



Align Technology, Inc. Announces Q4 2006 and Fiscal Year 2006 Results

*** 4th Quarter Total Revenues Grew 8% to \$55.2 Million * Fiscal 2006 Total Revenues of \$206.4 Million; GAAP Net Loss of \$35.0 Million, or \$0.55 per share * Excluding One-Time Items and Stock-Based Compensation, Fiscal Year 2006 non-GAAP Net Loss of \$11.7 Million, or \$0.19 per share * Case Shipments Increased 22% Year Over Year * 2007 Revenues Expected Between \$240.0-255.0 Million**

SANTA CLARA, Calif., Jan 30, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Align Technology, Inc. (Nasdaq: ALGN), the inventor of Invisalign(R), a proprietary method of straightening teeth without wires and brackets, today reported financial results for the fourth quarter and full year of 2006. Total revenues for the fourth quarter of 2006 were \$55.2 million, compared to \$51.2 million in the fourth quarter of 2005, an increase of 7.9 percent. For fiscal year 2006, Align reported revenues of \$206.4 million, compared to \$207.1 million for fiscal year 2005, a decrease of 0.4 percent.

"2006 was eventful and productive," stated Thomas M. Prescott, President and CEO of Align Technology. "We resolved our legal disputes with OrthoClear and refocused our efforts on product development, customer service and market expansion. Overall, we shipped a record number of cases and our base of doctors grew tremendously. We expect 2007 to be the year we restage growth, introduce products that meet the unique needs of the Orthodontists and GPs and continue our path to profitability."

Revenue Analysis

Revenue was \$55.2 million for the fourth quarter, an increase of 7.9% from the fourth quarter of 2005, and \$206.4 million for the year ended December 31, 2006, a decrease of 0.4% over the prior year. In the fourth quarter, revenue per channel was:

- * \$17.4 million for U.S. Ortho, including \$2.0 million for Invisalign Express;
- * \$24.5 million for U.S. GP, including \$2.9 million for Invisalign Express;
- * \$9.6 million for International; and
- * \$3.7 million for Other.

Key metrics include:

- * 3,700 U.S. Orthos, 9,000 U.S. GPs, and 2,100 International doctors submitted cases in the fourth quarter. Also in the fourth quarter, cases were shipped to 3,400 U.S. Orthos, 7,900 U.S. GPs and 1,900 International doctors.
- * Utilization in the fourth quarter of 2006 was 4.2 for U.S. Orthos, 2.4 for U.S. GPs, and 2.9 for International. Utilization in the ortho channel declined because a large number of doctors, who had not started cases in the previous year, started new Invisalign cases in the fourth quarter. Utilization was flat in the U.S. GP channel and slightly up in international.
- * In the fourth quarter, worldwide average selling price (ASP) for Invisalign was \$1,320. Excluding Invisalign Express, worldwide ASP was \$1,445.
- * Total number of cases shipped in fiscal year 2006 increased 22% to 150,100. Included in this were 36,600 Invisalign Express cases.
- * Doctors trained worldwide in fiscal year 2006 increased by 5,000, including 3,800 U.S. GP dentists, to a cumulative total of 40,800.
- * Since product inception, 28,700 doctors worldwide have used Invisalign: 6,200 U.S. Orthos; 17,200 U.S. GPs; and 5,300 International doctors. 84 percent of these doctors have started more than one case.

A full list of quarterly metrics is available in the Fact Sheet following the financial tables of this release. Additionally, quarterly metric information for the last 8 quarters is available on Align's website at investor.aligntech.com.

Operating results reflect stock-based compensation expense of \$2.2 million for Q4 and \$8.9 million for full year 2006 due to the implementation of FAS 123(R) in the first quarter of 2006. It also reflects \$14.3 million of one-time costs incurred from our agreement with OrthoClear including settlement costs and costs associated with the Patients First Program. These items have been excluded in the non-GAAP financials. A reconciliation of GAAP (U.S. generally accepted accounting principles) to non-GAAP results and outlook is contained in the tables below.

