Align Technology Announces Fourth Quarter and Fiscal 2007 Results

Fiscal 2007 Net Revenues of $284.3 Million Increase 38 Percent
- Q4 Net Revenue of $72.5 Million Increase 31 Percent Year Over Year
- Q4 GAAP Net Profit of $5.7 Million, or $0.08 per diluted share
- Case Shipments of 50,830 Increase 30 Percent Year Over Year

SANTA CLARA, Calif., Jan 29, 2008 /PRNewswire-FirstCall via COMTEX News Network/ -- Align Technology, Inc. (Nasdaq: ALGN) today reported financial results for the fourth quarter and fiscal year 2007, ended December 31, 2007.

Total net revenues for the fourth quarter of fiscal 2007 (Q4 07) were $72.5 million. This reflects a year-over-year increase of 31 percent compared to $55.2 million in the fourth quarter of 2006 (Q4 06). On a sequential basis, net revenues increased slightly from $71.5 million in the third quarter of 2007 (Q3 07). For fiscal 2007, net revenues of $284.3 million increased 38 percent from $206.4 million reported for fiscal 2006.

"Our fourth quarter results were a strong finish to an outstanding year in which revenue and profitability were well ahead of our original outlook," said Thomas M. Prescott, president and CEO of Align Technology. "We're entering 2008 with a robust product development pipeline, including Vivera Retainers, Invisalign Teen and Invisalign ClinAssist, which will lay the foundation for long term growth."

On a generally accepted accounting principles (GAAP) basis, net profit for Q4 07 was $5.7 million, or $0.08 per diluted share. This reflects a significant increase from a GAAP net loss of $17.3 million, or $0.27 loss per diluted share in Q4 06, and a decrease in GAAP net profit from $9.5 million, or $0.13 per diluted share in Q3 07. GAAP net profit for fiscal 2007 was $35.7 million, or $0.50 per diluted share. This compares to a net loss of $35.0 million, or $0.55 loss per diluted share in fiscal 2006.

Non-GAAP net profit for Q4 07 was $9.3 million or $0.13 per diluted share. This reflects a significant increase from a non-GAAP net loss of $0.8 million, or $0.01 loss per diluted share in Q4 06, and a decrease in non-GAAP net profit from $12.6 million, or $0.17 per diluted share in Q3 07. Non-GAAP net profit for fiscal 2007 was $45.9 million or $0.64 per diluted share. This compares to a non-GAAP net loss of $11.7 million or $0.19 loss per diluted share in fiscal 2006.

Non-GAAP financial measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. A detailed reconciliation between GAAP and non-GAAP information is contained in the tables following the financial tables of this release.

Q4 07 Operating Results

Key GAAP Operating Results	Q4 07	Q3 07	Q4 06
Gross Margin	73.6%	74.6%	68.8%
Operating Expense	$48.4M	$44.9M	$56.1M
Net Profit (Loss)	$5.7M	$9.5M	($17.3M)
Earnings (Loss) Per Diluted Share (EPS)	$0.08	$0.13	($0.27)

Key Non-GAAP Operating Results	Q4 07	Q3 07	Q4 06
Non-GAAP Gross Margin	74.0%	75.0%	69.2%
Non-GAAP Operating Expense	$45.2M	$41.8M	$39.7M
Non-GAAP Net Profit (Loss)	$9.3M	$12.6M	($0.8M)
Non-GAAP Earnings (Loss) Per Diluted Share	$0.13	$0.17	($0.1)

Liquidity and Capital Resources

As of December 31, 2007, Align had $127.9 million in cash, cash equivalents, marketable securities and restricted cash, compared to $64.1 million as of December 31, 2006.

Key Business Metrics

The following table highlights business metrics for Align's fourth quarter of 2007. Additional historical information is available on the Company's website at investor.aligntech.com.

Revenue by Channel:	Q4 07	Q4'07/Q3'07 % Change	Q4'07/Q4'06 % Change
U.S. Orthodontists	$21.4M	(4.9%)	23.0%
U.S. GP Dentists	$33.5M	(3.7%)	36.7%
International	$14.2M	22.4%	47.9%
Training and Other	$3.4M	30.8%	(8.1%)
Total Revenue	$72.5M	1.4%	31.3%

Average Selling Price (ASP):	Q4 07	Q4'07/Q3'07 % Change	Q4'07/Q4'06 % Change
Total Worldwide Blended ASP	$1,360	3.0%	3.0
Total Worldwide ASP excluding Invisalign Express	$1,470	2.8%	1.7
U.S. Orthodontists Blended ASP	$1,240	0.8%	2.1
U.S. GP Dentists Blended ASP	$1,320	0.8%	2.7
International	$1,760	11.4%	2.0

