



ALIGN TECHNOLOGY, INC.

Financial Results Q2 2016

Align Technology, Inc – Q2 2016 Financial Results

Conference Call

- Speakers:
 - Joe Hogan, President and CEO
 - David White, CFO
 - Shirley Stacy, VP, Corporate Communications & Investor Relations
- Replay and Web cast Archive
 - Telephone replay will be available through 5:30pm ET August 11, 2016
 - Domestic callers: 877-660-6853
 - International callers: 201-612-7415
 - Conference # 13640324
 - Audio web cast archive will be available at <http://investor.aligntech.com> for 12 months

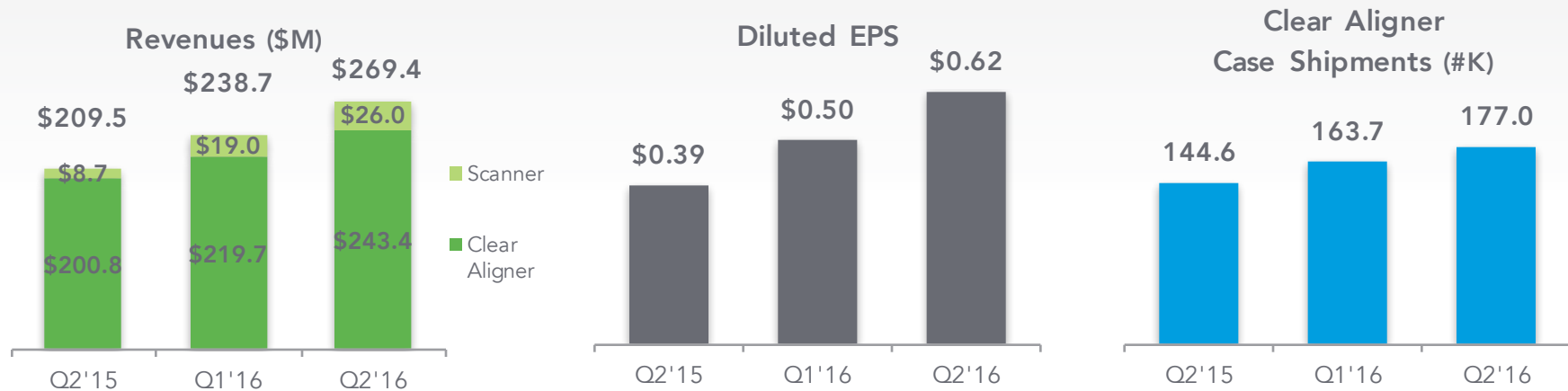
Contacts

- Website: <http://investor.aligntech.com/>
- Email: investorinfo@aligntech.com
- Tel: (408) 470-1000
- Corporate and Investor Communications:
 - Shirley Stacy, sstacy@aligntech.com
 - Yin Cantor, ycantor@aligntech.com

Safe Harbor and Forward Looking Statement

- This presentation contains forward-looking statements, including statements regarding certain business metrics for the third quarter of 2016, including, but not limited to, anticipated net revenues, gross margin, operating expenses, operating profit, diluted earnings per share, and case shipments. 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, difficulties predicting customer and consumer purchasing behavior, 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 does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, growth related risks, including capacity constraints and pressure on our internal systems and personnel, our ability to successfully achieve the anticipated benefits from the scanner and services business, continued customer demand for our existing and new products, changes in consumer spending habits as a result of, among other things, prevailing economic conditions, levels of employment, salaries and wages and consumer confidence, the timing of case submissions from our doctors within a quarter, acceptance of our products by consumers and dental professionals, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, continued compliance with regulatory requirements, competition from existing and new competitors, Align's ability to develop and successfully introduce new products and product enhancements and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the Securities and Exchange Commission (SEC) on February 25, 2016, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, which was filed with the SEC on May 5, 2016. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

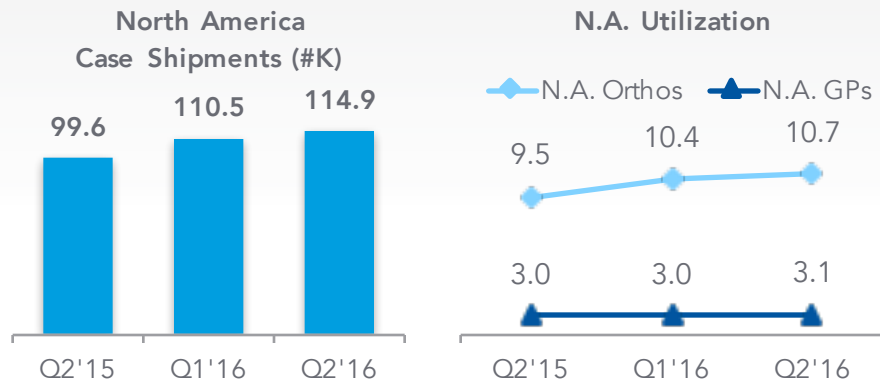
Q2 2016 Financial Highlights



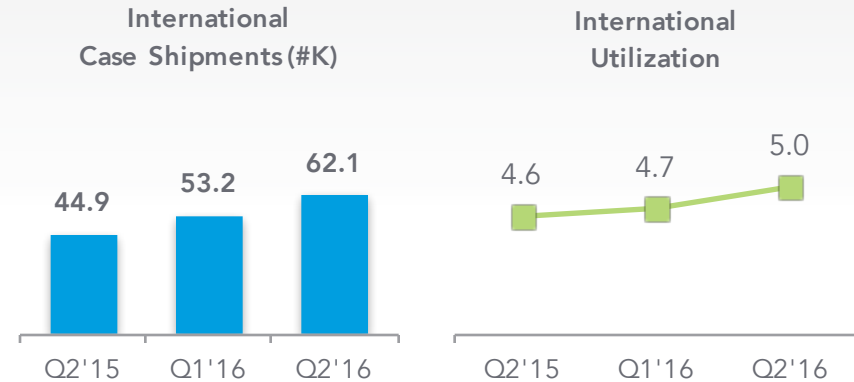
- Revenue for the second quarter was \$269.4 million, up 12.8% from the prior quarter and up 28.6% from the corresponding quarter a year-ago. On a year-over-year comparative basis, the growth rate for both total revenue and clear aligner revenue was lower by approximately 4 points related to the Additional Aligners policy we implemented in July last year.
- Q2 results were driven by higher than expected revenue from strong year-over-year Invisalign volume across our customer base and record utilization, as well as the price increase in NA and Int'l.
- International case volume up 38.3%, and North America up 15.3%
- Continued strong demand for our iTero Element with record shipments this quarter resulting in revenue growth of 199.0% year over year

Q2 2016 Clear Aligner Highlights

Shipments and Utilization



- +3.9% Q/Q, +15.3% Y/Y
- Q/Q: driven by both our orthodontist and GP customers. Utilization among our orthodontist customers continued to increase reaching record levels in Ortho for a total of 10.7 cases per doctor this quarter
- Y/Y: volume growth rate continues to outpace the 3-year average and was driven by continued increase in Ortho utilization and expansion of our GP customer base



- +16.8% Q/Q, +38.3% Y/Y
- Q/Q: Continued strength reflects record International utilization driven EMEA (record 5.5 cases/doc), as well as continued expansion of our customer base in APAC.
- EMEA Q2 volume up 37% Y/Y led by Spain and France/Netherlands. Smaller country markets such as Nordics and Eastern EU also had strong year-over-year growth albeit off a small base.
- APAC Q2 record volume was up 42% Y/Y led by China, Japan, South Asia and Taiwan

