invisalign iTero

ALIGN TECHNOLOGY, INC.

Financial Results
Q1 2016

Align Technology, Inc – Q1 2016 Financial Results

Conference Call

- Speakers:
  - Joe Hogan, President and CEO
  - David White, CFO
  - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Web cast Archive
  - Telephone replay will be available through 5:30pm ET May 12, 2016
  - Domestic callers: 877-660-6853
  - International callers: 201-612-7415
  - Conference # 13634117
  - 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 contains forward-looking statements, including statements regarding certain business metrics for the second quarter of 2016, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, 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, the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, our ability to successfully achieve the anticipated benefits from the scanner and services business, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission on February 25, 2016. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

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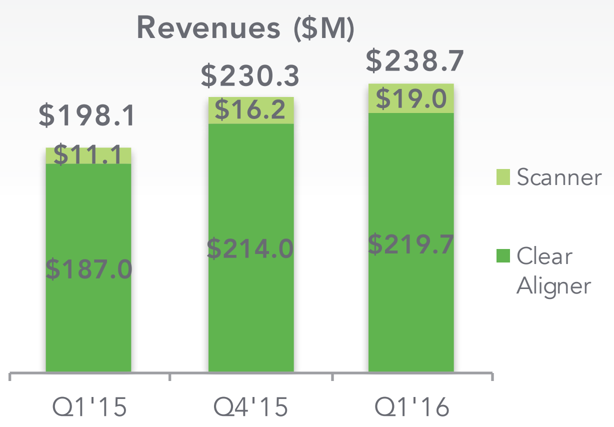
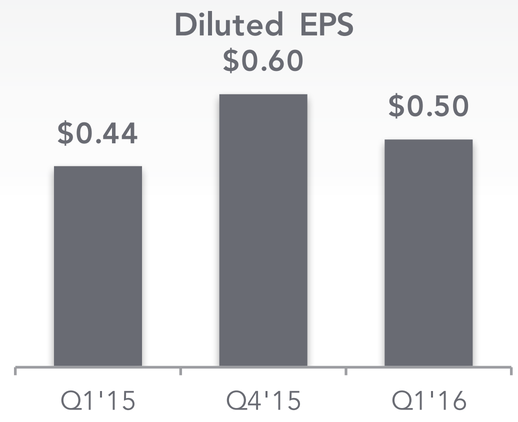
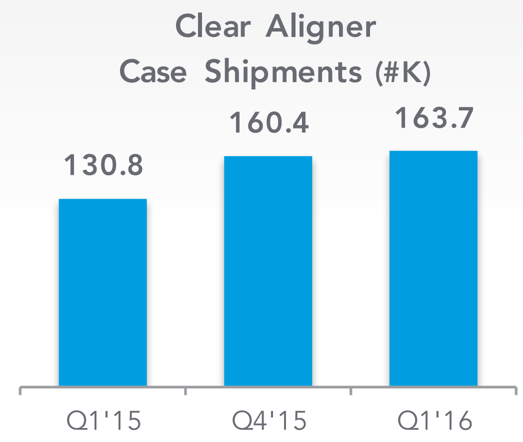
Q1 2016 Financial Highlights







- Q1 was a solid start to 2016 with better than expected revenue and earnings, driven by continued strong year-over-year Invisalign volume across our customer base, with North America up 21% and international up 34%.
- Demand for our new iTero Element scanner remains strong driving a 72% year-over-year increase in scanner and services revenues.

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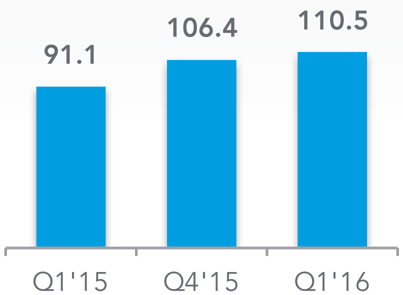
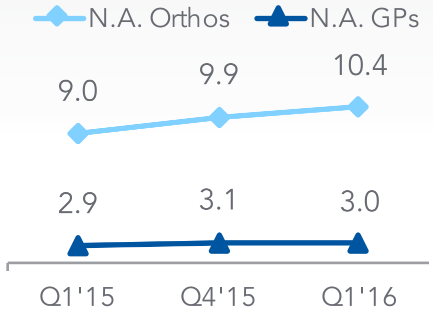
Q1 2016 Clear Aligner Highlights

Shipments and Utilization

North America Case Shipments (#K)

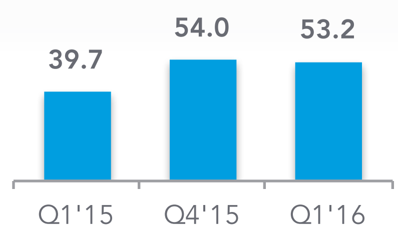


N.A. Utilization

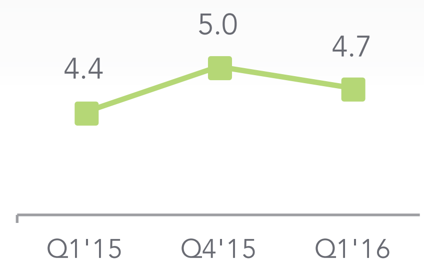


- +3.9% Q/Q, +21.3% Y/Y
- Q/Q: growth was driven primarily from our North America orthodontist customers who achieved record utilization
- Y/Y: growth rate continues to outpace the 3-year average and was driven by continued increase in Ortho utilization and expansion of our GP customer base.

International Case Shipments (#K)



International Utilization



- -1.5% Q/Q, +34.1% Y/Y
- Q/Q: down sequentially as expected given the seasonally slower period in Europe due to winter holidays
- EMEA Q1 volume up 33.7% Y/Y growth across core European countries. Especially strong in Spain, up 70% Y/Y. Our newer geographies also performed well year-over-year, with BeNeLux, Eastern Europe and the Nordic markets up at least 90% Y/Y.
- APAC Q1 volume was up 35.0% Y/Y led by China and Japan, which were both up 50% Y/Y or more. Growth in Southeast Asia and Taiwan up over 40% Y/Y.

