Financial Results

Q1 2019

Align Technology, Inc.

Align Technology, Inc. – Q1 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 May 8, 2019
  - Domestic callers: 877-660-6853
  - International callers: 201-612-7415
  - Conference # 13689188
  - Audio web cast archive will be available at http://investor.aligntech.com for 12 months

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Safe harbor and forward looking statement

- This presentation, including the tables below, contains forward-looking statements, including statements regarding certain business metrics for the second quarter and year ending 2019, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, tax rate, case shipments, scanner sales and our expectation that our earnings power in the second half of the year to be stronger than the first half. 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 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, 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. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Q1 2019 financial highlights

- Our first quarter was a very good start to the year with revenues, volumes, gross margin, and EPS above our guidance.
- Record Q1 revenues and Invisalign volumes were up 25.6% and 28.3% year-over-year, respectively, reflecting continued strong growth across all geographies and customer channels, as well as strong iTero scanner and services revenues, which were up 55.1% year-over-year.
- Q1 sequential growth was driven primarily by North America and EMEA volumes, reflecting strength across the Invisalign product portfolio.
- We also saw a nice uptick in adoption of Invisalign treatment with record utilization overall, as well as expansion of our customer base which totaled 57,000 active doctors worldwide in Q1.

	Q1'19	*QoQ*	*YoY*
Total Net Revenues	**$549.0M**	*+2.8%*	*+25.6%*
- Clear Aligner*	**$469.2M**	*+5.3%*	*+21.7%*
- Scanner & Services	**$79.8M**	*(9.8)%*	*+55.1%*
Invisalign Case Shipments	**349.2K**	*+4.6%*	*+28.3%*
EPS, diluted	**$0.89**	*$(0.31)*	*$(0.28)*

Invisalign Shipment figures do not include SmileDirectClub aligners
**Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners*

Q1 2019 financial highlights

Americas

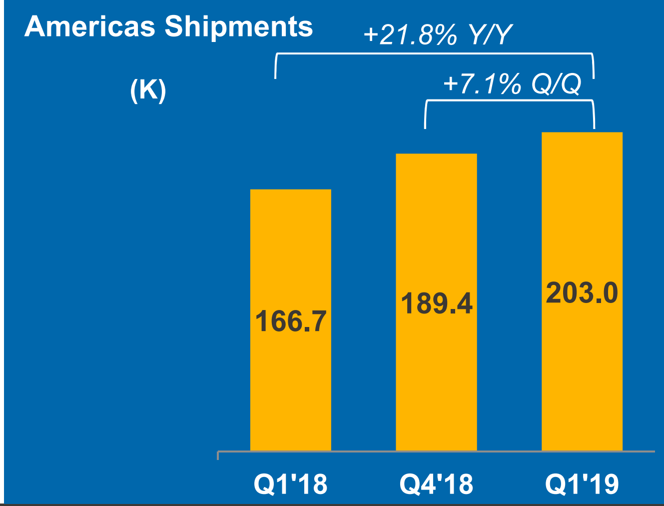
- For the Americas region, Q1 was a solid quarter with Invisalign case volume up 7.1% sequentially and 21.8% year-over-year, reflecting growth in both our Orthodontist and GP Dentist channels. For Q1, we trained 1,700 new Invisalign doctors in the Americas region, of which 1,400 were North American doctors.
- On a sequential basis, Q1 Invisalign volume growth reflects record utilization for the Americas region overall, driven by North American Orthos at 18.3 cases per doctor, with good initial adoption of Invisalign mandibular advancement in North America driven by the mid-Q4 launch in the US. We also had solid performance from GP dentists, with continued momentum from Invisalign Lite and Invisalign Go. Invisalign Go provides a simple pathway for dentists to integrate mild to moderate tooth movement into comprehensive care and makes it easy for GPs to refer out more complex cases to Orthodontists. Year-over-year, Q1 Invisalign volume growth for the Americas region was driven by continued strength in the Ortho channel especially from high-volume doctors with 25.9% growth, as well as an increase of 15.5% from the GP channel.
- In March, we announced a collaboration with Digital Smile Design (DSD), a leader in holistic, digital dentistry solutions for dental clinics, which features the Invisalign® system and iTero Element® scanners as the digital solutions of choice for tooth movement and scanning. As part of the cooperation, Align and DSD will aim to deliver dedicated education programs, enable simplified, streamlined integration of digital end-to-end workflows into GP practice and offer doctors more opportunities to learn about digital tools and treatment planning support.
- We also continue to make great progress in Latin America, led by Brazil. In Q1 Invisalign volume in Latin America was up significantly year-over-year, reflecting our ongoing investments as we continue to build our business in the region, training over 300 Invisalign doctors during the quarter.
- Next month I'll be in Brazil with my executive team hosting a major customer event with more than 200 doctors discussing "The Future of Digital Orthodontics" including the science and technology behind both the Invisalign system, as well our iTero scanners. We'll also have local social media influencers on hand as we kick off our very first Invisalign Consumer Campaign in Brazil and plan to Live Stream portions of the event to more than 500 doctors across the region.

Americas Invisalign Metrics

North Americas Utilization*

	Q1'18	Q4'18	Q1'19
NA Ortho	15.3	16.5	18.3
NA GP	3.4	3.6	3.6

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



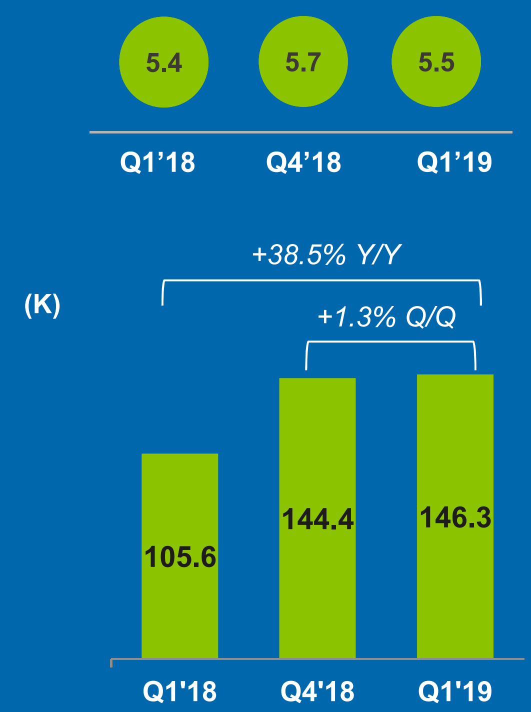
Invisalign shipments do not include SmileDirectClub aligners.
Effective Q1'18, Americas region includes North America and LATAM. We have recasted historical data to reflect the change.

