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XMTR.OQ - Q3 2023 Xometry Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 09, 2023 / 1:30PM GMT

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Xometry, Q3 2023 Earnings Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Shawn Milne, VP of Investor Relations.

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

Good morning, and thank you for joining us on Xometry's Q3 2023 Earnings Call. Joining me are Randolph Altschuler, our Chief Executive Officer; and Jim Rallo, our Chief Financial Officer. During today's call, we will review our financial results for the third quarter of 2023 and discuss our guidance for the fourth quarter and full year 2023. 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 before the market opened today and in our filings with the U.S. Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2022, and our Form 10-Q for the quarter ended September 30, 2023, that will be filed later today.

We caution you to not 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 on 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.

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

Thank you, Shawn. Good morning, everyone, and thank you for joining our Q3 2023 earnings call. In Q3, we had record financial results, including our highest revenue and gross profit in Xometry's history. We reduced our adjusted EBITDA loss by 51% from the prior quarter on our path to profitability. Behind those strong results was record additions of active buyers and orders, and leverage on all of our operating expenses. With momentum from Q3 carrying into Q4, we are successfully executing what we set out to do in the beginning of this year. Return to our historical marketplace revenue growth of 40% plus, expand gross margins, improve operating efficiencies and reduced fixed costs, so we could go from an $11.8 million adjusted EBITDA loss in Q1 to potentially break even in Q4. This positions Xometry for robust growth and full year adjusted EBITDA profitability in 2024.

We continue to innovate and expand. In October, we launched Teamspace, a collaboration tool to augment our enterprise sales efforts and increase our organic buyer growth. Additionally, today, we announced a new exciting partnership with Google Cloud to leverage Verdicts AI to accelerate instant coding for new markets on Xometry's AI-powered marketplace. I will outline each in more detail later in the call.

Here are some of the financial highlights from Q3 and their expected impact on Q4. Let's start with revenue. We grew revenue 15% year-over-year to $119 million, driven by strong 22% year-over-year growth in marketplace revenue, offset by a 16% year-over-year decline in supplier services revenue, primarily due to the discontinuation of our sale of tools and materials. Marketplace revenue included 78% year-over-year growth in our international segment, primarily in our European markets.

We had forecast even more revenue growth in international in Q3, but some of that has been pushed into Q4 due to the timing of certain orders. U.S. Marketplace Q3 revenue was also strong, with the highest sequential quarterly growth in the last 12 months, growing $9 million quarter-over-quarter from Q2 of this year. In both the U.S. and internationally, growth was across many customer verticals, including general manufacturing, industrial equipment, aerospace and defense. Growth remains strong in injection molding as recent investments in technology and processes are driving an expanding pipeline of business. Underlying activity in the marketplace is strong with active buyers in orders in Q3, growing over 40% year-over-year.

In Q4, we expect Marketplace revenue growth and active buyer growth to converge as quarterly revenue per active buyer remains stable year-over-year. This will power overall marketplace growth of approximately 40% in Q4. Coupled with relatively flat quarter-over-quarter supplier services revenue, we expect overall revenue growth in Q4 in the range of 30%.

Next is gross profit. Gross profit increased 13% year-over-year to $46.2 million, driven by 25% growth in Marketplace gross profit. Over the last 2 years, we've expanded Marketplace gross margins by 550 basis points. In Q4, we expect Marketplace gross margins to increase sequentially quarter-over-quarter driven by our machine learning algorithms and the growth of our network of suppliers.

Finally is our adjusted EBITDA. As I noted earlier, in Q3, we further improved our operating leverage, reducing our adjusted EBITDA loss from Q2 by 51% or $4.4 million. This is a result of higher revenue and gross profits, increased operating efficiency and, cuts we've made in our fixed costs. In Q3, we balanced our advertising investments against profitability goals with advertising spend down 7% year-over-year. Our marketplace unit economics continue to improve, driven by expanding gross margins and increasing advertising efficiencies, partly driven by the strong growth in our SEO traffic. We reduced our cost to acquire a net new active buyer by 27% year-over-year.

Powering our strong Q3 financial results and the outlook for Q4 was progress we made in different areas of our business. Here are some of the highlights. One, after a successful pilot with several large customers in Q3, in Q4, we integrated Teamspace into the Xometry platform for all of our buyers to use. Teamspace moves the Xometry marketplace from a focus on individual buyers and parts to procurement teams managing assemblies and products. Teamspace further expands our enterprise solutions and land and expand strategy. We expect Teamspace to drive organic user growth on the marketplace and further drive advertising efficiency. The early feedback is positive with rapid adoption, including over 300 teams created since launch.