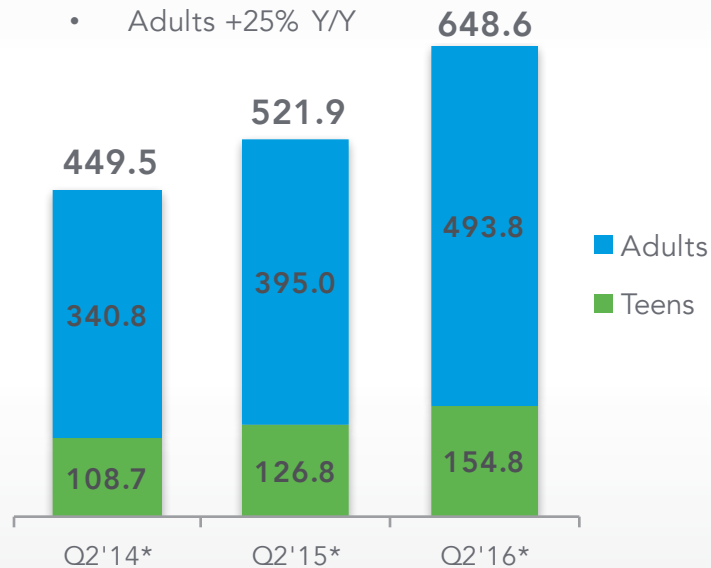
Q2 2016 Clear Aligner Highlights

Teens and Adults

Annualized Teen & Adult Case Mix (#K)

Trailing 12 month growth

- Teens +22% Y/Y
- Adults +25% Y/Y



- On a 12-month basis, 154.8K teens started orthodontic treatment with Invisalign (+22%)
- Average age of teenage patient ~15 years old
- Q2'16 teenage cases +20% Y/Y, reflecting continued adoption of Invisalign treatment for teenagers 11-19 years.
 - North America orthodontist teenage volume grew 19% Y/Y
 - International teenaged patient volume grew 35% Y/Y

* Trailing 12 months case shipments

© 2016 Align Technology, Inc. All rights reserved.

Q2 2016 Invisalign Clear Aligner Consumer Highlights



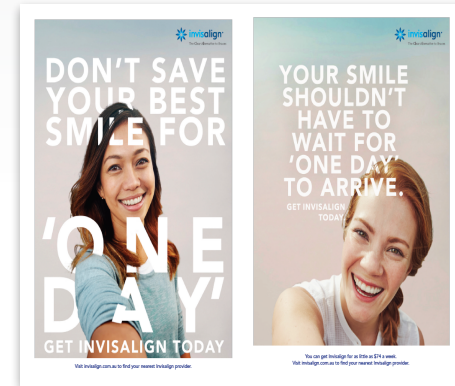
North America

- Campaign focused on patient stories within social media > generated 136K videos
- "Odd Mom Out" tv show on the Bravo network



EMEA

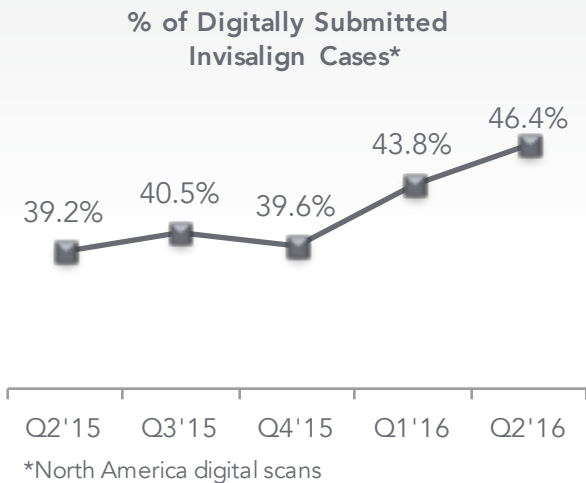
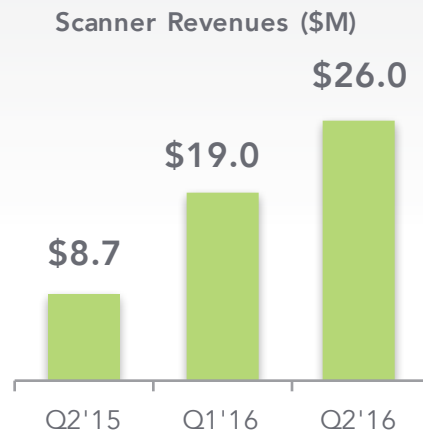
- Real Patient campaign continues to drive interest > web visits growing 112% Y/Y



APAC

- New consumer campaigns kicked off in China, Australia, New Zealand
- Programs continued in Hong Kong and Japan to drive consumer awareness

Q2 2016 Scanner and Services Highlights



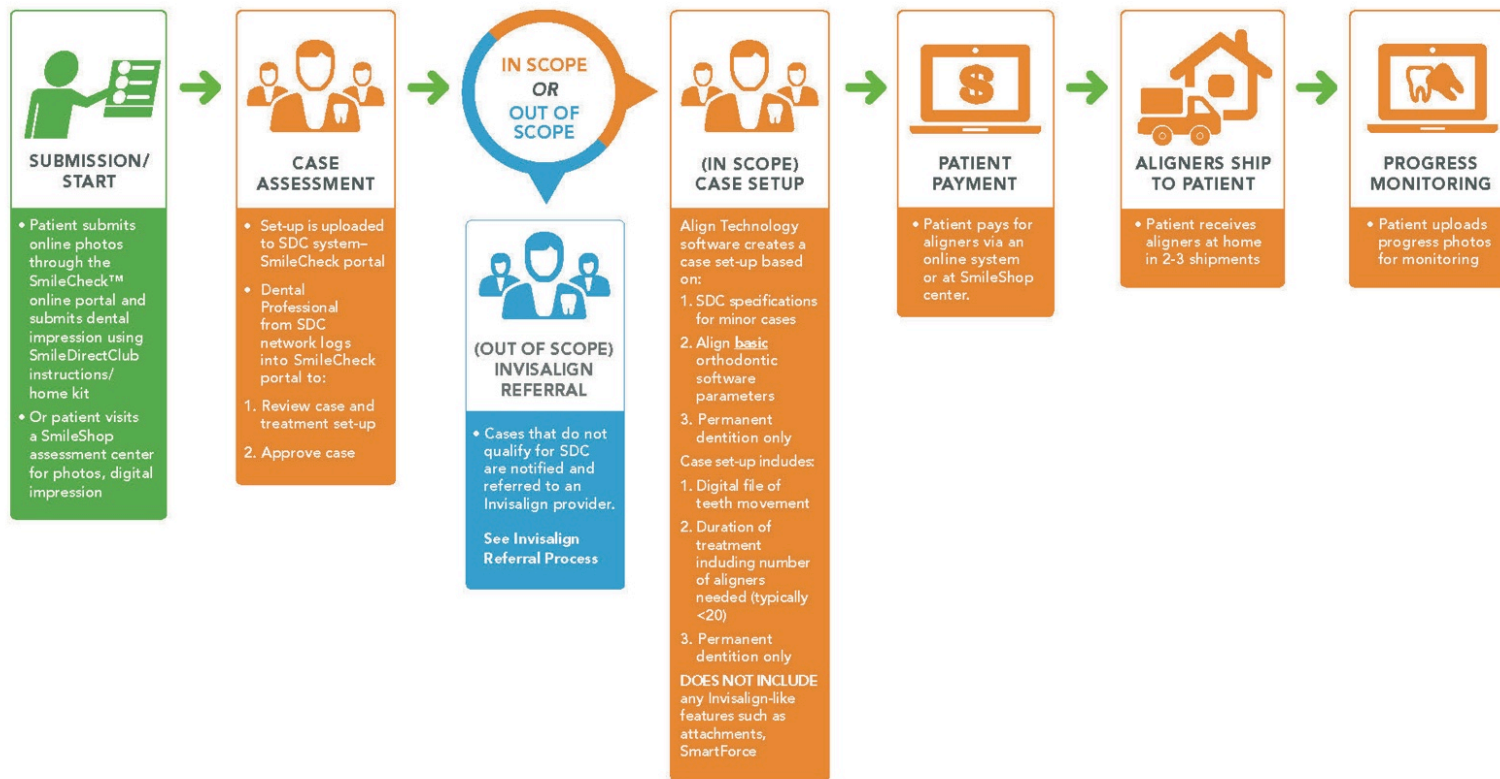
- Q2 revenues +36.3% Q/Q and +199.0% Y/Y
- Record number of units shipped in the quarter
- In March we began shipping the iTero Element for restorative workflows to customers who had pre-ordered and been anxiously awaiting the new iTero Element
- EMEA we received a record number of iTero contracts
- APAC we received strong orders upon launching iTero Element at our Invisalign summit in May.
- For Q2, total Invisalign cases submitted with a digital scanner worldwide increased to 37.4%,
 - 46.4% from North America
 - 20.5% from International doctors.