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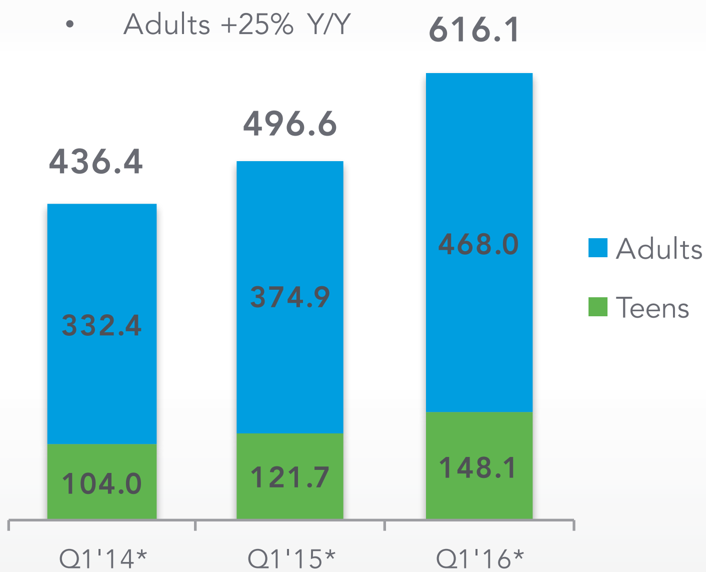
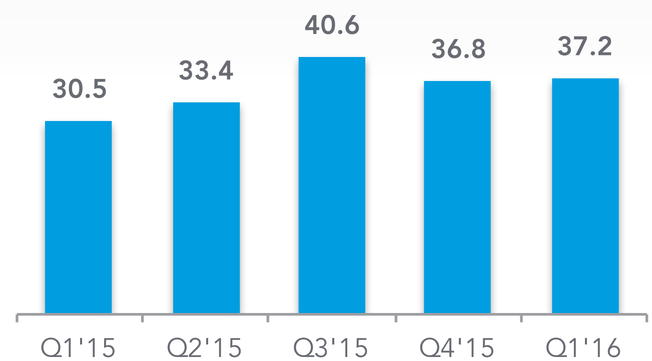
Q1 2016 Clear Aligner Highlights
Teens and Adults

Annualized Teen & Adult Case Mix (#K)

Trailing 12 month growth
- Teens +22% Y/Y
- Adults +25% Y/Y



Quarterly Teenage Patients Case Shipments (#K)



- Q1'16 teenage cases +22% Y/Y, reflecting continued adoption of Invisalign treatment for teenagers 11-19 years.
- On a 12-month basis, 148K teens started orthodontic treatment with Invisalign w/ average age ~15 years old.
- Adult growth outpacing teens due to higher international growth where focus is on adults, especially in EMEA.
- Beginning to make progress in international Q1 + 30% Y/Y

* Trailing 12 months case shipments

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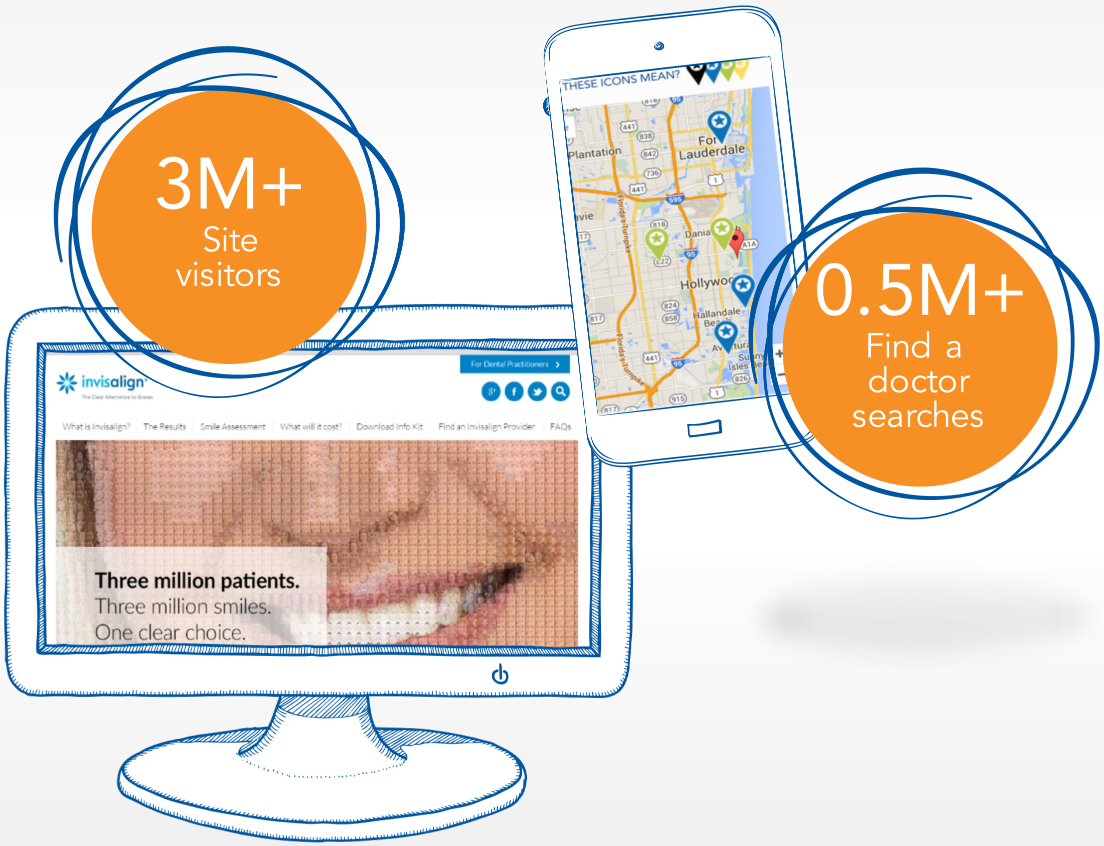
Q1 2016 Invisalign Clear Aligner Consumer Highlights



- Integrated consumer marketing campaigns leverage traditional paid media, search, digital marketing, PR and social media to engage consumers at every point in the consumer purchase.
- Consumer interest and demand for Invisalign treatment continues to grow.
- Total unique web visitors to Invisalign.com (or its regional equivalent) +30% to 3M, and total consumers who searched for an Invisalign-provider +27% to nearly half a million.

