

Financial Results

Q1 FY2014

Align Technology, Inc



Align Technology Q1 FY2014 Conference Call

- **Speakers:**

- Tom Prescott, president and CEO
- David White, CFO

- **Moderator:**

- Shirley Stacy, vice president, corporate and investor communications

- **Replay and Web cast Archive**

- Telephone replay will be available through 5:30pm ET April 30, 2014
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13579429
- Audio web cast archive will be available at <http://investor.aligntech.com> for approximately 12 months

Safe Harbor and Forward Looking Statement

This presentation, including the tables, contains forward-looking statements, including statements regarding certain business metrics for the second quarter and fiscal year 2014, including anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, case shipments and cash, cash equivalents and short-term and long-term investments. 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 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 the CAD/CAM 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 fiscal year ended December 31, 2013, which was filed with the Securities and Exchange Commission on February 28, 2014. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q1 FY2014 Overview

Tom Prescott
President and CEO

Q1 FY2014 Financial Highlights

	Total Net Revenues	Invisalign Clear Aligner Net Revenues		Scanner & Services Net Revenues
	\$180.6M	\$168.2M	112,180 _{cases}	\$12.4M
YoY	+17.6%	+18.8%	+14.3%	+3.3%
QoQ	+1.3%	+1.2%	+0.9%	+2.8%

- Pleased with our overall first quarter results and better than expected revenue and earnings.
- Record first quarter revenue increased nearly 18% Y/Y, driven by strong Invisalign volume. This solid growth reflects continued expansion of our customer base, as well as increased adoption and utilization, as doctors treat more patients with Invisalign.
- Despite numerous global economic challenges, our business remains strong, with growth driven by continued progress in EMEA and Asia Pacific.

Proven Strategic Growth Drivers

Market Expansion

Increase Teen Share

Grow Adult Segment

Drive European Growth

Continue INTL Expansion-APAC

Product Innovation

Increase Product Predictability & Applicability

Enhance Customer Experience

Brand Strength

Drive Awareness among Consumers

Increase Consumer Purchase Intent

Market Expansion – Q1 FY2014 Highlights

Strategic Growth Drivers

Market Expansion

- Grow the adult treatment category
 - Increase our share of teen treatment
 - Open new geographies and markets
- Continued targeted investments in our existing markets, including N.A., Europe, and the Asia Pacific region, through a combination of sales coverage and support, and professional marketing and clinical education programs
 - Further expanding our directly covered markets by converting some of the countries managed by our EMEA distributor back to direct sales regions
 - Scandinavia, Portugal, and Greece back in-house
 - Don't expect to see immediate material impact from these markets
 - Excited about their longer term potential and the opportunity to connect more directly with our customer base in those countries

Product Innovation – Q1 FY2014 Highlights

Strategic Growth Drivers

Product Innovation

- Create greater doctor preference through an intense focus on innovation
- Increase adoption and utilization for our products.

- **Launched Invisalign G5 for deep bite worldwide**

- Deep bite is a very pervasive, functional orthodontic problem that presents in almost half of existing orthodontic case starts in N.A. and approximately one third of case starts in Asia
- Record attendance at our Invisalign G5 launch events
 - 4,000+ doctors attended Invisalign G5 webinars in N.A.
 - 1,800+ doctors in a series of events in Europe and Asia
 - First couple of months post-launch, we have seen both an initial increase in the number of doctors submitting deep bite cases, as well as in the number of deep bite cases started worldwide, with the greatest incremental growth coming from International Orthos

- **Launched ClinCheck Pro with 3D controls in N.A.**

- ClinCheck Pro is our latest software innovation that provides doctors with more precise control over final tooth position during treatment planning
- Just 8 weeks into the launch, 83% of targeted doctors are using ClinCheck Pro – and most doctors who start using it continue using it

Brand Strength – Q1 FY2014 Highlights

Strategic Growth Drivers

Brand Strength

- Build the Invisalign brand through a very integrated consumer marketing platform that includes TV, media, social networking and event marketing
- Increase in North America media activity
 - Delivered more than 1.2 million unique visitors to Invisalign.com and year-over-year increases in all related activities on our consumer web site
 - Extensive usage of social media and traditional PR continue to help enable meaningful discussions around Invisalign treatment – leading to 53 million impressions from social media platforms just in Q1 alone
- On a smaller scale in Europe we continue to invest steadily in integrated consumer marketing campaigns in all major direct markets
- In Asia Pacific we are taking initial steps towards more significant PR and consumer programs

Q1 FY2014 Invisalign Geographic Performance

North America

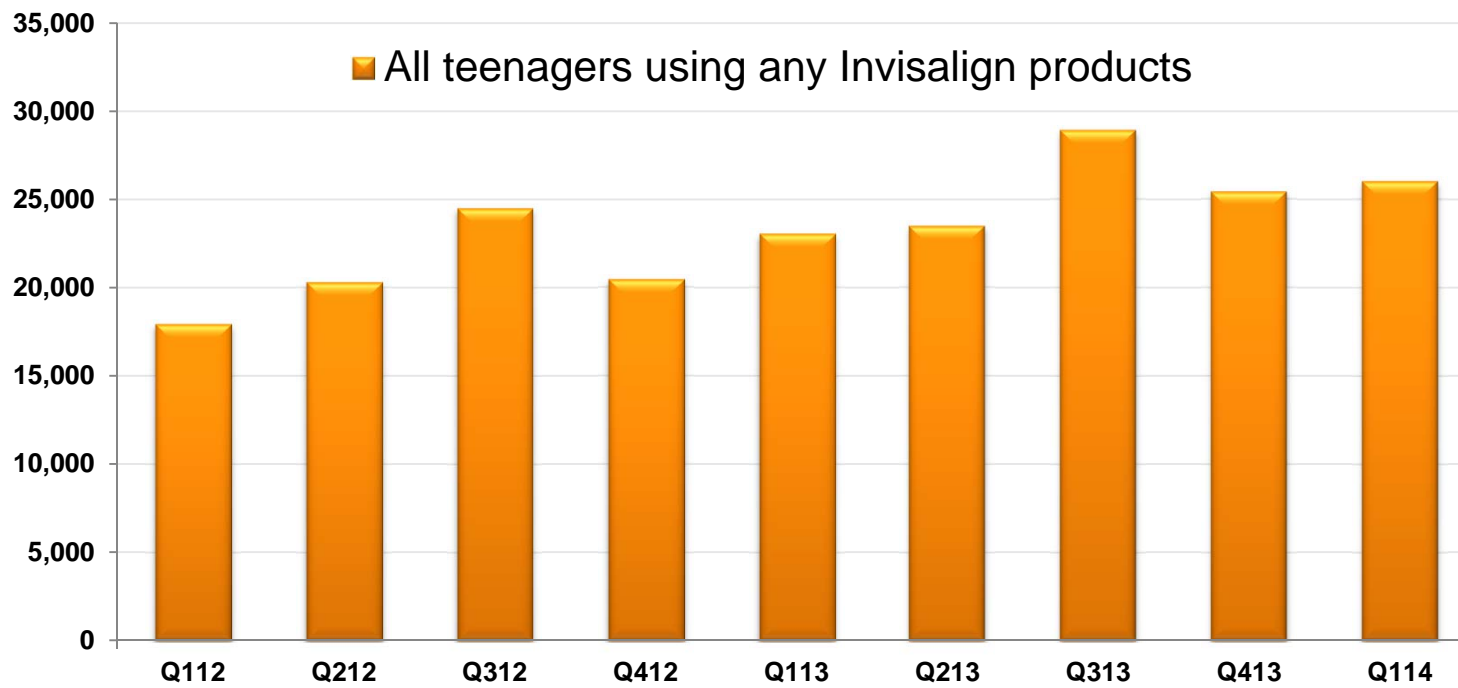
	Worldwide	North America
Shipments	112,180	81,420
Y/Y	+14.3%	+9.0%
Q/Q	+0.9%	+1.6%

