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XMTR.OQ - Q4 2025 Xometry Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 24, 2026 / 1:30PM GMT

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**James Miln** *Xometry Inc - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Cory Carpenter** *JPMorgan Chase & Co - Analyst*

**Andrew Boone** *Citizens JMP Securities LLC - Analyst*

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**Eric Sheridan** *Goldman Sachs Group Inc - Analyst*

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## PRESENTATION

**Operator**

Good day, and thank you for standing by. Welcome to the Xometry fourth quarter 2020 earnings conference call. (Operator Instructions) Please note that today's conference is being recorded. I will now hand the conference over to your speaker host for today, Shawn Milne, VP of Investor Relations. Please go ahead.

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**Shawn Milne** - *Xometry Inc - Vice President Investor Relations*

Good morning, and thank you for joining us on Xometry's Q4 and full year 2025 earnings call. Joining me are Randy Altschuler, our Chief Executive Officer; Sanjeev Singh Sahni, our President; and James Milne, our Chief Financial Officer.

During today's call, we will review our financial results for the fourth quarter and full year 2025 and discuss our guidance for the first quarter and full year 2026.

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 US Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2025.

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 remains 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 US GAAP.

To see the reconciliation of these non-GAAP measures, please refer to our earnings press release distributed today and in 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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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Thanks, John. Good morning, and thank you for joining our Q4 2025 earnings call. Our record Q4 quarter and record full year 2025 and powerfully demonstrate the success of our AI native marketplace in the massive, complex and highly fragmented custom manufacturing market.

Our revenue growth and profitability accelerated as 2025 progress, we are encouraged by our strong start to 2026. Alongside reporting record financial results, today, we announced the planned transition in Xometry's leadership.

Effective July 1, 2026, and I will transition to become the Executive Chair of the Board; and Sanjeev Singh sane, Xometry's current President will become Chief Executive Officer.

This transition is a result of a deliberate long-term succession process with our Board, and we are aligned in our conviction that Sanjiv is the right leader for our next chapter.

Together with Laurence Sure, I cofounded Xometry in 2013 and with a mission to make the world's manufacturing capacity accessible to all by digitizing the VaaS, highly fragmented custom manufacturing work.

We stayed true to that vision from the start, and that consistency is now delivering scale and accelerating growth and profitability. I'm proud that in 2025, our marketplace serves over 80,000 active buyers around the world.

The record performance we are reporting today and the momentum that built throughout 2025 and is carrying into the first quarter of 2026, reflects the investments and changes we've been making in our product technology and go-to-market strategies and leadership.

As we continue to lean into product-led growth, I've decided that this is the right time to hand over the leadership of Xometry to Sanjiv. Sanjeev has been my close partner since he joined in January of last year and has held the operational mandate for our global teams.

During his tenure, Sanjeev has been instrumental to Xometry's accelerated revenue growth and expanded profitability while further deepening our suite of advanced technology and AI capabilities across the business.

Sanjiv's track record at Xometry, and his background of driving global growth, innovation and scale with large global marketplaces makes him the right leader to drive our next stage of innovation and profitable growth.

Sanjeev has done a terrific job as our President and I expect that we will continue to outperform as our CEO. In my new role as Executive Chair and as the largest individual long-term shareholder, I will remain closely involved in the company's future focusing on strategic growth initiatives and key corporate partnerships.

In short, I'm not going anywhere. While this transition will be a milestone for Xometry, as always, our focus remains on executing the significant opportunity in front of us.

It is a pivotal time in manufacturing driven by accelerating digital transformation, increasing customer demands for speed and transparency, rapid AI-driven innovation, and the crucial need for resilient supply chains, including the push towards reshoring.

This new era necessitates resilient digital workflows and robust supplier networks. Xometry's AI native marketplace is digitizing how custom manufacturing is price, source and fulfilled by replacing manual legacy processes.

Our networks of buyers and suppliers alongside the proprietary data they generate through their interactions in our marketplace, continue to grow and create increasing network effects. Over the last year, we've accelerated our product development to meet these increasing expectations and requirements of custom manufacturing buyers.

We have enhanced flexibility in manufacturing selection by expanding the portfolio of high-performance manufacturing materials and certifications who rapidly innovating sectors across all end markets, Xometry provides a secure certified platform that facilitates AI-enabled sourcing with improved visibility into qualified domestic suppliers to meet the growing need for speed, scale and compliance.

As I said earlier, Q4 was a record quarter for Xometry across many fronts, including revenue, gross profit and adjusted EBITDA. Q4 revenue growth accelerated, increasing 30% year-over-year, driven by 33% marketplace growth through our expanding network of buyers and suppliers and deepening enterprise engagement.

Q4 marketplace gross margin expanded 80 basis points year-over-year to 35.3%. The expansion of our marketplace gross margin underscores the significant economic value generated by our AI native marketplace.

Our competitive moat continues to increase as we grow our network of buyers and suppliers and gain more data to continuously train our algorithms. This continuous improvement has driven substantial and steady growth in our marketplace gross margins moving from 25% four years ago to approximately 35% in 2025.

Enterprise growth remained robust in Q4, finishing off a strong 2025 as revenue from marketplace accounts with last 12 month spend of at least $500,000 increased by over 40% year-over-year.

We are focused on driving further penetration in our largest accounts, each with an estimated potential spend that lease $10 million annually.

In 2025, we ended with four accounts with at least $10 million of spend driven by strong execution from sales in our technology solutions and an acceleration in large multiyear production programs across key end markets.

Our strong Q4 financial results cap a transformative year for Xometry as we delivered accelerating revenue growth and four consecutive quarters of positive and increasing EBITDA margins.

At the same time, we invested in and strengthened our platforms to deliver robust secular growth and expanding profitability in the coming years. We're off to a strong start in Q1 and expect robust growth to continue in 2026, which James will discuss later in the call.

I will now turn it over to our President, Sanjeev Singh Sane to discuss some of the initiatives that are driving our strong growth and increasing profitability.

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**Sanjeev Sahni** - *Xometry Inc - President*

Thanks, Andy, and good morning. I'm honored and excited to step into the CEO role at Xometry on July 1. Under Andy's leadership, Xometry has been defined by a singular unwavering mission to make the world's manufacturing capacity accessible to us.

I look forward to working closely with Randy and our talented global team to accelerate our product-led growth and further cement Xometry as the essential marketplace for the custom manufacturing industry.

Reflecting on the past year, I continue to be impressed by our large market opportunity, and long runway of growth ahead as we increasingly become a product-led company.

We are focused on key growth initiatives, including expanding our marketplace offerings, driving structural growth for enterprise accounts, and building out our global supplier network. Let me start by talking about expanding marketplace offerings.

In 2025, Xometry accelerated the pace of innovation enabling better pricing, speed and selection for our buyers and finding the optimal match for suppliers in our network.

Xometry launched auto codes for injection molding services in the US and Europe providing customers immediate access to pricing and lead time estimates for one of the most critical production processes and one of the largest categories in customer manufacturing.

We expanded our marketplace capabilities, including AI-powered design for manufacturing, or DFM, which utilizes machine learning and automated algorithms to identify and correct reduction issues early in the design phase.

We recently added the ability to interpret technical drawings within our AI DFM, further enhancing our proprietary data set. In Q4, we added a portfolio of high-performance materials for additive manufacturing technologies to the US marketplace.

These materials are critical for advanced applications in aerospace, defense and medical device industries. Additionally, we introduced a preferred subprocess feature for CNC machining.

Also in 2025, we launched our highly successful team space feature in the EU. Team space continues to scale with over 11,000 teams created globally since launch. Additionally, Xometry EU launched its sports library, simplifying how customers manage and reuse part data across projects.

The EU parts library consolidates their clients entire upload artistry into a single filterable interface, enabling users to quickly reorder previously quoted or produced parts. In 2026, our focus remains on key marketplace expansion efforts.

These include, first, increasing our marketplace offerings. In injection molding, we will expand our capabilities, further enhancing the buyer experience and growing the associated supplier network.

Also, we will continue to add material and finish offerings enabling us to service more complex and production scale programs; second, continuing to advance our pricing intelligence, including more personalized pricing based on customer context and order characteristics.

Third, further raising the bar to deliver a world-class e-commerce experience through deeper integration of automated DFM analysis and AI-assisted customer and supplier workflows. One of the key drivers of accelerating growth of our marketplace has been our ability to drive structural enterprise growth.

As Randy mentioned, we delivered strong enterprise growth in 2025 with 40% plus revenue growth from our larger customers. Xometry is becoming more embedded within the enterprise customer workflows, which in turn drives larger and more predictable spend.

In 2025, and we ended with four accounts with at least $10 million spend, driven by strong execution from sales and the efficacy of our technology solutions. We expect more accounts to join the $10 million plus threshold in 2026 driven in part by many multiyear production programs across key end markets.

In 2026, we are focusing on driving further structural enterprise adoption through deeply embedded sales and marketing motions and increasing use of technology solutions, including team space and ERP procurement integrations.

Now let me talk about our Thomas Industrial sourcing platform. We made significant progress in 2025, modernizing our Thomas platform so we can return to growth. Thomas is a leading digital platform connecting industrial buyers with over 500,000 listed North American suppliers.

Thomas supports manufacturers, distributors and service providers with tools and resources to drive business growth. In Q4, we launched a new dynamic ad serving model and Palmer Smart Search setting the stage for a completely new experience on the Thomas platform.

We are pleased with the early results from the Thomas platform, in 2026. Thomas is focused on improving how buyers and suppliers interact across the Thomas network by allowing the buyers to describe requirements more naturally and quickly to find local suppliers.

We will improve search results relevance and help our advertisers better access the extensive demand on Thomas. To continue to grow Thomas awareness, we are strengthening the Thomas brand with a new marketing campaign.

Finally, we are focused on expanding our global supplier network and improving the supplier experience.

Our global supplier network of approximately 5,000 active suppliers is a significant strategic advantage, giving buyers unmatched speed, capacity and resilience, allowing for immediate scaling and offering sourcing flexibility across 50 countries on 4 continents.

In the US, we expanded our supplier base with a focus on larger suppliers with key quality certifications to ensure the needs of our enterprise customers. Globally, we expanded our sourcing network to include more suppliers in Europe, India, China and Turkey.

In 2025, we launched the new WorkCenter mobile app to improve supplier experience and engagement. The WorkCenter platform is Xometry's proprietary all-in quote-to-cash solution, enabling its partners to source and consolidate work, manage operations, monitor performance and secure cash flow.

By providing easier access to the job board and job management, we expect to drive increasing supplier engagement. In 2026, we will continue to strengthen marketplace density by enhancing supplier matching precision and expanding network depth across geographies, and capabilities, especially in India.

We will further increase the choice of processes and lead time from suppliers across the world. In 2026, we have an exciting road map of updates and new features for our WorkCenter mobile app, including improving usability by enhancing how users review, jobs and desires.

There's much more to come in the following months as we focus on further improving buyer and supplier experiences and expanding our platforms.

As Randy mentioned, our momentum remained strong in Q1, we expect robust profitable growth to continue in 2026, given strong demand on our marketplace and our product road map. I will now turn the call over to James for a more detailed review of Q4 and our business outlook.

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**James Miln** - *Xometry Inc - Chief Financial Officer*

Thanks, Sanjeev, and good morning, everyone. Having worked closely with Randy over the past two years, I've seen firsthand how his and Laurence's vision have translated into the rapidly growing profitable business we are reporting today.

I would like to thank Randy for leading the company to where we are today and setting Xometry up for our next chapter. Looking ahead, I speak for the entire executive team when I say we welcome the opportunity to work alongside Sanjeev to accelerate our momentum.

He has been a disciplined partner in driving our 2025 performance, and we are excited to continue to scale the business toward our long-term targets under Sanjeev's leadership. Turning now to our financial results.

So much we had an excellent Q4 marked by accelerating revenue growth and a significant increase in marketplace gross profit.

This performance highlights the real-time responsiveness of our marketplace to customer demand and solidify Xometry's position as the digital rails for the largely offline and fragmented custom manufacturing industry.

As we progress towards $1 billion in revenue, we anticipate continuous improvements in profitability alongside ongoing investment in our growth initiatives.

2025 was a standout year for Xometry, as we accelerated annual revenue growth 800 basis points to 26%, further expanded marketplace gross margin by 120 basis points and delivered full year profitability with $18.5 million in adjusted EBITDA compared to a loss of $9.7 million in 2024.

At the same time, investments in our platforms have positioned us for robust secular growth and increased profitability in the coming years. In Q4, revenue grew 30% year-over-year to more than $192 million a 200 basis point sequential acceleration from Q3.

Q4 marketplace revenue was $178 million, and supplier services revenue was $13.9 million. Q4 marketplace revenue increased 33% year-over-year, driven by strong execution, expansion of buyer and supplier networks and growth with larger accounts.

Marketplace growth was robust across many verticals, including aerospace and defense, electronics and semiconductors, energy and automotive. Q4 active buyers increased 20% year-over-year to 81,821, with a net addition of 3,539 active buyers, driven by efficient corporate marketing initiatives.

Q4 marketplace revenue per active buyer increased 11% year-over-year, primarily due to strong enterprise growth. We view accounts with at least $50,000 spend at the top of the enterprise funnel.

In Q4, the number of accounts with last 12 months spend of at least $50,000 on our platform increased 18% year-over-year to 1,760. Enterprise investments continue to show returns with strong revenue growth from marketplace accounts, ending 2025 with over 140 accounts with last 12 month spend of at least $500,000.

Our enterprise strategy focuses on our largest accounts, which we believe each have $10 million plus in potential annual account revenue. Services revenue declined approximately 1% quarter-over-quarter as we have largely stabilized the core advertising business.

We are focused on improving engagement and monetization on the platform, which remains a leader in industrial sourcing, supplier selection and digital marketing solutions. Q4 gross profit was $75.2 million, an increase of 27% year-over-year, with gross margin of 39.1%.

Q4 gross margin for marketplace was 35.3% and an increase of 80 basis points year-over-year. Q4 marketplace gross profit dollars increased a robust 36% year-over-year.

We are focused on driving marketplace gross profit dollar growth through the combination of top line growth and gross margin expansion. The growth in our marketplace gross margin underscores the significant value our AI native marketplace is providing.

Moving on to Q4 operating costs. Q4 total non-GAAP operating expenses were $67 million, increasing 15% year-over-year, demonstrating strong leverage by growing at half the rate of our revenue growth.

We are applying strong discipline and rigor to our capital and resource allocation across teams while investing in our growth initiatives. In Q4, sales and marketing decreased 20 basis points year-over-year to 15.6% of revenue.

Marketplace advertising spend was 5.2% of marketplace revenue, which was down 40 basis points year-over-year as we delivered accelerating growth and expanding profitability. In Q4, operations and support decreased 80 basis points year-over-year to 8.1% of revenue.

We are focused on driving increasing automation with AI across operations and support. Q4 adjusted EBITDA was $8.4 million, an increase of $7.3 million year-over-year driven by strong growth in revenue, gross profit and operating efficiencies.

In 2025, we delivered our target of approximately 20% incremental adjusted EBITDA margin. In Q4, our US segment adjusted EBITDA was $10.8 million or 6.8% adjusted EBITDA margin, a $6.8 million improvement year-over-year driven by expanding gross profit and strong operating expense leverage.

Our international segment adjusted EBITDA loss was $2.4 million in Q4 2025. And a $0.5 million improvement from a loss of $3 million in Q4 of 2024. We expect continued improvement in international segment operating leverage in 2026.

At the end of the fourth quarter, cash and cash equivalents and marketable securities were $219 million. We generated $6.1 million in operating cash flow in 2025 driven by strong operating leverage and focus on working capital efficiency.

In the fourth quarter, we invested $10.3 million in CapEx, almost entirely software related reflecting our technology investments in the platform and accelerating product rollouts.

We are focused on improving working capital efficiency and cash flow conversion given our asset-light model and limited capital spending. Throughout 2025, our AI native marketplace delivered strong revenue and gross profit growth, along with significant operating leverage, showcasing our disciplined execution.

As we progress towards $1 billion in revenue, we anticipate to continue to deliver at least 20% incremental adjusted EBITDA leverage annually. Given the vast market opportunity and our low penetration rates, we will continue to strategically balance future investment with the relentless pursuit of operating leverage.

Now moving on to guidance. For the first quarter, we expect revenue in the range of $187 million to $189 million or 24% to 25% growth year-over-year. We expect Q1 marketplace growth to be approximately 27% to 28% year-over-year.

As Randy mentioned, trends remained strong in Q1, even as we are mindful of the uncertain macro environment. We expect Q1 services revenue to be largely flat quarter-over-quarter as we work through the transition of the recently launched Thomas ad serving platform and search upgrades.

In Q1, we expect adjusted EBITDA of $6.5 million to $7.5 million compared to roughly breakeven in Q1 of 2025. In Q1, we expect stock-based compensation expenses, including related payroll taxes to be approximately $11 million or approximately 6% of revenue.

For the full year 2026, we expect at least 21% revenue growth, driven by our Q1 outlook and at least 20% growth in Q2 to Q4. Our guide for the year reflects us continuing to be mindful of the uncertain macro environment.

We expect 2026 marketplace gross margin to be higher than 2025, as each quarter of growth and technological advancement incrementally fuels performance in the subsequent quarters.

For 2026, we expect services revenue approximately flat year-over-year with modest growth in the second half of the year. For the full year 2026, we expect incremental adjusted EBITDA margins of at least 20%.

I want to close by thanking our dedicated Xometry team members worldwide, whose tireless commitment, professionalism and passion are instrumental to our continued success. We are incredibly proud of our shared accomplishments and look forward to continuing to revolutionize the manufacturing industry together.

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

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Cory Carpenter with JPMorgan.

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**Cory Carpenter** - *JPMorgan Chase & Co - Analyst*

Maybe, Randy, one for you and one for you, Sanjeev. Randy, could you just expand a bit on why now for the CEO change? Why was this the right time for you?

And where do you expect to focus your time, and then Sanjeev, look, clearly a ton in the product pipeline that you're, but maybe could you just talk about what are you most excited about? Or what initiatives do you think could have the most meaningful impact on growth this year?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Great. Well, Cory, look, while this is news today, this transition is the result of the deliberate succession process and as we undergo this transition, and I think it's important to remember that even though we're changing the first in the seat, and I'm sitting right next to right here, we're not changing the destination on the math.

And my commitment to Xometry is a stronger as ever. And the timing of this transition is deliberate, and it reflects the trend of our position. With the record 2025 results, we're on a clear increasingly profitable trajectory, making this the ideal window for a leadership transition later this year on July 1.

And these results, frankly, from last year and the momentum we're seeing in the first quarter this year reflect the impact of Sanjeev's leadership and its focus on product line growth, which have been key components of our recent success.

And as the largest individual long-term shareholder here, I'm not going anywhere, as you ask how we remain deeply involved in our future, specifically driving our strategic growth initiatives and corporate partnerships. I plan developing across industry initiatives from a strategic vantage point.

Specifically, where Xometry has a significant opportunity become the essential platform for the industry is rapidly moving towards a digital first AI-powered model. And we are very uniquely positioned, and I think there's a lot of strategic partnerships we can build based on that.

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**Sanjeev Sahni** - *Xometry Inc - President*

Executing on those initiatives, which are driving significant market share gains in this massive, fragmented market is really critical for our growth ongoing. We expect the pace of new product introductions to continue in '26 as we further expand the marketplace menu, setting up the continued growth in wallet share.

We are focused on both initiatives across the board, including expanding our marketplace offering, driving structural growth for enterprise accounts and building out our global supply network.

As I have grown and scaled marketplaces in my career, I have seen how the financial models are inherently attractive. Network effects that build competitive modes are able to generate increasing value as the companies grow.

As the last few years have demonstrated, we've been able to reaccelerate growth while continuing to improve gross margins and deliver at least 20% incremental adjusted EBITDA margins.

As Xometry scales, I expect that we will be able to continue to demonstrate consistently strong leverage, delivering increasing profitability and cash flow.

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**Operator**

Andrew Boone with Citizens.

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**Andrew Boone** - *Citizens JMP Securities LLC - Analyst*

You guys printed a really strong 4Q with acceleration. As I look at the guidance for 1Q '26 and then 2026 in total, it implies a deceleration. Can you just speak to that? Is that conservatism? Is there something from macro that you guys are seeing?

Or anything else that you want to highlight there? And then as I think about the pacing of international investments, you guys talked about improvement for 2026. Can you guys just elaborate on that in terms of what our expectations should be as we think about the path to profitability for international?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Yeah. This is Randy Andrew, and thank you for the question. Let me just start by saying we have a lot of momentum. We've mentioned, I think, a couple of times in the crib and we raised sort of the guidance for Q1.

So Q1 has started very strong. I think we are mindful of the macro, so that's why. But just to be clear, we also raised our guidance for the year as well.

So as the year progresses, and hopefully, we keep the momentum, we'll continue to update. But so far, there's been no change, lots of strong momentum and we're hopeful and confident that will continue throughout the year.

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**James Miln** - *Xometry Inc - Chief Financial Officer*

Yeah. Andrew, this is James. Just to build on that. I think as you point out, Q4 was a great quarter seeing marketplace growth accelerated to 33% year-over-year.

I think that does really reflect the progress the team are making, particularly this, the enterprise growth we've been driving becoming more embedded in those workflows with our largest customers, seen as enterprise accounts more than 500,000 grow to more than $140 million, seeing the revenue per buyer up 11% year-over-year and seeing the traction that we're making there is really encouraging.

And behind that is also the product-led initiatives. And we really feel like we've taking significant share here. I think as we look forward, Andrew, you said like we always are mindful of that macro environment. We control what we can control.

I think we're very pleased with being able to increase the outlook for Q1 here and for the year ahead. And I think as we go through each quarter, we'll be able to continue to give you updates as we move forward. The second question, was that international

**Andrew Boone** - *Citizens JMP Securities LLC - Analyst*

International profitability.

**James Miln** - *Xometry Inc - Chief Financial Officer*

Yeah. And so on that too, I'm really pleased with the overall opportunity and performance we had in international. What we've talked about before is the unit economics that we're seeing the gross margin, the gross cap structure are very similar internationally as we see in the US.

And as we penetrate deeper into different international markets, really see very common use cases and needs for our buyers and a common opportunity for us to take advantage of our marketplace offering for our suppliers.

So I think that over the long term, certainly continue to feel very strongly about international being able to grow into a larger part of our business, going up to 30% to 40%.

And I think over time show very similar economics and so it's great to see the US leading the way and getting to nearly 7% adjusted EBITDA margin here. And I think we'll continue to just balance those choices on profitability and growth as we continue to grow the international business.

**Operator**

Brian Drab with William Blair.

**Brian Drab** - *William Blair Capital Partners - Equity Analyst*

Randy, congratulations on the decision. And it's been an amazing run so far. I was wondering if you, one thing that stood out, and I'm joining the call late, but one thing that stood out was the slide showing what you're doing with some of the larger customers and how fast those customer counts are growing and the revenue with those customers are growing.

You now have four customers over $10 million in revenue. Can you talk about what you're doing and specifically, as you can for those customers and how you're having success whether it's like working yourself into the bill of materials for production runs, ERP systems, et cetera, to build those big customers because it looks like it's really happening.

**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Yeah, Brian, thank you. And I think larger customers and as we talked about, we've got that, a bunch of these customers now that we think have a $10 million spend we're probably got them now, we've got the 10, I don't know Brian, you heard that.

If you joined the call where you have over 140 customers now that have more than 500,000 LTM Sanitas. That's up from 40% from last year when we had 100. So that's been growing rapidly.

And there's a couple of keys to that. It starts with the technology. We are embedded more and more in the workflow, and we're embedded in their supply chain. Our punch outs or integrations with their ERP and their purchasing systems are instrumental in that.

So that just makes us part of what they're doing every day. Then you layer on top of that, the improvement that we're continuously make in the team space, which has been a terrific product for us. And team space also lend itself to larger products, projects.

As we talked about, we have more and more multiyear projects with these customers team space helps facilitate that, and we're constantly adding features to that and enhancing that. So that's that product-led growth.

And then marrying that of the investments that we've been making in the last couple of years in our in our sales force and our go-to-market, and now we're going that also with you making changes in the marketing side as well. sector joined us the beginning of last year as our new CMO. So all those things are coming together to build out those longer customers.

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**Brian Drab** - *William Blair Capital Partners - Equity Analyst*

For those types of customers, is the work very, has it varied across your different process offerings? Or does it, do they focus typically on one?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

No, Barry. And I think, Brian, a couple, that slide was intended to show a couple of things. First of all, that our platform is extensible. We're in multiple different industries. We have strength in many industries.

Number two, would also, if you go through it, like we're doing multiple different processes as well. So that's one of the advantages of a marketplace and our platform. It's extensible.

And also, we can continue that, and we mentioned that certain new processes, the instinct for injection on that we had at the end of last year in the US and we had Europe, the new materials, all that's adding to more one-stop shopping.

I did want to mention one more thing, Brian, which is the macro is shaky, there's a lot of noise out there.

There is a flight to reliability and security and safety and the nonentry platform provides that, particularly as a public company with their transparency, with the systems we have in place, the security we have in place, for larger customers, that is very important as they think about ensuring that they can deliver to their own customers, they want a partner that can make that happen in our platform as that partner.

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**Brian Drab** - *William Blair Capital Partners - Equity Analyst*

And then just lastly on this topic, and then I'll pass it on. The next slide 11 shows the different, I like these slides that you show different work that you're doing for some major customers. I don't know if those are the same customers?

I imagine there is some overlap between these slides. These are probably customers that are at least two and or 50,000 with you. But for the customers that you're doing the $10 million in revenue with.

Are those customers that are generally doing production work with you, low volume production and you're in the bill of materials or it's just recurring production that you're involved in? Or is it just a ton of development work? Or is it both?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

It's certainly more heavily weighted towards production, Brian, and we are increasingly in the bound just as you develop your to the bond Absolutely.

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**Operator**

Eric Sheridan with Goldman Sachs.

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**Eric Sheridan** - *Goldman Sachs Group Inc - Analyst*

I wanted to build on sort of a couple of the answers you've given so far. When you think about the verticalization of the platform today, what are you seeing as the biggest tailwind to growth on an industry vertical standpoint today?

And how are you thinking about continuing to maintain or build on some of that operating momentum in certain industry verticals. And which ones do you feel you're under indexed to today?

And what do you think you need to do in terms of changing some of the indexing across some industry verticals or maybe you feel are more opportunity sets looking longer term?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Yes. Look, I think, Eric, as I mentioned earlier, we are pretty well diversified across multiple verticals, and that's the advantage of our technology platform is extensible. And so when you see the growth that we're getting, it's across multiple industries.

So I would say there's one vertical versus another. I think overall, and this is, for me, one of the most exciting things about odometry and while, why we're going to have durable enduring large growth for many years to come, we're underpenetrating the overall market.

The TAM is huge, and I'm super proud of the results that we have, but we should be, continue to grow super well for a long time with Vettam is massive out there.

And look, I think there is definitely a trend towards digitization, more and more people are using AI-powered models as the leader in that as we can get the word out, more and more companies are, that the tailwind is people realize this is a better solution.

People want resilient supply chains, people want it to be digital. People want to have the way technology available to them and we're at that intersection of many of them between manufacturing and technology between design and delivery, and we play that key role.

So the more we get that word out, the more that we can build these integrations, and this is one of the many things that Sanjeev is bringing to the table, you'll continue to see that growth continue and hopefully even accelerate.

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**James Miln** - *Xometry Inc - Chief Financial Officer*

Eric, Randy just to add, I think as we build out our global supply network, the enterprise capabilities that we have across multiple verticals are a important added value that we bring, whether that's in aerospace or cybersecurity and defense and medical and then having the work center platform, being able to whatever the vertical will be able to put up these jobs to the optimal supplier, the best match who has the capabilities can deliver quality that us continuing to build on that performance across all of these categories to Randy's point, cases penetrate, where we still have a lot of opportunity ahead.

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**Operator**

Ron Josey with Citi.

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**Ron Josey** - *Citibank - Analyst*

Randy, congrats on Sanjeev, looking forward to working more closely with you. I wanted to ask a little bit as a follow-up to Eric's question here, just the brand awareness amongst your buyer base.

Randy, you just talked about the TAM being so large and we're just sort of getting started on getting to buyers. So talk just about brand awareness what Xometry is offering, particularly as sales and marketing spend.

I think that accelerated in the quarter. And so just talk to us about how you balance, call it, overall profitability in sales and marketing with building that awareness and then, James, as we think about 2026 and the 20% incremental adjusted EBITDA margins, I believe that's consistent with 25.

I'd love to hear your thoughts about how the management team is balancing incremental investments, which is overall greater EBITDA as we do get to the scale or are we just super early given the size of the TAM.

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

So let me tackle it and Sanjeev and James will jump in. So let me just start by saying, look, there's a pool of millions of buyers and we are balancing the profitability and making sure we've got profitable growth in marketing.

We've got some good slides here that shows that, that's becoming more and more efficient as we've been going on. So I'd say we are, we've got robust growth. And as we talked about, Q1 has started very strong as well.

But there certainly is a balance between growth and profitability, and we're trying to optimize for both that 20% incremental profitability.

So I think we have a long way to go on the awareness side. We're making good strides. But again, that's where you should expect to see durable long-term growth year after year from us. as more and more people learn about us, it's also where the technology is critical.

And by integrating by the time channels be becoming embedded in the workflows, as Brian mentioned earlier, being part of, as Frank Gran mentioned earlier, being part of Xometry material that enables you, without spending marketing dollars to get much greater awareness within your customer base.

And in these large customers, these 10 million plus customers that we now have in the 500,000 plus, it's great next step to hit that milestone. Those are key ways to get out because those companies have often tens of thousands of employees and desperate in different locations.

The more we can be embedded in their systems that gets you like free advertising free building and particularly as I mentioned earlier, as more and more customers are in this environment, looking for resilient supply chains and more maturity and reliability that also helps to drive more people to our platform.

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**Sanjeev Sahni** - *Xometry Inc - President*

Let me just add a couple to that on. As you know, geometry has been an AI-native marketplace for inception. So the use of data science, machine learning and foundational models has been key. But even as the AI overviews and AI-enabled answer and answer the optimization engines or GEOs are gaining scale.

We actually think of them as a new organic channel for brand messaging and awareness. We are investing AI marketing capabilities internally, but continuing to strengthen where we are with those efforts.

In fact, we believe that we are very well positioned to take advantage of this change in how people search because we've been known to create high-quality content and expertise across multiple different categories that we operate in.

So I think with new opportunities with answer engines and AI views, we actually are using them to drive some of that message.

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

And Ron, on the investment and profitability question, over the last two years, you've seen us reaccelerate growth and deliver our full year adjusted EBITDA profitability and incremental margins of 20% and more. Actually, we've actually delivered those incremental margins over the last three years.

So I think that is helping really demonstrate very tangibly the leverage that we see in the marketplace model. To your point, I think it is still very early. There's still a huge opportunity ahead.

We're very focused on giving some guideposts here as we scale to $1 billion to continue to deliver at least 20% incremental adjusted EBITDA even as we continue to invest in those growth initiatives.

The advantage of being an asset-light model with strong cash flow conversion from adjusted EBITDA means that as we continue to grow here and approach $1 billion, we'll be seeing that come through both in adjusted EBITDA and in the cash flow.

And I think that gives us a lot of optionality as we think about the capital allocation and the opportunities ahead to really further scale the business. So it won't always be leaning quarter-to-quarter, but certainly, you've seen us demonstrate this over the last few years, and I think we continue to expect to do that on our up to $1 billion head.

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**Operator**

Greg Palm with Craig.

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**Greg Palm** - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Congrats on the results. And obviously, to Randy and Sanjeev congrats on the planned transition here. I wanted to maybe start with a macro question because there is some thought that we may actually see a broader rebound in manufacturing this year.

It's been a while since we've kind of had that. Number one, have you seen any change in, call it, supplier behavior on a year-to-date basis relative to last year or the last few years?

And just in terms of the marketplace overall, what kind of impacts what that might have both on revenue and also from a gross margin standpoint, if we did see, call it, a rebounding manufacturing market and thus, maybe a byproduct with some tighter capacity industry-wide?

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

Yeah. So just to start, I think it's been business as usual. And I would be clear, I don't think our results are the beneficiary of any sort of pull forward or anything tariff related, et cetera, I think it's just as we've been gaining more and more market share as we become more and more band our customers, more people are looking for digital solutions that helped us and so we haven't seen any change from a macro perspective.

I think, as we gave our guidance this year, we mentioned we are mindful of the macro, but if there was an upturn in macro, that would absolutely be a tailwind for us.

It would be helpful for us. I think the improvement in our margins reflects our approach. We're training our models. Our algorithms are improving as we get more and more data, we get more and more accurate.

And as we grow those networks to buyers and suppliers, the data, those networks, that's what's enabling us to grow our gross merchants, and we've been doing that very steadily and consistently year-over-year since we went public.

So I think you should expect, as James said, in 2026, for our gross margins to be higher than they were in 2025. We're excited for Q1 gross margins to be higher year-over-year and sequentially.

And I think if we do get a tailwind from a favorable macro, that will only be helping us even not only growth side, but also on the bottom line as well.

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**Greg Palm** - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Makes sense. And then I wanted to just follow up on the cohort analysis because there's some interesting stuff there. In terms of the makeup of those $10 million accounts.

I just want to be clear, are they doing, is it a quantity or quality, like are they doing a lot more projects? Or are they doing bigger, higher value?

And in terms of like how these accounts are serviced from an account manager standpoint, anything differently in terms of how that started and has evolved through that relationship that maybe you can use to push more accounts into this specific cohort.

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**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

So a couple of things. So there's certainly with those larger accounts, there's more and more production work. So there's certainly larger projects as we sort of talked about earlier, there is overall more volume.

And I think so you also see the number of users that we've got in those accounts. So it's a combination, but certainly large care projects are helping there.

And then we're built into, and Brian mentioned earlier, we're built in to build materials. So that's like that creates a lot of stickiness or if you become the go-to for certain parts of that customer for a long time.

And again, those technology innovations help a lot with this. I think it's, as we, as you asking about what's the key to those larger accounts. they'll start small, where we get the awareness I think particularly these integrations being embedded in their workflows and in their technology, that has been critical to the growth.

And when you get those technology lock-ins, that makes it very sticky. It makes it easier for the customer to default to you and it provides additional learnings particularly in those larger customers across a bigger base because these are large companies.

So those things really help. We also have, obviously, as you can imagine, our sales force, we've got a tiered sales force like a lot of other companies. So in terms of account management, you've kind of got some different motions there, too. But it's really the technology that's the critical element that it helps that happen.

**Operator**

Josh Chen with UBS.

**Josh Chen** - *UBS - Analyst*

Congrats, Randy, Sanjeev, on the transitions. Maybe just two quick questions from me. Number one, on obviously, very strong demand from customers.

I guess, how do you feel about your momentum adding active suppliers are you concentrated more on larger suppliers, so maybe the count doesn't matter quite as much? And then second question is, as you continue to grow EBITDA, what are your thoughts about potentially getting to a breakeven free cash flow at some point in the near future.

**Sanjeev Sahni** - *Xometry Inc - President*

Thanks for the question, Josh, it's Sanjeev. Let me take the first part. I think, as you mentioned, I think suppliers growth is a key element of continue to drive the marketplace growth.

As you mentioned, we have close to 5,000 suppliers overall and system balances, how we do margins across your suppliers, so continuing to grow both sides of the marketplace is equally important to us across those spaces.

But yes, as we think about the ongoing growth in the large enterprise accounts and the kind of needs they have, we continue to make sure that in our network, we not only have suppliers that are capable of delivering those large programs, but also have the right certifications and requirements that are needed to meet the quality certifications of that customer.

And so therefore, balancing the network for both size, breadth and depth, so size in terms of number breadth in terms of geographical trend where we want to make sure that we can service the customer needs from anywhere in the globe and then depth in terms of processes that they can service for us remains critical, and we continue to invest in there.

**Josh Chen** - *UBS - Analyst*

Josh, on cash flow. So good question. I think you've already seen us go positive or very close to positive on a couple of quarters in the last year. So generally, an asset-light model with good cash conversion, cash flow is coming after adjusted EBITDA.

So we had our first full year of adjusted EBITDA profitability $18.5 million. So as we expect, over the last, over the next year, we'll start getting to sustainable free cash flow positive as well as we continue to grow.

Just to put a little bit more framing around that. I think CapEx, operational cash flow last year was actually positive at $6 million. We have been investing in our product-led strategy and so you've seen a that was $10.3 million in the quarter.

I think if we assume a similar sort of percentage of revenue in the year ahead at around 6%, then when we hit the $225 million quarterly run rate I would expect to be free cash flow positive on a sustainable basis.

**Operator**

Matt Swanson with RBC Capital Markets.

**Matthew Swanson** - *RBC Capital Markets Inc - Analyst*

We've touched on this in a couple of different parts, but I wanted to focus a little bit more on the work center mobile app and just kind of what benefits that might give you from the competitive environment of just making it easier to work with for suppliers.

They obviously have a limited number of hours every day the machines can be running. How does that kind of help to make sure that they're running Xometry projects?

**Sanjeev Sahni** - *Xometry Inc - President*

Thanks for that question, Jon. I think the work center mobile app is proving to be a substantial lock-in with our partners and suppliers across the globe. The advantages that we see are across three different interactions that those partners and suppliers have.

One is on the job board itself, which is accepting the job and we offer them a lot of the suppliers are not always in front of their computer to be able to actually accept jobs and the flexibility that our mobile app provides them to be able to accept a job where they might be actually at a machine and/or they might be away from their desk at home, given the size and scale of some of the suppliers that the huge benefit just to get started.

The second one is around management of the job itself and I think the big advantage there is as they work through those jobs, they want to make sure that they are able to provide us with most timely inputs, both in terms of updates on the job, but also questions that might arise during manufacturing, so improving the analysis around the DFM piece that we were talking about before.

So it acts as a mechanism for us to get real-time data back from the manufacturing flows coming back into our models and helping us improve those. And then finally, of course, managing their own cash flows.

As you can imagine, a lot of these suppliers are trying to balance lots of jobs that they have, like you mentioned, but also trying to manage the outcomes for the business. So this has been the three areas of engagement that we continue to see increase.

**Matthew Swanson** - *RBC Capital Markets Inc - Analyst*

I appreciate that. I know there's been a lot of questions on the large customer front because these are some impressive numbers.

So you guys delivered, but I guess what I was wondering is when you're thinking about how customers go from $50,000 to $500,000 to $10 million, are there any internal metrics that you look at that kind of signal people are starting to upsize.

Have you seen any correlation with like the further spreading out of team space or anything else that kind of gives you more confidence that the enterprise momentum we've seen in '25 will kind of continue to build in 2026.

**Randy Altschuler** - *Xometry Inc - Chief Executive Officer*

I think it starts with those customers, we have a pretty good idea or estimate of what their total spend is. So it just starts qualifying that these companies can send $10 million plus with us. And I think if we ever share the names of you who those customers are, they're spending many multiples more than that $10 million.

So even if we have a modest share of their total spend, that is a very achievable number. So it just starts with that. And again, because of our platform, it's very extensible.

You can imagine that it's relative to a lot of industries, and there's lots of big customers they're buying billions of dollars of custom manufacturing a lot more than that. So it starts with just that qualification.

I think as you sort of correctly sort of alluded to, as we get more and more buyers who are adopting the platform as more and more teams are created because that's the way for customers to invite their colleagues to join and use the platform. That's obviously a great signal.

And then as we get traction with our integrations with the punch outs get embedded in become included in those bonds, those are also great signals. But these are customers that clearly are spending the money.

It's our job to show them is the best solution and then and that's why we're seeing momentum there. We would expect that number to us to grow every year in that group of 500,000 plus to grow as well. Lots more to go.

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**Operator**

There are no further questions in the queue at this time. Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and you may now disconnect.

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