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PRESENTATION

Operator

Hello, and thank you for standing by, and welcome to the Xometry, Inc. Q4 2021 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference may be recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Shawn Milne, Head of Investor Relations. Please go ahead.

Shawn Christopher Milne - Xometry, Inc. - VP of IR

Good afternoon, and thank you for joining us on Xometry's Q4 2021 Earnings Call. Joining me are Randy Altschuler, our Chief Executive Officer; and Jim Rallo, our Chief Financial Officer. During today's call, we will review our financial results for the fourth quarter and full year 2021 and discuss our guidance for the first quarter and full year 2022.

During today's call, we will make forward-looking statements, including statements related to the expected performance of our business, future financial results, strategy, long-term growth and overall future prospects. Such statements may be identified by terms such as believe, expect, intend and may. These statements are subject to risks and uncertainties, which could cause them to differ materially from actual results.

Information concerning those risks is available in our earnings press release distributed after market closed today and in our SEC filings included in the Form 10-K for the year ended December 31, 2021, that will be filed with the SEC. We caution you not to place undue reliance on forward-looking statements and undertake no duty or obligation to update any forward-looking statements as a result of new information, future events or changes in our expectations.

We'd also like to point out that on today's call, we will report GAAP and non-GAAP results. We use these non-GAAP financial measures internally for financial and operating decision-making purposes and as a means to evaluate period-to-period comparisons. Non-GAAP financial measures are presented in addition to and not as a substitute or superior to measures of financial performance prepared in accordance with U.S. GAAP.

To see the reconciliation of these non-GAAP measures, please refer to our earnings press release distributed today and our investor presentation, both of which are available in the Investors section of our website at investors.xometry.com. A replay of today's call will also be posted on our website.

With that, I'd like to turn the call over to Randy.

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

Thanks, Shawn. Good afternoon, everyone, and thank you for joining us for our Q4 2021 earnings call. We are pleased to report another strong quarter. We ended our first year as a public company on a high note, delivering 77% revenue growth and 121% gross profit growth year-over-year in Q4.

We are rapidly delivering on our mission to build a leading global digital manufacturing marketplace, transforming one of the largest industries in the world. While we're still in the early innings of this secular shift to the digital for manufacturing, Fortune 1000 companies are increasingly rethinking their supply chains and manufacturing strategies. Xometry is uniquely positioned to meet their needs through the breadth of our platform across verticals, processes and capabilities.

Likewise, we are uniquely positioned to meet the needs of our sellers through our suite of seller services. With our cloud-based software platform, we aim to be the operating system for hundreds of thousands of sellers.

Global events over the last 2 years have crippled supply chains, spurred product shortages and limited access to raw materials, underscoring the need for rapid digital transformation of the manufacturing industry. Our 2-sided marketplace has performed exceptionally well through the manufacturing volatility of the past 2 years, including COVID, ongoing supply chain disruptions and the current tragedy in Ukraine.

Our ability to match buyers and suppliers in real time and our weekly updates to our AI-driven pricing model provides reliable pricing and predictable margins even during periods of volatile commodity prices. Likewise, with our supplier network expanding domestically and abroad, we offer customers durable supply chains irrespective of macro events. The vast majority of our orders are fulfilled in country alleviating issues related to overseas shipping delays. The addition of Thomas only enhances our capabilities.

While our thoughts go out to those tragically affected by the war in Ukraine, Xometry continues to have strong and a growing business in Europe. We do not have buyers or sellers in Ukraine or Russia, and have not experienced any business interruption.

Moving on to our strong Q4 results. I will provide a review of our fourth quarter performance and provide an update on key business initiatives, including the integration with Thomas. Then I will turn the call over to Jim for a more in-depth review of our financial results and outlook.

We had a strong Q4 with revenue of \$67.1 million as we continued to see rapid adoption of our marketplace by both buyers and sellers, as well as completing the strategic acquisition of Thomas on December 9. Excluding Thomas, Xometry revenue grew 66% year-over-year to \$63 million and increased a strong 11% quarter-over-quarter. Thomas revenue in Q4 from the time of the acquisition was \$4.1 million. While we completed the acquisition a little more than 3 months ago, our integration efforts are off to a strong start. I will outline our progress and road map later in the call and in our earnings presentation.

Q4 Xometry revenue growth was driven by continued robust growth in active buyers and the rapid adoption of the platform by larger accounts across both North America and Europe. The Xometry marketplace provides flexibility and instant access to a large broad set of seller capabilities. Additionally, we provide our sellers convenient access to supplies, enabling them to lower their cost of operations. We also improved their cash flow through our basket of fintech products.

In Q4, active buyers increased 49% year-over-year. We saw strength across many verticals, including consumer products, robotics, medical devices and electronics and semiconductors, as well as ongoing strength in general manufacturing. Additionally, we drove robust growth within existing accounts powered by our land and expand strategy and an increase in large orders, including production.

The number of accounts with the last 12-month spend of at least \$50,000 increased 80% year-over-year to 701, adding a record 99 accounts to that metric in Q4. Given the success of our land and expand strategy, we are investing to expand our enterprise sales effort in the near term.

Within our large and rapidly growing active buyer base, we have the significant opportunity to become an enterprise solution, embedded in product design and procurement workflows. In October, we launched Version 2.0 of the Xometry app for Autodesk Fusion 360, a leading CAD design platform. Version 2.0 offers manufacturability feedback and multiple part upload features, improving the user experience for engineers and designers working in Fusion 360.

We continue to expand our seller services revenue, including improvements to our supplies business and our basket of fintech products. The usage of our financial products continue to improve, including InstantPay, which launched in the fall. Our financial products improved sellers' cash flows and engagement levels.

Our international business continues to deliver strong growth driven by the team in Europe. In Q4, revenue in Europe increased over 300% year-over-year. Additionally, in Q4, we hired a general manager for our Asia Pacific business to quickly scale up our team and platform. We expect to formally launch a localized marketplace in that region by the end of Q1 and begin taking orders in Q2.

We have a tremendous opportunity for international expansion and are investing to drive future growth. International revenue grew over 400% to \$16.2 million for 2021, up from just over \$3 million in 2020. Currently, over 90% of our revenue is generated in the U.S. We see an enormous global opportunity, and as with other leading online marketplaces, international revenue could be up to 40% or more of total sales over the next several years.

On top of strong revenue growth, gross profit grew 121% year-over-year. Excluding Thomas, Xometry gross profit dollars increased 83% year-over-year and 20% from Q3 to Q4 2021, driven by improvements in pricing and seller matching and our AI-powered marketplace. As our marketplace continues to scale and as the number of transactions grow, our machine learning becomes smarter, driving better matches for buyers and sellers and helping improve gross margins. At the same time, we continue to ramp up our network of active sellers, which further enables our marketplace to successfully match supply and demand and improve gross margins.

On top of these strong financial results, in Q4, we made 3 acquisitions, including Big Blue Saw, FactoryFour and Thomas to improve our marketplace experience for buyers and sellers and strategically transform our market and growth opportunities. Thomas is a leading online platform for industrial product sourcing, supplier selection and marketing services. The addition of Thomas accelerates the growth of Xometry's marketplace, creating exceptional scale of buyers and manufacturers. We have established an end-to-end suite of seller services, including digital marketing products and advertiser services. Thomas is accretive to our margins and accelerates our path to profitability.

We are executing against our integration plan as we now go to market as one company. We have integrated our teams, centering them around marketplace and seller services. We have a robust product road map focused on driving more buyers and sellers to the marketplace as we strive to become an enterprise solution for both.

For buyers, we expect to integrate our instant quoting technology in the Thomas platform in Q2, opening up Thomas' 1.4 million-plus registered users and 20 million annual sourcing sessions to our marketplace. The technology behind this integration is based on our Xometry Everywhere initiative, which can be integrated in minutes to unlock Xometry's instant quoting on virtually any website. We are launching Xometry Everywhere later in March.

Additionally, in Q2, we will expand our quoting capabilities into new categories based on the data and suppliers from the Thomas network. Buyers will not only be able to choose from expanded categories and processes, but be able to more easily find local suppliers and with an expanded set of certifications. Also, buyers will be able to choose from over 45,000 diversity certified suppliers, a category that is increasingly important to enterprise buyers.

Also, by the end of Q2, we will rollout our One Identity single sign-on. Our buyers will be able to seamlessly purchase across Xometry Instant Quote and Thomas RFQ with a single sign-on. One Identity will create a unified shopping cart across platforms to easily facilitate purchase and payment.

For sellers, we introduced a new supplier analytic dashboard in the Thomas platform, which provides real-time data on buyers that are in market for the supplier services and the buyer's engagement with the suppliers profile. Recently, we introduced a self-service option for sellers to purchase Thomas advertising services on the Thomas platform. Our new self-service option removes frictions for new customers and introduces a new entry price point for our marketing and advertising service offerings.

