Q1 2023 Financial Results

Align Technology, Inc.

April 26, 2023

Conference Details

Conference call

- **Speakers:**
  - Joe Hogan, President and CEO
  - John Morici, CFO
  - Shirley Stacy, VP, Finance, Investor Relations and Corporate Communications
- **Replay and Webcast Archive:**
  - Telephonic replay will be available through 5:30 p.m. ET, May 10, 2023
  - Domestic callers: 833-470-1428
  - International callers: 44-204-525-0658
  - Access code: 635629
  - Audio webcast archive will be available at http://investor.aligntech.com for one month

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Safe Harbor and Forward-Looking Statements

This presentation, including the tables below, contains forward-looking statements, including statements of beliefs and expectations regarding market opportunities, our ability to deliver products and technologies, anticipated clear aligner volumes and ASP, anticipated Systems and Services revenue, our expectations for Q2'23 revenues, GAAP and Non-GAAP gross margin and GAAP and Non-GAAP operating margin, and 2023 GAAP and Non-GAAP operating margin, as well as capital expenditures. Forward-looking statements contained in this news release relating to expectations about future events or results are based upon information available to Align as of the date hereof. Readers are cautioned that these forward-looking statements reflect our best judgments based on currently known facts and circumstances and are subject to risks, uncertainties, and assumptions that are difficult to predict. As a result, actual results may differ materially and adversely from those expressed in any forward-looking statement.

Factors that might cause such a difference include, but are not limited to:
- macroeconomic conditions, including inflation, fluctuations in currency exchange rates, rising interest rates, market volatility, weakness in general economic conditions and recessions and the impact of efforts by central banks and federal, state and local governments to combat inflation and recession;
- customer and consumer purchasing behavior and changes in consumer spending habits as a result of, among other things, prevailing macro-economic conditions, levels of employment, salaries and wages, debt obligations, discretionary income, inflationary pressure, declining consumer confidence, and the military conflict in Ukraine;
- the economic and geopolitical ramifications of the military conflict in Ukraine, including sanctions, retaliatory sanctions, nationalism, supply chain disruptions and other consequences, any of which may or will continue to adversely impact our operations and research and development activities inside and outside of Russia;
- variations in our product mix and selling prices regionally and globally;
- the timing and availability and cost of raw materials, components, products and other shipping and supply chain constraints;
- unexpected or rapid changes in the growth or decline of our domestic and/or international markets;
- competition from existing and new competitors;
- rapidly evolving and groundbreaking advances that fundamentally alter the dental industry or the way new and existing customers market and provide products and services to consumers;
- the ability to protect our intellectual property rights;
- continued compliance with regulatory requirements;
- declines in, or the slowing of the growth of, sales of our clear aligners and intraoral scanners domestically and/or internationally and the impact either would have on the adoption of Invisalign products;
- the willingness and ability of our customers to maintain and/or increase product utilization in sufficient numbers;
- the possibility that the development and release of new products or enhancements to existing products do not proceed in accordance with the anticipated timeline or may themselves contain bugs, errors or defects in software or hardware requiring remediation and that the market for the sale of these new or enhanced products may not develop as expected;
- a tougher consumer demand environment in China generally, especially for manufacturers and service providers whose headquarters or primary operations are not based in China;
- the risks relating to our ability to sustain or increase profitability or revenue growth in future periods (or minimize declines) while controlling expenses;
- expansion of our business and products;
- the impact of excess or constrained capacity at our manufacturing and treat operations facilities and pressure on our internal systems and personnel;
- the compromise of our systems or networks, including any customer and/or patient data contained therein, for any reason;
- the timing of case submissions from our doctor customers within a quarter as well as an increased manufacturing costs per case;
- foreign operational, political, military and other risks relating to our operations; and
- the loss of key personnel, labor shortages or work stoppages for us or our suppliers.

The foregoing and other risks are detailed from time to time in our periodic reports filed with the Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the Securities and Exchange Commission ("SEC") on February 27, 2023. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

About Non-GAAP Financial Measures

- To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we may provide investors with certain non-GAAP financial measures which may include constant currency net revenues, constant currency gross profit, constant currency gross margin, constant currency income from operations, constant currency operating margin, gross profit, gross margin, operating expenses, income from operations, operating margin, interest income and other income (expense), net, net income before provision for income taxes, provision for income taxes, effective tax rate, net income and/or diluted net income per share, which excludes certain items that may not be indicative of our fundamental operating performance including, foreign currency exchange rate impacts and discrete cash and non-cash charges or gains that are included in the most directly comparable GAAP measure. In Q4'22, we changed to a long-term non-GAAP effective tax rate in our computation of the non-GAAP income tax provision to provide better consistency across reporting periods. Our previous methodology for calculating our non-GAAP effective tax rate included certain non-recurring and period-specific items, that produced fluctuating effective tax rates that management does not believe are reflective of the Company's long-term effective tax rate. This new methodology became effective January 1, 2022 and we recast prior periods in 2022. Unless otherwise indicated, when we refer to non-GAAP financial measures they will exclude the effects of stock-based compensation, amortization of certain acquired intangibles, restructuring and other charges, acquisition-related costs, and arbitration award gain, and associated tax impacts.
- Our management believes that the use of certain non-GAAP financial measures provides 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. 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 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 as 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 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 herein 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 tables captioned "Unaudited GAAP to Non-GAAP Reconciliation."

15.1M total Invisalign® patients treated to date, including **4.1M** teens.

align | invisalign | iTero | exocad

25 years – From appliance to platform

Revenue Y/Y%

2001–2022
+23%

1997 – 2006

- Invisalign® clear aligners
- ClinCheck® software
- 3D Printing SLA

2007 – 2012

- Force system biomechanics
- G-Series
- Attachments
- PowerRidge
- Vivera™ retainers
- SmartForce™
- iTero™ intraoral scanners

2013 – 2016

- G-Series
- SmartTechnology
- *SmartTrack™*
- *SmartForce™*
- *SmartStage™*
- ClinCheck® Pro
- Biteramps
- Mandibular advancement
- iTero Element™
- Invisalign® Outcome Simulator

2017 – 2022

- G-Series
- ClinCheck® Pro 6.0
- iTero Element™ 5D imaging system NIRI
- Invisalign First™
- My Invisalign™ app
- Invisalign Smile Architect™
- Invisalign® Virtual Care
- Invisalign® Virtual Care AI
- exocad™ lab software
- Retention
- Subscription
- E-Commerce
- Diagnostics
- Invisalign® Practice App
- Professional Whitening
- Enhanced precision wings for Invisalign treatment with mandibular advancement

Align Digital Platform™

An integrated suite of proprietary technologies and services delivered as a seamless end-to-end solution to customers, to transform smiles and change lives.

Align® Digital Workflow

A seamless end-to-end treatment experience that guides doctor customers from first consultation through to final smile, delivering to them and their patients' superior clinical outcomes, treatment efficiency, and an elevated patient experience.

Connect
Drive consumer demand & connect it to your practice

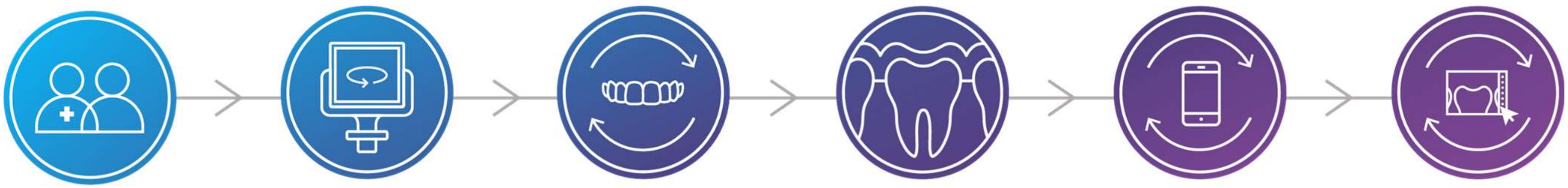
Scan
Enable doctor diagnosis, efficient planning & patient acceptance

Plan
Digitally visualize & plan your ortho & restorative treatments

Treat
Delivery of customized, digitally designed aligners

Monitor
Virtual treatment tracking between visits & ongoing patient care

Retain
Maintain beautiful teeth for life



Connect

$300M annual investment in consumer demand

My Invisalign™ app

Invisalign SmileView™

Invisalign® Doctor Locator

Scan

iTero™ scanners with NIRI technology

iTero Element™ 5D

iTero™ TimeLapse

Invisalign® Outcome Simulator Pro

Invisalign Photo Uploader

Plan

ClinCheck® Pro 6.0 In-Face Visualization

ClinCheck® Live Update for 3D controls

Invisalign® Personalized Plan ("IPP")

Invisalign Smile Architect™

Cone Beam Computed Tomography ("CBCT") integration feature for ClinCheck® digital treatment planning software