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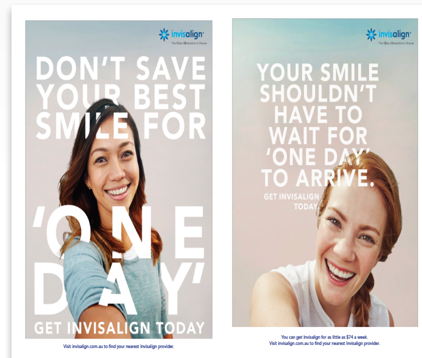
Q1 2016 Invisalign Clear Aligner Consumer Highlights

North America

- New Year New You campaign kicked in 2016
- Focus on patient stories within social media

EMEA

- Social Media Community grew steadily vs same period last year



APAC

- Focus on consumer education
- Several major campaigns in China, Australia, New Zealand and Japan

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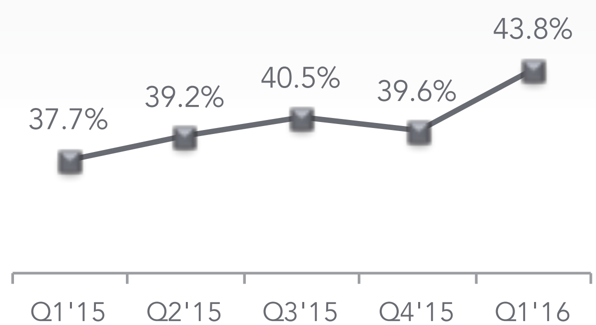
Q1 2016 Scanner and Services Highlights

Scanner Revenues ($M)

% of Digitally Submitted Invisalign Cases*



iTero® element™

- Q1 revenues +17.2% Q/Q and +72.0% Y/Y
- Demand for the iTero Element scanner continues to expand our installed base, fueled primarily by North American Orthodontists.
- Q1: 94% of our top 1% / Elite Orthos had purchased at least one scanner and 64% of our top 1% / Elite GPs had purchased a scanner for their practice.

*North America digital scans

- For Q1, total Invisalign cases submitted with a digital scanner worldwide increased to 36%, which reflects a record 44% from NA and 18% from International doctors.
- Digitally submitted cases predominantly from our iTero scanner, we are beginning to see some uptake from 3M's Tru Definition and Sirona's Omnicam
- In Q4'16 3Shape's TRIOS® Standard, TRIOS Color and TRIOS 3 scanners that will be qualified for Invisalign case submission upon completion of the final validation process.

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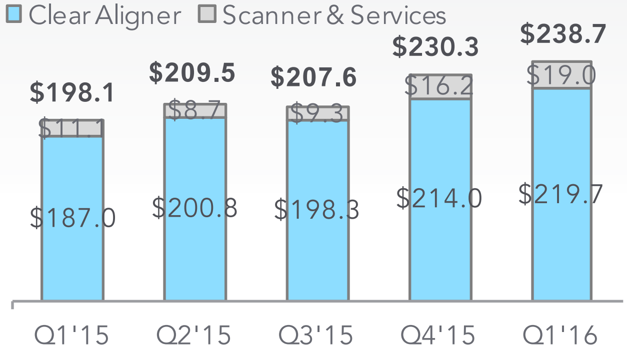
Q1 2016 Financial Review

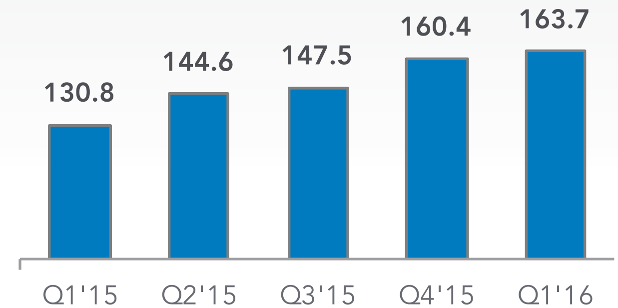
David White
CFO

Q1 2016 Trended Financials

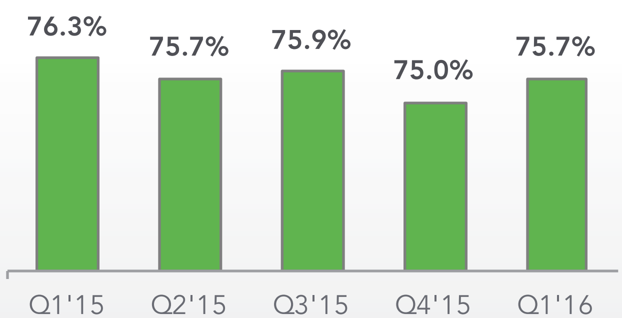
WW Net Revenues ($M)



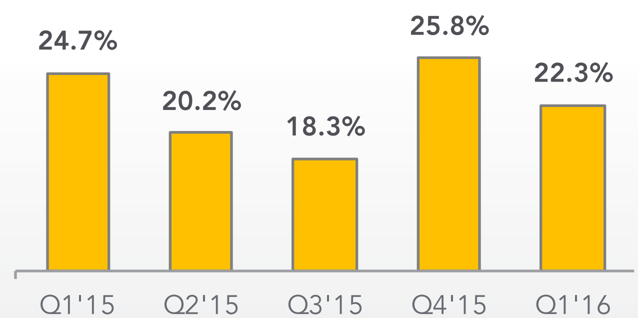
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %



- Notes: Rounding may effect totals.
- Align implemented its new Additional Aligners policy on July 18, 2015. Refer to slide 20 for constant currency and Additional Aligners impact information

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Q1 2016 Income Statement Highlights

(in millions except per share data and percentages)	Q1'16	*Sequential Change*	Q4'15	*Year/Year Change*	Q1'15
Net Revenues	$238.7	*+3.7%*	$230.3	*+20.5%*	$198.1
Gross Margin	75.7%	*+0.7 pts*	75.0%	*(0.6) pts*	76.3%
Operating Expenses	$127.3	*+12.2%*	$113.5	*+24.6%*	$102.2
Operating Margin	22.3%	*(3.5) pts*	25.8%	*(2.4) pts*	24.7%
EPS, diluted	$0.50	*$(0.10)*	$0.60	*$0.06*	$0.44

On a year-over-year comparative basis, Q1'16 revenue growth rate was lower by approximately 5 points, related to the Additional Aligner policy and the impact of foreign currency exchange rates.

