



Align Technology, Inc.

Financial Results  
Q4 2014

## Align Technology Q4 2014 Conference Call

- Speakers:
  - Tom Prescott, President and CEO
  - David White, CFO
- Moderator:
  - Shirley Stacy, Vice President, Investor and Corporate Communications
- Replay and Web cast Archive
  - Telephone replay will be available through 5:30pm ET February 5, 2015
    - Domestic callers: 877-660-6853
    - International callers: 201-612-7415
    - Conference # 13598471
  - Audio web cast archive will be available at <http://investor.aligntech.com> for approximately 12 months

## Safe Harbor and Forward Looking Statement

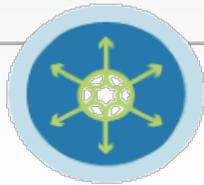
This presentation contains forward-looking statements, including statements regarding certain business metrics for the first quarter of 2015, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, case shipments, additional common stock repurchases 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 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, 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 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 and Form 10Q for the third quarter of fiscal 2014. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

## Q4 2014 Financial Highlights

	Total Net Revenues	Invisalign Clear Aligner Net Revenues		Scanner & Services Net Revenues
	\$198.6M	\$186.4M	126.9K cases	\$12.2M
YoY	+11.4%	+12.2%	+14.2%	+0.8%
QoQ	+4.6%	+4.7%	+6.1%	+3.6%

- Delivered a good quarter and finish to the year for Align, driven by continued strong growth in our EMEA and APAC regions along with solid results in North America
- Pleased to report that shortly after end of the year, we shipped our 3 millionth Invisalign case destined for a teenaged patient in the New Jersey area. It took us 12 years to reach our 1 millionth case, another 3 years for the next million, and only 2 more years to reach 3 million patients and counting!

# Proven Strategic Growth Drivers Ensure Continued Success



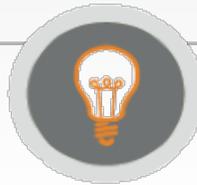
## Market Expansion

Increase Teen Share

Grow Adult Segment

Drive European Growth

Continue INTL Expansion-APAC



## Innovation

Increase Product Predictability & Applicability

Enhance Customer Experience



## Brand Strength

Drive Awareness Among Consumers

Increase Consumer Purchase Intent

## Market Expansion – Q4 2014 Highlights

### Teenage Patient Segment

- Q4'14 – 29.7K teenager cases for Invisalign worldwide, +16.6% Y/Y
- 2014 – 117.3K teenager cases worldwide, +16.1% Y/Y representing ~25% of case mix



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# Innovation – Q4 2014 Highlights

## *Invisalign G5 for Deep Bite and ClinCheck Pro*

### Invisalign G5 for Deep Bite

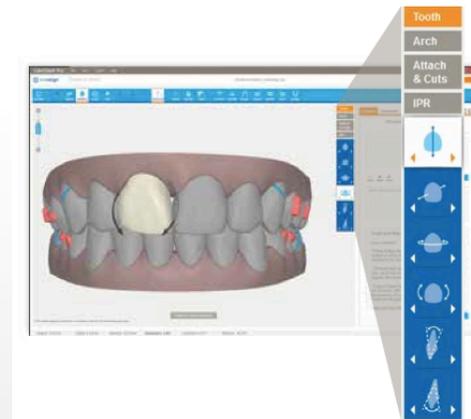
- Comprehensive SmartForce features dedicated to deep bite treatment
- Prevalence of deep bites cases
  - ~50% in North America and Europe
  - ~30% in Asia
- Doctors are now treating deep bite with Invisalign more often compared to previous years. As a result, we've also seen an increase in doctor's confidence using Invisalign on more complex cases overall.



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### ClinCheck Pro with 3D Controls

- Next generation Invisalign treatment software tool that provides a doctor with more precise control over the final tooth position, helping them better achieve their treatment goals
- Launched in March in North America
- Available in EMEA and APAC in Q1'15



# Innovation – Q4 2014 Highlights

## *Invisalign G6 Clinical Innovations*

### Invisalign **G6** Clinical Innovations for First Premolar Extraction



- Prevalence of First Premolar Extraction
  - ~50% in Asia
  - ~20% in Europe
  - ~12% in North America
- Available in a limited release to Invisalign-trained providers in Q1'15
- Broader commercialization in Asia Pacific, EMEA, and Latin America geographies throughout 2015 and in North America in early 2016.

Engineered to deliver the force systems necessary to achieve predictable tooth movements

**SmartForce**  
features



Optimizes the progression of tooth movements for greater predictability

**SmartStage**  
technology



**SmartTrack**  
material



Provides more gentle, constant forces to improve control of tooth movements

# Brand Strength – 2014 Highlights

## North America and International Consumer Demand

- **North America**
  - Attracted 5.8M+ consumers to our websites, including adults, parents, and teens
  - Teen focused consumer marketing programs drove more than 7K downloads of information designed to help start the discussion with their parents and orthodontists
  - 640K+ consumers completed our Smile Assessment
  - 443K+ consumers searched for an Invisalign trained doctor
  - Invisalign social media community: 115K+ fans, 66% growth in 2014
- **EMEA**
  - Drove 2M+ consumers to our websites
  - 50k+ downloaded an Information Kit or took our Smile Assessment
  - Invisalign social media community: 125K+ fans and growing at 5% every month
  - Successful impact of our regional programs focused on 10 targeted cities
- **APAC**
  - Drove 670K+ consumers to our websites
  - 120K+ consumers looked for Invisalign provider
  - 11K+ consumers registered to learn more about Invisalign treatment
  - Consumer demand generation campaign called “Key Moments” in Hong Kong won Best Consumer PR Campaign Silver Award at the inaugural PR awards HK organized by the Marketing Magazine.
  - Three dedicated flagship clinics opened in South East Asia. Launched with series of PR and advertorials to create awareness and generations of informed consumers who would proactively seek for Invisalign treatments



# Q4 2014 Invisalign Geographic Results

## International

- Strong performance was driven by a combination of increased utilization by orthodontists in all countries, as well as continuous effort to add new Invisalign-trained doctors.
- EMEA region - shipments increased 27.5% Y/Y reflecting record quarter results across all major countries.
- APAC region - shipments increased 32.7% Y/Y reflecting continued strong growth across all countries with Q4 being a record quarter for Invisalign volume in Australia, New Zealand, and Japan. In China, despite Q4 seasonality due to multiple industry trade shows, conferences, and lengthy national holidays across the region, year-over-year growth continues to outstrip the rest of the region and more than doubled again.

## North America

- Q/Q reflects growth from N.A. GPs exceeded historical Q4 over Q3 trends, offset by an expected slight decline from N. A Orthos, who typically have slower growth coming off the summer teen season.
- Y/Y both customer channels were up and growth was driven primarily by continued expansion of our GP customer base and increased utilization from N. A. Orthos.

	Worldwide	International	North America
Shipments	126,905	40,050	86,855
Y/Y	+14.2%	+29.2%	+8.4%
Q/Q	+6.1%	+17.1%	+1.7%

## Q4 2014 Scanner and Services Results

- Revenues were up 3.6% Q/Q and up slightly Y/Y
- Our scanner business continues to benefit from leveraging our combined sales and marketing resources, and taking full advantage of Invisalign and industry events. We generated a lot of interest and sales of iTero scanners at the Dental Association Meetings in Q4, as well as at our North American Ortho Summit in November.
- Our customers have recognized that having an iTero scanner at chairside is a great way to improve the orthodontic experience for their patients and overall practice effectiveness with Invisalign.
- Percentage of Invisalign cases submitted with a digital scan in North America
  - 37.8% in Q4'14, compared to 34.0% in Q3, and 26.6% in Q4 a year ago.

