

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-40546

XOMETRY, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

**6116 Executive Blvd
Suite 800
North Bethesda, MD**
(Address of principal executive offices)

32-0415449
(I.R.S. Employer
Identification No.)

20852
(Zip Code)

Registrant's telephone number, including area code: (240) 335-7914

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.000001 per share	XMTR	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2023, the registrant had 45,168,110 shares of Class A common stock, \$0.000001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “can,” “will,” “would,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our expectations regarding our revenue, expenses and other operating results;
- the anticipated growth of our business, including our ability to effectively manage or sustain our growth and to achieve or sustain profitability;
- the effects of public health crises or other macroeconomic factors and geopolitical tension, such as those associated with Russia's invasion of Ukraine, which may lead to periods of global economic uncertainty;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- our ability to attract new buyers and suppliers and successfully engage new and existing buyers and suppliers;
- the costs and success of our sales and marketing efforts, and our ability to promote our brand;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth, including any international expansion;
- our ability to obtain, maintain, protect and enforce our intellectual property or other proprietary rights and any costs associated therewith;
- our ability to effectively manage our costs and expenses, which may be impacted by inflationary pressures;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled Risk Factors Part II, Item 1A, and elsewhere in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Form 10-Q. And while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share data)

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 39,705	\$ 65,662
Marketable securities	256,458	253,770
Accounts receivable, less allowance for credit losses of \$1.9 million and \$2.0 million as of March 31, 2023 and December 31, 2022	52,217	49,188
Inventory	1,444	1,571
Prepaid expenses	7,055	7,591
Other current assets	15,897	12,273
Total current assets	<u>372,776</u>	<u>390,055</u>
Property and equipment, net	21,597	19,079
Operating lease right-of-use assets	24,303	25,923
Investment in unconsolidated joint venture	4,134	4,068
Intangible assets, net	39,041	39,351
Goodwill	262,441	258,036
Other assets	385	413
Total assets	<u>\$ 724,677</u>	<u>\$ 736,925</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,320	\$ 12,437
Accrued expenses	32,121	33,430
Contract liabilities	9,974	8,509
Income taxes payable	4,113	3,956
Operating lease liabilities, current portion	6,256	5,471
Total current liabilities	<u>64,784</u>	<u>63,803</u>
Convertible notes	280,375	279,909
Operating lease liabilities, net of current portion	15,500	16,940
Deferred income taxes	406	429
Other liabilities	1,260	1,011
Total liabilities	<u>362,325</u>	<u>362,092</u>
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, \$0.000001 par value. Authorized; 50,000,000 shares; zero shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	—	—
Class A Common stock, \$0.000001 par value. Authorized; 750,000,000 shares; 45,098,314 shares and 44,822,264 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	—	—
Class B Common stock, \$0.000001 par value. Authorized; 5,000,000 shares; 2,676,154 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	628,808	623,081
Accumulated other comprehensive income	159	28
Accumulated deficit	(267,710)	(249,366)
Total stockholders' equity	<u>361,257</u>	<u>373,743</u>
Noncontrolling interest	<u>1,095</u>	<u>1,090</u>
Total equity	<u>362,352</u>	<u>374,833</u>
Total liabilities and stockholders' equity	<u>\$ 724,677</u>	<u>\$ 736,925</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2023	2022
Revenue	\$ 105,326	\$ 83,671
Cost of revenue	65,957	50,732
Gross profit	39,369	32,939
Sales and marketing	22,439	19,285
Operations and support	12,608	12,358
Product development	8,125	7,290
General and administrative	15,957	12,959
Impairment of assets	27	—
Total operating expenses	59,156	51,892
Loss from operations	(19,787)	(18,953)
Other (expenses) income		
Interest expense	(1,198)	(769)
Interest and dividend income	2,695	96
Other income (expenses)	17	(962)
Income from unconsolidated joint venture	66	34
Total other income (expenses)	1,580	(1,601)
Loss before income taxes	(18,207)	(20,554)
(Provision) benefit for income taxes	(136)	559
Net loss	(18,343)	(19,995)
Net income attributable to noncontrolling interest	1	17
Net loss attributable to common stockholders	\$ (18,344)	\$ (20,012)
Net loss per share, basic and diluted	\$ (0.38)	\$ (0.43)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	47,699,561	46,789,585
Comprehensive loss:		
Foreign currency translation	\$ 135	\$ (28)
Total other comprehensive income (loss)	135	(28)
Net loss	(18,343)	(19,995)
Comprehensive loss	(18,208)	(20,023)
Comprehensive income attributable to noncontrolling interest	5	34
Total comprehensive loss attributable to common stockholders	\$ (18,213)	\$ (20,057)

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)
Three months ended March 31, 2023 and 2022
(In thousands, except share and per share data)

	Class A - Common Stock		Class B - Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulate d Deficit	Total Stockholders ' Equity	Noncontroll ing Interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance, December 31, 2022	44,822,264	\$ —	2,676,154	\$ —	\$ 623,081	\$ 28	\$ (249,366)	\$ 373,743	\$ 1,090	\$ 374,833
Exercise of common stock options	82,909	—	—	—	483	—	—	483	—	483
Vesting of Restricted Stock Units	169,446	—	—	—	—	—	—	—	—	—
Other common stock issued	3,562	—	—	—	180	—	—	180	—	180
Donated common stock	20,133	—	—	—	370	—	—	370	—	370
Stock based compensation	—	—	—	—	4,694	—	—	4,694	—	4,694
Comprehensive income										
Foreign currency translation	—	—	—	—	—	131	—	131	4	135
Net (loss) income	—	—	—	—	—	—	(18,344)	(18,344)	1	(18,343)
Total comprehensive (loss) income	—	—	—	—	—	—	—	(18,213)	5	(18,208)
Balance, March 31, 2023	45,098,314	\$ —	2,676,154	\$ —	\$ 628,808	\$ 159	\$ (267,710)	\$ 361,257	\$ 1,095	\$ 362,352
Balance, December 31, 2021	43,998,404	\$ —	2,676,154	\$ —	\$ 597,641	\$ 149	\$ (173,341)	\$ 424,449	\$ 1,034	\$ 425,483
Exercise of common stock options	246,263	—	—	—	1,263	—	—	1,263	—	1,263
Stock based compensation	—	—	—	—	3,456	—	—	3,456	—	3,456
Comprehensive income										
Foreign currency translation	—	—	—	—	—	(45)	—	(45)	17	(28)
Net (loss) income	—	—	—	—	—	—	(20,012)	(20,012)	17	(19,995)
Total comprehensive (loss) income	—	—	—	—	—	—	—	(20,057)	34	(20,023)
Balance, March 31, 2022	44,244,667	\$ —	2,676,154	\$ —	\$ 602,360	\$ 104	\$ (193,353)	\$ 409,111	\$ 1,068	\$ 410,179

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (18,343)	\$ (19,995)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,566	1,799
Impairment of assets	27	—
Reduction in carrying amount of right-of-use asset	1,935	1,765
Stock based compensation	4,694	3,456
Revaluation of contingent consideration	—	434
Income from unconsolidated joint venture	(66)	(34)
Donation of common stock	370	—
Losses on marketable securities	—	858
Non-cash income tax benefit	—	(559)
Loss on sale of property and equipment	91	71
Amortization of deferred costs on convertible notes	466	312
Deferred taxes benefit	(23)	(2)
Changes in other assets and liabilities:		
Accounts receivable, net	(2,804)	(6,145)
Inventory	133	(180)
Prepaid expenses	185	567
Other assets	(3,687)	(1,787)
Accounts payable	(503)	(2,752)
Accrued expenses	(2,119)	(2,843)
Contract liabilities	1,436	2,145
Lease liabilities	(970)	(1,369)
Income taxes payable	157	—
Net cash used in operating activities	(16,455)	(24,259)
Cash flows from investing activities:		
Purchase of marketable securities	(2,688)	(280,091)
Proceeds from sale of marketable securities	—	4
Purchases of property and equipment	(4,186)	(2,543)
Proceeds from sale of property and equipment	223	165
Cash paid for business combination, net of cash acquired	(3,349)	—
Net cash used in investing activities	(10,000)	(282,465)
Cash flows from financing activities:		
Proceeds from stock options exercised	483	1,263
Proceeds from issuance of convertible notes	—	287,500
Costs incurred in connection with issuance of convertible notes	—	(9,301)
Payments on finance lease obligations	—	(2)
Net cash provided by financing activities	483	279,460
Effect of foreign currency translation on cash and cash equivalents	15	(29)
Net decrease in cash and cash equivalents	(25,957)	(27,293)
Cash and cash equivalents at beginning of the year	65,662	86,262
Cash and cash equivalents at end of the period	\$ 39,705	\$ 58,969
Supplemental cash flow information:		
Cash paid for interest	\$ 1,438	\$ —
Non-cash investing and financing activities:		
Non-cash purchase of property and equipment	78	—
Non-cash consideration in connection with business combination	1,593	—

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
(Unaudited)

(1) Organization and Description of Business

Xometry, Inc. (“Xometry”, the “Company”, “we”, or “our”) was incorporated in the State of Delaware in May 2013. Xometry is a global online marketplace connecting buyers with suppliers of manufacturing services, transforming one of the largest industries in the world. We use our proprietary technology to create a marketplace that enables buyers to efficiently source manufactured parts and assemblies, and empower suppliers of manufacturing services to grow their businesses. Xometry’s corporate headquarters is located in North Bethesda, Maryland.

Our AI-enabled technology platform is powered by proprietary machine learning algorithms and a dataset, resulting in a sophisticated marketplace for manufacturing. As a result, buyers can procure the products they want on demand and suppliers can source new manufacturing opportunities that match their specific capabilities and capacity. Interactions on our platform provide rich data insights that allow us to continuously improve our AI models and create new products and services, fueling powerful network effects as we scale.

We use proprietary technology to enable product designers, engineers, buyers, and supply chain professionals to instantly access the capacity of a global network of manufacturing facilities. The Company’s platform makes it possible for buyers to quickly receive pricing, expected lead times, manufacturability feedback and place orders on the Company’s platform. The network allows the Company to provide high volumes of unique parts, including custom components and aftermarket parts for its buyers.

Xometry’s suppliers’ capabilities include computer numerical control manufacturing, sheet metal forming, sheet cutting, 3D printing (including fused deposition modeling, direct metal laser sintering, PolyJet, stereolithography, selective laser sintering, binder jetting, carbon digital light synthesis and multi jet fusion), die casting, stamping, injection molding, urethane casting, tube cutting, tube bending, as well as finishing services, rapid prototyping and high-volume production.

We empower suppliers to grow their manufacturing businesses and improve machine uptime by providing access to an extensive, diverse base of buyers. We also offer suppliers supporting products and services to meet their unique needs. Our suite of supplier services includes a cloud-based manufacturing execution system, access to competitively priced tools, materials and supplies from leading brands and financial service products to stabilize and enhance cash flow. In addition, we offer suppliers digital marketing and data solutions and SaaS based solutions to help suppliers optimize their productivity. In 2021, we acquired Thomas Publishing Company (“Thomas”) and Fusiform, Inc. (d/b/a FactoryFour) (“FactoryFour”), expanding our basket of supplier services to include marketing and advertising services and SaaS based solutions to help suppliers optimize their productivity.