Treat

Invisalign® clear aligner system

Invisalign® Practice App

Enhanced precision wings for Invisalign treatment with mandibular advancement

Monitor

Invisalign® Virtual Care

Invisalign® Virtual Care AI

My Invisalign™ app

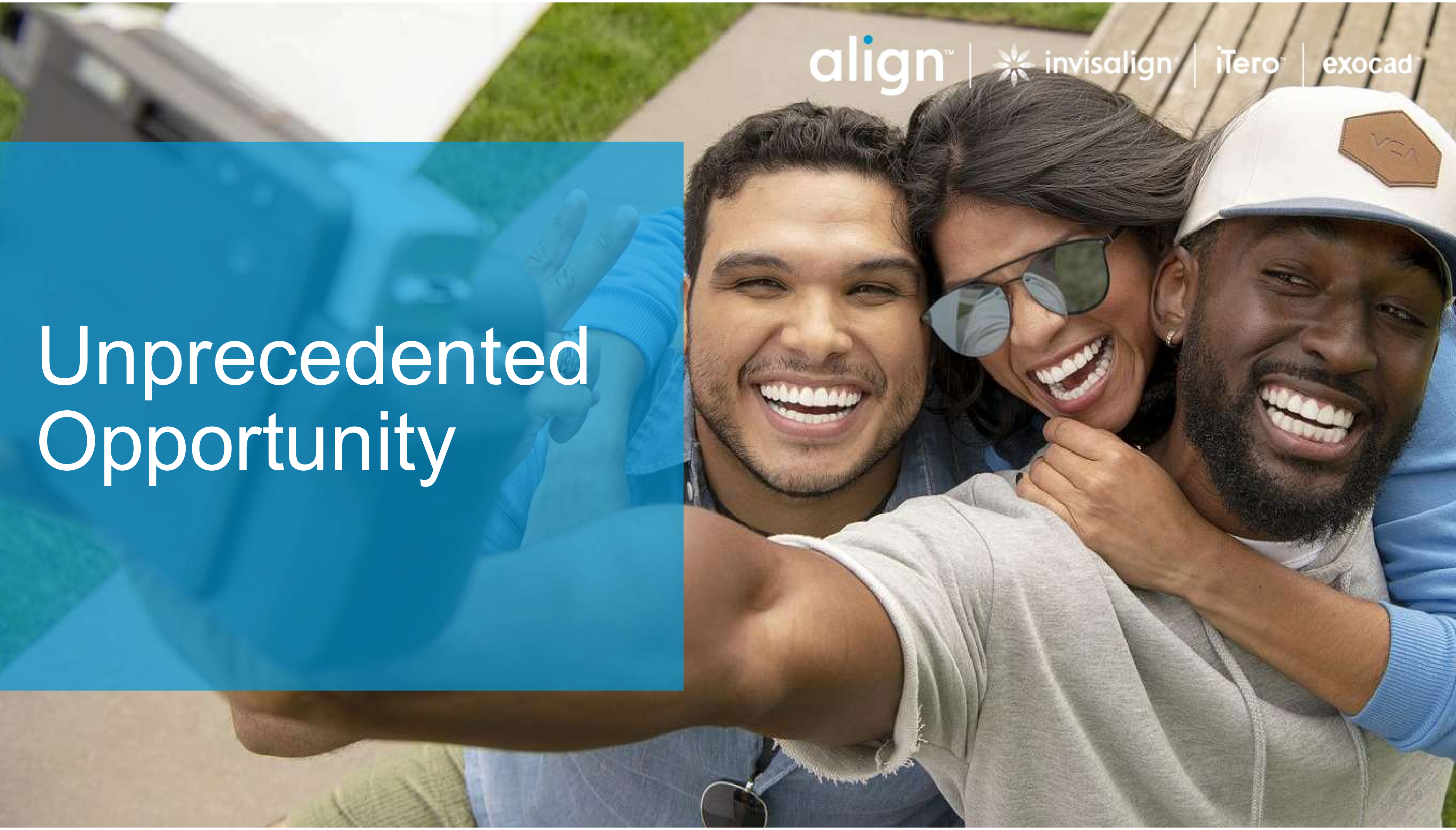
Retain

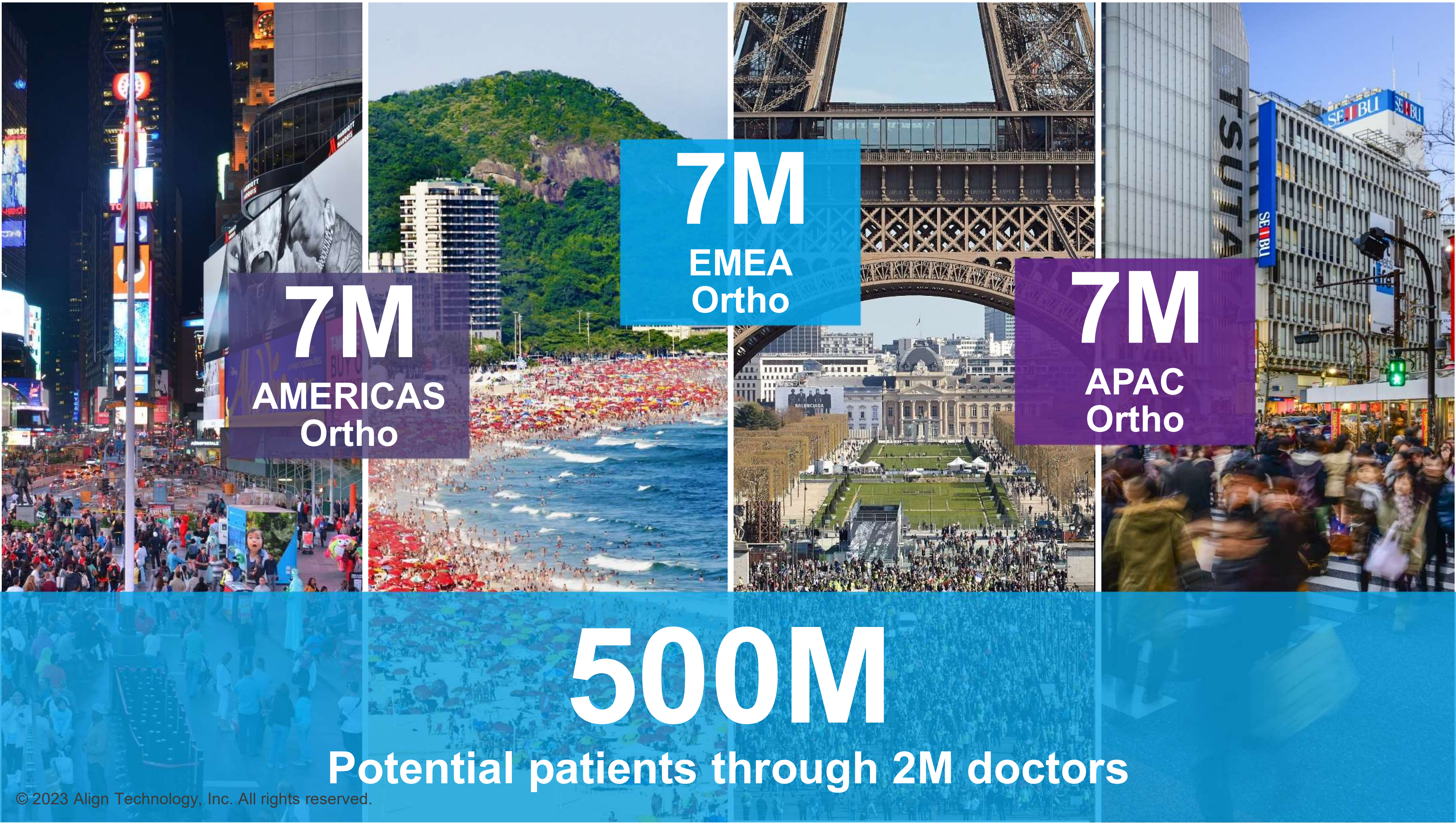
Vivera™ retainers

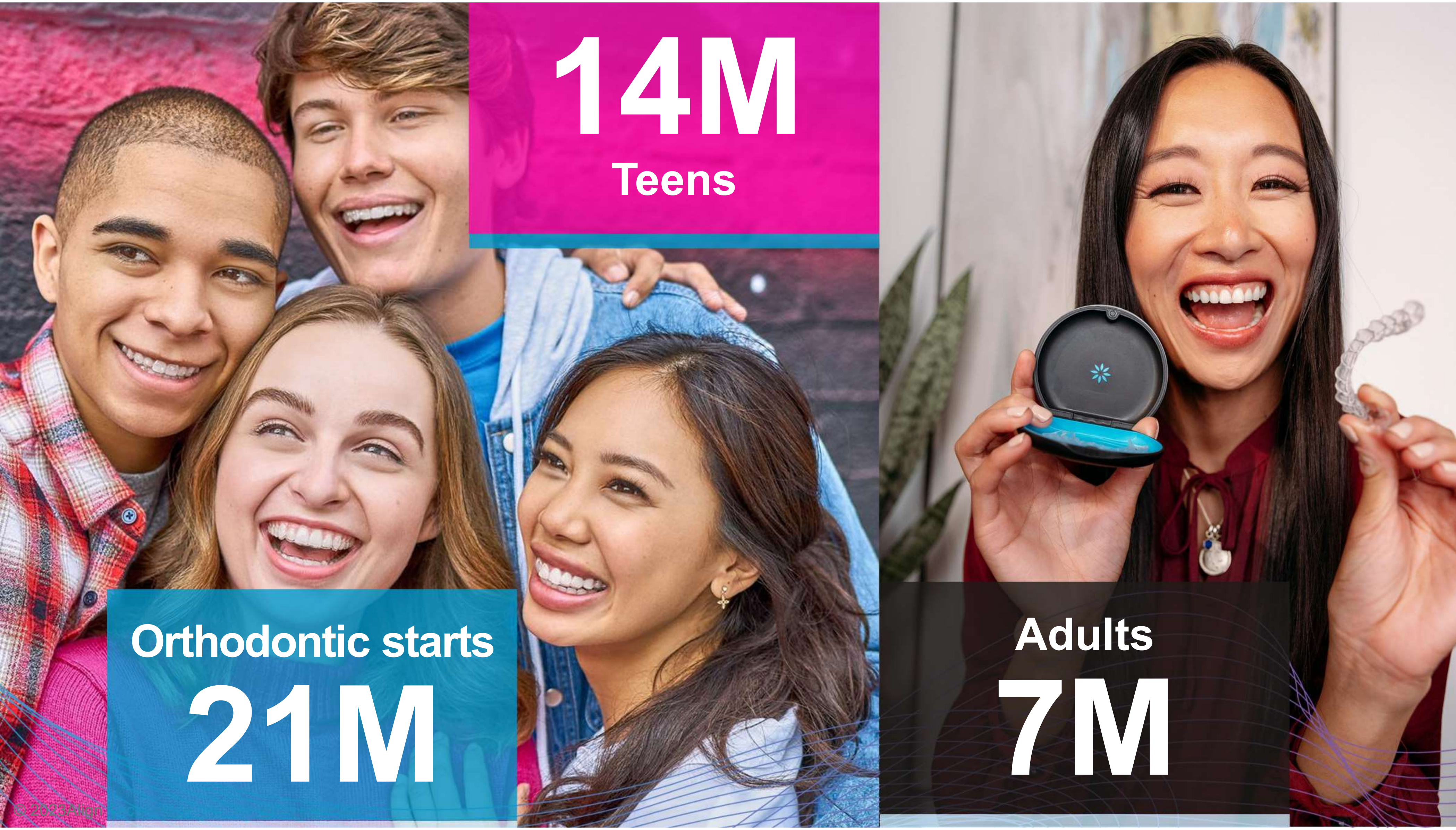
Invisalign® Professional Whitening System

Invisalign Outcome Simulator Pro is available on all iTero Element Plus Series scanners and imaging systems.
Due to the individual nature of each doctors' approach to different cases, IPP is being scaled gradually in phases across our customer population.

