Financial Results

Q1 2020

Align Technology, Inc.

Align Technology, Inc. – Q1 2020 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 13, 2020
  - Domestic callers: 877-660-6853
  - International callers: 201-612-7415
  - Conference # 13701221
  - 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, such as those on a GAAP and non-GAAP basis, if applicable, for the first quarter ended March 31, 2020, including, but not limited to, the impacts to our business and results of operations as a result of COVID-19, the effectiveness of our responses to the pandemic, our expectations for China and other regions as economies reopen, our intentions and the effectiveness or our responses as we recover, our expectations for the teen market, our intentions concerning marketing and support services, our expectations regarding exocad, our beliefs regarding our new and enhanced products including the ability to increase demand for Invisalign solutions as well as other digital dentistry offerings, the total addressable markets for our products, the effectiveness of our expense management efforts and other similar matters discussed in this presentation. Forward-looking statements contained in this presentation and the tables below relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement.

- Factors that might cause such a difference include, but are not limited to:

- the impact of the COVID-19 pandemic on the health and safety of our employees, customers, patients, and our suppliers as well as the physical and economic impacts of the various recommendations, orders and protocols issued by local and national governmental agencies in light of the evolving situation;
- the ability to (i) realize expected benefits in connection with the acquisition of exocad within the expected timeframes or at all, (ii) timely, cost-efficiently and effectively integrate exocad's business without adversely impacting operations of either Align or exocad, and (iii) avoid or mitigate uncertainties or liabilities in connection with the acquisition or its impacts on the value of our stock;
- difficulties predicting customer and consumer purchasing behavior and changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence;
- expectations regarding the continued growth or declines of our domestic and/or 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;
- the ability to protect our intellectual property rights;
- continued compliance with regulatory requirements;
- our expectations regarding sales of our intra-oral scanners domestically and internationally and our belief that technology features and functionality of the iTero scanners and exocad technology will increase adoption of Invisalign and increase sales of our intra-oral scanners;
- 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 or enhancements to existing products do not proceed in accordance with the anticipated timeline or may themselves contain bugs or errors requiring remediation and that the market for the sale of these new or enhanced products may not develop as expected;
- a tougher consumer demand environment in China generally, especially for manufacturers and service providers whose headquarters or primarily operations are not based in China;
- the risks relating to our ability to sustain or increase profitability or revenue growth in future periods (or minimize declines) while controlling expenses;
- the impact of excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel;
- the compromise of customer and/or patient data for any reason;
- the timing of case submissions from our doctors within a quarter as well as an increased manufacturing costs per case;
- foreign operational, political and other risks relating to our international manufacturing operations; and
- the loss of key personnel or work stoppages.

- The foregoing and other risks are detailed from time to time in our periodic reports filed with the Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2020. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

About Non-GAAP financial measures

- To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States (“GAAP”), we may provide investors with certain non-GAAP financial measures including, non-GAAP gross profit, gross margin, operating expenses, income from operations, operating margin, interest income and other income (expense), net, provision for (benefit from) income taxes, effective tax rate, net income and diluted EPS, which exclude certain items that may not be indicative of our fundamental operating performance including discrete cash and non-cash charges or gains that are included in the most directly comparable GAAP measure. Non-GAAP measures will exclude the effects of stock-based compensation, non-cash deferred tax assets and associated amortization related to intra-entity transfer of non-inventory assets, acquisition related costs, impairments and other (gains) charges, and litigation settlement gains, and, if applicable, any associated tax impacts.
- We use non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our recurring core operating performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal evaluation of period-to-period comparisons. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they will be provided to and used by our institutional investors and the analyst community to help them analyze the performance of our business.
- There are limitations to using non-GAAP financial measures, though, because they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is meant to be considered in addition to, not as a substitute for or in isolation from, the directly comparable financial measures prepared in accordance with GAAP. We urge investors to review the reconciliation of our GAAP financial measures to the comparable Non-GAAP financial measures included in this presentation and in our press release regarding our results for the quarter ending March 31, 2020 filed with the Securities and Exchange Commission on April 29, 2020, and not to rely on any single financial measure to evaluate our business. For more information on these non-GAAP financial measures, please see the table captioned "Unaudited GAAP to Non-GAAP Reconciliation" and other historical reconciliations which are available at aligntechnology.com.

Opening commentary

- Given the significant disruption to our business caused by the extraordinary measures taken by governments, public and private institutions, and businesses around the world to fight the spread of COVID19, most of the performance metrics we would normally discuss are less meaningful. Therefore on our call today, in addition to the highlights from our Q1 results, we’ll discuss the trends that we were seeing through early March -- prior to the escalation in the number of COVID19 cases that resulted in shutdowns across Europe and North America and compounded the initial impact from similar shutdowns in China beginning in January. We’ll also talk about our view of recovery and strategy to help our doctor customers navigate this challenging environment and ensure our business continuity. We will provide more detail on our financial performance and comment on the current trends across our business globally, including the momentum we are beginning to see in China. Following that, we’ll come back and summarize a few key points and open the call up to questions.
- With that, we’ll start with a few comments on our first quarter results, through early March. At that time, China was progressing in line with our original guidance for Q1, which included approximately 20-25K fewer cases and $30-35 million less revenues for Invisalign and iTero products, and our other regions were performing ahead of our Q1 outlook. However, the situation quickly changed in mid-March as most governments in EMEA and North America closed non-essential businesses and initiated stay at home orders. As a result, the vast majority of Invisalign practices shutdown and stopped seeing patients and our business fell off sharply. We believe the incremental impact of COVID19 on our Q1 results was approximately 50K fewer cases and $85 million less revenues for Invisalign and iTero products.
- At the same time, while EMEA, North America, and other parts of APAC fell off in mid-March, we began to see improvements in China as the country started to open up again. While it’s still early in the recovery process and the situation is different in every city and for every practice, we are working closely with our doctors to support their current needs to ensure they have a game plan to resume operations in a very different environment for the foreseeable future. More on that in a few minutes.

Q1 2020 financial highlights

- For Q1, total revenues were $551 million, down 15.2% sequentially and unchanged year-over-year, reflecting significantly lower than expected sales of Invisalign clear aligners and iTero scanners due to the COVID19 pandemic. Revenues from clear aligners were $481.6 million and iTero scanner & services were $69.4 million. Clear aligner shipments were 359.4 thousand cases. Notwithstanding the impact of COVID19, shipment volumes were up 2.9% year-over-year, reflecting solid growth from non-comprehensive products driven by the Invisalign Go system across all regions, as well as Invisalign Moderate. This was offset by a lower mix of comprehensive products due primarily to the shortfall in China.
- For the quarter, we shipped Invisalign cases to approximately 61 thousand doctors, of which 4,100 were first time customers. We also trained over 4,600 new doctors in Q1, including 2,600 international doctors.

GAAP	**Q1'20**	*QoQ*	*YoY*
Total Net Revenues	**$551.0M**	*(15.2)%*	*0.4%*
- Clear Aligner*	**$481.6M**	*(11.4)%*	*2.6%*
- Scanner & Services	**$69.4M**	*(34.7)%*	*(13.1)%*
Invisalign Case Shipments	**359.4K**	*(13.1)%*	*2.9%*
EPS, diluted	**$19.21**	*+$17.68*	*+$18.32*

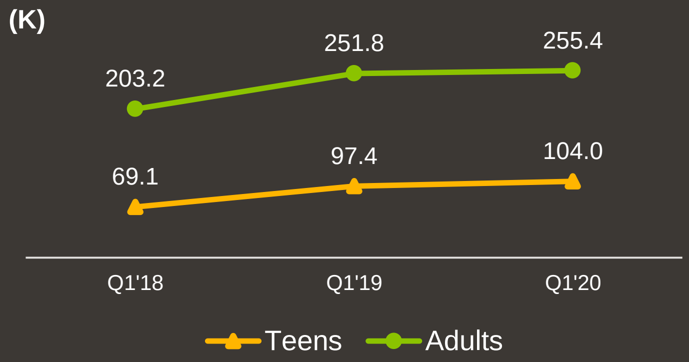
Invisalign shipments do not include SmileDirectClub aligners.
**Clear aligner revenues includes revenues from Invisalign clear aligners and SmileDirectClub aligners. The supply agreement with SDC terminated December 31, 2019 and was not renewed.*

Q1 2020 financial highlights

Teens and adults

- Over 8.3M total Invisalign patients to date, with 2M teens.
- Overall for the teen market in Q1, 104 thousand teens and pre-teens started treatment with Invisalign clear aligners, representing 29% of total cases shipped, reflecting growth from EMEA and the Americas regions and across comprehensive products.
- During the quarter we reached another major milestone with our 2 millionth Invisalign teenage patient, Kaitlynn Ratliff, a student and athlete who started treatment recently with Dr. Tom Hartsock, a US-based orthodontist in Kentucky. Dr. Hartsock has been practicing orthodontics for almost 30 years and credits Invisalign with revitalizing his practice at a time when a lot of doctors think about slowing down. He says his approach is to lead with Invisalign and he's got a digital mindset now, and we're excited he's going to share more about that at our upcoming Invisalign Teen Forum "Virtual Edition" this July.
- The Teen segment represents the largest portion of existing orthodontic case starts each year and as we head into the summer season — the busiest time in an Ortho's practice — we are working to help doctors capture as much of the teen season as possible under the circumstances.

Worldwide Invisalign Case Shipments Teen versus Adult Mix



Invisalign shipments do not include SmileDirectClub aligners.

Q1 2020 financial highlights
Americas

- For the Americas region, through early March, solid sequential growth was driven primarily by North America GP dentists and DSOs, along with continued strength from Latin America doctors. On a reported basis, Q1 Invisalign case volume was down 5.5% sequentially and up 5.2% year-over-year reflecting significantly less than expected Invisalign case shipments in March due to the impact of COVID-19. Year-over-year growth for Q1 reflects growth from both orthodontist and GP dentist channels which were up 5.6% and 4.6%, respectively. Latin America volume was up 83% year-over-year, led by strong growth from Brazil.

