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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Xometry Inc. Q4 2024 earnings call. At this time, all participants are on a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Shawn Milne, VP of Investor relations.

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

Good morning and thank you for joining us on Xometry's Q4 and full-year 2024 earnings call. Joining me are Randy Altschuler, our Chief Executive Officer; and James Miln, our Chief Financial Officer.

During today's call, we will review our financial results for the fourth-quarter and full-year 2024 and discuss our guidance for the first-quarter and full-year 2025.

During today's call, we will make forward-looking statements including statements related to the expected performance of our business, future financial results, strategy, long-term growth, and overall future prospects. Such statements may be identified by terms such as believe, expect, intend, and may. These statements are subject to risks and uncertainties which could cause them to differ materially from actual results. Information concerning those risks is available in our earnings press release distributed before the market opened today and in our filings with the U.S. Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2024. We caution you to not place undue reliance on forward-looking statements and undertake no duty or obligation to update any forward-looking statements as a result of new information, future events, or changes in our expectations.

We'd also like to point out that on today's call we will report GAAP and non-GAAP results. We use these non-GAAP financial measures internally for our financial and operating decision-making purposes and as a means to evaluate period-to-period comparisons. Non-GAAP financial measures are presented in addition to and not as a substitute or superior to measures of financial performance prepared in accordance with the U.S. GAAP. To see the reconciliation of these non-GAAP measures, please refer to our earnings press release distributed today in our investor presentation,

both of which are available on the Investors section of our website at investors.xometry.com. A replay of today's call will also be posted on our website.

With that, I'd like to turn the call over to Randy.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Thanks, Shawn. Good morning, everyone, and thank you for joining our Q4 2024 earnings call. We had a strong Q4, and we're off to a strong start in 2025. I will go into our results and outlook in more detail in just a moment.

Powered by AI, our manufacturing marketplace continues to gain significant market share globally as buyers and suppliers realize the value, convenience, and resilience of our platform. The Xometry Marketplace enables our customers to fulfill all their needs across the full life cycle. Our extensible technology platform provides a broad, deep marketplace that reduces costs and delivery dates for customers and improves throughput and profits for suppliers. In a world with increasingly volatile supply chains, Xometry provides customers surety of delivery.

Q4 was a record quarter for Xometry across many fronts, capping a pivotal year as we scaled to adjusted EBITDA profitability. Driven by the strong execution of our teams, we grew marketplace revenue 23% in 2024, ahead of our initial 20% expectations despite the manufacturing contraction. The strength of our results in Q4 and the full year underscore our confidence in strong growth and scale in 2025.

In Q4, our AI-powered marketplace delivered record revenue, record gross profit, and record marketplace gross margin. We generated positive adjusted EBITDA, an important milestone in our mission to digitize the multi-trillion-dollar global custom manufacturing industry.

In Q4, we delivered strong growth with revenue increasing 16% year-over-year to a record \$149 million. Marketplace revenue grew 20% year-over-year, ahead of expectations, driven by 23% growth in active buyers, reaching over 68,000. Active buyer net additions were over 3,400 in Q4, the strongest quarter in 2024 driven by improved marketing efficiency. We saw strength across many end markets including aerospace, consumer, industrial equipment, and engineering.

International growth was robust in Q4, increasing 42% year-over-year, reaching the \$100 million run rate. Xometry Europe introduced new materials and added dozens of finishes, providing customers with even more tailored solutions for their manufacturing needs. Xometry expanded express manufacturing options across Europe for dozens of materials, reducing lead times for CNC machining and sheet metal fabrication. We're driving deeper enterprise adoption as large companies increasingly leverage our technology and global supplier network to build resilient supply chains and increase speed to market.

In 2024, we enhanced our marketplace offerings through new auto quote options and teams-based collaboration features. We also expanded our enterprise sales capabilities, accelerating our land-and-expand strategy with key accounts and giving customers more reasons to rely on us for life cycle management.

Our investments are clearly paying off, given robust 40% revenue growth in 2024 from our largest accounts with annual spend with Xometry of at least \$500,000. In our Q4 earnings presentation, we highlighted several enterprise case studies which underscore strong buyer and revenue growth across many verticals, including aerospace and medical devices.