SmileDirectClub Supplier Agreement

About SmileDirectClub

- Founded in 2013, privately-owned business based in Nashville.
- Regulatory approval and doing business in 49 of 50 states so far.
- SmileDirectClub offers a device for cosmetic treatment that includes up to 20 stages with no attachments and no IPR (interproximal reduction) primarily for adults with permanent dentition.
- Potential patients can either visit a SmileShop to get scanned, schedule an in-home scanning appointment, or submit photos and impressions online to begin the evaluation process.
- They have a network of licensed orthodontists and general practitioner dentists who provide remote/online case assessment, treatment plan review, and progress monitoring of SmileDirectClub cases.
- Backed by Camelot Venture Group (1-800-CONTACTS, Quicken Loans, HearingPlanet, DiabetesCareClub or SongbirdHearing)

SmileDirectClub Patient Workflow

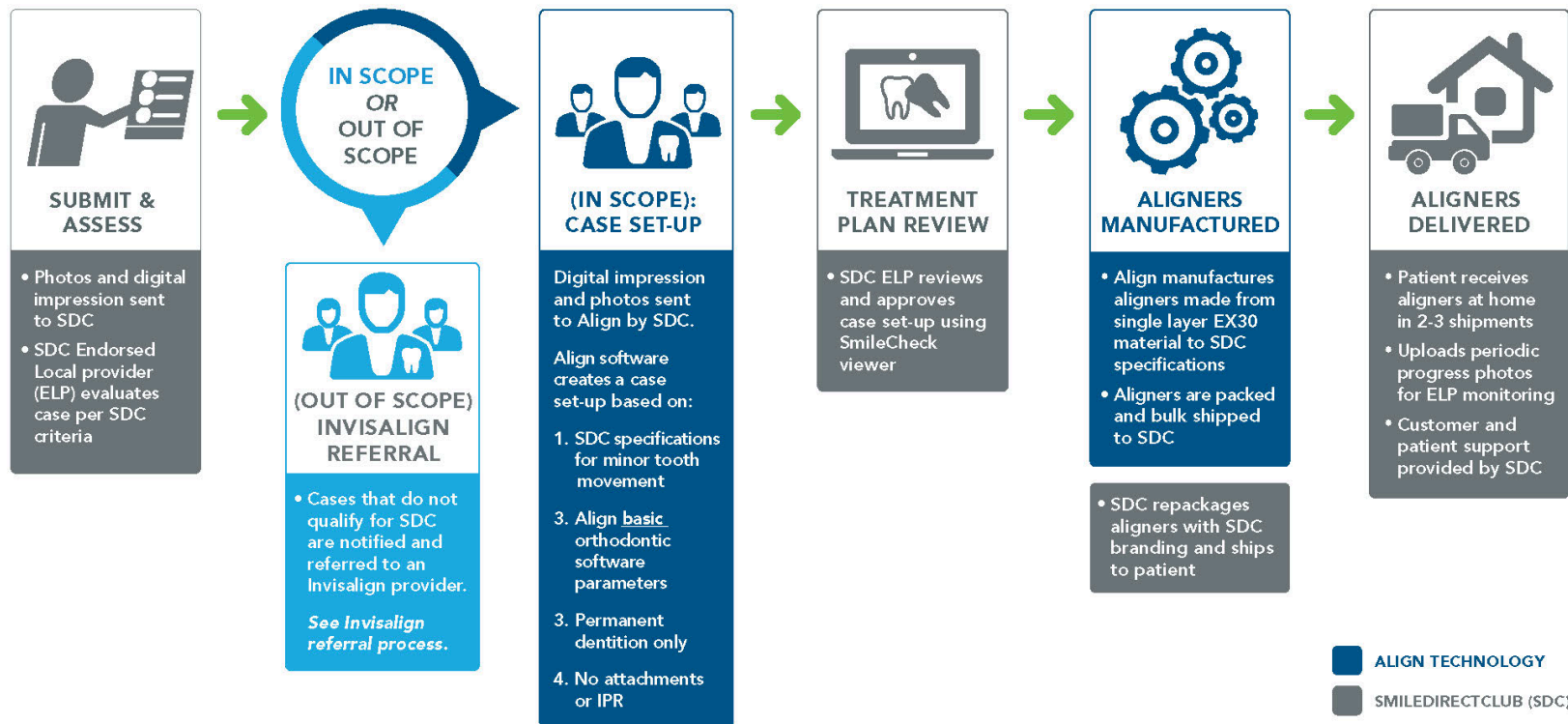


SmileDirectClub Patient Pricing

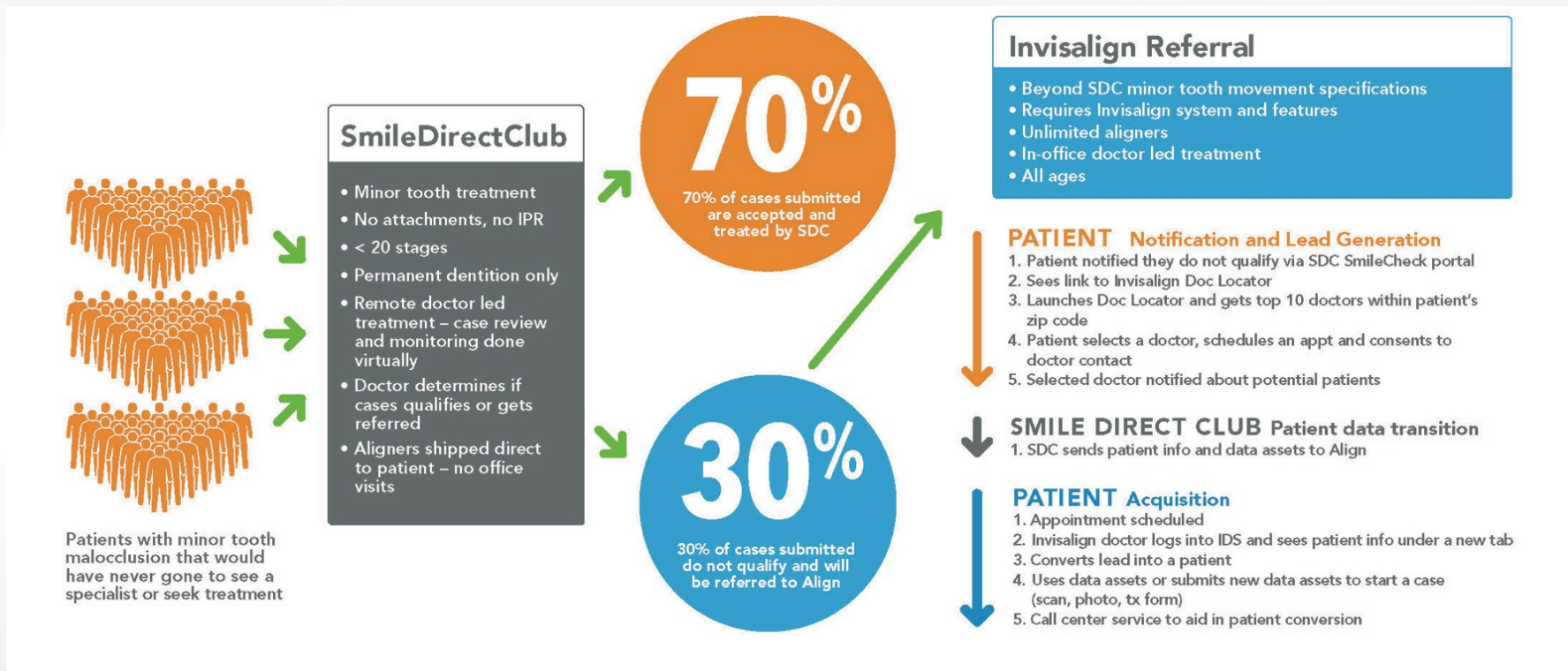
- \$95 case assessment fee, refundable if case is out of treatment scope
- \$1500 if paid in one payment or \$1735 with payment plan
(\$25 down/\$99 per month financing for 15 months)
- At home teeth whitening included in the one-time payment option
- If not satisfied during treatment, patient can return remaining aligners and receive a pro-rated refund

Supplier Announcement with SmileDirectClub

Overview of SmileDirectClub and Align Process



Invisalign Referral Process



Smile Direct Club - Terms of the Agreement

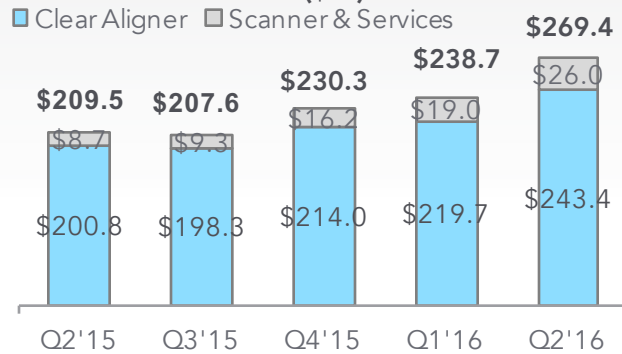
- Align acquired a 17% stake in SmileDirectClub for \$46.7 million and gained a seat on SmileDirectClub's board of directors.
- As a result of our equity holding in SmileDirectClub, Align is required to account for this investment under the equity method of accounting. Thus, Align will include a proportional share of SmileDirectClub's earnings or losses, in its financial statements beginning July 25, 2016.
- Our financial results will reflect two components:
 - 1) Commencing in October when we begin to supply aligners, the sale of aligners to SmileDirectClub and the income therefrom under the supply agreement which will be reported in our Clear Aligner business segment, and
 - In Q3, our portion of SmileDirectClub's reported profits and/or losses will be included in our operating expenses.
- Align will also provide a revolving line of credit to SmileDirectClub of up to \$15 million to fund their working capital and general corporate needs.
- We are excited about this incremental new market opportunity and the potential for our Invisalign doctors to benefit from an untapped segment of consumers with minor malocclusion who want to a better smile.
- We anticipate that this relationship will be incremental to our topline revenue growth and earnings in 2017.

Q2 2016 Financial Review

David White
CFO

Q2 2016 Trended Financials

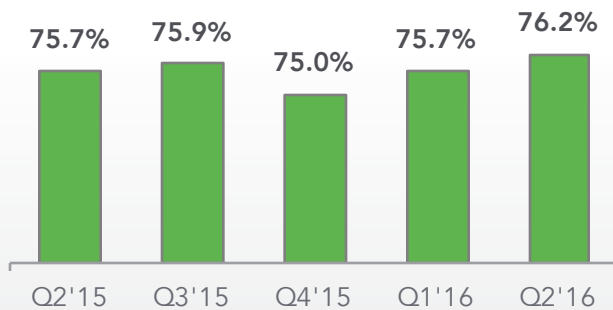
WW Net Revenues (\$M)



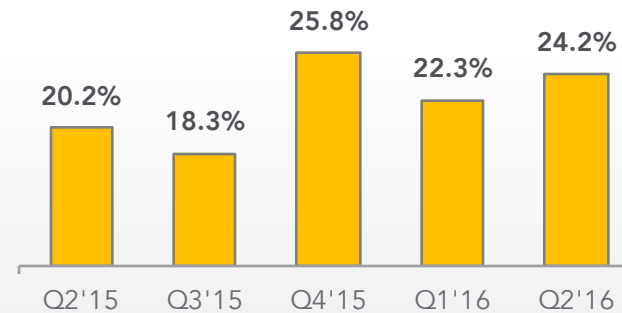
Clear Aligner Shipments (#K)



Gross Margin %



Operating Margin %



- Notes: Rounding may effect totals.
 - Align implemented its new Additional Aligners policy on July 18, 2015. Refer to slide 20 for constant currency and Additional Aligners impact information
- © 2016 Align Technology, Inc. All rights reserved.

Q2 2016 Income Statement Highlights

(in millions except per share data and percentages)

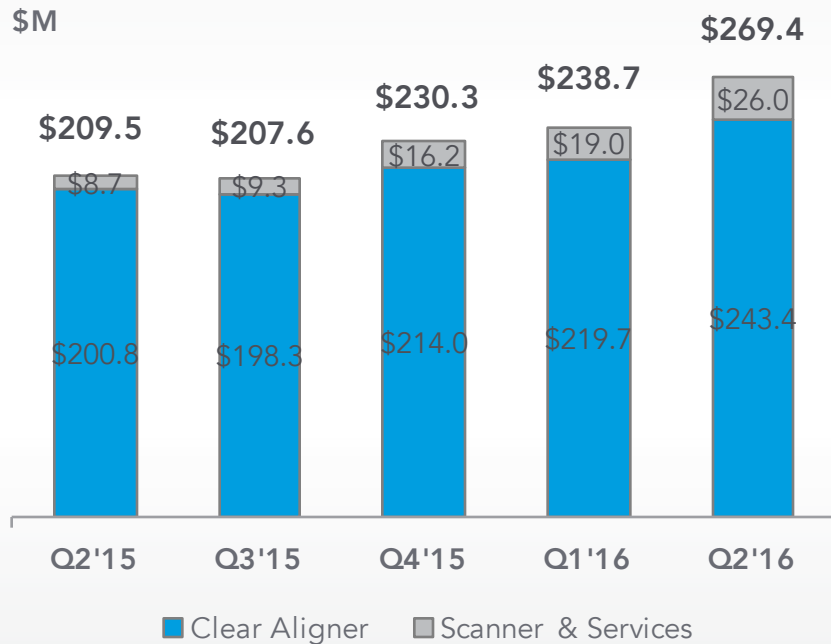
	Q2'16	Sequential Change	Q1'16	Year/Year Change	Q2'15
Net Revenues	\$269.4	+12.8%	\$238.7	+28.6%	\$209.5
Gross Margin	76.2%	+0.5 pts	75.7%	+0.5 pts	75.7%
Operating Expenses	\$140.1	+10.0%	\$127.3	+20.4%	\$116.3
Operating Margin	24.2%	+1.9 pts	22.3%	+4.0pts	20.2%
EPS, diluted	\$0.62	\$0.12	\$0.50	\$0.23	\$0.39

On a year-over-year comparative basis, Q2'16 revenue growth rate was lower by approximately 4 points, related to the Additional Aligner policy and the impact of foreign currency exchange rates.

Note: Data may not total due to rounding

© 2016 Align Technology, Inc. All rights reserved.

Net Revenues Trend



Q2'16 Net Revenues Highlights

Net revenues of \$269.4M, +12.8% Q/Q, +28.6% Y/Y.

- Y/Y comparative basis, the growth rate for both total revenue and clear aligner revenue was lower by ~4 points related to the Additional Aligners policy we implemented in July last year.

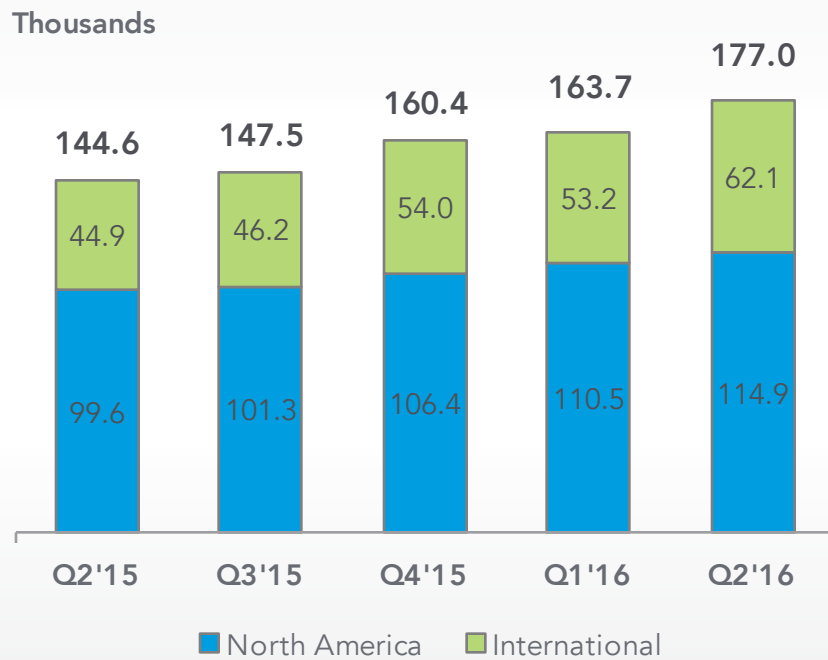
Clear Aligner net revenues, +10.8% Q/Q, +21.2% Y/Y

- Q/Q increase primarily related to increased clear aligner volumes
- ASPs up sequentially ~\$30 reflecting a price increase in the U.S., as well as favorable foreign exchange rates.
- Y/Y growth across all customer channels and geographies as well as our price increase in NA and Int'l, partially offset by lower ASPs primarily related to the Additional Aligner policy change last year.

Scanner & Services net revenues, +36.3% Q/Q, +199.0% Y/Y

- Began shipping the iTero Element for restorative workflow in March and almost half of the scanners shipped were to our GP customers
- Pleased that demand for the scanner continues to be strong as we continue keeping pace with shipments.

Clear Aligner Shipments Trend



Note: Data may not total due to rounding

© 2016 Align Technology, Inc. All rights reserved.

Q2'16 Clear Aligner Shipment Highlights

Shipments of 177.0K, +8.1% Q/Q, +22.4% Y/Y

- Q/Q reflecting growth reflecting growth from both our International and North American customers
- Y/Y driven by growth across all regions

Channel Highlights

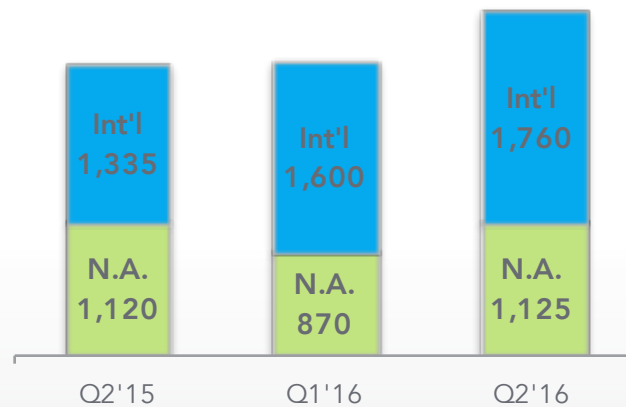
- N.A. Orthodontists +4.7% Q/Q, +20.0% Y/Y
- N.A. GP Dentists +3.0% Q/Q, +9.9% Y/Y
- International +16.8% Q/Q, +38.3% Y/Y

Q2 2016 Clear Aligner Adoption Metrics

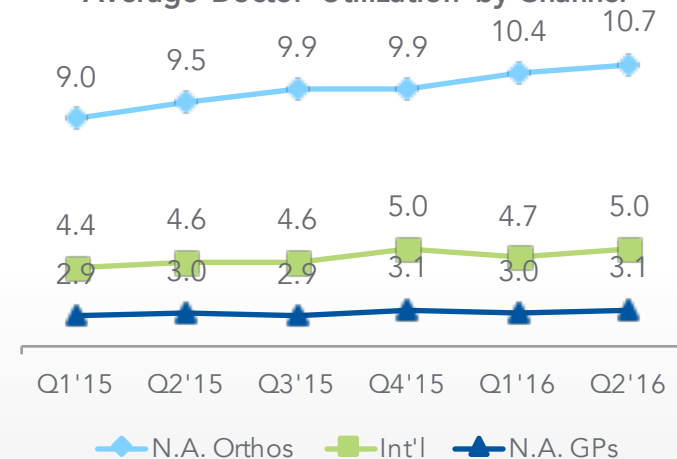
Invisalign Doctor Training and Utilization

- 2,885 new Invisalign-trained doctors in Q2'16
 - 1,125 North America
 - 1,760 International
- Record Q2'16 doctor utilization 5.0 cases/doctor was up compared to 4.9 in Q1'16 and 4.6 Q2'15
- Record NA Ortho utilization at 10.7 cases/doc

Quarterly Doctors Trained Worldwide



Average Doctor Utilization by Channel



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

Q1 2016 Geographic Mix by Net Revenues and Volume

Revenue Mix

Net Revenues of \$269.4M

Clear Aligner
North America: 53%

- +6.1% Q/Q
- +14.1% Y/Y

Clear Aligner
International: 31%

- +19.8% Q/Q
- +35.2% Y/Y

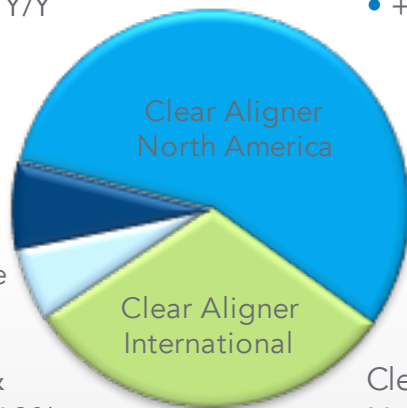
Scanner & Services
Clear Aligner Non-case

Scanner &
Services: 10%

- +36.3% Q/Q
- +199.0% Y/Y

Clear Aligner
Non-case: 6%

- +11.8% Q/Q
- +23.8% Y/Y



Volume Mix

Shipments of 176,995

Clear Aligner
North America: 65%

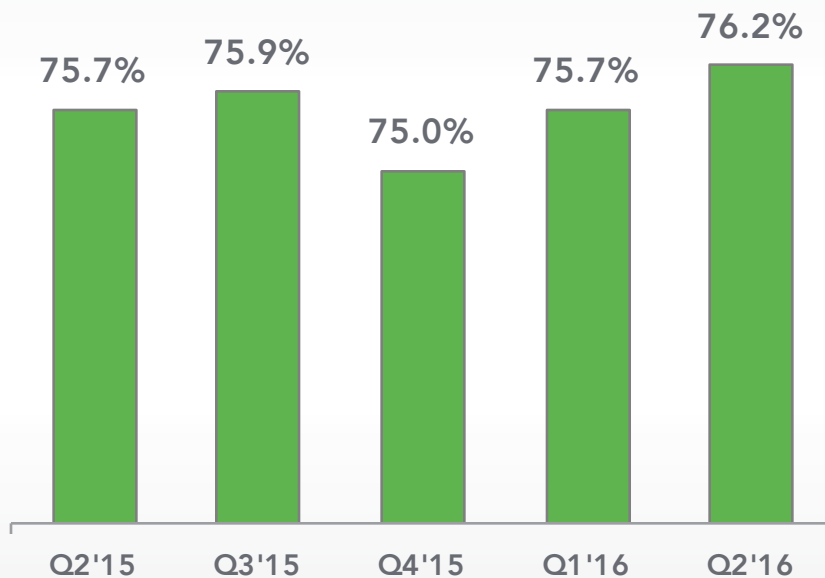
- +3.9% Q/Q
- +15.3% Y/Y

Clear Aligner
International: 35%

- +16.8% Q/Q
- +38.3% Y/Y



Gross Margin Trend



Q2'16 Gross Margin Highlights

- Gross profit was \$205.2M or 76.2% gross margin
- Gross Margin +0.5 pts Q/Q, +0.5 pts Y/Y
- Includes stock based compensation expense of \$0.9M

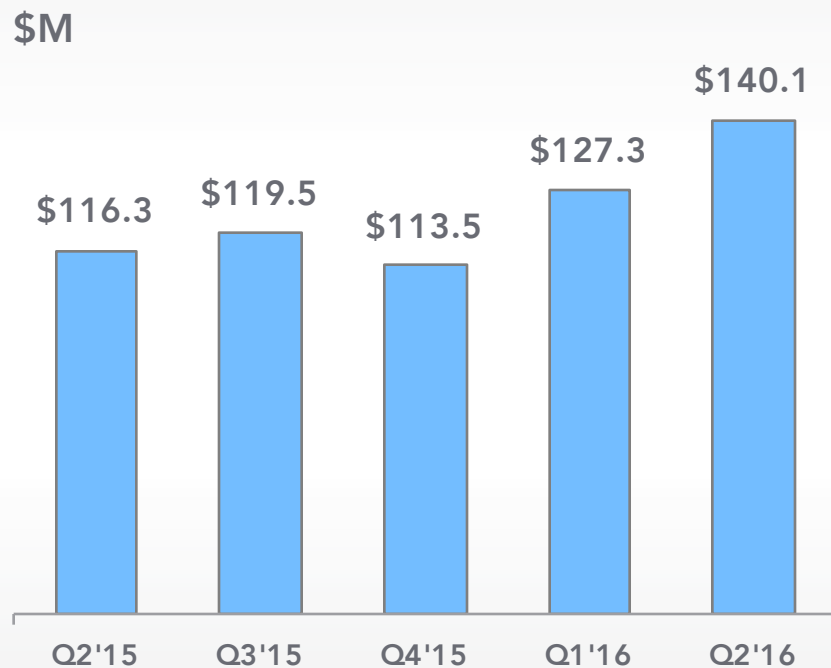
Clear Aligner Gross Margin: 78.6%

- Gross Margin +0.3 pts Q/Q, +0.3 pts Y/Y.
- Q/Q increase driven by higher ASPs partially offset by seasonally higher training activity
- Y/Y increase in gross margin primarily reflects the benefit from leverage of our fixed costs over higher case volumes, partially offset by the Additional Aligner policy.

Scanners & Services Gross Margin: 53.6%

- Gross Margin up +8.6 pts Q/Q, +38.6 pts Y/Y.
- Q/Q and Y/Y increase in gross margin were primarily a result of higher ASPs and the lower manufacturing costs of our iTero Element scanner

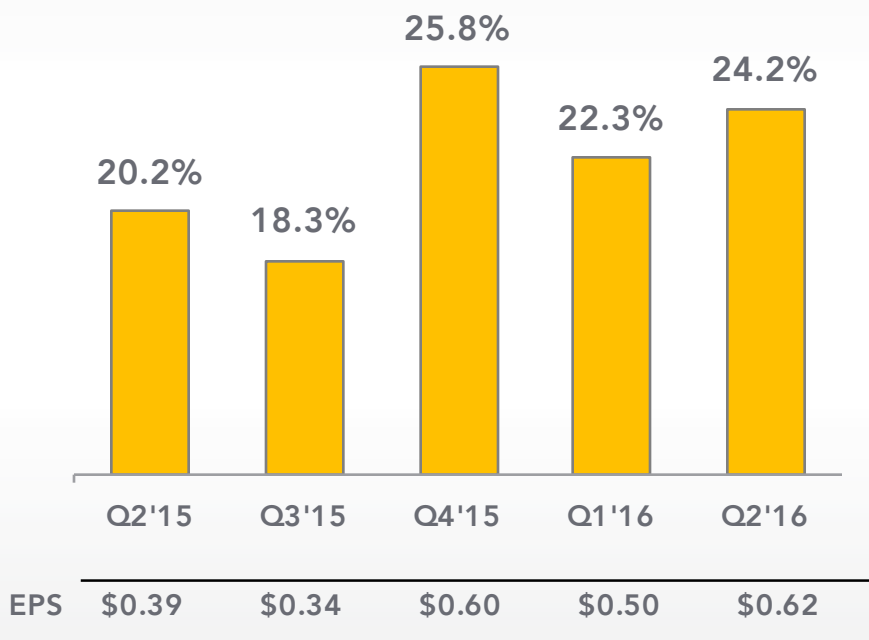
Operating Expense Trend



Q2'16 Operating Expense Highlights

- Operating expense was \$140.1M
- Q/Q: +\$12.8M due primarily to a full quarter of employee compensation-related costs such as annual wage increases, stock based compensation awards, and new hires, as well as go-to-market investments
- Q2 operating expenses were lower, however, than our outlook due primarily to slower hiring and investments in sales territory coverage, same go-to-market activities that were delayed to the second half of the year, and more ERP costs being capitalized than anticipated during the quarter.
- Y/Y: +\$23.8M reflecting increased headcount and continued investment in our go-to-market activities incidental to the growth of the business, as well as our ERP implementation project
- Includes stock-based compensation expense of \$13.7M

Operating Margin and EPS Trend



Q2'16 Operating Margin Highlights

- Operating profit \$65.1M and operating margin 24.2%
- Operating margin +1.9 pts. Q/Q, and +4.0 pts. Y/Y
- Q/Q increase relates primarily to higher clear aligner volumes and higher gross margins overall.
- Y/Y impacted by ~2.3 points from the Additional Aligner policy.
- Tax rate was 23.2%

EPS Comment

- Q2 was impacted by ~\$0.08 per share from the new Additional Aligner policy.