### Scanner & Services Net Revenues

\$12.2M

Y/Y +0.8%

Q/Q +3.6%



iTero



# Go-To-Market Evolution

## Continued focus on growth



Increase coverage & geographic expansion



Optimize go-to-market approach



Increase Align's relevance to customers



Drive towards leadership of digital dentistry revolution

# Regional go-to-market priorities

## North America

- Continued sales expansion
- Evolve/optimize go-to-market
- Win in GPs and low-stage segment
- Significant Partner to DSO's
- Expand clinical education
- Leverage Invisalign brand
- Enhance customer-centric support model

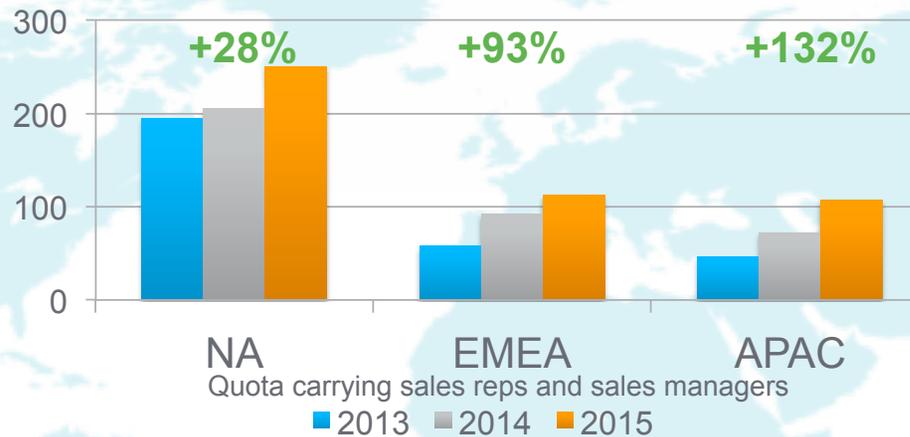
## EMEA

- Continued coverage & market expansion
- Establish GP Sales/Channel Team
- Grow iTero in key countries
- Clinical excellence through clinical education programs
- Build Invisalign brand
- Enhance customer-centric support model

## APAC

- Continued coverage & market expansion
- Initial entry to GP Market/Channel
- Grow iTero in key countries
- Begin building Invisalign brand
- Enhance customer-centric support model

## Investing in Global Go-To-Market Coverage and Support



- We continue to invest in sales coverage, professional marketing, and education programs - along with consumer marketing in select country markets.
- Incremental investments in market expansion, particularly in North America, but also internationally, will increase operating expenses as we add additional coverage resources.
- The substantial investment in a series of initiatives that give us even greater confidence that we can accelerate topline growth, generate incremental operating income, and extend our market leadership in clear aligner therapy and digital restorative dentistry.

# Customer Insights Evolve Segmentation and Coverage Model



# Infrastructure Investments

- Infrastructure investments will allow for more cost effective scaling of the business while enabling better ways of exceeding customer needs
- Expanded capacity to handle additional growth with another Aligner manufacturing facility in Juarez
- Implementation of improved enterprise systems
- Combined with new product and technology initiatives, these investments will ensure Align's market leadership for a long time to come.

## Company Infrastructure Investments

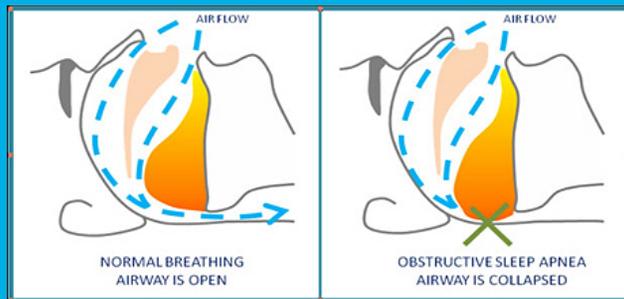


# New Business Opportunities

## *Obstructive Sleep Apnea (OSA)*

### Obstructive Sleep Apnea (OSA)

- Condition characterized by decreased stability of the upper airway during sleep resulting in repeated episodes of either partial or complete airway collapse
- Market: 100M people suffer from OSA globally. \$12B market with 17% CAGR served by large med device firms serving sleep doctors and sleep labs



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### Opportunity for Align

- For some time, we have been considering a few opportunities adjacent to orthodontics and restorative dentistry, which could potentially leverage the core competencies.
- Increasingly, dentists are becoming more involved in treatment of and management of patients with mild to moderate OSA conditions with oral appliance therapy.
- Relationship with an innovator in the OSA market, that is working with us to develop new products for dentists who treat mild to moderate OSA, with Oral Appliance Therapy.
- This investment, in addition to other potential high impact projects, fits extremely well within our overall strategy and can form the base for a new set of OSA Therapeutic offerings at Align.
- These new products will benefit from continued evolution in our world class manufacturing technology base and over time, help make us far more relevant to our dental customers as they begin to treat a wider definition of “oral health”.
- We are very interested in this new adjacent market opportunity and the potential for commercial entry in the next year or so.

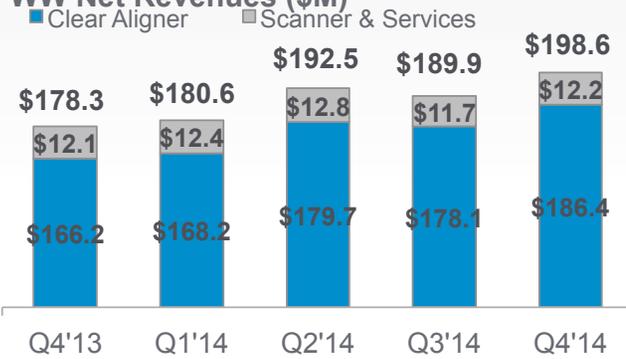


## Q4 2014 Financial Review

David White  
CFO

# Q4 2014 Trended Financials

WW Net Revenues (\$M)



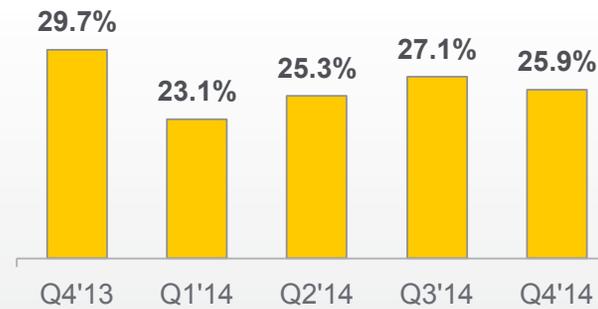
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %



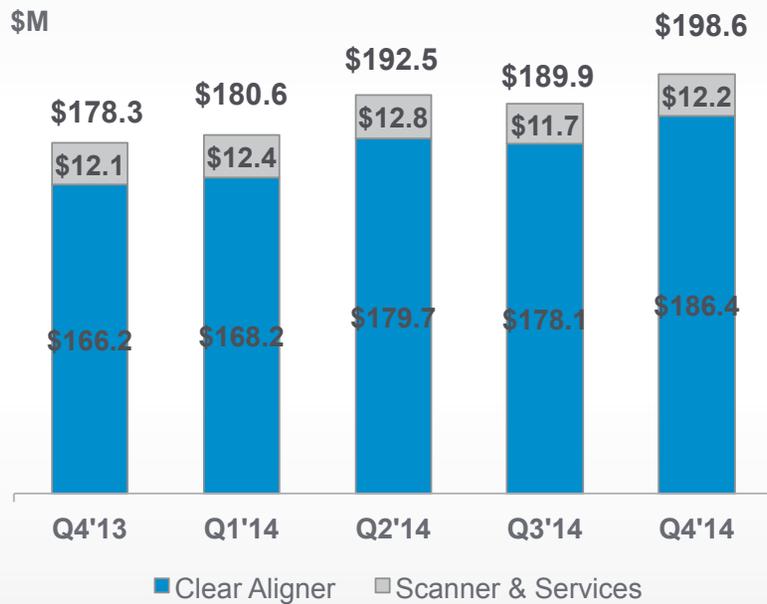
## Q4 2014 Income Statement Highlights

<i>(in millions except per share data and percentages)</i>	<i>Year/Year Change</i>	<i>Q4'13</i>	<i>Sequential Change</i>	<i>Q3'14</i>	<i>Q4'14</i>
<b>Net Revenues</b>	+11.4%	\$178.3	+4.6%	\$189.9	\$198.6
<b>Gross Margin</b>	(0.6)% pts	76.5%	(0.5)% pts	76.4%	75.9%
<b>Operating Expenses</b>	+18.7%	\$83.6	+6.1%	\$93.5	\$99.2
<b>Operating Margin</b>	(3.8)% pts	29.7%	(1.2)% pts	27.1%	25.9%
<b>EPS, diluted</b>	\$(0.03)	\$0.51	+\$0.01	\$0.47	\$0.48

