

align



Financial Results

Q4 and Full Year 2019

Align Technology, Inc.

Align Technology, Inc. – Q4 and full year 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 February 12, 2020
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13697560
 - Audio web cast archive will be available at <http://investor.aligntech.com> for one month

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Safe harbor and forward-looking statement

- This presentation, including the tables contained herein, contains forward-looking statements, including statements regarding certain business metrics, including on a GAAP and non-GAAP basis, if applicable for the first quarter and year ending 2020, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted shares outstanding and earnings per share, tax rate, case shipments, scanner sales, stock-based compensation, capital expenditures and depreciation, and ASPs, our beliefs concerning the impact of the US-China trade war and consumer demand in China, our beliefs regarding technology as a key growth driver, our expectations regarding our marketing efforts, including those targeting consumers, our expectations for the growth of our iTero business and its tangential benefits, our expectations for Invisalign growth in the Americas and volumes Internationally, our expectations for China sales and operations specifically, the size of the addressable market for clear aligners, our intentions regarding our go to market strategy with doctors, our expectations for new product and services offerings, and our belief in our digital platform and the advantages it provides. Forward-looking statements contained in these slides 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 statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Actual results may differ materially and adversely from those expressed in any forward-looking statement. Factors that might cause such differences include, without limitation, difficulties predicting customer and consumer purchasing behavior, adverse impacts to our operations in China stemming from measures we may take to ensure the health and safety of our employees, consumers, contactors, suppliers and their families from viral outbreaks in China on top of governmental efforts to minimize the spread of illness, a tougher consumer demand environment in China generally, especially for manufacturers and service providers whose headquarters or primarily operations are not based in China, expectations regarding the continued growth of our international markets, increasing competition from existing and new competitors, rapidly evolving and groundbreaking advances that are fundamentally changing the dental industry and the way new and existing participants market and provide products and services to consumers, our ability to protect our 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, risks relating to international sales, which are increasingly a larger portion of our total revenues, 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 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, 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 increased manufacturing costs per case, acceptance of our products by consumers and dental professionals, changes to our interpretation of the U.S. Tax Cuts and Jobs Act which may change as we receive additional clarification and implementation guidance, possibly materially, foreign operational, political and other risks relating to Align's international manufacturing operations, litigation risks, uncertainties involved in any contract dispute resolution and the possibility of Align choosing to settle the litigation for business or other reasons. 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 September 30, 2019, which was filed with the SEC on October 31, 2019. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q4 and full year 2019 financial highlights

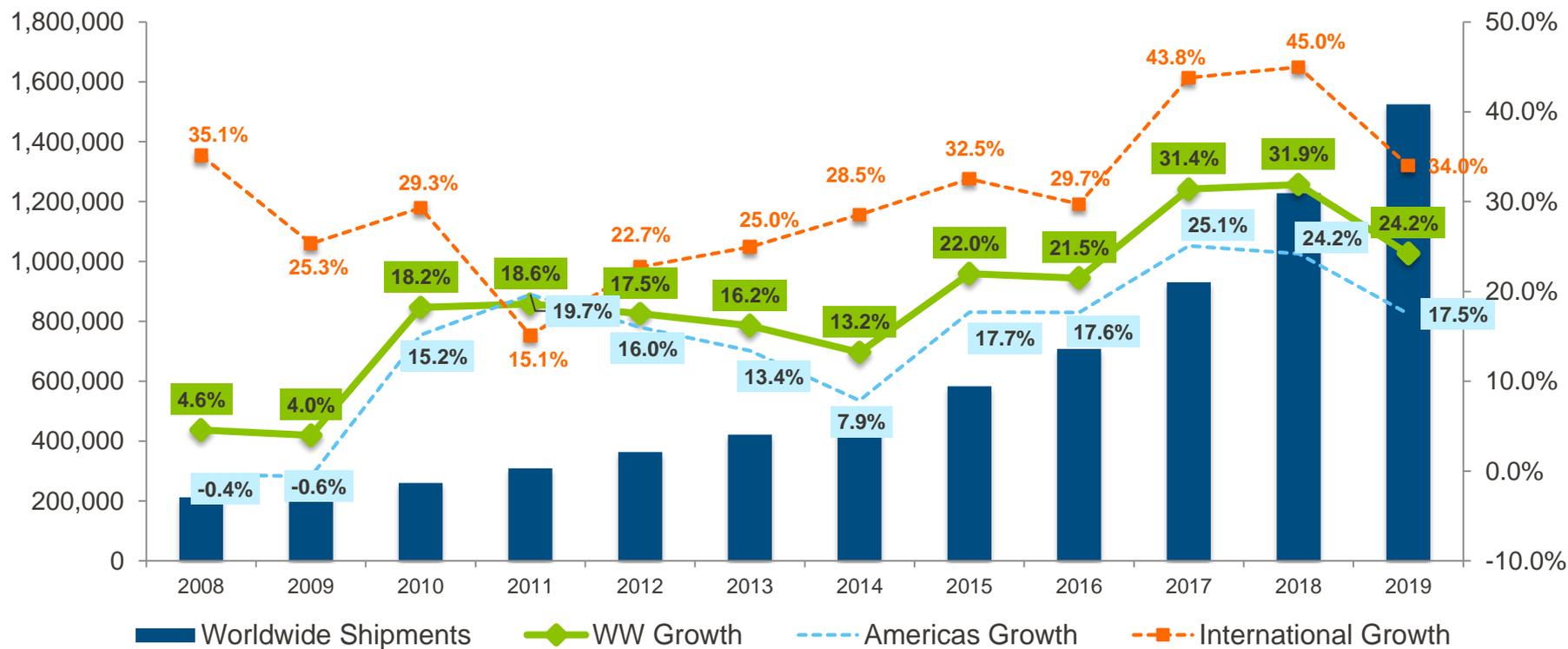
- Our fourth quarter was a strong finish to a great year with record revenues and volumes. Q4 Invisalign shipments increased 23.9% year-over-year and marked another major milestone with our 8 millionth Invisalign patient who started treatment in December. This rate of growth is really amazing to me - given our 7 millionth Invisalign patient was just this past May – 7 months ago. For Q4, iTero scanner revenues increased 20.2% year-over-year with strong growth especially from international doctors.
- On a sequential basis, Invisalign volumes were up 7.4%, driven by strong growth in North America, EMEA and Latin America, with all-time highs in those regions. We also saw strong growth from the Invisalign Go system across all regions, reflecting continued progress with GP dentists, as well as a ramp from Invisalign Moderate which launched at the beginning of Q4 in North America. For the quarter, we shipped Invisalign cases to approximately 67 thousand doctors, of which 7.2 thousand were first time customers. We also trained over 5,500 new doctors in Q4, including 3,400 international doctors.
- For the full year, total revenues of \$2.4 billion reflect record revenues up 22.4% year-over-year and includes \$2 billion in clear aligner revenues. 2019 Invisalign volumes were up 24.2% year-over-year and iTero scanner revenues were up 38.5% year-over-year. During the year, over 1.5 million people started treatment with Invisalign clear aligners worldwide, including 447 thousand teens and younger patients, which was up 34.1%.

	Q4'19	QoQ	YoY	2019	YoY
Total Net Revenues	\$649.8M	7.0%	21.7%	\$2.4B	22.4%
- Clear Aligner*	\$543.6M	5.3%	22.0%	\$2.0B	19.8%
- Scanner & Services	\$106.2M	16.6%	20.2%	\$381.0M	38.5%
Invisalign Case Shipments	413.7K	7.4%	23.9%	1.5M	24.2%
EPS, diluted	\$1.53	+\$0.25	+\$0.33	\$5.53	+\$0.61

Invisalign shipments do not include SmileDirectClub aligners.

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

2019 Invisalign shipments and strong growth trend



Global strategic priorities

2019 results reflect continued progress and execution of our strategic priorities

Priorities



International expansion



Orthodontist utilization



Patient demand and conversion



GP adoption

Q4 2019 financial highlights

Americas

- For the Americas region, Q4 Invisalign case volume was up 4.9% sequentially and up 19.3% year-over-year.
- On a sequential basis, Q4 results reflect strong growth from North America GP dentists, as well as continued strength from Latin America doctors.
- Year-over-year growth for Q4 reflects continued adoption of Invisalign treatment from both orthodontist and GP dentist channels which were up 20.5% and 17.3%, respectively.
- Latin America volume was up 79% year-over-year, led by continued strong growth from Brazil.
- For the full year Americas Invisalign volume was up 17.5%.