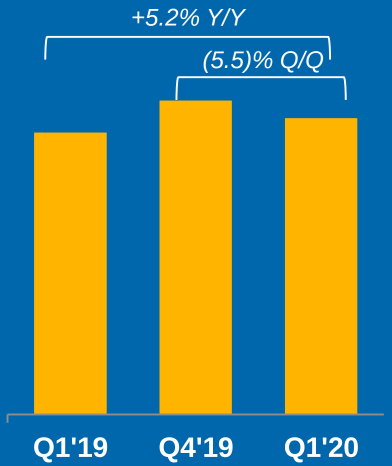
Americas Invisalign Metrics

North Americas Utilization*

	Q1'19	Q4'19	Q1'20
NA Ortho	18.3	19.3	18.9
NA GP	3.6	3.8	3.6

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

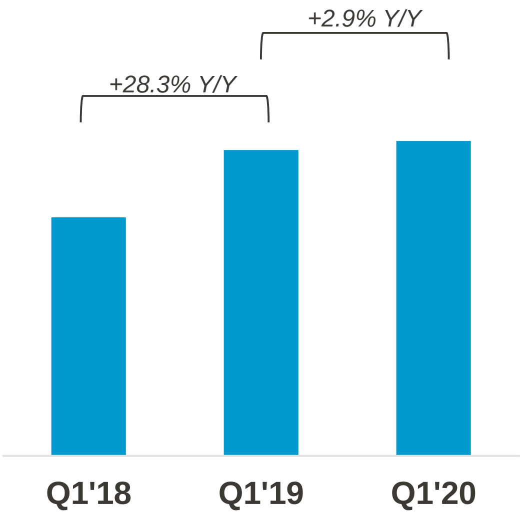
Americas Shipments



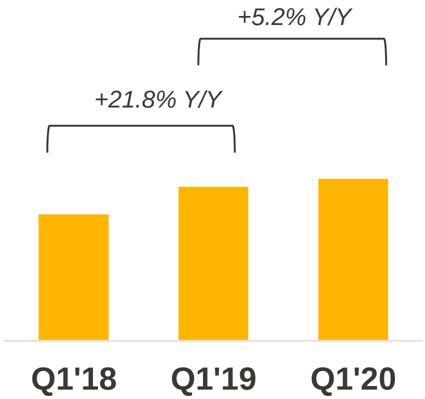
Invisalign shipments do not include SmileDirectClub aligners.

Invisalign shipments Q1' 18, 19 and 20

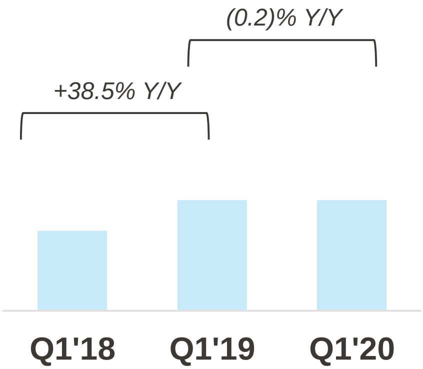
WW Invisalign Volumes



Americas Invisalign Volumes



WW International Invisalign Volumes



Invisalign shipments do not include SmileDirectClub aligners.

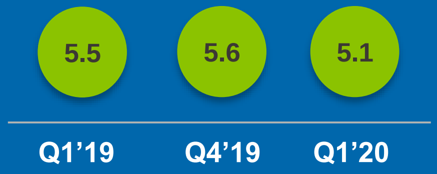
Q1 2020 financial highlights

International

- For our International business, through mid-March, with the exception of China, the EMEA and APAC regions were performing well. On a reported basis, Q1 Invisalign case volume was down 22.3% sequentially reflecting a significant decrease in APAC, primarily China, due to the impact from COVID19, partially offset by growth from EMEA. On a year-over-year basis, International shipments were flat, reflecting growth from EMEA offset by a decline in APAC.
- For EMEA, Q1 volumes were down sequentially and up 11.1% year-over-year basis, driven by growth in Spain, the UK and Germany, along with our expansion markets led by Central Eastern Europe and Benelux, including the teen segment.
- For APAC, Q1 was down sequentially as expected, reflecting a significant reduction in volume in China due to COVID19. On a year-over-year basis, APAC was down 18.2% compared to the prior year reflecting the longer duration of the COVID19 measures implemented in China and was the only region down year-over-year. Japan, Taiwan, Korea, and India saw continued year-over-year growth in Q1 and as noted earlier, we began to see signs of improvement in China in March as the government began to relax some or all of the restrictions and businesses began the road to recovery.

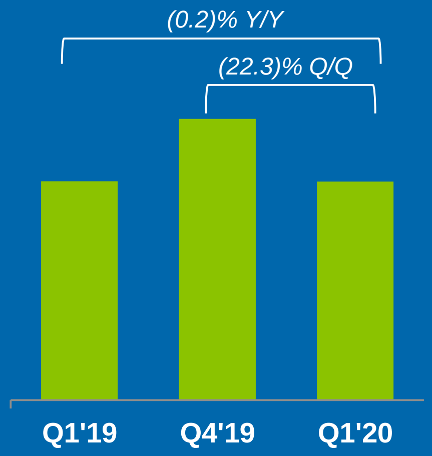
International Invisalign Metrics

International Utilization*



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

International Shipments

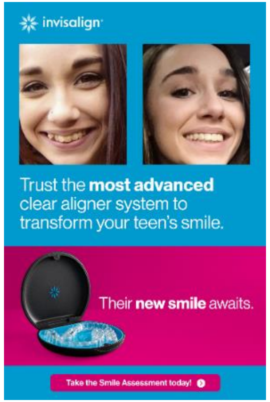


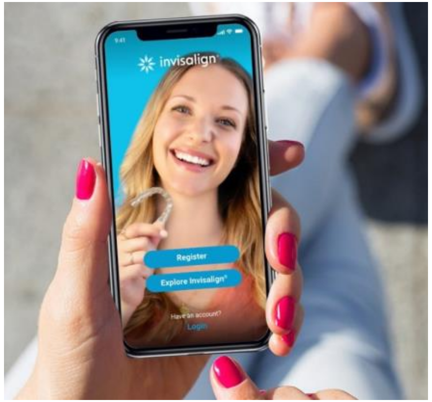
Invisalign shipments do not include SmileDirectClub aligners.

Consumer marketing

- Our consumer marketing is focused on building the clear aligner category and driving demand for Invisalign treatment through a doctor's office. In Q1, we saw strong digital engagement globally including 7.1 Million unique visitors to our websites and 274 Thousand leads, both metrics growing by more than 40%. Consumer engagement growth for Invisalign was enabled by the launch of our new consumer campaign "Invis is", strong media spend and a robust omni-channel presence. Our Invisalign Concierge team is nurturing consumer leads virtually till doctors' offices open, which is key to realizing and converting consumer interest into cases. Further, our modeling indicates that consumer marketing drove incremental growth in Q1 and reinforces our strategy to invest in brand building and maintain high visibility with consumers through the COVID19 crisis. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q1 quarterly slides.

Instagram





Worldwide consumer highlights

+74.5M — Website visitors

+8.0M — Social media fans

+9.5M — Doc locator searches

+4.1M — Smile assessments

Data is cumulative as of 03/31/20.

Consumer Concierge

- Since program inception in 2017, we've connected over 168K potential consumers with Invisalign doctors and reached more than 158K 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.

+858K	+168K	+34K
Consumers contacted	Consultations scheduled	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.

Q1 2020 consumer marketing

AMERICAS		EMEA		APAC	
5.1M Website Visitors	**367K** Doc Locator Searches	**1.1M** Website Visitors	**225K** Doc Locator Searches	**900K** Website Visitors	**70K** Doc Locator Searches

AMERICAS

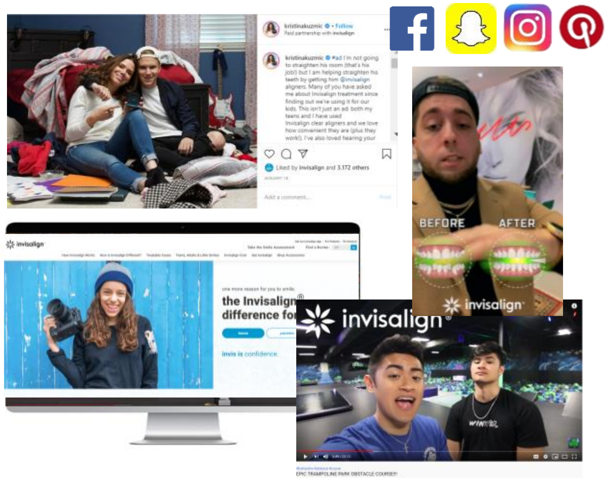
- Prime broadcast, cable and connected TV
- Paid search
- Social media campaigns
- Influencer marketing for teens and moms

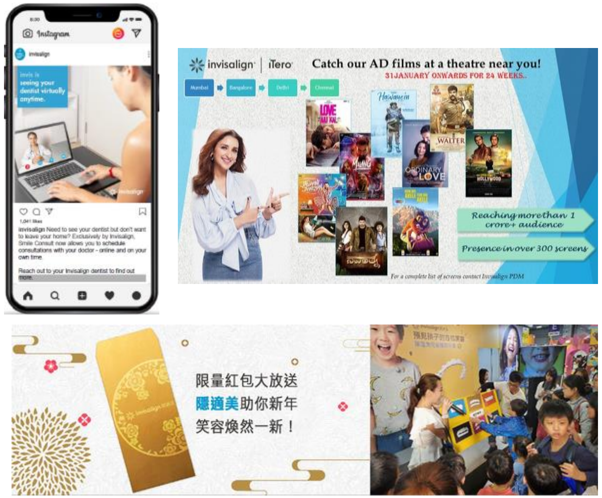
EMEA

- Public relations campaigns in dental press
- PR Survey on Dental Health in the Middle East
- Influencer marketing

