



October 26, 2017

Align Technology Announces Record Third Quarter 2017 Results

SAN JOSE, CA -- (Marketwired) -- 10/26/17 --

- | Q3 revenues up 38.3% year-over-year, up 8.1% sequentially to a record \$385.3 million
- | Q3 total Invisalign case shipments up 32.8% year-over-year to 236.1 thousand
- | Q3 Invisalign case shipments to teenage patients up 46.3% year-over-year, up 26.5% sequentially
- | Q3 scanner and services revenues up 25.0% year-over-year, up 23.2% sequentially to \$43.7 million
- | Q3 diluted EPS \$1.01, up 60.3% year-over-year

Align Technology, Inc. (NASDAQ: ALGN) today reported financial results for the third quarter ended September 30, 2017. Invisalign case shipments in the third quarter of 2017 (Q3'17) were 236.1 thousand, a 32.8% increase year-over-year. North America and International case shipments were up year-over-year 25.0% and 47.4%, respectively. Q3'17 Invisalign case shipments to teenage patients were 69.8 thousand, a 46.3% increase year-over-year. For Q3'17, revenues were \$385.3 million, a 38.3% increase year-over-year, and net profit was \$82.6 million, or \$1.01 per diluted share, up 60.3% per diluted share compared to the same period in the prior year.

Commenting on Align's Q3 2017 results, Align Technology President and CEO Joe Hogan said, "I'm pleased to report another strong quarter and results that exceeded our expectations across our key financial metrics including revenue, volume, margins, and EPS. Third quarter revenues increased 38.3% year-over-year driven by increased Invisalign volumes across all our geographies, as well as strong growth from iTero scanners. Our strong third quarter results also reflect accelerated growth from teenager patients in both North America and the Asia Pacific region, with total Invisalign shipments up 46.3% year-over-year and up 26.5% from the second quarter. On a sequential basis, revenues increased 8.1% driven by continued strength across Asia Pacific, which offset expected seasonality in Europe, as well as higher than expected revenues from shipments to SmileDirectClub."

GAAP Summary Financial Comparisons Third Quarter Fiscal 2017

	Q3'17	Q2'17	Q3'16	Q/Q Change	Y/Y Change
Invisalign Case Shipments*	236,065	231,890	177,755	+1.8%	+32.8%
Net Revenues	\$385.3M	\$356.5M	\$278.6M	+8.1%	+38.3%
Clear Aligner**	\$341.6M	\$321.0M	\$243.7M	+6.4%	+40.2%
Scanner & Services	\$43.7M	\$35.4M	\$34.9M	+23.2%	+25.0%
Net Profit	\$82.6M	\$69.2M	\$51.4M	+19.3%	+60.7%
Diluted EPS	\$1.01	\$0.85	\$0.63	+\$0.16	+\$0.38

Note: Changes and percentages are based on actual values and may affect totals due to rounding

* Invisalign Shipment figures do not include SmileDirectClub aligners

** Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners

As of September 30, 2017, Align had \$737.9 million in cash, cash equivalents and marketable securities compared to \$676.6 million as of June 30, 2017. During Q3'17, Align concluded its previously announced \$50.0 million accelerated stock repurchase program (ASR) receiving a total of 0.4 million shares at a weighted average share price of \$146.48 under the ASR. We have \$250.0 million remaining available for repurchases under the existing stock repurchase authorization.

Q3 2017 Business Highlights

- | **Align Technology Introduces a New Brand Identity for iTero® Scanning System and Tools:** Align announced a new global brand identity for the company's leading iTero® scanning system and innovative tools at the recent bi-annual Invisalign GP Summit customer event. The introduction of a new, vibrant brand identity for the iTero scanner reflects its critical and central role in digital treatment and the practice of the future.
- | **Patterson Dental and Align Technology Announce Distribution Agreement for iTero® Element Intraoral Scanning System:** Align announced a distribution agreement for Align's iTero Element intraoral scanning system.

This agreement provides access to Patterson's sales force and general dentist customers who are looking to grow their business through practice digitization. The iTero scanner enables dentists to scan in as little as 60 seconds, visualize changes in dentition, and perform restorative and orthodontic workflows that enhance their patient care and help them grow their practice.

- | ***Align Technology Moves Corporate Headquarters to New Buildings in San Jose, California:*** In August, Align relocated its corporate headquarters to a new location at 2820 Orchard Parkway, San Jose, CA. The Company had purchased the new buildings in January 2017 in anticipation of the lease expiration for its prior location.
- | ***Align Technology Expands Its Presence in Raleigh, North Carolina with Larger Office to Support Continued Headcount Growth:*** Align has opened a larger office in Raleigh, North Carolina to accommodate headcount growth and leverage the area's diverse and broad-based talent resources. Align intends to hire more than 200 employees over the next several years in Raleigh in various areas illustrating its commitment to driving continued innovation and supporting its expanding customer base globally.
- | ***Align Technology Opens First Office in Canada to Support Continued Growth:*** In August, Align opened its' first office in Canada to support continued growth across the region. Canada is Align's second largest country market and has a large opportunity for expansion and accelerated growth. Sian Roberts, who joined Align earlier this year as VP and General Manager, will lead the strategy and execution for Canada.