Q4 gross profit increased 20% year-over-year to a record \$59 million. Q4 marketplace gross profit increased to robust 32% year-over-year driven by our AI-powered marketplace and increasing network of active suppliers. As we scale our data, our machine learning AI model gets better pricing and matching which in turn fuels gross profit dollar growth. We grew active suppliers by 28% year-over-year to 4,375 manufacturers, driving improvements in our AI-matching algorithm. As a result, marketplace gross margin expanded 320 basis points year-over-year to a record 34.5% in Q4. Over the last three years, we expanded our marketplace gross margin by over 10 points from 23.5% to 34.5% in Q4, underscoring the power of our AI-driven model. Strong marketplace revenue and marketplace gross profit growth drove adjusted EBITDA profitability of \$1 million, a \$3.9 million improvement year-over-year.

As I look ahead to the rest of 2025, I'm also excited about the recent additions to our executive team. These executives have proven experience scaling e-commerce and marketplace businesses and will help us drive further automation and operational excellence across our global marketplace. Our vision is to be the global marketplace, the digital rails for buyers and suppliers in the \$2 trillion custom manufacturing market. And we continue to make great strides towards that goal.

In 2025, we remain focused on our key growth initiatives. First, expand our buyer and supplier networks. We expect our active buyer growth to remain healthy as there are millions of potential buyers and Xometry's brand awareness is growing but still low. In 2025, we plan to enhance our customer segmentation efforts, leveraging AI capabilities in our advertising tech stack to increase marketing efficiency through better personalization, targeting, and customer engagement.

We're also improving the supplier experience through our work center software as we rapidly scale our network across the globe, including new regions such as India. We've grown our active supplier network by over threefold since the beginning of 2021 as our technology allows manufacturers to digitally monetize their manufacturing capacity, improve their profitability, and access global demand at minimal cost. Our supplier network stands out due to its size and reach, spanning three continents, enabling our customers to react quickly to changing customer demands and global trade policy.

Second, drive deeper enterprise engagement. Some of our biggest customers are the largest companies in the world. The Xometry marketplace is increasingly becoming the go-to trusted platform in custom manufacturing. Over the past four years, we have grown marketplace accounts with the last 12 months' spend of at least \$50,000 by approximately a 30% CAGR to nearly \$1,500 in 2024. As I mentioned, our enterprise investments are paying strong dividends as revenue from marketplace accounts with the last 12 months' spend of at least \$500,000 increased by over 40% year-over-year in 2024. In 2025, we are focused on driving further penetration in our largest accounts, each with an estimated potential spend of at least \$10 million annually.

Third, expand the marketplace menu. Our goal is to be the primary destination for our customers' manufacturing and supply chain needs. Our pricing and sourcing models leverage AI to provide instant quoting for as many manufacturing processes and materials as possible. In 2024, we launched instant quoting for laser tube cutting and tube bending. We expect to add new processes to our marketplace in 2025.

Within our marketplace, we are investing in next-generation enhanced AI models to improve cost and lead time optimization. We're working on cutting-edge applications of generative AI to incorporate customer behavior, segmentation, real-time market data, and manufacturing complexities to our marketplace algorithms. In addition, we believe that Xometry can be a leader in developing and applying multimodal models to process different types of data such as images, text, and 3D CAD at the same time, allowing Xometry to more fully support the viral workflow from design to manufacturing.

Fourth, growing internationally, we will continue to drive growth in Europe with increased penetration within our large enterprise accounts. Based on investments in 2024, we expect APAC to continue to ramp and become a more material driver to overall revenue growth in 2025. In 2024, international revenue represented 18% of total marketplace revenue. Long term, we believe international can represent 30% to 40% of marketplace revenue consistent with many other global online marketplaces.

Fifth, enhancing supplier services. We are investing to restore Thomas advertising growth given the 85%-plus gross margin and strong contribution margin opportunity. By improving the underlying platform technology, we will enhance the experience for both users and advertisers, providing opportunities for growth and engagement. We're launching a new ad server technology platform in 2025 to drive improved supplier engagement as we aim to improve monetization of Thomas. One of our top goals is to drive increasing advertiser penetration on the platform which is approximately 1% today of the roughly 500,000 suppliers listed on Thomas.

Together, based on these initiatives, we expect to grow revenue faster in 2025 than 2024. As I said, Q1 is off to a strong start, and we expect total revenue growth year-over-year to accelerate to 20% to 21%. Through improved technology and automation led by AI, we will continue to drive strong operating leverage.

We remain in the early innings of the secular digital shift in manufacturing, one of the largest economic sectors. And Xometry is the leading online marketplace. Many companies talk about AI. Xometry is powered by AI which we will expect to continue to drive global scale, market share gains, and improving profitability. I'm proud of our team's accomplishments, their talent, our extensible technology platform, rapidly growing network of buyers and suppliers, and expanding data lake together are fueling our competitive advantage and powering our strong growth. Many of the world's greatest companies turn to us to drive innovation and create supply chain resiliency that they need in an increasingly dynamic global trade environment.

I'll now turn the call over to James for a more detailed review of Q4 and our business outlook.

James Miln - Xometry Inc. - Chief Financial Officer

Thanks, Randy. And good morning, everyone. As Randy mentioned, Q4 was a record quarter for Xometry across many fronts. And we expect significant growth and operating leverage to continue in 2025.

Q4 revenue increased 16% year-over-year to \$149 million, driven by strong marketplace growth. Q4 marketplace revenue was \$135 million and supplier services revenue was \$14 million. Q4 marketplace revenue increased 20% year-over-year, ahead of our 16% to 18% expectations driven by strong execution, growth with larger accounts, and international growth as we continue to capture significant market share. Q4 marketplace revenue was impacted by approximately \$0.5 million to \$1 million due to a stronger U.S. dollar since we provided Q4 guidance on November 5.

Q4 active buyers increased 23% year-over-year to 68,267 with a net addition of 3,416 active buyers, our highest net additions in 2024. Q4 marketplace revenue for active buyer was down 3% year-over-year due to a tough comparison from Q4 2023 and up 1% quarter-over-quarter. In Q4, the number of accounts with last 12 months' spend of at least \$50,000 on our platform increased 12% year-over-year to \$1,495. We view accounts with at least \$50,000 spend as the top of the enterprise funnel. We expect to continue to grow this base of accounts over time. Growth in enterprise was strong in 2024, with revenue increasing over 40% for marketplace accounts with last 12-month spends of at least \$500,000. As Randy mentioned, our enterprise strategy focuses on our largest accounts which we believe each have \$10 million-plus in potential annual account revenue.

Supplier services revenue declined 13% year-over-year in Q4, primarily driven by the wind down of our non-core services and to a lesser extent, Thomas advertising and marketing services due to manufacturing contraction in the U.S. As Randy mentioned, we are focused on improving engagement and monetization on the platform which remains a leader in industrial sourcing, supplier selection, and digital marketing solutions. The number of active paying suppliers in our supplier services segment was 6,582 for Q4 on a trading 12-month basis, a decrease of 9% year-over-year.

Q4 gross profit was \$59 million, an increase of 20% year-over-year, with gross margin of 39.7%. Q4 gross margin for marketplace was a record 34.5%, up 320 basis points year-over-year. Q4 marketplace gross margin expansion underscores the success of our machine learning AI-powered economic model which optimizes pricing with more data and improves matching with an expanding supplier network. Q4 marketplace gross profit dollars increased 32% year-over-year. We are focused on driving marketplace gross profit dollar growth through the combination of top line growth and gross margin expansion. Q4 gross margin for supplier services remains strong at 89.7%, driven by an increasing focus on the higher gross margin Thomas advertising and marketing services.

Moving on to Q4 operating costs. Q4 total non-GAAP operating expenses increased 12% year-over-year to \$58.2 million, well below revenue growth. We are applying strong discipline and rigor to our capital and resource allocation across teams. In Q4 2024, this resulted in non-GAAP operating expenses growing less than 3% quarter-over-quarter, driving strong leverage across sales and marketing and other operating expenses.

After investing in our enterprise sales efforts, we delivered 480 basis points of sales and marketing leverage from Q1 to Q4 2024. Marketplace advertising spend decreased 4% year-over-year and was 5.6% of marketplace revenue which is down 140 basis points year-over-year as we balanced growth and profitability in an uncertain macro.

