



ALIGN

ALIGN TECHNOLOGY, INC.

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Quarterly Financial Results  
Q3 FY2008

# Align Technology Q3 FY2008 Conference Call

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- Speakers:
  - Tom Prescott, president and CEO
  - Ken Arola, vice president of finance and CFO
- Moderator:
  - Shirley Stacy, senior director of investor relations
- Replay and Web cast Archive
  - Telephone replay will be available through 4:30pm ET November 11, 2008
    - Domestic callers: 877-660-6853
    - International callers: 201-612-7415
    - Account #292 and conference #289246
  - Audio web cast archive will be available at <http://investor.aligntech.com> for approximately 12 months

## Safe Harbor and Forward Looking Statement

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This presentation contains forward-looking statements, including statements regarding, certain business metrics for the fourth quarter and full year of 2008, including anticipated revenue , gross margin, operating expense, earnings per share and case shipments. Forward-looking statements contained in this presentation 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, failure to achieve the expected cost savings and efficiencies related to the restructurings , including a delay in the implementation of the relocation of certain customer facing organizations from Santa Clara, California to Costa Rica and greater than anticipated costs resulting from the relocation, changes in the size of the expected restructuring charge, loss of key personnel responsible for carrying out the relocation in a timely manner, failure to effectively manage the relocation resulting in decreased customer service levels, the possibility that the development and release of new products does not proceed in accordance with the anticipated timeline, the possibility that the market for the sale of these new products may not develop as expected, the risks relating to Align's ability to sustain or increase profitability or revenue growth in future periods while controlling expenses, continued customer demand for Invisalign and new products, 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 Invisalign by consumers and dental professionals, Align's third party manufacturing processes and personnel, foreign operational, political and other risks relating to Align's international manufacturing operations, Align's ability to protect its intellectual property rights, competition from manufacturers of traditional braces and new competitors, Align's ability to develop and successfully introduce new products and product enhancements, and the loss of key personnel. These and other risks are detailed from time to time in Align's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, which was filed with the Securities and Exchange Commission on February 26, 2008. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.



# Q3 FY2008 Overview

Tom Prescott

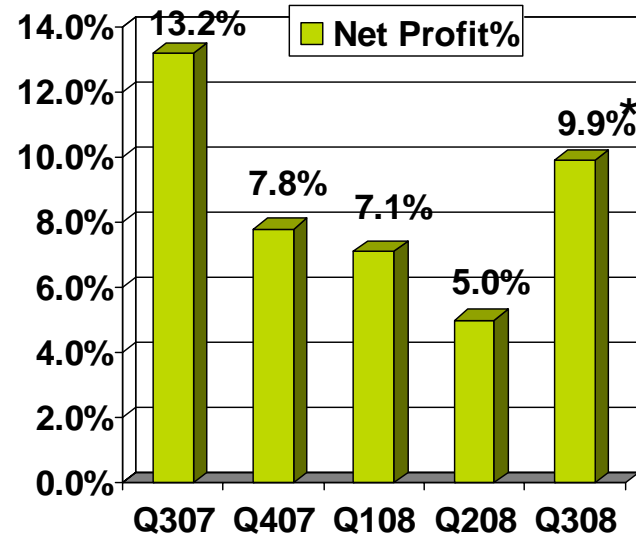
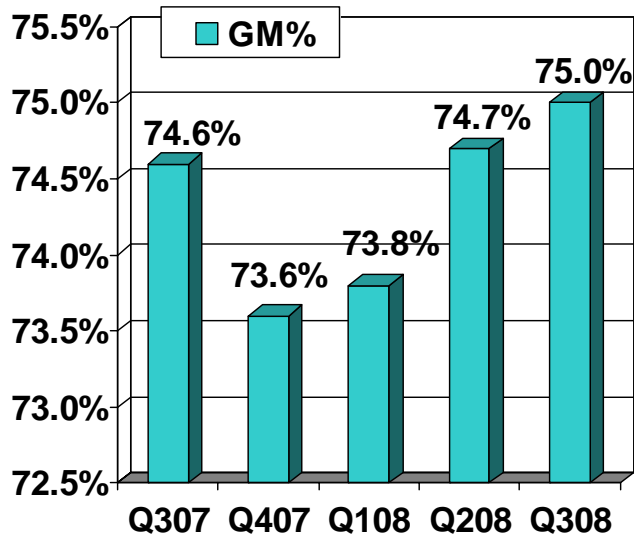
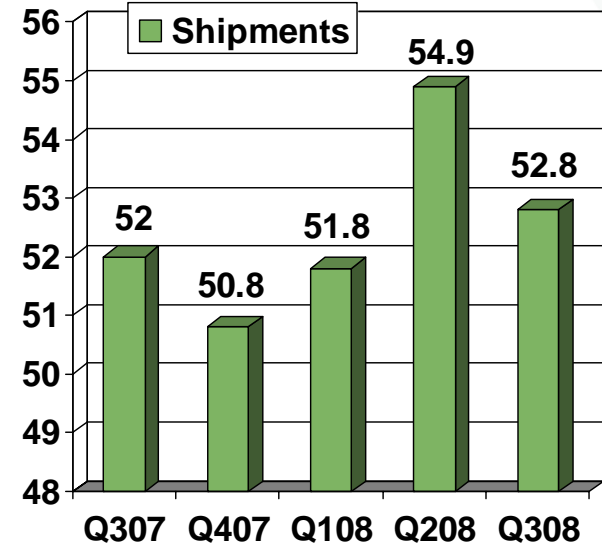
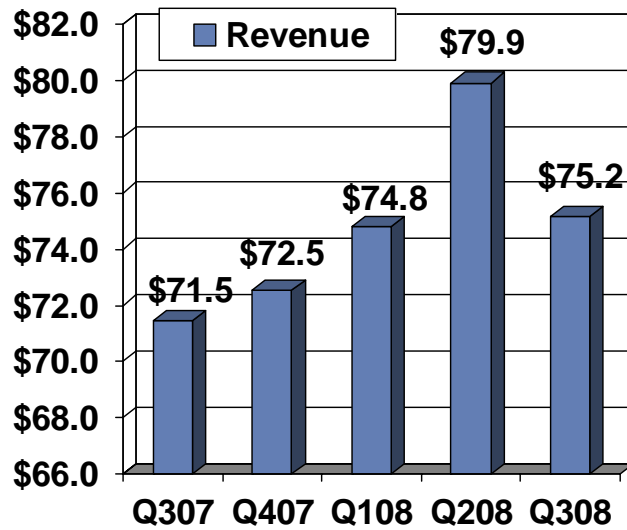
President and CEO

