



Align Technology, Inc. Reports Q2 2005 Revenues of \$53.9M and EPS of \$0.01

[Additional Quarterly Information](#)

SANTA CLARA, Calif., July 20, 2005 /PRNewswire-FirstCall via COMTEX/ -- Align Technology, Inc. (Nasdaq: ALGN), the inventor of Invisalign[®], a proprietary method of straightening teeth without wires and brackets, today reported financial results for the second quarter of 2005. Total revenues for the second quarter of 2005 were \$53.9 million, compared to \$44.2 million in the second quarter of 2004, an increase of 22.0 percent.

"We are pleased with our financial results for the second quarter 2005, especially given the emergence of competition in the marketplace," stated Thomas M. Prescott, Align Technology's President and CEO. "Align is on track to execute key strategic programs, and our employees are as excited and committed as ever to building a great company for our customers and shareholders."

The net profit for the second quarter of 2005, as reported on a GAAP basis, was \$538 thousand, or earnings per share (EPS) of \$0.01. This compares to a GAAP net profit of \$3.8 million for the second quarter of 2004, or EPS of \$0.06 per share. For comparison purposes, this also compares to a non-GAAP net profit of \$5.6 million for the second quarter of 2004 or non-GAAP EPS of \$0.09. Non-GAAP net profit excludes the effects of stock-based compensation. The reconciliation of the GAAP to non-GAAP measurements for net profit and EPS is set forth below within Align Technology's financial statements.

As of June 30, 2005, Align had \$73.4 million in cash and cash equivalents, compared to \$70.0 million as of December 31, 2004.

Align Webcast and Conference Call

Align Technology will host a webcast and conference call today, July 20, 2005 at 10:00 a.m. EDT, 7:00 a.m. PDT, to review the second quarter of 2005 results and discuss future operating trends and guidance. To access the webcast, click on "Webcasts & Presentations" on Align Technology's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial 201-689-8341 approximately fifteen minutes prior to the start of the call. If you are unable to listen to the call, an archived web cast will be available beginning approximately one hour after the call's conclusion and will be available on our website. Additionally, a telephonic replay of the call can be accessed by dialing 877-660-6853 with account number 292 followed by # and conference number 151233 followed by #. The replay may be accessed from international locations by dialing 201-612-7415 and using the same account and conference numbers referenced above. The telephonic replay will be available through 5:30 p.m. EDT on August 3, 2005.

About Align Technology, Inc.

Align Technology designs, manufactures and markets Invisalign, a proprietary method for treating malocclusion, or the misalignment of teeth. Invisalign corrects malocclusion using a series of clear, nearly invisible, removable appliances that gently move teeth to a desired final position. Because it does not rely on the use of metal or ceramic brackets and wires, Invisalign significantly reduces the aesthetic and other limitations associated with braces. Invisalign is appropriate for treating adults and older teens. Align Technology was founded in April 1997 and received FDA clearance to market Invisalign in 1998.

To learn more about Invisalign or to find a certified Invisalign doctor in your area, please visit www.invisalign.com or call 1-800-INVISIBLE.

Forward-Looking Statements

This news release contains forward-looking statements, including statements regarding Align's statement that it is on track to execute key strategic programs. Forward-looking statements contained in this news release 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, risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, Align's limited operating history, competition from manufacturers of traditional braces and new competitors, including OrthoClear, demand for Invisalign and acceptance of Invisalign and any new enhancements or new products by consumers and dental professionals, our ability to develop and

successfully introduce new products, Align's ability to protect its intellectual property rights, potential intellectual property or product liability claims or litigation, and the loss of key personnel including members of Align's direct sales force. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2004, which was filed with the Securities and Exchange Commission on March 3, 2005, and its Quarterly Reports on Form 10-Q. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