Fourth Quarter 2006 Operating Results

Key GAAP operating results for the fourth quarter of 2006 include:

- * Gross margin was 68.8 percent, compared to 67.3 percent in the fourth quarter 2005.
- * Operating expenses were \$56.1 million, compared to \$33.8 million in the fourth quarter 2005. Operating expense in the fourth quarter 2006 includes a one-time charge of \$14.3 million. This includes \$6.0 million in settlement costs related to the \$20 million paid to OrthoClear (\$14.0 million was capitalized and will be amortized over 5 years) and \$8.3 million for the cost of completing the Patients First Program cases.
- * Net loss was \$17.3 million, compared to a net profit of \$528,000 in the fourth quarter 2005.
- * Net loss per share was \$0.27, compared to EPS of \$0.01 in the fourth quarter 2005.

Key non-GAAP operating results for the fourth quarter of 2006 include:

- * Gross margin was 69.2 percent, compared to 67.3 percent in the fourth quarter 2005.
- * Operating expenses were \$39.7 million, compared to \$33.8 million in the fourth quarter 2005.
- * Net loss was \$764,000, compared to a net profit of \$528,000 in the fourth quarter 2005.
- * Net loss per share was \$0.01, compared to EPS of \$0.01 in the fourth quarter 2005.

Full Year 2006 Operating Results

Key GAAP operating results for the full year 2006 include:

- * Gross margin was 68.6 percent, compared to 69.2 percent in 2005.
- * Operating expenses were \$179.1 million, compared to \$140.9 million in 2005. Operating expenses include a one-time charge for the Patients First Program and settlement costs taken in the fourth quarter 2006 as described above. 2006 operating expense also includes \$19.6 million of legal and other OrthoClear-related expenses.
- * Net loss was \$35.0 million, compared to a net profit of \$1.4 million in 2005.
- * Net loss per share was \$0.55, compared to EPS of \$0.02 in 2005.

Key non-GAAP operating results for the full year 2006 include:

- * Gross margin was 68.9 percent, compared to 69.2 percent in 2005.
- * Operating expenses were \$156.6 million, compared to \$140.9 million in 2005.
- * Net loss was \$11.7 million, compared to a net profit of \$1.4 million in 2005.
- * Net loss per share was \$0.19, compared to EPS of \$0.02 in 2005.

Liquidity and Capital Resources

As of December 31, 2006, Align had \$64.1 million in cash, cash equivalents, marketable securities and restricted cash, compared to \$74.4 million as of December 31, 2005. In the third quarter 2006, Align borrowed \$15.0 million from its credit facility. \$11.5 million remains outstanding.

Patients First Program Update

As of December 31, 2006, of the 30,500 registered cases, 19,000 completed treatment forms have been received and 3,600 cases were shipped.

Business Outlook for the First Quarter 2007 and Full Year 2007

For the first quarter 2007, Align Technology expects revenues between \$56.8 and \$59.8 million and GAAP earnings/loss per share between (\$0.02) and \$0.00. Non-GAAP EPS is expected to be between \$0.02 and \$0.04.

For the fiscal year 2007, Align Technology expects revenues between \$240.0 and \$255.0 million and GAAP earnings/loss per share between (\$0.04) and \$0.07. Non-GAAP EPS for fiscal year 2007 is expected to be between \$0.15 and \$0.27.

A more comprehensive business outlook section, including a reconciliation of GAAP to Non-GAAP financial measures, is available following the financial tables of this release.

Align Webcast and Conference Call

Align Technology will host a webcast and conference call today, January 30, 2007 at 10:00 a.m. EST, 7:00 a.m. PST, to review the fourth quarter and fiscal year 2006 results and discuss future operating trends and guidance. To access the webcast, click on "Webcasts & Presentations" on Align Technology's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial (201) 689-8341 approximately fifteen minutes prior to the start of the call. If you are unable to listen to the call, an archived web cast will be available beginning approximately one hour after the call's conclusion and will remain available through 5:30 p.m. EDT on January 29, 2008. Additionally, a telephonic replay of the call can be accessed by dialing (877) 660-6853 with account number 292 followed by # and conference number 227475 followed by #. The replay may be accessed from international locations by dialing (201) 612-7415 and using the same account and conference numbers referenced above. The telephonic replay will be available through 5:30 p.m. EDT on February 13, 2007.

