

align



Financial Overview and Model

/ **John Morici**
Chief Financial Officer

/ **New York, May 23, 2018**

Forward Looking Statement

During this presentation and corresponding commentary we may make forward-looking statements, including statements regarding Align's strategy for future growth, plans related to global expansion of operational presence, our expectations regarding our ability to develop and commercialize new products, planned geographic expansion and anticipated impact on our growth, our expectations related to sales force coverage on, among other things, customer adoption, as well as statements related to Align's business outlook for 2018 and beyond. Any such forward-looking statements contained in this presentation and corresponding commentary are based upon information available to Align as of the date hereof. 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 may cause such a difference include, but are not limited to, the factors that are discussed in more detail in Align Technology's Forms 10-K and 10-Q, as well as in other reports and documents filed from time to time with the Securities and Exchange Commission. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Agenda

- Historical review
- Investment allocation
- Long-term business model
- Summary

Summary of GAAP Financial Results

REVENUE



2015	2017
\$845M	\$1,473M

EPS



2015	2017 ⁽¹⁾
\$1.77	\$2.83

FCF



2015	2017 ⁽²⁾
\$185M	\$243M

MARKET CAP⁽³⁾

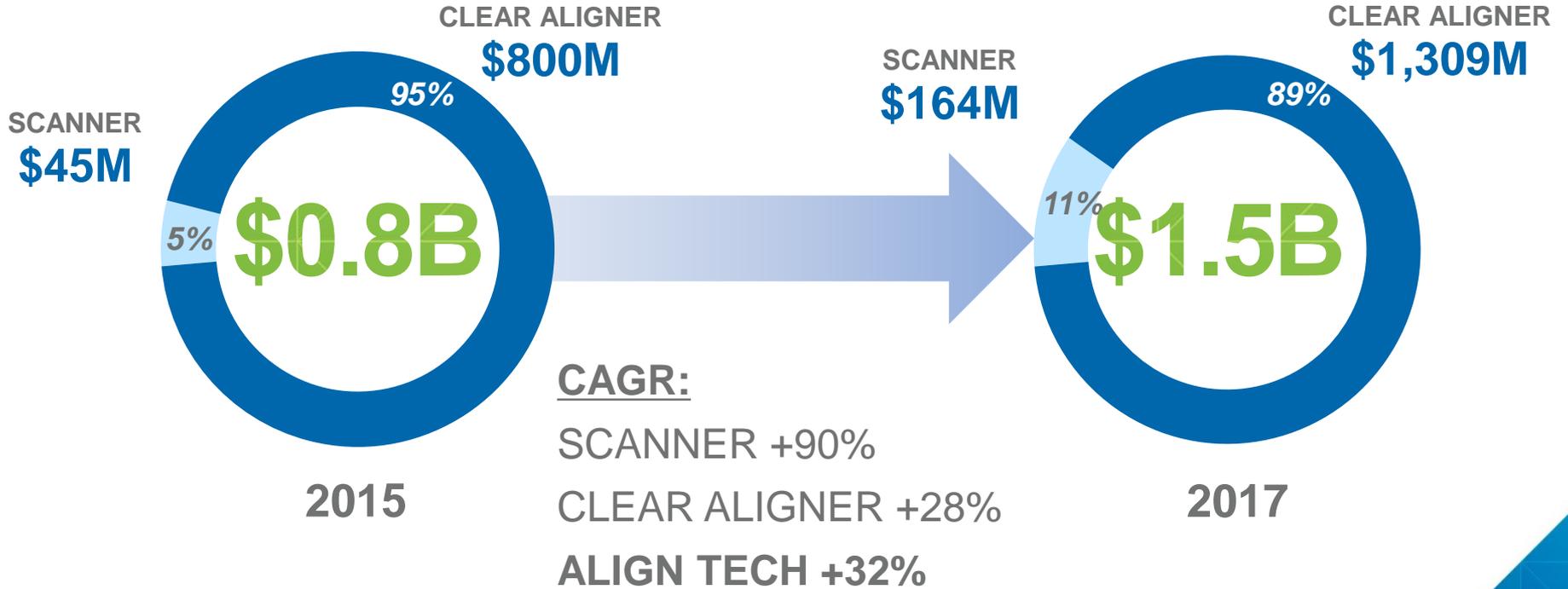


2015	2017
\$5.2B	\$17.8B

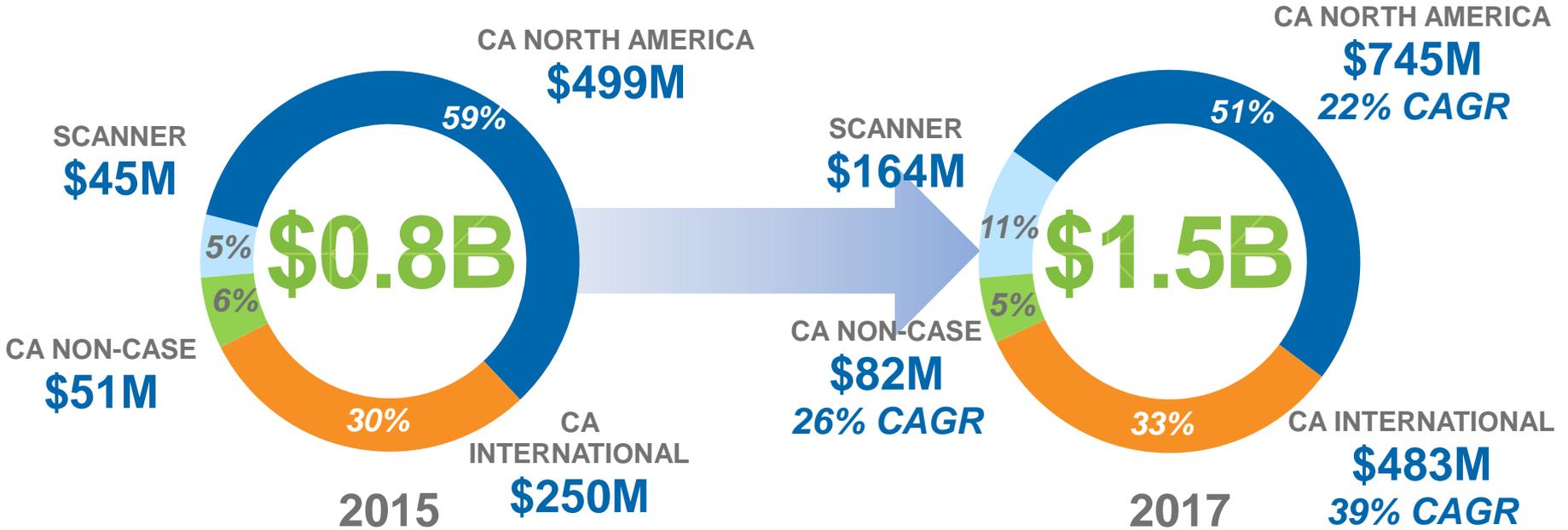
■ 2015 ■ 2017

- (1) Includes Tax Reform impact of \$87M or \$1.06 per share & Excess Tax benefit of \$30M or \$0.37 per share. Excluding these items EPS growth was 2.0x
- (2) Net of cash capex on New HQ building and China Fab
- (3) As of December 31, 2015 and December 29, 2017

