

align



Financial Results

Q2 2020

Align Technology, Inc.

Align Technology, Inc. – Q2 2020 Financial Results

Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - John Morici, CFO
 - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Webcast Archive:
 - Telephone replay will be available through 5:30pm ET August 5, 2020
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13705887
 - Audio web cast archive will be available at <http://investor.aligntech.com> for one month

Contacts

- Website: <http://investor.aligntech.com/>
- Email: investorinfo@aligntech.com
- Tel: (408) 470-1000
- Corporate and Investor Communications:
 - Shirley Stacy, [sstacy@aligntech.com](mailto:ssstacy@aligntech.com)
 - Madelyn Homick, mhomick@aligntech.com

Safe Harbor and Forward-Looking Statement

- This presentation, including the tables below, contains forward-looking statements, including quotations from management regarding the COVID-19 pandemic, its impact on our business and results of operations, our beliefs regarding our recovery and recovery efforts and those of our customers, our expectations for digital adoption in dentistry and the potential impact of our products in the transition, and future progress, our expectations regarding the teen and pre-teen markets and our efforts to succeed in them, the acquisition of exocad and its expected impact, and our expectations for digital dentistry and our new and existing products and services, training and education. 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 impact of the COVID-19 pandemic on the health and safety of our employees, customers, patients, and our suppliers as well as the physical and economic impacts of the various recommendations, orders and protocols issued by local and national governmental agencies in light of the evolving situation, including any reimplementation of preventative measures;
 - the ability to (i) realize expected benefits in connection with the acquisition of exocad within the expected timeframes or at all, (ii) timely, cost-efficiently and effectively integrate exocad's business without adversely impacting operations of either Align or exocad, and (iii) avoid or mitigate uncertainties or liabilities in connection with the acquisition or its impacts on the value of our stock;
 - difficulties predicting customer and consumer purchasing behavior and changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence;
 - expectations regarding the continued growth or declines of our domestic and/or international markets;
 - increasing competition from existing and new competitors;
 - rapidly evolving and groundbreaking advances that are fundamentally changing the dental industry and the way new and existing participants market and provide products and services to consumers;
 - the ability to protect our intellectual property rights;
 - continued compliance with regulatory requirements;
 - our expectations regarding sales of our intra-oral scanners domestically and internationally and our belief that technology features and functionality of the iTero scanners and exocad technology will increase adoption of Invisalign and increase sales of our intra-oral scanners;
 - the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers;
 - the possibility that the development and release of new products or enhancements to existing products do not proceed in accordance with the anticipated timeline or may themselves contain bugs or errors requiring remediation and that the market for the sale of these new or enhanced products may not develop as expected;
 - a tougher consumer demand environment in China generally, especially for manufacturers and service providers whose headquarters or primarily operations are not based in China;
 - the risks relating to our ability to sustain or increase profitability or revenue growth in future periods (or minimize declines) while controlling expenses;
 - the impact of excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel;
 - the compromise of customer and/or patient data for any reason;
 - the timing of case submissions from our doctors within a quarter as well as an increased manufacturing costs per case;
 - foreign operational, political and other risks relating to our international manufacturing operations; and
 - the loss of key personnel or work stoppages.
- The foregoing and other risks are detailed from time to time in our periodic reports filed with the Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission (SEC) on February 28, 2020 and its latest Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, which was filed with the SEC on May 5, 2020. 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 including, non-GAAP gross profit, gross margin, operating expenses, income (loss) from operations, operating margin, interest income and other income (expense), net, provision for (benefit from) income taxes, effective tax rate, net income (loss) and diluted net income (loss) 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. Non-GAAP measures will exclude the effects of stock-based compensation, amortization of acquired intangibles, non-cash deferred tax assets and associated amortization related to intra-entity transfer of non-inventory assets, acquisition related costs, impairments and other (gains) charges, and litigation settlement gains, and, if applicable, any associated tax impacts.
- We use non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our recurring core operating performance. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting and analyzing future periods. These non-GAAP financial measures also facilitate management's internal evaluation of period-to-period comparisons. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they will be provided to and used by our institutional investors and the analyst community to help them analyze the performance of our business.
- There are limitations to using non-GAAP financial measures, though, because they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. The non-GAAP financial measures are limited in value because they exclude certain items that may have a material impact upon our reported financial results. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which charges are excluded from the non-GAAP financial measures. We compensate for these limitations by analyzing current and future results on a GAAP as well as a non-GAAP basis and also by providing GAAP measures in our public disclosures. The presentation of non-GAAP financial information is meant to be considered in addition to, not as a substitute for or in isolation from, the directly comparable financial measures prepared in accordance with GAAP. We urge investors to review the reconciliation of our GAAP financial measures to the comparable Non-GAAP financial measures included in this presentation, and not to rely on any single financial measure to evaluate our business. For more information on these non-GAAP financial measures, please see the table captioned "Unaudited GAAP to Non-GAAP Reconciliation" and other historical reconciliations which are available at aligntechnology.com.

Opening Commentary

- We're pleased to report Q2 results and continued progress across all regions and customer channels that reflect our COVID19 recovery efforts and those of our customers. Practices across every region have reopened and are seeing patients, and many of those practices are embracing digital treatment in new ways and more purposefully than ever before. In particular, Invisalign providers are using the virtual tools we expedited over the last few months to minimize in-office appointments and deliver doctor-directed, personalized treatment that meets the needs of the moment – trusted, safe, convenient, and reflecting digital adoption.
- The initiatives we have prioritized globally over the last few months, including support for doctors to ensure treatment and business continuity, a shift to online education and training, ramping availability of virtual tools to keep doctors and patients connected throughout treatment, and continued investment in consumer marketing, concierge programs, and personal protective equipment (PPE), are helping doctors navigate this evolving environment and "come back stronger" as their practices have reopened.
- We have received consistently positive reactions and feedback from doctors in support of our efforts over the last few months. While it is too early to know for sure how extensive and sustainable the digital transition will be, interest in digital solutions is building, even among doctors who were not early adopters or advocates prior to the pandemic. This positive feedback and momentum is not just around Invisalign treatment – it includes digital workflow around iTero scanners and general dentistry. Doctors are telling us that iTero is central to their practice and to their practice workflows, and it is key to driving digital treatment.

Q2 2020 Financial Highlights

- For Q2, total revenues were \$352.3 million, down 36.1% sequentially and down 41.3% year-over-year, reflecting significantly lower sales of Invisalign clear aligners and iTero scanners due to a full quarter's effect of the COVID-19 pandemic on practice closures. Revenues from clear aligners were \$298.3 million and imaging systems and CAD/CAM services were \$54.0 million. On a year-over-year basis, while clear aligner shipments were 221.9 thousand cases, down 41.2% year-over-year, we are pleased with the continued progress we've seen from our recovery efforts throughout the quarter.
- For the quarter, we shipped Invisalign cases to approximately 48.1 thousand doctors, of which 2,982 were first time customers, reflecting lower doctor activity due to practice closures primarily in the Americas GP channel. We also trained approximately 3,500 new doctors in Q2, including 2,350 international doctors. While our inability to hold in person courses due to COVID-19 resulted in fewer doctors trained in the second quarter, we connected with a significantly larger number of Invisalign doctors through online virtual education courses, Summits and Forums.

GAAP	Q2'20	QoQ	YoY
Total Net Revenues	\$352.3M	(36.1)%	(41.3)%
- Clear Aligner*	\$298.3M	(38.1)%	(39.9)%
- Imaging Systems and CAD/CAM Services	\$54.0M	(22.2)%	(48.1)%
Invisalign Case Shipments	221.9K	(38.3)%	(41.2)%
Earnings (Loss) per Share, diluted	\$(0.52)	\$(19.73)	\$(2.35)

Invisalign shipments do not include SmileDirectClub aligners.

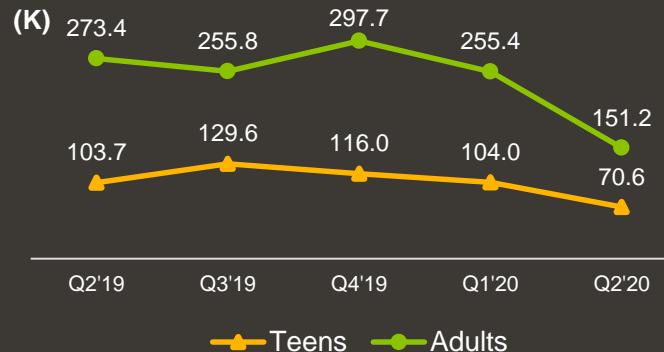
*Clear aligner revenues includes revenues from Invisalign clear aligners and SmileDirectClub aligners. The supply agreement with SDC terminated December 31, 2019 and was not renewed.