Q4 2017 Business Outlook

For the fourth quarter of 2017 (Q4'17), Align provides the following guidance:

- | Invisalign case shipments in the range of 245 thousand to 250 thousand, up approximately 29% to 32% over the same period a year ago.
- | Net revenues in the range of \$391 million to \$398 million, up approximately 33% to 36% over the same period a year ago.
- | Diluted EPS in the range of \$0.92 to \$0.95.

Align Web Cast and Conference Call

Align will host a conference call today, October 26, 2017 at 4:30 p.m. ET, 1:30 p.m. PT, to review its third quarter 2017 results, discuss future operating trends and the business outlook. The conference call will also be web cast live via the Internet. To access the webcast, go to the "Events & Presentations" section under Company Information on Align's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial 201-689-8261. An archived audio web cast will be available beginning approximately one hour after the call's conclusion and will remain available for approximately 12 months. Additionally, a telephonic replay of the call can be accessed by dialing 877-660-6853 with conference number 13671493 followed by #. For international callers, please dial 201-612-7415 and use the same conference number referenced above. The telephonic replay will be available through 5:30 p.m. ET on November 9, 2017.

About Align Technology, Inc.

Align Technology designs and manufactures the Invisalign® system, the most advanced clear aligner system in the world, and iTero® intraoral scanners and services. Align's products help dental professionals achieve the clinical results they expect and deliver effective, cutting-edge dental options to their patients. Visit www.aligntech.com for more information.

For additional information about the Invisalign system or to find an Invisalign provider in your area, please visit www.invisalign.com. For additional information about iTero digital scanning system, please visit www.itero.com.

Forward-Looking Statement

This news release, including the tables below, 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.

ALIGN TECHNOLOGY, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in thousands, except per share data)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Net revenues	\$ 385,267	\$ 278,589	\$ 1,052,090	\$ 786,671
Cost of net revenues	<u>92,779</u>	<u>69,387</u>	<u>253,060</u>	<u>191,626</u>
Gross profit	<u>292,488</u>	<u>209,202</u>	<u>799,030</u>	<u>595,045</u>
Operating expenses:				
Selling, general and administrative	169,524	126,708	483,636	360,385
Research and development	<u>24,201</u>	<u>20,415</u>	<u>71,389</u>	<u>54,111</u>
Total operating expenses	<u>193,725</u>	<u>147,123</u>	<u>555,025</u>	<u>414,496</u>
Income from operations	98,763	62,079	244,005	180,549
Interest and other income (expense), net	<u>3,750</u>	<u>1,463</u>	<u>8,607</u>	<u>1,161</u>
Net income before provision for income taxes and equity in losses of investee	102,513	63,542	252,612	181,710
Provision for income taxes	18,344	11,698	26,508	39,172
Equity in losses of investee, net of tax	<u>1,614</u>	<u>477</u>	<u>4,950</u>	<u>477</u>
Net income	<u>\$ 82,555</u>	<u>\$ 51,367</u>	<u>\$ 221,154</u>	<u>\$ 142,061</u>
Net income per share:				
Basic	<u>\$ 1.03</u>	<u>\$ 0.64</u>	<u>\$ 2.76</u>	<u>\$ 1.78</u>
Diluted	<u>\$ 1.01</u>	<u>\$ 0.63</u>	<u>\$ 2.71</u>	<u>\$ 1.74</u>
Shares used in computing net income per share:				
Basic	<u>80,163</u>	<u>79,977</u>	<u>80,086</u>	<u>79,920</u>
Diluted	<u>81,789</u>	<u>81,466</u>	<u>81,757</u>	<u>81,523</u>

ALIGN TECHNOLOGY, INC.
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (in thousands)

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 362,613	\$ 389,275
Marketable securities, short-term	316,454	250,981

Accounts receivable, net	321,328	247,415
Inventories	36,941	27,131
Prepaid expenses and other current assets	63,667	38,176
Total current assets	1,101,003	952,978
Marketable securities, long-term	58,842	59,783
Property, plant and equipment, net	295,901	175,167
Equity method investments	52,875	45,061
Goodwill and intangible assets, net	90,070	81,998
Deferred tax assets	73,532	67,844
Other assets	25,400	13,320
Total assets	\$ 1,697,623	\$ 1,396,151