## Q3 FY2008 Financial Highlights

- Net revenues of \$75.2M versus outlook of \$74M - \$76M
  - -5.9% sequentially
  - +5.2% year-over-year
- Case shipments 52,800 versus outlook of 51,000-53,000
  - -3.8% sequentially
  - +1.4% year-over-year
- Sequential decline due to typical summer seasonality in North America and Europe
- Continued economic weakness tough on some U.S. customers
- Gross margin of 75% better than outlook due primarily to favorable operating efficiencies
- Non-GAAP operating expense was \$48.5 million, excluding \$2.2 million restructuring charge
- Non-GAAP EPS of \$0.11 versus outlook of \$0.04 - \$0.06

A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com>

# Q3 2008 Financial Performance



\* Non- GAAP

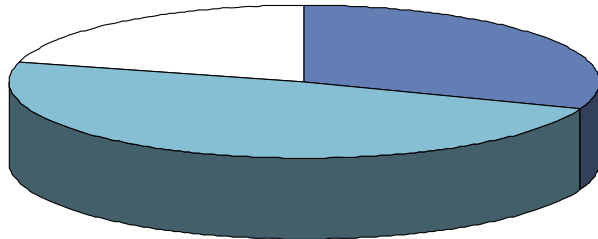
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# Q3 FY2008 Customer Summary

Q3 08 Revenue: \$75.2M

Int'l: 20.1%  
• -8.0% Q/Q  
• +31.1% Y/Y

US Ortho: 29.7%  
• -4.2% Q/Q  
• -0.8% Y/Y

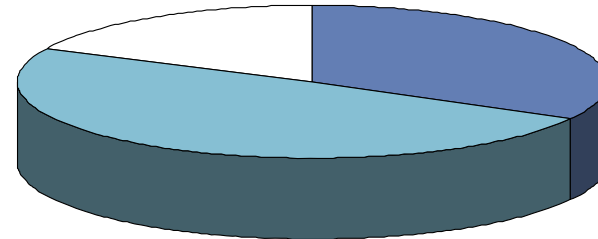


US GP: 46.8%  
• -3.9% Q/Q  
• +1.0% Y/Y

Q3 08 Case Shipments: 52,800

Int'l: 17.3%  
• -5.6 Q/Q  
• +25.4% Y/Y

US Ortho: 34.0%  
• -0.6% Q/Q  
• -1.8% Y/Y



US GP: 48.7%  
• -5.2% Q/Q  
• -2.9% Y/Y

# Update on Key Strategic Initiatives

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- Product Innovation
- Consumer Demand
- Adoption Growth



# Product Innovation - 3 New Products in 2008

**invisalign** | *teen*



**vivera**  
retainers



**invisalign** | assist™



**ALIGN**  
ALIGN TECHNOLOGY, INC.

## Product Innovation – Vivera Retainers

- Vivera Retainer sales and repeat order rates continue to grow
- Additionally, Vivera has had a halo effect on our original retainer business
- Since the launch of Vivera retainers in January, our total retainer business has grown better than expected



# Product Innovation – Invisalign Teen

- General availability July, 2008
- ~2,000 Orthos trained
  - 50% of trained Orthos submitted Teen cases
  - 70% of trained submitted >1 case
- Positive effect on higher volume Orthos
  - Sequential revenue growth and an increase in utilization rates for Orthos using Teen
- Q3 shipments were consistent with our expectations to ramp volume gradually
- Very optimistic about the overall teen market

**invisalign** | teen



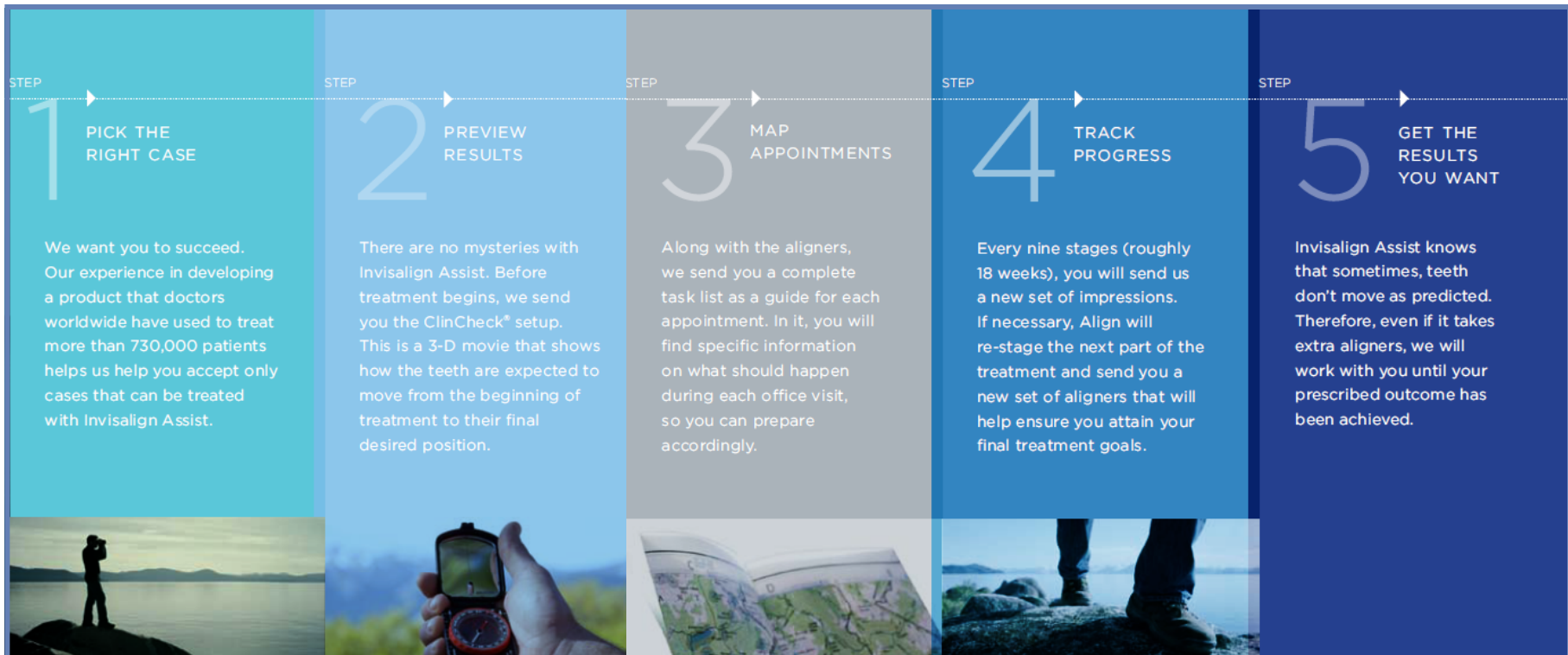
# Product Innovation – Invisalign Assist

- General availability October, 2008
- Designed to help newly-certified and low volume Invisalign GP dentists gain confidence quickly and speed adoption
- New software and clinical protocols make it easier for doctors to select appropriate cases for their experience level or treatment approach
- Doctors can plan and submit cases efficiently, manage appointments with suggested tasks, and receive batch shipments of aligners based on treatment progress