Two, we continue to expand aggressively internationally. Customers and orders are ramping at a solid pace in recently launched markets, including the United Kingdom. In Q3, we added Portuguese to our European site and launched new automated inspection reports for buyers. In early Q4, Xometry Asia, in collaboration with Alibaba Group's 1688.com, launched our instant coding technology on 1688's B2B wholesale marketplace

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mobile app. Through xometry.eu, xometry.uk and xometry.asia, we've leveraged Xometry's core technology to provide localized marketplaces in 14 different languages with networks of suppliers across Europe and Asia as well as North America.

Three, we made further progress expanding our marketplace menu with new processes, materials, finishes and certifications. In Q3, we launched a new certification on the platform, AS9100, which is an important quality management standard for the global aerospace industry. This further expands our capabilities in this vertical and is particularly relevant for customers ordering flight parts.

Four, we continue to modernize advertising products and expand self-service options on the Thomasnet platform, making it easier for suppliers to start their advertising journey. In Q3, we made further investments to move to a pay-for-performance advertising model on thomasnet.com.

Five. Today, we announced a partnership with Google Cloud, leveraging Verdict AI to help accelerate deployment of new auto coding models within Xometry's AI-powered instant coding engine. Since our inception, we've been utilizing AI to instantly code a growing number of categories in our marketplace. Leveraging Verdict AI, Xometry expects to accelerate the deployment of new auto coding models. With the data we have for hundreds of additional unique categories, including many and Thomasnet, we can further grow our customer share of wallet in the giant custom manufacturing market. This partnership represents a formidable combination.

Xometry is a technology company, disrupting an addressable market that can be measured in multitrillion dollars and millions of buyers. As we continue to expand the application of our AI, increase the breadth of what we can offer and grow our international footprint, we are serving more and more buyers. Likewise, as we continue to gain market share, we expect more and more suppliers to participate. Accepting jobs from buyers, advertising on Thomasnet, and using our work center software. Capitalizing on those trends, we not only expect accelerated revenue growth in Q4 of this year, we expect robust growth in 2024 and for many years thereafter.

We went public in 2021 with the goal of driving significant shareholder value by building a large, disruptive, leading technology company in one of the largest global industries. The shift to the digital, which has happened in so many other industries, is inevitable in custom manufacturing. We are the market leader and every day, we continue to expand our competitive moat by improving upon our proprietary pricing and matching algorithms, growing our data lake, enlarging our network of buyers and suppliers, and increasing our global footprint. Throughout 2023, our sequential revenue growth and profitability have improved each quarter. In Q4, we expect accelerating revenue growth of approximately 30% and the potential to be adjusted EBITDA breakeven, setting Xometry up for a powerful 2024.

With that, I will now turn the call over to our CFO, Jim Rallo.

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

Thanks, Randy, and good morning, everyone. As Randy mentioned, Q3 was a record revenue and gross profit quarter for Xometry, and we significantly reduced our adjusted EBITDA loss quarter-over-quarter by 51%. Q3 revenue increased 15% year-over-year to $119 million, driven by strong marketplace growth. Q3 Marketplace revenue was $102 million and supplier services revenue was $16.5 million, reflecting the discontinuation of the sale of supplies. Q3 revenue growth adjusting for the exit of the supplies business increased 17% year-over-year. â€˜

Q3 Marketplace revenue increased 22% year-over-year driven by a strong growth in the number of active buyers, partly offset by lower average revenue per buyer on a year-over-year basis. Q3 active buyers increased 43% year-over-year to 52,467 with a record net addition of 4,173 active buyers. Our active buyer and order growth were much stronger than our reported marketplace revenue growth rate in Q3.

In Q4, we expect Marketplace revenue growth and active buyer growth to converge as quarterly revenue per active buyer remains stable year-over-year. This will drive overall marketplace revenue growth of approximately 40% in Q4 year-over-year.

In Q3, the percentage of revenue from existing accounts was 96%, underscoring the efficiency and transparency of our business model that leads to increasing account stickiness and spend over time. 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 last 12 months spend of at least $50,000 on our

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platform reached 1,223 at the end of Q3, up 26% year-over-year. In Q3, we accelerated the growth of net new accounts with LTM spend of at least $50,000 with 64 versus 50 in Q2.