Unprecedented Opportunity




7M
AMERICAS
Ortho
7M
EMEA
Ortho
7M
APAC
Ortho
500M
Potential patients through 2M doctors


14M
Teens
Orthodontic starts
21M
Adults
7M

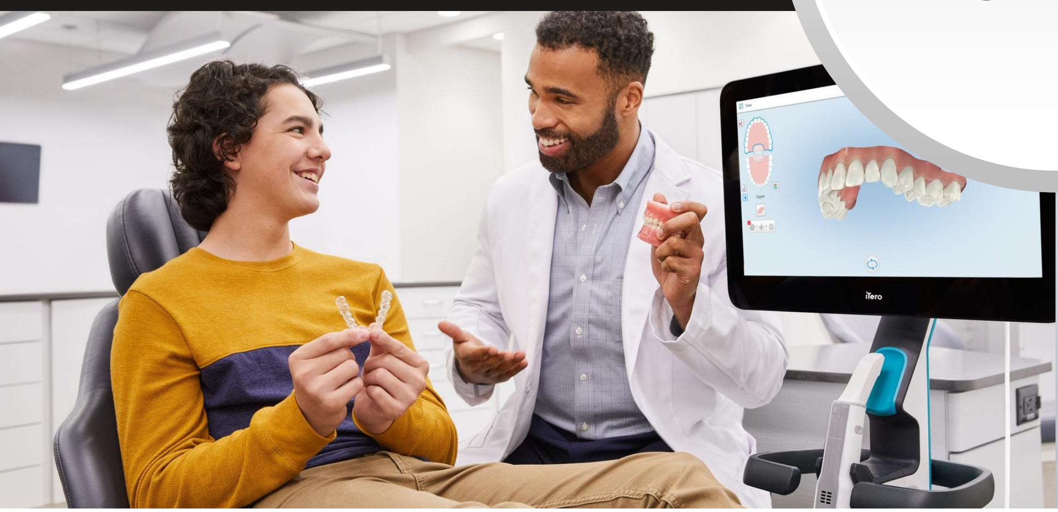
International expansion

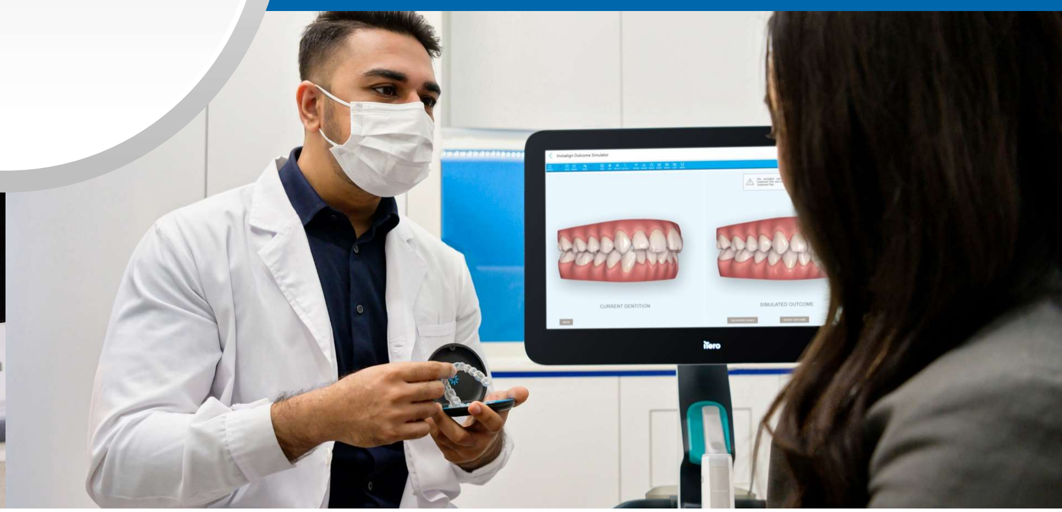
Relentless focus and execution on our strategic priorities

Patient demand & conversion

Orthodontist utilization

GP dentist treatment





Our unique position and sustainable competitive advantage

Multivariable equation that is very difficult to replicate

Manufacturing Excellence

- ✓ 1M unique clear aligner parts / day
- ✓ > 55K treatment plans / day
- ✓ Proven & Scalable Technology

Geographical Expansion

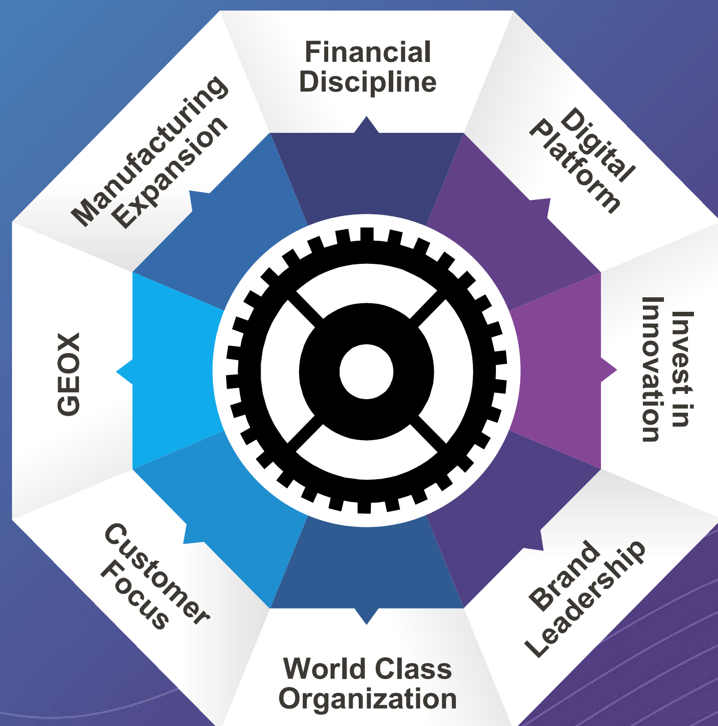
- ✓ > 120 Markets
- ✓ 14 Fab & Treat locations

Diversified Customer Base

- ✓ ~243K Orthos and GP dentists
- ✓ 50K+ software installations

Strong Workforce

- ✓ ~4K Specialty Reps
- ✓ 1K+ Engineers
- ✓ 12K+ Manufacturing Experts



Reliable Financial Results

- ✓ Excellent Top-line & profit growth
- ✓ Strong Balance Sheet
- ✓ Great cash generation

Leading Digital Platform

- ✓ Strong Digital Technology in ClinCheck® & iTero™ scanners
- ✓ Flexible design (integrate exocad)

Product, Technology, and IP

- ✓ Consistent product launches (G7,G8)
- ✓ Partnership with leading universities
- ✓ Healthy Product / Technology pipeline

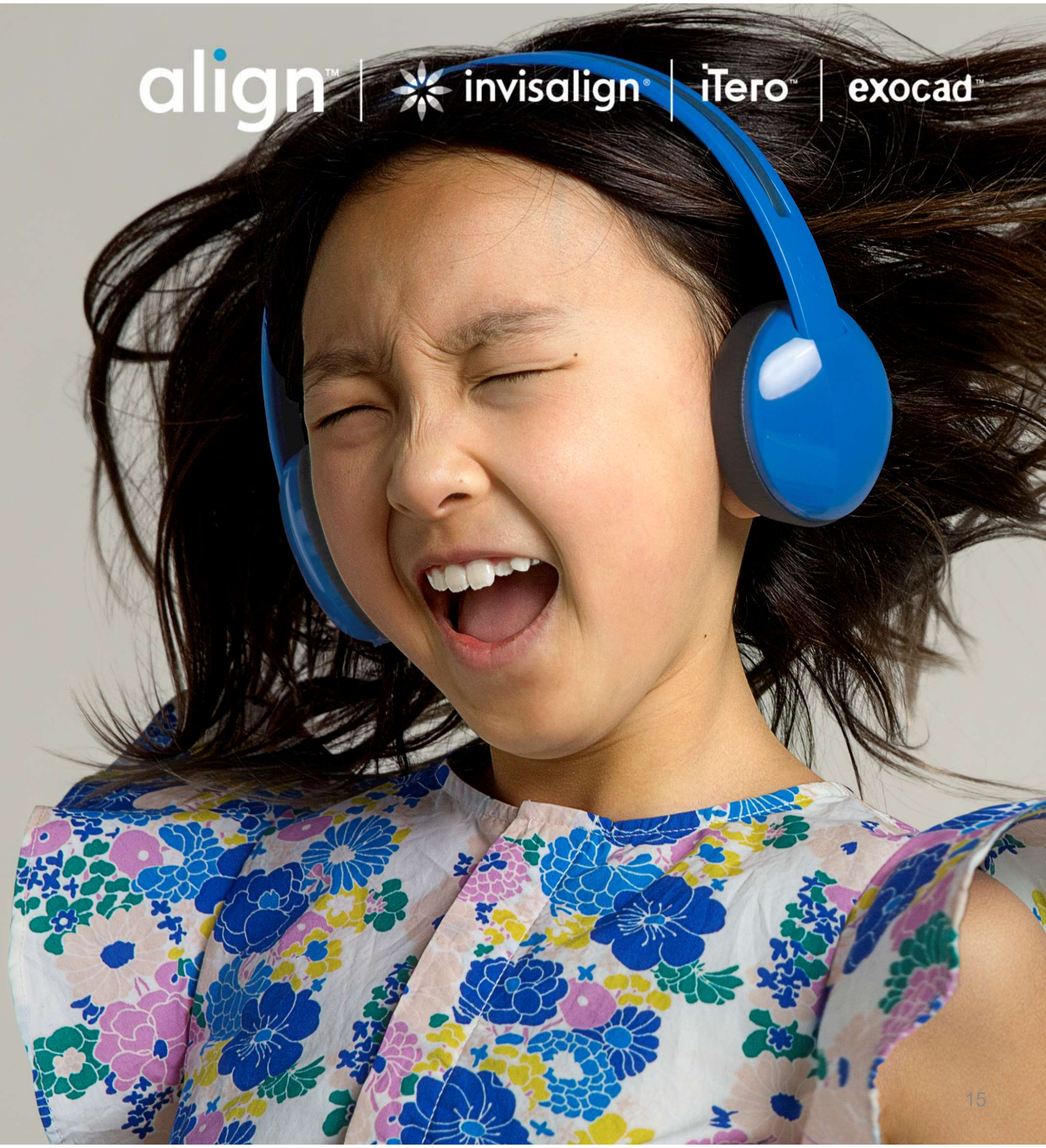
Top Brand for Aligner & Scanner

- ✓ $300M+ annual brand investment
- ✓ 15.1M+ satisfied patients

Opening Commentary

Overall, we're pleased to report better than expected first quarter revenues and earnings. Our first quarter revenues of $943.1 million, a sequential increase, reflect stability across all regions for our Clear Aligner business and favorable average selling price for the Clear Aligner and Systems and Services segments. Q1 sequential growth reflects an increase in Non-Case revenues which also increased year over year, driven by continued growth from our Invisalign® Doctor Subscription Program and Vivera™ retainers. In the teen segment, which represents the largest portion of the 21 million annual orthodontic case starts, 182 thousand teens and kids started treatment with Invisalign clear aligners during the first quarter, increasing both sequentially and year over year, which is encouraging as we head into the important summer season for teens and kids. Overall, we remain confident in our large underpenetrated market opportunity globally and our ability to deliver digital products and technology that are helping doctors transform smiles and change lives for millions of people.

Quarterly Highlights



Q1 2023 Revenues and Operating Margin

TOTAL REVENUES			
Q1'23			
$943.1M			
Q/Q	+4.6%	Y/Y	(3.1)%
Q1'22			
$973.2M			
Q/Q	(5.6)%	Y/Y	+8.8%

Q1'23 FX Impact:
- Q/Q: ~$25.8M favorable impact from FX(1)
- Y/Y: ~$34.9M unfavorable impact from FX(1)

TOTAL SYSTEMS AND SERVICES REVENUES			
Q1'23			
$153.3M			
Q/Q	(9.7)%	Y/Y	(6.2)%
Q1'22			
$163.5M			
Q/Q	(24.2)%	Y/Y	+15.6%

Q1'23 FX Impact:
- Q/Q: ~$4.0M favorable impact from FX(1)
- Y/Y: ~$5.8M unfavorable impact from FX(1)

TOTAL CLEAR ALIGNER REVENUES			
Q1'23			
$789.8M			
Q/Q	+7.9%	Y/Y	(2.5)%
Q1'22			
$809.7M			
Q/Q	(0.7)%	Y/Y	+7.5%

Q1'23 FX Impact:
- Q/Q: ~$21.8M favorable impact from FX(1)
- Y/Y: ~$29.1M unfavorable impact from FX(1)

GAAP OP PROFIT MARGIN			
Q1'23			
$133.5M | 14.2%			
Q/Q	+1.7% pts	Y/Y	(6.2)% pts
Q1'22			
$198.1M | 20.4%			
Q/Q	(1.1)% pts	Y/Y	(4.8)% pts

Q1'23 FX Impact:
- Q/Q: ~1.5 pts favorable impact from FX(1)
- Y/Y: ~2.0 pts unfavorable impact from FX(1)

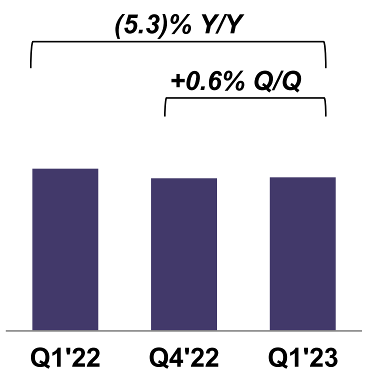
(1) See table: Unaudited GAAP to Non-GAAP Reconciliation

Business and Regional Review

Clear Aligner segment

Americas Clear Aligner Metrics

Americas Clear Aligner Shipments

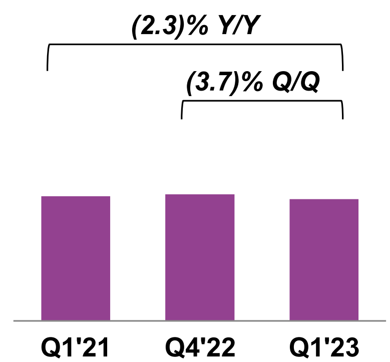


North Americas Utilization*

	Q1'22	Q4'22	Q1'23
NA Ortho	26.8	24.8	26.2
NA GP	5.0	5.0	4.9

International Clear Aligner Metrics

International Clear Aligner Shipments

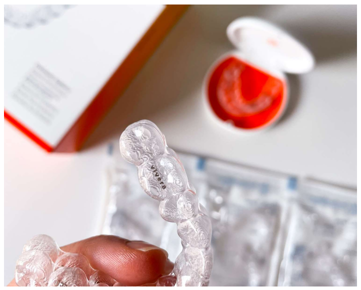


International Utilization*

Q1'22	Q4'22	Q1'23
6.4	6.5	6.2

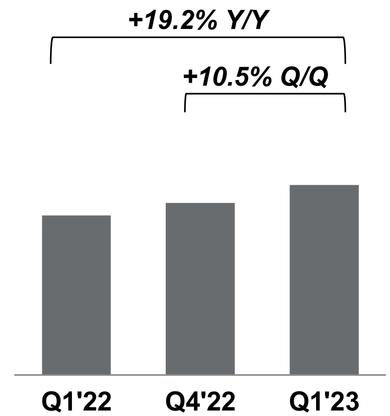
*number of cases shipped/number of doctors to whom cases were shipped

Q1 2023 Non-Case Revenues



Non-Case Clear Aligner Metrics

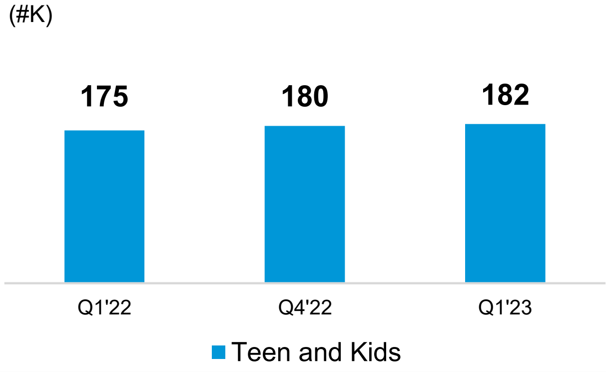
Non-Case Clear Aligner Revenues

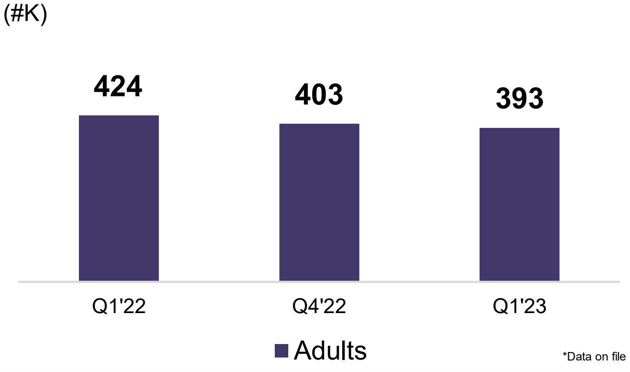


- Q1 Non-Case Revenues were up Q/Q and Y/Y, reflecting continued growth from DSP, Vivera™ Retainers and Commerce sales which include everything from aligner cases, to whitening and cleaning products.
- DSP has been very successful and is enabling doctors to purchase aligners on a subscription basis, giving them flexibility to treat simple "touch up" cases or offer their patients a superior, flexible and convenient retention solution. We introduced DSP in North America during the pandemic and are continuing to expand DSP offerings in the EMEA region.
- The contribution of DSP to Non-Case revenues is important to understand, especially the impact to overall Clear Aligner volumes. While we don't report the number of DSP clear aligners shipped and don't include them in our total clear aligner volumes, if we were to calculate an equivalent "case shipment" for Touch Up patients using our DSP aligners, we estimate those cases increased ~25% Q/Q

4.1M Teen and Kids treated with the Invisalign® System, to date

- Teen orthodontic treatment is the largest segment of the orthodontic market worldwide and represents our largest opportunity for clear aligners sales to Orthos. We continue to focus on gaining share from traditional metal braces through teen specific sales and marketing programs and product features, including Invisalign First™ for kids as young as 6, which was up sequentially across all markets
- For Q1, total clear aligner cases for teenagers were up Q/Q and Y/Y, reflecting improving trends across the regions. On a Q/Q basis, growth was driven by increased submitters in the APAC and Americas regions. On a Y/Y basis, teen case starts were up in the EMEA region reflecting increased utilization and the recent introduction of Invisalign® Moderate across the region, which outpaced the Y/Y growth rate of Invisalign First – which also continues to perform very well across markets
- Invisalign First was also up Q/Q and Y/Y across all regions. Invisalign First is designed to treat a broad range of teeth straightening issues in growing children, from simple to complex. And because Invisalign First is removable, it is easier for kids to brush and floss. There's also no discomfort from rubbing brackets or poking wires from metal braces. These benefits, along with positive compliance experience may also contribute to continued momentum for Invisalign First. In fact, the majority of surveyed Invisalign orthodontists agree that their young patients are highly compliant with Invisalign First treatment.*





*Data on file at Align

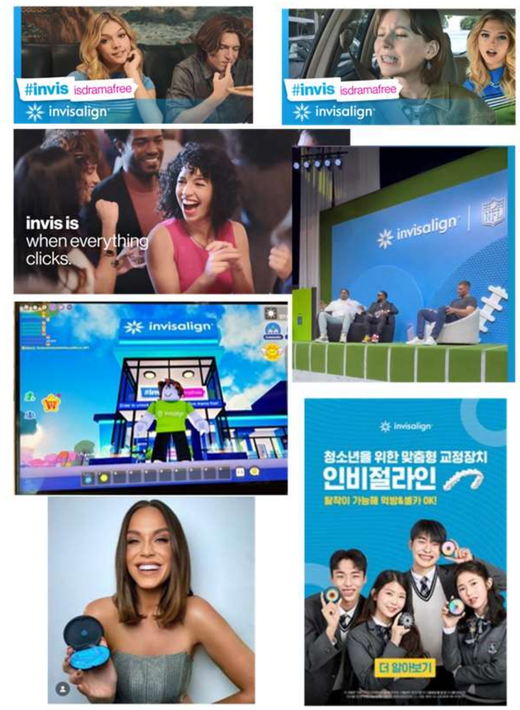
For Q1, Clear Aligner volume from Dental Service Organization (“DSO”) customers continued to outpace non-DSO customers

- For Q1, clear aligner volume from Dental Service Org (DSO) customers continued to outpace non-DSO customers. Q1 clear aligner volume from DSO customers increased sequentially, reflecting growth from the Americas region. DSOs make up approximately 20% of the dental market and represent one of the most important channels for digital orthodontics and restorative dentistry. Through their network of doctors and systematic approach to clinical education and practice management, DSOs are uniquely positioned to drive adoption of new technologies and tools that increase practice efficiency and profitability and deliver a better patient experience. We have well established relationships with many DSOs, especially in the US with DSOs such as Smile Docs and Heartland Dental, and we are continuously exploring collaboration with others that drive adoption of digital dentistry. Each DSO has a different strategy and business model, and our focus is on working with and encouraging DSOs who are aligned with our vision, strategy, and business model goals.
- One of the most digitally minded DSOs is Heartland Dental, and today we announced a $75 million equity investment in Heartland. Heartland is a multidisciplinary DSO with GP and Ortho practices across the US. Their growth strategy includes Heartland’s De Novo dental practices which feature modern technology and are located in areas with a strong community need for dentistry where Heartland provides practices with opportunities for mentorship, leadership training and continuing education. In the last three years, Heartland opened 188 state-of-the-art De Novo practices across the United States and are planning to continue to investing through more De Novo openings. We have a shared sense of purpose with Heartland – their mission is to help doctors and their teams deliver the highest quality digital dental care to the communities they serve.

Power of consumer brand

Focusing on educating consumers about the Invisalign® System and driving demand to Invisalign doctors' offices

- Our consumer marketing focuses on creating awareness with consumers about the Invisalign System and driving that demand to Invisalign doctors' offices, ultimately capitalizing on the massive market opportunity to transform 500M smiles.
- In Q1, we built on our successful "Invis Is" multi-media campaign across markets and expanded our new campaigns "Invis is Drama Free" to reach teens and "Invis is When Everything Clicks" targeted at adults. Our teen campaign "Invis is Drama Free" continues to highlight the benefits of Invisalign treatment, while humorously juxtaposing them with the significant tradeoffs involved with using braces. Our "Invis is when everything clicks" campaign showcases Invisalign treatment transforming smiles and the resulting confidence it gives to young adults.
- We delivered 7.8B impressions and had 22.1M visits (excluding China) to our websites in Q1'23. To increase awareness and educate young adults, parents, and teens about the benefits of the Invisalign brand, we continued to invest in top media platforms such as TikTok, SnapChat, Instagram, and YouTube across markets. We also introduced new experiences on the Roblox platform within the popular game, LiveTopia, creating an immersive and fun experience for gamers to learn about the benefits of Invisalign treatment, delivering over 66M impressions globally and 5.5M unique visitors to our in-game experience through the campaign.
- In the US, we continued our influencer and creator centric campaigns, partnering with leading Smile Squad creators like Scarlett Estevez, Caleb McLaughlin, and NFL player TJ Watt. Each of these creators shared their personal experiences with Invisalign treatment and why they chose to transform their smile with Invisalign aligners. During Super Bowl week, we partnered with NFL players in treatment including TJ Watt and conducted media tours generating 1B+ impressions and following the Super Bowl, the Invisalign brand placed in the Top 10 Post Game Super Bowl Social Media mentions.
- In the EMEA region, we partnered with new influencers to reach consumers across social media platforms including TikTok and Meta. Our consumer campaigns delivered more than 1.3B media impressions and 7.5M visitors to our website.
- We continued to invest in consumer advertising across the APAC region, resulting in more than 5.3M visitors to our websites, (excluding China). We optimized our investments in Australia, Japan and India by expanding our reach via social media platforms such as TikTok, Meta and YouTube. We saw continued strength in brand interest from consumers as evidenced by a 57% Y/Y increase in unique visitors ("UVs") to our website in Japan and a 66% increase in UVs in India.
- Adoption of the My Invisalign Consumer and Patient app continued to increase with 3.1M+ downloads to-date and over 350K monthly active users, a 28% Y/Y growth. Usage of our other digital tools also continued to increase. ClinCheck® Live Update was used by 38K doctors on more than 513K cases, reducing time spent in modifying treatment by 13%. Invisalign® Practice App has been downloaded 560K times to date, and 58K doctors are actively using this app and 5.1M photos were uploaded in Q1 via the Invisalign Practice app.



Developing the future of digital dentistry and digital orthodontics

- Align avidly supports the orthodontic profession through education, grants and continued innovation. Our educational pathway was created to support recent graduates and early career doctors at critical career transition points. As a result of schooling and early career initiatives, graduates will be:
    - Educated on digital dentistry and digital orthodontics; and
    - Connected with and supported by colleagues, more experienced ortho experts, and the Align team; and
    - Engaged with Align's Digital Platform™.
- Align supports doctors throughout all stages of their career – from educating faculty at dental schools and orthodontic programs to education for residents, early to mid-career providers, and more seasoned professionals looking to expand their clinical capabilities and practices. Align is expanding its global footprint of education centers to provide a forum for hands-on learning and continued development in key cities across our region
- We are also focused on continuing to innovate in digital dentistry, scaling capacity to manage the millions of digital requests, patient scans, and orders flowing through our systems — while also using technologies like AI and machine learning to increase efficiencies, speed treatment planning and quickly deliver products so patients can begin their paths to transforming their smiles. In the next one to three years, Align believes our newest technologies and innovations will revolutionize our existing offerings and the ways in which doctors and their patients experience orthodontic treatment.
- Together with our customers, we are developing the future of digital dentistry and digital orthodontics – not just the technology that drives treatment, but the models reshaping how we interact with customers and deliver treatment experiences for their patients.

Connecting consumers with top Invisalign® doctors

Delivering a best-in-class experience to achieve a happy and healthy smile through doctors

Q1 2023 Invisalign® Brand Consumer Concierge

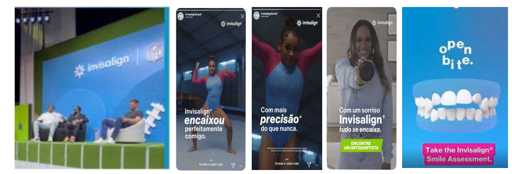
- The Invisalign® Brand Consumer Concierge service teams have connected over **117K** potential consumers with Invisalign doctors and reached **+4.9M** consumers globally. The Invisalign Brand Consumer Concierge program successfully provides leads to doctors they otherwise may not obtain
- The Invisalign Brand Consumer Concierge service teams are located in the U.S., Brazil, Singapore, the Philippines, China, Australia, the UK, Poland, Bulgaria, Saudi Arabia, United Arab Emirates, and Germany

+4.9M	~563K	+117K
Consumers contacted	Consultations scheduled	Invisalign cases started

Q1 2023 Invisalign® Brand Consumer Marketing

Americas

9.3M	4.6B
Website Visitors	Impressions

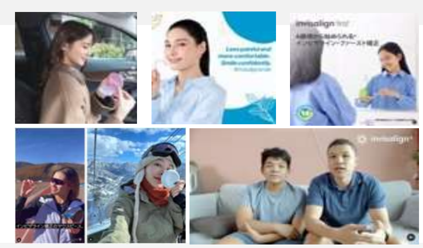


EMEA

7.5M	1.3B
Website Visitors	Impressions

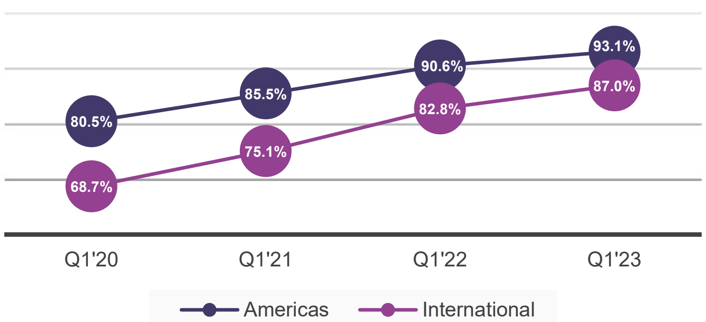
APAC

5.3M	1.9B
Website Visitors	Impressions



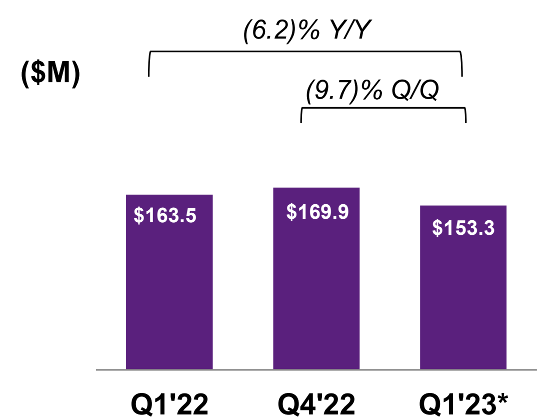
Systems and Services segment

Intraoral digital scans for Invisalign® case submission



Imaging Systems and CAD/CAM Services

Systems and Services Revenues



Services revenues represent ~**50%*** of our Systems and Services business

Invisalign® scans include but not limited to additional aligner order scans, progress tracking, and does not reflect total Invisalign case shipments. Data on file at Align Technology
The iTero Element™ 2 and the iTero Element™ Flex intraoral scanners are currently available in the U.S., Canada, China, and majority of EMEA and APAC markets. The iTero Element™ 5D imaging system is available in the U.S., Canada, China, and the majority of EMEA and select APAC and LATAM markets

*Q1'23

exocad Q1 2023 Highlights

exoplan 3.1 Rijeka launched

Prosthetic-driven implant planning and surgical guide design

Release Highlights:

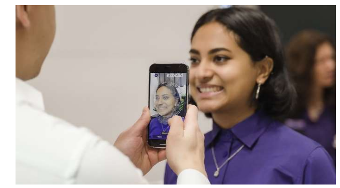
- Rapid pre-planning helps patients understand proposed treatment
- Allows implant planning and surgical guide design for both upper and lower jaws simultaneously
- **Full surgical protocol** with drill sequence now available. Printable step-by-step plan for guided surgery offers dentists clear treatment overview

Future of smile design preview at IDS 2023

New AI-enhanced visualization for increased patient acceptance

3D Face scan App:

- 3D scans of patients' faces via cell phone camera
- No additional hardware needed
- AI-based software calculates detailed 3D model, which is loaded into the *Smile Creator* software



***TruSmile* Video:**

- New anterior tooth design is presented in realistic AI video that shows patient speaking and smiling
- Helps increase patient understanding of potential treatment outcomes

exocad introduces third-party design services

Vancouver-based dental technology company

Evident as initial partner for North America

- For labs looking to outsource overflow work and expand their service offerings
- exocad software users can outsource design requests and receive completed case designs via exocad's *dentalshare* platform

IDS 2023

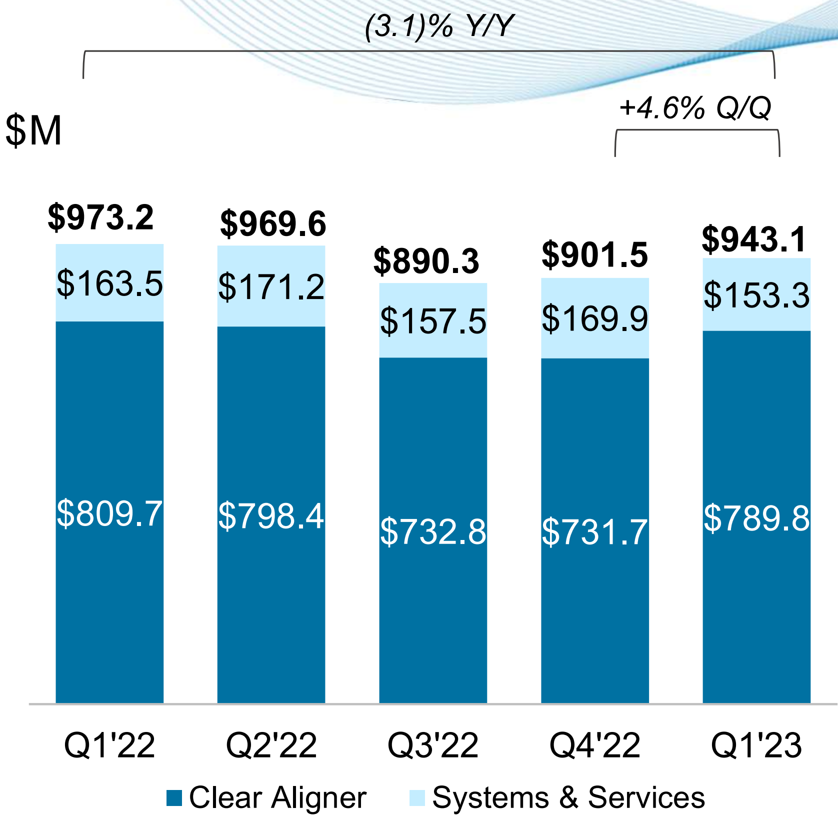
International visitors captivated by new *Rijeka* release series in Cologne, Germany

- 11 demo stations showcased product features of latest *Rijeka* release series
- Live *Smile Creator* sessions presented seamless workflow: From scanning with the integrated iTero Element™ 5D to designing the new smile in exocad and printing a clip-on smile
- Sneak peek into the future of digital dentistry

