

**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 September 30, 2022

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)

7529 Standish Place
Suite 200
Derwood, MD
(Address of principal executive offices)

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

20855
(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 type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" 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 November 2, 2022, the registrant had 44,763,937 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 the anticipated growth of revenue from supplier services, our ability to effectively manage or sustain our growth and to achieve or sustain profitability;
- the ongoing effects of the COVID-19 pandemic 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 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
(In thousands, except share and per share data)

	September 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,497	\$ 86,262
Marketable securities	310,694	30,465
Accounts receivable, less allowance for credit losses of \$1.6 million as of September 30, 2022 and \$0.8 million as of December 31, 2021	50,889	32,427
Inventory	5,632	2,033
Prepaid expenses	7,675	6,664
Other current assets	4,357	5,580
Total current assets	409,744	163,431
Property and equipment, net	16,303	10,287
Operating lease right-of-use assets	23,299	27,489
Investment in unconsolidated joint venture	4,298	4,198
Intangible assets, net	40,287	41,736
Goodwill	259,971	254,672
Other assets	382	773
Total assets	\$ 754,284	\$ 502,586
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 12,075	\$ 12,718
Accrued expenses	36,476	30,905
Contract liabilities	10,600	7,863
Operating lease liabilities, current portion	5,898	5,549
Finance lease liabilities, current portion	—	2
Total current liabilities	65,049	57,037
Operating lease liabilities, net of current portion	13,513	16,920
Convertible notes	279,441	—
Income taxes payable	1,532	1,468
Other liabilities	1,787	1,678
Total liabilities	361,322	77,103
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 September 30, 2022 and December 31, 2021, respectively	—	—
Class A Common stock, \$0.000001 par value. Authorized; 750,000,000 shares; 44,721,409 shares and 43,998,404 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Class B Common stock, \$0.000001 par value. Authorized; 5,000,000 shares; 2,676,154 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Additional paid-in capital	617,278	597,641
Accumulated other comprehensive income (loss)	(492)	149
Accumulated deficit	(224,943)	(173,341)
Total stockholders' equity	391,843	424,449
Noncontrolling interest	1,119	1,034
Total equity	392,962	425,483
Total liabilities and stockholders' equity	\$ 754,284	\$ 502,586

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 103,571	\$ 56,727	\$ 282,857	\$ 151,238
Cost of revenue	62,670	42,233	171,321	115,033
Gross profit	40,901	14,494	111,536	36,205
Sales and marketing	21,416	9,828	58,846	26,250
Operations and support	11,620	5,775	36,158	15,594
Product development	7,613	4,376	22,698	12,131
General and administrative	15,126	8,778	43,143	18,343
Impairment of assets	325	—	444	—
Total operating expenses	56,100	28,757	161,289	72,318
Loss from operations	(15,199)	(14,263)	(49,753)	(36,113)
Other (expenses) income				
Interest expense	(1,194)	(79)	(3,172)	(799)
Interest and dividend income	1,344	417	1,914	457
Other expenses	(289)	(786)	(1,733)	(1,021)
Income from unconsolidated joint venture	297	—	600	—
Total other income (expenses)	158	(448)	(2,391)	(1,363)
Loss before income taxes	(15,041)	(14,711)	(52,144)	(37,476)
Benefit for income taxes	—	—	559	—
Net loss	(15,041)	(14,711)	(51,585)	(37,476)
Net (loss) income attributable to noncontrolling interest	(4)	—	17	—
Net loss attributable to common stockholders	\$ (15,037)	\$ (14,711)	\$ (51,602)	\$ (37,476)
Net loss per share, basic and diluted	\$ (0.32)	\$ (0.33)	\$ (1.10)	\$ (1.87)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	47,303,090	43,962,863	47,057,521	20,092,600
Comprehensive loss:				
Foreign currency translation	\$ (559)	\$ (41)	\$ (573)	\$ (24)
Total other comprehensive loss	(559)	(41)	(573)	(24)
Net loss	(15,041)	(14,711)	(51,585)	(37,476)
Comprehensive loss	(15,600)	(14,752)	(52,158)	(37,500)
Comprehensive income attributable to noncontrolling interest	14	—	85	—
Total comprehensive loss attributable to common stockholders	\$ (15,614)	\$ (14,752)	\$ (52,243)	\$ (37,500)

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders' Equity (Deficit)
(Unaudited)

Three months ended September 30, 2022 and 2021
(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Class A - Common Stock		Class B - Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interest	Total (Deficit) Equity
	Seed-1, Seed-2, Series A-1, Series A-2, Series B, Series C, Series D, Series E		Shares	Amount	Shares	Amount	Shares	Amount						
	Shares	Amount												
Balance, June 30, 2022	—	\$ —	—	\$ —	44,545,080	\$ —	2,676,154	\$ —	\$ 610,331	\$ 85	\$ (209,906)	\$ 400,510	\$ 1,105	\$ 401,615
Exercise of common stock options	—	—	—	—	156,196	—	—	—	847	—	—	847	—	847
Donated common stock	—	—	—	—	20,133	—	—	—	987	—	—	987	—	987
Stock based compensation	—	—	—	—	—	—	—	—	5,113	—	—	5,113	—	5,113
Comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	—	(577)	—	(577)	18	(559)
Noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(15,037)	(15,037)	(4)	(15,041)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(15,614)	14	(15,600)
Balance, September 30, 2022	—	\$ —	—	\$ —	44,721,409	\$ —	2,676,154	\$ —	\$ 617,278	\$ (492)	\$ (224,943)	\$ 391,843	\$ 1,119	\$ 392,962
Balance, June 30, 2021	27,758,941	\$ 160,713	8,665,797	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,315	\$ 227	\$ (134,727)	\$ (130,185)	\$ —	\$ (130,185)
Conversion of convertible preferred stock in connection with initial public offering	(27,758,941)	(160,713)	—	—	27,351,633	—	407,308	—	160,713	—	—	160,713	—	160,713
Exercise of common stock options	—	—	—	—	39,744	—	—	—	456	—	—	456	—	456
Conversion of common stock in connection with the initial public offering	—	—	(8,665,797)	—	6,396,951	—	2,268,846	—	—	—	—	—	—	—
Issuance of common stock in connection with the initial public offering, net of underwriters' discount	—	—	—	—	7,906,250	—	—	—	325,263	—	—	325,263	—	325,263
Donated common stock	—	—	—	—	20,133	—	—	—	1,157	—	—	1,157	—	1,157
Cost of initial public offering	—	—	—	—	—	—	—	—	(3,995)	—	—	(3,995)	—	(3,995)
Stock based compensation	—	—	—	—	—	—	—	—	2,266	—	—	2,266	—	2,266
Comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	—	—	—	—	—	(41)	—	(41)	—	(41)
Net loss	—	—	—	—	—	—	—	—	—	—	(14,711)	(14,711)	—	(14,711)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(14,752)	—	(14,752)
Balance, September 30, 2021	—	\$ —	—	\$ —	41,714,711	\$ —	2,676,154	\$ —	\$ 490,175	\$ 186	\$ (149,438)	\$ 340,923	\$ —	\$ 340,923

XOMETRY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders' Equity (Deficit)
(Unaudited)

Nine months ended September 30, 2022 and 2021

(In thousands, except share and per share data)

	Convertible Preferred Stock		Common Stock		Class A - Common Stock		Class B - Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)	Noncontrolling Interest	Total (Deficit) Equity
	Seed-1, Seed-2, Series A-1, Series A-2, Series B, Series C, Series D, Series E													
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
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	—	—	—	—	662,606	—	—	—	3,317	—	—	3,317	—	3,317
Donated common stock	—	—	—	—	60,399	—	—	—	2,272	—	—	2,272	—	2,272
Stock based compensation	—	—	—	—	—	—	—	—	14,048	—	—	14,048	—	14,048
Comprehensive loss	—	—	—	—	—	—	—	—	—	(641)	—	(641)	68	(573)
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(51,602)	(51,602)	17	(51,585)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(52,243)	85	(52,158)
Balance, September 30, 2022	—	\$ —	—	\$ —	44,721,409	\$ —	2,676,154	\$ —	\$ 617,278	\$ (492)	\$ (224,943)	\$ 391,843	\$ 1,119	\$ 392,962
Balance, December 31, 2020	27,758,941	\$ 160,713	7,755,782	\$ —	—	\$ —	—	\$ —	\$ 503	\$ 210	\$ (111,962)	\$ (111,249)	\$ —	\$ (111,249)
Conversion of convertible preferred stock in connection with initial public offering	(27,758,941)	—	—	—	27,351,633	—	407,308	—	160,713	—	—	160,713	—	160,713
Exercise of common stock options	—	—	910,015	—	39,744	—	—	—	1,787	—	—	1,787	—	1,787
Conversion of common stock in connection with the initial public offering	—	—	(8,665,797)	—	6,396,951	—	2,268,846	—	—	—	—	—	—	—
Issuance of common stock in connection with the initial public offering, net of underwriters' discount	—	—	—	—	7,906,250	—	—	—	325,263	—	—	325,263	—	325,263
Donated common stock	—	—	—	—	20,133	—	—	—	1,157	—	—	1,157	—	1,157
Cost of initial public offering	—	—	—	—	—	—	—	—	(3,995)	—	—	(3,995)	—	(3,995)
Stock based compensation	—	—	—	—	—	—	—	—	4,747	—	—	4,747	—	4,747
Comprehensive loss	—	—	—	—	—	—	—	—	—	(24)	—	(24)	—	(24)
Foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	—	—	(37,476)	(37,476)	—	(37,476)
Total comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	(37,500)	—	(37,500)
Balance, September 30, 2021	—	\$ —	—	\$ —	41,714,711	\$ —	2,676,154	\$ —	\$ 490,175	\$ 186	\$ (149,438)	\$ 340,923	\$ —	\$ 340,923