Q4 adjusted EBITDA was \$1 million or 0.7% of revenue, compared with a loss of \$2.9 million or 2.2% of revenue in Q4 2023. Q4 adjusted EBITDA improved \$3.9 million year-over-year driven by growth in revenue, gross profit, and operating efficiencies. For 2024, we delivered incremental adjusted EBITDA margin of 22%, slightly higher than our long term target of 20%.

Starting in Q4, we provided adjusted EBITDA for both the U.S. and international operating segments.

In Q4, U.S. segment adjusted EBITDA was \$4 million or 3.3% of revenue, a \$4.8 million improvement year-over-year driven by expanding gross margin and strong operating expense leverage. International segment adjusted EBITDA loss was \$3 million in Q4 2024, compared to a loss of \$2.1 million in Q4 2023 due to investments in sales and technology to drive further scale in Europe and Asia Pacific.

At the end of the fourth quarter, cash and cash equivalents and marketable securities were \$240 million, increasing \$5.8 million from Q3 2024. The increase in cash was driven by positive adjusted EBITDA of \$1 million, CapEx of \$4.5 million, and positive changes in working capital as we aligned our partner payments more closely with receivable days. We are focused on improving working capital efficiency and cash flow conversion given our asset-light model and limited capital spending.

Q4 demonstrates the ability of our AI-powered marketplace to deliver strong gross margin expansion and gross profit growth. We remain focused on operating expense discipline while investing in our growth initiatives. In 2024, we delivered 22% year-over-year incremental adjusted EBITDA margin. As we scale towards \$1 billion of revenue, we expect continued 20%-plus incremental adjusted EBITDA leverage. Given our large market opportunity and low penetration rates, we will continue to balance investing in the future with driving operating leverage.

Now moving on to guidance. For the first quarter, we expect revenue in the range of \$147 million to \$149 million or 20% to 21% growth year-over-year, an acceleration from 16% in Q4 2024. We estimate that the stronger U.S. dollar will negatively impact Q1 revenue by approximately \$1 million on a year-over-year basis.

We expect Q1 marketplace growth to be approximately 24% to 26% year-over-year, an acceleration from 20% in Q4 2024. As Randy mentioned, 2025 is off to a strong start. We expect Q1 supply services to be approximately flat quarter-over-quarter.

In early 2025, in the face of volatile global trade policies, we accelerated our global sourcing strategy, including scaling up suppliers in different geographies. As we ramp up order volume in these geographies, this investment has temporarily dampened gross margin in Q1 on a quarter-over-quarter basis. We expect marketplace gross margin to improve into Q2 and continue to expect marketplace gross margin to expand year-over-year in 2025.

In Q1, we expect adjusted EBITDA loss of approximately \$1.5 million, compared to a loss of \$7.5 million in Q1 2024. We expect Q1 incremental adjusted EBITDA margin to be approximately 22% to 24% year-over-year. In Q1, we expect stock-based compensation expenses, including related payroll taxes, to be approximately \$8 million to \$9 million or approximately 6% of revenue. We expect overall revenue growth in 2025 to exceed 2024 growth. Based on FX rates, quarter-to-date, we estimate that the stronger U.S. dollar could impact revenue by approximately \$4 million in 2025 on a year-over-year basis.

For the full-year 2025, we expect marketplace growth of at least 20% across each quarter driven by our growth initiatives in our large fragmented market. We expect supplier services to be down approximately 5% to 10% year-over-year. We remain focused on driving marketplace gross profit dollar growth through the combination of top line growth and gross margin expansion. And lastly, we expect to be adjusted EBITDA positive for the full-year 2025 and expect incremental adjusted EBITDA margins of approximately 20% for 2025.

I want to close by thanking our dedicated Xometry team members around the world. Their commitment to our buyers and suppliers is instrumental to our continued growth and core to our mission of digitizing manufacturing.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Please stand by while we compile the Q&A roster.

Eric Sheridan, Goldman Sachs.