(2) Basis of Presentation and Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K filed with the SEC on March 16, 2023.

The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited financial statements as of that date, but may not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis. In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, stockholders’ equity (deficit) and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2023 or any future period. The Company has two reporting segments which are referred to as: (1) the United States (“U.S.”) and (2) International.

Foreign Operations and Comprehensive Loss

The U.S. dollar (“USD”) is the functional currency for Xometry’s consolidated subsidiary operating in the U.S. The primary functional currency for the Company’s consolidated subsidiaries operating in Germany and to a lesser extent, United Kingdom, Turkey, China and Japan, is the Euro, British Pound Sterling, Turkish Lira, Yuan and the Yen, respectively. For the Company’s consolidated subsidiaries whose functional currencies are not the USD, the Company translates their financial statements into USD.

The Company translates assets and liabilities at the exchange rate in effect as of the financial statement date. Revenue and expense accounts are translated using an average exchange rate for the period. Gains and losses resulting from translation are included in accumulated other comprehensive income (“AOCI”), as a separate component of equity.

Noncontrolling Interest

We have a 66.67% ownership in Incom Co., LTD. As we have a controlling interest in Incom Co., LTD, we have consolidated Incom Co., LTD into our financial statements. The portion of equity in Incom Co., LTD not owned by the Company is accounted for as a noncontrolling interest. We present the portion of any equity that we do not own in a consolidated entity as noncontrolling interest and classify their interest as a component of total equity, separate from total stockholders’ equity on our Condensed Consolidated Balance Sheets. We include net income (loss) attributable to the noncontrolling interests in net loss in our Condensed Consolidated Statements of Operations and Comprehensive Loss.

(b)Use of Estimates

The preparation of the Company’s unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c)Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to the valuation of intangible assets. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

(d)Fair Value Measurements and Financial Instruments

The Company measures certain assets and liabilities at fair value on a recurring basis based on an expected exit price, which represents the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability.

The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis, whereby inputs used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs reflecting the Company’s own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of certain of the Company’s financial instruments, which include cash and cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and contract liabilities approximate their fair values due to their short maturities. The Company’s marketable securities are recorded at fair value.

(e)Marketable Securities

The Company measures its marketable securities at fair value and recognizes any changes in fair value in net loss. Our marketable securities represent our investments in a short term bond fund and/ or money market fund. We consider our marketable securities as available for use in current operations, and therefore classify these securities as current assets on the Condensed Consolidated Balance Sheets. As of March 31, 2023 and December 31, 2022, the Company’s marketable securities of \$256.5 million and \$253.8 million respectively, were recorded at fair value, within Level 1 of the fair value hierarchy. The fair value of the Company’s Level 1 financial instruments is based on quoted prices in active markets, total fair value is the published market price per

unit multiplied by the number of units held without consideration of transaction costs, discounts or blockage factors. No losses were recorded during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company recorded losses of \$0.9 million related to these securities, which is recorded in other expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

(f)Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. Our accounts receivable do not bear interest. Amounts collected on accounts receivable are included in net cash used in operating activities in the Condensed Consolidated Statements of Cash Flows. For buyers for which Xometry provides credit, the Company performs credit inquiries, including reference checks, and queries credit ratings services and other publicly available information. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on the age of the outstanding amounts, each customer’s expected ability to pay and collection history, current market conditions, and reasonable and supportable forecasts of future economic conditions to determine whether the allowance is appropriate. The Company reviews its valuation allowance monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Allowance For Credit Losses

The allowance for credit losses related to accounts receivable and changes were as follows (in thousands):

	2023	2022
Allowance for credit losses		
Balance at beginning of year, January 1	\$ 1,988	\$ 809
Charge to provision accounts	285	1,324
Recoveries or other	(325)	(145)
Balance at period end, March 31 and December 31, respectively	\$ 1,948	\$ 1,988

(g)Property and Equipment and Long-Lived Assets

Property and equipment are stated at cost. Equipment under finance leases is stated at the present value of minimum lease payments. Depreciation is calculated on the straight-line method over the estimated useful life of the assets, which range from three to seven years, or in the case of leasehold improvements, over the shorter of the remaining lease term or the useful life of the asset.

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and equipment includes capitalized internal-use software development costs. Eligible internal-use software development costs are capitalized subsequent to the completion of the preliminary project stage. Such costs include internal and external direct development costs totaling \$3.5 million for the three months ended March 31, 2023 and \$11.5 million for the year ended December 31, 2022. After all substantial testing and deployment is completed and the software is ready for its intended use, capitalization is discontinued and the internal-use software costs are placed in service and amortized using the straight-line method over the estimated useful life of the software, generally three years.

(h)Goodwill

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. As of March 31, 2023, the Company's goodwill is attributable to both the U.S. and International reporting units. As of December 31, 2022, the Company's goodwill is attributable to the U.S. reporting unit. Goodwill is not amortized. The Company tests goodwill for impairment annually in the fourth quarter, or more frequently, if events or changes in circumstances indicate that the carrying value of a reporting unit, including goodwill, might be impaired.

In testing for goodwill impairment, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These qualitative factors assessed may include the following: (i) significant changes in the manner of our use of the assets or the strategy of our overall business, (ii) certain restructuring initiatives, (iii) significant negative industry or economic trends and (iv)

significant decline in our share price for a sustained period. If, after assessing the totality of events or circumstances, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if we conclude otherwise, we proceed to the quantitative assessment.

(i) Revenue

The Company derives the majority of its marketplace revenue in the U.S. and Europe from the sale of parts and assemblies fulfilled using a vast network of suppliers. The Company recognizes revenue from the sales to our customers pursuant to Financial Accounting Standard Board’s (“FASB”) Accounting Standards Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers* (“ASC 606”).

The Company determines that a contract exists between the Company and the customer when the customer accepts the quote and places the order, all of which are governed by the Company’s standard terms and conditions or other agreed terms with Xometry’s buyers. Upon completion of an order through Xometry’s platform, the Company identifies the performance obligation(s) within that order to complete the sale of the manufactured part(s) or assembly. Using Xometry’s in-house technology, the Company determines the price for the manufactured part(s) or assembly on a stand-alone basis at order initiation. The Company recognizes revenue from sales to Xometry’s customers upon shipment, at which point control over the part(s) or assembly have transferred.

The Company has concluded that the Company is principal in the sale of part(s) and assemblies that use the Company’s network of third-party manufacturers because the Company controls the manufacturing by obtaining a right to direct a third-party manufacturer to fulfill the performance obligation Xometry has with the Company’s customers on Xometry’s behalf. The Company has considered the following conditions of the sale: (i) the Company has the obligation of providing the specified product to the customer, (ii) the Company has discretion with respect to establishing the price of the product and the price the Company pays the suppliers and the Company has margin risk on all of Xometry’s sales, (iii) the Company has discretion in determining how to fulfill each order, including selecting the supplier and (iv) Xometry bears certain risk for product quality to the extent the customer is not satisfied with the final product.

Xometry also derives revenue from its supplier services which is a suite of services offered to our suppliers. Revenue also includes the sale of marketing services which includes advertising. This revenue is generally recognized as control is transferred to the customer, in an amount reflecting the consideration we expect to be entitled to in exchange for such product or service. From time to time, a purchase order with a customer may involve multiple performance obligations, including a combination of some or all of our products. Judgment may be required in determining whether products are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. Revenue is recognized over the period or at the point in time in which the performance obligations are satisfied. Consideration is typically determined based on a fixed unit price for the quantity of product transferred. For purchase orders involving multiple performance obligations, the transaction price is allocated to each performance obligation based on relative standalone selling price, and recognized as revenue when each individual product or service is transferred to the customer.

Revenue is shown net of estimated returns, refunds, and allowances. At March 31, 2023 and December 31, 2022, the Company has a provision for estimated returns, refunds or allowances of \$0.1 million and \$0.3 million, respectively.

Sales tax collected from customers and remitted to governmental authorities is excluded from revenue.

Contract Liabilities

Contract liabilities are primarily derived from payments received in advance or at the time an order is placed, for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company’s revenue recognition criteria described above.

The following table is presents contract liabilities as of December 31, 2022 and March 31, 2023 (in thousands):

Rollforward of contract liabilities:		
Contract liabilities at December 31, 2022	\$	8,509
Revenue recognized		(51,287)
Payments received in advance		52,731
Acquired contract liabilities		21
Contract liabilities at March 31, 2023	\$	<u>9,974</u>

During the three months ended March 31, 2023, the Company recognized approximately \$8.0 million of revenue related to its contract liabilities at December 31, 2022. During the three months ended March 31, 2022, the Company recognized approximately \$7.2 million of revenue related to its contract liabilities at December 31, 2021.

Sales Contract Acquisition Costs

The Company's incremental costs to obtain a contract may include a sales commission which is generally determined on a per order basis. For contracts in excess of one year, the Company amortizes such costs on a straight-line basis over the average customer life of two years for new customers and over the renewal period for existing customers which is generally one year. Sales commissions are included in Xometry's sales and marketing expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the periods ended March 31, 2023 and 2022, we recognized approximately \$2.0 million and \$2.2 million, respectively of amortization related to deferred sales commissions. As of March 31, 2023 and December 31, 2022, the Company had deferred sales contract acquisition costs of \$4.3 million and \$3.3 million, respectively which is classified in other current assets on the Condensed Consolidated Balance Sheets.

(j) Cost of Revenue

Cost of revenue for marketplace primarily consists of the cost of the products that are manufactured or produced by the Company's suppliers for delivery to buyers on the Company's platform, internal and external production costs, shipping costs, and certain internal depreciation.

Cost of revenue for supplier services primarily consists of internal and external production costs and website hosting.

(k) Leases

The Company determines if an arrangement contains a lease and the classification of that lease, if applicable, at its inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities and operating lease liabilities, net of current portion in the Condensed Consolidated Balance Sheets. The Company has finance leases as detailed in the Long-Lived Assets section above. For leases with terms of twelve months or less, the Company does not recognize ROU assets or lease liabilities on the Condensed Consolidated Balance Sheets. Additionally, the Company elected to use the practical expedient to not separate lease and non-lease components for leases of real estate, meaning that for these leases, the non-lease components are included in the associated ROU asset and lease liability balances on the Company's Condensed Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments under the lease. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within the Company's operating leases is generally not determinable, as such the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives. Certain of the Company's leases include options to extend or terminate the lease. The expected lease term includes options to extend or terminate the lease when it is reasonably certain the Company will exercise such option.

Lease expense is recognized on a straight-line basis over the term of the lease.

(l) Sales and Marketing

Sales and marketing expenses are expensed as incurred and include the costs of digital marketing strategies, branding costs and other advertising costs, certain depreciation and amortization expense, contract acquisition costs and compensation expenses, including stock-based compensation, to the Company's sales and marketing employees. For the three months ended March 31, 2023 and 2022, the Company's advertising cost were \$8.1 million and \$7.1 million, respectively.

