

align

 invisalign® | iTero®

Financial Results

Q3 2019

Align Technology, Inc.

Align Technology, Inc. – Q3 2019 financial results

Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - John Morici, CFO
 - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Webcast Archive:
 - Telephone replay will be available through 5:30pm ET November 6, 2019
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13694915
 - Audio web cast archive will be available at <http://investor.aligntech.com> for 12 months

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Safe harbor and forward looking statement

- This presentation, including the tables below, contains forward-looking statements, including statements regarding certain business metrics for the fourth quarter of 2019, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, capital expenditures, depreciation and amortization, diluted earnings per share, tax rate, case shipments and our expectations regarding stock repurchases during the quarter. Forward-looking statements contained in this presentation and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, including Align's predictions related to a tougher consumer demand environment in China, especially for U.S. based products and services, Align's expectations regarding the continued growth of our international markets, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's expectations regarding the sales growth of its intra-oral scanner sales in international markets, its belief that technology features and functionality of the iTero scanners will increase adoption of Invisalign and increase sales of Align's intra-oral scanners, Align's expectations regarding the financial and strategic benefits of establishing regional order acquisition, treatment planning and manufacturing facilities, the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, or that the expected benefits of new or existing business relationships will not be achieved as anticipated, Align's expectation to incur additional costs related to the planned corporate structure reorganization, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, the expected impact additional sales representatives will have on our sales, growth related risks, including excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel, the security of customer and/or patient data is compromised for any reason, system integration and implementation issues, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter as well as an increased manufacturing costs per case, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2019 and its latest Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, which was filed with the SEC on August 1, 2019. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q3 2019 financial highlights

- For Q3 I'm pleased to report revenues, volume, and earnings above our third quarter outlook driven by better than expected volume across the Invisalign portfolio in Asia Pacific and Latin America, reflecting record highs for both regions and improving trends in the North American orthodontist channel.
- Notwithstanding EMEA summer seasonality, we saw continued adoption from teens and especially younger patients using Invisalign First across the board.
- Q3 Invisalign volumes were up 20.7% year-over-year driven by growth across the product portfolio, as well as expansion of our customer base, which increased by 5,900 new Invisalign doctors for a total of 63,000 active doctors worldwide.
- The iTero scanner and services business was up 16.5% year-over-year reflecting continue growth across each region, and down sequentially as expected coming off a record second quarter.

| | Q3'19 | QoQ | YoY |
|---------------------------|-----------------|----------|---------|
| Total Net Revenues | \$607.3M | +1.1% | +20.2% |
| - Clear Aligner* | \$516.3M | +3.9% | +20.9% |
| - Scanner & Services | \$91.1M | (12.4)% | +16.5% |
| Invisalign Case Shipments | 385.4K | +2.2% | +20.7% |
| EPS, diluted | \$1.28 | \$(0.55) | +\$0.04 |

Q3 2019 financial highlights

Americas

- For the Americas region, typical Q3 summer season for adult case starts in North America was offset by growth in the North American teen market as well as strength from Latin America orthodontists. Q3 Invisalign case volume was up 2% sequentially and 13% year-over-year on tough comps. Recall in Q318 we had a teen and adult promotion that drove approximately 4-5 points of growth in the Americas.
- In Q3, we trained over 2,700 new Invisalign doctors in the Americas region, of which nearly half were Latin America doctors.
- On a sequential basis, Q3 Invisalign volume growth reflects increased utilization for the Americas region overall, driven by North American Orthos at 19.1 cases per doctor, where we saw improved momentum throughout the quarter and good growth from teens and Invisalign First patients. North American GP volume was seasonally lower in Q3 and we are seeing improving trends into Q4, reflecting benefit from our investment in sales resources added at the beginning of the year. New and existing reps are continuing to ramp and we would expect further progress over the remainder of the year.
- We also had continued strength across comprehensive and non-comprehensive products in Latin America, led by Brazil.
- Year-over-year, Q3 Invisalign volume for the Americas region was driven by continued growth from both the Ortho and GP channels, including DSOs. The DSO channel remains an important channel and consistently grows faster than non-DSO practices.

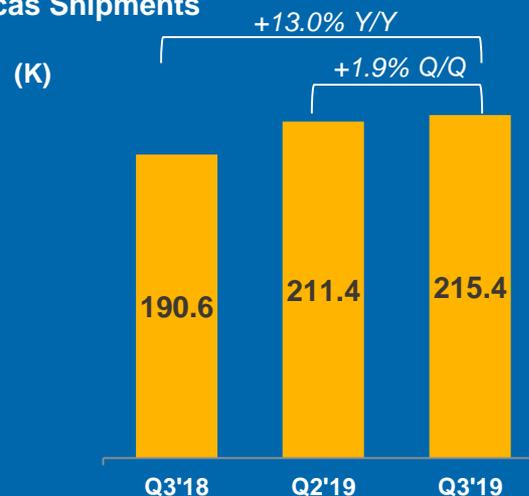
Americas Invisalign Metrics

North Americas Utilization*



*number of cases shipped/number of doctors to whom cases were shipped

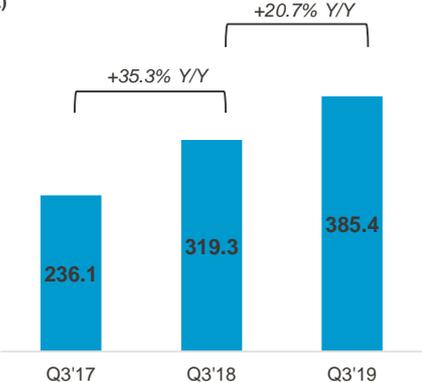
Americas Shipments



Invisalign shipments Q3'19

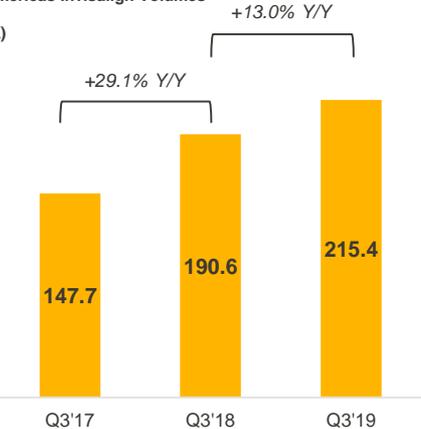
WW Invisalign Volumes

(K)



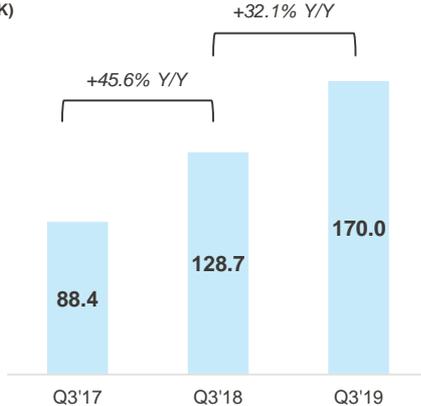
Americas Invisalign Volumes

(K)



International Invisalign Volumes

(K)