# Streamlined Case Selection and Treatment Processes "With You Every Step of the Way"

**invisalign** | assist™



# 2008 Pilot and Launch Roll Out

**invisalign** | assist™

Q407

Q108

Q208

Q308

Q408

- Two pilot groups of GPs:
  - Primary target of newly certified GPs
  - Secondary group of more experienced GPs
- Insight gained from the pilot indicated that Assist worked well for its primary target of newly certified GPs and slow adopters
- Key feature set viewed as extremely useful
- Utilization increased among target doctors
- Confidence in Invisalign increased 2X after using Assist
- GA of Invisalign Assist to general dentists
- Believe Invisalign Assist will help GP dentists move through the adoption cycle faster
- Secondary group of experienced GPs want to use Assist to treat more difficult cases, but current clinical protocols and software are no yet broad enough
- We are evaluating a wider range of Assist applicability in the context of other product roadmap priorities





# Consumer Demand Creation

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- Placed higher emphasis on digital search, online display ads and social media programs due to the Olympics and pre-election activity
- Goal was to effectively reach consumers without having to pay the elevated media costs tied to those events
- Modifications to our media mix have been effective, as we had a steady flow of prospects visiting our website and searching for an Invisalign trained doctor throughout the quarter
- As expected, the number of qualified responses and leads were down a bit from the prior quarter, consistent with our lower advertising spend
- As we look to build high consumer awareness for the new Invisalign Teen product in 2009, we plan to continue to leverage the web and other digital strategies to reach Teens where they spend so much of their time

# Invisalign Utilization and Adoption

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- Focus on adoption of Invisalign through training and certifying new practices, as well as increasing utilization or “same practice sales” of our products
- Q3 trained 1,450 new doctors
  - 1,030 GPs, 90 Orthos, and 330 international doctors
  - Typically hold fewer training courses in Q3 because most practices take vacations during this period
- Q3 utilization rates decreased sequentially and year over year for U.S. Orthos and U.S. GPs. International was down sequentially, but flat year over year
  - Notably, utilization among core group of high volume Orthos that submitted Teen cases increased sequentially and year over year



# Strategy to Increase Operating Leverage

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- Our objective is to increase efficiencies across the organization and reduce the Company's cost structure
- Despite challenges, we've made significant progress towards achieving strategic initiatives and have focused on what we can control:
  - Successfully launched 3 new products
  - Expense management and cost reduction
  - Improvements in operational efficiencies
- Continued economic weakness has made us increasingly conservative in the quarters ahead
- We're taking action now to lower our cost structure, increase operating leverage, while continuing important investment in new products and key strategic initiatives

## October 23, 2008 Restructuring Announcement

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- Eliminating 110 full time positions in Santa Clara and significantly reducing discretionary spending
- Consolidating and simplifying operational processes, eliminating inefficiencies and redundancy
- Creation of a new shared services organization in Costa Rica
  - Our Treat Operations has been in Costa Rica since 2002
  - Built a high performance team of 670 skilled clinical technicians and support personnel in a very scalable environment
  - Solid foundation to build shared services organization to consolidate business operations and customer facing support elements such as customer care, credit and collections, and event registration
  - Enabling us to leverage our existing infrastructure and the talent base in Costa Rica at a lower overall cost