The new dashboard and self-service options are foundational components of our strategy to significantly grow the number of premium suppliers and the frequency at which they actively engaged with the Thomas platform. We expect to rapidly expand the number of premium sellers in the platform from roughly 5,000 today given that there are 500,000 registered sellers on the platform.

Also for sellers, we will release a new version of our order management software in Q2 to integrate seamlessly with the Xometry marketplace and with the Thomasnet.com platform, giving suppliers a one-stop view into all of their orders. At the end of Q2, we expect to launch a freemium version of this software as we look to drive deep adoption within our seller base. The operating system will serve as the platform to deliver our basket of seller services to our base of manufacturers and drive further engagement on our marketplace.

We expect that our product release schedule will drive additional growth and revenue synergies for the balance of 2022. We remain confident in our plan to deliver up to \$400 million in revenue in 2022, which Jim will provide more detail on later in the call.

We have limitless opportunities to fuel our growth. This year will see us expand our marketplace domestically and abroad and deliver additional services to buyers and suppliers. Our TAM is over \$2 trillion in the massive \$35 trillion global manufacturing industry. We will continue to invest to further capitalize on our position as the leading 2-sided marketplace.

In 2020, our revenue was \$141 million. In 2022, we expect that to nearly triple to \$400 million. And at the same time, we expect gross profit dollars to grow over fourfold with significant gross margin expansion, and we're just getting started.

With that, I'll turn the call over to our CFO, Jim Rallo, for a closer look at fourth quarter financial results and our business outlook.

James M. Rallo - Xometry, Inc. - CFO

Thanks, Randy, and good afternoon, everyone. As Randy mentioned, we had a strong fourth quarter and we're expecting continued significant revenue and gross profit growth in Q1 and 2022.

We generated Q4 revenue of \$67.1 million, up 77% year-over-year, excluding Thomas. Xometry generated revenue of \$63 million, 66% revenue growth year-over-year. This increase was driven by strong growth in the number of active buyers, resulting from our continued investment in sales and marketing as we leverage our attractive unit economics, as well as existing buyers increasing their spend on the platform. In Q4, Thomas contributed \$4.1 million in revenue from the time of acquisition on December 9, 2021.

In Q4 2021, our KPIs are reported for Xometry on a stand-alone basis excluding Thomas. Q4 active buyers increased 49% year-over-year to 28,130. In Q4, the percentage of revenue from existing accounts was 95%, underscoring the efficiency and transparency of our business model that leads to increasing account stickiness and spend over time. We believe the repeat purchase activity from existing accounts reflects the underlying strength of our business and provides us with substantial revenue visibility and predictability.

Once an account joins our platform, we aim to expand the relationship and increase engagement and spending activities from the account over time. The number of accounts with the last 12 months spend of at least \$50,000 on our platform reached 701 at the end of Q4 2021, up 80% year-over-year. Q4 gross profit was \$20.9 million, an increase of 121% year-over-year. Gross profit margin was 31.2%.

Excluding Thomas, Xometry gross profit margin was 27.5%, up 250 basis points year-over-year compared to 25% in Q4 2020. Q4 gross margin for Xometry increased 190 basis points from Q3 2021, excluding Thomas. As our marketplace continues to scale and as the number of transactions grow, our machine learning becomes smarter, driving better matches for buyers and sellers and increasing our gross margin over time.

Moving on to Q4 operating costs. Q4 operating costs include Thomas from the date of the acquisition. Q4 2021 total operating expenses increased 131% year-over-year to \$43.5 million. On a non-GAAP basis, Q4 operating expenses increased 103% year-over-year. Q4 2021 operating expenses included \$5.7 million of transaction costs related to acquisitions and stock-based compensation expense of \$2.6 million that is allocated across our SG&A lines. Additionally, Q4 operating expenses include approximately \$2.2 million of public company costs and \$1.1 million related to our charitable contribution.

Within our operating expenses, sales and marketing is our largest variable component. Given our large and expanded TAM of \$2 trillion, we will continue to invest in growing our marketplace of buyers and sellers. Non-GAAP sales and marketing costs were \$12.4 million in Q4, an increase of 91% year-over-year, driven by continued investment to expand our network of buyers and sellers.

Our hiring of additional salespeople and 1.4 million from the Thomas acquisition, our adjusted EBITDA loss for Q4 was \$11.9 million or 17.7% of revenue. Thomas was not material to the Q4 adjusted EBITDA as the acquisition occurred on December 9.