Q1 2019 financial highlights

International

- For our International business, Q1 was another good quarter with strong Invisalign volume growth of 38.5% year-over-year, reflecting increased Invisalign utilization and continued expansion of our customer base in both EMEA and the Asia Pacific region. On a sequential basis, International volume was up slightly reflecting strong growth in the EMEA region, offset somewhat by a seasonally slower period in Asia Pacific, as expected. In Q1, we trained over 2,400 new Invisalign doctors internationally, split roughly in half between each of the two regions.
- In EMEA, Q1 was a strong quarter with volumes up 37.4% year-over-year, driven by growth across the region with record Invisalign volumes in all but one country market, led by Iberia and France. We saw strength across the Invisalign product portfolio with continued momentum from Invisalign First and Invisalign Go. We also continue to see strong growth across our key expansion markets as well, led by the Nordics and Benelux.
- For APAC, Q1 Invisalign volume increased 40.4% year-over-year, reflecting continued strong growth from nearly all country markets, led by China, Japan, and Australia/New Zealand. We also had a strong uptick in teenage patients in Q1, due in part to a teen promotion in China offered along with our Teen-edge sales program, intended to increase adoption of Invisalign treatment with teenagers. We also had strong growth from GP dentists, which were up 63.5% year-over-year. On a sequential basis, Q1 was flat as expected, due primarily to a seasonally slower period with the lunar New Year holiday.
- During Q1, we trained nearly 1,100 new doctors in APAC, over half of which were in China, and we opened our second state-of-the-art training facility in China, located in Shanghai.
- Our new manufacturing facility in Ziyang, China is continuing to ramp, and while we are making good progress, we still expect it to take a couple of quarters to fully transition aligner fabrication from Juarez, Mexico to Ziyang to serve the Chinese market and expect manufacturing overhead in Ziyang to be underutilized during this transition period.

International Invisalign Utilization* & Shipments



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

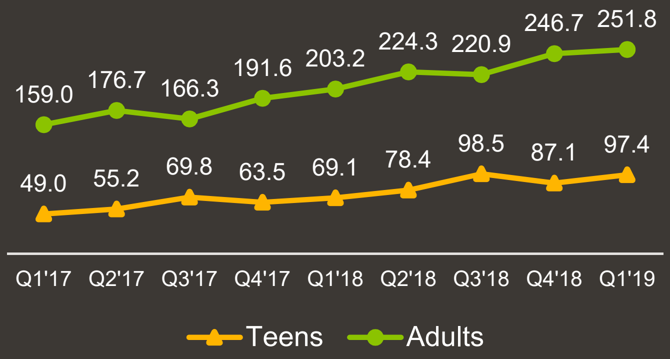
Invisalign shipments do not include SmileDirectClub aligners.
Effective Q1'18, International region includes EMEA and APAC. We have recasted historical data to reflect the change.

Q1 2019 financial highlights

Teens and adults

- 6.8M total Invisalign patients to date, with approximately 1.6M teens.
- Overall for the teen market, in Q1 nearly 100,000 teenagers started treatment with Invisalign clear aligners, an increase of 41.1% year-over-year driven by continued strong adoption across all major regions – especially in APAC and EMEA regions. For Q1, year-over-year Invisalign teen patient growth for North Americas Orthodontists increased 29.2% and International doctors were up 67.2%. Invisalign First and Invisalign treatment with Mandibular Advancement continue to ramp globally and are helping to increase our share of teenagers and younger patients worldwide. Overall, we're very pleased to see that use of Invisalign treatment among teenagers continues to outpace adults and that Invisalign First is driving a really strong growth in the kid/tween segment.
- We'll continue to drive utilization and growth in our Americas' teen business this year with the first Invisalign Teen Summit in July. We know that Summits increase engagement and Invisalign adoption, so for the first time we're focusing a Summit program completely on teen treatment and teen culture, including a tie-in to 2019 VidCon, the top teen culture and community event. Teen Summit is designed to turn low teen submitters into high teen submitters by combining Invisalign specific clinical and practice "how tos" with an immersive teen culture experience.

Worldwide Invisalign Case Shipments
Teen versus Adult Mix

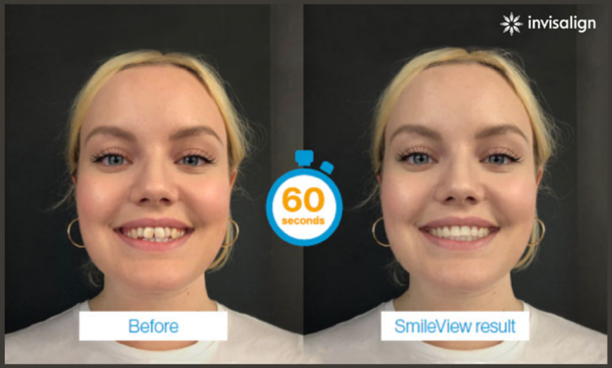


Invisalign shipments do not include SmileDirectClub aligners.

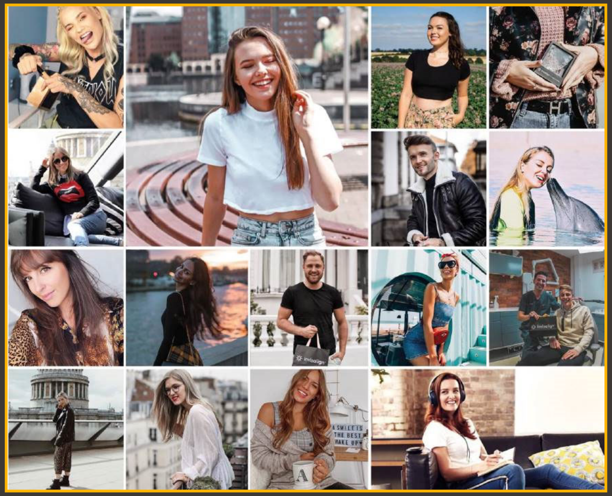
Consumer marketing

- 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 and our Patient Concierge service. 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 Q1, we continued to see strong digital engagement with consumers - reaching nearly 4 million unique visitors on Invisalign.com sites worldwide for a total of 53 million visitors to date. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q1 quarterly slides.
- In March, we launched a new online tool called "SmileView" at the International Dental Show (IDS) in Cologne, Germany. SmileView is designed to help prospective Invisalign patients visualize a new, straighter smile before they opt for Invisalign treatment. Within 60 seconds of taking a smiling selfie using the SmileView online tool on their smartphone or tablet, prospective patients can see what their new smile and straighter teeth may look like, with their own facial features. SmileView is available on line, or in GP practices in beta testing in the UK and the US and we are getting really positive feedback.
- In North America, we continued to invest in a strong digital plans for adults and teens. Our teen focused content (developed by Awesomeness TV, the fastest growing youth channel) and teen influencer program helped strengthen our brand presence among teens and parents, making Invisalign relevant and fun. During SXSW (South by Southwest), we reached adult consumers with an immersive experience within the RealSelf House of Modern Beauty, where consumers could learn more about Invisalign and see a simulation of their future smile using Invisalign SmileView technology. And Invisalign was voted by consumers as a "Most Worth It" treatment, continuing to demonstrate continued strength with consumers.
- In EMEA, we held a recruitment drive for our Influencer Program called "Invisalign Smile Squad" generating over 100+ new influencer applications and 350+ doctor registrations to take part in the program. And our "Parent of Teen" campaign went live in UK and France – raising awareness amongst a new consumer audience. Q2 will see the launch of our revised patient journey and media campaign strategy for focus markets, better integrating new conversion tools like SmileView and Concierge into the journey.
- In APAC, we continued to build awareness for Invisalign treatment through use of paid media and our influencer campaign, including expansion of our influencer program in the region and a pilot Invisalign First social media campaign to target parents of younger children. To leverage increasing consumer awareness and demand, we also began to expand the Invisalign Concierge program that connects interested consumers with Invisalign doctors for treatment into new countries.
- In the second half of the year, we will launch a new consumer advertising campaign that emphasizes the importance of doctor led treatment with Invisalign clear aligners, while also differentiating our brand.