Eric Sheridan - Goldman Sachs - Analyst

Thank you so much for taking the questions. Two if I could. Coming back to the priorities you laid out, talk a little bit about how we should be thinking about the pathway to that kind of penetration or mix from international in the years ahead. What needs to be built? What needs to be scaled? How do you think about that mix of your revenue internationally continuing to evolve towards the numbers you pointed out there? And then maybe just a quick second one, you threw out multimodal AI and how it might capture more of the buyer process and improve friction and conversion of the buyer process as well. Can you talk a little bit about the building blocks of getting from where we are today to multimodal AI helping the buyer process? Thank you.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Hey Eric. It's Randy. Good morning. So we talked about the international, we expect that to be about 30% to 40% of our marketplace revenue, sort of consistent with what you see with other global marketplaces. I think there's twofold. One, in EMEA, we've had some strong growth. We expect that growth to continue. And even though we've gone from, back in 2019, \$1 million of revenue to now \$100 million run rate in the last 12 months. There's still lots of room to grow on EMEA. And then in Asia Pac, it's still early days there. We did call out today that we think that's going to make a more meaningful impact in 2025, and we expect that to also play a bigger and bigger role in our international growth.

In terms of your question about the multimodal, just today, when somebody gets an instant quote on the Xometry site, they upload a 3D CAD file and we need that CAD file to generate the quote. As we move to a multimodal model, customers would have the ability to upload a file, a flat file or a drawing, and they get an instant quote from that versus just using a 3D CAD file. So in the world of manufacturing, there are still many parts that aren't done in 3D CAD. There are millions of 3D CAD users, but there are still many parts, particularly legacy parts, that there's just a drawing. And this just will open up a large universe of things that can get instant quote in our site. It will reduce friction, it's more profitable for us, and it's a better customer experience.

Eric Sheridan - Goldman Sachs - Analyst

Great. Thank you.

Operator

Cory Carpenter, JPMorgan.

Cory Carpenter - JPMorgan - Analyst

Good morning. Thanks. Randy, I had one for you and James maybe a follow-up for you. So Randy, you mentioned a few times 2025 off to a strong start, just hoping you could expand a bit on what you're seeing in the broader manufacturing environment and how the changing tariff landscape is impacting your conversations with buyers and suppliers. Thank you.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. So I think a couple of things. One is, and we sort of talked about this in the transcript, we're seeing increasing success in our enterprise segment of our business. I think first, it's reaction from our customers from our technology Teamspace. We've been adding more and more features to that. That is being very well received by all of our customers, but particularly our enterprise customers. And also our integrations with ERP systems and our 3D CAD add-ins. So that's very powerful reducing frictions. Our enterprise customers are really embracing those. We're seeing wonderful growth there.

And then also in this volatile environment, there is a push for safety. And for our customers in this heavily fragmented market which has historically been dominated by small local manufacturers, the fact that Xometry is a company that we have a technology backbone, we have strength that's increasingly appealing to customers across many verticals.

Cory Carpenter - JPMorgan - Analyst

Thank you. And James, you mentioned in your 1Q guidance comments that you were accelerating global sourcing strategy given the uncertainty. Could you just talk about that, expand on that a little bit more and how that's impacting your 1Q guide? Thank you.

James Miln - Xometry Inc. - Chief Financial Officer

Thanks, Cory. So we're excited about the growth ahead. In Q1 here, we're guiding to marketplace growth of 24% to 26%. So we're seeing, as Randy was saying, good penetration with enterprise accounts, good momentum there. As part of our strategy, it's been expanding our supplier network. We've got to nearly 4,400 supply network globally. We've been expanding that into different geographies; we've talked about India, Turkey. And so we continue to do that. But we've accelerated some of that and the volume going to those two geographies in Q1. And that's having some dampening impacts on a quarter-over-quarter basis to our gross margin. And that really is -- we wanted to highlight that because in terms of our guide of \$1.5 million loss of adjusted EBITDA, that's a component of that. We expect this as our algorithms pick up on the data and the supplier network. It will continue to help us improve our gross margin from Q1 into Q2. And continue to expect us to have healthy gross margin improvement over the year. And really, this is all about driving gross profit dollars. I mean, at the end of the day, the combination of data with our strong supplier network enables us, Xometry, well-positioned as a flexible, resilient network in this environment to be a great solution to our customers and to drive gross profit dollars up.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

And Cory, this is Randy. Let me just jump in with a couple of extra things as well. So just to remind everybody, in Q1 of last year, we lost \$7.5 million on an adjusted EBITDA basis. So this is an incremental adjusted EBITDA margin of approximately 23%, at the midpoint of our of our guidance. And also just to what James picked on, we think this will be temporary in the first quarter and we expect that you'll see in 2025 a higher growth margin, both from a margin perspective and obviously from a dollar perspective than you had in '24. So it was an investment that was worthwhile making in the first quarter. And as I said, the year is off to a strong start. And we'll continue to reap benefit from that as the year progresses.

