

ALIGN TECHNOLOGY INC  
Form 10-Q  
May 08, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-32259

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**Align Technology, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3267295**  
(I.R.S. Employer  
Identification Number)

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**881 Martin Avenue  
Santa Clara, California 95050**

(Address of principal executive offices) (Zip Code)

**(408) 470-1000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value, as of April 30, 2008 was 69,567,623.

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*Invisalign, Align, ClinCheck, Invisalign ClinAssist, Invisalign Teen and Viverra, amongst others, are trademarks belonging to Align Technology, Inc. and are pending or registered in the United States and other countries.*

## PART I FINANCIAL INFORMATION

## ITEM 1 FINANCIAL STATEMENTS

**ALIGN TECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(unaudited)

|  | Three Months Ended<br>March 31, |           |
|--|---------------------------------|-----------|
|  | 2008                            | 2007      |
| Net revenues                                   | \$ 74,776                       | \$ 63,761 |
| Cost of revenues                               | 19,608                          | 17,529    |
| Gross profit                                   | 55,168                          | 46,232    |
| Operating expenses:                            |                                 |           |
| Sales and marketing                            | 28,059                          | 23,150    |
| General and administrative                     | 15,188                          | 12,185    |
| Research and development                       | 7,295                           | 5,693     |
| Patients First Program                         |                                 | (1,796)   |
| Total operating expenses                       | 50,542                          | 39,232    |
| Profit from operations                         | 4,626                           | 7,000     |
| Interest and other income, net                 | 966                             | 455       |
| Net profit before provision for income taxes   | 5,592                           | 7,455     |
| Provision for income taxes                     | (288)                           | (477)     |
| Net profit                                     | \$ 5,304                        | \$ 6,978  |
| Net profit per share:                          |                                 |           |
| Basic  | \$ 0.08                         | \$ 0.11   |
| Diluted  | \$ 0.07                         | \$ 0.10   |
| Shares used in computing net profit per share: |                                 |           |
| Basic  | 69,053                          | 65,433    |
| Diluted  | 70,860                          | 69,331    |

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**ALIGN TECHNOLOGY, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)  
(unaudited)

|  | March 31,<br>2008 | December 31,<br>2007 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Current assets:  |                   |                      |
| Cash and cash equivalents  | \$ 113,680        | \$ 89,140            |
| Marketable securities, short-term  | 18,683            | 38,771               |
| Accounts receivable, net of allowance for doubtful accounts of \$815 and \$760, respectively | 47,475            | 44,850               |
| Inventories, net   | 3,010             | 2,910                |
| Prepaid expenses and other current assets  | 8,302             | 8,846                |
| Total current assets   | 191,150           | 184,517              |
| Property and equipment, net  | 27,762            | 25,320               |
| Goodwill   | 478               | 478                  |
| Intangible assets, net   | 9,906             | 10,615               |
| Other assets   | 1,754             | 1,831                |
| Total assets   | \$ 231,050        | \$ 222,761           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                   |                      |
| Current liabilities:   |                   |                      |
| Accounts payable   | \$ 10,100         | \$ 9,222             |
| Accrued liabilities  | 30,563            | 39,875               |
| Deferred revenues  | 13,295            | 12,362               |
| Total current liabilities  | 53,958            | 61,459               |
| Other long-term liabilities  | 159               | 148                  |
| Total liabilities  | 54,117            | 61,607               |
| Commitments and contingencies (Note 7)   |                   |                      |
| Stockholders' equity:  |                   |                      |
| Preferred stock, \$0.0001 par value (5,000 shares authorized; none issued)                   |                   |                      |