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April 27, 2022

# Financial Results

Q1 2022

Align Technology, Inc.

# Align Technology, Inc. – Q1 2022 Financial Results

## Conference Call

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Speakers:

- Joe Hogan, President and CEO
- John Morici, CFO
- Shirley Stacy, VP, Corporate Communications & Investor Relations

Replay and Webcast Archive:

- Telephonic replay will be available through 5:30 pm ET, May 11, 2022
- Domestic callers: 866-813-9403
- International callers: 929-458-6194
- Access code: 335004
- Audio webcast archive will be available at <http://investor.aligntech.com> for one month

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# Safe Harbor and Forward-Looking Statements

- This presentation contains forward-looking statements, including statements of beliefs and expectations regarding market opportunities and size, the impact of events and circumstances on economic conditions and predictability, our areas of focus and commitment, and in connection with the expected or actual timing, means and amount of stock repurchases. Forward-looking statements contained in this news release relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements reflect our best judgments based on currently known facts and circumstances 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 and its variants 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 continual evolution of the pandemic, including any periodic reimplementation of preventative measures in various global locations;
  - the economic and geopolitical ramifications of the military conflict in Ukraine, including sanctions, retaliatory sanctions, nationalism, supply chain disruptions and other consequences, any of which may or continue to adversely impact our commercial and research and development activities inside and outside of Russia;
  - 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, growing inflationary pressure and declining consumer confidence, particularly in light of the pandemic and pandemic-related restrictions, the military conflict in Ukraine and the impact of efforts by central banks to combat inflation;
  - the timing and availability and cost of raw materials, components, products and other shipping and supply chain constraints;
  - unexpected or rapid changes in the growth or decline of our domestic and/or international markets;
  - increasing competition from existing and new competitors;
  - rapidly evolving and groundbreaking advances that fundamentally alter the dental industry or the way new and existing customers market and provide products and services to consumers;
  - the ability to protect our intellectual property rights;
  - continued compliance with regulatory requirements;
  - declines in, or the slowing of the growth of, sales of our intraoral scanners domestically and/or internationally and the impact either would have on the adoption of Invisalign products;
  - 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, errors or defects in software or hardware 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 primary 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 our systems or networks, including any customer and/or patient data contained therein, 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, military and other risks relating to our operations; and
  - the loss of key personnel, labor shortages or work stoppages for us or our suppliers.
- 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, 2021, which was filed with the Securities and Exchange Commission ("SEC") on February 25, 2022. Align undertakes 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 which may include gross profit, gross margin, operating expenses, income from operations, operating margin, interest income and other income (expense), net, net income before provision for income taxes, provision for income taxes, effective tax rate, net income and/or diluted net income per share, 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. Unless otherwise indicated, when we refer to non-GAAP financial measures they will exclude the effects of stock-based compensation, amortization of certain acquired intangibles, deferred tax asset amortization related to the intra-entity transfer of non-inventory assets, acquisition-related costs, and arbitration award gain, 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 the use of certain 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 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."

Transforming

smiles

changing lives

# Strategic Growth Drivers

International expansion

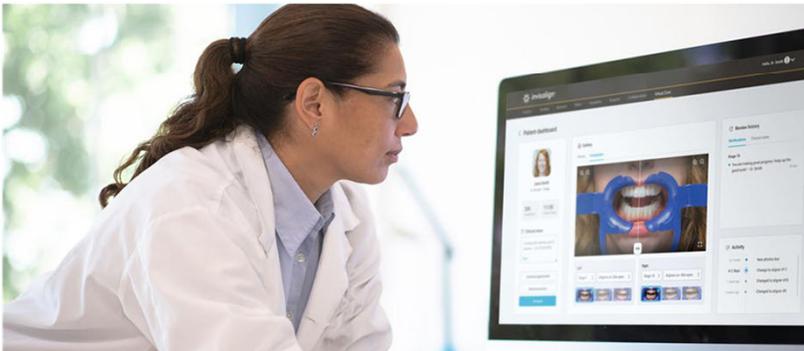


Patient demand & conversion



Relentless focus and execution on our strategic priorities

Orthodontist utilization



GP dentist treatment



# Opening Commentary

- Overall, the first quarter proved to be a tougher than expected operating environment globally and we believe our results primarily reflect three factors: the continued impact of COVID-19 waves in every region and especially in China with its restrictions and lockdowns under their zero-COVID policy; a weaker economic environment and waning consumer confidence driven by increasing inflationary pressures and supply chain disruptions; and the military conflict in Ukraine and fallout across Europe. In addition, with approximately half our business occurring outside of the U.S., unfavorable foreign exchange rates negatively impacted our revenues, margins, and EPS. Notwithstanding these headwinds, Q1'22 total revenues of \$973.2 million were up 8.8% year-over-year. This is compared to Q1'21 revenues of \$894.8 million which had year-over-year revenue growth rate of 62.4% from Q1'20 to Q1'21. Our Q1'22 operating income was \$198.1 million and operating margin was 20.4%.
- For Q1, Systems and Services revenues were up 15.6% year-over-year but down 24.2% sequentially, coming off our 6th consecutive quarter of sequential growth and record scanner and services revenue. Sequential results primarily reflect lower volumes from the aforementioned headwinds and from seasonality as Q4 is historically a stronger capital equipment sales quarter.
- For Q1, Clear Aligner revenues were up 7.5% year-over-year reflecting revenue growth across regions and products, and products and were down slightly sequentially from Q4 (-0.7%).

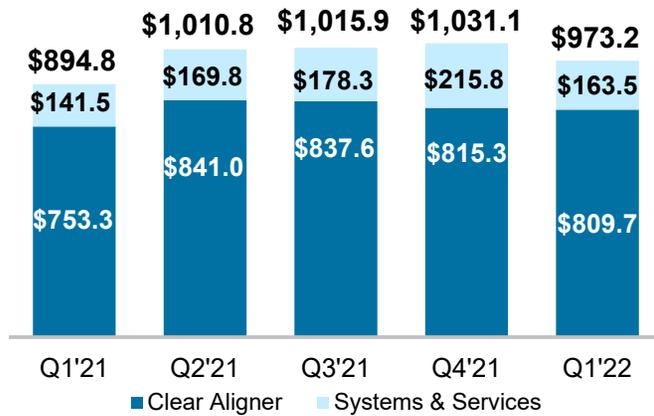
# Q1 2022 Financial Highlights

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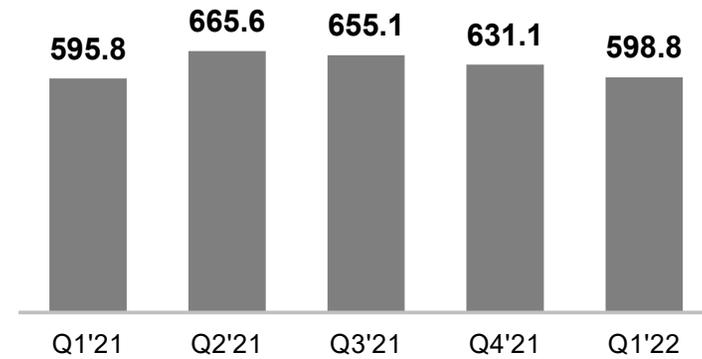
GAAP	Q1'22	QoQ	YoY
Total Net Revenues	<b>\$973.2M</b>	(5.6)%	+8.8%
- Clear Aligner	<b>\$809.7M</b>	(0.7)%	7.5%
- Imaging Systems and Services	<b>\$163.5M</b>	(24.2)%	+15.6%
Invisalign Case Shipments	<b>598.8K</b>	(5.1)%	+0.5%
Earnings Per Share, diluted	<b>\$1.70</b>	\$(0.70)	\$(0.81)

# Trended GAAP Financials

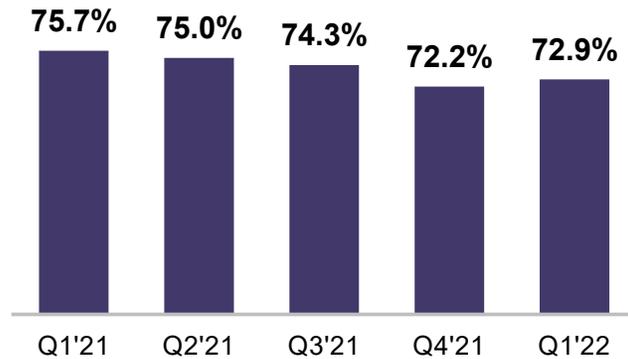
WW Net Revenues (\$M)



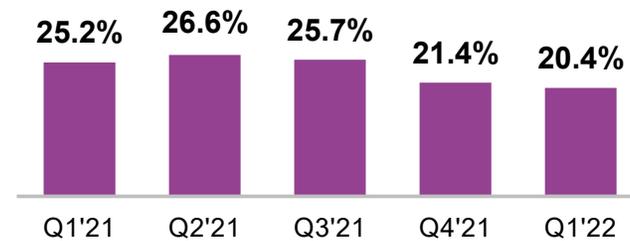
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %

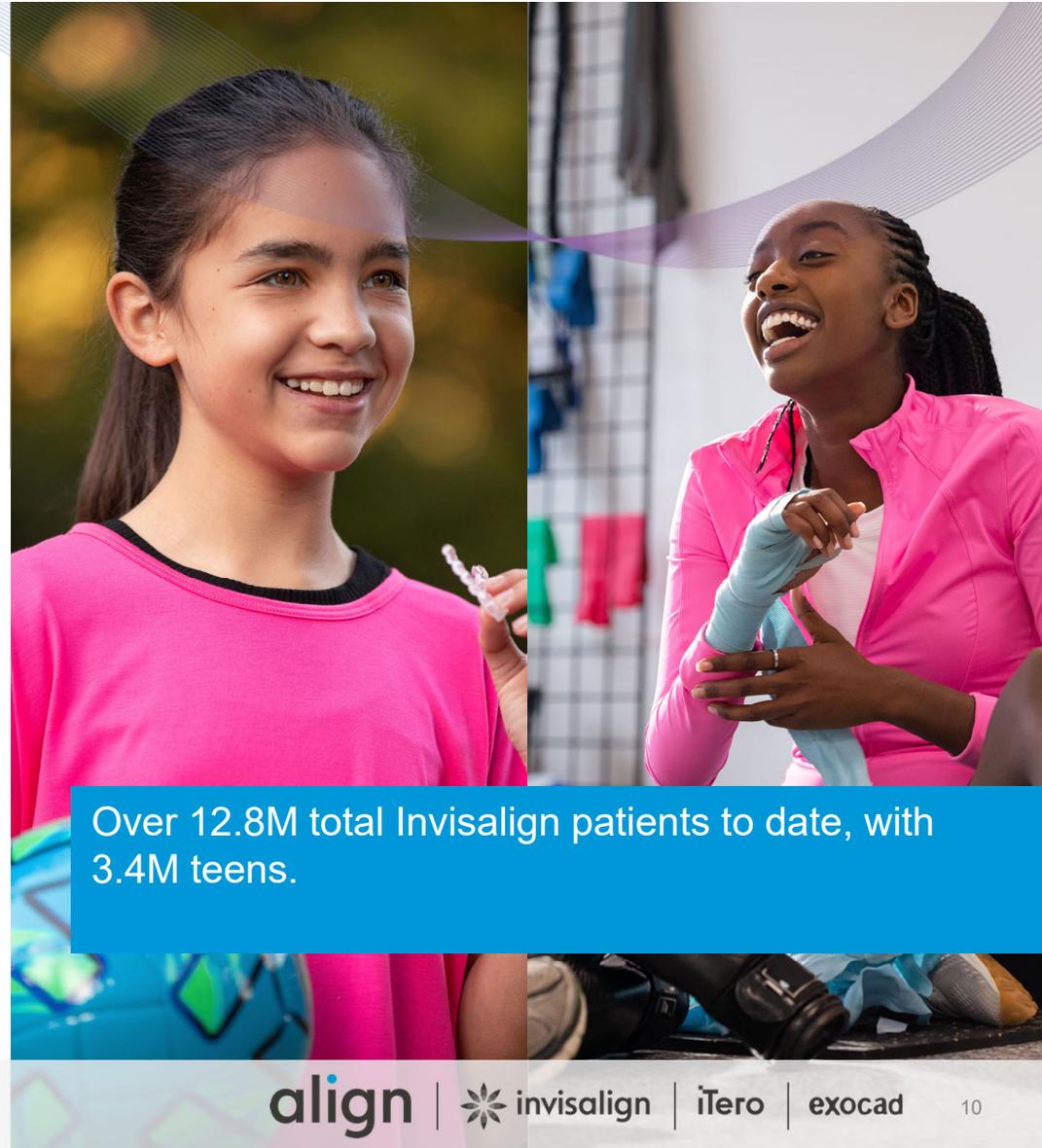
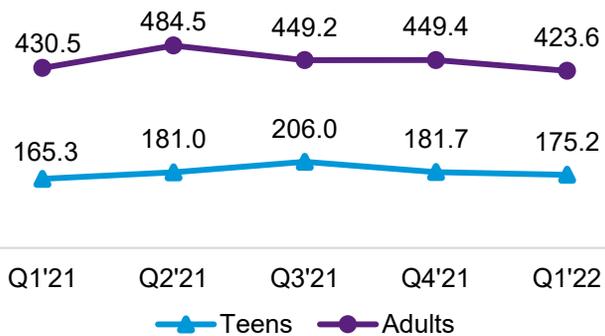


Percentages are based on actual values. Rounding may affect totals

# Q1 2022 Financial Highlights

## *Teens and Adults*

- In the teen segment, 175.2 thousand teens started treatment with Invisalign aligners, up 6.0% year-over-year.
- Invisalign First for kids as young as 6 grew year-over-year and was strong across regions.



# Non-case Revenue, Retention, Doctor Subscription Program (“DSP”), and Accessories

- Q1 non-case revenues which include doctor prescribed retention products, clinical training and education, and other dental consumables performed well and grew both year-over-year and sequentially. Our DSP pilot was launched last year in the U.S. and Canada, and it continues to ramp nicely, driving strong revenue growth. DSP is a monthly subscription program designed for a segment of experienced Invisalign doctors who are not regularly using our retainers or low-stage aligners. We are very excited about the feedback and uptake we are seeing and are expanding the program into other markets this quarter.
- Here are a just a few things doctors are saying about DSP:
  - Dr. Drew Ferris in Santa Barbara, “We have shifted our retention model and workflow. We really like the material, fit, and precision of the product and having everything in Align systems vs. printing in-house and having to maintain ourselves.”
  - Dr. Sandra Tai in Vancouver, “This program fits my business model very well and I am able to pass savings to patients.”

# Q1 2022 Financial Highlights

## Americas

- For Q1, Invisalign case volumes were down 1.5% year-over-year. On a sequential basis, Americas' case volumes were down 4.3%, primarily reflecting the impact from COVID-19 waves – first experienced in North America beginning in Q4'21 and continuing into Q1, and later in Latin America – causing customer staffing shortages and practice closures – as well as decreased patient traffic and increased appointment cancellations.
- Latest data from the Gaidge Practice Analysis tool that collects & consolidates data from about 700 Ortho Practices (covering >1,000 orthodontists across ~1,600 locations in U.S. and Canada) showed weakening underlying patient demand trends in the first quarter for both adult and teens, and across wires and brackets and clear aligners products. New patient visits were down 7.6% year-over-year and ortho starts were down 7.2% year-over-year.
- In the DSO channel, Q1'22 DSO practices grew faster than non-DSO practices, with utilization led by Heartland and Smile Doctors. Earlier this month, we announced a new DSO partnership with - dentalcorp, Canada's largest and fastest-growing network of dental practices. dentalcorp plans to extend its offering of Invisalign brand clear aligner treatment to Canadians nationwide through its Ortho Acceleration Program. This strategic collaboration also provides dentalcorp's network of doctors across nearly 460 practices with access to enhanced benefits, dedicated learning opportunities, and treatment planning support for the Invisalign system.
- Also, this month, we launched a new Invisalign Teen Subscription Program in the US and Canada to help unlock the massive opportunity from Teen orthodontics which makes up approximately 75% of the 5 million annual case starts in North America. The Teen Subscription Program enables orthodontists to buy clear aligners in case packs in advance – much like the way they buy wires and brackets today, offering simple and more predictable billing for doctors. It also includes exclusive practice development benefits with the Invisalign brand and requires an incremental volume commitment from doctors. The timing of the new Teen program coincides with the beginning of the summer teen season, and we are excited to continue partnering with doctors to grow their practice with Invisalign treatment. With less than 10% share of teen case starts, the Teen Subscription Program has the potential to help accelerate Invisalign adoption in the largest segment of the orthodontic market - teens.

