



July 27, 2017

Align Technology Announces Record Second Quarter 2017 Results

SAN JOSE, CA -- (Marketwired) -- 07/27/17 --

- Q2 revenues up 32.3% year-over-year, up 14.9% sequentially to a record \$356.5 million
- Q2 Invisalign case shipments for North America and International were up year-over-year 27.6% and 37.4%, respectively
- Q2 Invisalign case shipments to teenage patients up 37.6% year-over-year, up 12.6% sequentially reaching a milestone of 1 million teen patients who have started Invisalign treatment
- Q2 diluted EPS \$0.85, up 37.1% year-over-year

Align Technology, Inc. (NASDAQ: ALGN) today reported financial results for the second quarter ended June 30, 2017. Invisalign case shipments in the second quarter of 2017 (Q2'17) were 231.9 thousand, a 31.0% increase year-over-year. For Q2'17, revenues were \$356.5 million, a 32.3% increase year-over-year, and net profit was \$69.2 million, or \$0.85 per diluted share, up 37.1% per diluted share compared to the same period in the prior year.

Commenting on Align's Q2 2017 results, Align Technology President and CEO Joe Hogan said, "Our second quarter results were better than expected across key financial metrics including revenue, volume, margins, and EPS. Q2 revenues increased 32.3% year-over-year driven by strong Invisalign case shipments across all channels and especially in the teen segment. Solid execution of our strategy and key investments continue to deliver strong growth across the board, with record Invisalign volume in almost every geography. The second quarter also had an all-time high of nearly 5,000 newly trained Invisalign doctors in a quarter. Our iTero scanner business also performed well this quarter with revenues up 36.7% year-over-year."

GAAP Summary Financial Comparisons

Second Quarter Fiscal 2017

	Q2'17	Q1'17	Q2'16	Q/Q Change	Y/Y Change
Invisalign Case Shipments*	231,890	208,060	176,995	+11.5%	+31.0%
Net Revenues	\$356.5M	\$310.3M	\$269.4M	+14.9%	+32.3%
Clear Aligner**	\$321.0M	\$282.4M	\$243.4M	+13.7%	+31.9%
Scanner & Services	\$35.4M	\$27.9M	\$25.9M	+26.9%	+36.7%
Net Profit	\$69.2M	\$69.4M	\$50.1M	(0.3)%	+37.9%
Diluted EPS	\$0.85	\$0.85	\$0.62	\$0.00	+\$0.23

Note: Changes and percentages are based on actual values and may effect totals due to rounding

* Invisalign Shipment figures does not include SmileDirectClub aligners

** Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners

As of June 30, 2017, Align had \$676.6 million in cash, cash equivalents and marketable securities compared to \$644.2 million as of March 31, 2017. During Q2'17, we paid \$50 million under an accelerated stock repurchase plan ("ASR") in which we received an initial delivery of approximately 0.3 million shares of common stock. The final number of shares repurchased will be determined at completion of the ASR based on Align's volume-weighted average stock price during the term of the ASR, less an agreed upon discount. There remains approximately \$250 million available for repurchases under the existing stock repurchase authorization.

On July 24, 2017, Align increased the revolving line of credit with SmileDirectClub, LLC to \$30.0 million and purchased an additional 2% equity interest in SmileDirectClub for \$12.8 million. As a result of this purchase, the Company now holds a 19% equity interest, on a fully diluted basis. Additionally, on July 24, 2017, Align entered into an agreement to purchase a new facility in Costa Rica for \$26.1 million.

Q2 2017 Business Highlights

The following list highlights Align's key announcements for the second quarter:

- | **Opens New Invisalign Treatment Planning Facility in Chengdu, China:** Align announced its first manufacturing operations in China and represents the Company's commitment to geographic expansion and investment in the Asia Pacific region. The Chengdu Treatment Planning and Training Centre of Excellence will provide treatment planning services for Invisalign providers in China.
- | **Launched TimeLapse Technology for Scan Comparisons and 1 Minute Scan:** Align announced a software upgrade for its iTero Element® intraoral scanners that includes the ability to compare patient scans over time with the new TimeLapse technology, providing general practitioner dentists and orthodontists with enhanced visualization, assessment and communication tools. In addition, with the 1.5 software upgrade, patient scans can be completed in as little as 1 minute.
- | **Receives U.S. Patents for SmartTrack Material:** Align announced that two U.S. Patents, Nos. 9,655,691 and 9,655,693, have been issued by the United States Patent and Trademark Office (USPTO) for SmartTrack aligner material, used exclusively for Invisalign aligner treatment. Launched commercially in 2013, Align's proprietary SmartTrack material is an innovative multi-layer polymer that delivers more gentle, constant force to improve control of tooth movements with Invisalign clear aligners.
- | **Reaches 1 Million Invisalign Teen-aged Patients:** Align announced that 1 million teenage patients have started treatment with Invisalign, the most advanced clear aligner system in the world. This is a significant accomplishment for the company and its more than 100,000 Invisalign-trained doctors, reflecting increasing preference for Invisalign clear aligners for teenage orthodontic treatment.
- | **Global Funding Awarded Toward Advancing Orthodontic and Dental Research:** Align announced twelve recipients of research grants under the company's Annual Research Award Program. Now in its eighth year of funding, nearly \$300,000 is being awarded for 2017 to researchers at universities in North America, Europe and Asia Pacific.
- | **Launched Invisalign Brand Marketing Campaign:** Align announced that it has launched a comprehensive, multi-million dollar marketing campaign for its Invisalign brand designed to challenge metal braces as the status quo method for straightening teen teeth.

Q3 2017 Business Outlook

For the third quarter of 2017 (Q3'17), Align provides the following guidance:

- | Invisalign case shipments in the range of 231 thousand to 234 thousand, up approximately 30% to 32% over the same period a year ago.
- | Net revenues in the range of \$355 million to \$360 million, up approximately 27% to 29% over the same period a year ago.
- | Diluted EPS in the range of \$0.78 to \$0.81, which includes \$0.01 of excess tax benefit.

Align Web Cast and Conference Call

Align will host a conference call today, July 27, 2017 at 4:30 p.m. ET, 1:30 p.m. PT, to review its second quarter 2017 results, discuss future operating trends and the business outlook. The conference call will also be web cast live via the Internet. To access the webcast, go to the "Events & Presentations" section under Company Information on Align's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial 201-689-8261. An archived audio web cast will be available beginning approximately one hour after the call's conclusion and will remain available for approximately 12 months. Additionally, a telephonic replay of the call can be accessed by dialing 877-660-6853 with conference number 13665263 followed by #. For international callers, please dial 201-612-7415 and use the same conference number referenced above. The telephonic replay will be available through 5:30 p.m. ET on August 10, 2017.

About Align Technology, Inc.

Align Technology designs and manufactures the Invisalign® system, the most advanced clear aligner system in the world, and iTero® intraoral scanners and services. Align's products help dental professionals achieve the clinical results they expect and deliver effective, cutting-edge dental options to their patients. Visit www.aligntech.com for more information.

For additional information about the Invisalign system or to find an Invisalign provider in your area, please visit www.invisalign.com. For additional information about iTero digital scanning system, please visit www.itero.com.

Forward-Looking Statement

This news release, including the tables below, contains forward-looking statements, including statements regarding certain business metrics for the third quarter of 2017, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, tax rate and case shipments. Forward-looking statements contained in this news release and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such a difference include, but are not limited to, difficulties predicting customer and consumer purchasing behavior, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, 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, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, the security of customer and/or patient data is compromised for any reason, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to 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, 2016, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2017, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, which was filed with the SEC on May 4, 2017. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

ALIGN TECHNOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30, 2017</i>	<i>June 30, 2016</i>	<i>June 30, 2017</i>	<i>June 30, 2016</i>
Net revenues	\$ 356,482	\$ 269,362	\$ 666,823	\$ 508,082
Cost of net revenues	85,565	64,146	160,281	122,239
Gross profit	270,917	205,216	506,542	385,843
Operating expenses:				
Selling, general and administrative	162,964	121,467	314,112	233,677
Research and development	24,384	18,613	47,188	33,696
Total operating expenses	187,348	140,080	361,300	267,373
Income from operations	83,569	65,136	145,242	118,470
Interest and other income (expense), net	3,212	125	4,857	(302)
Net income before provision for income taxes and equity in losses of investee	86,781	65,261	150,099	118,168
Provision for income taxes	15,387	15,113	8,164	27,474
Equity in losses of investee, net of tax	2,215	-	3,336	-

Net income	<u>\$ 69,179</u>	<u>\$ 50,148</u>	<u>\$ 138,599</u>	<u>\$ 90,694</u>
Net income per share:				
Basic	<u>\$ 0.86</u>	<u>\$ 0.63</u>	<u>\$ 1.73</u>	<u>\$ 1.14</u>
Diluted	<u>\$ 0.85</u>	<u>\$ 0.62</u>	<u>\$ 1.70</u>	<u>\$ 1.11</u>
Shares used in computing net income per share:				
Basic	<u>80,188</u>	<u>79,951</u>	<u>80,047</u>	<u>79,891</u>
Diluted	<u>81,631</u>	<u>81,281</u>	<u>81,668</u>	<u>81,440</u>

ALIGN TECHNOLOGY, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 358,182	\$ 389,275
Marketable securities, short-term	243,786	250,981
Accounts receivable, net	291,694	247,415
Inventories	35,133	27,131
Prepaid expenses and other current assets	<u>74,427</u>	<u>38,176</u>
Total current assets	1,003,222	952,978
Marketable securities, long-term	74,619	59,783
Property, plant and equipment, net	255,539	175,167
Equity method investments	41,724	45,061
Goodwill and intangible assets, net	91,308	81,998
Deferred tax assets	61,783	67,844
Other assets	<u>22,992</u>	<u>13,320</u>
Total assets	<u>\$ 1,551,187</u>	<u>\$ 1,396,151</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 45,953	\$ 28,596
Accrued liabilities	158,838	134,332
Deferred revenues	<u>220,005</u>	<u>191,407</u>
Total current liabilities	424,796	354,335
Income tax payable	44,581	45,133
Other long term liabilities	<u>3,522</u>	<u>1,294</u>
Total liabilities	472,899	400,762
Total stockholders' equity	<u>1,078,288</u>	<u>995,389</u>
Total liabilities and stockholders' equity	<u>\$ 1,551,187</u>	<u>\$ 1,396,151</u>

ALIGN TECHNOLOGY, INC.
 STOCK-
 BASED COMPENSATION
 (in thousands)

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Fiscal 2016	Q1 2017	Q2 2017
Stock-based Compensation (SBC)							
SBC included in Gross Profit	\$ 961	\$ 932	\$ 995	\$ 1,078	\$ 3,966	\$ 925	\$ 768
SBC included in Operating Expenses	11,563	12,767	12,716	13,136	50,182	13,887	13,477
Total SBC Expense	<u>\$ 12,524</u>	<u>\$ 13,699</u>	<u>\$ 13,711</u>	<u>\$ 14,214</u>	<u>\$ 54,148</u>	<u>\$ 14,812</u>	<u>\$ 14,245</u>