*Note: Data may not total due to rounding*

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# Net Revenues Trend



## Q4'14 Net Revenues Highlights

Net revenues of \$198.6M, +4.6% Q/Q, +11.4% Y/Y

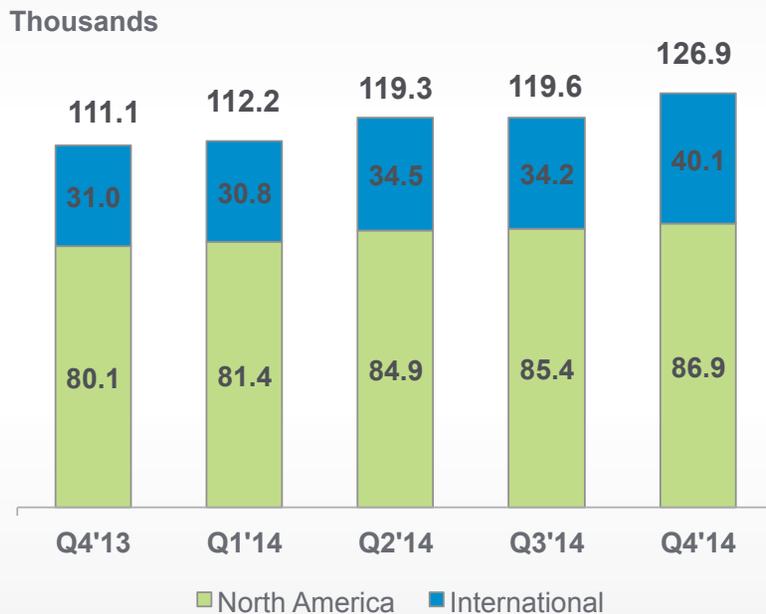
### Clear aligner net revenues

- +4.7% Q/Q, +12.2% Y/Y
- Q/Q growth reflected strong volume from our Int'l doctors, offset somewhat by a decrease in ASPs. Q4 ASPs were down sequentially \$22, of which ~\$18, or \$2.3M in aggregate, was primarily related to the weakening Euro.
- Y/Y growth reflected Invisalign case volume growth across all customer channels, offset by lower ASPs, again primarily related to foreign exchange rates and higher discounts.

### Scanner & Services net revenues

- +3.6% Q/Q, +0.8% Y/Y

# Clear Aligner Shipments Trend



Note: Data may not total due to rounding

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## Q4'14 Clear Aligner Shipment Highlights

Shipments of 126.9K, +6.1% Q/Q, +14.2% Y/Y

- Q/Q growth reflecting continued strong Int'l growth which was up 17.1% sequentially, whereas N.A. was up only slightly.
- Y/Y growth reflects utilization primarily from N.A. orthodontic customers, as well as expansion of both our N.A. GP customer base and Int'l doctors

### North America

- N.A. Orthodontists (1.0)% Q/Q, +12.6% Y/Y
- N.A. GP Dentists +4.9% Q/Q, +4.1% Y/Y

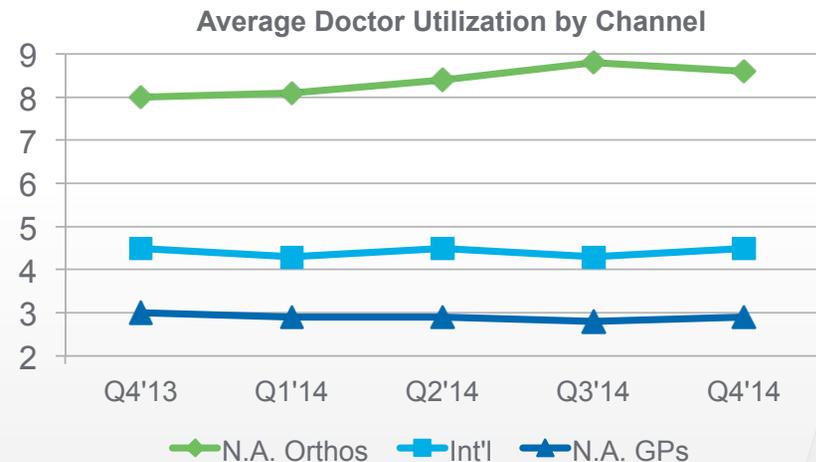
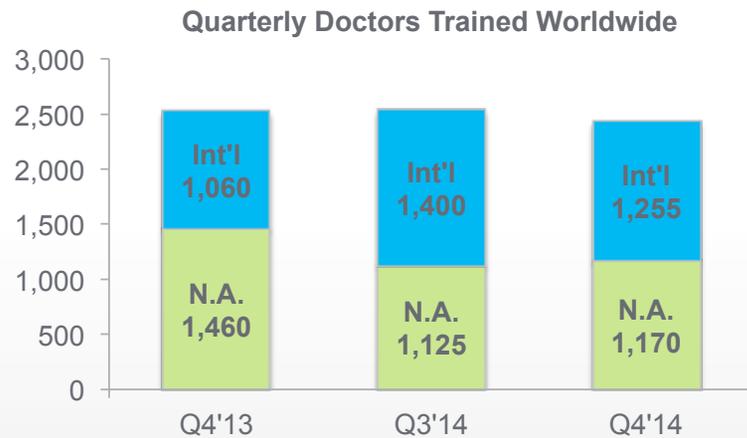
### International

- +17.1% Q/Q, +29.2% Y/Y

# Q4 2014 Clear Aligner Adoption Metrics

## Invisalign Doctor Training and Utilization

- 2,425 new Invisalign-trained doctors in Q4'14
  - 1,170 North America
  - 1,255 International
- Q4'14 doctor utilization 4.4 cases/doctor flat compared to 4.4 in Q3'14 and 4.4 Q4'13
  - N.A. Orthodontists 8.6, +0.6 pts Y/Y
  - N.A. GP Dentists 2.9, (-0.1)pts Y/Y
  - International 4.5, flat Y/Y



