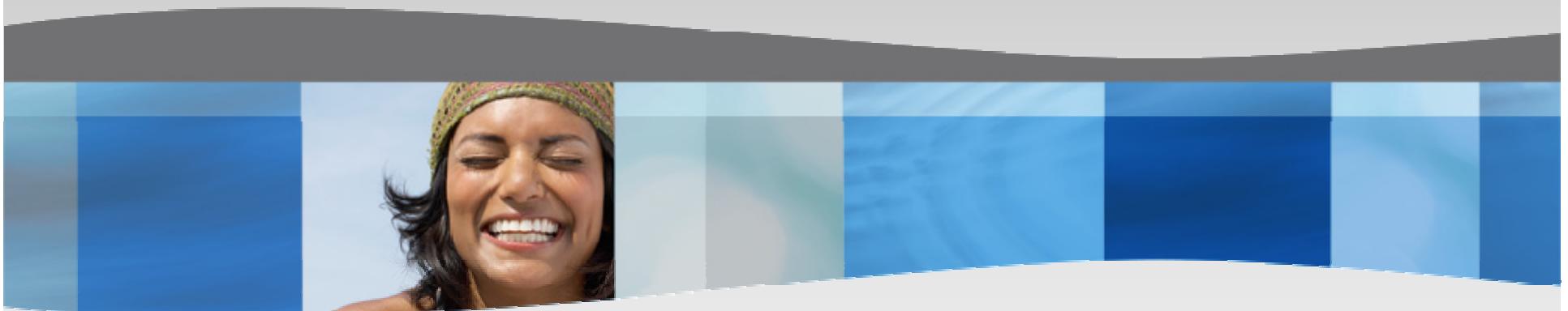


# Quarterly Financial Results

## Q4 2009

Align Technology, Inc.



# Align Technology Q4 FY2009 Conference Call

- **Speakers:**
  - Tom Prescott, president and CEO
  - Ken Arola, vice president of finance and CFO
- **Moderator:**
  - Shirley Stacy, senior director of investor relations
- **Replay and Web cast Archive**
  - Telephone replay will be available through 5:30pm ET February 10, 2010
    - Domestic callers: 877-660-6853
    - International callers: 201-612-7415
    - Account #292 and conference # 341731
  - 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 below, contains forward-looking statements, including statements regarding, certain business metrics for the first quarter of 2010, including anticipated revenue, gross margin, operating expense, operating income, earnings per share, case shipments and cash. 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 as well as the willingness and ability of our customers to meet the Invisalign Proficiency Requirements and the willingness and ability of our customers to maintain and/or increase utilization to meet the Invisalign Proficiency Requirements 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, continued customer demand for Invisalign 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 Invisalign by consumers and dental professionals, Align's third party manufacturing processes and personnel, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, competition from manufacturers of traditional braces 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, 2008, which was filed with the Securities and Exchange Commission on February 27, 2009. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

# Q4 FY2009 Overview

Tom Prescott  
President and CEO

# Q4 FY2009 Financial Highlights

- Record revenues of \$86.6 million
  - +9.3% Q/Q, +16.9% Y/Y
- Record case shipments of 61,060
  - +8.0% Q/Q, +16.0% Y/Y
- Growth reflects
  - Strong international growth
  - Increased demand across the GP and Ortho channels in North America
  - Continued adoption of new products including Invisalign Teen and Assist
  - Continuing diligent expense management
- Non-GAAP gross margin of 78.6%
- Non-GAAP operating margin of 21.8%
- Non-GAAP net profit of \$12.1 million or \$0.16 per share
  - Q4 net profit includes a benefit of \$1.1 million to net revenues, or approximately \$0.01 per share after taxes, reflecting an updated estimate for the fair value of Invisalign Teen replacement aligners.

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

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# Invisalign Adoption Metrics

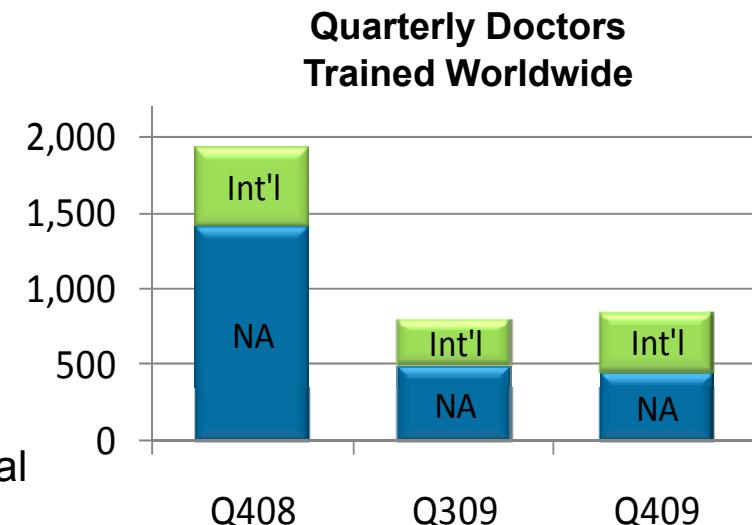
## *Doctor Training*

- **Q409 Invisalign-trained doctors**
  - 870 new doctors worldwide
  - 460 in North America, 410 International

- **FY 2009 Invisalign trained doctors**
  - 4,380 new doctors worldwide
  - 2,825 North American doctors, 1,555 international

- **North America training evolution**

- N.A. training is evolving to identify and focus on practices that are interested in gaining the skills and experience necessary to be successful with Invisalign
- Building on our experience with the Proficiency Requirements, going forward, doctors are likely to attend our CE1 training course when they are actually ready to begin using Invisalign in their practices right away.
- Over time, we're likely to have a more focused, engaged and committed customer base that maintains a baseline of up-to-date Invisalign product knowledge.