Q2 2020 Financial Highlights

Teens and adults

- 8.6M total Invisalign patients to date, with over 2.1M teens.
- For the teen market in Q2, 70.6 thousand teens and pre-teens started treatment with Invisalign clear aligners, representing 31.8% of total cases shipped, reflecting growth from APAC across comprehensive products. By the end of the quarter, we started to see recovery in the Ortho channel with increases in Invisalign comprehensive treatments in the teens and pre-teen segment across most regions, with positive growth predominantly in APAC in the teen segment. Invisalign First continues to accelerate among young patients as well and reflects greater resiliency as parents continue to prioritize orthodontic treatment for their kids. Overall, both non-comprehensive and comprehensive shipments were down, but with increased adoption of our Moderate product among the Ortho channel.
- Last week, we held our Teen Forum – Virtual Edition— taking what was a popular teen-intensive program for orthodontists launched last year and recreating it as a virtual experience. In order to facilitate broader attendance among our customer doctors, we scheduled two Teen Forums Virtual Events, the first took place on July 17 and the second will be held this Friday. The program is designed to help doctors understand the highly visual, online and on-demand world of today's teens - and provide the know-how, tools and confidence to differentiate and grow their Invisalign teen practices. Approximately 800 customers have registered for this full day session that combines live and on-demand sessions, clinical and practice integration presentations, panel discussions, and invaluable insights from experts with successful teen treatment practices.

Worldwide Invisalign Case Shipments Teen versus Adult Mix



Q2 2020 Financial Highlights

Americas

- For the Americas region, Q2 Invisalign case volume was down 52.7% sequentially and down 52.2% year-over-year, reflecting significantly fewer Invisalign case shipments due to the impact of COVID-19.
- For Q2, reported utilization was down for NA Orthos and GPs both Q/Q and Y/Y. However, utilization increased in June, especially among certain orthodontists doing more Invisalign treatments, with teen shipments recovering faster in North America in late May and through June. As part of our recovery programs, we enabled doctors to “Switch” their braces patients into Invisalign treatment by buying back their wires & brackets. This program was well received and as a result, doctors converted approximately 2,500 wires & brackets cases into Invisalign clear aligner patients.
- In the GP segment, the timing of office re-openings and case prioritization slowed the recovery in this key segment as compared to the orthodontic segment, but the GP segment is catching up. In terms of the timing of the recovery in the Americas, the US continues to lead, followed by Canada and then LATAM, corresponding to the timing of pandemic-related shutdowns and re-openings in each region.

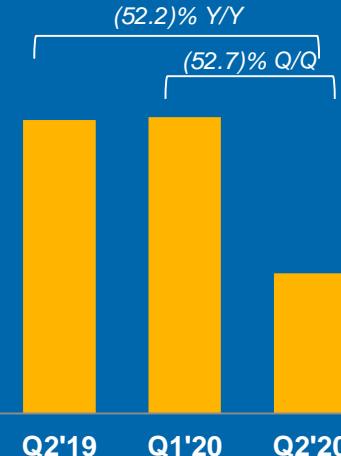
Americas Invisalign Metrics

North Americas Utilization*



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

Americas Shipments



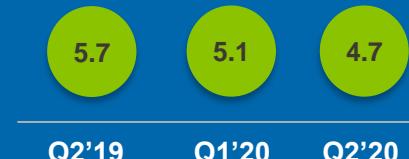
Q2 2020 Financial Highlights

International

- For our International business, Q2 Invisalign case volume was down 17.2% sequentially reflecting a significant decrease in EMEA, again due to the impact from COVID-19, partially offset by growth from APAC which was ahead in the recovery curve in China, Taiwan, Hong Kong and South Korea. On a year-over-year basis, International shipments were down 27.1%, reflecting a decline in EMEA partially offset by slight growth in APAC.
- For EMEA, Q2 volumes were down sequentially 44.0% and down 45.7% on a year-over-year basis, across all markets with more softness in the GP channel compared to Ortho. We continued to see momentum with Invisalign First for Invisalign treatment in young patients. Overall, we saw slower deceleration in teen shipment growth than adults, driven by Germany and France. The expansion markets had less decline and only accounted for 5 pts of the decline in EMEA.
- For APAC, Q2 volumes were up sequentially 40.9%, reflecting improving trends as practices reopened and got back to business, as well as the COVID-19 recovery measures we implemented in China. On a year-over-year basis, APAC was up 3.4% compared to the prior year and was the only region up year-over-year.
- As mentioned earlier, we saw positive growth in APAC in teen shipments led by China reflecting a strong uptick of recovery programs. In the GP segment, we saw growth in non-comprehensive cases with Invisalign Go and the launch of Moderate in China in March, continuing to further demonstrate doctor confidence in treating young patients with Invisalign. Throughout the region, Japan, Taiwan and South Korea successfully managed recovery efforts and performed better than expected.

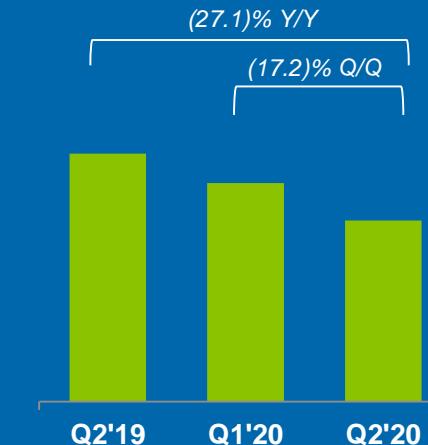
International Invisalign Metrics

International Utilization*



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

International Shipments



Focus on Recovery for Our Doctors

US & Canada

Come Back Stronger Virtual Education Series:
Align kicked off a new "Come Back Stronger" virtual educational series in the United States and Canada. The webinar series presented by industry experts covers a variety of topics that provide our North American customers with the information needed to strengthen their practices for a post-COVID world.

EMEA

Recovery 360 Program:
With over 3,700 orthodontists enrolled, resulting in a stronger partnership perception by our customers, including an increase in our Net Promoter Score (NPS). Using a combination of our ADAPT consultants, which I'll be describing more later, and territory managers, we helped practices with their workflow and scheduling; increased our doctors' engagement with their patients through the use of education & communication tools; and provided business viability, access and sustainability materials to the doctors.

GP Recovery Program: ~3K GPs enrolled with tailored content to enable recovery. Positive market feedback on tools and approach in support of business recovery.

APAC

Come Back Stronger Virtual Education Series: The webinar series presented by industry experts covers why Invisalign should be a better option for doctors to provide orthodontic treatment to patients from now on and tips and tricks for Invisalign case management.

align education

Invisalign | iTero

Come Back Stronger Series

LIVE WEBINAR

TOPIC

The New Normal- Post COVID Era: Practice Management

Friday, 19 June 2020, 10:30am – 11:30am (Singapore Time)

Click below to register

Register Now

Abstract

In this webinar Dr Pennapa will share her experience on how she has reorganized and transformed her clinic workflow. Dr Pennapa as an experienced orthodontist with clinical predictability with her Invisalign cases will case selection

Webinar Outline

- Invisalign should be a better option for doctors to provide orthodontic now on
- Tips and Tricks for Invisalign case management

Dr Pennapa Srivichaikul

Dr Pennapa Srivichaikul graduated Chulalongkorn University (Thailand) in the Orthodontics program in 2003 and was as placed award for her post grad. Dr Pennapa has been certified more than 20 years in comprehensive orthodontic appliance, Functional Appliance, Orthognathic Surgery, Fixed orthodontic, and Invisalign Pro.

For more than 10 years, Dr Srivichaikul was also appointed in Thai Association of Orthodontists as a scientific subcommittee. She was also a part of Thailand Association of Orthodontic Research as a participant and research grant in 2010. Dr Pennapa has been certified as an Eti Adaptation i consultant and as an Invisalign Professional.

align Align Technology

64,980 followers

1,000 posts

2,000+ likes

Did you know? #AlignTech's full "Come Back Stronger: Recover through Digital Transformation" program is now available on the Invisalign Doctor Site (IDS) to support our customers across the U.S. and Canada. As doctors look to resume patient care, we have prepared resources including information for Doctor & Team Readiness, Patient Engagement & Digital Transformation and more.

Visit IDS to learn more: <https://bit.ly/2Wtrz9s>
#Invisalign #iTero #digitaldentistry #invisaligndoctors



Come Back Stronger.

Recover through digital transformation.

Learn more

Invisalign | iTero

Q2 2020 Virtual Events Americas



...
align Align Technology
84,516 followers
1mo • 0
Introducing Invisalign® Teen Forum – Virtual Edition! We're excited to host an online forum exclusively for Invisalign orthodontic practices to learn about Invisalign teen treatment and the highly visual, digital and on-demand world of today's teens. Join us on one of the two dates (July 17 or July 24) for tools and tips that help grow your digital teen practice.