Note: Data may not total due to rounding

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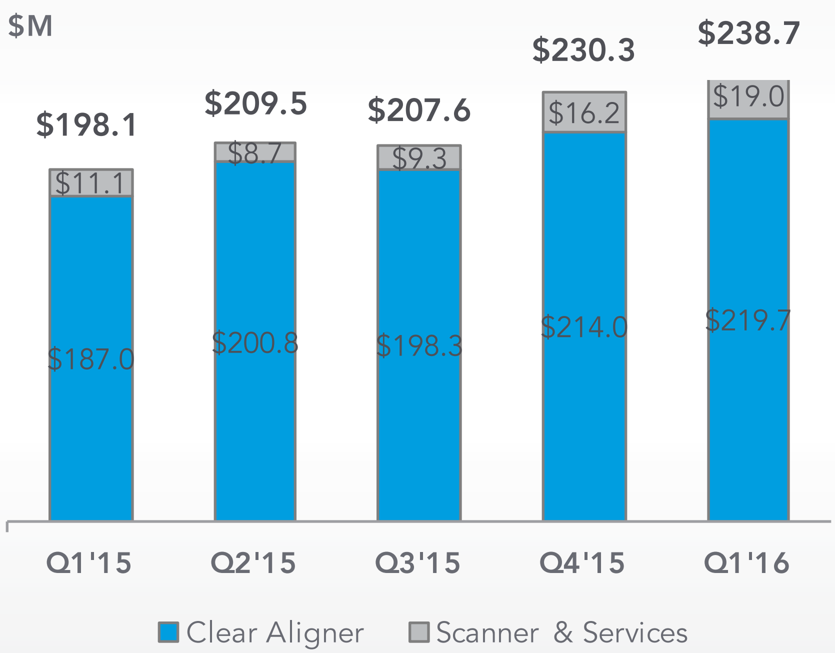
Net Revenues Trend



Q1'16 Net Revenues Highlights

Net revenues of $238.7M, +3.7% Q/Q, +20.5% Y/Y.

- Y/Y comparative basis, Q1 revenue growth rate was lower by ~5 points, related to the Additional Aligner policy and the impact of foreign currency exchange rates.

Clear Aligner net revenues, +2.6% Q/Q, +17.5% Y/Y

- Q/Q increase primarily related to increased clear aligner volumes
- ASPs up ~$5 Q/Q due to more additional aligner submissions and fewer promotions, partially offset by FX rates and a small shift in product mix towards our low end products – driven by the single arch option we introduced last year.
- Y/Y growth across all customer channels and geographies, partially offset by lower ASPs, primarily related to Additional Aligner policy change and FX rates.

Scanner & Services net revenues. +17.2% Q/Q, +72.0% Y/Y

- Pleased with continued strong demand for the iTero Element.
- Production capacity has been more constrained than expected as we strive to ramp production and work down backlog .

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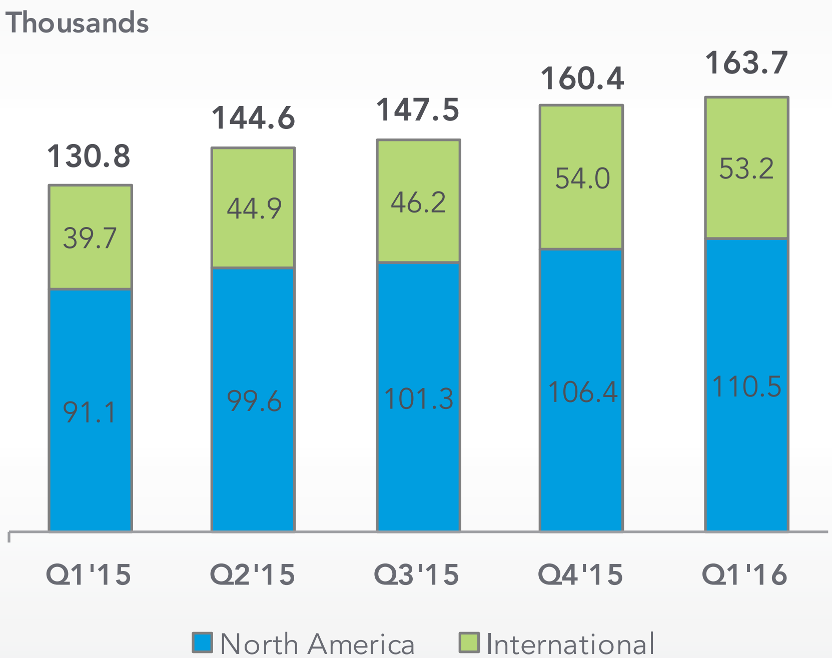
Clear Aligner Shipments Trend



Note: Data may not total due to rounding

Q1'16 Clear Aligner Shipment Highlights

Shipments of 163.7K, +2.1% Q/Q, +25.2% Y/Y

- Q/Q reflecting growth predominantly from our North American orthodontist customers
- Y/Y driven by growth across all regions

Channel Highlights

- N.A. Orthodontists +7.0% Q/Q, +23.6% Y/Y
- N.A. GP Dentists +0.2% Q/Q, +18.6% Y/Y
- International (1.5)% Q/Q, +34.1% Y/Y

