



November 7, 2016

Align Technology Announces Third Quarter 2016 Results

SAN JOSE, CA -- (Marketwired) -- 11/07/16 --

- | Q3 revenues up 34.2% year-over-year to \$278.6 million
- | Q3 results driven by Clear Aligner revenues up 22.9% year-over-year and Scanner revenues up 273.7% year-over-year.
- | Q3 Clear Aligner shipments up 20.5% year-over-year to 177.8 thousand cases, international shipments up 33.8% year-over-year
- | Diluted EPS \$0.63, up \$0.29 year-over-year

Align Technology, Inc. (NASDAQ: ALGN) today reported financial results for the third quarter ended September 30, 2016. Clear Aligner case shipments in the third quarter of 2016 (Q3'16) were 177.8 thousand, a 20.5% increase year-over-year. For Q3'16, revenues were \$278.6 million, a 34.2% increase year-over-year, and net profit was \$51.4 million, or \$0.63 per diluted share, up \$0.29 per diluted share compared to the same period in the prior year.

"Q3 was a solid quarter with revenue, margins and EPS above the high end of our guidance. Our results were driven by record Invisalign case volume, up 20.5% year-over-year reflecting growth across all customer channels and geographies, as well as continued demand for iTero scanners," said Joe Hogan, Align Technology President and CEO.

GAAP Summary Financial Comparisons Third Quarter Fiscal 2016

	Q3'16	Q2'16	Q3'15	Q/Q Change	Y/Y Change
Clear Aligner Shipments	177,755	176,995	147,485	+0.4%	+20.5%
Net Revenues	\$278.6M	\$269.4M	\$207.6M	+3.4%	+34.2%
Clear Aligner	\$243.7M	\$243.4M	\$198.3M	+0.1%	+22.9%
Scanner & Services	\$34.9M	\$25.90M	\$9.3M	+34.7%	+273.7%
Net Profit	\$51.4M	\$50.1M	\$27.6M	+2.4%	+86.0%
Diluted EPS	\$0.63	\$0.62	\$0.34	\$0.01	\$0.29

Note: Changes and percentages are based on actual values and may effect totals due to rounding

As of September 30, 2016, Align had \$675.8 million in cash, cash equivalents and marketable securities compared to \$678.7 million as of December 31, 2015. During Q3'16, Align concluded our previously announced \$50 million accelerated stock repurchase (ASR) with final delivery of 143,310 shares and purchased an additional 88,000 shares amounting to \$8.2 million in open market repurchases. These repurchases were collectively part of a three-year, \$300 million stock repurchase program announced on April 23, 2014 ("the Align 2014 Repurchase Plan") of which the third \$100 million was authorized to be purchased through April 2017. In addition to the April 2014 Repurchase Plan, Align also announced on April 28, 2016 a new plan to repurchase up to an additional \$300.0 million of the Company's stock. There remains approximately \$341.8 million available for repurchases under the two existing stock repurchase authorizations.

Q4 2016 Business Outlook

For the fourth quarter of 2016 (Q4'16), Align provides the following guidance:

- | Clear Aligner case shipments in the range of 182.5 thousand to 184.5 thousand, up approximately 13.8% to 15.0% over the same period a year ago.
- | Net revenues in the range of \$289.2 million to \$293.9 million.
- | Diluted EPS in the range of \$0.64 to \$0.67.

Align Web Cast and Conference Call

Align will host a conference call today, November 7, 2016 at 4:30 p.m. ET, 1:30 p.m. PT, to review its third quarter 2016 results, discuss future operating trends and the business outlook. The conference call will also be web cast live via the Internet. To access the webcast, go to the "Events & Presentations" section under Company Information on Align's Investor Relations web site at <http://investor.aligntech.com>. To access the conference call, please dial 201-689-8261. An archived audio web cast will be available beginning approximately one hour after the call's conclusion and will remain available for approximately 12 months. Additionally, a telephonic replay of the call can be accessed by dialing 877-660-6853 with conference number 13646649 followed by #. For international callers, please dial 201-612-7415 and use the same conference number referenced above. The telephonic replay will be available through 5:30 p.m. ET on November 21, 2016.

About Align Technology, Inc.

Align Technology is the leader in modern Clear Aligner orthodontics that designs, manufactures and markets the Invisalign® system, which provides dental professionals with a range of treatment options for adults and teenagers. Align also offers the iTero 3D digital scanning system and services for orthodontic and restorative dentistry. Align was founded in March 1997 and received FDA clearance to market the Invisalign system in 1998. Visit www.aligntech.com for more information.

For additional information about the Invisalign system or to find an Invisalign provider in your area, please visit www.invisalign.com. For additional information about the iTero 3D digital scanning system, please visit www.itero.com.