- Up sequentially and up 9% year-over-year, despite reduced patient traffic and fewer effective days in office – as reported by a significant number of our customers who were affected by severe winter storms across the U.S. and Canada
- Q/Q increase primarily reflects growth from our N.A. Orthodontists, while N.A. GP Dentists were relatively unchanged from Q4
- Y/Y increase reflects expansion of our customer base, as well as increased adoption and utilization among North American Orthos

Q1 FY2014 Invisalign Performance

Teenage Segment Worldwide

- Teen market remains one of the largest growth opportunities for Invisalign
- 26,050 teenagers worldwide started Invisalign treatment in Q1
 - up slightly from Q4 and consistent with fewer teen orthodontic case starts during the winter months
- Investing in product applicability to increase doctor confidence, in go-to-market initiatives and sales coverage, and in consumer programs to drive teen adoption



Q1 FY2014 Invisalign Geographic Performance

International – EMEA and Asia Pacific

	Worldwide	International
Shipments	112,180	30,760
Y/Y	+14.3%	+31.2%
Q/Q	+0.9%	(0.8)%



- As anticipated, Invisalign case volume from International doctors in our EMEA and Asia Pacific regions decreased slightly on a sequential basis, due to fewer days in the office from winter holidays in Europe and the Lunar New Year in Asia Pacific
- Y/Y Invisalign volume increase reflects strong growth in both EMEA and Asia Pacific, driven by Go-To-Market and sales coverage investments, improving clinical education and support, and excitement around new products like Invisalign G5
- EMEA Invisalign case volume was unchanged Q/Q and increased 24% Y/Y. Growth was driven by strong demand from Orthodontists in our core country markets, where we saw significant increases in France, Spain, and Germany, and in the U.K., where we are seeing continuing signs of a recovery
- Asia Pacific Invisalign case volume decreased slightly sequentially, but increased 51% Y/Y with significant growth across all markets

Q1 FY2014 Scanner and Services Performance

	Scanner & Services Net Revenues	Scanner Volume
	\$12.4M	units
Y/Y	+3.3%	+46.5%
Q/Q	+2.8%	0.0%



iTero™

- Q1 was another good quarter. Momentum from last year continued into Q1 and resulted in better than expected revenue. Continue to benefit from leveraging combined sales and marketing resources, and taking full advantage of Invisalign and industry events.
- Further enhanced functionality and flexibility of iTero for restorative procedures. Connectivity with Dentsply Implants' ATLANTIS custom abutments will help deliver a more optimal dental implant patient experience and outcomes
- We continue to support an open systems approach to digital impressions, and remain committed to working with other intraoral scanning companies, specifically by way of enabling interoperability for use with Invisalign treatment

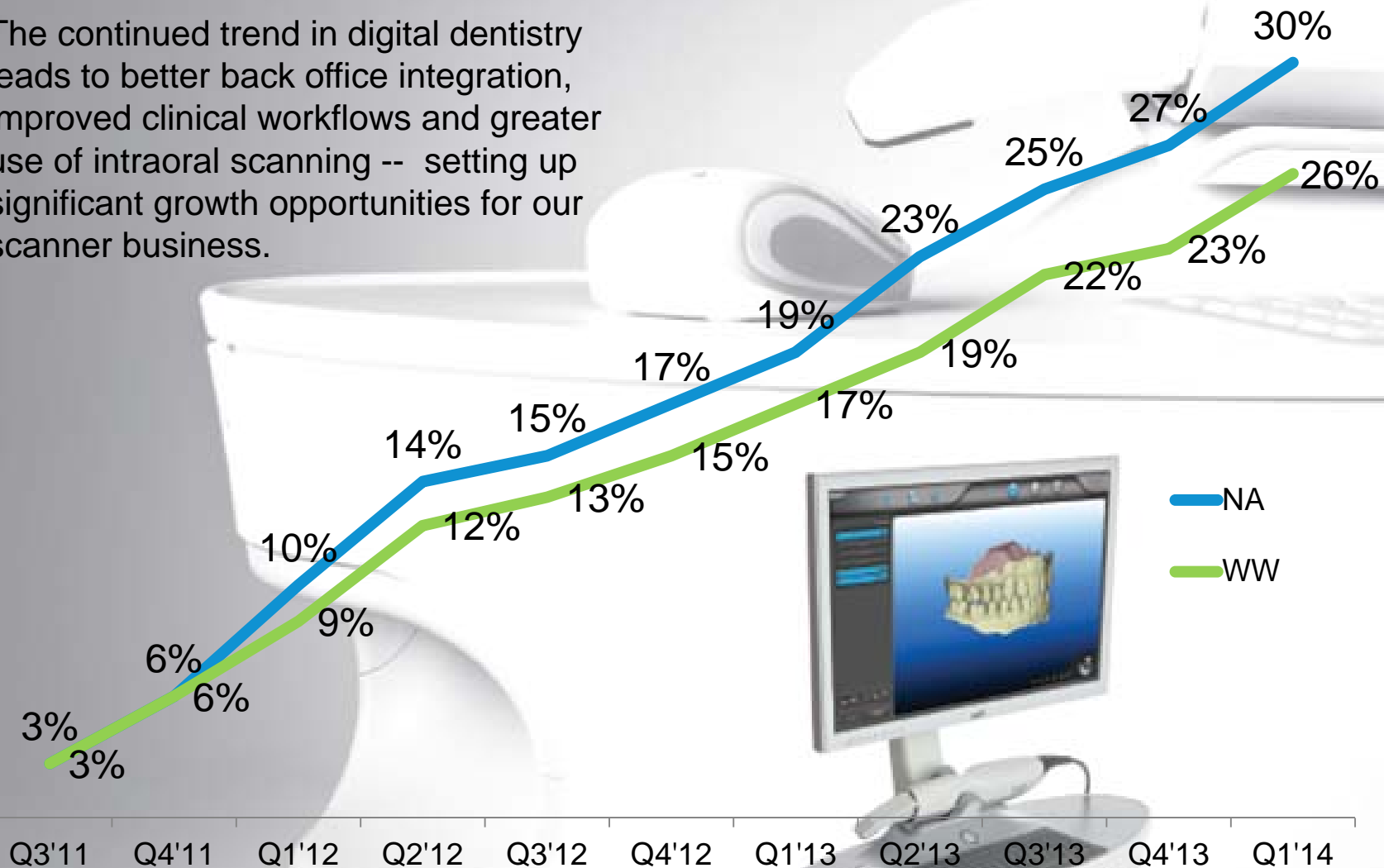
Announcing iTero 5.2 Software Upgrade

Available May 2014

- New software upgrades and feature enhancements for iTero scanner
- Designed to increase practice efficiency and significantly expand iTero features
- New features offer iTero practices greater efficiency:
 - Faster Invisalign Scans: New algorithms substantially reduce Invisalign scan time without compromising iTero's well-known accuracy and resolution. Beta testing sites achieved as much as a 40% reduction in Invisalign scan time
 - Vivera™ Scan type and Vivera Pre Debond: the new Vivera Scan type provides for fast scan times and Vivera Retainer fabrication, while the Vivera Pre Debond feature allows clinicians using traditional wires and brackets to scan the teeth with the brackets still attached
 - Certified Orthodontic Laboratory Workflow: allows scans to be immediately transmitted to an iTero Orthodontic Lab Partner, enabling the design and production of orthodontic appliances, retainers, and study models
 - Realine™ Scan type: provides practices that work with the Henry Schein Realine clear aligner product the ability to submit digital iTero scans