# Q3 FY2008 Financial Review

Ken Arola

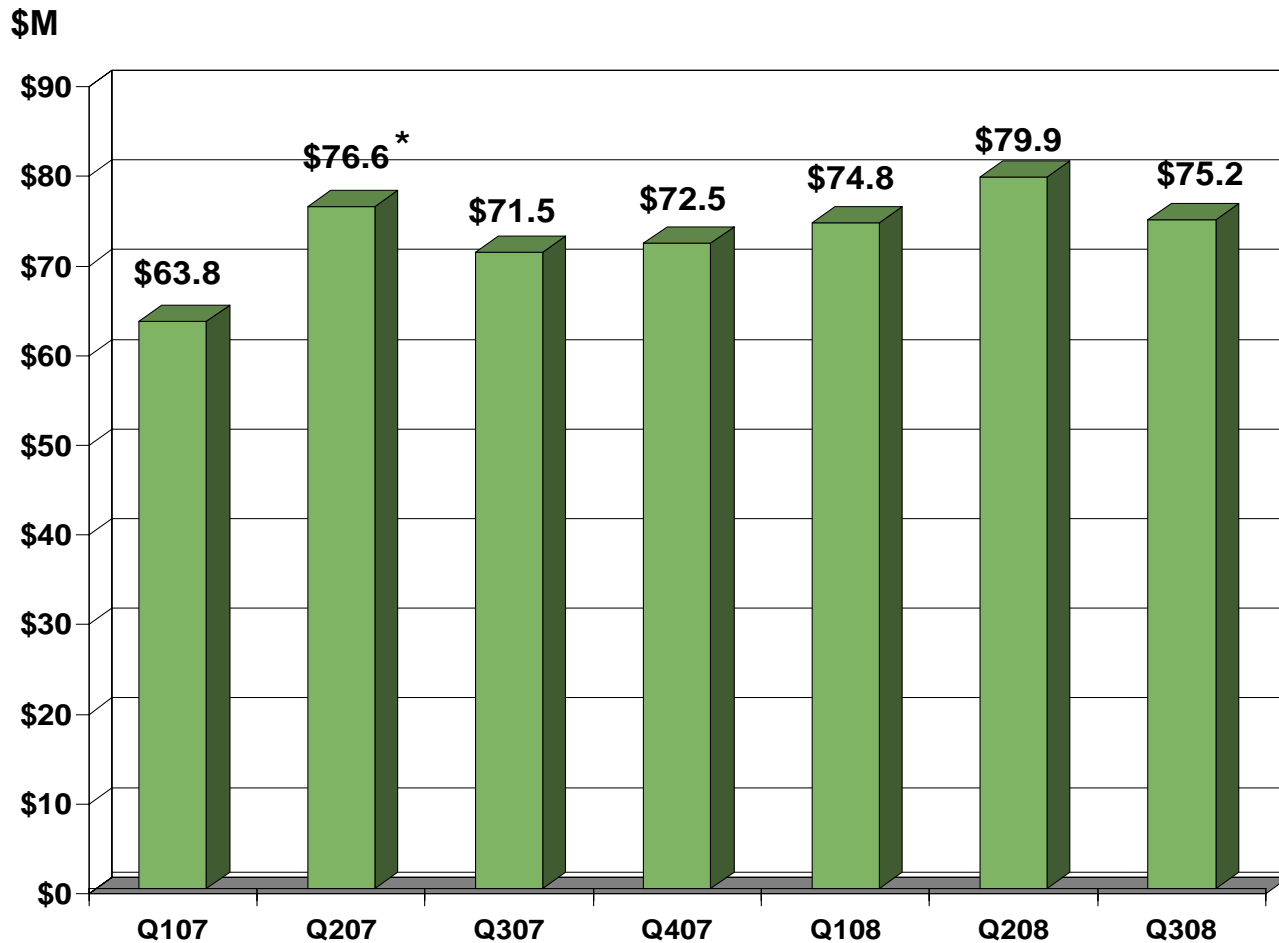
Vice President, Finance and CFO

## Q308 Income Statement Highlights

	Q308	Q208	Sequential Change Q308/Q208	Q307	Year/Year Change Q308/Q307
<b>Revenue</b>	\$75.2M	\$79.9M	(5.9%)	\$71.5M	+ 5.2%
<b>Gross Margin</b>	75.0%	74.7%	+ 0.3% pts	74.6%	+ 0.4% pts
<b>Operating Expenses</b>	\$50.7M	\$55.8M	(9.1%)	\$44.9M	+ 12.9%
<b>Operating Margin</b>	7.6%	4.8%	2.8% pts	11.7%	(4.1% pts)
<b>GAAP EPS, diluted</b>	\$0.08	\$0.06	\$0.02	\$0.13	(\$0.05)
<b>Non-GAAP Operating Expenses</b>	\$48.5M	\$55.8M	(13.0%)	\$44.9M	+ 8.0%
<b>Non-GAAP EPS, diluted</b>	\$0.11	\$0.06	\$0.05	\$0.13	(\$0.02)

GAAP financials except for Non-GAAP Operating Expense and Non-GAAP EPS  
A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com>

# Revenue Trend



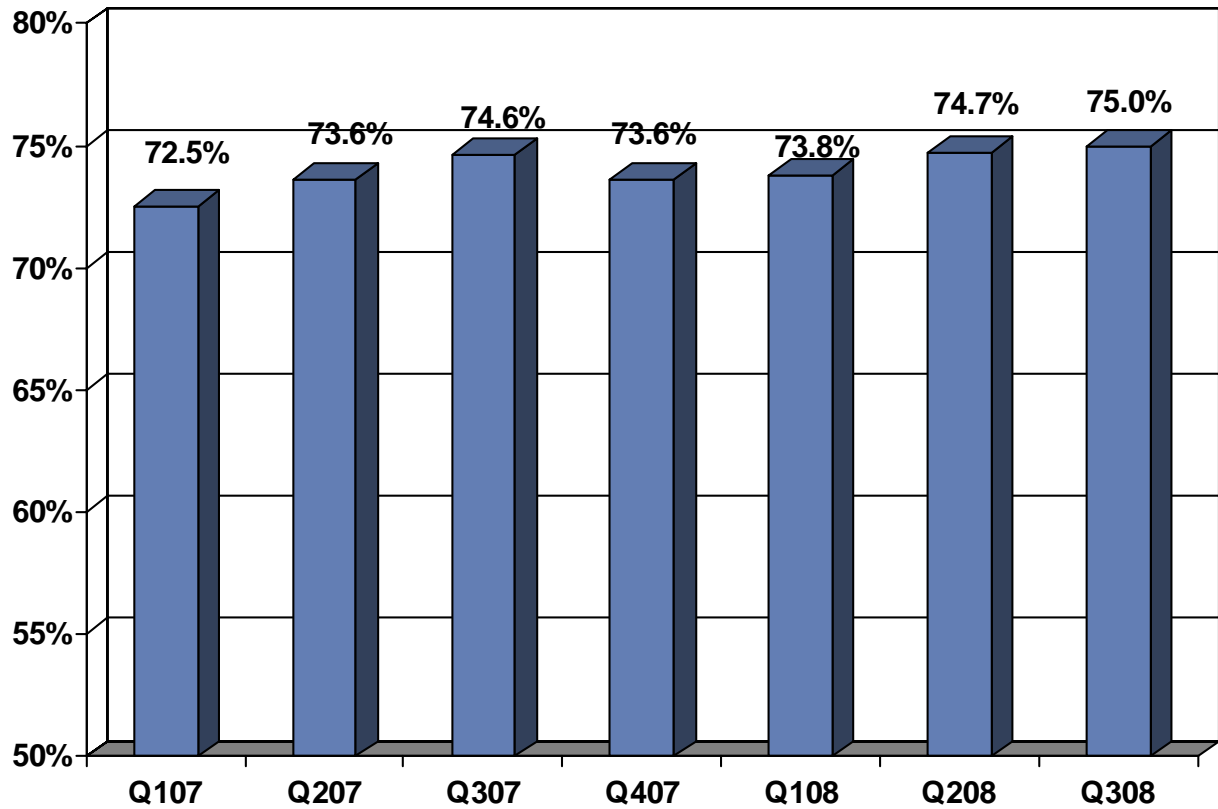
## Revenue Highlights

- 5.2% increase Y/Y
- 5.9% decrease Q/Q
- Sequential decrease consistent with typical summer seasonality in both North America and Europe

\*Q207 includes 4K cases or \$5.2M from the reduction of backlog caused by the allocation of capacity to the Patients First Program during Q406 and Q107.