Q3 2019 financial highlights

International

- For our International business, Q3 reflects increased growth in Asia Pacific, especially from the teen segment in China, partially offset by sequentially lower volume in EMEA due to summer holidays for Invisalign practices in most European countries. On a year-over-year basis, Invisalign volume increased 32.1%, reflecting strength across our product portfolio with continued expansion of our customer base. In Q3, we trained over 3,100 new Invisalign doctors internationally, with 60% in the Asia Pacific region.
- In EMEA, Q3 Invisalign volumes were down sequentially as expected, reflecting more pronounced seasonality in the first half of the quarter and strong momentum in the back half, led by Iberia and the UK. Q3 volumes were up 29.0% year-over-year with broad based growth across the Invisalign product portfolio and continued momentum from Invisalign Go treatment. We also continue to see strong growth across our key expansion markets as well, led by Central and Eastern Europe and Middle East and Africa.
- In Q3, as part of our corporate structure reorganization, we relocated Order Acquisition for EMEA from the Netherlands to Poland. This site will serve as a centralized facility for Order Acquisition, local sales & support. In addition, this location will also offer treatment planning to support all of the EMEA country markets except for Spain and Germany where we will continue to support their local markets.
- For APAC, Q3 Invisalign volume increased 35.1% year-over-year, led by Greater China and Japan. We continue to see strong growth from GP dentists, which was up 53.2% year-over-year, especially in Japan where adoption of Invisalign Go continues to exceed expectations.
- On a sequential basis, Q3 Invisalign volume for APAC reflects continued momentum in China, especially from teen cases, and growth from Taiwan and Korea. We also saw increased adoption of Invisalign First in Japan, ANZ (Australia / New Zealand) and Taiwan, as well as positive results from Teen Edge professional marketing programs which are helping to drive Invisalign growth.
- During the quarter, we opened a Treatment Planning Facility in Yokohama, Japan, to better support Japanese doctors in local language and local time zones. APAC remains a huge growth opportunity for Align and this investment reflects our commitment providing our customers with continued support as we grow and scale our business across the region.

International Invisalign Utilization* & Shipments

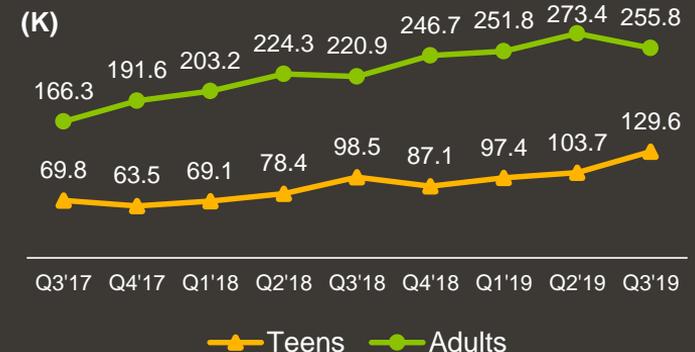


Q3 2019 financial highlights

Teens and adults

- 7.5M total Invisalign patients to date, with over 1.8M teens.
- Teens and kids continue to make up the largest portion of the orthodontic market and represents a huge growth opportunity for Invisalign treatment to replace metal braces worldwide.
- Over the past two years, we introduced two product innovations to help doctors treat more patients in this segment.
- Invisalign treatment with mandibular advancement addresses roughly 45% of teen cases and is the only clear aligner to move the mandible forward while straightening teeth at the same time.
- Invisalign First treatment is the first clear aligner product designed with features specifically for growing patients as young as 7 years old, and Phase 1 addresses 20% of the orthodontic case starts each year.
- Both products have continued to grow and help increase utilization for Invisalign treatment worldwide.
- In Q3, 130,000 teenagers and kids as young as 7 years old, started treatment with Invisalign clear aligners, an increase of 31.5% year-over-year, reflecting continued adoption across all major regions, especially China. Cumulatively, nearly 2 million teens or younger patients have used Invisalign clear aligners.

Worldwide Invisalign Case Shipments Teen versus Adult Mix



Consumer marketing

- In Q3, we continued to see strong digital engagement with consumers - reaching over 4.5 million unique visitors on Invisalign.com websites worldwide for a total of 62.0 million visitors to date. Our digital approach to teen marketing continues to drive awareness and interested teenagers into Invisalign practices. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q3 quarterly slides.
- In addition, we launched a new advertising campaign for North America at the beginning of the quarter. The North America campaign was launched across all key media channels with a reach to over 140M consumers, combining a robust paid media strategy across prime broadcast, cable and connected TV channels with paid search and social media. While still new in the marketplace and very early in the cycle, we are seeing a positive response from doctors and consumers. In the last few weeks all KPIs metrics have shown strong momentum with more than 50% increase in Doctor Locator searches and in leads scheduled from our Smile Concierge service.



Sports sponsorships

- Finally, as many of you may have seen, we recently announced marketing relationships with several professional sports teams including the San Francisco 49ers, the Toronto Raptors, the Carolina Hurricanes, and the New England Patriots.
- Align is always looking for ways to evolve our brand marketing to be relevant to potential patients where they work, live and play. Over the last few years, many sports brands have evolved their own brand programs to engage with fans in a variety of ways and through multiple touchpoints.
- Partnering with teams who have an omnichannel approach to brand marketing and engagement gives us direct access to large, loyal fan bases and helps us reach individual consumers and whole families through a variety of existing fan platforms. With the right team partners, we can create awareness for the power of “winning smiles.”
- And as always, the goal is the same for us: build awareness and demand for Invisalign treatment and connect engaged consumers with Invisalign practices in their markets.



Q3 2019 consumer marketing

AMERICAS

2.6M

Website Visitors

307K

Doc Locator Searches

EMEA

1.0M

Website Visitors

202K

Doc Locator Searches

APAC

876K

Website Visitors

123K

Doc Locator Searches

- Global Campaign launch across **all key media channels** reaching over **140MM consumers in the US**



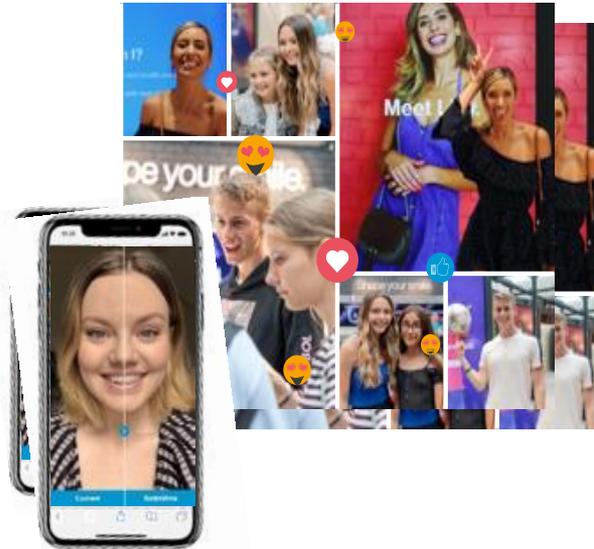
- Prime Broadcast, Cable & Connected TV channels nationwide
- Premium Digital Video channels
- Paid Search
- Social Media
- Influencer Marketing
- Launch of Invisalign First with dedicated Social Media campaigns

- Teen Summit + VidCon 2019



- Teen Summit: immersed orthodontists in Gen Z learnings from teen influencer panel, session Rebecca Glashow (co-head of AwesomenessTV), and VidCon tours
- VidCon: 3rd year of Invisalign® brand takeover of festival plaza at world's largest YouTube event

- Invisalign #Smilesquad campaign
- New consumer website launch in UK



- Doctor-focused messaging
- Sponsorships
- Online marketing
- Advertorials



San Francisco ADA 2019



Hands-on digital encounter

Using scanners, videos, iPads, and touch-screen monitors with interactive content for a visual and digital illustration of how Invisalign treatment, iTero scanners, and Align's consumer awareness can impact doctor's practices.