(m) Operations and Support

Operations and support expenses are the costs the Company incurs in support of the customers and suppliers on Xometry's platforms which are provided by phone, email and chat for purposes of resolving customer and supplier related matters. These costs primarily consist of compensation expenses of the support staff, including stock-based compensation, certain depreciation and amortization expense and software costs used in delivering customer and supplier services.

(n) Product Development

Product development costs which are not eligible for capitalization are expensed as incurred. This account also includes compensation expenses, including stock-based compensation to the Company's employees performing these functions and certain depreciation and amortization expense.

(o) General and Administrative

General and administrative expenses primarily consist of compensation expenses, including stock-based compensation expenses, for executive, finance, legal and other administrative personnel, professional service fees and certain depreciation and amortization expense.

(p) Stock Based Compensation

All stock-based compensation, including stock options and restricted stock units, are measured at the grant date fair value of the award. The Company estimates grant date fair value of stock options using the Black-Scholes option-pricing model. The fair value of stock options and restricted stock units is recognized as compensation expense on a straight-line basis over the requisite service period, which is typically four years. The fair value of the restricted stock units is determined using the fair value of the Company's Class A common stock on the date of grant. Forfeitures are recorded in the period in which they occur.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards.

These variables include:

- expected annual dividend yield;
- expected volatility over the expected term;
- expected term;
- risk free interest rate;
- per share value of the underlying common stock; and
- exercise price.

For all stock options granted, the Company calculated the expected term using the simplified method for "plain vanilla" stock option awards. The risk-free interest rate is based on the yield available on U.S. Treasury issuances similar in duration to the expected term of the stock-based award. The Company estimates its expected share price volatility based on the historical volatility of publicly traded peer companies and/or its own volatility and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded share price. The Company utilized a dividend yield of zero, as it had no history or plan of declaring dividends on its common stock.

(q) Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. Certain unvested share-based payment awards that contain nonforfeitable rights to dividends are treated as participating securities and therefore included in computing net income per share using the two-class method. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock shared proportionately in the Company's net losses.

(r) Reclassifications

Certain line items on the Company's condensed consolidated financial statements have been reclassified to conform to the current period presentation. These reclassifications have not changed the results of operations of prior periods.

(s) Recently Issued Accounting Standards

There are currently no other accounting standards that have been issued, but not yet adopted, that are expected to have a significant impact on the Company's consolidated financial position, results of operations or cash flows upon adoption.

(3) Credit Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash, which at times may exceed federally insured limits, in deposit accounts at major financial institutions. Most of the Company's buyers are located in the United States.

For the three months ended March 31, 2023 and 2022, no single buyer accounted for more than 10% of the Company's revenue. As of March 31, 2023, and December 31, 2022, no single buyer accounted for more than 10% of the Company's accounts receivable.

(4) Inventory

Inventory consists of raw materials, work-in-process, tools inventory and finished goods. Raw materials (plastics and metals) become manufactured products in the additive and subtractive manufacturing processes. Work-in-progress represents manufacturing costs associated with customer orders that are not yet complete. The tools inventory primarily consists of small consumable machine tools, cutting devices, etc. Finished goods represents product awaiting shipment. Inventory consists of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Raw materials	\$ 124	\$ 119
Work-in-progress	388	675
Tools inventory	221	477
Finished goods	711	300
Total	<u>\$ 1,444</u>	<u>\$ 1,571</u>

(5) Property and Equipment and Long-Lived Assets

Property and equipment consist of the following as of March 31, 2023 and December 31, 2022 (in thousands):

	<u>Useful Life</u>	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Technology hardware	3 years	\$ 3,049	\$ 2,927
Manufacturing equipment	5 years	2,753	2,892
Capitalized software development	3 years	27,852	24,343
Leasehold improvements	Shorter of useful life or lease term	1,383	1,345
Furniture and fixtures	7 years	2,317	1,705
Total		37,354	33,212
Less accumulated depreciation		(15,757)	(14,133)
Property and Equipment, net		<u>\$ 21,597</u>	<u>\$ 19,079</u>

Depreciation expense for the three months ended March 31, 2023 and 2022 was as follows (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of revenue	\$ 44	\$ 34
Operations and support	12	11
Product development	1,269	704
General and administrative	316	185
Total depreciation expense	<u>\$ 1,641</u>	<u>\$ 934</u>

(6) Leases

Operating lease expense for the three months ended March 31, 2023 and 2022 was as follows (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of revenue	\$ 18	\$ 16
General and administrative	2,214	1,833
Total operating lease expense	<u>\$ 2,232</u>	<u>\$ 1,849</u>

During the first quarter of 2023, the Company entered into two new office leases in Lyon, France and Istanbul, Turkey. In connection with these leases, the Company recorded non-cash ROU assets and lease liabilities of \$0.3 million.

(7) Acquisitions

Tridi

On January 2, 2023, the Company acquired Tridi Teknoloj A.S. (“Tridi”) located in Istanbul, Turkey pursuant to a Share Purchase Agreement. The acquisition of Tridi extends our marketplace capabilities in Europe and provides us access to the Turkish market. The Company accounted for the acquisition as a business combination. The goodwill of \$4.3 million arising from the acquisition of Tridi related to expected synergies including access to the Turkish market and an established supplier network. The goodwill is included in our International reporting segment and is not deductible for tax purposes. The aggregate non-contingent portion of the purchase price was approximately \$3.8 million in cash, of which approximately \$0.4 million was withheld and will be paid in a future period. In addition, the purchase price included a contingent consideration arrangement to the former owner of Tridi up to a maximum amount of \$1.25 million (undiscounted) in shares of the Company’s Class A common stock in two installments on the first and second anniversary of the acquisition. The contingent consideration arrangement is tied to the achievement of revenue thresholds. The initial fair value of the contingent consideration of \$0.9 million was estimated by applying an income valuation approach. The measurement is based on inputs that are not observable in the market (Level 3 inputs). Key assumptions made include (a) discount rate and (b) probability weighted assumptions about achieving revenue thresholds.

The Company has performed a preliminary valuation analysis of the fair market value of the acquired assets and liabilities of Tridi. The final purchase price allocation will be determined when the Company has completed and fully reviewed all information necessary to finalize the fair value of the acquired assets and liabilities. The final allocation could differ materially from the preliminary allocation and may include changes in allocations to current assets, current liabilities and goodwill.

The following table (in thousands) summarizes the consideration paid for Tridi and the preliminary fair value of the assets acquired and liabilities assumed on the acquisition date:

Consideration:		
Cash	\$	3,824
Settlement of preexisting relationship		357
Fair value of contingent consideration		860
Fair value of consideration		<u>5,041</u>
Acquisition costs included in general and administrative for the period ended March 31, 2023		32
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets		460
Property and equipment		22
Intangible asset		608
Current liabilities		<u>(373)</u>
Total identifiable net assets assumed		717
Goodwill		<u>4,324</u>
Total	\$	<u>5,041</u>

The estimated fair value of the intangible asset acquired was determined by the Company. The Company engaged a third-party expert to assist with the valuation analysis. The Company used a cost method to estimate the fair value of the vendor relationship using Level 3 inputs. The useful life of the vendor relationship is 10 years.

Tridi’s results of operations were included in the Company’s consolidated financial statements from the date of acquisition, January 2, 2023. The acquisition of Tridi was not considered material to the Company for the periods presented, and therefore, proforma information has not been presented.

(8) Disaggregated Revenue and Cost of Revenue Information

The following table present our revenues and cost of revenue disaggregated by line of business. Revenue from our marketplace primarily reflects the sales of parts and assemblies on our platform. Revenue from supplier services primarily includes the sale of advertising and to a lesser extent supplies, financial service products and SaaS products.

Revenue is presented in the following tables for the three months ended March 31, 2023 and 2022, respectively (in thousands):

	For the Three Months Ended March 31, 2023		For The Three Months Ended March 31, 2022	
Marketplace				
Revenue	\$	86,680	\$	64,415
Cost of revenue		61,747		46,741
Gross Profit	\$	24,933	\$	17,674
Supplier Services				
Revenue	\$	18,646	\$	19,256
Cost of revenue		4,210		3,991
Gross Profit	\$	14,436	\$	15,265

(9) Investment in Unconsolidated Joint Venture

The Company has a 50% interest in Industrial Media, LLC ("IM, LLC") with the other 50% owned by Rich Media Group, LLC. IM, LLC primarily manages content creation, advertising sales, and marketing initiatives for the Industrial Engineering News brand, certain magazines, videos, website and associated electronic media products for industrial engineers. No dividends were received during the period ended March 31, 2023 and 2022. During the three months ended March 31, 2023 and 2022, the Company did not pay material amounts to IM, LLC.

(10) Stock Based Compensation

In 2014, the Company adopted a stock compensation plan (the "2014 Equity Incentive Plan") pursuant to which the Company may grant stock options, stock purchase rights, restricted stock awards, or stock awards to employees, directors and consultants (including prospective employees, directors, and consultants). This plan was terminated in February 2016. No additional awards may be granted under the 2014 Equity Incentive Plan, however, outstanding awards continue in full effect in accordance with their existing terms.

In 2016, the Company adopted a stock compensation plan (the "2016 Equity Incentive Plan") pursuant to which the Company may grant stock options, stock purchase rights, restricted stock awards, or stock awards to employees, directors and consultants (including prospective employees, directors, and consultants). No additional awards may be granted under the 2016 Equity Incentive Plan, however, outstanding awards continue in full effect in accordance with their existing terms.

In connection with the Company's initial public offering on July 2, 2021, the Company's board of directors adopted the 2021 Equity Incentive Plan (the "2021 Equity Incentive Plan"). The 2021 Equity Incentive Plan provides for the grant of incentive stock options ("ISOs"), non-statutory stock options ("NSOs"), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based awards and other awards, or collectively, awards. Awards may be granted to Xometry employees, including our officers, Xometry's non-employee directors and consultants/contractors and the employees and consultants/contractors of Xometry affiliates. ISOs may be granted only to Xometry employees, including Xometry officers, and the employees of Xometry affiliates.

As of March 31, 2023, there were 5,851,637 shares available for the Company to grant under the 2021 Equity Incentive Plan.

Stock Options

The weighted average assumptions for the three months ended March 31, 2023 and 2022 are provided in the following table.

	Three Months Ended March 31,	
	2023	2022
Valuation assumptions:		
Expected dividend yield	—%	—%
Expected volatility	80%	66%
Expected term (years)	6.3	6.0
Risk-free interest rate	3.8%	1.9%
Fair value of share	\$ 11.37	\$ 34.86

A summary of the status of the Company's stock option activity and the changes during the three months ended March 31, 2023, are as follows (in millions, except share and per share amounts):

	Number of Shares	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercisable at December 31, 2022	1,391,047	6.09	7.2	\$ 36.4
Balance at December 31, 2022	2,841,419	11.33	7.7	61.4
Granted	428,278	15.82	—	—
Exercised	(70,316)	5.94	—	—
Forfeited	(60,347)	19.86	—	—
Expired	(556)	8.59	—	—
Balance at March 31, 2023	<u>3,138,478</u>	11.90	7.8	18.0
Exercisable at March 31, 2023	1,581,106	7.69	7.0	13.1

The weighted average grant date fair value of options granted during the three months ended March 31, 2023 and 2022, was \$17.00 and \$21.08, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2023 and 2022, was \$1.3 million and \$9.7 million, respectively.