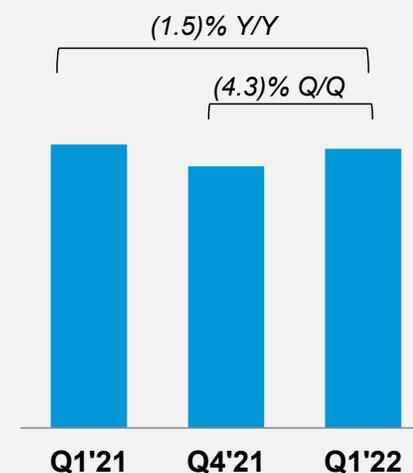
## Americas Invisalign Metrics

### North Americas Utilization\*



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

### Americas Shipments



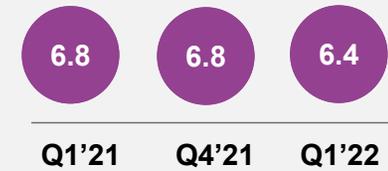
# Q1 2022 Financial Highlights

## International

- For our International business, Q1 Invisalign case volumes were up 3.0% year-over-year. On a sequential basis, International case volumes were down 6.1%, primarily reflecting the headwinds described earlier, especially the impact of COVID19 restrictions and lockdowns in China and the fallout across Europe from the military conflict in Ukraine.
- For EMEA, Q1 Invisalign case volumes were up 2.1% year over year, with growth in our core markets, led by Italy and DACH, along with growth in expansion markets led by Turkey and MEA. For Q1, year over year Invisalign case volumes in EMEA were driven by increased submissions primarily from the orthodontist channel, especially in the teen market.
- During the quarter, we launched our first ever direct-to-teen campaign in EMEA, focused on educating teens about the benefits of Invisalign treatment over traditional wire and brackets; increasing consumer demand as part of our wider teen growth plan, combined with our Parent of Teen campaign; and to help to give teens “critical influence in the parent decision,” by driving peer word-of-mouth.
- More recently, we launched the Invisalign Go Express system, the latest addition to the Invisalign Go portfolio for general dentists. First launched in EMEA in 2016 as a 20-stage aligner treatment offering, the Invisalign Go portfolio system is designed for general dentists to treat mild to moderate malocclusions and to integrate tooth alignment into restorative/comprehensive dental care.
- Additionally, building of our European manufacturing facility in Wroclaw, Poland remains on track to go live this quarter, increasing our flexibility and timeliness in supporting our valued doctor-customers across the EMEA region.
- Turning to APAC. For Q1, APAC Invisalign case volumes were up 4.7% year-over-year with strength in the GP dentist channel primarily through increased Invisalign submissions with the Invisalign Go product, and in the teen market with increased submissions from the orthodontic channel. On a sequential basis, APAC was down 2.6%, reflecting a larger impact from surges in new COVID-19 cases that lead to significant lockdowns in China. Alternatively, despite headwinds, Japan and Taiwan performed well and we had strong growth in emerging markets like Korea, India, and Thailand on a year-over-year basis.
- Earlier this month, we expanded the Invisalign Clear Aligner product portfolio with new offerings that better serve the expanding market in China. The two new products - Invisalign Adult and Invisalign Standard clear aligners are designed for more specific type of malocclusion cases and provide doctors and their patients with a more clinical and affordable options for moderate to complex adult cases. Invisalign Adult and Invisalign Standard clear aligners build on our proven technology for a wider range and scope of malocclusion.

## International Invisalign Metrics

### International Utilization\*



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

### International Shipments



# Align Digital Platform



- The **Align Digital Platform** is an integrated suite of proprietary technologies and services delivered as a seamless end-to-end solution to customers, to transform smiles and change lives.
- This seamless end-to-end treatment experience, the **Align Digital Workflow**, guides you from first consultation through to final smile, delivering to you and your patients' superior clinical outcomes, treatment efficiency, and an elevated patient experience.

# New Invisalign Innovations in Treatment Planning for the Align Digital Platform

- During the quarter, we announced new Invisalign innovations for the Align digital platform, a proprietary combination of software, systems, and services designed to provide a seamless experience and workflow that integrates and connects all users – doctors, labs, patients, and consumers.
- These new Invisalign innovations include ClinCheck Live Update, the Invisalign Practice App, Invisalign Personalized Plan (“IPP”), Invisalign Smile Architect, and Cone Beam Computed Tomography (“CBCT”) integration feature for ClinCheck digital treatment planning software.
- These innovations will revolutionize digital treatment planning for orthodontics and restorative dentistry by providing doctors with greater flexibility, and real-time treatment plan access and modification capabilities. Each of these innovations is designed to enhance Invisalign treatment planning quality, efficiency, and scale, and contribute to a better doctor-patient experience.





# The Invisalign system with mandibular advancement with enhanced precision wings

- More recently, we introduced a new enhancement for the Invisalign system with mandibular advancement feature.
- The Invisalign system with mandibular advancement is the only clinically proven clear aligner product in the world today that addresses Class II correction with simultaneous alignment.
- Using feedback from customers, we've enhanced the original design with new enhanced precision wings that provide increased durability and comfort, as well as greater overlap to help ensure that the aligners remain seated and properly engaged, to more effectively address Class II malocclusions in growing pre-teen and teen patients.

*\*Data on file at Align Technology, as of September 27, 2021*

# Invisalign Consumer Marketing

- Our consumer marketing focuses on educating consumers about the Invisalign system and driving that demand to Invisalign doctors' offices, ultimately capitalizing on the massive market opportunity to transform 500 million smiles.
- In Q1, we built on our successful "Invis Is" multi-media campaign across the Americas, EMEA, and APAC driving awareness and interest in Invisalign treatment with adult, teen and parent consumer segments. Globally we delivered strong impression volume with over 23.7 million visits to our websites, 113% year-over-year increase and over 7.8 billion impressions delivered, representing a 32% year-over-year increase.
- In the U.S., we continued to amplify our campaigns across the top social media platforms such as TikTok, SnapChat, Instagram, and YouTube to increase awareness of the Invisalign brand with young adults and teens. Our campaigns featured collaborations with some of the largest influencers in social media including Charli D'Amelio, Lana Candor, Devan Key, Michael Le and Josh Richards. Each of these creators shared their personal experiences with Invisalign treatment and why they chose to transform their smile with Invisalign aligners.
- To continue growing our young adult business across the Americas, EMEA, and APAC, we built upon our successful "Invis is a Powerful Thing" campaign which highlights how powerful the smile transformation with Invisalign treatment can be for every young adult's self-confidence. We leveraged top influencers like Leilani Green and Lana Candor in integrated media campaigns. Further, we are expanding our collaboration with influencers globally and are excited to welcome Olympic Gold Medalist, Suni Lee, and creators Josh Richards, Hiram Yarbro, and Scarlett Estevez who have all chosen to shape their smiles with Invisalign treatment.
- In the EMEA region, we accelerated our media investment across digital media platforms including YouTube, TikTok, Meta, and SnapChat and expanded our Invisalign Smile Squad roster with new influencers. Additionally, we launched a pilot in the UK to reach teens with bespoke campaigns to create awareness of the unique benefits of Invisalign treatment. Our consumer campaigns delivered more than 8.8 million unique visitors to our website, representing a 169% year-over-year increase and over 2.5 billion media impressions.
- We continued to expand our investment in consumer advertising across the APAC region, excluding China, resulting in a 278% year-over-year increase in unique visitors and a 265% year-over-year increase in impressions. We continued to strengthen our investments in Australia by expanding our reach via social media platforms such as TikTok, Meta and YouTube. In Japan, we built upon our successful consumer campaigns by expanding into Twitter and continue to see strong response from consumers as evidenced by a +373% year-over-year increase in unique visitors to our site.



# Invisalign Brand Consumer Concierge

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

- We've connected over 469K potential consumers with Invisalign doctors and reached more than 4.1M consumers globally. The Invisalign Brand Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain.
- The Invisalign Brand Consumer Concierge service teams are located in the U.S., Brazil, Singapore, the Philippines, China, Australia, the UK, Poland, Bulgaria, Saudi Arabia, United Arab Emirates, and Germany.

**+4.1M**

➤ Consumers contacted

**+469K**

➤ Consultations scheduled

**+94K**

➤ Invisalign cases started

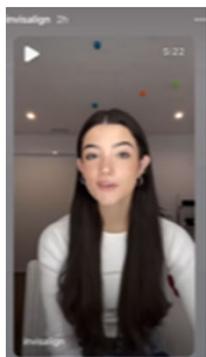


# Q1 2022 Invisalign Brand Consumer Marketing

**11.8M** AMERICAS  
Website Visitors

**4.4B** impressions

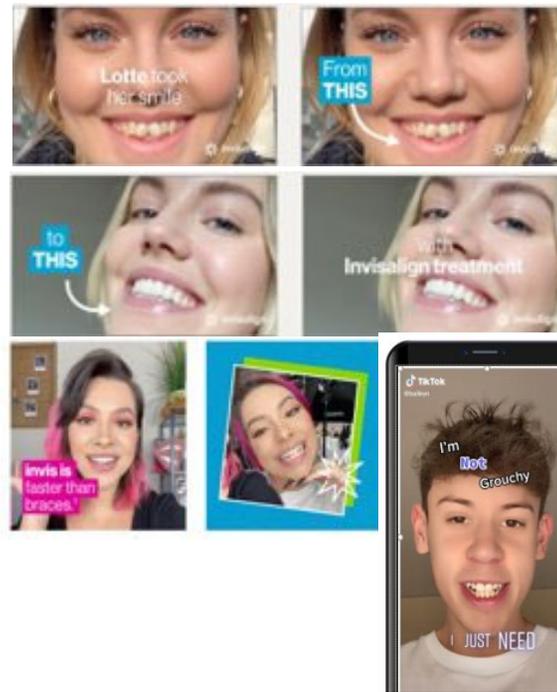
- Social media and influencer marketing
- Teen, Adult and Moms of teens



**8.8M** EMEA  
Website Visitors

**2.5B** impressions

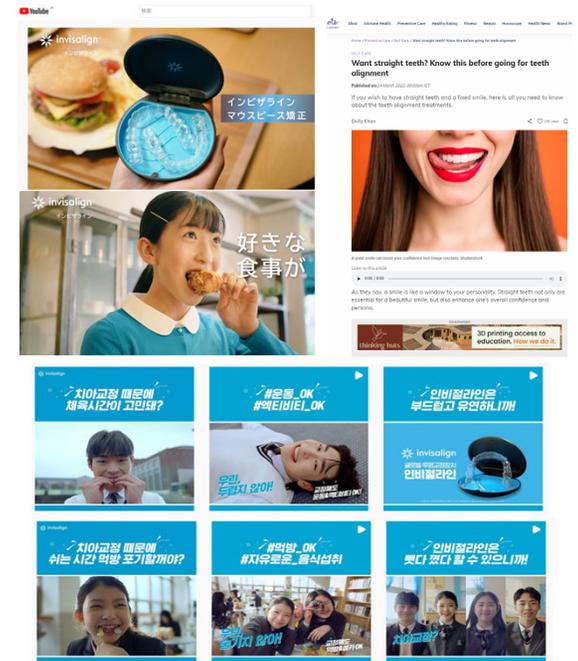
- Social media and influencer marketing



**3.1M** APAC  
Website Visitors

**1B** impressions

- Social media and influencer marketing
- KOL campaigns



# Q1 2022 Financial Highlights

## *Systems and Services*

- For our Systems and Services business, Q1 revenues were up 15.6% year-over-year reflecting strong scanner shipments and services, and down 24.2% sequentially - primarily reflecting lower volumes from the previously mentioned headwinds and capital equipment seasonality.
- During the quarter, we saw continued adoption of the iTero Element 5D Plus Imaging System we launched last year that features innovative technology like Near-Infrared Technology ("NIRI") which aids in detection and monitoring of interproximal caries lesions (or cavities) above the gingiva without harmful radiation.
- A strong indicator of the digital adoption within dental offices is the number of intraoral digital scans used for Invisalign case submissions.
  - Total worldwide intraoral digital scans submitted to start an Invisalign case in Q1 increased to 87.1% from 80.9% in Q1 last year.
  - International intraoral digital scans for Invisalign case submissions increased to 82.8% up from 75.1% in Q1 last year.
  - For the Americas, 90.6% of Invisalign cases were submitted using an intraoral digital scan compared to 85.5% in Q1 last year.
  - Cumulatively, over 54.9 million orthodontic scans and over 11.4 million restorative scans have been performed with iTero scanners.

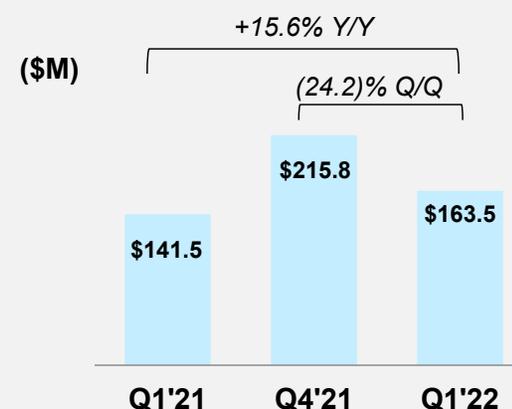
Americas	80.5%	85.7%	83.2%	84.0%	85.5%	86.6%	87.9%	89.1%	<b>90.6%</b>
International	68.7%	72.0%	72.1%	73.7%	75.1%	76.2%	79.3%	80.8%	<b>82.8%</b>
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22

- During the quarter, the iTero Element 5D Plus won the Best New Imaging or CAD/CAM Product from Dr. Bicuspid.com (a Cuspie award). The award reflects our commitment to develop innovative solutions that help doctors transform lives by improving patients' journeys to a healthy, beautiful smile. We're also pleased to share that the iTero Element Scanner received an Orthotown 2021 "Townie Choice Award" which seeks to recognize the top peer-recommended products and services in dentistry. We are proud that the iTero Element 5D Plus imaging system provides dental practices with the latest in imaging technology, cutting edge enhanced chairside visualizations, and applications that can drive practice growth and treatment acceptance.
- Continued growth of the iTero scanner installed base is driving increased services revenues as well as exocad's CAD/CAM software solutions that integrate workflows to dental labs and dental practices.

## Imaging Systems and CAD/CAM Services



### Systems and Services Revenues



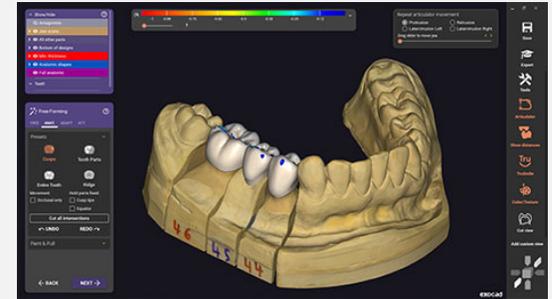
Invisalign scans include but not limited to additional aligner order scans, progress tracking, and does not reflect total Invisalign case shipments. Data on file at Align Technology

The iTero Element 2 and the iTero Element Flex intraoral scanners are currently available in the U.S., Canada, China, and majority of EMEA and APAC markets. The iTero Element 5D imaging system is available in the U.S., Canada, China, and the majority of EMEA and select APAC and LATAM markets

# exocad

- Our Q1 exocad CAD/CAM products and services which include restorative dentistry, implantology, guided surgery, and smile design offerings, are included in Scanner and Services revenues and are helping extend our digital dental solutions and broaden Align's digital platform towards fully integrated interdisciplinary end-to-end workflows.
- As we continue to lead the evolution of digital orthodontics and restorative dentistry, our goal is to make orthodontics a pillar of dentistry. April 2, 2022, marked our 2nd anniversary since welcoming exocad into the Align family and together we're working to ensure that every dental technician and every dentist planning a restorative treatment considers the benefits of digital orthodontics first. We are continuing to focus on integration and roadmap development to strengthen the Align digital platform by addressing restorative needs that facilitate both ortho-restorative and comprehensive dentistry. Two years after exocad joined Align, we are more excited than ever about the opportunities ahead to shape the dental industry with technology and expertise that complement the many benefits of the Align digital platform and bringing all key stakeholders together: doctor customers, labs, partners and users, as we continue transforming smiles and changing lives.
- During the quarter, exocad participated in the 2022 Dental South China trade show in Guangzhou, China, showcasing its newest software release, DentalCAD 3.0 Galway, plus other open software solutions like its innovative smile design program Smile Creator. The show allowed the exocad team to deepen their relationships within the dental community and discover new trends emerging in the growing dental market in China. Attendees at the booth experienced first-hand how exocad's wizard-guided workflows and easy, online communication programs streamline the treatment journey – from consultation to final restoration.
- Finally, this quarter exocad is opening its new Asia headquarters in Seoul, South Korea –which provides a robust, high-tech infrastructure to a key region for our business. exocad has been working with a growing number of Korean manufacturers for many years and this location will help facilitate strategic relationships in the region.

## DentalCAD 3.0 Galway\*



## Smile Creator



<https://exocad.com/our-products/dentalcad-galway>

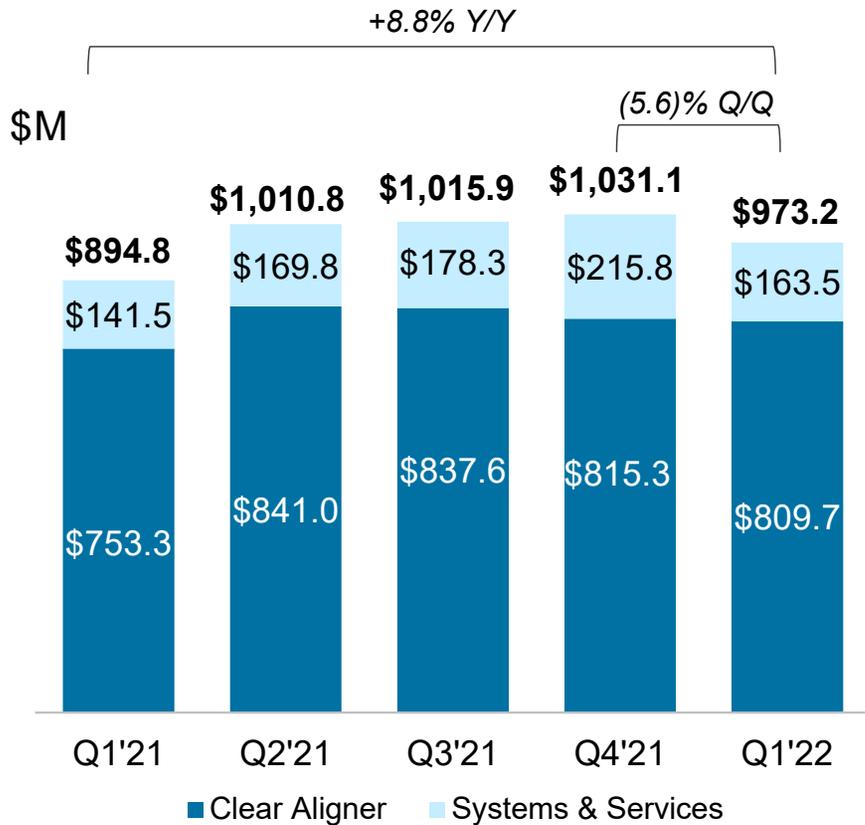
\*Note: Some products may not be regulatory cleared/released for sale in all markets. Please contact your local exocad reseller for current product assortment and availability.