SmileView



"Invisalign Smile Squad"



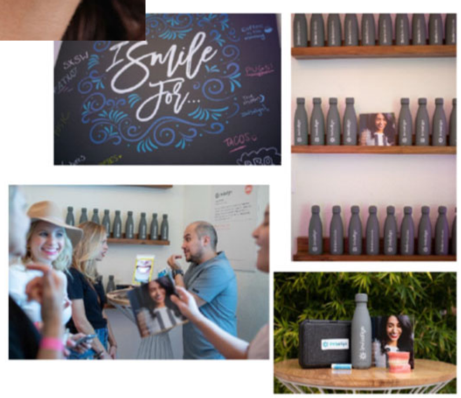
Q1 2019 consumer marketing

AMERICAS		EMEA		APAC	
2.1M Website Visitors	**230K** Doc Locator Searches	**1.1M** Website Visitors	**240K** Doc Locator Searches	**630K** Website Visitors	**72K** Doc Locator Searches

AMERICAS

- Invisalign Brand Activation at SXSW
- Invisalign Receives "Most Worth It" Ranking from Consumers

RealSelf, the leading online resource to learn about cosmetic treatments and connect with medical aesthetic doctors, unveiled the 2019 Worth It Ranking, a comprehensive list that ranks the Worth It Ratings[1] of more than 140 surgical and nonsurgical cosmetic procedures and brands.



EMEA

- Invisalign Smile Guide
- Parent of Teen Campaign

APAC

- Invisalign Star Influencer Program
- Asia Campaign
- Social - Invisalign First

Professional marketing

- On the professional marketing side, we recently launched two dedicated professional Invisalign brand campaigns that feature Orthodontists and GP Dentists.
- The “Ortho as Hero” campaign focuses on Invisalign orthodontists as critical leaders and the “heroes” of transformative, life-changing smiles, especially for teen and younger patients. The campaign showcases modern orthodontics practices that leverage digital approaches to treatment and are warm and inviting.
- The “Go Beyond” campaign is designed to celebrate dentists who go above and beyond every day to serve their patients. It also demonstrates the relevance of tooth movement to General Dentists and the importance of integrating Invisalign within comprehensive dentistry. This was launched in North America, and is now being rolled out in the EMEA and APAC regions.

invisalign® | made to move

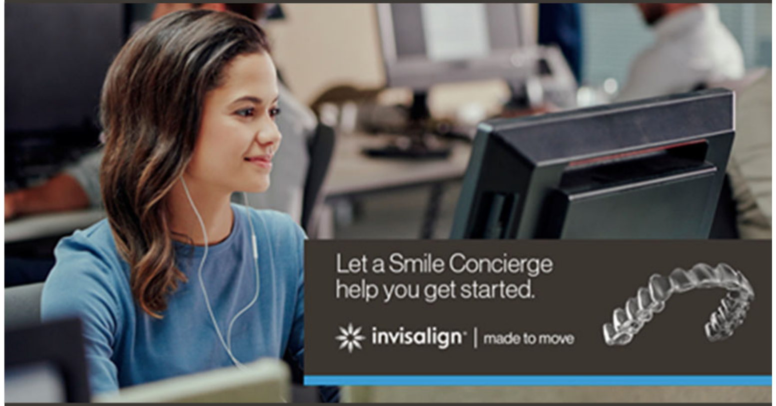
Smile Concierge Program

- Year-to-date we've scheduled over 97,000 Invisalign consultations in the U.S., which equates to connecting hundreds of consumers to Invisalign doctors every day and providing leads they might not otherwise have had.
- The Smile Concierge service teams are located in the U.S., Latam, Singapore, Brazil, Australia, and the UK with recent program launches in Poland and Saudi Arabia.

+423K	+97K	+24K
Consumers contacted	**Consultations scheduled**	**Invisalign cases started**

Smile Concierge Team

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



IDS 2019

- Commercial launch of iTero Element 5D Imaging System
- Announced the launch of SmileView
- Announced Digital Smile Design alliance
- Featured the “Go Beyond” campaign
- In-booth speakers/education
- Press briefing and social media

The iTero Element 5D Imaging System is commercially available now in Canada, European Union countries accepting CE-Marking, Switzerland, Norway, Australia, New Zealand, Hong Kong, Singapore and Thailand. The iTero Element 5D Imaging System is not yet available in the United States or Latin America.

Q1 2019 financial highlights

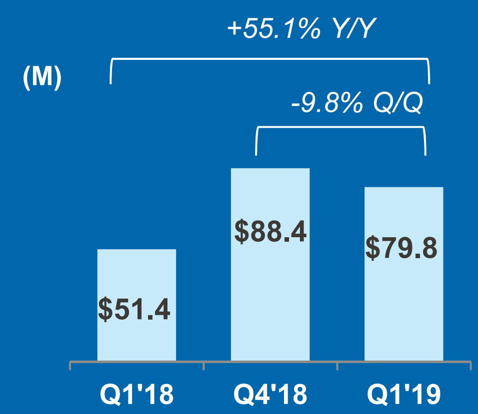
Scanner and services

- For our iTero scanner and services business, iTero revenues increased 55.1% year-over-year, reflecting continued strength across all regions and customer channels. On a sequential basis, revenues were down 9.8% sequentially, as expected, reflecting lower scanner sales following a strong Q4 and consistent with seasonality in the capital equipment business partially offset by continued growth in services revenues due to the increasing install base.
- During the quarter, we launched the new iTero Element 5D Imaging System for comprehensive preventative and restorative oral care at the International Dental Show (IDS.) The iTero Element 5D scanner is the first integrated dental imaging system that simultaneously records 3D, intra-oral color and NIRI images and enables comparison over time using iTero TimeLapse. Integrated 3D, intra-oral color and NIRI technology of the iTero Element 5D Imaging System aids in detection and monitoring of interproximal caries lesions above the gingiva without using harmful radiation. The iTero Element 5D scanner is available for sale in the majority of European and APAC countries, and is not yet available in the United States or Latin America.
- Cumulatively, over 13.5 million orthodontic scans and 3.6 million restorative scans have started with iTero scanners.
- Use of the iTero scanners for Invisalign case submission continues to grow and remains a positive catalyst for Invisalign utilization. For Q1, total Invisalign cases submitted with a digital scanner in the Americas increased to 76.0% from 67.3% in Q1 last year. International scans increased to 59.3% up from 43.5% in the same quarter last year. Within the Americas, 91.2% of cases submitted by North American Orthos were submitted digitally. And China remains at 45% for the quarter. We continue to anticipate that in another year or two, nearly all Invisalign cases will be submitted digitally – primarily through an iTero scanner.

