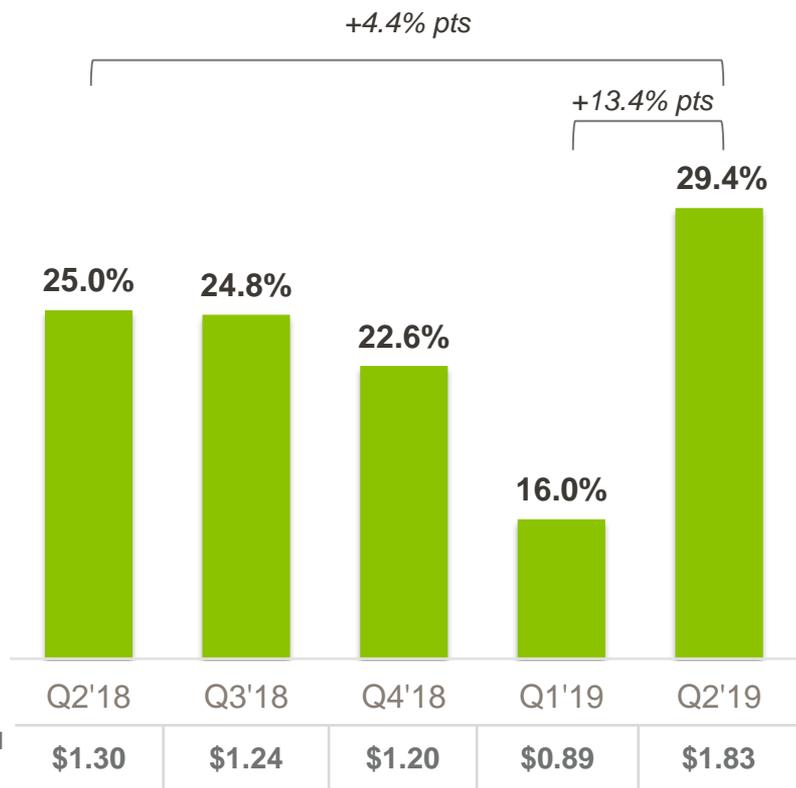
Q2'19 highlights



- Q2 operating expenses were \$255.8 million, down sequentially 18.6% and up 5.3% year-over-year. The sequential decrease in operating expenses reflects a benefit of \$51.0 million related to the Straumann litigation settlement, partially offset by our continued investment in sales and R&D activities.
- Additionally, Q1'19 operating expenses included \$29.8 million related to Invisalign store closure costs. On a year-over-year basis, operating expense increased due to sales and R&D activities and was partially offset by the Straumann settlement.
- Second quarter operating expense included a \$51 million benefit from the Straumann litigation settlement, which increased Q2 operating margin by approximately 8 points and diluted EPS by \$0.57, respectively.
- This settlement was higher than anticipated in our Q2 guidance because it included an additional \$16 million benefit from the termination of development and distribution agreement, along with \$5 million that we would have incurred for development.

Operating margin and EPS trend

Q2'19 highlights



- Our second quarter operating income was \$176.5 million, up 101.2% sequentially and up 43.8% year-over-year. Our second quarter operating margin was 29.4%, up 13.4 points sequentially and up 4.4 points year-over-year.
- The sequential increases in both operating income and operating margin are primarily attributed to the \$51 million benefit related to the Straumann settlement recorded in the second quarter and the Invisalign store closure costs recorded in Q1'19.
- On a year-over-year basis, the increases in operating income and operating margin primarily reflect the benefit from the Straumann settlement partially offset by lower gross margin and continued investments in sales and R&D .
- Interest, other income and expense of \$17.4 million includes the \$15.8 million gain that is related to our sale of our equity investment in SmileDirectClub during the second quarter.
- With regards to second quarter tax provision, our tax rate was 22.2% which includes approximately \$10 million of tax expense related to gains from the Straumann settlement and the sale of the SDC equity investment.
- Second quarter diluted earnings per share was \$1.83, up \$0.94 sequentially and up \$0.53 compared to the prior year.