Operator

Brian Drab, William Blair.

Brian Drab - William Blair - Analyst

Good morning. Thanks for taking my questions. I was wondering if you could give us any sense for how order growth has been in the fourth quarter of 2024 overall? And any insight into the difference between order growth and increases in price?

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Brian, usually, we don't talk about order growth per se. I do want to point out that we had a record number of add for 2024 of active buyers of over 3,400, so that was a record quarterly add for us in 2024. So we're seeing an expanded base of buyers. And so we're seeing growth in orders, obviously. But we're also seeing growth in particularly enterprise and other segments of our business. So I'd say across the board, it's been strong. And as I indicated in the call, Q1 of '25 is also off a strong start as well. So it's been good.

Brian Drab - William Blair - Analyst

Right. So just to be clear, orders have been growing well in 2024 and you're expecting -- when you say first quarter '25 off to a strong start, does that include expectation for strong orders year-over-year?

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. We grew orders obviously in Q4. And we're growing orders in Q1. I mean, again, we don't report our order growth specifically, Brian, but yes, we're growing our order count. And again just to point, in Q4, the record add of active buyers in the fourth quarter for the year. So yeah, we're seeing strength across the board.

Brian Drab - William Blair - Analyst

Okay. Great. I mean, it's just obviously still generally a very tough industrial environment, tough macro environment. So when that gets better, I imagine the orders will accelerate. And then just, I wanted to ask about Thomas. Can you talk about the relationship between Thomas and the legacy business a little bit and where we stand now? Is Thomas creating leads for Xometry's rapid quoting? It just feels like when we're talking about it and the opportunity that we're talking about Thomas, it's somewhat separate from the legacy business today.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. And Brian, I do want to just report back, I mean, let's be clear, in Q1, we are guiding accelerated revenue growth at 20%, 21% from where we were in the fourth quarter and then marketplace growth of anywhere from 24% to 26%. So again, just going back to your original question between orders and new customers and enterprise customers we're seeing great growth on the marketplace side in terms of our revenue growth, not only in Q4, but what we're expecting in Q1.

And Thomas, we do get some referrals. We do have a long term plan about more synergies between the Thomas platform and the Xometry platform. But right now, our focus is on the integration of the new ad server and the technology. So that's our focus right now. We want to get higher penetration. We're only about 1% of the listers on the Thomas site are advertisers. It's a very high margin business for us. So as we think about prioritizations, let's get that technology integration completed. Let's ramp up that number. And then we will, of course, turn to those synergies and integrations with the broader Xometry ecosystem.

Brian Drab - William Blair - Analyst

Right. Makes sense. Okay. Thanks, Randy.

Operator

Ron Josey, Citi.

Ronald Josey - Citi - Analyst

Great. Thanks for taking the question. Randy, you talked in the opening remarks about progress and land-and-expand and focus on increasing penetration to your core accounts this year. We'd love to understand how the changes you made to improve the selling motion have driven that and/or just expanding the marketplace menu has helped to drive that. You can unpack the difference between changes in sales function and marketplace menu. That would be really helpful.

And then James, I want to understand gross margins a little bit more. Understood the investments and volumes going to new geographies, and that's impacting 1Q. I wanted to hear what gives the confidence that we'll see margins improve. I understand scale and everything else. But I wonder if you're seeing any improvements thus far in these new GOs that that give you confidence in gross margins expanding. Thank you.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. Ron, let me jump on that first question. So when we talk about our success so far with enterprise, we mentioned in the remarks about segmentation. So we've been investing all last year. We talked about investing in our enterprise sales team as well as the technology tools which are critical Teamspace, it's ERP integrations, it's the CAD plug-in. So that whole package, married together with this increased segmentation of our sales team and making sure that we're taking it as an economic approach to this. So really applying those resources to those enterprise accounts. We called out a number of accounts now with more than \$500,000 of LPM spend and that's a strong number for us. So I think that segmentation, that focus, and the investments that we made throughout 2024 in the enterprise sales team have been reaping benefits for us.