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (51,585)	\$ (37,476)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,716	2,304
Impairment of assets	444	—
Reduction in carrying amount of right-of-use asset	5,351	912
Stock based compensation	14,048	4,747
Non-cash interest expense	—	111
Loss on debt extinguishment	—	272
Revaluation of contingent consideration	434	—
Income from unconsolidated joint venture	(100)	—
Donation of common stock	2,272	1,157
Unrealized loss on marketable securities	1,659	239
Non-cash income tax benefit	(559)	—
Loss on sale of property and equipment	71	—
Amortization of deferred costs on convertible notes	1,250	—
Deferred taxes benefit	(2)	—
Changes in other assets and liabilities:		
Accounts receivable, net	(19,032)	(10,645)
Inventory	(3,680)	842
Prepaid expenses	(1,784)	(4,080)
Other assets	(3,922)	580
Accounts payable	(240)	(400)
Accrued expenses	5,591	3,931
Contract liabilities	2,777	1,053
Lease liabilities	(4,219)	(917)
Net cash used in operating activities	(45,510)	(37,370)
Cash flows from investing activities:		
Purchase of marketable securities	(281,897)	(266,978)
Proceeds from sale of marketable securities	4	—
Purchases of property and equipment	(9,608)	(4,625)
Proceeds from sale of property and equipment	165	—
Net cash used in investing activities	(291,336)	(271,603)
Cash flows from financing activities:		
Proceeds from initial public offering, net of underwriters' discount	—	325,263
Payments in connection with initial public offering	—	(3,995)
Proceeds from stock options exercised	3,317	1,787
Repayment of term loan	—	(16,136)
Proceeds from issuance of convertible notes	287,500	—
Costs incurred in connection with issuance of convertible notes	(9,309)	—
Payments on finance lease obligations	(2)	(9)
Net cash provided by financing activities	281,506	306,910
Effect of foreign currency translation on cash and cash equivalents	(425)	(33)
Net decrease in cash and cash equivalents	(55,765)	(2,096)
Cash and cash equivalents at beginning of the period	86,262	59,874
Cash and cash equivalents at end of the period	\$ 30,497	\$ 57,778
Supplemental cash flow information:		
Cash paid for interest	\$ 1,414	\$ 907
Non-cash investing activity:		
Non-cash purchase of property and equipment	—	(19)

See accompanying notes to the unaudited condensed consolidated financial statements.

(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 enterprise 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 Derwood, Maryland.

Xometry uses 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.

During the second quarter of 2022, we launched the Industrial Buying Engine™ (“IBE”) which helps customers source and purchase from the more than 500,000 suppliers on Thomasnet.com. The IBE provides buyer choice including instant quote “buy-it-now” functionality and digitizes the old and time-consuming request-for-quote process. Through the IBE, buyers can request quotes for products and services from suppliers.

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 services products to stabilize and enhance cash flow.

In 2021, we acquired Thomas Publishing Company (“Thomas”) and Fusiform, Inc. (d.b.a. FactoryFour) (“FactoryFour”), expanding our basket of supplier services to include digital marketing and data solutions and SaaS based solutions to help suppliers optimize their productivity.

During the second quarter of 2022, we introduced Workcenter which gives suppliers a one-stop view into all of their Xometry and non-Xometry work. A cloud-based manufacturing execution system, Workcenter brings the job board and financial services into one, easy-to-use platform. With Workcenter, shop owners can build and manage workflows for all their projects, including those from non-Xometry customers, and also quote new projects from Xometry and Thomas.

(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 18, 2022.

The condensed consolidated balance sheet as of December 31, 2021, 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 2022 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 subsidiaries operating in the U.S. The primary functional currency for the Company’s consolidated subsidiaries operating in Germany and to a lesser extent Japan is the Euro

("Euro") and the Yen, respectively. For the Company's consolidated subsidiaries whose functional currencies are not the USD, the Company translates their financial statements into USDs. 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

In connection with the acquisition of Thomas on December 9, 2021, we assumed 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 (deficit) on our Condensed Consolidated Balance Sheets. We include net income (loss) attributable to the noncontrolling interests in net income (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.

In light of the current unknown duration and severity of the COVID-19 pandemic, we continue to face potential uncertainty which may impact the judgments and estimates needed to apply our significant accounting policies. As of the date these condensed consolidated financial statements were issued, the impacts of the COVID-19 pandemic did not have a significant impact on our estimates or judgments. Judgments and assumptions may change, as new events occur and additional information is obtained, as well as other factors related to COVID-19 and economic recovery that could result in a meaningful impact on our consolidated financial statements in future reporting periods.

(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 condensed 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 investment in a short-term bond fund and a 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 September 30, 2022, and December 31, 2021, the Company's marketable securities of \$310.7 million and \$30.5 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. During the three and nine months ended September 30, 2022, the Company recorded unrealized losses of \$0.5 million and \$1.7 million, respectively related to these securities. For the three months and nine months ended September 30, 2021, the Company recorded unrealized losses of \$0.2 million related to these securities. These losses are 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. For buyers for which Xometry provides credit, the Company performs credit inquiries, including references checks, and queries credit ratings services and other publicly available information. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statements of cash flows. 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. 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):

	2022	2021
Allowance for credit losses		
Balance at beginning of year, January 1	\$ 809	\$ 569
Charge to provision accounts	1,020	295
Recoveries or other	(237)	(55)
Balance at period end, September 30 and December 31	<u>\$ 1,592</u>	<u>\$ 809</u>

(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 \$7.9 million for the nine months ended September 30, 2022 and \$5.2 million for the year ended December 31, 2021. 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.

During the three and nine months ended September 30, 2022, the Company recorded impairments of approximately \$0.3 million and \$0.4 million, respectively related to abandoned software projects that were previously in development and/or other assets to be disposed. For the three and nine months ended September 30, 2022, \$36,000 and \$0.1 million, respectively of these impairments were recorded in our U.S. reporting segment. For the three and nine months ended September 30, 2022, \$0.3 million, respectively of these impairments were recorded in our International reporting segment. No impairments were recorded during the three and nine months ended September 30, 2021.

(h) 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. In connection with the acquisition of Thomas on December 9, 2021, our revenue also includes the sale of 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. As of September 30, 2022, and December 31, 2021, the Company has a \$0.3 million and \$0.2 million, respectively, provision for estimated returns, refunds or allowances.

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 a summary of the contract liabilities as of December 31, 2021 and September 30, 2022 (in thousands):

Contract liabilities at December 31, 2021	\$	7,863
Revenue recognized		(126,830)
Payments received in advance		129,567
Contract liabilities at September 30, 2022	\$	<u>10,600</u>

During the nine months ended September 30, 2022, the Company recognized approximately \$7.2 million of revenue related to its contract liabilities at December 31, 2021.

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 and cost of revenue in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the three months and nine months ended September 30, 2022, we recognized approximately \$1.6 million and \$3.1 million, respectively of amortization related to deferred sales commissions. The nine month ended amount includes a \$1.9 million measurement period benefit related to our acquisition of Thomas. See Note 7 - Acquisitions.

(i) 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.

(j) 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 for lease payments is recognized on a straight-line basis over the term of the lease.

(k) 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, and compensation expenses, including stock-based compensation, to the Company's sales and marketing employees. For the three and nine months ended September 30, 2022, the Company's advertising cost were \$8.3 million and \$23.3 million, respectively. For the three and nine months ended September 30, 2021, the Company's advertising cost were \$5.5 million and \$14.4 million, respectively.

(l) Operations and Support

Operations and support expenses are the costs the Company incurs in support of buyers and suppliers on Xometry's platforms which are provided by phone, email and chat for purposes of resolving buyer 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 buyer and supplier services.

(m) 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.

(n) 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.

(o) 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. As there was no public market for the Company's common stock prior to the initial public offering ("IPO"), the Company estimates its expected share price volatility based on the historical volatility of publicly traded peer companies 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.

(p) Net Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period. For periods in which the Company reports net losses, diluted net loss per common share is the same as basic net loss per common share, because all potentially dilutive securities are anti-dilutive. Vested RSUs that have not been settled have been included in the appropriate common share class used to calculate basic net loss per share.