Balance sheet highlights

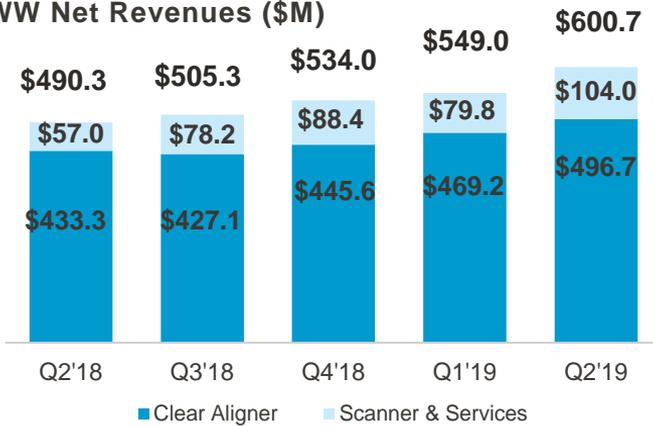
- As of June 30, 2019, cash, cash equivalents, and marketable securities, including both short- and long-term investments, were \$765.9 million, an increase of \$33.4 million from the prior quarter which is primarily due to higher cash flow from operations, partially offset by \$49.5 million used to repurchase approximately 161 thousand shares of our stock. Of our \$765.9 million of cash, cash equivalents and marketable securities, \$582.4 million was held in the US and \$183.5 million was held by our International entities.
- Q2 accounts receivable balance was \$520.1 million, up approximately 8.5% sequentially. Our overall days sales outstanding (DSO) was 77 days, down 1 day sequentially and up 9 days from Q2 last year.
- Cash flow from operations for the second quarter was \$177.4 million, up \$37.6 million compared to the prior year.
- Capital expenditures for the second quarter were \$45.3 million, primarily related to our continued investment in increasing aligner capacity and facilities. Free cash flow for the second quarter, defined as cash flow from operations less capital expenditures, amounted to \$132.0 million.
- During Q2'19, we purchased on the open market approximately 161 thousand shares of our common stock at an average price of \$307.48 per share, including commission for an aggregate purchase price of \$49.5 million. We have \$400.5 million remaining available for repurchase under the May 2018 Repurchase Program.

(\$ in millions except for DSO)	Q2'18	Q1'19	Q2'19
Accounts Receivables, net	\$374.4	\$479.3	\$520.1
DSO	68 days	78 days	77 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	\$720.7	\$732.5	\$765.9
Cash Flow from Operations	\$139.8	\$117.2	\$177.4
Capital Expenditures	\$(57.7)	\$(35.3)	\$(45.3)
Free Cash Flow*	\$82.1	\$81.9	\$132.0

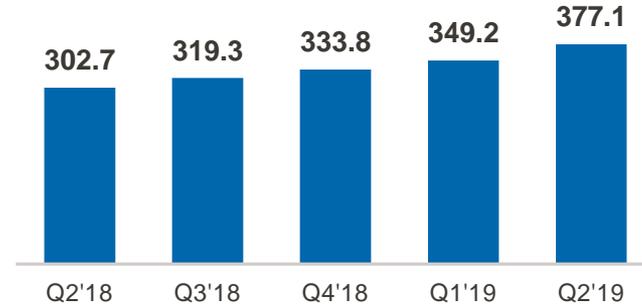
*Free cash flow is defined as cash flow from operations less purchase of property, plant and equipment and is a non-GAAP measure. Rounding may affect totals.