Forward-Looking Statement

This news release, including the tables below, contains forward-looking statements, including statements regarding certain business metrics for the fourth 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, or that the expected benefits of new or existing business relationships will not be achieved as anticipated, 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 June 30, 2016, which was filed with the SEC on August 4, 2016. Align undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

ALIGN TECHNOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
<i>September 30,</i>		<i>September 30,</i>	
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>

Net revenues	\$	278,589	\$	207,636	\$	786,671	\$	615,210
Cost of net revenues		<u>69,387</u>		<u>50,060</u>		<u>191,626</u>		<u>147,910</u>
Gross profit		<u>209,202</u>		<u>157,576</u>		<u>595,045</u>		<u>467,300</u>
Operating expenses:								
Selling, general and administrative		126,708		101,751		360,385		290,657
Research and development		<u>20,415</u>		<u>17,779</u>		<u>54,111</u>		<u>47,348</u>
Total operating expenses		<u>147,123</u>		<u>119,530</u>		<u>414,496</u>		<u>338,005</u>
Income from operations		62,079		38,046		180,549		129,295
Interest and other income (expense), net		<u>1,463</u>		<u>(1,568)</u>		<u>1,161</u>		<u>(2,846)</u>
Net income before provision for income taxes and equity in losses of investee		63,542		36,478		181,710		126,449
Provision for income taxes		11,698		8,862		39,172		31,306
Equity in losses of investee, net of tax		<u>477</u>		<u>-</u>		<u>477</u>		<u>-</u>
Net income	\$	<u>51,367</u>	\$	<u>27,616</u>	\$	<u>142,061</u>	\$	<u>95,143</u>
Net income per share								
Basic	\$	0.64	\$	0.35	\$	1.78	\$	1.19
Diluted	\$	<u>0.63</u>	\$	<u>0.34</u>	\$	<u>1.74</u>	\$	<u>1.17</u>
Shares used in computing net income per share								
Basic		<u>79,977</u>		<u>79,808</u>		<u>79,920</u>		<u>80,173</u>
Diluted		<u>81,466</u>		<u>81,092</u>		<u>81,523</u>		<u>81,576</u>

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

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 419,948	\$ 167,714
Marketable securities, short-term	193,018	359,581
Accounts receivable, net	244,992	158,550
Inventories	26,341	19,465
Prepaid expenses and other current assets	<u>27,469</u>	<u>26,700</u>
Total current assets	911,768	732,010
Marketable securities, long-term	62,820	151,370
Property, plant and equipment, net	172,658	136,473
Equity method investments	46,268	-

Goodwill and intangible assets, net	82,987	79,162
Deferred tax assets	68,918	51,416
Other assets	13,474	8,202
	<u>1,358,893</u>	<u>1,158,633</u>
Total assets	\$	\$
	<u>1,358,893</u>	<u>1,158,633</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 33,104	\$ 34,354
Accrued liabilities	132,538	107,765
Deferred revenues	177,409	129,553
Total current liabilities	343,051	271,672
Income tax payable	42,539	37,512
Other long term liabilities	993	1,523
Total liabilities	386,583	310,707
Total stockholders' equity	972,310	847,926
Total liabilities and stockholders' equity	\$ 1,358,893	\$ 1,158,633

ALIGN TECHNOLOGY, INC.
Q3 2016 FINANCIAL AND BUSINESS METRICS
(in thousands except average selling price, utilization and doctors trained)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Fiscal 2015	Q1 2016	Q2 2016	Q3 2016
Invisalign Clear Aligner Net Revenues by Geography:								
North America	\$ 118,844	\$ 126,137	\$ 124,085	\$ 129,663	\$ 498,729	\$ 135,699	\$ 143,909	\$ 143,800
International	55,920	61,896	61,265	70,980	250,061	69,850	83,703	84,304
Non-case*	12,265	12,784	12,942	13,405	51,396	14,149	15,824	15,564
Total Clear Aligner Net Revenues	<u>\$ 187,029</u>	<u>\$ 200,817</u>	<u>\$ 198,292</u>	<u>\$ 214,048</u>	<u>\$ 800,186</u>	<u>\$ 219,698</u>	<u>\$ 243,436</u>	<u>\$ 243,668</u>
YoY % growth	11.2%	11.7%	11.3%	14.8%	12.3%	17.5%	21.2%	22.9%
QoQ % growth	0.3%	7.4%	-1.3%	7.9%		2.6%	10.8%	0.1%
*includes Invisalign training, ancillary products, and retainers								
Average Invisalign Selling Price (ASP):								
Worldwide ASP	\$ 1,335	\$ 1,300	\$ 1,255	\$ 1,250	\$ 1,285	\$ 1,255	\$ 1,285	\$ 1,285
International ASP	\$ 1,410	\$ 1,380	\$ 1,325	\$ 1,315	\$ 1,355	\$ 1,315	\$ 1,345	\$ 1,365
Invisalign Clear Aligner Cases Shipped by Geography:								
North America	91,110	99,630	101,260	106,390	398,390	110,500	114,855	115,900
International	39,670	44,940	46,225	54,010	184,845	53,195	62,140	61,855
Total Cases Shipped	<u>130,780</u>	<u>144,570</u>	<u>147,485</u>	<u>160,400</u>	<u>583,235</u>	<u>163,695</u>	<u>176,995</u>	<u>177,755</u>