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- **Q1 2022 Financial Review**

# Revenues Trend

## Q1'22 highlights

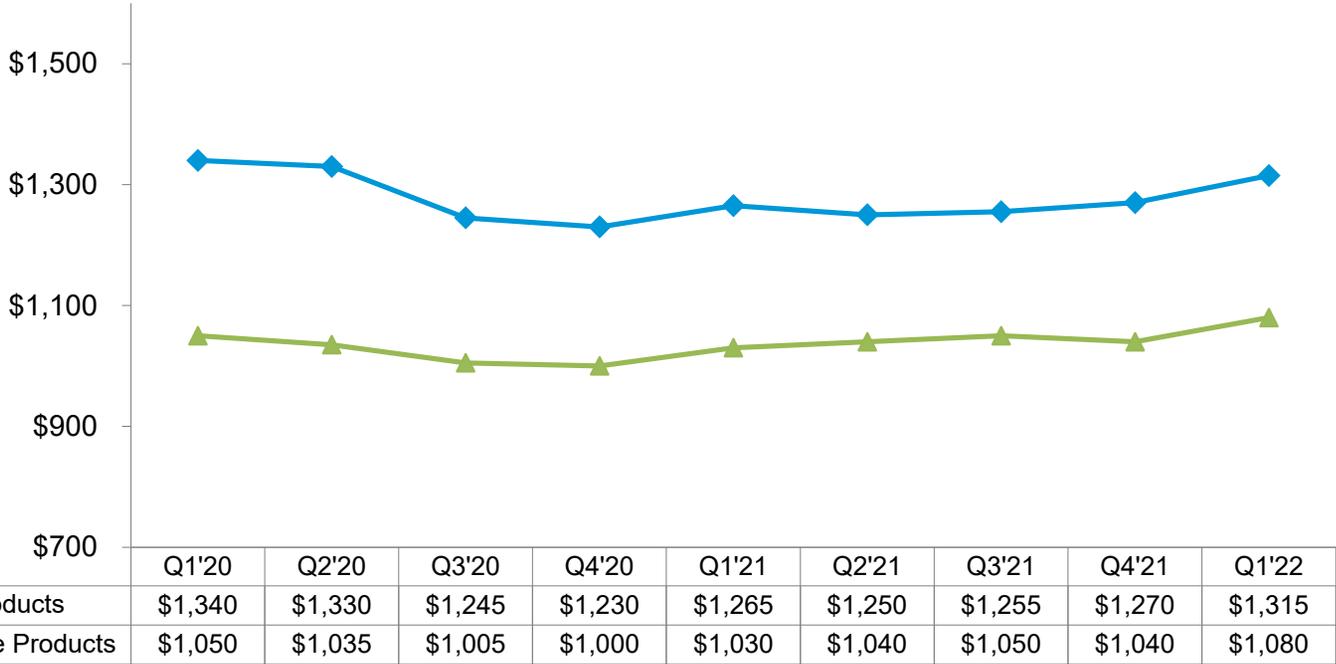


- Total revenues for the first quarter were \$973.2 million, down 5.6% from the prior quarter and up 8.8% from the corresponding quarter a year ago.
- For Clear Aligners, Q1 revenues of \$809.7 million were down 0.7% sequentially due to lower Invisalign case volumes, partially offset by higher ASPs and up 7.5% year-over-year reflecting higher ASPs and non-case revenues (Vivera retainers).
- Q1 Comprehensive volume increased 2.4% year-over-year and decreased 5.0% sequentially. Q1 Non-Comprehensive volume decreased 4.0% year-over-year and decreased 5.4% sequentially. Q1 adult patients decreased 1.6% year-over-year and decreased 5.7% sequentially. In Q1, teens or younger patients increased 6.0% year-over-year and decreased 3.6% sequentially.
- Clear Aligner revenues were unfavorably impacted by foreign exchange of approximately \$6.5 million or approximately 0.8 points sequentially. On a year-over-year basis, Clear Aligner revenues were unfavorably impacted by foreign exchange of approximately \$24.0 million or approximately 3.2 points.
- For Q1, Invisalign Comprehensive ASPs increased sequentially and year-over-year. On a sequential basis, Invisalign Comprehensive ASPs reflect per-order processing fees charged on most Clear Aligner shipments, lower discounts, and higher additional aligners, partially offset by unfavorable foreign exchange. On a year-over-year basis, Comprehensive ASPs reflect higher additional aligners and per-order processing fees, partially offset by unfavorable foreign exchange.
- Q1 Invisalign Non-Comprehensive ASPs increased sequentially and year-over-year. On a sequential basis, Invisalign Non-Comprehensive ASPs were favorably impacted by per-order processing fees and lower discounts, partially offset by unfavorable foreign exchange. On a year-over-year basis Invisalign Non-Comprehensive ASPs reflect per-order processing fees, higher additional aligners, partially offset by foreign exchange.
- Clear Aligner deferred revenues on the balance sheet increased \$53.0 million or 5.0% sequentially and \$307.1 million or 38.1% year-over-year and will be recognized as the additional aligners are shipped.
- Our System and Services revenues for the first quarter were \$163.5 million, down 24.2% sequentially and up 15.6% year-over-year.
- The decrease sequentially can be attributed to lower scanner volume following a strong Q4 and consistent with seasonality in the capital equipment business; coupled with the headwinds described earlier.
- The increase year-over-year can be attributed to increased service revenues from our larger installed base as well as slightly higher scanner volume.
- Our Systems and Services deferred revenues on the balance sheet was up \$16.5 million or 7.2% sequentially and up \$114.9 million or 87.6% year-over-year primarily due to the increase in scanner sales and the deferral of service revenues included with the scanner purchase, which will be recognized ratably over the service period.

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

# Invisalign Average Selling Price (ASP)

## Product groups



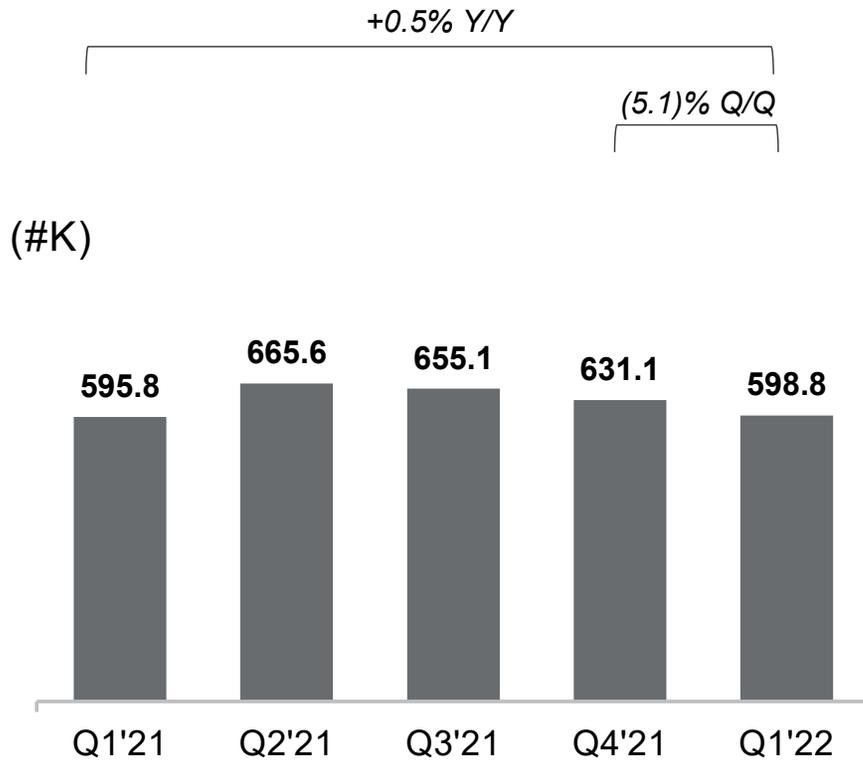
**Comprehensive Products:** Comprehensive Products include, but are not limited to, Invisalign Comprehensive, Invisalign Assist and Invisalign First

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

**ASP:** Invisalign case revenue / Invisalign case shipments

# Clear Aligner Shipments Trend

## Q1'22 highlights

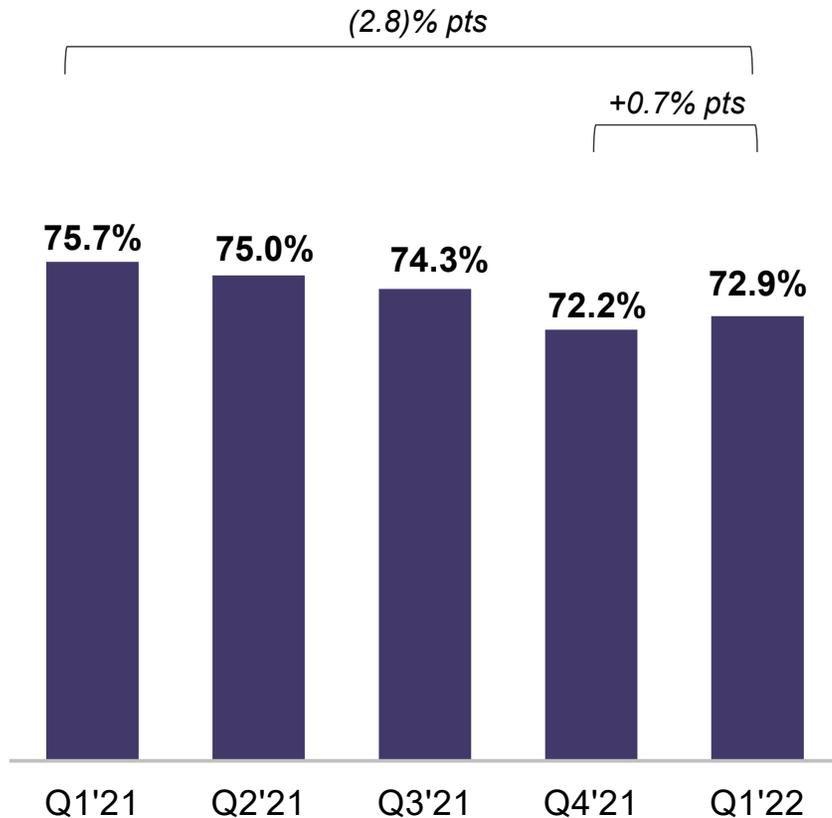


- In Q1, Invisalign case volume were down 5.1% sequentially, and up 0.5% year-over-year.
- In addition, we shipped clear aligners to 82.4 thousand Invisalign doctors worldwide, of which over 5,000 were first-time customers.

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

# GAAP Gross Margin Trends

## Q1'22 highlights

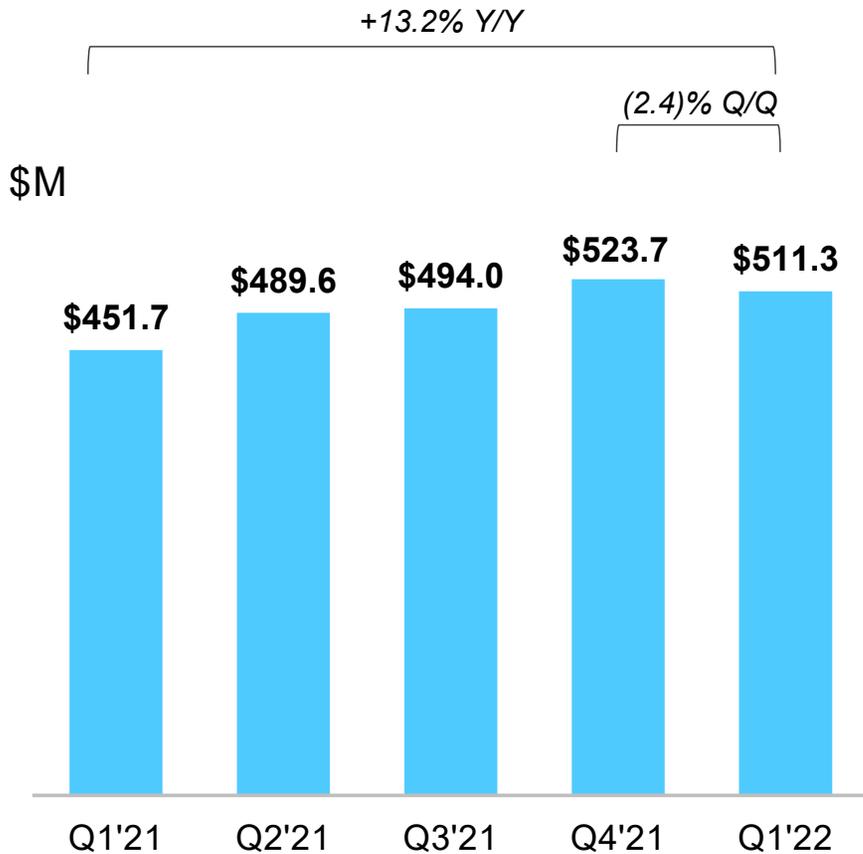


- First quarter overall gross margin was 72.9%, up 0.7 points sequentially and down 2.8 points year-over-year. On a non-GAAP basis, excluding stock-based compensation expense and amortization of intangibles related to acquisitions, overall gross margin was 73.3% for the first quarter, up 0.7 points sequentially and down 2.8 points year-over-year.
- Overall gross margin was unfavorably impacted by approximately 0.8 points on a year-over-year basis and by approximately 0.2 points sequentially, due to foreign exchange.
- Clear Aligner gross margin for the first quarter was 74.8%, up 0.6 points sequentially due to higher ASPs, partially offset by higher mix of additional aligner volume and higher freight costs.
- Clear Aligner gross margin was down 2.8 points year-over-year due to a higher mix of additional aligner volume and higher freight costs, partially offset by higher ASPs.
- Systems and Services gross margin for the first quarter was 63.4%, down 1.3 points sequentially due to lower volume and lower ASPs, partially offset by lower freight costs.
- Systems and Services gross margin was down 2.0 points year-over-year due to higher manufacturing inefficiencies, partially offset by a higher mix of service revenues and increased ASPs.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

# GAAP Operating Expense Trends

## Q1'22 highlights

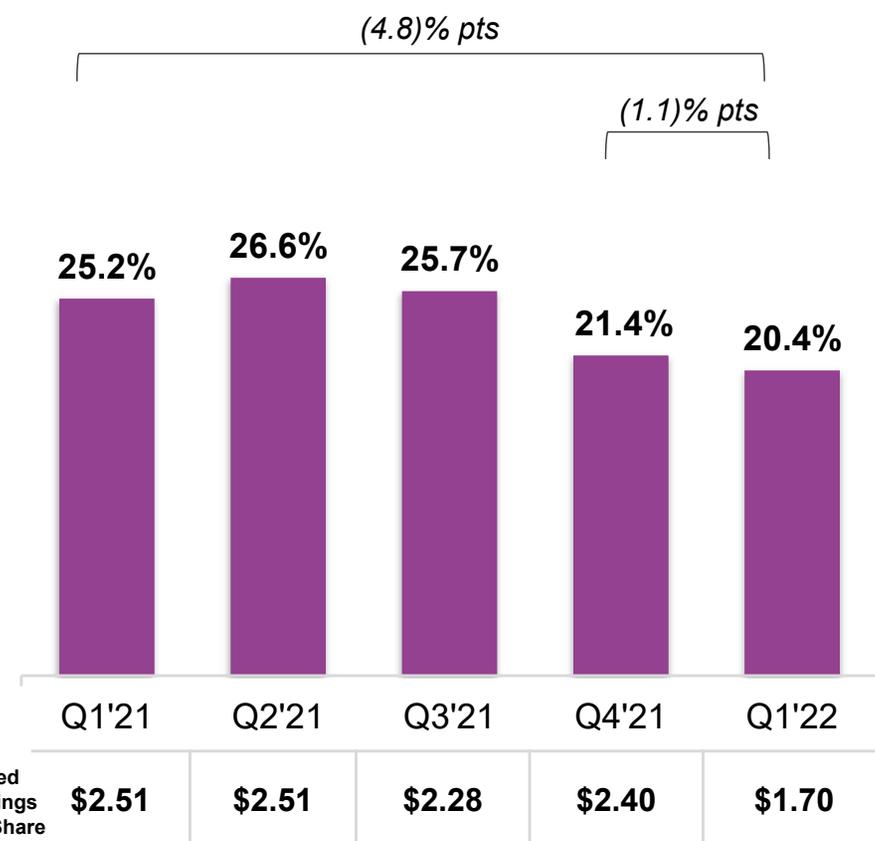


- Q1 operating expenses were \$511.3 million, down sequentially 2.4% and up 13.2% year-over-year. On a sequential basis, operating expenses were down by \$12.4 million. year-over-year, operating expenses increased by \$59.6 million, reflecting increased headcount and our continued investment in marketing, sales and R&D activities, and investments commensurate with business growth.
- On a non-GAAP basis, excluding stock-based compensation, amortization of acquired intangibles related to certain acquisitions, and acquisition costs operating expenses were \$480.2 million, down sequentially 2.9% and up 13.1% year-over-year due to the reasons described above.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