# Q4 2014 Net Revenues by Geography and Products

## Net Revenues of \$198.6M

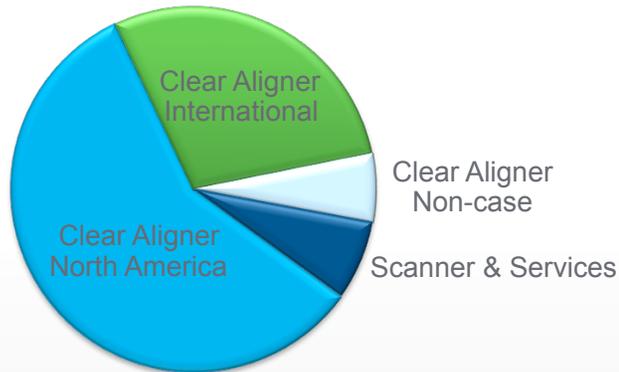
### Geographic Mix

Clear Aligner  
North America: 57%

- +0.3% Q/Q
- +8.2% Y/Y

Clear Aligner  
International: 30%

- +13.2% Q/Q
- +19.5% Y/Y



Scanner &  
Services: 6%

- +3.6% Q/Q
- +0.8% Y/Y

### Product Mix

Clear Aligner  
Full Products: 77%

- +3.6% Q/Q
- +12.2% Y/Y

Clear Aligner  
Express Products: 11%

- +10.9% Q/Q
- +9.3% Y/Y



Clear Aligner  
Non-case: 6%

- +8.4% Q/Q
- +16.4% Y/Y

# Q4 2014 Shipments by Geography and Product

## Clear Aligner Shipments of 126,905

### Geographic Mix

Clear Aligner  
North America: 68%

- +1.7% Q/Q
- +8.4% Y/Y

Clear Aligner  
International: 32%

- +17.1% Q/Q
- +29.2% Y/Y



Clear Aligner  
International

### Product Mix

Clear Aligner  
Full Products: 83%

- +5.4% Q/Q
- +14.4% Y/Y

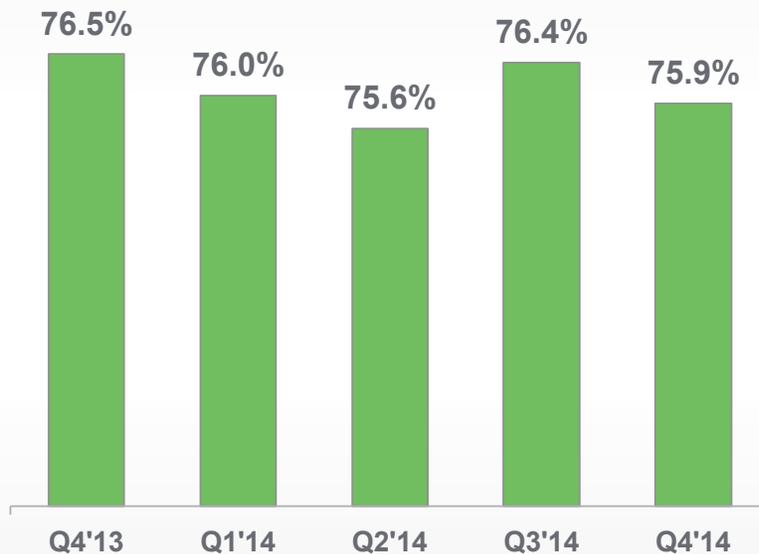
Clear Aligner  
Express Products: 17%

- +9.4% Q/Q
- +13.4% Y/Y



Clear Aligner  
Express Products

## Gross Margin Trend



### Q4'14 Gross Margin Highlights

- Gross margin was \$150.7M or 75.9%
- Down Q/Q and Y/Y primarily as a result of the impact on FX on ASPs
- Includes stock based compensation expense of \$1.0M

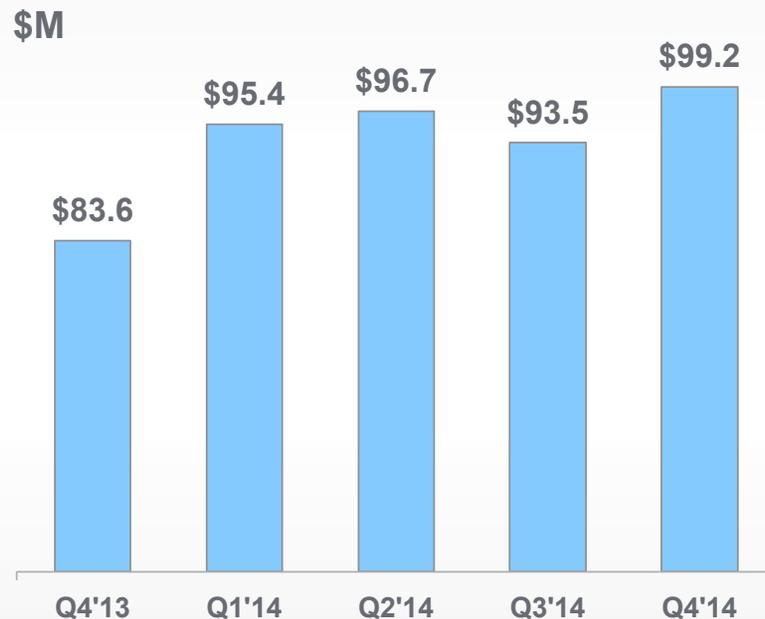
Clear Aligners: 78.8%,

- (0.4)% pts Q/Q, (1.0)% pts Y/Y
- Q/Q and Y/Y decreases were primarily the result of lower ASPs substantially attributable to a weaker Euro and one-time benefits, as previously stated.

Scanners & Services: 30.2%

- (3.3)% pts Q/Q, (0.9)% pts Y/Y
- Q/Q decrease primarily the result of higher product costs, and to a lesser extent, lower ASPs due to year-end promotions.
- Y/Y decrease was primarily the result of lower ASPs due to higher promotional programs, partially offset by more favorable product mix. Prior year results were unfavorably impacted by the sale of older, end-of-life products.

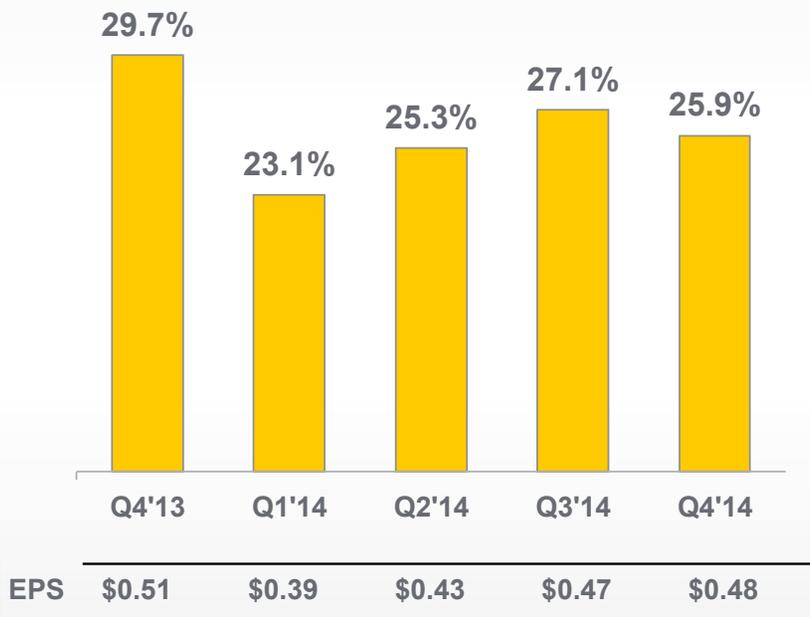
## Operating Expense Trend



### Q4'14 Operating Expense Highlights

- Operating expense was \$99.2M, +6.1% Q/Q, +18.7% Y/Y
- Includes stock-based compensation expense of \$9.5M
- Q/Q operating expenses were up \$6M due primarily to higher sales and marketing spend attributable to key customer events, legal and related expenses, and to a lesser extent our first investment in the obstructive sleep apnea market.
- Y/Y operating expenses were up \$16M reflecting continued investment in new and existing markets/geographies as well as new products and technology.

# Operating Margin and EPS Trend



## Q4'14 Operating Margin Highlights

- Operating profit was \$51.5M and operating margin 25.9%
- (1.2)% pts. Q/Q, (3.8)% pts. Y/Y
- Q/Q decrease was principally related to higher operating expenses, and to a lesser extent lower gross margins
- Y/Y decrease reflects higher operating expenses and as previously mentioned, the prior year's operating margin included one-time gross margin benefits, as well as approximately \$2.5M credit for stock compensation expense as a result of executive departures. These factors increased last year's operating margin by 3 points.