At March 31, 2023 and 2022, there was approximately \$21.7 million and \$25.5 million, respectively, of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of approximately three years as of March 31, 2023 and 2022.

The Company currently uses authorized and unissued shares to satisfy share award exercises.

Restricted Stock Units

A summary of the status of the Company's restricted stock unit activity and the changes during the three months ended March 31, 2023 are as follows (in millions, except share and per share amounts):

	Number of Shares	Weighted Average Grant Date fair value (per share)	Aggregate Intrinsic Value
Unvested RSUs as of December 31, 2022	875,902	44.37	\$ 28.2
Granted	1,242,169	15.59	—
Vested	(169,371)	41.25	—
Forfeited and cancelled	(97,629)	46.57	—
Unvested RSUs as of March 31, 2023	<u>1,851,071</u>	25.23	27.7

At March 31, 2023 and 2022, there was approximately \$43.5 million and \$35.3 million, respectively of total unrecognized compensation cost related to unvested restricted stock units granted under the 2021 Equity Incentive Plan. That cost is expected to be recognized over a weighted average period of approximately three years and four years as of March 31, 2023 and March 31, 2022, respectively.

Total stock-based compensation cost for the three months ended March 31, 2023 and 2022 were as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Sales and marketing	\$ 1,052	\$ 636
Operations and support	1,697	1,423
Product development	1,076	894
General and administrative	869	503
Total stock compensation expense	<u>\$ 4,694</u>	<u>\$ 3,456</u>

(11) Income Taxes

A full valuation allowance has been established against our net U.S. federal and state deferred tax assets and foreign deferred tax assets, including net operating loss carryforwards.

During the three months ended March 31, 2023, the Company has a \$0.1 million income tax expense in the U.S. The Company had a \$0.6 million income tax benefit in the U.S. for the three months ended March 31, 2022. This estimated annual effective tax rate of (0.1)%, differs from the U.S. federal statutory rate primarily due to the effects of certain permanent items, foreign tax rate differences, and increases in the valuation allowance against deferred tax assets.

Net Operating Loss and Credit Carryforwards

As of December 31, 2022, the Company has net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes, and similar state amounts, of approximately \$224.6 million available to reduce future income subject to income taxes before limitations. As of December 31, 2022, the Company had a net operating loss carryforward for tax purposes related to its foreign subsidiaries of \$33.8 million. U.S. federal net operating carryforwards generated prior to 2018 in the approximate amount of \$71.9 million will begin to expire, if not utilized, in 2023. Our non-U.S. net operating loss and U.S. federal net operating losses post 2017 have an indefinite life. Under the provisions of U.S. Internal Revenue Code Section 382, certain substantial changes in the Company’s ownership may result in a limitation in the amount of U.S. net operating loss carryforwards that can be utilized annually to offset future taxable income.

(12) Net Loss Per Share Attributable to Common Stockholders

The Company computes net loss per share of Class A common stock, Class B common stock and participating securities using the two-class method. Basic and diluted EPS are the same for each class of common stock and participating securities because they are entitled to the same liquidation and dividend rights. The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (18,343)	\$ (19,995)
Net income attributable to noncontrolling interest	1	17
Net loss attributable to common stockholders	<u>\$ (18,344)</u>	<u>\$ (20,012)</u>
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	47,699,561	46,789,585
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.38)</u>	<u>\$ (0.43)</u>

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect, or issuance of such shares is contingent upon the occurrence of an event:

	March 31,	
	2023	2022
Stock options outstanding	3,138,478	3,277,025
Unvested restricted stock units	1,851,071	815,543
Warrants outstanding	87,784	87,784
Shares reserved for charitable contribution	281,860	362,392
Convertible notes	5,123,624	5,123,624
Total shares	<u>10,482,817</u>	<u>9,666,368</u>

(13) Debt Commitments and Contingencies

2027 Convertible Notes

In February 2022, we entered into a purchase agreement with certain counterparties for the sale of an aggregate of \$287.5 million principal amount of convertible senior notes due in 2027 (the “2027 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The 2027 Notes consisted of a \$250 million initial placement and an over-allotment option that provided the initial purchasers of the 2027 Notes with the option to purchase an additional \$37.5 million aggregate principal amount of the 2027 Notes, which was fully exercised. The 2027 Notes were issued pursuant to an indenture dated February 4, 2022. The net proceeds from the issuance of the 2027 Notes were \$278.2 million, net of debt issuance costs. The debt issuance costs are amortized to interest expense using the effective interest rate method.

The 2027 Notes are unsecured obligations which bear regular interest at 1% per annum and for which the principal balance will not accrete. Interest payment are due on February 1 and August 1 of each year the Notes remain outstanding. The 2027 Notes will mature on February 1, 2027 unless repurchased, redeemed, or converted in accordance with their terms prior to such date.

The 2027 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock, at our election, at an initial conversion rate of 17.8213 shares of Class A common stock per \$1,000 principal amount of 2027 Notes, which is equivalent to an initial conversion price of approximately \$56.11 per share of our Class A common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the 2027 Notes.

We may redeem for cash all or any portion of the 2027 Notes, at our option, on or after February 5, 2025 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest or additional interest, if any.

Holders of the 2027 Notes may convert all or a portion of their 2027 Notes at their option prior to November 1, 2026, in multiples of \$1,000 principal amounts, only under the following circumstances:

- if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the 2027 Notes on each such trading day;
- during the five business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of the 2027 Notes for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate of the 2027 Notes;
- on a notice of redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, in which case we may be required to increase the conversion rate for the 2027 Notes so surrendered for conversion in connection with such redemption notice; or
- on the occurrence of specified corporate events.

On or after November 1, 2026, the 2027 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Holders of the 2027 Notes who convert the 2027 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2027 Notes, or in connection with a redemption are entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change, holders of the 2027 Notes may require us to repurchase all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of 2027 Notes, plus any accrued and unpaid special interest, if any.

We accounted for the issuance of the 2027 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

The following table presents the outstanding principal amount and carrying value of the 2027 Notes as of the dates indicated (in thousands):

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Principal	\$ 287,500	287,500
Unamortized debt discount	(6,613)	(7,044)
Unamortized debt issuance costs	(512)	(547)
Net carrying value	<u>\$ 280,375</u>	<u>279,909</u>

The annual effective interest rate for the 2027 Notes was approximately 1.6%. Interest expense related to the 2027 Notes for the periods presented below was as follows (in thousands):

	<u>Three Months Ended</u> <u>March 31,</u> <u>2023</u>	<u>Three Months Ended</u> <u>March 31,</u> <u>2022</u>
Coupon interest	\$ 719	\$ 449
Amortization of debt discount	431	287
Amortization of transaction costs	35	25
Total interest expense	<u>\$ 1,185</u>	<u>\$ 761</u>

The Company estimates the fair value of the 2027 Notes with inputs that are unobservable. The following table presents the carrying value and estimated fair value of the 2027 Notes as of the date indicated (in thousands):

	<u>March 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
2027 Notes ⁽¹⁾	\$ 280,375	\$ 263,834	\$ 279,909	\$ 257,671

(1) The fair value is estimated using a discounted cash flow analysis, using interest rate that we believe are offered for similar borrowings (a Level 3 measurement).

Contingencies

The Company from time to time may be subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of the Company, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Company in connection with its legal proceedings is not expected to have a material adverse effect on the Company's financial position or operations.

Restructuring

In December 2022, we initiated a restructuring action to help manage our operating expenses by reducing our workforce by approximately 6%. The workforce reduction focused on realigning staffing levels to help meet the current and future objectives of the business. During the fourth quarter of 2022, we incurred \$1.5 million for employee termination costs related to this restructuring.

The following table shows the total amount incurred and the liability, which was recorded in accrued expenses in the Condensed Consolidated Balance Sheets, for restructuring-related employee termination benefits as of December 31, 2022 and March 31, 2023 (in thousands):

	<u>Employee Termination</u> <u>Benefits</u>
Accrued restructuring costs as of December 31, 2022	\$ 1,549
Restructuring costs incurred during the period ended March 31, 2023	-
Amount paid during the period ended March 31, 2023	(1,273)
Accrued restructuring costs as of March 31, 2023	<u>\$ 276</u>

Defined Contribution Plans

We sponsor a defined contribution plan for qualifying employees, including a 401(k) Plan in the United States to which we make matching contributions of 50% of participating employee contributions up to 6% of eligible income. Our total matching contribution to the 401(k) Plan was \$0.5 million and \$0.4 million for the three months ended March 31, 2023 and 2022, respectively.

(14) Segments

Xometry is organized in two segments referred to as: (1) the U.S. and (2) International. Xometry's operating segments are also the Company's reportable segments. Xometry's reportable segments, whose products and offerings are generally the same, are managed separately based on geography. Xometry's two segments are defined based on the reporting and review process used by the chief operating decision maker ("CODM"), the Chief Executive Officer. The Company evaluates the performance of the operating segments primarily based on revenue and segment "profits/loss" which is largely the results of the segment before income taxes. The Company has not allocated certain general and administrative expenses to the International segment. The Company's CODM monitors assets of the consolidated Company, but does not use assets by operating segment when assessing performance or making operating segment resource decisions.

The following tables reflect certain segment information for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Segment Revenue		
U.S.	\$ 93,903	\$ 77,209
International	11,423	6,462
Total	<u>\$ 105,326</u>	<u>\$ 83,671</u>
	Three Months Ended March 31,	
	2023	2022
Segment Losses		
U.S.	\$ (12,937)	\$ (16,296)
International	(5,407)	(3,716)
Total	<u>\$ (18,344)</u>	<u>\$ (20,012)</u>

(15) Goodwill and Intangible Assets

The following tables summarize the Company's intangible assets (dollars in thousands):

	March 31, 2023			
	Weighted average amortization period in years	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible Assets				
Amortizing intangible assets:				
Customer Relationships	15	\$ 36,652	\$ 3,250	\$ 33,402
Trade Names	10	841	118	723
Developed Technology	5	740	224	516
Vendor Relationships	13	1,861	337	1,524
Database	5	2,400	630	1,770
Patents	17	157	44	113
Subtotal intangible assets		<u>42,651</u>	<u>4,603</u>	<u>38,048</u>
In-place Lease Intangible Asset	4	568	178	390
Above Market Lease Intangible Asset	4	896	293	603
Total intangible assets		<u>\$ 44,115</u>	<u>\$ 5,074</u>	<u>\$ 39,041</u>

	December 31, 2022			
	Weighted average amortization period in years	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible Assets				
Amortizing intangible assets:				
Customer Relationships	15	\$ 36,652	\$ 2,638	\$ 34,014
Trade Names	10	841	97	744
Developed Technology	5	739	182	557
Vendor Relationships	15	1,267	299	968
Database	5	2,400	510	1,890
Patents	17	157	42	115
Subtotal intangible assets		42,056	3,768	38,288
In-place Lease Intangible Asset	4	548	143	405
Above Market Lease Intangible Asset	4	896	238	658
Total intangible assets		<u>\$ 43,500</u>	<u>\$ 4,149</u>	<u>\$ 39,351</u>

The following tables provides a roll forward of the carrying amount of goodwill (in thousands):

	2023	2022
Balance as of January 1:		
Gross goodwill	\$ 261,110	\$ 257,746
Accumulated impairments	(3,074)	(3,074)
Net goodwill as of January 1	258,036	254,672
Goodwill adjustment during the year ⁽¹⁾	4,324	3,364
Impact of foreign exchange	81	—
Net goodwill as of March 31, 2023, and December 31, 2022	<u>\$ 262,441</u>	<u>\$ 258,036</u>

(1) See Note 7 - Acquisitions.