The event is for Invisalign-trained orthodontists. Register now:
www.alignteenforum.com



invisalign | iTero

Exclusive sneak preview for orthodontists revealed at

teen forum
VIRTUAL EDITION

Two date and time options to choose from.

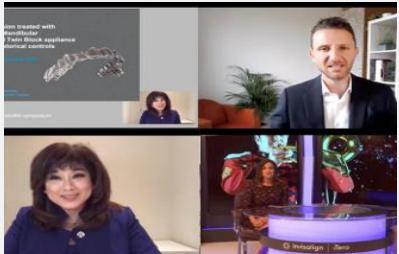
Register today

The image shows a woman with curly hair blowing a large pink bubble gum bubble. The text "teen forum VIRTUAL EDITION" is displayed in large white letters.

Teen Forum included an exclusive sneak peek at an exciting campaign that is designed to drive orthodontic case starts to doctor's practices.

- **Webinars: Doctor events**
 - Online training sessions
 - Digital courses
 - Patient education materials
- **Virtual Meetings:**
 - First-ever Teen Forum Virtual Edition
 - July 17, 2020 and July 24, 2020
 - Program designed to help doctors understand the highly visual, online and on-demand world of today's teens - and give them the know-how, tools and confidence to differentiate and grow their Invisalign teen practice
 - Dynamic general session presentations and panels with interactive, speaker-coach led breakout sessions

Q2 2020 Virtual Events EMEA



Scientific Symposium



GP Growth Summit

Align EMEA hosted two successful pan-European events: Invisalign Scientific Symposium and GP Growth Summit, attended by over 2,000 doctors, as well as a number of digital educational events in the region – as part of Digital Academy.

iTero Digital Excellence

Invisalign Go Plus system

- Webinars: Doctor Events
 - iTero Digital Excellence
 - Digital training sessions
 - Patient education materials
 - GP education
 - Dedicated online and on-demand education with over 150 online events, over 20K GPs in attendance and 600 GPs certified, including dedicated online version
- Product launch at GP Growth Summit:
 - Invisalign Go Plus
 - Launched July 1, available to GP dentists in the UK, the Nordics and Benelux, which offers wider treatment options, enables dentists to treat more patients with confidence and can be easily integrated into a wide range of restorative treatments in their practice.

Virtual Meetings:

- Invisalign Scientific Symposium
 - Over 1,000 doctor attendees in 3 regions from over 75 countries and 400 university students
 - 2-day symposium featuring Invisalign speaker orthodontists
 - Unveiled ClinCheck® Pro 6.0 software and broader implementation of the SmileView In-face visualization tool
- Invisalign GP Growth Summit
 - Over 1,000 attendees from 42 countries
 - Program curated for general dentists with clinical, business development and personal growth presentations

Q2 2020 Virtual Events APAC



KOL: Prof. Zhou Yanheng,
Department of Orthodontics of Peking
University School of Stomatology,
Founder and Chief Orthodontic
Expert, Sunny Dental.



The Invisalign Teen Forum in China focused on the innovations and applications of digital technologies in clear aligners, as well as theories and clinical practices for teenage patients. The Forum brought together outstanding orthodontists from leading dental colleges from nearly 30 academic institutes with thousands of dental practitioners attending from across China.



SEA: Invisalign for Teens and Mandibular Advancement by Dr Sandra Tai, attracted almost 700 doctors in attendance.



Korea: Over 150 customers participated in the launch seminar of Invisalign First, including members from the Korean Orthodontic Association and faculty members from universities.

- Webinars: Doctor events
 - Online training sessions
 - Digital courses
 - Patient education materials
- Product launch:
 - Upgraded Invisalign® G6
 - Reinforced with overtreatment protocol
- Virtual Meetings:
 - China Teen Forum 2020
 - Broadcast to 4 venues in Beijing, Chengdu, Wuhan and Hangzhou, to ~8K participants who participated online from nearly 30 academic institutes
 - The Forum focused on the innovations and applications of digital technologies in clear aligners, as well as theories and clinical practices for teenage patients

APAC 1 Millionth Invisalign Patient

- During the quarter we reached another major milestone with our 1 millionth Invisalign patient in APAC, an adult patient from Tokyo, Japan.
- Ms. Ayumu Saito, an athlete in modern pentathlon and fencing, is being treated by Dr. Koji Yokoya, Head Director at Aoyama Gaien Orthodontics Dental Offices, who is a certified orthodontist of the Japanese Orthodontic Society, Doctor of Medical Dentistry.



Ms. Ayumu Saito, 23-year old patient of Dr. Koji Yokoya, is an accomplished athlete, winning the Modern Pentathlon Japan Championship in December 2019.

Align Global Education

- We believe that our global clinical education programs are the best in the industry, and have been even more valuable to our doctors throughout the pandemic. We launched a new and improved digital learning environment for our doctors this year offering a comprehensive learning platform with role-specific content for Ortho's, GPs and their teams. The improved functionality enables more online learning opportunities with spotlight features for what's trending now, recommended learning paths based on doctors' experiences, and expanded categories including:
 - digital treatment planning,
 - comprehensive dentistry, and
 - team education
- To date, over 85K doctors have accessed recorded lectures, completed self-paced learning modules, and watched how-to videos in over 3 million sessions.
- Among the Ortho channel, over 30K unique users have engaged with the digital learning site with an additional 50K unique users from the GP channel.
- We are encouraged by the digital training utilization rates among our doctors which has helped them continue their Invisalign treatment learning journey during the pandemic. Feedback from participants describes the courses as engaging, providing broader reach to online events, and a strong desire that Align continue to provide these virtually. They also acknowledged Align's agility in providing relevant tools and content to help them during lock-downs. We see this as an ongoing opportunity to enhance doctor learning through direct feedback and continuous improvement.

The screenshot shows the 'align education' website interface. At the top, there is a navigation bar with links for Patients, Studies, Account, WebStore, Education (which is highlighted in yellow), Support, and Collaboration. To the right of the navigation is a search bar, a 'Hello, Team' button, and a user profile icon. On the left side, there is a vertical sidebar with a list of categories: Digital treatment planning, Clinical conditions, Practice management, Comprehensive Dentistry, Products, Courses and events, Calendar, Resources, Team education, Global gallery, and Bookmark. The main content area features a 'Spotlight' section with a large image of a dental model and the text 'Mandibular advancement' with a 'Start learning' button. Below this is a search bar labeled 'Search by keywords'. The 'Recommended for you' section contains two cards: one for 'Invisalign® first' (Topic) with a rating of ★★★★ and 300 views, and another for 'Staff training' (Topic) with a rating of ★★★★ and 200 views. The 'My bookmark' section shows three items: 'Writing effective text comments' (Article), 'Assess your knowledge of Class II treatments ...' (Quiz), and 'A Peek Behind the Curtain of Invisalign Treatment ...' (Video). Each item includes a rating and view count.

Align Digital and Practice Transformation (ADAPT)

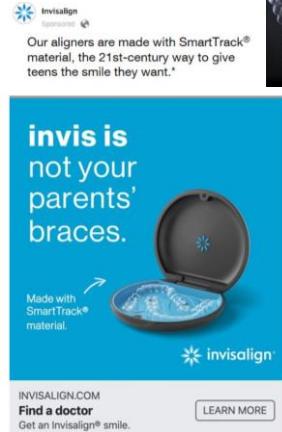
- Building on the benefit of clinical education and training, today we announced the global launch of the Align Digital and Practice Transformation (ADAPT) service. This is our first customized consulting service and support offering for doctors and was developed based on years of learnings from practices that saw strong growth and practice transformation when changing their practice to digital. Initially available to Invisalign and iTero doctors in select segments of the EMEA market and then in the US, the global program is now generally available in the EMEA and APAC regions and will be available in the US in the second half of this year.
- The ADAPT program is an expert and independent fee based business consulting service offered by Align to optimize clinics' operational workflow and processes to enhance patient experience and customer and staff satisfaction, which will in turn translate into higher growth and greater efficiencies for orthodontic practices. The goal of the ADAPT program is to support digital practice transformation for doctors and their staff.
- ADAPT is designed for orthodontists with approximately 200 total case starts per year who are seeking to build their future business. Driven by a team of independent business consultants, analysts and program support specialists, ADAPT offers a customized onsite consulting service to each participating practice. The program combines a review of business operations and practice workflow data with Align's expertise in digital workflow optimization, practice support, business transformation, marketing, and clinical education support.
- The pilot version of the program has been successfully developed across EMEA, the US and Asia Pacific region over the last 12 months. As a result of the ADAPT service, participating practices improved profitability up to 15 percent within 6 months of implementation and increased practice revenue up to 20 percent.*