Q2 2016 Results Summary

Constant Currency and Additional Aligners Impact Information

(in millions, except EPS)	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Net Revenues	\$207.6	\$230.3	\$238.7	\$269.4
FX impact using prior year FX rates	approx +\$8.5	approx +\$8.2	approx +\$2.7	-
Impact of Additional Aligner deferral	approx +\$7.0	approx +\$7.0	approx +\$7.5	approx +\$8.3
Clear Aligner Net Revenues	\$198.3	\$214.0	\$219.7	\$243.4
FX impact using prior year FX rates	approx +\$8.5	approx +\$8.2	approx +\$2.7	-
Impact of Additional Aligner deferral	approx +\$7.0	approx +\$7.0	approx +\$7.5	approx +\$8.3
EPS	\$0.34	\$0.60	\$0.50	\$0.62
FX impact on revenues using prior year FX rates	approx +\$0.08	approx +\$0.08	approx +\$0.03	-
FX impact on OpEx using prior year FX rates	approx \$(0.06)	approx \$(0.04)	approx \$(0.02)	-
FX impact on Other Income/Expense	+\$0.02	+\$0.00	+\$0.01	+\$0.01
Impact of Additional Aligner deferral	+\$0.06	+\$0.07	approx +\$0.07	approx +\$0.08
Impact of Sleep Apnea termination agreement	+\$0.02	-	-	-
Impact of Org Costs	+\$0.01	-	-	-

Align implemented its new Additional Aligners policy on July 18, 2015 in which the Company no longer distinguishes between mid-course corrections and case refinements providing doctors the ability to order additional aligners to address either treatment need at no charge, subject to certain requirements. These changes were effective for all new Invisalign Full, Teen, and Assist treatments shipped worldwide after July 18, 2015, as well as any cases that were open as of this date.

© 2016 Align Technology, Inc. All rights reserved.

Balance Sheet Highlights

- Use of Cash
 - Q2'16 \$0.6M to pay employee taxes for the net settlement of vesting employee stock awards that otherwise would have been issued.
- Stock Repurchase Program Announcement
 - ASR agreement to repurchase \$50M of our common stock, under which we paid \$50M and received an initial delivery of ~0.5M shares based on current market prices. Final delivery of shares is scheduled for October.
 - After completion of ASR, we will repurchase \$50M of our common stock on the open market.
 - Items above will complete the April 2014 \$300M stock repurchase program.
- \$685.0M Cash and Cash Equivalent Balance
 - \$181.4M held by the U.S
 - \$513.8M held by our international entities

(in millions except for DSOs)

	Q2'15	Q1'16	Q2'16
Accounts Receivables, net	\$146.7	\$178.0	\$192.7
DSOs	63 days	67 days	64 days
Cash, Cash Equivalent & Short-Term and Long-Term Marketable Securities	\$596.7	\$680.8	\$685.0

Cash Flow from Operations	\$62.9	\$30.7	\$76.2
Capital Expenditures	\$(10.5)	\$(20.2)	\$(18.8)
Free Cash Flow*	\$52.4	\$10.5	\$57.3

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

3 to 5 Year Financial Model Targets

	Q2'15	Q1'16	Q2'16	3 – 5 Year Model
Revenue CAGR%				15 - 25%
Gross Margin	75.7%	75.7%	76.2%	73% - 78%
Operating Expense %	55.5%	53.3%	52.0%	45% - 50%
Operating Margin	20.2%	22.3%	24.2%	25% - 30%
Free Cash Flow	9.5%	4.4%	21.3%	20% - 25%

Factors That Inform Our View of Q3 2016

- As we head into the summer months and busy teen season, we expect an increase of teen case starts among our North America Orthos. Our North American GPs typically have a seasonally slower quarter in Q3. Overall, we're expecting North America volumes to be seasonally down quarter-over-quarter.
- In our International markets, our European doctors typically spend fewer days in the office due to summer vacations and extended holidays. Our Asia Pacific region continues to grow and is beginning to offset some of the seasonality we've typically experienced in our European countries. We therefore anticipate International Invisalign case shipments to be flat to sequentially up from Q2.
- For our Scanner business, we expect scanner shipments to be up sequentially as the iTero Element continues to penetrate the market.
- We estimate the Q3 impact of the SmileDirectClub transaction will reduce diluted EPS by less than 1 cents/share.

Q3 2016 Outlook

	Q3 2016
Invisalign Case Shipments	174.2 K – 176.9 K
Net Revenues	\$267.2 M – \$273.5 M
Gross Margin	74.4 % - 74.8 %
Operating Expenses	\$147.1 M - \$148.1 M
Operating Margin	19.3 % - 20.6 %
Effective tax rate	24.5 %
EPS, diluted	\$0.49 - \$0.52
Stock based compensation	\$14.4 M
Diluted shares outstanding	81.4 M*

Note: * Excludes any other repurchases during the quarter

© 2016 Align Technology, Inc. All rights reserved.