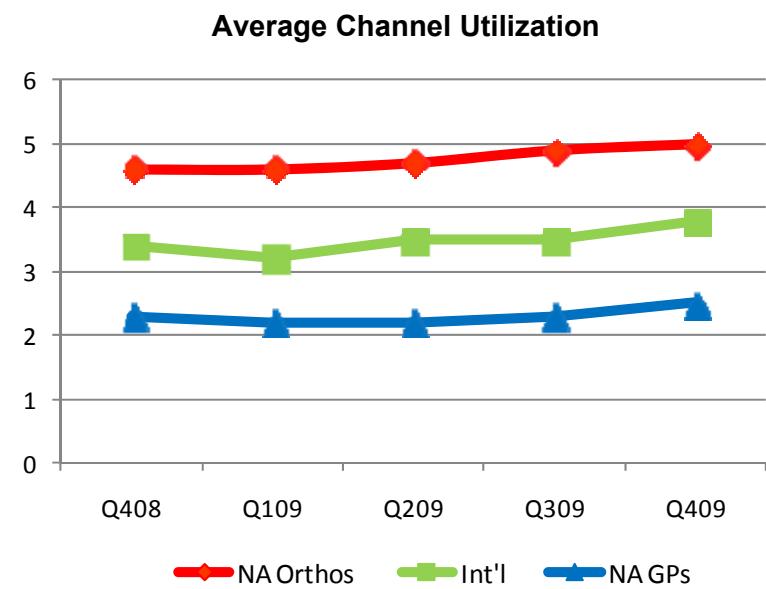


# Invisalign Adoption Metrics

*Doctor Utilization or “Same Practice Sales”*

- Q4 09 utilization increased Q/Q and Y/Y
  - N.A. GPs
    - Increased 9% Q/Q and Y/Y
    - Largest sequential increase ever.
    - First time GP utilization has grown 3 quarters in a row.
  - N.A. Orthos
    - Increased 1% Q/Q and 7% Y/Y
  - International Doctors
    - Increased 8% Q/Q and 11% Y/Y
    - Growth driven by record volume across our core markets in Europe – UK, Italy, Germany, France and Spain.
- Expect to see some fluctuation in our utilization rate as practices adjust to the Proficiency Requirements and the average case per doctor varies throughout the year

Utilization Rates	Q4 08	Q3 09	Q4 09
NA Ortho	4.6	4.9	5.0
NA GPs	2.3	2.3	2.5
International	3.4	3.5	3.8
Total	3.0	3.1	3.3



# Strategy to Drive Adoption of Invisalign

- Accelerate product/technology innovation and extend clinical effectiveness
- Enhance the customer experience and eliminate barriers to adoption
- Increase effectiveness of consumer demand creation and extend the Invisalign brand
- Drive European growth and open new international markets

# Invisalign Evolving Product Applicability



NOTE: Chart image for illustrative purposes only, not intended to be clinically precise.

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# Continued Evolution of Invisalign

*New Features and Enhancements in Oct 2009*

- **Optimized Attachments**

- Custom designed to consistently deliver correct forces to the teeth

- **Interproximal Reduction (IPR)**

- Set up in later stages of treatment when teeth are better aligned

- **Velocity Optimization**

- Designed to factor in root and crown to automatically limit the speed of tooth movements to optimal ranges

- **Power Ridges**

- Available in Invisalign products requiring certain types of movements, including lingual root torque

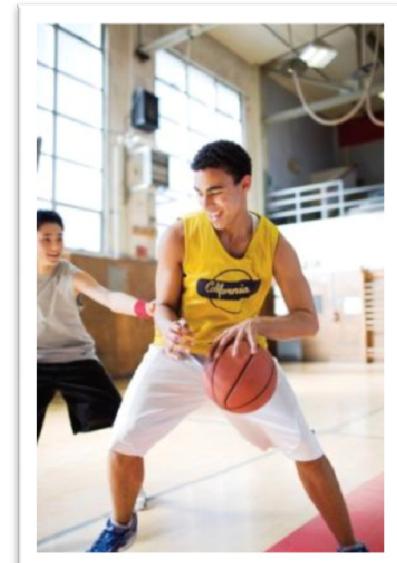
- **New Attachment Kit**

- New material delivers greater bond strength, wear resistance, accuracy, and ease of use

# Invisalign Teen

## Q409 Progress

- Q4 09 Invisalign Teen Case Volume
  - Increased 4.3% sequentially
  - 13% of worldwide volume in Q4
- Trained over 4,750 Orthos worldwide on Invisalign Teen
- As anticipated, less sequential growth in Teen cases because more teenagers start Orthodontic treatment in the summer



# Invisalign Assist

## Q409 Progress

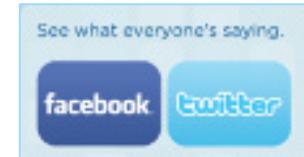
- **Q4 09 Invisalign Assist Case Volume**
  - Increased 80.7% sequentially
  - 4.5% of worldwide volume in Q4
- Assist is the only Invisalign product that includes built-in product support throughout treatment and was designed to meet general dentist demand.
- Growth reflects the positive response from expanded features in Assist, as well as a full quarter's benefit from an increased focus on using Assist in our CE1 training course.



# Consumer Demand Creation

## Program Highlights

- Continue to be successful with programs that more effectively and efficiently generate demand or “pull” for Invisalign
- In 2009, we became more efficient in our approach and grew overall lead generation and awareness on lower total spending
- Shifted our marketing mix from conventional media towards more digital marketing and Social Networking activity.
- In January, we kicked off the re-branding initiative by completely updating our two consumer websites: Invisalign.com and Invisalignteen.com. You'll begin to see the new brand identity across our marketing platforms and events



**Conventional Media**

**Public Relations**

**Event Marketing**

**Social Networking**

# Invisalign Proficiency Requirements

*Goal -- help ensure that every practice that works with Invisalign can achieve great clinical and commercial outcomes and that every patient in Invisalign treatment gets the wonderful smile they want -- and a great treatment experience to match!*

- Proficiency Requirements launched June 1, 2009
  - $\geq 10$  Invisalign cases +  $\geq 10$  Invisalign CE each calendar year
- Additional 6 month qualification period till June 30, 2010
  - Doctors with  $\geq 1$  case +  $\geq 1$  CE as of 12/31/09 secure active status
  - Doctors must reach  $\geq 5$  case +  $\geq 5$  CE by 6/30/10
  - Doctors must reach  $\geq 10$  case +  $\geq 10$  CE by 12/31/10
- Doctors who meet Proficiency Requirements
  - Recognized as “Invisalign Preferred Providers” for 2010
  - Benefit from updated consumer marketing programs, including website, that directs potential patients to Preferred Providers
  - Qualification period for Preferred Provider designation is on a rolling basis throughout the year



# Invisalign Proficiency Requirements

## *Q409 Update*

- North American customers showed continued progress.
- Ortho - sequential case growth was relatively consistent across high and low volume doctors.
- GPs - sequential case growth was driven by doctors that were midway to just under 10 cases.
- Significant increase in doctors investing in continuing education, especially through Aligntechinstitute.com, where doctors completed over 29,000 CE courses in Q4 alone.
- Results to-date are consistent with modeling described on the Q2 09 call
  - Vast majority of doctors in the (7 to 9) group move to 10 or more cases
  - Percentage of doctors in the (4 to 6) group move to 10 or more cases
  - Number of doctors below 4 cases may eventually choose not to continue with Invisalign.

