Good day, and thank you for standing by. Welcome to Xometry Inc. Q1 2023 Earnings Call. At this time, the participants are in a listen-only mode. After the speaker’s presentation, there will be a question-and-answer session. (Operator Instructions) You will then hear an automated message advising your hand is raised. (Operator Instructions) Please be advised that today’s conference is being recorded. I would now like to hand the conference over to your speaker today, Shawn Milne, Vice President of Investor Relations. Please go ahead.

And thank you for joining us on Xometry’s Q1 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 first quarter of 2023 and discuss our guidance for the second 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 March 31, 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 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 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 in our investor presentation, both of which are available in the Investors section of our website at investors.xometry.com. A replay of today’s call will also be posted on our website. With that, I’d like to turn the call over to Randy.

Thanks, Shawn. Good morning, everyone, and thank you for joining us for our Q1 2023 earnings call. In Q1, we had the highest revenue in Xometry’s history. We grew revenue 26% year-over-year, including 35% year-over-year growth in Marketplace revenue. We added a record number of active
buyers as we continue to gain market share. We significantly increased gross margins and operating leverage, reducing our adjusted EBITDA loss in Q1 from Q4 by 17% and by 23%, excluding nonrecurring Sarbanes-Oxley Act implementation compliance costs.

The continuing shift to the digital is inevitable, and is the leading 2-sided marketplace, Xometry's asset-light digital marketplace creates efficiencies and value for buyers and suppliers alike. Artificial intelligence is at the heart of Xometry, generating prices for buyers and suppliers across a range of on-demand manufacturing processes. We continue to develop our proprietary machine learning algorithms, adding support for additional features such as new materials and finishes and training our models on an increasingly large data set of custom manufactured parts.

Our technology helps buyers significantly reduce their time to market and strengthen their supply chains and enable small and medium-sized suppliers to fill their capacity with work that can boost their growth and profitability. With our market-leading position and increasingly global footprint in a total addressable market of $2 trillion, we expect to continue to grow rapidly for many years to come. While there are no shortcuts, we are steadily and methodically executing on our vision of becoming the de facto digital rails for custom manufacturing.

In Q1, revenue increased 26% year-over-year to $105.3 million. Q1 Marketplace revenue was $86.7 million, representing 35% year-over-year growth. We saw strength across all processes and many verticals, including electric vehicles, energy, industrial equipment and robotics. Our value proposition continues to resonate strongly across all sizes of businesses, especially large enterprise customers. Supplier services revenue was $18.6 million, down 3% year-over-year. Gross profit increased 20% year-over-year to $39.4 million, driven by 41% growth in marketplace gross profit. Q1 marketplace gross margins increased 140 basis points year-over-year and 170 basis points quarter-over-quarter to 28.8%.

Active buyers increased 46% year-over-year to 44,716, driven by a record addition of 4,052 active buyers in Q1. Active paying suppliers grew by 11% year-over-year in Q1 2023 to 7,621, driven by growth in Thomas marketing products, including self-serve. Starting this quarter, we will provide a number of active paying suppliers on a quarterly basis to give an additional KPI for Supplier services segment. An active paying supplier is defined as a supplier who purchased one or more of our supplier services, including digital marketing services, data services, financial services or supplies during the last 12 months. International revenue grew 77% year-over-year and 13% quarter-over-quarter driven almost entirely by the growth in our European business. Geometry Asia is growing with strong momentum, including the planned launch with Alibaba 1688.com in Q2.

In Q1, we continued to execute on the 5-point strategic plan we outlined during our Q4 2022 earnings call. Here is an update on our progress. We refocused sales efforts in our top 200 accounts, which represented approximately 50% of 2022 U.S. marketplace revenue. The collective spend of these 200 accounts of manufacturing far exceeds Xometry's current revenue. So in early 2023, we redirected salespeople and customer support to them. Given the higher spend we have with these accounts and the potential to grow that spend significantly in the years to come, we are pushing deeper and wider into them. Accounts are increasingly engaging us to potentially support the production business and to manage their tail spend.

While the sales cycle for these efforts are longer, the potential spend from these transactions is significant. This does not change our goal of rapidly expanding our base of buyers through digital marketing and other marketing efforts. In fact, we're seeing strong signs of increasing brand awareness as our organic search volume is growing at a rapid clip, helping fuel record growth of new active buyers. In Q1, we made significant progress in expanding our marketplace menu. As we grow the number of processes, materials and finishes, we can offer our customers, we are increasingly able to serve as their one-stop destination.

In Q1, we added more than 3 dozen materials and finishes, including galvanized steel, stainless steel and custom CNC materials. Additionally, we launched instant quotes for parts with multiple finishes. We also launched a new quick-turn injection molding service for quotes in as fast as 2 hours and parts in as little as 5 business days. For U.S. buyers, we introduced a new domestic economy shipping option, which offers lower pricing and longer lead times than the standard shipping option but with higher pricing than our traditional offshore economy option. We are pleased with the adoption of the domestic economy.

In Q2, we will continue to expand the menu and will offer buyers the ability to select an increasing number of manufacturing technologies, leveraging the tremendous breadth of what the hundreds of thousands of suppliers listed on thomasnet.com can offer. This depth and breadth is critical since our market is not defined by commodity parts or SKUs, but instead is made up of thousands of different use cases. This is one of the reasons the custom manufacturing market is so fragmented. Our marketplace is unique in its ability to meet these needs.
We continue to expand aggressively internationally. We delivered strong growth in Europe and launched in the U.K., which is the third largest manufacturing market in the region. In the U.K., we are seeing early strong demand in such industries as medical, electric vehicles, autonomous related technologies, renewable energy and propulsion systems. Additionally, in early Q1, we made a small tuck-in acquisition in Turkey to further expand our alternative call supplier network to serve the European market. We launched sometry.com.tr, a localized marketplace introducing the instant quoting engine to Turkish customers. Since launch, Circus customers for machine building, engineering and other industries are ramping up the use of our technology.

In late Q1, Xometry Asia signed an agreement to provide instant quoting for Alibaba's group's 1688.com B2B wholesale marketplace in China. Xometry's AI-powered instant quoting engine is the sole provider of real-time pricing and lead time for custom parts on 1688.com. The industrial section of the 1688 marketplace had annual traffic of 30 million visitors in 2022. This should be fully operational shortly, and we are excited by the opportunity and the trust given by 1688 in our instant quoting technology. The upcoming launch with 1688 notwithstanding, we remain pleased with the ramp in buyer demand in China as we're seeing strong order growth across many verticals, including medical devices, biotech, material production, machine building and sensor technology.

We expect China to contribute to revenue growth in 2023 and stronger in 2024. Through ezometry.eu, zometry.uk and Zometry.asia, we have leveraged Domags core technology to provide localized platforms in 13 different languages with networks of suppliers across Europe and Asia as well as North America. In Q1, we invested approximately an incremental $1 million to fund expansion into the U.K. and launch the Turkey localized marketplace. We believe these investments will pay off with continued strong international growth over the years to come.

In Q1, we invested in enhanced and continue to drive adoption of our new products, including work center and the industrial buying engine platform, increasing our footprint with both buyers and suppliers and enabling us to scale cost effectively. For our suppliers, we made an important progress in Work Center, the SaaS-like operating system that is the digital foundation for manufacturers. In Q1, we expanded the work center job management tools and capabilities, including support for custom job workflows, job scheduling, communication tools and accounting integrations. For buyers, we took significant steps towards improving the industrial buying engine. The industrial buying engine digitizes the cumbersome and time-consuming request for quote process, taking what was once off platform and integrating it into the heart of thomasnet.com.

In Q1, we made it easier for buyers to initiate requests and for buyers and suppliers to engage by consolidating all communication onto a single unified UX and technical platform. While the revenue from industrial buying engine transaction fees on thomasnet.com is not yet significant Xometry’s overall revenue, as we more tightly integrate it with our instant quoting engine, we can increase our buyer share of wallet and be their one-stop shop. We continue to modernize the marketing products and expand self-serve options on the thomasnet.com platform, making it easier for suppliers to start their marketing journey.

In Q1, we implemented auto renewal for all Thomas Net marketing programs. In 2023, we're working to move to a pay-for-performance advertising model on thomasnet.com. Most search and listing engines that support advertising use a pay-per-click or other performance-based advertising model, which aligns the interest of buyers and suppliers. As we improve search, we expect to see a higher level of buyer engagement, improving the opportunity for search monetization. This will help drive growth for our higher-margin supplier services as well as boost use of the industrial buying engine.

We are continuing to increase efficiency and reduce expenses across our organization. In January, we reduced our workforce by 6% to better streamline operations. We are finding additional savings, including through our fixed costs to continue our progress throughout the year to help Xometry become adjusted EBITDA positive in Q4. The underlying metrics in the marketplace were robust, with strong additions of active buyers and record order accounts, including from existing accounts. Our international business had a record quarter in Europe and is building momentum in Asia.

We made good progress with the rollout and adoption of Work Center and building integrations to enable Thomas and Xometry users alike to access the breadth and depth of thomasnet.com 500,000 suppliers, the full value of which we are continuing to unlock. As a result, we are once again delivering strong sequential growth in marketplace revenue, marketplace gross margin and reduced adjusted EBITDA losses. For 2023, overall, we expect our momentum to continue and to remain in strong growth mode. With that, I will turn the call over to our CFO, Jim Rallo, for a closer look at first quarter financial results and our business outlook.
Thanks, Randy, and good morning, everyone. As Randy mentioned, we delivered strong marketplace growth in Q1 despite macro headwinds. Q1 revenue increased 26% year-over-year to $105.3 million, driven by marketplace growth. The stronger U.S. dollar negatively impacted revenue by $0.5 million on a year-over-year basis. Q1 marketplace revenue was $86.7 million in supplier services revenue was $18.6 million. Q1 Marketplace revenue increased 35% year-over-year, driven by strong growth in the number of active buyers. Active buyers increased 46% year-over-year to 44,716 with 4,052 new active buyers. In Q1, 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 that account over time. The number of accounts with the last 12-month spend of at least $50,000 on our platform reached 1,109 at the end of Q1, up 40% year-over-year. Supplier services revenue declined approximately $600,000 or 3% year-over-year in Q1. As Randy mentioned in his remarks, part of our strategic plan for 2023 is to modernize the Thomas advertising platform and expand the self-service marketing products on thomasnet.com. We expect these efforts to grow the number of digital marketing customers and to reduce the sales costs associated with acquiring them.

This quarter, we are introducing a new KPI for supplier services. The number of active paying suppliers for Q1 2023 was 7,621 on a trailing 12-month basis, an increase of 11% year-over-year. Active paying suppliers is the number of suppliers who have purchased one or more of our supplier services, including digital marketing services, data services, financial services or supplies during the last 12 months. We believe this KPI will help investors to better understand how we operate the supplier services segment and track its performance.

Q1 gross profit was $39.4 million, an increase of 20% year-over-year. Total gross profit margin was 37.4%, down 200 basis points year-over-year, primarily driven by a mix shift to marketplace revenue. Q1 gross margin for marketplace was 28.8%, up 140 basis points year-over-year and 170 basis points quarter-over-quarter. Q1 gross margin for supplier services was 77.4%, driven by high gross margin of Thomas marketing and advertising services and growing financial services. Supplier Services gross margin increased 110 basis points quarter-over-quarter due to a higher mix of Thomas marketing services revenue. Moving on to Q1 operating costs. Q1 total non-GAAP operating expenses increased 12% year-over-year to $51.2 million, driven by continued investments in the business and public company costs. Q1 operating expenses included $0.8 million of incremental nonrecurring accounting and legal costs associated with Sarbanes Oxley compliance.

Within our operating expenses, sales and marketing is our largest variable component. In Q1, non-GAAP sales and marketing expenses were $20.6 million, excluding stock-based compensation and amortization, an increase of 15% as compared to $17.9 million in Q1 2022. The increase in non-GAAP sales and marketing expenses on a year-over-year basis was driven by continued investment to expand our network of buyers and suppliers and hiring of additional salespeople to support strong growth in our land and expand strategy. We delivered strong growth in new active buyers in Q1, leveraging increasing brand awareness and efficient marketing spend.

As Randy mentioned, we invested approximately an incremental $1 million in Q1 to fund expansion in Europe, including the launch of the U.K. and Turkey marketplaces. Our adjusted EBITDA loss for Q1 was $11.8 million or 11.2% of revenue compared with 15.2% of revenue in Q1 2022. One quick note on GAAP EPS in Q1 as part of the IPO, we pledged 1% of the company’s capitalization for approximately 403,000 shares to Xometry. Award for charitable contributions to nonprofit organization. As a result, we recorded a non-operating charge in general and administrative expenses, which is excluded from adjusted EBITDA. In Q1, we recorded a charge of $0.4 million.

Turning to segment reporting. Q1, revenue from our U.S. and international operating segments was $93.9 million and $11.4 million, respectively. Segment loss from our U.S. and international operating segments for Q1 was $12.9 million and $5.4 million, respectively. We continue to invest in our international business, which grew 77% year-over-year in Q1 and 87% year-over-year on an FX-neutral constant currency basis. At the end of the first quarter, cash and cash equivalents and marketable securities was $296.2 million.

Now moving on to guidance. We expect Q2 2023 revenue in the range of $109 million to $111 million, representing year-over-year growth of 14% to 16%. We expect marketplace revenue growth to remain healthy in Q2 2023. As a reminder, Q2 2022 is the toughest year-over-year marketplace revenue comparison with 56% growth in the prior year period. Given the significantly lower gross margin of supplies, we are not going to proactively
offer this service to our partners, and we expect supplier services revenue to be down year-over-year. This change creates a drag reflected in our Q2 2023 revenue guidance. We expect marketplace and Supplier Services gross margins to improve in Q2 quarter-over-quarter.

In Q2, we expect adjusted EBITDA loss to be in the range of $8.5 million to $9.5 million, a significant 19% to 28% improvement quarter-over-quarter. Q2 adjusted EBITDA loss will be lower quarter-over-quarter, driven by sequential growth in marketplace revenue, improving marketplace gross margins and further measures to tighten operating expenses, particularly fixed costs. In Q2, we expect stock-based compensation expense to be approximately $5 million to $6 million, which we will exclude from adjusted EBITDA.

As Randy mentioned, we expect robust marketplace growth and gross profit growth in 2023. We reiterate 2023 revenue guidance of $470 million to $480 million, representing 23% to 26% growth year-over-year. We expect marketplace revenue growth of approximately 30% in 2023. We expect to be profitable on an adjusted EBITDA basis in Q4 2023 and we expect significantly improved operating leverage in the second half of 2023, driven by strong buyer and order growth and further improvement in gross margins driving faster gross profit growth. We expect significant leverage over fixed and semi-fixed costs, including public company costs. We expect 2023 adjusted EBITDA loss in the range of $24 million to $26 million, given the incremental nonrecurring costs in Q1 and the additional international investments we discussed previously. With that, operator, can you please open up the call for questions.

QUESTIONs AND ANSWERS

Operator

Thank you. (Operator Instructions) Please stand by while we compile the Q&A roster. Our first question comes from the line of Ron Josey of Citibank. Your line is now open.

Ronald Victor Josey - Citigroup Inc., Research Division - MD

Great. Thanks for taking my questions. I've got two, please, Randy. I guess coming out of last year, we talked a little bit about supplier behavior. I'm just wondering if you can talk to us about supply behavior or turning to more normalized trends in terms of taking jobs and overall pricing, that would be helpful on number one. And the second key point on gross profit. Jim, you talked about margins expanding in the back half of the year, but we also saw margins expand in 1Q. So talk to us a little bit more about what's driving that overall gross margin, particularly on the marketplace side. Thank you, guys.

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

Yes. Good morning. And Ron, good to speak with you. So just going about the change from Q4 to Q1, we saw marketplace revenue Ron changer even than we expected, and we saw solid growth in active buyer growth and strong growth in orders and suppliers continue to react well and participate well in the marketplace. So I think we saw growth across all processes and many verticals. And as we saw with our record add of net active buyers in the quarter, we also our competitive position continues to strengthen as well.

James M. Rallo - Xometry, Inc. - CFO

Just on your question about gross margins going up, we did talk about how in Q4, we've been doing experimentation testing the price elasticity of customers. We ended that at the end of January. So you saw a nice rebound in gross margins from Q4 to Q1 of 170 basis points to almost 29%. And as we've also mentioned in this call, we've guided to increased gross margins for marketplace and supplier services in Q2 as well.
Shawn Christopher Milne - Xometry, Inc. - VP of IR

Yes, Ronald, and it’s Shawn. Just one for the year, we also talked about gross margin being for the marketplace 30% plus.

Ronald Victor Josey - Citigroup Inc., Research Division - MD

Thank you.

Operator

Thank you. One moment please for the next question. Our next question comes from the line of Nick Jones of JMP Securities. Your line is now open.

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

Great. Thanks for taking my questions. Two, if I can. I guess, first, kind of high level, how much is some of these industry trends and metrics we're seeing reported impacting the overall business? Is that kind of a factor we're seeing? Or is obviously still kind of able to grow through some of these macroeconomic pressures.

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

Yes. Look, I think with our investments in technology, investments in international and you’re seeing in Q1 that we've been gaining market share by adding a record number of active buyers. So -- and we saw strength make across all processes and across many verticals. So I think we -- as we gain market share and as our investments continue to pay off, we’re excited to continue to grow.

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

Great. And then maybe just as we think about the back half and the full year guide revenue up to kind of accelerate to hit those. Can you kind of speak to what gives you confidence in the full year number? Are you seeing kind of similar behavior and active buyer kind of LTV to CAC or cohort curves that gives you confidence in kind of that performance and this kind of uptick in active buyers you’ve had?

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

Yes. Look, again, I think in the second half, we expect our investments that we’ve been talking about to continue to bear fruit, including continued strong active buyer growth, order growth and international growth. And we think those combined will enable us to reach that guidance that we provided.

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

Great. Thanks Randy.

Operator

Thank you. One moment please. Our next question comes from the line of Brian Drab of William Blair. Your line is now open.
Good morning. Thanks for taking my questions. I was wondering if you could talk first a little bit more about the Alibaba 1688 opportunity. Just some more detail there would be helpful. I mean the big question is what's the revenue opportunity there longer term? And can you talk about how that agreement and how the business model is structured? And have they ever tried providing custom parts in the past.

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

Yes, Brian, thanks for the question. So we've not baked in, just to be clear on our batter anything related to 1688. As we talked about during our prepared remarks, notwithstanding 1688, our China marketplace has been growing very strongly. So we're very happy about that. We expect it to be a revenue contributor this year and even a strong revenue contributor in the year that follows. We are excited. That said, we're very excited about the 1588 opportunity. It will be fully operational later this quarter. And it will actually be using our technology to provide the instant quoting for custom parts and we're the exclusive provider of that. And then Xometry age will be the fulfillment for that. I actually don't know, Brian, if they've ever offered before. I don't think so. But -- and I believe the answer is they've never offered it before, but I couldn't tell you 100%, but I strongly made the operator before.

James M. Rallo - Xometry, Inc. - CFO

Yes, Brian, it's Sean. Just on the agreement, there's not a revenue share. So it will, in terms of when it gets rolling, it will run through our marketplace revenue and KPI.

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

Are they just -- yes, I know we've discussed this, but I still am not perfectly clear. Does that just mean that they're basically directing new leads and the revenue and margin opportunity for Xometry is the same as it is in your legacy marketplace? Or is it different? Like is this going to be revenue at similar marketplace margin?

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

Yes. It will be -- I mean, again, our margins, particularly as we're standing up, we've talked about this, we're staying in geographies don't necessarily reflect -- don't necessarily hear the margins exactly in our mature markets. But yes, it will -- in terms of the way it functions, it will be similar to the way a functions in Europe or in the United States or North America. So very, great, somewhat.

James M. Rallo - Xometry, Inc. - CFO

Yes. And just to pull up, I know you said direct leads, but again, just so for one on the call, I mean, our Instant core technology is embedded within their marketplace. So it's not as if a customer is being redirected to a different platform. So it's embedding that technology on their marketplace and a seamless experience.

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

So if you're on 168, now we'll be able to offer for people on an ability to into their parts, you're using our technology to do that, and that is part of being built into what can offer. So we're pretty excited about it.
Brian Paul Drab - William Blair & Company LLC, Research Division - Partner & Analyst

Yes. I guess I used the wrong word, but I'm just thinking it's generating leads for you. You're basically stepping into this massive flow of 30 million users annually. And when you say there's not revenue share, it means you're not sharing -- Xometry is not sharing revenue with them. Is that what your --

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

Yes, we're actually revenue with 1588. Always is by handling transactions for people, et cetera. They're not getting a piece of this transaction, right?

James M. Rallo - Xometry, Inc. - CFO

As they make money on the float, Brian. So the checkout will be through their process, and that's how they make their money.

Brian Paul Drab - William Blair & Company LLC, Research Division - Partner & Analyst

Can you elaborate on that, Jim, just define what you mean by float in this context? I think I just had a lot of questions on this. It would be a good time to clear it up.

James M. Rallo - Xometry, Inc. - CFO

Yes. Brian, just that when people -- one of the things that happens in 1688 and it's just different there is people will pay that will be then held by 1688 and then one is via order ship in our case, then they would release the funds. So that's similar in Holly and other platforms. They are holding the funds from the buyer and then they release them when the seller delivers.

Brian Paul Drab - William Blair & Company LLC, Research Division - Partner & Analyst

Right. So in the interim, when they're holding those funds, they can invest them or generate some interest on that and make some money off of this, but in terms of the transactional revenue and margin that goes to Xometry? Is that --

James M. Rallo - Xometry, Inc. - CFO

It's the same as we've got here.

Brian Paul Drab - William Blair & Company LLC, Research Division - Partner & Analyst

Yes. Okay. All right. And then just quickly, the supplier services down revenue down 3% year-over-year. It sounds like that you're pulling back some marketing expense there and maybe just not focusing on selling the services as aggressively going forward. Is that just an ROI type of decision? And how big a drag on revenue for '23? Is it just $1 million or $2 million?

James M. Rallo - Xometry, Inc. - CFO

Brian. And yes, so there is a specific service that we offer, which is selling supplies, supplier services to both worse services is marketing services that we've got with Thomas net. But as you know, historically, comic have sold supplies to suppliers, whether it's materials and tools. So that is a segment of supplier services that we're pulling back from. It's that significantly lower gross margins. And so we're not actively marketing it to the suppliers. So that's why we talked about in Q2 that -- you're going to see year-over-year revenue from suppliers to go down because we're not
actively marketing that to our suppliers. Ultimately, that's a more profitable, it's going to help our margins. So it's a proactive thing that we're doing. But of course, the other marketing services and fire services, we are investing in the technologies we've talked about and building our sales and marketing capabilities around those.

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

Okay. I got it. Thanks a lot.

Operator

Thank you. One moment please. Our final question comes from the line of Greg Palm from Craig-Hallum. Your line is open.

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

Good morning. Thanks for taking the question here. Yes. I wanted to start with active buyers because it was a nice pick up again in terms of net adds for the quarter. And I guess my first question is, are you seeing a different sort of mix in some of the new net adds this quarter, last quarter versus maybe historical levels? And I guess your comment about going deeper into the top 200, should we assume that a big portion of these net adds are just that. It's increasing wallet share within a certain company or enterprise? Or are you actually seeing good net adds in different or separate enterprises as well?

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

Yes. Great question. So we are seeing -- we've got a big funnel and we're seeing a really nice addition of new logos, people saying new accounts. And the behavior of these accounts and Q4 aren't the makeup or the demographic of it is similar to accounts that we've added in previous quarters. We're just -- we're getting more efficient with our marketing spend. We've got more organic growth. And so we're just adding more active buyers each quarter. And yes, we are certainly -- we tout a 5-point strategic plan going deeper and wider into the tax under account. So we are adding more buyers there, but the final of new logos is very strong.

James M. Rallo - Xometry, Inc. - CFO

And Greg, radiate Q1, but the other thing you're seeing is broad-based strength in active buyer growth, but not only in the U.S., but remember, Europe is growing at a very fast rate. So we're seeing good buyer growth over there as well.

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

And in terms of the assumptions behind the Q2 revenue guide, does it assume another sequential increase in net adds or maybe a similar level of what you saw between Q4 and Q1?

James M. Rallo - Xometry, Inc. - CFO

Yes. I mean, we don't guide specifically to that metric, but you should expect healthy net adds going forward. And Greg, as you play that out, this is something we've talked about the last few calls, as you play that out through 2023, that drives good strong growth year-over-year in active buyers.
Okay. Understood. I'll leave it there.

Operator
Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.