## Other Income and Expense

- Other income and expense included \$2.0M of charges, or ~ \$0.02 per share, primarily related to FX losses due to the weakening of the Euro to the US Dollar. Further, Q/Q impact of currency on revenue, net of the benefit we get on the translation of expenses at a lower rate was \$0.01 per share.

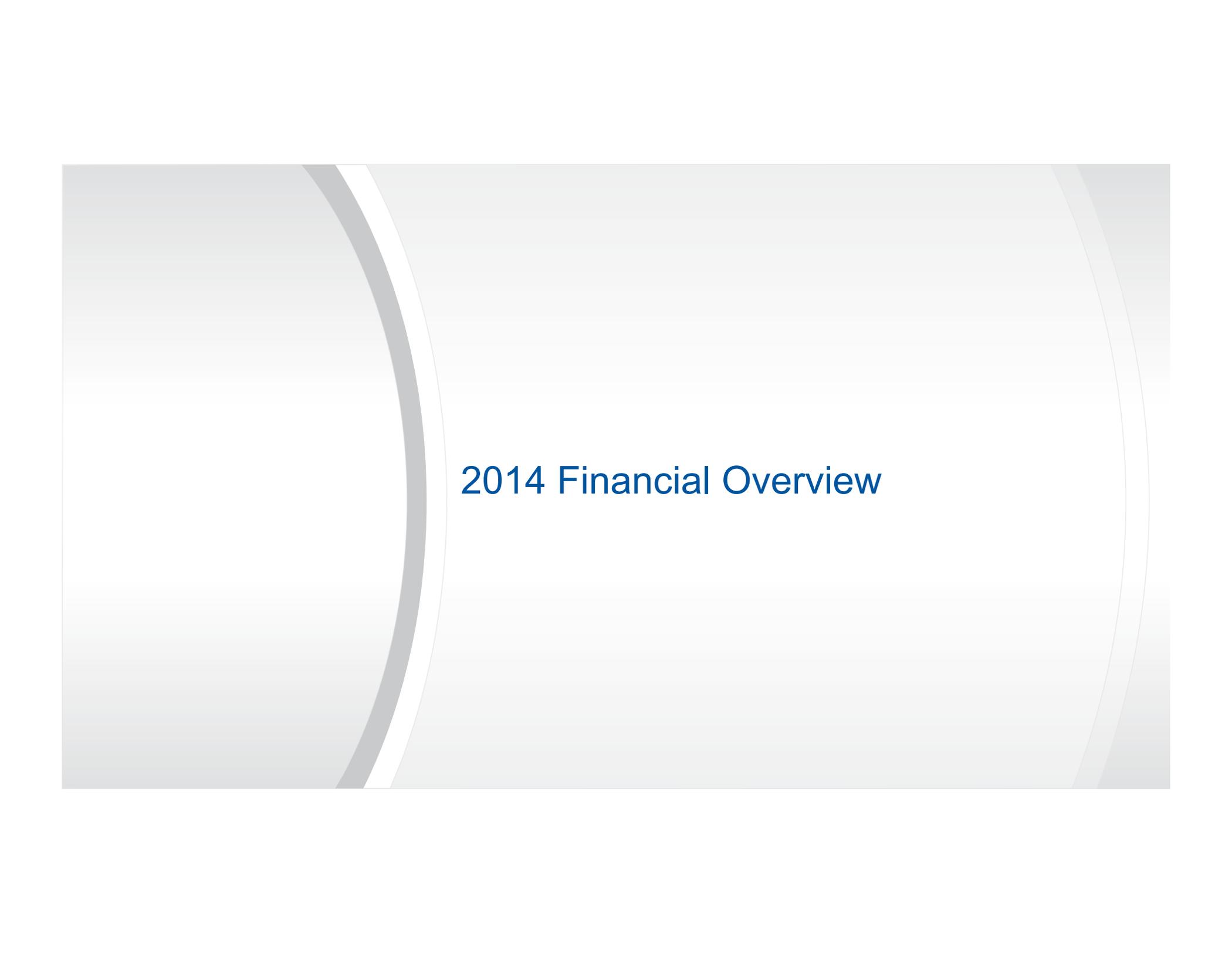
## Balance Sheet Highlights

<i>(in millions except for DSOs)</i>	Q4'13	Q3'14	Q4'14
<b>Accounts Receivables, net</b>	\$113.3	\$130.0	\$129.8
<b>DSOs</b>	57 days	62 days	58 days
<b>Cash, Cash Equivalent &amp; Short-Term and Long-Term Marketable Securities</b>	\$472.0	\$561.5	\$602.6
<b>Cash Flow from Operations</b>	\$67.1	\$69.3	\$69.9
<b>Capital Expenditures</b>	\$(4.2)	\$(7.0)	\$(7.1)
<b>Free Cash Flow*</b>	\$62.9	\$62.3	\$62.8

\*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

- We repurchased approximately 0.4 million shares of stock for \$20.8 million in Q4'14 and 1.9 million shares for \$98.2 million in 2014.
- These repurchases are part of a three-year, \$300 million stock repurchase program announced on April 23, 2014, with the next \$100 million recently authorized by the Board and anticipated to be purchased over the next twelve months.

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## 2014 Financial Overview

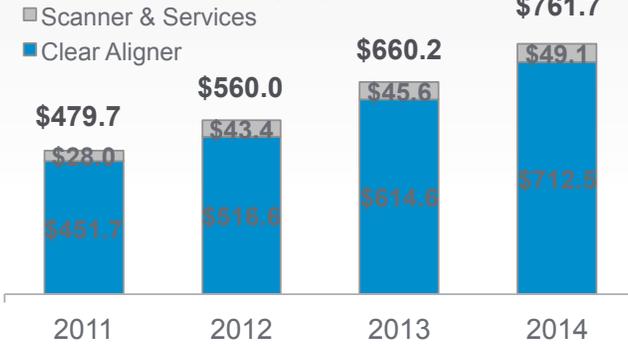
## 2014 Financial Highlights

	Total Net Revenues	Invisalign Clear Aligner Net Revenues		Scanner & Services Net Revenues
	\$761.7M	\$712.5M	478K cases	\$49.1M
YoY	+15.4%	+15.9%	+13.2%	+7.8%

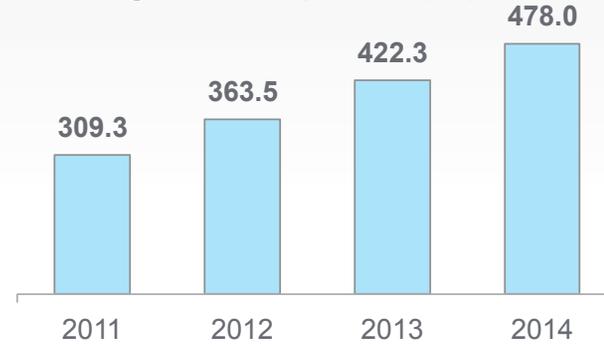
- 2014 revenue growth reflects growth across all customer channels and geographies, as well as expansion of our customer base and increased utilization by existing doctors.
- Shipped 478,000 Invisalign cases reflecting 28.6% volume growth from our International customers
- 117,250 teenagers began treatment with Invisalign, an increase of 16.1% year-over-year, representing one-quarter of our total shipments.
- 2014 operating income was \$193.6M or 25.4% of revenue. Marked the first time our operating margin has been within our long term financial model target for the full year, albeit at the low end.
- 2014 diluted EPS was \$1.77.