ALIGN TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
(in thousands, except per share data)				
Revenues	\$ 53,940	\$44,204	\$105,095	\$83,409
Cost of revenues	16,620	14,250	32,098	27,643
Gross profit	37,320	29,954	72,997	55,766
Operating expenses:				
Sales and marketing	21,049	13,399	40,183	26,671
General and administrative	9,723	8,656	19,234	16,933
Research and development	5,355	3,558	10,258	6,904
Total operating expenses	36,127	25,613	69,675	50,508
Profit from operations	1,193	4,341	3,322	5,258
Interest and other income (expense), net	(238)	(175)	(298)	(402)
Provision for income taxes	(417)	(394)	(623)	(527)
Net profit	\$ 538	\$ 3,772	\$ 2,401	\$ 4,329
Net profit per share				
- basic	\$ 0.01	\$ 0.06	\$ 0.04	\$ 0.07
- diluted	\$ 0.01	\$ 0.06	\$ 0.04	\$ 0.07
Shares used in computing net profit per share				
- basic	61,484	59,692	61,367	59,391
- diluted	62,953	64,461	62,939	64,392

ALIGN TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30, 2005	December 31, 2004
(in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 73,014	\$ 69,659
Restricted cash	402	303
Accounts receivable, net	35,207	28,809
Inventories, net	3,125	2,852
Other current assets	7,857	5,211
Total current assets	119,605	106,834
Property and equipment, net	22,150	21,702
Other long-term assets	3,480	2,176
Total assets	\$ 145,235	\$ 130,712
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,256	\$3,361
Accrued liabilities	28,023	23,481
Deferred revenue	20,196	16,257
Debt obligations, current portion	847	1,849
Total current liabilities	53,322	44,948
Other long term liabilities	43	25
Total liabilities	53,365	44,973
Total stockholders' equity	91,870	85,739

Total liabilities and stockholders' equity	\$ 145,235	\$ 130,712
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ALIGN TECHNOLOGY, INC.

NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

Use of Non-GAAP Financial Information

To supplement our condensed consolidated financial statements presented on a GAAP basis, Align uses a non-GAAP measure of net profit, which is adjusted to exclude certain costs and expenses and any associated tax effects of such adjustments. We believe that our non-GAAP net profit gives an indication of our baseline performance before other charges that are considered by management to be outside of our core operating results. In addition, our non-GAAP net profit is among the primary indicators management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information should not be considered in isolation or as a substitute for net profit prepared in accordance with generally accepted accounting principles in the United States of America.

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
(in thousands, except per share data)				
Revenues	\$53,940	\$44,204	\$105,095	\$83,409
Cost of revenues	16,620	13,931	32,098	26,926
Gross profit	37,320	30,273	72,997	56,483
Operating expenses:				
Sales and marketing	21,049	13,172	40,177	26,150
General and administrative	9,723	7,712	19,228	14,834
Research and development	5,355	3,266	10,258	6,242
Total operating expenses	36,127	24,150	69,663	47,226
Profit from operations	1,193	6,123	3,334	9,257
Interest and other income (expense), net	(238)	(175)	(298)	(402)
Provision for income taxes	(417)	(394)	(623)	(527)
Net profit	\$538	\$5,554	\$2,413	\$8,328
Net profit per share				
- basic	\$0.01	\$0.09	\$0.04	\$0.14
- diluted	\$0.01	\$0.09	\$0.04	\$0.13
Shares used in computing net profit per share				
- basic	61,484	59,692	61,367	59,391
- diluted	62,953	64,461	62,939	64,392

ALIGN TECHNOLOGY, INC.

RECONCILIATION OF GAAP NET PROFIT TO ADJUSTED NON-GAAP NET PROFIT

(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2005	2004	2005	2004
(in thousands)				
Calculation of non-GAAP net profit excluding special items:				
Net profit	\$538	\$3,772	\$2,401	\$4,329
Items:				
Stock-based compensation				

expense included in: (A)				
- cost of revenues	--	319	--	717
- sales and marketing	--	227	6	521
- general and administrative	--	944	6	2,099
- research and development	--	292	--	662

Non-GAAP net profit
excluding special items \$538 \$5,554 \$2,413 \$8,328

(A) Stock-based compensation expense represents the amortization of deferred stock-based compensation recorded in connection with the granting of stock options to employees and non-employees.

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