# Invisalign Proficiency Requirements

*Customer Status of January 2009*

Proficiency Requirements Status Entering 2010		
<b>Proficient Preferred Providers for 2010</b>	5,100	Started** $\geq$ 10 cases and completed $\geq$ 10 CE at end of 2009
<b>Proficient Non Preferred Providers</b>	1,300	Newly activated/trained customers that tracked to their prorated proficiency requirements at end of 2009
<b>Qualification Period Providers</b>	15,800	Started** $\geq$ 1 case and completed $\geq$ 1 CE by end of 2009, must start $\geq$ 5 case and complete $\geq$ 5 CE by June 30, 2010 to maintain status
<b>Total Providers</b>	22,200	Active Invisalign Providers as of January 2010
<b>Limited*</b>	13,400	Customers with zero cases and/or CE in 2009. Cannot submit new cases, but can continue/complete in-progress cases.
<b>Deactivated*</b>	9,600	Customers with zero lifetime cases since initial training. Cannot submit cases or use Invisalign branding.

\* Doctors can reactivate their account and start submitting cases by completing a Clear Essentials I (GPs) or Clear Principles I (orthodontists) training course. After completing the training course, doctors need to meet the annual proficiency requirements.

\*\* Started case based on ClinCheck acceptance

# International Q4 09 Update



- **Revenue**
  - Q4 revenue of \$21.3M, +15.2% sequentially to 24.5% of WW revenue
  - FY09 revenue \$72.0M, + 16.2% to 23.1% of WW revenue
- **Case Volume**
  - Q4 cases 13,560, +11.9% sequentially to 22.2% of WW volume
  - FY09 cases 47,520, +25.3% sequentially to 21.5% of WW volume
- **New EMEA Distributor in Q2 10**
  - Smaller country markets in EMEA (Europe, Middle East and Africa)
  - Gil Laks, VP International, will be leaving Align to take on a new role as owner and operator of the new distributor

# Q4 FY2009 Financial Review

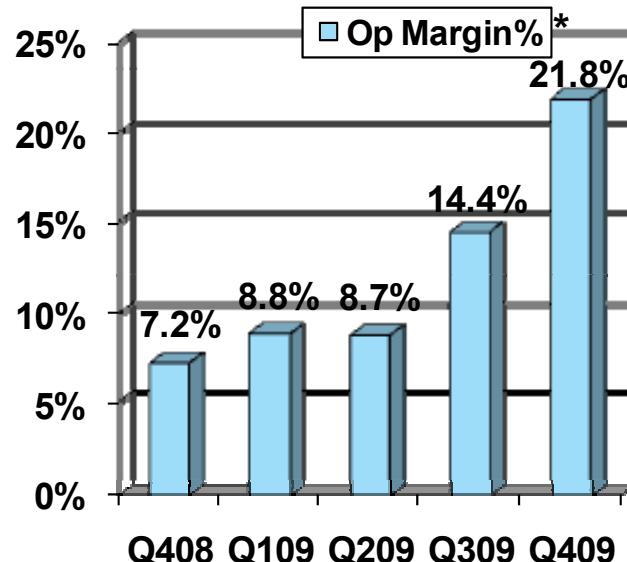
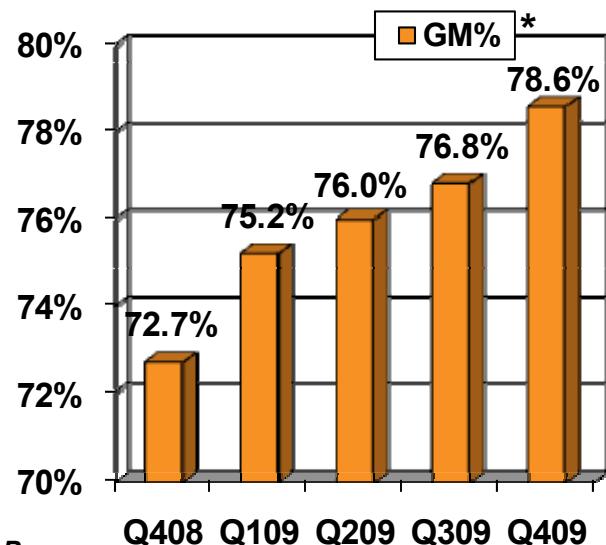
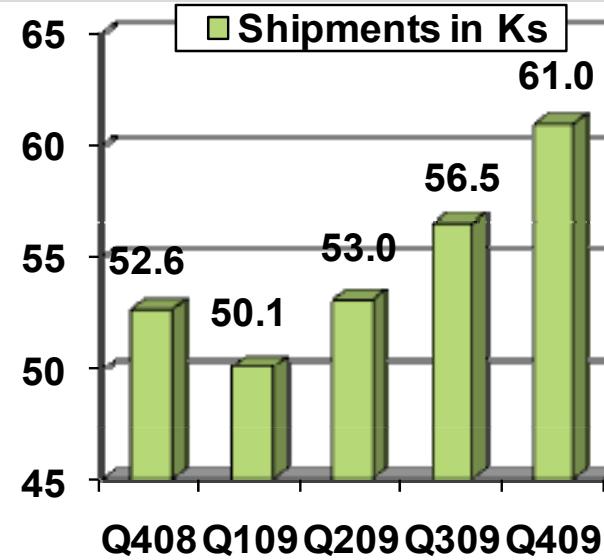
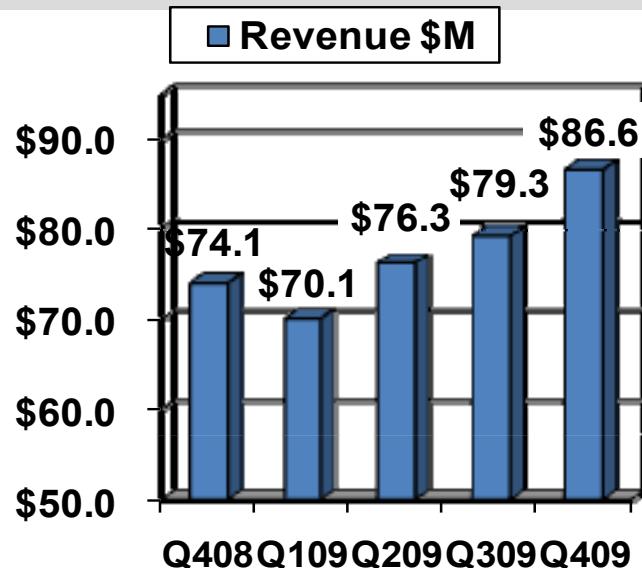
Ken Arola  
Vice President, Finance and CFO