Q1 2023 Financial Review

Revenues Trend

Q1'23 highlights



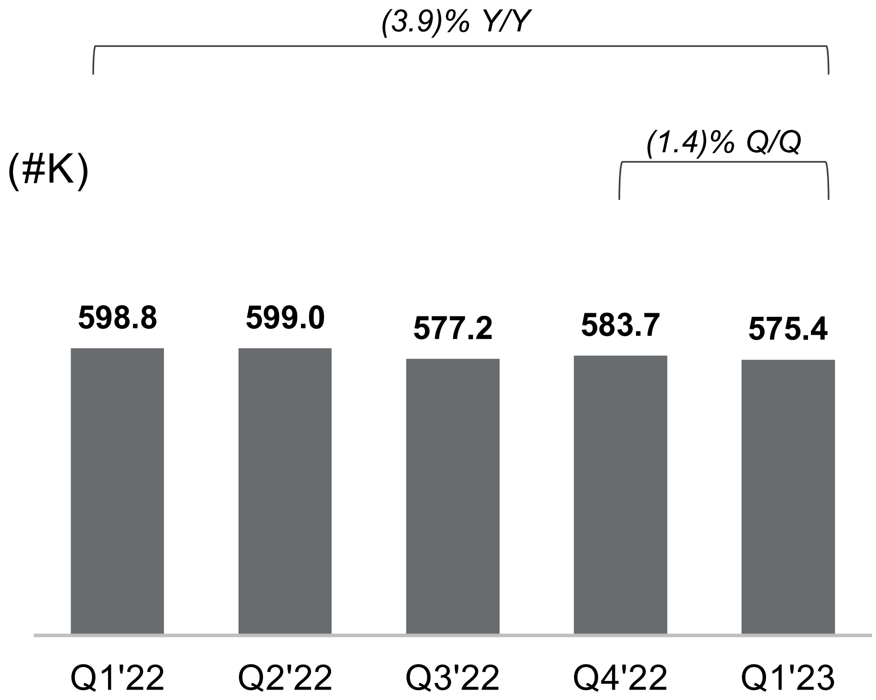
- **Total revenues of $943.1M, +4.6% Q/Q and (3.1)% Y/Y**
  - Q/Q, revenues were favorably impacted by FX of ~$25.8M*
  - Y/Y, revenues were unfavorably impacted by FX of ~$34.9M*
- **Clear Aligners revenues of $789.8M, +7.9% Q/Q and (2.5)% Y/Y**
  - Q/Q increase primarily from higher ASPs and higher non-case revenues, partially offset by lower volumes
  - Y/Y decline primarily due to lower volumes, lower ASPs including unfavorable FX, partially offset by higher non-case revenues
  - Clear Aligner revenues were favorably impacted by FX of ~$21.8M or ~2.8% Q/Q and unfavorably impacted by FX of ~$29.1M or ~3.6% Y/Y*
- **Invisalign® ASPs for comprehensive treatment was up Q/Q and decreased Y/Y**
  - Q/Q, ASPs reflect price increases, favorable FX and higher additional aligners, partially offset by product mix shift and higher discounts
  - Y/Y, the ASPs for our comprehensive treatment were almost flat, primarily due to product mix shift, unfavorable FX, and higher discounts, mostly offset by price increases and higher additional aligners
- **Invisalign® ASPs for non-comprehensive treatment increased both Q/Q and Y/Y**
  - Q/Q, the increase in ASPs reflect price increases, favorable FX, and higher additional aligners, partially offset by higher discounts
  - Y/Y, the increase in ASPs reflect price increases and higher additional aligners, partially offset by product mix shift, unfavorable FX, and higher discounts
- **Systems and Services revenues of $153.3M, (9.7)% Q/Q, (6.2)% Y/Y**
  - Q/Q, decline primarily due to seasonally lower scanner volume, partially offset by higher services revenues from our larger base of scanners sold, higher revenues from our CPO and leasing/rental programs, and favorable ASPs
  - Y/Y, decline primarily for the reasons just stated
  - Q/Q, revenues benefitted from favorable FX of ~$4.0M or ~2.7%*
  - Y/Y, revenues were unfavorably impacted by FX of ~$5.8M or ~3.6%*

*See table: Unaudited GAAP to Non-GAAP Reconciliation

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

Clear Aligner Shipments Trend

Q1’23 highlights



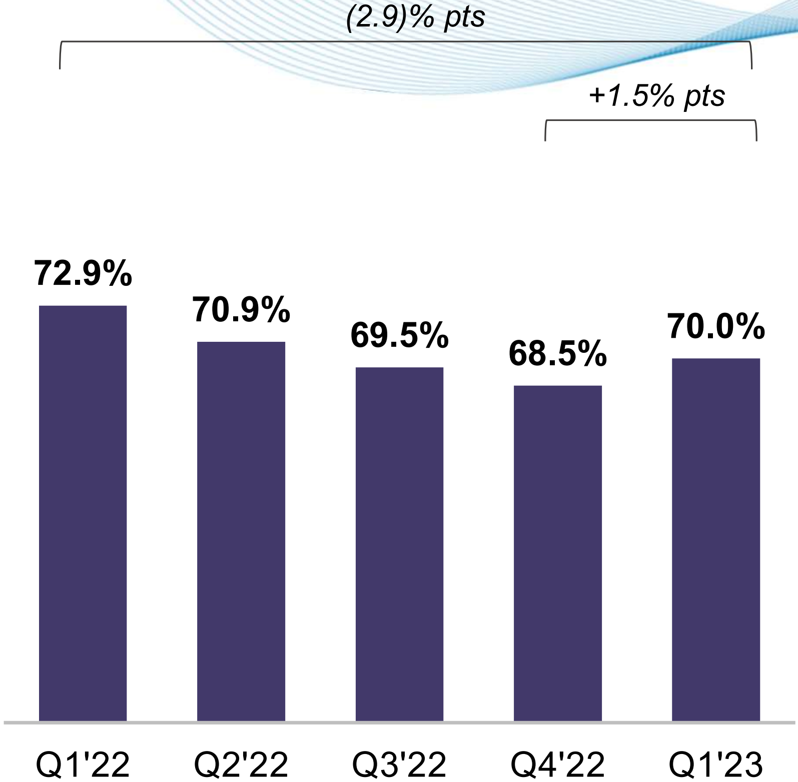
- In Q1, Clear Aligner case volume was (1.4)% Q/Q, and (3.9)% Y/Y
- Q1 total Clear Aligner volumes of 575.4K were down slightly Q/Q, reflecting stability across regions and improvements in consumer confidence, as well as the easing of COVID restrictions recently in China

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

align™ | invisalign | iTero | exocad

GAAP Gross Margin Trends

Q1'23 highlights



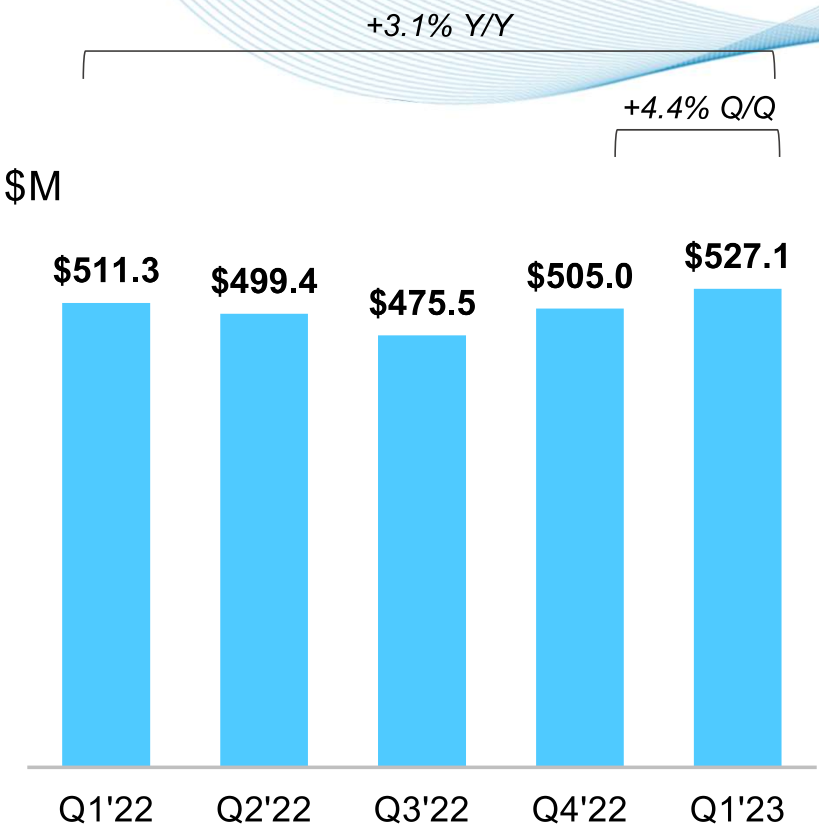
- Overall gross margin was 70.0%, +1.5 pts Q/Q and (2.9) pts Y/Y
- Overall gross margin was favorably impacted by FX by ~0.8 pts Q/Q and unfavorably impacted by ~1.1 pts Y/Y
- Clear Aligner gross margin was 71.7%
  - +0.9 pts Q/Q due to higher ASPs, partially offset by higher manufacturing absorption
  - (3.1) pts Y/Y primarily due to lower ASPs, increased manufacturing spend as we continue to ramp up operations at our new manufacturing facility in Poland, and a higher mix of additional aligner volume
- Systems and Services gross margin was 61.6%
  - +2.8 pts Q/Q primarily from increased manufacturing efficiencies
  - (1.8) pts Y/Y due to lower volumes, partially offset by higher services revenues and ASPs

*See table: Unaudited GAAP to Non-GAAP Reconciliation

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

GAAP Operating Expense Trends

Q1’23 highlights

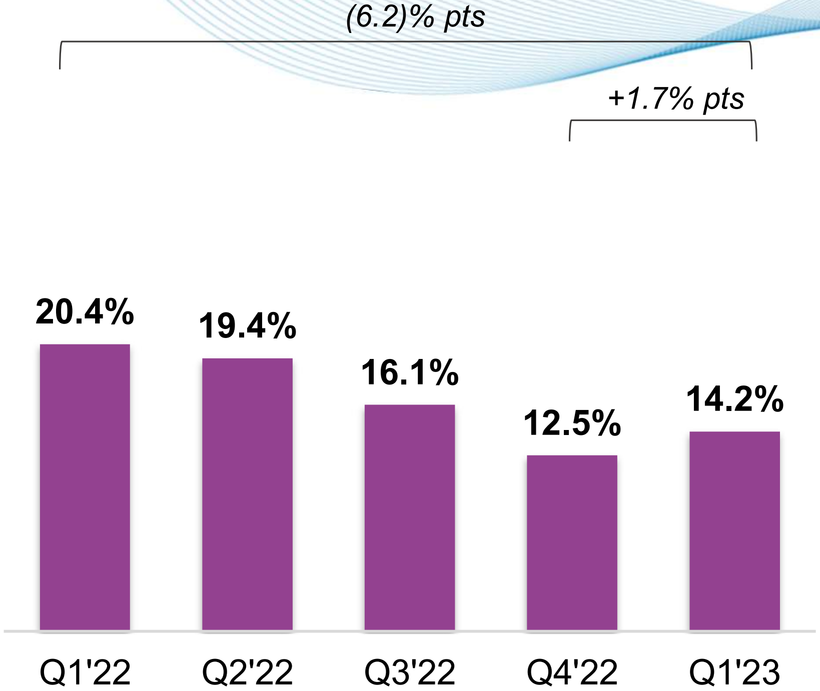


- Operating expenses were $527.1M, +4.4% Q/Q and +3.1% Y/Y
  - Q/Q, operating expenses +$22.1M, primarily from higher incentive compensation and consumer marketing spend, partially offset by restructuring and other charges not recurring in Q1
  - Y/Y, operating expenses +15.9M, primarily due to higher incentive compensation and our continued investments in sales & R&D activities partially offset by controlled spending in advertising and marketing as a part of our efforts to proactively manage costs
  - On a non-GAAP basis, excluding stock-based compensation and amortization of acquired intangibles related to certain acquisitions, partially offset by restructuring and other charges, operating expenses were $490.5M, +6.7% Q/Q and +2.1% Y/Y

