

ALIGN TECHNOLOGY INC
Form 10-Q
November 07, 2006

**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 September 30, 2006

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)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-3267295

(I.R.S. Employer
Identification Number)

881 Martin Avenue

Santa Clara, California 95050

(Address of principal executive offices) (Zip Code))

(408) 470-1000

(Registrant's telephone number, including area code)

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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, or a non-accelerated filer. 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

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 October 31, 2006 was 64,072,716.

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Invisalign, Align, ClinCheck and ClinAdvisor, 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	\$ 49,034	\$ 50,866	\$ 151,163	\$ 155,961
Cost of revenues	16,789	(1) 14,975	47,578	(2) 47,073
Gross profit	32,245	35,891	103,585	108,888
Operating expenses:				
Sales and marketing	19,165	(1) 21,315	59,872	(2) 61,498
General and administrative	19,238	(1) 11,715	49,656	(2) 30,949
Research and development	4,807	(1) 4,400	13,526	(2) 14,658
Total operating expenses	43,210	37,430	123,054	107,105
Profit (loss) from operations	(10,965)	(1,539)	(19,469)	1,783
Interest and other income, net	854	326	2,393	28
Net profit (loss) before provision for income taxes	(10,111)	(1,213)	(17,076)	1,811
Provision for income taxes	(209)	(303)	(618)	(926)
Net profit (loss)	\$ (10,320)	\$ (1,516)	\$ (17,694)	\$ 885
Net profit (loss) per share:				
Basic	\$ (0.16)	\$ (0.02)	\$ (0.28)	\$ 0.01
Diluted	\$ (0.16)	\$ (0.02)	\$ (0.28)	\$ 0.01
Shares used in computing net profit (loss) per share:				
Basic	63,230	61,788	62,907	61,509
Diluted	63,230	61,788	62,907	63,129

(1) Amounts for the three months ended September 30, 2006 include stock-based compensation expense recognized under FAS 123R for stock options, restricted stock units and employee stock purchases (see Note 7 Stock-based Compensation of the Notes to Condensed Consolidated Financial Statements). The Company recognized \$2.3 million in total stock-based compensation expense in the three months ended September 30, 2006, including \$0.2 million in cost of revenues, \$0.7 million in sales and marketing, \$1.0 million in general and administrative and \$0.4 million in research and development.

(2) Amounts for the nine months ended September 30, 2006 include stock-based compensation expense recognized under FAS 123R for stock options, restricted stock units and employee stock purchases (see Note 7 Stock-based Compensation of the Notes to Condensed Consolidated Financial Statements). The Company recognized \$6.7 million in total stock-based compensation expense in the nine months ended September 30, 2006, including \$0.5 million in cost of revenues, \$2.1 million in sales and marketing, \$3.1 million in general and administrative and \$1.0 million in research and development.

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

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

September 30, **December 31,**
2006 **2005**

ASSETS