Invisalign SmileView™ Tool

Simulates your new smile!



- The Invisalign System: providing a more predictable way to transform smiles and practices
- The iTero Element 2: an interactive 3D digital diagnostic and patient education platform that can help GPs increase their restorative and orthodontic treatment plan acceptance rates
- Featuring:
 - Invisalign Go
 - Invisalign SmileView
 - Invisalign Photo Uploader
 - iTero Element Scanner w/ Invisalign Outcome Simulator and restorative capabilities
 - iTero Element scanner connectivity with Glidewell Chairside Milling

align

Invisalign iTero

Transformation of Healthcare in the Age of Digital Disruption

Joe Hogan
President and CEO
/ Singapore, 8 October 2019

MEDTECH FORUM ASIA PACIFIC 2019

CONNECTING LEADERS | CONNECTING CARE

Brought to you by: **APACMed**
The voice of MedTech



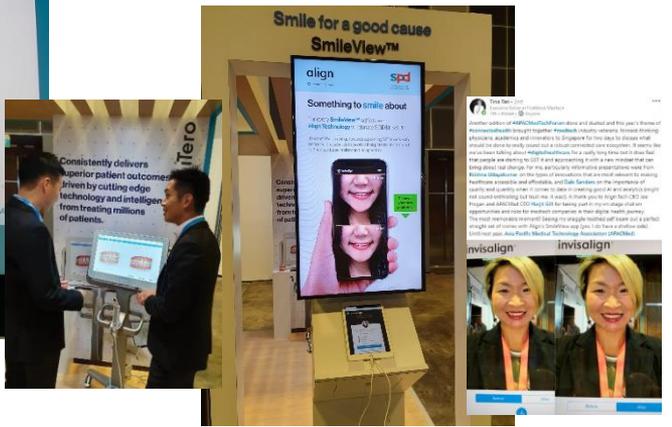
Joe Hogan, CEO, Align Technology, shares how Align is driving the revolution in digital dentistry at APAC MedTech forum.

APAC Medtech Forum

- Nearly 1,000 attendees from 25 countries
- Keynote presentation from Joe Hogan, CEO, Align Technology re: Transformation of Healthcare in the Age of Digital Disruption
- Fireside chat with Joe Hogan, Align Technology, Harjit Gill, Asia Pacific Medical Technology Association (APACMed) and Tina Tan, FirstWord MedTech



Fireside chat with Joe Hogan, Align Technology, Harjit Gill, Asia Pacific Medical Technology Association (APACMed) and Tina Tan, FirstWord MedTech





2019 International Orthodontic Conference at the 18th Annual Meeting of the Chinese Orthodontic Society

- Attended over 800 doctors from across the region
- Focusing on teens and extraction cases
- Commercial availability of the iTero Element 2 scanner, providing localized technology and manufacturing capabilities
- Reaffirming Align's commitment to bringing global innovations to China and localizing them for patient's needs



Dr. Mitra Derakhshan, VP Global Clinical, Global Marketing, Align Technology



First Invisalign Go Forum in Japan. Attended by more than 300 dental professionals.



First Invisalign Go Forum in Japan

- Held in Japan, the forum was attended by more than 300 dental professionals, including general practitioner (GPs) dentists and hygienists
- Showcased Align as key business partner
- Affirmed Align's commitment to investing in GPs

China Restorative 2.0 Seminar



In July, close to 300 doctors and partners attended the iTero restorative 2.0 seminar in Shanghai, Guangzhou, Kunming and Beijing. Dr. Ingo Baresel, president of German Association of Intraoral Scanning, talked about how iTero can help the restorative workflow in clinics and local speakers also shared how iTero benefited their practice.

iTero Element 5D and Invisalign Go



Align Technology team members from Hong Kong who participated in HKIDEAS, one of Hong Kong's largest dental tradeshow.

APAC CAD/CAM & Digital Dentistry Conference



The iTero scanner team participated in the APAC CAD/CAM & digital dentistry conference held in Singapore. Key focus for the event was to demonstrate restorative functions of the iTero scanners with Element 5D as the highlight. Dr. Ronnie Yap spoke about how iTero helps optimize clinic workflow.

Teen Edge 2.0 in Taiwan



Dr. Igor Lavin kicked off Teen Edge 2.0 in June of this year. The event was attended by Invisalign doctors.

14th IAO in Surabaya



Over 700 orthodontists attended the 14th IAO held in Indonesia in August.

Other APAC events

- China Restorative 2.0 Seminar
 - Attended by close to 300 doctors
 - Overview of how the iTero Element scanner can help the restorative workflow in clinics
- HKIDEAS
 - One of Hong Kong's largest dental tradeshows
 - Featured iTero Element 5D and Invisalign Go
- Taiwan Teen Edge 2.0
 - Attended by 30 doctors
 - Treating teenagers with the Invisalign system in your practice
- APAC CAD/CAM & Digital Dentistry Conference
 - Featured iTero Element 5D and restorative function of the iTero scanners
- 14th IAO in Surabaya
 - Attended by over 700 orthodontists
 - Featured Invisalign Case Gallery, with SmartTrack® material



2019 Invisalign Summits and Forums in EMEA



- European GP Summit in Berlin – July 4-6, 2019
 - focus on digital trends, growing modern practice, empowerment
 - 175 delegates from +10 markets
 - Media Briefing for 20 key dental press
 - The biggest media coverage in 2019

- GP & Ortho Events in Q3 2019
 - UK&I GP Forum in the London Sept 14, 2019 – over 100 dentists and assistants
 - French Ortho Summit in Nice Sept 12-13, 2019 – 450 dentists and assistants
 - UK&I Summit in London, UK Oct 12-13, 2019 – 145 orthodontists and assistants

Dental Summit and Prague Dental Days



Presentation of iTero Element 5D as part of the digital workflow in the practice

Teen Network Meeting



Speakers included local KOL Dr. Matus Cinzer and Dr. Charles Lelloucher, provider of Invisalign First.

Polish Ortho Society Congress



Align as the main sponsor with lectures provided by Invisalign speakers.

Other EMEA events

- Dental Summit and Prague Dental Days participation/Czech Republic
 - Over 1000 visitors – GPs, students, technicians on each congress
 - iTero Element 5D as part of digital workflow in the practice
 - Invisalign First and phase I treatments
 - Mapping out the periodontist market and doctors treating growing patients
- Teen Network Meeting Czech Republic/Slovakia
 - 42 top TEEN providers attended + students
 - 2 full days event focused on Class II, Mandibular Advancement and Invisalign First treatments
 - Panel discussion, protocols, cases and objections discussion
- Polish Ortho Society Congress
 - Over 400 Orthodontists participating in 2-day event

Smile Concierge Program

- Year-to-date we've scheduled over 577K Invisalign consultations in the U.S., which equates to connecting hundreds of consumers to Invisalign doctors every day and providing leads they might not otherwise have had.
- The Smile Concierge service teams are located in the U.S., LATAM, Singapore, Brazil, Australia, the UK, Poland and Saudi Arabia.