### GAAP Financials

# Gross Margin Trend

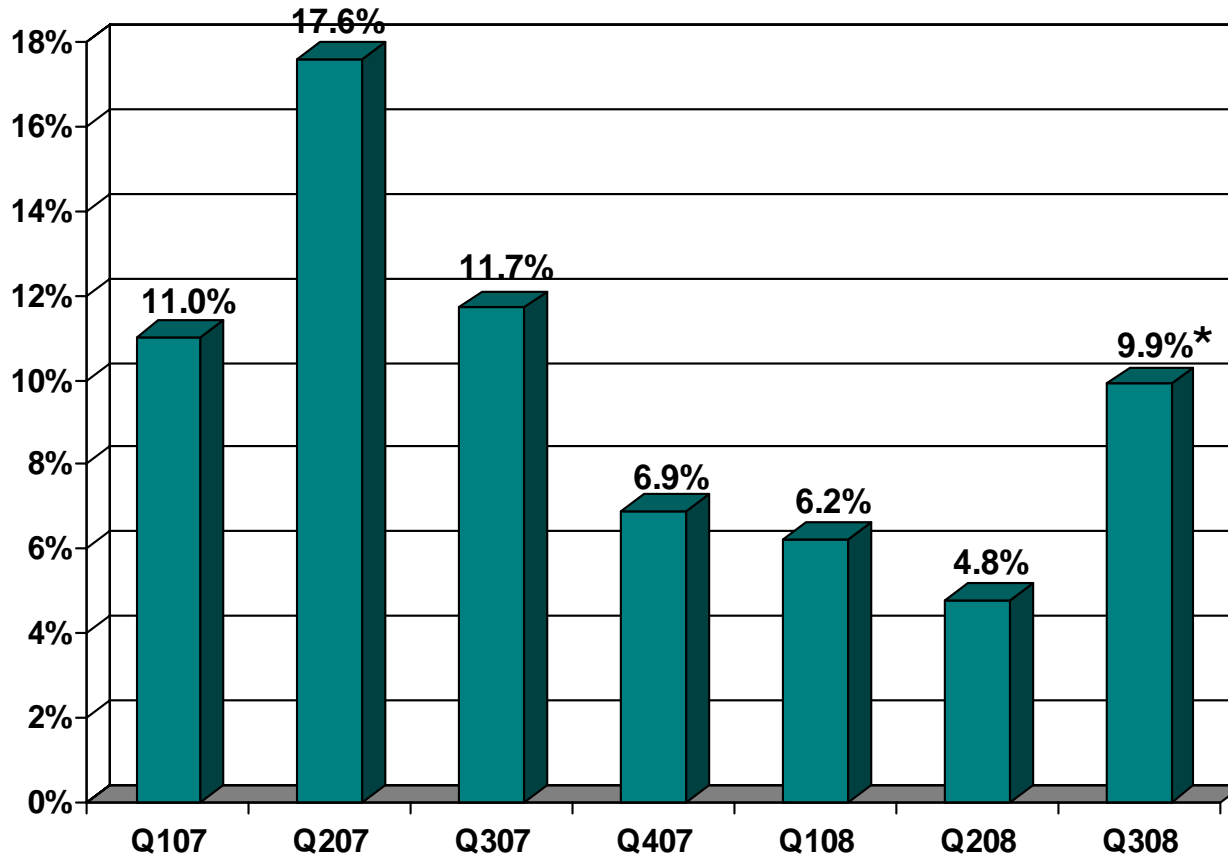


## Gross Margin Highlights

- +0.4% pts. Y/Y
- +0.3% pts. Q/Q
- Sequential increase reflects favorable operating efficiencies and reduced spending
- Q3 gross margin also included \$437K in stock based compensation expense

### GAAP Financials

# Operating Margin Trend



## Op Margin Highlights

- -4.1% pts. Y/Y
- +2.8% pts. Q/Q
- Reflects cost savings from July actions and continued expense management

\* **Non-GAAP**

# Q308 Balance Sheet Highlights

	Q308	Q208	Q307
Cash, Cash Equivalents, & Short Term Marketable Securities	\$114.3M	\$110.1M	\$110.0M
Cash Flow from Operations	\$17.4M	\$10.0M	\$22.1M
DSOs	59 days	57 days	58 days



## Stock Repurchase Program Update

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- In Q1 2008, the Board of Directors authorized a stock repurchase program of up to \$50 million
- In Q3, we repurchased 930K shares at an average price of \$12.62 per share for a total of \$11.7 million
- To date, we have repurchased 3.1 million shares at an average price of \$12.64 for a total of \$39.3 million
- We have \$10.7 million remaining under the authorization

# Q4 and FY2008 Financial Outlook

## About Our Outlook

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- Continued Economic Uncertainty
- Exchange Rate Impact
- Restructuring Charges
- Deferred Tax Assets and Effective Tax Rate
- Outlook does not reflect any stock repurchases

## Q4 and Fiscal 2008 Outlook

	Q408 Outlook	Fiscal 2008 Outlook
Revenue	\$72.5M – \$76.5M	\$302.5 – \$306.5M
Gross Margin	72.5% – 73.0%	74.0% – 74.1%
Operating Expenses	\$52.1M – \$53.6M	\$209.1M – \$210.6M
Non-GAAP Operating Expenses	\$48.1M – \$49.6M	\$202.9M – \$204.4M
GAAP EPS, diluted	\$0.01 – \$0.03	\$0.22 – \$0.24
Non-GAAP EPS, diluted	\$0.06 – \$0.09	\$0.31 – \$0.33
Stock based compensation	\$4.1M	\$17.3M
Diluted shares outstanding	68.1M	69.4M
Case Shipments	52.5K – 55.0K	211.9K – 214.4K

GAAP financials except for Non-GAAP Operating Expense and Non-GAAP EPS  
 A reconciliation of GAAP to Non-GAAP can be found at <http://investor.aligntech.com>



## Q3 FY2008 Summary

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- Pleased with our results in this challenging economic environment
- Committed to continuing investment in new products and key strategic initiatives while lowering our overall cost structure, which will position the company for renewed growth and profitability as the market improves
- The cost saving actions we announced last week coupled with the actions we took in July are significant steps in actively reducing our cost structure and moving towards a healthier financial model
- We intend to discuss our strategy and financial model at our analyst meeting where we will provide greater detail and allow for more thorough and interactive discussion

Please join executives and staff from Align Technology, Inc. for an analyst day on Friday, November 21, 2008 at the Invisalign Summit for Orthodontic Practices in Las Vegas.

The Invisalign Summit is Align Technology's premier clinical and product education event. Approximately 1,000 doctors and staff members from top orthodontic practices will gather to hear company and product updates and share clinical and practice-building tips and techniques.

- **Analyst Day Agenda**

- 8:30 a.m. On-site Registration
- 9:00 a.m. – 12:00 p.m. Analyst Meeting
- 12:00 p.m. – 1:00 p.m. Roundtable Luncheon with Management Team Members
- 1:00 p.m. – 2:00 p.m. Invisalign How-to Clinic and ClinCheck Café
- 2:00 p.m. – 3:15 p.m. Invisalign Summit Opening General Session
- 3:30 p.m. – 5:00 p.m. Doctor and Staff General Sessions
- 5:00 p.m. – 6:30 p.m. Invisalign Summit Welcome Reception

- **Web Cast**

- Align Technology will host a live audio web cast of the analyst meeting via the Internet at <http://investor.aligntech.com>. An audio replay of the meeting will also be available via web cast for approximately 3 months following the meeting at <http://investor.aligntech.com>.

- **Location**

- The Venetian Resort~Hotel~Casino, Las Vegas, NV 89109

- **Registration**

- Advanced registration is required for on-site attendance. Attendees may also book a hotel room at the Venetian through this registration process. All travel and hotel costs are the responsibility of the attendee.
- For more information, please contact Yin Cantor, manager of investor relations at (408) 470-1044 or [ycantor@aligntech.com](mailto:ycantor@aligntech.com).