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 45,942	\$ 28,596
Accrued liabilities	173,851	134,332
Deferred revenues	241,576	191,407
Total current liabilities	461,369	354,335
Income tax payable	45,375	45,133
Other long-term liabilities	8,921	1,294
Total liabilities	515,665	400,762
Total stockholders' equity	1,181,958	995,389
Total liabilities and stockholders' equity	\$ 1,697,623	\$ 1,396,151

ALIGN TECHNOLOGY, INC. INVISALIGN BUSINESS METRICS*

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Fiscal 2016	Q1 2017	Q2 2017	Q3 2017
Invisalign Average Selling Price (ASP):								
Worldwide ASP	\$ 1,255	\$ 1,285	\$ 1,285	\$ 1,230	\$ 1,265	\$ 1,270	\$ 1,285	\$ 1,310
International ASP	\$ 1,315	\$ 1,345	\$ 1,365	\$ 1,315	\$ 1,335	\$ 1,325	\$ 1,335	\$ 1,390
Invisalign Cases Shipped by Geography:								
North America	110,500	114,855	115,900	122,555	463,810	132,885	146,510	144,870
International	53,195	62,140	61,855	67,500	244,690	75,175	85,380	91,195
Total Cases Shipped	163,695	176,995	177,755	190,055	708,500	208,060	231,890	236,065
YoY % growth	25.2%	22.4%	20.5%	18.5%	21.5%	27.1%	31.0%	32.8%
QoQ % growth	2.1%	8.1%	0.4%	6.9%		9.5%	11.5%	1.8%
Number of Invisalign Doctors Cases Were Shipped To:								
North America	22,355	22,575	22,570	23,265	34,065	23,910	24,695	24,845
International	11,280	12,485	12,720	13,635	20,415	14,955	16,570	17,760
Total Doctors Cases Shipped To	33,635	35,060	35,290	36,900	54,480	38,865	41,265	42,605
Invisalign Doctor Utilization Rates*:								
North America	4.9	5.1	5.1	5.3	13.6	5.6	5.9	5.8
North American Orthodontists	10.4	10.7	11.1	11.3	36.6	12.6	13.6	13.8
North American GP Dentists	3.0	3.1	3.0	3.2	7.6	3.1	3.3	3.1
International	4.7	5.0	4.9	5.0	12.0	5.0	5.2	5.1
Total Utilization Rates	4.9	5.1	5.0	5.2	13.0	5.4	5.6	5.5
* # of cases shipped/# of doctors to whom cases were shipped								
Number of Invisalign Doctors Trained:								
North America	875	1,125	1,300	1,420	4,720	980	1,620	1,460

International	1,605	1,760	1,315	2,280	6,960	2,280	3,255	2,820
Total Doctors Trained Worldwide	2,480	2,885	2,615	3,700	11,680	3,260	4,875	4,280
Total to Date Worldwide	106,270	109,155	111,770	115,470	115,470	118,730	123,605	127,885

Note: Historical public data may differ due to rounding. Additionally, rounding may affect totals.

*Invisalign business metrics exclude SmileDirectClub aligners.

ALIGN TECHNOLOGY, INC.
STOCK-BASED COMPENSATION
(in thousands)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Fiscal 2016	Q1 2017	Q2 2017	Q3 2017
Stock-based Compensation (SBC)								
SBC included in Gross Profit	\$ 961	\$ 932	\$ 995	\$ 1,078	\$ 3,966	\$ 925	\$ 768	\$ 833
SBC included in Operating Expenses	11,563	12,767	12,716	13,136	50,182	13,887	13,477	14,134
Total SBC Expense	\$ 12,524	\$ 13,699	\$ 13,711	\$ 14,214	\$ 54,148	\$ 14,812	\$ 14,245	\$ 14,967

ALIGN TECHNOLOGY, INC.
BUSINESS OUTLOOK SUMMARY
(unaudited)

The outlook figures provided below and elsewhere in this press release are approximate in nature since Align's business outlook is difficult to predict. Align's future performance involves numerous risks and uncertainties and the company's results could differ materially from the outlook provided. Some of the factors that could affect Align's future financial performance and business outlook are set forth under "Forward Looking Information" above in this press release.

Financial Outlook

(in millions, except per share amounts and percentages)

	<u>Q4'17 Guidance</u>
	<u>GAAP</u>
Net Revenues	\$391 - \$398
Gross Margin	75.0% - 75.5%
Operating Expenses	\$198 - \$202
Operating Margin	24.3% - 24.8%
Net Income per Diluted Share	\$0.92 - \$0.95 (1)

Business Metrics:

	<u>Q4'17</u>
Case Shipments	245K - 250K
Capital Expenditure	\$55M - \$60M
Depreciation & Amortization	\$10.5M - \$11M
Diluted Shares Outstanding	81.9M (2)
Stock Based Compensation Expense	\$15.3M
Effective Tax Rate	22% (1)

(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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