APAC

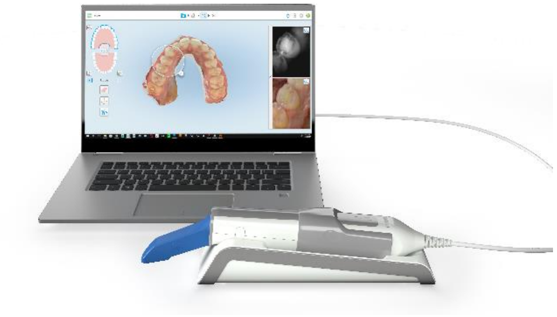
- Consumer campaigns
- Social media campaigns
- Advertising





Q1 2020 Events AMERICAS

U.S. – FDA 510(K) clearance for the iTero Element 5D imaging system



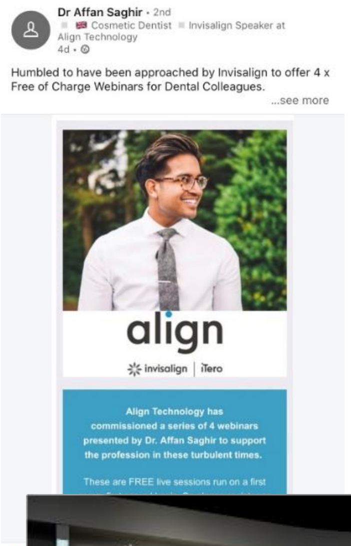
Brazil – Launch of iTero Element 5D

- Webinars: Over 175 doctor events
  - Online training sessions
  - Digital courses
  - Patient education materials

- Product launch
  - Brazil: iTero Element 5D intraoral scanner
  - United States: FDA 510(K) Clearance for the iTero Element 5D imaging system in the U.S.

The iTero Element 5D Imaging System is available in the US, the majority of EMEA and select APAC and LATAM countries

Q1 2020 Events EMEA



Turkey – Launch of Invisalign Moderate

First-ever digital Invisalign Scientific Symposium

May 15-16, 2020

- Webinars: Over 220 doctor events
  - Online training sessions
  - Patient education materials
- Product launches
  - Turkey: Invisalign Moderate
    - Close to 90 Invisalign doctors and leading academicians attended the launch event in Istanbul
  - UAE and KSA: iTero Element 2
    - Scanner showcased at AEEDC Dental Conference in Dubai
- Save the date: upcoming digital symposium
  - Invisalign Scientific Symposium, May 15 – 16, 2020

Q1 2020 Events APAC

China – Launch of Invisalign Moderate

Australian Clear Aligner Symposium

China - Supporting our Doctors and Educating Our Patients

Hong Kong – Patient sharing sessions

- Webinars: Over 350 doctor events
  - China: Supporting Our Doctors and Educating Our Patients
    - Online training sessions
    - Patient education materials
  - Hong Kong: Patient sharing sessions
  - Southeast Asia Masterclass
  - Korea: Use of Invisalign in Orthognathic Surgery Patient’s Seminar
    - Over 70 orthodontists attended
- Symposia
  - Australia: Australian Clear Aligner Symposium
    - Doctor education
    - Products: Invisalign system; Invisalign Go; and iTero scanner
- Product launch
  - China: Invisalign Moderate
    - Virtual event with over 16K attendees and 100 Invisalign doctors

Q1 2020 financial highlights

Scanner and services

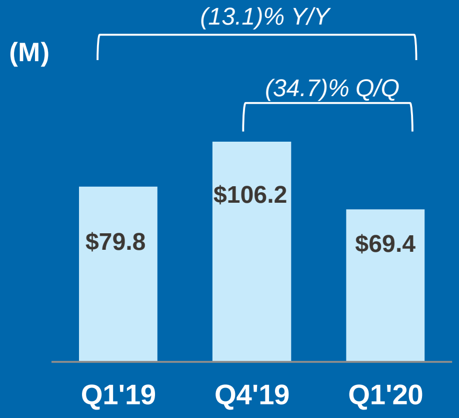
- For our iTero scanner and services business, Q1 revenues were down sequentially as expected following a seasonally strong Q4 and consistent with trends in the capital equipment market. Q1 also reflects the impact of COVID-19 across all regions and especially North America, Australia, China, Japan and other APAC countries. On a year-over-year basis, iTero scanner revenues were down 13.1%, due to lower sales in North America and the APAC regions, primarily due to COVID-19 - despite increased revenues in EMEA and Latin America reflecting the addition of the Zimmer Biomet distribution agreement, the introduction of iTero Element 5D, going direct in Mexico, and additional LATAM Distributor markets. The total year-over-year decrease in scanner revenue was slightly offset by increased services revenue from a larger iTero installed base.
- Cumulatively, over 23.0 million orthodontic scans and 5.2 million restorative scans have been performed with iTero scanners.
- For Q1, total Invisalign cases submitted with a digital scanner in the Americas increased to 80.5% from 76.1% in Q1 last year. International scans increased to 68.7% up from 59.3% in the same quarter last year. We're pleased to see that within the Americas, 93.6% of cases submitted by North American orthodontists were submitted digitally.

Americas	67.3%	69.6%	71.9%	73.5%	76.1%	77.5%	78.8%	79.5%	**80.5%**
International	43.5%	47.8%	53.9%	57.5%	59.3%	60.9%	62.6%	64.7%	**68.7%**
	Q1'18*	Q2'18*	Q3'18*	Q4'18*	Q1'19*	Q2'19*	Q3'19*	Q4'19	Q1'20

*Digital scanner percentages revised.

- We're also pleased to share that we received FDA 510(K) clearance for the iTero Element 5D Imaging System. The iTero Element 5D Imaging System seamlessly combines three key scanning technologies (3D data, intra-oral color photos and NIRI images) into one, integrated scan, and we are excited to bring this advancement in intraoral scanner technology to the U.S. market to help doctors provide better oral care for their patients. At this time, we are mindful of the current environment and the impact that the COVID-19 pandemic is having across the world, and are focused on customer education and training regarding this new technology while so many dental practices in the U.S. are operating on a limited schedule.
- We remain confident that the iTero business will continue to help drive our overall long term growth and help increase adoption of the digital platform with Invisalign treatment.
- To that end, during the quarter we announced the acquisition of exocad, a global CAD/CAM software leader, and completed the transaction on April 1st.
- We will talk more about the acquisition in a moment, but we'll first just say that the rise in consumer awareness around dentistry extends beyond the benefits of straight teeth and orthodontics. There are significant opportunities for all kinds of treatments -- from simple cosmetic fixes to ortho-restorative - that can help us accelerate growth of our digital solutions for ortho-restorative cases and really drive growth and adoption of the Invisalign-iTero digital platform. We are very excited about the addition of exocad's proven restorative experience, expertise and functionality to our platform and we want to welcome exocad founders Till Steinbrecher and Maik Gerth, and the entire exocad team to Align.

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. Data on file at Align Technology.
The iTero Element 2 is currently available in the U.S., Canada, China, and a majority of EMEA and APAC countries and the iTero Element Flex is currently available in the U.S., Canada, and a majority of EMEA and APAC countries. The iTero Element 5D Imaging System is available in the US, the majority of EMEA and select APAC and LATAM countries. The iTero Element Foundation Imaging System is available in the US, the majority of EMEA and Japan.

Initiatives to support our doctors

- We’ll now turn to some of the initiatives we have taken to support our doctors and their patients.
- We recognize the enormous hardship that COVID19 has caused Invisalign practices around the world and we are working in every region to support doctors and find ways to minimize disruptions to their businesses, and to strengthen the experiences their patients have with Invisalign treatment. We have learned a lot from our doctor/partners and teams in the Asia Pacific region who have been navigating the impact of COVID-19 for months, and we are applying their experiences and insights across all regions. Many of our customers are sharing creative ideas and suggestions as we all work to manage this situation together.
- One of the first things we did was address clinical education -- an integral part of doctor engagement. Across all three of our regions, we moved most of our education programs to online/digital platforms, continuing to provide hundreds of valuable Invisalign and iTero training and education resources, many peer-to-peer, for doctors and their teams in a virtual setting.
- We also identified opportunities to collaborate with Invisalign practices to manage ongoing cases, and explore new ways for doctors to conduct consultations. Early on, many doctors began using video calls, texts, and patient-submitted photos through a variety of platforms to help monitor patient progress, reduce in-office appointments, and ensure continuity of patient care during treatment. It quickly became clear that doctors needed a better way to connect with and monitor patients, so we accelerated the launch of new tools that were still in pilot mode.
- The Invisalign Virtual Appointment tool enables doctors to easily schedule and host HIPPA-compliant video appointments with patients. Doctors and their practice staff can schedule a video consultation and discussion of the patients’ Invisalign treatment.
- Invisalign Virtual Care is built into the My Invisalign app, and can be used for remote consultations, assessment of treatment progress, and to communicate adjustments or concerns during treatment. Patients use the intuitive My Invisalign App to stay engaged in their treatment and convey progress photos to their doctor, who reviews these photos on their Invisalign Doctor Site and communicates any needed instructions to patients, ensuring their Invisalign treatment journey is on track.
- These tools represent the next level in practice transformation and work as part of the end to end digital platform for Invisalign treatment. While both tools are still in the early stages of rollout, our goal is to provide doctors with a way to maintain care until patients are again able to visit their doctors’ office. Feedback to date has been really positive and we believe that doctors will continue using these tools to improve patient experiences and increase office efficiencies well after COVID19 restrictions have been lifted.
- We are also supporting doctors through financial and operational challenges, and are providing additional resources including industry experts to help them navigate this ongoing crisis. This includes webcasts, e-blasts, and micro-sites on the Invisalign Doctor Site (IDS) with advice on extending aligner wear and holding patients at specific treatment stages, options for redirecting aligner shipments, and helping address customer cash flow concerns caused by the pandemic. We’re creating programs with partners like Lending Point that are part of recovery playbooks to help doctors with “speed to cash “ that is expected to launch May 1st.

