

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-32259

ALIGN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3267295
(I.R.S. Employer
Identification Number)

410 North Scottsdale Road, Suite 1300
Tempe, Arizona 85288
(Address of principal executive offices, including zip code)
(602) 742-2000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	ALGN	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value, as of July 28, 2023 was 76,533,704.

ALIGN TECHNOLOGY, INC.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues	\$ 1,002,173	\$ 969,553	\$ 1,945,320	\$ 1,942,772
Cost of net revenues	288,564	281,994	571,057	545,867
Gross profit	713,609	687,559	1,374,263	1,396,905
Operating expenses:				
Selling, general and administrative	453,193	426,398	892,884	865,855
Research and development	88,485	72,965	175,932	144,772
Total operating expenses	541,678	499,363	1,068,816	1,010,627
Income from operations	171,931	188,196	305,447	386,278
Interest income and other income (expense), net:				
Interest income	4,421	245	6,758	922
Other income (expense), net	(4,763)	(14,832)	(5,992)	(26,105)
Total interest income and other income (expense), net	(342)	(14,587)	766	(25,183)
Net income before provision for income taxes	171,589	173,609	306,213	361,095
Provision for income taxes	59,775	60,809	106,601	113,997
Net income	\$ 111,814	\$ 112,800	\$ 199,612	\$ 247,098
Net income per share:				
Basic	\$ 1.46	\$ 1.44	\$ 2.60	\$ 3.15
Diluted	\$ 1.46	\$ 1.44	\$ 2.60	\$ 3.13
Shares used in computing net income per share:				
Basic	76,524	78,395	76,722	78,568
Diluted	76,689	78,545	76,897	78,840

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 111,814	\$ 112,800	\$ 199,612	\$ 247,098
Other comprehensive income (loss):				
Change in foreign currency translation adjustment, net of tax	9,158	(13,756)	19,632	(21,067)
Change in unrealized gains (losses) on investments, net of tax	350	(301)	1,995	(3,029)
Other comprehensive income (loss)	9,508	(14,057)	21,627	(24,096)
Comprehensive income	<u>\$ 121,322</u>	<u>\$ 98,743</u>	<u>\$ 221,239</u>	<u>\$ 223,002</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 951,956	\$ 942,050
Marketable securities, short-term	55,805	57,534
Accounts receivable, net of allowance for doubtful accounts of \$13,244 and \$10,343, respectively	908,395	859,685
Inventories	312,736	338,752
Prepaid expenses and other current assets	236,564	226,370
Total current assets	2,465,456	2,424,391
Marketable securities, long-term	26,023	41,978
Property, plant and equipment, net	1,279,042	1,231,855
Operating lease right-of-use assets, net	125,881	118,880
Goodwill	414,765	407,551
Intangible assets, net	89,296	95,720
Deferred tax assets	1,605,926	1,571,746
Other assets	138,161	55,826
Total assets	\$ 6,144,550	\$ 5,947,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 110,155	\$ 127,870
Accrued liabilities	600,163	454,374
Deferred revenues	1,396,747	1,343,643
Total current liabilities	2,107,065	1,925,887
Income tax payable	113,309	124,393
Operating lease liabilities	104,650	100,334
Other long-term liabilities	181,225	195,975
Total liabilities	2,506,249	2,346,589
Commitments and contingencies (Notes 6 and 7)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value (5,000 shares authorized; none issued)	—	—
Common stock, \$0.0001 par value (200,000 shares authorized; 76,532 and 77,267 issued and outstanding, respectively)	8	8
Additional paid-in capital	1,141,623	1,044,946
Accumulated other comprehensive income (loss), net	11,343	(10,284)
Retained earnings	2,485,327	2,566,688
Total stockholders' equity	3,638,301	3,601,358
Total liabilities and stockholders' equity	\$ 6,144,550	\$ 5,947,947

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Three Months Ended June 30, 2023	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
	Shares	Amount				
Balance as of March 31, 2023	76,516	\$ 8	\$ 1,104,693	\$ 1,835	\$ 2,373,513	\$ 3,480,049
Net income	—	—	—	—	111,814	111,814
Net change in unrealized gains (losses) from investments	—	—	—	350	—	350
Net change in foreign currency translation adjustment	—	—	—	9,158	—	9,158
Issuance of common stock relating to employee equity compensation plans	16	—	—	—	—	—
Tax withholdings related to net share settlements of equity awards	—	—	(930)	—	—	(930)
Stock-based compensation	—	—	37,860	—	—	37,860
Balance as of June 30, 2023	76,532	\$ 8	\$ 1,141,623	\$ 11,343	\$ 2,485,327	\$ 3,638,301

Six Months Ended June 30, 2023	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
	Shares	Amount				
Balance as of December 31, 2022	77,267	\$ 8	\$ 1,044,946	\$ (10,284)	\$ 2,566,688	\$ 3,601,358
Net income	—	—	—	—	199,612	199,612
Net change in unrealized gains (losses) from investments	—	—	—	1,995	—	1,995
Net change in foreign currency translation adjustment	—	—	—	19,632	—	19,632
Issuance of common stock relating to employee equity compensation plans	207	—	14,256	—	—	14,256
Tax withholdings related to net share settlements of equity awards	—	—	(21,787)	—	—	(21,787)
Common stock repurchased and retired	(942)	—	(11,387)	—	(280,973)	(292,360)
Equity forward contract related to accelerated stock repurchase	—	—	40,000	—	—	40,000
Stock-based compensation	—	—	75,595	—	—	75,595
Balance as of June 30, 2023	76,532	\$ 8	\$ 1,141,623	\$ 11,343	\$ 2,485,327	\$ 3,638,301

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Three Months Ended June 30, 2022	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
	Shares	Amount				
Balance as of March 31, 2022	78,805	\$ 8	\$ 992,287	\$ (5,713)	\$ 2,680,270	\$ 3,666,852
Net income	—	—	—	—	112,800	112,800
Net change in unrealized gains (losses) from investments	—	—	—	(301)	—	(301)
Net change in foreign currency translation adjustment	—	—	—	(13,756)	—	(13,756)
Issuance of common stock relating to employee equity compensation plans	11	—	—	—	—	—
Tax withholdings related to net share settlements of equity awards	—	—	(654)	—	—	(654)
Common stock repurchased and retired	(757)	—	(8,891)	—	(191,109)	(200,000)
Stock-based compensation	—	—	34,140	—	—	34,140
Balance as of June 30, 2022	78,059	\$ 8	\$ 1,016,882	\$ (19,770)	\$ 2,601,961	\$ 3,599,081

Six Months Ended June 30, 2022	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss), Net	Retained Earnings	Total
	Shares	Amount				
Balance as of December 31, 2021	78,710	\$ 8	\$ 999,006	\$ 4,326	\$ 2,619,374	\$ 3,622,714
Net income	—	—	—	—	247,098	247,098
Net change in unrealized gains (losses) from investments	—	—	—	(3,029)	—	(3,029)
Net change in foreign currency translation adjustment	—	—	—	(21,067)	—	(21,067)
Issuance of common stock relating to employee equity compensation plans	250	—	14,827	—	—	14,827
Tax withholdings related to net share settlements of equity awards	—	—	(52,187)	—	—	(52,187)
Common stock repurchased and retired	(901)	—	(10,525)	—	(264,511)	(275,036)
Stock-based compensation	—	—	65,761	—	—	65,761
Balance as of June 30, 2022	78,059	\$ 8	\$ 1,016,882	\$ (19,770)	\$ 2,601,961	\$ 3,599,081

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 199,612	\$ 247,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred taxes	(36,688)	14,747
Depreciation and amortization	71,639	59,907
Stock-based compensation	75,595	65,761
Non-cash operating lease cost	15,531	15,075
Other non-cash operating activities	21,860	16,172
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(73,680)	(53,462)
Inventories	19,064	(91,060)
Prepaid expenses and other assets	(16,799)	(14,219)
Accounts payable	(10,351)	(23,944)
Accrued and other long-term liabilities	140,284	(212,896)
Long-term income tax payable	(11,113)	(1,657)
Deferred revenues	56,718	136,021
Net cash provided by operating activities	451,672	157,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(122,664)	(163,348)
Purchase of marketable securities	(2,373)	(20,466)
Proceeds from maturities of marketable securities	17,601	21,690
Proceeds from sales of marketable securities	4,048	92,235
Purchase of equity investments	(75,000)	—
Other investing activities	74	(2,189)
Net cash used in investing activities	(178,314)	(72,078)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	14,256	14,827
Common stock repurchases	(292,360)	(275,036)
Payments for equity forward contracts related to accelerated share repurchase agreements	40,000	—
Payroll taxes paid upon the vesting of equity awards	(21,788)	(52,187)
Net cash used in financing activities	(259,892)	(312,396)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	(3,523)	4,978
Net increase (decrease) in cash, cash equivalents, and restricted cash	9,943	(221,953)
Cash, cash equivalents, and restricted cash at beginning of the period	942,355	1,100,139
Cash, cash equivalents, and restricted cash at end of the period	\$ 952,298	\$ 878,186

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALIGN TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Align Technology, Inc. (“we”, “our”, “Company”, or “Align”) on a consistent basis with the audited Consolidated Financial Statements for the year ended December 31, 2022, and contain all adjustments, including normal recurring adjustments, necessary to fairly state the information set forth herein. The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”), and, therefore, omit certain information and footnote disclosures necessary to present the unaudited Condensed Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States of America (“U.S.”).

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and notes thereto included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or any other future period, and we make no representations related thereto.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) in the U.S. requires our management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, useful lives of intangible assets and property and equipment, long-lived assets and goodwill, income taxes, contingent liabilities, the fair values of financial instruments, stock-based compensation and the valuation of investments in privately held companies, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Certain Risks and Uncertainties

Our business has been materially impacted by fluctuations in macroeconomic conditions, which have been exacerbated by ongoing geopolitical issues. While the situation is highly uncertain and evolving, we have been and continue to be impacted by factors such as inflation, supply chain challenges, rising interest rates, volatilities in the financial markets, foreign currency exchange rate fluctuations, impacts on consumer confidence and purchasing power, and global recession concerns which could further subject our business to materially adverse consequences should any portion of its impacts become prolonged or escalate beyond its current scope. Additionally, we could also be materially adversely affected by uncertain or reduced demand, labor shortages, delays in collection of outstanding receivables and the impact of any initiatives or programs that we may undertake to address financial and operational challenges faced by our customers.

While the overall impact of the COVID-19 pandemic is gradually declining, we continue to be exposed to risks and uncertainties posed by it which varies by geographic region at different levels. The extent to which our business could be impacted in the future by the pandemic is highly uncertain and difficult to predict.

Recent Accounting Pronouncements

(i) Recent Accounting Pronouncements Not Yet Effective

We continue to monitor new accounting pronouncements issued by the Financial Accounting Standards Board (“FASB”) and do not believe any of the recently issued accounting pronouncements will have a material impact on our consolidated financial statements or related disclosures.

Note 2. Financial Instruments
Cash, Cash Equivalents and Marketable Securities

The following tables summarize our cash and cash equivalents, and marketable securities on our Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022 (in thousands):

June 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Reported as:		
					Cash and Cash Equivalents	Marketable securities, short-term	Marketable securities, long-term
Cash	\$ 759,407	\$ —	\$ —	\$ 759,407	\$ 759,407	\$ —	\$ —
Money market funds	192,549	—	—	192,549	192,549	—	—
Corporate bonds	59,703	—	(1,740)	57,963	—	39,145	18,818
U.S. government treasury bonds	14,054	—	(325)	13,729	—	9,096	4,633
Asset-backed securities	3,600	—	(13)	3,587	—	2,012	1,575
Municipal bonds	1,437	—	(18)	1,419	—	1,419	—
U.S. government agency bonds	5,214	—	(84)	5,130	—	4,133	997
Total	\$ 1,035,964	\$ —	\$ (2,180)	\$ 1,033,784	\$ 951,956	\$ 55,805	\$ 26,023

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Reported as:		
					Cash and Cash Equivalents	Marketable securities, short-term	Marketable securities, long-term
Cash	\$ 712,921	\$ —	\$ —	\$ 712,921	\$ 712,921	\$ —	\$ —
Money market funds	229,129	—	—	229,129	229,129	—	—
Corporate bonds	69,390	—	(2,915)	66,475	—	36,510	29,965
U.S. government treasury bonds	20,559	—	(549)	20,010	—	15,404	4,606
Asset-backed securities	4,514	1	(37)	4,478	—	2,909	1,569
Municipal bonds	3,447	—	(61)	3,386	—	2,711	675
U.S. government agency bonds	5,231	1	(69)	5,163	—	—	5,163
Total	\$ 1,045,191	\$ 2	\$ (3,631)	\$ 1,041,562	\$ 942,050	\$ 57,534	\$ 41,978

The following table summarizes the fair value of our available-for-sale marketable securities classified by contractual maturity as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
Due in 1 year or less	\$ 50,644	\$ 51,037
Due in 1 year through 5 years	31,184	48,475
Total	\$ 81,828	\$ 99,512

The securities that we invest in are generally deemed to be low risk based on their credit ratings from the major rating agencies. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As interest rates increase, those securities purchased at a lower yield show a mark-to-market unrealized loss. Our unrealized losses as of June 30, 2023 and December 31, 2022 are primarily due to changes in interest rates and credit spreads.

The following tables summarize the gross unrealized losses as of June 30, 2023 and December 31, 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position (in thousands):

June 30, 2023	As of June 30, 2023					
	Less than 12 months		12 Months of Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$ 1,514	\$ (15)	\$ 56,155	\$ (1,725)	\$ 57,669	\$ (1,740)
U.S. government treasury bonds	1,986	(32)	11,743	(293)	13,729	(325)
Asset-backed securities	2,565	(5)	1,022	(8)	3,587	(13)
Municipal bonds	—	—	685	(18)	685	(18)
U.S. government agency bonds	3,980	(33)	1,150	(51)	5,130	(84)
Total	\$ 10,045	\$ (85)	\$ 70,755	\$ (2,095)	\$ 80,800	\$ (2,180)

December 31, 2022	As of December 31, 2022					
	Less than 12 months		12 Months of Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate bonds	\$ 10,639	\$ (440)	\$ 54,634	\$ (2,475)	\$ 65,273	\$ (2,915)
U.S. government treasury bonds	5,262	(177)	14,748	(372)	20,010	(549)
Asset-backed securities	2,636	(17)	1,275	(20)	3,911	(37)
Municipal bonds	—	—	2,412	(61)	2,412	(61)
U.S. government agency bonds	3,017	(5)	1,136	(64)	4,153	(69)
Total	\$ 21,554	\$ (639)	\$ 74,205	\$ (2,992)	\$ 95,759	\$ (3,601)

Accounts Receivable Factoring

We enter into factoring transactions on a non-recourse basis with financial institutions to sell certain of our non-U.S. accounts receivable. We account for these transactions as sales of accounts receivables and include the cash proceeds as a part of our cash flows from operations in the Condensed Consolidated Statements of Cash Flows. Total accounts receivable sold under the factoring arrangements was \$8.2 million during the three months and \$16.2 million for the six months ended June 30, 2023. Factoring fees on the sales of receivables were recorded in other income (expense), net in our Condensed Consolidated Statement of Operations and were not material.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the GAAP fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. We obtain fair values for our Level 2 investments. Our custody bank and asset managers independently use professional pricing services to gather pricing data which may include quoted market prices for identical or comparable financial instruments, or inputs other than quoted prices that are observable either directly or indirectly, and we are ultimately responsible for these underlying estimates.

Level 3 — Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The following tables summarize our financial assets measured at fair value as of June 30, 2023 and December 31, 2022 (in thousands):

Description	Balance as of June 30, 2023	Level 1	Level 2
Cash equivalents:			
Money market funds	\$ 192,549	\$ 192,549	\$ —
Short-term investments:			
U.S. government agency bonds	4,133	—	4,133
U.S. government treasury bonds	9,096	9,096	—
Corporate bonds	39,145	—	39,145
Municipal bonds	1,419	—	1,419
Asset-backed securities	2,012	—	2,012
Long-term investments:			
U.S. government treasury bonds	4,633	4,633	—
Corporate bonds	18,818	—	18,818
U.S. government agency bonds	997	—	997
Asset-backed securities	1,575	—	1,575
	<u>\$ 274,377</u>	<u>\$ 206,278</u>	<u>\$ 68,099</u>

Description	Balance as of December 31, 2022	Level 1	Level 2
Cash equivalents:			
Money market funds	\$ 229,129	\$ 229,129	\$ —
Short-term investments:			
U.S. government treasury bonds	15,404	15,404	—
Corporate bonds	36,510	—	36,510
Municipal bonds	2,711	—	2,711
Asset-backed securities	2,909	—	2,909
Long-term investments:			
U.S. government treasury bonds	4,606	4,606	—
Corporate bonds	29,965	—	29,965
Municipal bonds	675	—	675
U.S. government agency bonds	5,163	—	5,163
Asset-backed securities	1,569	—	1,569
	<u>\$ 328,641</u>	<u>\$ 249,139</u>	<u>\$ 79,502</u>

Investments in Privately Held Companies

Our investments in privately held companies in which we cannot exercise significant influence and do not own a majority equity interest or otherwise control are accounted for under the measurement alternative. Under the measurement alternative, the carrying value of our equity investment is adjusted to fair value for observable transactions for identical or similar investments of the same issuer. Investments in equity securities are reported on our Consolidated Balance Sheet as other assets, and we periodically evaluate them for impairment. We record any change in carrying value of our equity securities, in other income (expense), net in our Consolidated Statement of Operations. The carrying value of our equity investments in privately held companies without readily determinable fair values were not material, excluding Heartland, as of June 30, 2023 or 2022 and the associated adjustments to the carrying values of the investments were not material during the quarters ended June 30, 2023 and 2022.

On April 24, 2023, we entered into a Subscription Agreement (the "Subscription Agreement") with Heartland Dental Holding Corporation ("Heartland") who is an affiliate of KKR Core Holding Company LLC, which is an investment vehicle

managed or advised by, or otherwise affiliated with, Kohlberg Kravis Roberts & Co. L.P. (“KKR”). Heartland is a dental support organization (“DSO”) that provides nonclinical administrative and support services to supported dental professional corporations (“PCs”). Pursuant to the Subscription Agreement we acquired less than a 5% equity interest and have no significant influence in Heartland through the purchase of Class A Common Stock for \$75 million. In connection with the Subscription Agreement, we entered into a Stockholders’ Agreement, by and among us, Heartland Dental Topco, LLC (“Topco”) and funds and accounts managed by affiliates of KKR & Co. Inc. (“KKR”), and a Side Letter, by and among us, Heartland, Topco and KKR (the “Side Letter”). Subject to certain restrictions set forth in the Side Letter, we agreed to provisions applicable to Heartland’s stockholders, including certain drag-along and voting obligations.

Similar to our other private equity investments Heartland is accounted for under the measurement alternative. Based on review of our equity investment, we determined there were no adjustments to the carrying value and it is properly reflected on our Consolidated Balance Sheet in other assets at \$75 million as of June 30, 2023.

Derivatives Not Designated as Hedging Instruments

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on certain trade and intercompany receivables and payables. These forward contracts are classified within Level 2 of the fair value hierarchy. As a result of the settlement of foreign currency forward contracts, during the three months ended June 30, 2023 and 2022, we recognized net gains of \$1.1 million and of \$10.8 million, respectively, and during the six months ended June 30, 2023 and 2022, we recognized a net loss of \$5.3 million and a net gain of \$9.2 million, respectively. As of June 30, 2023 and December 31, 2022, the fair value of foreign exchange forward contracts outstanding was not material.

The following tables present the gross notional value of all our foreign exchange forward contracts outstanding as of June 30, 2023 and December 31, 2022 (in thousands):

	June 30, 2023	
	Local Currency Amount	Notional Contract Amount (USD)
Euro	€218,700	\$ 238,786
Canadian Dollar	C\$106,000	79,959
Polish Zloty	PLN279,700	68,452
Chinese Yuan	¥408,000	56,266
British Pound	£43,900	55,704
Japanese Yen	¥5,340,000	37,136
Swiss Franc	CHF30,000	33,526
Brazilian Real	R\$143,300	29,532
Mexican Peso	M\$230,000	13,491
Israeli Shekel	ILS49,380	13,300
New Zealand Dollar	NZ\$9,900	6,046
Czech Koruna	Kč60,000	2,750
New Taiwan Dollar	NT\$82,000	2,629
Australian Dollar	A\$3,460	\$ 2,302
Korean Won	₩1,800,000	1,365
		<u>\$ 641,244</u>

	December 31, 2022	
	Local Currency Amount	Notional Contract Amount (USD)
Euro	€186,900	\$ 200,010
Polish Zloty	PLN365,988	83,307
Canadian Dollar	C\$109,000	80,514
Chinese Yuan	¥471,000	68,223
British Pound	£41,200	49,677
Japanese Yen	¥6,200,000	47,196
Israeli Shekel	ILS110,030	31,383
Swiss Franc	CHF25,000	27,165
Brazilian Real	R\$141,200	26,839
Mexican Peso	M\$230,000	11,746
New Zealand Dollar	NZ\$6,000	3,806
Australian Dollar	A\$4,000	2,721
Czech Koruna	Kč56,000	2,469
New Taiwan Dollar	NT\$60,000	1,959
		<u>\$ 637,015</u>

Note 3. Balance Sheet Components

Inventories consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	\$ 148,793	\$ 172,758
Work in process	100,468	96,558
Finished goods	63,475	69,436
Total inventories	<u>\$ 312,736</u>	<u>\$ 338,752</u>

Prepaid expenses and other current assets consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Value added tax receivables	\$ 137,248	\$ 140,484
Prepaid expenses	76,608	69,124
Other current assets	22,708	16,762
Total prepaid expenses and other current assets	<u>\$ 236,564</u>	<u>\$ 226,370</u>

Accrued liabilities consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Accrued payroll and benefits	\$ 211,889	\$ 149,508
Accrued income taxes	147,618	74,323
Accrued expenses	63,004	64,341
Accrued sales and marketing expenses	43,628	36,407
Current operating lease liabilities	28,770	26,574
Accrued property, plant and equipment	11,992	19,922
Other accrued liabilities	93,262	83,299
Total accrued liabilities	<u>\$ 600,163</u>	<u>\$ 454,374</u>

Accrued warranty, which is included in the "Other accrued liabilities" category of the accrued liabilities table above, consists of the following activity (in thousands):

	Six Months Ended June 30,	
	2023	2022
Balance at beginning of period	\$ 17,873	\$ 16,169
Charged to cost of net revenues	9,421	7,660
Actual warranty expenditures	(6,797)	(7,334)
Balance at end of period	<u>\$ 20,497</u>	<u>\$ 16,495</u>

Deferred revenues consist of the following (in thousands):

	June 30, 2023	December 31, 2022
Deferred revenues - current	\$ 1,396,747	\$ 1,343,643
Deferred revenues - long-term ¹	\$ 148,277	\$ 160,662

¹ Included in Other long-term liabilities within our Condensed Consolidated Balance Sheet

During the three months ended June 30, 2023 and 2022, we recognized \$1,002.2 million and \$969.6 million of net revenues, respectively, of which \$199.0 million and \$178.4 million was included in the deferred revenues balance at December 31, 2022 and 2021, respectively.

During the six months ended June 30, 2023 and 2022, we recognized \$1,945.3 million and \$1,942.8 million of net revenues, respectively, of which \$404.7 million and \$363.3 million was included in the deferred revenues balance at December 31, 2022 and 2021, respectively.

Our unfulfilled performance obligations, including deferred revenues and backlog, as of June 30, 2023 were \$1,552.6 million. These performance obligations are expected to be fulfilled over the next six months to five years.

Note 4. Goodwill and Intangible Assets

Goodwill

The change in the carrying value of goodwill for the six months ended June 30, 2023, categorized by reportable segments, is as follows (in thousands):

	Clear Aligner	Systems and Services	Total
Balance as of December 31, 2022	\$ 109,480	\$ 298,071	\$ 407,551
Foreign currency translation adjustments	959	6,255	7,214
Balance as of June 30, 2023	\$ 110,439	\$ 304,326	\$ 414,765

Intangible Long-Lived Assets

Acquired intangible long-lived assets were as follows, excluding intangibles that were fully amortized (in thousands):

	Weighted Average Amortization Period (in years)	Gross Carrying Amount as of June 30, 2023	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Value as of June 30, 2023
Existing technology	10	\$ 112,051	\$ (39,434)	\$ (4,328)	\$ 68,289
Customer relationships	10	21,500	(6,988)	—	14,512
Trademarks and tradenames	10	17,200	(7,361)	(4,122)	5,717
Patents	8	6,511	(5,685)	—	826
		\$ 157,262	\$ (59,468)	\$ (8,450)	89,344
Foreign currency translation adjustments					(48)
Total intangible assets, net ¹					\$ 89,296

¹ Also includes \$33.5 million of fully amortized intangible assets related to customer relationships.

	Weighted Average Amortization Period (in years)	Gross Carrying Amount as of December 31, 2022	Accumulated Amortization	Accumulated Impairment Loss	Net Carrying Value as of December 31, 2022
Existing technology	10	\$ 112,051	\$ (33,537)	\$ (4,328)	\$ 74,186
Customer relationships	10	21,500	(5,913)	—	15,587
Trademarks and tradenames	10	17,200	(6,442)	(4,122)	6,636
Patents	8	6,511	(5,288)	—	1,223
		\$ 157,262	\$ (51,180)	\$ (8,450)	97,632
Foreign currency translation adjustments					(1,912)
Total intangible assets, net ¹					\$ 95,720

¹ Also includes \$33.5 million of fully amortized intangible assets related to customer relationships.

The total estimated annual future amortization expense for these acquired intangible assets as of June 30, 2023 is as follows (in thousands):

Fiscal Year Ending December 31,	Amortization
Remainder of 2023	\$ 8,213
2024	15,335
2025	14,959
2026	14,353
2027	11,992
Thereafter	24,492
Total	<u>\$ 89,344</u>

Amortization expense for the three months ended June 30, 2023 and 2022 was \$4.1 million and \$3.9 million, respectively, and amortization expense for both the six months ended June 30, 2023 and 2022 was \$8.2 million.

Note 5. Credit Facility

We have a credit facility that provides for a \$300.0 million unsecured revolving line of credit, along with a \$50.0 million letter of credit. On December 23, 2022, we amended certain provisions in our credit facility which included extending the maturity date on the facility to December 23, 2027 and replacing the interest rate from the existing LIBOR with SOFR (“2022 Credit Facility”). The 2022 Credit Facility requires us to comply with specific financial conditions and performance requirements. Loans under the 2022 Credit Facility bear interest, at our option, at either a rate based on the SOFR for the applicable interest period or a base rate, in each case plus a margin. As of June 30, 2023, we had no outstanding borrowings under the 2022 Credit Facility and were in compliance with the conditions and performance requirements in all material respects.

Note 6. Legal Proceedings

2019 Shareholder Derivative Lawsuit

In January 2019, three derivative lawsuits were filed in the U.S. District Court for the Northern District of California which were later consolidated, purportedly on our behalf, naming as defendants the then current members of our Board of Directors along with certain of our executive officers. The complaints assert various state law causes of action, including for breaches of fiduciary duty, insider trading, and unjust enrichment. The complaints seek unspecified monetary damages on our behalf, which is named solely as a nominal defendant against whom no recovery is sought, as well as disgorgement and the costs and expenses associated with the litigation, including attorneys’ fees. The consolidated action is currently stayed. Defendants have not yet responded to the complaints.

On April 12, 2019, a derivative lawsuit was also filed in California Superior Court for Santa Clara County, purportedly on our behalf, naming as defendants the members of our Board of Directors along with certain of our executive officers. The allegations in the complaint are similar to those in the derivative suits described above. The matter is currently stayed. Defendants have not yet responded to the complaint.