# 2014 Trended Financials

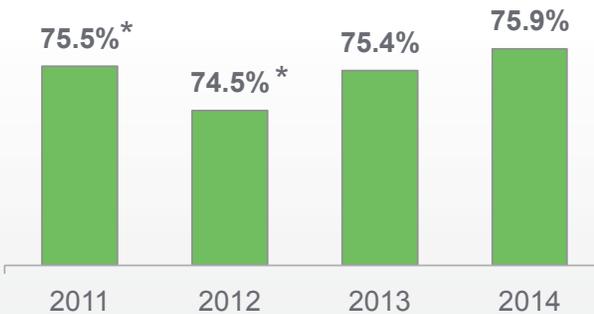
WW Net Revenue (\$M)



Invisalign Case Shipments (#K)



Gross Margin %



Operating Margin %



\*Non-GAAP

Notes: Acquisition of Cadent closed on April 29, 2011. 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

<i>(in millions except for DSOs)</i>	2013	2014
<b>Accounts Receivables, net</b>	\$113.3	\$129.8
<b>Cash, Cash Equivalent &amp; Short-Term and Long-Term Marketable Securities</b>	\$472.0	\$602.6
<b>Cash Flow from Operations</b>	\$186.0	\$226.9
<b>Capital Expenditures</b>	\$(19.4)	\$(24.1)
<b>Free Cash Flow*</b>	\$166.6	\$202.8

\*Free cash flow is defined as cash flow from operations less purchase of property, plant and equipment and is a non-GAAP measure

For the full year 2013, we bought back \$95.1 million or 2.7 million shares of Align stock.

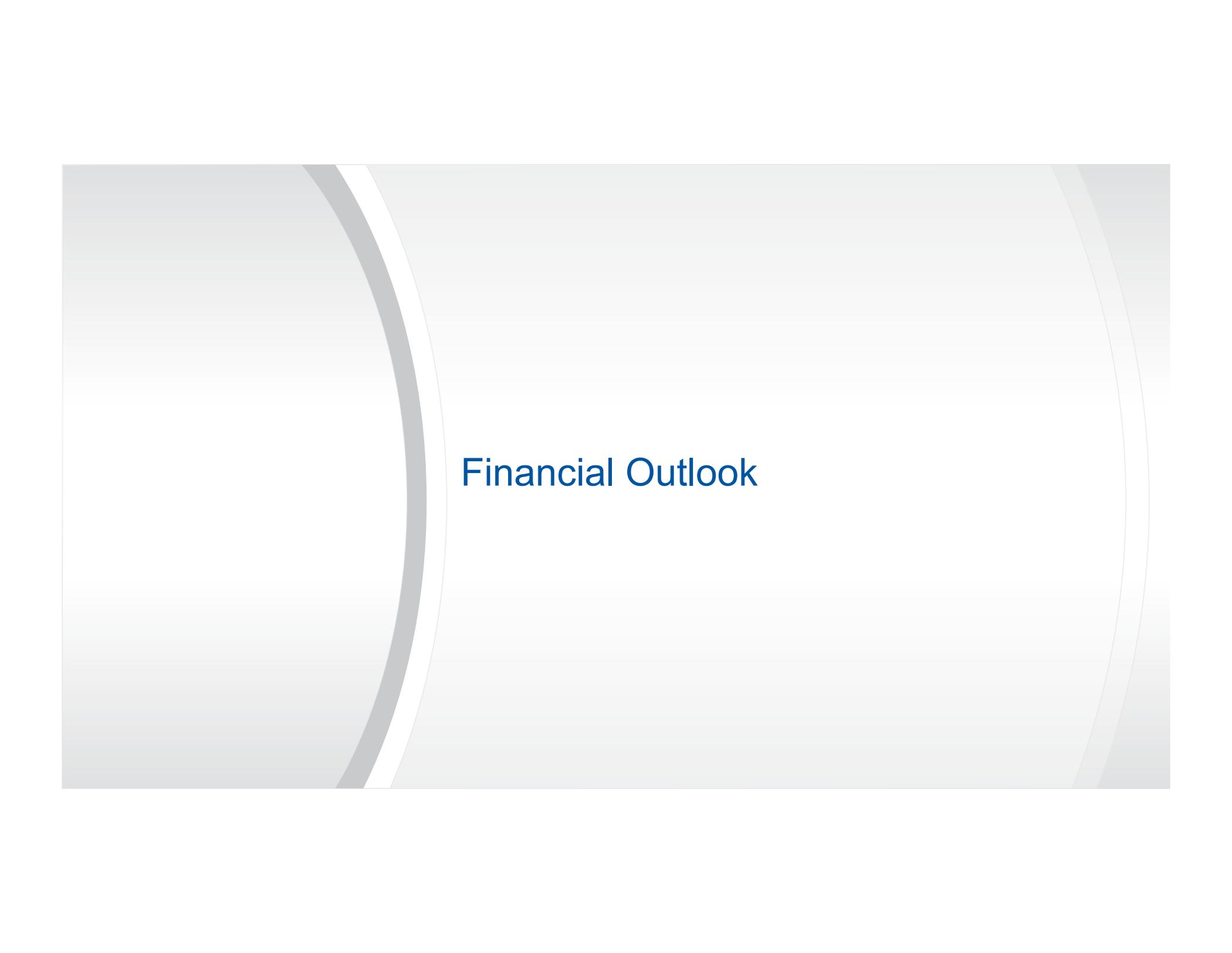
For the full year 2014, we bought back \$98.2 million or 1.9 million shares of Align stock.

## 3 to 5 Year Financial Model Targets

	Q4'13 Actual	Q4'14 Actual	3 – 5 Year Model
Revenue CAGR%			15 - 25%
Gross Margin	76.5%	75.9%	73% - 78%
Operating Expense %	46.9%	49.9%	45% - 50%
Operating Margin	29.7%	25.9%	25% - 30%

**Gross Margin:** Q4'13 benefitted from one time-items of ~ 1.5 points

**Operating Expense %:** Q4'13 benefitted from stock compensation expense of ~1.4 points, as a result of executive departures



## Financial Outlook

## Factors That Inform Our View of Q1 FY2015

- Business Segments and Demand
  - North America: consistent with historical trends, we expect demand in North America to be up slightly in Q1 driven primarily by demand from Orthodontists.
  - International: our first quarter has historically been a slower period for doctors with fewer days in the office due to the winter holidays in Europe, and the Lunar New Year in Asia, so while we expect continued double digit growth year-over-year, we expect International volume to be down slightly on a sequential basis.
  - Scanner business: Q1 has historically been a slower period for equipment sales following strong tax incentive driven demand at year-end, and accordingly, we expect this segment to be down in Q1.
- We expect gross margin to be slightly down in Q1 primarily as a result of FX, additional aligners per case as we treat more complex cases, as well as increased manufacturing costs that I'll talk about momentarily as part of OPEX.
- Operating expenses will increase quarter-over-quarter, consistent with historical first quarters, based on several factors:
  - First of all, employee compensation related costs will increase in Q1 for two reasons. As a company we operate on an annual cycle for all worldwide employee compensation reviews, including salary increases and promotions, as well as annual stock grants. Those increases are effective in the first quarter. Further, employer paid payroll taxes, such as social security taxes in the U.S., reset with the start of a new calendar year.
  - Second, incremental investments in market expansion, particularly in North America, but also internationally, will increase operating expenses as we add additional coverage resources.
  - Third, investments outside of our historical core business, like obstructive sleep apnea and enterprise systems, will also be incremental to our baseline spending coming out of Q4.