Invisalign Virtual Appointment

The Invisalign Virtual Appointment tool enables doctors to easily schedule and host HIPPA-compliant video appointments with patients. Doctors and their practice staff can schedule a video consultation and discussion of the patients’ Invisalign treatment.

Invisalign Virtual Care

Invisalign Virtual Care is built into the My Invisalign app, and can be used for remote consultations, assessment of treatment progress, and to communicate adjustments or concerns during treatment. Patients use the intuitive My Invisalign App to stay engaged in their treatment and convey progress photos to their doctor, who reviews these photos on their Invisalign Doctor Site and communicates any needed instructions to patients, ensuring their Invisalign treatment journey is on track.

Strength of Align and planning for recovery

- We'd like to spend a few minutes talking about the strength and resiliency of Align and our business model, and our view of the path to recovery. There is no question that we are in unchartered territory and while supporting our doctors in their current situation is still critical right now, planning for recovery is just as important.
- Overcoming challenges is not new to Align or our employees. Our response to COVID19 and the decisions and investments we are making now to anticipate customer needs and adapt in a dynamic environment are based in part on the lessons learned throughout our history, and will further our competitive advantage and position us to capitalize on the market as it returns. We serve a huge underpenetrated market and our share of the more than 300 million people who want a better smile is less than 3%. Teens are an important segment and our share is a small fraction of the market – and yet we know that teens remain the heart and soul of orthodontic practices and will drive their recovery.
- There is no single blueprint for us to follow in this recovery. Our underlying business is healthy, we have an excellent balance sheet with no debt, and over the last 5 years we've grown a business that has generated 25% revenue CAGR, and consistently delivered 72% gross margins, 22% operating margins and generated cash flow from operations in excess of 22% of revenues each year. We also have operational resiliency in terms of global manufacturing that has taken us years to develop and is simply unmatched, and is a key reason why we're able to continue operations in this crisis and expect to ramp quickly in recovery. The core components being: Supply Chain, digital treatment planning (Treat) and aligner fabrication (AFAB).
- Supply chain – during normal business we carry enough buffer stock in our warehouse to handle 2 disruptions to the supply chain - so if a batch goes sideways we can handle that twice. After COVID19 broke in China, we anticipated that we needed to mobilize existing suppliers and add 3-6 months of additional inventory so that we could weather the potential storm. For many of our suppliers we have alternative or redundant suppliers in case a shutdown in one geography impacts a supplier.
- Treat – The investments we have made over the years in having Treat in multiple locations allows us some flexibility and business continuity to respond to customer needs. Before COVID19 we had evaluated the potential for doing treatment planning from home or remote locations, and the implications to hardware needs, data security, and productivity. When COVID19 hit China, we ramped up our ability to do that and started transitioning our CAD designers to do treatment planning at home and have been successful in that sense. We are confident we could have maintained 80% of our normal output but volumes fell off before we could prove the point. China hit first so we load balanced with our other treat locations so as this went from East to West, we didn't have significant issues in our treat operations. This is our model and we'll continue to strengthen it going forward.
- Aligner fabrication – we have aligner fabrication operations in Ziyang, China and Juarez, Mexico, with plans for a third facility in Europe that we are looking to accelerate in 2021. Our facilities have excess capacity built in, and while we will never have 100% redundancy, we do have the ability to shift production volumes based on that excess capacity. Worst case scenario, if one of those facilities goes down, then customers wait a little longer for their aligners, but production will continue and we believe we can recover swiftly.
- In short, when we have an issue in one part of the world, we have designed our operations to enable us to load balance across facilities - we've had to do this because of our growth and huge growth spurts that made it a necessity to remain flexible. Additionally, the steps we've implemented during the COVID crisis, like work from home for CAD designers gives us even more flexibility, and we'll leverage that going forward as we evaluate facilities requirements and potential costs savings.

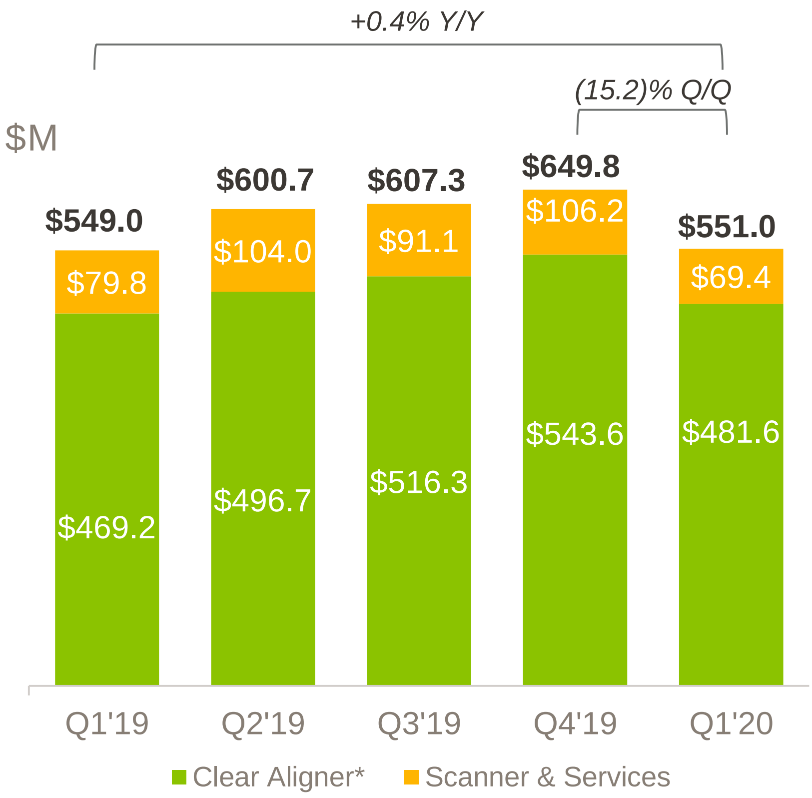
Forefront of digital dentistry

- Beyond our business strength and operational resiliency, we are the forefront of digital dentistry, and this pandemic has exposed the weaknesses of analog approaches and the strengths and the benefits of digital technology in every aspect of our life. You know, there’s been a lot of concern over the years about digital driving us apart and keeping people from interacting – people focused on their screens and social media, rather than each other, interacting with businesses online rather than in person, etc. We think what we’re seeing through this terrible situation is that digital unites us – keeps us connected. Gives us flexibility and options. Without digital technology during this crisis, how would kids go to school, how would any of us be productive working from home, how would universities and public health experts model the curve without data mining and AI? We are proud and thankful that our digital platform is able to keep Invisalign patients moving forward in treatment while physical practices are closed, that it can connect doctors and patients to monitor issues and track treatment, that because of digital we can get a replacement aligner or some new retainers to a kid sheltering in place. And together with doctors, we’re going to leverage the power of digital for dentistry and orthodontics more than ever – doctors are not going back to “before.” We all know that digital dentistry is the future, and that is part of why Align is weathering this pandemic and why we believe we are well-positioned for success going into recovery.

Q1 2020 Financial Review

Revenues trend

Q1'20 highlights

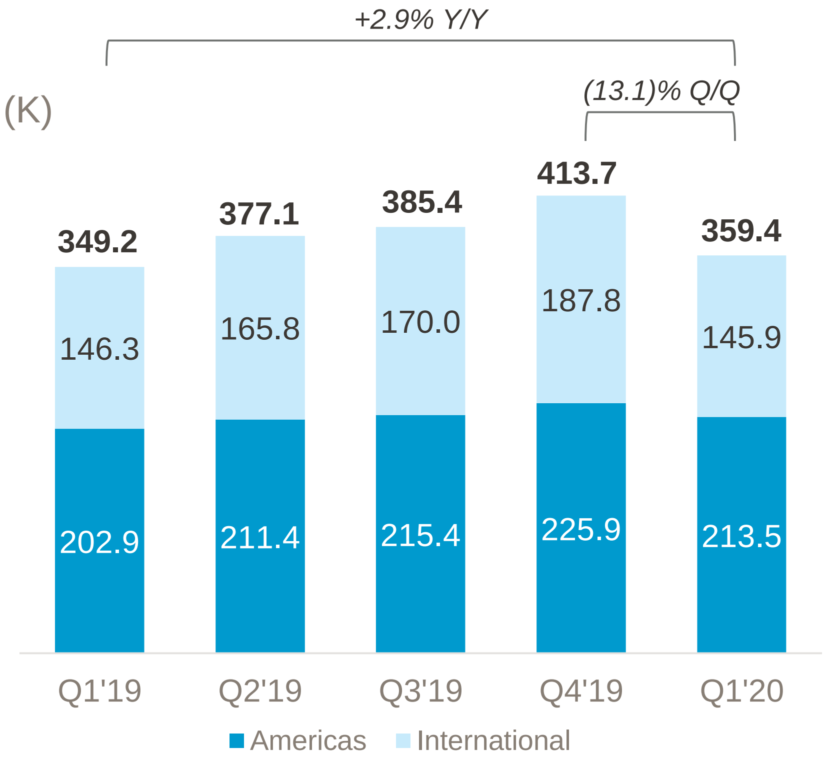


- Total revenue for the first quarter was $551.0 million, down 15.2% from the prior quarter and up 0.4% from the corresponding quarter a year-ago.
- For Clear aligners, Q1 revenues of $481.6 million was down 11.4% sequentially across all regions, driven by Asia Pacific. Year-over-year clear aligner revenues growth of 2.6% reflects growth from EMEA, and the Americas, offset by APAC. Clear aligner revenue growth was unfavorably impacted by approximately $6M, or approximately 1 point year-over-year from foreign exchange.
- Q1 Invisalign ASPs were up sequentially by approximately $15, to $1,255 primarily due to lower net deferrals due to a decrease in primary case shipments across all regions. On a year-over-year basis, Q1 Invisalign ASPs increased approximately $10 primarily reflecting price increases in all regions and increased additional aligner revenues, partially offset by promotional discounts and unfavorable foreign exchange.
- Our Scanner and Services revenue for the first quarter was $69.4 million, down 34.7% sequentially due to volume decreases in all regions. Year-over-year revenues were down 13.1%, primarily due to volume decreases in North America , partially offset by increases in EMEA and LATAM, and increases in service revenue off of an increased installed base.

