

ALIGN TECHNOLOGY INC
Form 10-Q
May 01, 2014
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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 March 31, 2014
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) 2560 Orchard Parkway San Jose, California 95131 (Address of principal executive offices) (408) 470-1000 (Registrant's telephone number, including area code)	94-3267295 (I.R.S. Employer Identification Number)
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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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a 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

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The number of shares outstanding of the registrant's Common Stock, \$0.0001 par value, as of April 25, 2014 was 81,635,404.

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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	
	March 31,	
	2014	2013
Net revenues	\$180,646	\$153,580
Cost of net revenues	43,395	40,731
Gross profit	137,251	112,849
Operating expenses:		
Sales and marketing	52,888	42,281
General and administrative	29,179	30,348
Research and development	13,380	11,282
Impairment of goodwill	—	40,693
Impairment of long-lived assets	—	26,320
Total operating expenses	95,447	150,924
Operating profit (loss)	41,804	(38,075)
Interest and other income (expenses), net	601	(988)
Net income (loss) before provision for income taxes	42,405	(39,063)
Provision for income taxes	9,961	2,920
Net income (loss)	\$32,444	\$(41,983)
Net income (loss) per share:		
Basic	\$0.40	\$(0.52)
Diluted	\$0.39	\$(0.52)
Shares used in computing net income (loss) per share:		
Basic	81,120	81,248
Diluted	82,817	81,248

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

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ALIGN TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)

(unaudited)

	Three Months Ended		
	March 31,		
	2014	2013	
Net income (loss)	\$ 32,444	\$(41,983)
Net change in cumulative translation adjustment	106	(55)
Change in unrealized gains on available-for-sale securities, net of tax	42	3	
Other comprehensive income (loss)	148	(52)
Comprehensive income (loss)	\$ 32,592	\$(42,035)

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)

	March 31, 2014 (unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$182,766	\$242,953
Marketable securities, short-term	183,677	127,040
Accounts receivable, net of allowances for doubtful accounts and returns of \$1,798 and \$1,733, respectively	126,183	113,250
Inventories	15,840	13,968
Prepaid expenses and other current assets	43,711	47,465
Total current assets	552,177	544,676
Marketable securities, long-term	138,929	101,978
Property, plant and equipment, net	79,093	75,743
Goodwill and intangible assets, net	84,388	85,362
Deferred tax assets	22,739	15,766
Other assets	8,315	8,622
Total assets	\$885,641	\$832,147
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$18,506	\$17,718
Accrued liabilities	71,349	80,345
Deferred revenues	81,000	77,275
Total current liabilities	170,855	175,338
Other long-term liabilities	18,033	22,839
Total liabilities	188,888	198,177
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value (5,000 shares authorized; none issued)	—	—
Common stock, \$0.0001 par value (200,000 shares authorized; 81,632 and 80,583 issued and outstanding at 2014 and 2013, respectively)		