Number of Cases Shipped:	Q4 07	Q4'07/Q3'07 % Change	Q4'07/Q4'06 % Change
U.S. Orthodontists - Full Invisalign	14,270	(5.8%)	22.3%
U.S. Orthodontists - Invisalign Express	3,060	(2.2%)	13.3%
U.S. GP Dentists - Full Invisalign	20,800	(4.9%)	37.3%
U.S. GP Dentists - Invisalign Express	4,630	0.7%	16.9%
International - Full Invisalign	7,950	11.0%	47.2%
International - Invisalign Express	120	(7.7%)	(14.3%)
Total Cases Shipped	50,830	(2.3%)	30.3%

Number of Doctors Cases were Shipped to:	Q4 07
U.S. Orthodontists	3,640
U.S. GP Dentists	10,040
International	2,510
Total Doctors Cases were Shipped to Worldwide	16,190

Number of Doctors Trained Worldwide:	Q4 07	Cumulative
U.S. Orthodontists	80	8,310
U.S. GP Dentists	1,500	27,480
International	500	12,340
Total Doctors Trained Worldwide	2,080	48,130

Multiple Case Doctors (Cumulative as of):	Q4 07
U.S. Orthodontists	89.7%
U.S. GP Dentists	87.1%
International	76.4%

Doctors Starting Invisalign Treatment (Cumulative as of):	Q4 07
U.S. Orthodontists	6,710
U.S. GP Dentists	21,600
International	6,610

Total Doctors Starting Invisalign Treatment	34,920

Doctor Utilization Rates*:	Q4 07	Q3 07	Q4 06
U.S. Orthodontists	4.8	4.9	4.2
U.S. GP Dentists	2.5	2.6	2.4
International	3.2	3.1	2.9
Total Utilization Rate	3.1	3.2	2.9

* Utilization = # of cases/# of doctors to whom cases were shipped

Align also recently announced that it has consolidated and re-branded the Company's extensive clinical education programs and launched a new, interactive web site to provide a suite of scalable, diverse educational resources and programs for prospective, recently certified and advanced Invisalign providers. The centerpiece of the new end-to-end approach to clinical education is http://www.AligntechInstitute.com, a dynamic, interactive web site with Invisalign product support, industry news and insights, instructor-led and web-based CE events and more.

Business Outlook

As announced on January 9, 2008, Align Technology is expected to deliver new products in 2008 with features such as staged delivery with Invisalign ClinAssist and replacement aligners included with Invisalign Teen. These new products will have a significantly higher amount of deferred revenue as a percentage of their average selling price. Therefore, as new products increase as a percentage of total net revenues in the latter part of 2008, deferred revenue on the balance sheet will increase substantially and will be recognized as revenue in future periods.

For the first quarter 2008 (Q1 08), Align Technology expects net revenues to be in a range of $70.4 million to $73.0 million. Earnings per diluted share for Q1 08 is expected to be in a range of $0.01 to $0.03. Stock-based stock compensation expense for Q1 08 is expected to be approximately $3.7 million.

For fiscal 2008, Align Technology expects net revenues to be in a range of $320.0 million to $330.0 million. This reflects an increase in deferred revenue of $9 million to $18 million primarily associated with new products, which will be recognized in future periods, bringing the Company's total deferred revenue balance at the end of 2008 to a range of $20 million to $30 million. Earnings per diluted share for fiscal 2008 is expected to be in a range of $0.40 to $0.45. Stock-based compensation expense for fiscal 2008 is expected to be approximately $18.0 million.

A more comprehensive business outlook is available following the financial tables of this release.

Align Web cast and Conference Call

Align Technology will host a conference call today, January 29, 2008 at 4:30 p.m. ET, 1:30 p.m. PT, to review its fourth quarter and fiscal 2007 results, discuss future operating trends and business outlook. The conference call will also be webcast live via the Internet. To access the webcast, go to the "Events & Presentations" section under Company Information 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 for approximately 12 months. Additionally, a telephonic replay of the call can be accessed by dialing 877-660-6853 with account number 292 followed by # and conference number 268148 followed by #. The replay must 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 4:30 p.m. ET on February 12, 2008.

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 http://www.invisalign.com or call 1-800-INVISIBLE.

About Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principals (GAAP), we use the following non-GAAP financial measures: non-GAAP gross profit, gross margin, profit (loss) from operations, net profit (loss), earnings (loss) per share, and operating expenses, which exclude stock-based compensation and the Patients First Program. 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 Key Financial Metrics" and "Business Outlook Summary" 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. 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.

In addition to the reasons stated above, which are generally applicable to each of the items we exclude from our non-GAAP financial measures, we believe it is appropriate to exclude Stock-Based Compensation for the following reasons. Align adopted SFAS 123(R), beginning in its fiscal year 2006. When evaluating the performance of our business, we do not consider stock-based compensation charges. In contrast, we do consider and managers are held accountable for cash-based compensation and such amounts are included in our operating plan. Further, when considering the impact of equity award grants, Align places a greater emphasis on overall shareholder dilution rather than the accounting charges associated with such grants.

Forward-Looking Statement

This news release, including the tables below, contains forward-looking statements, including statements regarding Align's anticipated financial results and certain business metrics for the first quarter and full year of 2008, including anticipated revenue and deferred revenue, gross profit, gross margin, operating expense, net profit, earnings per share, percentage of revenue by channel, case shipments and average selling prices and statements regarding the anticipated introduction of Invisalign ClinAssist and Invisalign Teen and the expectation that these new products will increase as a percentage of sales in the later part of 2008. 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, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, continued customer demand for Invisalign and new products, the timing of case submissions from our doctors within a quarter, 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. 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, 2006, which was filed with the Securities and Exchange Commission on March 12, 2007, 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2006
Net revenues	$72,517	$55,191	$284,332	$206,354
Cost of revenues	19,127	17,197	75,035	64,775
Gross profit	53,390	37,994	209,297	141,579
Operating expenses:				
Sales and marketing	26,502	22,121	98,231	81,993
General and administrative	15,266	14,649	53,280	64,305
Research and development	6,610	4,948	25,727	18,474
Patients First Program	-	14,343	(1,796)	14,343
Total operating expenses	48,378	56,061	175,442	179,115
Profit (loss) from operations	5,012	(18,067)	33,855	(37,536)
Interest and other income, net	852	1,008	3,095	3,401
Profit (loss) before income taxes	5,864	(17,059)	36,950	(34,135)
Provision for income taxes	(196)	(210)	(1,226)	(828)
Net profit (loss)	$5,668	$(17,269)	$35,724	$(34,963)
Net profit (loss) per share				
- basic	$0.08	$(0.27)	$0.53	$(0.55)
- diluted	$0.08	$(0.27)	$0.50	$(0.55)
Shares used in computing net profit (loss) per share				
- basic	68,562	64,252	67,176	63,246
- diluted	71,864	64,252	71,444	63,246

ALIGN TECHNOLOGY, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$89,119	$55,113
Restricted cash	21	93
Marketable securities, short-term	38,771	8,931
Accounts receivable, net	44,850	33,635
Inventories, net	2,910	3,090
Other current assets	8,846	7,227
Total current assets	184,517	108,089
Property and equipment, net	25,320	26,904
Goodwill and intangible assets, net	11,093	14,302
Other long-term assets	1,831	2,263

Total assets	$222,761	$151,558
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$-	$11,500
Accounts payable	9,222	5,034
Accrued liabilities	39,875	40,307
Deferred revenue	12,362	10,942
Total current liabilities	61,459	67,783
Other long term liabilities	148	219
Total liabilities	61,607	68,002
Total stockholders' equity	161,154	83,556
Total liabilities and stockholders' equity	$222,761	$151,558

ALIGN TECHNOLOGY, INC.
RECONCILIATION OF GAAP TO NON-GAAP KEY FINANCIAL METRICS

Reconciliation of GAAP to Non-GAAP Gross Profit
(in thousands, except percentages)

	Three Months Ended		
	December 31, 2007	September 30, 2007	December 31, 2006
GAAP Gross profit	$53,390	$53,319	$37,994
Stock based compensation expense	291	259	185
Non-GAAP Gross profit	$53,681	$53,578	$38,179
Non-GAAP Gross margin	74.0%	75.0%	69.2%

Reconciliation of GAAP to Non-GAAP Operating Expenses
(in thousands)

	Three Months Ended		
	December 31, 2007	September 30, 2007	December 31, 2006
GAAP Operating expenses	$48,378	$44,924	$56,061
Stock based compensation expense	3,145	3,129	1,977
Patients First Program	-	-	14,343
Non-GAAP Operating expenses	$45,233	$41,795	$39,741