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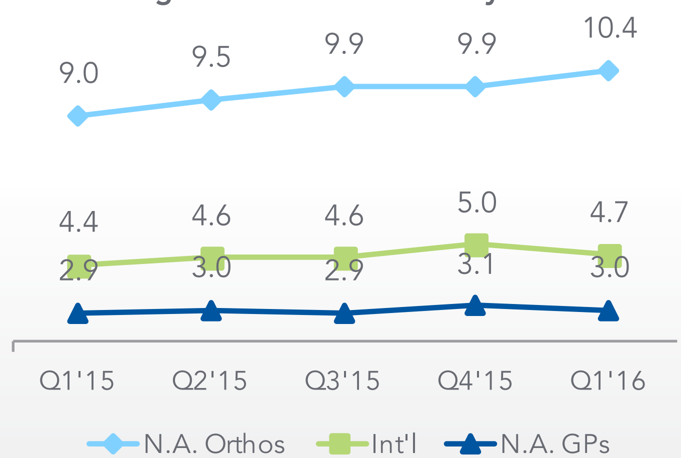
Q1 2016 Clear Aligner Adoption Metrics
Invisalign Doctor Training and Utilization

- 2,470 new Invisalign-trained doctors in Q1'16
  - 870 North America
  - 1,600 International

- Q1'16 doctor utilization 4.9 cases/doctor was flat compared to 4.9 in Q4'15 and 4.5 Q1'15
  - N.A. Orthodontists 10.4, +1.4 pts Y/Y
  - N.A. GP Dentists 3.0, +0.1 pts Y/Y
  - International 4.7, +0.3 pts Y/Y

Quarterly Doctors Trained Worldwide

Average Doctor Utilization by Channel



Utilization = # of cases shipped/# of doctors to whom cases were shipped

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Q1 2016 Geographic Mix by Net Revenues and Volume

Revenue Mix

Net Revenues of $238.7M

Clear Aligner North America: 57%
- +4.7% Q/Q
- +14.2% Y/Y

Clear Aligner International: 29%
- -1.6% Q/Q
- +24.9% Y/Y

Scanner & Services

Clear Aligner Non-case

Scanner & Services: 8%
- +17.2% Q/Q
- +72.0% Y/Y

Clear Aligner Non-case: 6%
- +5.5% Q/Q
- +15.4% Y/Y

Volume Mix

Shipments of 163,695

Clear Aligner North America: 68%
- +3.9% Q/Q
- +21.3% Y/Y

Clear Aligner International: 32%
- -1.5% Q/Q
- +34.1% Y/Y

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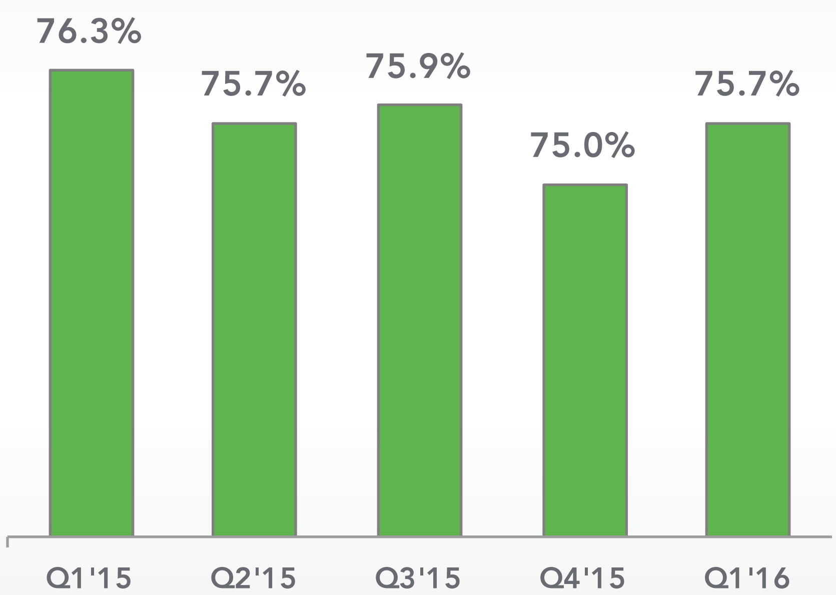
Gross Margin Trend



Q1’16 Gross Margin Highlights

- Gross profit was $180.6M or 75.7% gross margin
- Gross Margin +0.7 pts Q/Q, (0.6) pts Y/Y
- Includes stock based compensation expense of $1.0M

Clear Aligner Gross Margin: 78.3%

- Gross Margin +0.4 pts Q/Q, (0.8) pts Y/Y.
- Q/Q increase driven by lower freights costs from a slightly lower mix of international shipments.
- Y/Y decrease in gross margin was primarily the result of lower clear aligner ASPs related to our new Additional Aligner policy implemented in July last year.

Scanners & Services Gross Margin: 45.0%

- Gross Margin up +7.3 pts Q/Q, +16.7 pts Y/Y.
- Q/Q and Y/Y increase in gross margin was primarily a result of higher ASPs and lower cost of our iTero Element scanner.

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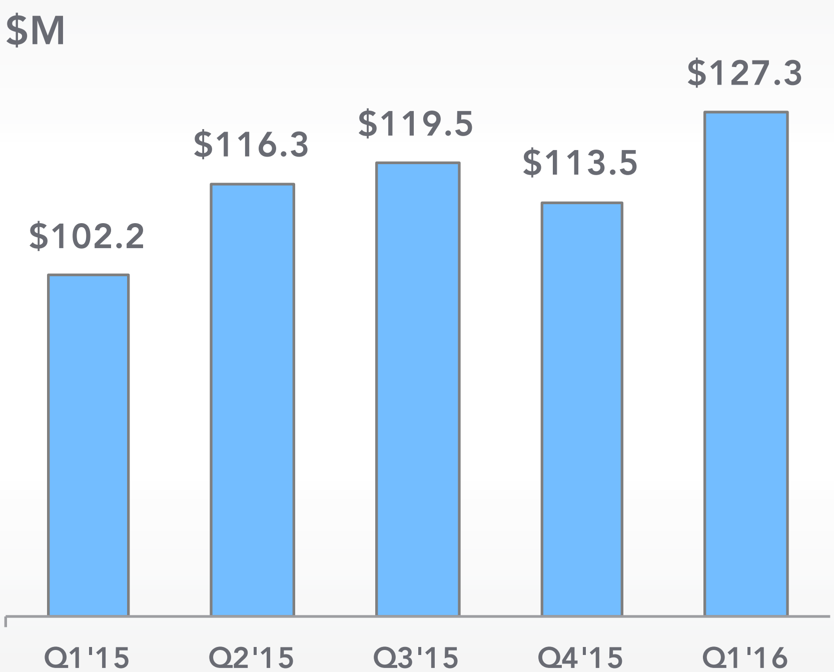
Operating Expense Trend



