UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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)

Delaware	**94-3267295**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 x 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 x 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 x	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 x

The number of shares outstanding of the registrant s Common Stock, $0.0001 par value, as of April 29, 2010 was 77,816,865.

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ALIGN TECHNOLOGY, INC.

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

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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, 2011	2010
Net revenues:		
Invisalign	$ 99,437	$ 85,422
Non-case	5,419	4,668
Total net revenues	104,856	90,090
Cost of revenues		
Invisalign	20,993	18,607
Non-case	1,637	1,773
Total cost of revenues	22,630	20,380
Gross profit	82,226	69,710
Operating expenses:		
Sales and marketing	32,821	27,946
General and administrative	18,992	14,951
Research and development	9,390	6,116
Total operating expenses	61,203	49,013
Profit from operations	21,023	20,697
Interest and other income (expense), net	89	(553)
Net profit before provision for income taxes	21,112	20,144
Provision for income taxes	5,271	5,214
Net profit	$ 15,841	$ 14,930
Net profit per share:		
Basic	$ 0.21	$ 0.20
Diluted	$ 0.20	$ 0.19
Shares used in computing net profit per share:		
Basic	76,844	75,166

Diluted	79,361	77,597

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)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 308,608	$ 294,664
Restricted cash	7,991	
Marketable securities, short-term	8,328	8,615
Accounts receivable, net of allowance for doubtful accounts of $485 and $735, respectively	73,904	65,430
Inventories	2,867	2,544
Prepaid expenses and other current assets	16,243	17,358
Total current assets	417,941	388,611
Marketable securities, long-term	5,615	9,089
Property and equipment, net	30,722	30,684
Goodwill	478	478
Intangible assets, net	1,488	2,188
Deferred tax asset	38,024	42,439
Other assets	2,714	3,454
Total assets	$ 496,982	$ 476,943
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 6,594	$ 7,768
Accrued liabilities	44,201	51,358
Deferred revenues	37,199	33,848
Total current liabilities	87,994	92,974
Other long-term liabilities	6,883	6,222
Total liabilities	94,877	99,196
Commitments and contingencies (Notes 5, 8 and 14)		
Stockholders equity:		
Preferred stock, $0.0001 par value (5,000 shares authorized; none issued)		
Common stock, $0.0001 par value (200,000 shares authorized; 77,189 and 74,568 issued and outstanding, respectively)	8	8
Additional paid-in capital	563,878	555,851
Accumulated other comprehensive income, net	624	134
Accumulated deficit	(162,405)	(178,246)
Total stockholders equity	402,105	377,747

Total liabilities and stockholders equity	$ 496,982	$ 476,943

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 CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	$ 15,841	$ 14,930
Adjustments to reconcile net profit to net cash provided by operating activities:		
Deferred taxes	3,983	4,975
Depreciation and amortization	2,979	2,944
Stock-based compensation	4,279	3,473
Amortization of intangibles	700	700
Amortization of prepaid royalties		827
Benefit from doubtful accounts	(162)	(200)
Changes in assets and liabilities:		
Accounts receivable	(7,317)	(4,857)
Inventories	(312)	(319)
Prepaid expenses and other assets	207	(738)
Accounts payable	(634)	(271)
Accrued and other long-term liabilities	(5,315)	(7,927)
Deferred revenues	2,999	5,108
Net cash provided by operating activities	17,248	18,645
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,825)	(4,530)
Restricted cash	(7,991)	
Maturities of marketable securities	3,767	4,988
Other assets	(177)	(246)
Net cash provided by (used in) investing activities	(7,226)	212
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	5,068	6,016
Employees taxes paid upon the vesting of restricted stock units	(1,319)	(755)
Net cash provided by financing activities	3,749	5,261
Effect of foreign exchange rate changes on cash and cash equivalents	173	(198)
Net increase in cash and cash equivalents	13,944	23,920
Cash and cash equivalents, beginning of period	294,664	166,487
Cash and cash equivalents, end of period	$ 308,608	$ 190,407

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

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ALIGN TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Align Technology, Inc. (we , our , or Align) in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) and contain all adjustments, including normal recurring adjustments, necessary to present fairly our financial position as of March 31, 2011, our results of operations for the three months ended March 31, 2011 and 2010, and our cash flows for the three months ended March 31, 2011 and 2010. The Condensed Consolidated Balance Sheet as of December 31, 2010 was derived from the December 31, 2010 audited financial statements.