Revenue by Segment



Revenue by Segment & Region



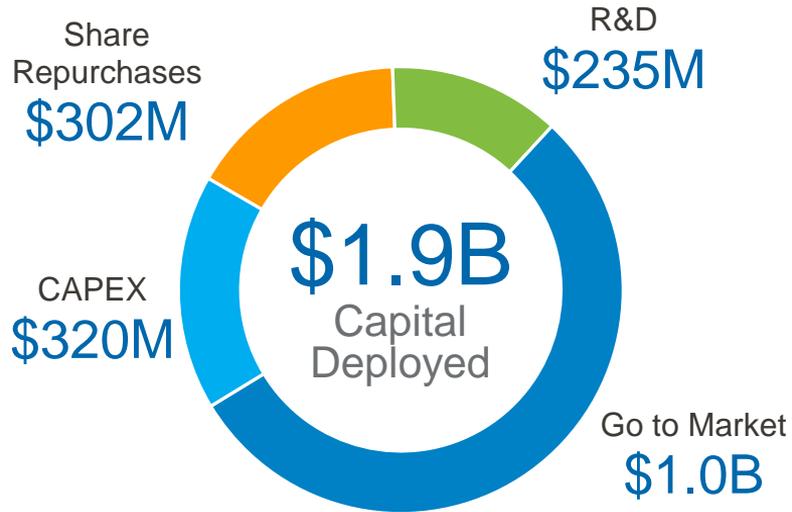
Gross Margin



HOLDING MARGINS THROUGH EXPANSION

Investment Allocation

Cumulative 3 Years (2015-2017)



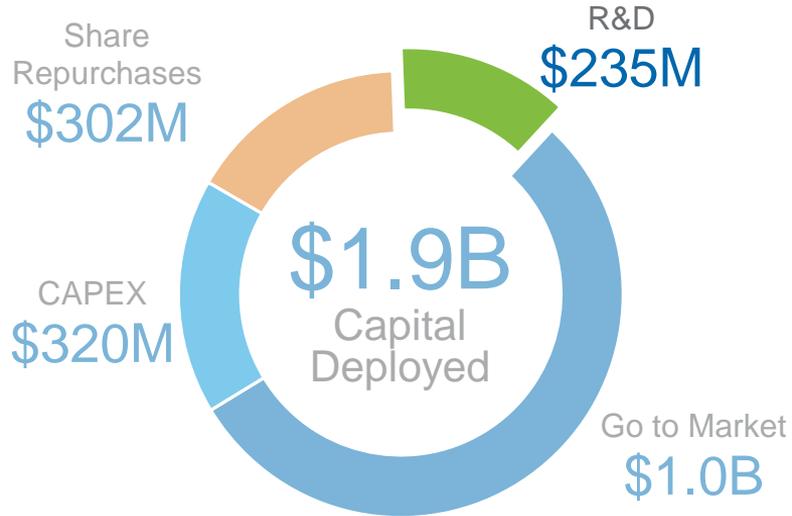
Principles:

- Invest in business – 1st priority
- Growth balanced with earnings
 - 67% P&L investments
 - 33% B/S investments
- Return surplus cash to shareholders

Go to Market defined as Selling and Marketing expenses.

Investment Allocation

Cumulative 3 Years (2015-2017)

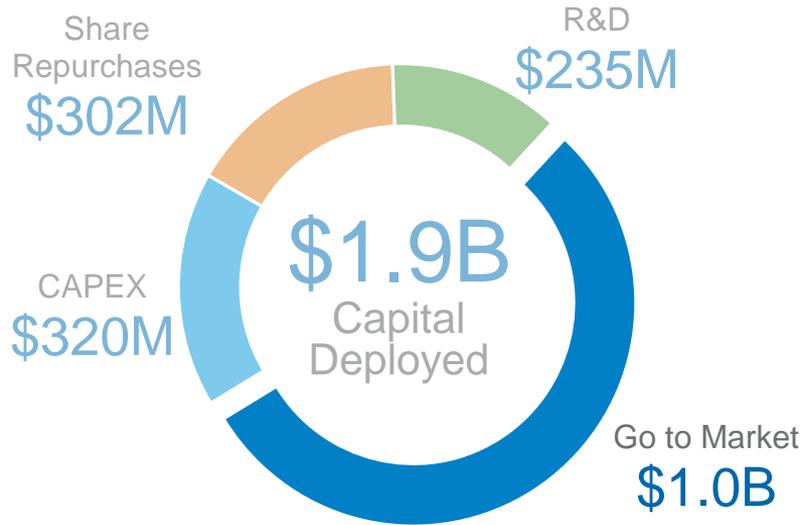


R&D Investments:

- Innovations increase Invisalign applicability and opportunity
 - Appliance innovation
 - Treatment planning innovation
- Better clinical results increase doctor confidence
- 6.5% - 7.0% of revenue

Investment Allocation

Cumulative 3 Years (2015-2017)

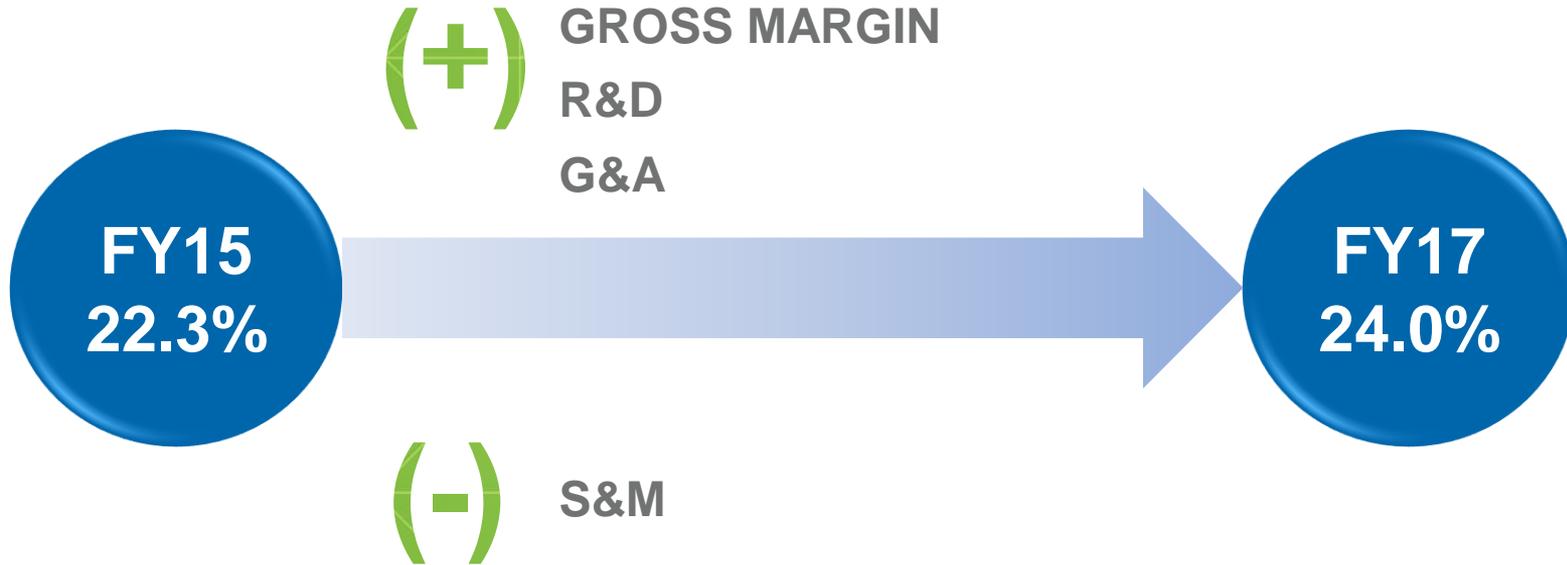


Go to Market Investments:

- Territory coverage investments drives new doctors & utilization
- Consumer advertising drives demand “pull”
- Geographic expansion expands served market
- 28% - 32% of revenue

Go to Market defined as Selling and Marketing expenses.