Americas Invisalign Metrics

North Americas Utilization*



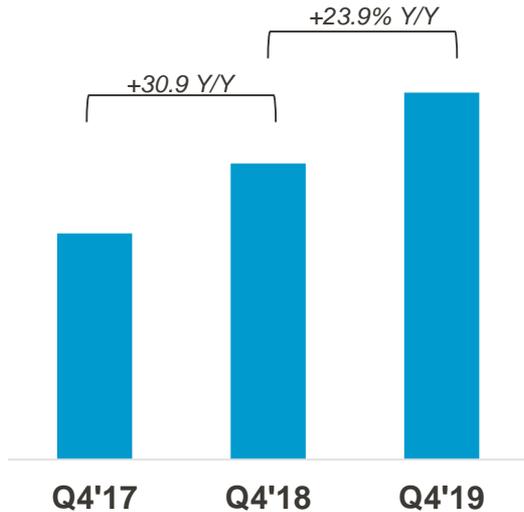
*number of cases shipped/number of doctors to whom cases were shipped

Americas Shipments

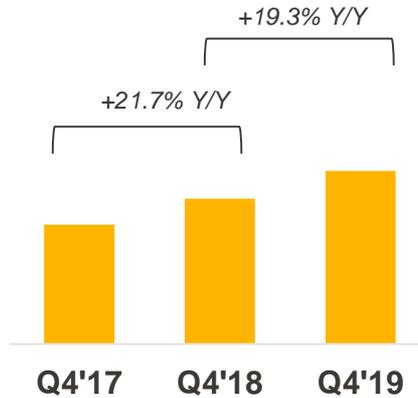


Invisalign shipments Q4'17, 18 and 19

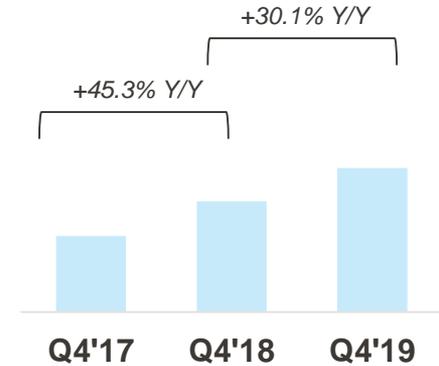
WW Invisalign Volumes
(K)



Americas Invisalign Volumes
(K)



WW International Invisalign Volumes
(K)



Q4 2019 financial highlights

International

- For our International business, Q4 was a great quarter with Invisalign case volume up 10.5% sequentially driven by strong growth in the EMEA region rebounding from Q3'19 summer holidays and offset somewhat by slower growth in APAC – specifically China. On a year-over-year basis, strong Invisalign volume growth of 30.1% reflects increased utilization and continued expansion of our customer base in both EMEA and the Asia Pacific region. In Q4, we trained over 3,400 new Invisalign doctors internationally, with roughly 55% in EMEA and 45% in APAC.
- For the full year, International volume was up 34% year over year.
- In EMEA, Q4 was a strong quarter, volume were up 37.3% sequentially, driven by growth in all core markets, primarily from Spain and Italy - as well as from the teen segment which was up 50.6% from Q3'19. On a year-over-year basis, Invisalign volume was up 31.5%, driven by growth in all core country markets including the teen segment which was up 38.7% from the prior year.
- For the full year, EMEA volume was up 34.2% led by Spain, Italy and France – as well as our key expansion markets, led by Turkey, the Middle East & Africa region, and Russia.
- For APAC, Q4 was down sequentially as expected, following a very strong Q3'19 teen season in China, as well as less than expected volume from adults, partially offset by strong volume growth from Japan. We believe the ongoing US-China trade war and economic uncertainty remained a headwind for consumer demand especially for consumption of luxury goods and considered purchases.
- On a year-over-year basis, APAC volume was up 28.0% driven by growth across the region, led by Japan, Australia/New Zealand, and Southeast Asia.

International Invisalign Utilization* & Shipments



International Shipments



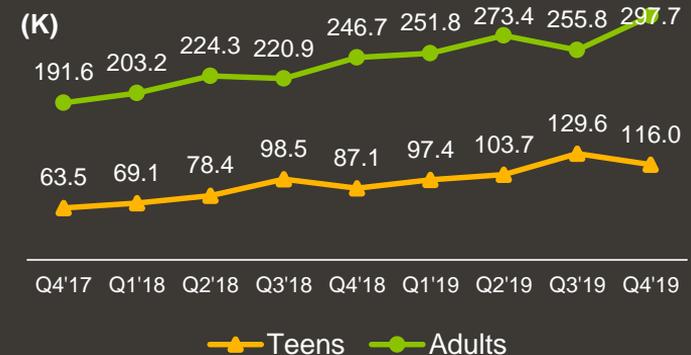
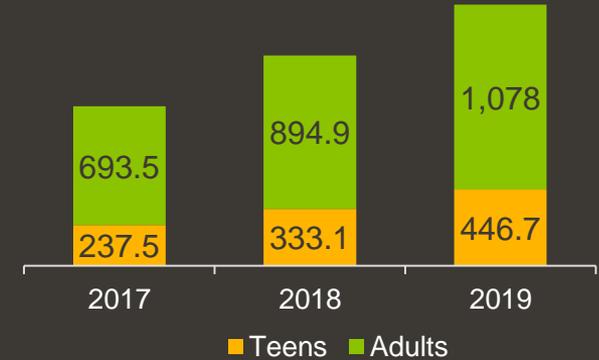
*number of cases shipped/number of doctors to whom cases were shipped

Q4 2019 financial highlights

Teens and adults

- 8M total Invisalign patients to date, with 2M teens.
- Overall for the teen market, in Q4 approximately 116 thousand teenagers started treatment with Invisalign clear aligners, an increase of 33.1% year-over-year driven by continued strong adoption across all major regions.
- For the full year, total teen cases worldwide grew 34.1% to approximately 447 thousand teenagers, or 29.3% of our total volume. We're pleased with our progress treating teenagers and younger kids and the continued strong adoption of Invisalign clear aligners globally.
- For 2019, Invisalign treatment with mandibular advancement was up 85% year-over-year and Invisalign First was up 455% year-over-year, for a cumulative total of 41.5K and 32.4K cases to date, respectively.

Worldwide Invisalign Case Shipments Teen versus Adult Mix



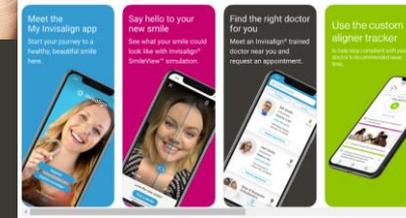
Invisalign product innovation

- Product and technology innovation continues to be a key growth driver across our regions. Over the past year, we launched several new Invisalign offerings for both comprehensive and non-comprehensive treatment; giving doctors more tools and choices to treat a greater range of cases, from adults, to teenagers and now kids as young as 7 years old, as well as new treatment options and technology designed to appeal to consumers who are considering or starting Invisalign treatment.
- In Q4, we introduced the Invisalign Moderate Package, a 20-stage treatment option designed for consumers whose treatment goals fall between the existing Invisalign Lite and Invisalign Comprehensive Packages and can be completed in the range of 5 to 12 months.
- We launched SmileView, an online tool designed to help prospective Invisalign patients visualize a new, straighter smile before they opt for Invisalign treatment. Align's new SmileView visualization tool is designed to drive awareness and demand for teeth straightening using Invisalign treatment by engaging consumers and allowing them to see a simulation of what their new smile could look like.
- We also upgraded the MyInvisalign Mobile App - which previously focused on patients already in treatment but now includes several new features to help potential patients who are seeking information about teeth straightening treatment – including an in-app version of SmileView. Consumers can use the app to take a selfie and instantly visualize how their smile can transform after Invisalign treatment.



Interested in Invisalign® treatment? Already an Invisalign patient?
Start your journey to a healthy, beautiful smile with the My Invisalign app.

- 📱 See what your new smile could look like in seconds using the SmileView™ tool.
- 📖 Learn more about starting Invisalign treatment and get answers to commonly asked questions.
- 📅 Use the appointment tracker to keep track of upcoming appointments.
- 🔔 Receive reminders and notifications to help you stay on track with your Invisalign treatment.
- 📸 View and share your progress video and before & after photos with friends and family.



Meet the My Invisalign app
Start your journey to a healthy, beautiful smile here.

Say hello to your new smile
See what your smile could look like with Invisalign® SmileView™ simulation.

Find the right doctor for you
Meet an Invisalign® trained doctor near you and request an appointment.

Use the custom aligner tracker
To keep your treatment on track, use the custom aligner tracker.

Seeing is believing.
Thanks to some powerful technology, we can simulate the outcome of your personal transformation right before your eyes.



Visit Invisalign.com on your mobile phone to try the Invisalign® SmileView™ right now.