Our Q4 adjusted EBITDA loss was approximately \$1.8 million higher quarter-over-quarter due to additional public company costs and investments in sales and marketing and international expansion in Asia Pacific and the United Kingdom. One note on GAAP EPS. Our Q4 GAAP EPS included \$5.7 million in transaction-related costs, which are excluded from Q4 adjusted EBITDA.

Turning to segment reporting. It is worth noting that the majority of Thomas' revenues are in the U.S. In Q4, revenue from our U.S. and Europe operating segments was \$61.8 million and \$5.3 million, respectively. Segment loss from our U.S. and Europe operating segments for Q4 was \$21.1 million and \$2.8 million, respectively. We continue to invest in our European business, which grew over 300% year-over-year in Q4, with improving gross margins as transaction volumes increased.

At the end of the fourth quarter, cash and cash equivalents and marketable securities were \$116.7 million, with no debt. In early February, we raised approximately \$278.9 million in net proceeds from our convertible notes offering.

Now moving on to guidance. We expect Q1 2022 revenue in the range of \$81 million to \$82 million, representing year-over-year growth of 84% to 87%. Given the change of mix in our business with Thomas, for modeling purposes, we are providing gross profit margin ranges for Q1 and 2022. We expect Q1 gross profit margin in the range of 38% to 39%.

Starting with Q1 2022 financial results, we will provide an additional disclosure for marketplaces and supplier services. We report revenue and cost of goods sold for each. Thomas will be included in supplier services. We expect operating leverage to improve quarter-over-quarter in Q1 and through 2022. In Q1, we expect adjusted EBITDA loss to be in the range of \$12.5 million to \$13.5 million as we are increasing our spend by approximately \$2 million.

There are 2 primary contributors: first is an increase in compensation cost for individual employees reflecting the overall inflationary environment; second, we are making incremental investments in sales, technology and international expansion. As Randy mentioned, we continue to invest in sales, including expanding our enterprise sales team based on the significant progress we are seeing in our land and expand strategy.

Given the robust product release schedule that Randy mentioned, we are also investing more heavily in technology in Q1. Additionally, we invested to further drive international expansion, including the launch of our local marketplace in China and further expansion in Europe, specifically in the U.K. We will be live and up and running in China beginning in Q2.

In Q1, we expect stock-based compensation expense to be in the range of \$4 million to \$5 million, which will be excluded from adjusted EBITDA. Q1 2022 stock-based compensation reflects the acquisition of Thomas. Additionally, as part of the IPO, we pledged 1% of the company's capitalization or approximately 403,000 shares to Xometry.org for charitable contributions to nonprofit organizations. As a result, each quarter, we will record a nonoperating charge through general and administrative expenses, which we will exclude from adjusted EBITDA. In Q4, this charge was \$1.1 million, and we expect this number to be similar in Q1.

Before I provide full year guidance, I want to take a moment to explain 2 factors influencing revenue for the balance of 2022 on top of our strong organic growth. First, we expect the majority of revenue synergies from the Thomas acquisition to be driven by the conversion of Thomas users to buyers on the Xometry marketplace. Based on the timing of our product release road map, we expect the revenue synergies to commence in Q2 and build through the balance of 2022.

Second, we are seeing a notable shift to production orders from many of our biggest customers. This shift can be seen in the strong growth in accounts with LTM spend of at least \$50,000. As a result, revenue from these accounts will ramp up significantly as the year progresses.

For fiscal year 2022, we expect revenue in the range of \$390 million to \$400 million, representing year-over-year growth of 79% to 83%. We expect strong growth for the marketplace as well as strong growth for seller services, including the acquisition of Thomas. We are targeting a gross margin range of 37% to 39% for 2022. We expect 2022 adjusted EBITDA loss to be in the range of \$32 million to \$36 million.

We expect operating leverage to improve going forward, especially in the second half of the year, driven by strong revenue and gross profit growth and the anniversary of our public company costs from our June 2021 IPO. On top of improving Xometry operating leverage, we expect improving profitability for Thomas. We expect to be profitable on an adjusted EBITDA basis in 2023.

With that, operator, can you please open up the call for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Sterling Auty with JPMorgan.

Sterling Auty - *JPMorgan Chase & Co, Research Division - Senior Analyst*

So to start, I'd be curious very significant increase in the number of sellers. What are you seeing that's attracting more sellers to the network before you even get the benefit of potentially from Thomas sellers coming on to the marketplace?

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Sterling, it's Randy, and great to speak with you. So I think it's a number of factors, Sterling. One is, I think, sellers are attracted to our tremendous customer base and the opportunity irrespective of their own batch of sellers, particularly what they've historically done to get work at any time.