+577K

Consumers
contacted

+120K

Consultations
scheduled

+30K

Invisalign
cases started

Smile Concierge Team

Goal is to reach more consumers one-on-one, and ensure that anyone that contacts us directly has the best experience with the Invisalign brand – beginning to end.



Let a Smile Concierge
help you get started.

 invisalign | made to move



Q3 2019 financial highlights

Scanner and services

- For Q3, iTero scanner and services revenue was down sequentially as expected and up 16.5% year-over-year, reflecting continued growth across all regions and customer channels, including large account DSOs. Year to date, iTero revenues are up 47.3% reflecting continue adoption of digital dentistry.
- Cumulatively, over 18.0 million orthodontic scans and 4.3 million restorative scans have started with iTero scanners. Heartland Dental, one of our largest DSO partners recently celebrated their 1 millionth iTero scan, highlighting how important iTero and Invisalign workflow is to their doctor practices, which now includes 900 offices across the U.S. and is enabling them to add nearly 200,000 digital scans per month.
- Use of the iTero scanners for Invisalign case submission continues to grow and remains a positive catalyst for Invisalign utilization. For Q3, total Invisalign cases submitted with a digital scanner in the Americas increased to 78.7% from 71.9% in Q3 last year. International scans increased to 62.5% up from 53.9% in the same quarter last year. Within the Americas, 92.9% of cases submitted by North American Orthos were submitted digitally.

| | | | | | | | | |
|---------------|-------|--------|--------|--------|--------|--------|--------|-------|
| Americas | 65.3% | 67.3% | 69.6% | 71.9% | 73.5% | 76.1% | 77.3% | 78.7% |
| International | 41.5% | 43.5% | 47.8% | 53.9% | 57.5% | 59.3% | 60.9% | 62.5% |
| | Q4'17 | Q1'18* | Q2'18* | Q3'18* | Q4'18* | Q1'19* | Q2'19* | Q3'19 |

**Digital scanner percentages revised.*

- We continue to expand the iTero portfolio to address doctor's needs and enable them to more easily adopt Invisalign treatment in their practices. In August, we announced the commercial availability of the iTero Element 2 scanner in China, with the first made-in-China iTero Element 2 produced in our manufacturing facility in Ziyang. The launch exemplifies Align's continued innovation and investment to advance digital dentistry in China.
- In September we announced a global distribution agreement for the iTero Element family of intraoral scanners with Zimmer Biomet Dental. The agreement enables us to leverage Zimmer Biomet Dental's extensive direct global salesforce and network of dental clinicians and laboratories to help drive further penetration of iTero scanners and services in the growing digital restorative market. The collaboration also offers Zimmer Biomet Dental customers access to Invisalign® clear aligners through the iTero platform to facilitate a comprehensive interdisciplinary treatment approach. We know that a key differentiator in the evolution to a digital practice and dental ecosystem is clinical education. Through this collaboration, the iTero scanner becomes the exclusive intraoral scanner used in the US and European Zimmer Biomet Institutes, which train thousands of doctors annually in an interactive learning environment with the ultimate goal of improved clinical outcomes. We also joined Zimmer at the Japan Society of Oral Implantology meeting in Japan and at the EAO in Portugal, where the iTero intraoral scanners were showcased.