In terms of (inaudible) itself, we did expand that to bending and to cutting. We're constantly adding new materials, new features. And I think when you combine that together with Teamspace and the segmented approach on the sales side and the investments that we've made in enterprise, that's also rolled into greater success on the enterprise side. And we've identified that that can be a huge growth for us -- engine for us moving forward.

James Miln - Xometry Inc. - Chief Financial Officer

And Ron, this is James. So on gross margin, just to remind us, we ended the year Q4 gross margin at a record 34.5%, up 320 basis points year-over-year. We saw fantastic annual progress over the last few years. We've grown our margin by 10 points. That is a combination of us growing out our supplier network, growing out our orders, more data, giving our algorithms more opportunity to match to the right supplier for the right manufacturing. So that's the strategy we're on. We continue to do that. I think what we're seeing right now is in the face of more volatility on global trade policies. We wanted to accelerate into some of our global sourcing. We're scaling up those different geographies a bit faster. And so as we ramp that, as our algorithms learn, then there is a temporary dampening on the gross margin in Q1.

But what gives us confidence is the track record we've had over the last few years of continuing to drive up margin. We know what we're doing here. And we think it's the right thing to do to position us for the full year ahead. And I think that the ongoing, again, development of our supplier network of more data, continuing to improve our marketplace menu and the underlying product is going to continue us on that path of increasing gross profit dollars through a combination of the revenue top line and gross margin improvement.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. And Ron, just to double click on that, again, our marketplace gross margin is not linear quarter-to-quarter. And if you could look at just back to the track record that James referred to, if you look at consistently year-over-year we're growing that gross margin, in 2024, that grew by 2.5 points. So 250 basis points. So we're confident we'll continue to see growth in '25 versus '24. And and you'll see that jump -- increase from Q1 to Q2. And again, if you just look at -- we thought it was a good investment to make. We're still showing incremental adjusted EBITDA margin of 23% versus last year, a loss of 7.5% to just 1.5%, so we think that's well worth it.

Ronald Josey - *Citi - Analyst*

Thank you, Randy. Thank you, James.

Operator

Matt Swanson, RBC.

Matthew Swanson - *RBC Capital Markets - Analyst*

Thank you so much for taking my questions. Two about the current tariff situation. The first I guess would be, are you seeing, specifically in the enterprise segment, them being more proactive or reactive to this very quickly evolving and unevolving landscape? And then in terms of just your conversations with enterprise customers, are you starting to get any sense for how they want to deal, I guess, with the changing tariff landscape?

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

Yeah. I think it's certainly top of mind for many customers. And for them, it's about risk mitigation. So that's one of the things that's so attractive about our marketplace, the fact that we're not a vertically integrated manufacturer, but we're an asset-light technology company. So the ability for them to deploy in the different geographies seamlessly with Xometry is very appealing. And again, just going back to our strong Q4 and what we're seeing here in the Q1 with accelerated growth, I think that's certainly appealing to those customers, particularly the larger customers.

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

Yeah. And Matt, I think, at this stage, in terms of like how it's impacting our guidance, it's still early. And so I think we're watching carefully the situation. As you said, I think on our core business, we just feel good about how we finish the year and starting. But I think Xometry is positioned as a flexible and resilient solution. And as we adapt ourselves to be able to service our customers as well and best, then I think we're in a good position here.

Matthew Swanson - *RBC Capital Markets - Analyst*

Thank you. That's really helpful. And then it was nice to see the acceleration from an absolute number of adds for Teamspace. Collaboration tools, in general, seem like they would benefit from some of the complexity of the current environment. Do you think that's any part of the Teamspace acceleration or is it more about awareness of the features that you've added?