We've also been making terrific improvements to user experience for them and our matching algorithms continue to get better and better. So when a seller does come to our marketplace, they're more likely to find something that fits right into their sweet spot.

And then on top of that, we've been expanding our basket of seller services, and that's also very attractive. So between finding them great customers and being reliable as we scale we get more and more of that, and giving them more and more value-add services to make their businesses better, I think that's creating a lot of goodwill and attraction by them.

Sterling Auty - *JPMorgan Chase & Co, Research Division - Senior Analyst*

That makes sense. And then one follow-up. Can you maybe help us understand, you dove into it a little bit in the prepared remarks, but maybe go a little bit further around the impacts that you're seeing on the business from the tight supply chains that continue?

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Yes. So Xometry is a very durable model. And throughout -- before COVID, during COVID, during supply chain, during this geopolitical, we haven't seen any impact on our business. And so we kind of laid out some of the reasons behind that. First of all, most of what we do is done in-country. We give customers access to these localized networks.

And in fact, it doubled down for customers, that they need to have an option like Xometry to source, if there's increasing predictability in the world and there's more challenges in the world.

So I think that's also one of the reasons why you've seen that nice increase in accounts is more than \$50,000 of spend. More and more customers are leaning heavier and heavier into using us as their de facto supply chain.

Operator

Our next question comes from Eric Sheridan with Goldman Sachs.

Eric James Sheridan - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I hope everyone is well on the team. Maybe 2, if I can. First, coming back to Thomas. Can you talk a little bit more about how the revenue contribution builds as we move through the year? What's sort of the base case assumption by the company? And what could cause that base case assumption to have the variability as you execute moving through the year? That would be number one.

And number two, bigger picture question. Any update on international expansion? How are you thinking about the international opportunity in the years ahead?

James M. Rallo - *Xometry, Inc. - CFO*

Yes. Eric, just on Thomas, we have a lot of new products coming out that's going to help grow their revenue as we get through 2022. But when you think about the business, just go back to our prepared remarks that the revenue synergies are really accruing from us converting the Thomas buyers onto the Xometry platform. So that's the way to think about the growth outlook for the balance of the year.

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

And just to add to that, Eric, if you look at our product road map, and I know we threw a lot of people, but if you look in the slide deck, we're launching something called Xometry Everywhere that's going to launch momentarily here at the end of this quarter. We're using that technology to embed our instant quoting engine in Thomasnet. And so as we talk about converting that 1.4 million registered Thomas users and Xometry buyers, it will be right there in their environment. And again, we're going to be releasing the technology behind that in other places later this month, so we'll be ready to go for next quarter, and that will be very helpful.

James M. Rallo - *Xometry, Inc. - CFO*

Yes, Eric, this is Jim. On international expansion, so a couple of updates there. As Randy said in his remarks earlier, we have launched in China. We've already had a transaction go through. And why is this significant for us is because we've had a great network of sellers in China, but we have not developed a network of buyers in China. So we've got a team that's on the ground there now. We are obviously trying to grow that team significantly over the next couple of quarters. Obviously, the opportunity in China is dramatic when you look at the opportunity as far as the size of the GMP there.

I think when you look at Europe, so just to remind folks in Europe. Europe, our office is based in Germany. That's our main corporate headquarters in Europe there, but we're expanding the sales team in other countries. U.K. really is one of our bigger sales groups now, and we're launching there.

So I think the idea is it's back to the land and expand,? We're in Asia now. Our headquarters are in Shanghai. We're going to continue to expand in China. And again, we're making the investments in Europe to continue to expand there.

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

And just to add to that, Eric, you can go to -- as Jim said, the site in China just launched, so you can go to xometry.asia, and we're up and running there. So very excited about that.

Operator

Our next question comes from Brian Drab with William Blair.

Brian Paul Drab - William Blair & Company L.L.C., Research Division - Partner & Analyst

Just on the last comment that you made, Jim, this is going to be my question is, could you still be breakeven in 2023 in terms of EBITDA, and you said yes. A little harder, like slightly harder to picture, I think, after seeing the guidance of negative \$34 million EBITDA at the midpoint for '22. Can you talk about -- is that -- what gets you there? Is it the revenue growth in '23 combined with, I guess, obviously, leverage and slowdown in not such a step function increase in expenses? Or what can you do to give us a little more clarity on how we get to breakeven?

James M. Rallo - Xometry, Inc. - CFO

Yes, Brian, I certainly understand the question. But I think we'll get significant synergies in 2023 from Thomas. We're going to be ramping up. When I say we're ramping down, really the adjusted EBITDA loss throughout next year. And we feel confident right now that we can get to that number.