Q1'16 Operating Expense Highlights

- Operating expense was $127.3M
- Q/Q: +$13.8M due primarily to the planned annual increases in employee compensation and benefits programs, costs associated with our internal sales meeting events that take place in Q1, increased investments in sales and marketing and go-to-market activities as well as our ERP implementation program.
- Q1 operating expenses were lower than outlook due primarily to more ERP costs being capitalized than anticipated. In addition, the timing of certain investments in marketing were delayed to Q2 and 2H16.
- Y/Y: +$25.1M reflecting increased headcount and continued investment in our go-to-market activities incidental to the growth of the business, as well as our ERP implementation.
- Includes stock-based compensation expense of $11.6M
- Recall Q1'15 operating expenses included a benefit of $6.8M associated with a Medical Device Excise Tax Refund.

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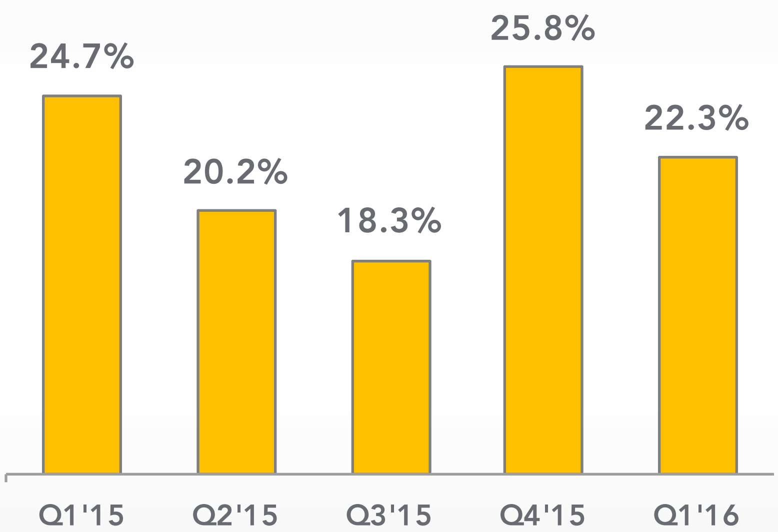
Operating Margin and EPS Trend



EPS	$0.44	$0.39	$0.34	$0.60	$0.50

Q1’16 Operating Margin Highlights

- Operating profit $53.3M and operating margin 22.3%
- Operating margin down (3.5) pts. Q/Q, and down (2.4) pts. Y/Y
- Q/Q decrease due primarily to higher expenses.
- Y/Y impacted by ~2.5 points from the Additional Aligner policy and FX exchange. Also note again that the year-over-year comparison reflects the benefit from the Medial Device Excise Tax in Q1’15 .
- Tax rate was 23.4%, slightly up from our 2015 tax rate of 22.6% and 18.1% in Q4’15. FY 2015 and Q4’15 tax rates are lower primarily as the result of lower tax expense related to the true-up incidental to the filing of certain tax returns, and the renewal of the U.S. R&D tax credit in Q4’15.

EPS Comment

- Q1 was impacted by ~$0.09 per share from the new Additional Aligner policy and the year-over-year impact of currency. Further, recall that Q1’15 included a benefit of $0.06 cents per share associated with the refund of Medical Device Excise Tax.

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Q1 2016 Results Summary
Constant Currency and Additional Aligners Impact Information

(in millions, except EPS)	Q3 2015	Q4 2015	Q1 2016
Net Revenues	$207.6	$230.3	$238.7
FX impact using prior year FX rates	approx +$8.5	approx +$8.2	approx +$2.7
Impact of Additional Aligner deferral	approx +$7.0	approx +$7.0	approx +$7.5
EPS	$0.34	$0.60	$0.50
FX impact on revenues using prior year FX rates	approx +$0.08	approx +$0.08	approx +$0.03
FX impact on OpEx using prior year FX rates	approx $(0.06)	approx $(0.04)	approx $(0.02)
FX impact on Other Income/Expense	+$0.02	+$0.00	+$0.01
Impact of Additional Aligner deferral	+$0.06	+$0.07	approx +$0.07
Impact of Sleep Apnea termination agreement	+$0.02		
Impact of Org Costs	+$0.01		

Align implemented its new Additional Aligners policy on July 18, 2015 in which the Company no longer distinguishes between mid-course corrections and case refinements providing doctors the ability to order additional aligners to address either treatment need at no charge, subject to certain requirements. These changes were effective for all new Invisalign Full, Teen, and Assist treatments shipped worldwide after July 18, 2015, as well as any cases that were open as of this date.

Q1'15 Operating results also included a one-time refund of $6.8M for MDET refund.

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Balance Sheet Highlights

- Use of Cash
  - Q1'16 $22.6M to pay employee taxes for the net settlement of vesting employee stock awards that otherwise would have been issued.
  - Over the last 12 months, these amounts, together with stock repurchases, have amounted to $128.6M.
- Stock Repurchase Program Announcement
  - Announced additional $300M stock repurchase program in addition to the existing $300M authorization announced in April 2014, and brings the total authorization to $600M.
  - Repurchased ~$200M to date. Anticipate repurchase another $100M in next 12 months.
- $680.8M Cash and Cash Equivalent Balance
  - $216.0M held by the U.S
  - $464.8M held by our international entities

(in millions except for DSOs)	Q1'15	Q4'15	Q1'16
Accounts Receivables, net	$138.2	$158.6	$178.0
DSOs	63 days	62 days	67 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	$613.0	$678.7	$680.8

Cash Flow from Operations	$35.7	$79.4	$30.7
Capital Expenditures	$(15.6)	$(16.8)	$(20.2)
Free Cash Flow*	$20.0	$62.6	$10.5

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

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3 to 5 Year Financial Model Targets