Subsequent to the Company's IPO on July 2, 2021, 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.

(q) 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.

(r) Recently Issued Accounting Standards

New Accounting Pronouncements Adopted in the Current Year

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which reduced the number of models used to account for convertible instruments, amends the accounting for certain contracts in an entity's own equity that would have previously been accounted for as derivatives and modifies the diluted earnings per share calculations for convertible instruments. We adopted ASU 2020-06 on January 1, 2022. As a result of the adoption of ASU 2020-06, the convertible notes issued in February 2022 were considered to be debt with no allocation to equity.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses* (“Topic 326”), *Measurement of Credit Losses on Financial Instruments*. Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 was originally effective for the Company on January 1, 2023 given our Emerging Growth Company status. We will lose our Emerging Growth Company status on January 1, 2023 and will file our fiscal year Form 10-K as a non-Emerging Growth Company filer. Therefore, in preparation for fiscal year 2022 reporting, the Company applied Topic 326 as if we were not an Emerging Growth Company on July 1, 2022. The adoption of Topic 326 on July 1, 2022 did not have a material impact on the Company’s consolidated financial statements and related disclosures.

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 and nine months ended September 30, 2022 and 2021, no single buyer accounted for more than 10% of the Company’s revenue. As of September 30, 2022, and December 31, 2021, 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 buyer orders that are not yet complete and materials purchased for suppliers. 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 September 30, 2022 and December 31, 2021 (in thousands):

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Raw materials	\$ 162	\$ 105
Work-in-progress	4,809	1,324
Tools inventory	553	365
Finished goods	108	239
Total	\$ 5,632	\$ 2,033

(5) Property and Equipment and Long-Lived Assets

Property and equipment consist of the following as of September 30, 2022 and December 31, 2021 (in thousands):

	<u>Useful Life</u>	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Technology hardware	3 years	\$ 2,710	\$ 2,220
Manufacturing equipment	5 years	3,022	2,946
Capitalized software development	3 years	21,145	13,126
Patent	17 years	—	157
Leasehold improvements	Shorter of useful life or lease term	1,258	1,222
Furniture and fixtures	7 years	1,036	1,155
Total		29,171	20,826
Less accumulated depreciation		(12,868)	(10,539)
Property and Equipment, net		\$ 16,303	\$ 10,287

Depreciation expense for the three and nine months ended September 30, 2022 and 2021 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 41	\$ 21	\$ 99	\$ 70
Sales and marketing	-	-	-	11
Operations and support	15	31	43	118
Product development	753	632	2,180	1,793
General and administrative	147	64	512	108
Total depreciation expense	<u>\$ 956</u>	<u>\$ 748</u>	<u>\$ 2,834</u>	<u>\$ 2,100</u>

(6) Leases

Operating lease expense for the three and nine months ended September 30, 2022 and 2021 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 23	\$ 18	\$ 60	\$ 72
Operations and support	-	27	-	45
General and administrative	1,518	278	4,446	859
Total operating lease expense	<u>\$ 1,541</u>	<u>\$ 323</u>	<u>\$ 4,506</u>	<u>\$ 976</u>

During the first quarter of 2022, the Company entered into two new office leases in Doraville, Georgia and Shanghai, China. In connection with these leases, the Company recorded non-cash ROU assets and lease liabilities of \$0.1 million.

During the first quarter of 2022, the Company also executed a new lease for an office in North Bethesda, Maryland. The lease is expected to commence in the fourth quarter of 2022. The lease has a term of seven years with total cash rental payments of approximately \$7.1 million.

During the third quarter of 2022, the Company executed a new lease for an office in Chelmsford, United Kingdom and modified its leases in Ottobrunn, Germany and Derwood, Maryland. In connection with these leases the Company recorded non-cash ROU assets and lease liabilities of approximately \$1.2 million.

(7) Acquisitions

Big Blue Saw

On November 1, 2021, the Company acquired Big Blue Saw subject to an Asset Purchase Agreement. The acquisition of Big Blue Saw extends our marketplace capabilities in water jet and laser cutting. The Company accounted for the acquisition as a business combination. The aggregate non-contingent portion of the purchase price was \$1.5 million and was paid in cash and Class A common stock on the acquisition date. In addition, the purchase price included a contingent consideration arrangement to the former owner of Big Blue Saw up to a maximum amount of \$1.0 million (undiscounted) in two installments on the first and second anniversary of the acquisition and is based on client conversions. 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 client conversions.

During the nine months ended September 30, 2022, the Company recorded an approximate \$31,000 increase to the contingent consideration liability with a corresponding expense recognized in general and administrative expense on our Condensed Consolidated Statement of Operations and Comprehensive Loss. The Company re-evaluated the fair value of the contingent consideration based on current information available to the Company subsequent to our acquisition using a similar methodology as described above. As of September 30, 2022, and December 31, 2021, the total contingent consideration had a fair value of \$0.9 million and \$0.9 million, respectively.

The Company performed a preliminary valuation analysis of the fair market value of the acquired assets and liabilities of Big Blue Saw during the fourth quarter of 2021. The Company completed its valuation of the acquired assets and liabilities during the second quarter of 2022 and expects to finalize the settlement of the working capital during the fourth quarter of 2022. The settlement of the working capital, which is not expected to be material, will impact goodwill. No changes to the initial purchase price allocation were made during 2022.

FactoryFour

On November 5, 2021, the Company acquired FactoryFour subject to an Asset Purchase Agreement. FactoryFour provides a SaaS based solution to help manufacturers improve lead times and make strong, data-driven decisions through real-time production tracking. The Company accounted for the acquisition as a business combination. The aggregate non-contingent portion of the purchase price was \$3.3 million and was paid in cash and Class A common stock on the acquisition date. In addition, the purchase price includes a contingent consideration arrangement to the former owners of FactoryFour up to a maximum amount of \$2.5 million (undiscounted) in three installments on the first, second and third anniversary of the acquisition and is based on gross total orders. The fair value of the initial contingent consideration of \$1.5 million was estimated by applying an option pricing model. The measurement is based on inputs that are not observable in the market (Level 3 inputs). Key assumptions made include (a) discount rate, (b) time to expiration, (c) stock price, (d) hurdle rate, (e) risk free rate, (f) volatility, (g) dividend rate and (f) assumptions about gross total orders.

During the nine months ended September 30, 2022, the Company recorded an approximate \$0.4 million increase to the contingent consideration liability with a corresponding expense recognized in general and administrative expense on our Condensed Consolidated Statement of Operations and Comprehensive Loss. The Company re-evaluated the fair value of the contingent consideration based on current information available to the Company subsequent to our acquisition. To estimate the current fair value, we applied 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 gross total orders. As of September 30, 2022, and December 31, 2021, the total contingent consideration had a fair value of \$1.9 million and \$1.5 million, respectively.

The Company performed its initial valuation analysis of the fair market value of the acquired assets and liabilities of FactoryFour during the fourth quarter of 2021. The Company finalized its valuation analysis in the first quarter of 2022. No changes to the initial purchase price allocation were made during 2022.

Thomas

On December 9, 2021, the Company acquired Thomas subject to the merger agreement. Xometry leverages Thomas' marketing and data services to deliver a suite of end-to-end services for suppliers with additional financial services and digital marketing products. The Company accounted for the acquisition as a business combination. The goodwill of \$252.0 million arising from the acquisition of Thomas related to certain expected synergies which includes the ability to drive buyers and suppliers on to our platform and provide additional products and services. This goodwill, which is included in our U.S. reporting segment, is not expected to be deductible for tax purposes. The aggregate non-contingent portion of the purchase price was approximately \$276.3 million and was paid in cash and Class A common stock on the acquisition date.

The Company performed a preliminary valuation analysis of the fair market value of the acquired assets and liabilities of Thomas during the fourth quarter of 2021. During the three months ended March 31, 2022, the Company recorded additional goodwill of approximately \$0.6 million in connection with the identification of a deferred tax liability. This deferred tax liability was subsequently recognized into income during the three months ended March 31, 2022.

During the nine months ended September 30, 2022, the Company recognized measurement period adjustments primarily related to certain other assets and lease intangibles which resulted in additional goodwill of approximately \$4.7 million. During the nine months ended September 30, 2022, the Company recorded an approximate \$1.9 million one-time non-cash benefit in sales and marketing expense. The Company substantially completed its valuation of the acquired assets and liabilities during the third quarter of 2022 and expects to finalize the settlement of the working capital during the fourth quarter of 2022. The settlement of the working capital, which may be material, will impact goodwill.