ALIGN TECHNOLOGY, INC.
 INVISALIGN BUSINESS METRICS*

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Fiscal 2016	Q1 2017	Q2 2017
Invisalign Average Selling Price (ASP):							
Worldwide ASP	\$ 1,255	\$ 1,285	\$ 1,285	\$ 1,230	\$ 1,265	\$ 1,270	\$ 1,285
International ASP	\$ 1,315	\$ 1,345	\$ 1,365	\$ 1,315	\$ 1,335	\$ 1,325	\$ 1,335
Invisalign Cases Shipped by Geography:							
North America	110,500	114,855	115,900	122,555	463,810	132,885	146,510
International	53,195	62,140	61,855	67,500	244,690	75,175	85,380
Total Cases Shipped	<u>163,695</u>	<u>176,995</u>	<u>177,755</u>	<u>190,055</u>	<u>708,500</u>	<u>208,060</u>	<u>231,890</u>
YoY % growth	25.2%	22.4%	20.5%	18.5%	21.5%	27.1%	31.0%
QoQ % growth	2.1%	8.1%	0.4%	6.9%		9.5%	11.5%
Number of Invisalign Doctors Cases Were Shipped To:							
North America	22,355	22,575	22,570	23,265	34,065	23,910	24,695
International	11,280	12,485	12,720	13,635	20,415	14,955	16,570
Total Doctors Cases Shipped To	<u>33,635</u>	<u>35,060</u>	<u>35,290</u>	<u>36,900</u>	<u>54,480</u>	<u>38,865</u>	<u>41,265</u>
Invisalign Doctor Utilization Rates*:							
North America	4.9	5.1	5.1	5.3	13.6	5.6	5.9
North American Orthodontists	10.4	10.7	11.1	11.3	36.6	12.6	13.6
North American GP Dentists	3.0	3.1	3.0	3.2	7.6	3.1	3.3
International	4.7	5.0	4.9	5.0	12.0	5.0	5.2
Total Utilization Rates	4.9	5.1	5.0	5.2	13.0	5.4	5.6

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

Number of Invisalign Doctors Trained:								
North America	875	1,125	1,300	1,420	4,720	980	1,620	
International	1,605	1,760	1,315	2,280	6,960	2,280	3,255	
Total Doctors Trained Worldwide	2,480	2,885	2,615	3,700	11,680	3,260	4,875	
Total to Date Worldwide	106,270	109,155	111,770	115,470	115,470	118,730	123,605	

Note: Historical public data may differ due to rounding. Additionally, rounding may effect totals.

*Invisalign business metrics exclude SmileDirectClub aligners.

ALIGN TECHNOLOGY, INC.
BUSINESS OUTLOOK SUMMARY
(unaudited)

The outlook figures provided below and elsewhere in this press release are approximate in nature since Align's business outlook is difficult to predict. Align's future performance involves numerous risks and uncertainties and the company's results could differ materially from the outlook provided. Some of the factors that could affect Align's future financial performance and business outlook are set forth under "Forward Looking Information" above in this press release.

Financial Outlook

(in millions, except per share amounts and percentages)

	Q3'17 Guidance	
	GAAP	
Net Revenues	\$355.0 - \$360.0	
Gross Margin	74.7% - 75.7%	
Operating Expenses	\$184.5 - \$187.5	
Operating Margin	22.7% - 23.6%	
Net Income per Diluted Share	\$0.78 - \$0.81	(1)

Business Metrics:

	Q3'17	
Case Shipments	231.0K - 234.0K	
Capital Expenditure	\$70M - \$75M	
Depreciation & Amortization	\$9.5M - \$10.0M	
Diluted Shares Outstanding	81.8M*	(2)
Stock Based Compensation Expense	\$14.9M	
Effective Tax Rate	21.0%	(1)

(1) Includes the benefit from the adoption of the new accounting standard update for share-based compensation

(2) Excludes any stock repurchases during the quarter

Investor Relations Contact

Yin Cantor

Align Technology, Inc.

(408) 470-1044

ycantor@aligntech.com

Press Contact

Shannon Mangum Henderson

Ethos Communication, Inc.

(678) 261-7803

align@ethoscommunication.com

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