The Invisalign® Moderate Package



The Invisalign Moderate Package is a 20-stage treatment option designed for patients whose treatment goals fall between the existing Invisalign Lite and Invisalign Comprehensive Packages. The Invisalign Moderate Package offers treatment achievable in the range of 5 to 12 months and is ideal for:

- 15-20 stage Invisalign cases
- Patients seeking a 5-12 month treatment
- More movement than Invisalign Lite

Consumer marketing

- Our consumer marketing efforts are designed to build the category and drive demand for Invisalign treatment through a doctor's office. We invest over \$100 million each year in consumer marketing programs including TV, digital and social media, PR, event marketing as well as our Patient Concierge program. Our goals are to make the Invisalign brand a household name worldwide and to motivate consumers to seek Invisalign treatment through a doctor's office.
- In Q4, we continued to see strong digital engagement with consumers and had over 5.3 million unique visitors on Invisalign.com sites for a total of 18 million over the year. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q4 quarterly slides.



Worldwide consumer highlights



+67.4M



Website visitors



+7.0M



Social media fans



+8.9M



Doc locator searches



+3.6M



Smile assessments

2019 consumer marketing

AMERICAS

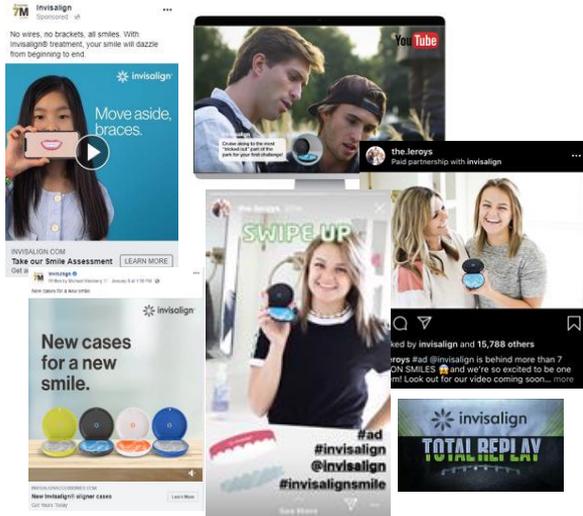
10.6M

Website Visitors

1.1M

Doc Locator Searches

- Influencer marketing – Teens and Moms
- Consumer App
- Social media campaigns
- Digital, broadcast and cable



EMEA

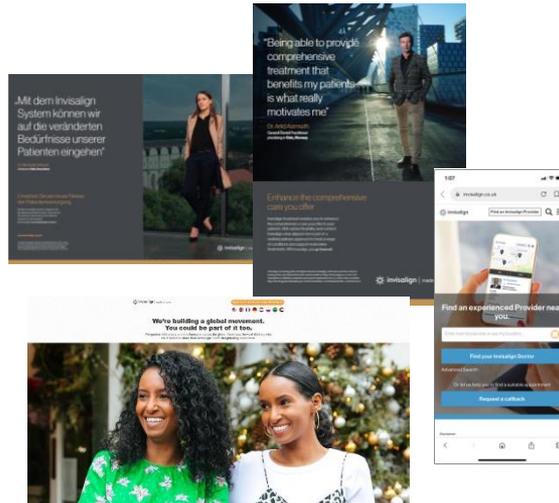
4.4M

Website Visitors

868K

Doc Locator Searches

- Doctor-focused messaging
- Invisalign #Smilesquad campaign
- Consumer website re-launch in UK



APAC

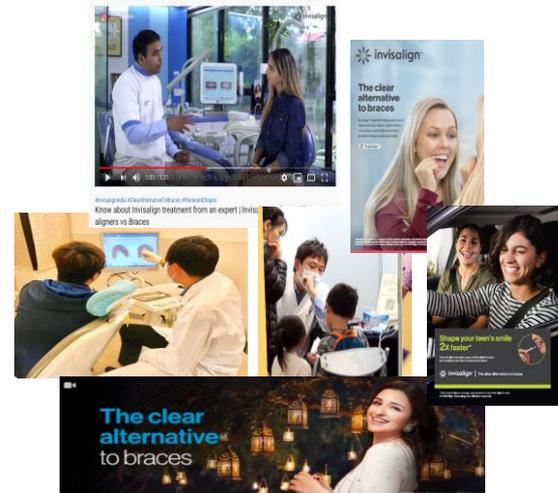
2.9M

Website Visitors

472K

Doc Locator Searches

- Doctor-focused messaging
- Sponsorships
- Online marketing
- Consumer outreach



Q4 2019 Events AMERICAS

2019 Invisalign GP Summit



Pictured from left to right: Dr. Sara Wassenaar, Dr. Barry Israel, Dr. Eugene Kim, Dr. Ryan Mojis



Dr. Robin Bethell



Dr. Karla Soto

2019 MKS Forum in Dallas Industry leading orthodontists and industry experts



Greater New York Dental Meeting



Brazilian Association of Orthodontics and Facial Orthopedics Congress



• 2019 Invisalign GP Summit

- More than 800 doctors and team members
- Digital dentistry
- Practice growth
- Clinical certification courses
- Professional networking

• Greater New York Dental Meeting

- Featuring the Invisalign System, iTero Element 2, SmileView
- Invisalign and iTero Innovation Pavilion

• MKS Forum

- 85 industry-leading orthodontists and team members in attendance
- Digital practice integration, including workflow efficiencies
- Patient experience and consumer demand
- Invisalign treatment for teens and growing children

• Brazilian Association of Orthodontics and Facial Orthopedics Congress

- More than 200 doctors in attendance
- Featuring the technology & biomechanics innovation of the Invisalign system

Q4 2019 Events EMEA

Invisalign Forum in Russia



Align DACH Summit



Beena Harkison, Dr. Tai, Dr. Sabouni and Dr. Windsheimer

K Trade Show in Dusseldorf

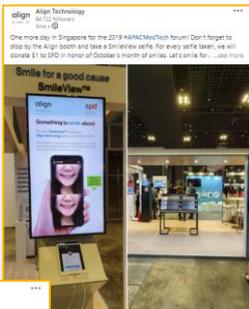


Align Italian Summit



- First Invisalign Forum in Russia
 - Mentoring courses for doctors to treat with confidence
 - Featured the Invisalign System and iTero scanner
- DACH Summit in Munich
 - 320 doctors from Germany, Austria and Switzerland in attendance
 - Keynotes and workshops on treating growing patients, patient experience, practice optimization and digital innovation
- Align Italian Summit
 - 1,200 Invisalign doctors and dental assistants
 - Digital innovation, treating teenage and growing patients
- Align Summit Madrid
 - 300 Invisalign orthodontists
 - Keynotes, roundtable discussions & masterclasses on growing patients, patient experience, digital journey with iTero Intraoral Scanner, class II treatments from some of our most experienced speakers in the EMEA region
- UK&I Summit London
 - 145 orthodontists in attendance
 - Growing your digital practice and treating more teenage and growing patients with the Invisalign System
- K Trade Fair featuring SmartTrack® Material
- iTero Element 5D awarded “High Technology Launch of the Year” at UK Dentistry Awards in London

Q4 2019 Events APAC



Korea Association of Orthodontists



Dr. Lionel Hui Bon Hoa and the Korean Leadership team met with the Korean Association of Orthodontists and Korean Association of Orthodontists Foundation board members at the booth

Asia Pacific MedTech Forum

- Keynote address: Transformation of healthcare in the age of digital disruption
- Nearly 1,000 delegates in attendance
- Fireside chat with Joe Hogan, Align Technology, Harjit Gill, Asia Pacific Medical Technology Association (APACMed) and Tina Tan, FirstWord MedTech

Korea Association of Orthodontists (KAO)

- Two-day event as the main sponsor and attracted around 600 visitors to the booth
- The Invisible Lunch Seminar and Master Class attracted almost 450 attendees with 60% of them being non-Invisalign customers

Greater China Teen Forum

Consumer Concierge

- Since program inception in 2017, we've connected over 138K potential consumers with Invisalign doctors and reached more than 722K consumers in North America. The Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain.
- The Consumer Concierge service teams are located in the U.S., LATAM, Singapore, Brazil, Australia, the UK, Poland, Saudi Arabia and the Philippines.

+722K

> Consumers contacted

+138K

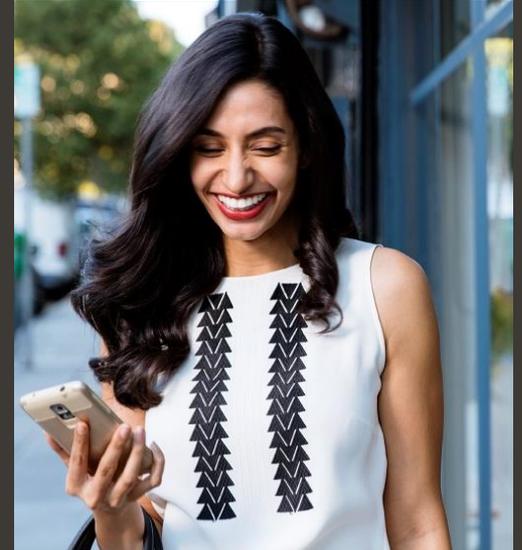
> Consultations scheduled

+33K

> Invisalign cases started

Consumer Concierge

Consumer Conversion connects consumers with top Invisalign providers to deliver a best in class experience to achieve a happy and healthy smile.