Now let me be clear, though, when I say that number, I think when we talk about being profitable for 2023, what we're talking about is profitability on an adjusted EBITDA basis. And I'll let actually Shawn jump in here and add a little bit more color around that.

Shawn Christopher Milne - Xometry, Inc. - VP of IR

Yes. Thanks, Jim. Brian, the way to think about it is you're seeing really strong growth in revenue and stronger growth in gross profit dollars. And if you map that out for the next several quarters against a lot of fixed costs in our operating model, especially in our G&A, and we anniversary the big step up in public costs in the middle of last year, you're going to see significant operating leverage in the second half of 2022, and that's going to be your glide path to take into 2023. So we can take a little bit of that off-line, but that's the basic picture.

Brian Paul Drab - William Blair & Company L.L.C., Research Division - Partner & Analyst

Yes, that's really helpful. And then just one follow-up for now. In the second quarter, you're going to insert the quoting engine or have the quoting engine go live in Thomas. I'm just wondering, can you talk a little bit about what that will look like? Like what services will we be able to go find that quoting engine available for?

And then I don't know if you could also comment on what else are you having to do to get that to work in terms of getting sellers that have been on the Thomas platform to participate?

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Yes. And Brian, just before I answer, you're talking about participate as in taking work from Xometry customers?

Brian Paul Drab - *William Blair & Company L.L.C., Research Division - Partner & Analyst*

Yes. I'm just thinking in the old days, in the Thomas model, they would get just connected. Seller gets connected with someone. Now the seller is getting work through a quoting engine. So it's a different life for them, and I'm trying to picture that again.

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Yes. So let me answer both questions for you. So in terms of putting the technology, the instant quoting technology into Thomasnet, as I kind of said earlier, we're going to be launching Xometry Everywhere very soon, and that is the underpinning of what we're going to be using to place that into Thomasnet. So we're very confident from a tech perspective that, that works. And that will offer, Brian, all of our current services that we have on Xometry.com. Today, those will all be offered in that.

We also mentioned in the road map that we're going to be expanding the breadth of those services, leveraging in large part of the terrific seller or manufacturing base that resides in Thomas. So you'll see the existing Xometry quoting engine be embedded in Thomas, and then you'll see later in the quarter us expand the processes that we offer there. So that's on the customer side.

And just from a tech perspective, we've got that down. We're feeling very good about that, and we'll make sure we have a good user experience for their registered users, Thomas registered-users.

On the seller side, supplier side, we also talked about releasing for FactoryFour one pane of glass to enable Thomas-listed suppliers to get RFQs and to get work from Xometry. So think about that supplier. He or she has got the ability with a click of the button to not only accept RFQs from people going direct, but also if they want to get work from Xometry, it's also one click of the button. So we're making that experience really easy for them, and we're putting it all in one place. So they don't have to switch between both.

And in that one pane of glass, they can also manage their own work as well. So that's why we're giving the system away as we talked about on a premium basis, and so that will be available by the end of Q2 to all of the listed suppliers in Thomas.

Operator

Our next question comes from Matt Hedberg with RBC Capital.

Matthew George Hedberg - *RBC Capital Markets, Research Division - Analyst*

Randy, I guess, given some volatility in underlying commodity prices, how does your model work from a pricing perspective? Maybe if there's a longer lead time and it's based on a set commodity price that changes dramatically. Just sort of curious how that relationship works for both the buyers and the sellers.

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Yes. So I think it's important to know that we're repricing our model every week. And so that takes into account if there are any changes in raw materials or labor. And remember, when we give the quote to the customer and the customer buys right in the back of that, we're giving the quote to the seller, to the manufacturers.

So the 2 are produced hand in hand. The buyer one is produced -- us predicting what the price will be from the sellers. So as we adapt that model or train that model with new data every week, that's updating the prices we offer for buyers and sellers.

So that's why -- and as we get more data, we get more and more efficient. And likewise, as we get more buyers that helps as well. That's why even in an inflationary environment, you're seeing our gross margins actually improve. And as you see, we're also seeing great growth in the business. So it really hasn't had any impact just because we're using this machine learning that's updating every week to make it work.

Matthew George Hedberg - *RBC Capital Markets, Research Division - Analyst*

Got it. That makes a lot of sense. And then, Jim, I guess thinking about the impact of Thomas on 2022, I think when you guys announced the acquisition, I think you said at the time, it did about \$67 million in trailing 12-month revenue. And I believe sort of the -- was the base assumption that Thomas' revenue should be growing roughly in line with Xometry sort of core revenue? Was that kind of the baseline assumption?