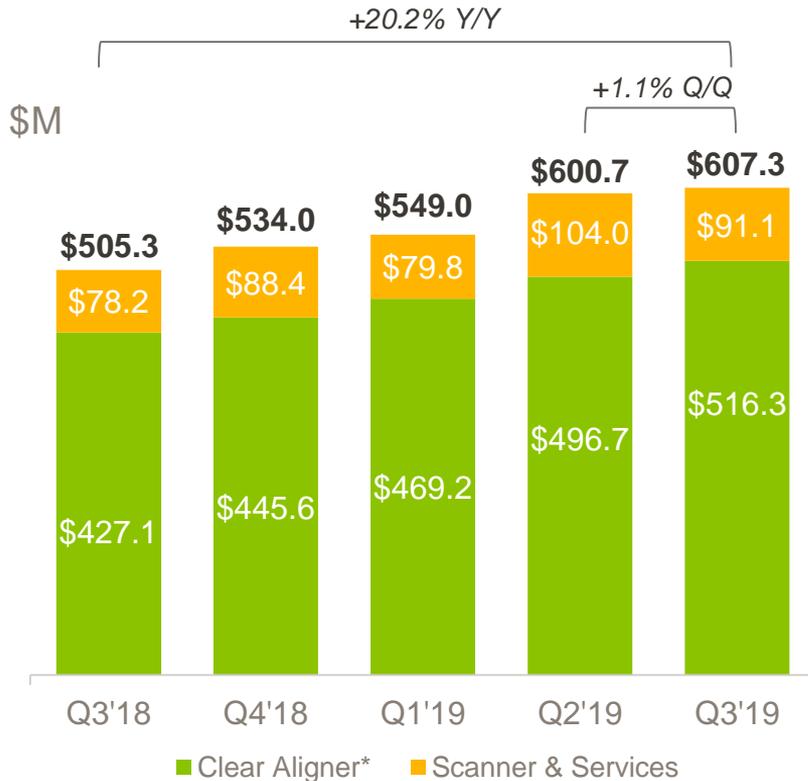
Scanner and Services Revenues



+ Q3 2019 Financial Review

Revenues trend

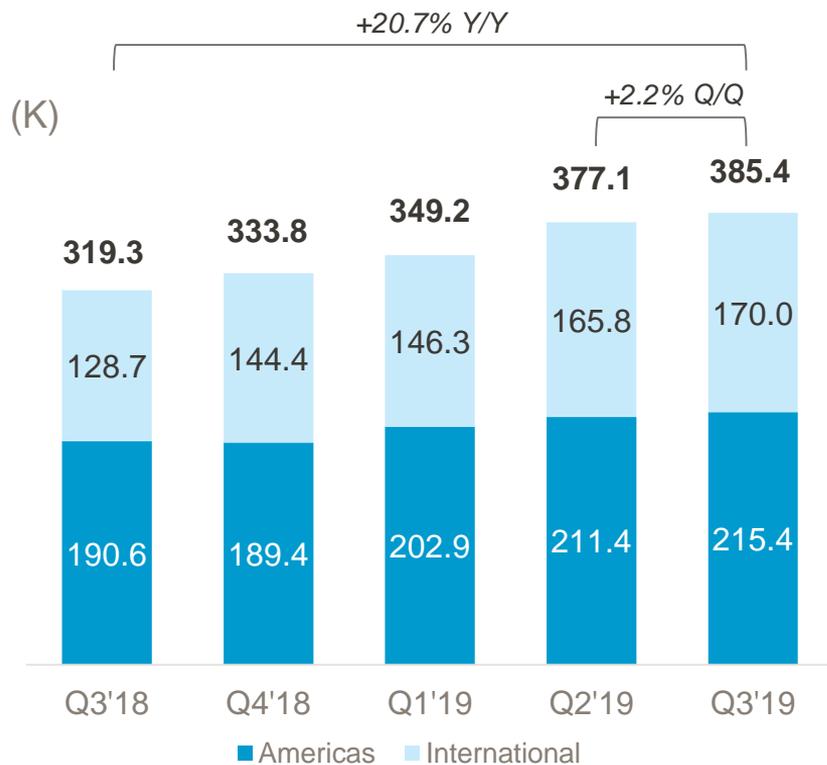
Q3'19 highlights



- Total revenue for the third quarter was \$607.3 million, up 1.1% from the prior quarter and up 20.2% from the corresponding quarter a year-ago. Year-over-year revenue growth was favorable in all regions.
- For clear aligners, Q3 revenue of \$516.3 million was up sequentially due to Invisalign volume growth in most geographies and higher ASPs. Year-over-year clear aligner revenue growth of 20.9% reflects strong Invisalign shipment growth across all customer channels and geographies and higher ASPs.
- Q3 Invisalign ASPs were up sequentially by approximately \$30, to \$1260 primarily due to price increases in all regions, partially offset by promotional discounts. On a year-over-year basis, Q3 Invisalign ASPs were up \$30 primarily reflecting price increases in all regions, partially offset by promotional discounts and unfavorable foreign exchange.
- Our Scanner and Services revenue for the third quarter was \$91.1 million, down 12.4% sequentially as expected reflecting lower volume coming off of another strong Q2, partially offset by higher ASPs. Year-over-year, scanner and services revenue was up 16.5% driven by increased services revenue off of a higher installed based and higher volume.

Invisalign shipments trend

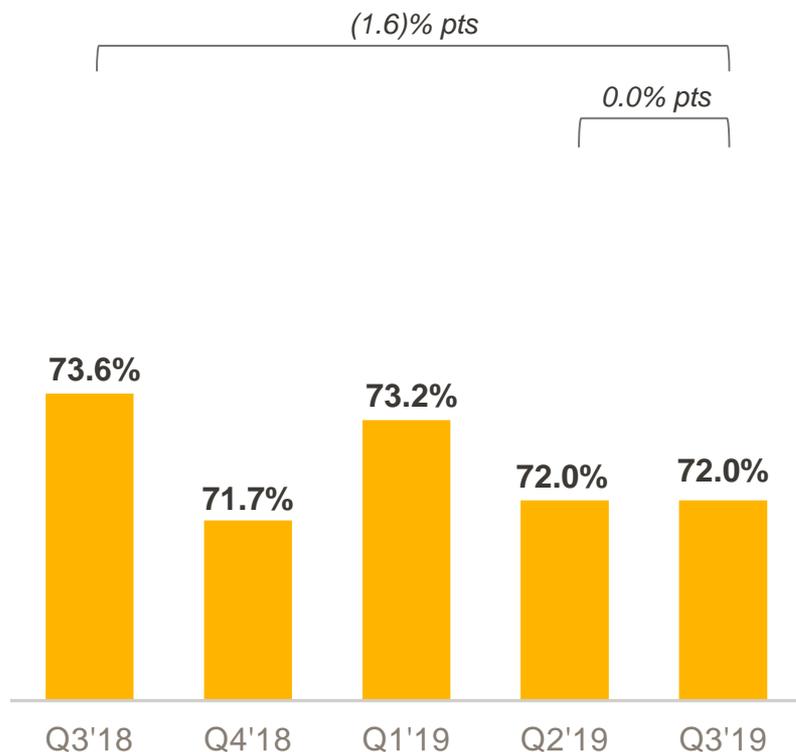
Q3'19 highlights



- Total Q3 Invisalign shipments of 385.4 thousand cases were up 2.2% sequentially and up 20.7% year-over-year.
- For Americas Orthodontists, Q3 Invisalign case volume was up 5.6% sequentially and up 16.4% year-over-year.
- For Americas GP Dentists, Invisalign case volume was down 4.1% sequentially and up 7.4% year-over-year.
- For International doctors, Invisalign case volume was up 2.5% sequentially and up 32.1% year-over-year.

Gross margin trend

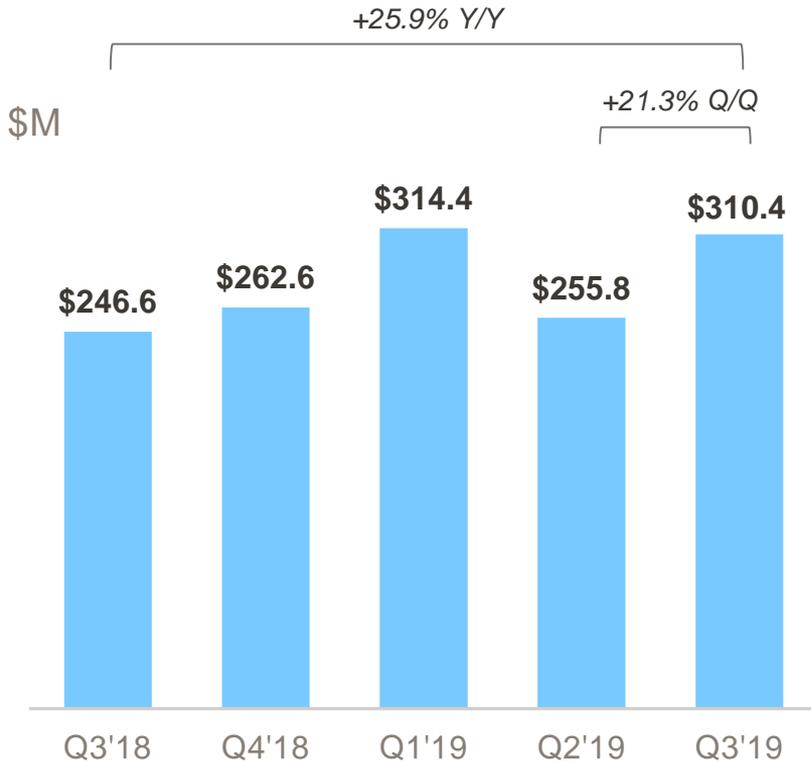
Q3'19 highlights



- Third quarter overall gross margin was 72.0%, flat sequentially and down 1.6 points year-over-year. Gross margin was impacted by approximately 0.3 points year-over-year due to unfavorable foreign exchange.
- Clear aligner gross margin for the third quarter was 73.5%, down 0.2 points sequentially primarily due to increased aligners per case partially offset by higher ASPs and seasonally lower doctor training.
- Clear aligner gross margin was down 1.8 points year-over-year primarily due to increased aligners per case, partially offset by higher ASPs.
- Scanner gross margin for the third quarter was 64.1%, up 0.5 points sequentially and up 0.2 points year-over-year primarily due to higher ASPs and increased manufacturing efficiencies.