**Clear aligner revenues includes revenues from Invisalign clear aligners and SmileDirectClub aligners. The supply agreement with SDC terminated December 31, 2019 and was not renewed.*
Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Invisalign shipments trend

Q1'20 highlights

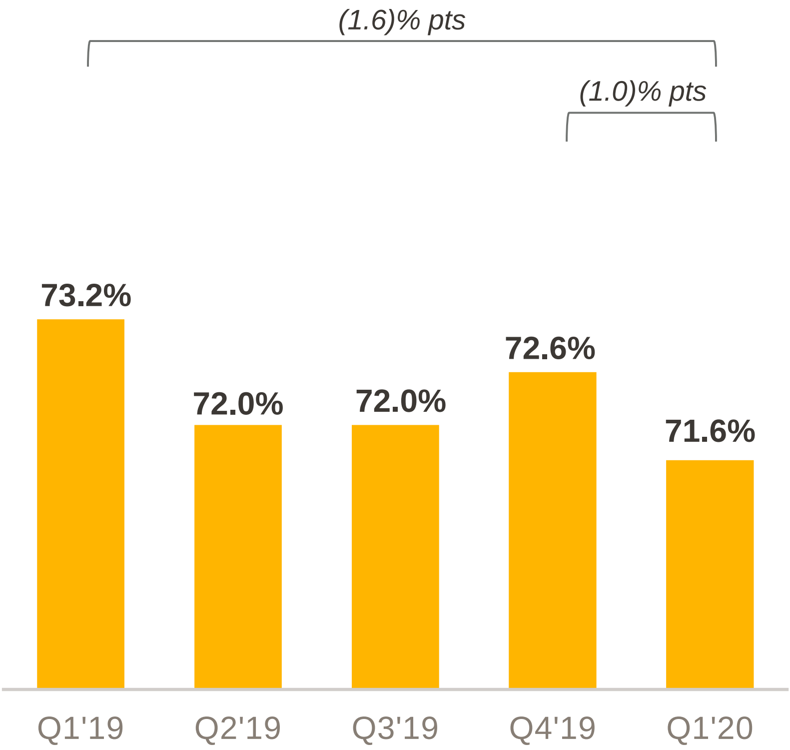


- Total Q1 Invisalign shipments of 359.4 thousand cases were down 13.1% sequentially and up 2.9% year-over-year.

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

Q1’20 highlights

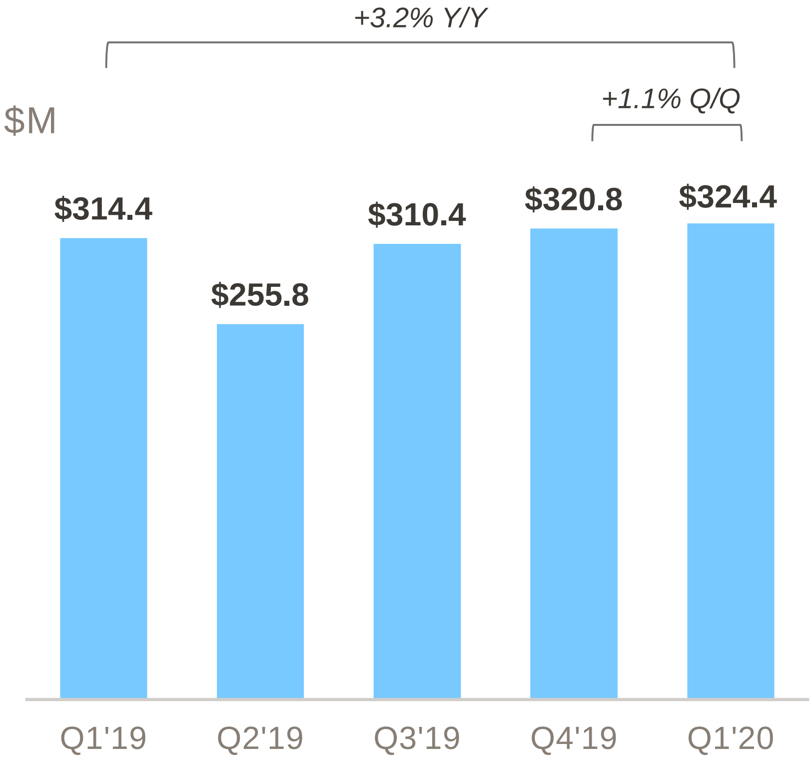


- First quarter overall gross margin was 71.6%, down 1.0 point sequentially and down 1.6 points year-over-year. On a non-GAAP basis, excluding stock based compensation expense, overall gross margin was 71.8% for the first quarter, down 1.0 point sequentially and down 1.6 points year-over-year.
- Clear aligner gross margin for the first quarter was 73.0%, down 1.1 points sequentially and down 1.9 points year-over-year primarily due lower volumes and higher costs per case partially offset by an increase in Invisalign ASPs.
- Scanner gross margin for the first quarter was 61.8%, down 3.1 points sequentially and 1.8 points year-over-year due to increased manufacturing variances, lower ASPs and partially offset by higher service revenue.

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

Operating expense trend

Q1'20 highlights

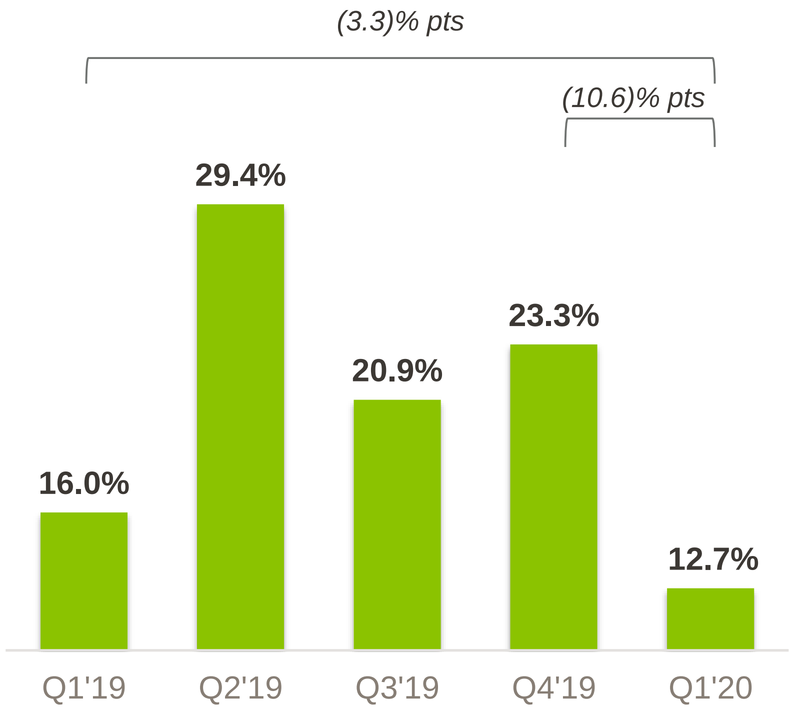


- Q1 operating expenses were $324.4 million, up sequentially 1.1% and up 3.2% year-over-year. The sequential increase in operating expenses reflects, higher legal and outside services. Year-over-year, this increase reflects our continued investment in sales and R&D activities including increased compensation from additional headcount and consumer marketing spend partially offset by the $29.8 million charge related to the Invisalign store closure costs recorded in Q1'19.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Operating margin and EPS trend

Q1’20 highlights



Diluted EPS	**$0.89**	**$1.83**	**$1.28**	**$1.53**	**$19.21**

- Our first quarter operating income was $69.9 million, down 53.7% sequentially and down 20.3% year-over-year. Our first quarter operating margin was 12.7%, down 10.6 points sequentially and down 3.3 points year-over-year. The sequential decrease in operating income and operating margin are primarily attributed to lower volume, revenue, and gross margin as a result of COVID 19 impacts. Operating margin was impacted by approximately 0.8 points year-over-year from foreign exchange. On a year-over-year basis, the decrease in operating income and operating margin primarily reflects lower gross profit and higher operating expenses related to go-to-market activities, partially offset by the $29.8M charge related to Invisalign store closure cost in Q1’19. On a non-GAAP basis, which excludes stock based compensation, acquisition-related costs, and impairment and other costs related to Invisalign store closures in the prior year, operating margin for the first quarter was 17.1% down 9.3 points sequentially and down 8.1 points year-over-year.
- Interest and other income & expense, net for the first quarter was an expense of $16.6 million, including a $9.2 million hedge loss related to the anticipated exocad acquisition. Excluding the hedge loss, interest and other income and expense, net was $7.4 million expense on a non-GAAP basis.
- With regards to first quarter tax provision, our tax rate was (2,745.3)% which includes a one-time tax benefit of approximately $1.5 billion 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 completed during the quarter. 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 is still under assessment and review with the Swiss tax authorities.
- Excluding the tax benefit related to our corporate structure reorganization and the related tax effects of stock based compensation and other non-GAAP adjustments, the first quarter tax rate on a non-GAAP basis was 33.2% compared to 20.9% in prior quarter and 22.8% in the same quarter a year ago. The non-GAAP tax rate was higher than forecasted due to lower than expected profits in regions outside the US.
- First quarter diluted earnings per share was $19.21, up $17.68 sequentially and up $18.32 compared to the prior year. On a non-GAAP basis, diluted earnings per share was $0.73 for the first quarter, down $1.03 sequentially and down $0.52 year-over-year.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect totals.