We believe these claims are without merit. We are currently unable to predict the outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

Antitrust Class Actions

On June 5, 2020, a dental practice named Simon and Simon, PC doing business as City Smiles brought an antitrust action in the U.S. District Court for the Northern District of California on behalf of itself and a putative class of similarly situated practices seeking monetary damages and injunctive relief relating to our alleged market activities in alleged clear aligner and intraoral scanner markets. Plaintiff filed an amended complaint and added VIP Dental Spas as a plaintiff on August 14, 2020. A jury trial is scheduled to begin in this matter on June 29, 2024. We believe the plaintiffs’ claims are without merit and we intend to vigorously defend ourselves.

On May 3, 2021, an individual named Misty Snow brought an antitrust action in the U.S. District Court for the Northern District of California on behalf of herself and a putative class of similarly situated individuals seeking monetary damages and injunctive relief relating to our alleged market activities in alleged clear aligner and intraoral scanner markets based on Section 2 of the Sherman Act. Plaintiff filed an amended complaint on July 30, 2021 adding new plaintiffs and various state law claims.

Plaintiffs filed a second amended complaint on October 21, 2021. On March 2, 2022, Plaintiffs filed a third amended complaint. On October 3, 2022, Plaintiffs filed a fourth amended complaint. On May 18, 2023, the court granted plaintiffs leave to file a fifth amended complaint. The amended complaints added allegations based on Section 1 of the Sherman Act. A jury trial is scheduled to begin in this matter on June 29, 2024 for issues related to Section 2 allegations. A jury trial is scheduled to begin in this matter on January 21, 2025 for issues related to Section 1 allegations. We believe the plaintiffs' claims are without merit and we intend to vigorously defend ourselves.

We are currently unable to predict the outcome of these lawsuits and therefore we cannot determine the likelihood of loss, if any, nor estimate a range of possible loss.

SDC Dispute

On August 27, 2020, we initiated a confidential arbitration proceeding against SmileDirectClub LLC ("SDC") before the American Arbitration Association in San Jose, California. This arbitration relates to the Strategic Supply Agreement ("Supply Agreement") entered into between the parties in 2016. The complaint alleges that SDC breached the Supply Agreement's terms, causing damages to us in an amount to be determined. On January 19, 2021, SDC filed a counterclaim alleging that we breached the Supply Agreement. On May 3, 2022, SDC filed an additional counterclaim alleging that we breached the Supply Agreement. We deny SDC's allegations in the counterclaims and we intend to vigorously defend ourselves against them. The arbitration hearing on our claims and SDC's first counterclaim was held on July 18-27, 2022 in Chicago, Illinois.

On October 27, 2022, the arbitrator issued an interim award on our claims and SDC's first counterclaim finding that SDC breached the Supply Agreement, we did not breach the Supply Agreement, and SDC caused harm to us. Based on these findings, the arbitrator awarded us an interim award.

On December 2, 2022, SDC filed a motion to re-open the arbitrator's interim award in Align's favor. On March 3, 2023, the arbitrator denied SDC's motion to re-open. On March 6, 2023, Align filed a petition to confirm the arbitrator's interim award in the Superior Court for Santa Clara County.

The arbitration hearing on SDC's second counterclaim was held on February 21-23, 2023 in Chicago, Illinois. On May 18, 2023, the arbitrator issued a final award on SDC's second counterclaim, finding that Align did not breach the Supply Agreement. The final award subsumed the interim award on our claims and SDC's first counterclaim and concluded the Supply Agreement arbitration proceedings.

On May 30, 2023, Align filed a petition to confirm the final award in the Superior Court of Santa Clara County. Confirmation of the final award may be material to our results in the quarter reported. On June 16, 2023, SDC filed a petition to vacate the final award before the same court. On August 3, 2023, the Superior Court held arguments on Align's petition to confirm and SDC's petition to vacate the final award in Align's favor. Depending on how the Superior Court rules on those petitions, we anticipate recognizing the amount ultimately realizable following confirmation of the final award.

In addition to the above, in the ordinary course of our operations, we are involved in a variety of claims, suits, investigations, and proceedings, including actions with respect to intellectual property claims, patent infringement claims, government investigations, labor and employment claims, breach of contract claims, tax, and other matters. Regardless of the outcome, these proceedings can have an adverse impact on us because of defense costs, diversion of management resources, and other factors. Although the results of complex legal proceedings are difficult to predict and our view of these matters may change in the future as litigation and events related thereto unfold; we currently do not believe that these matters, individually or in the aggregate, will materially affect our financial position, results of operations or cash flows.

Note 7. Commitments and Contingencies

Off-Balance Sheet Arrangements

As of June 30, 2023, we had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources other than certain items disclosed in *Note 8 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements* included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Indemnification Provisions

In the normal course of business to facilitate transactions in our services and products, we indemnify certain parties: customers, vendors, lessors, and other parties with respect to certain matters, including, but not limited to, services to be provided by us and intellectual property infringement claims made by third parties. In addition, we have entered into indemnification agreements with our directors and our executive officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. Several of these agreements limit the time within which an indemnification claim can be made and the amount of the claim.

It is not possible to make a reasonable estimate of the maximum potential amount under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Additionally, we have a limited history of prior indemnification claims and the payments we have made under such agreements have not had a material adverse effect on our results of operations, cash flows or financial position. However, to the extent that valid indemnification claims arise in the future, future payments by us could be significant and could have a material adverse effect on our results of operations or cash flows in a particular period. As of June 30, 2023, we did not have any material indemnification claims that were probable or reasonably possible.

Note 8. Stockholders' Equity

As of June 30, 2023, the 2005 Incentive Plan, as amended, has a total reserve of 27,783,379 shares of which 2,734,533 shares are available for issuance.

Summary of Stock-Based Compensation Expense

The stock-based compensation related to our stock-based awards and employee stock purchase plan for the three and six months ended June 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of net revenues	\$ 1,901	\$ 1,614	\$ 3,708	\$ 3,128
Selling, general and administrative	29,002	26,491	57,693	51,216
Research and development	6,957	6,035	14,194	11,417
Total stock-based compensation	\$ 37,860	\$ 34,140	\$ 75,595	\$ 65,761

Restricted Stock Units ("RSUs")

The fair value of RSUs is based on our closing stock price on the date of grant. RSUs granted generally vest over a period of four years. A summary for the six months ended June 30, 2023 is as follows:

	Number of Shares Underlying RSUs (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested as of December 31, 2022	489	\$ 427.23		
Granted	502	316.03		
Vested and released	(191)	380.55		
Forfeited	(27)	394.18		
Unvested as of June 30, 2023	773	\$ 367.66	1.8	\$ 273,404

As of June 30, 2023, we expect to recognize \$224.7 million of total unamortized compensation costs, net of estimated forfeitures, related to RSUs over a weighted average period of 3.0 years.

Market-Performance Based Restricted Stock Units ("MSUs")

We grant MSUs to members of senior management. Each MSU represents the right to one share of our common stock. The actual number of MSUs which will be eligible to vest will be based on the performance of Align's stock price relative to

the performance of a stock market index over the vesting period. MSUs vest over a period of three years and the maximum number eligible to vest in the future is 250% of the MSUs initially granted.

The following table summarizes the MSU performance activity for the six months ended June 30, 2023:

	Number of Shares Underlying MSUs (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Unvested as of December 31, 2022	144	\$ 725.73		
Granted ¹	82	629.53		
Vested and released	(25)	392.67		
Forfeited	(41)	392.67		
Unvested as of June 30, 2023	160	\$ 812.75	1.9	\$ 56,670

¹ Includes MSUs vested during the period above 100% of the grant as actual shares released is based on Align's stock performance over the vesting period.

As of June 30, 2023, we expect to recognize \$67.2 million of total unamortized compensation costs, net of estimated forfeitures, related to MSUs over a weighted average period of 1.9 years.

Restricted Stock Units with Performance Conditions ("PSUs")

During the six months ended June 30, 2023, we did not grant any PSUs to any employees. As of June 30, 2023, we expect to recognize \$0.6 million of total unamortized compensation costs, net of estimated forfeitures, related to PSUs over a weighted average term of 1.5 years. Total PSUs granted were 4,728 and the weighted average grant date fair value for the PSUs was \$201.63.

Employee Stock Purchase Plan

As of June 30, 2023, we have 2,046,725 shares available for future issuance under our Amended and Restated 2010 Employee Stock Purchase Plan (the "2010 Purchase Plan").

The fair value of the option component of the 2010 Purchase Plan shares was estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended June 30,	
	2023	2022
Expected term (in years)	1.0	1.5
Expected volatility	56.7 %	48.6 %
Risk-free interest rate	4.6 %	1.0 %
Expected dividends	—	—
Weighted average fair value at grant date	\$ 105.75	\$ 196.97

As of June 30, 2023, we expect to recognize \$14.5 million of total unamortized compensation costs related to future employee stock purchases over a weighted average period of 0.6 years.

Note 9. Common Stock Repurchase Programs

In May 2021, our Board of Directors authorized a plan to repurchase up to \$1.0 billion of our common stock ("May 2021 Repurchase Program"), which was completed in March 2023. In January 2023, our Board of Directors authorized a new plan to repurchase up to \$1.0 billion of our common stock ("January 2023 Repurchase Program"), none of which had been utilized as of June 30, 2023. The January 2023 Repurchase Program does not have an expiration date.

Accelerated Share Repurchase Agreements (“ASRs”)

During the three months ended March 31, 2023, we entered into or completed ASRs providing for the repurchase of our common stock based on the volume-weighted average price during the term of the agreement, less an agreed upon discount. We did not enter into any ASRs during the three months ended June 30, 2023. The following table summarizes the information regarding repurchases of our common stock under the ASRs:

Agreement Date	Repurchase Program	Amount Paid (in millions)	Completion Date	Total Shares Received	Average Price per Share
Q4 2022	May 2021	N/A ¹	Q1 2023	136,448	\$ 293.15
Q1 2023	May 2021	\$ 250.0	Q1 2023	805,905	\$ 310.21

¹ During the fourth quarter of 2022, we entered into a \$200.0 million ASR which was not completed as of December 31, 2022. During the first quarter of 2023, we paid a final \$40.0 million related to the \$200.0 million ASR, closing this ASR with the final delivery of shares.

As of June 30, 2023, \$1.0 billion remains available for repurchases under the January 2023 Stock Repurchase Program.

Note 10. Accounting for Income Taxes

Our provision for income taxes was \$59.8 million and \$60.8 million for the three months ended June 30, 2023 and 2022, respectively, representing effective tax rates of 34.8% and 35.0%, respectively. Our provision for income taxes was \$106.6 million and \$114.0 million for the six months June 30, 2023 and 2022, respectively, representing effective tax rates of 34.8% and 31.6%. Our effective tax rate differs from the statutory federal income tax rate of 21% for both the three and six months ended June 30, 2023 and 2022 primarily due to the recognition of additional tax expense resulting from U.S. taxes on foreign earnings, foreign income taxed at different rates, state income taxes, and non-deductible expenses in the U.S.

We exercise significant judgment in regards to estimates of future market growth, forecasted earnings and projected taxable income in determining the provision for income taxes and for purposes of assessing our ability to utilize any future benefit from deferred tax assets. We continue to assess the realizability of the deferred tax assets as we take into account new information.

Our total gross unrecognized tax benefits, excluding interest and penalties, were \$148.2 million and \$141.6 million as of June 30, 2023 and December 31, 2022, respectively, a material amount of which would impact our effective tax rate if recognized. The increase in our unrecognized tax benefits relates primarily to positions taken on income tax return calculations finalized during the three and six months ended June 30, 2023.

Note 11. Net Income per Share

The following table sets forth the computation of basic and diluted net income per share attributable to common stock (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income	\$ 111,814	\$ 112,800	\$ 199,612	\$ 247,098
Denominator:				
Weighted average common shares outstanding, basic	76,524	78,395	76,722	78,568
Dilutive effect of potential common stock	165	150	175	272
Total shares, diluted	76,689	78,545	76,897	78,840
Net income per share, basic	\$ 1.46	\$ 1.44	\$ 2.60	\$ 3.15
Net income per share, diluted	\$ 1.46	\$ 1.44	\$ 2.60	\$ 3.13
Anti-dilutive potential common shares ¹	329	361	367	314

¹ Represents RSUs and MSUs not included in the calculation of diluted net income per share as the effect would have been anti-dilutive.

Note 12. Supplemental Cash Flow Information

The supplemental cash flow information consists of the following (in thousands):

	Six Months Ended June 30,	
	2023	2022
Non-cash investing and financing activities:		
Acquisition of property, plant and equipment in accounts payable and accrued liabilities	\$ 20,648	\$ 60,115
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 16,152	\$ 15,048
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 21,346	\$ 16,351

Note 13. Segments and Geographical Information
Segment Information

We report segment information based on the management approach. The management approach designates the internal reporting used by our Chief Operating Decision Maker for decision making and performance assessment as the basis for determining our reportable segments. The performance measures of our reportable segments include net revenues, gross profit and income from operations. Income from operations for each segment includes all geographic revenues, related cost of net revenues and operating expenses directly attributable to the segment. Certain operating expenses are attributable to operating segments and each allocation is measured differently based on the specific facts and circumstances of the costs being allocated. Costs not specifically allocated to segment income from operations include various corporate expenses such as stock-based compensation and costs related to IT, facilities, human resources, accounting and finance, legal and regulatory, and other separately managed general and administrative costs outside the operating segments and restructuring costs. We group our operations into two reportable segments (i) Clear Aligner segment and (ii) Imaging Systems and CAD/CAM services (“Systems and Services”) segment.

Summarized financial information by segment is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues				
Clear Aligner	\$ 832,674	\$ 798,398	\$ 1,622,478	\$ 1,608,094
Systems and Services	169,499	171,155	322,842	334,678
Total net revenues	\$ 1,002,173	\$ 969,553	\$ 1,945,320	\$ 1,942,772
Gross profit				
Clear Aligner	\$ 603,251	\$ 585,245	\$ 1,169,390	\$ 1,190,941
Systems and Services	110,358	102,314	204,873	205,964
Total gross profit	\$ 713,609	\$ 687,559	\$ 1,374,263	\$ 1,396,905
Income from operations				
Clear Aligner	\$ 306,093	\$ 307,209	\$ 583,614	\$ 619,928
Systems and Services	52,049	45,599	87,625	96,398
Unallocated corporate expenses	(186,211)	(164,612)	(365,792)	(330,048)
Total income from operations	\$ 171,931	\$ 188,196	\$ 305,447	\$ 386,278
Stock-based compensation				
Clear Aligner	\$ 4,491	\$ 3,001	\$ 9,145	\$ 5,855
Systems and Services	263	236	584	450
Unallocated corporate expenses	33,106	30,903	65,866	59,456
Total stock-based compensation	\$ 37,860	\$ 34,140	\$ 75,595	\$ 65,761
Depreciation and amortization				
Clear Aligner	\$ 16,590	\$ 14,029	\$ 32,988	\$ 27,796
Systems and Services	7,743	6,776	15,889	13,698
Unallocated corporate expenses	11,486	9,476	22,762	18,413
Total depreciation and amortization	\$ 35,819	\$ 30,281	\$ 71,639	\$ 59,907

The following table reconciles total segment income from operations in the table above to net income before provision for income taxes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total segment income from operations	\$ 358,142	\$ 352,808	\$ 671,239	\$ 716,326
Unallocated corporate expenses	(186,211)	(164,612)	(365,792)	(330,048)
Total income from operations	171,931	188,196	305,447	386,278
Interest income	4,421	245	6,758	922
Other income (expense), net	(4,763)	(14,832)	(5,992)	(26,105)
Net income before provision for income taxes	\$ 171,589	\$ 173,609	\$ 306,213	\$ 361,095

Geographical Information

Net revenues are presented below by geographic area (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues ¹ :				
U.S.	\$ 429,598	\$ 430,053	\$ 840,736	\$ 850,973
Switzerland	341,006	330,351	654,137	662,090
Other International	231,569	209,149	450,447	429,709
Total net revenues	<u>\$ 1,002,173</u>	<u>\$ 969,553</u>	<u>\$ 1,945,320</u>	<u>\$ 1,942,772</u>

¹ Net revenues are attributed to countries based on the location of where revenues are recognized by our legal entities.

Tangible long-lived assets, which includes Property, plant and equipment, net, and Operating lease right-of-use assets, net, are presented below by geographic area (in thousands):

	June 30, 2023	December 31, 2022
Long-lived assets ¹ :		
Switzerland	\$ 566,755	\$ 532,921
U.S.	208,822	214,804
Other International ²	629,346	603,010
Total long-lived assets	<u>\$ 1,404,923</u>	<u>\$ 1,350,735</u>

¹ Long-lived assets are attributed to countries based on the location of our entity that owns or leases the assets.

² Certain prior period immaterial amounts have been reclassified to conform to current presentation.

Note 14. Restructuring and Other Charges

During the fourth quarter of 2022, we initiated a restructuring plan to increase efficiencies across the organization which was completed during the first half of 2023. During fiscal 2022, we incurred approximately \$10.2 million in restructuring expenses, of which \$3.9 million remained unpaid and was included in Accrued liabilities as of December 31, 2022. During the first quarter of 2023, we paid \$3.7 million, and recorded incremental restructuring expenses of approximately \$0.1 million. The remaining \$0.3 million balance as of March 31, 2023 was paid during the three months ended June 30, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

In addition to historical information, this quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements include, among other things, our expectations and intentions regarding our strategic objectives and the means to achieve them, our beliefs and expectations regarding macroeconomic conditions, including inflation, fluctuations in currency exchange rates, rising interest rates, market volatility, weakness in general economic conditions and recessions and the impact of efforts by central banks and federal, state and local governments to combat inflation and recession, our expectations and beliefs regarding customer and consumer purchasing behavior and changes in consumer spending habits, our expectations regarding the impact of the military conflict in Ukraine and our operations and assets in Russia, our expectations regarding product mix and product adoption, our expectations regarding competition and our ability to compete in our target markets, our expectations regarding the near and long-term implications of the COVID-19 pandemic on the global and regional economies, our marketing and efforts to build our brand awareness, our estimates regarding the size and opportunities of the markets we are targeting along with our expectations for growth in those markets, our beliefs regarding the impact of technological innovation in general, and in our solutions and products in particular, on target markets and patient care, our beliefs regarding digital dentistry and its potential to impact our business, our intentions regarding expanding our business, including its impact on our operational flexibility and responsiveness to customer demand, our beliefs regarding the importance of our manufacturing operations on our success, our beliefs regarding the need for and benefits of our technological development on Invisalign treatment, the areas of development in which we focus our efforts, and the advantages of our intellectual property portfolio, our beliefs regarding our business strategy and growth drivers, our expectations regarding the utilization rates for our products, including the impact of marketing on those rates and causes for periodic fluctuations of the rates, our expectations regarding the existence and impact of seasonality, our expectations regarding the sales growth of our intraoral scanner sales, our expectations regarding the productivity impact additional sales representatives will have on our sales and the impact of specialization of those representatives in sales channels, our expectations regarding the continued expansion of our international markets and their growth, our expectations regarding staying in compliance with laws and regulations currently applicable to, or which may become applicable to, our business both in the United States and internationally, our beliefs regarding our culture and commitment and its impact on our financial and operational performance and its importance to our future success, our expectations for future investments in and benefits from consumer demand sales and marketing activities, our preparedness and our customers’ preparedness to react to changing circumstances and demand, our expectations for our expenses and capital obligations and expenditures in particular, our intentions to control spending and for investments, our intentions regarding the investment of our international earnings from operations, our belief regarding the sufficiency of our cash and investment balances and borrowing capacity, our judgments regarding the estimates used in our revenue recognition and assessment of goodwill and intangible assets, our expectations regarding our tax positions and the judgements we make related to our tax obligations, our predicted level of operating expenses and gross margins and other factors beyond our control, as well as other statements regarding our future operations, financial condition and prospects and business strategies. These statements may contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” or other words indicating future results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in particular, the risks discussed below in Part II, Item 1A “Risk Factors.” We undertake no obligation to revise or update these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission (the “SEC”).

Executive Overview of Results

Trends and Uncertainties

Our business strategic priorities remain focused on four principal pillars for growth: (i) international expansion; (ii) general practitioner dentists (“GPs”) adoption; (iii) patient demand and conversion; and (iv) orthodontic utilization. Our growth strategy depends on our ability to facilitate the digital transformation of dentistry happening around the world, our continuous focus on innovation, and expansion to meet and exceed evolving customer expectations as the array of products and services available to them increases. Below is a discussion of the significant trends and uncertainties that could impact our operations:

Macroeconomic Challenges and Military Conflict in Ukraine

Our revenues are susceptible to fluctuations in macroeconomic conditions, in line with inflation, rising interest rates, threats of or actual recessions, fluctuations in currency exchange rates, supply chain challenges, market volatility, actual and threatened wars and military actions, and other factors, each of which impact customer confidence, consumer sentiment and demand. Many of these same factors also impact our costs and those of our suppliers through higher raw material prices, transportation costs, labor costs, supply and distribution operations. Additionally, many of our international operations are denominated in currencies other than the U.S. dollar which were impacted in 2022 by macroeconomic slowing or contraction causing weakening against the U.S. dollar, which negatively impacted our financial condition and results of operations. In the first half of 2023, the U.S. dollar weakened against a number of these other currencies, favorably impacting our financial condition and results of operations. We expect this moderation of the strength of the dollar to continue, although we also expect the dollar to remain historically strong compared to many of these currencies. The nature and extent of the impact of these factors varies by time and region and remains uncertain and unpredictable.

The military conflict between Russia and Ukraine increased the unpredictability of the volatile macroeconomic conditions in 2022 and is likely to continue doing so in 2023. While we continue to employ research and development personnel in Russia as well as limited post-sales support and administrative personnel, our total number of employees in Russia was materially reduced in 2022 following actions and initiatives designed to align the size of our operations with our ongoing resource needs. We do not anticipate the military conflict between Russia and Ukraine to materially impact our 2023 financial condition and results of operations although we expect the conflict will continue to create market uncertainties and dampen consumer sentiment and demand, particularly in Europe.

Evolving Product Offerings

As the markets for clear aligners and digital processes and workflows used to transform the practice of dentistry continue to mature, we anticipate customer and patient expectations and demands will evolve and competition to supplant traditional bracket and wires to continue to increase. We expect to succeed in these evolving markets by continuing to meet customer demands with innovative treatment options that include more choices to address a wider scope of treatment goals and budgets based on our existing and new products. Our efforts to succeed with these innovative treatment options may result in larger and unpredictable variations in geographic and product mix and selling prices, causing uncertainty, including variations in products sold, changes in the amount and timing of deferred revenues and other potential impacts on our financial statements and business operations.

COVID-19 Pandemic Update

Although there remains significant uncertainty surrounding the COVID-19 pandemic for regional economies, its global impact continues to decline. During 2022, we experienced the impacts of the COVID-19 pandemic primarily in the Asia Pacific region, particularly in China, where lockdowns decreased economic activity throughout most of the year. With the easing of the COVID-19 restrictions in China in late 2022 and 2023, rates of infection in China initially increased early in the first quarter of 2023 and has then decreased as 2023 has progressed. We expect the impacts of the COVID-19 pandemic to remain unpredictable in 2023, although we expect them to decrease compared to 2022. Nevertheless, comparing our financial results for the reporting periods of 2023 to the same reporting periods of 2022 or earlier may not be a useful means by which to evaluate our business and results of operations due to volatility in regional business environments caused by the pandemic.

We strive to manage the challenges from the macroeconomic conditions, the conflict in Ukraine, the evolution of our target markets and COVID-19 by focusing on improving our operations, building flexibility and efficiencies in our processes, adjusting our business models to changing circumstances and offering products that meet market demand. Specifically, we are managing cost impacts through pricing actions, cost saving measures that drive value and maintaining control of our employee headcount. We also continue to innovate, introducing new and enhanced products that augment our doctor customer and patient experiences.

Further discussion of the impact of these challenges on our business may be found in Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading “Risk Factors.”

Key Financial and Operating Metrics

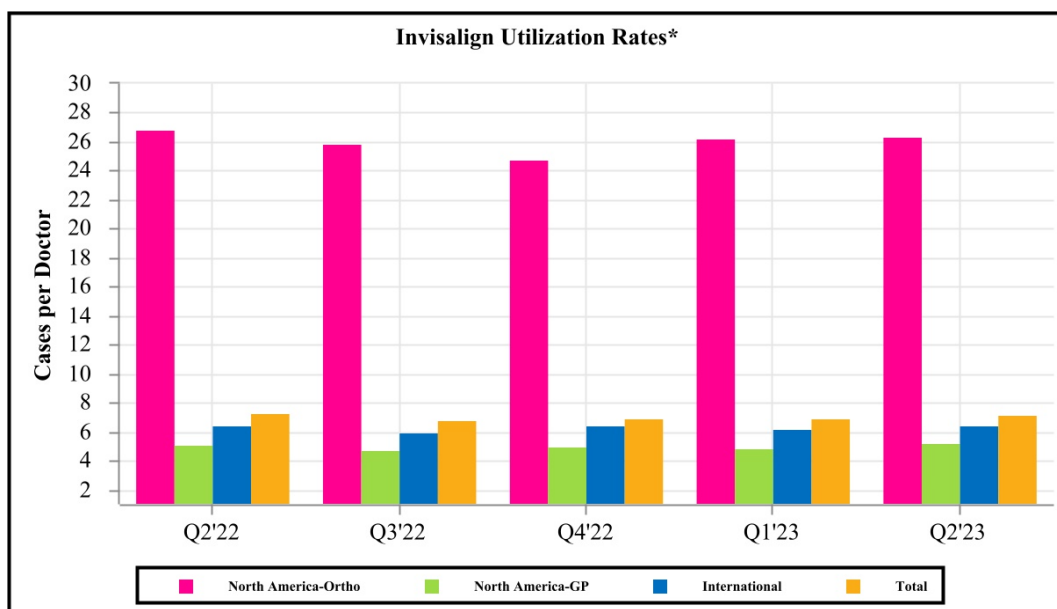
We measure our performance against these strategic priorities by the achievement of key financial and operating metrics.

For the three months ended June 30, 2023, our business operations reflect the following:

- Revenues of \$1,002.2 million, an increase of 3.4% year-over-year;
- Clear Aligner revenues of \$832.7 million, an increase of 4.3% year-over-year;
 - Americas Clear Aligner revenues of \$375.3 million, a decrease of 2.6% year-over-year;
 - International Clear Aligner revenues of \$378.4 million, an increase of 9.3% year-over-year;
 - Clear Aligner case volume increase of 0.9% year-over-year and Clear Aligner case volume increase for teenage patients of 9.7% year-over-year;
- Imaging Systems and CAD/CAM Services revenues of \$169.5 million, a decrease of 1.0% year-over-year;
- Income from operations of \$171.9 million and operating margin of 17.2%;
- Effective tax rate of 34.8%;
- Net income of \$111.8 million with diluted net income per share of \$1.46;
- Cash, cash equivalents and marketable securities of \$1,033.8 million as of June 30, 2023;
- Operating cash flow of \$251.8 million;
- Capital expenditures of \$58.5 million, predominantly related to increases in our manufacturing capacity and facilities; and
- Number of employees was 22,910 as of June 30, 2023, a decrease of 4.6% year-over-year.

