

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

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Fiscal 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Fiscal 2018	Q1 2019	Q2 2019
Net Revenues:												
<i>Clear Aligner Net Revenues*:</i>												
Americas	\$ 165,628	\$ 188,611	\$ 196,936	\$ 202,873	\$ 754,048	\$ 209,576	\$ 234,028	\$ 228,638	\$ 231,048	\$ 903,290	\$ 245,343	\$ 248,524
International	98,851	111,837	123,465	139,375	473,528	151,713	172,984	172,187	187,284	684,168	194,879	216,455
Non-case ⁽¹⁾	17,920	20,588	21,210	21,968	81,686	24,216	26,229	26,262	27,302	104,009	28,983	31,723
Total Clear Aligner Net Revenues	282,399	321,036	341,611	364,216	1,309,262	385,505	433,241	427,087	445,634	1,691,467	469,205	496,702
<i>Scanner and Services Net Revenues</i>	27,942	35,446	43,656	57,107	164,151	51,419	57,018	78,202	88,386	275,025	79,766	103,995
Total Worldwide Net Revenues	310,341	356,482	385,267	421,323	1,473,413	436,924	490,259	505,289	534,020	1,966,492	548,971	600,697
Cost of Net Revenues:												
Cost of net revenues Clear Aligner	62,452	70,222	75,326	81,699	289,699	88,529	101,629	105,315	115,499	410,972	117,847	130,560
Cost of net revenues Scanner and Services	12,264	15,343	17,453	21,707	66,767	20,987	23,048	28,193	35,425	107,653	29,028	37,848
Total cost of net revenues	74,716	85,565	92,779	103,406	356,466	109,516	124,677	133,508	150,924	518,625	146,875	168,408
Gross profit	235,625	270,917	292,488	317,917	1,116,947	327,408	365,582	371,781	383,096	1,447,867	402,096	432,289
Operating Expenses:												
Selling, general and administrative	151,148	162,964	169,524	182,141	665,777	199,625	212,087	213,873	226,819	852,404	247,110	267,948
Research and development	22,804	24,384	24,201	26,170	97,559	29,591	30,804	32,700	35,804	128,899	37,503	38,851
Impairments and other charges	-	-	-	-	-	-	-	-	-	-	29,782	-
Litigation settlement gain	-	-	-	-	-	-	-	-	-	-	-	(51,000)
Total operating expenses	173,952	187,348	193,725	208,311	763,336	229,216	242,891	246,573	262,623	981,303	314,395	255,799
Operating Income	61,673	83,569	98,763	109,606	353,611	98,192	122,691	125,208	120,473	466,564	87,701	176,490
Interest income	1,195	1,441	1,826	2,486	6,948	2,176	1,917	2,234	2,249	8,576	2,633	3,465
Other income (expense), net	450	1,771	1,924	95	4,240	177	(7,099)	(837)	(730)	(8,489)	(5,746)	13,892
Net income before provision for (benefit from) income taxes and equity in losses (gains) of investee	63,318	86,781	102,513	112,187	364,799	100,545	117,509	126,605	121,992	466,651	84,588	193,847
Provision for (benefit from) income taxes	(7,223)	15,387	18,344	103,654	130,162	2,902	7,703	24,601	22,517	57,723	8,796	43,121
Equity in losses (gains) of investee, net of tax	1,121	2,215	1,614	(1,731)	3,219	1,777	3,701	1,132	2,083	8,693	3,944	3,584