	Q4’17	Q1’18*	Q2’18*	Q3’18*	Q4’18	Q1’19
Americas	65.3%	67.3%	69.6%	71.9%	73.5%	**76.0%**
International	41.5%	43.5%	47.8%	53.9%	57.5%	**59.3%**

**Q1’18, Q2’18 and Q3’18 digital scanner percentages revised.*

Scanner and Services Revenues



Invisalign scans include but not limited to additional aligner order scans, progress tracking, and does not reflect total Invisalign case shipments. Figures updated as of December, 2018. Data on file at Align Technology.
iTero Element 2 and iTero Element Flex are currently available in Canada, the United States, majority of European countries (including France, Germany, Italy, Spain, and the United Kingdom) and select Asia Pacific Markets such as Australia, Hong Kong, Singapore, and Taiwan. The existing iTero Element scanner will continue to be available in all markets.
The iTero Element 5D Imaging System is commercially available now in Canada, European Union countries accepting CE-Marking, Switzerland, Norway, Australia, New Zealand, Hong Kong, Singapore and Thailand. The iTero Element 5D Imaging System is not yet available in the United States or Latin America.

Scanner interoperability matrix

- Given our continued progress and increased use of digital scans for Invisalign case submission, we continue to get questions regarding interoperability with other 3rd party scanners. With recent product introductions, we want to make sure we are clear about which scanners are not qualified to submit Invisalign case submissions. We developed an interoperability matrix that has been distributed to our sales and customer facing teams to help inform doctors.
- Regarding the Trios 4, Align will NOT qualify the Trios 4, or any future 3Shape scanner product, for Invisalign interoperability in the U.S. or globally.
- Regarding Primescan, Align has received a request from Dentsply/Sirona to evaluate Primescan for Invisalign case submissions and we are considering that request. Until we make a decision to move forward and can conduct testing, Primescan is NOT qualified for Invisalign case submissions.

Other 3rd Party Scanners ACCEPTED for Invisalign Case Submission

	U.S.	Outside U.S.	China	Japan
3M True Definition	YES	YES	YES	YES
Dentsply/Sirona CEREC Omnicam	YES	YES	YES	YES
3Shape Trios Standard, Trios Color, Trios 3, Trios 3 Basic	NO	YES	NO*	NO*
3Shape Trios 4 or any future product	NO	NO	NO	NO

*3Shape Trios scanners based in China or Japan are NOT ACCEPTED for Invisalign case submission because Trios scanners are not approved for Orthodontic Indication in China or Japan.

Update: Our plans to reorganize Align's corporate entity structure to better align with the growing international nature of our business, and the recent settlement agreement with Straumann.

First, our plans to reorganize our corporate entity structure:

- Given the rapid expansion of our business globally, we must continue to scale and optimize our operations to help support our growth and financial profile. In March, we announced internally that we would be making changes to our EMEA headquarters located in Amsterdam, The Netherlands .
- Specifically, we will relocate our current EMEA Headquarters and move the majority of our corporate functions: Finance, IT, HR, Legal, and Regional EMEA Marketing from Amsterdam to Switzerland. We will begin the transition to the new HQ location mid-year and expect to complete it in early 2020. We will maintain an Amsterdam office to support local commercial operations.
- In addition, in August we will be relocating our current Order Acquisition (OA) facility from Amsterdam to Poland and create a centralized operational hub for EMEA co-located with our new Treatment Planning facility that we just opened. This new hub in Poland will include iTero business operations, Customer Success and Clinical Support teams, and IT Operations.
- As we evaluated our options, relocating our EMEA headquarters to Switzerland quickly became our top choice based on many factors including:
  - A more favorable and stable operating environment.
  - An opportunity to accelerate our transition to a more decentralized commercial structure for EMEA that reflects the localization we've been working toward.
  - A more centralized geographic location in Europe within EMEA's largest potential market.
  - An available talent pool to support key strategic roles required in the new EMEA HQ.
- While we expect these proposed changes will allow us to obtain financial and operational efficiencies, it was a difficult decision to make and we are committed to supporting our impacted employees throughout this transition.

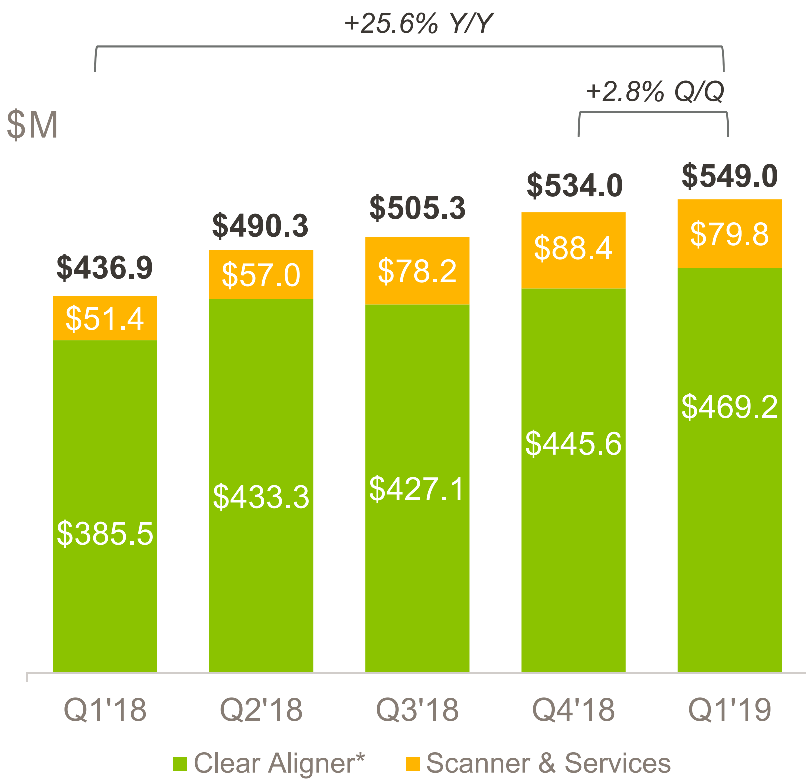
Moving onto the settlement agreement with Straumann.

- On March 28, we announced a settlement agreement with Straumann Group to settle patent disputes with ClearCorrect, who was purchased by Straumann in 2017. As many of you know, for years Align has been engaged in complicated, multi-country, multi-court patent litigation with ClearCorrect. The settlement with Straumann ends all current and pending litigation and provides $35 million in settlement fees to Align. In addition, we have signed a non-binding letter of intent (LOI) with Straumann for an iTero development and distribution agreement. If we reach an agreement, Straumann will purchase and distribute 5,000 iTero scanners over the next 5 years and co-fund development with us to integrate Straumann's digital workflow into those scanners.
- The letter of intent we've signed is non-binding, which means either one of us can walk away from the LOI. However, if we don't reach a development and distribution agreement with Straumann by early July, Straumann will pay us an additional $16 million, for a total of $51 million.
- We have always been passionate about defending our intellectual property and the hard work and innovation by the Align team that it represents. We'll continue to do that and to protect our technology through all the ways that our legal system provides. The combined value of the settlement fees and distribution deal with Straumann is more than what we hoped to achieve through the courts. And we may have a new distribution opportunity to reach new customers and lead with iTero scanners.