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

	Previously Reported As of December 31, 2021	Purchase Price Allocation Measurement Period Adjustment	As Adjusted
Consideration:			
Cash	\$ 174,838	\$ —	\$ 174,838
Fair value of Class A common stock	101,499	—	101,499
Fair value of consideration	<u>276,337</u>	<u>—</u>	<u>276,337</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Current assets	18,244	(5,978)	12,266
Property and equipment	890	—	890
Intangible assets	40,400	1,444	41,844
Right-of-use assets	24,130	—	24,130
Other long-term assets	250	(206)	44
Investment in unconsolidated joint venture	4,156	—	4,156
Lease liabilities	(18,690)	—	(18,690)
Deferred tax liability	—	(559)	(559)
Income taxes payable	(1,647)	—	(1,647)
Other long-term liabilities	(281)	—	(281)
Contract liabilities	(6,634)	—	(6,634)
Current liabilities	(30,183)	—	(30,183)
Noncontrolling interest	(1,036)	—	(1,036)
Total identifiable net assets assumed	29,599	(5,299)	24,300
Goodwill	246,738	5,299	252,037
Total	<u>\$ 276,337</u>	<u>\$ —</u>	<u>\$ 276,337</u>

The following table (in thousands) summarizes the fair value of the identifiable intangible assets:

	Total	Estimated life
Customer relationships	\$ 36,600	15
Database	2,400	5
Trade name	800	10
Developed technology	600	5
Lease intangible assets	1,444	4
Total intangible assets	<u>\$ 41,844</u>	

The estimated fair value of the intangible assets acquired was determined by the Company. The Company engaged a third-party expert to assist with the valuation analysis. The Company used a relief from royalty method to estimate the fair values of the developed technology, database and tradename and a multi-period excess earnings method to estimate the fair value of the customer relationships. To estimate the fair value of the lease intangible assets the company used a discounted cash flow analysis. To measure the fair value of the noncontrolling interest, the Company used a market approach which considered historical revenues of the investee and market multiples (Level 3 inputs).

Thomas' results of operations were included in the Company's consolidated financial statements from the date of acquisition, December 9, 2021. The following unaudited pro forma condensed combined financial information gives effect to the acquisition of Thomas as if it was consummated on January 1, 2020 (the beginning of the comparable prior reporting period), and includes pro forma adjustments related to the amortization of acquired intangible assets.

This unaudited data is presented for informational purposes only and is not intended to represent or be indicative of the results of operations that would have been reported had the acquisition occurred on January 1, 2020. It should not be taken as representative of future results of operations of the combined companies. The following table presents the unaudited pro forma condensed combined financial information:

	For the Three Months Ended September 30, 2021	For the Nine Months Ended September 30, 2021
	(unaudited)	
Revenue	\$ 73,649	\$ 201,602
Net loss attributable to common stockholders	(14,164)	(38,187)

(8) Disaggregated Revenue Information

The following table present our revenues 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 and nine months ended September 30, 2022 (in thousands, supplier service revenue for the three and nine months ended September 30, 2021, was not considered material):

	For the Three Months Ended September 30, 2022	For The Nine Months Ended September 30, 2022
Marketplace revenue	\$ 84,060	\$ 224,073
Supplier service revenue	19,511	58,784
Total revenue	\$ 103,571	\$ 282,857

(9) Investment in Unconsolidated Joint Venture

In connection with the Company's acquisition of Thomas on December 9, 2021, the Company assumed 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. The Company's ownership interest in the net assets of IM, LLC approximated \$5.2 million. We estimated the fair value of the net assets using market approach which considered market multiples and revenue assumptions based on historical operating results (Level 3 inputs). The Company estimated a basis difference of approximately \$4.2 million which is accounted for as equity method goodwill and not subject to amortization.

(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 IPO 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"), nonstatutory stock options ("NSOs"), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based awards and other awards, or collectively, awards. ISOs may be granted only to Xometry employees, including Xometry officers, and the employees of Xometry affiliates. All other awards may be granted to Xometry employees, including our officers, Xometry non-employee directors and consultants and the employees and consultants of Xometry affiliates.

As of September 30, 2022, there were 5,143,659 shares available for the Company to grant under the 2021 Equity Incentive Plan.

Stock Options

Prior to the Company's IPO on July 2, 2021, the fair value of the Company's common stock was estimated by management as there was no public market for the Company's common stock. Xometry's market-based methodology considered a number of objective and subjective factors including third-party valuations of its common stock, the valuation of comparable companies, sales of the Company's convertible preferred stock to outside investors in arms-length transactions, the Company's operating and financial performance, the lack of marketability, and general and industry specific economic outlook, amongst others.

The weighted average assumptions for the nine months ended September 30, 2022 and 2021 are provided in the following table.

	Nine Months Ended September 30,	
	2022	2021
Valuation assumptions:		
Expected dividend yield	—%	—%
Expected volatility	66%	53%
Expected term (years)	6.0	6.0
Risk-free interest rate	1.9%	1.1%
Fair value of share	\$ 34.86	\$ 26.96

A summary of the status of the Company's stock option activity and the changes during the nine months ended September 30, 2022, 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, 2021	987,622	\$ 3.35	7.5	\$ 47.3
Balance at December 31, 2021	3,286,870	6.98	8.4	145.5
Granted	321,649	34.86	—	—
Exercised	(607,114)	5.53	—	—
Forfeited	(134,024)	8.13	—	—
Expired	(1,783)	6.10	—	—
Balance at September 30, 2022	<u>2,865,598</u>	10.36	7.9	133.0
Exercisable at September 30, 2022	1,274,443	5.92	7.4	64.8

The weighted average grant date fair value of options granted during the nine months ended September 30, 2022 and 2021, was \$21.08 and \$18.73, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2022 and 2021, was \$22.0 million and \$26.4 million, respectively.

At September 30, 2022 and 2021, there was approximately \$20.4 million and \$23.9 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 September 30, 2022 and September 30, 2021.

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 nine months ended September 30, 2022 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, 2021	186,480	\$ 63.94	\$ 9.6
Granted	820,066	41.05	—
Vested	(51,900)	60.29	—
Forfeited and cancelled	(113,493)	49.91	—
Unvested RSUs as of September 30, 2022	<u>841,153</u>	43.75	47.8

At September 30, 2022, there was approximately \$31.0 million 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 as of September 30, 2022. No restricted stock units were granted during the three and nine months ended September 30, 2021.

Total stock-based compensation cost for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales and marketing	\$ 1,135	\$ 335	\$ 3,071	\$ 690
Operations and support	1,715	670	4,879	1,364
Product development	1,097	488	3,119	979
General and administrative	1,166	773	2,979	1,714
Total stock compensation expense	\$ 5,113	\$ 2,266	\$ 14,048	\$ 4,747

(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 nine months ended September 30, 2022, the Company has a \$0.6 million income tax benefit in the U.S. The Company had no current or deferred income tax benefit or expense in the U.S. or outside the U.S. for the nine months ended September 30, 2021. This estimated annual effective tax rate of 0%, which excludes the impact of the \$0.6 million discrete adjustment, 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, 2021, the Company has net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes, and similar state amounts, of approximately \$195.7 million available to reduce future income subject to income taxes before limitations. As of December 31, 2021, the Company had a net operating loss carryforward for tax purposes related to its foreign subsidiary of \$20.5 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 2022. Our non-U.S. net operating loss and U.S. federal net operating losses post 2017 have an indefinite life. The Company expects \$128.4 million of legacy Xometry U.S. federal net operating losses to be available to offset future taxable income. During the three months ended September 30, 2022, management completed its evaluation of any limitations on the ability of the Company to utilize the Thomas subsidiary net operating loss carryforward of \$67.3 million. As a result of this evaluation, management has determined that the annual limitation, as determined under Section 382 of the Internal Revenue Code, would not prevent the Company from utilizing the net operating losses before expiration to the extent the Company is able to generate sufficient 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (15,041)	\$ (14,711)	\$ (51,585)	\$ (37,476)
Net (loss) income attributable to noncontrolling interest	(4)	—	17	—
Net loss attributable to common stockholders	\$ (15,037)	\$ (14,711)	\$ (51,602)	\$ (37,476)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	47,303,090	43,962,863	47,057,521	20,092,600
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.32)	\$ (0.33)	\$ (1.10)	\$ (1.87)

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:

	September 30,	
	2022	2021
Stock options outstanding	2,865,598	3,478,115
Unvested restricted stock units	841,153	106,754
Warrants outstanding	87,784	112,026
Shares reserved for charitable contribution	301,993	382,525
Convertible notes	5,123,624	—
Total shares	9,220,152	4,079,420

(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. 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>September 30,</u> <u>2022</u>
Principal	\$ 287,500
Unamortized debt discount	(7,475)
Unamortized debt issuance costs	(584)
Net carrying value	<u>\$ 279,441</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>September 30,</u> <u>2022</u>	<u>Nine Months Ended</u> <u>September 30,</u> <u>2022</u>
Coupon interest	\$ 719	\$ 1,887
Amortization of debt discount	432	1,151
Amortization of transaction costs	37	99
Total interest expense	<u>\$ 1,188</u>	<u>\$ 3,137</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>September 30, 2022</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>
2027 Notes	\$ 279,441	\$ 265,609 ⁽¹⁾

(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).