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

GAAP Operating Margin and Earnings Per Share Trends

Q1’23 highlights



Diluted Earnings Per Share	**$1.70**	**$1.44**	**$0.93**	**$0.54**	**$1.14**

- Operating income of $133.5M resulted in an operating margin of 14.2%,+1.7 pts Q/Q and (6.2) pts Y/Y
  - Operating margin was favorably impacted by ~1.5 pts Q/Q primarily due to FX* and higher gross margin
  - Y/Y decrease in operating margin is primarily attributable to lower gross margin, investments in our go-to-market teams and technology, as well as unfavorable impact from FX by ~2.0 pts*
  - On a non-GAAP basis, which excludes stock-based compensation, amortization of intangibles related to certain acquisitions, offset by restructuring and other charges, operating margin for the first quarter was 18.5%, +0.2 pts Q/Q and (5.5) pts Y/Y
- Interest and other income & expense, net for the first quarter was an income of $1.1M compared to an income of $2.7M in the fourth quarter and a loss of $10.6M in the first quarter a year ago, primarily due to net foreign exchange gains from the strengthening of certain foreign currencies against the U.S. dollar
- The GAAP effective tax rate in the first quarter was 34.8% compared to 63.8% in the fourth quarter and 28.4% in the first quarter of the prior year
- The first quarter GAAP effective tax rate was lower than the fourth quarter effective tax rate primarily due to increased earnings in low tax jurisdictions in Q1'23 and an audit settlement in Q4 2022
- As a reminder, in Q4'22 we changed our methodology for the computation of our non-GAAP effective tax rate to a long-term projected tax rate and have given effect to the new methodology from January 1, 2022, and recast previously reported quarterly periods in 2022
- Our non-GAAP effective tax rate in the first quarter was 20.0%, reflecting the change in our methodology
- First quarter net income per diluted share was $1.14, up Q/Q $0.60, and down $0.56 compared to the prior year. Our EPS was favorably impacted by $0.14 on a Q/Q basis and unfavorably impacted by $0.21 on a Y/Y basis due to foreign exchange. On a non-GAAP basis, net income per diluted share was $1.82 for the first quarter, up $0.09 Q/Q and down $0.43 Y/Y. Note that the prior year 2022 non-GAAP net income per diluted share and our prior year 2022 non-GAAP EPS reflects the Q4’22 change in our methodology for the computation of the non-GAAP effective tax rate

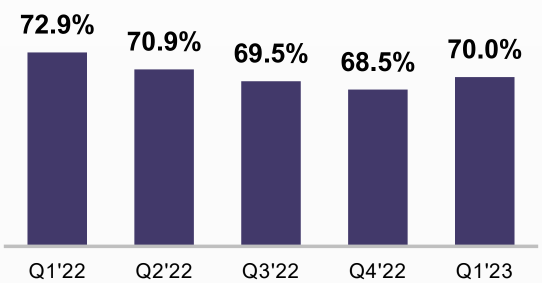
*See table: Unaudited GAAP to Non-GAAP Reconciliation

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

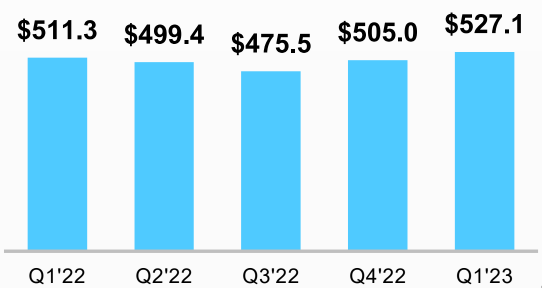
Trended financials

GAAP

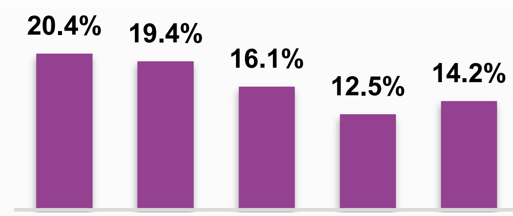
Gross Margin %



Operating Expense ($M)



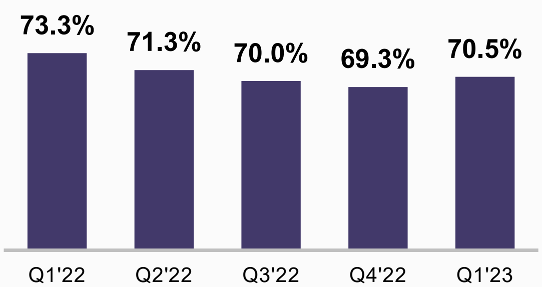
Operating Margin % & EPS



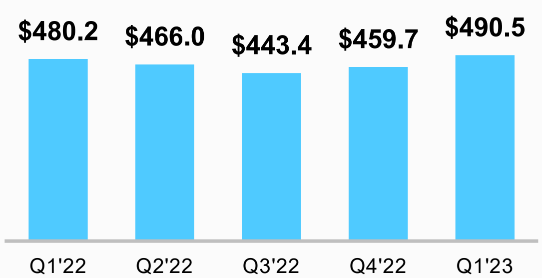
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Diluted Earnings Per Share	$1.70	$1.44	$0.93	$0.54	$1.14

Non-GAAP

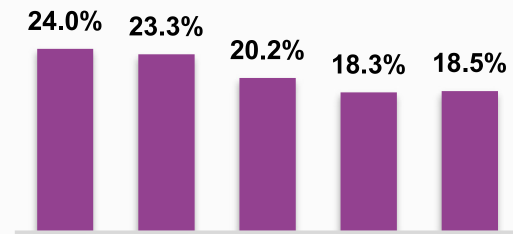
Gross Margin %



Operating Expense ($M)



Operating Margin % & EPS



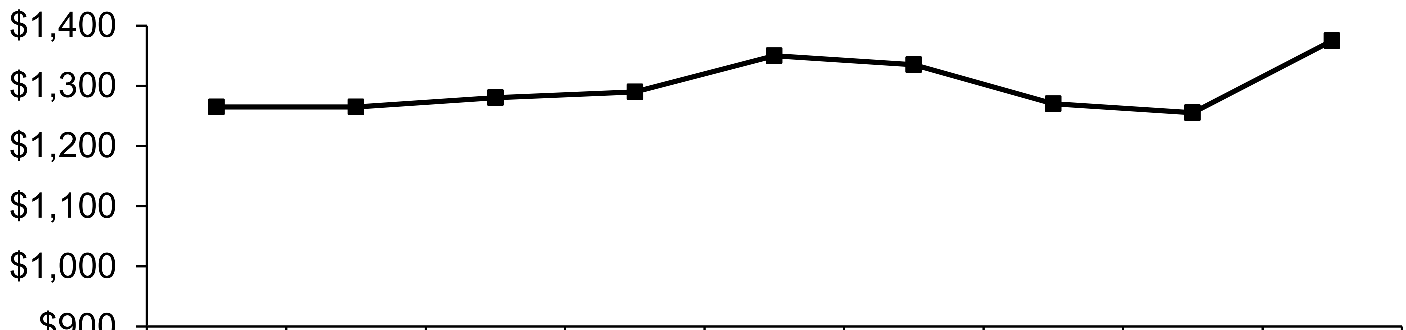
	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Diluted Earnings Per Share	$2.25	$2.15	$1.63	$1.73	$1.82

*See table: Unaudited GAAP to Non-GAAP Reconciliation

Percentages are based on actual values. Rounding may affect totals

Clear Aligner Revenue Per Case Shipment

Clear Aligner Revenue Per Case Shipment



	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Worldwide ASP	$1,265	$1,265	$1,280	$1,290	$1,350	$1,335	$1,270	$1,255	$1,375

- **Average Selling Price ("ASP"):** Clear aligner revenues / Case shipments

Balance Sheet, Cash Flow, & Stock

($ in millions except for DSO)	Q1'22	Q4'22	**Q1'23**
Accounts Receivables, net	$950.9	$859.7	**$884.4**
DSO	87 days	85 days	**83 days**
Cash, Cash Equivalents, and Short-Term and Long-Term Marketable Securities	$1,120.6	$1,041.6	**$921.4**
Cash Flow from Operations	$30.5	$144.7	**$199.9**
Capital Expenditures	$(87.3)	$(53.2)	**$(64.1)**
Free Cash Flow*	$(56.8)	$91.5	**$135.8**

**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

- Of our $921.4 million balance, $310.5M was held in the U.S. and $610.9M was held by our international entities
- During Q1'23, we purchased approximately 942K shares of our common stock at an average price of $307.74 per share for a total purchase price of $290.0M, completing a $200.0M Accelerated Share Repurchase ("ASR") from Q4'22, a $250.0M ASR from Q1 2023, and our May 13, 2021 $1.0 Billion Stock Repurchase Program. During Q1'23, we announced that our Board of Directors authorized a new $1.0 Billion Stock Repurchase Program to succeed the 2021 $1 billion program. Currently $1.0B remains available for repurchases under the 2023 $1.0 Billion Stock Repurchase Program
- Clear Aligner deferred revenues on the balance sheet +$32.0M or +2.6% Q/Q and +$150.9M or +13.6% Y/Y and will be recognized as the additional aligners are shipped
- Systems and Services deferred revenues on the balance sheet was -$2.2M or (0.8)% Q/Q primarily due to the decrease in scanner sales and the deferral of service revenues included with the scanner purchase, and +$24.2M or +9.8% Y/Y due to the increase in scanner sales and the deferral of service revenues included with the scanner purchase, which will be recognized ratably over the service period

Closing Comments

Business trends commentary

We are pleased with our Q1 results and what continues to be a more stable operating environment across all regions. We remain cautiously optimistic for continued stability as we move through the year. However, the macroeconomic environment remains uncertain and given continued domestic and global challenges and unpredictability, we are not providing full year revenue guidance. We would like to see consistent improvements in the operating environment and consumer demand signals, before revisiting our approach

We remain focused on making investments to drive growth and penetration into a huge untapped market opportunity, including our strategic investments in sales, marketing, technology, and innovation. We are confident in our ability to address the massive opportunity for digital orthodontics and restorative dentistry, with our execution centered on our strategic initiatives

With this backdrop, for Q2 2023, we anticipate Clear Aligner volume and ASPs to be up sequentially. We also anticipate Systems and Services revenue to be up sequentially. For Q2’23, we anticipate revenues to be in the range of $980 million to $1 billion. We expect our Q2'23 Non-GAAP gross margin to be flat to slightly up from Q1’23, and our Q2’23 Non-GAAP operating margin to be up by approximately 1 point sequentially, as we continue to strategically prioritize our investments in go-to-market activities and R&D to drive growth

For full year 2023, assuming no circumstances beyond our control occur, we reiterate our 2023 Non-GAAP operating margin to be slightly above 20%

For 2023, we expect our investments in capital expenditures to exceed $200 million. Capital expenditures primarily relate to building construction and improvements as well as additional manufacturing capacity to support our international expansion.

Finally, as it relates to the $75 million equity investment in Heartland Dental that Joe discussed, our investment is less than 5% of their company and Align has no oversight or involvement in management of Heartland Dental or its affiliates

Closing commentary

In closing, we're pleased with our first quarter results that reflected an environment of continued stability for our doctor customers; however, degrees of uncertainty remain from market to market.

We are confident in our durable competitive advantage as we continue to transform the orthodontic industry, bringing digital dentistry and clear aligner treatment to more doctors and the patients they serve, driven by our strategic initiatives of international expansion, orthodontist utilization, general dentist treatment and patient demand and conversion.

We will continue to focus on the next phase of new platform innovations in scanning, software, and direct 3D printing while prioritizing the needs of our customers for the ultimate benefit of their patients. We are a purpose-driven organization with a tireless commitment to transform more smiles and change more lives. We are the only digital orthodontic company in the world today with the scale and reach to address the 500 million potential people that could benefit from teeth straightening with the Invisalign® System.

Transforming

changing lives

Appendix

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Net Revenues

Note:

1) We define constant currency net revenues as total net revenues excluding the effect of foreign exchange rate movements and use it to determine the percentage for the constant currency impact on net revenues on a sequential and year-over-year basis. Constant currency impact in dollars is calculated by translating the current period GAAP net revenues using the foreign currency exchange rates that were in effect during the previous comparable period and subtracting it by the current period GAAP net revenues. The percentage for the constant currency impact on net revenues is calculated by dividing the constant currency impact in dollars (numerator) by constant currency net revenues in dollars (denominator).

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION
CONSTANT CURRENCY NET REVENUES
(in thousands, except percentages)

Sequential constant currency analysis:

	Three Months Ended		
	March 31, 2023	December 31, 2022	Impact % of Revenue
GAAP net revenues	$ 943,147	$ 901,515	
Constant currency impact [1]	(25,798)		(2.8)%
Constant currency net revenues [1]	$ 917,349		
GAAP Clear Aligner net revenues	$ 789,804	$ 731,654	
Clear Aligner constant currency impact [1]	(21,780)		(2.8)%
Clear Aligner constant currency net revenues [1]	$ 768,024		
GAAP Imaging Systems and CAD/CAM Services net revenues	$ 153,343	$ 169,861	
Imaging Systems and CAD/CAM Services constant currency impact [1]	(4,018)		(2.7)%
Imaging Systems and CAD/CAM Services constant currency net revenues [1]	$ 149,325		

Year-over-year constant currency analysis:

	Three Months Ended March 31,		
	2023	2022	Impact % of Revenue
GAAP net revenues	$ 943,147	$ 973,219	
Constant currency impact [1]	34,884		3.6 %
Constant currency net revenues [1]	$ 978,031		
GAAP Clear Aligner net revenues	$ 789,804	$ 809,696	
Clear Aligner constant currency impact [1]	29,078		3.6 %
Clear Aligner constant currency net revenues [1]	$ 818,882		
GAAP Imaging Systems and CAD/CAM Services net revenues	$ 153,343	$ 163,523	
Imaging Systems and CAD/CAM Services constant currency impact [1]	5,806		3.6 %
Imaging Systems and CAD/CAM Services constant currency net revenues [1]	$ 159,149		

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Gross Profit and Gross Margin

Note:

1) We define constant currency gross margin as constant currency gross profit as a percentage of constant currency net revenues. Gross margin constant currency impact is the increase or decrease in constant currency gross margin compared to the GAAP gross margin.

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
CONSTANT CURRENCY GROSS PROFIT AND GROSS MARGIN
(in thousands, except percentages)

Sequential constant currency analysis:

	Three Months Ended	
	March 31, 2023	December 31, 2022
GAAP gross profit	$ 660,654	$ 617,701
Constant currency impact on net revenues	(25,798)	
Constant currency gross profit	$ 634,856	

	Three Months Ended	
	March 31, 2023	December 31, 2022
GAAP gross margin	70.0 %	68.5 %
Gross margin constant currency impact [1]	(0.8)	
Constant currency gross margin [1]	69.2 %	

Year-over-year constant currency analysis:

	Three Months Ended March 31,	
	2023	2022
GAAP gross profit	$ 660,654	$ 709,346
Constant currency impact on net revenues	34,884	
Constant currency gross profit	$ 695,538	

	Three Months Ended March 31,	
	2023	2022
GAAP gross margin	70.0 %	72.9 %
Gross margin constant currency impact [1]	1.1	
Constant currency gross margin [1]	71.1 %	

Unaudited GAAP to Non-GAAP Reconciliation Constant Currency Income from Operations and Operating Margin

Notes:

1) We define constant currency income from operations as GAAP income from operations excluding the effect of foreign exchange rate movements for GAAP net revenues and operating expenses on a sequential and year-over-year basis. Constant currency impact in dollars is calculated by translating the current period GAAP net revenues and operating expenses using the foreign currency exchange rates that were in effect during the previous comparable period and subtracting it by the current period GAAP net revenues and operating expenses.

2) We define constant currency operating margin as constant currency income from operations as a percentage of constant currency net revenues. Operating margin constant currency impact is the increase or decrease in constant currency operating margin compared to the GAAP operating margin.

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
CONSTANT CURRENCY INCOME FROM OPERATIONS AND OPERATING MARGIN
(in thousands, except percentages)

Sequential constant currency analysis:

	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022
GAAP income from operations	$ 133,516	$ 112,661
Income from operations constant currency impact [1]	(16,998)	
Constant currency income from operations [1]	$ 116,518	

	Three Months Ended March 31, 2023	Three Months Ended December 31, 2022
GAAP operating margin	14.2 %	12.5 %
Operating margin constant currency impact [2]	(1.5)	
Constant currency operating margin [2]	12.7 %	

Year-over-year constant currency analysis:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
GAAP income from operations	$ 133,516	$ 198,082
Income from operations constant currency impact [1]	24,772	
Constant currency income from operations [1]	$ 158,288	

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
GAAP operating margin	14.2 %	20.4 %
Operating margin constant currency impact [2]	2.0	
Constant currency operating margin [2]	16.2 %	

Unaudited GAAP to Non-GAAP Reconciliation Financial Measures Other Than Constant Currency

Notes:

1) Amortization of intangible assets related to certain acquisitions.
2) Restructuring and other charges recorded in Gross Profit and Operating expenses primarily relate to severance costs, lease termination charges and asset impairments.
3) In Q4'22, we changed our methodology for the computation of the non-GAAP effective tax rate to a long-term projected tax rate and have given effect to the new methodology from January 1, 2022, and recast previously reported quarterly periods in 2022.

ALIGN TECHNOLOGY, INC.
UNAUDITED GAAP TO NON-GAAP RECONCILIATION CONTINUED
FINANCIAL MEASURES OTHER THAN CONSTANT CURRENCY
(in thousands, except per share data)

	Three Months Ended March 31,	
	2023	2022
GAAP gross profit	$ 660,654	$ 709,346
Stock-based compensation	1,807	1,514
Amortization of intangibles [1]	2,774	2,487
Restructuring charges [2]	(8)	—
Non-GAAP gross profit	$ 665,227	$ 713,347
GAAP gross margin	70.0 %	72.9 %
Non-GAAP gross margin	70.5 %	73.3 %
GAAP total operating expenses	$ 527,138	$ 511,264
Stock-based compensation	(35,928)	(30,107)
Amortization of intangibles [1]	(867)	(910)
Restructuring and other charges [2]	177	—
Non-GAAP total operating expenses	$ 490,520	$ 480,247
GAAP income from operations	$ 133,516	$ 198,082
Stock-based compensation	37,735	31,621
Amortization of intangibles [1]	3,641	3,397
Restructuring and other charges [2]	(185)	—
Non-GAAP income from operations	$ 174,707	$ 233,100
GAAP operating margin	14.2 %	20.4 %
Non-GAAP operating margin	18.5 %	24.0 %
GAAP net income before provision for income taxes	$ 134,624	$ 187,486
Stock-based compensation	37,735	31,621
Amortization of intangibles [1]	3,641	3,397
Restructuring and other charges [2]	(185)	—
Non-GAAP net income before provision for income taxes	$ 175,815	$ 222,504
GAAP provision for income taxes	$ 46,826	$ 53,188
Tax impact on non-GAAP adjustments [3]	(11,626)	(8,687)
Non-GAAP provision for income taxes [3]	$ 35,200	$ 44,501
GAAP effective tax rate	34.8 %	28.4 %
Non-GAAP effective tax rate [3]	20.0 %	20.0 %
GAAP net income	$ 87,798	$ 134,298
Stock-based compensation	37,735	31,621
Amortization of intangibles [1]	3,641	3,397
Restructuring and other charges [2]	(185)	—
Tax impact on non-GAAP adjustments [3]	11,626	8,687
Non-GAAP net income [3]	$ 140,615	$ 178,003
GAAP diluted net income per share	$ 1.14	$ 1.70
Non-GAAP diluted net income per share [3]	$ 1.82	$ 2.25
Shares used in computing diluted net income per share	77,111	79,193

Fiscal 2023 Outlook – GAAP to Non-GAAP Reconciliation

Note:

1) Amortization of intangible assets related to certain acquisitions.

ALIGN TECHNOLOGY, INC.
Q2 2023 OUTLOOK - GAAP TO NON-GAAP RECONCILIATION

	Three Months Ended June 30, 2023
GAAP gross margin	**slightly above 70%**
Stock-based compensation	~0.2%
Amortization of intangibles [1]	~0.3%
Non-GAAP gross margin	slightly above 70.5%

	Three Months Ended June 30, 2023
GAAP operating margin	**~15.4%**
Stock-based compensation	~3.7%
Amortization of intangibles [1]	~0.4%
Non-GAAP operating margin	**~19.5%**

ALIGN TECHNOLOGY, INC.
FISCAL 2023 OUTLOOK - GAAP TO NON-GAAP RECONCILIATION

	Year Ended December 31, 2023
GAAP operating margin	**slightly above 16%**
Stock-based compensation	~4%
Amortization of intangibles [1]	~0.4%
Non-GAAP operating margin	slightly above 20%

[1] Amortization of intangible assets related to certain acquisitions.

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