## Contact Align Technology Investors Relations at:

- Email: [investorinfo@aligntech.com](mailto:investorinfo@aligntech.com)
- Tel: (408) 470-1000
- Shirley Stacy, Senior Director, Investor Relations
- Yin Cantor, Manager, Investor Relations

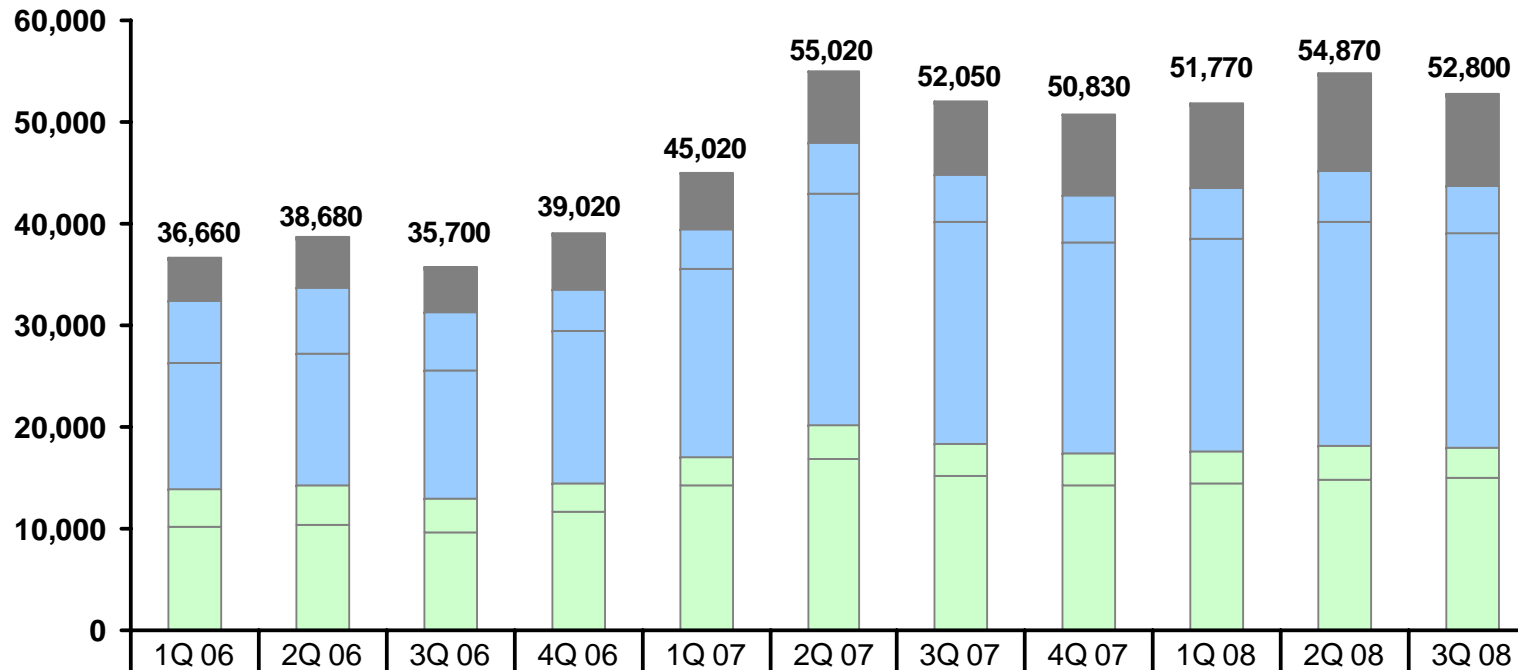
# Additional Data

Historical Information as of 09/30/08

Note: Some previously provided historical information has been adjusted to reflect changes in rounding methodology.



# Cases Delivered

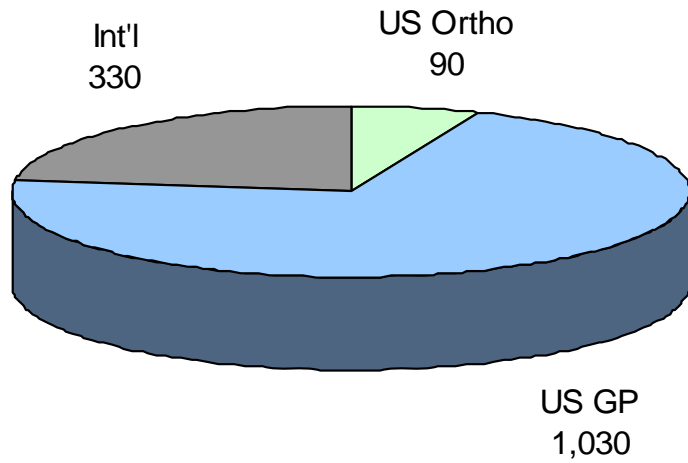


	1Q 06	2Q 06	3Q 06	4Q 06	1Q 07	2Q 07	3Q 07	4Q 07	1Q 08	2Q 08	3Q 08
■ Int'l - Express	130	150	140	140	110	110	130	120	130	160	190
■ Int'l - Full	4,080	4,850	4,310	5,400	5,450	7,030	7,160	7,950	8,200	9,520	8,950
■ US GP - Express	6,150	6,500	5,780	3,960	3,840	4,910	4,600	4,630	4,950	4,970	4,620
■ US GP - Full	12,320	13,010	12,510	15,150	18,610	22,760	21,870	20,800	20,900	22,140	21,070
■ US Ortho - Express	3,800	3,730	3,410	2,700	2,810	3,370	3,130	3,060	3,090	3,250	2,970
■ US Ortho - Full	10,180	10,440	9,550	11,670	14,200	16,840	15,160	14,270	14,500	14,830	15,000