Growth in Digitally Submitted Invisalign Cases

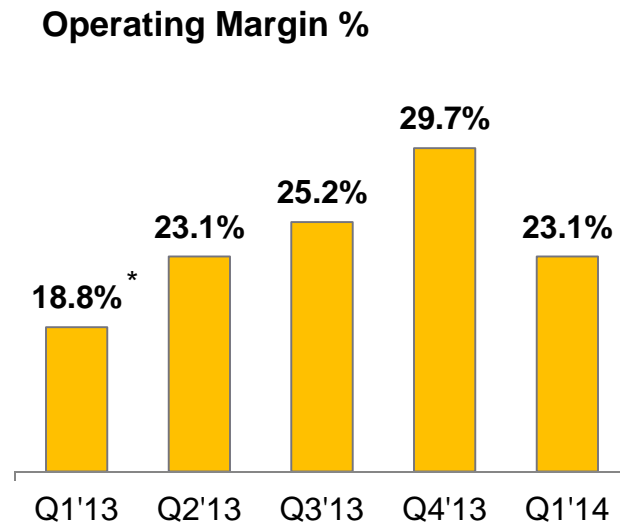
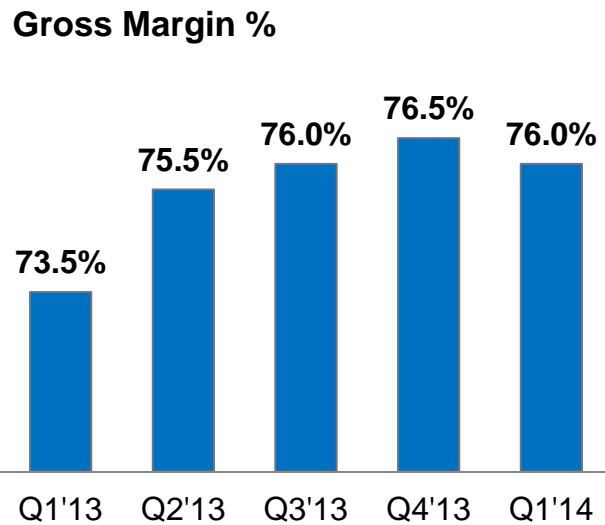
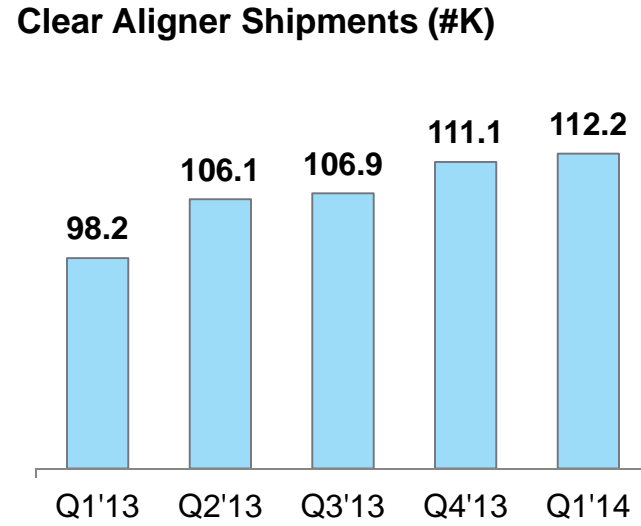
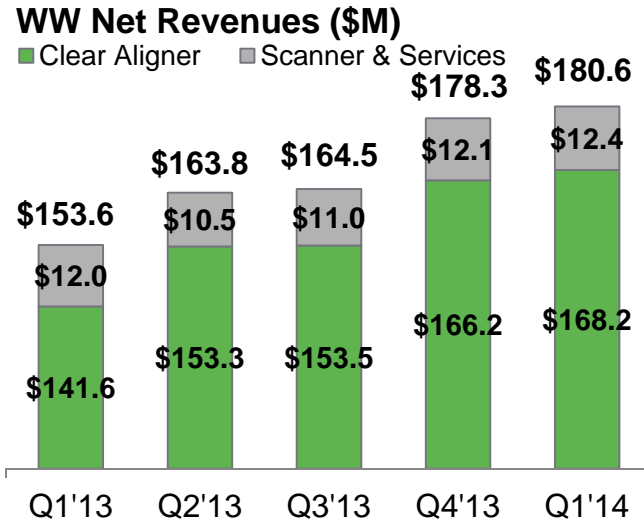
The continued trend in digital dentistry leads to better back office integration, improved clinical workflows and greater use of intraoral scanning -- setting up significant growth opportunities for our scanner business.



Q1 FY2014 Financial Review

David White
CFO

Q1 FY2014 Trended Financials



* Non-GAAP

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

Q1 FY2014 Income Statement Highlights

GAAP

(in millions except per share data and percentages)

	Year/Year Change	Q1'13	Sequential Change	Q4'13	Q1'14
Net Revenues	17.6%	\$153.6	1.3%	\$178.3	\$180.6
Gross Margin	2.5% pts	73.5%	(0.5)% pts	76.5%	76.0%
Operating Expenses	(36.8)%	\$150.9	14.2%	\$83.6	\$95.4
Operating Margin	47.9% pts	(24.8)%	(6.6)% pts	29.7%	23.1%
EPS, diluted	\$(0.91)	\$(0.52)	\$(0.12)	\$0.51	\$0.39

Non-GAAP

(in millions except per share data and percentages)

Operating Expenses	13.7%	\$83.9	14.2%	\$83.6	\$95.4
Operating Margin	4.3% pts	18.8%	(6.6)% pts	29.7%	23.1%
EPS, diluted	\$0.13	\$0.26	\$(0.12)	\$0.51	\$0.39

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

Net Revenues Trend

Q1'14 Net Revenues Highlights

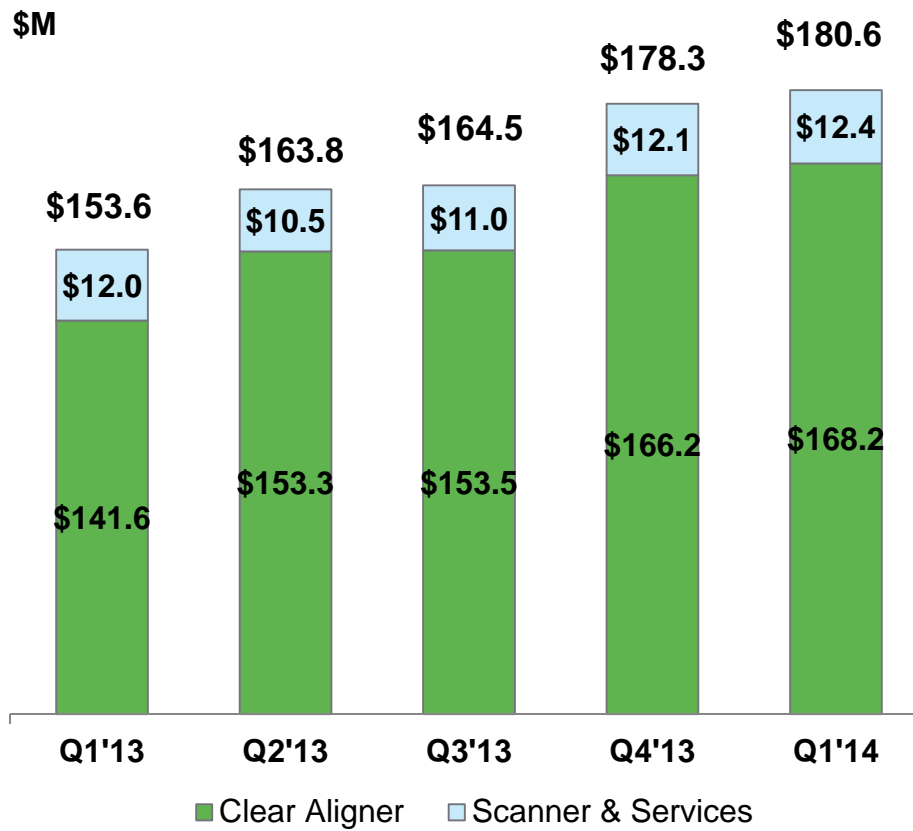
Net revenues of \$180.6M, +1.3% Q/Q, +17.6% Y/Y