Balance sheet highlights

- As of March 31, 2020, cash, cash equivalents and marketable securities were $790.7 million, a decrease of approximately $77.9 million from the prior quarter which is primarily due to the annual bonus payout, and the purchase of an additional San Jose, California facility combined with slower AR collections. Of our $790.7 million of cash and cash equivalents, $119.2 million was held in the US and $671.5 million was held by our International entities.
- Q1 accounts receivable balance was $533.0 million, down approximately 3.1% sequentially. Our overall days sales outstanding (DSO) was 87 days, up 11 days sequentially and up 9 days as compared to Q1 last year. We expect DSOs to increase in Q2 as a result of anticipated lower collections.
- Cash flow from operations for the first quarter was $9.8 million.
- Capital expenditures for the first quarter were $46.1 million, primarily related to our continued investment in increasing aligner capacity and facilities.
- Free cash flow, defined as cash flow from operations less capital expenditures, amounted to $(36.3) million.
- Under our May 2018 Repurchase Program, we have $100.0 million still available for repurchase of our common stock.

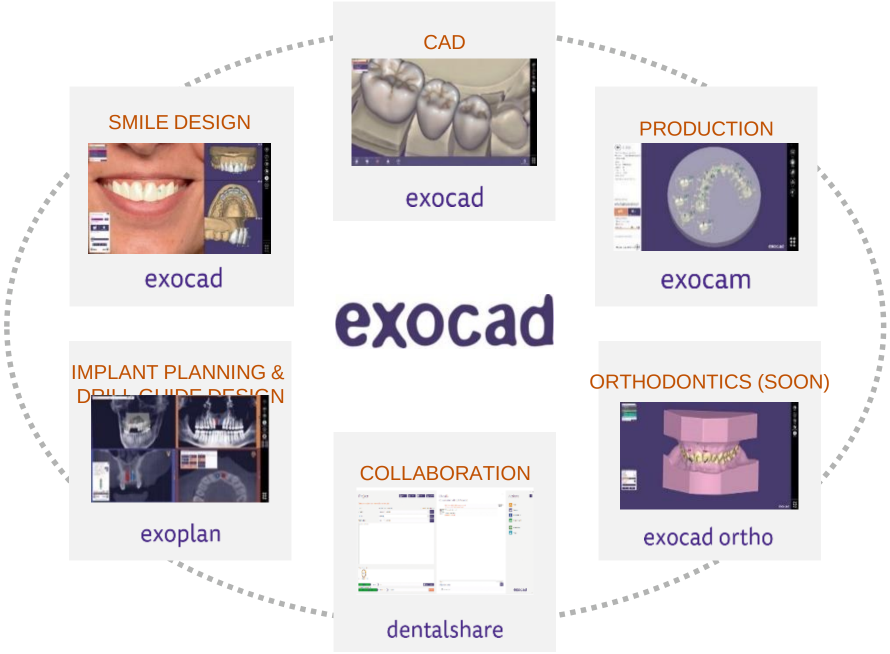
($ in millions except for DSO)	Q1'19	Q4'19	Q1'20
Accounts Receivables, net	$479.3	$550.3	$533.0
DSO	78 days	76 days	87 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	$732.5	$868.6	$790.7
Cash Flow from Operations	$117.2	$218.2	$9.8
Capital Expenditures	$(35.3)	$(42.5)	$(46.1)
Free Cash Flow*	$81.9	$175.6	$(36.3)

**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.*

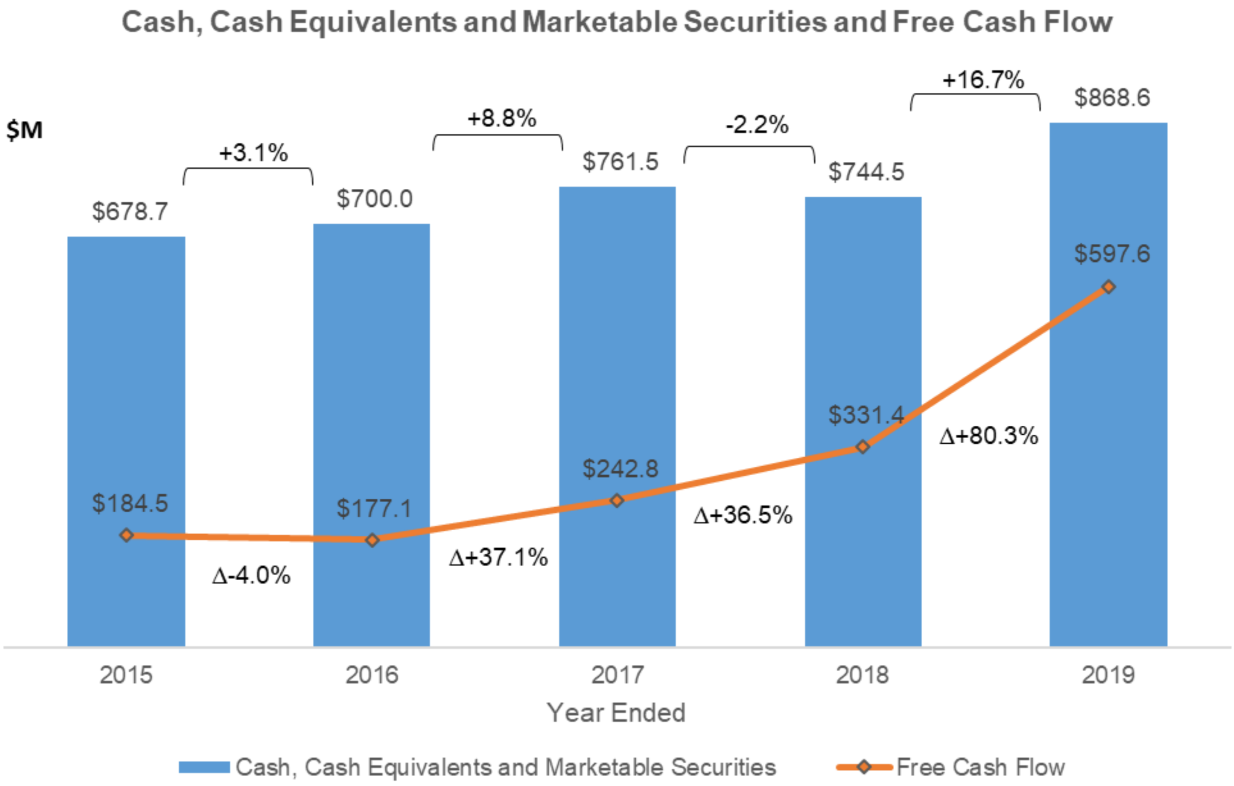
exocad acquisition closed in April

- On April 1, 2020, we completed the acquisition of privately-held exocad Global Holdings GmbH (exocad), a global leader in the dental CAD/CAM software market for a purchase price of approximately $430.0 million in cash.
- The acquisition of exocad broadens our digital platform reach by adding technology that addresses restorative needs in an end-to-end digital platform workflow to facilitate ortho-restorative and comprehensive dentistry and also brings exocad's expertise in restorative dentistry, implantology, guided surgery, and smile design to the Align technology portfolio. We expect it to complement and extend our Invisalign and iTero digital solutions, paving the way for new, seamless cross-disciplinary dentistry in the lab and at chairside. exocad also broadens our platform reach in the digital dentistry with close to 200 partners and more than 35,000 licenses installed worldwide.

One fully integrated platform for digital dentistry

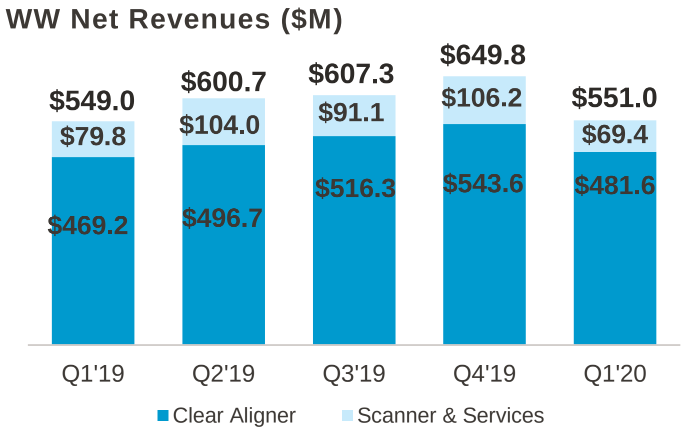


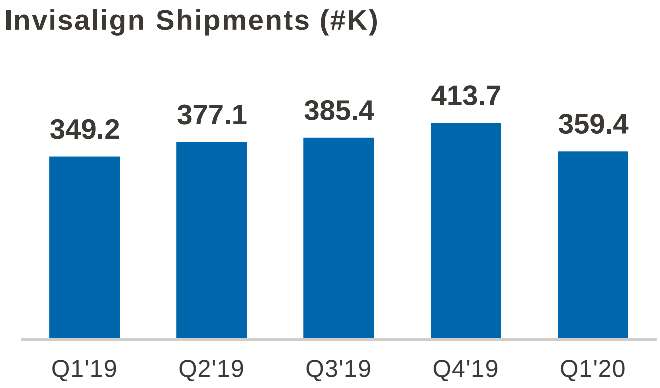
Cash

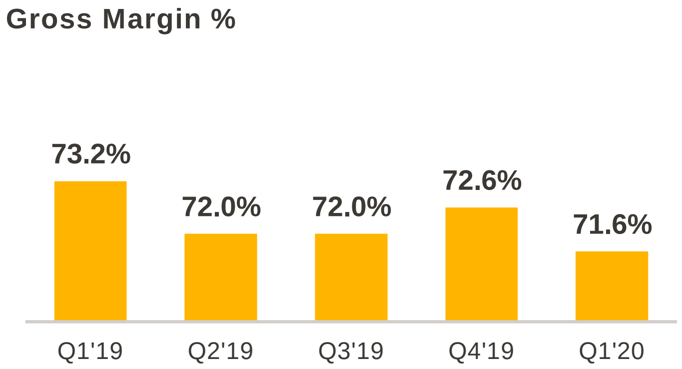


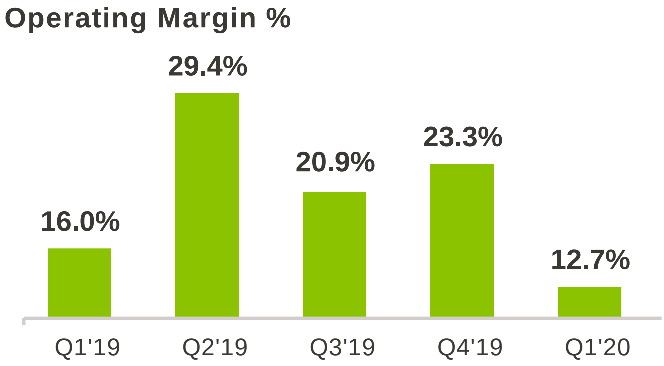
Y/Y percentages are based on actual values. Rounding may affect totals.

Trended financials









**Clear aligner revenues includes revenues from Invisalign clear aligners and SmileDirectClub aligners. The supply agreement with SDC terminated December 31, 2019 and was not renewed.*
Invisalign shipments do not include SmileDirectClub aligners.
Percentages are based on actual values. Rounding may affect totals.

Financial outlook for Q2 2020 and Full Year 2020

- As we described earlier, through early March, our business was performing well and we believed we would exceed our Q1 guidance. However, things changed quickly in the latter part of March as the majority of Invisalign practices in our core markets in EMEA and the Americas regions closed their offices and stopped seeing patients which caused Invisalign case receipts to drop rapidly and continue into April. At this time due to the fluid market condition caused by the COVID-19 pandemic, we are not providing guidance for Q2 and we are withdrawing our prior commentary regarding our full year 2020. What we can offer is the following directional commentary:
  - For China, which was the first major country impacted by COVID19 and was shut down almost overnight at the end of January as reflected in our Q1 guidance provided on the January earnings call, it has shown continued improvement beginning in early March. Our case receipts or “orders” in China are currently running at 80%+ of mid January’s level but with fair amount of variability week-to-week and between various provinces and cities. Keep in mind that there is about a 3 to 4 week lag between case receipts/orders to case shipments.
  - China provinces are not uniform in their recovery, but all continue to improve. Guangdong, Shanghai and Zhejiang are now at or above pre-pandemic levels; Beijing and Hubei’s slower recovery is consistent with later reopening and/or heavier restrictions. Early indications of patient flow is also positive; but its too early to determine if it is pent up demand due to the lockdown.
  - We also heard today that China is lifting travel restrictions within China which should facilitate business.
  - APAC, excluding China, is still very fluid as Japan shut down later than the rest of APAC and other countries like Taiwan and Korea are also improving but are trailing China.
  - For the Americas - It’s unclear how volume will evolve due to staggered lock-down and subsequent staggered re-openings by state. We would expect the situation in the US to be similar to what we’ve seen in China – with recovery starting in the states in the middle of the country and working its way out to the coasts - on a city by city basis. In LATAM, it is still fluid as it shut down later than the rest of the Americas.
  - The EMEA market is beginning to open up and Germany is making good strides. We are monitoring each market to see how each is responding to the various government isolation regulations and it is still fluid and a lot of variability week to week.
  - For iTero, as a result of COVID19, we did see some deferral of purchase decisions at the end of the quarter and I would expect that to continue.

Business Liquidity

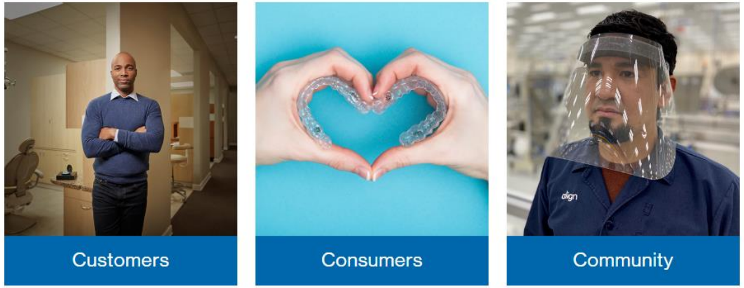
- We finished Q1 with $791M in cash and cash equivalents. Since then, we have closed our purchase of exocad for $430M on April 1st 2020. Align’s priorities during the pandemic are to take care of our employees, customers, and shareholders. With these priorities in mind, we are taking actions to ensure the business is well positioned to weather the pandemic.
  - In order to maintain our financial health, we are taking the following actions:
  - Holding our current headcount level steady to support the initiatives Joe discussed while making sure we are prepared for the market recovery;
  - Controlling discretionary spending such as travel and meeting related expenses;
  - Slowing some of our capital expenditure projects and working with many vendors who have allowed us to increase payment terms, while providing extended payment terms to many of our customers
- As always, we are balancing future investments to drive growth in a vastly underpenetrated market vs. making the appropriate cost reductions and cash actions that have less impact to the business.

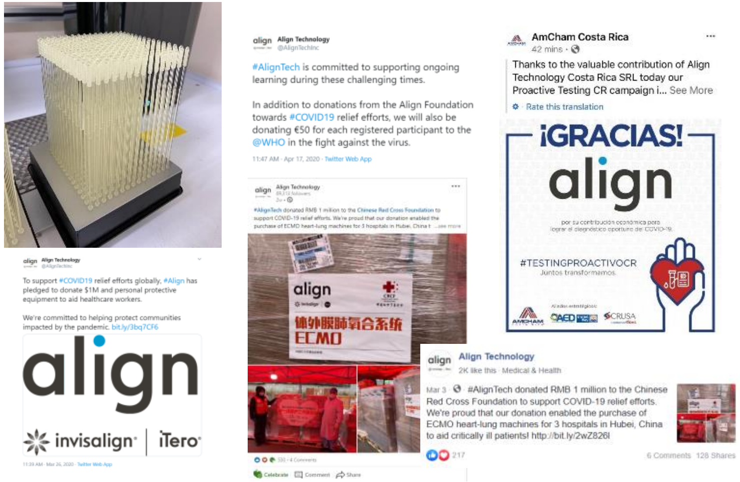
Supporting relief efforts

- We want to take a minute to talk about some of Align's actions to support relief efforts in the communities in which we live and work. One of the things that makes Align a great place to work is the concern our employees have for the world around us and their commitment to helping others. This passion is core to our purpose of transforming smiles and changing lives, and in this time of need, how we support our employees and customers, and serve our communities is more important than ever before.
- Early on in the outbreak, we donated RMB 1 million to the Chinese Red Cross to support relief efforts in what were then some of the hardest hit areas. More recently we committed USD 1 million to the Align Foundation, Align's donor-advised fund through Fidelity Charitable, and our teams have been working together to source and supply additional Personal Protection Equipment and medical supply donations for frontline healthcare workers in the communities we serve.
    - Making PPE donations to local hospitals in Juarez, Mexico;
    - Making cash donations through the World Health Organization (WHO), specifically in EMEA, to fund PPE and other medical supplies;
    - Looking at food bank and food pantry donations in communities where we have a presence;
    - Donating USD 100,000 for diagnostic kits in Costa Rica through AmCham (The Costa Rican American Chamber of Commerce).
- Finally, thanks to the ingenuity and diligence of our manufacturing engineering team, we were able to leverage our 3D printing technology and manufacturing expertise to produce face shields and medical swabs for COVID-19 testing kits. Through our network of connections with hospitals across the globe, we are donating them to hospitals with the most critical needs. As our existing 3D printing equipment is highly customized for aligner fabrication and can't be reconfigured, we acquired some new/separate 3D printers to specifically help with relief efforts.
- We are extremely proud of what our employees are doing individually to make a difference and what Align is doing as a business.

Stay informed with Align's latest information on COVID-19

At Align Technology, our top concern is the safety and health of our employees, customers/doctors, and their staff and patients globally. As a medical device company, stringent health and safety procedures are ingrained in Align's manufacturing operations, treatment planning facilities, training centers and offices. We are taking extra precautions, but are confident in the safety of Invisalign aligners and iTero scanners. We have added health and safety measures globally to reduce risks and mitigate the spread of the virus, while helping safeguard business continuity. We are also working to minimize disruptions to Invisalign doctors' practices and to the experience Invisalign patients have with Invisalign treatment.





Closing commentary

- In summary, we are all operating in a tough environment and even as we start to see signs of recovery in some geographies, we don't know when we'll get back to "normal" or near normal operations. As always, we are committed to the safety and wellbeing of our employees, doctor/partners, their staff, and patients – that remains our top priority in the weeks and months ahead. That, and working with our stakeholders and communities to get through this together. With that said, we want to make it clear that we are not resting on our laurels waiting for better days – Align Technology believes in playing offense and investing for our future. That includes:
  - First and foremost, protecting the jobs of our employees and keeping them ready to pivot for a fast recovery – that means no furloughs, no reduced salaries, staying focused on our long-term strategy. Employees remain our most strategic asset;
  - Closing the exocad acquisition in early April to help expand our digital platform for ortho-restorative treatment – We are very excited about this opportunity;
  - Adding resources to support International Expansion – for example, approximately 50 new sales reps in China.
  - Improving virtual treatment options and releasing new products and digital tools to meet our customer needs, like Invisalign Virtual Appointment and Invisalign Virtual Care to keep doctors and patients connected while practices are closed;
  - Investing in marketing and media to reach consumers while they are at home during the pandemic and keep our brand top of mind (something that other companies have stopped to conserve cash);
  - Extending our working capital to help our customers manage their cash flow and expenses.
- We are very aware of the near-term volume challenges of consumers sheltering-in-place, closed ortho and dental offices, and possible delays in new treatment as consumers get back to work and evaluate their priorities. But we are still focused on and investing in a vastly underpenetrated market and believe that Align is uniquely positioned for recovery and continued growth coming out of the pandemic. COVID19 will continue to have significant implications to the world and to our industry. Our digital platform has made it possible for thousands of doctors and patients to continue Invisalign treatments throughout this global disruption, thanks to the digital orthodontics of Invisalign aligners, digital treatment planning, and virtual monitoring and care. We think coming out of this more doctors than ever will have experienced the benefits of digital treatment and digital tools for their practices, and many will have seen firsthand the limitations and frustrations of the traditional analog approach to patient treatment like wires and brackets.
- With that, we want to thank you again for joining our call. We look forward to updating you on our progress as the year unfolds.

align

invisalign® | iTero®

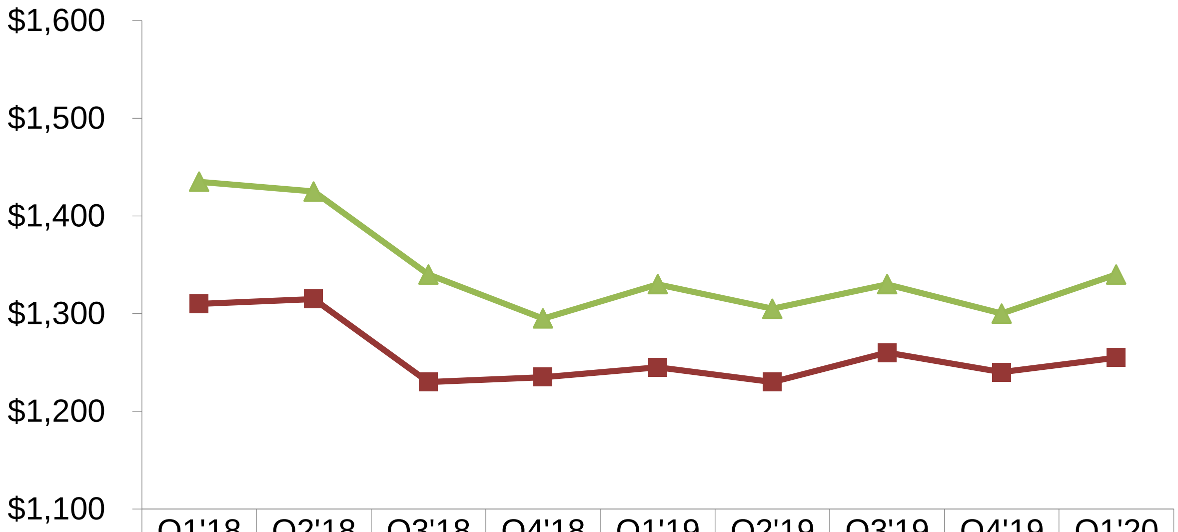
Transforming

changing lives

Appendix

Invisalign average selling price (ASP)

Worldwide and international



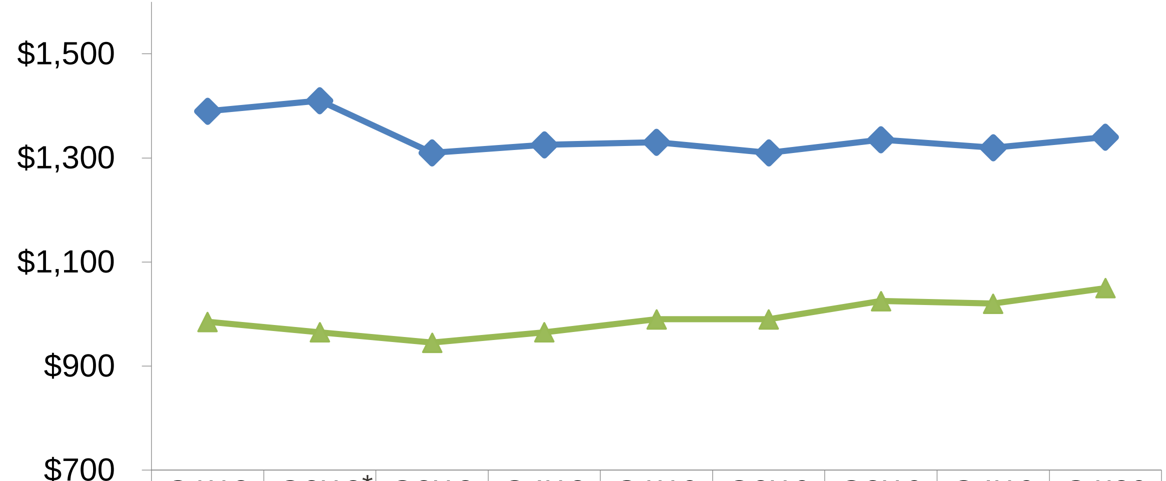
	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Worldwide	$1,310	$1,315	$1,230	$1,235	$1,245	$1,230	$1,260	$1,240	$1,255
International	$1,435	$1,425	$1,340	$1,295	$1,330	$1,305	$1,330	$1,300	$1,340

ASP: Invisalign case revenue / Invisalign case shipments

Invisalign shipment figures do not include SmileDirectClub aligners.

Invisalign average selling price (ASP)

Product groups



	Q1'18	Q2'18*	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Comprehensive Products **	$1,390	$1,410	$1,310	$1,325	$1,330	$1,310	$1,335	$1,320	$1,340
Non-comprehensive Products**	$985	$965	$945	$965	$990	$990	$1,025	$1,020	$1,050

Comprehensive Products: Comprehensive Products include, but are not limited to, Invisalign Comprehensive, Invisalign Assist and Invisalign First.

Non-Comprehensive Products: Non-Comprehensive Products include, but are not limited to, Invisalign Moderate, Lite and Express packages and Invisalign Go.

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.*
***We have recast historical ASPs starting from Q3'18 to categorize Moderate as part of Non-comprehensive products.*

Unaudited GAAP to Non-GAAP reconciliation

(in thousands except per share data)	Three Months Ended March 31, 2020	2019
GAAP gross profit	$ 394,356	$ 402,096
Stock-based compensation	1,347	1,112
Non-GAAP gross profit	$ 395,703	$ 403,208
GAAP gross margin	71.6%	73.2%
Non-GAAP gross margin	71.8%	73.4%
GAAP income from operations	$ 69,918	$ 87,701
Stock-based compensation	22,927	21,044
Acquisition related costs (1)	1,339	-
Impairments and other charges (2)	-	29,782
Non-GAAP income from operations	$ 94,184	$ 138,527
GAAP operating margin	12.7%	16.0%
Non-GAAP operating margin	17.1%	25.2%
GAAP interest income and other income (expense), net	$ (16,563)	$ (3,113)
Acquisition related costs (1)	9,175	-
Non-GAAP interest income and other income (expense), net	$ (7,388)	$ (3,113)
GAAP net income before provision for (benefit from) income taxes and equity in losses of investee	$ 53,355	$ 84,588
Stock-based compensation	22,927	21,044
Acquisition related costs (1)	10,514	-
Impairments and other charges (2)	-	29,782
Non-GAAP net income before provision for (benefit from) income taxes and equity in losses of investee	$ 86,796	$ 135,414
GAAP provision for (benefit from) income taxes	$ (1,464,776)	$ 8,796
Tax impact on non-GAAP adjustments	136	22,134
Tax related non-GAAP items	1,493,494	-
Non-GAAP provision for (benefit from) income taxes	$ 28,854	$ 30,930
GAAP effective tax rate	(2,745.3)%	10.4%
Non-GAAP effective tax rate	33.2%	22.8%
GAAP net income	$ 1,518,131	$ 71,848
Stock-based compensation	22,927	21,044
Acquisition related costs (1)	10,514	-
Impairments and other charges (2)	-	29,782
Tax impact on non-GAAP adjustments	(136)	(22,134)
Tax related non-GAAP items (3)	(1,493,494)	-
Non-GAAP net income	$ 57,942	$ 100,540
GAAP diluted net income per share	$ 19.21	$ 0.89
Non-GAAP diluted net income per share	$ 0.73	$ 1.25
Shares used in computing diluted net income per share	79,028	80,687

Notes:

(1) Includes certain incremental expenses related to the business acquisition of exocad that closed in Q2'20 including third party advisory, legal, tax, accounting, banking, valuation, and other professional or consulting fees and foreign exchange losses related to a forward contract for the purchase commitment.

(2) Q1'19 includes $29.8 million of impairments and other charges as a result of closing our Invisalign Stores due to the arbitrator's decision regarding SDC including operating lease right-of-use asset impairments, store leasehold improvement and fixed asset impairments and employee severance and other charges.

(3) Related to a one-time net tax benefit recorded for the deferred tax asset and certain costs associated with the intra-entity transfer of certain intellectual property rights and assets to our Swiss subsidiary.

Refer to "About Non-GAAP Financial Measures" on slide 4.