Reconciliation of GAAP to Non-GAAP Net Profit (Loss)
(in thousands, except per share amounts)

	Three Months Ended		
	December 31, 2007	September 30, 2007	December 31, 2006

GAAP Net profit (loss)	$5,668	$9,460	$(17,269)
Stock based compensation expense	3,436	3,388	2,162
Patients First Program	-	-	14,343
Tax effect of stock based compensation expense	160	(261)	-
Non-GAAP Net profit (loss)	$9,264	$12,587	$(764)
Diluted Net profit (loss) per share:			
GAAP	$0.08	$0.13	$(0.27)
Non-GAAP	$0.13	$0.17	$(0.01)
Shares used in computing diluted net profit (loss) per share	71,864	72,230	64,252

Summary of Stock Based Compensation Expense
(in thousands)

	Three Months Ended		
	December 31, 2007	September 30, 2007	December 31, 2006
Cost of revenues	$291	$259	$185
Sales and marketing	1,169	1,301	737
General and administrative	1,508	1,403	922
Research and development	468	425	318
Total stock based compensation expense	$3,436	$3,388	$2,162

ALIGN TECHNOLOGY, INC.
RECONCILIATION OF GAAP TO NON-GAAP KEY FINANCIAL METRICS

Reconciliation of GAAP to Non-GAAP Gross Profit
(in thousands, except percentages)

	Years Ended	
	December 31, 2007	December 31, 2006
GAAP Gross profit	$209,297	$141,579
Stock based compensation expense	994	700
Non-GAAP Gross profit	$210,291	$142,279
Non-GAAP Gross margin	74.0%	68.9%

Reconciliation of GAAP to Non-GAAP Operating Expenses
(in thousands)

	Years Ended	
	December 31, 2007	December 31, 2006
GAAP Operating expenses	$175,442	$179,115
Stock based compensation expense	11,217	8,210
Patients First Program	(1,796)	14,343
Non-GAAP Operating expenses	$166,021	$156,562

Reconciliation of GAAP to Non-GAAP Net Profit (Loss)
(in thousands, except per share amounts)

	Years Ended December 31, 2007	Years Ended December 31, 2006
GAAP Net profit (loss)	$35,724	$(34,963)
Stock based compensation expense	12,211	8,910
Patients First Program	(1,796)	14,343
Tax effect of stock based compensation expense	(214)	-
Non-GAAP Net profit (loss)	$45,925	$(11,710)
Diluted Net profit (loss) per share:		
GAAP	$0.50	$(0.55)
Non-GAAP	$0.64	$(0.19)
Shares used in computing diluted net profit (loss) per share	71,444	63,246

Summary of Stock Based Compensation Expense
(in thousands)

	Years Ended December 31, 2007	Years Ended December 31, 2006
Cost of revenues	$994	$700
Sales and marketing	4,225	2,862
General and administrative	5,443	4,054
Research and development	1,549	1,294
Total stock based compensation expense	$12,211	$8,910

ALIGN TECHNOLOGY, INC.
BUSINESS OUTLOOK SUMMARY
(unaudited)

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:
(in millions, except per share amounts and percentages)

	Q1 2008	FY 2008
Net Revenue	$70.4 - $73.0	$320.0 - $330.0
Gross Profit	$50.8 - $53.5	$237.6 - $248.0
Gross Margin	72.2% - 73.2%	74.2% - 75.1%
Operating Expenses	$50.4 - $51.9	$210.8 - $218.8
Net Profit	$0.7 - $2.2	$29.3 - $32.7

Net Profit %	1% - 3%	9% - 10%
Net Profit per Diluted Share	$0.01 - $0.03	$0.40 - $0.45
Increase in Deferred Revenue		$9.0 - $18.0
Total Deferred Revenue Balance		$20.0 - $30.0
Stock Based Compensation Expense:		
Cost of Revenues	$0.3	$1.2
Operating Expenses	$3.4	$16.8
Total Stock Based Compensation Expense	$3.7	$18.0

Business Metrics:

	Q1 2008	FY 2008
Case Shipments	50.0K - 51.5K	226.7K - 237.2K
Cash	$117M - $122M	$160M - $170M
DSO	~56 days	~56 days
Capex	$4.0M - $6.0M	$10.0M - $14.0M
Depreciation & Amortization	$2.0M - $3.0M	$13.0M - $14.0M
Diluted Shares Outstanding	71.2M	73.2M

SOURCE Align Technology, Inc.

http://www.invisalign.com/

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