Operating Margin



**ACCELERATING INVESTMENT IN S&M
TO DRIVE FASTER VOLUME/REVENUE GROWTH**

EPS

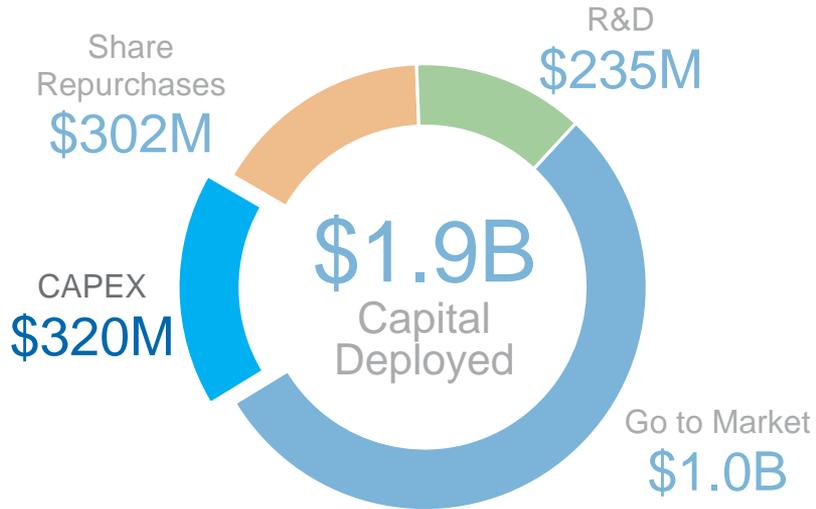


**EPS GROWTH PRIMARILY DUE TO VOLUME
GROWTH AND COST CONTROL**

(1) Tax Reform impact of \$87M or \$1.06 per share & Excess Tax benefit of \$30M or \$0.37 per share.

Investment Allocation

Cumulative 3 Years (2015-2017)

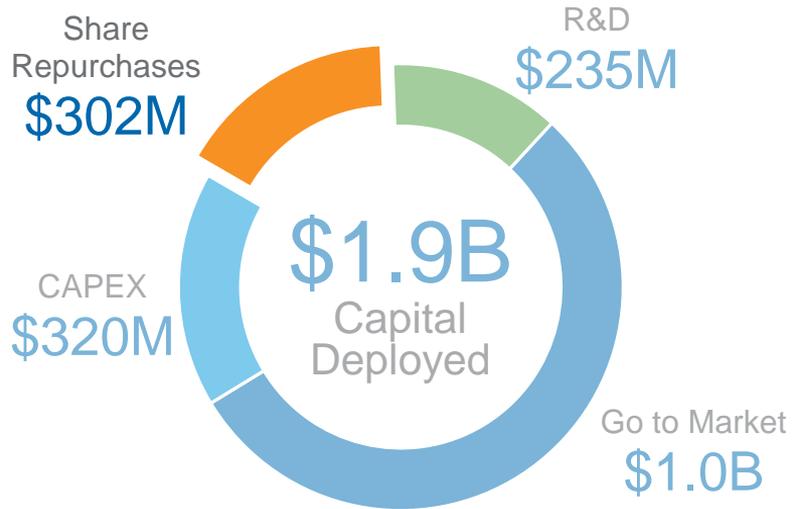


Capital Expenditures:

- CAPEX expansion business model
- Factory capacity driven
- Long Term Average 4% - 5% of revenue

Investment Allocation

Cumulative 3 Years (2015-2017)

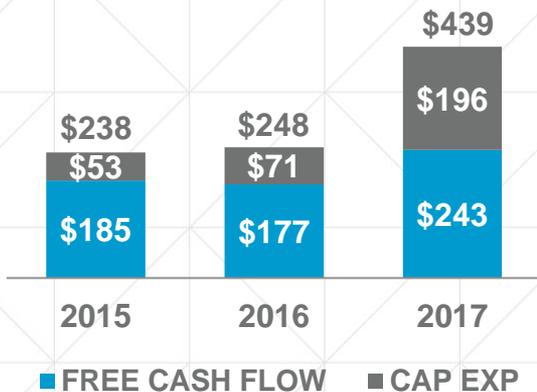


Share Repurchases:

- 3.4M shares repurchased
- \$100M left under the 2016 Repurchase Program (As of Q1'18)
- **New \$600M** authorization

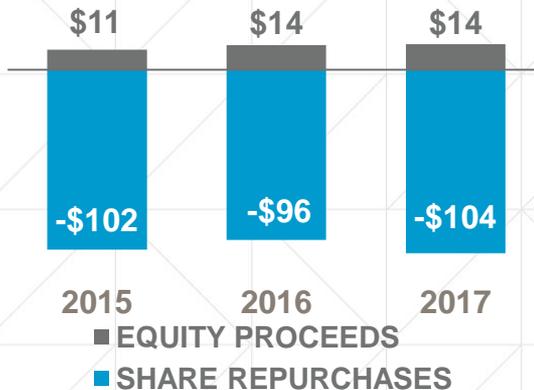
Cash Flow and Cash Balances

CASH FLOW FROM OPERATIONS (\$M)



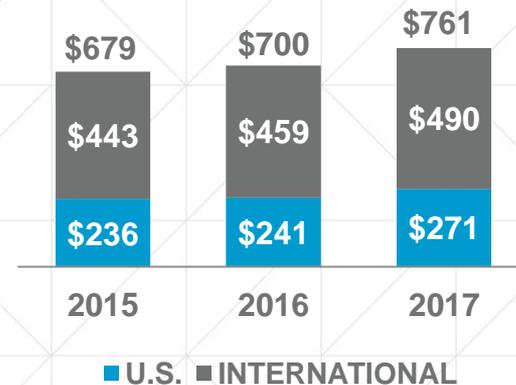
Strong FCF
CAPEX spend mainly for Manufacturing Expansion

CASH FLOW FROM FINANCING (\$M)



Consistent return of capital to shareholders
Repurchased 3.4M shares during 2015-2017

CASH BALANCES (\$M)¹



Sustainable U.S. cash to return to shareholders

Delivering Shareholder Value

Top-Line Growth

- Invest in Our Brand
- Expand Go-To Market Activities
- Global Expansion

Invest In Innovation

- Product/Clinical Efficacy (expand TAM)
- Investment in iTero (Digital Workflow)
- New Technology

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* invisalign | itero

Consistent Earnings

- Diversified Driven Earnings
- Balance Growth with Profitability

Capital Allocation Priorities

- Invest to Fund Growth
- Invest in New Business Models
- Return Excess Cash Through Stock Buybacks

3 - 5 Year Financial Model Targets

	2015	2016	2017	2018 Guidance	Current LTM	New LTM
REVENUE Y/Y %	11%	28%	36%	Low 30's	15% - 25%	20% - 30%
GROSS MARGIN %	75.7%	75.5%	75.8%		73% - 78%	73% - 78%
OPERATING EXPENSE %	53.4%	52.4%	51.8%		45% - 50%	45% - 50%
OPERATING MARGIN %	22.3%	23.1%	24.0%	≥ 24%	25% - 30%	25% - 30%
FREE CASH FLOW %	21.8%	16.4%	16.5%		20% - 25%	20% - 25%

\$600M Additional Stock Buy-back Authorization

- **NEW \$600 million authorization**
- This latest authorization is in addition to the existing \$300 million authorization announced in April 2016
- To date, Align has repurchased approximately \$200 million of its stock, against these authorizations and anticipates it will repurchase another \$100 million in 2018
- Reflects continued commitment to returning cash back to our shareholders

Summary



Accelerating long-term business model



Balanced investments to drive top-line growth while maintaining strong earnings



Continued **commitment** to returning excess cash



Well positioned to deliver **excellent** shareholder value creation

The background is a complex geometric pattern of overlapping squares and triangles in various shades of blue, from light cyan to dark navy. Two white lines with circular endpoints are positioned diagonally, one in the upper left and one in the lower right, framing the central text.

Our Unique Opportunity
is Enormous

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