Other Statistical Data and Trends

- As of June 30, 2023, approximately 15.7 million people worldwide have been treated with our Invisalign system. Management measures these results by comparing to the millions of people who can benefit from straighter teeth and uses this data to target opportunities to expand the market for orthodontics by educating consumers about the benefits of straighter teeth using the Invisalign system.
- For the second quarter of 2023, total Invisalign cases submitted with a digital scanner in the Americas increased to 94.0%, up from 91.4% in the second quarter of 2022 and international scans increased to 88.0%, up from 83.7% in the second quarter of 2022. For the second quarter of 2023, 97.9% of Invisalign cases submitted by North American orthodontists were submitted digitally.
- The total utilization rate in the second quarter of 2023 decreased to 7.2 cases per doctor compared to 7.3 cases per doctor in the second quarter of 2022. Utilization rates in North America and our International locations were as follows:
 - *North America:* The utilization rate among our North American orthodontist customers decreased to 26.4 cases per doctor in the second quarter of 2023 compared to 26.8 cases per doctor in the second quarter of 2022 and the utilization rate among our North American GP customers increased to 5.2 cases per doctor in the second quarter of 2023 compared to 5.1 cases per doctor in the second quarter of 2022.
 - *International:* International doctor utilization rate was 6.6 cases per doctor in the second quarter of 2023 compared to 6.4 cases per doctor in the second quarter of 2022.



* Invisalign utilization rates are calculated by the number of cases shipped divided by the number of doctors to whom cases were shipped. Our International region includes Europe, Middle East and Africa (“EMEA”) and Asia Pacific (“APAC”). Latin America (“LATAM”) is excluded from the International region based on its immateriality to the quarter; however is included in the Total utilization.

Results of Operations

Net Revenues by Reportable Segment

We group our operations into two reportable segments: Clear Aligner segment and Systems and Services segment.

- Our Clear Aligner segment consists of Comprehensive Products, Non-Comprehensive Products and Non-Case revenues as defined below:
 - Comprehensive Products include, but are not limited to, Invisalign Comprehensive and Invisalign First.
 - Non-Comprehensive Products include, but are not limited to, Invisalign Moderate, Lite and Express packages and Invisalign Go and Invisalign Go Plus.
 - Non-Case products include, but are not limited to, retention products, Invisalign training, adjusting tools used by dental professionals during the course of treatment and Invisalign Accessory Products that are complementary to our doctor-prescribed principal products such as aligner cases (clamshells), teeth whitening products, cleaning solutions (crystals, foam and other material) and other oral health products available in certain commerce channels in select markets. We also offer in the U.S., Canada, and EMEA, a Doctor Subscription Program which is a monthly subscription program based on the doctor’s monthly need for retention or limited treatment. The program allows doctors the flexibility to order both “touch-up” or retention aligners within their subscribed tier and is designed for a segment of experienced Invisalign trained doctors who are currently not regularly using our retainers or low-stage aligners.
- Our Systems and Services segment consists of our iTero intraoral scanning systems, which includes a single hardware platform and restorative or orthodontic software options. Our services include subscription software, disposables, rentals, leases, pay per scan services, as well as exocad’s CAD/CAM software solutions that integrate workflows to dental labs and dental practices.

Net revenues for our Clear Aligner and Systems and Services segments by region for the three and six months ended June 30, 2023 and 2022 are as follows (in millions):

Net Revenues	Three Months Ended June 30,			Six Months Ended June 30,				
	2023	2022	Change	2023	2022	Change		
Clear Aligner net revenues:								
Americas	\$ 375.3	\$ 385.2	\$ (9.9)	(2.6)%	\$ 736.6	\$ 761.4	\$ (24.9)	(3.3)%
International	378.4	346.2	32.2	9.3 %	732.6	717.3	15.3	2.1 %
Non-case	79.0	67.0	12.0	17.9 %	153.3	129.4	23.9	18.5 %
Total Clear Aligner net revenues	\$ 832.7	\$ 798.4	\$ 34.3	4.3 %	\$ 1,622.5	\$ 1,608.1	\$ 14.4	0.9 %
Systems and Services net revenues	169.5	171.2	(1.7)	(1.0)%	322.8	334.7	(11.8)	(3.5)%
Total net revenues	\$ 1,002.2	\$ 969.6	\$ 32.6	3.4 %	\$ 1,945.3	\$ 1,942.8	\$ 2.5	0.1 %

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Case volume data which represents Clear Aligner case shipments for the three and six months ended June 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,				
	2023	2022	Change	2023	2022	Change		
Total case volume	604.4	599.0	5.5	0.9 %	1,179.8	1,197.8	(18.0)	(1.5)%

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

For the three months ended June 30, 2023, total net revenues increased by \$32.6 million as compared to the same period in 2022, primarily due to an increase in Clear Aligner ASPs and non-case revenues, partially offset by unfavorable foreign exchange rates and a decrease in scanner volumes.

For the six months ended June 30, 2023, total net revenues increased by \$2.5 million as compared to the same period in 2022, primarily due to an increase in Clear Aligner non-case revenue and ASPs mostly offset by a decrease in both Clear Aligner case volumes and scanner volumes and unfavorable foreign exchange rates.

Clear Aligner - Americas

For the three months ended June 30, 2023, Americas net revenues decreased by \$9.9 million as compared to the same period in 2022 due to a 4.0% decrease in case volumes, resulting in a reduction of net revenues by \$15.4 million, partially offset by a \$5.5 million increase due to higher ASP. Higher ASP reflects a full quarter impact of price increases driving increased net revenues by \$18.8 million along with higher additional aligners which increased net revenues by \$5.9 million. The increases in ASP were partially offset by unfavorable promotional discounts reducing net revenues by \$13.2 million and unfavorable foreign exchange rates which decreased net revenues by \$4.3 million.

For the six months ended June 30, 2023, Americas net revenues decreased by \$24.9 million as compared to the same period in 2022 due to a 4.7% decrease in case volumes, resulting in a reduction of net revenues by \$35.5 million, partially offset by a \$10.6 million increase due to higher ASP. Higher ASP includes the full impact of price increases driving increased net revenues by \$38.1 million along with higher additional aligners which increased net revenues by \$11.3 million. The increases in ASP were partially offset by unfavorable promotional discounts reducing net revenues by \$28.9 million, a product mix shift to lower priced products reducing net revenues by \$5.7 million, and unfavorable foreign exchange rates which decreased net revenues by \$5.2 million.

Clear Aligner - International

For the three months ended June 30, 2023, International net revenues increased by \$32.2 million as compared to the same period in 2022, due to a 6.9% increase in case volumes, resulting in an increase of net revenues by \$23.8 million, in addition to a \$8.4 million increase due to higher ASP. Higher ASP reflects a full quarter impact of price increases driving increased net revenues by \$27.8 million and higher additional aligners reducing net revenues by \$24.0 million. The increases in ASP were partially offset by a product mix shift to lower priced products reducing net revenues by \$26.3 million, unfavorable foreign

exchange rates which decreased net revenues by \$11.1 million, and unfavorable promotional discounts reducing net revenues by \$7.7 million.

For the six months ended June 30, 2023, International net revenues increased by \$15.3 million as compared to the same period in 2022, due to a 2.3% increase in case volumes, resulting in an increase of net revenues by \$16.3 million, and lower ASP decreasing net revenues by \$1.0 million. Lower ASP was largely due to a product mix shift to lower priced products reducing net revenues by \$63.7 million, unfavorable foreign exchange rates which decreased net revenues by \$37.5 million, and unfavorable promotional discounts reducing net revenues by \$15.5 million. The decrease in ASP was primarily offset by higher additional aligners increasing net revenues by \$56.5 million and price increases on most products which increased net revenues by \$56.1 million.

Clear Aligner - Non-Case

For the three and six months ended June 30, 2023, non-case net revenues increased by \$12.0 million and \$23.9 million, respectively, as compared to the same periods in 2022 mainly due to retention products across all regions primarily driven by Viverra retainers and increased volumes from the Doctor Subscription program.

Systems and Services

For the three months ended June 30, 2023, Systems and Services net revenues decreased by \$1.7 million as compared to the same period in 2022 primarily due to a lower number of scanners sold reducing net revenues by \$14.4 million and lower scanner ASP reducing net revenues by \$1.9 million. The decreases in net revenues were primarily offset by higher service revenues of \$7.5 million and other revenues which increased net revenues by \$7.1 million primarily due to revenue from sales of certified pre-owned scanners.

For the six months ended June 30, 2023, Systems and Services net revenues decreased by \$11.8 million as compared to the same period in 2022 primarily due to a lower number of scanners sold reducing net revenues by \$41.8 million. This decrease in net revenues was partially offset by higher service revenues of \$16.4 million and other revenues increased by \$13.6 million primarily due to revenue from sales of certified pre-owned scanners and scanner rentals.

Cost of net revenues and gross profit (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Clear Aligner						
Cost of net revenues	\$ 229.4	\$ 213.2	\$ 16.3	\$ 453.1	\$ 417.2	\$ 35.9
% of net segment revenues	27.6 %	26.7 %		27.9 %	25.9 %	
Gross profit	\$ 603.3	\$ 585.2	\$ 18.0	\$ 1,169.4	\$ 1,190.9	\$ (21.6)
Gross margin %	72.4 %	73.3 %		72.1 %	74.1 %	
Systems and Services						
Cost of net revenues	\$ 59.1	\$ 68.8	\$ (9.7)	\$ 118.0	\$ 128.7	\$ (10.7)
% of net segment revenues	34.9 %	40.2 %		36.5 %	38.5 %	
Gross profit	\$ 110.4	\$ 102.3	\$ 8.0	\$ 204.9	\$ 206.0	\$ (1.1)
Gross margin %	65.1 %	59.8 %		63.5 %	61.5 %	
Total cost of net revenues	\$ 288.6	\$ 282.0	\$ 6.6	\$ 571.1	\$ 545.9	\$ 25.2
% of net revenues	28.8 %	29.1 %		29.4 %	28.1 %	
Gross profit	\$ 713.6	\$ 687.6	\$ 26.1	\$ 1,374.3	\$ 1,396.9	\$ (22.6)
Gross margin %	71.2 %	70.9 %		70.6 %	71.9 %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Cost of net revenues includes personnel-related costs including payroll and stock-based compensation for staff involved in the production process, the cost of materials, packaging, freight and shipping related costs, depreciation on capital equipment and facilities used in the production process, amortization of acquired intangible assets and training costs.

Clear Aligner

For the three and six months ended June 30, 2023, our gross margin percentage decreased as compared to the same periods in 2022 primarily due to increased manufacturing spend offset by higher ASP and lower freight costs.

Systems and Services

For the three and six months ended June 30, 2023, our gross margin percentage increased as compared to the same periods in 2022 primarily due to lower purchase price variance, service and freight costs, higher service revenue mix and partially offset by lower ASP.

Selling, general and administrative (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Selling, general and administrative	\$ 453.2	\$ 426.4	\$ 26.8	\$ 892.9	\$ 865.9	\$ 27.0
% of net revenues	45.2 %	44.0 %		45.9 %	44.6 %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Selling, general and administrative expense generally includes personnel-related costs, including payroll, stock-based compensation and commissions for our sales force, marketing and advertising expenses including media, clinical education, marketing materials, trade shows and industry events, legal and outside service costs, equipment, software and maintenance costs, depreciation and amortization expense and allocations of corporate overhead expenses including facilities and Information Technology ("IT").

For the three and six months ended June 30, 2023, selling, general and administrative expense increased compared to the same period in 2022 primarily due to higher salaries expense, fringe benefits and stock-based and incentive compensation, offset by lower advertising and marketing costs and reductions in litigation expense.

Research and development (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Research and development	\$ 88.5	\$ 73.0	\$ 15.5	\$ 175.9	\$ 144.8	\$ 31.2
% of net revenues	8.8 %	7.5 %		9.0 %	7.5 %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Research and development expense generally includes personnel-related costs, including payroll and stock-based compensation, outside service costs associated with the research and development of new products and enhancements to existing products, software, equipment, material and maintenance costs, depreciation and amortization expense and allocations of corporate overhead expenses including facilities and IT.

For the three and six months ended June 30, 2023, research and development expense increased compared to the same periods in 2022 primarily due to higher salaries expense, fringe benefits and stock-based and incentive compensation as we continue to focus on our investments in innovation and research.

Income from operations (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Clear Aligner						
Income from operations	\$ 306.1	\$ 307.2	\$ (1.1)	\$ 583.6	\$ 619.9	\$ (36.3)
Operating margin %	36.8 %	38.5 %		36.0 %	38.6 %	
Systems and Services						
Income from operations	\$ 52.0	\$ 45.6	\$ 6.5	\$ 87.6	\$ 96.4	\$ (8.8)
Operating margin %	30.7 %	26.6 %		27.1 %	28.8 %	
Total income from operations ¹	\$ 171.9	\$ 188.2	\$ (16.3)	\$ 305.4	\$ 386.3	\$ (80.8)
Operating margin %	17.2 %	19.4 %		15.7 %	19.9 %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

¹ Refer to Note 13 "Segments and Geographical Information" of the Notes to Condensed Consolidated Financial Statements for details on unallocated corporate expenses and the reconciliation to Condensed Consolidated Income from Operations.

Clear Aligner

For the three and six months ended June 30, 2023, our operating margin percentage decreased compared to the same periods in 2022 primarily due to higher operating expenses as a percentage of net revenues and lower gross margin.

Systems and Services

For the three months ended June 30, 2023, our operating margin percentage increased compared to the same periods in 2022 primarily due to lower operating expenses as a percentage of net revenues and higher gross margins.

For the six months ended June 30, 2023, our operating margin percentage decreased compared to the same period in 2022 primarily due to higher operating expenses as a percentage of revenue partially offset by increased gross margin.

Interest income (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Interest income	\$ 4.4	\$ 0.2	\$ 4.2	\$ 6.8	\$ 0.9	\$ 5.8
% of net revenues	0.4 %	— %		0.3 %	— %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Interest income generally includes interest earned on cash, cash equivalents and investment balances.

For the three and six months ended June 30, 2023, interest income increased compared to the same periods in 2022 primarily due to higher interest rates in the first and second quarter of 2023.

Other income (expense), net (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Other income (expense), net	\$ (4.8)	\$ (14.8)	\$ 10.1	\$ (6.0)	\$ (26.1)	\$ 20.1
% of net revenues	(0.5)%	(1.5)%		(0.3)%	(1.3)%	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Other income (expense), net, generally includes foreign exchange gains and losses, gains and losses on foreign currency forward contracts, interest expense, gains and losses on equity investments and other miscellaneous charges.

For the three and six months ended June 30, 2023, other income (expense), net increased compared to the same periods in 2022 primarily due to the favorable impact of foreign exchange rates and miscellaneous charges.

Provision for income taxes (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
Provision for income taxes	\$ 59.8	\$ 60.8	\$ (1.0)	\$ 106.6	\$ 114.0	\$ (7.4)
Effective tax rates	34.8 %	35.0 %		34.8 %	31.6 %	

Changes and percentages are based on actual values. Certain tables may not sum or recalculate due to rounding.

Our effective tax rate differs from the statutory federal income tax rate of 21% for both the three and six month periods ended June 30, 2023 and 2022 primarily due to the recognition of additional tax expense resulting from U.S. taxes on foreign earnings, foreign income taxed at different rates, state income taxes, and non-deductible expenses in the U.S.

The decrease in our effective tax rate for the three months ended June 30, 2023 compared to the same period in 2022 is primarily attributable to the change in our jurisdictional mix of income, foreign income taxed at different rates, partially offset by higher excess tax benefits from stock-based compensation and remeasurement of Switzerland deferred tax asset due to Swiss tax rate change.

The increase in our effective tax rate for the six months ended June 30, 2023 compared to the same period in 2022 is primarily attributable to the change in our jurisdictional mix of income, foreign income taxed at different rates, and lower excess tax benefits from stock-based compensation.

Liquidity and Capital Resources

Liquidity and Trends

As of June 30, 2023 and December 31, 2022, we had the following cash and cash equivalents and short-term and long-term marketable securities (in thousands):

	June 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 951,956	\$ 942,050
Marketable securities, short-term	55,805	57,534
Marketable securities, long-term	26,023	41,978
Total	\$ 1,033,784	\$ 1,041,562

As of June 30, 2023 and December 31, 2022, approximately \$719.5 million and \$653.7 million, respectively, of cash, cash equivalents and marketable securities were held by our foreign subsidiaries. We intend to continue reinvesting our foreign subsidiary earnings indefinitely and expect the additional costs upon repatriation of these foreign earnings not to be significant. We generate sufficient domestic operating cash flow and have access to external funding under our \$300.0 million revolving line of credit. We believe that our current cash balances and the borrowing capacity under our credit facility, if necessary, will be sufficient to fund our business for at least the next 12 months.

The sanctions against Russian banks or international bank messaging systems due to the military conflict between Ukraine and Russia could impact our ability to access our cash in Russia but would not materially impact our liquidity position. As of June 30, 2023, cash and cash equivalents domiciled in Russia, which is required to fund their current operating requirements, represent approximately 1.4% of our total cash, cash equivalents and marketable securities.

Our material cash requirements are as follows:

- For 2023, we expect our investments in capital expenditures to exceed \$200.0 million. Capital expenditures primarily relate to building purchases, construction and improvements as well as additional manufacturing capacity to support our international expansion. This includes our investment in an aligner fabrication facility in Wroclaw, Poland which

began serving doctors during the second quarter of 2022 as a part of our strategy to bring operational facilities closer to customers. As we continue growing, we intend to expand our investments in research and development, manufacturing, treatment planning, sales and marketing operations to meet actual and anticipated local and regional demands.

- During the six months ended June 30, 2023, we entered into or completed ASRs providing for the repurchase of our common stock based on the volume-weighted average price during the term of the agreement, less an agreed upon discount. The May 2021 Repurchase Program was completed as of March 31, 2023. In January 2023, our Board of Directors authorized a plan to repurchase up to \$1.0 billion of our common stock (“January 2023 Repurchase Program”), none of which had been utilized as of June 30, 2023. Refer to Note 9 “Common Stock Repurchase Program” of the Notes to Condensed Consolidated Financial Statements for details on our stock repurchase programs.
- There have been no material changes to our purchase commitments for goods and services and future operating lease payments during the periods covered by this 10-Q outside the normal course of business compared to the disclosures in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022.

Sources and Uses of Cash

The following table summarizes our condensed consolidated cash flows for the six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30,	
	2023	2022
Net cash flow provided by (used in):		
Operating activities	\$ 451,672	\$ 157,543
Investing activities	(178,314)	(72,078)
Financing activities	(259,892)	(312,396)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(3,523)	4,978
Net (decrease) increase in cash, cash equivalents, and restricted cash	<u>\$ 9,943</u>	<u>\$ (221,953)</u>

Operating Activities

For the six months ended June 30, 2023, cash flows from operations of \$451.7 million resulted primarily from our net income of approximately \$199.6 million as well as the following:

Significant adjustments to net income

- Stock-based compensation of \$75.6 million related to equity awards granted to employees and directors;
- Depreciation and amortization of \$71.6 million related to our investments in property, plant and equipment and intangible assets;
- Deferred taxes of \$36.7 million related to increase in long term deferred tax position;
- Non-cash operating lease costs of \$15.5 million related to lease amortization; and
- Other non-cash operating of \$21.9 million majority related to amortization of deferred commissions.

Significant changes in working capital

- Increase of \$140.3 million in accrued and other long-term liabilities primarily due to higher incentive accruals for 2023, as well as timing of payment of other activities;
- Decrease of \$73.7 million in accounts receivable due to timing of collections and partially offset by increased revenues;
- Increase of \$56.7 million in deferred revenues due to the deferral of revenue on shipments; and
- Increase of \$19.1 million in inventories primarily due to our purchase of long lead components to meet expected demand.

Investing Activities

Net cash used in investing activities was \$178.3 million for the six months ended June 30, 2023 and primarily consisted of purchases of property, plant and equipment of \$122.7 million which included a building acquisition for \$24.5 million, an equity

method investment of \$75.0 million and purchases of marketable securities of \$2.4 million, partially offset by sales and maturities of our marketable securities of \$21.6 million.

Financing Activities

Net cash used in financing activities was \$259.9 million for the six months ended June 30, 2023 and consisted of common stock repurchases net of \$252.4 million and payroll taxes paid for equity awards through share withholdings of \$21.8 million which were partially offset by \$14.3 million of proceeds from the issuance of common stock under our employee stock purchase plan.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based upon our Condensed Consolidated Financial Statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and disclosures at the date of the financial statements. We evaluate our estimates on an on-going basis, including those related to revenue recognition, goodwill and finite-lived acquired intangible assets, income taxes, legal proceedings and litigations. We use authoritative pronouncements, historical experience and other assumptions as the basis for making the estimates. Actual results could differ from those estimates.

Revenue Recognition

Our revenues are derived primarily from the sale of aligners, scanners, and services from our Clear Aligner and Systems and Services segments. We enter into sales contracts that may consist of multiple distinct performance obligations where certain performance obligations of the sales contract are not delivered in one reporting period. We measure and allocate revenues according to ASC 606-10, "*Revenues from Contracts with Customers.*"

Determining the standalone selling price ("SSP") in order to allocate consideration from the contract to the individual performance obligations is the result of various factors, such as changing trends and market conditions, historical prices, costs, and gross margins. While changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract, any material changes could impact the timing of revenue recognition, which would have a material effect on our financial position and result of operations. This is because the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

We allocate revenues for each clear aligner treatment plan based on each unit's SSP. Management considers a variety of factors such as same or similar product historical sales, costs, and gross margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation in making these estimates. In addition to historical data, we take into consideration changing trends and market conditions. For treatment plans with multiple options, we also consider usage rates, which is the number of times a customer is expected to order more aligners after the initial shipment. Our process for estimating usage rates requires significant judgment and evaluation of inputs, including historical usage data by region, country and channel.

We estimate the SSP of each element in a scanner system and services sale taking into consideration same or similar product historical prices as well as our discounting strategies.

Recent Accounting Pronouncements

See Note 1 "*Summary of Significant Accounting Policies*" of the Notes to Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, we are exposed to interest rate, foreign currency exchange and inflation risks that could impact our financial position and results of operations. In addition, we are subject to the broad market risk that is created by the global market disruptions and uncertainties resulting from macroeconomic challenges, the military conflict between Russia and Ukraine and the COVID-19 pandemic. Further discussion on these risks may be found in *Item 1A* of this Quarterly Report on Form 10-Q under the heading "*Risk Factors.*"

Interest Rate Risk

Changes in interest rates could impact our anticipated interest income on our cash equivalents and investments in marketable securities. Our investments are fixed-rate short-term and long-term securities. Fair market value of fixed-rate securities may be adversely impacted due to a rise in interest rates. As a result, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of June 30, 2023, we had approximately \$81.8 million invested in available-for-sale marketable securities. An immediate 10% change in interest rates would not have a material adverse impact on our future operating results and cash flows.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. As of June 30, 2023, we are not subject to risks from immediate interest rate increases on our unsecured revolving line of credit facility.

Currency Rate Risk

As a result of our international business activities, our financial results have been affected by factors such as changes in foreign currency exchange rates as well as economic conditions in foreign markets, and there is no assurance that exchange rate fluctuations will not harm our business in the future. We generally sell our products in the local currency of the respective countries. This provides some natural hedging because most of the subsidiaries' operating expenses are generally denominated in their local currencies. Regardless of this natural hedging, our results of operations may be adversely impacted by exchange rate fluctuations.

We enter into foreign currency forward contracts for currencies where we have exposures, primarily the Euro, Chinese Yuan, Polish Zloty, Canadian Dollar, to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and intercompany receivables and payables. These forward contracts are not designated as hedging instruments and do not subject us to material balance sheet risk due to fluctuations in foreign currency exchange rates. The gains and losses on these forward contracts are intended to offset the gains and losses in the underlying foreign currency denominated monetary assets and liabilities being economically hedged. These instruments are generally one month in original maturity and are marked to market through earnings every period. We do not enter into foreign currency forward contracts for trading or speculative purposes. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates. It is difficult to predict the impact forward contracts could have on our results of operations.

Although we will continue to monitor our exposure to currency fluctuations, and, where appropriate, may use forward contracts to minimize the effect of these fluctuations, the impact of an aggregate change of 10% in foreign currency exchange rates relative to the U.S. dollar on our results of operations and financial position could be material.

Military Conflict in Ukraine

After beginning in 2022, the military conflict between Russia and Ukraine has continued to escalate and create challenges to already uncertain macroeconomic conditions. As of June 30, 2023, we do not expect these events to have any material impact on our operations. Our Russia net revenues as a percentage of our consolidated net revenues and our assets domiciled in Russia, including cash and cash equivalents, as a percentage of our total assets, are immaterial.

Inflation Risk

The economy has been impacted by certain macroeconomic challenges which have contributed to a rising inflationary trend that have impacted both our revenues and costs globally, and which we expect will continue into the foreseeable future. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. There can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report

on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of June 30, 2023, to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For a discussion of legal proceedings, refer to Note 6 “*Legal Proceedings*” of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors.

The following discusses some of the risks that may affect our business, results of operations, financial condition and the price of our stock. You should carefully review this section, as well as our condensed consolidated financial statements and notes thereto and other information appearing in this Quarterly Report on Form 10-Q, for important information regarding these and other risks that may affect us. The order we have chosen to list the risks below or the sections in which we have identified them should not be interpreted to mean we deem any risks to be more or less important or likely to occur or, if any do occur, that their impact may be any less significant than others. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this report because they could cause our actual results and conditions to differ materially from those statements. Before you invest in Align, you should know that investing involves risks, including those described below. The risks below are not the only ones we face. If any of the risks actually occur, our business, financial condition and results of operations could be negatively affected, the trading price of our common stock could decline, and you may lose all or part of your investment.

Summary of Risk Factors

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to:

Macroeconomic and External Risks

- Global and regional economic conditions
- Major health crises
- Political events, international disputes, war and terrorism
- Natural disasters

Business and Industry Risks

- Changes in demand for our products
- Increased competition
- Failure of our new products, or changes to our existing products, to attract or retain consumers or generate revenue
- Successful integration of our acquisitions

Operational Risks

- Business disruptions
- Predicting demand
- Availability of supplies
- Shipping delays
- Personnel development and retention
- Effectiveness of marketing and our ability to attract consumers

Legal, Regulatory and Compliance Risks

- Government investigations, enforcement actions, and settlements
- Compliance with laws and regulatory and legislative mandates or guidance
- Privacy, cybersecurity and data protection
- Litigation, including class action lawsuits

Intellectual Property Risks

- Obtain, maintain, protect, and enforcement of our intellectual property rights

Financial, Tax and Accounting Risks

- Impairment of our goodwill
- Compliance with accounting, financial reporting, and tax laws
- Management of our stock plans
- Volatility of our stock

Macroeconomic and External Risks

Our operations and financial performance depend on global and regional economic conditions. Inflation, fluctuations in currency exchange rates, changes in consumer confidence and demand, and general economic weakness and threats, or actual recessions, have and could in the future materially affect our business, results of operations, and financial condition.

Macroeconomic conditions impact consumer confidence and discretionary spending, which can adversely affect demand for our products. Consumer spending habits are affected by, among other things, inflation, fluctuations in currency exchange rates, general economic weakness, threats or actual recessions, pandemics, wars and military actions, employment levels, wages, debt obligations, discretionary income, interest rates, volatility in capital, and consumer confidence and perceptions of current and future economic conditions. Changes and uncertainty can, among other things, reduce or shift spending away from elective procedures, drive patients to purchase orthodontic treatments that cost less than our Invisalign treatment options, decrease the number of orthodontic and dental case starts, reduce patient traffic in dentists' offices or reduce demand for dental services generally. Further, decreased demand for dental services can cause dentists and labs to postpone investments in capital equipment, such as intraoral scanners and CAD/CAM equipment and software. The recent declines in, or uncertain economic outlooks for, the U.S., Chinese, European and certain other international economies have and may continue to adversely affect consumer and dental practice spending. The increase in the cost of fuel and energy, food and other essential items along with higher interest rates could reduce consumers' disposable income, resulting in decreased discretionary spending for products like ours. Further, we cannot predict the impact of efforts by central banks and federal, state and local governments to combat higher inflation. If their efforts are too aggressive, they may lead to a recession. Alternatively, if they are insufficient or are not sustained long enough to lower inflation to acceptable levels, consumer spending may be adversely impacted for a prolonged period of time. Decreases in disposable income and discretionary spending or changes in consumer confidence and spending habits has and may continue to adversely affect our revenues and operating results.