YoY % growth	16.6%	28.9%	23.6%	26.4%	22.0%	25.2%	22.4%	20.5%
QoQ % growth	3.1%	10.5%	2.0%	8.8%		2.1%	8.1%	0.4%
Number of Invisalign Doctors Cases Shipped To:								
North America	20,165	21,335	21,160	21,835	31,710	22,355	22,575	22,570
International	9,050	9,790	10,150	10,865	16,460	11,280	12,485	12,720
Total Doctors Cases Shipped To	<u>29,215</u>	<u>31,125</u>	<u>31,310</u>	<u>32,700</u>	<u>48,170</u>	<u>33,635</u>	<u>35,060</u>	<u>35,290</u>
Invisalign Doctor Utilization Rates*:								
North America	4.5	4.7	4.8	4.9	12.6	4.9	5.1	5.1
North American Orthodontists	9.0	9.5	9.9	9.9	31.8	10.4	10.7	11.1
North American GP Dentists	2.9	3.0	2.9	3.1	7.4	3.0	3.1	3.0
International	4.4	4.6	4.6	5.0	11.2	4.7	5.0	4.9
Total Utilization Rates	4.5	4.6	4.7	4.9	12.1	4.9	5.1	5.0
* # of cases shipped/# of doctors to whom cases were shipped								
Number of Invisalign Doctors Trained:								
North America	870	1,120	1,060	1,270	4,320	875	1,125	1,300
International	1,540	1,335	1,200	1,400	5,475	1,605	1,760	1,315
Total Doctors Trained Worldwide	<u>2,410</u>	<u>2,455</u>	<u>2,260</u>	<u>2,670</u>	<u>9,795</u>	<u>2,480</u>	<u>2,885</u>	<u>2,615</u>
Total to Date Worldwide	<u>96,405</u>	<u>98,860</u>	<u>101,120</u>	<u>103,790</u>	<u>103,790</u>	<u>106,270</u>	<u>109,155</u>	<u>111,770</u>
Total Net Revenues:								
Clear Aligner Net Revenues	\$ 187,029	\$ 200,817	\$ 198,292	\$ 214,048	\$ 800,186	\$ 219,698	\$ 243,436	\$ 243,668
Scanner & Services Net Revenues	11,057	8,671	9,344	16,228	45,300	19,022	25,926	34,921
Total Worldwide Net Revenues	<u>\$ 198,086</u>	<u>\$ 209,488</u>	<u>\$ 207,636</u>	<u>\$ 230,276</u>	<u>\$ 845,486</u>	<u>\$ 238,720</u>	<u>\$ 269,362</u>	<u>\$ 278,589</u>
YoY % growth	9.7%	8.8%	9.4%	15.9%	11.0%	20.5%	28.6%	34.2%
QoQ % growth	-0.3%	5.8%	-0.9%	10.9%		3.7%	12.8%	3.4%
Stock-based Compensation (SBC)								
SBC included in Gross Profit	\$ 980	\$ 970	\$ 984	\$ 1,008	\$ 3,942	\$ 961	\$ 932	\$ 995
SBC included in Operating Expenses	10,670	11,860	13,677	12,799	49,006	11,563	12,767	12,716
Total SBC Expense	<u>\$ 11,650</u>	<u>\$ 12,830</u>	<u>\$ 14,661</u>	<u>\$ 13,807</u>	<u>\$ 52,948</u>	<u>\$ 12,524</u>	<u>\$ 13,699</u>	<u>\$ 13,711</u>

Note: Historical public data may differ due to rounding. Additionally, rounding may effect totals.

(unaudited)

The outlook figures provided below and elsewhere in this press release are approximate in nature since Align's business outlook is difficult to predict. Align's future performance involves numerous risks and uncertainties and the company's results could differ materially from the outlook provided. Some of the factors that could affect Align's future financial performance and business outlook are set forth under "Forward-Looking Information" above in this press release.

Financial Outlook

(in millions, except per share amounts and percentages)

	Q4'16 Guidance
	GAAP
Net Revenues	\$289.2 - \$293.9
Gross Margin	74.7% - 75.1%
Operating Expenses	\$149.6 - \$150.6
Operating Margin	23.0% - 23.9%
Net Income per Diluted Share	\$0.64 - \$0.67

Business Metrics:

	Q4'16
Case Shipments	182.5K - 184.5K
Capital Expenditure	\$63M - \$68M
Depreciation & Amortization	\$7.0M - \$7.5M
Diluted Shares Outstanding	81.5M*
Stock Based Compensation Expense	\$14.7M
Tax Rate	22.0%

* Excludes any stock repurchases during the quarter

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