Trended financials

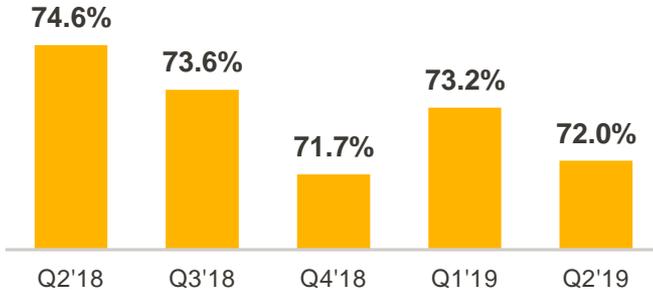
WW Net Revenues (\$M)



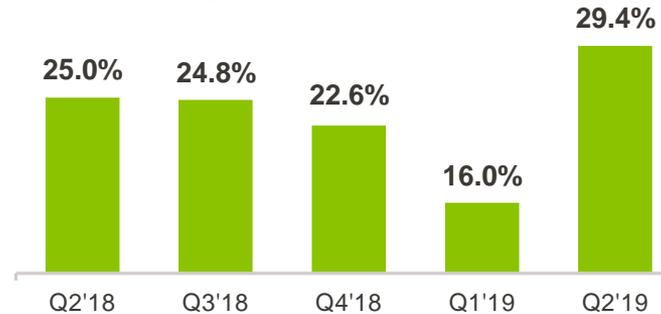
Invisalign Shipments (#K)



Gross Margin %



Operating Margin %



Q3 2019 outlook

- With that, let's turn to our Q3 outlook and the factors that inform our view. Starting with the demand outlook.
- As we exited Q2 and now into the first few weeks of Q3 we are seeing improving volume trends.
- For International, we expect Q3 volumes to be down sequentially reflecting a seasonally slower period for EMEA, partially offset by a seasonally stronger period for the APAC regions. However, given the uncertainty in China, we are reflecting a more cautious outlook for APAC growth.
- For the Americas, we expect Q3 volumes to be up sequentially reflecting growth across all key country markets, as well as a seasonally stronger period for North America orthodontists with the peak of the summer teen season, along with increased media spend and the launch of our new consumer advertising campaign as Joe described earlier.
- As we typically see, we expect overall Invisalign volume to be flat to slightly up from Q2.
- We expect our iTero business to be down sequentially coming off another very strong quarter and record growth in Q2. Year-over-year, the iTero business continues to grow across all regions.
- And, regarding Smile Direct Club (SDC), we expect no clear aligner volume from SDC in Q3.

	Q3 2019	
Invisalign Case Shipments	370K – 380K	
Net Revenues	\$585M - \$600M	
Gross Margin	71.9% - 72.5%	
Operating Expenses	\$305M – \$312M	
Operating Margin	19.8% - 20.5%	
Effective Tax Rate	~24%	(1)
EPS, diluted	\$1.09 - \$1.16	(1,2)
Stock-Based Compensation	\$25.0M	
Diluted Shares Outstanding	80.6M	(2)
Capital Expenditures	\$50M - \$55M	
Depreciation & Amortization	\$24M-\$26M	

(1) Includes excess tax benefits related to share-based compensation expense pursuant to ASU 2016-09

(2) Excludes any stock repurchases during the quarter

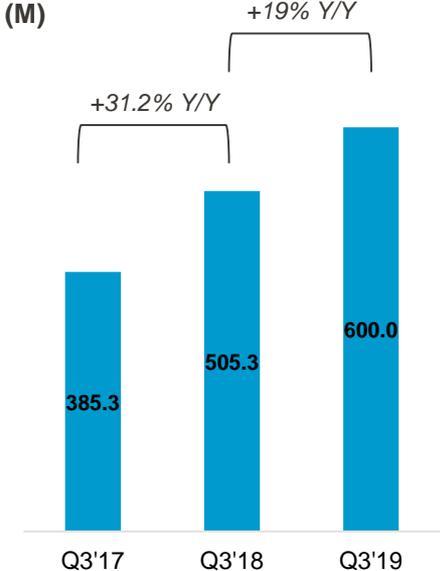
Q3'19 financial outlook commentary

With this as a backdrop, we expect the third quarter to shape up as follows:

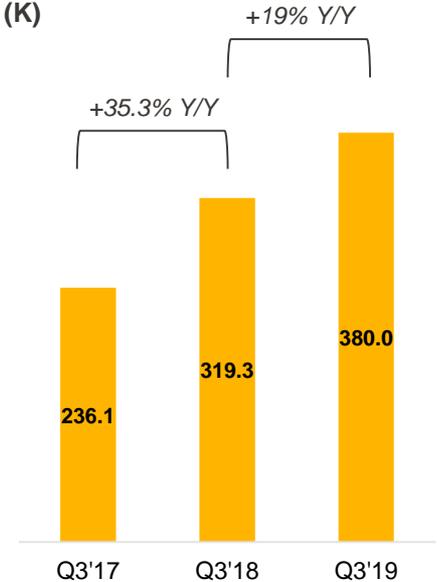
- Invisalign case volume is expected to be in the range of 370 to 380 thousand cases, up approximately 16% to 19% year over year, on a tough comp from Q3 last year which had record shipments that benefitted from the teen & adult promotions by approximately 2% higher growth rate.
- We expect Q3 revenue to be in the range of \$585 million to \$600 million, up approximately 16% to 19% year over year. Our Q3 revenue outlook assumes no SDC volume compared to the same quarter a year ago when aligners supplied to SDC contributed about \$8 million to revenue. In addition as just mentioned, in Q3'18 we had higher Invisalign volumes due to the promos, but lower ASPs.
- We expect Q3 gross margin to be in the range of 71.9% to 72.5%. Q3 gross margin is up slightly compared to Q2 as we expect improvement due to price increases and manufacturing productivity.
- We expect Q3 operating expenses to be in the range of \$305.0 to \$312.0 million. Our Q3 operating expenses are expected to be significantly higher sequentially as a result of the benefit of \$51 million Straumann settlement recorded in Q2 which reduced operating expenses. We are very pleased with the settlement and are putting the funds to work by stepping up our investment in consumer advertising with a brand new campaign and stepping up our reach and coverage. The new ads focus on the significant technical and clinical advantages of our Invisalign system and differentiates our doctor centered model for consumers. It will launch next week in North America and soon after in China. These ads will carry on throughout the second half of 2019.
- Q3 operating margin should be in a range of 19.8% to 20.5%.
- Our effective tax rate is expected to be approximately 24%.
- Diluted shares outstanding is expected to be approximately 80.6 million, exclusive of any share repurchases.
- Taken together we expect our Q3 diluted EPS to be in a range of \$1.09 to \$1.16.
- In addition, we expect to repurchase at least \$100 million of our stock in the open market in Q3.
- As we continue our operational expansion efforts, we expect capital expenditures for Q3 to be approximately \$50 to \$55 million, and we expect depreciation and amortization to be \$24 to \$26 million.

Q3 2019 outlook

Worldwide Net Revenues



Worldwide Invisalign Volume



2019 full year commentary

- Given our Q3 outlook, I want to make a few comments on our full year:
- Based on the current growth rates in our business to-date and our planned investments for the remainder of the year, we now anticipate 2019 total revenue growth rate to be at the low end of our long-term operating model target of 20% to 30%.
- We also expect Invisalign revenue and volume growth to be at the low end of our long-term operating model target.
- We anticipate operating margin to be below the low end of our long-term model at approximately 22%, which reflect the impact from increased legal fees and the planned corporate structure reorganization, as well as increased investment in consumer marketing, Invisalign store closure costs, partially offset by the benefit from the Straumann settlement.

Closing comments

- Before we close I want to comment on a few things that I think are important to remember given our lower than expected Invisalign volumes this quarter and a more cautious outlook for China in Q3.
- First, our fundamentals are squarely in place and our outlook for the remainder of the year is clearly within our long term model - on top of a record 35% last year. We don't believe the 2nd and 3rd quarter, in anyway, reflects our full potential. Our product technology, operational scale, and consumer brand awareness are all significant advantages – in a huge market that we are addressing with only 10% share today. The opportunity to bring better smiles to millions is not a zero sum game and we are working hard to ensure that we continue to gain share. So while we acknowledge competition, we also embrace it because it drives our own innovation, which is ultimately great for the millions of global patients who have yet to reap the benefits of this.
- Finally, before I open the call up for questions, I want to take a minute to congratulate Simon Beard who has taken on a new role as SVP and MD for the Americas. I also want welcome Markus Sebastian to our executive management team as the new SVP of EMEA. As many of you know, Simon was responsible for the market development and operational execution of all products and services in the EMEA region since 2014. Under Simon's leadership, the EMEA region has consistently grown more than 30% CAGR with strong performance across the entire region and customer base. His knowledge of the market and ability to drive strategic programs and initiatives across the region have delivered exceptional results and make him the ideal leader for the Americas region.
- Markus joined Align a year ago and has been responsible for Align's core Europe commercial organizations focused on the orthodontic channel. He has also served as interim GM of the DACH and France country markets. Markus is an experienced leader and general manager with a proven track record in global commercial operations and sales, strategic marketing, product development, and change management processes. His deep understanding of the healthcare markets in EMEA, Asia Pacific, and the US are an asset to Align and we are very glad to have Markus assume responsibility for the EMEA region.
- With that, I want to thank you again for joining our call. I look forward to seeing many of you at upcoming financial conferences and meetings, including the Invisalign GP Summit in November in Las Vegas, where we will also host an analyst meeting. Stay tuned for more information.

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 Appendix

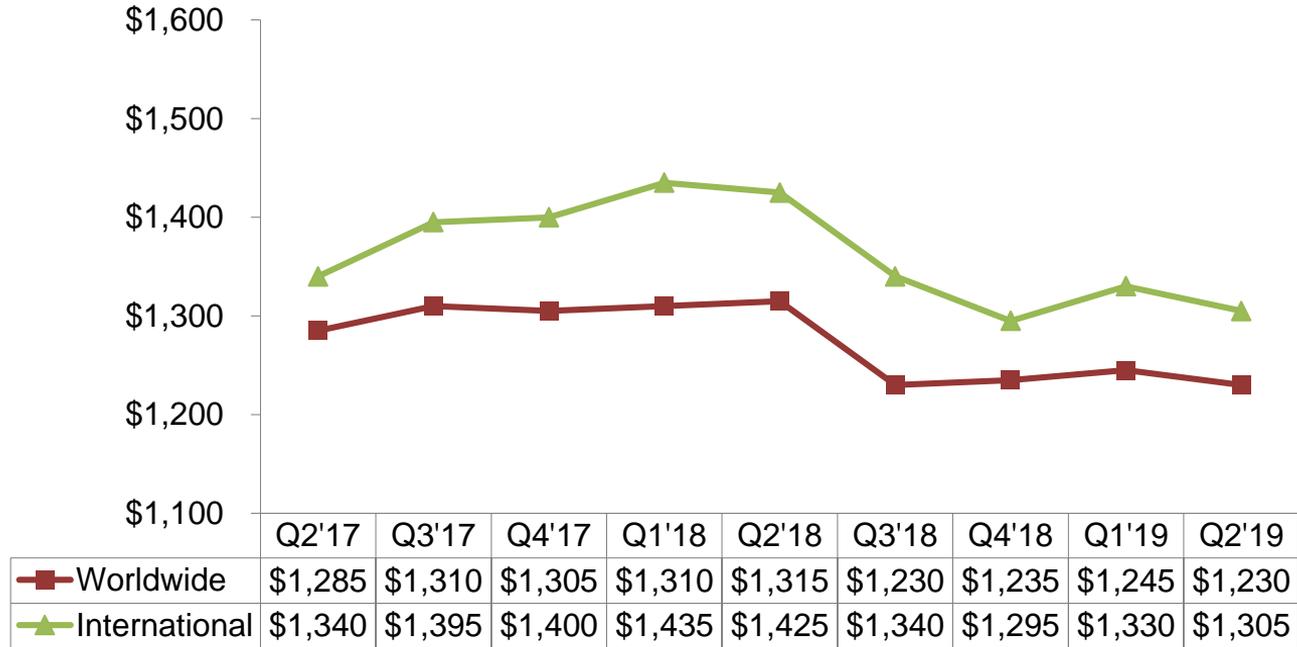
3 to 5 year financial model targets

	Q2'18 Actual	Q1'19 Actual	Q2'19 Actual	3 – 5 Year Model
Annual Revenue Growth %	37.5%	25.6%	22.5%	20% - 30%
Gross Margin	74.6%	73.2%	72.0%	73% - 78%
Operating Expense %	49.5%	57.3%	42.6%	45% - 50%
Operating Margin	25.0%	16.0%	29.4%	25% - 30%
Free Cash Flow*	16.7%	14.9%	22.0%	20% - 25%

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

Invisalign average selling price (ASP)

Worldwide and international

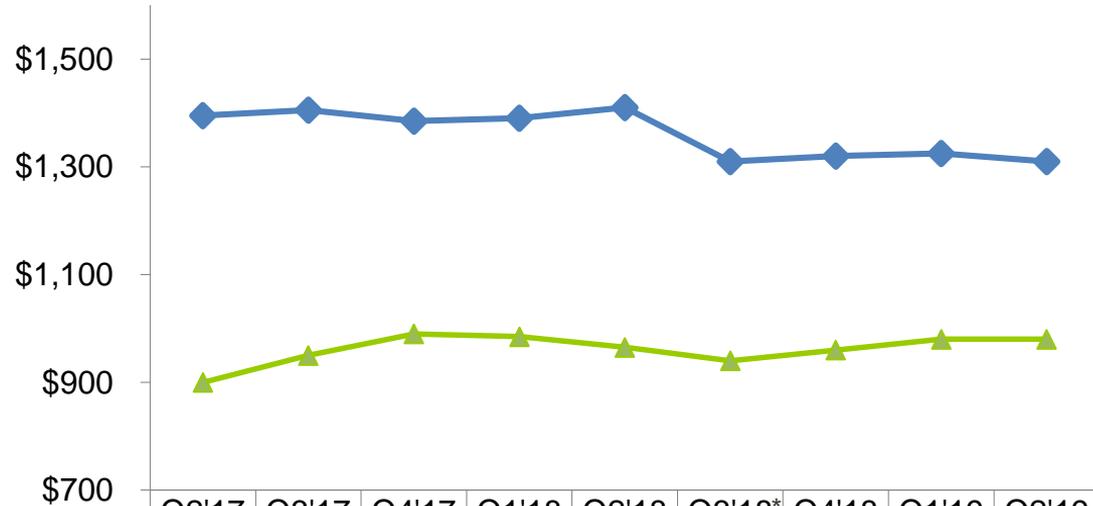


ASP: Invisalign case revenue / Invisalign case shipments

Effective Q1'18, Americas region includes North America and LATAM. International region includes EMEA and APAC. We have re-casted historical International ASP data to reflect the change.

Invisalign average selling price (ASP)

Product groups



◆ Comprehensive Products	\$1,395	\$1,405	\$1,385	\$1,390	\$1,410	\$1,310	\$1,320	\$1,325	\$1,310
▲ Non-comprehensive Products	\$900	\$950	\$990	\$985	\$965	\$940	\$960	\$980	\$980

Comprehensive Products: Invisalign Full, Invisalign Teen, Invisalign Assist

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

ASP: Invisalign case revenue / Invisalign case shipments

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