About Align Technology, Inc.

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

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

About non-GAAP Financial Measures

To supplement our consolidated financial statements, which statements are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-GAAP gross profit, profit (loss) from operations, net profit (loss) and certain expenses (including sales and marketing, general and administrative and research and development), which exclude stock-based compensation and the Patients First Program and settlement costs. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the tables captioned "Reconciliation of GAAP to Non-GAAP Condensed Consolidated Statements of Operations" and "Business Outlook" included at the end of this release.

We use these 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 "core operating performance." Management believes that "core operating performance" represents Align's performance in the ordinary, ongoing and customary course of its operations. Accordingly, management excludes from "core operating performance" certain expenses and expenditures that may not be indicative of our operating performance including not only non-cash charges, such as stock-based compensation, but also discrete cash charges that are infrequent or one-time in nature, such as the Patients First Program and settlement costs. 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 are provided to and used by our institutional investors and the analyst community to help them analyze the health of our business.

Forward-Looking Statement

This news release, including the tables below, contain forward-looking statements, including statements regarding Align's anticipated financial results and certain business metrics for the first quarter and full year of 2007, including anticipated percentage of revenue by channel, case shipments and average selling prices, and statements by Mr. Prescott regarding introduction of new products and anticipated return to profitability in fiscal 2007. Forward-looking statements contained in this news release 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, risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, including expenses related to the OrthoClear settlement, customer demand for Invisalign, acceptance of Invisalign by consumers and dental professionals, Align's third party manufacturing processes and personnel, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, competition from manufacturers of traditional braces and new competitors, Align's ability to develop and successfully introduce new products and product enhancements, and the loss of key personnel, including members of its direct sales force. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which was filed with the Securities and Exchange Commission on March 1, 2006, and its Quarterly Reports on Form 10-Q. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

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ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(in thousands, except per share data)	Three Months Ended		Year Ended	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Revenues	\$55,191	\$51,164	\$206,354	\$207,125
Cost of revenues	17,197	16,711	64,775	63,784
Gross profit	37,994	34,453	141,579	143,341
Operating expenses:				
Sales and marketing	22,121	18,570	81,993	80,068
General and administrative	14,649	11,293	64,305	42,242
Research and development	4,948	3,927	18,474	18,585
Patients First Program and settlement costs	14,343	--	14,343	--
Total operating expenses	56,061	33,790	179,115	140,895
Profit (Loss) from operations	(18,067)	663	(37,536)	2,446
Interest and other income, net	1,008	255	3,401	283
Provision for income taxes	(210)	(390)	(828)	(1,316)
Net profit (loss)	\$(17,269)	\$528	\$(34,963)	\$1,413

Net profit (loss) per share				
- basic	\$ (0.27)	\$ 0.01	\$ (0.55)	\$ 0.02
- diluted	\$ (0.27)	\$ 0.01	\$ (0.55)	\$ 0.02
Shares used in computing net profit (loss) per share				
- basic	64,252	62,045	63,246	61,644
- diluted	64,252	63,247	63,246	63,152

ALIGN TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands)	December 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$55,113	\$74,219
Restricted cash	93	150
Marketable securities, short-term	8,931	-
Accounts receivable, net	33,635	29,305
Inventories, net	3,090	2,930
Other current assets	7,227	4,982
Total current assets	108,089	111,586
Property and equipment, net	26,904	26,427
Goodwill and intangible assets, net	14,303	1,296
Other long-term assets	2,262	2,801
Total assets	\$151,558	\$142,110
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	\$11,500	\$--
Accounts payable	5,034	2,489
Accrued liabilities	40,307	29,372
Deferred revenue	10,942	16,747
Total current liabilities	67,783	48,608
Other long term liabilities	219	64
Total liabilities	68,002	48,672
Total stockholders' equity	83,556	93,438
Total liabilities and stockholders' equity	\$151,558	\$142,110

ALIGN TECHNOLOGY, INC.
RECONCILIATION OF GAAP TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS
(unaudited)

(in thousands, except
per share data)

Three Months Ended December 31, 2006		Three Months Ended December 31, 2005	
Adjust-	Non	Adjust-	Non

Revenues	Reported \$55,191	ments \$--	GAAP \$55,191	Reported \$51,164	ments \$--	GAAP \$51,164
Cost of revenues	17,197	(185)(a)	17,012	16,711	--	16,711
Gross profit	37,994	185	38,179	34,453	--	34,453
Operating expenses:						
Sales and marketing	22,121	(737)(a)	21,384	18,570	--	18,570
General and administrative	14,649	(922)(a)	13,727	11,293	--	11,293
Research and development	4,948	(318)(a)	4,630	3,927	--	3,927
Patients First Program and settlement costs	14,343	(14,343)	--	--	--	--
Total operating expenses	56,061	(16,320)	39,741	33,790	--	33,790
Profit (Loss) from operations	(18,067)	16,505	(1,562)	663	--	663
Interest and other income, net	1,008	--	1,008	255	--	255
Provision for income taxes	(210)	--	(210)	(390)	--	(390)
Net profit (loss)	\$(17,269)	\$16,505	\$(764)	\$528	\$--	\$528
Net profit (loss) per share						
- basic	\$(0.27)		\$(0.01)	\$0.01		\$0.01
- diluted	\$(0.27)		\$(0.01)	\$0.01		\$0.01
Shares used in computing net profit (loss) per share						
- basic	64,252		64,252	62,045		62,045
- diluted	64,252		64,252	63,247		63,247

(a) Non cash stock-based compensation included in cost of sales and operating expenses.

ALIGN TECHNOLOGY, INC.
RECONCILIATION OF GAAP TO NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF
OPERATIONS
(unaudited)

(in thousands, except
per share data)

	Year Ended December 31, 2006			Year Ended December 31, 2005		
	Reported	Adjust- ments	Non GAAP	Reported	Adjust- ments	Non GAAP
Revenues	\$206,354	\$--	\$206,354	\$207,125	\$--	\$207,125
Cost of revenues	64,775	(700)(a)	64,075	63,784	--	63,784

Gross profit	141,579	700	142,279	143,341	--	143,341
Operating expenses:						
Sales and marketing	81,993	(2,862)(a)	79,131	80,068	(6)(a)	80,062
General and administrative	64,305	(4,054)(a)	60,251	42,242	(6)(a)	42,236
Research and development	18,474	(1,294)(a)	17,180	18,585	--	18,585
Patients First Program and settlement costs	14,343	(14,343)	--	--	--	--
Total operating expenses	179,115	(22,553)	156,562	140,895	(12)	140,883
Profit (Loss) from operations	(37,536)	23,253	(14,283)	2,446	12	2,458
Interest and other income, net	3,401	--	3,401	283	--	283
Provision for income taxes	(828)	--	(828)	(1,316)	--	(1,316)
Net profit (loss)	\$(34,963)	\$23,253	\$(11,710)	\$1,413	\$12	\$1,425
Net profit (loss) per share						
- basic	\$(0.55)		\$(0.19)	\$0.02		\$0.02
- diluted	\$(0.55)		\$(0.19)	\$0.02		\$0.02
Shares used in computing net profit (loss) per share						
- basic	63,246		63,246	61,644		61,644
- diluted	63,246		63,246	63,152		63,152

(a) Non cash stock-based compensation included in cost of sales and operating expenses

ALIGN TECHNOLOGY, INC.
FACT SHEET

The following information highlights business metrics for Align's fourth quarter of 2006. For prior quarter information, please refer to the Investor Relations website at <http://investor.aligntech.com>.

(rounded to the nearest hundred, except in utilization, ASPs and percentage amounts)

Cases Delivered	4Q 2006
U.S. Orthodontists - Full	11,700
U.S. Orthodontists - Invisalign Express	2,700
U.S. GP dentists - Full	15,100
U.S. GP dentists - Invisalign Express	4,000
International - Full	5,400
International - Invisalign Express	100
Total Cases Delivered	39,000

Patients First Program Information	4Q 2006
Final number of OC Cases	33,100
Cases registered	30,500
Completed treatment forms received	19,000
Cases shipped	3,600

Doctors Trained	4Q 2006	Cumulative Total
U.S. Orthodontists	--	8,000
U.S. GP dentists	1,300	22,000
International	400	10,800
Total Doctors Trained	1,700	40,800

Submitting Doctors	4Q 2006
U.S. Orthodontists	3,700
U.S. GP dentists	9,000
International	2,100
Total Submitting Doctors	14,800

Doctors Cases Are Shipped To	4Q 2006
U.S. Orthodontists	3,400
U.S. GP dentists	7,900
International	1,900
Total Submitting Doctors	13,200

Doctors Starting Invisalign Treatment	Since Inception
U.S. Orthodontists	6,200
U.S. GP dentists	17,200
International	5,300
Total Doctors Starting Invisalign Treatment	28,700

% of Multiple-Case Doctors	Since Inception
U.S. Orthodontists	88%
U.S. GP dentists	86%
International	73%
Total Worldwide	84%

Doctor Utilization*	4Q 2006
U.S. Orthodontists	4.2
U.S. GP dentists	2.4
International	2.9

* Doctor Utilization = # of cases / # of doctors cases are shipped to

Blended ASP incl. Invisalign Express	4Q 2006
U.S. Orthodontists	1,215
U.S. GP dentists	1,285
International	1,725
Total Worldwide ASP	1,320

The outlook figures provided below and elsewhere in this press release are approximate in nature since Align's business outlook is difficult to predict. Align's future performance involves numerous risks and uncertainties and the company's results could differ materially from the outlook provided. Some of the factors that could affect Align's future financial performance and business outlook are set forth under "Forward Looking Information" above in this press release.

Financials (including reconciliation of GAAP to non-GAAP financial measures)
(in millions, except per share amounts and percentages)

	1Q 2007		
	GAAP	Adjustment	Non-GAAP
Revenue	\$56.8-59.8		\$56.8-59.8
Gross Margin	69.3-70.2%	0.3-0.4% (a)	69.6-70.6%
Operating Expense	\$40.5-42.2	\$2.3-2.6 (a)	\$38.2-39.6
Net Profit (Loss)	(\$1.2)-\$0.1	\$2.5-2.8 (a)	\$1.3-2.9
Net Profit (Loss) per Share	(\$0.02)-\$0.00	\$0.04 (a)	\$0.02-0.04

	FY 2007		
	GAAP	Adjustment	Non-GAAP
Revenue	\$240.0-255.0		\$240.0-255.0
Gross Margin	68.7-70.1%	0.50% (a)	69.2-70.6%
Operating Expense	\$167.9-175.5	\$11.6-12.5 (a)	\$156.3-163.0
Net Profit (Loss)	(\$2.7)-\$4.5	\$12.7-13.7 (a)	\$10.0-18.2
Net Profit (Loss) per Share	(\$0.04)-\$0.07	\$0.19-0.20 (a)	\$0.15-0.27

(a) Non cash stock-based compensation included in cost of sales and operating expenses

Business Metrics

	1Q 2007	FY 2007
Channel as a % of Revenue		
U.S. Orthodontists - Full	30%	31%
U.S. GP Dentists - Full	41%	39%
International	15%	14%
Invisalign Express	9%	12%
Case Shipments	41.6-43.5K	182.7-190.0K
Blended ASP, excl Express	\$1,425-\$1,440	\$1,410-\$1,425
Blended ASP, incl Express	\$1,305-\$1,315	\$1,260-\$1,280
Cash		\$54.0-58.0M
DSO		~55 days
Capex		\$12.0-14.0M
Depreciation & Amortization		\$13.0-14.0M

SOURCE Align Technology, Inc.

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