Term Loan Facility

The Company was party to an amended and restated loan and security agreement ("Amended Loan and Security Agreement") with Hercules Capital, Inc. ("Hercules") for a term loan ("the Term Loan Facility"). Under the Amended Loan and Security

Agreement, effective January 30, 2020, the Company could borrow up to \$15 million under the Term Loan Facility, all of which became available to the Company immediately on the agreement date. On July 9, 2021, the Company repaid the full amount of its term loan with Hercules with proceeds from the IPO. In connection with the debt extinguishment, the Company paid Hercules \$16.1 million and recorded a loss on debt extinguishment of approximately \$0.3 million.

Prior to its repayment, the term loan accrued interest at the greater of (i) 8.7% per annum or (ii) 8.7% per annum plus the prime rate minus 4.75% per annum. The term loan agreement required a maximum \$1.2 million end of term fee due and payable on the maturity date of May 1, 2022, however, if the term loan was repaid prior to November 1, 2021, the amount owed would be \$0.9 million.

As part of the initial term loan agreement with Hercules, the Company issued a warrant to purchase 87,784 shares of the Company's Series B Convertible Preferred Stock with a strike price of \$5.13 per share that expires in May 2025. Upon closing of the IPO on July 2, 2021, the warrant held by Hercules may only be exercised for shares of Class A common stock.

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.

(14) Segments

Xometry is organized in two segments referred to as: (1) the U.S. and (2) International (formerly referred to as Europe). 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 and the nine months ended September 30, 2022 and 2021 (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue				
U.S.	\$ 94,829	\$ 51,739	\$ 258,553	\$ 140,266
International	8,742	4,988	24,304	10,972
Total	<u>\$ 103,571</u>	<u>\$ 56,727</u>	<u>\$ 282,857</u>	<u>\$ 151,238</u>
	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Segment Losses				
U.S.	\$ (10,732)	\$ (12,550)	\$ (36,977)	\$ (30,152)
International	(4,305)	(2,161)	(14,625)	(7,324)
Total	<u>\$ (15,037)</u>	<u>\$ (14,711)</u>	<u>\$ (51,602)</u>	<u>\$ (37,476)</u>

(15) Goodwill and Intangible Assets

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

	September 30, 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	\$ 2,025	\$ 34,627
Trade Names	10	841	77	764
Developed Technology	4	1,218	592	626
Vendor Relationships	15	1,267	276	991
Database	5	2,400	390	2,010
In-place Lease Intangible Asset	4	548	109	439
Above Market Lease Intangible Asset	4	896	183	713
Patents	17	157	40	117
Total intangible assets		<u>\$ 43,979</u>	<u>\$ 3,692</u>	<u>\$ 40,287</u>

	December 31, 2021			
	Weighted average amortization period in years	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible Assets				
Amortizing intangible assets:				
Customer Relationships	15	\$ 37,139	\$ 674	\$ 36,465
Trade Names	9	973	147	826
Developed Technology	4	1,502	605	897
Vendor Relationships	15	1,404	226	1,178
Database	5	2,400	30	2,370
Total intangible assets		<u>\$ 43,418</u>	<u>\$ 1,682</u>	<u>\$ 41,736</u>

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

	2022	2021
Balance as of January 1:		
Gross goodwill	\$ 257,746	\$ 3,907
Accumulated impairments	(3,074)	(3,074)
Net goodwill as of January 1	254,672	833
Goodwill adjustment during the year	5,299 ⁽¹⁾	253,839
Net goodwill as of September 30, 2022, and December 31, 2021	<u>\$ 259,971</u>	<u>\$ 254,672</u>

(1) See Note 7 - Acquisitions.

As of September 30, 2022 and December 31, 2021, Xometry's goodwill of \$260.0 million and \$254.7 million, respectively, is part of the Company's U.S. operating segment.

As of September 30, 2022, estimated amortization expense for intangible assets for the remainder of 2022 and the next five years is: \$0.9 million in 2022, \$3.6 million in 2023, \$3.6 million in 2024, \$3.6 million in 2025, \$3.2 million in 2026, \$2.6 million in 2027 and \$22.8 million thereafter.

Amortization expense for the three and nine months ended September 30, 2022 and 2021 was as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Sales and marketing	\$ 776	26	\$ 2,326	77
Product development	86	40	257	120
General and administrative ⁽¹⁾	91	2	299	7
Total	<u>\$ 953</u>	<u>\$ 68</u>	<u>\$ 2,882</u>	<u>\$ 204</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 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, 2021. 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 enterprise 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 Derwood, Maryland.

Xometry uses 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.

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.

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, Automotive, Consumer Goods, Industrial, Robotics, Government, and Education.

During the second quarter of 2022, we launched the Industrial Buying Engine™ (“IBE”) which helps customers source and purchase from the more than 500,000 suppliers on Thomasnet.com. The IBE provides buyer choice including instant quote “buy-it-now” functionality and digitizes the old and time-consuming request-for-quote process. Through the IBE, buyers can request quotes for products and services from suppliers.

Our supplier services revenue primarily includes the sale of advertising and marketing services 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

advertising and marketing services and to a lesser extent SaaS based solutions to help suppliers optimize their productivity. Our revenue from Thomas is primarily advertising revenue.

During the second quarter of 2022, we introduced Workcenter which gives suppliers a one-stop view into all of their Xometry and non-Xometry work. A cloud-based manufacturing execution system, Workcenter brings the job board and financial services into one, easy-to-use platform. With Workcenter, shop owners can build and manage workflows for all their projects, including those from non-Xometry customers, and also quote new projects from Xometry and Thomas.

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.

The on-going COVID-19 pandemic has globally resulted in loss of life, and business closures impacting our buyers and suppliers. Even after the COVID-19 pandemic subsides, it may have a continued and lasting impact on the global economy, including our business. Future shelter-in-place orders and similar regulations may impact the ability of our buyers and suppliers to operate their businesses. Any limitations on or disruptions or closures of buyers' and suppliers' businesses could adversely affect our business.

The COVID-19 pandemic to date has not significantly adversely impacted the growth of our business. We believe the COVID-19 pandemic has validated our platform, highlighting the need for resilient supply chains, and reshaping the way buyers source their manufacturing needs.

Key Marketplace Operational and Business Metrics

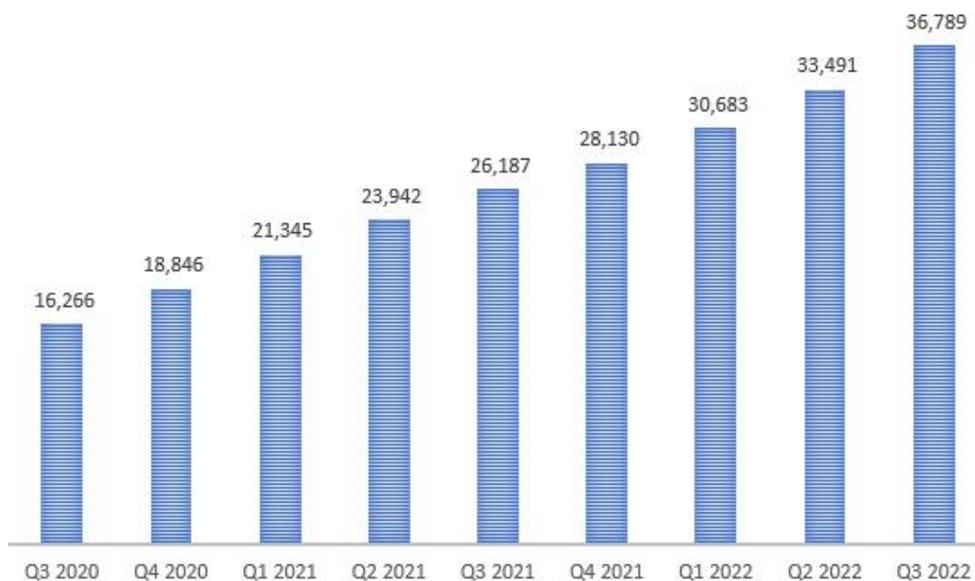
In addition to the measures presented in our condensed consolidated financial statements included elsewhere in this filing, we use the following key operational and business metrics to help us evaluate our marketplace business, measure our performance, identify trends affecting our business, formulate 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 36,789 as of September 30, 2022, up 40% from 26,187 as of September 30, 2021. 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

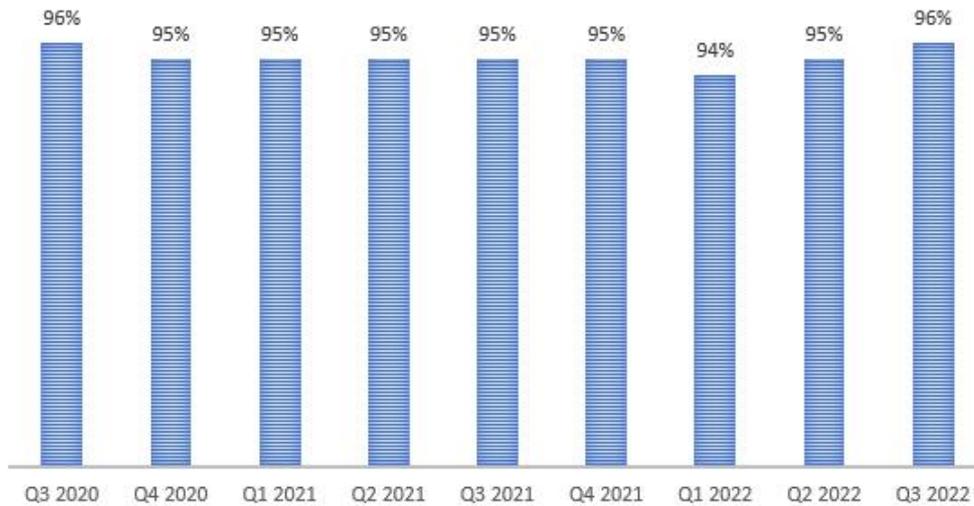


Percentage of Revenue from Existing Accounts

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 September 30, 2022, 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.