*Data on file at Align Technology, as of 07/22/2020

Consumer Marketing

- Our consumer marketing is focused on building the clear aligner category and driving demand for Invisalign treatment through a doctor's office. In Q2, we saw strong digital engagement globally with more than 70% increase in unique visitors as well as on leads. Other key metrics show increased activity and engagement with the Invisalign brand and are included in our Q2 quarterly presentation slides available on our website. We're pleased with the strong engagement and activity we've seen on our consumer platforms over the last few months, and believe it speaks to the strength of the brand and consumer interest in treatment, even during the challenges of the last few months.
- In Q3.20, we are coming into what is typically the strongest part of the teen season, when teens and younger kids are home for the summer break and likely to start treatment before heading back to school. And while back to school looks very different this year in many countries, including the U.S., this is still a time when practices – especially orthodontic practices – are focusing on younger patients. Teens are the biggest and most critical part of orthodontic practices and are huge influencers and drivers of practice growth. That matters now more than ever as we partner with practices in this recovery. One of the most important ways we partner with customers is by creating demand for Invisalign treatment and to drive teens and parents to their practices for great outcomes and great treatment experiences. We have just launched a new teen and mom-focused consumer campaign designed to do just that by:

1. Reaching teens and moms where they are most engaged – on the digital platforms, social channels, and later this year, national and cable TV channels where they spend the most time – like Instagram and Twitch for teens, Instagram, Facebook, and People.com for moms.
2. Leveraging influencers that teens and kids follow and trust – like Charli D'Amelio, who has a combined following of over 90 million fans on TikTok and Instagram.
3. And our new campaign will get to the heart of what Invisalign is – and what it isn't – using straightforward language that teens respond to.



Worldwide Consumer Highlights



+81.8M

Website visitors



+9.0M

Social media fans



+10.4M

Doc locator searches



+4.6M

Smile assessments



Consumer Concierge

- Since program inception in 2017, we've connected over 172K potential consumers with Invisalign doctors and reached more than 978K consumers in North America. The Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain.
- The Consumer Concierge service teams are located in the U.S., LATAM, Singapore, Brazil, Australia, the UK, Poland, Saudi Arabia and the Philippines.

+978K

+172K

+37K

➤ Consumers contacted

➤ Consultations scheduled

➤ Invisalign cases started

Consumer Concierge

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



Q2 2020 Consumer Marketing

AMERICAS

4.5M

Website Visitors

394K

Doc Locator Searches

- Multi-channel consumer marketing
- #ISmileFor awareness campaign



EMEA

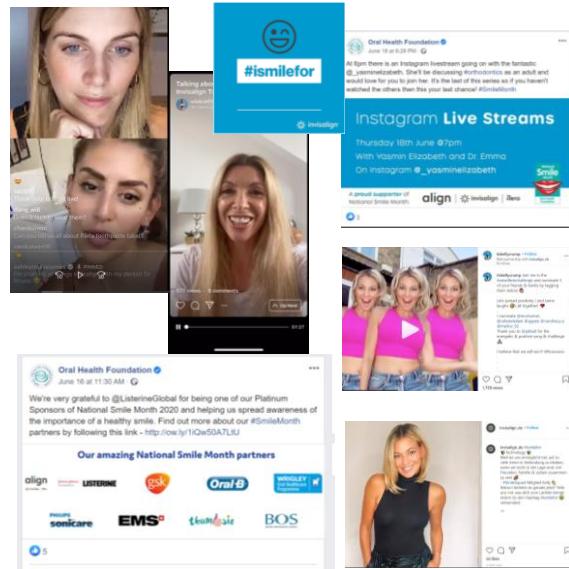
1.1M

Website Visitors

245K

Doc Locator Searches

- Social and influencer marketing
- #ISmileFor awareness campaign



APAC

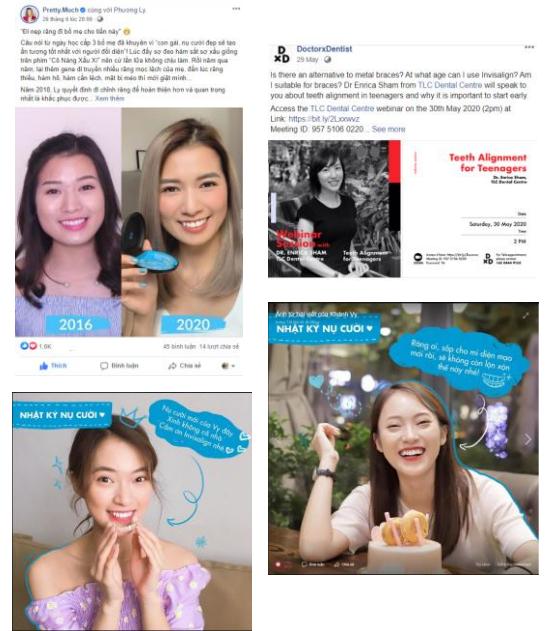
1.7M

Website Visitors

161K

Doc Locator Searches

- Social media and influencer marketing



Q2 2020 Financial Highlights

Imaging Systems and CAD/CAM Services

- For our Systems and Services business, which now includes exocad, Q2 revenues were down 22.2% sequentially. We were pleased to see momentum with the Element 5D Imaging System in North America and APAC along with sales of the iTero Element 1 scanner model in China and significant sales of the Flex scanner model in EMEA. On a year-over-year basis, Systems and Services revenues were down 48.1%, and were slightly offset by the inclusion of exocad CAD/CAM services.
- Cumulatively, over 24.0 million orthodontic scans and 5.5 million restorative scans have been performed with iTero scanners.
- For Q2, total Invisalign cases submitted with a digital scanner in the Americas increased to 85.8% from 77.5 % in Q2 last year. International scans increased to 72.0% up from 60.9% in the same quarter last year. We're pleased to see that within the Americas, 95.9% of cases submitted by North American orthodontists were submitted digitally.

Americas	69.6%	71.9%	73.5%	76.1%	77.5%	78.8%	79.5%	80.5%	85.8%
International	47.8%	53.9%	57.5%	59.3%	60.9%	62.6%	64.7%	68.7%	72.0%
Q2'18*	Q3'18*	Q4'18*	Q1'19*	Q2'19*	Q3'19*	Q4'19	Q1'20	Q2'20	

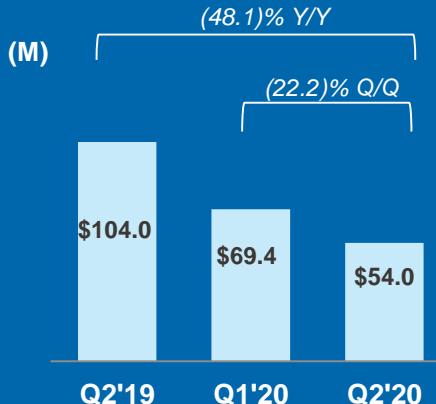
*Digital scanner percentages revised.

- We also recently announced that the iTero® Element 5D Imaging System was awarded "Best New Technology Solution for Dentistry" in the 2020 MedTech Breakthrough Awards. The annual program honors outstanding health & medical technology products and companies. We also received an award from Dentistry IQ naming the iTero Element 5D imaging system as #10 of 14 products and services to help dentists rebound from COVID-19.