As of March 31, 2023 and December 31, 2022, Xometry had \$262.4 million and \$258.0 million, respectively of goodwill. As of March 31, 2023, \$258.0 million is part of Xometry's U.S. operating segment and \$4.4 million is part of Xometry's International operating segment. As of December 31, 2022, \$258.0 million is part of Xometry's U.S. operating segment.

As of March 31, 2023, estimated amortization expense for intangible assets for the remainder of 2023 and the next five years is: \$2.8 million in 2023, \$3.7 million in 2024, \$3.6 million in 2025, \$3.2 million in 2026, \$2.7 million in 2027, \$2.7 million in 2028 and \$20.3 million thereafter.

Amortization expense for the three months ended March 31, 2023 and 2022 was as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Sales and marketing	\$ 791	774
Product development	42	89
General and administrative ⁽¹⁾	3	2
Total	<u>\$ 836</u>	<u>\$ 865</u>

(1) Amortization of the lease related intangible assets is recorded as operating lease expense in general and administrative.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed in Part II, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022. Our historical results are not necessarily indicative of the results that may be expected in the future and our current quarterly results are not necessarily indicative of the results expected for the full year or any other period.

Overview

Xometry, Inc. (“Xometry”, “Company”, “our” or “we”) was incorporated in the State of Delaware in May 2013. Xometry is a global online marketplace connecting buyers with suppliers of manufacturing services, transforming one of the largest industries in the world. We use our proprietary technology to create a marketplace that enables buyers to efficiently source manufactured parts and assemblies, and empower suppliers of manufacturing services to grow their businesses. Xometry’s corporate headquarters is located in North Bethesda, Maryland.

Our AI-enabled technology platform is powered by proprietary machine learning algorithms and a dataset, resulting in a sophisticated marketplace for manufacturing. As a result, buyers can procure the products they want on demand and suppliers can source new manufacturing opportunities that match their specific capabilities and capacity. Interactions on our platform provide rich data insights that allow us to continuously improve our AI models and create new products and services, fueling powerful network effects as we scale.

We use proprietary technology to enable product designers, engineers, buyers, and supply chain professionals to instantly access the capacity of a global network of manufacturing facilities. The Company’s platform makes it possible for buyers to quickly receive pricing, expected lead times, manufacturability feedback and place orders on the Company’s platform. The network allows the Company to provide high volumes of unique parts, including custom components and aftermarket parts for its buyers.

Our mission is to accelerate innovation by providing real time, equitable access to global manufacturing capacity and demand. Our vision is to drive efficiency, sustainability and innovation for industries worldwide by lowering the barriers to entry to the manufacturing ecosystem.

Our business benefits from a virtuous network liquidity effect, because adding buyers to our platform generates greater demand on our marketplace which in turn attracts more suppliers to the platform, allowing us to rapidly scale and increase the number of manufacturing processes offered on our platform. In order to continue to meet the needs of buyers and remain highly competitive, we expect to continue to add suppliers to our platform that have new and innovative manufacturing processes. Thus, our platform is unbounded by the in-house manufacturing capacity and processes of our current suppliers.

We define “buyers” as individuals who have placed an order to purchase on-demand parts or assemblies on our marketplace. Our buyers include engineers, product designers, procurement and supply chain personnel, inventors and business owners from businesses of a variety of sizes, ranging from self-funded start-ups to Fortune 100 companies. We define “accounts” as an individual entity, such as a sole proprietor with a single buyer or corporate entities with multiple buyers, having purchased at least one part on our marketplace. We define “suppliers” as individuals or businesses who have been approved by us to either manufacture a product on our platform for a buyer or have utilized our supplier services, including our financial services or the purchase of supplies.

The majority of our revenue is derived from the sale of part(s) and assemblies to our customers on our marketplace, which we refer to as marketplace revenue. The suppliers on our platform offer a diversified mix of manufacturing processes. These manufacturing processes include computer numerical control (“CNC”) manufacturing, sheet metal forming, sheet cutting, 3D printing (including fused deposition modeling, direct metal laser sintering, PolyJet, stereolithography, selective laser sintering, binder jetting, carbon digital light synthesis and multi jet fusion), die casting, stamping, injection molding, urethane casting, tube cutting, tube bending, as well as finishing services, rapid prototyping and high-volume production. We enable buyers to source these processes to meet complex and specific design and order needs across several industries, including Defense, Aerospace, Healthcare, Consumer Goods, Robotics, Government, Education, Automotive, Consumer Goods, and Industrial.

We empower suppliers to grow their manufacturing businesses and improve machine uptime by providing access to an extensive, diverse base of buyers. We also offer suppliers supporting products and services to meet their unique needs. Our suite of supplier services includes a cloud-based manufacturing execution system (“Workcenter”), access to competitively priced tools, materials and supplies from leading brands and financial service products to stabilize and enhance cash flow. In addition, we offer suppliers digital marketing and data solutions and SaaS based solutions to help suppliers optimize their productivity.

Our supplier services revenue primarily includes the sale of marketing services which includes advertising and to a lesser extent, supplies and financial service products that help our customers better manage cash flow at all stages of job production. Our financial services products, such as Xometry Pay, enable suppliers to stabilize and enhance their cash flows, supply discounts that

allow suppliers to lower their operating costs, and resource management tools to optimize their businesses. In 2021, we acquired Thomas Publishing Company (“Thomas”) and Fusiform, Inc. (d/b/a FactoryFour) (“FactoryFour”), expanding our basket of supplier services to include marketing and advertising services and to a lesser extent SaaS based solutions to help suppliers optimize their productivity. Our revenue from Thomas is primarily advertising revenue.

On January 2, 2023, the Company acquired Tridi Teknoloj A.S. (“Tridi”) located in Istanbul, Turkey pursuant to a Share Purchase Agreement. The acquisition of Tridi extends our marketplace capabilities in Europe and provides us access to the Turkish market.

Unfavorable conditions in the economy both in the United States and abroad may negatively affect the growth of our business and our results of operations. For example, macroeconomic events, including rising inflation, the U.S. Federal Reserve raising interest rates, disruptions in access to bank deposits or lending commitments due to bank failures, the Russia-Ukraine war and the COVID-19 pandemic, have led to economic uncertainty globally. Historically, during periods of economic uncertainty and downturns, businesses may slow spending on information technology and manufacturing, which may impact our business and our customers’ businesses.

The effect of macroeconomic conditions may not be fully reflected in our results of operations until future periods. If, however, economic uncertainty increases or the global economy worsens, our business, financial condition and results of operations may be harmed. For further discussion of the potential impacts of macroeconomic events on our business, financial condition, and operating results.

Key Marketplace Operational and Business Metrics

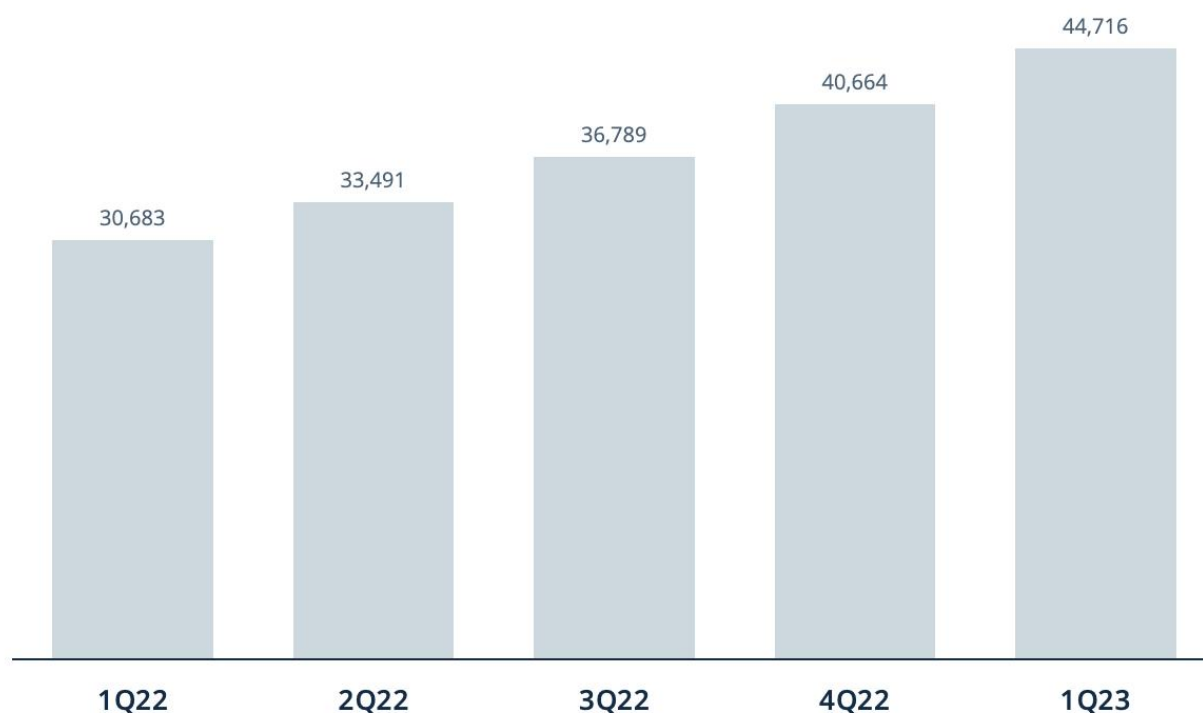
In addition to the measures presented in our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we use the following key operational and business metrics to help us evaluate our marketplace business, measure our performance, identify trends affecting our business, formulate business plans and develop forecasts, and make strategic decisions:

Active Buyers

We define Active Buyers as the number of buyers who have made at least one purchase on our marketplace during the last twelve months. An increase or decrease in the number of Active Buyers is a key indicator of our ability to attract, retain and engage buyers on our platform.