Operating expense trend

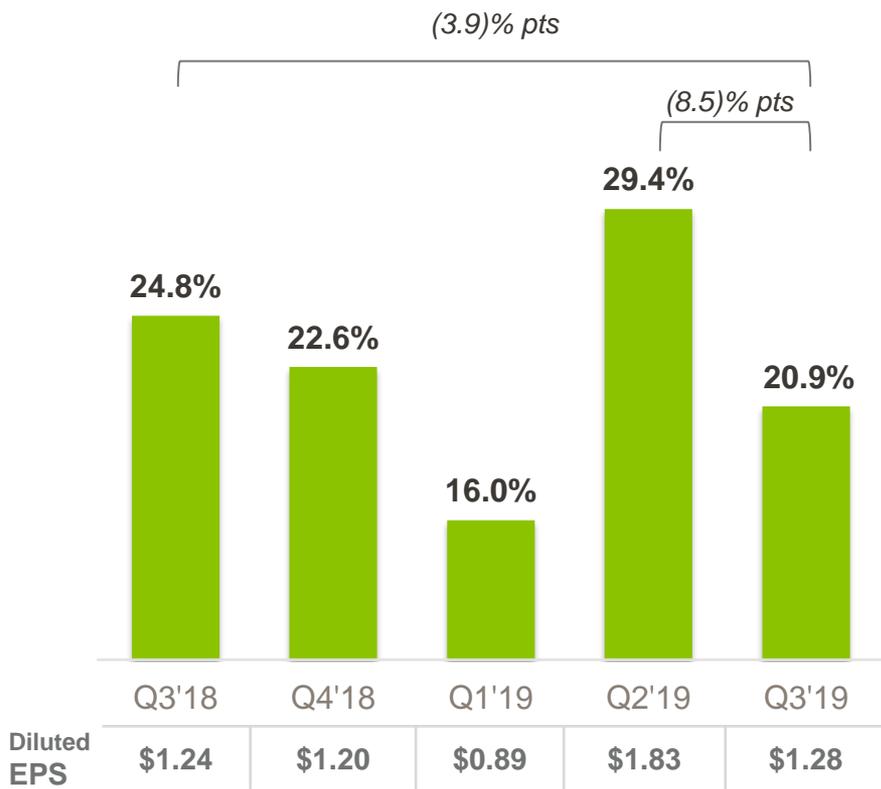
Q3'19 highlights



- Q3 operating expenses were \$310.4 million, up sequentially 21.3% and up 25.9% year-over-year.
- The sequential increase reflects the benefit of \$51.0 million related to the Straumann litigation settlement recorded in the second quarter.
- Additionally, the third quarter includes a \$6.8 million benefit from the early termination of our Invisalign Store leases.
- The year over year increase reflects our investment in consumer advertising with a brand new North America campaign launched in August, the continued investment in our R&D, geographic expansion and go-to-market activities, partially offset by the benefit from the early termination of our Invisalign Store leases.

Operating margin and EPS trend

Q3'19 highlights



- Our third quarter operating income of \$127.2 million resulted in an operating margin of 20.9%, down 8.5 points sequentially and down 3.9 points year-over-year.
- The sequential decrease in operating margin is primarily attributed to the \$51 million benefit related to the Straumann settlement recorded in the Q2 partially offset by the \$6.8 million benefit related to the Invisalign Store lease terminations in the third quarter.
- The year-over-year decrease in operating margin is primarily due to lower gross margin as described earlier and the increased investments in our geographic expansion and go-to-market activities, partially offset by the benefit from the early termination of our Invisalign Store leases in the third quarter.
- Operating Margin was impacted by approximately 0.6 points year-over-year due to unfavorable foreign exchange. Interest, other income and expense for the third quarter was \$1.3 million, down \$16.1 million sequentially and flat on a year-over-year basis. The sequential decrease reflects the \$15.8 million gain related to our sale of our equity investment in SmileDirectClub during the second quarter.
- With regards to third quarter tax provision, our tax rate was 20.2%.
- Third quarter diluted earnings per share was \$1.28, down \$0.55 sequentially and up \$0.04 compared to the prior year.

Balance sheet highlights

- As of September 30, 2019, cash, cash equivalents, and marketable securities, including both short- and long-term investments, were \$782.4 million, an increase of \$16.5 million from the prior quarter which is primarily due to higher cash flow from operations, partially offset by \$200 million used to repurchase approximately 1.1 million shares of our stock. Of our \$782.4 million of cash, cash equivalents and marketable securities, \$513.9 million was held in the US and \$268.5 million was held by our International entities.
- Q3 accounts receivable balance was \$531.8 million, up approximately 2.3% sequentially. Our overall days sales outstanding (DSO) was 79 days, up 2 days sequentially and up 4 days from Q3 last year.
- Cash flow from operations for the third quarter was \$234.5 million, up \$138.3 million compared to the prior year.
- Capital expenditures for the third quarter were \$26.6 million, primarily related to our continued investment in increasing aligner capacity and facilities. Free cash flow for the third quarter, defined as cash flow from operations less capital expenditures, amounted to \$207.9 million.
- During Q3'19, we entered into and completed an accelerated stock repurchase agreement ("ASR") to repurchase \$200 million of our common stock which was completed in September 2019. We received a total of approximately 1.1 million shares for an average price of \$176.61 per share. We have \$200.5 million remaining available for repurchase under the May 2018 Repurchase Program.

| (\$ in millions except for DSO) | Q3'18 | Q2'19 | Q3'19 |
|---|----------|----------|----------|
| Accounts Receivables, net | \$420.3 | \$520.1 | \$531.8 |
| DSO | 75 days | 77 days | 79 days |
| Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities | \$613.2 | \$765.9 | \$782.4 |
| Cash Flow from Operations | \$96.3 | \$177.4 | \$234.5 |
| Capital Expenditures | \$(53.7) | \$(45.3) | \$(26.6) |
| Free Cash Flow* | \$42.6 | \$132.0 | \$207.9 |

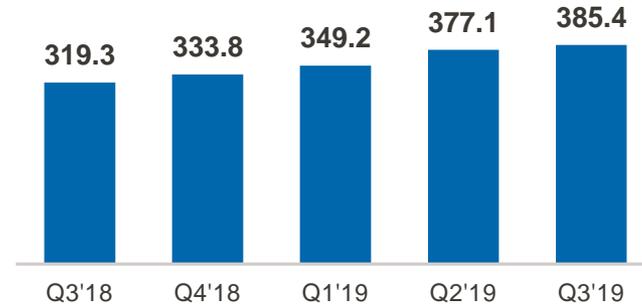
*Free cash flow is defined as cash flow from operations less purchase of property, plant and equipment and is a non-GAAP measure. Rounding may affect totals.

Trended financials

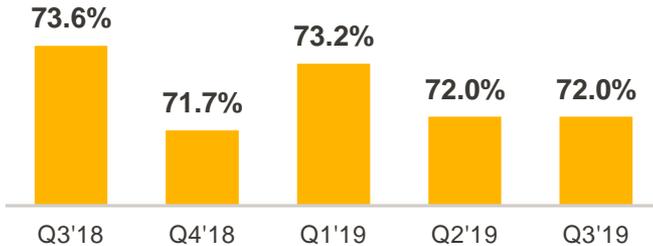
WW Net Revenues (\$M)



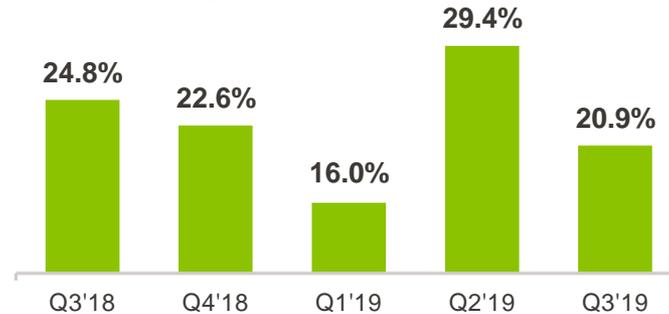
Invisalign Shipments (#K)



Gross Margin %



Operating Margin %



Q4 2019 outlook

With that, let's turn to our Q4 outlook and the factors that inform our view. Starting with the demand outlook.