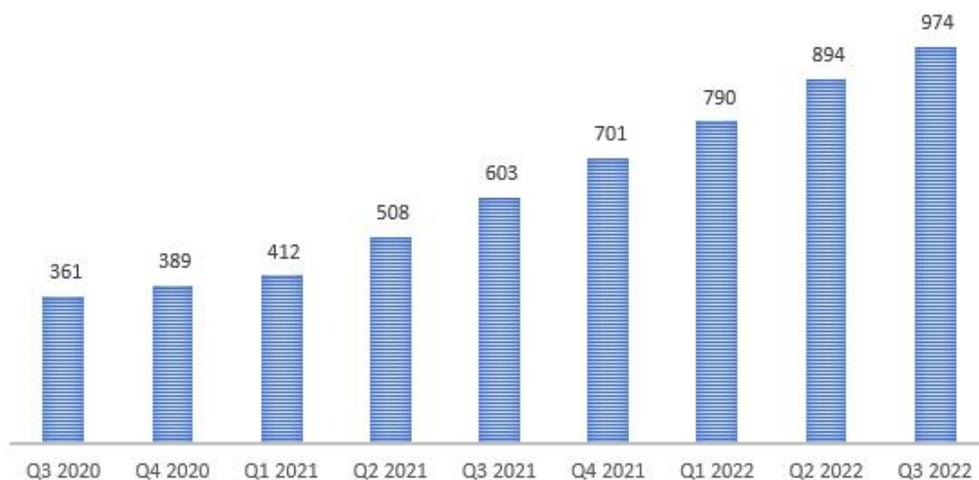
PERCENTAGE OF REVENUE FROM EXISTING ACCOUNTS



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 974 as of September 30, 2022, up 62% from 603 as of September 30, 2021.

ACCOUNTS WITH LTM SPEND OF AT LEAST \$50,000



Adjusted EBITDA

We define Adjusted EBITDA as net loss, adjusted for interest expense, interest and dividend income and other expenses, income tax benefit, and certain other non-cash or non-recurring items impacting net loss from time to time, principally comprised of depreciation and amortization, stock-based compensation, charitable contributions of common stock, income from an unconsolidated joint venture, impairment 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 September 30, 2022, Adjusted EBITDA loss decreased to \$(6.5) million, as compared to Adjusted EBITDA loss of \$(10.0) million for the same quarter in 2021. For the quarter ended September 30, 2022, Adjusted EBITDA Margin decreased to (6)% of revenue, as compared to (18)% of revenue for the same quarter in 2021, driven primarily by increased operating efficiencies as we continue to grow our revenue and margins faster than our expenses.

For the nine months ended September 30, 2022, Adjusted EBITDA loss decreased to \$(27.5) million, as compared to Adjusted EBITDA loss of \$(27.9) million for the same period in 2021. For the nine months ended September 30, 2022, Adjusted EBITDA Margin decreased to (10)% of revenue, as compared to (18)% of revenue for the same period in 2021, driven primarily by increased operating efficiencies as we continue to grow our revenue and margins faster than our expenses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (15,041)	\$ (14,711)	\$ (51,585)	\$ (37,476)
Addback (deduct)				
Interest expense, interest and dividend income and other expenses	139	448	2,991	1,363
Depreciation and amortization	1,909	816	5,716	2,304
Amortization of lease intangible	333	—	999	—
Income tax benefit	—	—	(559)	—
Stock based compensation expense	5,113	2,266	14,048	4,747
Acquisition and other	42	—	(1,242)	—
Charitable contribution of common stock	987	1,157	2,272	1,157
Income from unconsolidated joint venture	(297)	—	(600)	—
Impairment of assets	325	—	444	—
Adjusted EBITDA	\$ (6,490)	\$ (10,024)	\$ (27,516)	\$ (27,905)

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, unrealized loss on marketable securities, loss on sale of property and equipment, charitable contributions of common stock, impairment 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 September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Non-GAAP Net Loss:				
Net loss	\$ (15,041)	\$ (14,711)	\$ (51,585)	\$ (37,476)
Add (deduct):				
Depreciation and amortization expense	1,909	816	5,716	2,304
Stock-based compensation	5,113	2,266	14,048	4,747
Amortization of lease intangible	333	—	999	—
Amortization of deferred costs on convertible notes	469	—	1,250	—
Unrealized loss on marketable securities	469	239	1,659	239
Acquisition and other	42	—	(1,242)	—
Loss on sale of property and equipment	—	10	71	8
Charitable contribution of common stock	987	1,157	2,272	1,157
Impairment of assets	325	—	444	—
Non-GAAP Net Loss	\$ (5,394)	\$ (10,223)	\$ (26,368)	\$ (29,021)

For the three months ended September 30, 2022, Non-GAAP net loss decreased to \$(5.4) million, as compared to Non-GAAP net loss of \$(10.2) million for the same quarter in 2021. For the quarter ended September 30, 2022, Non-GAAP net loss decreased to (5)% of revenue, as compared to (18)% of revenue for the same quarter in 2021.

For the nine months ended September 30, 2022, Non-GAAP net loss decreased to \$(26.4) million, as compared to Non-GAAP net loss of \$(29.0) million for the same period in 2021. For the nine months ended September 30, 2022, Non-GAAP net loss decreased to (9)% of revenue, as compared to (19)% of revenue for the same period in 2021.

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 SaaS based solutions, the sale of supplies and financial service products.

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, 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 (Expense) Income

Interest Expense

Interest expense consists of interest incurred on our outstanding borrowings under our outstanding convertible notes or other borrowings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Interest and Dividend Income

Interest and dividend income consists of interest on our cash and cash equivalents and dividend income from our investments.

Other Expenses

Other expenses consist primarily of 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 September 30, 2022 and 2021

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

	Three Months Ended September 30,	
	2022	2021
	(in thousands)	
Revenue	\$ 103,571	\$ 56,727
Cost of revenue	62,670	42,233
Gross profit	40,901	14,494
Operating expenses:		
Sales and marketing	21,416	9,828
Operations and support	11,620	5,775
Product development	7,613	4,376
General and administrative	15,126	8,778
Impairment of assets	325	—
Total operating expenses	56,100	28,757
Loss from operations	(15,199)	(14,263)
Other (expenses) income:		
Interest expense	(1,194)	(79)
Interest and dividend income	1,344	417
Other expenses	(289)	(786)
Income from unconsolidated joint venture	297	—
Total other income (expenses)	158	(448)
Loss before income taxes	(15,041)	(14,711)
Benefit for income taxes	—	—
Net loss	(15,041)	(14,711)
Net (loss) income attributable to noncontrolling interest	(4)	—
Net loss attributable to common stockholders	\$ (15,037)	\$ (14,711)

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 September 30,	
	2022	2021
Revenue	100.0 %	100.0 %
Cost of revenue	60.5 %	74.4 %
Gross profit	39.5 %	25.6 %
Operating expenses:		
Sales and marketing	20.7 %	17.3 %
Operations and support	11.2 %	10.2 %
Product development	7.4 %	7.7 %
General and administrative	14.6 %	15.5 %
Impairment of assets	0.3 %	— %
Total operating expenses	54.2 %	50.7 %
Loss from operations	(14.7)%	(25.1)%
Other (expenses) income:		
Interest expense	(1.2)%	(0.1)%
Interest and dividend income	1.3 %	0.7 %
Other expenses	(0.3)%	(1.4)%
Income from unconsolidated joint venture	0.3 %	— %
Total other income (expenses)	0.1 %	(0.8)%
Loss before income taxes	(14.6)%	(25.9)%
Benefit for income taxes	— %	— %
Net loss attributable to common stockholders	(14.6)%	(25.9)%
Net (loss) income attributable to noncontrolling interest	— %	— %
Net loss attributable to common stockholders	(14.6)%	(25.9)%

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 September 30, 2022 (in thousands, amounts for the three months ended September 30, 2021, were not considered material):

	For the Three Months Ended September 30, 2022	
Marketplace		
Revenue	\$	84,060
Cost of revenue		58,479
Gross Profit	\$	25,581
Supplier services		
Revenue	\$	19,511
Cost of revenue		4,191
Gross Profit	\$	15,320

Revenue

Total revenue increased \$46.8 million, or 83%, from \$56.7 million for the three months ended September 30, 2021 to \$103.6 million for the three months ended September 30, 2022. This growth was primarily a result of an increase in marketplace revenue and an increase in supplier services revenue due to our acquisition of Thomas. Total revenue from marketplace and supplier services for the three months ended September 30, 2022 was \$84.1 million and \$19.5 million, respectively. The marketplace increase was primarily the result of a 40% increase in active buyers resulting from investments in sales and marketing, as well as existing buyers increasing their spend on the platform for the three months ended September 30, 2022, as compared to the prior year period. Supplier services revenue growth was driven primarily by our acquisition of Thomas in December 2021 and to a lesser extent growth in supplies revenue.