## Q1 2015 Outlook

Invisalign Case Shipments	124.4 K - 127.4 K
Net Revenues	\$187.3 M - \$192.4 M
Gross Margin	73.5 % - 74.0 %
Operating Expenses	\$105.2 M - \$106.5 M
Operating Margin	17.4 % - 18.6 %
Effective tax rate	23.0 %
EPS, diluted	\$0.29 - \$0.32
Stock based compensation	\$12.5 M
Diluted shares outstanding	82.1 M*

*Note: \* Excludes any stock repurchases during the quarter*

## 2015 Financial Outlook Commentary

- We've consistently talked about three pillars of investments that together work in tandem to drive top line growth and deliver bottom-line results - Market Expansion, Product Innovation, and Brand Strength.
- At the start of 2014, our plans anticipated significant incremental investment in new programs, most of which focused on market expansion and product innovation. We largely executed on that plan as evidenced by the exceptional 2014 growth of our international business and the release of various new product offerings which Tom mentioned. It was the largest year-over-year incremental investment in new programs we had ever made.
- Our plans for 2015 are no less ambitious. This year we expect to invest substantially more year-over year in new programs, and while much of that will again focus on Growth Drivers, particularly Market Expansion, there will be some new areas of concentrated focus as well like obstructive sleep apnea and enterprise systems.
- Together, we believe these investments will position us to increase our topline growth, deliver earnings leverage, and produce operating results that will further penetrate our long-term operating model range, as we demonstrated in 2014 with outstanding International growth and operating margin performance.
- We are already executing on many of these investments, recognizing that there will be some lag between investment and returns.

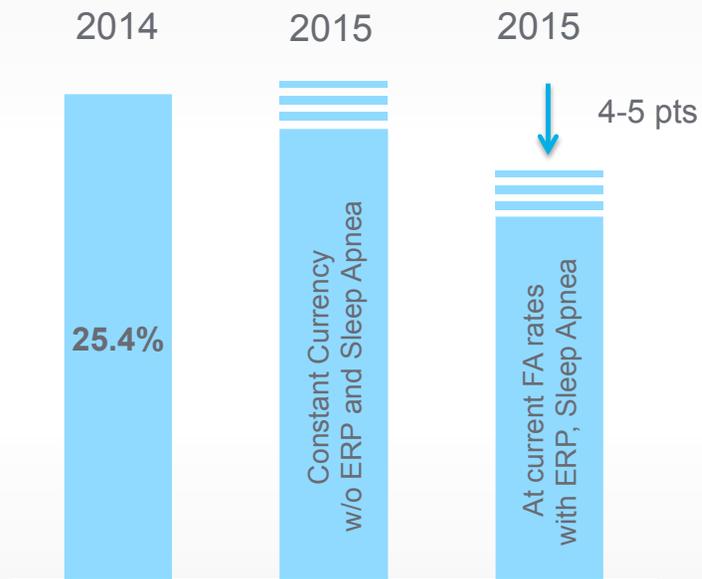
## 2015 Revenue Outlook Commentary



- First of all, from a revenue standpoint, we see year-over-year growth in both Invisalign case demand and revenue, when measured on a constant currency basis, to be in the high teens and within our long-term operating model.
- Based on today's exchange rates, however, the Euro has fallen approximately 16% from the 2014 average (1.12 vs. 2014 average of 1.34). As a result, 2015 revenue growth will face headwinds in the range of 6 to 7 points.
- If this rate prevails through the year, this would put our growth somewhere in the low double-digit range and below the bottom end of our long-term model.

# 2015 Operating Margin Outlook Commentary

## Operating Margin



- We believe our investment plans will continue to drive long-term, sustainable growth that will far outpace the industry and further perpetuate our market share gains.
- While 2014 marked the first time we delivered full year operating margin results within our long-term model, albeit at the low-end of our range, FX and our new investments will make that more challenging in 2015.
- From an operating margin standpoint, if we exclude investment in obstructive sleep apnea, which is outside of our core business, and investment in enterprise systems, which will have a limited duration, we believe 2015 operating margins, at constant currency, would be very consistent with our 2014 results and would again fall within our long-term model. To be clear, this does include all of the other incremental investments for market expansion and product and technology that Tom referred to in his remarks.
- Including these two investments along with the weak Euro, however, will impact 2015 operating margins on the order of 4 to 5 points. This figure is net of the benefit we realize from lower OPEX as a result of the weaker Euro. All said, this would place us below the low-end of our operating model.

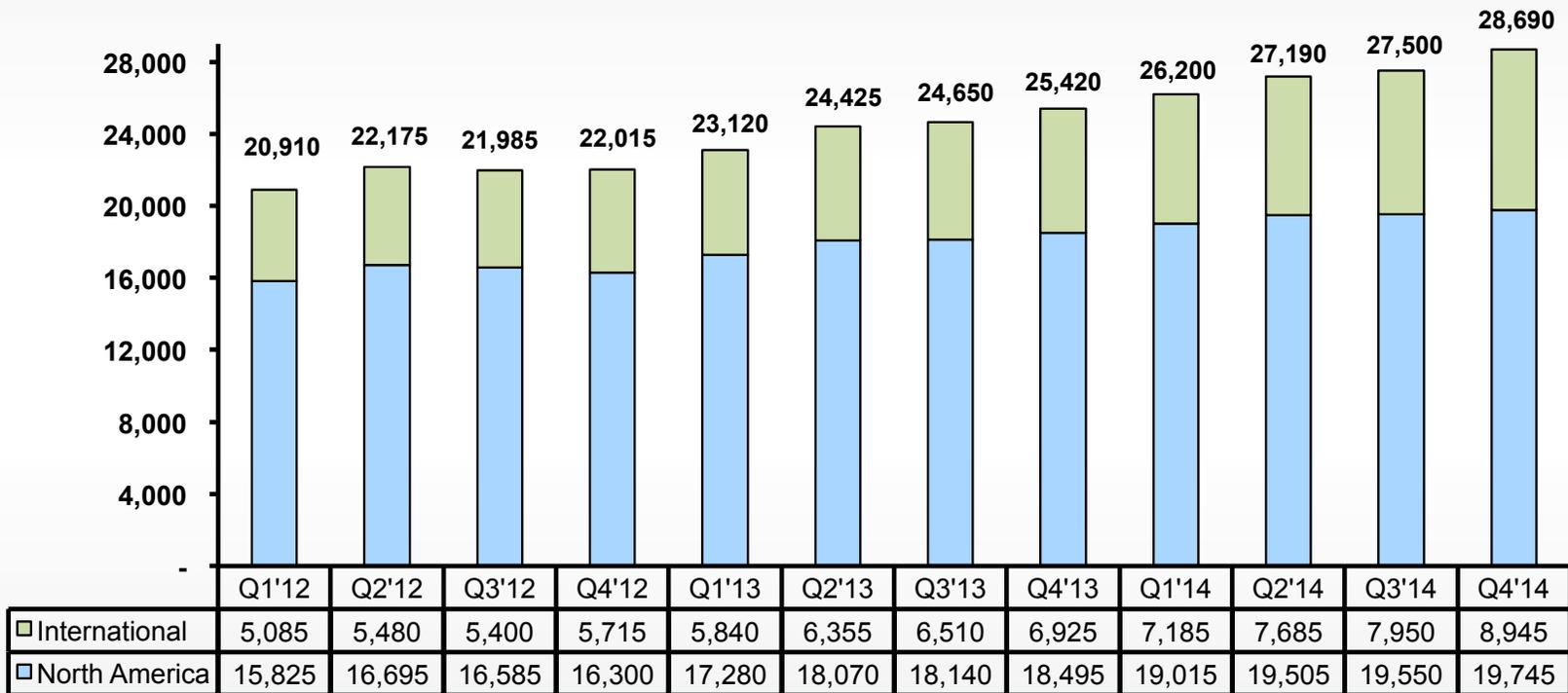
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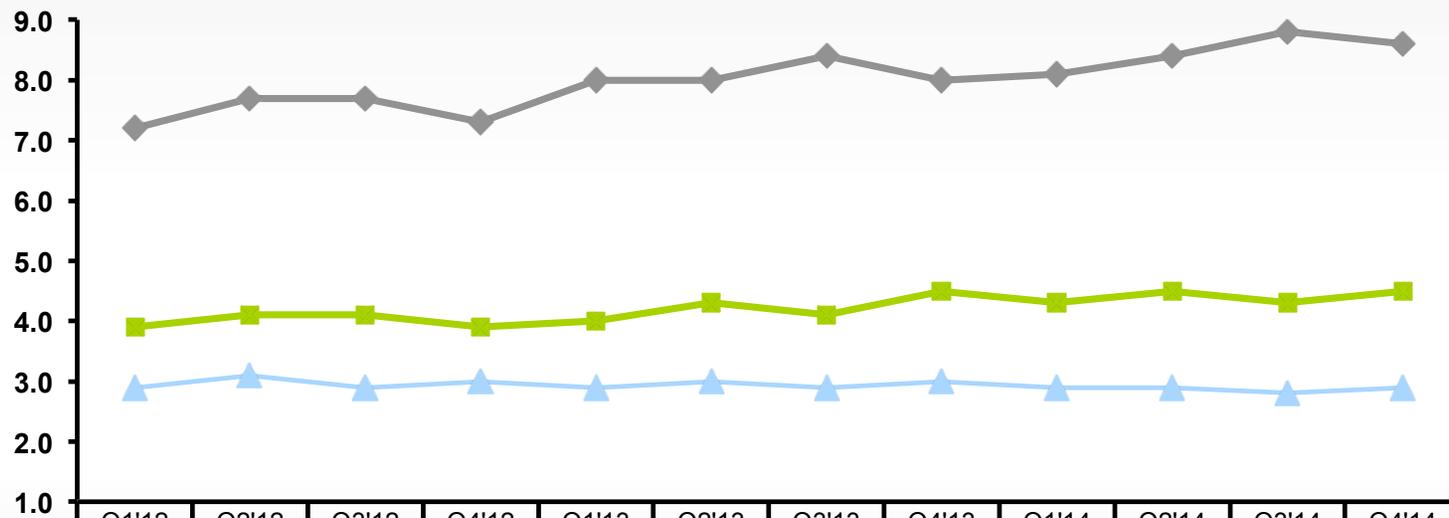
**Additional Clear Aligner Data**