James M. Rallo - *Xometry, Inc. - CFO*

Not exactly. Let me explain that. So what we said was that we would expect the combined business to have a similar growth rate than what we've had in the past. So how that's going to work is we're going to leverage our ability to -- with the synergies with the sellers and buyers of Thomas? Most of those transactions will occur on the Xometry marketplace.

So on a combined basis, we do expect the growth to be continuing, and we don't see we don't see issues with that. We're really changing the way Thomas is operating from a transactional standpoint. Again, it hasn't been a transactional marketplace. And that's, as Randy said in his remarks, that's one of the benefits of the synergies we'll see as well.

Operator

Our next question comes from Nat Schindler with Bank of America.

Nathaniel Holmes Schindler - *BofA Securities, Research Division - Director in Equity Research*

With the recent change in commodity prices, which has been rather fast and volatile. What is the chance and what mitigates your impact to gross profit when you give a guaranteed price ahead of time before a contract is completed?

Randolph Brody Altschuler - *Xometry, Inc. - Co-Founder, CEO & Director*

Yes. So we train our pricing every week. So we've got -- we're using machine learning, and so we're repricing the model every week. And so that ensures that our pricing incorporates any changes in raw materials, labor costs, et cetera. And when we do that, we're producing the prices for both the buyers and the sellers. So when we -- so if a buyer comes to our site and she looks for a price, we're giving her that price, taking into consideration at that -- within that period of what we think the sellers, the manufacturers can make it.

So it's all happening at the same time. That's why even irrespective of the macro environment, you've seen us actually grow our gross margins, and that's also as we're getting more and more data and we're getting more active buyers as well. But we really don't have any risk of inflation catching us because we're pricing for buyers and sellers virtually at the same time.

Nathaniel Holmes Schindler - *BofA Securities, Research Division - Director in Equity Research*

And what percentage of a typical contract is raw material? Is it mostly labor? Or is it...

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

It's a small part of it. So it's not a big part of it.

Nathaniel Holmes Schindler - BofA Securities, Research Division - Director in Equity Research

So obviously, extreme volatility even in this on relatively short-term contracts when it's only a small percentage of the total, it's not going to have a big effect on gross profit no matter what and your engine already accounts for it?

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

That's exactly right.

Operator

Our next question comes from Karl Keirstead with UBS.

Karl Emil Keirstead - UBS Investment Bank, Research Division - Analyst

Okay. Great. Maybe a couple. Jim, during your remarks, when you were framing your revenue guidance of \$390 million to \$400 million, you mentioned that one thing you were thinking through is what you called a shift in production orders. And if I heard you correctly, you mentioned perhaps a mix shift to some of the largest buyers. Can you just clarify what you meant by that and what the impact on revenues and profitability might be from that shift?

James M. Rallo - Xometry, Inc. - CFO

Yes. I think when you think about production orders, Karl, what they tend to get delivered over certain time periods. So those orders, we record revenue when we ship. So there's we've got the ability, right, to predict a lot more because we know exactly when we're going to ship, we know the amount we're going to ship. So you think about that, it's almost like a real SaaS model almost for manufacturing, right? We've got that locked in.

Those orders also tend to be larger. So think about larger orders delivering over a certain period of time, they could hit all in one quarter, they could possibly roll over to a different quarter and so forth. But we -- I just want to make sure we're clear on revenue recognition. We record that revenue when we ship.

Why are we calling this out is, if you look at our accounts with the spend over \$50,000 or more, that's jumping up a lot, both in absolute dollars for us and also in the number of accounts over \$50,000, and that's the reason why that is. We're getting these larger, again, more what I would say is like real manufacturing rungs. Randy, jump in here, yes.

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

Yes. And Karl, just to jump in a little bit. So we've added production level manufacturing technologies to the Xometry marketplace, like injection molding, like die casting, like stamping. And so we've really seen greater adoption of that as we go deeper into our customers become more of an enterprise solution. They're embracing those. And those technologies that are creating these production orders.

So for example, we're doing a lot more injection molding of medical devices. We're doing stamping for electric vehicle companies. So that's an exciting trend for us, and we expect that trend to continue as customers embrace us more and more.

James M. Rallo - Xometry, Inc. - CFO

Really call -- this is what we've been talking about for a while, which is the evolution of the marketplace.