Active Buyers has consistently grown over time. The number of Active Buyers on our platform reached 44,716 as of March 31, 2023, up 46% from 30,683 as of March 31, 2022. The key drivers of Active Buyer growth are continued account and buyer engagement and the success of our strategy to attract new buyers.

Active Buyers LTM

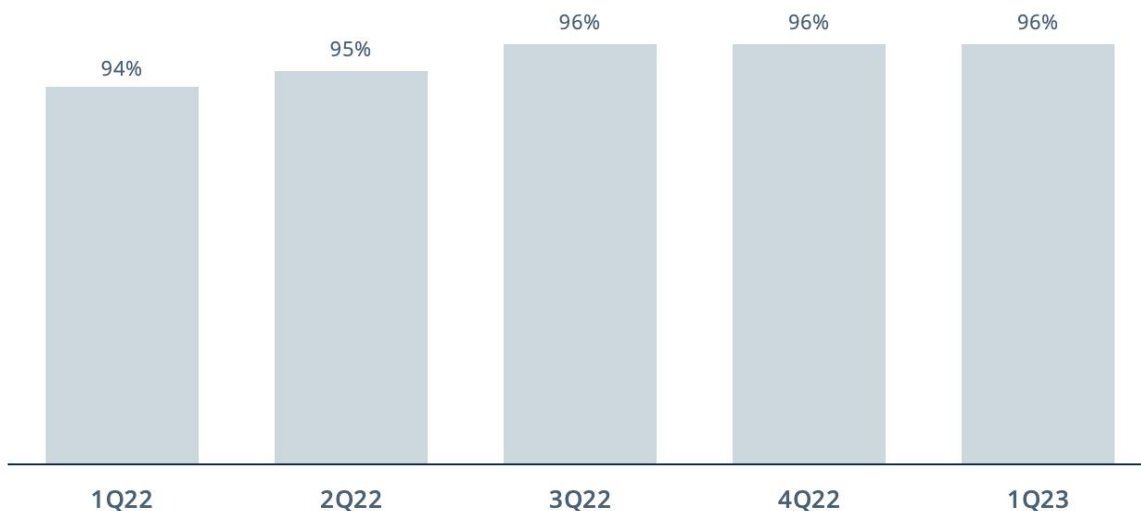


Percentage of Revenue from Existing Accounts

We define an existing account as an account where at least one buyer has made a purchase on our marketplace. We believe the efficiency and transparency of our business model leads to increasing account stickiness and spend over time. Buyers can utilize our marketplace for both one-off and recurring manufacturing opportunities. For example, a buyer may choose to utilize our marketplace’s CNC manufacturing processes to manufacture a discrete component for a prototype, and then may choose to later use our marketplace to mass produce that same component. A buyer may also recommend our marketplace to other engineers within their organizations who are designing other products and who may use an entirely different set of manufacturing processes, deepening our reach and stickiness with an account.

For the quarter ended March 31, 2023, 96% of our revenue was generated from existing accounts. We believe the repeat purchase activity from existing accounts reflects the underlying strength of our business and provides us with substantial revenue visibility and predictability.

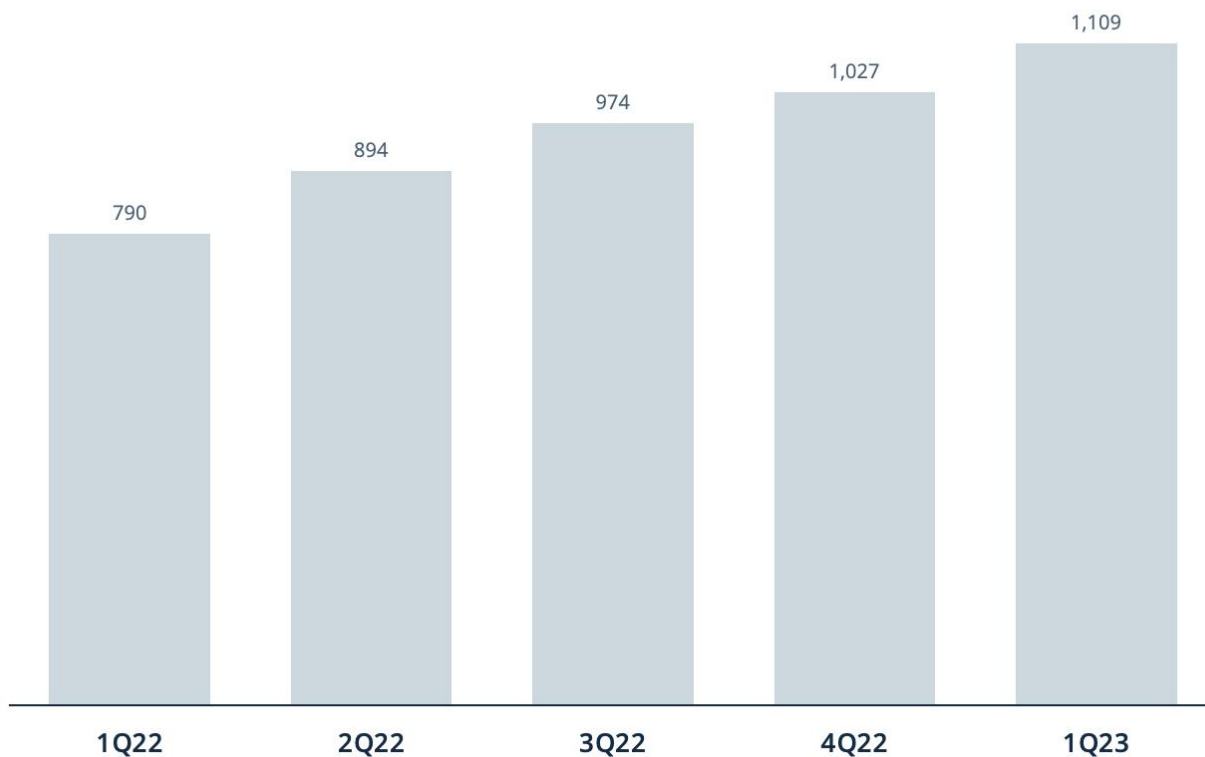
Percentage of Revenue from Existing Accounts



Accounts with Last Twelve-Month Spend of At Least \$50,000

Accounts with Last Twelve-Month, or LTM, Spend of At Least \$50,000 means an account that has spent at least \$50,000 on our marketplace in the most recent twelve-month period. We view the acquisition of an account as a foundation for the addition of long-term buyers to our marketplace. 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 LTM Spend of at least \$50,000 on our platform reached 1,109 as of March 31, 2023, up 40% from 790 as of March 30, 2022.

Accounts with LTM Spend of at Least \$50K



Active Paying Suppliers

We define Active Paying Suppliers as individuals or businesses who have purchased one or more of our supplier services, including digital marketing services, data services, financial services or supplies on our platforms during the last twelve months. An increase or decrease in the number of Active Paying Suppliers is a key indicator of our ability to engage suppliers on our platform.

Active Paying Suppliers has consistently grown over time. The number of Active Paying Suppliers on our platform reached 7,621 as of March 31, 2023, up 11% from 6,872 as of March 31, 2022. The key drivers of Active Paying Suppliers are continued supplier engagement and the success of our strategy to attract new suppliers.

Adjusted EBITDA

We define Adjusted EBITDA as net loss, adjusted for interest expense, interest and dividend income and other expenses, income tax provision (benefit), and certain other non-cash or non-recurring items impacting net loss from time to time, principally comprised of depreciation and amortization, amortization of lease intangible, stock-based compensation, charitable contributions of common stock, income from an unconsolidated joint venture, impairment of assets, restructuring charges and acquisition and other adjustments not reflective of the Company's ongoing business, such as adjustments related to purchase accounting, the revaluation of

contingent consideration and transaction costs. Adjusted EBITDA is a performance measure that we use to assess our operating performance and the operating leverage in our business. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA for a period by revenue for the same period.

For the three months ended March 31, 2023, Adjusted EBITDA loss decreased to \$(11.8) million, as compared to Adjusted EBITDA loss of \$(12.7) million for the same quarter in 2022. For the quarter ended March 31, 2023, Adjusted EBITDA Margin decreased to (11)% of revenue, as compared to (15)% of revenue for the same quarter in 2022, driven primarily by increased operating efficiencies as we continue to grow our revenue and margins faster than our expenses.

	Three Months Ended March 31,	
	2023	2022
Net loss	\$ (18,343)	\$ (19,995)
Add (deduct)		
Interest expense, interest and dividend income and other expenses	(1,514)	1,635
Depreciation and amortization	2,566	1,799
Amortization of lease intangible	333	333
Income tax provision (benefit)	136	(559)
Stock based compensation	4,694	3,456
Acquisition and other	30	639
Charitable contribution of common stock	370	—
Income from unconsolidated joint venture	(66)	(34)
Impairment of assets	27	—
Adjusted EBITDA	<u>\$ (11,767)</u>	<u>\$ (12,726)</u>

Non-GAAP Net Loss

We define Non-GAAP net loss, as net loss adjusted for depreciation and amortization, stock-based compensation expense, amortization of lease intangible, amortization of deferred costs on convertible notes, losses on marketable securities, loss on sale of property and equipment, charitable contributions of common stock, impairment of assets, restructuring charges and acquisition and other adjustments not reflective of the Company's ongoing business, such as adjustments related to purchase accounting, the revaluation of contingent consideration and transaction costs.

	For the Three Months Ended March 31,	
	2023	2022
Non-GAAP Net Loss:		
Net loss	\$ (18,343)	\$ (19,995)
Add (deduct):		
Depreciation and amortization	2,566	1,799
Stock-based compensation	4,694	3,456
Amortization of lease intangible	333	333
Amortization of deferred costs on convertible notes	466	312
Loss on marketable securities	—	858
Acquisition and other	30	639
Loss on sale of property and equipment	91	—
Charitable contribution of common stock	370	—
Impairment of assets	27	—
Non-GAAP Net Loss	<u>\$ (9,766)</u>	<u>\$ (12,598)</u>

For the three months ended March 31, 2023, Non-GAAP net loss decreased to \$(9.8) million, as compared to Non-GAAP net loss of \$(12.6) million for the same quarter in 2022. For the quarter ended March 31, 2023, Non-GAAP net loss decreased to (9)% of revenue, as compared to (15)% of revenue for the same quarter in 2022.

Adjusted EBITDA and Non-GAAP net loss are non-GAAP financial measures that we use, in addition to our GAAP financial measures, to evaluate our business. We have included Adjusted EBITDA and Non-GAAP net loss in this filing because they are key measures used by our management to evaluate our operating performance. Accordingly, we believe that Adjusted EBITDA and Non-GAAP net loss provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Our calculation of Adjusted EBITDA and Non-GAAP net loss may differ from similarly titled non-GAAP measures, if any, reported by our peer companies and therefore may not serve as an accurate basis of comparison among companies. Adjusted EBITDA and Non-GAAP net loss should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Components of Results of Operations

Revenue

Our marketplace revenue is primarily comprised of sales to customers through our platform. Buyers purchase specialized CNC manufacturing, sheet metal manufacturing, 3D printing, injection molding, urethane casting, tube cutting, tube bending and finishing services. Customer purchases range from rapid prototyping of single parts to high-volume production on our marketplace. These products are primarily manufactured by our network of suppliers.

