

ALIGN TECHNOLOGY INC  
Form 10-Q  
August 08, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**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 June 30, 2011

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

**ALIGN TECHNOLOGY, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: ALIGN TECHNOLOGY INC - Form 10-Q

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

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

**2560 Orchard Parkway**

**San Jose, California 95131**

(Address of principal executive offices)

**(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 July 29, 2011 was 78,477,658.

**Table of Contents**

**ALIGN TECHNOLOGY, INC.**

**INDEX**

PART I	<u>FINANCIAL INFORMATION</u>	3
ITEM 1.	<u>FINANCIAL STATEMENTS (UNAUDITED):</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	5
	<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	20
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	32
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	32
PART II	<u>OTHER INFORMATION</u>	34
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	34
ITEM 1A.	<u>RISK FACTORS</u>	35
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	46
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	47
ITEM 4.	<u>REMOVED AND RESERVED</u>	47
ITEM 5.	<u>OTHER INFORMATION</u>	47
ITEM 6.	<u>EXHIBITS</u>	47
	<u>SIGNATURES</u>	48

*Invisalign, Align, ClinCheck, Invisalign Assist, Invisalign Teen, Vivera, iTero and iOC amongst others, are trademarks belonging to Align Technology, Inc. or its subsidiaries and are pending or registered in the United States and other countries.*

**Table of Contents****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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net revenues (1)	\$ 120,086	\$ 108,196	\$ 224,942	\$ 198,286
Cost of net revenues	28,949	21,178	51,579	41,558
Gross profit	91,137	87,018	173,363	156,728
Operating expenses:				
Sales and marketing	38,586	28,939	71,407	56,885
General and administrative	26,094	15,005	45,086	29,956
Research and development	9,270	6,396	18,660	12,512
Insurance settlement		(8,666)		(8,666)
Amortization of acquired intangible assets	592		592	
Total operating expenses	74,542	41,674	135,745	90,687
Profit from operations	16,595	45,344	37,618	66,041
Interest and other income (expense), net	(306)	156	(217)	(397)
Net profit before provision for income taxes	16,289	45,500	37,401	65,644
Provision for income taxes	5,127	12,897	10,398	18,111
Net profit	\$ 11,162	\$ 32,603	\$ 27,003	\$ 47,533
Net profit per share:				
Basic	\$ 0.14	\$ 0.43	\$ 0.35	\$ 0.63
Diluted	\$ 0.14	\$ 0.42	\$ 0.34	\$ 0.61
Shares used in computing net profit per share:				
Basic	77,888	75,703	77,369	75,436
Diluted	80,321	77,607	79,903	77,644

(1) The three and six months ended June 30, 2010 include a \$14.3 million release of previously deferred revenue for Invisalign Teen replacement aligners.

Edgar Filing: ALIGN TECHNOLOGY INC - Form 10-Q

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

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

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 168,607	\$ 294,664
Marketable securities, short-term	6,755	8,615
Accounts receivable, net of allowance for doubtful accounts of \$524 and \$735, respectively	82,130	65,430
Inventories	6,272	2,544
Prepaid expenses and other current assets	22,809	17,358
Total current assets	286,573	388,611
Marketable securities, long-term	4,112	9,089
Property and equipment, net	37,122	30,684
Goodwill	135,768	478
Intangible assets, net	52,113	2,188
Deferred tax asset	28,546	42,439
Other assets	2,815	3,454
Total assets	\$ 547,049	\$ 476,943
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 10,407	\$ 7,768
Accrued liabilities	56,020	51,358
Deferred revenues	43,024	33,848
Total current liabilities	109,451	92,974
Other long-term liabilities	7,816	6,222
Total liabilities	117,267	99,196
Commitments and contingencies (Notes 7 and 10)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value (5,000 shares authorized; none issued)		
Common stock, \$0.0001 par value (200,000 shares authorized; 78,305 and 76,390 issued and outstanding, respectively)	8	8
Additional paid-in capital	580,274	555,851
Accumulated other comprehensive income, net	743	134
Accumulated deficit	(151,243)	(178,246)
Total stockholders' equity	429,782	377,747
Total liabilities and stockholders' equity	\$ 547,049	\$ 476,943

Edgar Filing: ALIGN TECHNOLOGY INC - Form 10-Q

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

**Table of Contents****ALIGN TECHNOLOGY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	\$ 27,003	\$ 47,533
Adjustments to reconcile net profit to net cash provided by operating activities:		
Deferred taxes	7,905	17,364
Depreciation and amortization	6,109	5,955
Stock-based compensation	9,252	7,724
Amortization of intangibles	2,175	1,400
Amortization of prepaid royalties		827
Benefit from doubtful accounts	(85)	(150)
Loss (gain) on retirement and disposal of fixed assets	(10)	11
Changes in assets and liabilities, net of acquired assets and liabilities:		
Accounts receivable	(10,789)	(10,126)
Inventories	(960)	(462)
Prepaid expenses and other assets	(1,036)	(3,705)
Accounts payable	(165)	(9)
Accrued and other long-term liabilities	1,770	(730)
Deferred revenues	5,775	(4,391)
Net cash provided by operating activities	46,944	61,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition, net of cash acquired	(186,949)	
Purchase of property and equipment	(8,522)	(8,849)
Maturities of marketable securities	6,859	10,980
Other assets	406	(172)
Net cash provided by (used in) investing activities	(188,206)	1,959
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	16,548	7,213
Employees' taxes paid upon the vesting of restricted stock units	(1,420)	(849)
Net cash provided by financing activities	15,128	6,364
Effect of foreign exchange rate changes on cash and cash equivalents	77	(250)
Net increase (decrease) in cash and cash equivalents	(126,057)	69,314