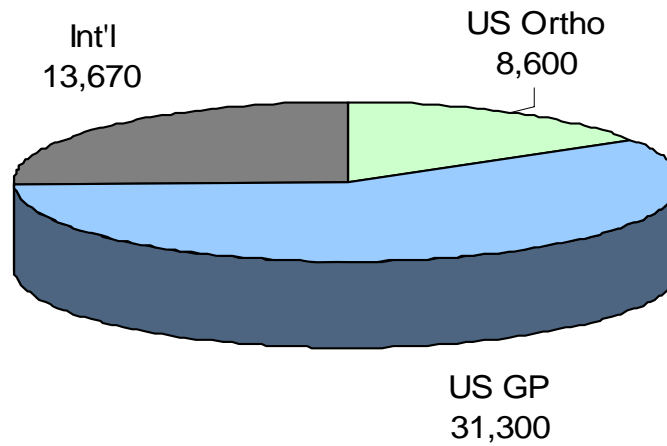


# Trained Doctors

**Doctors Trained in Q3 08**  
**1,450 Worldwide**

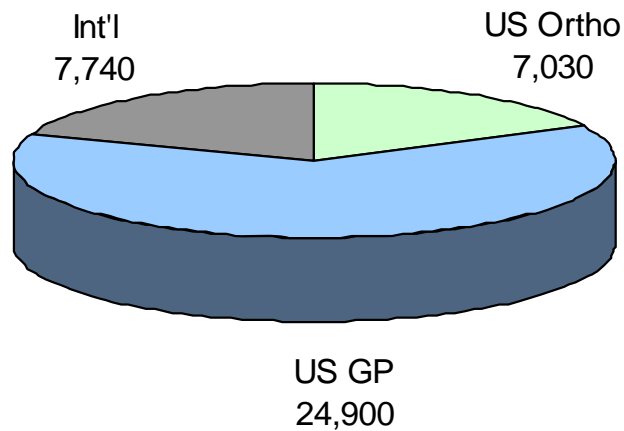


**Doctors Trained Since Inception**  
**53,570 Worldwide**

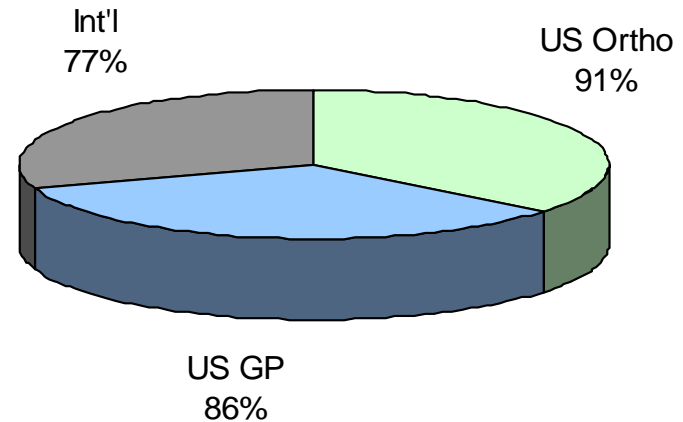


# Doctors Use of Invisalign Since Inception

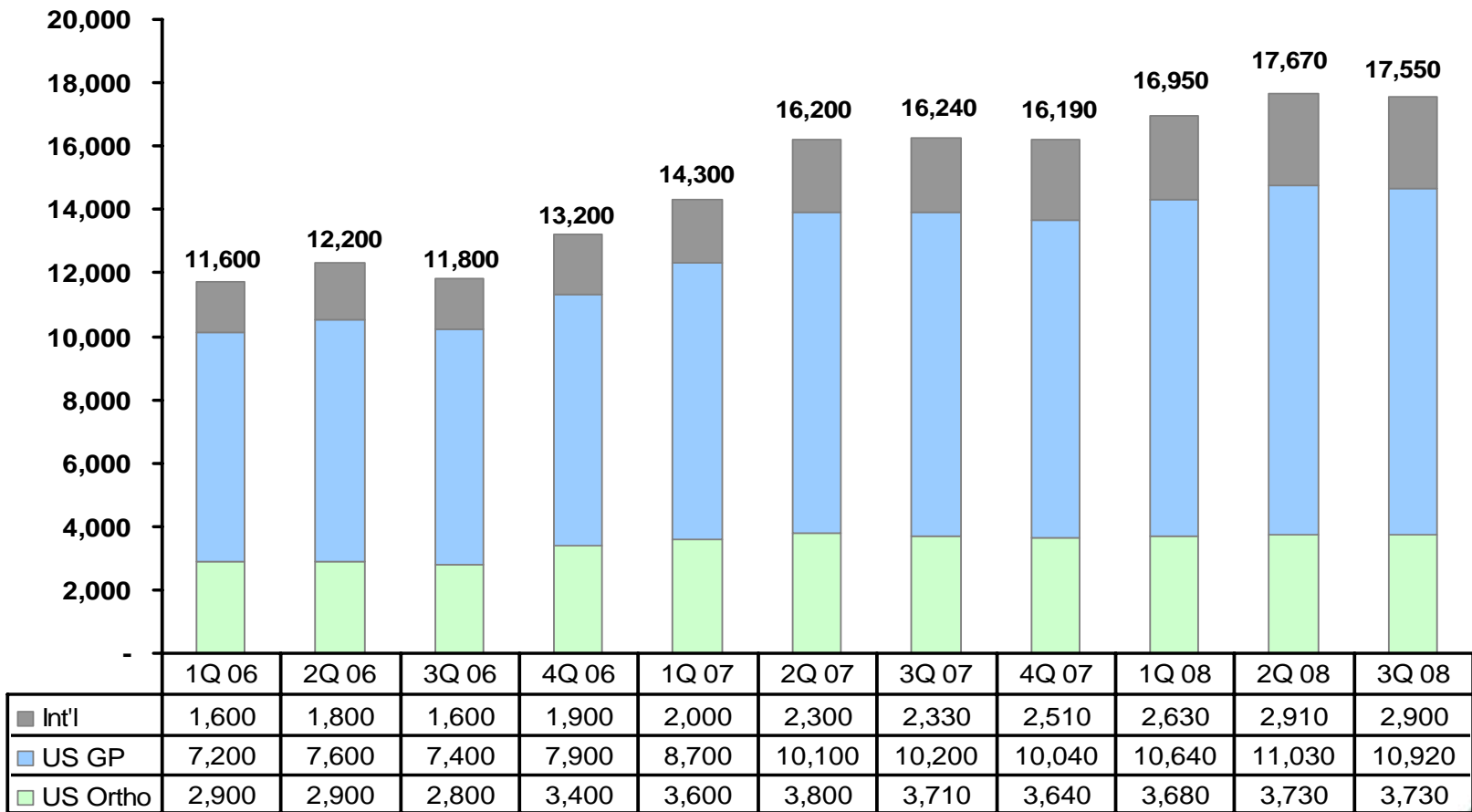
**Total # of Doctors Who Have Used Invisalign  
39,670 Worldwide**