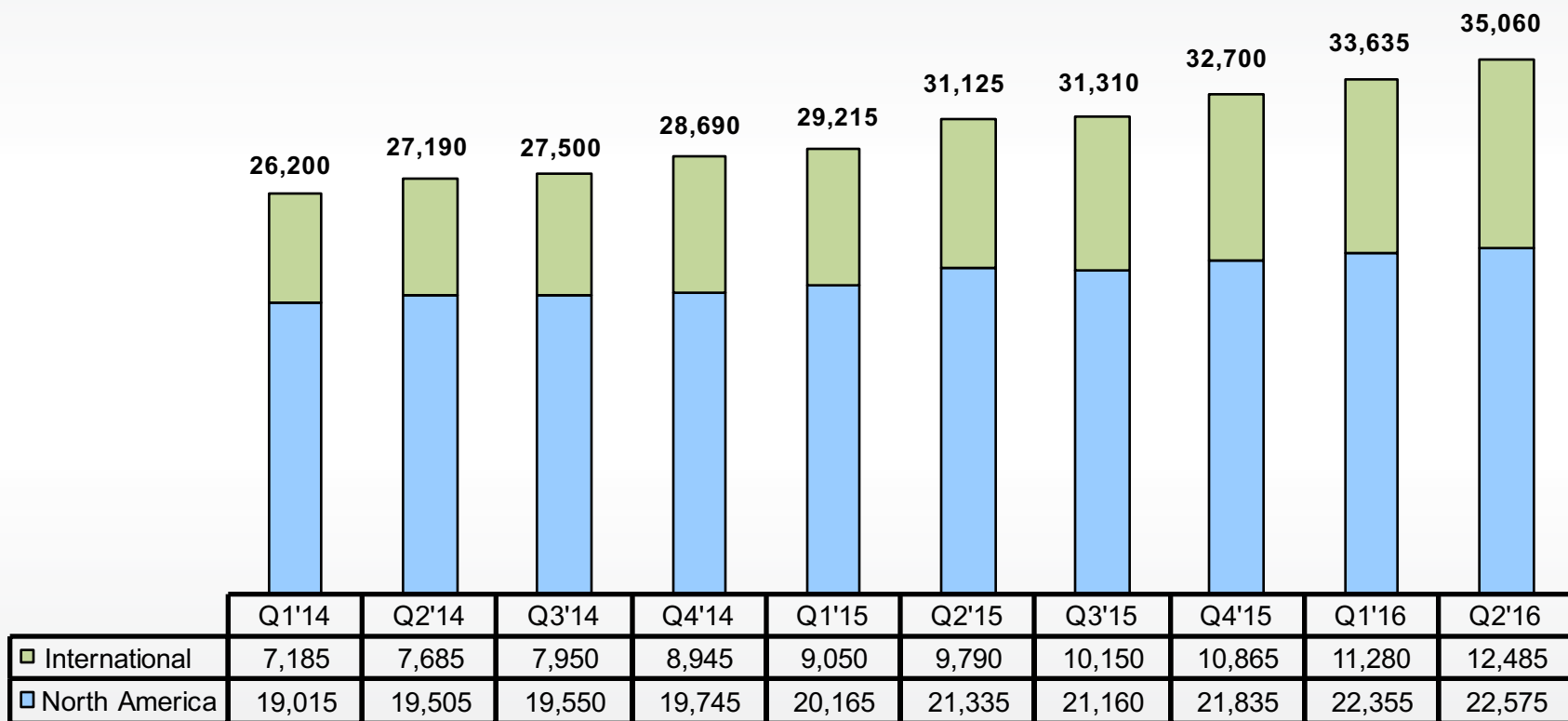
Supplemental Information

Historical Information as of 6/30/16

Additional Aligner Policy Effective July 18, 2015

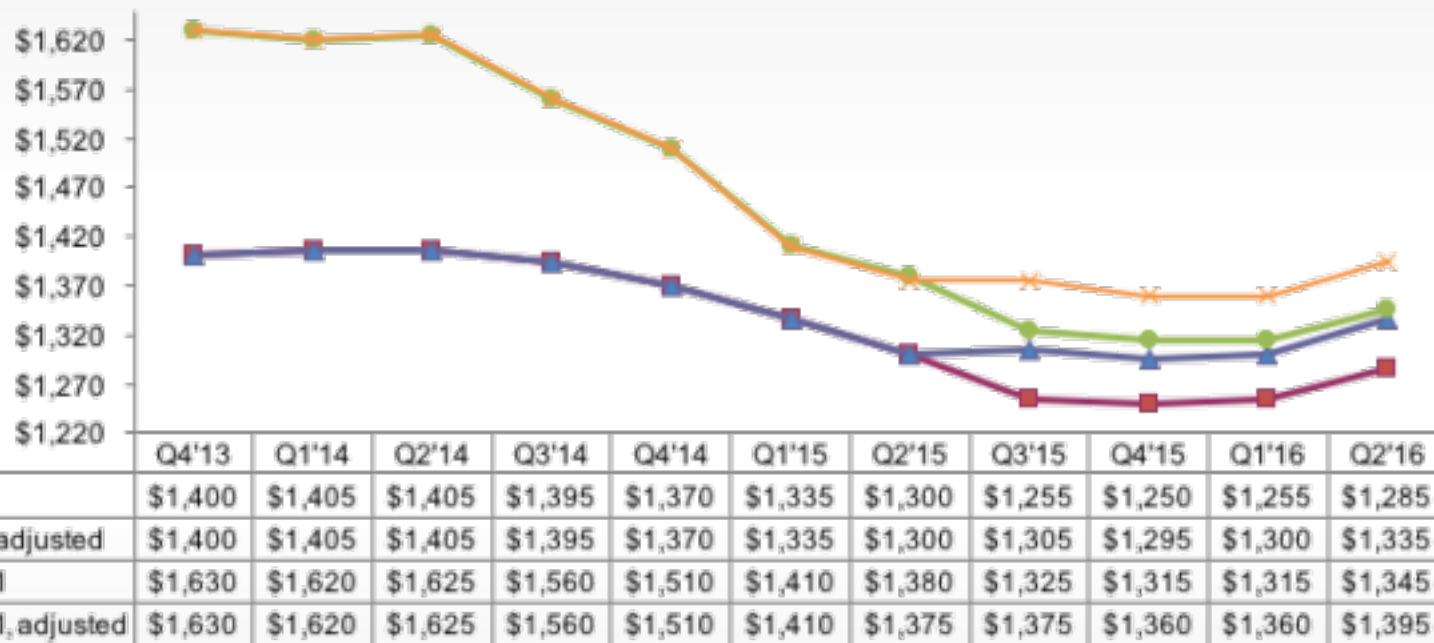
- Align implemented its new Additional Aligners policy on July 18, 2015 in which the Company no longer distinguishes between mid-course corrections and case refinements providing doctors the ability to order additional aligners to address either treatment need at no charge, subject to certain requirements.
- These changes were effective for all new Invisalign Full, Teen, and Assist treatments shipped worldwide after July 18, 2015, as well as any cases that were open as of this date. While this policy change was largely immaterial to the Company's cash flows, it did impact the timing at which the Company recognizes revenue.
- The Company estimates Q2'16 revenues and pre tax income were lower by approximately \$8.3M due to this change.

Total Doctors Invisalign Cases Shipped To



Invisalign Average Selling Price (ASP)

Worldwide and International



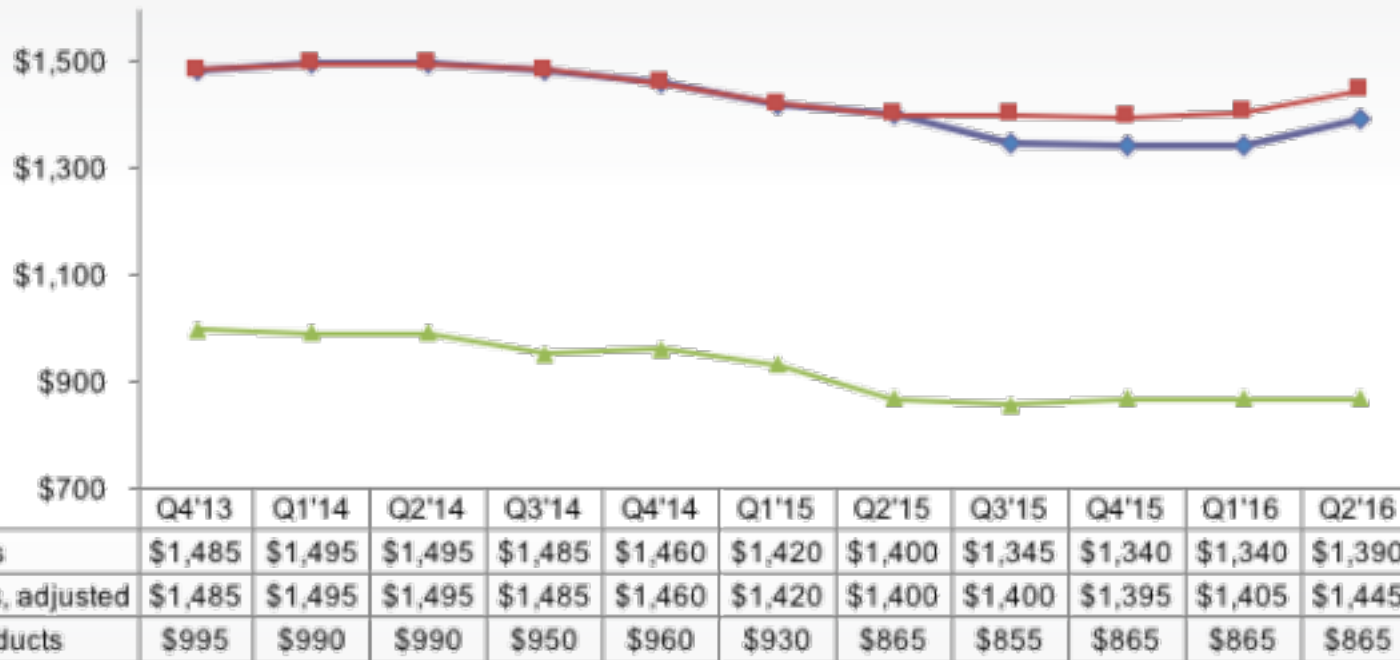
ASP: Invisalign case revenue / Invisalign case shipments

ASP adjusted: adjusted for impact of Additional Aligners at No Charge policy launched in July 18, 2015, effective for all new Invisalign Full, Teen, and Assist products, our Full Product Group, as well as any cases that were open as of this date.

Note: we are no longer listing billed ASPs which were previously provided to reflect revenue prior to impact from product deferrals.

© 2016 Align Technology, Inc. All rights reserved.

Invisalign Average Selling Price (ASP) Product Groups



Full Products: Invisalign Full, Invisalign Teen, Invisalign Assist

Express Products: Invisalign Express 10, Invisalign Express 5, Invisalign Lite, Invisalign i7

ASP adjusted: adjusted for impact of Additional Aligners at No Charge policy launched in July 18, 2015, effective for all new Invisalign Full, Teen, and Assist products, our Full Product Group, as well as any cases that were open as of this date.

© 2016 Align Technology, Inc. All rights reserved.