	Q1'15 Actual	Q4'15 Actual	Q1'16 Actual	3 – 5 Year Model
Revenue CAGR%				15 - 25%
Gross Margin	76.3%	75.0%	75.7%	73% - 78%
Operating Expense %	51.6%	49.3%	53.3%	45% - 50%
Operating Margin	24.7%	25.8%	22.3%	25% - 30%
Free Cash Flow	10.1%	27.2%	4.4%	20% - 25%

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Factors That Inform Our View of Q2 2016

- For North America, expect Invisalign volumes to be up sequentially from Q1.
- For International, typically see strong sequential growth following Q1 winter holidays in EMEA and the Lunar New Year in APAC.
- For Scanner business, expect revenues to be up sequentially from Q1 as we continue to ramp production for the new iTero Element and fulfill strong backlog and demand. Nothwithstanding this strength, given recent and continuing constraints on production of the new iTero Element, our outlook for scanner revenue growth for the full year is slightly less robust than originally anticipated.
- Expect Q2 gross margin to be slightly down sequentially primarily due to a higher freight cost due to increased mix of international shipments, as well as increased training revenue which carries lower gross margins.
- Expect Q2 operating expenses will increase quarter-over-quarter, based on several factors
  - Q2 will carry the full quarter impact of employee compensation-related costs such as annual wage increases, stock based compensation awards, and new hires.
  - Some investments in sales territory coverage and go-to-market activities that were anticipated in Q1 were delayed to Q2 and the second half of the year. Given our continued success in driving growth and adoption of Invisalign outside the U.S., we do intend to make some incremental investments in the second half of 2016.

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Q2 2016 Outlook

	Q2 2016
Invisalign Case Shipments	174.5 K – 177.0 K
Net Revenues	$253.3 M – $258.3 M
Gross Margin	75.0 % - 75.5 %
Operating Expenses	$142.7 M - $144.2 M
Operating Margin	18.7 % - 19.7 %
Effective tax rate	24.0 %
EPS, diluted	$0.46 - $0.49
Stock based compensation	$14.3 M
Diluted shares outstanding	81.4 M*

*Note: * Excludes any other repurchases during the quarter*

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Supplemental Information

Historical Information as of 3/31/16

Additional Aligner Policy Effective July 18, 2015

- Align implemented its new Additional Aligners policy on July 18, 2015 in which the Company no longer distinguishes between mid-course corrections and case refinements providing doctors the ability to order additional aligners to address either treatment need at no charge, subject to certain requirements.
- These changes were effective for all new Invisalign Full, Teen, and Assist treatments shipped worldwide after July 18, 2015, as well as any cases that were open as of this date. While this policy change was largely immaterial to the Company's cash flows, it did impact the timing at which the Company recognizes revenue.
- The Company estimates Q1'16 revenues and pre tax income were lower by approximately $7.5M due to this change.

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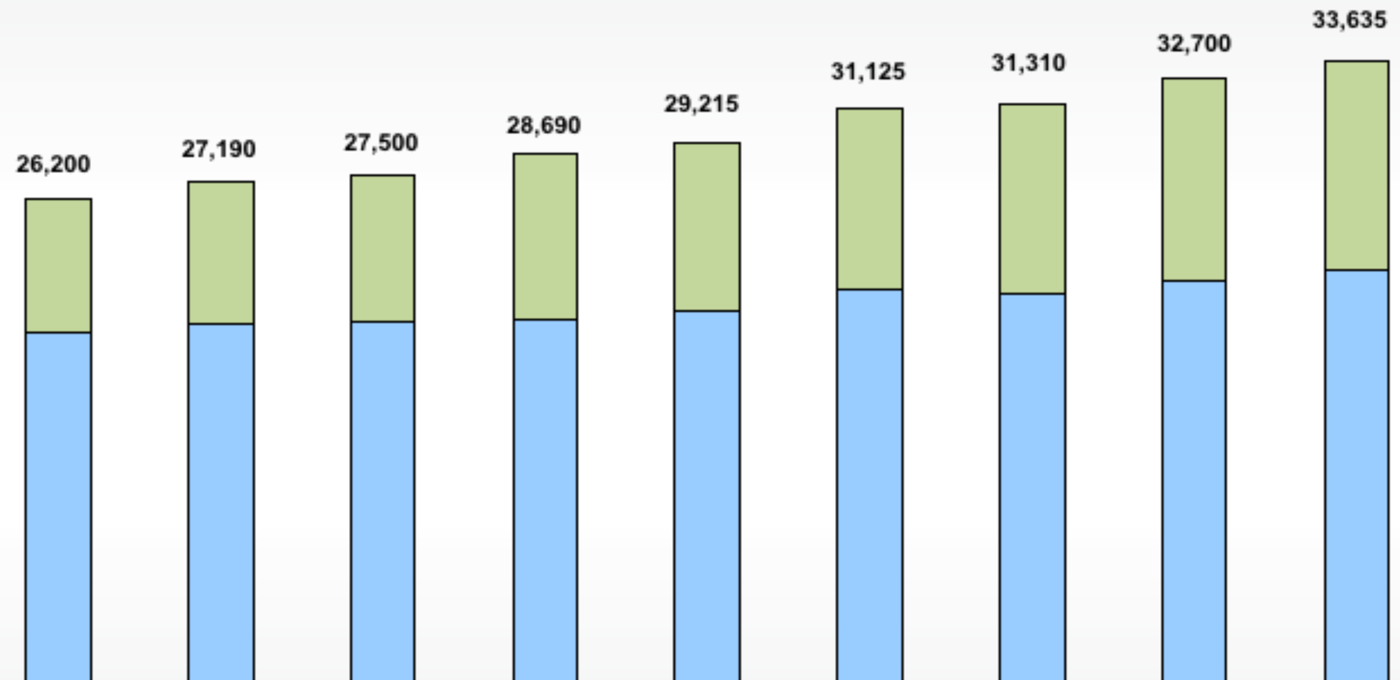
Total Doctors Invisalign Cases Shipped To



	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
International	7,185	7,685	7,950	8,945	9,050	9,790	10,150	10,865	11,280
North America	19,015	19,505	19,550	19,745	20,165	21,335	21,160	21,835	22,355