Q4 2019 financial highlights

Scanner and services

- For our iTero scanner and services business, Q4 was a very strong quarter with better than expected revenues, up 16.6% sequentially and 20.2% year-over-year driven by strength across all regions. Q4 volumes reflect continued commercialization of the iTero Element 2 and Element Flex scanners, especially for orthodontists in North America, the continued rollout with our major DSO partners, and increased sales internationally, especially in Japan.
- 2019 was a great year for our iTero business with total revenues up 38.5% year-over-year. Cumulatively, over 20.5 million orthodontic scans and 4.7 million restorative scans have been performed with iTero scanners.
- Use of the iTero scanners for Invisalign case submission continues to grow and remains a positive catalyst for Invisalign utilization. For Q4, total Invisalign cases submitted with a digital scanner in the Americas increased to 79.5% from 73.5% in Q4 last year. International scans increased to 64.7% up from 57.5% in the same quarter last year. What's really exciting to see is that within the Americas, 93.3% of cases submitted by North American orthodontists were submitted digitally.

Americas	65.3%	67.3%	69.6%	71.9%	73.5%	76.1%	77.3%	78.7%	79.5%
International	41.5%	43.5%	47.8%	53.9%	57.5%	59.3%	60.9%	62.5%	64.7%
	Q4'17	Q1'18*	Q2'18*	Q3'18*	Q4'18*	Q1'19*	Q2'19*	Q3'19	Q4'19

*Digital scanner percentages revised.

- We are pleased with the continued progress of our iTero business and remain confident that it will continue to help drive our overall growth and help increase adoption of the digital platform with Invisalign treatment.

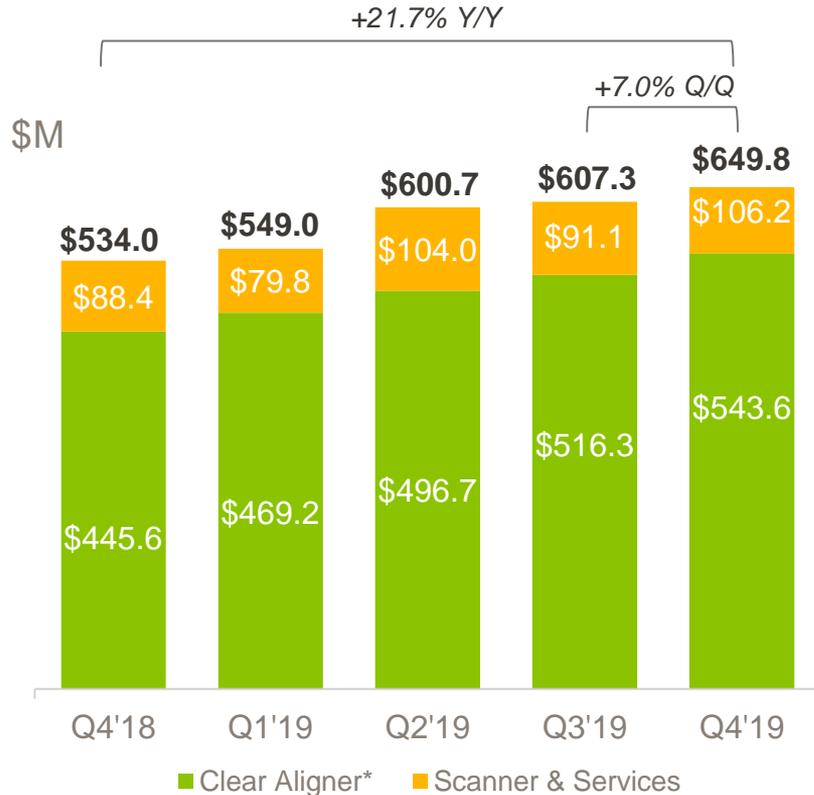
Scanner and Services Revenues



+ Q4 2019 Financial Review

Revenues trend

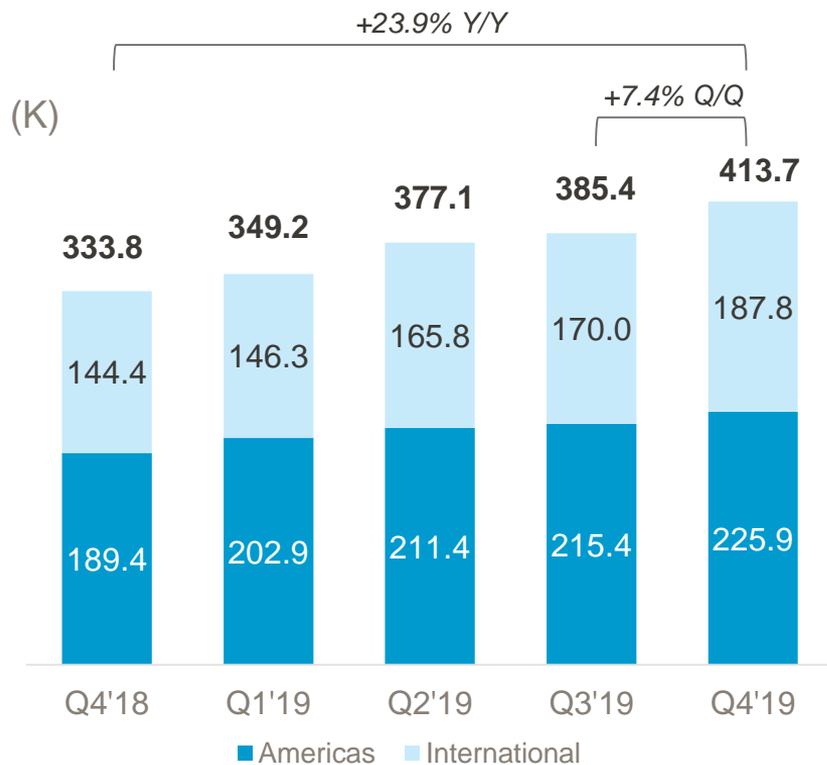
Q4'19 highlights



- Total revenue for the fourth quarter was \$649.8 million, up 7.0% from the prior quarter and up 21.7% from the corresponding quarter a year-ago.
- For Clear aligners, Q4 revenues of \$543.6 million was up 5.3% sequentially with strong Invisalign volume from EMEA and North America. Year-over-year clear aligner revenues growth of 22.0% reflects strong Invisalign volume across all regions. Clear aligner revenue growth was unfavorably impacted by approximately 1.3 points year-over-year from foreign exchange.
- Q4 Invisalign ASPs were down sequentially by approximately \$20, to \$1,240 primarily due to discounts, mix and unfavorable foreign exchange. On a year-over-year basis, Q4 Invisalign ASPs increased approximately \$5 primarily reflecting price increases in all regions and increased additional aligner revenues, partially offset by promotional discounts and unfavorable foreign exchange and product mix shift.
- Our Scanner and Services revenue for the fourth quarter was \$106.2 million, up 16.6% sequentially due to volume increases in EMEA and AMERICAS. Year-over-year revenues were up 20.2%, primarily due to volume increases in EMEA, APAC and the Americas as well as higher services revenues from our increased installed base.

Invisalign shipments trend

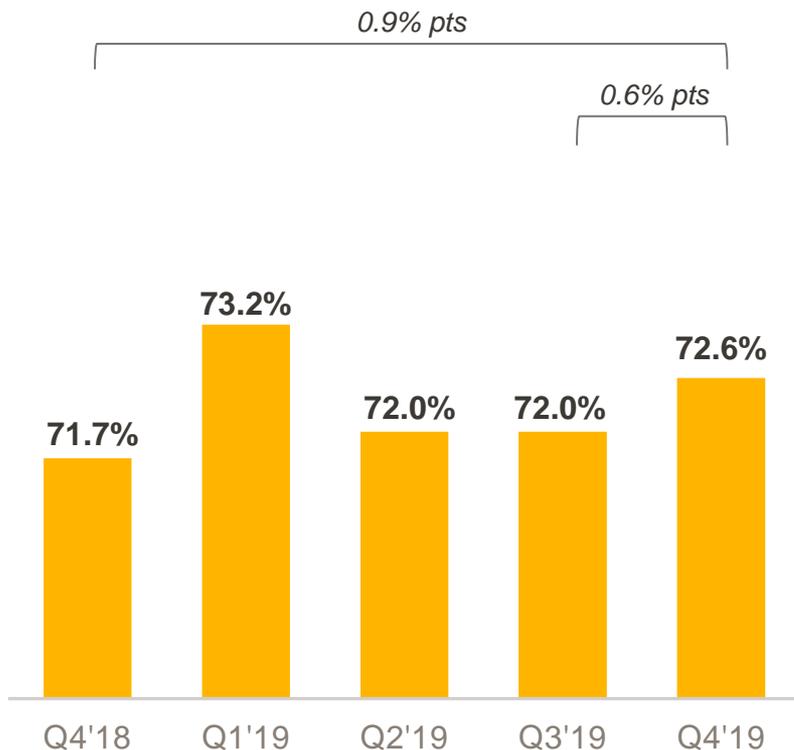
Q4'19 highlights



- Total Q4 Invisalign shipments of 413.7 thousand cases were up 7.4% sequentially and up 23.9% year-over-year.

Gross margin trend

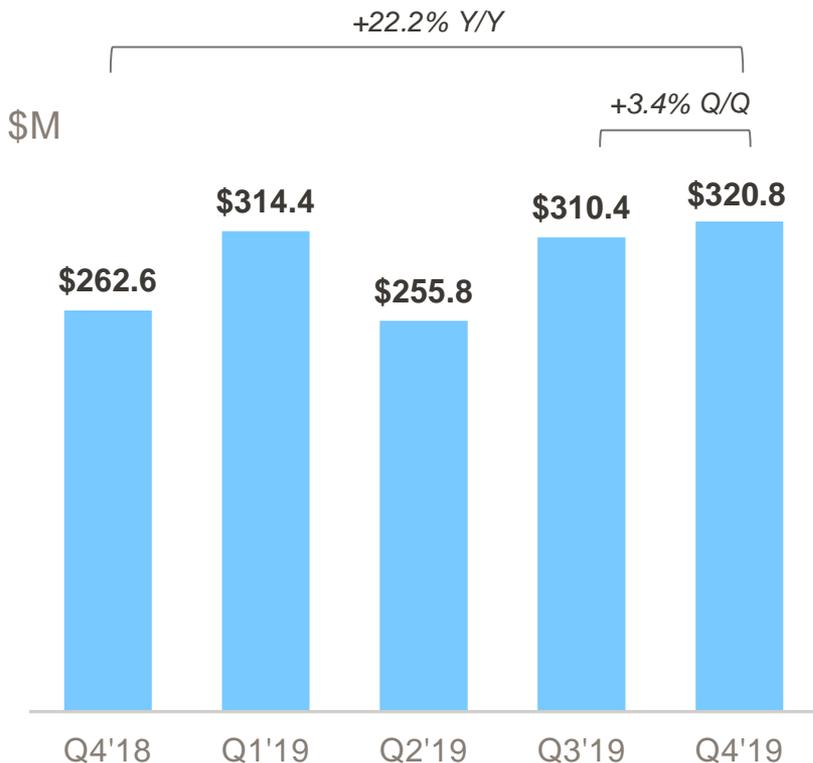
Q4'19 highlights



- Fourth quarter overall gross margin was 72.6%, up 0.6 points sequentially and up 0.9 points year-over-year.
- Clear aligner gross margin for the fourth quarter was 74.1%, up 0.6 points sequentially primarily due to lower freight and training costs, and lower number of aligners per case partially offset by lower Invisalign ASPs. Clear aligner gross margin was flat year-over-year primarily due to lower training costs and a slight increase in Invisalign ASPs, offset by an increase in aligners per case.
- Scanner gross margin for the fourth quarter was 64.9%, up 0.8 points sequentially due primarily to manufacturing efficiencies partially offset by slightly lower ASPs and up 5.0 points year-over-year primarily due to manufacturing efficiencies, and higher service revenue and scanner ASPs.

Operating expense trend

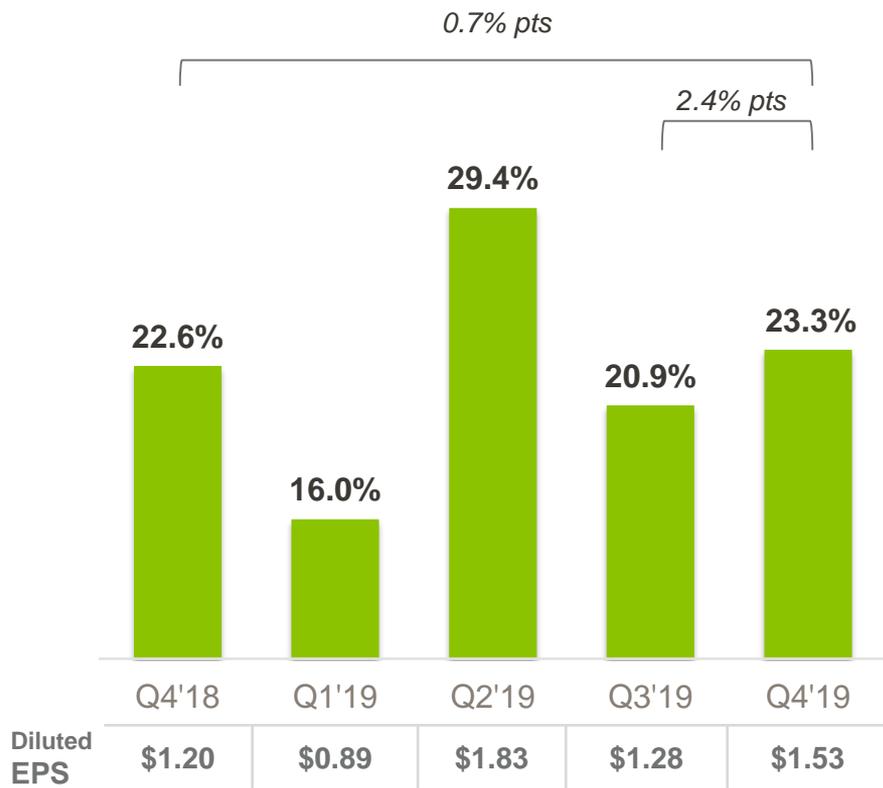
Q4'19 highlights



- Q4 operating expenses were \$320.8 million, up sequentially 3.4% and up 22.2% year-over-year. The sequential increase in operating expenses primarily reflects our continued investment in sales and marketing and R&D activities, partially offset by lower litigation expenses. Additionally, the third quarter included a \$6.8 million benefit from the settlement of our Invisalign Store leases.
- Year-over-year, the increase in operating expenses reflects higher spending commensurate with go-to-market activities offset by lower legal expenses.

Operating margin and EPS trend

Q4'19 highlights



- Our fourth quarter operating income was \$151.2 million, up 18.9% sequentially and up 25.5% year-over-year. Our fourth quarter operating margin was 23.3%, up 2.4 points sequentially and up 0.7 points year-over-year. The sequential increases in operating income and operating margin are primarily attributed to improved gross profit and reduction in litigation expenses.
- Operating margin was impacted by approximately 0.6 points year-over-year from foreign exchange. The third quarter operating income included a \$6.8 million benefit from the settlement of our Invisalign Store leases which increased Q3 operating margin by 1.1%. On a year-over-year basis, the increases in operating income and operating margin primarily reflects higher gross profit and operating leverage partially offset by the continued investment in R&D, geographic expansion and go-to-market activities.
- With regards to fourth quarter tax provision, our tax rate was 22.2% which includes approximately \$5.8 million of tax benefit related to a tax audit settlement.
- Fourth quarter diluted earnings per share was \$1.53, up \$0.25 sequentially and up \$0.33 compared to the prior year.

Balance sheet highlights

- As of December 31, 2019, cash, cash equivalents, and marketable securities, including both short- and long-term investments, were \$868.6 million, an increase of approximately \$86.7 million from the prior quarter which is primarily due to higher cash flow from operations. Of our \$868.6 million of cash, cash equivalents and marketable securities, \$590.1 million was held in the US and \$278.5 million was held by our International entities.
- Q4 accounts receivable balance was \$550.3 million, up approximately 3.5% sequentially. Our overall days sales outstanding (DSO) was 76 days, down 3 days sequentially and up 2 days as compared to Q4 last year.
- Cash flow from operations for the fourth quarter was \$218.2 million and free cash flow, defined as cash flow from operations less capital expenditures, amounted to \$175.6 million. Our business continues to have very strong cash generation.
- Capital expenditures for the fourth quarter were \$42.5 million, primarily related to our continued investment in increasing aligner capacity and facilities.
- During Q4'19, we repurchased \$100.5 million of our stock against our stock buy-back authorization and have \$100.0 million still available for repurchase under the May 2018 Repurchase Program.