Clear aligner net revenues

- +1.2% Q/Q, +18.8% Y/Y
- Y/Y growth reflected higher Invisalign volumes led by International, and higher international ASPs

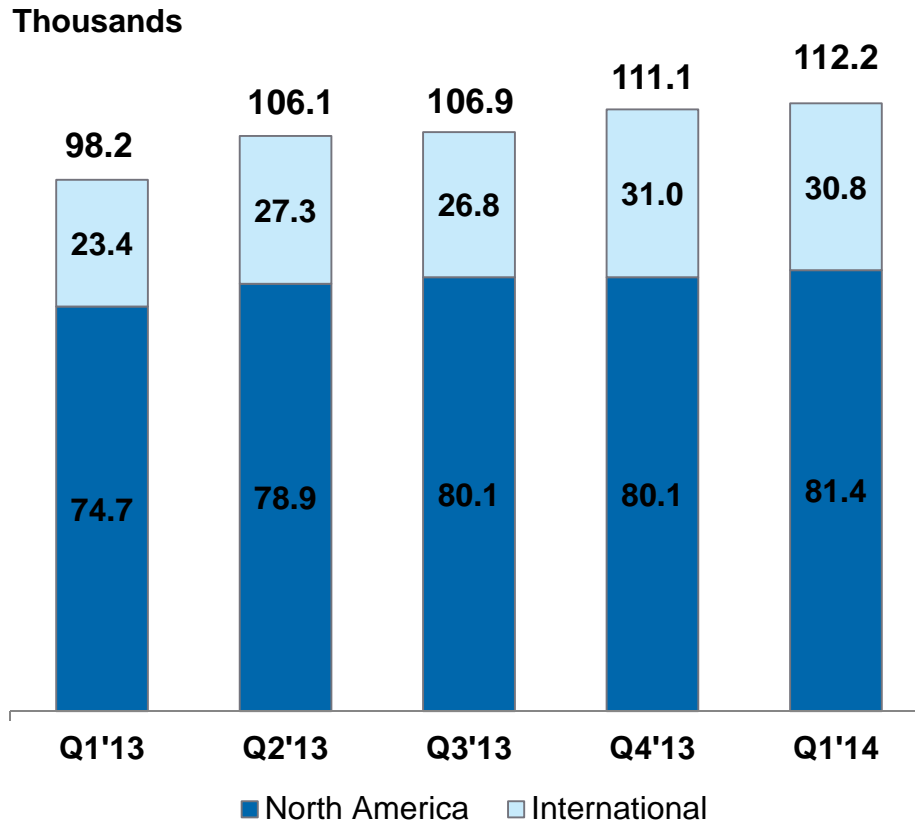
Scanner & services net revenues

- +2.8% Q/Q, +3.3% Y/Y
- Y/Y increased 3.3%, reflecting a 46.5% increase in scanner volume, offset somewhat by price and the effect of an iTero scanner upgrade program which benefitted Q113 revenues by \$1.4M



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

Clear Aligner Shipments Trend



Q1'14 Clear Aligner Shipment Highlights

Shipments of 112,180

- +0.9% Q/Q, +14.3% Y/Y

North America

- N.A. Orthodontists +3.9% Q/Q, +10.5% Y/Y
- N. A. GP Dentists -1% Q/Q, +7.4% Y/Y

International

- -1% Q/Q, +31.2% Y/Y

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

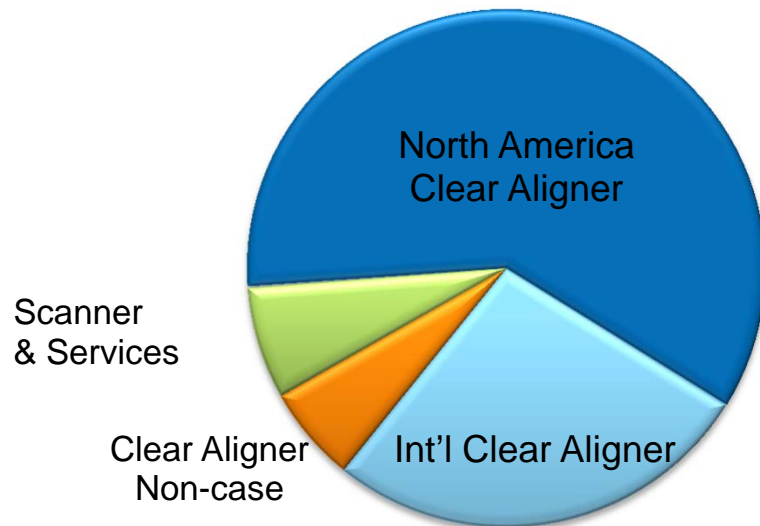
Q1 FY2014 Net Revenues by Geography and Products

Q1'14 Worldwide Net Revenues: \$180.6M

Geographic Mix

North America
Clear Aligner: 60%
• +2.7% Q/Q
• +11.2% Y/Y

International
Clear Aligner: 27%
• (1.5)% Q/Q
• +56.7% Y/Y



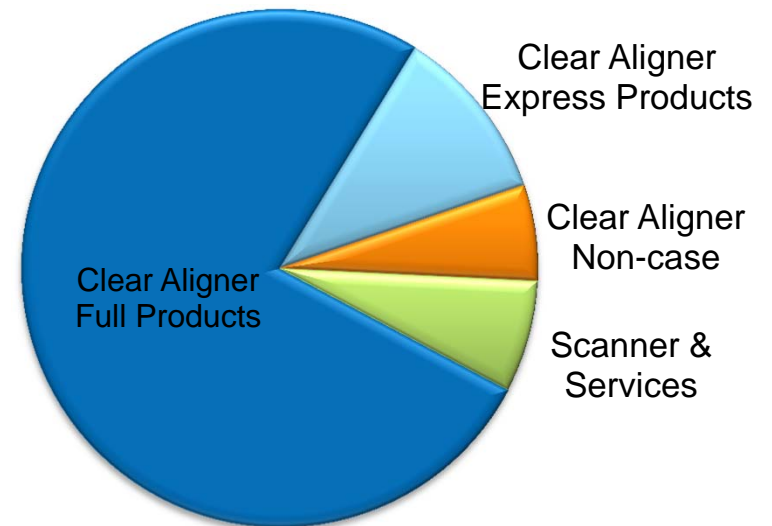
Scanner & Services: 7%
• +2.8% Q/Q
• +3.3% Y/Y