Inflation continues to adversely impact spending and trade activities, causing unpredictable impacts on global and regional economies. Higher inflation has also increased domestic and international shipping costs, raw material prices, and labor rates, which has adversely impacted the costs of producing, procuring and shipping our products. Our ability to recover these cost increases through price increases may continue to lag, resulting in downward pressure on our operating results. Attempts to offset cost increases with price increases may reduce sales, increase customer dissatisfaction or otherwise harm our reputation. Any of these events could materially affect our business and operating results.

We have international operations and sales outside the U.S. We earn a large portion of our total revenues from international sales generated through our foreign direct and indirect operations and we expect to increase our sales and presence outside the U.S., particularly in markets we believe have high-growth potential. Moreover, we perform most of our key production steps in locations outside of the U.S. For instance, we perform our digital treatment planning and aligner fabrication in multiple international locations, including large-scale operations in Mexico, Costa Rica, Poland, Japan and China. Additionally, we maintain significant global sales and marketing operations in Switzerland, Singapore and China, along with research and development operations globally, including in the U.S., Spain, Israel, Armenia and Germany. Our reliance on international operations and sales exposes us to fluctuations in foreign currencies that may adversely impact our business or results of operations. Although the U.S. dollar is our reporting currency, a growing portion of our net revenues and net income are generated in foreign currencies. While we utilize forward contracts to reduce the adverse earnings impact from the effect of exchange rate fluctuations on certain assets and liabilities, our hedging strategies may not be successful, and currency exchange rate fluctuations have and could continue to have a material adverse effect on our operating results and cash flows. In addition, our foreign currency exposure on assets, liabilities and cash flows that we do not hedge have and could continue to have a material impact on our financial results in periods when the U.S. dollar significantly fluctuates in relation to foreign currencies.

Our business could be impacted by political events, trade and other international disputes, war, and terrorism, including the military conflict between Russia and Ukraine.

Political events, trade and other international disputes, war, and terrorism could harm or disrupt international commerce and the global economy and could have a material effect on our business as well as our customers, suppliers, contract manufacturers, distributors, and other business partners. Such risks include inflation, supply chain and trade disruptions, trade sanctions, reduced consumer spending, disruptions to our IT systems, including through network failures, malicious or

disruptive software, or cyberattacks, energy shortages or rationing that adversely impacts our manufacturing facilities, rising fuel or rising costs of producing, procuring and shipping our products, fluctuations to foreign currency exchange rates, and constraints, volatility or disruption in the financial markets.

Political events, trade and other international disputes, wars, and terrorism can lead to unexpected tariffs or trade restrictions, which may adversely impact our business. Tariffs, such as the tariffs on Chinese goods, and responses to the tariffs increase the cost of our products and the components and raw materials used to make them. Increased costs could adversely impact our gross margin and reduce demand for our products. Countries may also adopt other measures, such as controls on imports or exports of goods, technology or data, that adversely impact our operations and supply chain, limit our ability to offer products and services or inhibit our ability to comply due to contradictions with other laws. These measures could require us to take various actions, including changing suppliers or restructuring business relationships. Complying with new or changed trade restrictions is expensive, time-consuming and disruptive to our operations. Such restrictions can be announced with little or no advance notice and we may be unable to effectively mitigate their adverse impacts. If disputes and conflicts escalate in the future, the responses by governments may be significantly more restrictive and could materially affect our business.

Political unrest, threats, tensions, actions and responses to any social, economic, business, geopolitical, military, terrorism, or acts of war involving key commercial, development or manufacturing markets such as China, Mexico, Israel, Europe, or other countries could materially impact our international operation. For example, our employees in Israel could be obligated to perform reserve duty in the Israeli military and be called for additional active duty under emergency circumstances. If this or any other events or conditions occur, the impact to us, our employees and customers would be uncertain, particularly if emergency circumstances, armed conflicts or an escalation in political instability or violence disrupts our product development, data or information exchange, payroll or banking operations, product or materials shipping by us or our suppliers and other unanticipated business disruptions, interruptions and limitations in telecommunication services or critical systems or applications reliant on a stable and uninterrupted communications infrastructure.

The military conflict between Russia and Ukraine has materially adversely impacted global economies. Our commercial operations have been impacted by the conflict and if we fail to support existing customers, we may harm our reputation, and be subject to legal and regulatory actions in Russia. Additionally, although the majority of our research and development personnel formerly headquartered in Russia have relocated, some personnel remain. Whether those that are in Russia or those in their new locations remain with us over the long-term is unknown. If we are unable to retain key skilled personnel, or we are unable to quickly replace such personnel with individuals of equivalent technical expertise and qualifications, our business and financial condition could be materially effected. Moreover, production could be impaired as a result of the military conflict in other countries such as Poland and Israel, where our fabrication facilities are located. We have no way to predict the progress or outcome of the conflict in Ukraine or the reactions by governments, businesses or consumers but it could have a material effect on our business and operating results.

Our business could be impacted by major public health issues, including pandemics, and our business has been materially affected by the global and regional spread of COVID-19.

Major public health issues, including pandemics such as COVID-19, have adversely affected, and could in the future materially affect, our business due to their impact on the global and regional economies, demand for consumer products, and the imposition or removal of public safety measures. Public health concerns may also limit the movement of goods between regions, disrupt or delay supply chains and sales and distribution channels, resulting in interruptions of the supply of products. Insurance coverage, if available, may be insufficient to cover all losses that may arise.

COVID-19 created significant, widespread and unprecedented volatility, uncertainty, and economic instability, disrupting broad aspects of global and regional economies, our operations and the businesses of our customers and suppliers. Therefore, comparing our financial results for the reporting periods of 2023 to the same reporting periods of 2022 or earlier may not be a useful means by which to evaluate the health of our business and our results of operations. We cannot predict future direct and ancillary impacts on our business or results of operations from the COVID-19 pandemic, although they may be material to our business as well as the businesses of our customers, suppliers and economic activity generally.

Our operations may be impacted by natural disasters, which may become more frequent or severe as a result of climate change, and may adversely impact our business and operating results as well as those of our customers and suppliers.

Natural disasters can impact our operations as well as those of our customers and critical suppliers. Natural disasters include earthquakes, tsunamis, floods, droughts, hurricanes, wildfires, and other extreme weather conditions that can cause deaths, injuries, and critical health crises, power outages, restrictions and shortages of food, water, shelter, and medical supplies, telecommunications failures, materials scarcity, price volatility and other ramifications. Climate change is likely to increase both the frequency and severity of natural disasters and, consequently, risks to our business and operations. Our digital dental modeling and certain of our customer facing operations are primarily processed in our facilities located in Costa Rica. Our aligner molds and finished aligners are fabricated in China, Mexico and Poland. Our locations in Costa Rica and Mexico as well as others are in earthquake and hurricane zones and may be subject to other natural disasters. Moreover, a significant

portion of our research and development activities are located in California, which suffers from earthquakes, periodic droughts, heat waves, flooding, power shortages and wildfires. If a natural disaster occurs in a region where one of these facilities is located, our employees could be impacted, our research lost, and our ability to create treatment plans, respond to customer inquiries or manufacture and ship our aligners or intraoral scanners could be compromised which could result in our customers experiencing significant product and services delays.

The effects of climate change on regional and global economies could change the supply, demand or availability of sources of energy or other resources material to our products and operations and affect the availability or cost of natural resources and goods and services on which we and our suppliers rely.

Business and Industry Risks

Demand for our products may not increase or may decrease due to resistance to non-traditional treatment methods, which could have a material impact on our business and operating results.

Our products require our customers to change from traditional treatment methods. For example, Invisalign treatment is a significant change from traditional metal wires and brackets orthodontic treatment, and customers and consumers may not find it cost-effective or preferable to traditional treatment. A number of dental professionals continue to believe Invisalign treatment is only appropriate for a limited percentage of patients or are reluctant to move from analog to digital. Additionally, our iTero products provide a digital alternative and some dental professionals have been and may continue to be resistant to move to a digital platform. Increased market acceptance of our products depends in part on the recommendations of dental professionals, as well as other factors including efficacy, safety, ease of use, reliability, aesthetics, and price compared to competing products and treatment methods. If demand for our products fails to increase, our business and operating results may be harmed.

Our net revenues depend primarily on our Invisalign system and iTero scanners and any decline in sales or average selling price of these products may adversely affect net revenues, gross margin and net income.

Our net revenues remain largely dependent on sales of our Invisalign system of clear aligners and iTero intraoral scanners. Of the two, we expect net revenues from the sale of the Invisalign system, primarily our comprehensive products, will continue to account for the majority of our net revenues, making the continued and widespread acceptance of the Invisalign system by orthodontists, GPs and consumers critical to our success. Our iTero business also contributes a material percentage of our overall net revenues. Our operating results could be harmed if:

- orthodontists and GPs experience a reduction in consumer demand for orthodontic services;
- consumers are unwilling to adopt Invisalign system treatment as rapidly or in the volumes we anticipate and at the prices offered;
- orthodontists or GPs choose to continue using wires and brackets or competitive products rather than the Invisalign system or the rates at which they utilize the Invisalign system fail to increase or increase as rapidly as anticipated;
- sales of our iTero scanners decline or fail to grow sufficiently or as anticipated;
- the growth of CAD/CAM solutions does not produce the results anticipated; or
- the average selling price of our products declines.

The average selling prices of our products, particularly our Invisalign system, are influenced by numerous factors, including the type and timing of products sold (particularly the timing of orders for additional clear aligners for certain Invisalign products) and foreign exchange rates. In addition, we sell a number of products at different list prices which may differ based on country. Our average selling prices for our Invisalign system and iTero scanners have been impacted in the past and may be adversely affected again in the future if:

- we introduce new or change existing promotions, general or volume-based discount programs, product or services bundles or consumer rebate programs;
- participation in any promotions or programs unexpectedly increases, decreases or drives demand in unexpected and material ways;
- our geographic, channel or product mix shifts to lower priced products or to products with a higher percentage of deferred revenue;
- we decrease prices on one or more products or services in response to increasing competitive pricing pressures;
- we introduce new or change existing products or services, or modify how we market or sell any of our new or existing products or services;
- governments impose pricing regulations such as volume-based procurement regulations in China; or
- estimates used in the calculation of deferred revenue differ from actual average selling prices.

If our average selling prices decline, our net revenues, gross margin and net income may be adversely affected.

Competition in the markets for our products is increasing and we expect aggressive competition from existing competitors, other companies that may introduce new technologies or products in the future and customers who alone or with others create orthodontic appliances and solutions or other products or services that compete with us.

The dental industry is in a period of immense and rapid digital transformation involving products, technologies, distribution channels and business models. While solutions such as our Invisalign system, iTero scanners and CAD/CAM software facilitate this transition, whether our technologies will achieve market acceptance and, if adopted, whether and when they may become obsolete, remains unclear. In addition, we face competition from companies that introduce new technologies and products and we may be unable to compete with these competitors or they may render our technology or products obsolete or economically unattractive. If we are unable to compete effectively with existing products or respond effectively to any new technologies, our business could be harmed.

Currently, the Invisalign system competes primarily against traditional metal wires and brackets and increasingly against clear aligners manufactured and distributed by new and existing market entrants and manufacturers of traditional wires and brackets, and from traditional medical device companies, laboratories, startups and, in some cases, doctors and Dental Support Organizations (“DSOs”) themselves. The number and types of competitors are diverse and growing rapidly. They vary by segment, geography, and size, and include new and well-established regional competitors in dental markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research and financial capabilities. Our competitors also include direct-to-consumer (“DTC”) companies that provide clear aligners using a remote business model requiring little or no in-office care from trained and licensed doctors, and doctors and DSOs who manufacture custom aligners in their offices using 3D printing technology. Large consumer product companies may also start supplying orthodontic products.

The manipulation and movement of teeth and bone is a complex and delicate process with potentially painful and debilitating results if improperly performed or monitored. Accordingly, we deliver our Invisalign system solutions primarily through trained and skilled doctors and are reliant on their recommendations and support of our products. The Invisalign system requires a doctor's prescription and an in-person physical examination of the patient's dentition before beginning treatment; however, with the advent of DTC providers, there has been a shift away from traditional dental practices that may impact our primary selling channels. Doctors and DSOs are sampling alternative products and taking advantage of competitive promotions and sale opportunities.

Our iTero intraoral scanner can be used to start clear aligner therapy, as well as other dental procedures, including restorative, implant planning and dentures, and also functions as a diagnostic tool. The iTero intraoral scanner competes with polyvinyl siloxane (“PVS”) impressions and new scanners in the market that doctors use for clear aligner therapy or other dental procedures. It also competes with traditional bite wing 2D dental x-rays for detecting interproximal caries. If we are unable to compete effectively with these existing products, existing competitors, new market entrants, or respond effectively to new technologies, our Systems and Services segment could be harmed.

To stimulate product and services demand, we have a history of offering volume discounts, price reductions and other promotions to targeted customers and consumers and releasing lower priced products. Whether or not successful, these promotional campaigns and lower priced products have had and may in the future have unexpected and unintended consequences, including reduced gross margins, profitability and average selling prices, net revenues, volume growth, and net income.

We cannot be sure that we will be able to compete successfully against our current or future competitors or that competitive pressures will not have a material effect on our business, results of operations and financial condition.

Our success depends on our ability to successfully develop, introduce, achieve market acceptance of, and manage new products and services.

Our success depends on our ability to profitably and quickly develop, manufacture, market, obtain and maintain regulatory approval or clearance of new products and services along with improvements to existing products and services. There is no assurance we can successfully develop, sell and achieve market acceptance of our new or improved products and services. The extent and rate at which new products or services may achieve market acceptance and penetration is a function of many variables, including our ability to:

- successfully predict and timely innovate and develop new technologies, applications and products preferred by customers and consumers and that have features and functionality to meet the needs of patients;
- successfully and timely obtain regulatory approval or clearance of new and improved products or services from government agencies such as the FDA and analogous agencies in other countries;

- cost-effectively and efficiently develop, manufacture, quality test, market, dispose of, and sell new or improved products and services offerings, including localized versions for international markets;
- properly forecast the amount and timing of new or improved product and services demand;
- allocate our research and development funding to products and services with higher growth prospects;
- ensure the compatibility of our technology, services and systems with those of our customers;
- anticipate and rapidly innovate in response to new competitive products and services offerings and technologies;
- differentiate our products and product offerings from our competitors as well as other products in our own portfolio and successfully articulate the benefits to our customers;
- manage the impact of nationalism or initiatives encouraging consumer purchases from domestic vendors, or dissuade interoperability of products and technologies between companies;
- qualify for third-party reimbursement for procedures involving our products or services;
- offer attractive and competitive service and subscription plans; and
- encourage customers to adopt new technologies and provide the needed technical, sales and marketing support to make new product and services launches successful.

If we fail to accurately predict the needs and preferences of customers and their patients, or fail to produce viable technologies or products, we may invest heavily in research and development that does not lead to significant revenues. Even if we successfully innovate and develop new products and product improvements, we may incur substantial costs doing so and our profitability may suffer. It may be difficult to gain market share and acceptance for new or improved products. Introduction and acceptance of any products and services may take significant time and effort, particularly if they require doctor education and training to understand their benefits or doctors choose to withhold judgment on a product until patients complete their treatments. For instance, it can take up to 24 months or longer to complete treatment using our Invisalign system.

In addition, we periodically introduce new business and sales initiatives to meet customers' needs and demands. In general, our internal resources support these initiatives without clear indications they will prove successful or be without short-term execution challenges. Should these initiatives be unsuccessful, our business, results of operations and financial condition could be materially impacted.

We may invest in or acquire other businesses, products or technologies which may require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations.

Periodically, we have and may in the future acquire, or make investments in, companies, products or technologies. Alternatively, we may be unable to find suitable investment or acquisition targets or be unable to complete investments or acquisitions on favorable terms, if at all. If we make investments or complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals or desired synergies, and investments or acquisitions we complete could be viewed negatively by our customers, securities analysts and investors. Moreover, to the extent we make strategic investments, the companies in which we invest may fail or we may ultimately own less than a majority of the outstanding shares of the company and be outvoted on critical issues that could harm us or the value of our investment.

Additionally, as an organization we do not have a history of significant acquisitions or integrating their operations and cultures with our own. As such, we are subject to various risks when making a strategic investment or acquisition which could materially impact our business or results of operations, including that we may:

- fail to perform proper due diligence and inherit unexpected material issues or assets, including intellectual property ("IP") or other litigation or ongoing investigations, accounting irregularities or improprieties, bribery, corruption or other compliance liabilities;
- fail to comply with regulations, governmental orders or decrees;
- experience IT security and privacy compliance issues;
- invest in companies that generate net losses or the markets for their products, services or technologies may be slow or fail to develop;
- not realize a positive return on investment or determine that our investments have declined in value, such that it may be necessary to record impairments such as future impairments of intangible assets and goodwill;
- have to pay cash, incur debt or issue equity securities to pay for an acquisition, adversely affecting our liquidity, financial condition or the value of our common stock. The sale of equity or issuance of debt to finance any acquisition could result in dilution to our stockholders. The occurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that impede our ability to manage our operations;
- find it difficult to implement and harmonize company-wide financial reporting, forecasting and budgeting, accounting, billing, IT and other systems due to inconsistencies in standards, internal controls, procedures and policies;

- require significant time and resources to effectuate the integration;
- fail to retain key personnel or harm our existing culture or the culture of an acquired entity;
- not realize any or all or material portions of the expected synergies and benefits of the acquisition; or
- unsuccessfully evaluate or utilize the acquired technology or acquired company's know-how or fail to successfully integrate the technologies acquired.

Moreover, opposition to one or more acquisitions may lead to negative ratings by analysts or investors, give rise to stockholder objections or result in stockholder activism, any of which could disrupt our operations or harm our stock price.

Operational Risks

Business disruptions could seriously harm our financial condition.

Our global operations have been disrupted in the past and will likely be disrupted and harmed again in the future. The occurrence of any material or prolonged business disruptions, whether internal or at key suppliers, could harm our business and results of operations, result in material losses, seriously harm our revenues, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations.

When business disruptions occur, they may, individually or in the aggregate, affect our ability to provide products, services and solutions to our customers, and could cause production delays or limitations, create adverse effects on distributors, disrupt supply chains, result in shipping and distribution disruptions and reduce the availability of or access to one or more facilities. We have policies and procedures which are intended to mitigate the impact of the business disruptions and crises that we believe could be most significant, and we train employees and work with suppliers to prepare for potential disruptions. However, the design or implementation of these policies and practices may fail to adequately address particular disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Our operating results have and will continue to fluctuate in the future, which makes predicting the timing and amount of customer demand, our revenues, costs and expenditures difficult.

Our quarterly and annual operating results have and will continue to fluctuate for a variety of reasons, including as a result of changing doctor and consumer product demand. In addition to the factors otherwise described herein, some of the other factors that have historically, and could in the future, cause our operating results to fluctuate include:

- higher manufacturing, delivery and inventory costs;
- the creditworthiness, liquidity and solvency of our customers and their ability to timely make payments when due;
- changes in the timing of revenue recognition and our average selling prices, including as a result of the timing of receipt of product orders and shipments, product and services mix, geographic mix, product and services deferrals, the introduction of new products and software releases, product pricing, bundling and promotions, pricing for fees or expenses, modifications to our terms and conditions such as payment terms, or as a result of new accounting pronouncements or changes to critical accounting estimates including, without limitation, estimates based on matters such as our predicted usage of additional aligners;
- seasonal fluctuations, including those related to patient demographics or seasonality as well as the availability of doctors to take appointments;
- longer customer payment cycles and greater difficulty in accounts receivable collection for our international sales;
- costs and expenditures, including in connection with new treatment planning and fabrication facilities, the hiring and deployment of personnel, and litigation; and
- timing and fluctuation of spending around marketing and brand awareness campaigns and industry trade shows.

If we underestimate product demand, demand may exceed our manufacturing capacity or that of one or more of our suppliers, we may be understaffed and we may not have sufficient materials needed for production. Specifically, our manufacturing process relies on sophisticated computer software and requires new technicians to undergo a relatively long training process, often 120 days or longer. As a result, if we are unable to accurately predict demand, we may have an insufficient number of trained technicians to ensure products are timely manufactured and delivered to meet customers' expectations, which could damage our relationships with our existing customers or harm our ability to attract new customers. Specifically, production levels for our intraoral scanner are generally forecasted based on forecasts and historic product demand and we often place orders with suppliers for materials, components and sub-assemblies ("materials and components") as well as finished products weeks or more in advance of projected customer orders.

Conversely, if we overestimate customer demand, we may lose opportunities to increase revenues and profits, we may have excessive staffing, materials, components and finished products, or capacity. If we hire and train too many technicians in anticipation of demand that does not materialize or materializes slower than anticipated, our costs and expenditures may

outpace our revenues or revenue growth, harming our gross margin and financial results. Additionally, to secure supplies for production of products, we periodically enter into non-cancelable minimum purchase commitments with vendors, which could impact our ability to adjust inventory for declining demand. If product demand decreases or increases more than forecast, we may be required to purchase or lease additional or larger facilities and additional equipment, or we may be unable to fulfill customer demand in the time frames and with the quantities required. Responding to unanticipated changes in demand may take time to accomplish, lower our gross margin, inhibit sales or harm our reputation. Production of our Invisalign clear aligners and iTero intraoral scanners are also limited by capacity constraints due to a variety of factors, including labor shortages, shipping delays, our dependency on third-party vendors for key materials, parts, components and equipment, and limited production yields. Any or all of these problems could result in the loss of customers, provide an opportunity for competing products to gain market acceptance and otherwise harm our business and financial results and those of our business partners.

Improvements to or changes in our products may affect the demand, making it less predictable. We routinely review inventory for usage potential, including fulfillment of customer warranty obligations and spare part requirements, and write down to the lower of cost or net realized value the excess and obsolete inventory, which may materially affect our results of operations. For instance, periodically we announce new products, capabilities, or technologies that replace or shorten the life cycles of legacy products or cause customers to defer or stop purchasing legacy products until new products become available. These risks increase the difficulty of accurately forecasting demand for discontinued and new products as well as the likelihood of inventory obsolescence, loss of revenue and associated gross profit.

We may make business decisions that adversely affect our operating results such as modifications to our pricing policies and payment terms, promotions, development efforts, product releases, business structure or operations. Most of our expenses, such as employee compensation and lease obligations, are relatively fixed in the short term. Moreover, our expense levels are based, in part, on our expectations for future revenues. As a result, if our net revenues for a particular period are below expectations, we may be unable to timely or effectively reduce spending to offset any net revenues shortfall.

We are subject to operating risks, including excess or constrained capacity and operational inefficiencies, which could adversely affect our results of operations.

We are subject to operating risks, including excess or constrained capacity and pressure on our internal systems, personnel and suppliers. To manage current and anticipated future operations effectively, we must continually implement and improve our operational, financial and management information systems, hire, train, motivate, manage and retain employees, and ensure our suppliers remain diverse and capable of meeting demand for the systems, raw materials, parts and components essential to the manufacture and delivery of our products. We may be unable to balance near-term efforts to meet existing demand with future demand, including adding personnel, creating scalable, secure and robust systems and operations, and automating processes needed for long term efficiencies. Any such failure could have a material impact on our business, operations and prospects.

Additionally, we have established treatment planning and manufacturing facilities closer to our international customers to provide them with better experiences, improve their confidence using our products to treat patients, create efficiencies, and provide redundancy should other facilities be temporarily or permanently unavailable. Our ability to equip facilities is subject to significant risk and uncertainty. If a facility is temporarily or permanently, partially or fully shut down, or if demand for our products outpaces our ability to hire qualified personnel and effectively implement systems and infrastructure, we may be unable to fulfill orders timely, or at all, which may negatively impact our financial results, reputation and overall business.

Our products and IT systems are critical to our business. Issues with product development or enhancements, IT system and software integration, implementation, updates and upgrades have previously and could again in the future disrupt our operations and have a material impact on our business, our reputation and operating results.

We rely on the efficient, uninterrupted and secure operation of our own complex IT systems and are dependent on key third party software embedded in our products and IT systems as well as third-party hosted IT systems to support our operations. All software and IT systems are vulnerable to damage, cyber-attacks or interruption from a variety of sources. To effectively manage and improve our operations, our IT systems and applications require an ongoing commitment of significant expenditures and resources to maintain, protect, upgrade, enhance and restore existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards, increasingly sophisticated cyber threats, and changing customer preferences. Expanded remote working and increased usage of online and hosted technology platforms by us, our customers and suppliers, including teledentistry and new or expanded use of online service platforms, products and solutions such as video conferencing applications, doctor, consumer and patient apps have increased the demands on and risks to our IT systems and personnel. Moreover, we continue to transform certain business processes, extend established processes to new subsidiaries and/or implement additional functionality in our enterprise resource planning, product development, manufacturing, and other software and IT systems which entails certain risks, including disruption of our operations, such as our ability to develop and update products that are safe and secure, track orders and timely ship products, manage our supply chain and aggregate financial and operational data. Failure to adequately protect and maintain the integrity of our products and IT systems may materially impact our financial position, results of operations and cash flows.

We have a complex, global iTero intraoral scanner installed base of older and newer models. These models are continually updated to add, expand or improve features with new hardware from us or third parties, or to provide repair or replacement parts. We have experienced hardware issues in the past and may in the future, including issues relating to manufacturing, design, quality, or safety, of which we become aware only after products or changes have been introduced into the market. We also have not been and may be unable to ensure that third party components or changes to them will be compatible with, or not have a negative impact on the functionality of, our iTero intraoral scanners. As a result, there have been and may be widespread failures of our iTero intraoral scanners or we may experience epidemic failures of our iTero intraoral scanner to perform as anticipated. Previously, we have not been and in the future may not be prepared for, or have the infrastructure to, timely and adequately remediate or implement corrective measures for such failures, including due to our dependency on third party providers or suppliers. As a consequence, remediation has been and may be in the future time-consuming and difficult to achieve, which may materially impact our customers and our business partners, damage our reputation and result in lost business and revenue opportunities, and could be materially costly.

Additionally, we continuously upgrade and issue new releases of customer facing software applications, upon which customer facing, manufacturing and treatment planning operations depend. Software applications and products containing software frequently contain errors or defects, especially when first introduced or when new versions are released. Additionally, the third-party software integrated into or interoperable with our products and services will routinely reach end of life, and as a consequence, certain models of our iTero intraoral scanners may be exposed to additional vulnerabilities, including increased security risks, errors and malfunctions that may be irreparable or difficult to repair. The discovery of a defect, error or security vulnerability in our products, software applications or IT systems, incompatibility with customers' computer operating systems and hardware configurations with a new release or upgraded version or the failure of our products or primary IT systems may cause adverse consequences, including: delay or loss of revenues, significant remediation costs, delay in market acceptance, loss of data, disclosure of financial, health or other personal information of our customers or their patients, product recalls, damage to our reputation, loss of market share or increased service costs, any of which could have a material effect on our business, financial condition or results of our operations and the operations of our customers or our business partners.

A significant portion of our clear aligner production is dependent on digital scans from our globally dispersed and decentralized installed base of iTero and third-party intraoral scanners. Failures of all or any portion of ours or third-party software or other components or systems to interoperate with iTero or third-party scanners, termination of interoperability with third-party scanners, malware or ransomware attacks, product or system vulnerabilities or defects, interference or disruptions for us, our customers, labs or other business partners in the use of our products or the transmission or processing of data needed for the use or ordering of our products, or a system outage for any reason have harmed our operations previously and in the future could affect materially and adversely our ability to accept scans, manufacture clear aligners or restorative procedures or treatments and services or otherwise service our customers which may, amongst other things, harm our sales, damage our reputation, adversely impact our strategic partners or result in litigation.