Supplier services revenue includes the sale of marketing and advertising services, and to a lesser extent the sale of supplies, financial service products and SaaS based solutions.

Cost of Revenue

Marketplace cost of revenue primarily consists of the cost to us of the products that are manufactured or produced by us or our suppliers for delivery to buyers on our platform, internal and external production costs, shipping costs and certain internal depreciation. We expect cost of revenue to increase in absolute dollars to the extent our revenue increases and transaction volume increases. As we grow and add suppliers to our platform, we are able to improve our pricing efficiency, we expect cost of revenue to decline as a percentage of revenue over time.

Cost of revenue for supplier services primarily consists of internal and external production costs and website hosting.

Gross Profit

Gross profit, or revenue less cost of revenue, is primarily affected by the growth of our revenue. Our gross profit margin is primarily affected by liquidity of our suppliers' network and the efficiency of our pricing and will be benefited by increasing the use of existing supplier services and the variety of supplier services offerings over time.

Operating Expenses

Our operating expenses consist of sales and marketing, operations and support, product development and general and administrative functions.

Sales and Marketing

Sales and marketing expenses are expensed as incurred and include the costs of our digital marketing strategies, branding costs and other advertising costs, certain depreciation and amortization expense, contract acquisition costs and compensation expenses, including stock-based compensation, to our sales and marketing employees. We intend to continue to invest in our sales and marketing capabilities in the future to continue to increase our brand awareness, add new accounts and further penetrate existing accounts. We expect sales and marketing expense to increase in absolute dollars in the future as we grow our business, though in the near-term sales and marketing expenses may fluctuate from period-to-period based on the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over future periods.

Operations and Support

Operations and support expenses are the costs we incur in support of the buyers and suppliers on our platform which are provided by phone, email and chat for purposes of resolving buyer and suppliers related matters. These costs primarily consist of compensation expenses of the support staff, including stock-based compensation, certain depreciation and amortization expense and software costs used in delivering buyer and suppliers services. We expect operations and support expense to increase in absolute dollars in the future, though in the near-term operations and support expenses may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our operations and support functions as these investments may vary in scope and scale over future periods.

Product Development

Product development costs which are not eligible for capitalization are expensed as incurred. This account also includes compensation expenses, including stock-based compensation expenses to our employees performing these functions and certain depreciation and amortization expense. We expect product development expense to increase in absolute dollars in the future, though in the near-term product development expenses may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our product development functions as these investments may vary in scope and scale over future periods.

General and Administrative

General and administrative expenses primarily consist of compensation expenses, including stock-based compensation expenses, for executive, finance, legal and other administrative personnel, professional service fees and certain depreciation and amortization expense. We expect our general and administrative expenses to increase. We expect to incur additional general and administrative expenses as a result of operating as a public company, including as a result of increased legal, accounting, and directors' and officers' insurance expenses.

Other (Expenses) Income***Interest Expense***

Interest expense consists of interest incurred on our outstanding borrowings under our outstanding convertible notes or other borrowings.

Interest and Dividend Income

Interest and dividend income consists of interest and dividends on our cash, cash equivalents and marketable securities.

Other Income (Expenses)

Other income (expenses) consist primarily of realized and/or unrealized losses and other expenses.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture consists of our share of the joint venture's income.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022

The following table sets forth our unaudited statements of operations data for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Revenue	\$ 105,326	\$ 83,671
Cost of revenue	65,957	50,732
Gross profit	39,369	32,939
Operating expenses:		
Sales and marketing	22,439	19,285
Operations and support	12,608	12,358
Product development	8,125	7,290
General and administrative	15,957	12,959
Impairment of assets	27	—
Total operating expenses	59,156	51,892
Loss from operations	(19,787)	(18,953)
Other (expenses) income:		
Interest expense	(1,198)	(769)
Interest and dividend income	2,695	96
Other income (expenses)	17	(962)
Income from unconsolidated joint venture	66	34
Total other income (expenses)	1,580	(1,601)
Loss before income taxes	(18,207)	(20,554)
(Provision) benefit for income taxes	(136)	559
Net loss	(18,343)	(19,995)
Net income attributable to noncontrolling interest	1	17
Net loss attributable to common stockholders	\$ (18,344)	\$ (20,012)

The following table sets forth our unaudited statements of operations data expressed as a percentage of total revenue for the periods indicated:

	Three Months Ended March 31,	
	2023	2022
Revenue	100.0 %	100.0 %
Cost of revenue	62.6 %	60.6 %
Gross profit	37.4 %	39.4 %
Operating expenses:		
Sales and marketing	21.3 %	23.0 %
Operations and support	12.0 %	14.8 %
Product development	7.7 %	8.7 %
General and administrative	15.2 %	15.5 %
Impairment of assets	— %	— %
Total operating expenses	56.2 %	62.0 %
Loss from operations	(18.8)%	(22.6)%
Other (expenses) income:		
Interest expense	(1.1)%	(0.9)%
Interest and dividend income	2.6 %	0.1 %
Other income (expenses)	— %	(1.1)%
Income from unconsolidated joint venture	0.1 %	— %
Total other income (expenses)	1.6 %	(1.9)%
Loss before income taxes	(17.2)%	(24.5)%
(Provision) benefit for income taxes	(0.1)%	0.7 %
Net loss attributable to common stockholders	(17.3)%	(23.8)%
Net income attributable to noncontrolling interest	— %	— %
Net loss attributable to common stockholders	(17.3)%	(23.8)%

The following tables present our disaggregated revenue and cost of revenue. Revenue from our marketplace primarily reflects the sales of parts and assemblies on our platform. Revenue from supplier services primarily includes the sale of advertising and to a lesser extent supplies, financial service products and SaaS products.

Revenue and cost of revenue is presented in the following tables for the three months ended March 31, 2023 and 2022 (in thousands):

**For the Three Months
Ended March 31,**

	2023		2022	
Marketplace				
Revenue	\$	86,680	\$	64,415
Cost of revenue		61,747		46,741
Gross Profit	\$	24,933	\$	17,674
Supplier services				
Revenue	\$	18,646	\$	19,256
Cost of revenue		4,210		3,991
Gross Profit	\$	14,436	\$	15,265

Revenue

Total revenue increased \$21.7 million, or 26%, from \$83.7 million for the three months ended March 31, 2022 to \$105.3 million for the three months ended March 31, 2023. This growth was a result of an increase in marketplace revenue, partially offset by a decrease in supplier services revenue. Total revenue from marketplace and supplier services for the three months ended March 31, 2023 was \$86.7 million and \$18.6 million, respectively, as compared to \$64.4 million and \$19.3 million, respectively for the three months ended March 31, 2022. Marketplace revenue increased \$22.3 million, or 35% from \$64.4 million for the three months ended March 31, 2022 to \$86.7 million for the three months ended March 31, 2023. The increase in marketplace revenue was primarily due increased buyers activity on the platform for the three months ended March 31, 2023, as compared to the prior year period.

Supplier services revenue decreased \$0.6 million, or 3% from \$19.3 million for the three months ended March 31, 2022 to \$18.6 million for the three months ended March 31, 2023.

Total revenue for the three months ended March 31, 2023 and 2022, was \$93.9 million and \$77.2 million, respectively, for the U.S. operating segment, and \$11.4 million and \$6.5 million, respectively, for the International operating segment.

Cost of Revenue

Total cost of revenue increased \$15.2 million, or 30%, from \$50.7 million for the three months ended March 31, 2022 to \$66.0 million for the three months ended March 31, 2023. This increase was primarily the result of an increase in marketplace cost of revenue and to a lesser extent an increase in supplier services costs of revenue. Total cost of revenue from marketplace and supplier services for the three months ended March 31, 2023 was \$61.7 million and \$4.2 million, respectively, as compared to \$46.7 million and \$4.0 million, respectively for the three months ended March 31, 2022.

Marketplace cost of revenue was driven by increased payments to suppliers on our platform due to order growth and increased activity on our marketplace.

Gross Profit and Margin

Gross profit increased \$6.4 million, or 20%, from \$32.9 million for the three months ended March 31, 2022 to \$39.4 million for the three months ended March 31, 2023. The increase in gross profit was primarily due to increases in revenue from marketplace and improved marketplace gross margins as compared to the prior year period.

Gross margin for marketplace was 28.8% for the three months ended March 31, 2023, as compared to 27.4% for the three months ended March 31, 2022. The improvement over the prior year period was due in part to our AI-driven platform and increasing supplier selection. Pricing has become more efficient due to the increased number of orders over time, improving the data set and thus making our pricing decisions more accurate. Additionally, we continue to grow our active suppliers resulting in more competition for buyers' orders and therefore a lower cost of revenue. Gross margin for our supplier services was 77.4% for the three months ended March 31, 2023, as compared to 79.3% for the three months ended March 31, 2022. The decline in gross margin for supplier services is primarily due to lower gross margin on the sale of supplies.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased \$3.2 million, or 16%, from \$19.3 million for the three months ended March 31, 2022 to \$22.4 million for the three months ended March 31, 2023, primarily due to additional sales employees and compensation costs including stock-based compensation, increases in marketing and advertising spend, commissions and consulting expense. As a percent of total revenue, sales and marketing expenses decreased to 21.3% for the three months ended March 31, 2023 from 23.0% for the three months ended March 31, 2022.

Operations and Support

Operations and support increased \$0.3 million, or 2%, from \$12.4 million for the three months ended March 31, 2022 to \$12.6 million for the three months ended March 31, 2023, primarily due to hiring of additional operations and support employees and their compensation costs including stock-based compensation, partly offset by lower consulting expenses. As a percent of total revenue, operations and support expenses decreased to 12.0% for the three months ended March 31, 2023 from 14.8% for the three months ended March 31, 2022.

Product Development

Product development expense increased \$0.8 million, or 11%, from \$7.3 million for the three months ended March 31, 2022 to \$8.1 million for the three months ended March 31, 2023, primarily as result of increases in depreciation expense related to developed software assets, hiring additional product development employees and their compensation, including stock-based compensation and additional software costs. As a percent of total revenue, product development expenses decreased to 7.7% for the three months ended March 31, 2023 from 8.7% for the three months ended March 31, 2022.

General and Administrative

General and administrative expense increased \$3.0 million, or 23%, from \$13.0 million for the three months ended March 31, 2022 to \$16.0 million for the three months ended March 31, 2023. The primary driver of the increase was due to higher professional fees related to accounting and legal services of which approximately \$0.8 million was associated with Sarbanes-Oxley Act implementation. In addition, we incurred higher software and maintenance costs, consulting expenses, stock-based compensation expense and facilities costs. We also donated \$0.4 million of Class A common stock to our donor advised fund and had lower acquisition and other related costs. These increases were partially offset by a reduction in payroll related costs due to the reduction in

force that occurred in January 2023 and lower acquisition related costs. As a percent of total revenue, general and administrative expenses decreased to 15.2% for the for the three months ended March 31, 2023 from 15.5% for the three months ended March 31, 2022.