Clear Aligner Non-case: 6%
• (0.8)% Q/Q
• (17.5)% Y/Y

Product Mix

Clear Aligner Full Products: 76%
• +1.4% Q/Q
• +22.5% Y/Y

Clear Aligner Express Products: 11%
• +0.8% Q/Q
• +22.0% Y/Y



Clear Aligner Non-case: 6%
• (0.8)% Q/Q
• (17.5)% Y/Y

Scanner & Services: 7%
• +2.8% Q/Q
• +3.3% Y/Y

Q1 FY2014 Clear Aligner Shipments by Geography and Product

Q1'14 Clear Aligner Case Shipments: 112,180

Geography Mix

Clear Aligner
North America: 73%

- +1.6% Q/Q
- +9.0% Y/Y

Clear Aligner
International: 27%

- (0.8)% Q/Q
- +31.2% Y/Y



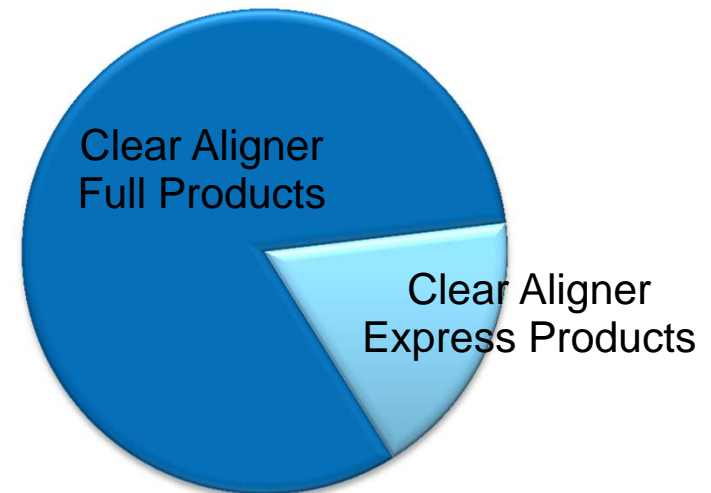
Product Mix

Clear Aligner
Full Products: 82%

- +0.8% Q/Q
- +16.5% Y/Y

Clear Aligner
Express Products: 18%

- +1.6% Q/Q
- +4.8% Y/Y



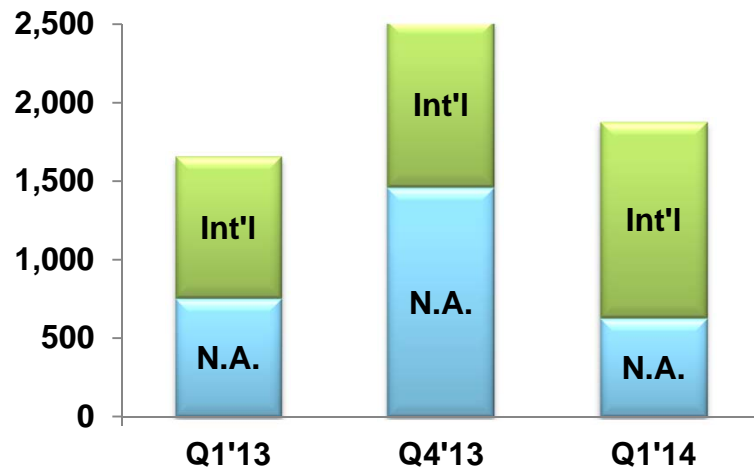
Q1 FY2014 Clear Aligner Adoption Metrics

Doctor Training and Training

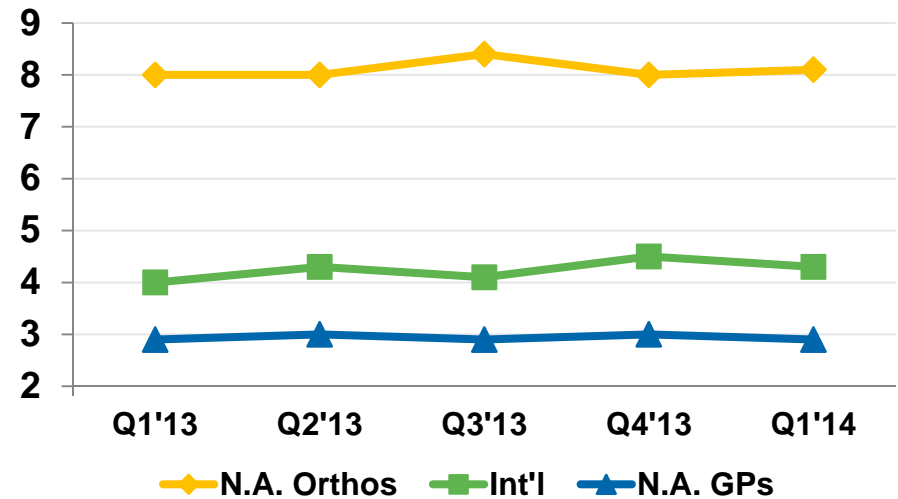
- 1,885 new Invisalign-trained doctors
 - 630 North America
 - 1,255 International

- Total utilization was 4.3 cases per doctor compared to 4.4 in Q4'13 and 4.3 Q1'13
 - N.A. Orthodontists 8.1, +2% Y/Y
 - International 4.3, +7% Y/Y
 - N.A. GP Dentists 2.9, -3% Y/Y

Quarterly Doctors Trained Worldwide



Average Doctor Utilization by Channel



Utilization = # of cases shipped/# of doctors to whom cases were shipped

Gross Margin Trend

Q1'14 Gross Margin Highlights

GAAP gross margin was \$137.3M or 76.0%

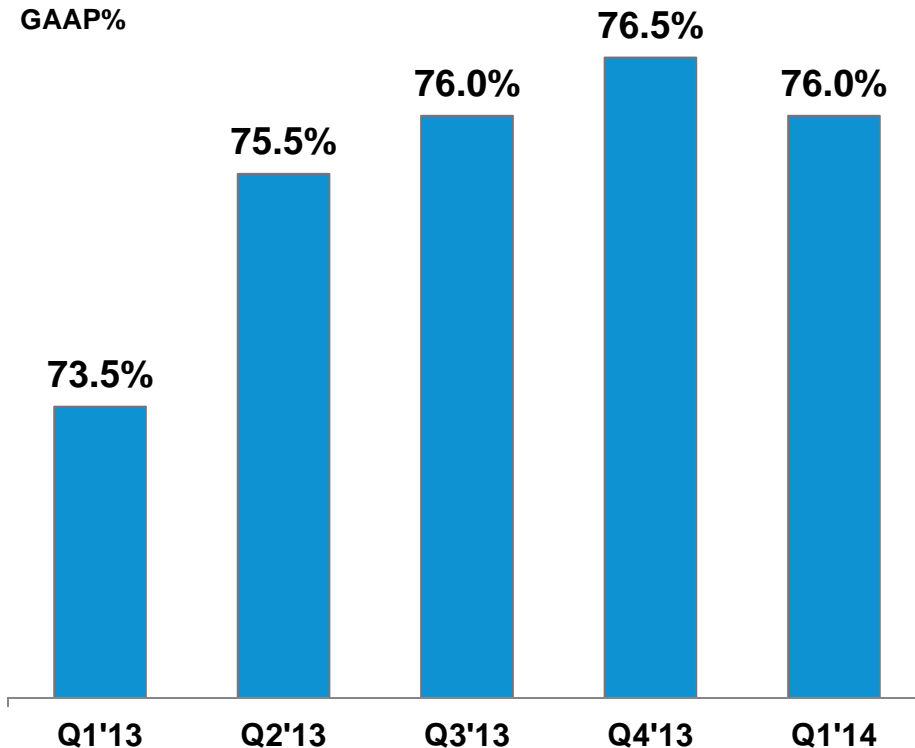
Includes stock based compensation expense of \$0.8M

Clear Aligners: 79.1%

- (0.7)% pts Q/Q, 1.9% pts Y/Y
- Y/Y increase was primarily the result of higher ASPs and lower inventory reserves as we transitioned to our new SmartTrack aligner material in Q1 13.