Imaging Systems and CAD/CAM Services



Systems and Services Revenue

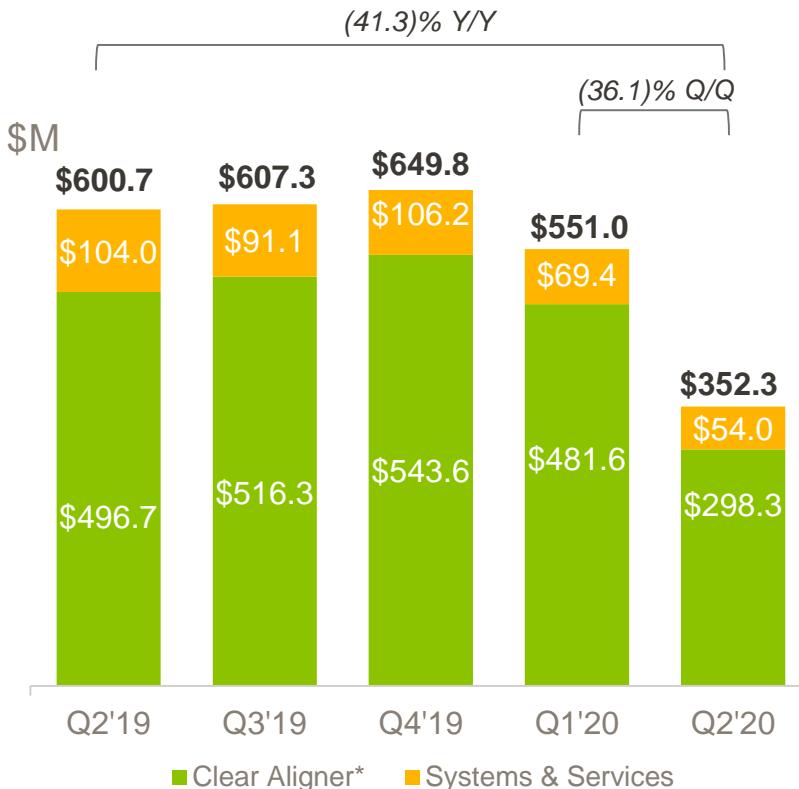




- + Q2 2020 Financial Review

Revenues Trend

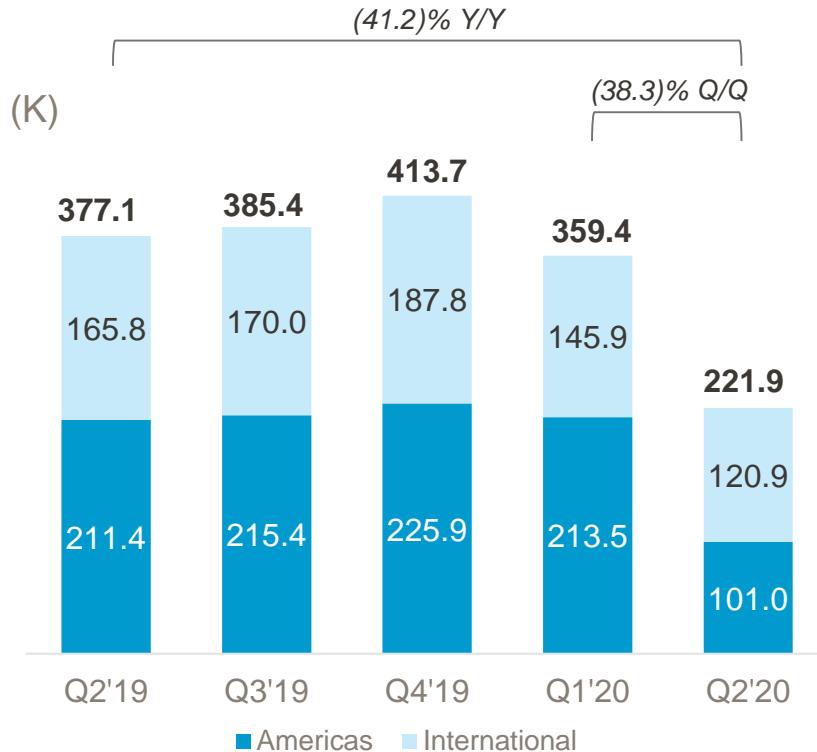
Q2'20 highlights



- Total revenue for the second quarter was \$352.3 million, down 36.1% from the prior quarter and down 41.3% from the corresponding quarter a year ago.
- For Clear aligners, Q2 revenues of \$298.3 million was down 38.1% sequentially and down 39.9% year over year due to volume decreases across most regions, driven by North America, EMEA, and LATAM, partially offset by APAC. Clear aligner revenue growth was impacted by unfavorably foreign exchange of approximately \$6M or approximately 1 point year over year.
- Q2 Invisalign ASPs were flat sequentially at \$1,255 primarily due to promotional discounts and unfavorable foreign exchange, mostly offset by the increased revenue from countries with higher list prices and increased other case revenues. On a year-over-year basis, Q2 Invisalign ASPs increased approximately \$25 primarily reflecting price increases in all regions and additional aligner revenue, partially offset by promotional discounts and unfavorable foreign exchange. One example of a crisis recovery promotion that we implemented in Q2 was a Switch Program that enabled doctors to switch wires and brackets patients into Invisalign clear aligners.
- Our System and Services revenues for the second quarter was \$54.0 million, down 22.2% sequentially and down 48.1% year over year due to volume decreases across most regions except APAC , promotional discounts, and decreases in service revenue, partially offset by exocad revenue.

Invisalign Shipments Trend

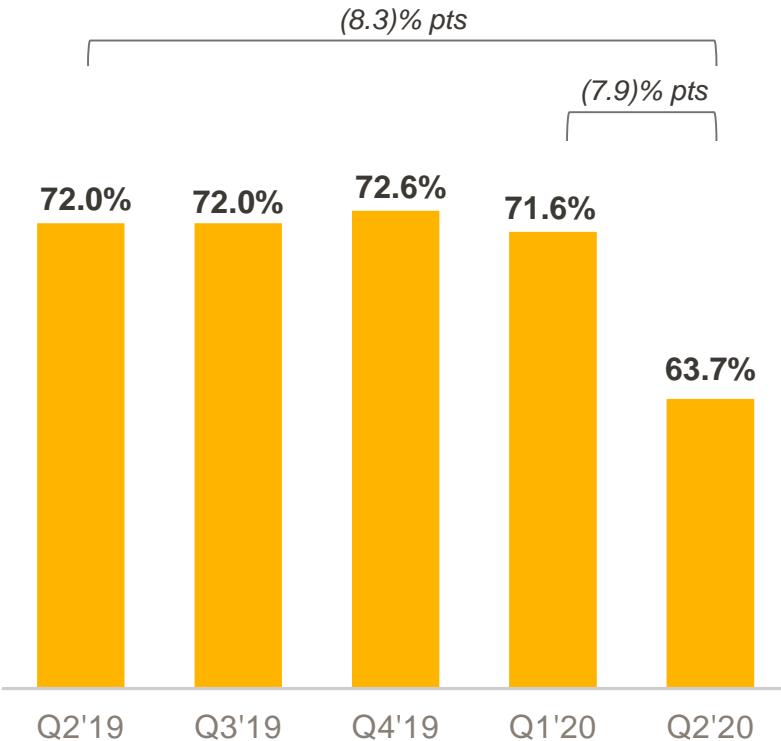
Q2'20 highlights



- Total Q2 Invisalign shipments of 221.9 thousand cases were down 38.3% sequentially and down 41.2% year-over-year.

GAAP Gross Margin Trend

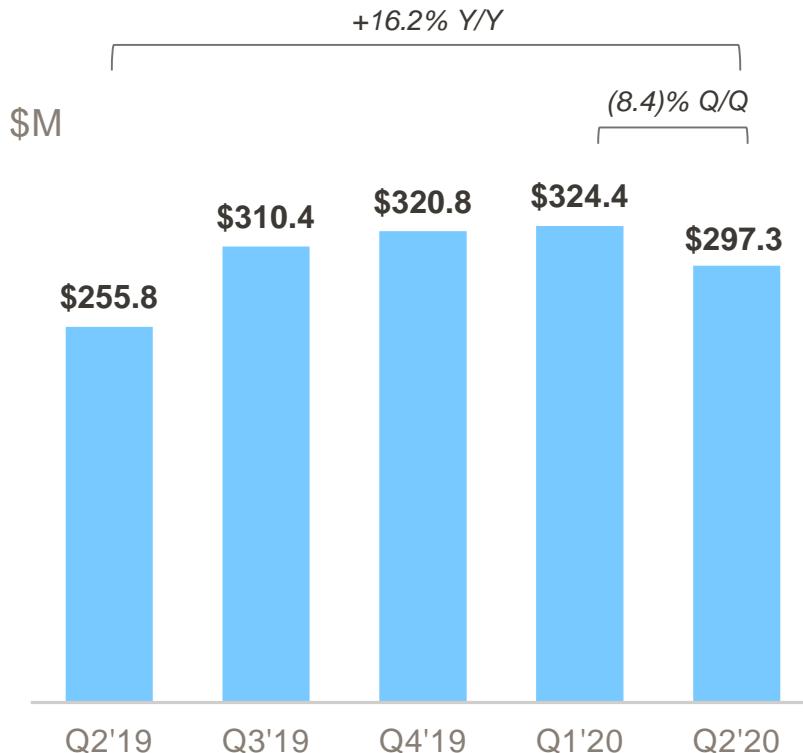
Q2'20 highlights



- Second quarter overall gross margin was 63.7%, down 7.9 points sequentially and down 8.3 points year-over-year. On a non-GAAP basis, excluding stock based compensation expense and amortization of intangibles related to exocad, overall gross margin was 64.4% for the second quarter, down 7.4 points sequentially and down 7.8 points year-over-year. Q2'20 gross margin reflects Align's decisions to maintain our headcount and salaries across our operations in anticipation of a volume pick-up as the COVID-19 pandemic subsides. This decision also enabled us to manufacture nasal test swabs for hospitals and PPE for use by our own employees as well as our doctors as they reopened their practices. We also postponed iTero subscription fees for one month in the US and parts of APAC. On a year over year basis, Q2 gross margin includes approximately 0.7% impact from unfavorable foreign exchange.
- Clear aligner gross margin for the second quarter was 64.5%, down 8.5 points sequentially and down 9.2 points year over year due to lower volumes driving higher costs per case and increased freight costs from higher international shipment mix. On a year-over-year basis, the decrease in the clear aligner gross margin was partially offset by an increase in Invisalign ASPs and continued efficiency improvements.
- Systems and Services gross margin for the second quarter was 59.2%, down 2.6 points sequentially and 4.4 points year over year due to lower ASPs and lower volumes with higher costs per unit and amortization of intangible assets related to the exocad acquisition, partially offset by lower service support costs.

GAAP Operating Expense Trend

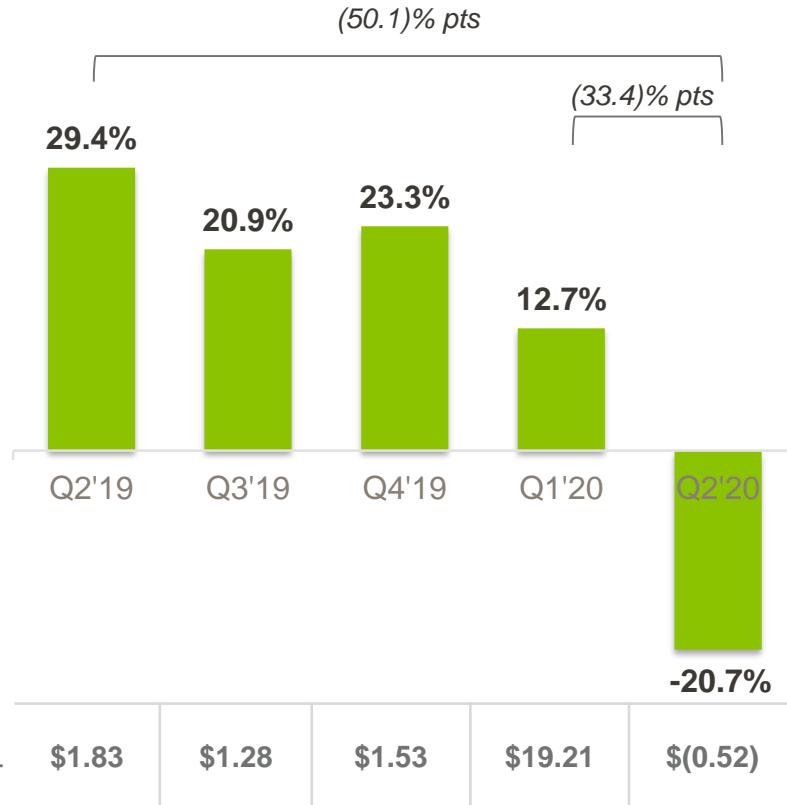
Q2'20 highlights



- Q2 operating expenses were \$297.3 million, down sequentially 8.4% and up 16.2% year-over-year. The sequential decrease in operating expenses reflects lower travel spend, decreased compensation related to commissions, and lower marketing and media spend, partially offset by higher exocad acquisition costs. Year-over-year, operating expenses increased by \$41.5 million. This is mainly caused by the \$51 million favorable litigation settlement received in Q2'19 offset by cost controls measures in Q2'20.
- On a non-GAAP basis, operating expenses were \$265.6 million, down sequentially 11.9% and down 7.0% year-over-year due to the reasons as described above offset by exocad costs.

GAAP Operating Margin and Earnings (Loss) Per Share Trend

Q2'20 highlights



- Our second quarter operating loss was \$73.0 million, down 204.4% sequentially and down 141.4% year-over-year. Our second quarter operating margin was (20.7)%, down 33.4 points sequentially and down 50.1 points year-over-year. The sequential decrease in operating income and operating margin are primarily attributed to lower revenues and gross margin as a result of lower volume from COVID-19 impacts. Operating margin was unfavorably impacted by approximately 0.9 points year-over-year from foreign exchange. On a year-over-year basis, the decrease in operating income and operating margin primarily reflects lower gross profit on lower volumes from the impact of COVID-19 in addition to the prior year quarter included the \$51 million favorable litigation settlement. On a non-GAAP basis, which excludes stock based compensation, acquisition-related costs, and amortization of intangibles related to exocad, operating margin for the second quarter was (11.0)% down 28.1 points sequentially and down 35.6 points year-over-year.
- Interest and other income & expense, net for the second quarter was an expense of \$0.5 million, including a \$1.0 million hedge loss related to the exocad acquisition. Excluding the hedge loss, interest and other income and expense, net was \$0.5 million income on a non-GAAP basis.
- With regards to second quarter tax provision, our GAAP tax rate was 44.8% which includes a tax benefit related to the impact of changes in the jurisdictional mix of forecasted income to GAAP profits recorded last quarter.
- The second quarter tax rate on a non-GAAP basis was 27.8% compared to 33.2% in prior quarter and 25.3% in the same quarter a year ago. The second quarter non-GAAP tax rate was lower than the first quarter's rate primarily due to changes in jurisdictional mix of forecasted full-year results. Second quarter net loss per diluted share was \$0.52, down \$19.73 sequentially and down \$2.35 compared to the prior year. On a non-GAAP basis, net loss per diluted share was \$0.35 for the second quarter, down \$1.08 sequentially and down \$1.84 year-over-year.

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

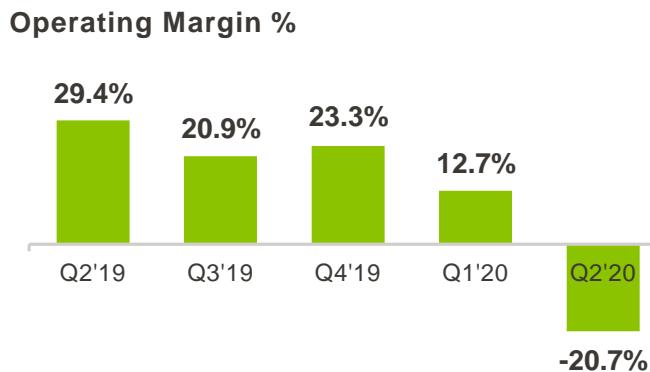
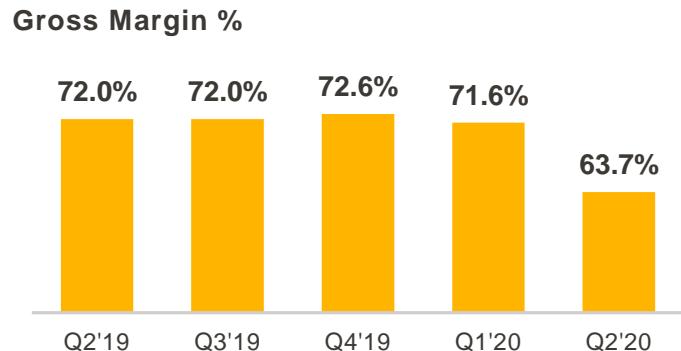
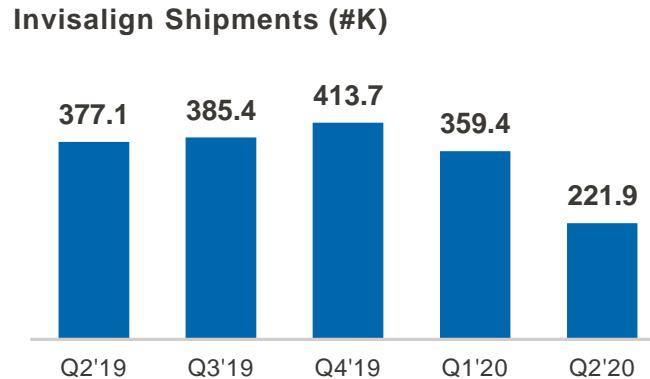
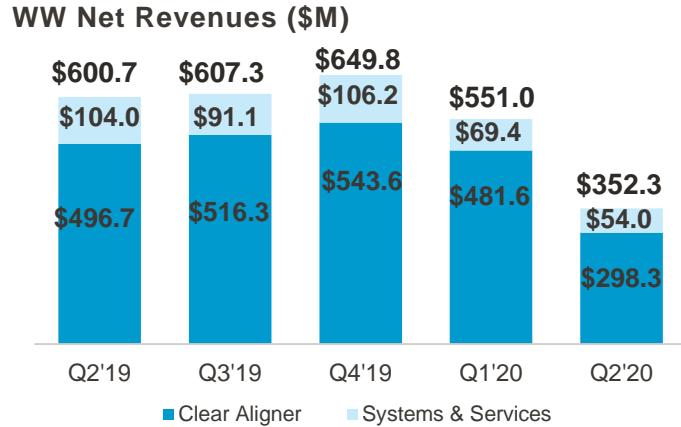
Balance Sheet Highlights

- As of June 30, 2020, cash and cash equivalents were \$404.4 million, a decrease of approximately \$386.3 million from the prior quarter, which is primarily due to the acquisition of exocad, partially offset by our free cash flow improvement. Of our \$404.4 million of cash and cash equivalents, \$160.2 million was held in the US and \$244.2 million was held by our International entities.
- Q2 accounts receivable balance was \$473.3 million, down approximately 11.2% sequentially. Our overall days sales outstanding (DSO) was 121 days, up 34 days sequentially and up 44 days as compared to Q2 last year due to doctor office closures that resulted in slower accounts receivable collections. We expect DSOs to remain relatively high as doctor's offices resume normal business activity.
- Cash flow from operations for the second quarter was \$59.9 million.
- Capital expenditures for the second quarter were \$34.4 million, primarily related to our continued investment in increasing aligner capacity and facilities.
- Free cash flow, defined as cash flow from operations less capital expenditures, amounted to \$25.5 million.
- Under our May 2018 Repurchase Program, we have \$100.0 million still available for repurchase of our common stock.

(\$ in millions except for DSO)	Q2'19	Q1'20	Q2'20
Accounts Receivables, net	\$520.1	\$533.0	\$473.3
DSO	77 days	87 days	121 days
Cash, Cash Equivalents & Short-Term and Long-Term Marketable Securities	\$765.9	\$790.7	\$404.4
Cash Flow from Operations	\$177.4	\$9.8	\$59.9
Capital Expenditures	\$(45.3)	\$(46.1)	\$(34.4)
Free Cash Flow*	\$132.0	\$(36.3)	\$25.5

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

Trended GAAP Financials



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

Invisalign shipments do not include SmileDirectClub aligners.

Percentages are based on actual values. Rounding may affect totals.

Financial Outlook for Q3 2020

Since the last time we talked, the orthodontic and dental market has continued to evolve in response to government regulations and safety guidance from local, regional, and national health officials. We believe that all of our markets have bottomed out and are recovering - albeit at different rates and different times, corresponding with regional outbreaks and recoveries from COVID-19 preventative measures, and we are now seeing improvements in consumer and doctor activity. Nevertheless, we are mindful that the demand environment remains uncertain. There may be additional waves of infection and governments around the world may strategically choose to shut down cities, states and countries again, forcing people to shelter in place and practices to close again. Therefore, we are not providing any forward looking guidance.

While our management team understands the markets remain fluid, we will continue to focus on taking care of our employees, customers, and shareholders. Specifically:

- **For our employees:** We are committed to protecting our employees and do not intend to implement furloughs or salary reductions
- **For our customers:** We will continue to be supportive of our customers who are impacted by COVID-19 and are committed to helping slow the spread of virus by providing PPE to doctors. We continue to release products, tools and promotions to help our doctors recover from the crisis.
- **For our shareholders:** We will continue to invest in our strategic initiatives to grow in a vastly underpenetrated market and position our Company to capture growth as the market returns to normal. This includes continued investment in the Align end-to-end digital workflow, as well as increased investment in the Invisalign brand and consumer demand creation. We will continue to add resources in markets that give us a good return.

We're very proud of what Align has accomplished while maintaining our financial discipline during this pandemic.

- We finished Q2 with \$404.4M in cash and cash equivalents, closed the purchase of exocad for \$430M and still delivered free cash flow of \$25.5 million, despite having the lowest volume Align has had in a very long time. Our cash flow reflects the strength of our business model, the strength of our balance sheet and our strong operational focus.
- We're also pleased to share that we have established a new line of credit of \$300M with a consortium of banks led by Citibank. This new line replaces our line of credit with Wells Fargo.
- As the market leader in clear aligners and digital dentistry, we are well positioned to continue investing strategically for the future.

Closing Commentary

- In summary, we are pleased by our progress last quarter and by customer responses to the actions we're taking to support their practices and patients. We have developed a careful recovery approach that accounts for the safety of our employees, our customers and their teams, and their patients and are committed to helping doctors navigate this evolving environment and be successful.
- One of the biggest lessons we've all learned over the last few months is about the critical importance of digital technology. Align has always been a proponent of digital treatment, but think about all of the things that digital platforms and virtual tools have enabled during this crisis. The people and business and customers who stayed connected, the way we were able to adapt to working from home, the rise of telehealth and teleconsults, the AI that modeled virus patterns and informed health experts – and so much more. Consider also the companies that have thrived – most are companies that are digital at their core: Amazon, Apple, Zoom, DocuSign, Netflix, InstaCart.
- The advantages of digital are much more magnified to practitioners and consumers. This became even clearer in our industry when practices were shut down for months. Over and over we heard, "I've been able to help my Invisalign patients progress in treatment – but I had to just try to keep my braces patients in a holding pattern." Treating orthodontic cases has amplified the clear benefits of digital technology and clear aligners. That isn't meant to sound self-serving. This pandemic has emphasized the benefits of digital technology across many facets of our lives and businesses. Our acquisition of exocad adds additional digital workflows that play in the GP and lab space. We're all excited about the exocad team and what our investment brings to this new world of digital dentistry.
- Align's digital platform has made it possible for thousands of doctors and patients to continue Invisalign treatment throughout a global disruption, thanks to the digital orthodontics of Invisalign aligners, iTero digital records and simulations, digital treatment planning, and virtual monitoring and care. At Align, we have always believed that digital orthodontics is the best option for teens and adults. And as you can see from a peek at our new teen campaign, we're going to feature this going forward.
- What's clear to us is that the momentum we are seeing in the business and in dental and Ortho practices reflects more than just one thing or one new product or tool, or one program or action – it reflects continuous improvement and continued execution of our core strategy across our business in every region, and we're going to continue to stay the course while remaining vigilant and agile. We feel good about the progress that we have made as we continue along the recovery phase of the COVID-19 crisis in many regions and are focused on what we can control and impact. We are in a unique position to continue investing into a huge underpenetrated market to extend our lead and accelerate growth.

align

 invisalign® | iTero®

Transforming

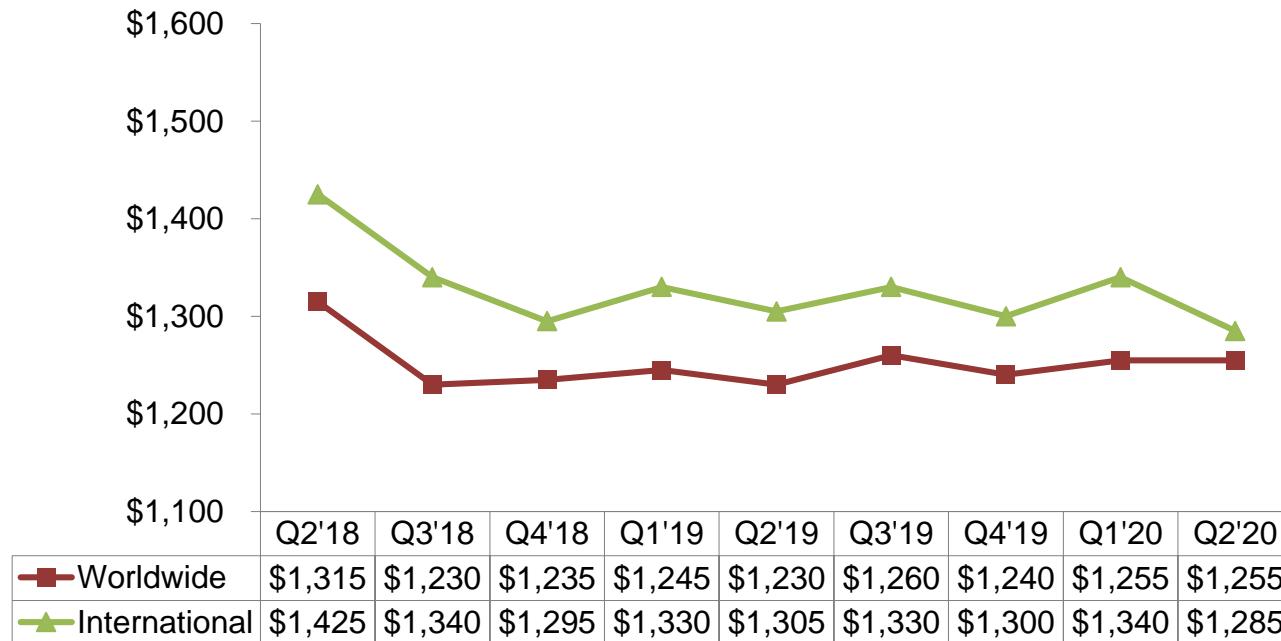


smiles changing lives

- + Appendix

Invisalign Average Selling Price (ASP)

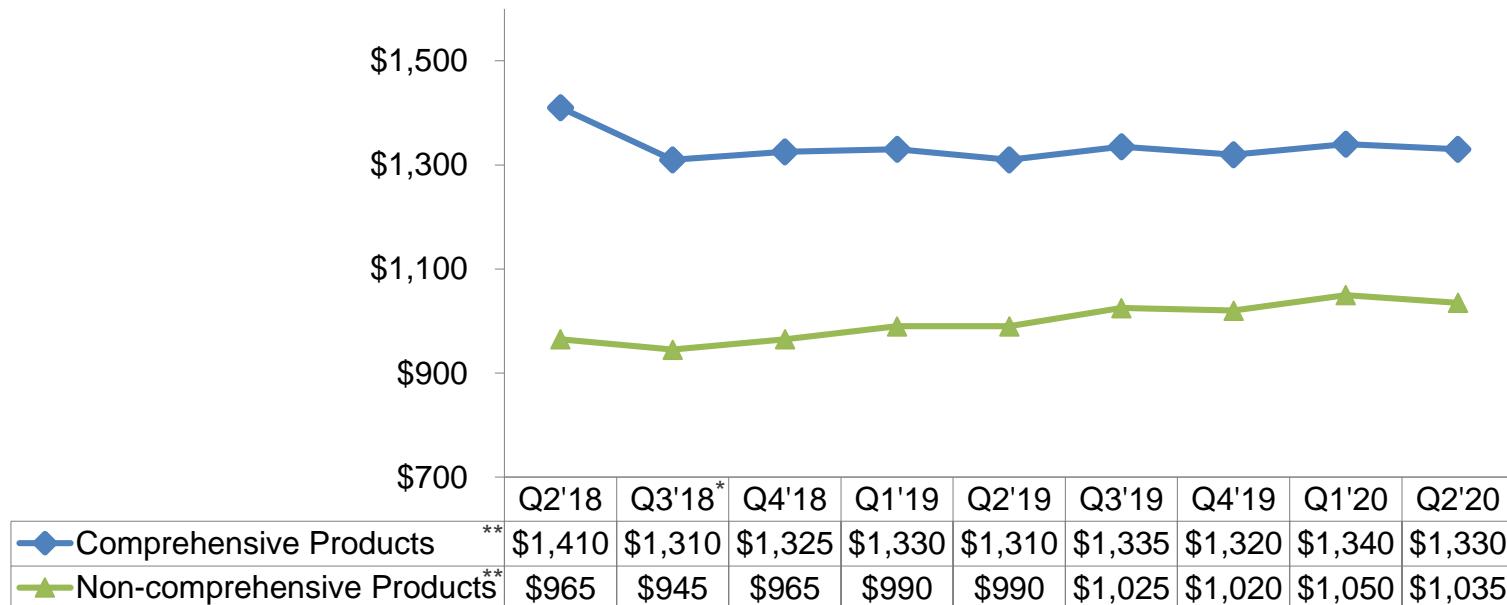
Worldwide and international



ASP: Invisalign case revenue / Invisalign case shipments

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, Lite and Express packages and Invisalign Go.

ASP: Invisalign case revenue / Invisalign case shipments

Invisalign shipment figures do not include SmileDirectClub aligners.

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

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

Unaudited GAAP to Non-GAAP reconciliation

Unaudited GAAP to Non-GAAP reconciliation
(in thousands except per share data)

GAAP gross profit				
Stock-based compensation	\$ 224,328	\$ 432,289	\$ 618,684	\$ 834,385
Amortization of intangibles ⁽¹⁾	891	1,278	2,238	2,390
	1,650	-	1,650	-
Non-GAAP gross profit	\$ 226,869	\$ 433,567	\$ 622,572	\$ 836,775
GAAP gross margin	63.7%	72.0%	68.5%	72.6%
Non-GAAP gross margin	64.4%	72.2%	68.9%	72.8%
GAAP income (loss) from operations				
Stock-based compensation	\$ (73,000)	\$ 176,490	\$ (3,082)	\$ 264,191
Amortization of intangibles ⁽¹⁾	25,007	22,467	47,934	43,511
Acquisition related costs ⁽²⁾	3,245	-	3,245	-
Impairments and other charges ⁽³⁾	5,968	-	7,307	-
Litigation settlement gain ⁽⁴⁾	-	-	-	29,782
Non-GAAP income (loss) from operations	\$ (38,780)	\$ 147,957	\$ 55,404	\$ 286,484
GAAP operating margin	(20.7)%	29.4%	(0.3)%	23.0%
Non-GAAP operating margin	(11.0)%	24.6%	6.1%	24.9%
GAAP interest income and other income (expense), net				
Acquisition related costs ⁽²⁾	\$ (493)	\$ 17,357	\$ (17,056)	\$ 14,244
Non-GAAP interest income and other income (expense), net	\$ 1,012	\$ -	\$ 10,187	\$ -
GAAP net income (loss) before provision for (benefit from) income taxes and equity in losses of investee	\$ 519	\$ 17,357	\$ (6,869)	\$ 14,244
GAAP net income (loss) before provision for (benefit from) income taxes and equity in losses of investee	\$ (73,493)	\$ 193,847	\$ (20,138)	\$ 278,435
Stock-based compensation	25,007	22,467	47,934	43,511
Amortization of intangibles ⁽¹⁾	3,245	-	3,245	-
Acquisition related costs ⁽²⁾	6,980	-	17,494	-
Impairments and other charges ⁽³⁾	-	-	-	29,782
Litigation settlement gain ⁽⁴⁾	-	(51,000)	-	(51,000)
Non-GAAP net income (loss) before provision for (benefit from) income taxes and equity in losses of investee	\$ (38,261)	\$ 165,314	\$ 48,535	\$ 300,728
GAAP provision for (benefit from) income taxes	\$ (32,891)	\$ 43,121	\$ (1,497,667)	\$ 51,917
Tax impact on non-GAAP adjustments	19,702	(1,356)	19,838	20,778
Tax related non-GAAP items	2,555	-	1,496,049	-
Non-GAAP provision for (benefit from) income taxes	\$ (10,634)	\$ 41,765	\$ 18,220	\$ 72,695
GAAP effective tax rate	44.8%	22.2%	7,437.0%	18.6%
Non-GAAP effective tax rate	27.8%	25.3%	37.5%	24.2%
GAAP net income (loss)				
Stock-based compensation	\$ (40,602)	\$ 147,142	\$ 1,477,529	\$ 218,990
Amortization of intangibles ⁽¹⁾	25,007	22,467	47,934	43,511
Acquisition related costs ⁽²⁾	3,245	-	3,245	-
Impairments and other charges ⁽³⁾	6,980	-	17,494	-
Litigation settlement gain ⁽⁴⁾	-	(51,000)	-	(51,000)
Tax impact on non-GAAP adjustments	(19,702)	1,356	(19,838)	(20,778)
Tax related non-GAAP items ⁽⁵⁾	(2,555)	-	(1,496,049)	-
Non-GAAP net income (loss)	\$ (27,627)	\$ 119,965	\$ 30,315	\$ 220,505
GAAP diluted net income (loss) per share	\$ (0.52)	\$ 1.83	\$ 18.70	\$ 2.71
Non-GAAP diluted net income (loss) per share	\$ (0.35)	\$ 1.49	\$ 0.38	\$ 2.73
Shares used in computing diluted net income (loss) per share	78,769	80,590	79,016	80,665

Three Months Ended
June 30,
2020 2019

Six Months Ended
June 30,
2020 2019

Notes:

(1) During the three months ended June 30, 2020, we recorded amortization of intangible assets related to our Q2'20 exocad acquisition.

(2) During the three and six months ended June 30, 2020, we recorded certain incremental expenses related to our Q2'20 exocad acquisition including third party advisory, legal, tax, accounting, banking, valuation, and other professional or consulting fees and foreign exchange losses related to a forward contract for the purchase commitment.

(3) During the six months ended June 30, 2019, we recorded \$29.8 million of impairments and other charges as a result of closing our Invisalign Stores due to the arbitrator's decision regarding SDC including operating lease right-of-use asset impairments, store leasehold improvement and fixed asset impairments and employee severance and other charges.

(4) During the three and six months ended June 30, 2019, we recorded a \$51.0 million gain from the settlement of the Straumann litigation.

(5) During the three months ended March 31, 2020, we recorded a one-time net tax benefit for the deferred tax asset and certain costs associated with the intra-entity transfer of certain intellectual property rights and assets to our Swiss subsidiary. During the three months ended June 30, 2020, we reversed the quarterly impact of the estimated annual 2020 tax benefit associated with amortization of the transferred intangibles.

Refer to "About Non-GAAP Financial Measures" section of press release.

align

 invisalign |  iTero