- Q3 was a solid quarter and momentum has continued to build into Q4, across all regions.
- For International, we expect Q4 volumes to up sequentially reflecting strong uptick from EMEA, as doctors come back from summer holiday.
- For the Americas, we expect Q4 volumes to be up sequentially reflecting growth across all key country markets, as well as a momentum in North America Ortho and GPs, along with increased media spend and the launch of our new consumer advertising campaign.
- We expect our iTero business to be up sequentially in Q4 to reflect end of the year capital equipment purchases and investment in growing the iTero business across all regions.

| | Q4 2019 | |
|-----------------------------|-----------------|-------|
| Invisalign Case Shipments | 400K – 407K | |
| Net Revenues | \$640M – \$650M | |
| Gross Margin | 71.7% – 72.4% | |
| Operating Expenses | \$318M – \$323M | |
| Operating Margin | 22.0% – 22.7% | |
| Effective Tax Rate | ~24% | (1) |
| EPS, diluted | \$1.35 – \$1.42 | (1,2) |
| Stock-Based Compensation | \$24.0M | |
| Diluted Shares Outstanding | 79.4M | (2) |
| Capital Expenditures | \$30M – \$35M | |
| Depreciation & Amortization | \$22M – \$24M | |

(1) Includes excess tax benefits related to share-based compensation expense pursuant to ASU 2016-09

(2) Excludes any stock repurchases during the quarter

Q4'19 financial outlook commentary

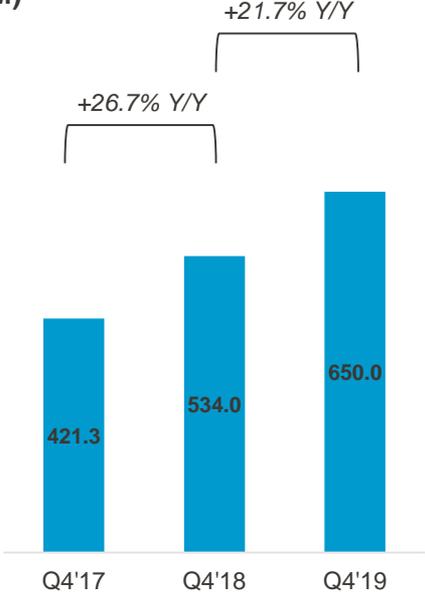
With this as a backdrop, we expect the fourth quarter to shape up as follows:

- Invisalign case volume is expected to be in the range of 400 to 407 thousand cases, up approximately 20% to 22% year-over-year.
- We expect Q4 revenue to be in the range of \$640 million to \$650 million, up approximately 20% to 22% year-over-year. Our Q4 revenue outlook assumes no SDC volume compared to the same quarter a year ago when aligners supplied to SDC contributed about \$5.8 million to revenue.
- We expect Q4 gross margin to be in the range of 71.7% to 72.4%. Q4 gross margin is up 0.4 pts compared to Q3 as we expect continued improvements in our manufacturing efficiencies associated with higher volumes.
- We expect Q4 operating expenses to be in the range of \$318 to \$323 million.
- Q4 operating margin should be in a range of 22.0% to 22.7%.
- Our effective tax rate is expected to be approximately 24%.
- Diluted shares outstanding is expected to be approximately 79.4 million, exclusive of any share repurchases.
- Taken together we expect our Q4 diluted EPS to be in a range of \$1.35 to \$1.42.
- In addition, we expect to repurchase at least \$100 million of our stock in the open market in Q4.
- As we continue our operational expansion efforts, we expect capital expenditures for Q4 to be approximately \$30 to \$35 million, and we expect depreciation and amortization to be \$22 to \$24 million.

Q4'19 Outlook

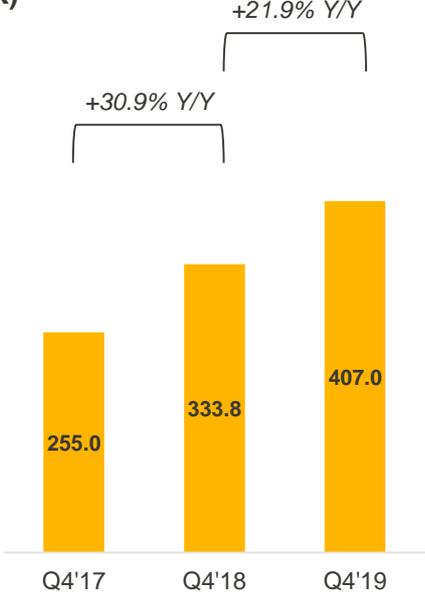
WW Net Revenues

(M)



WW Invisalign Volume

(K)



Corporate entity reorganization

- On January 1, 2020 our EMEA headquarters in the Netherlands will officially move to Switzerland.
- Our new Swiss location will serve as the headquarters for all regional commercial and operational activities in EMEA and will be supported by the existing network of local offices established across the region.
- Our new corporate entity, Align Technology Switzerland GmbH will assume all responsibility for the sale and distribution of the Invisalign system, iTero intraoral scanners and associated Align goods and services in EMEA, previously provided by Align Technology B.V.
- Our local and global teams been working diligently to ensure a very smooth transition while supporting our doctors, suppliers, and employees - many of whom have decided not to relocate to Switzerland, but will stay on in transitional roles as needed. We want to thank all of our employees for all their hard work and dedication in supporting this major company initiative. While it is never easy to make this kind of change – especially when it impacts team members who have helped build the EMEA business and have contributed so much to our overall success, we are very excited about our new operations in Switzerland.

Closing comments

- Overall, Q3 was a solid quarter for us across the board with increasing momentum in APAC and North America that has carried over into Q4. As you can see from the high end of our guidance, the implied full year growth rate for Invisalign volume is 23.5% with international growth in the mid to high 30%.
- Overall our business remains very healthy with numerous growth drivers in a vastly underpenetrated market.
- We remain confident in both the enormous opportunity ahead to lead the evolution of digital orthodontics and comprehensive dentistry with our doctor customers, and in our ability to execute our strategy to increase adoption of Invisalign treatment globally.
- I look forward to seeing many of you at upcoming financial conferences and meetings, including the Invisalign GP Summit in November in Las Vegas, where we will also host an Investor session.



The 2019 Invisalign GP Summit is made for you

Digital practice transformation. Patient demand. Treatment success. The Invisalign Summit is the ultimate learning experience for Invisalign doctors and teams looking to transform into a growing digital practice, with the most peer-to-peer presentations of any Invisalign education event.

SPACE IS LIMITED! Secure your spot today at www.AlignGPSummit.com and watch for full agenda and speaker details.