Total revenue from our U.S. and International operating segments for the three months ended September 30, 2022 and 2021, was \$94.8 million and \$51.7 million, respectively, for the U.S., and \$8.7 million and \$5.0 million, respectively, for International.

Cost of Revenue

Total cost of revenue increased \$20.4 million, or 48%, from \$42.2 million for the three months ended September 30, 2021 to \$62.7 million for the three months ended September 30, 2022. This increase was primarily the result of an increase in marketplace cost of revenue and increase in supplier service costs of revenue due to our acquisition of Thomas. Total cost of revenue from marketplace and supplier services for the three months ended September 30, 2022 was \$58.5 million and \$4.2 million, respectively.

Marketplace cost of revenue was driven by increased payments to suppliers on our platform due to the growth in our buyer base and increased activity by existing accounts on our marketplace. Our supplier services cost of revenue increased primarily as a result of our acquisition of Thomas in December 2021.

Gross Profit and Margin

Gross profit increased \$26.4 million, or 182%, from \$14.5 million for the three months ended September 30, 2021 to \$40.9 million for the three months ended September 30, 2022. The increase in gross profit was primarily due to the acquisition of Thomas, increases in revenue from marketplace and improved marketplace gross margins as compared to the prior year period.

Gross margin for marketplace was 30.4% for the three months ended September 30, 2022 which was a significant improvement over the prior year period in part due to our AI-driven platform. 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 78.5% for the three months ended September 30, 2022 primarily due to our acquisition of Thomas.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased \$11.6 million, or 118%, from \$9.8 million for the three months ended September 30, 2021 to \$21.4 million for the three months ended September 30, 2022, primarily as a result our acquisition of Thomas in December 2021, increases from additional sales employees and compensation costs including stock-based compensation and increases in marketing and advertising spend. As a percent of total revenue, sales and marketing expenses increased to 20.7% for the three months ended September 30, 2022 from 17.3% for the three months ended September 30, 2021.

Operations and Support

Operations and support increased \$5.8 million, or 101%, from \$5.8 million for the three months ended September 30, 2021 to \$11.6 million for the three months ended September 30, 2022, primarily as a result our acquisition of Thomas in December 2021, hiring of additional operations and support employees and their compensation costs including stock-based compensation. As a percent of total revenue, operations and support expenses increased to 11.2% for the three months ended September 30, 2022 from 10.2% for the three months ended September 30, 2021.

Product Development

Product development expense increased \$3.2 million, or 74%, from \$4.4 million for the three months ended September 30, 2021 to \$7.6 million for the three months ended September 30, 2022, primarily as result of our acquisition of Thomas in December 2021, hiring additional development employees and their compensation costs including stock-based compensation, and increases in consulting expenses and software and maintenance. As a percent of total revenue, product development expenses decreased to 7.4% for the three months ended September 30, 2022 from 7.7% for the three months ended September 30, 2021.

General and Administrative

General and administrative expense increased \$6.3 million, or 72%, from \$8.8 million for the three months ended September 30, 2021 to \$15.1 million for the three months ended September 30, 2022. The primary driver of the increase was due to our acquisition of Thomas in December 2021, hiring additional administrative employees and their compensation costs including stock-based compensation. We incurred additional public company costs for insurance, legal and accounting services. We also recorded additional costs for card processing fees, software and maintenance and facility costs. As a percent of total revenue, general and administrative expenses decreased to 14.6% for the for the three months ended September 30, 2022 from 15.5% for the three months ended September 30, 2021.

Impairment of assets

Impairment of assets of \$0.3 million related to incomplete software projects that were abandoned and/or other assets to be disposed of during the three months ended September 30, 2022.

Other (Expenses) Income

Interest Expense

Interest expense increased by \$1.1 million, or 1,411%, from \$0.1 million for the three months ended September 30, 2021 to \$1.2 million for the three months ended September 30, 2022, 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 \$0.9 million, or 222%, from \$0.4 million for the three months ended September 30, 2021 to \$1.3 million for the three months ended September 30, 2022, primarily due to dividend income from our marketable securities.

Other Expenses

Other expenses decreased by \$0.5 million, or 63%, from \$0.8 million for the three months ended September 30, 2021 to \$0.3 million for the three months ended September 30, 2022, as a result of a \$0.3 million loss on debt extinguishment recognized in the third quarter of 2021 and the impact of foreign exchange.

Income from unconsolidated joint venture

Income from unconsolidated joint venture increased \$0.3 million due to our acquisition of a 50% interest in Industrial Media, LLC in connection with our acquisition of Thomas on December 9, 2021.

Additional Segment Considerations

Total segment loss from our U.S. operating segment for the three months ended September 30, 2022 and 2021, was \$10.7 million and \$12.6 million, respectively. Total segment loss from our International operating segment for the three months ended September 30, 2022 and 2021, was \$4.3 million and \$2.2 million, respectively.

Comparison of the Nine Months Ended September 30, 2022 and 2021

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

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Revenue	\$ 282,857	\$ 151,238
Cost of revenue	171,321	115,033
Gross profit	111,536	36,205
Operating expenses:		
Sales and marketing	58,846	26,250
Operations and support	36,158	15,594
Product development	22,698	12,131
General and administrative	43,143	18,343
Impairment of assets	444	—
Total operating expenses	161,289	72,318
Loss from operations	(49,753)	(36,113)
Other (expenses) income:		
Interest expense	(3,172)	(799)
Interest and dividend income	1,914	457
Other expenses	(1,733)	(1,021)
Income from unconsolidated joint venture	600	—
Total other expenses	(2,391)	(1,363)
Loss before income taxes	(52,144)	(37,476)
Benefit for income taxes	559	—
Net loss	(51,585)	(37,476)
Net (loss) income attributable to noncontrolling interest	17	—
Net loss attributable to common stockholders	\$ (51,602)	\$ (37,476)

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

	Nine Months Ended September 30,	
	2022	2021
Revenue	100.0 %	100.0 %
Cost of revenue	60.6 %	76.1 %
Gross profit	39.4 %	23.9 %
Operating expenses:		
Sales and marketing	20.8 %	17.4 %
Operations and support	12.8 %	10.3 %
Product development	8.0 %	8.0 %
General and administrative	15.3 %	12.1 %
Impairment of assets	0.2 %	— %
Total operating expenses	57.1 %	47.8 %
Loss from operations	(17.7)%	(23.9)%
Other (expenses) income:		
Interest expense	(1.1)%	(0.5)%
Interest and dividend income	0.7 %	0.3 %
Other expenses	(0.6)%	(0.7)%
Income from unconsolidated joint venture	0.2 %	— %
Total other expenses	(0.8)%	(0.9)%
Loss before income taxes	(18.5)%	(24.8)%
Benefit for income taxes	0.2 %	— %
Net loss	(18.3)%	(24.8)%
Net (loss) income attributable to noncontrolling interest	— %	— %
Net loss attributable to common stockholders	(18.3)%	(24.8)%

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 nine months ended September 30, 2022 (in thousands, amounts for the nine months ended September 30, 2021, were not considered material):

	For the Nine Months Ended September 30, 2022	
Marketplace		
Revenue	\$	224,073
Cost of revenue		158,712
Gross Profit	\$	65,361
Supplier services		
Revenue	\$	58,784
Cost of revenue		12,609
Gross Profit	\$	46,175

Revenue

Total revenue increased \$131.6 million, or 87%, from \$151.2 million for the nine months ended September 30, 2021 to \$282.9 million for the nine months ended September 30, 2022. This growth was primarily a result of an increase in marketplace revenue and an increase in supplier services revenue due to our acquisition of Thomas. Total revenue from marketplace and supplier services for the nine months ended September 30, 2022 was \$224.1 million and \$58.8 million, respectively. The marketplace increase was primarily the result of increases in active buyers resulting from investments in sales and marketing, as well as existing buyers increasing their spend on the platform for the nine months ended September 30, 2022, as compared to the prior year period. Supplier services revenue growth was driven primarily by our acquisition of Thomas in December 2021.