**Historical Information as of 12/31/14**

## Total Doctors Invisalign Cases Shipped To



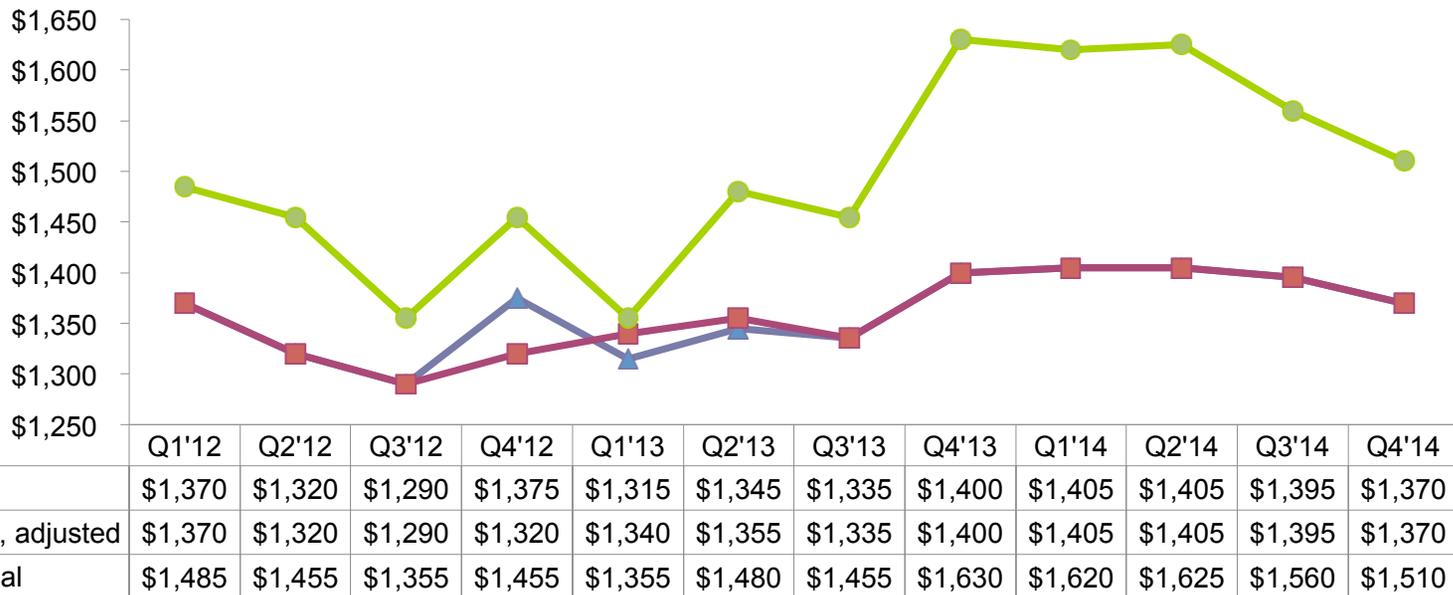
# Invisalign Utilization Rate\*



	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
International	3.9	4.1	4.1	3.9	4.0	4.3	4.1	4.5	4.3	4.5	4.3	4.5
N.A. GP	2.9	3.1	2.9	3.0	2.9	3.0	2.9	3.0	2.9	2.9	2.8	2.9
N.A. Ortho	7.2	7.7	7.7	7.3	8.0	8.0	8.4	8.0	8.1	8.4	8.8	8.6

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

## Invisalign Average Selling Price (ASP) Worldwide and International

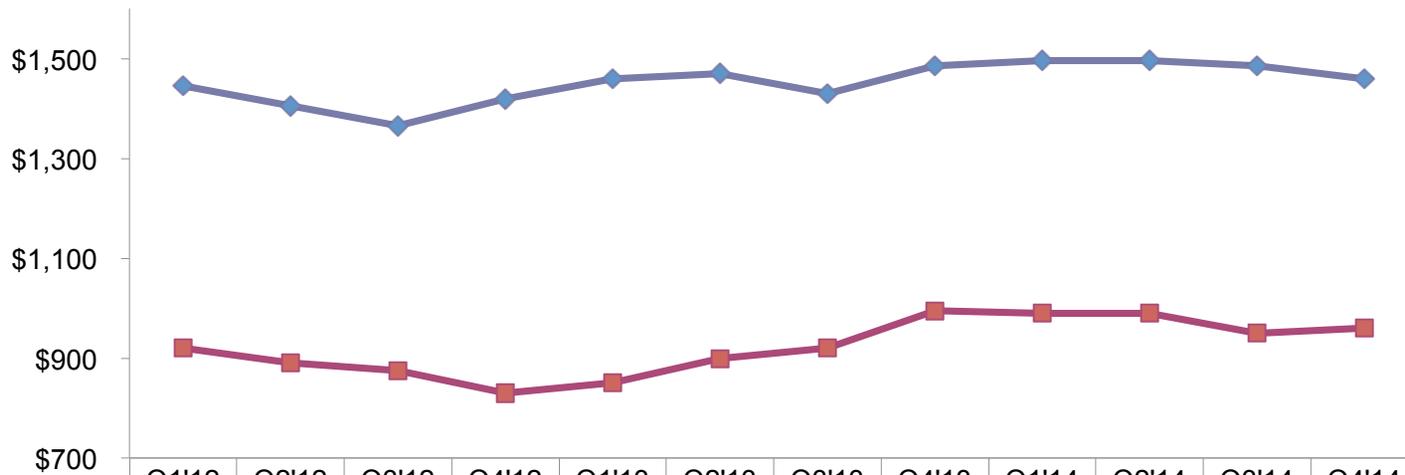


**ASP:** Invisalign case revenue / Invisalign case shipments

**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



	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
◆ Full Products*	\$1,445	\$1,405	\$1,365	\$1,420	\$1,460	\$1,470	\$1,430	\$1,485	\$1,495	\$1,495	\$1,485	\$1,460
■ Express Products*	\$920	\$890	\$875	\$830	\$850	\$900	\$920	\$995	\$990	\$990	\$950	\$960

**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)