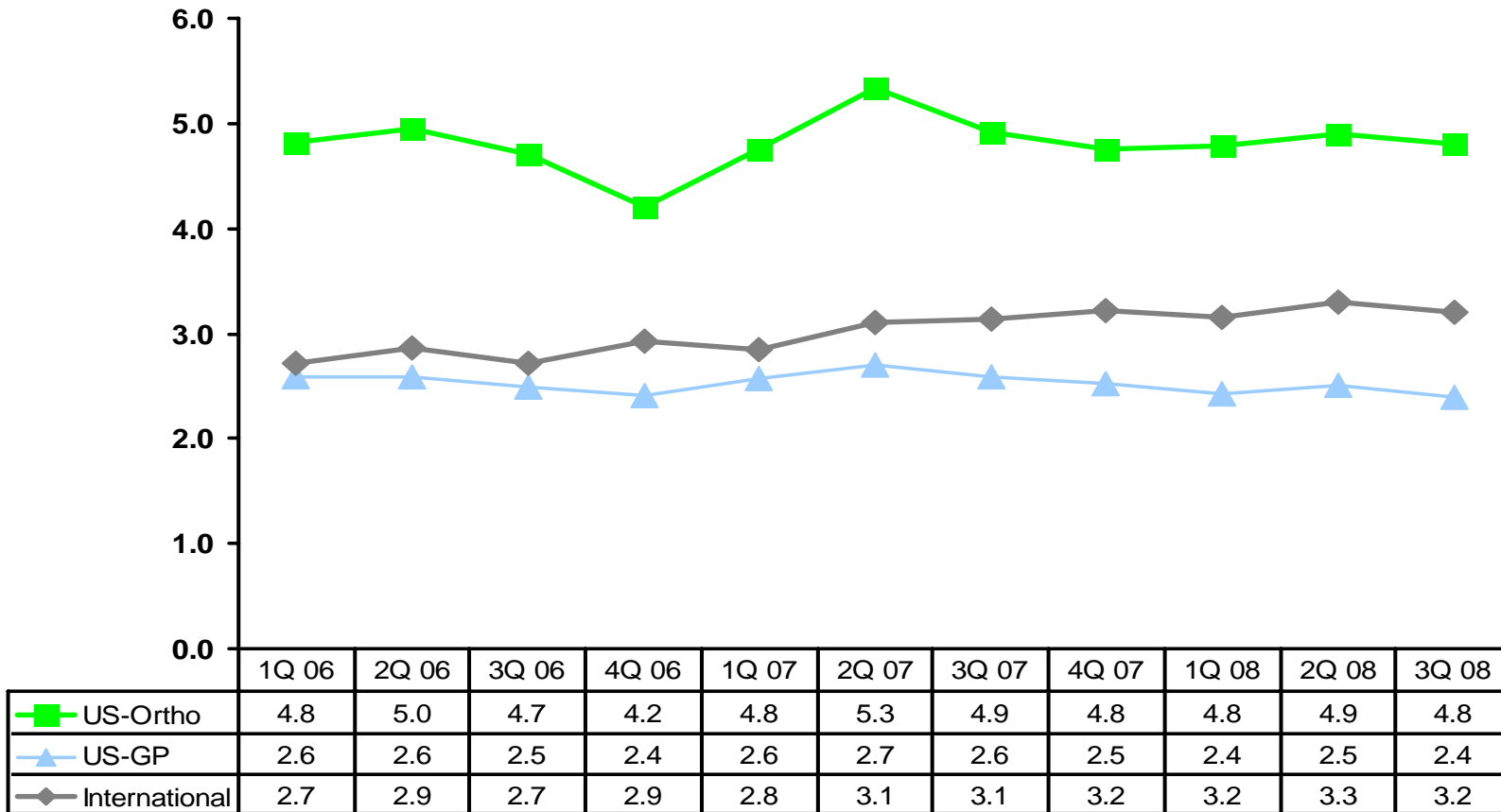
**% of Doctors Starting Multiple Cases  
85% Worldwide**



# Total # of Doctors Receiving Cases



# Utilization Rate\*



\*Utilization Rate = # of Cases Shipped / # of Doctors Cases Are Shipped To



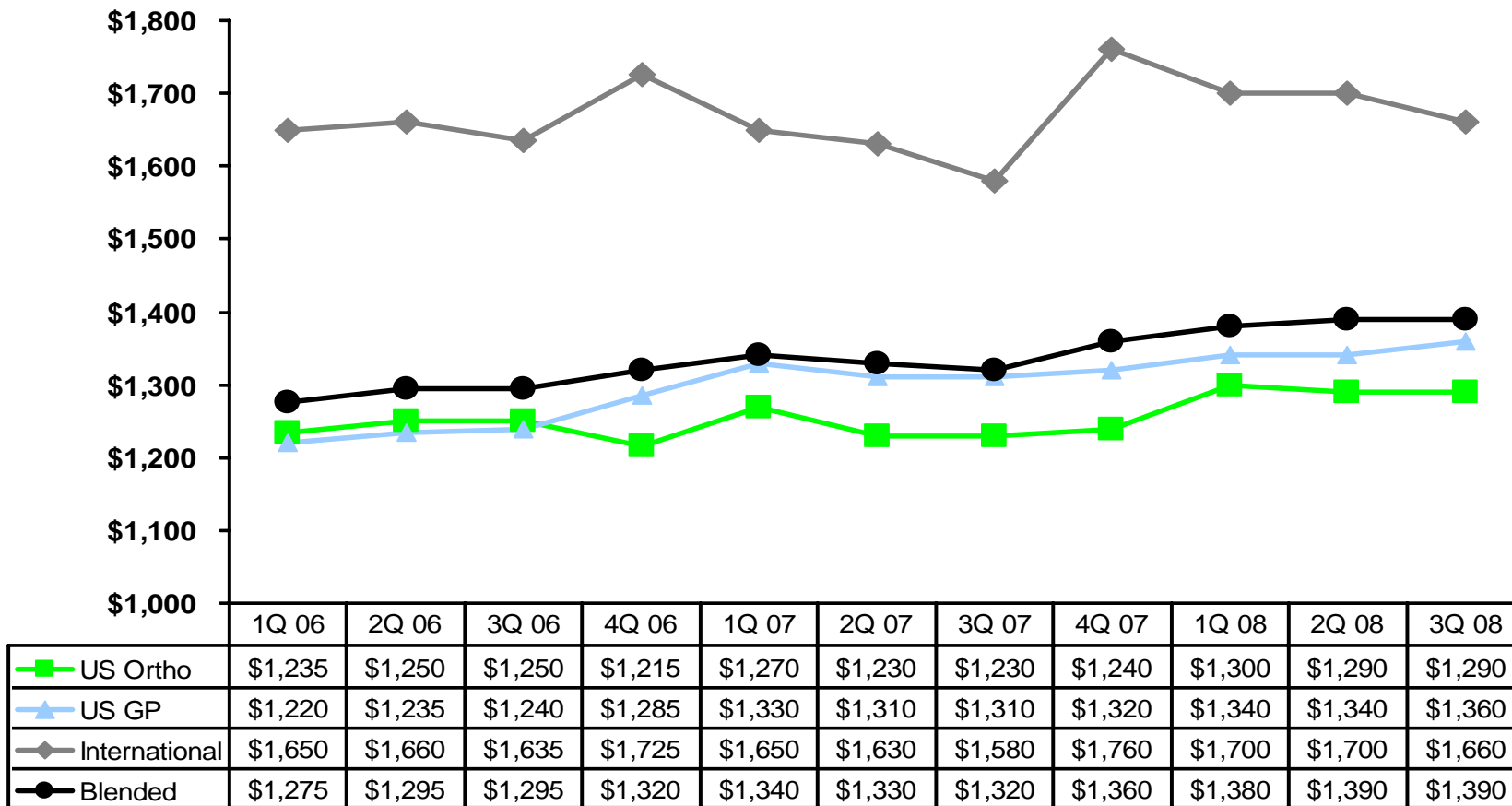
# Average Selling Price (ASP) Excluding Invisalign Express



Note: Beginning in Q1 2008, ASPs reflect gross revenue prior to impact from product deferrals



# Average Selling Price (ASP) Including Invisalign Express



Note: Beginning in Q1 2008, ASPs reflect gross revenue prior to impact from product deferrals





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Q3 FY2008