Q1 2019 Financial Review

Revenues trend

Q1'19 highlights

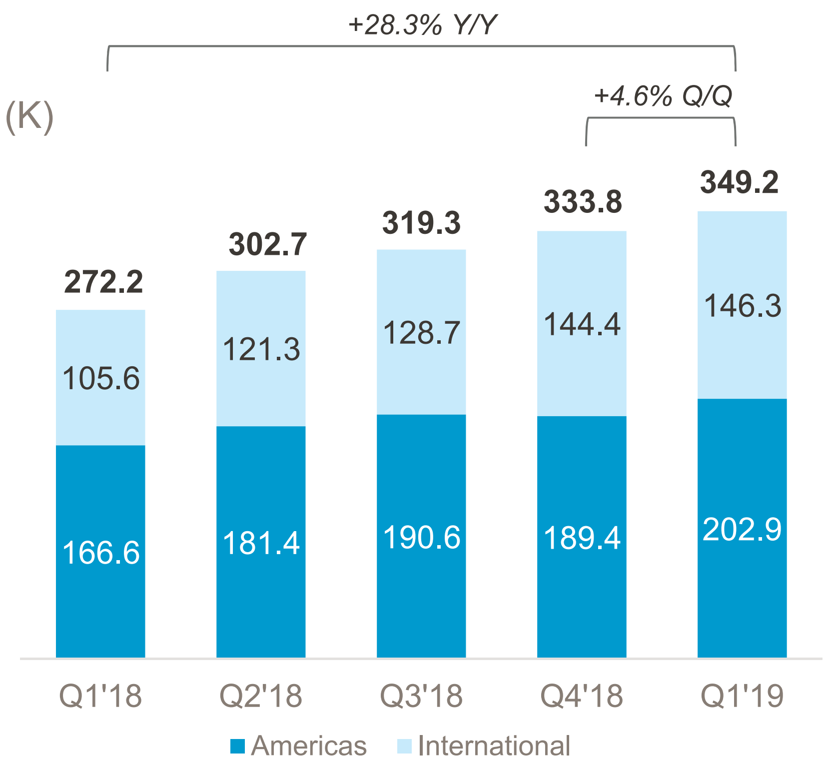


- Total revenue for the first quarter was $549.0 million, up 2.8% from the prior quarter and up 25.6% from the corresponding quarter a year-ago. Year-over-year revenue growth includes $16.5 million of unfavorable foreign exchange.
- For Clear aligners, Q1 revenue of $469.2 million was up 5.3% sequentially on strong Invisalign volume from North America and EMEA, and higher than expected Invisalign ASPs. Year-over-year clear aligner revenue growth of 21.7% reflected strong Invisalign shipment growth across all customer channels and geographies.
- Q1 Invisalign ASPs were up sequentially by approximately $10, to $1,245 reflecting favorable impacts from FX and product mix shift, partially offset by higher promotions. On a year-over-year basis, Q1 Invisalign ASPs were down $65 primarily reflecting promotional discounts, unfavorable FX, and product mix shift , partially offset by price increases in July 2018.
- Our Scanner and Services revenue for the first quarter was $79.8 million, down 9.8% sequentially due to seasonality as Q4 is typically stronger due to end of the year capital equipment purchases. Year-over-year revenue was up 55.1%, primarily due to higher scanner units across regions and related service revenues.

**Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners.*
Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Invisalign shipments trend

Q1'19 highlights

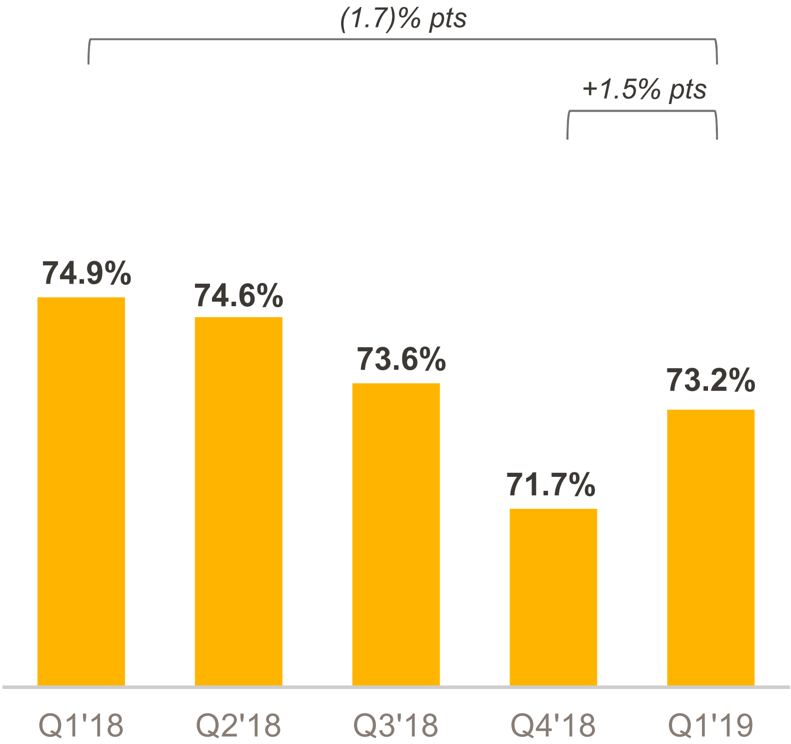


- Total Q1 Invisalign shipments of 349.2 thousand cases were up 4.6% sequentially and up 28.3% year-over-year.
- For Americas Orthodontists, Q1 Invisalign case volume was up 9.5% sequentially and up 25.9% year-over-year.
- For Americas GP Dentists, Invisalign case volume was up 3.5% sequentially and up 15.5% year-over-year.
- For International doctors, Invisalign case volume was up 1.3% sequentially and up 38.5% year-over-year.

Invisalign shipments do not include SmileDirectClub aligners.
Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Gross margin trend

Q1'19 highlights

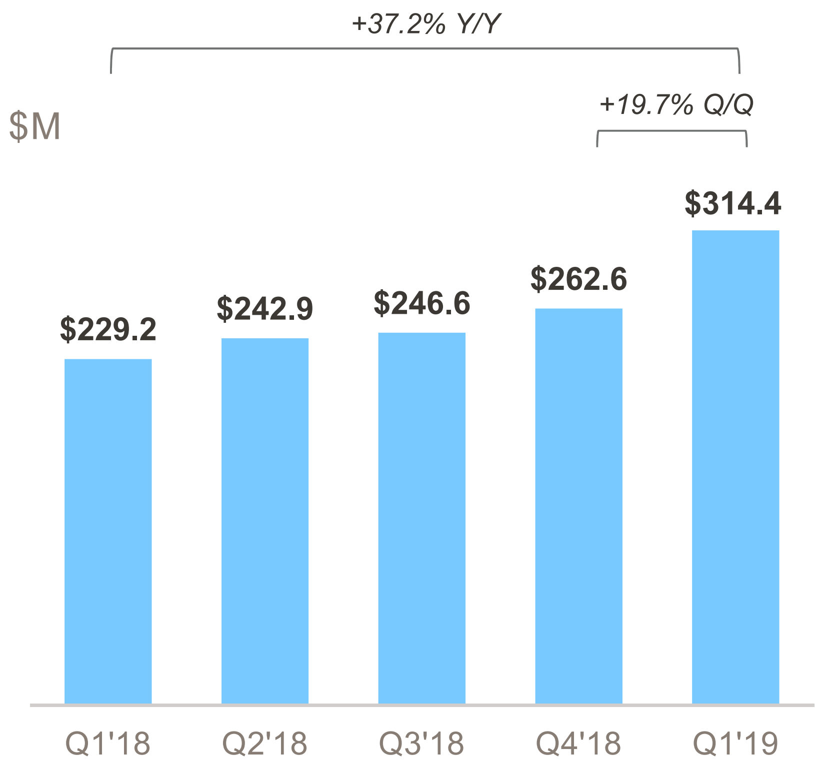


- Moving on to gross margin. First quarter overall gross margin was 73.2%, up 1.5 points sequentially and down 1.7 points year-over-year.
- Clear aligner gross margin for the first quarter was 74.9%, up 0.8 points sequentially primarily due to improved manufacturing leverage, approximately $4.1 million of one-time benefits related to freight refunds and rebates, and seasonally lower training costs, partially offset by higher number of aligners per case.
- Clear aligner gross margin was down 2.1 points year-over-year primarily due to higher number of aligners per case, lower ASPs, (lower ASPs reflect unfavorable FX), partially offset by favorable manufacturing leverage, and one-time benefits related to freight refunds and rebates as described above, along with lower doctor training costs.
- Scanner gross margin for the first quarter was 63.6%, up 3.7 points sequentially and up 4.4 points year-over-year primarily due to higher ASPs and one-time benefit related to freight refunds along with manufacturing efficiencies.

**Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners.*
Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Operating expense trend

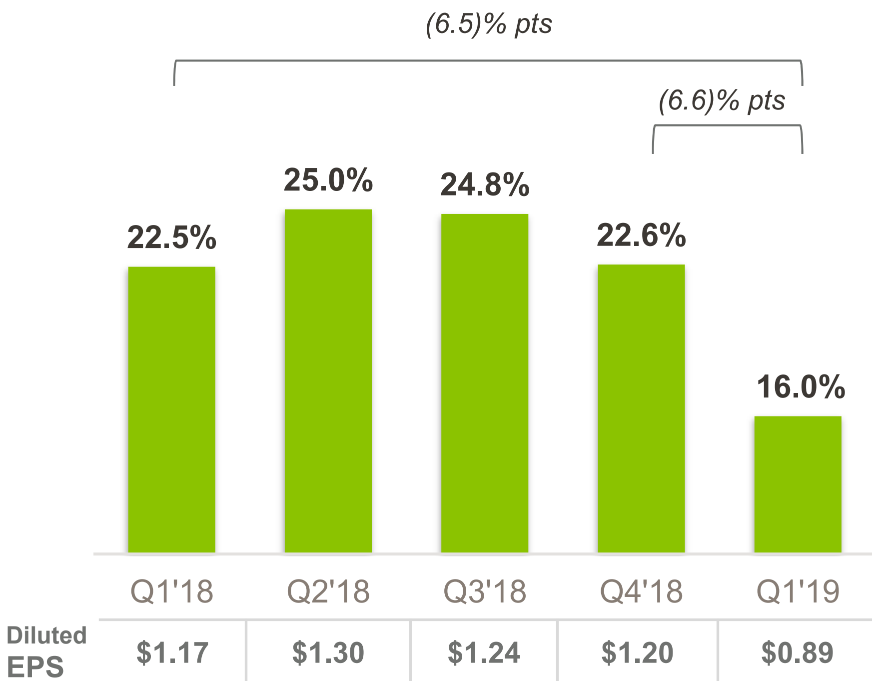
Q1'19 highlights



- Q1 operating expenses were $314.4 million, up sequentially 19.7% and up 37.2% year-over-year. The sequential increase in operating expenses reflects continued investment in sales and R&D activities, along with higher legal/consulting expenses, as well as increased compensation related expenses due to higher headcount and our planned annual increase in employee compensation programs, partially offset by seasonally lower advertising spending.
- Additionally, our Q1 operating expenses include impairments and other charges related to Invisalign Store closures of $29.8 million.

Operating margin and EPS trend

Q1’19 highlights



- Our first quarter operating income was $87.7 million, down 27.2% sequentially and down 10.7% year-over-year. The sequential decrease in operating income is primarily attributed to higher operating expenses offset in part by higher gross profit. On a year-over-year basis, the decrease in operating income primarily reflects higher operating expenses commensurate from growth, which includes charges related to our Invisalign Store closures.
- Our first quarter operating margin was 16.0%, down 6.6 points sequentially and down 6.5 points year-over-year. The sequential decrease in operating margin is primarily due to higher operating expenses and Invisalign Store closure costs, partially offset by higher gross margin. The year-over-year decrease in operating margin is primarily due to higher operating expenses and Invisalign Store closure costs and lower gross margin. The Q1 operating margin impact from store closures was approximately 540 basis points.
- With regards to first quarter tax provision, our tax rate was 10.4% which includes approximately $12 million of excess tax benefits related to stock-based compensation from restricted stock vesting during the quarter and approximately $8 million of discrete tax benefit related to the tax impact on the Invisalign Store closure costs.
- First quarter diluted earnings per share was $0.89, down $0.31 sequentially and down $0.28 compared to the prior year. Invisalign Store related closure costs, net of tax, impacted Q1’19 diluted EPS by approximately $0.28.

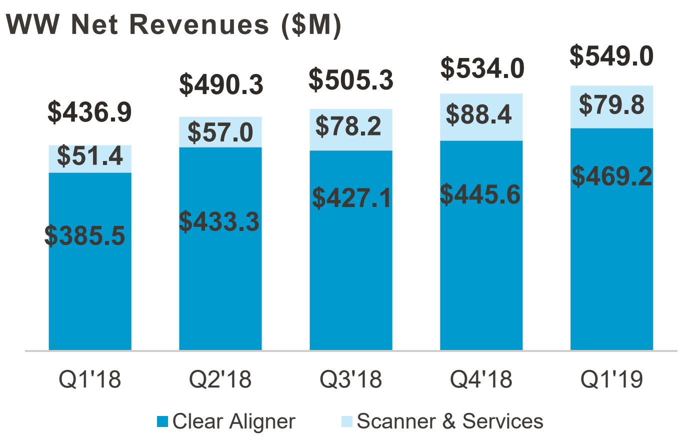
Balance sheet highlights

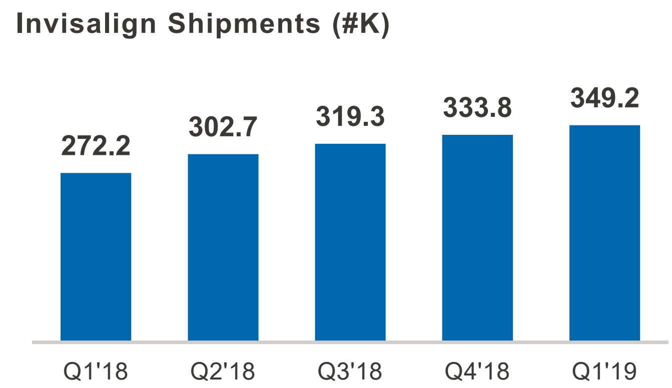
- As of March 31, 2019, cash, cash equivalents, and marketable securities, including both short- and long-term investments, were $732.5 million, a decrease of $11.9 million from the prior quarter which is primarily from $50 million used to repurchase approximately 205 thousand shares of our stock. Of our $732.5 million of cash, cash equivalents and marketable securities, $372.6 million was held in the US and $359.9 million was held by our International entities.
- Q1 accounts receivable balance was $479.3 million, up approximately 9.2% sequentially. Our overall days sales outstanding (DSO) was 78 days, up 4 days sequentially and up 4 days from Q1 last year.
- Cash flow from operations for the first quarter was $117.2 million, up $39.9 million compared to the prior year.
- Capital expenditures for the first quarter were $35.3 million, primarily related to our continued investment in increasing aligner capacity and facilities. Free cash flow for the first quarter, defined as cash flow from operations less capital expenditures, amounted to $81.9 million.
- During Q1’19, we purchased on the open market approximately 0.2 million shares of our common stock at an average price of $243.42 per share, including commission for an aggregate purchase price of approximately of $50.0 million. We have $450.0 million remaining available for repurchase under the May 2018 Repurchase Program.
- Also, during the first quarter, we adopted the new lease standard and now record operating lease assets and related liabilities on our Consolidated Balance Sheet, however, there was no significant impact to our operating results.