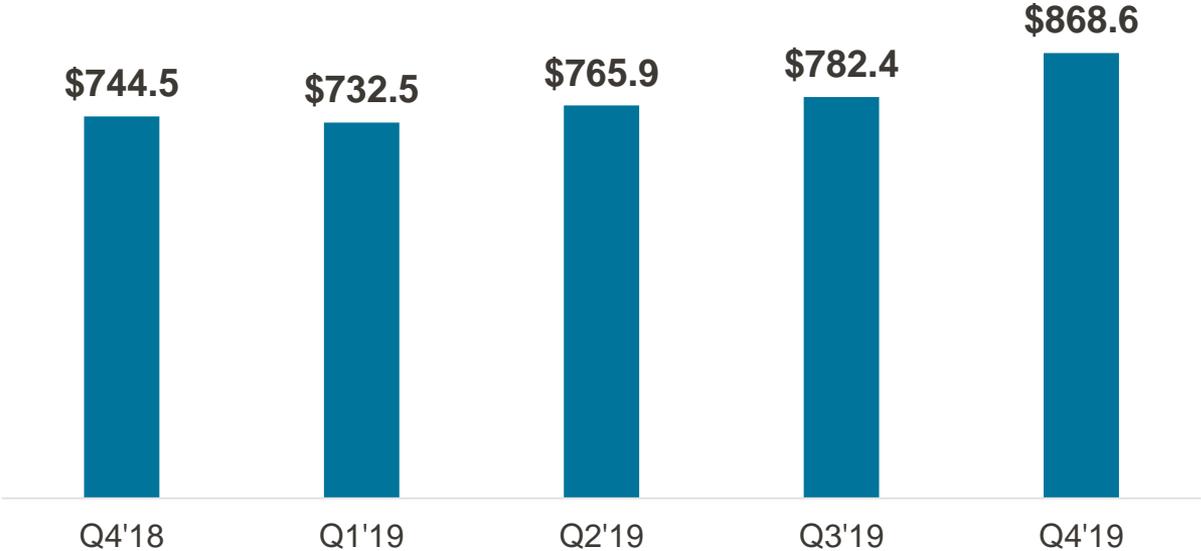
(\$ in millions except for DSO)	Q4'18	Q3'19	Q4'19
Accounts Receivables, net	\$439.0	\$531.8	\$550.3
DSO	74 days	79 days	76 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	\$744.5	\$782.4	\$868.6
Cash Flow from Operations	\$241.3	\$234.5	\$218.2
Capital Expenditures	\$(54.3)	\$(26.6)	\$(42.5)
Free Cash Flow*	\$187.0	\$207.9	\$175.6

*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.

Cash

(\$M)

Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities



Trended financials

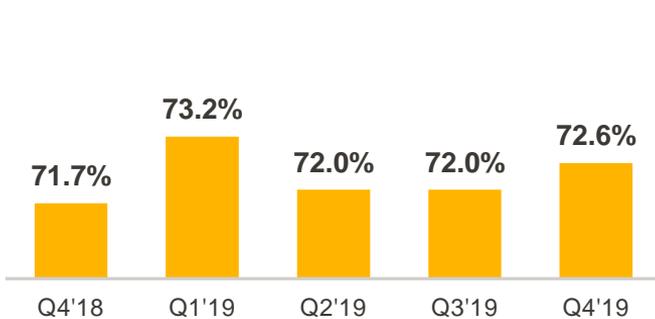
WW Net Revenues (\$M)



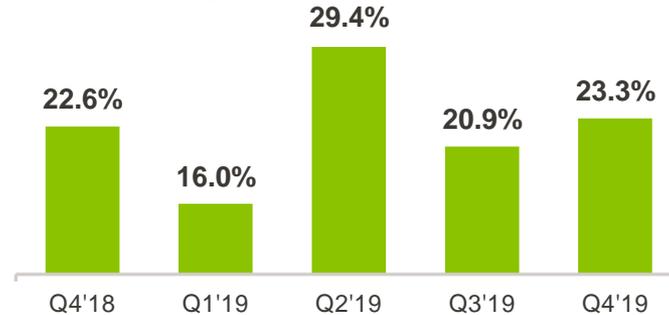
Invisalign Shipments (#K)



Gross Margin %



Operating Margin %



+ 2019 Financial Overview

2019 Financial highlights

- In 2019, we shipped a record 1.5 million Invisalign cases, up 24.2%. This reflects 34.0% volume growth from our International doctors and 17.5% volume growth from our Americas doctors.
- Shipments of our iTero scanner were up 29.7% over 2018.
- Total revenue was a record \$2.4 billion, up 22.4% year-over-year, with Clear aligner revenues of \$2.0 billion up 19.8% year-over-year. Clear aligner revenue growth was impacted by approximately 2.6 points year-over-year from foreign exchange.
- 2019 iTero scanner and services revenues were a record \$381.1 million, up 38.5%.
- Full year operating income of \$542.5 million, up 16.3% vs. 2018 and operating margin at 22.5%. 2019 operating income also includes a litigation benefit of \$51 million and Invisalign Store closure costs of \$23 million for a net positive impact on operating margin of approximately 1.2% points. Operating margin was unfavorably impacted by approximately 1.0 point year-over-year from foreign exchange.
- Free cash flow was \$597.6 million, up \$266.2 million vs. 2018.¹
- For the year, we repurchased over 1.8 million shares of ALGN stock for \$400.0 million.
- 2019 diluted EPS was \$5.53.

¹Free cash flow is a non-GAAP measure defined as cash flow from operations less purchase of property, plant and equipment.

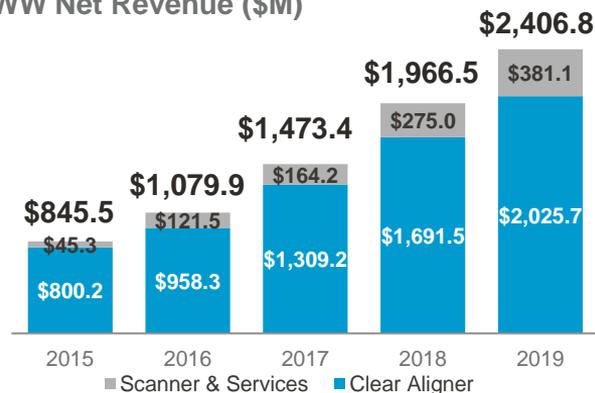
	2019	YoY
Total Net Revenues	\$2.4B	22.4%
- Clear Aligners*	\$2.0B	19.8%
- Scanner & Services	\$381M	38.5%
Invisalign Shipments**	1.5M	24.2%
EPS, diluted	\$5.53	+\$0.61

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

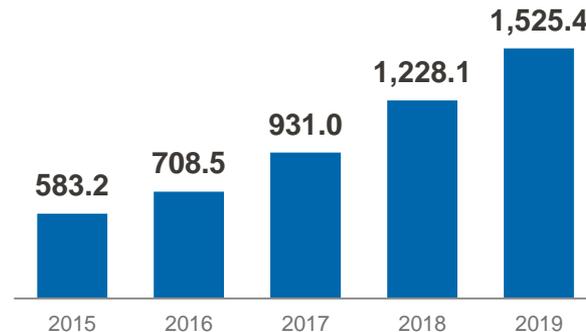
**Invisalign shipments do not include SmileDirectClub aligners.

2019 Trended financials

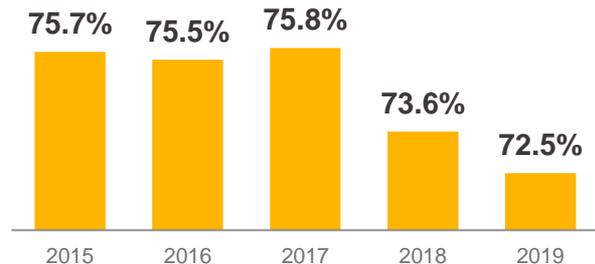
WW Net Revenue (\$M)



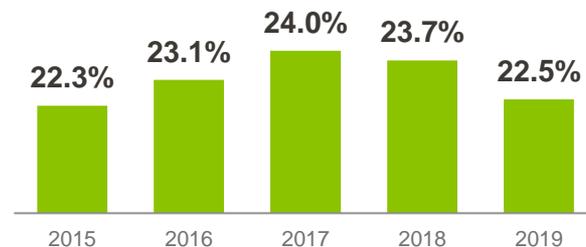
Invisalign Case Shipments (#K)



Gross Margin %



Operating Margin %



- Align implemented its new Additional Aligners policy on July 18, 2015. 2015 reported net revenues and pre tax income was lower by ~\$14M and diluted EPS was lower by ~\$0.13 per share, due to this change.
- Operating results also included ~\$12M of costs related to ERP implementation, and a one-time refund of \$6.8M for MDET refund.
- Invisalign shipments exclude SmileDirectClub aligners

Balance sheet highlights

(\$ in millions except for DSO)	2018	2019
Accounts Receivables, net	\$439.0	\$550.3
DSO	74 days	76 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	\$744.5	\$868.6
Cash Flow from Operations	\$554.7	\$747.3
Capital Expenditures	\$(223.3)	\$(149.7)
Free Cash Flow*	\$331.4	\$597.6

*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.

Q1 2020 business outlook

- Before we comment on the demand outlook, we want to take a minute to talk about the Corporate Structure Reorganization to relocate our European Headquarters from the Netherlands to Switzerland in Q1 and the implication to our GAAP financials.
- As a result of the corporate structure reorganization to relocate our European headquarters from the Netherlands to Switzerland in Q1, our Q1'20 GAAP tax rate will reflect a significant one-time tax benefit associated with the recognition of a deferred tax asset related to the intra-entity sale of certain intellectual property rights. This deferred tax benefit will be amortized starting in 2020 and continue into subsequent quarters and years. The period over which this tax benefit will be recognized depends on the profitability of our Swiss headquarters and therefore is uncertain at this time. Management ordinarily assesses the health of our business without regard to these types of one-time events and believes this reorganization will make it difficult for investors to assess our core underlying financial performance were we to report solely based on GAAP. Therefore, we will supplement our GAAP information with non-GAAP measures going forward. Beginning in Q1'20, in addition to our GAAP results we will present non-GAAP measures that exclude the aforementioned tax impact, along with certain other items that may not be indicative of our fundamental operating performance including discrete cash and non-cash charges in order to present investors with greater transparency into our core business operations.
- We will present GAAP, Non-GAAP, and a reconciliation in our earnings release and conference call materials.

Q1 2020 outlook and the factors that inform our view

With that, let's turn to our Q1 outlook and the factors that inform our view:

- Q4 was a strong quarter with record volumes and we expect to enter Q1 with this momentum from both the Americas and the EMEA region.
- For the Americas region, we expect Q1 to increase sequentially with growth from North America orthodontists and GP dentists.
- For International, we expect Q1 volumes to be down sequentially. We expect EMEA to be up sequentially as momentum continues from Q4, however, we expect this growth to be offset by a sequential decrease in APAC primarily due to the expected impact from the novel coronavirus in China.
- We expect our iTero business to be down sequentially – following a seasonally strong Q4 and consistent with seasonal trends in capital equipment market, and fewer sales in China.
- Many of you have been following the news regarding the recent outbreak of the novel coronavirus in Wuhan, the capital of the Hubei province in China. China is one of our largest country markets and represents roughly 8% of our total revenues. It is home to hundreds of employees across China. Thankfully, we are not aware of any employee or family member who has contracted the novel coronavirus.
- The situation in China is a very fluid and we are closely monitoring it. We are in contact with all relevant agencies globally. The Chinese government has implemented travel bans and has essentially shutdown public transportation in Wuhan. It has also issued public warnings to avoid all non-essential medical and dental procedures for the time-being. Some government run hospitals and private clinics are following suit by instructing patients to stay home unless it's an emergency.
- While we do not believe there is any impact to our product safety due to the stringent health and safety procedures ingrained in our manufacturing processes, we are taking additional precautions across China to minimize the risk of spreading illness to our internal teams including additional protections and health screening procedures as well as travel bans/restrictions.
- Given this increased uncertainty and disruption to our employees, customers/doctors' practices, their patients and consumers, we believe it is prudent to reduce our outlook for Q1 to reflect the increased risk. Therefore:
- For Q1, our outlook reflects approximately 20K to 25K less Invisalign cases and \$30M to \$35M less revenues for Invisalign and iTero products sold in China.
- In addition, we are also absorbing \$3M to \$4M in idle China manufacturing plant and Treatment Planning capacity which results in approximately (0.5% GM impact.)

Q1 2020 outlook

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

- Invisalign case volume is expected to be in the range of 396 to 406 thousand cases, up approximately 13% to 16% year-over-year.
- We expect Q1 revenues to be in the range of \$615 million to \$630 million, up by approximately 12% to 15% year-over-year. Our supply agreement with SDC was terminated December 31, 2019 and hence our Q1'20 revenue outlook does not reflect any SDC volume as compared to the same quarter a year ago when non-Invisalign aligners supplied to SDC contributed about \$5.7 million to revenue.
- On a GAAP basis, we expect Q1 gross margin to be in the range of 71.5% to 72.0%. Q1 gross margin is expected to be down sequentially from slightly lower ASPs driven by a lower mix of China volume and idle China manufacturing and Treatment Planning capacity in our facility in Ziyang. On a non-GAAP basis, we expect Q1 gross margin to be in the range of 71.7% to 72.2%, excluding stock based compensation from gross profit.
- We expect Q1 GAAP operating expenses to be in the range of \$345 million to \$350 million, which reflects our continued investments in go-to-market activities along with our annual increase in employee compensation expenses.
- On a GAAP basis, Q1 operating margin is expected to be in a range of 15.4% to 16.5%. On a non-GAAP basis, we expect operating margin to be in the range of 19.5% to 20.5%, excluding stock-based compensation from operating income.
- On a GAAP basis, our effective tax rate is expected to be approximately (1,400%) which includes approximately \$1.4 billion of tax benefit associated with the recognition of a deferred tax asset related to the intra-entity sale of certain intellectual property rights resulting from our corporate structure reorganization. This deferred tax benefit will be amortized starting in 2020 and continue into subsequent quarters and years. The period over which this tax benefit will be recognized depends on the profitability of our Swiss headquarters and therefore is uncertain at this time. On a non-GAAP basis, excluding the one-time tax benefit from the intra-entity sale of certain IP rights as mentioned above and the tax benefits related to stock-based compensation, we expect our tax rate for 2020 Q1 to range from approximately 22% to 23%.
- Diluted shares outstanding should be approximately 79.1 million, exclusive of any share repurchases.
- Taken together we expect our Q1'20 GAAP diluted EPS to be in a range of \$18.65 to \$18.74. Non-GAAP diluted EPS is expected to be in the range of \$1.19 to \$1.28 from excluding the one-time tax benefit from the intra-entity sale of IP rights, as mentioned above, and stock-based compensation related expenses.
- In addition, as we continue our operational expansion efforts, we expect Capital Expenditures for Q1 to be approximately \$95 million to \$100 million, and we expect depreciation and amortization to be \$23 million to \$25 million.

Q1 2020 outlook

Q1 2020		
	GAAP	Non-GAAP
Invisalign Case Shipments	396K to 406K	
Net Revenues	\$615M to \$630M	
Gross Margin	71.5% to 72.0%	71.7% to 72.2%
Operating Expenses	\$345M to \$350M	
Operating Margin	15.4% to 16.5%	19.5% to 20.5%
Effective Tax Rate	(1,440%) to (1,302%)	22% to 23%
EPS, diluted ⁽¹⁾	\$18.65 to \$18.74	\$1.19 to \$1.28
Stock-Based Compensation	~\$25M	
Diluted Shares Outstanding	~79.1M	
Capital Expenditures	\$95M to \$100M	
Depreciation & Amortization	\$23M to \$25M	

(1) Excludes any stock repurchases during the quarter
See the GAAP to non-GAAP Reconciliation posted to our website.

2020 financial commentary

Now let me turn to our view for the full year 2020.

- As I just described, the situation in China surrounding the novel coronavirus is very fluid. While our Q1 outlook includes our best view of how the coronavirus will impact our business in the first quarter, it is very difficult to predict and forecast the longer term impact. Therefore, we are providing you with our best view of 2020 prior to the novel coronavirus outbreak so that you can use it as a baseline from which to build your models for year. This means you will need to make your own assumptions about how the coronavirus outbreak impacts our business over the remainder of 2020. Beyond the Q1 outlook and our commentary for 2020 below, we will not provide specific 2020 guidance, at this time. We will continue to monitor the situation closely and update these comments when appropriate.
- With that – our outlook for 2020, notwithstanding the impact of foreign exchange rates and the novel coronavirus, is as follows:
- We anticipate total revenue growth rate for the Company, Invisalign and iTero to be at the low-end of our long-term operating model target of 20% to 30%.
- We anticipate Invisalign volume to be at the low-end our long-term growth model target of 20% to 30%.
- On a GAAP basis, we anticipate 2020 operating margin to be slightly above our 2019 Operating Margin of 22.5%. We also expect our long term operating margin range of 25% to 30% to remain unchanged. On a Non-GAAP basis, we expect the 2020 operating margin to be approximately 3.5% higher than our GAAP Operating Margin, excluding Stock Based Compensation from Operating Income.
- On a GAAP basis, our 2020 tax provision will include approximately \$1.4 billion of tax benefit in Q1 associated with the recognition of a deferred tax asset related to the intra-entity sale of certain intellectual property rights. This deferred tax benefit will be amortized starting in 2020 and continue into subsequent quarters and years. The period over which this tax benefit will be recognized depends on the profitability of our Swiss headquarters and therefore is uncertain at this time. On a Non-GAAP basis, excluding the one-time tax benefit from the intra-entity sale of certain IP rights as mentioned above and the tax benefits related to stock-based compensation, we expect our tax rate for 2020 to range from approximately 22% to 23%.