Other (Expenses) Income

Interest Expense

Interest expense increased by \$0.4 million, or 56%, from \$0.8 million for the three months ended March 31, 2022 to \$1.2 million for the three months ended March 31, 2023, primarily as a result of the interest on the 2027 convertible notes issued in February 2022.

Interest and Dividend Income

Interest and dividend income increased by \$2.6 million, or 2,707%, from \$0.1 million for the three months ended March 31, 2022 to \$2.7 million for the three months ended March 31, 2023, primarily due to dividend income from our marketable securities.

Other Income (Expenses)

Other income (expenses) changed by \$1.0 million, or 102%, from \$(1.0) million for the three months ended March 31, 2022 to \$17,000 for the three months ended March 31, 2023, as a result of decreased losses on our marketable securities.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture increased \$32,000 due to our 50% interest in Industrial Media, LLC.

Additional Segment Considerations

Total segment loss from our U.S. operating segment for the three months ended March 31, 2023 and 2022, was \$12.9 million and \$16.3 million, respectively. Total segment loss from our International operating segment for the three months ended March 31, 2023 and 2022, was \$5.4 million and \$3.7 million, respectively.

Liquidity and Capital Resources

General

We have financed our operations primarily through sales of our equity securities and borrowings under our convertible notes. As of March 31, 2023, our cash and cash equivalents and marketable securities totaled \$296.2 million. We believe our existing cash and cash equivalents and marketable securities will be sufficient to support our working capital and capital expenditure requirements for at least the next twelve months and over the long-term. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities and available cash and cash equivalents and marketable securities. We may also engage in equity or debt financings to secure additional funds. Our future capital requirements will depend on many factors, including our revenue growth rate, receivable and payable cycles, the timing and extent of investments in product development, sales and marketing, operations and support and general and administrative expenses.

Our capital expenditures consist primarily of internal-use software costs, manufacturing equipment, computers and peripheral equipment, furniture and fixtures and leasehold improvements and patents.

Convertible Notes due 2027

In February 2022, we entered into a purchase agreement with certain counterparties for the sale of an aggregate of \$287.5 million principal amount of convertible senior notes due in 2027 (the "2027 Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2027 Notes consisted of a \$250 million initial placement and an over-allotment option that provided the initial purchasers of the 2027 Notes with the option to purchase an additional \$37.5 million aggregate principal amount of the 2027 Notes, which was fully exercised. The 2027 Notes were issued pursuant to an indenture dated February 4, 2022. The net proceeds from the issuance of the 2027 Notes were \$278.2 million, net of debt issuance costs. The debt issuance costs are amortized to interest expense using the effective interest rate method.

The 2027 Notes are unsecured obligations which bear regular interest at 1% per annum and for which the principal balance will not accrete. Interest payment are due on February 1 and August 1 of each year the Notes remain outstanding. The 2027 Notes will mature on February 1, 2027 unless repurchased, redeemed, or converted in accordance with their terms prior to such date.

The 2027 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock, at our election, at an initial conversion rate of 17.8213 shares of Class A common stock per \$1,000 principal amount of 2027 Notes, which is equivalent to an initial conversion price of approximately \$56.11 per share of our Class A common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the 2027 Notes.

We may redeem for cash all or any portion of the 2027 Notes, at our option, on or after February 5, 2025 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest or additional interest, if any.

Holders of the 2027 Notes may convert all or a portion of their 2027 Notes at their option prior to November 1, 2026, in multiples of \$1,000 principal amounts, only under the following circumstances:

- if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the 2027 Notes on each such trading day;
- during the five-business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of the 2027 Notes for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate of the 2027 Notes;
- on a notice of redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, in which case we may be required to increase the conversion rate for the 2027 Notes so surrendered for conversion in connection with such redemption notice; or
- on the occurrence of specified corporate events.

On or after November 1, 2026, the 2027 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Holders of the 2027 Notes who convert the 2027 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2027 Notes, or in connection with a redemption are entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change, holders of the 2027 Notes may require us to repurchase all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of 2027 Notes, plus any accrued and unpaid special interest, if any.

We accounted for the issuance of the 2027 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

As of March 31, 2023, the 2027 Notes have a carrying value of \$280.4 million with an effective annual interest rate of 1.6%.

Cash Flows

The following table presents a summary of our cash flows from operating, investing, and financing activities for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (16,455)	\$ (24,259)
Net cash used in investing activities	(10,000)	(282,465)
Net cash provided by financing activities	483	279,460

Operating Activities

For the three months ended March 31, 2023, net cash used in operating activities was \$16.5 million, primarily due to a net loss of \$(18.3) million adjusted for non-cash charges of \$10.1 million and a net decrease in our operating assets and liabilities of \$(8.2) million. The non-cash adjustments primarily relate to stock-based compensation of \$4.7 million, depreciation and amortization of \$2.6 million, and \$1.9 million of reduction to our right of use lease assets. The net decrease in operating assets and liabilities is primarily driven by an increase in accounts receivable of \$2.8 million, an increase in other assets of \$3.7 million, and a decrease in accrued expenses of \$2.1 million. These decreases were offset by an increase in contract liabilities of \$1.4 million.

For the three months ended March 31, 2022, net cash used in operating activities was \$24.3 million, primarily due to a net loss of \$(20.0) million adjusted for non-cash charges of \$8.1 million and a net decrease in our operating assets and liabilities of \$(12.4) million. The non-cash adjustments primarily relate to stock-based compensation of \$3.5 million, depreciation and amortization of \$1.8 million, \$0.9 million of unrealized loss on marketable securities, and \$1.8 million of reduction to our right of use lease assets. The net decrease in operating assets and liabilities is primarily driven by an increase in accounts receivable of \$6.1 million, a \$1.8 million increase other assets, a decrease in accounts payable of \$2.8 million and accrued expenses of \$2.8 million. These decreases are partially offset by an increase in contract liabilities of \$2.1 million.

Investing Activities

For the three months ended March 31, 2023, net cash used in investing activities was \$10.0 million, primarily due to the purchase of property and equipment (which includes internal-use software development costs) of \$4.2 million, \$3.3 million for the acquisition of Tridi and \$2.7 million for the purchase of marketable securities.

Cash used in investing activities was \$282.5 million during the three months ended March 31, 2022, primarily due to the purchase of marketable securities of \$280.1 million and \$2.5 million for purchases of property and equipment (which includes internal-use software development costs).

Financing Activities

For the three months ended March 31, 2023, net cash provided by financing activities was \$0.5 million, all relating to proceeds from the exercise of stock options.

Cash provided by financing activities was \$279.5 million during the three months ended March 31, 2022, reflecting \$287.5 million of proceeds from the issuance of the 2027 convertible senior notes. These inflows were offset by \$9.3 million of convertible note costs incurred in connection with these notes.

Critical Accounting Estimates

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected. For additional information about our critical accounting policies and estimates, see the disclosure included in our [Annual Report on Form 10-K](#) as well as Note 2 – Basis of Presentation and Summary of Significant Accounting Policies in the notes to the condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2 – Basis of Presentation and Summary of Significant Accounting Policies in the notes to the condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure to potential changes in interest rates. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

Our revenue and costs are principally denominated in U.S. dollars and are not subject to foreign currency exchange risk. Our International operating segment generates revenue outside of the United States that is denominated in currencies other than the U.S. dollar. Our results of operations are impacted by changes in exchange rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. If our costs were to become subject to significant inflationary pressures such as those caused by the conflict in Ukraine, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act, our management, with the participation of our principal executive officer and principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2023. Based on such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as a result of a material weakness that existed in our internal control over financial reporting as described below. While the Company has implemented remediation steps, the material weakness cannot be considered fully remediated until the controls have been in place and operate for a sufficient period of time.

Material Weakness in Internal Control Over Financial Reporting

In connection with the audit of our financial statements as of and for the fiscal year ended December 31, 2022, during our implementation of internal control over financial reporting (Sarbanes-Oxley Act of 2002, or “SOX”), we identified a material weakness in our internal control over financial reporting that existed as of December 31, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

On December 9, 2021, we completed our acquisition of Thomas Publishing, Inc. (“Thomas”). The additional workload on our resources to integrate Thomas contributed to our inability to timely perform an effective risk assessment related to the achievement of its control objectives in certain processes, primarily revenue and costs of revenue. As a result, we were unable to design and operate effective process-level controls as of December 31, 2022.

Management's Plan to Remediate the Material Weakness

During the first quarter of 2023, management has implemented remediation steps to address the material weakness and to improve our internal control over financial reporting. Specifically, now that Thomas has been fully integrated, we have improved our review processes over risk assessment, which also includes the documentation to support the operating effectiveness of our controls. While the Company has implemented remediation steps, the material weakness cannot be considered fully remediated until the

improved controls have been in place and operate for a sufficient period of time. However, our management, including our principal executive officer and principal financial officer, has concluded that, notwithstanding the identified material weakness in our internal control over financial reporting, the financial statements in this filing fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

During the remainder of fiscal year 2023, management will test and evaluate the related internal controls to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in the financial statements.

Changes in Internal Control over Financial Reporting

Other than as discussed above under “Management’s Plan to Remediate the Material Weakness”, there were no changes to our internal control over financial reporting that occurred during the quarter ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various claims and legal actions that arise in the ordinary course of business. We are not a party to any legal proceedings, that individually or in the aggregate, are reasonably expected to have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more matters could have a material adverse effect on our consolidated results of operations, financial condition or cash flows.

For the period ending March 31, 2023, there were no material legal proceedings brought against the Company nor were there any material developments to any ongoing legal proceedings which constituted reportable events.

Item 1A. Risk Factors.

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2022 under Part I, Item 1A, "Risk Factors," together with all of the other information in this Quarterly Report on Form 10-Q, including the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

There have been no material changes to our risk factors as previously disclosed in Item 1A. contained in Part I of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are herein incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of Xometry, Inc., (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40546), filed with the SEC on July 2, 2021).</u>
3.2	<u>Amended and Restated Bylaws of Xometry, Inc., (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-40546), filed with the SEC on July 2, 2021).</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1**	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XOMETRY, INC.

Date: May 10, 2023

By: _____
/s/ Randolph Altschuler
Randolph Altschuler
Chief Executive Officer and Director

Date: May 10, 2023

By: _____
/s/ James Rallo
James Rallo
Chief Financial Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Randolph Altschuler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xometry, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

By: _____ /s/ Randolph Altschuler

Randolph Altschuler
Chief Executive Officer and Director

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Rallo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xometry, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

By: _____
/s/ James Rallo
James Rallo
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Xometry, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 10, 2023

By: _____ /s/ Randolph Altschuler
Randolph Altschuler
Chief Executive Officer and Director

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Xometry, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 10, 2023

By: _____ /s/ James Rallo
James Rallo
Chief Financial Officer