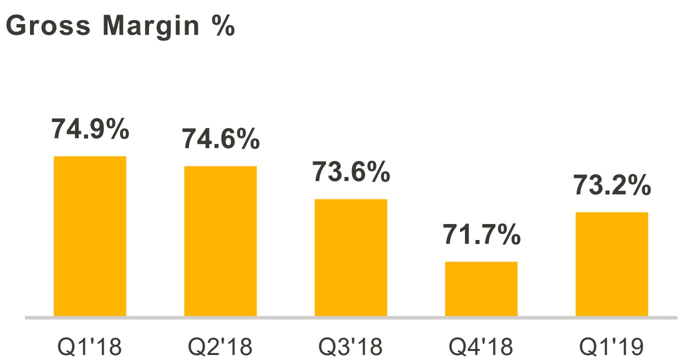
($ in millions except for DSO)	Q1’18	Q4’18	Q1’19
Accounts Receivables, net	$361.5	$439.0	$479.3
DSO	74 days	74 days	78 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	$673.0	$744.5	$732.5
Cash Flow from Operations	$77.3	$241.3	$117.2
Capital Expenditures	$(57.6)	$(54.3)	$(35.3)
Free Cash Flow*	$19.7	$187.0	$81.9

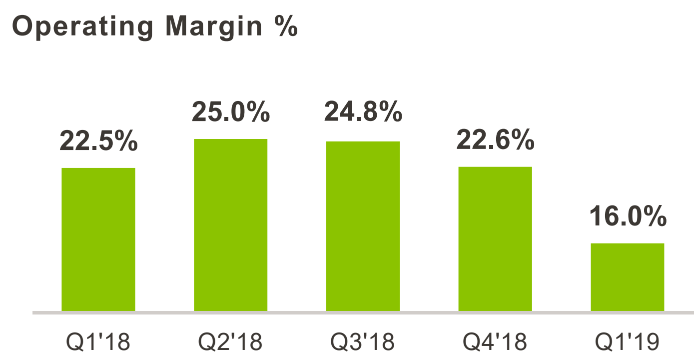
**Free cash flow is defined as cash flow from operations less purchase of property, plant and equipment and is a non-GAAP measure. Rounding may affect totals.*

Trended financials









*Clear aligner revenue includes revenues from Invisalign clear aligners and SmileDirectClub aligners
Invisalign shipments do not include SmileDirectClub aligners
Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Q2 2019 outlook

- For International, we expect Q2 volumes to be up sequentially reflecting seasonally stronger periods for both EMEA and APAC regions.
- For the Americas, we expect Q2 volumes to be up sequentially reflecting growth across all key country markets, as well as a seasonally stronger period for North America orthodontists with the beginning of the summer teen season.
- We expect our iTero business to be up sequentially coming off of a slower period for capital equipment in Q1.
- And, regarding Smile Direct Club (SDC), we expect almost no clear aligner volume from SDC in Q2.

	Q2 2019	
Invisalign Case Shipments	380.0K – 385.0K	
Net Revenues	$590.0M - $600.0M	
Gross Margin	71.5% - 72.5%	
Operating Expenses	$277.0M – $282.0M	
Operating Margin	24.5% - 25.4%	
Effective Tax Rate	~24%	(1)
EPS, diluted	$1.47 - $1.54	(1,2)
Stock-Based Compensation	$23M	
Diluted Shares Outstanding	80.6M	(2)
Capital Expenditures	$85M - $90M	
Depreciation & Amortization	$20M-$22M	

(1) Includes excess tax benefits related to share-based compensation expense pursuant to ASU 2016-09
(2) Excludes any stock repurchases during the quarter

Invisalign shipments do not include SmileDirectClub aligners.

Q2’19 financial outlook commentary

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

- Invisalign case volume is expected to be in the range of 380 to 385 thousand cases, up approximately 26% to 27% year over year.
- We expect Q2 revenues to be in the range of $590 million to $600 million, up approximately 20%-22% year-over-year. Our Q2 revenue outlook assumes almost no SDC volume compared to the same quarter a year ago when aligners supplied to SDC contributed $8.6 million to revenues. We expect Q2 gross margin to be in the range of 71.5% to 72.5%. Q2 gross margin is sequentially lower than Q1 due to the one-time benefits of approximately 1% point realized in Q1 that we do not expect to repeat.
- We expect Q2 operating expenses to be in the range of $277 to $282 million, which includes a one-time benefit of approximately $30 million from our Straumann settlement gain, net of our estimated costs for the iTero development agreement. Q2 operating expenses reflect continued investments in sales, marketing, and R&D including increased consumer media/advertising spend, as well as higher legal fees and costs related to our corporate structure reorganization announced last quarter.
- Q2 operating margin should be in a range of 24.5% to 25.4%, which includes the expected benefit from the Straumann settlement gain mentioned above and approximately 2.0% negative impact to operating margin due to higher legal fees and costs related to our corporate structure reorganization. Note as we described on our Q4 earnings call in January, we expect the impact from higher legal and corporate structure reorganization costs to be about 1 ½ to 2% for the full year.
- Our effective tax rate is expected to be approximately 24%.
- Diluted shares outstanding is expected to be approximately 80.6 million, exclusive of any share repurchases.
- Taken together we expect our Q2 diluted EPS to be in a range of $1.47 to $1.54. Q2 diluted EPS guidance includes $0.28 gain for the Straumann settlement and $0.10 gain for the SDC equity settlement, net of the income tax effects, and approximately $0.09 expense related to the corporate structure reorganization costs and higher legal/litigation costs.
- In addition, as we continue our operational expansion efforts, we expect CapEx for Q2 to be approximately $85 to $90 million, and we expect depreciation and amortization to be $20 to 22 million.