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

I think it's probably more about just awareness. And also, as we penetrate deeper in these enterprise customers, we're moving more and more away from single parts to entire assemblies or products. We also gave -- if you look in the earnings deck, we gave some nice examples of some of these larger orders that are coming through the Xometry system. So I think Teamspace just really facilitates that nicely. And as we also mentioned, we've been constantly adding features to it. So I think it's more just reducing friction for the customer, making it easier on reducing risk.

Matthew Swanson - *RBC Capital Markets - Analyst*

Thank you.

Operator

Greg Palm, Craig-Hallum.

Greg Palm - Craig-Hallum - Analyst

Good morning. Maybe just following up on some of the tariff rhetoric. Are you seeing any changes in behavior from your buyers just given what's going on? I mean, whether that's sourcing parts from different geographies and they were previously shipping timelines, anything to note on the buyer side of things?

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. I think there's definitely a much more awareness. And our customers are definitely looking to mitigate risk by using, in some cases, multiple geography. Sometimes it's about switching from international sourcing to domestic sourcing. Sometimes it's about moving into different geographies. And again, we're very well-suited to that and we're meeting our customers where they are. So yeah, I think there's definitely increased awareness there and it's a great opportunity for Xometry.

James Miln - Xometry Inc. - Chief Financial Officer

Yeah. And Greg, our strategy on the global sourcing side and continuing to build that out, obviously, positions us well to, again as Randy said, meet our customers where they are.

Greg Palm - Craig-Hallum - Analyst

And in terms of that sourcing, the supplier network, are you able to give us the proportion of revenue that's currently being supplied or imported from China specifically? And is the whole move to other geographies and focus on investments in countries like India, is that part of what's going on here or is it something different?

James Miln - Xometry Inc. - Chief Financial Officer

Well, we don't break that out. I think though, again, Greg, this is positive in terms of as a global marketplace positioned internationally, by having multiple countries and geographies being able to source and supply, that positions the marketplace to provide the most value to our customers. We're positioned well for being flexible and resilient with any changes. We've seen some initial tariffs. As those progress we're able to input those onto our platform and have those be reflected in our pricing and in the marketplace and help buyers make those decisions. So our strategy here is that we're over 4,300 suppliers at the end of last year, that's been growing very healthily over the last few years, and we'll continue to grow that so that we can offer our customers more choice and flexibility which has always been important but even more so today.

Greg Palm - Craig-Hallum - Analyst

Yeah. Makes sense. All right. I will leave it there. Thanks.

Operator

Josh Chan, UBS.

Joshua Chan - UBS - Analyst

Good morning, Randy James, Shawn. Thanks for taking my questions. Just two quick ones, I guess. You mentioned adding 3,400, active buyers this quarter, I guess what went right in terms of your marketing initiatives? And how do you think about those factors potentially continuing into 2025? And then I guess my second one is on the temporary gross margin headwind in Q1, I guess, what's the confidence that it takes one quarter for the algorithm to learn the new dynamics and that gross margin progresses back to the original track after Q1? Thank you.

Randy Altschuler - Xometry Inc. - Chief Executive Officer

Yeah. So let me jump into both of those questions. So first, I think what you're seeing in terms of new buyers, that record add for 2024 backing new buyers in the quarter is really led by product-led growth, our technology platform, whether it's the United States or Europe or Asia Pac, we're reducing friction, we're making it easier, we're enhancing Teamspace. All these sorts of things. When customers are looking for solutions, technology-led ones in our marketplace are very, very appealing and very differentiated from what they would normally find. So I think that those investments we've been making in technology over the years are really paying off. I think we're also getting smarter about our marketing as well as we're thinking about more personalization, higher segmentation, that's also reaping benefits.

In terms of the gross margin in Q1, again, we expect to grow '25 over '24. We've done that every year. We don't expect it to be a big deal going in the Q2 because we've consciously made this investment, so it's an incidental thing. But we do see that customers want to -- in the face of this unsteady environment, they want to be deeper in certain geographies, and so we made that investment. But it's a conscious decision. And we're very confident that we'll see a nice uptick right away in Q2 and continue that trend that you've seen every year now since we went public, a growing gross profit margin.

Joshua Chan - UBS - Analyst

Great. Thank you for the call and good luck next year.

Operator

Thank you. I am showing no further questions at this time. Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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