Total revenue from our U.S. and International operating segments for the nine months ended September 30, 2022 and 2021, was \$258.6 million and \$140.3 million, respectively, for the U.S., and \$24.3 million and \$11.0 million, respectively, for International.

Cost of Revenue

Total cost of revenue increased \$56.3 million, or 49%, from \$115.0 million for the nine months ended September 30, 2021 to \$171.3 million for the nine months ended September 30, 2022. This increase was primarily the result of an increase in marketplace cost of revenue and increase in supplier service costs of revenue due to our acquisition of Thomas. Total cost of revenue from marketplace and supplier services for the nine months ended September 30, 2022 was \$158.7 million and \$12.6 million, respectively.

Marketplace cost of revenue was driven by increased payments to suppliers on our platform due to the growth in our buyer base and increased activity by existing accounts on our marketplace. Our supplier services cost of revenue increased primarily as a result of our acquisition of Thomas in December 2021.

Gross Profit and Margin

Gross profit increased \$75.3 million, or 208%, from \$36.2 million for the nine months ended September 30, 2021 to \$111.5 million for the nine months ended September 30, 2022. The increase in gross profit was primarily due to the acquisition of Thomas, increases in revenue from marketplace and improved marketplace gross margin as compared to the prior year period.

Gross margin for marketplace was 29.2% for the nine months ended September 30, 2022 which was a significant improvement over the prior year period in part due to our AI-driven platform. 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 78.6% for the nine months ended September 30, 2022 primarily due to our acquisition of Thomas.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased \$32.6 million, or 124%, from \$26.3 million for the nine months ended September 30, 2021 to \$58.8 million for the nine months ended September 30, 2022, primarily as a result our acquisition of Thomas in December 2021, increases in marketing and advertising spend, additional sales employees and their compensation costs including stock-based compensation, consulting expenses and software and maintenance costs for the sales and marketing department. As a percent of total revenue, sales and marketing expenses increased to 20.8% for the nine months ended September 30, 2022 from 17.4% for the nine months ended September 30, 2021.

Operations and Support

Operations and support increased \$20.6 million, or 132%, from \$15.6 million for the nine months ended September 30, 2021 to \$36.2 million for the nine months ended September 30, 2022, primarily as a result of hiring of additional operations and support employees and their compensation costs including stock-based compensation, our acquisition of Thomas in December 2021 and consulting expenses. As a percent of total revenue, operations and support expenses increased to 12.8% for the nine months ended September 30, 2022 from 10.3% for the nine months ended September 30, 2021.

Product Development

Product development expense increased \$10.6 million, or 87%, from \$12.1 million for the nine months ended September 30, 2021 to \$22.7 million for the nine months ended September 30, 2022, primarily as result of our acquisition of Thomas in December 2021, hiring additional development employees and their compensation costs including stock-based compensation, consulting and software and maintenance expenses. As a percent of total revenue, product development expenses remained flat a 8.0% for the nine months ended September 30, 2022 and 2021.

General and Administrative

General and administrative expense increased \$24.8 million, or 135%, from \$18.3 million for the nine months ended September 30, 2021 to \$43.1 million for the nine months ended September 30, 2022. The primary driver of the increase was due to our acquisition of Thomas in December 2021. Our general and administrative expenses increased due to higher compensation and stock-based compensation due to new administrative employees. Additionally, we incurred higher public company costs for insurance, legal and accounting services. We donated an additional \$1.1 million of Class A common stock to our donor advised fund and recorded higher expenses for card processing fees, software and maintenance, facilities costs and transaction related costs. As a percent of total revenue, general and administrative expenses increased to 15.3% for the for the nine months ended September 30, 2022 from 12.1% for the nine months ended September 30, 2021.

Other (Expenses) Income

Interest Expense

Interest expense increased by \$2.4 million, or 297%, from \$0.8 million for the nine months ended September 30, 2021 to \$3.2 million for the nine months ended September 30, 2022, 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 \$1.5 million, or 319%, from \$0.5 million for the nine months ended September 30, 2021 to \$1.9 million for the three months ended September 30, 2022, primarily due to dividend income from our marketable securities.

Other Expenses

Other expenses increased by \$0.7 million, or 70%, from \$1.0 million for the nine months ended September 30, 2021 to \$1.7 million for the nine months ended September 30, 2022, primarily as a result of \$1.5 million of unrealized loss on marketable securities offset by a \$0.3 million loss on debt extinguishment recognized in the third quarter of 2021.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture increased \$0.6 million due to our acquisition of a 50% interest in Industrial Media, LLC in connection with our acquisition of Thomas on December 9, 2021.

Benefit for Income Taxes

Benefit for income taxes increased by \$0.6 million due to an income tax benefit resulting from our acquisition of Thomas.

Additional Segment Considerations

Total segment loss from our U.S. operating segment for the nine months ended September 30, 2022 and 2021, was \$37.0 million and \$30.2 million, respectively. Total segment loss from our International operating segment for the nine months ended September 30, 2022 and 2021, was \$14.6 million and \$7.3 million, respectively.

General

We have financed our operations primarily through sales of our equity securities and borrowings under our convertible notes. As of September 30, 2022, our cash and cash equivalents and marketable securities totaled \$341.2 million, compared with \$116.7 million as of December 31, 2021. 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. 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. 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. 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 September 30, 2022, the 2027 Notes have a carrying value of \$279.4 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 nine months ended September 30, 2022 and 2021.

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Net cash used in operating activities	\$ (45,510)	\$ (37,370)
Net cash used in investing activities	(291,336)	(271,603)
Net cash provided by financing activities	281,506	306,910

Operating Activities

For the nine months ended September 30, 2022, net cash used in operating activities was \$45.5 million, primarily due to a net loss of \$(51.6) million adjusted for non-cash charges of \$30.6 million and a net decrease in our operating assets and liabilities of \$(24.5) million. The non-cash adjustments primarily relate to stock-based compensation of \$14.0 million, depreciation and amortization of \$5.7 million, \$1.7 million unrealized loss on marketable securities, \$2.3 million donation of common stock and \$5.4 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 \$19.0 million primarily due to our continued revenue growth, an increase in other assets of \$3.9 million, an increase in inventory of \$3.7 million, an increase in prepaid expenses of \$1.8 million and a decrease in lease liabilities of \$4.2 million. These increases were offset by an increase in accrued expenses of \$5.6 million and an increase in contract liabilities of \$2.8 million.

For the nine months ended September 30, 2021, net cash used in operating activities was \$37.4 million, primarily due to a net loss of \$37.5 million adjusted for non-cash charges of \$9.7 million and a net decrease in our operating assets and liabilities of \$(9.6) million. The non-cash adjustments primarily relate to stock-based compensation of \$4.7 million, depreciation and amortization of \$2.3 million, \$1.2 million of charitable contributions of common stock and \$0.9 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 \$10.6 million and prepaid expenses of \$4.1 million. These decreases are partially offset by increases in accrued expenses of \$3.9 million and \$1.1 million of contract liabilities, primarily due to the growth of our business.

Investing Activities

For the nine months ended September 30, 2022, net cash used by investing activities was \$291.3 million, primarily due to the purchase of marketable securities of \$281.9 million and \$9.6 million for purchases of property and equipment (which includes internal-use software development costs).

Cash used by investing activities was \$271.6 million during the nine months ended September 30, 2021, primarily due to investments of \$267.0 million of proceeds from the IPO in marketable securities and \$4.6 million for purchases of property and equipment (which includes internal-use software development costs).

Financing Activities

For the nine months ended September 30, 2022, net cash provided by financing activities was \$281.5 million, reflecting \$287.5 million of proceeds from the issuance of the 2027 convertible senior notes and \$3.3 million of proceeds from the exercise of stock options. These inflows were offset by \$9.3 million of convertible note costs incurred in connection with these notes.

Cash provided by financing activities was \$306.9 million during the nine months ended September 30, 2021, reflecting \$1.8 million of proceeds from the exercise of stock options and \$325.3 million of proceeds from the IPO, net of our underwriters discount. These inflows were offset by \$4.0 million of other offering costs incurred in connection with our IPO and the \$16.1 million repayment of our term loan with proceeds from the IPO.

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.

JOBS Act Accounting Election

We qualify as an “emerging growth company” pursuant to the provisions of the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory “say-on-pay” votes on executive compensation, and stockholder advisory votes on golden parachute compensation.

The JOBS Act also permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. On July 1, 2022, we irrevocably opted not to use the extended transition period for complying with any new or revised financial accounting standards, and as such, we are required to adopt new or revised standards at the same time as other public companies.

Based on the Company's aggregate worldwide market value of voting and non-voting common equity held by non-affiliates as of June 30, 2022, the Company will become a “large accelerated filer” and lose emerging growth company status beginning with its Annual Report on Form 10-K for the year ending December 31, 2022.

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 could be 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

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. However, our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been 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 September 30, 2022, 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.

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, 2021.

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	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).
3.2	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).
31.1*	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.
31.2*	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.
32.1**	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.
32.2**	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.
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.

**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 September 30, 2022 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: November 10, 2022

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