# Q4 FY2009 Income Statement Highlights

	Q4 09	Q3 09	Sequential Change	Q4 08	Year/Year Change
<b>Revenue</b>	\$86.6M	\$79.3M	9.3%	\$74.1M	16.9%
<b>Gross Margin</b>	73.7%	74.4%	(0.7% pts)	72.7%	+1.0% pts
<b>Non-GAAP Gross Margin</b>	78.6%	76.8%	+1.8% pts	72.7%	+5.9% pts
<b>Operating Expenses</b>	\$49.2M	\$119.2M	(58.8%)	\$52.6M	(6.5%)
<b>Operating Margin</b>	16.9%	(75.9%)	+92.8% pts	1.8%	+15.1% pts
<b>GAAP EPS, diluted</b>	\$0.15	(\$0.72)	+\$0.87	\$0.98	(\$0.83)
<b>Non-GAAP Op Exp</b>	\$49.2M	\$49.5M	(0.7%)	\$48.5M	1.3%
<b>Non-GAAP Op Margin</b>	21.8%	14.4%	+7.4% pts	7.2%	+14.6% pts
<b>Non-GAAP EPS, diluted</b>	\$0.16	\$0.13	+\$0.03	\$0.07	+\$0.9

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

# Q4 FY2009 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.

# Q4 FY2009 Revenue and Cases by Channel

**Q4 09 Revenue: \$86.6M**

N.A. Ortho: 28.9%

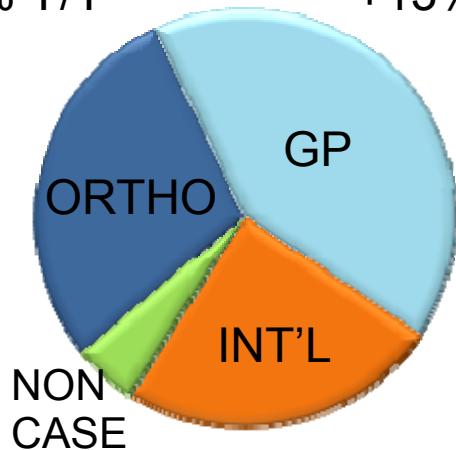
- +10% Q/Q

- +20% Y/Y

N.A. GP: 41.8%

- +7% Q/Q

- +13% Y/Y



Non-case: 4.8%

- -1% Q/Q

- -16% Y/Y

Int'l: 24.5%

- +15% Q/Q

- +31% Y/Y

**Q4 09 Case Shipments: 61,060**

N.A. Ortho: 32.4%

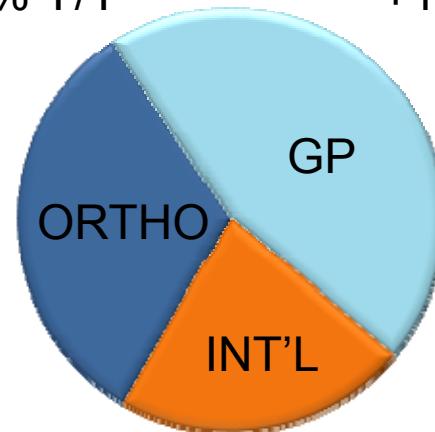
- +5% Q/Q

- +16% Y/Y

N.A. GP: 45.4%

- +8% Q/Q