We are highly dependent on third-party suppliers, some of whom are sole source suppliers, for certain key machines, components and materials, and our business and operating results could be harmed if supply is restricted or ends, or if the price of raw materials used in our manufacturing process increases.

We are highly dependent on our supply chain, particularly manufacturers of specialized scanning equipment, rapid prototyping machines, resin and other advanced materials, as well as the optics, electronic and other mechanical components of our intraoral scanners. We maintain single supply relationships for many of these machines and materials such as our CT scanning and stereolithography equipment and resin and polymer used in clear aligner manufacturing. By using single suppliers in limited locations for materials and manufacturing, we are exposed to multiple supply chain vulnerabilities. For example, damage to or destruction of a facility can materially disrupt the delivery of key parts, components and materials or products or a supplier could encounter financial, operating or other difficulties, be unable to hire or maintain personnel, fail to timely obtain supplies, or fail to maintain manufacturing standards or controls. The occurrence of any of these may adversely impact our supply chain.

Because of our dependence on our suppliers, changes in key relationships can materially disrupt our supply chain. For instance, we may be unable to quickly establish or qualify replacement suppliers creating production interruptions, delays and inefficiencies. Finding substitute manufacturers may be expensive, time-consuming or impossible and could result in a significant interruption in the supply of one or more products causing us to lose revenues and suffer damage to our customer relationships. Technology changes by our service providers, vendors, and other third parties could disrupt access to required manufacturing capacity or require expensive, time-consuming development efforts to adapt and integrate new equipment or processes. In the event of technology changes, delivery delays, labor stoppages or shortages, or increases in price for these items, sales may decrease and our business and prospects may be harmed.

We use distributors for a portion of the importation, marketing and sales efforts related to our products and services, which exposes us to risks to our sales and operations and reputation, including the risk that these distributors do not comply with applicable laws or our internal procedures.

In addition to our direct sales force, we have and expect to continue to use distributors to import, market, sell, service and support our products. Our agreements with these distributors are generally non-exclusive and terminable by either party with little notice. If alternative distributors must be quickly found and trained in the use, marketing, sales and support of our products and services, our revenues and ability to sell or service our products in markets key to our business could be adversely affected. These distributors may also choose to sell alternative or competing products or services. In addition, we may be held responsible for the actions of these distributors and their employees and agents for compliance with laws and regulations, including fair competition, bribery and corruption, trade compliance, safety, data privacy and marketing and sales activities. The conduct of these distributors also reflects on us and our brand. If our distributors fail to satisfy customers, our reputation and brand loyalty could be harmed. A distributor may also affect our ability to effectively market our products in certain foreign countries or regulatory jurisdictions if it holds the regulatory authorization in such countries or within such regions and causes, by action or inaction, the suspension of such marketing authorization or sanctions for non-compliance or prevents us from taking control of any such authorization. It may be difficult, expensive, and time-consuming for us to re-establish market access or regulatory compliance.

A disruption in the operations of a primary freight carrier, higher shipping costs or shipping delays could disrupt our supply chain and impact our revenues or gross margin.

We are dependent on commercial freight carriers, primarily UPS, to deliver our products. If the operations of carriers are disrupted or if we fail to mitigate the impacts from freight carrier disruptions, we may be unable to timely deliver our products to our customers who may choose alternative products, causing our net revenues and gross margin to decline, possibly materially. Moreover, when fuel costs increase, our freight costs generally do so as well. In addition, we earn an increasingly larger portion of our total revenues from international sales, which carry higher shipping costs that could negatively impact our gross margin and results of operations. If freight costs materially increase and we are unable to successfully pass all or significant portions of the increases along to our customers, or we cannot otherwise offset such increases in our cost of net revenues, our gross margin and financial results could be materially affected.

Our success depends on our personnel. If we cannot attract, motivate, train or retain our personnel, it may be difficult to grow effectively and pursue our strategic priorities, materially affecting our results of operations.

We are highly dependent on the talent and efforts of our personnel, including highly skilled personnel like orthodontists and production technicians in our treatment planning facilities, and employees on our clinical engineering, technology development and sales teams. We strive to retain our personnel by providing competitive compensation and benefits, development opportunities and training, flexible work options, and an inclusive corporate culture. However, there is substantial competition in our industry for highly-skilled personnel, in particular significantly higher demand for technical and digital talent, and our competitors have in the past and will likely continue in the future to recruit our personnel. Our compensation and benefit arrangements, such as our equity award programs, may not successfully attract new employees and retain and motivate existing employees. In addition, other internal and external factors can impact our ability to hire and retain talent, including insufficient advancement or career opportunities and restrictive immigration policies. The loss of any of our key personnel, particularly executive management, key research and development personnel or key sales team personnel, could harm our business and prospects and could impede the achievement of our research and development, operational or strategic objectives.

We provide significant training to our personnel and our business will be harmed if our training fails to properly prepare them to perform the work required, we are unable to successfully instill technical expertise in new and existing personnel or if our techniques prove unsuccessful or are not cost-effective. Moreover, for certain roles, this training and experience can make key personnel, such as our sales personnel, highly desirable to competitors and lead to increased attrition. The loss of the services and knowledge of our highly-skilled employees may significantly delay or prevent the achievement of our development and business objectives that may harm our business. For example, it can take up to twelve months or more to train sales representatives to successfully market and sell our products and for them to establish strong customer relationships.

Additionally, facilitating seamless leadership transitions for key positions is critical to sustaining the culture and maintaining our organizational success. If our succession planning efforts are ineffective, it could adversely impact our business. We continue to assess the key personnel we believe essential to our long-term success. Moreover, future organizational changes could cause our employee attrition rate to increase. If we fail to effectively manage any organizational or strategic changes, our financial condition, results of operations, and reputation, as well as our ability to successfully attract, motivate and retain key employees, could be harmed.

We have adopted a hybrid work schedule in many of our offices, allowing employees the opportunity to collaborate and connect with others for several days each week while providing the option to work remotely other days. This hybrid work approach may materially increase our costs or create unforeseen challenges or complications, including:

- difficulties maintaining our corporate culture, disruption of morale or decreased loyalty;

- difficulties with hiring and retention, particularly if we must compete against other companies that offer generous or broad remote working policies or employees who prefer to work in offices or geographies different from where they were hired or are expected to work;
- negative impacts to collaboration, performance and productivity;
- increased stress, fatigue or “burn out” by employees unable to disengage their work life from home life;
- increased operational, governance, compliance, and tax risks;
- problems managing office space requirements;
- concerns regarding favoritism or discrimination;
- strains to our business continuity plans and difficulties achieving our strategic objectives; and
- increased labor and employment claims and litigation.

Also, we believe a key to our success has been the culture we have created that emphasizes a shared vision and values focusing on agility, customer success and accountability. We believe this culture fosters an environment of integrity, innovation, creativity, and teamwork. We have experienced and may continue to experience in the future, difficulties attracting and retaining employees that meet the qualifications, experience, compliance mindset and values we expect. If we cannot attract and retain personnel that meet our selection criteria or relax our standards our corporate culture, ability to achieve our strategic objectives, and our compliance with obligations under our internal controls and other requirements may be harmed. This could have a material adverse effect on our results of operations and our ability to maintain market share.

We depend on our marketing activities to deepen our market penetration and raise awareness of our brands and products, which may not prove successful or may become less effective or more costly to maintain in the long term.

Our marketing efforts and costs are significant and include national and regional campaigns in multiple countries involving television, print and social media and alliances with professional sports teams, social media influencers and other strategic partners. We design our advertising campaigns to increase brand awareness, adoption and goodwill; however, there is no assurance they will achieve the returns on advertising spend desired, increase brand or product awareness sufficiently or generate goodwill and positive reputational goals. Moreover, should any entity or individual endorsing us or our products take actions, make or publish statements in support of, or lend support to events or causes which may be perceived by a portion of society negatively, our sponsorships or support of these entities or individuals may be questioned, our products boycotted, and our reputation harmed, any of which could have a material effect on our financial results and business overall.

In addition, various countries prohibit certain types of marketing activities. For example, some countries restrict direct to consumer advertising of medical devices. We have in the past and may again in the future be alleged to violate certain marketing restrictions and be ordered to stop certain marketing activities or prevented from selling our products. Moreover, competitors do not always follow these restrictions, creating an unfair advantage and making it more difficult and costly for us to compete.

Additionally, we rely heavily on data generated from our campaigns to target specific audiences and evaluate their effectiveness, particularly data generated from internet activities on mobile devices. To obtain this data, we are dependent on third parties and popular mobile operating systems, networks, technologies, products, and standards that we do not control, such as the Android and iOS operating systems and mobile browsers. Changes in such systems that degrade or eliminate our ability to target or measure the results of ads or increase costs to target audiences could adversely affect the effectiveness of our campaigns. For example, Apple has released mobile operating systems that include significant data privacy changes that may limit our ability to interpret, target and measure ads effectively.

Legal, Regulatory and Compliance Risks

We are subject to antitrust and competition regulations, litigation and enforcement that may result in fines, penalties, restrictions on our business practices, and product or operational changes which could materially impact our business.

We are and may in the future be subject to antitrust or competition related investigations, enforcement actions by governmental agencies, competitors, consumers, customers, and others which could cause us to incur substantial costs, enter into settlements, consents or be subject to judgments. Resolving these matters may require us to change our business practices in a manner materially adverse to our business. Governments and regulators are actively developing new competition laws and regulations aimed at the technology sector, artificial intelligence and digital platforms and coordinating their activities globally, including in large markets such as the EU, U.S., and China. Government regulatory actions and court decisions may result in fines or hinder our ability to provide certain benefits to our consumers, reducing the attractiveness of our products and the revenue derived from them or our ability to pursue certain mergers, acquisitions, business combinations or other transactions. Other companies and government agencies have in the past and may in the future allege that our actions violate antitrust or competition laws or otherwise constitute unfair competition. Such claims and investigations, even if unfounded, may be

expensive to defend, involve negative publicity, and divert management time and attention, any of which may materially impact our results of operations.

Obtaining approvals and complying with governmental regulations, particularly those related to personal healthcare and financial information, quality systems, anti-corruption and anti-bribery are expensive and time-consuming. Any failure to obtain or maintain approvals or comply with regulations regarding our products or services or those of our suppliers could materially harm our sales, result in substantial penalties and fines and cause harm to our reputation.

We and many of our healthcare provider customers, suppliers and distributors are subject to extensive and frequently changing regulations under numerous federal, state, local and foreign laws, including those regulating:

- the storage, transmission and disclosure of personal and medical information as well as healthcare records;
- prohibitions against the offer, payment or receipt of remuneration to induce referrals to entities providing healthcare services or goods or to induce the order, purchase or recommendation of our products; and
- the design, manufacture marketing and advertising of our products.

The healthcare and technology markets are also highly regulated and subject to changing political, economic and regulatory influences. Global regulators are expanding and changing regulations and guidance for products, which can limit the potential benefits of products and cause protracted review timelines for new products. As we continue to incorporate artificial intelligence, including machine learning and independent algorithms, into our software to make it more effective for us, our customers, suppliers and consumers, it subjects us to risks of compliance with the expanding and changing regulations regarding the use and scope of artificial intelligence. Our critical vendors and service providers are similarly subject to various regulations. Our failure or the failure of our suppliers, customers, advertisers and influencers to strictly adhere to clearances or approvals in the labeling, marketing and sales of our products and services could subject us to claims or litigation, including allegations of false or misleading advertising or violations of laws or regulations, which may result in costly investigations, fines, penalties, as well as material judgments, settlements or decrees. We are also subject to complex and changing environmental and health and safety regulations. Additionally, a large portion of our revenues are derived from international sales and we are dependent on our international operations, which exposes us to additional foreign regulations not otherwise described in these risk factors. There can be no assurance we can adequately address the business risks associated with the implementation and compliance with such laws and our internal processes and procedures to comply with such laws or that we will be able to take advantage of any resulting business opportunities.

Furthermore, before we can sell a new medical device or market a new use of or claim for an existing product, we must frequently obtain clearance or approval to do so. For instance, in the U.S., FDA regulations are wide ranging and govern, among other things, product design, development, manufacturing and testing; product labeling and product storage. It takes significant time, effort and expense to obtain and maintain clearances and approvals of products and services, and there is no guarantee we will timely succeed, if at all, in the countries in which we do business. In other countries, the requirements, time, effort and expense to obtain and maintain clearances may differ materially from those of the FDA. Moreover, these laws may change, resulting in additional time and expense or loss of market access. If approvals to market our products or services are delayed, we may be unable to offer them in markets we deem important to our business. Additionally, failure to comply with applicable regulatory requirements could result in enforcement actions with sanctions including, among other things, fines, civil penalties and criminal prosecution. Delays or failures to obtain or maintain regulatory approvals or to comply with regulatory requirements may materially harm our domestic or international operations, and adversely impact our business.

We and certain of our vendors must also comply with and adhere to facility registration and product listing requirements for Quality System regulations. The FDA enforces its Quality System regulations through periodic unannounced inspections. Failure to satisfactorily correct an adverse inspection finding or to comply with applicable manufacturing regulations can result in enforcement actions, or we may be required to find alternative manufacturers, which could be a long and costly process and may cause reputational harm. Enforcement actions by regulators could have a material effect on our business.

We are also subject to anti-corruption and anti-bribery (“ABAC”) laws such as the Foreign Corrupt Practices Act (“FCPA”) and the U.K. Bribery Act of 2010, which generally prohibit corrupt payments to foreign officials for the purpose of obtaining or maintaining business, securing an advantage and directing business to another. To comply with ABAC laws, regulators require we maintain accurate books and records and a system of internal accounting controls. Under the FCPA, we may be held liable for corruption by directors, officers, employees, agents, or other strategic or local partners or representatives.

In addition, while we have policies requiring compliance with applicable laws and regulations and we provide significant training to foster compliance, our employees, third parties acting on our behalf and customers may not properly adhere to our policies or applicable laws or regulations, including the use of certain electronic communications and maintaining accurate books and records. If our personnel or those of our agents or suppliers fail to comply with any laws, regulations, policies or procedures, or we fail to audit and enforce compliance, our reputation may be harmed, we may lose customers, revenues, or face regulatory investigations, actions and fines.

Security breaches, data breaches, cyber attacks, other cybersecurity incidents or the failure to comply with privacy, security and data protection laws could materially impact our operations, patient care could suffer, we could be liable for damages, and our business, operations and reputation could be harmed.

We retain confidential customer personal and financial, patient health and our own proprietary information and data essential to our business operations. We rely on the effectiveness of our IT systems, our policies and contracts and policies of our vendors and the IT systems of our service providers and other third parties to safeguard the information and data. Additionally, our success is dependent on the success of healthcare providers, many of whom are individual or small operations with limited IT experience and inadequate or untested security protocols, to manage data privacy and security requirements. It is critical that the facilities, infrastructure and IT systems on which we depend and the products we develop remain secure and be perceived by the marketplace and our customers as secure. Despite the implementation of security features in our products and security measures in our IT systems, we and our service providers, vendors, and other third parties are targeted by or subject to physical break-ins, computer viruses and other malicious code, unauthorized or fraudulent access, programming errors or other technical malfunctions, hacking or phishing attacks, malware, ransomware, employee error or malfeasance, cyber attacks, and other breaches of IT systems or similar disruptive actions, including by organized groups and nation-state actors. For example, we have experienced, and may again experience in the future, cybersecurity incidents and unauthorized internal employee ex filtration of company information.

Further, the frequency and sophistication of third-party cyber-attacks is increasing. In 2022, to respond to potential increases in cyber-attacks due to the military conflict in Ukraine, we increased efforts to identify and respond to attacks, including placing our cybersecurity operations team on high alert. Significant service disruptions, breaches in our infrastructure and IT systems or other cybersecurity incidents could expose us to litigation or regulatory investigations, impair our reputation and competitive position, be distracting to management, and require significant time and resources to address. Affected parties or regulatory agencies could initiate legal or regulatory action against us, which could prevent us from resolving issues quickly or force us to resolve them in unanticipated ways, cause us to incur significant expense and damages, or result in orders forcing us to cease operations or modify our business practices in ways that could materially limit or restrict the capabilities of our products and services. Concerns over our privacy practices could adversely affect others' perception of us and deter customers and patients from using our products. In addition, patient care could suffer, and we could be liable if our products or IT systems fail to timely deliver accurate and complete information. We have internal monitoring and detection systems as well as cybersecurity and other forms of insurance coverage related to a breach event. However, damages and claims arising from such incidents may not be covered or may exceed the amount of any coverage and do not cover the time and effort we incur investigating and responding to any incidents, which may be material. The costs to eliminate, mitigate or recover from security problems and cyber attacks and incidents could be material and depending on the nature and extent of the problem and the networks or products impacted, may result in network or systems interruptions, decreased product sales, or data loss that may have a material impact on our operations, net revenues and operating results.

Additionally, our globally-dispersed installed base of iTero intraoral scanners at customer, strategic business partner or other locations may be independently or collectively the target of cybersecurity incidents or attacks or subject to viruses, bugs, or other similar negative intruders. Due to the large and growing number of these decentralized devices, we may be unable to, or not have the capacity, knowledge, or infrastructure to, respond to or remedy a cybersecurity issue in a timely manner, which may cause loss or damage to us or our customers or strategic business partners or may cause further malfunctions in, or damage to, our servers, databases, systems or products and services, loss or damage of our data, interruption or temporary cessation of our operations, or an overall negative impact to our business or reputation.

We are also subject to federal, state and foreign laws and regulations respecting the security and privacy of patient healthcare information applicable to healthcare providers and their business associates, such as HIPAA, as well as those relating to privacy, data security, content regulation, and consumer protection. We are subject to various national and regional data localization or data residency laws such as the EU General Data Protection Regulation and analogous laws in China which generally require certain types of data collected within a country be stored and processed only within that country or approved countries. Other countries are considering similar data localization or data residency laws. We have and likely will again in the future be required to implement new or expand existing data storage protocols, build new storage facilities, and/or devote additional resources to comply with such laws, any of which could be costly. We are also subject to data export restrictions and international transfer laws which prohibit or impose conditions upon the transfer of such data. These laws and regulations are constantly evolving and may be created, interpreted, applied, or amended in ways that adversely affect our business.

Our business exposes us to potential liability for the quality and safety of our products and services, how we advertise and market those products and services and how and to whom we sell them, and we may incur substantial expenses or be found liable for substantial damages or penalties if we are subject to claims or litigation.

Our products and services involve an inherent risk of claims concerning their design, materials, manufacture, safety and performance, how they are marketed and advertised in a complex framework of highly regulated domestic and international

laws and regulations, how we package, bundle or sell them to individual customers or companies, including hospitals and clinics, and how we train and support doctors, their staffs and patients who use our products. Moreover, consumer products and services are routinely subject to claims of false, deceptive or misleading advertising, consumer fraud and unfair business practices. Additionally, we may be held liable if products we market and sell or services we offer or perform cause injury or are otherwise found unhealthy. If our products are safe but they are promoted for use or used in unintended or unexpected ways or for which we have not obtained clearance (“off-label” usage), we may be investigated, fined or have our products or services enjoined or approvals rescinded or we may be required to defend ourselves in litigation. Although we maintain insurance for product liability, business practices and other types of activities we make or offer, coverage may not be available on acceptable terms, if at all, and may be insufficient for actual liabilities. Any claim for product liability, sales, advertising and business practices, regardless of its merit or eventual outcome, could result in material legal defense costs and damage our reputation, increase our expenses and divert management’s attention.

Increased focus on current and anticipated environmental, social and governance (“ESG”) laws and scrutiny of our ESG policies and practices may materially increase our costs, expose us to liability, adversely impact our reputation, employee retention, willingness of customers and suppliers to do business with us and willingness of investors to invest in us.

Our operations are subject to a variety of existing local, regional and global ESG laws and regulations, and we will likely be required to comply with new, broader, more complex and more costly laws and regulations that focus on ESG matters. Our compliance obligations will likely span all aspects of our business and operations, including product design and development, materials sourcing and other procurement activities, product packaging, product safety, energy and natural resources usage, facilities design and utilization, recycling and collection, transportation, disposal activities and workers’ rights.

Environmental regulations related to greenhouse gases, sustainability and reduction of waste are expected to have an increasingly larger impact on us or our suppliers. Many U.S. and foreign regulators have or are considering enacting new or additional disclosure requirements or limits on the emissions of greenhouse gases, including carbon dioxide and methane, from power generation units using fossil fuels. The effects of greenhouse gas emission limits on power generation are subject to significant uncertainties, including the timing of any new requirements, levels of emissions reductions and the scope and types of emissions regulated. Additionally, laws on sustainability and waste reduction are emerging and consumers may demand more sustainability in our products. Such regulations and consumer demands may affect how we manufacture and package our products, which may increase our costs and those of our suppliers and could result in manufacturing, transportation and supply chain disruptions if clean energy or sustainable alternatives are not readily available in adequate amounts when required. Moreover, alternative energy sources, coupled with reduced investments in traditional energy production and infrastructure, may not provide predictable, reliable, and consistent energy that we, our suppliers and other businesses require.

Regulations related to the sourcing of certain metals may have an impact on our business. For instance, the sourcing and availability of metals used in the manufacture of, or contained in, our products may be affected by laws and regulations regarding the use of minerals obtained from certain regions of the world like the Democratic Republic of Congo and adjoining countries. Although we do not believe we source minerals from this region, our expanding geographic operations may increase the risk of purchasing conflict minerals. Further, these laws and regulations may decrease the number of suppliers capable of supplying our needs for certain metals, thereby negatively affecting our ability to manufacture products in sufficient quantities at competitive prices, leading customers to potentially choose competitive goods and services.

Meeting our obligations under existing ESG laws, rules, or regulations is costly to us and our suppliers, and we expect those costs to increase, possibly materially. Additionally, we expect regulators to perform investigations, inspections and periodically audits of our compliance with these laws and regulations, and we cannot provide assurance that our efforts or operations will be compliant. If we fail to comply with any requirements, we could be subject to significant penalties or liabilities and we may be required to implement new and materially more costly processes and procedures to come into compliance. Further these laws are subject to unpredictable changes. Even if we successfully comply with these laws and regulations, our suppliers may not. We may also suffer financial and reputational harm if customers require, and we are unable to deliver, certification that our products are conflict free. In all of these situations, customers may stop purchasing products from us, and may take legal action against us, which could harm our reputation, revenues and results of operations.

Investor advocacy groups, institutional investors, investment funds, proxy advisory services, stockholders, and customers are also increasingly focused on corporate ESG practices. Additionally, public interest and legislative pressure related to companies’ ESG practices continues to grow. If our ESG practices fail to meet investor or other industry stakeholders’ frequently evolving expectations and standards, including environmental stewardship, support for local communities, board of director and employee diversity, human capital management, employee health and safety practices, product quality, supply chain management, corporate governance and transparency and employing ESG strategies in our operations, our brand, reputation and employee retention may be harmed, customers and suppliers may be unwilling to do business with us and investors may be unwilling to invest in us. We also expect to incur additional costs and require additional resources to monitor, report, and comply with our various ESG practices. If we fail to adopt ESG standards or practices as quickly as stakeholders

desire, report on our ESG efforts or practices accurately, or satisfy the disclosure and other expectations of stakeholders, our reputation, business, financial performance, growth, and stock price may be adversely impacted.

Intellectual Property Risks

Our success depends in part on our proprietary technology, and if we fail to successfully obtain or enforce our IP rights, our competitive position may be harmed.

Our success depends in part on our ability to maintain existing IP rights and obtain, maintain and enforce further IP protection for our products. Our inability to do so could harm our competitive position.

We rely on our portfolio of issued and pending patent applications in the U.S. and other countries to protect a large part of our IP and our competitive position; however, these patents may be insufficient because our patents may be challenged, invalidated, held unenforceable, circumvented, or may not be broad enough to prevent third parties from producing competing products similar in design to ours and foreign patents protections may be more limited than those under U.S. patent and IP laws.

Additionally, any of our patent applications may not result in an issued patent or the scope of the patent ultimately issued may be narrower than initially sought. We may not be afforded the protection of a patent if our currently pending or future patent filings do not result in the issuance of patents or we fail to timely apply for patent protection. We may fail to apply for a patent if our personnel fail to disclose or recognize new patentable ideas or innovations. Remote working can decrease the opportunities for our personnel to collaborate, thereby reducing the opportunities for effective invention disclosures and patent application filings. We may choose not to file a foreign patent application if the limited protections provided by a foreign patent do not outweigh the costs to obtain it.

We also protect our IP through copyrights, trademarks, trade secrets, and confidentiality obligations. We generally enter into confidentiality agreements with our employees, consultants and collaborative partners upon commencement of a relationship with us. However, despite the existence of these protections, we have experienced incidents in which our proprietary information has been misappropriated and believe it will be misappropriated again in the future. If these agreements do not provide meaningful protection against the unauthorized use or disclosure of our trade secrets or other confidential information, adequate remedies may not exist to prevent unauthorized uses or disclosures.

Enforcement of our IP rights is time-consuming and costly, and could ultimately prove to be unsuccessful. In certain jurisdictions, enforcement of IP rights is more difficult due to legislation and geopolitical circumstances. As we launch our products in different regions at different times, our products may be acquired and reverse engineered by potential competitors in regions where infringement is more difficult to pursue.

Our inability to maintain the proprietary nature of our technology through patents, copyrights or trade secrets would impair our competitive advantages and could have a material effect on our operating results, financial condition and future growth prospects. In particular, a failure to protect our IP rights might allow competitors to copy our technology or create counterfeit or pirated versions of our products, which could adversely affect our reputation, pricing and market share.

Litigation regarding our IP rights, rights claimed by third parties, or IP litigation by any vendors on whose products or services we rely for our products and services may impact our ability to grow our business, adversely impact our results of operations and adversely impact our reputation.

Extensive litigation over IP rights is common in medical device, optical scanner, 3D printing and other technologies and industries on which our products and services are based. Litigation, interferences, oppositions, re-exams, *inter partes* reviews, post grant reviews or other proceedings have been necessary and will likely be needed in the future to determine the validity and scope of certain of our IP rights and those claimed by third parties. These proceedings are used to determine the validity, scope or non-infringement of certain patent rights pertinent to the manufacture, use or sale of our products and the products of competitors. We have been sued for infringement of third parties' patents in the past and are currently defending patent infringement lawsuits and other legal claims. In addition, we periodically receive letters from third parties drawing our attention to their IP rights and there may be other third-party IP rights of which we are presently unaware. As dentistry becomes more digital, competitors may make defense of our IP more challenging. Asserting or defending these proceedings can be unpredictable, protracted, time-consuming, expensive and distracting to management and technical personnel. Their outcomes may adversely affect the validity and scope of our IP rights, hinder our ability to manufacture and market our products, require us to seek licenses for infringing products or technologies or result in the assessment of significant monetary damages. Unfavorable rulings could include monetary damages, injunctions prohibiting us from selling our products, or exclusion orders preventing us from importing our products in one or more countries. Moreover, independent actions by competitors, customers or others have alleged that our efforts to enforce our IP rights constitute unfair competition or violations of antitrust laws and investigations and additional litigation based on the same or similar claims may be brought in the future. The potential effects on our business operations resulting from litigation, whether or not ultimately determined in our favor or settled by us, are costly and could materially affect our results of operations and reputation.

Financial, Tax and Accounting Risks

If our goodwill or long-lived assets become impaired, we may be required to record a material charge to earnings.

Under GAAP, we review our goodwill and long-lived asset group for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, goodwill must be tested for impairment at least annually. The qualitative and quantitative analysis used to test goodwill are dependent upon various assumptions and reflect management's best estimates. Changes in certain assumptions, including revenue growth rates, discount rates, earnings multiples and future cash flows may cause a change in circumstances indicating that the carrying value of goodwill or the asset group may be impaired and assessing these assumptions and predicting and forecasting future events can be difficult. Goodwill and purchased assets require periodic fair value assessments to determine if they have become impaired. Consequently, we may be required to record a material charge to earnings in the financial statements during the period in which any impairment of goodwill or long-lived asset group is determined.

Changes in, or interpretations of, accounting rules and regulations, could result in unfavorable accounting charges.

We prepare our consolidated financial statements in conformity with GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate accounting policies. A change in these policies or in the way these policies are interpreted by us or regulators could materially effect our reported results and may even retroactively affect previously reported financial statements.

We are required to annually assess our internal control over financial reporting and any adverse results from such assessment may result in a loss of investor confidence in our financial reports and adversely affect our stock price.

We are required to furnish in our Form 10-K a report by our management regarding the effectiveness of our internal control over financial reporting that includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether it is effective. Our internal controls may become inadequate because of changes in personnel, updates and upgrades to or migration away from existing software, failure to maintain accurate books and records, changes in accounting standards or interpretations of existing standards, and, as a result, the degree of compliance of our internal control over financial reporting with the existing policies or procedures may become ineffective. Establishing, testing and maintaining an effective system of internal control over financial reporting requires significant resources and time commitments on the part of our management and our finance staff, may require additional staffing and infrastructure investments and increases our costs of doing business. If we are unable to assert that our internal control over financial reporting is effective in any future period (or if our auditors are unable to express an opinion on the effectiveness of our internal controls or conclude that our internal controls are ineffective), the timely filing of our financial reports could be delayed or we could be required to restate past reports, and cause us to lose investor confidence in the accuracy and completeness of our financial reports in the future, which could have an adverse effect on our stock price.

If we fail to manage our exposure to global financial and securities market risks successfully, our operating results and financial statements could be materially impacted.

A majority of our marketable investments are investment grade, liquid, fixed-income securities and money market instruments denominated in U.S. dollars. If the carrying value of an investment exceeds the fair value, and the decline in fair value is deemed to be other-than-temporary, we are required to write down the value of the investment, which could materially harm our results of operations and financial condition. Moreover, the performance of certain securities in our investment portfolio correlates with the credit condition of the U.S. financial sector. In an unstable credit or economic environment, it is necessary to assess the value of our investments more frequently and we might incur material realized, unrealized or impairment losses associated with these investments. Additionally, bank failures could cause or continue to cause volatility in the credit or capital markets, market-wide liquidity issues, bank-runs and general concern across the global financial industry. These conditions could limit our access to capital or impair the value of assets we hold.

Our effective tax rate may vary significantly from period to period.

Align operates globally and is subject to taxes in the U.S. and foreign countries. Various internal and external factors may affect our future effective tax rate. These factors include changes in the global economic environment, changes in our legal entity structure or activities performed within our entities, changes in our business operations, changes in tax laws, regulations and/or rates, new or changes to existing accounting pronouncements, changing interpretations of existing tax laws or regulations, changes in relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates, changes in overall levels of pretax earnings, the future levels of tax benefits of stock-based compensation, settlement of income tax audits and non-deductible goodwill impairments.

Our effective tax rate is also dependent in part on forecasts of full year results which can vary materially. Furthermore, we may continue to experience significant variation in our effective tax rate related to excess tax benefits on stock-based compensation, particularly in the first quarter of each year when the majority of our equity awards vest.

New tax laws and practices, changes to existing tax laws and practices, or disputes regarding the positions we take regarding tax laws, could negatively affect our provision for income taxes as well as our ongoing operations.

Compliance with tax laws requires significant judgment concerning our worldwide provision for income taxes. Changes in tax laws or changes to how those laws are applied to our business in practice, could affect the amount of tax to which we are subject and the manner in which we operate. Additionally, the Organization for Economic Cooperation and Development's ("OECD") Base Erosion and Profit Shifting ("BEPS") project proposes changes to long-standing tax principles, including allocating greater taxing rights to countries where customers are located and establishing a global minimum tax rate of at least 15%. Numerous countries are evaluating their existing tax laws due in part to recommendations made by the OECD's BEPS project. The changes proposed by the BEPS project, if adopted by specific countries, may increase tax uncertainty and adversely affect our provision for income taxes.

Moreover, the application of indirect taxes (such as sales and use tax ("SUT"), value-added tax ("VAT"), goods and services tax ("GST"), and other indirect taxes) to our operations is complex and evolving. U.S. states, local and foreign taxing jurisdictions have differing rules and regulations governing differing types of taxes, and these rules and regulations are subject to varying interpretations and exemptions that may change over time. We collect and remit SUT, VAT, GST and other taxes in many jurisdictions and we are routinely subject to audits. We are also routinely audited regarding our tax reporting and remissions by local and national governments, and may also be subject to audits in jurisdictions for which we have not accrued tax liabilities. The positions we take regarding taxes as well as the amounts we collect or remit may be challenged and we may be liable for failing to collect or remit all or any portion of taxes deemed owed or the taxes could exceed our estimates. One or more U.S. states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us or may determine that such taxes should have but have not been paid by us. If we dispute rulings or positions taken by tax authorities, we may incur expenses and expend significant time and effort to defend our positions, which may be costly.

The application of existing and new tax laws, and the results of audits could harm our business. Furthermore, there have been and will continue to be substantial ongoing costs associated with complying with the various tax requirements and defending our positions in the numerous markets in which we conduct or will conduct business.

Historically, the market price for our common stock has been volatile.

The market price of our common stock is subject to rapid and large price fluctuations attributable to various factors, many of which are beyond our control. The factors include:

- quarterly variations in our results of operations and liquidity or changes in our forecasts and guidance;
- our ability to regain or sustain our historical growth rates;
- changes in recommendations by the investment community or speculation in the press or investment community regarding estimates of our net revenues, operating results or other performance indicators;
- announcements by us or our competitors or new market entrants, including strategic actions, management changes, and material transactions or acquisitions;
- technical factors in the public trading markets for our stock that may produce price movements inconsistent with macro, industry or company-specific fundamentals, including the sentiment of retail investors (as it may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock, fractional share trading, and other technical trading factors or strategies;
- announcements regarding stock repurchases, sales or purchases of our common stock by us, our officers or directors, credit agreements and debt issuances;
- announcements of technological innovations, new, additional or revised programs, business models, products or product offerings by us, our customers or competitors;
- key decisions in pending litigation, new litigation, settlements, judgments or decrees; and
- general economic market conditions, including rising interest rates, inflationary pressures, recessions, consumer sentiment and demand, global political conflict and industry factors unrelated to our actual performance.

In addition, the stock market in general, and the market for technology and medical device companies, in particular, have experienced extreme price and volume fluctuations often unrelated to or disproportionate to corporate operating performance. These broad market and industry factors may include market expectations of, or actual changes in, monetary policies that have the goal of easing or tightening interest rates such as the U.S. federal funds rate and austerity measures of governments intended to control budget deficits. Historically, securities litigation, including securities class action lawsuits and securities derivative lawsuits, is often brought against an issuer following periods of volatility in the market price of its securities and we have not been exempt from such litigation.

We cannot guarantee that we will continue to repurchase our common stock in the future, and any repurchases that we may make may not achieve our desired objectives.

We have a history of recurring stock repurchase programs intended to return capital to our investors. Future stock repurchase programs are contingent on a variety of factors, including our financial condition, results of operations, business requirements, and our Board of Directors' continuing determination that stock repurchases are in the best interests of our stockholders and in compliance with all applicable laws and agreements. There is no assurance that we will continue repurchasing our common stock in the future at historical levels or at all, or that our stock repurchase programs will beneficially impact our stock price. Additionally, effective January 1, 2023, the Inflation Reduction Act imposes a 1% excise tax on our stock repurchases, which will increase our tax liabilities and the cost to retire stock and may impact if and how much stock we choose to repurchase in the future.

Future sales of significant amounts of our common stock may depress our stock price.

A significant percentage of our outstanding common stock is currently owned by a small number of stockholders. These stockholders have sold in the past, and may sell in the future, large amounts of our stock over relatively short periods of time. Sales of substantial amounts of our stock by existing stockholders may adversely affect the market price of our stock by creating the perception of difficulties or problems with our business that may depress our stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no stock repurchases during the three months ended June 30, 2023. As of June 30, 2023, we have \$1.0 billion remaining available for repurchases under the January 2023 Repurchase Program authorized by our Board of Directors in January 2023 (Refer to Note 9 "Common Stock Repurchase Programs" of the Notes to Consolidated Financial Statements for details on the January 2023 Repurchase Program).

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the fiscal quarter ended June 30, 2023, no director or officer, as defined in Rule 16a-1(f) of the Exchange Act, adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408.

Item 6. Exhibits.

(a) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>	<u>Filing</u>	<u>Date</u>	<u>Exhibit Number</u>	<u>Filed herewith</u>
3.1	Amended Certificate of Incorporation of Align Technology, Inc.	S-1, as amended (File No. 333-49932)	12/28/2000	3.1	
3.1A	Certificate of Amendment to the Amended Certificate of Incorporation	8-K	5/20/2016	3.01	
3.1B	Certificate of Amendment to the Amended Certificate of Incorporation				*
3.2	Amended and Restated Bylaws of registrant	8-K	3/01/2023	3.1	
10.1	Subscription Agreement, dated as of April 24, 2023 between Align Technology, Inc. and Heartland Dental Holding Corporation				*
10.2	Stockholders' Agreement, dated as of April 24, 2023 by and among Heartland Dental Holding Corporation, Heartland Dental Topco, LLC, KKR Core Holding Company LLC, KKR Partners IV L.P., any Sponsor Group Permitted Transferee as defined in the Agreement and Align Technology, Inc.				*
10.3	Side Letter, dated as of April 24, 2023 by and among Heartland Dental Holding Corporation, Heartland Dental Topco, LLC, KKR Core Holding Company LLC, KKR Partners IV L.P., any Sponsor Group Permitted Transferee as defined in the Stockholders' Agreement and Align Technology, Inc.				*
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				*
32.1†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).				*
101.SCH	Inline XBRL Taxonomy Extension Schema Document				*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				*

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALIGN TECHNOLOGY, INC.

August 4, 2023

By: _____
/s/ JOSEPH M. HOGAN
Joseph M. Hogan
President and Chief Executive Officer

August 4, 2023

By: _____
/s/ JOHN F. MORICI
John F. Morici
Chief Financial Officer and Executive Vice President, Global Finance

**CERTIFICATE OF AMENDMENT OF
THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
ALIGN TECHNOLOGY, INC.**

Align Technology Inc., a corporation organized and existing under the Jaws of the State of Delaware (the "**Corporation**"), hereby certifies as follows:

1. The name of the Corporation is Align Technology, Inc. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on April 3, 1997.

2. The terms and provisions of this Certificate of Amendment of Amended and Restated Certificate of Incorporation have been duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware by the Board of Directors of the Corporation and the stockholders of the Corporation.

3. The following amendments to the Amended and Restated Certificate of Incorporation shall be effective upon filing with the Secretary of State of the State of Delaware.

4. Article VII of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

VII.

LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY

To the fullest extent permitted by law, no director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, as applicable, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director or officer of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal. If the General Corporation Law of the State of Delaware is amended after approval by the stockholders of this ARTICLE VII to authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of a director or officer shall be eliminated or limited to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

IN WITNESS WHEREOF, this Certificate of Amendment of Amended and Restated Certificate of Incorporation has been duly executed by an authorized officer of the Corporation's on May 18, 2023.

ALIGN TECHNOLOGY, INC.

By: /s/ Julie Coletti

Name: Julie Coletti
Title: Secretary

Heartland Dental Holding Corporation
1200 Network Centre Drive
Effingham, IL 62401

April __, 2023

Align Technology, Inc.
410 North Scottsdale Road, Suite 1300
Tempe, Arizona 85288

Re: Subscription Agreement

Dear Madam or Sir:

This Subscription Agreement (this "Agreement") is made by and between Align Technology, Inc., a Delaware corporation (the "Subscriber") and Heartland Dental Holding Corporation, a Delaware corporation ("Parent").

WHEREAS, at the closing of the transactions contemplated herein (the "Subscription Closing" and such transactions, the "Transaction"), the Subscriber will purchase from Parent a number of shares of common stock, par value \$0.01 per share, of Parent ("Parent Common Stock"), for the cash consideration specified herein, subject to, and in accordance with, the terms of this Agreement and the other Subscription Documents (as defined below);

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements hereinafter set forth, each of the parties hereto hereby agree as follows:

1. **Investment.** The Subscriber hereby commits to subscribe for and Parent hereby agrees to issue to the Subscriber, in each case at the Subscription Closing, the number of shares of Parent Common Stock set forth under the subheading "Subscription Shares" on the signature page hereto, for an aggregate cash consideration of \$75,000,000.

2. **Closing.** The Subscription Closing shall occur on the date hereof. The Subscriber must pay for the shares of Parent Common Stock purchased pursuant to this Agreement at or prior to 11:00 a.m., Eastern Time on the date hereof, unless extended by Parent.

3. **Subscription Documents.** The Subscriber agrees to execute and deliver and, Parent agrees to execute and deliver, the Subscription Documents. The "Subscription Documents" means, collectively, (1) this Agreement, (2) the Stockholders Agreement of Parent, dated as of even date herewith, by and among Parent and Subscriber and (3) any other agreement or document as may be required to consummate the Transaction.

4. **Effectiveness; Survival.** This Agreement is binding upon the Subscriber and Parent immediately upon its execution and delivery by Subscriber, on the one hand, and Parent, on the other hand. If the Transaction is terminated, none of the parties hereto or any of their respective affiliates or representatives will have any liability or obligation under this Agreement or otherwise in connection with the Transaction. All of the representations and warranties contained herein will survive the Subscription Closing in accordance with their terms.

5. **Representations and Warranties of the Subscriber.** The Subscriber represents and warrants to Parent that:

(a) the Subscriber has all requisite entity power and authority to, execute and deliver the Subscription Documents and to perform the Subscriber's obligations hereunder and thereunder;

(b) this Agreement and each of the other Subscription Documents has been duly executed and delivered by the Subscriber and, assuming the due authorization, execution and delivery of this Agreement and the other Subscription Documents by Parent, each of this Agreement and the other Subscription Documents constitutes the valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity and the discretion of courts in granting equitable remedies (regardless of whether enforcement is sought in a proceeding at law or in equity) (the "Enforceability Exceptions"); and

(c) the execution, delivery and performance by the Subscriber of the Subscription Documents and the consummation by the Subscriber of the transactions contemplated hereby and thereby does not and will not, with or without the giving of notice or the passage of time or both, (i) violate the provisions of any law or regulation applicable to the Subscriber or his or her properties or assets; (ii) violate any judgment, decree, order or award of any governmental body or arbitrator applicable to the Subscriber or his or her properties or assets; or (iii) result in any breach of any terms or conditions, or constitute a default under, any contract to which the Subscriber is a party or by which the Subscriber or his or her properties or assets are bound;

6. **Parent Securities Unregistered.** The Subscriber acknowledges and represents that the Subscriber has been advised by Parent that:

(a) the offer and sale of the Parent Common Stock has not been registered under the Securities Act;

(b) the Subscriber must continue to bear the economic risk of the investment in the Parent Common Stock unless the offer and sale of such Parent Common Stock is subsequently registered under the Securities Act and all applicable state securities laws and regulations or an exemption from such registration is available;

(c) there is no established market for the Parent Common Stock and it is not anticipated that there will be any public market for the Parent Common Stock in the foreseeable future; and

(d) a notation shall be made in the appropriate records of Parent indicating that the Parent Common Stock are subject to restrictions on transfer and, if Parent should at some time in the future engage the services of a securities transfer agent, appropriate stop-transfer instructions will be issued to such transfer agent with respect to the Parent Common Stock.

7. **Additional Investment Representations.** The Subscriber represents and warrants to Parent that:

(a) the Subscriber's financial situation is such that the Subscriber can afford to bear the economic risk of holding the Parent Common Stock for an indefinite period of

time, has adequate means for providing for the Subscriber's current needs and personal contingencies, and can afford to suffer a complete loss of the Subscriber's investment in the Parent Common Stock;

(b) the Subscriber's knowledge and experience in financial and business matters are such that the Subscriber is capable of evaluating the merits and risks of the investment in the Parent Common Stock;

(c) the Subscriber understands that an investment in the Parent Common Stock is a speculative investment which involves a high degree of risk of loss of the Subscriber's investment therein, there are substantial restrictions on the transferability of the Parent Common Stock and, as of the Subscription Closing and for an indefinite period following such date (subject to the terms of the Subscription Documents), there will be no public market for the Parent Common Stock and, accordingly, it may not be possible for the Subscriber to liquidate the Subscriber's investment in case of emergency, if at all;

(d) the Subscriber has been given the opportunity to examine all documents and to ask questions of, and to receive answers from, Parent and its representatives concerning Parent and its subsidiaries (including the Company and its subsidiaries following the Subscription Closing), and the terms and conditions of the purchase of Parent Common Stock. The Subscriber has independently, and without reliance upon Parent or any of its affiliates or any representative of the foregoing, and based on such documents and information as the Subscriber has deemed appropriate, performed its own due diligence and business investigations with respect to Parent and its subsidiaries (including the Company and its subsidiaries following the Subscription Closing) and made its own investment decision with respect to the investment represented by the issuable Parent Common Stock. The Subscriber has consulted, to the extent deemed appropriate by the Subscriber, with the Subscriber's own advisers as to the financial, tax, legal and related matters concerning an investment in the issued Parent Common Stock and on that basis understands the financial, tax, legal and related consequences of an investment in the issued Parent Common Stock, and believes that an investment in the issued Parent Common Stock is suitable and appropriate for the Subscriber;

(e) the Subscriber is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act as specified on the Subscriber's signature page; and

(f) to the knowledge of the Subscriber, all information the Subscriber has provided to Parent's representatives concerning such Subscriber and the financial position of such Subscriber is complete and correct in all material respects as of the date hereof.

8. **Representations and Warranties of Parent.** Parent represents and warrants to the Subscriber that:

(a) Parent is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Parent possesses all requisite power and authority necessary to execute and deliver and to perform its obligations and carry out the transactions contemplated by this Agreement;

(b) the execution, delivery and performance by Parent or its officers of this Agreement has been duly authorized by or on behalf of Parent. This Agreement constitutes a legal, valid and binding obligation of Parent, enforceable against it in accordance with its terms, except as enforceability may be limited by the Enforceability Exceptions;

(c) Parent is not making, and Parent hereby specifically disclaims, any representation or warranty regarding any pro forma financial information, budgets, estimates, projections, forecasts or other forward looking statements, business plans (including the reasonableness of any assumptions underlying such estimates, projections, forecasts, forward looking statements or business plans) with respect to Parent and its subsidiaries (including the Company and its subsidiaries) or any of their respective businesses.

9. **Waiver.** No waiver of any provision of this Agreement will be effective unless such waiver is in writing, specifically references the provision being waived and is signed by the party against whom the waiver is being enforced.

10. **Assignment.** This Agreement may not be assigned, in whole or in part, by operation of law or regulation or otherwise, by any party without the prior written consent of the other parties; provided that no assignment of any obligations hereunder will relieve the assigning party of any such obligations or of any liability for any breach by such party or its assignee of any such obligations. Any purported assignment in violation of this Agreement is null and void.

11. **No Third Party Beneficiaries.** Nothing in this Agreement, express or implied, is intended to or will confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

12. **Amendment.** This Agreement may be amended, modified or supplemented at any time by mutual agreement of the parties hereto. Any amendment, modification or revision of this Agreement will be effective only if in a written instrument executed by the parties hereto.

13. **Severability.** The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof.

14. **Specific Performance.** Each of the parties hereto agrees that irreparable damage would occur in the event applicable provisions of this Agreement were not fully performed by such party in accordance with the terms hereof and that the other parties hereto shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which such other parties may be entitled at law or in equity.

15. **Counterparts.** This Agreement may be executed in multiple counterparts (including by means of telecopied signature pages or electronic transmission in portable document format (pdf)), any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument.

16. **Entire Agreement.** This Agreement, together with the schedules, annexes and exhibits hereto and the other Subscription Documents, constitute the entire agreement among the parties with respect to the matters covered hereby and supersede all previous written, oral or implied understandings among them with respect to such matters.

17. **No Strict Construction.** The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

18. **Governing Law.** This Agreement, and all claims or causes of action (whether in contract or tort) that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement or as an inducement to enter this Agreement) shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice of law principles that would require or permit the application of the laws of another jurisdiction.

19. **Consent to Jurisdiction and Service of Process.** Each of the parties agrees (i) that any complaint, action, suit, litigation, debarment proceeding, arbitration, audit, investigation, condemnation proceeding or other similar legal proceeding, whether judicial, administrative or otherwise (a "Legal Action"), whether at law or in equity, whether in contract or in tort or otherwise, with respect to this Agreement shall be brought in the Court of Chancery of the State of Delaware (or, if the Chancery Court of the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware) and, by execution and delivery of this Agreement, each party hereby irrevocably submits itself in respect of its property, generally and unconditionally, to the exclusive jurisdiction of the aforesaid court in any Legal Action arising out of this Agreement, (ii) not to bring or permit any of their affiliates to bring or support anyone else in bringing any such Legal Action in any other court, (iii) that service of process, summons, notice or document by registered mail addressed to them at their respective addresses provided on the signature pages to this Agreement shall be effective service of process against it for any such Legal Action brought in any such court, (iv) to waive and hereby waives, to the fullest extent permitted by law or regulation, any objection which it may now or hereafter have to the laying of venue of, and the defense of an inconvenient forum to the maintenance of, any such Legal Action in any such court, and (v) that, notwithstanding the foregoing, a final judgment in any such Legal Action shall be conclusive and may be enforced in any court in any other jurisdictions (where the party against which enforcement is sought has operations or owns assets) by suit on the judgment or in any other manner provided by law or regulation. Nothing in this paragraph shall affect or eliminate any right to serve process in any other manner permitted by law or regulation.

20. **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION BETWEEN THE PARTIES HERETO ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF ANY PARTY HERETO IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT HEREOF.

21. **Non-Recourse.** This Agreement may only be enforced against, and any claim or cause of action based upon, arising out of, or related to this Agreement or the transactions contemplated hereby may only be brought against, the persons that are expressly named as parties hereto and then only with respect to the specific obligations set forth herein with respect to such party.

22. **Further Assurances.** The parties hereto shall cooperate with one another at all times to do, or procure the doing of, all acts and things, and execute, or procure the execution of, all documents and instruments, as may reasonably be required to give full effect to this Agreement.

[Signature Pages Follow]

Very truly yours,

PARENT

Heartland Dental Holding Corporation

By: _____

Name:

Title:

Address/Facsimile/Email

1200 Network Centre Drive
Effingham, IL 62401

Acknowledged and Agreed:

ALIGN TECHNOLOGY, INC.

By: _____
Name:
Title:

Address:
410 North Scottsdale Road, Suite 1300
Tempe, Arizona 85288

Subscription Shares: 30,000 shares of Parent Common Stock

Accredited Investor: yes no

STOCKHOLDERS' AGREEMENT

This STOCKHOLDERS' AGREEMENT (this "Agreement") is dated as of April 24, 2023, by and among (i) Heartland Dental Holding Corporation, a Delaware corporation (the "Company"), (ii) Heartland Dental Topco, LLC, a Delaware limited liability company ("Topco"), (iii) KKR Core Holding Company LLC, a Delaware limited liability company, KKR Partners IV L.P., a limited partnership formed in Ontario, Canada, and each other member of the Sponsor Group (as defined below) which may become a party hereto by execution and delivery of a counterpart signature page hereto identifying such party as a member of the Sponsor Group and (iv) Align Technology, Inc., a Delaware corporation (the "Stockholder") and any Permitted Transferee thereof that or who becomes a party hereto in accordance with the terms hereof (the Stockholder and such Permitted Transferees, together with the Company and the Sponsor Group, the "Parties"). All capitalized terms not immediately defined are hereinafter defined in Section 1 hereof.

RECITALS:

WHEREAS, pursuant to the consummation of the transactions contemplated by that certain Subscription Agreement, dated as of March [20], 2023, by and among the Stockholder and the Company (as may be amended, restated, modified and supplemented from time to time, the "Subscription Agreement"), the Stockholder has acquired Stock (as defined herein) of the Company and the Parties wish to enter into certain agreements with respect to the holdings of Stock and Stock Equivalents by the Sponsor Group and the Stockholder and their respective Permitted Transferees; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby further acknowledge and agree to the following:

1. **Definitions.**

"30% Rule" means Section 79 of regulation 909 under Section 62 of the Pension Benefits Act (Ontario), which prohibits OTPP from directly or indirectly investing in the securities of a corporation to which are attached more than 30% of the votes that may be cast to elect the directors of such corporation.

"Affiliate" means, with respect to any Person, any Person that directly or indirectly controls, is controlled by, or is under common control with such first Person. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise. With respect to the Company, an Affiliate shall include, to the extent provided by the Board, any Person in which the Company has a significant interest. Unless expressly stated otherwise, for purposes of this Agreement, no member of the Sponsor Group shall be deemed an Affiliate of any member of the Company Group or any entity managed by the Company Group.

"Agreement" has the meaning set forth in the Preamble.

"beneficially own" has the meaning given to such term in Rule 13d-3 promulgated under the Exchange Act.

“Board” means the board of directors of the Company.

“Business Day” means a day other than a Saturday, Sunday, federal or New York State holiday or other day on which commercial banks in New York City are authorized or required by law to close.

“Change in Control” means (i) the sale, transfer or other disposition of all or substantially all (i.e., at least 80%) of the assets (in one transaction or a series of related transactions) of Topco or the Company to any Person (or group of Persons acting in concert), other than to (x) the Sponsor Group (excluding other portfolio companies of the Sponsor Group) or (y) any other Person of which a majority of its voting power or other equity securities is owned, directly or indirectly, by Topco or the Company or any Person(s) described in clause (x) (any entity in clause (y), a “Controlled Party”), or (ii) a merger, recapitalization or other sale (in one transaction or a series of related transactions) of Topco or the Company (or equity interests in Topco or the Company) to a Person (or group of Persons acting in concert) of equity interests or voting power that results in any Person (or group of Persons acting in concert) (other than (x) the Sponsor Group (excluding other portfolio companies of the Sponsor Group) or (y) any Controlled Party), in each case, that results in such Person owning more than 50% of the equity interests or voting power of Topco or the Company (or any resulting entity after a merger or recapitalization). For the avoidance of doubt, none of an Initial Public Offering, a stock dividend or distribution, a stock split or any other similar capital structure change shall, in and of itself, constitute a Change in Control.

“Commission” means the U.S. Securities and Exchange Commission.

“Company” has the meaning set forth in the Preamble; provided that, following an IPO, references herein to the Company shall be deemed to be references to the IPO Corporation (unless the context clearly indicates otherwise).

“Company Group” means, collectively, Topco, the Company, any of their direct and indirect subsidiaries, and as may be designated by the Board, any other of their Affiliates.

“Company Securities” means equity securities (including, if applicable, warrants for the purchase of Stock, determined on an as-exercised basis) of the Company beneficially owned by the Sponsor Group from time to time.

“Confidential Information” shall mean all non-public information concerning trade secrets, know-how, software, developments, inventions, processes, technology, designs, financial data, strategic business plans and any proprietary or confidential information, documents or materials in any form or media, including any of the foregoing relating to research, operations, finances, current and proposed products and services, vendors, customers, advertising and marketing, and other non-public, proprietary, or confidential information of any member of the Company Group, any entity managed by the Company Group, any member of the Sponsor Group and any of their respective Affiliates; provided, that any such information shall not be “Confidential Information” to the extent it becomes generally available to the public other than as a result of a disclosure or failure to safeguard in violation of Section 13 hereof.

“Custody Agreement and Power of Attorney” has the meaning set forth in Section 3(c) hereof.

“Drag-Along Notice Date” has the meaning set forth in Section 3(a) hereof.

“Drag-Along Sale” has the meaning set forth in Section 3(a) hereof.

“Drag-Along Sale Date” has the meaning set forth in Section 3(f) hereof.

“Drag-Along Sale Notice” has the meaning set forth in Section 3(a) hereof.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, or any successor statute thereto.

“Initial Public Offering” means the first Public Offering by the IPO Corporation.

“IPO Conversion” has the meaning set forth in Section 7(b) hereof.

“IPO Corporation” means the Company, as the entity which undertakes the Initial Public Offering, unless the Board otherwise determines that the “IPO Corporation” shall be any Subsidiary of the Company or another corporation, limited liability company, limited partnership, or any other entity, in which case the IPO Corporation shall be such other entity.

“IPO Corporation Stock” means shares of the class of equity securities of the IPO Corporation offered pursuant to an Initial Public Offering.

“OTPP” has the meaning set forth in Section 8 hereof.

“Parties” has the meaning set forth in the Preamble.

“Permitted Transferee” means, (a) any Subsidiary of the Stockholder and (b) any successor entity of the Stockholder, in each case, who or that agrees to be bound by the terms of this Agreement and the terms of any applicable agreements entered into in connection herewith.

“Person” means any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act).

“Prime Rate” shall mean the rate from time to time published in the “Money Rates” section of *The Wall Street Journal* as being the “Prime Rate” (or, if more than one rate is published as the Prime Rate, then the highest of such rates).

“Public Offering” means an sale of Stock or IPO Corporation Stock, as the case may be, to the public pursuant to an effective registration statement (other than a registration statement on Form S-4 or Form S-8 or any similar or successor form) filed under the Securities Act.

“Register”, “registered” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the automatic effectiveness or the declaration or ordering of effectiveness by the Commission of such registration statement or document.

“Regulation D” has the meaning set forth in Section 5(b)(iii) hereof.

“Regulation S” has the meaning set forth in Section 5(b)(iii) hereof.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, or any successor statute thereto.

“Shares” means, with respect to the Stockholder Group, any and all shares of Stock and Stock Equivalents held by any member of the Stockholder Group.

“Sponsor Group” shall mean (i) KKR Core Holding Company LLC, (ii) KKR Partners IV L.P., and (iii) any Sponsor Group Permitted Transferee that beneficially owns any Company Securities.

“Sponsor Group Permitted Transferee” shall mean, in the case of any member of the Sponsor Group, (a) any Affiliate of such Person, (b) any successor entity of such Person and (c) any investment fund or vehicle with respect to which Kohlberg Kravis Roberts & Co., L.P. or an Affiliate thereof serves as the general partner, manager or advisor.

“Stock” means the class A common stock of the Company, par value \$0.01 per share (and any stock or other securities into which such class A common stock may be converted or for which such class A common stock may be exchanged).

“Stock Equivalent” means any stock, warrants, rights, calls, options or other securities exchangeable or exercisable for, or convertible into, Stock.

“Stockholder” has the meaning set forth in the Preamble.

“Stockholder Group” means, collectively, the Stockholder and any of such Stockholder’s Permitted Transferees for so long as any of them holds Stock or Stock Equivalents.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors is at the time owned, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of the membership, partnership or other similar ownership interests thereof is at the time owned, directly or indirectly, by such Person or one or more Subsidiaries of such Person or a combination thereof and for this purpose, a Person or Persons own a majority ownership interest in such a business entity (other than a corporation) if such Person or Persons shall be allocated a majority of such business entity’s gains or losses or shall be a, or control any, managing director or general partner of such business entity (other than a corporation). For the avoidance of doubt, entities managed by the Company Group shall not be considered Subsidiaries of the Company.

“Tag-Along Allotment” has the meaning set forth in Section 4(a) hereof.

“Tag-Along Notice” has the meaning set forth in Section 4(c) hereof.

“Tag-Along Notice Date” has the meaning set forth in Section 4(b) hereof.

“Tag-Along Sale” has the meaning set forth in Section 4(a) hereof.

“Tag-Along Sale Date” has the meaning set forth in Section 4(b) hereof.

“Tag-Along Sale Notice” has the meaning set forth in Section 4(b) hereof.

“Tag-Along Stockholder” or “Tag-Along Stockholders” has the meaning set forth in Section 4(a) hereof.

“Third Party” means any Person other than the Company, the Sponsor Group and their respective Affiliates.

“Topco” has the meaning set forth in the recitals.

“Transfer” or “transfer” means, directly or indirectly, to sell, transfer, assign, pledge, encumber, hypothecate or similarly dispose of, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge, encumbrance, hypothecation or similar disposition of, any Stock or Stock Equivalents or Company Securities beneficially owned by a Person or any interest in any Stock or Stock Equivalents or Company Securities beneficially owned by a Person. In the event that any member of the Stockholder Group is a corporation, partnership, limited liability company or other legal entity (other than a trust or an estate) and ceases to be controlled by the Stockholder or a Subsidiary of the Stockholder, such event shall be deemed to constitute a “Transfer” subject to the restrictions on Transfer contained or referenced herein. For the avoidance of doubt, if any member of the Stockholder Group is an entity, it shall constitute a “Transfer” if there is a Transfer of the equity interests of the Stockholder or such member of the Stockholder Group, other than to a Permitted Transferee. When used as a verb or noun, “Transfer” and “transfer” and other words derived therefrom (such as “transferred” and “transferee”) shall have the correlative meanings.

2. **Restrictions on Transfer.**

(a) Prohibition on Transfer.

(i) Until the earliest to occur of (x) the date on which a Change in Control occurs or (y) following the Initial Public Offering, the date on which the Sponsor Group’s beneficial ownership of the outstanding shares of IPO Corporation Stock is less than 5%, no member of the Stockholder Group shall transfer any Shares (other than a permitted Transfer pursuant to Section 2(b) hereof), without the prior written consent of the Board. Notwithstanding the foregoing in clause (y), following the Initial Public Offering, the Stockholder Group shall be permitted to Transfer, as of any date, a number of Shares equal to the difference of (A) the aggregate number of Shares owned by the Stockholder Group multiplied by a fraction, the numerator of which is equal to the aggregate number of Company Securities beneficially owned by the Sponsor Group and Transferred by the Sponsor Group on or after the consummation of the Initial Public Offering, and the denominator of which is the aggregate number of Company Securities beneficially held by the Sponsor Group immediately prior to the consummation of the Initial Public Offering, minus (B) the aggregate number of Shares sold by the Stockholder Group on or after the consummation of the Initial Public Offering prior to the date of such sale.

(ii) Any attempt by the Stockholder Group to transfer any Shares or any rights hereunder in violation of this Section 2 shall be null and void *ab initio*. The Company shall not record on its stock transfer books or otherwise any transfer of Shares by any member of the Stockholder Group in violation of the terms and conditions set forth herein.

(iii) Nothing in this Agreement shall obligate any member of the Company Group or any member of the Sponsor Group to purchase any Shares from any member of the Stockholder Group.

(b) Permitted Transfers. Notwithstanding anything to the contrary contained in this Agreement, but subject to Section 2(c) hereof, each member of the Stockholder Group at any time may transfer all or a portion of such member's Shares:

(i) to a Permitted Transferee, provided that such Permitted Transferee may transfer its Shares only to the Stockholder or a Permitted Transferee;

(ii) to a transferee in a Drag-Along Sale or a Tag-Along Sale pursuant to Section 3 or Section 4 hereof, respectively;

(iii) with the prior written consent of the Sponsor Group; and

(iv) to a member of the Sponsor Group or a member of the Company Group.

(c) Transfers in Compliance with Law; Substitution of Transferee. No transfer by any member of the Stockholder Group that would be permitted by Sections 2(a) and 2(b) hereof may be made pursuant to this Agreement unless (i) the transferee has agreed in writing to be bound by the terms and conditions of this Agreement pursuant to an instrument substantially in the form attached hereto as Annex I (other than if (x) the transfer is conducted pursuant to and in accordance with Section 3 or Section 4 hereof, (y) the transfer is to any member of the Sponsor Group or any member of the Company Group, or (z) the transfer is conducted following the Initial Public Offering pursuant to and in accordance with Rule 144 under the Securities Act), (ii) the transfer complies in all respects with the applicable provisions of this Agreement, (iii) the transfer complies in all respects with applicable federal, state and foreign securities laws, including, without limitation, the Securities Act and (iv) the transfer complies with all applicable Company Group policies and restrictions (including any trading "window periods" or other policies regulating insider trading). Unless such requirement is waived in writing by the Company, no transfer by any member of the Stockholder Group that is not a natural Person may be made during the term of this Agreement (except pursuant to an effective registration statement under the Securities Act) unless and until such member has first delivered to the Company an opinion of counsel reasonably acceptable as to counsel and as to an opinion (email sufficient), in form and substance, to the Company (but which opinion delivery requirement may be waived as to any particular transfer in the discretion of the Board) that neither registration nor qualification under the Securities Act and applicable state securities laws is required in connection with such transfer.

3. **Drag-Along Rights.**

(a) If at any time the Sponsor Group receives an offer from a Third Party to effect or otherwise proposes to effect with a Third Party a transaction that, after giving effect to this Section 3, would constitute a Change in Control (a "Drag-Along Sale"), then each member

of the Stockholder Group hereby agrees that, upon the request of the Sponsor Group (and/or Topco, at the direction of the Sponsor Group) pursuant to a written notice (the “Drag-Along Sale Notice”) provided by the Sponsor Group at least twenty (20) Business Days prior to the proposed consummation of such Drag-Along Sale (the “Drag-Along Notice Date”), such member of the Stockholder Group shall sell a number of Shares owned by it to such Third Party in an amount (which amount shall be determined in good faith by the Sponsor Group) up to the product (rounded to the nearest whole number) of (i) the quotient determined by dividing (x) the total number of Company Securities that are proposed to be sold by the Sponsor Group to the Third Party purchaser in the contemplated Drag-Along Sale by (y) the total number of Company Securities owned by the Sponsor Group as of the close of business on the day immediately prior to the Drag-Along Notice Date, and (ii) the total number of Shares owned, or issuable upon exercise of any Stock Equivalents that are exercisable, by such member as of the close of business on the day immediately prior to the Drag-Along Notice Date, at the same price per share of Stock and upon the same economic terms and conditions as the Sponsor Group, including representations, warranties, covenants, and indemnities substantially similar to those to be made by the Sponsor Group and/or Topco (except that, (x) in the case of representations and warranties pertaining specifically to the Sponsor Group and/or Topco, each member of the Stockholder Group shall make comparable representations and warranties pertaining specifically to itself, (y) if the Drag-Along Sale involves any non-cash consideration, any rights or restrictions with respect to the non-cash consideration payable to each member of the Stockholder Group shall be proportionate to the relative size of ownership of such non-cash consideration, but shall not include any demand registration rights or board seats, consent rights, other governance rights or equity rollover rights and (z) if the Drag-Along Sale provides for cash consideration but a member of the Stockholder Group is given the opportunity by the proposed Third Party to receive securities in lieu of such cash consideration in connection with an equity rollover or similar transaction and such member elects to do so, such rollover securities shall be deemed to be the same form of consideration as cash); provided, that (I) all representations, warranties, covenants and indemnities shall be made by the Sponsor Group and/or Topco and the members of the Stockholder Group severally and not jointly, and (II) the maximum liability of a member of the Stockholder Group with respect to such representations and warranties, indemnities or other similar obligations shall not exceed the value (at such time) of the aggregate proceeds received by such member of the Stockholder Group in connection with the Drag-Along Sale; provided, further, that any such liability of such member of the Stockholder Group shall be satisfied first by the return of any cash proceeds received by such member of such Stockholder Group (including the cash proceeds from the sale of any securities or other non-cash consideration received by such member) and second by the return of any non-cash consideration (including securities) received by such member of the Stockholder Group.

(b) The provisions of this Section 3 shall apply regardless of the form of consideration received in the Drag-Along Sale; provided, that, in the event the consideration in a proposed Drag-Along Sale includes any securities (excluding any securities in connection with an equity rollover or similar transaction), and the receipt thereof by a member of the Stockholder Group required to sell Shares pursuant to Section 3(a) hereof would require (as determined by the Sponsor Group, upon the advice of its counsel (which may include in-house counsel)) under applicable law (i) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities where such registration or qualification is not otherwise required by the receipt of such securities by the Sponsor Group and/or Topco, or (ii) the provision to such member of the Stockholder Group of any specified information regarding such securities or the issuer thereof that is not otherwise required to be provided for in connection with the Drag-Along Sale, then, in either case of (i) or (ii), in lieu of receiving such securities (as may be determined by the Sponsor Group, in its sole discretion), such member of

the Stockholder Group may, at the Sponsor Group's direction, receive cash consideration equal to the fair value of such securities (as determined in good faith by the Sponsor Group).

(c) The members of the Stockholder Group shall cooperate in good faith with the Sponsor Group, in connection with the consummation of the transactions contemplated by Section 3(a) hereof and, in the event that the Drag-Along Sale is (i) a merger or other business combination of the Company or other members of the Company Group with a Third Party or (ii) a purchase of all or substantially all of the assets of the Company or other members of the Company Group, then, upon the request of the Sponsor Group, such members of the Stockholder Group shall be required to vote all Shares they hold (or execute one or more written consents) in favor of (and not otherwise oppose) such merger or business combination or such sale of all or substantially all of such assets and otherwise to take all actions reasonably necessary or appropriate to facilitate the consummation of the proposed transaction, and the members of each Stockholder Group hereby waive and agree to waive any and all dissenters or appraisal rights with respect thereto (provided that no member of the Stockholder Group shall be required to execute a restrictive covenants agreement except to the extent that the Sponsor Group agrees to be bound by such covenant or agrees to enter into such agreement; provided further, that no member of the Stockholder Group shall be required to execute any non-competition agreement or enter into such covenant). Each member of the Stockholder Group hereby grants to each member of the Sponsor Group an irrevocable proxy, coupled with an interest, to vote such member's Shares (or execute one or more written consents) in accordance with this Section 3(c), which proxy shall be valid and remain in effect until the provisions of this Section 3 expire pursuant to Section 3(g) hereof. Without limiting the foregoing, upon written request by the Sponsor Group, in connection with a Drag-Along Sale, each member of the Stockholder Group will execute and deliver a custody agreement and power of attorney in form and substance reasonably satisfactory to the Sponsor Group with respect to the Shares which are to be sold by such member of the Stockholder Group pursuant hereto, containing customary provisions and providing, among other things, that such member of the Stockholder Group will deliver to and deposit in custody with the custodian and attorney-in-fact named therein a certificate or certificates (if such shares are certificated) representing such Shares (with undated stock powers duly endorsed in blank for transfer by the registered owner or owners thereof) and irrevocably appointing said custodian and attorney-in-fact as such member's agent and attorney-in-fact with full power and authority to act on such member's behalf with respect to the matters specified therein (such agreement, a "Custody Agreement and Power of Attorney").

(d) Any expenses incurred for the benefit of the Company Group or all selling equityholders of the Company, and any indemnities, holdbacks, escrows and similar items relating to the Drag-Along Sale, which are not paid or reimbursed by the Company Group or the Third Party acquiror in such Drag-Along Sale (other than those that relate to representations or indemnities concerning a member of the Stockholder Group's valid ownership of its Shares free and clear of all liens, claims and encumbrances or a member of the Stockholder Group's authority, power and legal right to enter into and consummate a purchase or merger agreement or ancillary documentation) shall be paid or reimbursed by all selling stockholders pro rata based on the gross transaction proceeds to be received by each of them in the transaction.

(e) The Sponsor Group shall, in its sole discretion, decide whether or not to pursue, consummate, postpone or abandon any Drag-Along Sale and the terms and conditions thereof. The Sponsor Group shall have no liability to any member of the Stockholder Group or the Company Group arising from, relating to or in connection with the pursuit, consummation, postponement, abandonment or terms and conditions of any such proposed Drag-Along Sale.

(f) Prior to the date of consummation of the Drag-Along Sale (such date, the “Drag-Along Sale Date”), each member of the Stockholder Group shall deliver a certificate or certificates (if certificated) for the Shares to be sold by such member of the Stockholder Group in connection with the Drag-Along Sale, with undated stock powers duly endorsed in blank for transfer by the registered owner or owners thereof, (x) to the Third Party acquiror in such Drag-Along Sale or (y) (to hold in escrow until the consummation of the Drag-Along Sale) the Company or the Sponsor Group, free and clear of all liens, encumbrances and restrictions, in the manner and at the address indicated in the Drag-Along Sale Notice.

(g) The rights set forth in this Section 3 shall terminate immediately upon the consummation of an Initial Public Offering.

4. **Tag-Along Rights.**

(a) If at any time the Sponsor Group, or Topco on behalf of the Sponsor Group, proposes to enter into an agreement to sell or otherwise dispose of for value any Company Securities to a Third Party, other than (i) a Public Offering (including the Initial Public Offering), (ii) any transfer of Company Securities to a Sponsor Group Permitted Transferee, (iii) a Drag-Along Sale in respect of which the Sponsor Group has delivered a Drag-Along Sale Notice or (iv) if the Sponsor Group acquires any Shares from the Stockholder Group, any transfer of such Shares by the Sponsor Group to any Person (such sale or other disposition for value being referred to as “Tag-Along Sale”), then the Sponsor Group shall afford each member of the Stockholder Group that or who holds Shares (each, individually, a “Tag-Along Stockholder” and, collectively, the “Tag-Along Stockholders”) the opportunity to participate proportionately in such Tag-Along Sale in accordance with this Section 4. The maximum number of Shares that each Tag-Along Stockholder will be entitled to include in such Tag-Along Sale (such Tag-Along Stockholder’s “Tag-Along Allotment”) shall be equal to the product (rounded to the nearest whole number) of (x) the number of Shares owned, or issuable upon exercise of any Stock Equivalents that are exercisable, by such Tag-Along Stockholder as of the close of business on the day immediately prior to the Tag-Along Notice Date and (y) a fraction, the numerator of which is the number of Company Securities proposed by the Sponsor Group to be transferred pursuant to the Tag-Along Sale and the denominator of which is the total number of Company Securities owned by the Sponsor Group as of the close of business on the day immediately prior to the Tag-Along Notice Date.

(b) The Sponsor Group shall provide each Tag-Along Stockholder with written notice (the “Tag-Along Sale Notice”) at least twenty (20) Business Days prior to the proposed closing date of the Tag-Along Sale (the “Tag-Along Sale Date”). Each Tag-Along Sale Notice shall set forth: (i) the name and address of the proposed Third Party transferee in the Tag-Along Sale; (ii) the number of Company Securities that are proposed to be transferred by the Sponsor Group pursuant to the Tag-Along Sale; (iii) the proposed amount and form of consideration to be paid for such securities and the terms and conditions of payment offered by the proposed Third Party transferee; (iv) the aggregate number of Company Securities held of record by the Sponsor Group as of the close of business on the day immediately prior to the date of the Tag-Along Sale Notice (the “Tag-Along Notice Date”); (v) the Tag-Along Stockholder’s Tag-Along Allotment, assuming the Tag-Along Stockholder elected to sell the maximum number of Shares permissible; and (vi) the anticipated Tag-Along Sale Date. For the avoidance of doubt, a Tag-Along Stockholder shall participate in the Tag-Along Sale at the same price per share of Stock and upon the same economic terms and conditions of the offer so accepted by the Sponsor Group (or Topco, on behalf of the Sponsor Group), including representations, warranties, covenants, and indemnities substantially similar to those to be made by the Sponsor Group and/or Topco (except that, (x) in the case of representations and warranties pertaining specifically to

the Sponsor Group and/or Topco, such Tag-Along Stockholder shall make comparable representations and warranties pertaining specifically to itself, (y) if the Tag-Along Sale involves any non-cash consideration, any rights or restrictions with respect to the non-cash consideration payable to such Tag-Along Stockholder shall be proportionate to the relative size of ownership of such non-cash consideration, but shall not include any demand registration rights or board seats, consent rights, other governance rights or equity rollover rights and (z) if the Tag-Along Sale provides for cash consideration but such Tag-Along Stockholder is given the opportunity by the proposed Third Party transferee to receive securities in lieu of such cash consideration in connection with an equity rollover or similar transaction and such Tag-Along Stockholder elects to do so, such rollover securities shall be deemed to be the same form of consideration as cash); provided, that (A) all representations, warranties, covenants and indemnities shall be made by the Sponsor Group (and/or Topco) and such Tag-Along Stockholder severally and not jointly, and (B) the maximum liability of such Tag-Along Stockholder with respect to such representations and warranties, covenants, indemnities or other similar obligations shall not exceed the value (at such time) of the aggregate proceeds received by such Tag-Along Stockholder in connection with the Tag-Along Sale; provided, further that any such liability of such Tag-Along Stockholder shall be satisfied first by the return of any cash proceeds received by such member (including the cash proceeds from the sale of any securities or other non-cash consideration received by such member) and second by the return of any non-cash consideration (including securities) received by such Tag-Along Stockholder.

(c) Any Tag-Along Stockholder wishing to participate in the Tag-Along Sale shall provide written notice (the “Tag-Along Notice”) to the Sponsor Group and the Company no more than ten (10) days after the Tag-Along Notice Date irrevocably electing to participate in such Tag-Along Sale. The Tag-Along Notice shall set forth the number of Shares that such Tag-Along Stockholder elects to include in the Tag-Along Sale, which may be less than, but which shall not exceed, such Tag-Along Stockholder’s Tag-Along Allotment. The Tag-Along Notice given by any Tag-Along Stockholder shall constitute such Tag-Along Stockholder’s binding agreement to sell the Shares specified in the Tag-Along Notice on the terms and conditions applicable to the Tag-Along Sale; provided, that in the event that there is any material adverse change in the terms and conditions of such Tag-Along Sale applicable to the Tag-Along Stockholder (including, but not limited to, any decrease in the purchase price that occurs other than pursuant to an adjustment mechanism set forth in the agreement relating to the Tag-Along Sale or as a consequence of transaction expenses) after such Tag-Along Stockholder gives its Tag-Along Notice, then the Sponsor Group shall give notice such change to the Tag-Along Stockholder and the Tag-Along Stockholder shall have the right to withdraw from participation in the Tag-Along Sale with respect to all of its Shares affected thereby. If the proposed Third Party transferee is unwilling to purchase all of the Company Securities and Shares proposed to be Transferred by the Sponsor Group and all exercising Tag-Along Stockholders, then the Sponsor Group and each exercising Tag-Along Stockholder shall reduce, ratably among them (based on the number of Company Securities or Shares proposed to be included in such Transfer by the Sponsor Group or a Tag-Along Stockholder, as the case may be, as a percentage of the total number of Company Securities and Shares proposed to be included in such Transfer by the Sponsor Group and all Tag-Along Stockholders), the number of Company Securities and Shares to be transferred in the aggregate to the number of Company Securities and Shares that the proposed Third Party transferee is willing to purchase.

(d) If a Tag-Along Notice from any Tag-Along Stockholder is not received by the Sponsor Group prior to the lapse of the ten (10)-day period specified above, the Sponsor Group shall have the right to consummate the Tag-Along Sale without the participation of such Tag-Along Stockholder, who shall be deemed to have waived such Tag-Along Stockholder’s rights hereunder, but only on terms and conditions which are no more favorable in any material

respect to the Sponsor Group (and, in any event, at no greater a per share purchase price, except as the purchase price may be adjusted pursuant to any agreement relating to the relevant Tag-Along Sale) than as stated in the Tag-Along Sale Notice, and only if such Tag-Along Sale occurs on a date within one hundred and eighty (180) days after the proposed Tag-Along Sale Date. If such Tag-Along Sale does not occur within such one hundred and eighty (180)-day period, the shares or interests that were to be subject to such Tag-Along Sale thereafter shall continue to be subject to all of the restrictions contained in this Section 4.

(e) Prior to the Tag-Along Sale Date, each Tag-Along Stockholder shall deliver a certificate or certificates (if certificated) for the Shares to be sold by such Tag-Along Stockholder in connection with the Tag-Along Sale, with undated stock powers duly endorsed in blank for transfer by the registered owner or owners thereof, (x) to the Third Party transferee in such Tag-Along Sale or (y) (to hold in escrow until the consummation of the Tag-Along Sale) the Company or the Sponsor Group, free and clear of all liens, encumbrances and restrictions, in the manner and at the address indicated in the Tag-Along Sale Notice.

(f) Upon written request by the Sponsor Group, in connection with a Tag-Along Sale, each member of the Stockholder Group will execute and deliver a Custody Agreement and Power of Attorney.

(g) The Sponsor Group shall, in its sole discretion, decide whether or not to pursue, consummate, postpone or abandon any Tag-Along Sale and the terms and conditions thereof. The Sponsor Group shall have no liability to any Tag-Along Stockholder or the Company arising from, relating to or in connection with the pursuit, consummation, postponement, abandonment or terms and conditions of any such proposed Tag-Along Sale.

(h) The provisions of this Section 4 shall apply regardless of the form of consideration received in the Tag-Along Sale; provided, that, in the event the consideration in a proposed Tag-Along Sale includes any securities (excluding any securities in connection with an equity rollover or similar transaction), and the receipt thereof by a Tag-Along Stockholder would require (as determined by the Sponsor Group upon the advice of its counsel (which may include in-house counsel)) under applicable law (i) the registration or qualification of such securities or of any Person as a broker or dealer or agent with respect to such securities where such registration or qualification is not otherwise required by the receipt of such securities by the Sponsor Group and/or Topco or (ii) the provision to any such Tag-Along Stockholder of any specified information regarding such securities or the issuer thereof that is not otherwise required to be provided for in connection with the Tag-Along Sale, then, in either case of (i) or (ii), in lieu of receiving such securities (as may be determined by the Sponsor Group, in its sole discretion), such Tag-Along Stockholder may, at the Sponsor Group's direction, receive cash consideration equal to the fair market value of such securities (as determined in good faith by the Sponsor Group by reasonable application of a reasonable valuation method).

(i) The rights set forth in this Section 4 shall terminate immediately prior to the consummation of an Initial Public Offering.

5. **Representations, Warranties and Covenants.**

(a) Representations and Warranties of the Members of the Stockholder Group. Each member of the Stockholder Group, severally and not jointly, hereby represents and warrants to the Company and the Sponsor Group that:

(i) Capacity; Authorization; Due Execution. Such member, if an individual, has all legal capacity to execute and deliver this Agreement and to carry out such member's obligations hereunder or, if an entity, is duly organized, validly existing and in good standing (to the extent such concept is applicable) under the laws of its jurisdiction of formation, and has all necessary organizational power and authority to execute and deliver this Agreement and carry out its obligations hereunder. Such member has duly executed and delivered this Agreement, and assuming due execution and delivery by the other Parties, this Agreement constitutes the legal, valid and binding obligation of such member, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

(ii) Brokerage Arrangements. No broker has acted on behalf of such member in connection with this Agreement, and there are no brokerage commissions, finders' fees or commissions payable in connection therewith based on any agreement, arrangement or understanding of or with such member or any action taken by such member.