Karl Emil Keirstead - UBS Investment Bank, Research Division - Analyst

Got it. Okay. That sounds like net good news. Okay. And then maybe as a follow-up. Jim, you gave us your full year calendar '22 revenue gross margin, adjusted EBITDA. But in terms of the contribution of Thomas, if I could just go back to that, you didn't specifically identify the Thomas contribution. I think most people on the line are thinking loosely \$70 million from Thomas in calendar '22. Is that a good estimate? And maybe at least qualitatively, can you talk about the impact on adjusted EBITDA and gross margins?

Shawn Christopher Milne - Xometry, Inc. - VP of IR

It's Shawn. I'll take that. I mean, we won't give specific Thomas guidance. But I think the way you're thinking about the growth rate there, it makes sense. And we've got a lot of great products and services coming out from Thomas, and we'll start to bend that growth curve over 2022.

As Jim said in his prepared remarks, and you've seen in our filing around the acquisition, it was sort of roughly breakeven at that time. And as we grow revenue, and we knew we have new options like self-serve, we can improve the margins of Thomas over time, and that's part of what you see in the back half of the year into our 2023 comment.

Operator

Our next question comes from David Silver with CL King.

David Cyrus Silver - CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst

I guess, the first question, I'd like to follow up, I think it was Jim who mentioned the overall strategy of converting Thomas users over to the Xometry platform. And I think you mentioned as one element of that or a key element is the Xometry Everywhere function.

But I'm just wondering what other elements to that strategy do you expect to implement to kind of drive that adoption from the Thomas base of users over to Xometry? And in particular, I mean, I think, I understand why the sellers would be quite enthusiastic about the combination. But just curious how you're thinking about getting those buyers that, to this point, are not paying directly for the use of the service to become paying users on the Xometry platform?

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

Yes, and great question. So let me talk about this 1.4 million registered users. Let me also start by saying Thomas -- Xometry, as we just reported, had a -- and we had a record number of active buyers in Q4. That number was 28,000.

James M. Rallo - Xometry, Inc. - CFO

28,000.

Randolph Brody Altschuler - Xometry, Inc. - Co-Founder, CEO & Director

So just to put that perspective, Thomas has got 1.4 million registered users, and they've been around for 100 years. So there's still a lot of people who don't know about Xometry. So right off the bat, by integrating Xometry Everywhere and integrating our technology into Thomasnet, that will immediately give those Thomas users exposure, and they don't even know us yet. So that's a great opportunity right off the bat, and we're going to make it a very user-friendly experience for them to buy when they go to Thomasnet.

But then the other good news is that we've got our other tools to help make it easier for the Thomas users. So we've got our integrations with the CAD programs, popular CAD programs like SOLIDWORKS. We just announced an enhanced -- in our remarks, about 2.0 for Fusion 360. And so we have more of those integrations coming out.

And then we're also integrating directly into our users' or to our buyers' ERP systems. So we've successfully completed integrations in Coupa, in Ariba and other systems. And again, just making it really easy for that Thomas user, whether or not that Thomas users on the Thomas site, or whether or not they are using their 3D CAD programs, or whether or not they're in ERP, they can find us and convert anywhere.

David Cyrus Silver - CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst

Okay. That's great. One other question, and I'll apologize in advance if this sounds a little naive, but it's about your capital raise from January. So when I look at your fourth -- your December 31 balance sheet, there's a certain amount of cash there, and I look at your fiscal year 2022 guidance. So to me, this was a situation where you could fund typical operations from the cash on hand for a considerable amount of time.

But I'm just wondering if you could maybe just elaborate a little bit more on your thinking behind the timing and the size of the capital raise. In other words, what is it going to allow you to do with that additional financial capability that maybe you wouldn't be able to do or wasn't in this current fiscal '22 outlook? What does it bring to the table for you?

James M. Rallo - Xometry, Inc. - CFO

Yes, David, I don't think it was specifically around 2022. We certainly had enough cash on the balance sheet to frankly get us to profitability. I think for us, it was opportunistic around the market at the time for convertible debt. We're very confident in the growth of our stock over a long period of time. And so we certainly believe the conversion factor will be taken into place there.

And also, we got a 1% interest rate. So I think when you look at the cost of capital and trying to be as efficient as we can with that cost of capital for our shareholders. And frankly, we were concerned a little bit with the macro environment and the global macro environment. And I think our raise was very timing appropriate.

And so it wasn't about worrying about next year or the year after, it was about making sure we had enough powder on our balance sheet to do whatever we want to, to grow the business.

Operator

Thank you. And that concludes today's conference call. Thank you for participating. You may now disconnect.

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