# GAAP Operating Margin and Earnings Per Share Trends

## Q1'22 highlights



- Our first quarter operating income of \$198.1 million resulted in an operating margin of 20.4%, down 1.1 point sequentially and down 4.8 points year-over-year. The year-over-year decrease in operating margin is primarily attributable to lower gross margin, investments in our go-to-market teams and technology, as well as unfavorable impact from foreign exchange. On a non-GAAP basis, which excludes stock-based compensation, amortization of intangibles related to certain acquisitions, and acquisition costs operating margin for the first quarter was 24.0%, down 0.7 points sequentially, and down 4.6 points year-over-year.
- Interest and other income & expense, net for the first quarter was a loss of \$10.6 million, down sequentially by \$9.7 million and down year-over-year by \$46.8 million. Q121 included the SDC arbitration award gain of \$43.4 million.
- The GAAP effective tax rate in the first quarter was 28.4% compared to 13.2% in the fourth quarter and 23.4% in the first quarter of the prior year. Our non-GAAP effective tax rate was 24.2% in the first quarter compared to 11.5% in the fourth quarter and 20.2% in the first quarter of the prior year.
- The first quarter GAAP and non-GAAP effective tax rates were higher than fourth quarter effective tax rates primarily due to tax benefits related to expirations of statutes of limitations for timely asserting claims and an out-of-period adjustment recorded last quarter.
- First quarter net income per diluted share was \$1.70, down sequentially \$0.70, and down \$0.81 compared to the prior year. Our EPS was unfavorably impacted by \$0.13 on a sequential basis and \$0.28 on a year-over-year basis due to foreign exchange. On a non-GAAP basis, net income per diluted share was \$2.13 for the first quarter, down \$0.70 sequentially and down \$0.36 year-over-year.

Q/Q and Y/Y percentages are based on actual values. Rounding may affect total. See reconciliation of GAAP to Non-GAAP.

# Balance Sheet and Cash Flow Highlights

- As of March 31, 2022, cash, cash equivalents, and short-term and long-term marketable securities were \$1.1 billion, down sequentially \$176.1 million and down \$11.1 million year-over-year. Of our \$1.1 billion balance, \$453.0 million was held in the US and \$667.6 million was held by our international entities.
- Q1 accounts receivable balance was \$950.9 million, up approximately 6.0% sequentially. Our overall days sales outstanding (“DSO”) was 87 days, up approximately 9 days sequentially and up approximately 15 days as compared to Q1 last year.
- Cash flow from operations for the first quarter was \$30.5 million.
- Capital expenditures for the first quarter were \$87.3 million, primarily related to our continued investments to increase aligner manufacturing capacity and facilities.
- Free cash flow, defined as cash flow from operations less capital expenditures, amounted to \$(56.8) million.
- In February, we purchased \$75 million of our common stock through open market repurchases of approximately 143.6 thousand shares at an average price of \$522.61 per share. We have approximately \$650.0 million remaining available for repurchase under our May 13, 2021, \$1.0 Billion Repurchase Program.

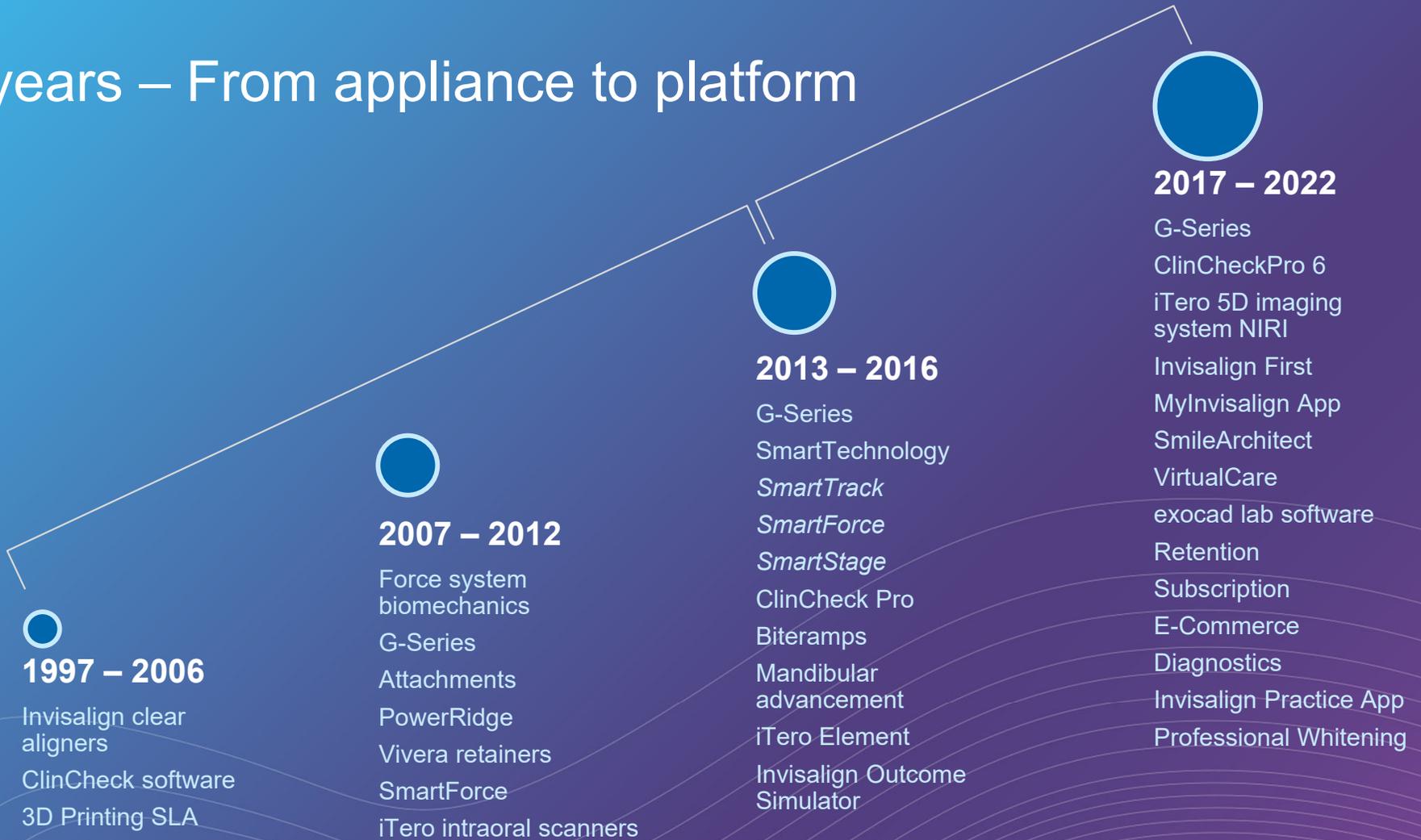
	Q1'21	Q4'21	Q1'22
(\$ in millions except for DSO)			
Accounts Receivables, net	\$719.0	\$897.2	<b>\$950.9</b>
DSO	72 days	78 days	<b>87 days</b>
Cash, Cash Equivalents, and Short-Term and Long-Term Marketable Securities	\$1,131.7	\$1,296.7	<b>\$1,120.6</b>
Cash Flow from Operations	\$227.2	\$272.8	<b>\$30.5</b>
Capital Expenditures	\$(43.4)	\$(109.1)	<b>\$(87.3)</b>
Free Cash Flow*	\$183.8	\$163.8	<b>\$(56.8)</b>

\*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

# Business Trends Commentary

- As described during our Q4 2021 earnings call, we provided our FY 2022 outlook with revenue growth in line with our long-term revenue range of 20% to 30%. This revenue growth assumed no significant new COVID surges after the current wave, no meaningful practice disruptions nor material supply chain issues throughout the year.
- At that time, we were seeing some recovery as Omicron headwinds began to ease, and COVID restrictions were relaxing. However, later in the quarter, unfavorable impacts on our business occurred, driven by China lockdowns, weaker consumer confidence, inflationary pressures, and the Russia/Ukraine conflict. For April, we have not seen momentum return as the headwinds previously mentioned persist.
- Now turning to full year 2022 ...We remain confident in the huge underpenetrated market, our technology and industry leadership, and our ability to execute and make progress toward our Long-Term Model of 20 to 30% revenue growth. At the same time, the headwinds we're experiencing which include increased COVID waves and significant China lockdowns, weaker consumer confidence, inflation pressures, and the Russia/Ukraine conflict have increased uncertainty across all markets. We also anticipate capital equipment sales will be increasingly constrained throughout this year as practices adjust to these headwinds.
- Given less visibility in an increasingly unpredictable operating environment, we are not providing revenue guidance for the year. However, assuming no additional material disruptions or circumstances beyond our control, our goal for fiscal 2022 is to deliver GAAP operating margin above 20% while making strategic investments in sales, marketing, R&D and operations.
- In addition, during Q2'22 we expect to repurchase up to \$200 million of our common stock through either or a combination of open market repurchases, or an accelerated stock repurchase agreement.
- For 2022, we expect our investments in capital expenditures to exceed \$300.0 million. Capital expenditures primarily relate to building construction and improvements as well as additional manufacturing capacity to support our international expansion. This includes our investment in an aligner fabrication facility in Wroclaw, Poland which is expected to begin serving doctors in the second quarter of 2022, as a part of our strategy to bring operational facilities closer to customers. As we continue growing, we intend to expand our investments in research and development, manufacturing, treatment planning, sales, and marketing operations to meet actual and anticipated local and regional demands.

# 25 years – From appliance to platform



# Closing Commentary

- Overall, our first quarter results reflect a more challenging environment than expected. We know that COVID lockdowns, weaker consumer confidence, inflationary pressures, and the Russia/Ukraine conflict have created headwinds, but we remain excited and committed to realizing the enormous opportunity in front of us to lead the evolution of digital orthodontics and comprehensive dentistry. With less than 10% share of the 21 million orthodontic case starts each year, and with over 500 million people globally who can benefit from a healthy beautiful smile, our market is as large as ever. No other company is as well positioned as us to take advantage of that potential as the environment improves and growth trends return.
- We will continue focusing on the relentless execution of our strategic growth drivers while managing investments in the near term to account for the headwinds and uncertainty and we remain confident in our long term revenue growth model of 20-30%.
- Before we open the call to questions, I want to address the military conflict in Ukraine and our operations in Russia. It is a human tragedy for all people involved and our thoughts go out to everyone impacted, and especially to those with personal connections who are undoubtedly concerned for their families and loved ones. Our primary concern remains the safety and security of our employees and their families, our doctors, their staff and patients – who have nothing to do with this conflict.
- As a global medical device provider of doctor-prescribed products, continuity of care is critical to doctors and their patients in orthodontic treatment. We discontinued commercial activities in Russia that are non-essential to providing continuity of care to patients. Our focus on only essential activities is consistent with our values and ethical responsibility to patients in treatment. In the process we are also adhering to the international sanctions that have been imposed. Our IT infrastructure, including code and intellectual property, is hosted outside of Russia.
- Prior to the conflict we had begun expanding our R&D teams in Darmstadt, Madrid, Toronto, and Austin, and were prudently working with the team on the ground in Russia on work visas. A number of our Russian employees have already transitioned or are in various stages of transitioning their families to Armenia where we have set up an R&D center in Yerevan to support those who chose to relocate.
- At the same time, it is humbling to see the tremendous outpouring of kindness and support throughout the company as our employees respond to the humanitarian needs of this crisis. Our Polish team members have set up donation centers at our facilities where employees are contributing food, clothing, supplies, and human care. Many are also taking Ukrainian refugees into their homes. We are proud of the tremendous initiative by our colleagues, and we are grateful for their actions.
- In addition to our employees' efforts, Align is donating \$300,000 USD to support humanitarian relief efforts through organizations providing shelter, food, medicine, and other vital supplies.
  - American National Red Cross to repair vital infrastructure, support health facilities with medicines and equipment, and support families with food and hygiene items.
  - UNICEF USA to meet urgent and escalating needs for safe water, health care, nutrition, and protection.
  - Save the Children Federation to help the 7.5 million children of Ukraine displaced by the invasion.
- We can only hope that the conflict in Ukraine will end soon, that the ongoing impact of the pandemic will lessen for good, and that economic factors facing many customers and consumers will abate. But those things are beyond our control, so we will continue to prioritize the health and safety of employees, customers, and patients, and will stay focused on our strategic initiatives.

# Closing Commentary

- In closing, April 3rd marked the 25th anniversary of the founding of Align Technology – and shortly thereafter-- the launch of the Invisalign system. Over the past 25 years we transformed the orthodontic industry with a passion for innovation as we evolved from leading the evolution from digital appliance to digital platform. We have created an incredible company unlike any other. Invisalign a unique, mass-customization business operating in real-time, with no inventory or distribution, at the front end of the market. Consequently, fluctuations in the macroeconomic environment are felt faster at Align than I've ever experienced in my career, and we monitor these trends to make adjustments in our business when needed. Our success is a result of our vision, purpose and resolve. Thanks to our employees and our doctor customers around the world who took a chance on a Silicon Valley startup and risked everything.
- Today, Align is the largest 3D printing operation in the world, producing 1 million customized aligners each day—based on the learnings gained from nearly 13 million Invisalign patients and 60 million iTero digital scans. Our global team of over 25 thousand employees support more than 250,000 doctors and labs in more than 150 countries.
- There are more than 500 million people in the world that can benefit from orthodontic procedures, it's huge... And you can only address opportunities of that size with digital orthodontics. It could never happen using old analog methods. As we have digitized that capability, it has opened up the market broadly for orthodontic treatment to the masses.
- It is hard to believe that after 25 years, we are still in the early phases of transforming the orthodontic market. We look forward to sharing more milestones over the next 25 years -- as we continue to lead the digital evolution of orthodontics and dentistry to deliver great treatment outcomes and treatment experiences to doctors and patients around the world.

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- **Appendix**

# Unaudited GAAP to Non-GAAP reconciliation

	Three Months Ended	
	March 31,	
	2022	2021
<b>GAAP gross profit</b>	\$ 709,346	\$ 677,098
Stock-based compensation	1,514	1,306
Amortization of intangibles <sup>(1)</sup>	2,487	2,175
<b>Non-GAAP gross profit</b>	\$ 713,347	\$ 680,579
<b>GAAP gross margin</b>	72.9%	75.7%
<b>Non-GAAP gross margin</b>	73.3%	76.1%
<b>GAAP total operating expenses</b>	\$ 511,264	\$ 451,652
Stock-based compensation	(30,107)	(25,935)
Amortization of intangibles <sup>(1)</sup>	(910)	(888)
Acquisition related costs <sup>(2)</sup>	-	(36)
<b>Non-GAAP total operating expenses</b>	\$ 480,247	\$ 424,793
<b>GAAP income from operations</b>	\$ 198,082	\$ 225,446
Stock-based compensation	31,621	27,241
Amortization of intangibles <sup>(1)</sup>	3,397	3,063
Acquisition related costs <sup>(2)</sup>	-	36
<b>Non-GAAP income from operations</b>	\$ 233,100	\$ 255,786
<b>GAAP operating margin</b>	20.4%	25.2%
<b>Non-GAAP operating margin</b>	24.0%	28.6%
<b>GAAP total interest income and other income (expense), net</b>	\$ (10,596)	\$ 36,175
Arbitration award gain <sup>(3)</sup>	-	(43,403)
<b>Non-GAAP total interest income and other income (expense), net</b>	\$ (10,596)	\$ (7,228)
<b>GAAP net income before provision for income taxes</b>	\$ 187,486	\$ 261,621
Stock-based compensation	31,621	27,241
Amortization of intangibles <sup>(1)</sup>	3,397	3,063
Acquisition related costs <sup>(2)</sup>	-	36
Arbitration award gain <sup>(3)</sup>	-	(43,403)
<b>Non-GAAP net income before provision for income taxes</b>	\$ 222,504	\$ 248,558
<b>GAAP provision for income taxes</b>	\$ 53,188	\$ 61,245
Tax impact on non-GAAP adjustments	10,788	7,155
Tax related non-GAAP items <sup>(4)</sup>	(10,169)	(18,194)
<b>Non-GAAP provision for income taxes</b>	\$ 53,807	\$ 50,206
<b>GAAP effective tax rate</b>	28.4%	23.4%
<b>Non-GAAP effective tax rate</b>	24.2%	20.2%
<b>GAAP net income</b>	\$ 134,298	\$ 200,376
Stock-based compensation	31,621	27,241
Amortization of intangibles <sup>(1)</sup>	3,397	3,063
Acquisition related costs <sup>(2)</sup>	-	36
Arbitration award gain <sup>(3)</sup>	-	(43,403)
Tax impact on non-GAAP adjustments	(10,788)	(7,155)
Tax related non-GAAP items <sup>(4)</sup>	10,169	18,194
<b>Non-GAAP net income</b>	\$ 168,697	\$ 198,352
<b>GAAP diluted net income per share</b>	\$ 1.70	\$ 2.51
<b>Non-GAAP diluted net income per share</b>	\$ 2.13	\$ 2.49
<b>Shares used in computing diluted net income per share</b>	79,193	79,798

## Notes:

- (1) Amortization of intangible assets related to certain acquisitions
- (2) Acquisition related costs were for professional fees related to our exocad acquisition.
- (3) Gain from the SDC arbitration award regarding the value of Align's capital account balance
- (4) For the periods presented, we recorded amortization and certain adjustments to the benefit from the transferred intangible assets of our Swiss entity.

# Thank you

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