2

"all in" general sessions focused on the huge opportunity for digitally-driven dental practices, treatment successes, and how Align is partnering with you to reach more consumers. **Featuring Apple and Tesla customer experience guru George Blankenship**

20

lecture sessions on building clinical confidence, restorative workflow with the iTero Element® scanner, patient acceptance, digital integration, team impact, and mastering social media

12

panel discussions and TED Talk-style presentations on treatment and practice best practices

+

live demos for ClinCheck® plan review and new patient exams
iTero scanner hands-on training workshops
a 1:1 Instagram clinic to help you get started or optimize your strategy
Iron Records speed-scanning competition and **Invisalign Case Shoot-out**
1:1 Treat process simulation sessions for real-time case setups
expert help from Align's Costa Rica Treat team
dedicated Innovation Pavilion time to immerse yourselves in Invisalign and iTero treatment options for every patient in your practice

1

dynamic weekend designed to help your entire team excel, compete, and thrive!

Upcoming:

The 2019 Invisalign GP Summit

- November 15 – 17, 2019

2019 Invisalign GP Summit  iTero

Made for you

Your patients. Your practice.

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 Appendix

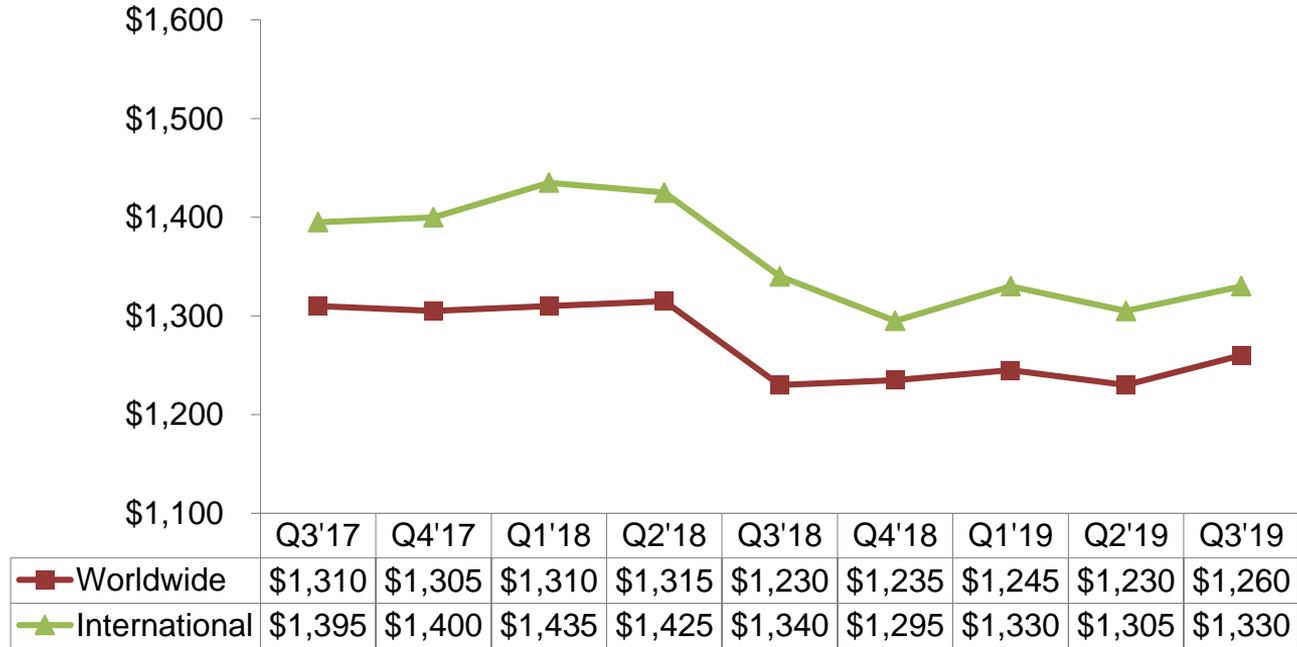
3 to 5 year financial model targets

| | Q3'18 Actual | Q2'19 Actual | Q3'19 Actual | 3 – 5 Year Model |
|-------------------------|-----------------|-----------------|-----------------|---------------------|
| Annual Revenue Growth % | 31.2% | 22.5% | 20.2% | 20% - 30% |
| Gross Margin | 73.6% | 72.0% | 72.0% | 73% - 78% |
| Operating Expense % | 48.8% | 42.6% | 51.1% | 45% - 50% |
| Operating Margin | 24.8% | 29.4% | 20.9% | 25% - 30% |
| Free Cash Flow* | 8.4% | 22.0% | 34.2% | 20% - 25% |

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

Invisalign average selling price (ASP)

Worldwide and international

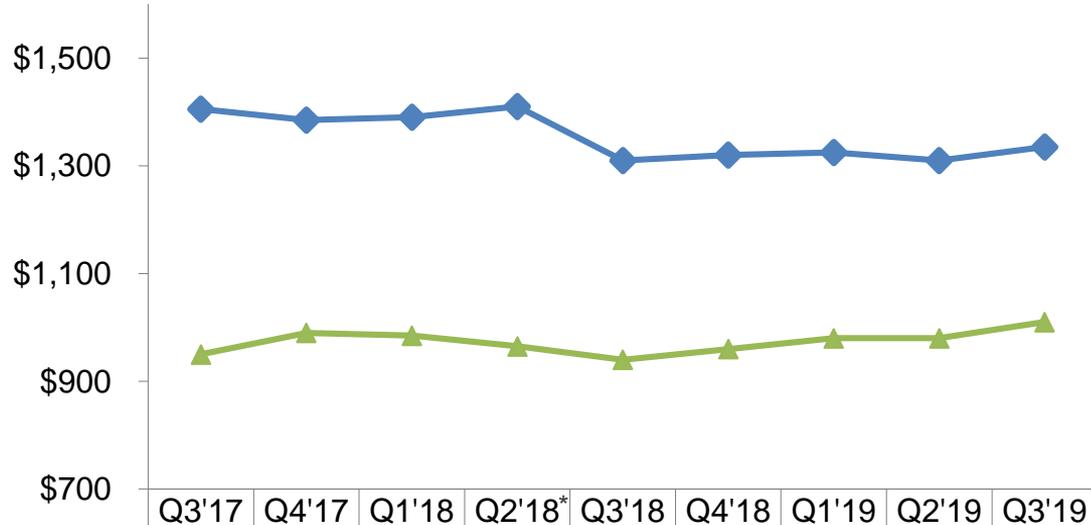


ASP: Invisalign case revenue / Invisalign case shipments

Effective Q1'18, Americas region includes North America and LATAM. International region includes EMEA and APAC. We have re-casted historical International ASP data to reflect the change.

Invisalign average selling price (ASP)

Product groups



| | | | | | | | | | |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| ◆ Comprehensive Products | \$1,405 | \$1,385 | \$1,390 | \$1,410 | \$1,310 | \$1,320 | \$1,325 | \$1,310 | \$1,335 |
| ▲ Non-comprehensive Products | \$950 | \$990 | \$985 | \$965 | \$940 | \$960 | \$980 | \$980 | \$1,010 |

Comprehensive Products: Comprehensive Products include, but not limited to, our Invisalign Comprehensive (formerly known as Invisalign Full and Invisalign Teen), Invisalign Assist and Invisalign First

Non-Comprehensive Products: Non-Comprehensive Products include, Invisalign Express 10, Invisalign Express 5, Express Package, Lite Package and Invisalign Go products

ASP: Invisalign case revenue / Invisalign case shipments

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 invisalign | iTero