Supplier Services revenue declined 16% year-over-year in Q3. We discontinued the sale of supplies in the U.S. in Q2, which negatively impacted supplier services revenue by approximately $2 million year-over-year in Q3. Our core advertising and marketing services revenue remained stable in Q3 quarter-over-quarter. The number of active paying suppliers for Q3 2023 was 7,415 on a trailing 12-month basis, a decrease of 2% year-over-year. Excluding the impact of the exit of the supplies business, active paying suppliers increased 4% year-over-year. Active paying suppliers is the number of suppliers who have purchased one or more of our supplier services, including digital marketing or financial services during the last 12 months.

Q3 gross profit was $46.2 million, an increase of 13% year-over-year. Total gross profit margin was 38.9%. Q3 gross margin for Marketplace was 31.1%, up 70 basis points year-over-year. Q3 Marketplace gross profit dollars increased 25% year-over-year. We are focused on driving marketplace gross profit dollar growth. In Q3, incremental marketplace gross margin was 34% year-over-year, providing further visibility to our long-term gross margin expectations of 35% to 40%. We expect Marketplace gross margin to expand sequentially from Q3 to Q4.

Q3 gross margin for supplier services was an all-time high of 87.2% driven by the high gross margin of Thomas Marketing and Advertising services and growing financial services. Supplier Services gross margin increased 740 basis points quarter-over-quarter due to the discontinuation of the sales of supplies, which carried a significant lower gross margin.

Moving on to Q3 operating costs, Q3 total non-GAAP operating expenses increased 6% year-over-year to $50.5 million. Q3 non-GAAP operating expenses declined $2 million quarter-over-quarter, reflecting the full quarter impact of the 4% reduction in workforce and consolidation of office space we announced in Q2 2023. Additionally, based on our cost savings and operating efficiency initiatives, we are seeing improving profitability in our Thomas Advertising and Marketing services business. Within our operating expenses, sales and marketing is our largest component.

In Q3, non-GAAP sales and marketing expenses increased 9% to $21.2 million as compared to $19.5 million in Q3, 2022. This increase in non-GAAP sales and marketing expense on a year-over-year basis was driven by hiring of additional salespeople to support growth in our land and expand strategy. We delivered record growth in new net active buyers in Q3, leveraging increasing brand awareness and efficient marketing. Q3 advertising spend decreased 7% year-over-year as we continue to balance growth and profitability goals. Q3 adjusted EBITDA loss was $4.2 million or 3.5% of revenue compared with 6.3% of revenue in Q3 2022.

Turning to segment reporting. In Q3, revenue from our U.S. and international operating segments was $103 million and $15.5 million, respectively. As Randy mentioned earlier, we saw strong order growth in Europe. We had forecast even more European revenue growth in Q3, but some of that has been pushed into Q4 due to the timing of certain orders. We, therefore, expect a particularly strong quarter-over-quarter international revenue growth in Q4. Segment loss from our U.S. and international operating segments for Q3 was $7.9 million and $4.1 million, respectively. At the end of the third quarter, cash and cash equivalents and marketable securities were $276.8 million.

Now moving on to guidance. We are widening our revenue and adjusted EBITDA guidance range slightly given the rapid growth and increasing size of our business. In particular, for revenue, our range encompasses the recent strengthening of the U.S. dollar, which creates a potential incremental headwind in Q4 revenue versus our prior guidance on a spot basis. We expect Q4, 2023 revenue in the range of $126 million to $130 million, representing year-over-year growth of 28% to 32%. We expect Marketplace revenue growth to accelerate in Q4 on a year-over-year basis to the 40% range.

As previously mentioned, in Q4, we expect our marketplace revenue growth to largely converge with the active buyer growth rates that we have consistently delivered this year. In Q4, we expect adjusted EBITDA to be in the range of breakeven to a loss of $2 million. Q4 adjusted EBITDA loss will be lower quarter-over-quarter, driven by sequential growth in marketplace revenue, improving marketplace gross profit, increased operating efficiency, and further measures to tighten operating expenses. We are continuing to invest in key growth initiatives, including enterprise sales and international. In Q4, we expect stock-based compensation expense to be approximately $5 million to $6 million, which we will exclude from adjusted EBITDA.

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

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today comes from Brian Drab with William Blair.

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

We can come back to Brian in a second if he jumps back on. Let's go to the next caller.

Operator

Our next caller is Nick Jones from JMP Securities.

Nicholas Freeman Jones - *JMP Securities LLC, Research Division - Director & Equity Research Analyst*

I have two. I guess, first on kind of the buyer growth. Can you speak to how much the Teamspace is contributing to the buyer growth? I think in the shareholder release, over 300 teams have been created. Could this kind of structurally change the type of kind of net ads we should expect on the active buyer number? And then I guess a follow-up on this would be, what is the spending behavior of active buyers coming in through Teamspace? Do they spend similarly if you're going to increase maybe the net ads from the solution? Does this maybe weigh on marketplace revenue per active buyer near term as you kind of ratchet up the number of active buyers adding?

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

It's Randy. And great question. So we did release Teamspace until October. So in Q3, it was still in beta with just a handful of customers. So the record net add in Q3 was not because of Teamspace, but we certainly think that Teamspace in Q4 and beyond will contribute to the growth in net active buyers. At this point, we don't expect there to be any change, negative change in revenue per quarter from active buyers from the Teamspace. Potential upside, but at this point, we certainly don't expect any downside from it.

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

And just to add, in Q3, what we saw, as Randy said, record net additions, we're seeing really strong growth in SEO traffic. One of the things we called out on the call was that our cost of a net new active buyer was down 27% year-over-year. So seeing very strong efficiency in advertising. We're also seeing very good growth in Europe as well. And just seeing across the board, our brand awareness is improving, and you should continue to see a very healthy net adds going forward.

Nicholas Freeman Jones - *JMP Securities LLC, Research Division - Director & Equity Research Analyst*

If I can, just a quick follow-up on international. Still strong year-over-year growth, but sequentially, it was kind of flat in 3Q. Anything to call out on what's happening internationally? Are things maybe slowing down a little bit on a sequential basis? Or just any extra color there would be great.

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

Yes. No, Nick, business is very healthy in international. And again, this year, as we talk about international, it's primarily Europe. Order growth and buyer growth is very strong. It was really just a timing issue. So as we called out on the call, you're going to see some really strong quarter-over-quarter

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revenue growth in international, particularly in Europe in Q4. So everything is going great. It's more of a timing issue, and you should see a nice uptick in Q4.

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

And just to double click on that, I mean, again, that was a very slight timing issue. All that revenue has been recognized in October, and we have good visibility there, and we expect strong sequential growth. And as Randy said, top of the funnel in Europe in Q3 year-over-year was very strong in terms of buyer and order growth.

Operator

We will now return to Brian Drab with William Blair.

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

Sorry if that's what you heard first. I was about to say something else. Yes, I think we need an announcement that we're going to be muted when we get introduced. Star 6, I guess, fixes it. So anyway, it would be very interesting, and it will be very interesting to see how you guys perform when manufacturing environment is actually a little more favorable. This is the impressive results in this environment. Randy, I wonder, can you talk at all about the trends that you're seeing in some of the different services or different service lines? You mentioned injection molding was positive. Can you comment on trajectory in CNC and 3D printing as well?

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

Yes, Brian, it really has been strong growth across the board. Injection molding has been particularly strong, but we're really seeing good upticks in all categories. So it's pretty broad. And as we said also, it's across many industries.

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

And I guess you called out financial services and the good margins that you have in the financial services. It feels like that has yet to really gain the traction that it might at some point. Can you talk more about what you expect for that component of the business in the future?

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

Yes. Brian, I think financial services actually have continued to expand. That's being driven obviously by the addition of suppliers into the marketplace and the adoption of that. I think what we really called out in the quarter was the increase in margin on the supplier services side of the business. So where again, the FinServ sits. So you saw increasing margins there this period, and we expect that to continue. A lot of that has to do with, obviously, the exit of supplies and materials. So with that part of the business being gone now, and we'll lap that obviously in this quarter here. We feel really good about where the margins are going in the business overall.

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

And the advertising, just to add to what you said, the advertising business is very high margin, Brian. So the FinSev business, obviously, is very high, too. But the advertising business, so the biggest product we have in fire services is very high margin.

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

And then for now, just lastly, you're adding more manufacturing partners all the time. It is a challenging environment in the industrial world right now and even heard one of your competitors talking about how their manufacturer partner base has some extra capacity in certain regions. And I'm just wondering, can you comment at all about the trends and how fast your manufacturing partners are accepting jobs or prices, trends and prices at which they're accepting jobs, and what kind of bearing that is having on marketplace gross margin?

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

Yes. Okay. So in terms of marketplace gross margin, just to jump on that, we've indicated that we expect gross margins for marketplace to grow sequentially from Q3 to Q4. And again, just to be clear, the incremental gross margin in Q3 for Marketplace was 34%. So very strong there. I do want to say, Brian, so our revenue per active buyer per quarter has been flat this year. It was slightly up in Q3, but basically flat since Q4 of last year. We do not expect that to change. We don't see any trends in that changing. So irrespective of there's a little bit more capacity here or there or pricing individual part goes up or down, we expect revenue per active buyer to be flat and stable.

Operator

Our next question comes from Eric Sheridan with Goldman Sachs.

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

Maybe if I could just ask one that's more bigger picture. With the partnership with Google Cloud, just to better understand a little bit of implementation of that partnership, how we should see it showing up in the numbers as we look into 2024 and what you think it was implied in your prepared remarks, but how we should be thinking about sort of bringing more density into the marketplace and potentially widening out some of the vertical exposure?

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

Yes, Eric, thanks for the question. So we're very excited about this partnership and this will help us accelerate the expansion and deployment of new categories in our auto coding engine. And think about it, things that have taken us months to years will now go weeks to months in terms of how quickly we can deploy things. And we think it will have a material impact on the number of categories and different processes that we can auto code. It's going to be happening over a period of months. And as you see us deploy new categories during that period, we can provide updates.

Operator

(Operator Instructions) Our next question comes from Ron Joe from Citi.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

I had two. Maybe Randy and Jim, can you just walk us through a little bit more on the revenue per active buyer. I know it was down more here in 3Q, but then I think the guidance was to be stable, flat to stable in 4Q, so I would love to hear more insights on that in terms of what you're seeing. And then any thoughts on just around the top 200 largest accounts, the penetration there? Are you seeing, call it, expansion of buyers across those top 200?

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

Yes. Thank you. So just to be clear, Q3 last year was a high watermark for us for monthly revenue per active buyer marketplace. And then we saw a sharp reduction from Q3 of last year to Q4. Since Q4 of last year, our revenue per active buyer each quarter has been flat. So when we gave the comment about year-over-year, that means last year was a high watermark. But most important, it's been flat, and we expect it to be flat again in Q4. So now as we are now in a sort of a flat basis from Q4 of last year, that's why we talked about how we expect the growth in active buyers to mirror our growth in Marketplace revenue. And we've been trending there in the 40%-plus range throughout this year, and we expect, as we talked about in the call, circa 40% marketplace growth in Q4. So since Q4 of last year, that metric has been very stable, and we expect it to continue to be stable.

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

On the second question, can you repeat the second question?

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

Sure. It was just about expanding in the top 200 largest accounts, given the focus there. And Randy, that was very helpful on the revenue per active buyer comment. But just top 200 largest accounts and the progress there?

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

I mean, the one thing I would say is we saw very strong growth quarter-over-quarter in the U.S. And then part of that is we've talked about focusing on the top 200 accounts. And as Randy mentioned on the call, we just introduced Teamspace, and that's for all our buyers. But in particular, we think this is going to be very helpful for our top 200 accounts. And so again, we're really pleased with the traction thus far, and we'll keep you update on that.

Operator

Our next question comes from Cory Carpenter with JPMorgan.

Daniel Brian Pfeiffer - *JPMorgan Chase & Co, Research Division - Research Analyst*

This is Danny Pfeiffer on for Cory Carpenter. On the first, can you just talk about if there's anything to call out in particular on what led to the sequential decline of marketplace gross margins in 3Q? And then on the second, is there any update on the Alibaba 1688 partnership and how that's performing? And maybe if you could size any current or potential revenue contribution.

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

Yes. Thanks for the question, Jim. So I think a couple of things. One, Alibaba relationship so that continued to evolve. I think we have just rolled out recently for that mobile. So that's been a big change recently. When we first rolled out, obviously, we shared everything that was all laptop-based which is not really used very much in China. So the mobile is really helpful. We're starting to get orders rolling out there. So we do expect that to continue to be a bigger piece of the China business. But to be clear, that's very immaterial at this point in time. We don't really have to see a lot of that in the next quarter, but we are making good progress there. In terms of the gross margin, so just to refresh, that was up 70 basis points year-over-year. We do expect that the gross margin sequentially for marketplace to grow from Q3 to Q4. And again, if you look at the incremental gross margin, it was 34% in the third quarter. So again, we feel good about exiting 2024 with that 35% to 40%, but there's going to be some slight variability but there's really nothing of note why it may have declined sequentially.

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

Yes. I think also, though, what we've said, right, gross margin is going to continue to increase, but it's not going to increase in a straight line. So we'll have better quarters and we'll have slower growth quarters and so forth. So I think, again, we're moving in the right direction. We feel solid about our guidance of 35% to 40%. And we're certainly well on our path to get there.

Operator

Our next question comes from Matt Hedberg with RBC.

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

Maybe a high-level question either Randy or Jim, I think, Randy, on the call, you noted you expect robust growth in '24. And obviously, you haven't really given us a ton of parameters around that. But wondering if you could sort of outline for us key building blocks for next year's growth, just so we can kind of make sure that we're kind of thinking about the trajectory appropriately next year before the Q4 call.

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

I'll take that. We're not going to guide there, obviously, specifically today, but the building blocks are as we called out before, you should continue to expect to see strong, robust net active buyers being added every quarter so you can build that into your model. And we delivered over 4,000 this quarter, and that did not have the impact of Teamspace. So we'll have to update you as we get into 2024 on that impact. And then against that, we're seeing very stable marketplace revenue per active buyers. So as we called out on this call, you're now going to see that marketplace revenue is converging with buyer growth and order growth. And I would think that, that's the kind of building block you should look into for 2024. And then in supplier services, we expect to grow that in 2024 modestly, but we've put in investments this year to modernize the Thomas ad platform. We brought in a new Head of Sales, and we expect some of these moves to bear some fruit next year, and that's a very high-margin business.

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

Yes. I would add on that too, is the penetration of our top 200 accounts. We continue to see strong penetration in our top 200 accounts. And really, we've done a great job here with Teamspace. Teamspace is our fastest adopted service or product that we've rolled out since the company has been founded. It's unbelievable, the adoption of that, especially with our top 200 accounts. We're seeing great adoption throughout the organization, a lot more engineers getting involved. And frankly, we feel real good about that in driving revenue next year.

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

Super helpful. Yes, it really does seem like team space could be a nice incremental boost to '24 and beyond.

Operator

Our next question comes from Greg Palm with Craig-Hallum Capital Group.

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Gregory William Palm - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Just broadly speaking, I'm curious if you have noticed any kind of change in buyer behavior over recent months relative to kind of what you've seen on a year-to-date basis, whether that be buying more parts, whether that be utilizing standard versus priority shipping, et cetera? Anything to note? And then just specifically, in the month of October, any change in trends relative to sort of what you saw over the course of Q3?

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

Yes. So let me iterate the first one. So we really haven't seen any change in buyer behavior. And again, just to reiterate, we expect revenue per active buyer each quarter to be relatively flat quarter-over-quarter and into next year as well. October has been strong. So...

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

And Greg, it's Shawn. The one thing and Jim mentioned in his grip just. Look, in terms of the Q4 revenue rates, we're just being mindful of recent currency changes. Jim talked about it, but if the dollar were to be 5% stronger for the entire quarter, it would be about a $1 million impact. So we're just being mindful of that.

Gregory William Palm - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

And then I'm curious, as you look out whether it's next year or at some point, you've given this metric with accounts last 12 month spend of over $50,000. I'm curious if you have -- I'm sure you've got the information, whether that's over 100 or over $200,000 of spend and how that's growing? I know you've been trying to go deeper within those sort of top accounts. And I'm just sort of curious if we'll get some more sort of metrics like that, that show that the amount of money that some of your top customers are spending is accelerating. Maybe you can maybe give us a little bit of detail on what you're seeing there?

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

Yes. I think that's a good question. And we've been talking about the right time adding another metric at a higher dollar amount. So to be seen, but we hear you and we think it's a smart idea.

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

And Greg, the other thing is we've talked about with you before, is we have certainly invested in our enterprise sales efforts in 2023. As you know, we have a new leader in that group. And what we're really trying to move to in 2024 is to get our largest accounts with committed spend. So not only is there a potential tranche of potential new KPI, the higher spend number. We'll update you as we get further along. We're really trying to get with our biggest customers and have them drive committed spend, which would add a lot of visibility, certainly for you guys.

Operator

Thank you very much. This concludes our question-and-answer session. We do thank you for your participation in today's conference. This concludes the program, and you may now disconnect. Have a good day.

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