Scanners & Services: 33.6%

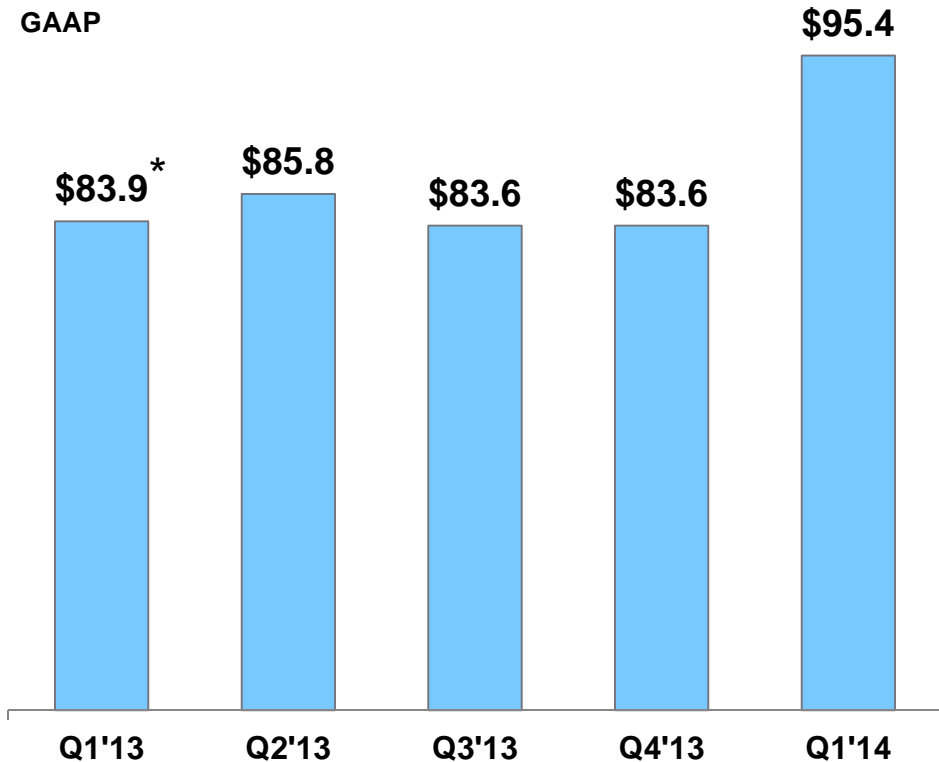
- 2.5% pts Q/Q, 4.3% pts Y/Y
- Year-over-year increase was primarily the result of higher manufacturing absorption on higher volumes. Sequential increase due to lower inventory reserves.



Operating Expense Trend

\$M

GAAP



Q1'14 Operating Expenses Highlights

Operating expense was \$95.4M

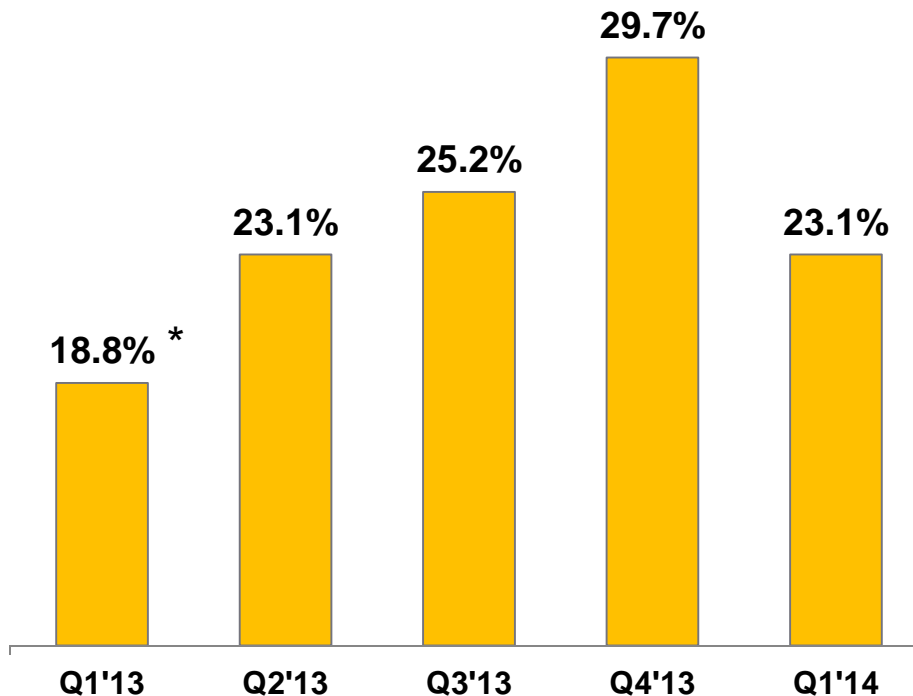
- Includes stock-based compensation expense of \$8.3M
- 14.2% Q/Q, 13.7% Y/Y
- Q/Q increase due primarily increased employee compensation expense related to our annual review process which includes salary increases and promotions, as well as annual stock grants and a benefit of approximately \$0.6M from discontinuing the accrual for the Medical Device Excise Tax.
- Y/Y increase primarily incidental to the growth of the business, as well as headcount additions.

* Non-GAAP

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Operating Margin Trend

GAAP %



Q1'14 Operating Margin Highlights

- Operating profit was \$41.8M
- Operating margin 23.1%
 - (6.6)% pts. Q/Q, +4.3% pts. Y/Y
 - Y/Y directly related to higher clear aligner volume and gross margins

* Non-GAAP

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Balance Sheet Highlights

<i>(in millions except for DSOs)</i>	Q1'13	Q4'13	Q1'14
Accounts Receivables, net	\$108.7	\$113.3	\$126.2
DSOs	64 days	57 days	63 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$377.4	\$472.0	\$505.4

Cash Flow from Operations	\$10.4	\$67.1	\$18.0
Capital Expenditures	\$(3.3)	\$(4.2)	\$(5.0)
Free Cash Flow*	\$7.1	\$62.9	\$13.0

*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

- Commitment to return \$300 million to shareholders over the next three years, with \$100 million of that amount authorized and anticipated to be purchased over the next twelve months. The plan is effective immediately.
- Our strong balance sheet and healthy cash flow position affords us the opportunity to continue investing in our strategic growth drivers while simultaneously returning excess cash to our shareholders through a stock repurchase program.
- Our management team and board of directors believe that our business represents an attractive investment opportunity for both current and potential investors, and the repurchase program demonstrates the Company's ongoing commitment to increasing shareholder value.

Medical Device Excise Tax

- Well in advance of the implementation of the Medical Device Excise Tax in January of last year, and on an on-going basis since then, we have consulted with advisors and held extensive discussions with the IRS on the subject of the Medical Device Tax and its application at Align. In March 2014, the IRS informed us that it was now their position that our clear aligner business qualifies for a full tax exemption.
- As a result, we stopped paying and accruing Medical Device Excise Taxes on our Clear Aligner Business in March. This benefited Q114 by approximately \$0.6 million. On an on-going basis it will amount to approximately \$1.8M per quarter based on our current clear aligner revenue levels. Our Q214 guidance reflects this.
- While we didn't have the benefit of this news in January when we gave directional comments for 2014, we had anticipated some incremental benefit from the Medical Device Excise Tax. Accordingly, we continue to believe our operating margin for 2014 should be consistent with 2013 actual results, and not view this new information as an update to those aspirations.

3 to 5 Year Financial Model Targets

	Q1'13 Actual	Q1'14 Actual	3 – 5 Year Model
Revenue CAGR%			15 - 25%
Gross Margin	73.5%	76.0%	73% - 78%
Operating Expense %	54.6%*	52.8%	45% - 50%
Operating Margin	18.8%*	23.1%	25% - 30%

*Non-GAAP

A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com>

Financial Outlook

Factors That Inform Our View of Q2 FY2014

- Q2 is seasonally a busier quarter for our international doctors and we anticipate Invisalign case shipments to increase sequentially from Q1.
- Our North American doctors report improving patient traffic flow in their office and an increase in new patient consults, therefore we expect Q2 Invisalign case shipments to be up from Q1.
- For our Scanner business, we had a good start for the year and we anticipate building on this momentum in Q2.


Q2 Fiscal 2014 Outlook

Invisalign Case Shipments	116.5 K - 119.5 K
Net Revenues	\$181.7 M - \$186.5 M
Gross Margin	74.6 % - 75.2 %
Operating Expenses	\$96.8 M - \$98.7 M
Operating Margin	21.3 % - 22.4 %
Effective tax rate	23.0 %
EPS, diluted	\$0.36 - \$0.39 *
Stock based compensation	\$10.8 M
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$545 M - \$555 M *
Diluted shares outstanding	83.6 M *

* Excludes any stock repurchases during the quarter

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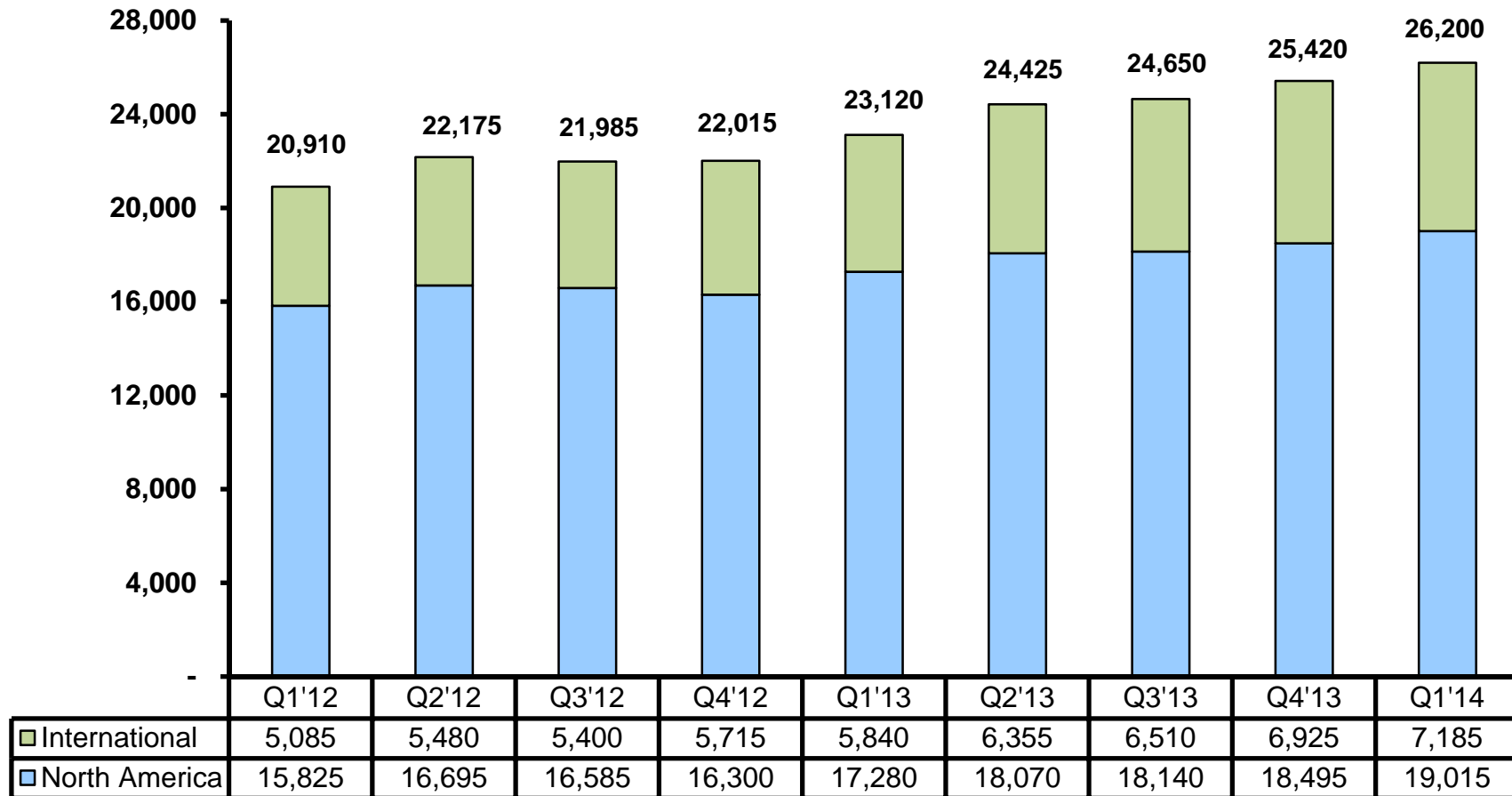
- Website: investor.aligntech.com/
- Email: investorinfo@aligntech.com
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- Corporate and Investor Communications:
 - Shirley Stacy, [sstacy@aligntech.com](mailto:ss Stacy@aligntech.com)
 - Yin Cantor, ycantor@aligntech.com



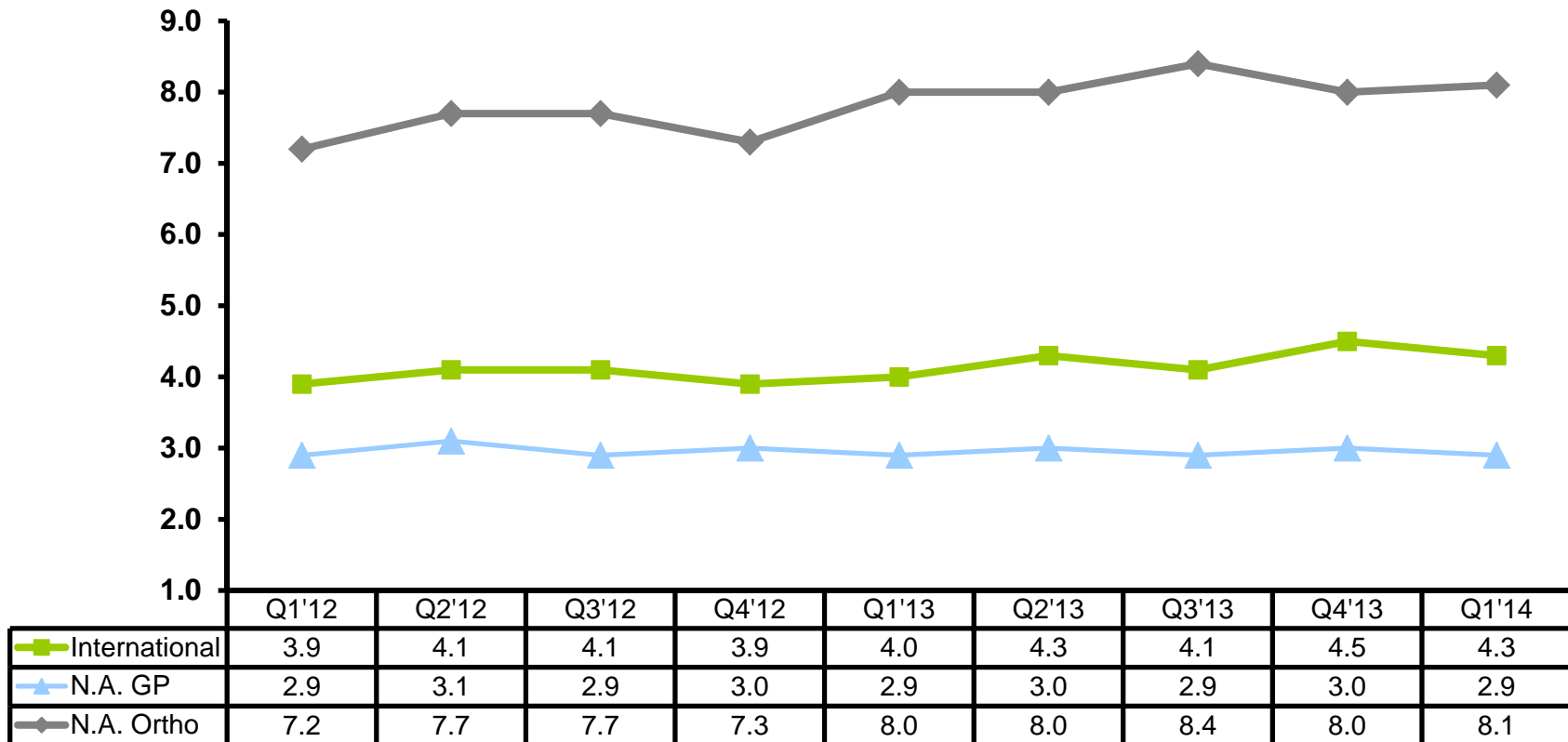
Additional Clear Aligner Data

Historical Information as of 3/31/14

Total Doctors Invisalign Cases Shipped To

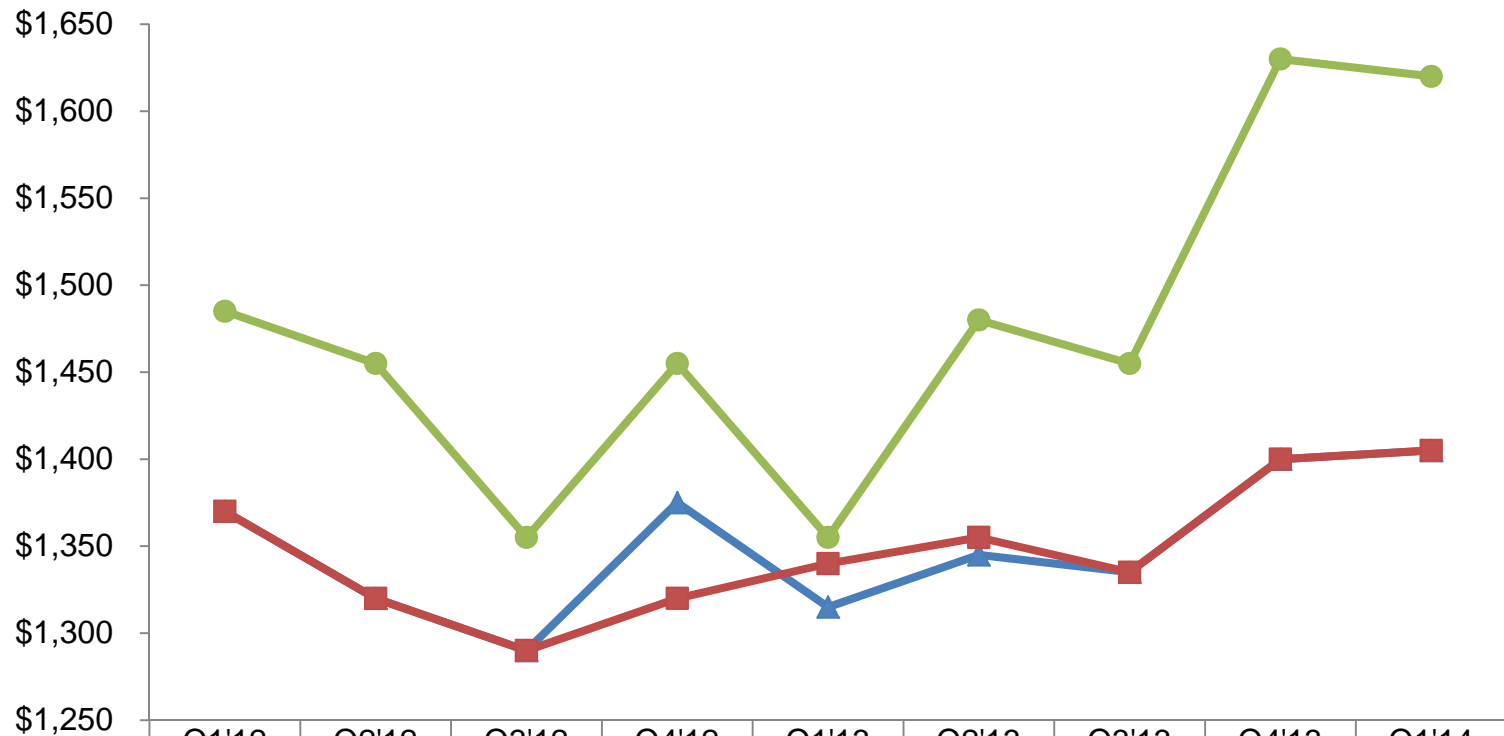


Invisalign Utilization Rate*



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

Invisalign Average Selling Price (ASP) Worldwide and International



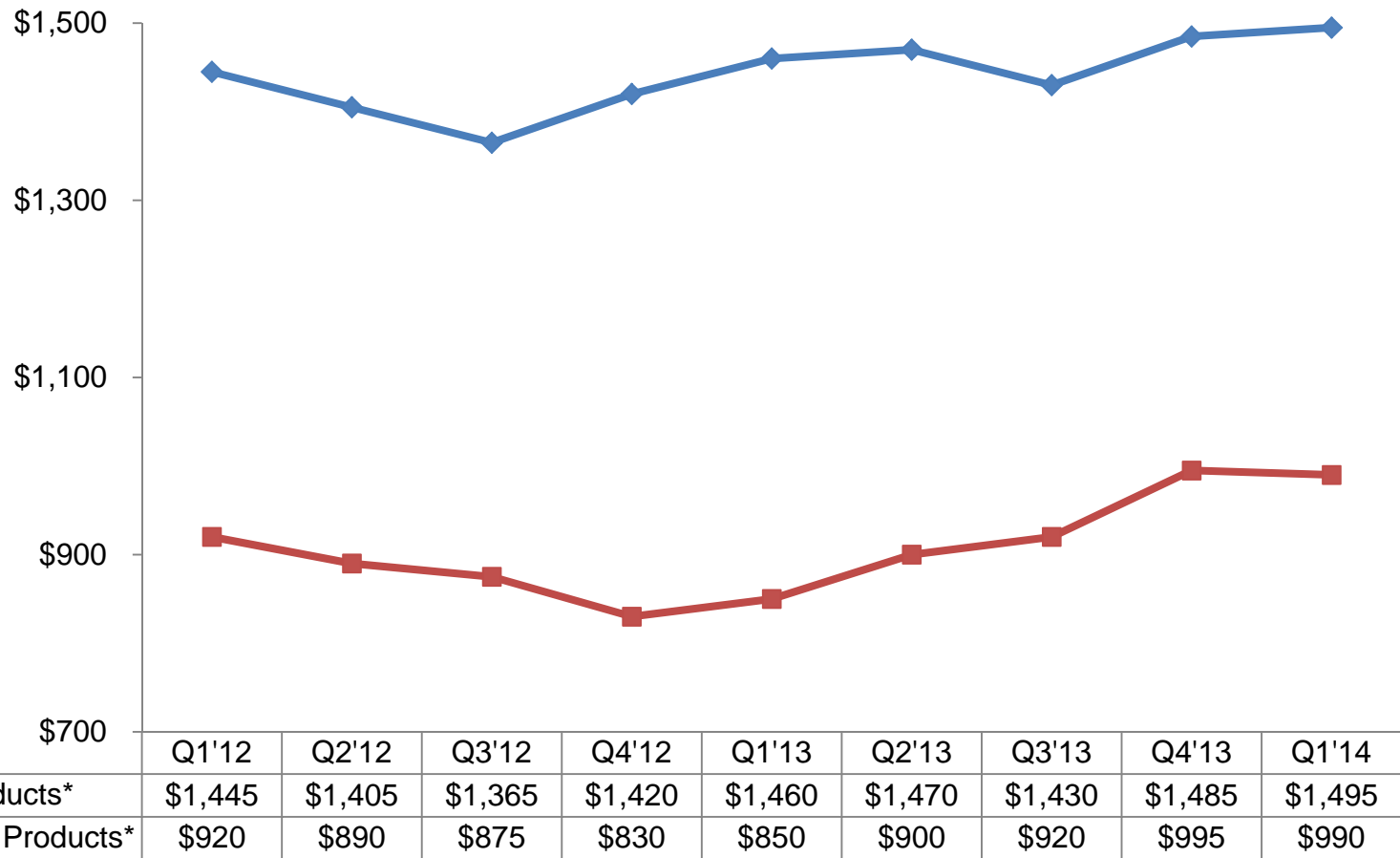
	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14
Worldwide	\$1,370	\$1,320	\$1,290	\$1,375	\$1,315	\$1,345	\$1,335	\$1,400	\$1,405
Worldwide, adjusted	\$1,370	\$1,320	\$1,290	\$1,320	\$1,340	\$1,355	\$1,335	\$1,400	\$1,405
International	\$1,485	\$1,455	\$1,355	\$1,455	\$1,355	\$1,480	\$1,455	\$1,630	\$1,620

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)