Q2'19 guidance impact from unusual items

	Q2'19 Guidance
	Low - High
GAAP Op. Margin %	**24.5% - 25.4%**
Straumann Settlement gain[1]	approx (5 pts)
Corporate Structure Reorganization Costs	approx +1 pt
Legal / Litigation Costs	approx +1 pt
GAAP EPS[2]	**$1.47 - $1.54**
Straumann Settlement gain[1]	approx ($0.28)
Gain from SDC Investment	($0.09) - ($0.10)
Corporate Structure Reorganization Costs	$0.04 - $0.05
Legal / Litigation Costs	$0.03 - $0.04

Notes

[1] *Straumann Settlement gain is net of estimated costs to be incurred under a Development Agreement.*

[2] *All Q2 EPS adjustment items use an estimated tax rate of ~24%. This rate may be subject to change on individual items.*

Commentary

- Overall, Q1 was another solid growth quarter and I'm pleased with the continued progress we're making in executing our strategic growth drivers and am excited about the opportunity we have ahead:
  - **International Expansion** – Invisalign volume was up +38.5% y/y;
  - **Ortho/Teen Utilization** our worldwide Invisalign Teen patients growth was +41.1% y/y,
  - **GP Treat and Refer** – leading with iTero scanners –our worldwide GP volumes for Invisalign was up 27.3% y/y (Americas GP + 15.5%), and iTero scanner revenues were up 55.1% y/y; and
  - **Consumer/patient conversion** with Invisalign treatment – we engaged with 4 million consumers globally in Q1 and are building the most recognized orthodontic brand in the industry.
- In Q2, we have a number of exciting programs and initiatives heading into the summer season kicking off with AAO in early May, and the Invisalign Symposium on the Digital Practice in London, which is our first ever truly global event and designed to foster a global community of Invisalign doctors. The symposium will bring together 300 of the most experienced and most high volume Invisalign orthodontists from across the world to discuss the digital orthodontics and the challenges and opportunities digital transformation provides their practices.
- Finally, before I open the call up for questions, I want to take a minute to welcome Raj Pudipeddi who joined Align last month as senior vice president and Chief Marketing Officer (CMO), reporting to me. Raj joins us with more than 24 years of business leadership and brand building experience for companies including Procter & Gamble (P&G) and Bharti Airtel, an Indian telecom leader. He has an outstanding track record of delivering results across the North America, Latin America and Asia Pacific regions. Raj also brings great consumer acumen and marketing expertise in terms of building brands, launching new products and accelerating digital businesses globally. His knowledge and understanding of how to leverage big data and consumer personalization will be instrumental as we continue to lead the transformation of digital orthodontics and dentistry and help millions of consumers get a smile they love with Invisalign doctors. Raj is a strong addition to our leadership team and I am thrilled to have him on board.
- 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 American Association of Orthodontist Meeting in Los Angeles next month, as well as at upcoming financial conferences including BankAmerica Merrill Lynch, Northcoast, Stifel, Goldman Sachs and William Blair.

Appendix

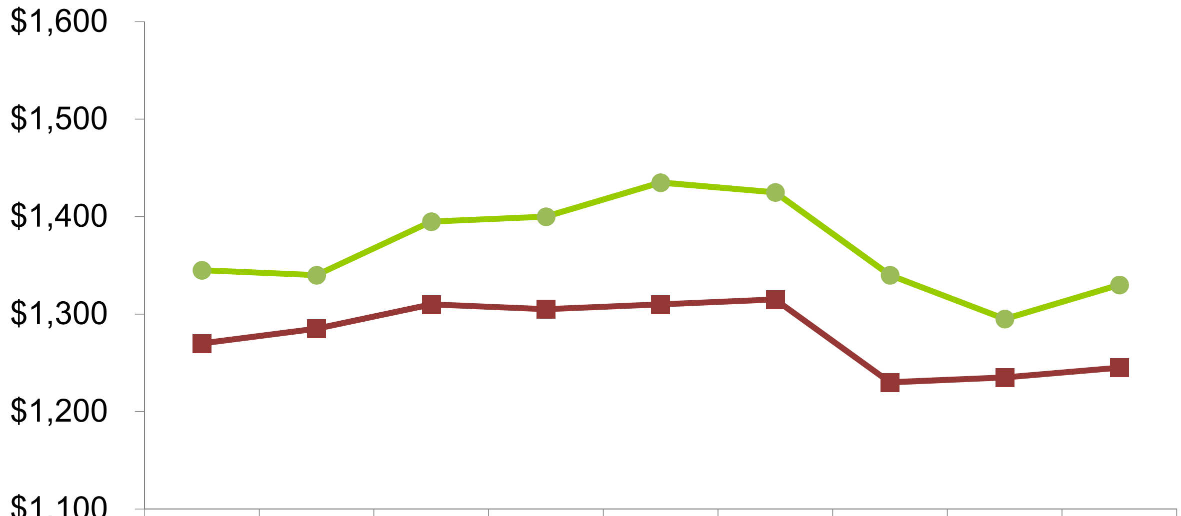
3 to 5 year financial model targets

	Q1'18 Actual	Q4'18 Actual	Q1'19 Actual	3 – 5 Year Model
Annual Revenue Growth %	40.8%	26.7%	25.6%	20% - 30%
Gross Margin	74.9%	71.7%	73.2%	73% - 78%
Operating Expense %	52.5%	49.2%	57.3%	45% - 50%
Operating Margin	22.5%	22.6%	16.0%	25% - 30%
Free Cash Flow*	4.5%	35.0%	14.9%	20% - 25%

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

Invisalign average selling price (ASP)

Worldwide and international



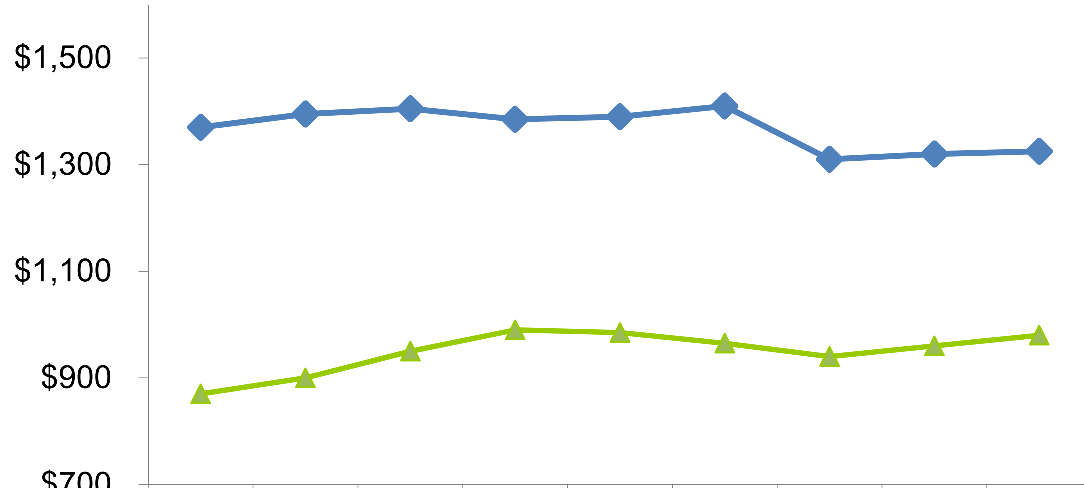
	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Worldwide	$1,270	$1,285	$1,310	$1,305	$1,310	$1,315	$1,230	$1,235	$1,245
International	$1,345	$1,340	$1,395	$1,400	$1,435	$1,425	$1,340	$1,295	$1,330

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 recasted historical International ASP data to reflect the change.

Invisalign average selling price (ASP)

Product groups



	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18*	Q3'18	Q4'18	Q1'19
Comprehensive Products	$1,370	$1,395	$1,405	$1,385	$1,390	$1,410	$1,310	$1,320	$1,325
Non-comprehensive Products	$870	$900	$950	$990	$985	$965	$940	$960	$980

Comprehensive Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Non-Comprehensive Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7, Invisalign Go

ASP: Invisalign case revenue / Invisalign case shipments

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

invisalign | iTero