(b) Representations and Warranties Regarding Investment. Each member of the Stockholder Group, severally and not jointly, hereby further represents and warrants to the Company and the Sponsor Group that:

(i) Such member acquired the Shares for investment purposes only, for its own account, and not with a view to, or for resale in connection with, any distribution thereof within the meaning of the Securities Act;

(ii) Such member is aware that it may have to bear the economic risk of such investment for an indefinite period of time or to suffer a complete loss of its investment;

(iii) Such member understands, acknowledges and agrees that the Shares have not been registered under (and that the Company has no present intention to register the Shares under) the Securities Act or applicable state securities law and that the offering and sale of such Shares may be made in reliance on the exemption from the registration requirements provided by Rule 701 promulgated under the Securities Act and analogous provisions of certain state securities laws or in accordance with Regulation D of the Securities Act (as amended from time to time, "Regulation D") or in accordance with Regulation S of the Securities Act (as amended from time to time, "Regulation S") or in reliance upon Section 4(a)(2) of the Securities Act, and that such Shares may not be transferred by such member unless the Shares have been registered under the Securities Act and applicable state securities laws or are transferred in a transaction exempt therefrom;

(iv) Such member, if an individual, has full power and authority to execute and deliver this Agreement and all other related agreements or certificates and to carry out the provisions hereof and thereof and has adequate means for providing for such member's current financial needs and anticipated future needs and possible contingencies and emergencies and has no need for liquidity in respect of the investment in the Shares. The execution and delivery of this Agreement by such member will not violate or be in

conflict with any order, judgment, injunction, agreement or controlling document to which such member is a party or by which it is bound;

(v) Such member further represents and warrants that such member is or is not an “accredited investor” as defined in Rule 501(a) of Regulation D as indicated on such member’s signature page hereto;

(vi) Such member understands that no public market now exists for any of the securities issued by the Company; and

(vii) Such member acknowledges that such member has been advised that (x) a restrictive legend in the form set forth below will be placed on any certificate representing the Shares and (y) a notation will be made in the appropriate records of the Company indicating that the Shares are subject to restrictions on transfer and appropriate stop transfer restrictions will be issued to the Company’s transfer agent with respect to the Shares. Any certificate representing Shares issued to such member shall bear the following legends on the face thereof:

“THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, APPLICABLE STATE SECURITIES LAWS AND APPLICABLE FOREIGN SECURITIES LAWS, AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (I) A REGISTRATION STATEMENT UNDER SUCH ACT IS THEN IN EFFECT WITH RESPECT THERETO, (II) SUCH REGISTRATION IS NOT REQUIRED UNDER SUCH LAWS OR (III) A ‘NO ACTION’ LETTER’ OR ITS THEN EQUIVALENT HAS BEEN ISSUED BY THE STAFF OF THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH TRANSFER OR SALE.”

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS’ AGREEMENT, DATED AS OF MARCH [20], 2023, AMONG HEARTLAND DENTAL HOLDING CORPORATION, THE SPONSOR GROUP, AND THE OTHER PARTIES THERETO, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE ISSUER. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH STOCKHOLDERS’ AGREEMENT. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF SUCH STOCKHOLDERS’ AGREEMENT.”

6. Taxes.

The Company Group will have the right to deduct from any payment made under this Agreement to any member of the Stockholder Group any federal, state or local income or other taxes required by law to be withheld with respect to such payment.

7. Certain Restructuring Provisions.

(a) The provisions of this Agreement shall apply, to the full extent set forth herein with respect to the Shares, to any and all other shares of capital stock of the Company, to any Stock Equivalents and to all other securities of the Company or other members of the Company Group that may be issued in respect of, in exchange for, or in substitution of the Shares. If, and as often as, there are any changes in the Shares, by way of any stock dividends, splits, reverse splits, combinations, or reclassifications, or through acquisition, consolidation, reorganization or recapitalization or by any other means occurring after the date of this Agreement, appropriate adjustment shall be made to the provisions of this Agreement, as may be required, so that the rights, privileges, duties and obligations hereunder shall continue with respect to the Shares as so changed.

(b) In connection with any proposed Initial Public Offering, without the need for any action or consent of any Person, including any Stockholders, the Sponsor Group, may, in its sole discretion, develop and cause the implementation of an IPO Conversion (as defined below). In connection therewith, the Sponsor Group, in its sole discretion and acting alone, and without the need for any action or consent of any Person, including any member of the Stockholder Group, may take any and all actions to create and implement the Initial Public Offering of the IPO Corporation, including (i) amending this Agreement, including amendments that (1) alter the capital structure of the Company or (2) provide for the conversion of the Company in accordance with Delaware Law to any other entity, whether through the issuance, conversion or exchange of equity securities or otherwise, (ii) merging, converting or consolidating the Company, (iii) forming a Subsidiary holding company that would serve as the IPO Corporation and distributing its equity securities to the equityholders of the Company, (iv) transferring, domesticating or otherwise moving the Company to another jurisdiction within the United States, (v) exchanging Stock and Stock Equivalents for equity securities of the IPO Corporation, and (vi) taking such other steps as it deems necessary, advisable or convenient to create a suitable vehicle for an offering, and in each case for the express purpose of an initial offering of the equity securities of the IPO Corporation for sale to the public in the Initial Public Offering (any such action, an “IPO Conversion”). In the event the Sponsor Group determines that the Company should engage in an IPO Conversion, then in connection therewith, (A) the Sponsor Group and each member of the Stockholder Group agree to cooperate in good faith in order to effectuate the IPO Conversion and ensure that each member of the Stockholder Group receives shares or other equity securities in connection with such IPO Conversion equivalent to its economic interest and substantially equivalent to other rights as such member of the Stockholder Group had with respect to its Shares prior to such IPO Conversion and are consistent with the rights and preferences attendant to such Shares as set forth in this Agreement as in effect immediately prior to such IPO Conversion and to ensure that such rights are reflected in the organizational and other documents of the IPO Corporation; and (B) the Company shall cause the IPO Corporation to become a party to and each member of the Stockholder Group shall enter into any securityholders agreement(s) not inconsistent in any material respect with the rights granted to each member of the Stockholder Group hereunder and requested to be entered into by the Sponsor Group in connection with an IPO Conversion or otherwise in connection with an Initial Public Offering. If the Sponsor Group elects to undertake an IPO Conversion, each member of the Stockholder Group shall take such actions as may be reasonably required and otherwise cooperate in good faith with the Sponsor Group, including taking all actions required or otherwise reasonably requested by the Sponsor Group, in connection with consummating the IPO Conversion, including the voting of any Shares or executing written consents in connection with any matters relating to the IPO Conversion (recognizing that this Agreement authorizes the Sponsor Group to effectuate an IPO Conversion without the need for any such vote or consent) and to take any other actions required or reasonably requested by the Sponsor Group in order to effectuate an IPO Conversion.

8. **Regulatory Matters.** Notwithstanding any other provision contained in this Agreement or any rights or obligations granted to or imposed upon any party hereto, each member of the Stockholder Group shall reasonably cooperate with the Ontario Teachers' Pension Plan Board and its Affiliates ("OTPP"), to facilitate OTPP's compliance with the 30% Rule with respect to OTPP's investment in the Company and its indirect investment in each Subsidiary of the Company.

9. **Notices.**

All notices, demands or other communications provided for or permitted hereunder shall be made in writing and shall be by registered or certified first class mail, return receipt requested, email, courier service, or personal delivery:

if to the Company:

Heartland Dental Holding Corporation
1200 Network Center Drive, Suite 2
Effingham, Illinois 62401
Attention: General Counsel
Email: JPantazis@heartland.com

with copies (which shall not constitute notice) to:

Heartland Dental Holding Corporation
c/o Kohlberg Kravis Roberts & Co. L.P.
2800 Sand Hill Road, Suite 200
Menlo Park, California 94025
Attention: Max Lin
Email: Max.Lin@kkcr.com

and

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Mark D. Pflug
Jihyun Chung
Emails: mpflug@stblaw.com
jihyun.chung@stblaw.com

if to the Sponsor Group:

KKR Core Holding Company LLC
c/o Kohlberg Kravis Roberts & Co. L.P.
2800 Sand Hill Road, Suite 200
Menlo Park, California 94025
Attention: Max Lin
Email: Max.Lin@kkcr.com

with copies (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP

425 Lexington Avenue
New York, New York 10017
Attention: Mark D. Pflug
 Jihyun Chung
Email: mpflug@stblaw.com
 jihyun.chung@stblaw.com

if to the Stockholder Group or any member of the Stockholder Group:

[•]
[•]
[•]

Attention: [•]
Email: [•]
Phone: [•]

with copies (which shall not constitute notice) to:

[•]
[•]
[•]

Attention: [•]
Email: [•]
Phone: [•]

Any notice or other communication hereunder shall be deemed duly given (i) one (1) Business Day following the date sent when sent by overnight delivery, (ii) on the date sent by email if a Business Day, otherwise the next Business Day, and (iii) five (5) Business Days following the date mailed when mailed by registered or certified mail return receipt requested and postage prepaid. Any Party may by notice given in accordance with this Section 9 designate another address or Person for receipts of notices hereunder (in which case the other Parties hereto shall thereafter use such address and/or Person in providing notice hereunder).

10. Successors, Assigns and Transferees.

The provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their permitted transferees, including the Permitted Transferees under Section 2 hereof, and their respective successors, each of which such transferees shall agree, in a writing in form and substance satisfactory to the Company, to become a Party hereto and be bound to the same extent as its transferor hereby (including, without limitation, Sections 2 through 4 hereof); provided, that no member of the Stockholder Group may assign any of such member's rights hereunder other than in connection with a transfer of Shares to a Permitted Transferee or other transferee in accordance with the provisions of this Agreement.

11. Amendment and Waiver.

(a) No failure or delay on the part of any Party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for herein are cumulative

and are not exclusive of any remedies that may be available to the Parties hereto at law, in equity or otherwise.

(b) Any amendment, supplement, modification or waiver of or to any provision of this Agreement shall be effective only if it is made or given in writing and signed by the Company and the Sponsor Group; provided, that this Agreement shall not be amended, supplemented or modified or any provision waived in a manner that materially and adversely affects any member of the Stockholder Group as a holder of Shares (and, for the avoidance of doubt, not taking into account the individual circumstances of such member) without the prior written consent of the holders of a majority of the Shares then owned by all members of the Stockholder Group; provided, further, that, any proposed amendment, supplement, modification or waiver that would affect all holders of Stock, including the member(s) of the Sponsor Group which hold Stock, proportionately shall not require consent of any member of the Stockholder Group. Any aforementioned amendment, supplement, modification, waiver or consent shall be binding upon the Company, the Sponsor Group and the Stockholder Group.

12. **Counterparts.**

This Agreement may be executed in any number of counterparts (including via facsimile or otherwise electronically), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Any counterpart or other signature hereupon delivered by facsimile or other electronic transmission shall be deemed for all purposes as constituting good and valid execution and delivery of this Agreement by such Party.

13. **Confidentiality.**

Each member of the Stockholder Group may not at any time make public, disclose, divulge, furnish, release, transfer, sell or otherwise make available to any Person any Confidential Information, or otherwise use or disclose it or allow it to be used or disclosed for any purpose, other than as may be permitted under this Agreement. Notwithstanding the foregoing, a member of the Stockholder Group may disclose Confidential Information without violating this Agreement (i) if the Company or the Sponsor Group consents in writing to such disclosure, (ii) to a Permitted Transferee of such member in connection with a proposed Transfer to such Permitted Transfer, provided that such Permitted Transferee agrees to be bound by the provisions of this Section 13 or executes a confidentiality agreement containing substantially the same terms as this Section 13, (iii) to such member's attorneys, accountants or financial advisors, or (iv) if disclosure is required to comply with applicable law, a valid court order or any administrative law order or decree, provided that (x) such member gives the Company advance written notice of the required disclosure so that the Company may, if it wishes, seek an appropriate protective order, (y) such member discloses only that portion of the information that is, based on the advice of such member's counsel, legally required to be so disclosed, and (z) such member requests that any disclosed information be afforded confidential treatment to the greatest extent possible.

14. **Action by the Sponsor Group.**

Whenever any decision or action required or permitted thereunder to be taken by the Sponsor Group under this Agreement, such decision or action may be made or taken by one or more members of the Sponsor Group (on behalf of all of them) holding a majority of the Company Securities held by all of the members of the Sponsor Group.

15. Specific Performance; Injunctive Relief.

The Parties hereto intend that each of the Parties hereto be given the right to seek damages or specific performance in the event that any other Party hereto fails to perform such Party's obligations hereunder. Therefore, if any Party shall institute any action or proceeding to enforce the provisions hereof, any Party against whom such action or proceeding is brought hereby waives any claim or defense therein that the plaintiff Party has an adequate remedy at law.

16. Headings; Interpretation.

The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. In this Agreement, unless the context otherwise requires, words in the singular number or in the plural number will each include the singular number and the plural number, words of the masculine gender will include the feminine and the neuter, and, when the sense so indicates, words of the neuter will refer to any gender.

17. Severability.

If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired, unless the provisions held invalid, illegal or unenforceable shall substantially impair the benefits of the remaining provisions hereof.

18. Entire Agreement.

This Agreement, together with the other documents referred to herein or delivered pursuant hereto, contain the entire understanding of the Parties with respect to the subject matter hereof and thereof. There are no agreements, representations, warranties, covenants or undertakings with respect to the subject matter hereof and thereof other than those expressly set forth herein and therein.

19. Further Assurances.

Each of the Parties shall execute such documents and perform such further acts as may be reasonably required or desirable to carry out or to perform the provisions of this Agreement.

20. Governing Law.

All questions concerning the construction, validity, and interpretation of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

21. Consent to Jurisdiction; No Jury Trial.

Each of the Parties hereto submits to the jurisdiction of any state or federal court sitting in Delaware in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceedings may be heard and determined in any

such court and hereby expressly submits to the personal jurisdiction and venue of such court for the purposes hereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. Any and all service of process and any other notice in any such action, suit or proceeding will be effective against any Party if given as provided herein. Nothing herein contained will be deemed to affect the right of any Party to serve process in any manner permitted by law. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, SUIT PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY OF THEM AGAINST THE OTHERS IN ANY MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Stockholders' Agreement on the date first written above.

HEARTLAND DENTAL HOLDING CORPORATION

By:
Name: John Pantazis
Title: Executive Vice President, General Counsel and Secretary

HEARTLAND DENTAL TOPCO LLC

By:
Name: [•]
Title: [•]

KKR CORE HOLDING COMPANY LLC

By:
Name: Webster Chua
Title: Manager

KKR PARTNERS IV L.P.

By:
Name: Robert Lewin
Title: Vice President

ALIGN TECHNOLOGY, INC.:

By:
Name:
Title:

Annex I

FORM OF ACKNOWLEDGMENT AND AGREEMENT

The undersigned wishes to receive from [_____] (the “Transferor”) [certain shares or certain options, warrants or other rights to purchase] [_____] shares, par value \$0.01 per share, of Stock (the “Shares”) of Heartland Dental Holding Corporation, a Delaware corporation (the “Company”).

The Shares are subject to the Stockholders’ Agreement, dated as of March [20], 2023 (the “Agreement”), among the Company, the Sponsor Group and the other parties listed on the signature pages thereto. The undersigned has been given a copy of the Agreement and afforded ample opportunity to read and to have counsel review it, and the undersigned is thoroughly familiar with its terms and conditions. Capitalized terms used but not otherwise defined herein will have the meanings set forth in the Agreement.

Pursuant to the terms of the Agreement, the Transferor is prohibited from transferring such Shares and the Company is prohibited from registering the transfer of the Shares unless and until a transfer is made in accordance with the terms and conditions of the Agreement and the recipient of such Shares acknowledges the terms and conditions of the Agreement and agrees to be bound thereby.

The undersigned wishes to receive such Shares and have the Company register the transfer of such Shares.

In consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce the Transferor to transfer such Shares to the undersigned and the Company to register such transfer, the undersigned does hereby acknowledge and agree that (i) he or she has been given a copy of the Agreement and afforded ample opportunity to read and to have counsel review it, and the undersigned is thoroughly familiar with its terms, (ii) the Shares are subject to the terms and conditions set forth in the Agreement and (iii) the undersigned does hereby agree fully to be bound thereby as a member of the “Stockholder Group” under the Agreement and hereby makes the representations and warranties set forth therein (except to the extent that such representations do not, by their nature, apply to the undersigned).

Name:

This _____ day of _____, _____.

HEARTLAND DENTAL HOLDING CORPORATION

April [●], 2023

Align Technology, Inc.
410 North Scottsdale Road, Suite 1300
Tempe, Arizona 85288

Ladies and Gentlemen:

Reference is made to that certain Subscription Agreement, dated on or about the date hereof (the “**Subscription Agreement**”), by and between Align Technology, Inc., a Delaware corporation (“**Align**”), and Heartland Dental Holding Corporation, a Delaware corporation (the “**Company**”). In further consideration for the willingness of Align to purchase those certain shares of Class A Common Stock, in the aggregate amount of \$75,000,000, pursuant to the Subscription Agreement (the “**Shares**”), and to enter into that certain Stockholders’ Agreement (the “**Stockholders’ Agreement**”), dated on or about the date hereof, by and among (i) the Company, (ii) Heartland Dental Topco, LLC, a Delaware limited liability company (“**Topco**”), (iii) KKR Core Holding Company LLC, a Delaware limited liability company (“**KKR Core**”), KKR Partners IV L.P., a limited partnership formed in Ontario, Canada (“**KKR Partners**”), and each other member of the Sponsor Group that may become a party thereto in accordance with the terms thereof, and (iv) Align and any Permitted Transferee thereof that or who becomes a party thereto in accordance with the terms thereof (Align and such Permitted Transferees, together with the Company, Topco, KKR Core, KKR Partners, and any Sponsor Group Permitted Transferee that beneficially owns any Company Securities, the “**Parties**”), the Parties hereby agree as follows:

1. **Definitions.** Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Stockholders’ Agreement. For purposes of this Side Letter (this “**Side Letter**”), “**Financing Documents**” means the Subscription Agreement, the Stockholders’ Agreement, the Second Amended and Restated Certificate of Incorporation of the Company, the Bylaws of the Company, this Side Letter and any document entered into or executed in connection therewith (in each case, as amended, supplemented and/or restated, from time to time, as applicable) to which each of the Company, Align and/or the Sponsor Group are parties and/or are subject.

2. **No Business Restrictions.** Notwithstanding any provision to the contrary in any Financing Document or any commercial or other agreement with the Company and/or the Sponsor Group to which Align and/or one or more of its Affiliates (as applicable) is a party, without Align’s prior written consent (which consent may be withheld in its sole and absolute discretion), the Parties agree that, in any situation, set of facts or circumstance of any kind (including, without limitation, pursuant to (i) a sale of the Company and/or Topco (including without limitation a (1) Change in Control (including without limitation a Drag-Along Sale), (2) the sale, lease, exchange, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company and/or Topco or any subsidiary thereof of all or substantially all the assets of the Company and/or Topco and their respective subsidiaries taken as a whole, (3) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one (1) or more subsidiaries of the Company and/or Topco if substantially all of the assets of the Company and/or Topco and its and/or their respective subsidiaries taken as a whole are held by such subsidiary or subsidiaries, or (4) any other similar transaction or transactions to those described or contemplated by the foregoing clauses (1)-(3)), (ii) an IPO Conversion, and/or (iii) any obligation on Align or its Affiliates to reasonably cooperate with OTPP regarding the 30% Rule), neither the Company, Topco, nor any of their respective Affiliates shall take, and the Sponsor Group shall not cause the Company, Topco nor any of their and its respective Affiliates to take, any action that directly or indirectly, whether by amendment, merger, recapitalization,

reclassification, conversion, consolidation or otherwise, amends, alters or repeals any provision of any Financing Document or any commercial or other agreement by and between or among the Company, Align and/or one or more of their respective Affiliates, and any other parties thereto, that requires Align to (and, in any event, neither Align nor any of its Affiliates shall be required to), enter into, or be bound by or subject to, any provision in (or agree or commit to enter into or be bound by or subject to) any agreement, arrangement, covenant or obligation of any kind (a “**Prohibited Agreement, Arrangement or Obligation**”) that, directly or indirectly:

(a) limits, restricts, reduces, adversely affects or eliminates in any way Align’s or any of its Affiliates’ ability or freedom to continue, engage in, pursue or explore any current or future business or investment activities, interests, plans or strategies, whether or not it may be potentially and/or actually competitive with the Company, Topco and/or any of their Affiliates (including, without limitation, any non-competition or non-solicitation agreement or any other restrictive covenant of any kind other than customary confidentiality restrictions);

(b) requires Align or any of its Affiliates to enter into, amend, extend, waive or terminate any commercial agreement with the Company, Topco, any of their respective Affiliates or any other Person; or

(c) requires Align or any of its Affiliates to waive or release any claim against the Company, Topco, any of their Affiliates or any other Person.

3. **Right to Conduct Activities.** The Parties acknowledge that this Side Letter and Align’s investment in the Company are not intended and will not be construed to preclude or limit in any way Align’s or its Affiliates’ independent development or acquisition of products or technologies, or engagement in any business activity (including, without limitation, potentially or actually competitive activities in which the Company, Topco, the Sponsor Group, or any of their respective Affiliates currently are engaged and potentially or actually competitive activities in which the Company, Topco, the Sponsor Group, or any of their respective Affiliates may become engaged in the future). The Parties further acknowledge that (a) Align and its Affiliates are or may be engaged in or possess or may possess any interest in other investments, business ventures or Persons of any nature or description, independently or with others, similar or dissimilar to, or that competes (potentially or actually) with, the investments or business of the Company, Topco, the Sponsor Group or any of their Affiliates, and may provide advice and other assistance to any such investment, business venture or Person, (b) the Company, Topco, the Sponsor Group, any of their Affiliates or any other Person shall have no rights by virtue of this Agreement in and to such investments, business ventures or Persons or the income or profits derived therefrom, and (c) any such investment or venture, even if competitive (potentially or actually) with the business of the Company, Topco, the Sponsor Group, or any of their respective Affiliates, shall not be deemed wrongful or improper. Further, neither Align nor any of its Affiliates, shall be obligated to present any investment or business opportunity to the Company, Topco, the Sponsor Group or any of their respective Affiliates even if such opportunity is of a character that, if presented to the Company, Topco, the Sponsor Group or any of their respective Affiliates, could be pursued by the Company, Topco, the Sponsor Group or any of their respective Affiliates (and neither the Company, Topco nor the Sponsor Group or any of their respective Affiliates shall have any right or interest in, nor any expectancy in being offered any such investment or business opportunity), and Align or any of its Affiliates, shall have the right to pursue for their own account (individually or as a partner or a fiduciary) or to recommend to any other Person any such investment opportunity. For the avoidance of doubt, neither Align nor any of its Affiliates shall, as a result of the investment in the Company, be precluded in any way from entering or maintaining an investment or ownership interest in any entity that manufactures, sells, or markets any products or services similar to, in competition with (whether potentially or actually), or related to those manufactured, sold or marketed by the Company, Topco, the Sponsor Group, or one or more of their respective Affiliates.

4. Clarifications. For the avoidance of doubt, nothing in this Side Letter (a) shall preclude the Company or Topco or any of their respective Affiliates or any member of the Sponsor Group from undertaking any transaction of any kind (including, without limitation, any Change of Control, a Drag-Along Sale, an Initial Public Offering or an IPO Conversion), provided that, in connection with such transaction, Align and its Affiliates are not required to enter into, or be bound by or subject to, a Prohibited Agreement, Arrangement or Obligation or (b) shall be deemed or construed to limit the obligations of the Stockholder Group under Section 13 of the Stockholders' Agreement.

5. Termination. This Side Letter shall terminate upon the earliest to occur of (a) the date on which each of the Parties agree to terminate this Side Letter in writing and (b) the date on which neither Align nor any of its Affiliates owns any of the Shares (or any securities into which the Shares are reclassified, changed, converted or exchanged).

6. Successors and Assigns. The terms and conditions of this Side Letter inure to the benefit of and are binding upon the respective successors and permitted assignees of the Parties. Nothing in this Side Letter, express or implied, is intended to confer upon any party, other than the Parties or their respective successors and permitted assignees, any rights, remedies, obligations, or liabilities under or by reason of this Side Letter, except as expressly provided herein.

7. Specific Enforcement. Each Party acknowledges and agrees that each Party will be irreparably damaged in the event any of the provisions of this Side Letter are not performed by the other Parties in accordance with their specific terms or are otherwise breached. Accordingly, it is agreed that each of the Parties shall be entitled to an injunction to prevent breaches of this Side Letter, and to specific enforcement of this Side Letter and its terms and provisions, subject to Section 7, in any action instituted in any court of competent jurisdiction (without any requirement to post bond).

8. Miscellaneous. This Side Letter shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of law principles thereof. Each of the Parties submits to the jurisdiction of any state or federal court sitting in Delaware in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceedings may be heard and determined in any such court and hereby expressly submits to the personal jurisdiction and venue of such court for the purposes hereof and expressly waives any claim of improper venue and any claim that such courts are an inconvenient forum. This Side Letter may be executed in counterparts. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal E-SIGN Act of 2000, the Uniform Electronic Transactions Act or other applicable law) or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. The titles and subtitles used in this Side Letter are for convenience only and are not to be considered in construing or interpreting this Side Letter. This Side Letter may not be modified or amended except by a written instrument executed by or on behalf of all of the Parties. No waivers of or exceptions to any term, condition or provision of this Side Letter, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition or provision. If any provision of this Side Letter is declared void or unenforceable by any judicial or administrative authority, the validity of any other provision and of the entire Side Letter will not be affected thereby. This Side Letter constitutes the full and entire understanding and agreement among the Parties with respect to the subject matter hereof; in the event of any conflict between this Side Letter and any other written or oral agreement relating to the subject matter hereof, whether now existing or hereafter arising, including without limitation the other Financing Documents or any commercial or other agreement (in each case, as amended, supplemented and/or restated, from time to time, as applicable), this Side Letter shall prevail, notwithstanding any "entire agreement," "merger clause" or other similar provision; and each Party acknowledges that there are no written or oral agreements between the Parties relating to the subject matter hereof, except for the terms,

conditions and provisions specifically set forth in this Side Letter. Subject to the immediately preceding sentence, nothing contained in this Side Letter or any other Financing Document shall affect, limit or impair the rights and remedies of Align or any of its Affiliates, on the one hand, and the Company or any of its Affiliates, on the other hand, in its capacity as a commercial counterparty to the other party pursuant to any commercial agreement under which the Company or any of its Affiliates has entered into with Align or any of its Affiliates, whether now existing or hereafter arising. Without limiting the generality of the foregoing, each of Align and its Affiliates, in exercising its rights as a commercial counterparty, shall have no duty to consider its status as a direct or indirect equity holder of the Company, the interests of the Company, or any duty it may have to any other direct or indirect equity holder of the Company. All notices required or permitted hereunder shall be in writing and delivered to each Party at such Party's respective address, and shall be deemed effectively given, in each case, as set forth in the Stockholders' Agreement. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS SIDE LETTER OR THE TRANSACTIONS CONTEMPLATED HEREBY.

[Signature Page Follows]

The undersigned hereby execute and deliver this Side Letter as of the date set forth above.

Sincerely,

HEARTLAND DENTAL HOLDING CORPORATION

By:
Name: John Pantazis
Title: Chief Legal & Strategy Officer

HEARTLAND DENTAL TOPCO LLC

By:
Name:
Title:

KKR CORE HOLDING COMPANY LLC

By:
Name: Webster Chua
Title: Manager

KKR PARTNERS IV L.P.

By:
Name: Robert Lewin
Title: Vice President

[Signature Page to Side Letter]

ACKNOWLEDGED AND AGREED:

ALIGN TECHNOLOGY, INC.:

By:
Name:
Title:

[Signature Page to Side Letter]

CERTIFICATION

I, Joseph M. Hogan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Align Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

/s/ JOSEPH M. HOGAN

Joseph M. Hogan

President and Chief Executive Officer

CERTIFICATION

I, John F. Morici, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Align Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

/s/ JOHN F. MORICI

John F. Morici

Chief Financial Officer and Executive Vice President, Global Finance

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Align Technology, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: _____ /s/ JOSEPH M. HOGAN
Name: **Joseph M. Hogan**
Title: **President and Chief Executive Officer**

Date: August 4, 2023

In connection with the Quarterly Report of Align Technology, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: _____ /s/ JOHN F. MORICI
Name: **John F. Morici**
Title: **Chief Financial Officer and Executive Vice President, Global Finance**

Date: August 4, 2023