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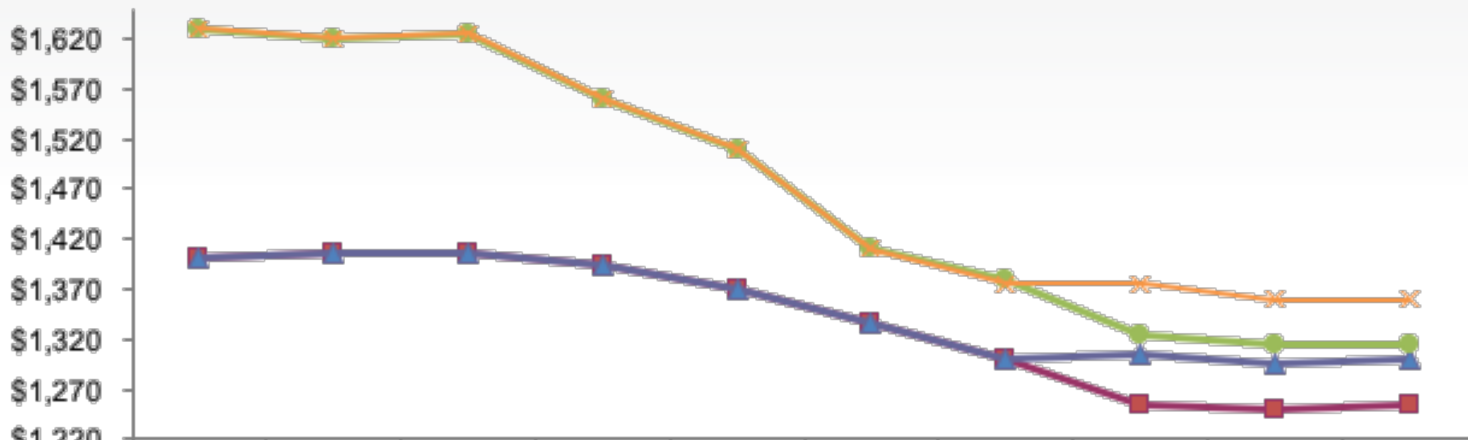
Invisalign Average Selling Price (ASP)
Worldwide and International



	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Worldwide	$1,400	$1,405	$1,405	$1,395	$1,370	$1,335	$1,300	$1,255	$1,250	$1,255
Worldwide, adjusted	$1,400	$1,405	$1,405	$1,395	$1,370	$1,335	$1,300	$1,305	$1,295	$1,300
International	$1,630	$1,620	$1,625	$1,560	$1,510	$1,410	$1,380	$1,325	$1,315	$1,315
International, adjusted	$1,630	$1,620	$1,625	$1,560	$1,510	$1,410	$1,375	$1,375	$1,360	$1,360

ASP: Invisalign case revenue / Invisalign case shipments
ASP adjusted: adjusted for impact of Additional Aligners at No Charge policy launched in July 18, 2015, effective for all new Invisalign Full, Teen, and Assist products, our Full Product Group, as well as any cases that were open as of this date.

Note: *we are no longer listing billed ASPs which were previously provided to reflect revenue prior to impact from product deferrals.*

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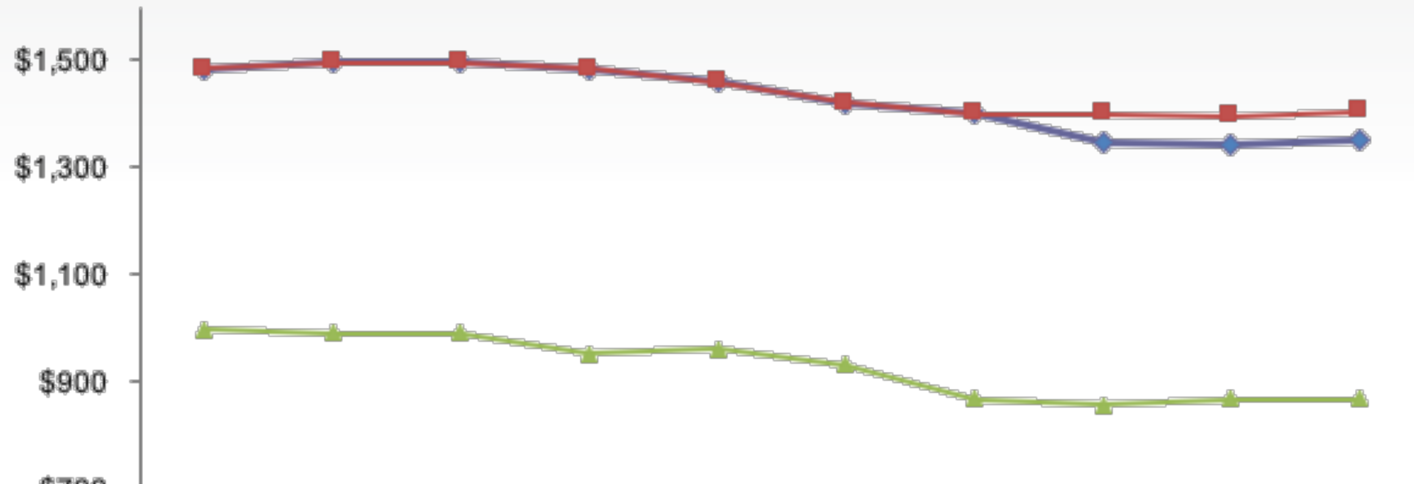
Invisalign Average Selling Price (ASP)
Product Groups



	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Full Products	$1,485	$1,495	$1,495	$1,485	$1,460	$1,420	$1,400	$1,345	$1,340	$1,350
Full Products, adjusted	$1,485	$1,495	$1,495	$1,485	$1,460	$1,420	$1,400	$1,400	$1,395	$1,405
Express Products	$995	$990	$990	$950	$960	$930	$865	$855	$865	$865

Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist
Express Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7

ASP adjusted: adjusted for impact of Additional Aligners at No Charge policy launched in July 18, 2015, effective for all new Invisalign Full, Teen, and Assist products, our Full Product Group, as well as any cases that were open as of this date.

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