- +12% Y/Y

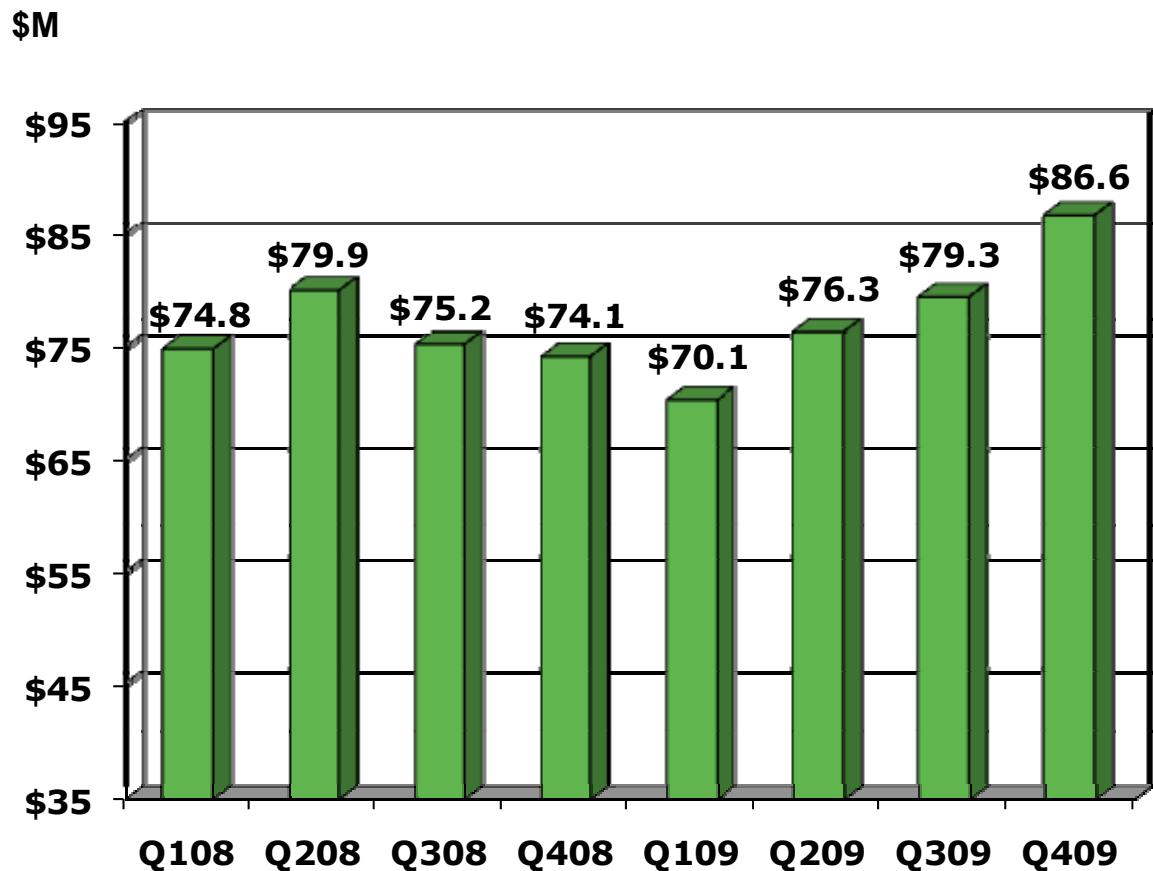


Int'l: 22.2%

- +12% Q/Q

- +26% Y/Y

# Revenue Trend



## Q409 Revenue Highlights

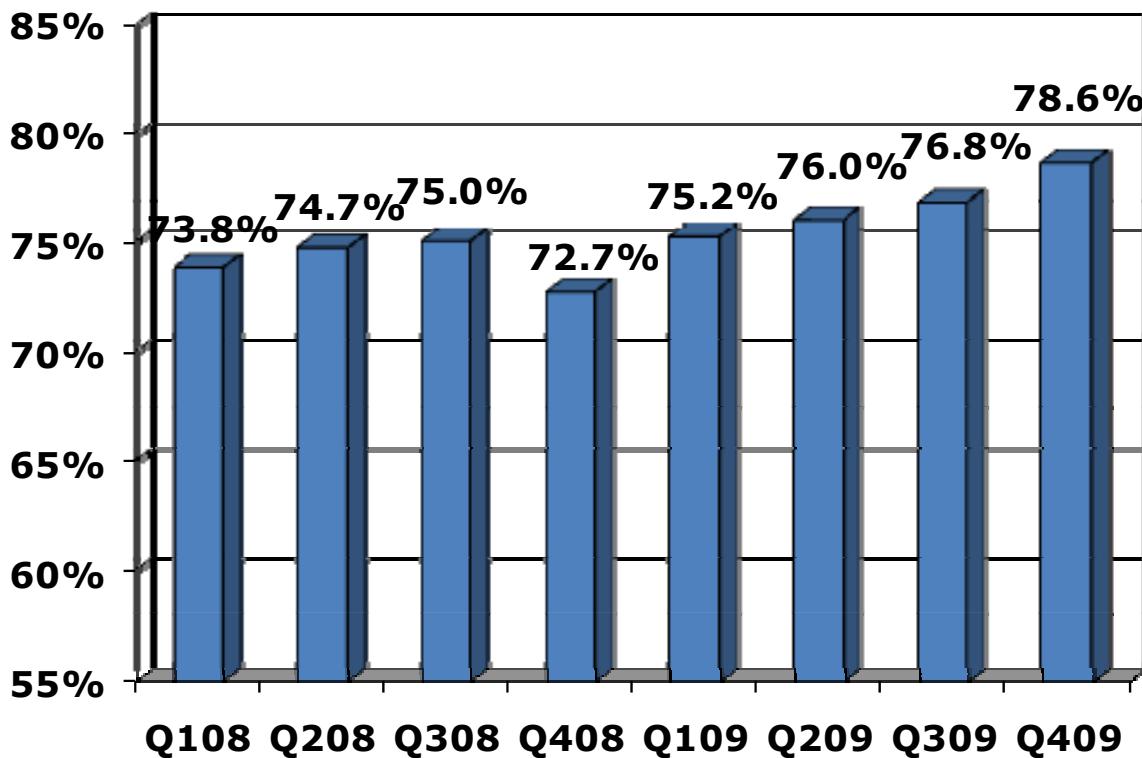
- Grew 9.3% Q/Q, 16.9% Y/Y
- Sequential increase in revenue reflects higher case volume and ASPs.
- Increase in Q4 ASPs resulted from the benefit of foreign exchange rates associated with International shipments and lower levels of discounting.
- Updated the estimated fair value of Invisalign Teen replacement aligners. As a result, net revenue includes a one-time benefit of \$1.1M of previously deferred revenue.

### **GAAP Financials**

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# Gross Margin Trend



## Q409 Gross Margin\* Highlights

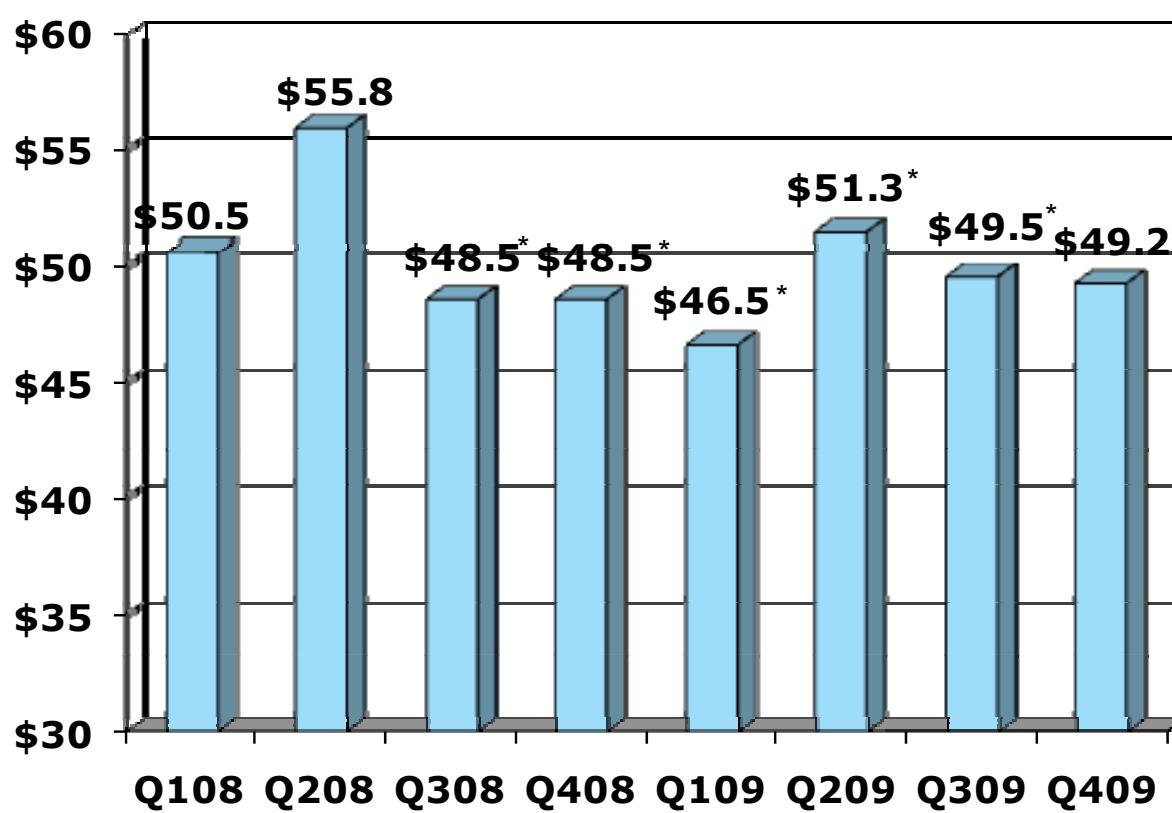
- Non-GAAP gross margin was a record 78.6%
  - + 1.8 % pts Q/Q
  - + 5.9% pts Y/Y
- Increase non-GAAP gross margin was driven primarily by the favorable impact of higher case volumes and resulting manufacturing operating efficiencies, increased ASPs, as well as the additional \$1.1M of previously deferred Teen replacement revenue, which is essentially all gross margin.
- Includes stock based compensation expense was \$400K

### \* 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.

# Operating Expenses Trend

\$M



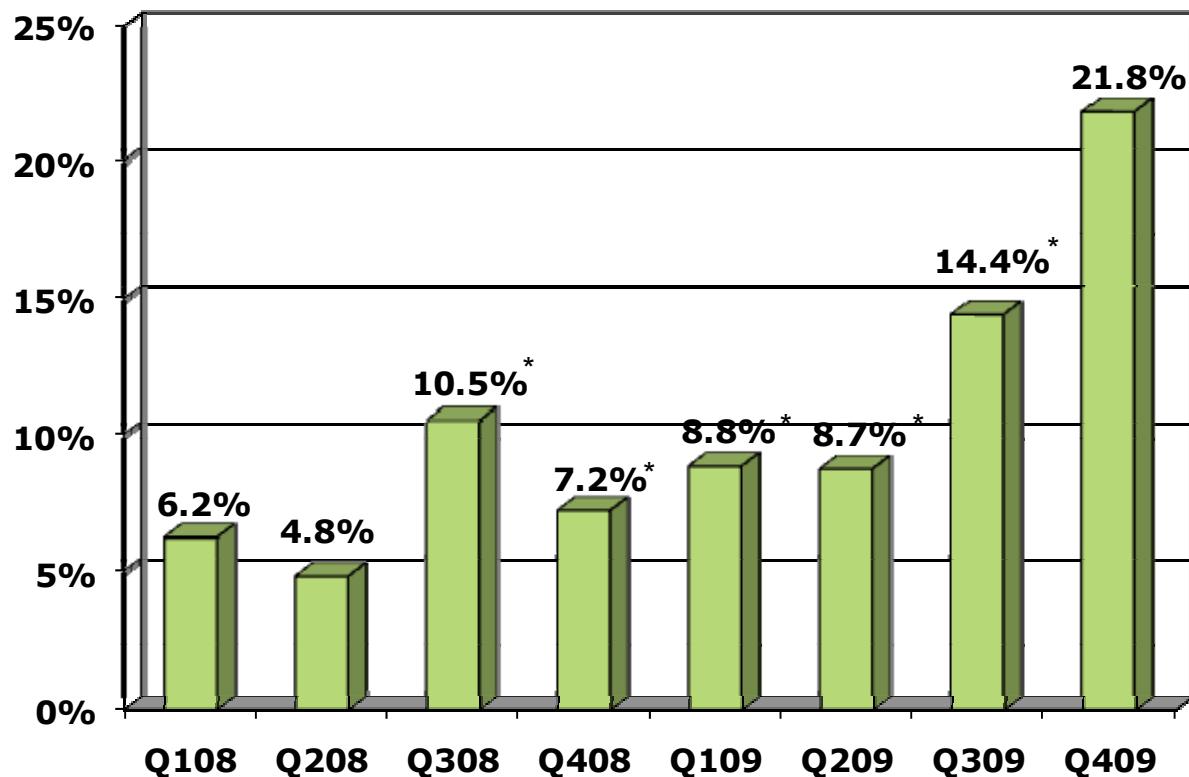
## Q409 OpEx\* Highlights

- Non-GAAP operating expenses were \$49.2M (unchanged from GAAP)
- Includes stock-based compensation expense of \$2.7M

### \* 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.

# Operating Margin Trend



## Q409 Op Margin\* Highlights

- Non-GAAP Operating Margin 21.8%
  - + 7.4% pts. Q/Q
  - + 14.6% pts. Y/Y
- On a year over year basis, the significant improvement in Q4 non-GAAP operating margin reflects higher case volumes, increased manufacturing efficiencies, as well as our continued focus on expense management.

### \* 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.

# Balance Sheet Highlights

	Q409	Q309	Q408
Cash, Cash Equivalents, & Short Term Marketable Securities	\$186.5M	\$154.9M	\$110.2M
Cash Flow from Operations	\$34.3M	\$10.8M	\$8.8M
DSOs	57 days	63 days	64 days
Deferred Revenue Balance	\$32.3M	\$27.9M	\$16.7M

# Financial Outlook

# Q1 Fiscal 2010 Outlook

<b>Q1 10 Outlook</b>	<b>GAAP</b>	<b>Non-GAAP</b>
Revenue	\$85.0 M – \$88.0 M	
Case Shipments	60 K – 62 K	
Gross Margin	76.3 % – 76.8 %	77.3% – 77.8%
Operating Expenses	\$51.8 M – \$52.8 M	
Operating Margin	15.3 % – 16.8 %	16.3% – 17.8%
EPS, diluted	\$0.11 – \$0.13	\$0.12 – \$0.14
Effective tax rate	32 % – 34 %	
Stock based compensation	\$4.4 M	
Diluted shares outstanding	77 M	
Cash	\$200 M - \$205 M	

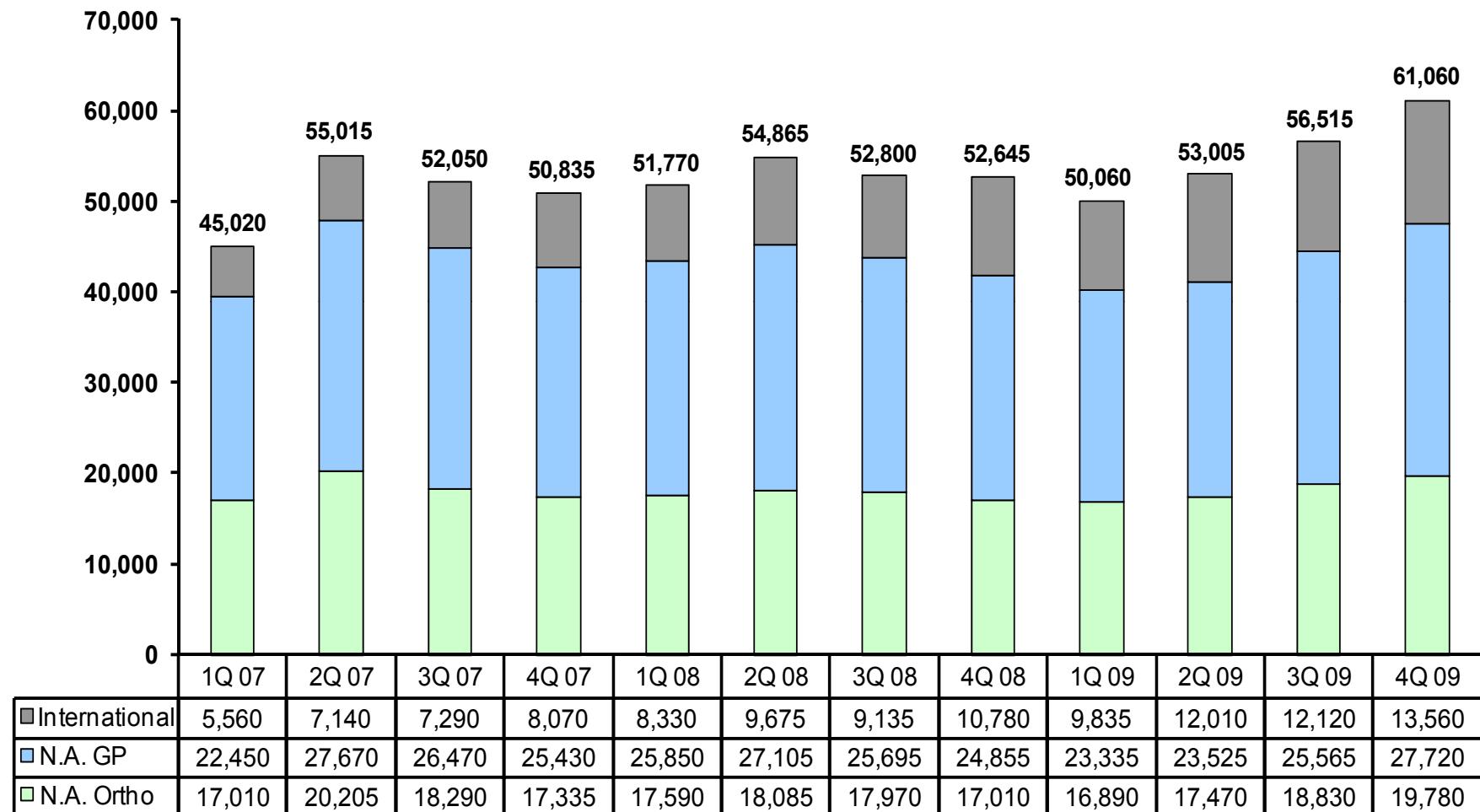
Contact Align Technology Investors Relations at:

- Email: [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com)
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- Shirley Stacy, Senior Director, Investor Relations
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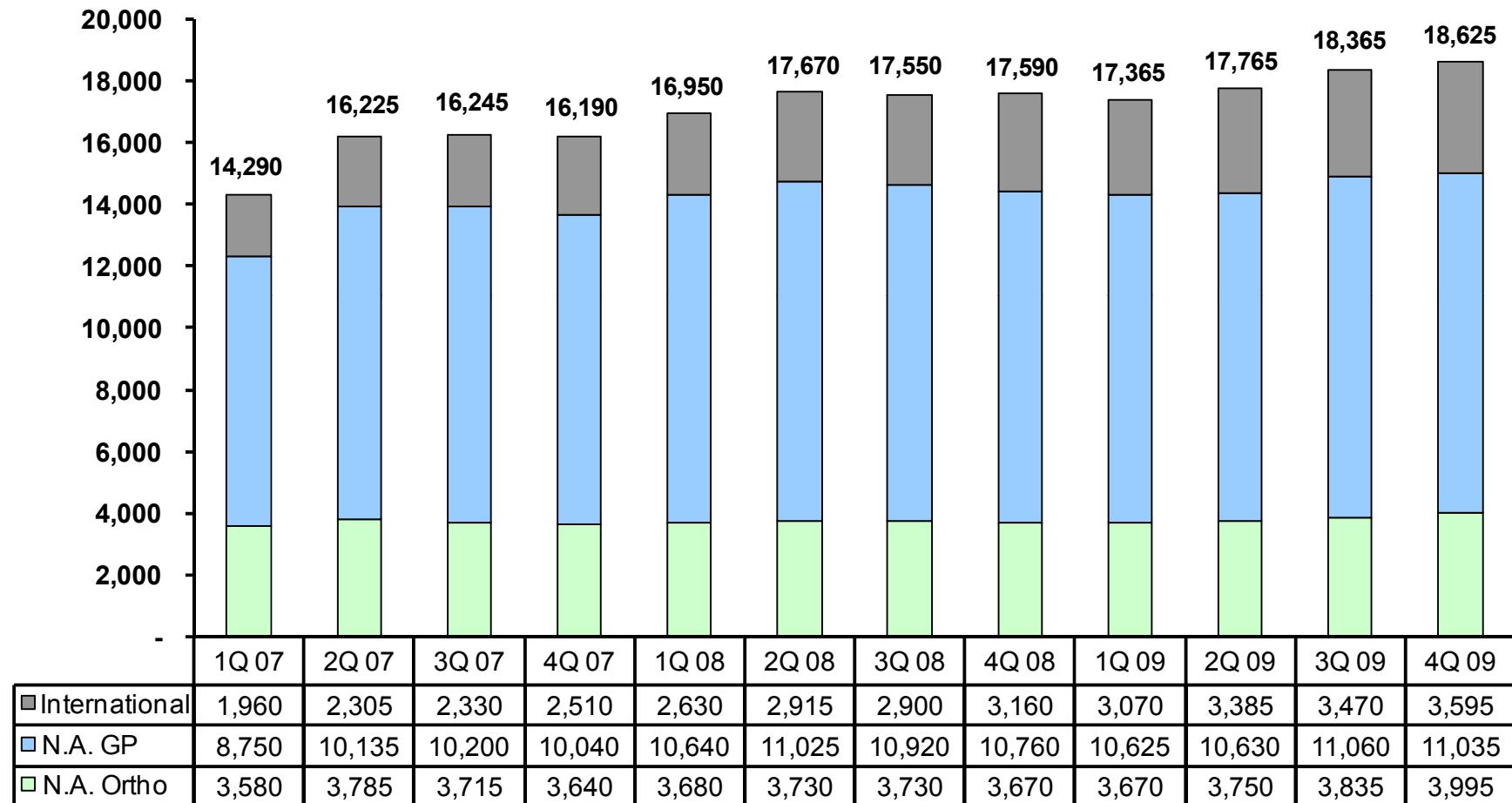
# Additional Data

Historical Information as of 12/31/09

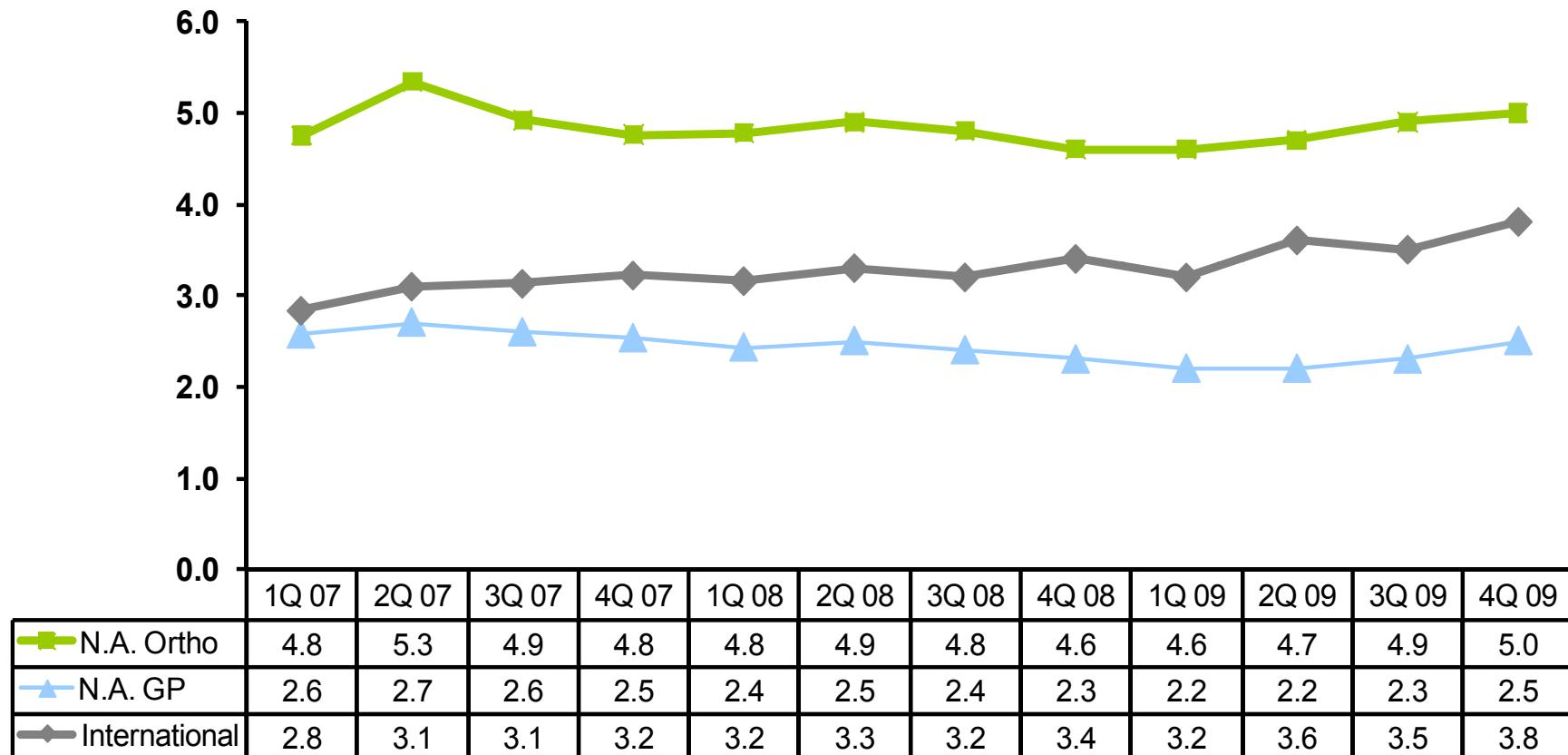
# Cases Shipped By Channel



# Total # of Doctors Cases Were Shipped To

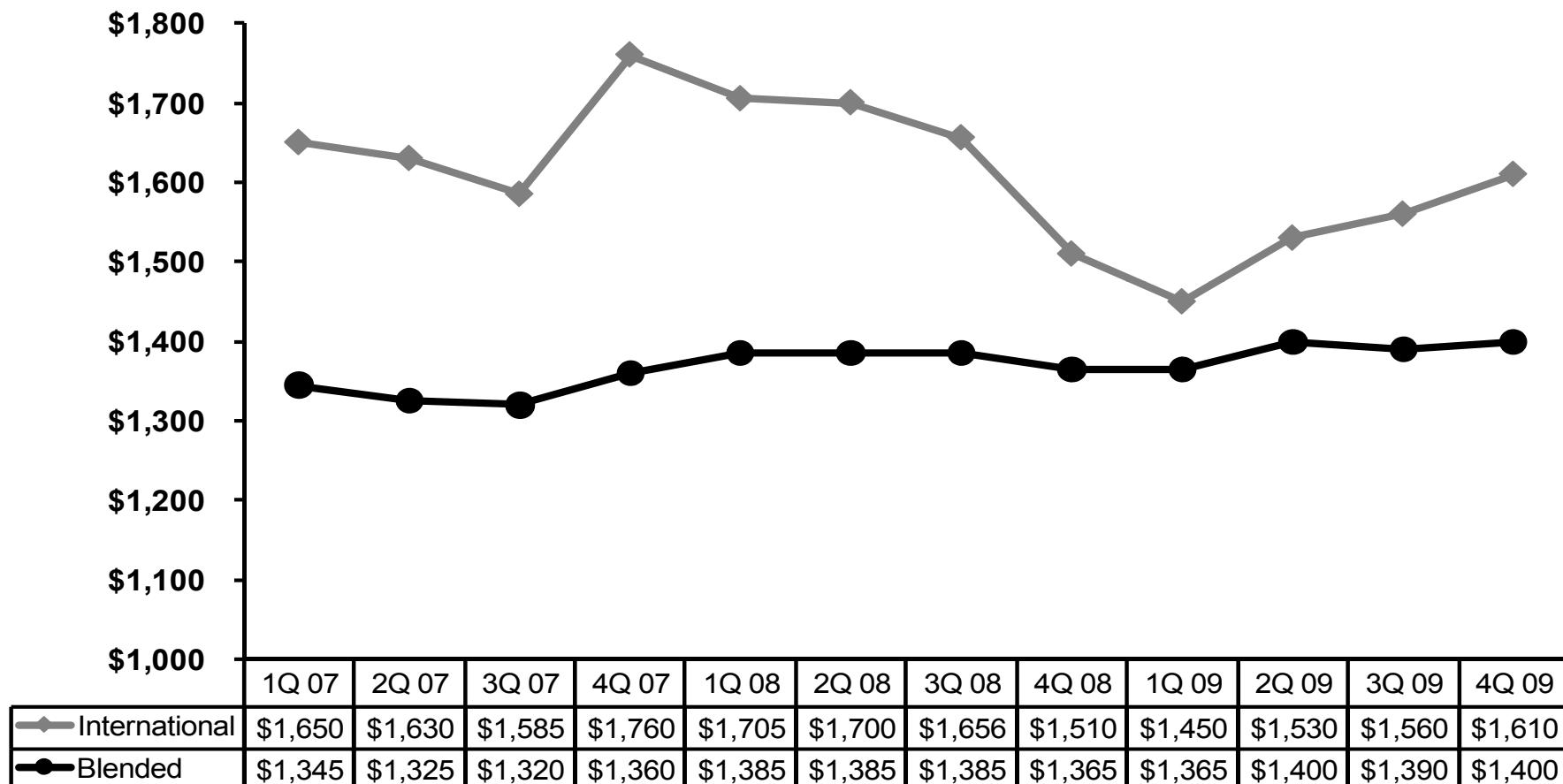


# Utilization Rate\*



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

# Average Selling Price (ASP), as billed



\* Beginning in Q1 2008, ASPs reflect gross revenue prior to impact from new products deferrals

◆ Beginning in Q1 2009, blended ASPs do not include Align's retainer business