Net Income	\$ 69,420	\$ 69,179	\$ 82,555	\$ 10,264	\$ 231,418	\$ 95,866	\$ 106,105	\$ 100,872	\$ 97,392	\$ 400,235	\$ 71,848	\$ 147,142
Net Income per share												
- basic	\$ 0.87	\$ 0.86	\$ 1.03	\$ 0.13	\$ 2.89	\$ 1.20	\$ 1.32	\$ 1.26	\$ 1.22	\$ 5.00	\$ 0.90	\$ 1.84
- diluted	\$ 0.85	\$ 0.85	\$ 1.01	\$ 0.13	\$ 2.83	\$ 1.17	\$ 1.30	\$ 1.24	\$ 1.20	\$ 4.92	\$ 0.89	\$ 1.83
Shares used in computing net income per share												
- basic	79,904	80,188	80,163	80,080	80,085	80,036	80,216	80,111	79,891	80,064	79,860	79,943
- diluted	81,534	81,631	81,789	81,863	81,832	81,628	81,471	81,359	80,943	81,357	80,687	80,590
Margin Analysis:												
Gross margin	75.9%	76.0%	75.9%	75.5%	75.8%	74.9%	74.6%	73.6%	71.7%	73.6%	73.2%	72.0%
-Clear Aligner	77.9%	78.1%	77.9%	77.6%	77.9%	77.0%	76.5%	75.3%	74.1%	75.7%	74.9%	73.7%
-Scanner and Services	56.1%	56.7%	60.0%	62.0%	59.3%	59.2%	59.6%	63.9%	59.9%	60.9%	63.6%	63.6%
Selling, general and administrative	48.7%	45.7%	44.0%	43.2%	45.2%	45.7%	43.3%	42.3%	42.5%	43.3%	45.0%	44.6%
Research and development	7.3%	6.8%	6.3%	6.2%	6.6%	6.8%	6.3%	6.5%	6.7%	6.6%	6.8%	6.5%
Operating margin	19.9%	23.4%	25.6%	26.0%	24.0%	22.5%	25.0%	24.8%	22.6%	23.7%	16.0%	29.4%
Net margin	22.4%	19.4%	21.4%	2.4%	15.7%	21.9%	21.6%	20.0%	18.2%	20.4%	13.1%	24.5%
Year Over Year Analysis:												
Net Revenues	30.0%	32.3%	38.3%	43.7%	36.4%	40.8%	37.5%	31.2%	26.7%	33.5%	25.6%	22.5%
-Clear Aligner	28.5%	31.9%	40.2%	44.8%	36.6%	36.5%	35.0%	25.0%	22.4%	29.2%	21.7%	14.6%
-Scanner and Services	46.9%	36.7%	25.0%	37.0%	35.1%	84.0%	60.9%	79.1%	54.8%	67.5%	55.1%	82.4%
Gross profit	30.4%	32.0%	39.8%	44.3%	37.0%	39.0%	34.9%	27.1%	20.5%	29.6%	22.8%	18.2%
Operating expense	36.7%	33.7%	31.7%	37.2%	34.8%	31.8%	29.6%	27.3%	26.1%	28.6%	37.2%	5.3%
Operating income	15.6%	28.3%	59.1%	60.3%	42.1%	59.2%	46.8%	26.8%	9.9%	31.9%	-10.7%	43.8%
Net income	71.2%	37.9%	60.7%	-78.4%	22.0%	38.1%	53.4%	22.2%	848.9%	72.9%	-25.1%	38.7%
Quarter Over Quarter Analysis (Sequential):												
Net Revenues	5.8%	14.9%	8.1%	9.4%		3.7%	12.2%	3.1%	5.7%		2.8%	9.4%
-Clear Aligner	12.3%	13.7%	6.4%	6.6%		5.8%	12.4%	-1.4%			5.3%	5.9%
-Scanner and Services	-33.0%	26.9%	23.2%	30.8%		-10.0%	10.9%	37.2%	13.0%		-9.8%	30.4%
Gross profit	7.0%	15.0%	8.0%	8.7%		3.0%	11.7%	1.7%			5.0%	7.5%
Operating expense	14.5%	7.7%	3.4%	7.5%		10.0%	6.0%	1.5%			19.7%	-18.6%
Operating income	-9.8%	35.5%	18.2%	11.0%		-10.4%	25.0%	2.1%			-27.2%	101.2%
Net income	45.8%	-0.3%	19.3%	-87.6%		834.0%	10.7%	-4.9%			-26.2%	104.8%

* Includes Invisalign and SmileDirectClub, LLC ("SDC"). Effective Q1'18, Americas region includes North America and LATAM. International region includes EMEA and APAC. We have recasted historical data to reflect the change.

(1) Non-case net revenues include the retainer business, training revenues, and ancillary offerings under our Clear Aligner product lines