Summary

- Overall, 2019 was a great year for Align and I am very pleased with the strong performance for both our Invisalign and iTero businesses. Not only did we celebrate our 22nd year in business, but we also achieved several major milestones including our 8 Millionth Invisalign patient and \$2.4 billion in revenue for the first time.
- As we kick off 2020, we are very concerned for the safety and health of our employees, customers/doctors and their patients in China. Their wellbeing is our top priority and we are doing everything we can to ensure that they are in good hands.
- Like SARS in 2003, the coronavirus is already having a major impact on China, and may expand into other countries around the world. I saw and experienced this impact as CEO of GE Healthcare. We will do everything we can to protect our employees, doctors and consumers. We expect that like SARS and MERS before, in time this virus will be addressed, the markets will assume an equilibrium, and our business in China will continue to grow. The timing of this is uncertain, but the future growth opportunity for our business in China is certain.
- While we are mindful of the increased uncertainty in China and its impact on our Q1 outlook, it's important to take a step back and remember that our business is broad and deep. We have strong growth in other regions, and are seeing strong momentum in the Americas, across EMEA and in all other countries in APAC especially Japan, Australia/New Zealand, Southeast Asia, Taiwan and Korea.
- In closing, I want to share a few thoughts with you regarding the future of our industry. Never before have I seen this amount of change in products, technology, distribution channels, and business models. Align has always believed that the market opportunity for clear aligners is significantly larger than the underlying orthodontic case starts each year. We believe that well over 300 million people want a better smile and the best way to access those potential patients is through doctors - using a digital approach with iTero scanners and the Invisalign system. Our partnership with doctors is a critical part of how we win with consumers and we will continue to insist that patients visit a doctor in person for Invisalign treatment.
- If I could leave you with one thing, it's that Align is not just the provider of the best clear aligner in the industry, and our clear aligner is not just a piece of plastic. Align is founded on digital – IT, Data, AI, Software, Algorithms, Digital Scanning and 3D Printing. We are the largest mass customized business the world has ever seen. Each Invisalign clear aligner is the output of millions of lines of code and thousands of digital actions that allow us to ship half a million customized class II medical devices a day.
- As the digital leader, we must continue providing doctors with the best technology and tools to help them treat any patient. In 2020, we expect to bring several new products/systems and services to market, but we must also provide more than individual products. In digital, you pick a platform not a product. You pick a company you believe in for the long term. Digital dentistry is being driven by products like iTero scanners and Invisalign clear aligners, and we believe our digital platform is setting the foundation for the future of dentistry. Align and our doctor partners are sitting on the edge of one of the biggest areas of growth that dentistry has ever seen. I am very excited about what this means for our business and continued growth prospects in 2020 and beyond as we continue to transform smiles and change lives.
- With that, I want to thank you again for joining our call. I look forward to updating you on our progress as the year unfolds. We'll see many of you at the Chicago Midwinter Meeting next month, as well as industry and financial conferences throughout the year, including our Analyst Meeting on May 12th in New York City.

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Transforming

s m i e s



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changing lives

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 Appendix

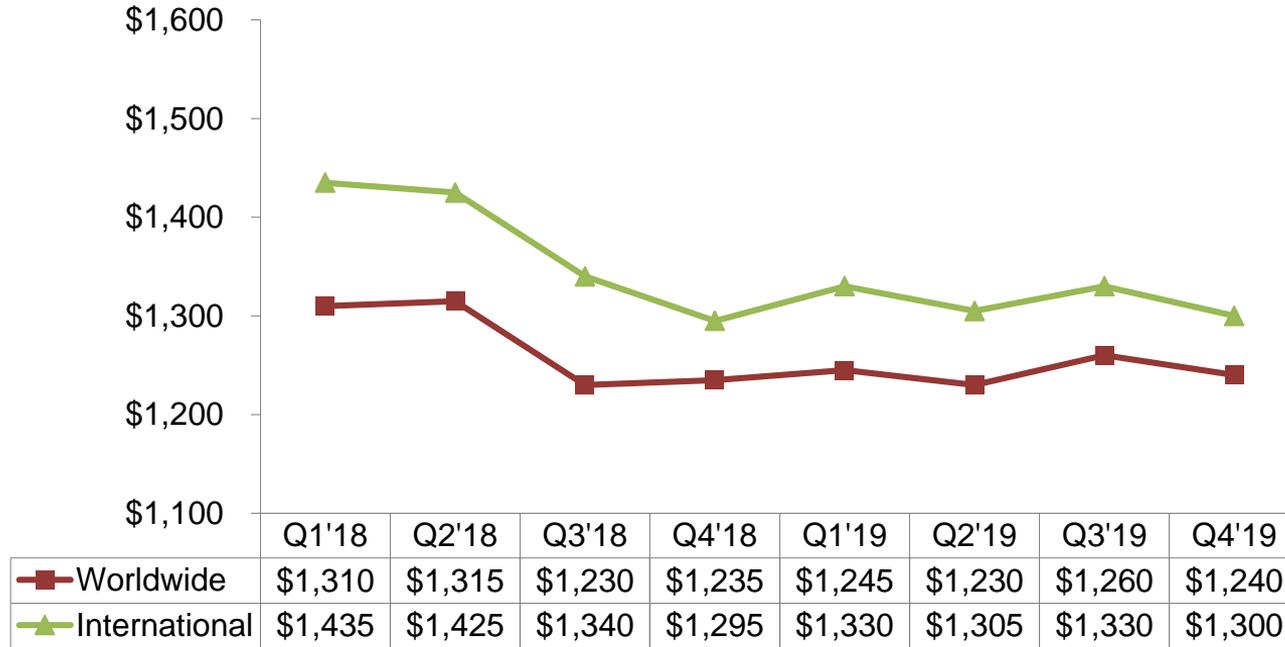
3 to 5 year financial model targets

	Q4'18 Actual	Q3'19 Actual	Q4'19 Actual	3 – 5 Year Model
Annual Revenue Growth %	26.7%	20.2%	21.7%	20% - 30%
Gross Margin	71.7%	72.0%	72.6%	73% - 78%
Operating Expense %	49.2%	51.1%	49.4%	45% - 50%
Operating Margin	22.6%	20.9%	23.3%	25% - 30%
Free Cash Flow*	35.0%	34.2%	27.0%	20% - 25%

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

Invisalign average selling price (ASP)

Worldwide and international

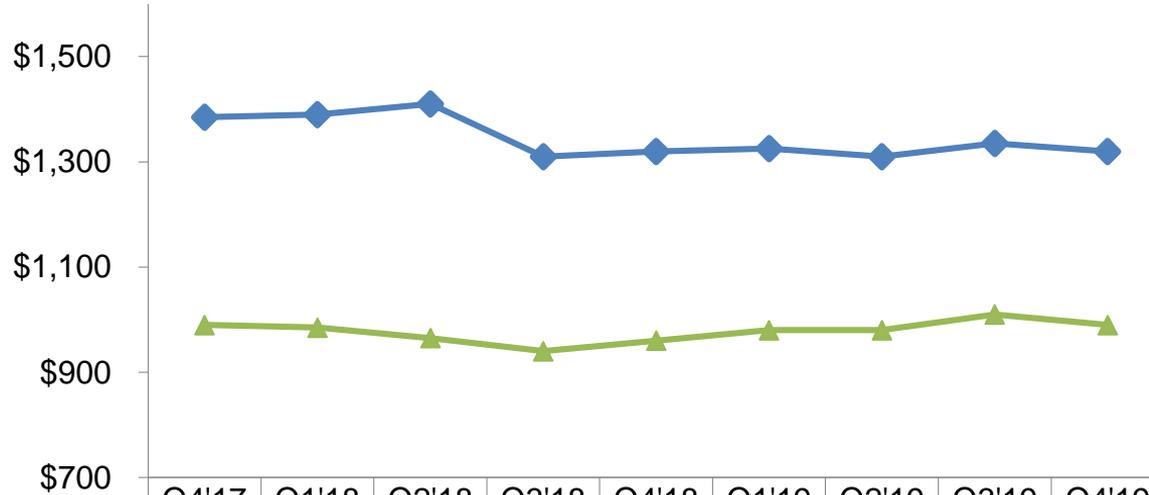


ASP: Invisalign case revenue / Invisalign case shipments

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

Invisalign average selling price (ASP)

Product groups



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

Comprehensive Products: Comprehensive Products include, but are 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

Invisalign shipment figures do not include SmileDirectClub aligners.

**Q2'18 ASP adjusted to include LATAM shipments not previously reflected*

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 invisalign | iTero