The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or any other future period, and we make no representations related thereto. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, Quantitative and Qualitative Disclosures About Market Risk and the Consolidated Financial Statements and notes thereto included in Items 7, 7A and 8, respectively, in our Annual Report on Form 10-K for the year ended December 31, 2010.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from those estimates.

Revenue recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. Revenues are recognized from product sales, net of discounts and rebates. Service revenues related to the training of dental professionals and staff on the Invisalign treatment process is recorded when the services are completed.

We enter into arrangements (treatment plans) that involve multiple future product deliverables. For example, included in the price of Invisalign Full, Invisalign Teen and Invisalign Assist, we offer optional case refinement, which is a finishing tool used to adjust a patient s teeth to the desired final position. Case refinement may be elected by the dental professional at any time during treatment however it is generally ordered in the last stages of orthodontic treatment. Invisalign Teen also includes six optional replacement aligners in the price of the product and may be ordered at any time throughout treatment.

Beginning January 1, 2011, we adopted revenue recognition guidance under Accounting Standards Update (ASU) 2009-13, Revenue Recognition: Multiple-Deliverable Revenue Arrangements, on a prospective basis for new or materially modified arrangements. This update amends the guidance on revenue arrangements with multiple deliverables and eliminates the use of the residual method. We use vendor specific objective evidence (VSOE) adjusted by estimated usage rates for case refinements and replacement aligners to determine the respective estimated selling price (ESP). In the absence of VSOE, we determine our best estimate of selling price, as if it is sold on a stand-alone basis, and take into consideration our pricing and discounting strategies, market conditions, as well as historical price. We regularly review our VSOE and ESP and maintain internal controls over the establishment and update of these estimates.

A deliverable constitutes a separate unit of accounting when it has stand-alone value, even if the deliverable is not sold separately. We determined that our treatment plans are comprised of four possible deliverables that represent separate units of accounting: single-batched aligners, multiple-batched aligners, case refinement and replacement aligners. We allocate revenue for each treatment plan based on each unit s relative selling price and recognize the revenue upon the delivery of each unit in the treatment plan.

The adoption of ASU 2009-13 did not have a material impact on our financial statements and is not expected to have a material impact in future periods. Although the financial statement impact was not material, the adoption of ASU 2009-13 did impact our accounting for Invisalign Assist with the progress tracking feature, in which aligners are shipped to the dental professional every nine stages (a batch). We determined that each batch has stand-alone value and therefore represents a separate unit of accounting. The estimated selling price for Invisalign Assist with progress tracking is allocated according to the estimated number of batches.

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Prior to January 1, 2011, we used VSOE as fair value to allocate revenue to the case refinement and replacement aligner deliverables. We deferred the fair value of case refinement and replacement aligner deliverables based on a breakage factor and recognized the residual revenue upon initial batch shipment. The deferred revenue was subsequently recognized as the refinement and replacement aligners were shipped. For Invisalign Assist with the progress tracking feature, we did not have independent evidence of fair value for the separate batches of aligners, so all batches of aligners were considered a single unit of accounting prior to January 1, 2011. For these treatment plans, revenue was deferred upon the first batched shipment and recognized upon the final batched shipment.

We estimate and record a provision for amounts of estimated losses on sales, if any, in the period such sales occur. We have not recorded any estimated losses for the periods presented. Provisions for discounts and rebates to customers are provided for in the same period that the related product sales are recorded based upon historical discounts and rebates.

Recent Accounting Pronouncements

In January 2011, the Financial Accounting Standards Board (FASB) has issued ASU 2011-01, Receivables (ASC 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. The amendments in ASU 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings in ASU 2010-20, Receivables (ASC 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, for public entities. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. We are still assessing the impact of this guidance. However, we do not believe that the adoption will have a material impact on our consolidated financial statements.

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Note 2. Marketable Securities and Fair Value Measurements

Our short-term and long-term marketable securities as of March 31, 2011 and December 31, 2010 are as follows (in thousands):

Short-term

March 31, 2011	Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses