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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Xometry Q2, 2023 Earnings Call. (Operator Instructions). Please be advised today's conference is being recorded. I would now like to hand the conference over to your speaker today, Shawn Milne. Vice President of Investor Relations. Shawn, please go ahead.

Shawn Christopher Milne - *Xometry, Inc. - VP of IR*

Good morning, and thank you for joining us on Xometry's Q2 2023 Earnings Call. Joining me are Randy Altschuler, our Chief Executive Officer; and Jim Rallo, our Chief Financial Officer. During today's call, we will review our financial results for the second quarter of 2023 and discuss our guidance for the third quarter and full year 2023.

During today's call, we will make forward-looking statements, including statements related to the expected performance of our business, future financial results, strategy, long-term growth and overall future prospects. Such statements may be identified by terms such as believe, expect, intend and may. These statements are subject to risks and uncertainties, which could cause them to differ materially from actual results. Information concerning those risks is available in our earnings press release distributed before the market opened today and in our filings with the U.S. Securities and Exchange Commission, including our Form 10-K for the year ended December 31, 2022, and our Form 10-Q for the quarter ended June 30, 2023, that will be filed later today.

We caution you not to place undue reliance on forward-looking statements and undertake no duty or obligation to update any forward-looking statements as a result of new information, future events or changes in our expectations. We'd also like to point out that on today's call, we will report GAAP and non-GAAP results. We use these non-GAAP financial measures internally for financial and operating decision-making purposes and as a means to evaluate period-to-period comparisons. Non-GAAP financial measures are presented in addition to and not as a substitute or superior to measures of financial performance prepared in accordance with U.S. GAAP. To see the reconciliation of these non-GAAP measures, please refer to our earnings press release distributed today in our investor presentation, both of which are available on the Investors section of our website at investors.zoometry.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.

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

Thanks, Shawn. Good morning, everyone, and thank you for joining us for our Q2 2023 earnings call. In Q2, we had the highest revenue and gross profit in Xometry's history, beating our previous highs from Q1 of this year. In addition, we continue to improve our operating leverage reducing our adjusted EBITDA loss in Q2 from Q1 by 26% or $3.1 million.

Let's start with revenue. We grew revenue 16% year-over-year including stronger-than-expected 24% year-over-year growth in marketplace revenue. The underpinnings of this growth include 44% year-over-year growth in active buyers as well as existing accounts contributing 96% of the marketplace revenue in Q2. Q3 has started strong with continued momentum in marketplace growth. We expect marketplace growth of 30% to 33% in 2023. In addition to excellent order growth, we're seeing strength in large orders, including the largest multiyear production order in our history.

Next is gross profit. We grew gross profit by 16% year-over-year, including strong 34% growth year-over-year in marketplace gross profit. Marketplace gross margins were 31.7% and an all-time high by 130 basis points and an increase of 290 basis points from Q1. Supplier Services gross margins were 79.8%, an all-time high by 50 basis points and an increase of 240 basis points from Q1. In the second half of 2023, we expect the gross margins both marketplace and supplier services to be higher than those in the first half of the year.

Finally is our adjusted EBITDA. As I noted earlier, in Q2, we continued to improve our operating leverage, reducing our adjusted EBITDA loss from Q1 by 26% or $3.1 million. This is a result of higher revenue and gross profits and cuts that we've been making in our fixed costs. As our CFO, Jim Rallo will discuss further in his remarks, in Q2, we reduced our workforce by approximately 4% and consolidated our office space. Combined with the reduction in force we had in Q1, our operating leverage is improving. In Q3, we expect to see further leverage as we continue to reduce fixed costs and shift more of our operating expenses to be commensurate with the revenue and gross profit.

Using AI machine learning, Xometry is empowering our 48,000-plus customers to build parts to their critical components in next-generation industries from satellites and rockets to medical devices to electric vehicles to robotics. Equally important, our digital marketplace and suite of cloud-based solutions are enabling the long tail of the internet to finally reach thousands of small and medium-sized manufacturers in the United States and around the world. For our marketplace, our AI-powered algorithms generate instant prices and lead times and optimize the match between buyers and suppliers. Xometry helps buyers significantly reduce their time to market and strengthen their supply chains. Likewise, we help small and medium-sized manufacturers fill their capacity with work that can boost their growth and profitability.

Over the past few years, we've been rapidly growing our network and expanded our marketplace globally. At the same time, we've made significant investments in product development and technology infrastructure and selective acquisitions. We now offer tools to digitize work for both buyers and suppliers as well as provide software and information for customers to improve decision-making and increase efficiency. With our market-leading position and increasingly global footprint and a total addressable market of $2 trillion, we expect to continue to grow rapidly for many years to come.

In Q2, revenue increased 16% year-over-year to $111 million. Q2 Marketplace revenue was $93.5 million, 24% year-over-year growth. We saw strong demand across many verticals, including general manufacturing, energy, aerospace and robotics. Growth was strong across all key processes, in particular, injection molding. Recent investments in technology, people and processes have sharpened our injection molding offering and we are beginning to reap the fruits of these efforts with increasing conversion rates and expanding pipeline of business.

Supplier services revenue was $17.5 million, down 13% year-over-year. In May, we exited the supply as part of our U.S. Supplier Services segment, which reduced revenue by $1.7 million on a year-over-year basis in Q2. This move enhances Supplier Services gross margin and improves our operating leverage going forward. Jim will outline in more detail the impact of this move later in the call. Within Supplier Services, our core marketing services revenue remained stable and we are expanding the advertising ecosystem on the platform. Gross profit increased 16% year-over-year to $43.6 million, driven by 34% growth in Marketplace gross profit. Q2 Marketplace gross profit increased 19% quarter-over-quarter.

AI is at the heart of our operations, allowing our marketplace to learn from every interaction. Our machine learning algorithms gives us unique insight into 3D design data and other important variables that are critical to providing accurate and instant quotes for an ever expansive universe of parts, processes and finishes, as well as particularly complicated multipart jobs. Additionally, we continue to rapidly expand our supplier base, enabling our AI to provide the optimal match for both our buyers and suppliers. These are the critical drivers of our marketplace gross profit growth. Active Buyers increased 44% year-over-year to 48,294. We are delivering strong active buyer growth, both in the U.S. and internationally.

Since Q1, we've increased our marketing efficiency in part because of our strong growth in organic search. We are balancing our advertising investments against profitability goals. Active Paying Suppliers grew 5% year-over-year in Q2 2023 to 7,553 as we continue to build out the Thomas marketing ecosystem, including growth in self-serve customers. Exiting the business of selling tools and materials impacted year-over-year growth of active paying suppliers by approximately 300 basis points. International revenue grew 96% year-over-year driven almost entirely by the growth in our European business.

International revenue grew 36% quarter-over-quarter, driven by strong growth in existing European markets and early progress we are making in the U.K. At the same time, we continue to invest in our China and Turkish platforms. In Q2, we made significant progress on our 5-point strategic plan that we outlined in early 2023. As a result, we again delivered strong sequential growth in marketplace revenue, marketplace gross margins and reduced our adjusted EBITDA losses. For the second half of 2023, we expect to remain in strong growth mode and deliver healthy marketplace revenue, marketplace gross profit growth and improving operating leverage.

Here's a brief update on our 5-point strategic plan. One, we refocused sales efforts on our top 200 accounts, which represented approximately 50% of 2022 U.S. marketplace revenue. The collective spend of these 200 accounts on manufacturing far exceeds Xometry's current marketplace revenue. In early 2023, we redirected salespeople and customer support to them. Given the higher spend we have with these accounts and the potential to grow that spend significantly in the years to come, we are pushing deeper and wider into them. Accounts are increasingly engaging us to support their production business and to manage their tail spend. While the sales cycle for these efforts are longer, the potential spend from these transactions is significant.

In late Q2, we expanded the functionality of the Xometry platform with Teamcenter. Teamcenter allows teams of engineers and procurement professionals within an organization to collaborate and manage manufacturing supply chain projects on Xometry's marketplace. Teamcenter moves the Xometry marketplace from a focus on individual buyers and individual parts to teams managing supply chain projects. Teamcenter provides a suite of tools that enables customers to increase productivity and efficiency by providing real-time order status and other data across the organization. In early Q3, we began beta testing with some large enterprise customers. The early feedback is positive, and we expect to enable this functionality across our top 200 premium accounts in coming months. For Xometry, Teamcenter provides the opportunity to improve cross-selling and engagement with our top accounts.

Weston Norris has joined Xometry as our Senior Vice President of Enterprise Sales. West has strong enterprise sales experience, most recently as the Head of Strategic and Enterprise sales at ZoomInfo. Additionally, Weston, several years at Salesforce, including leading the large enterprise business in industrial technology where he built out the Salesforce practice in the manufacturing sector.

Two, in Q2, we made further progress expanding our marketplace menu. As we grow the number of processes, materials and finishes, we can offer our customers, we are increasingly able to serve as their one-stop destination. In Q2, we expanded the AI-powered Xometry Instant Quoting Engine to include instant quoting of inserts, multipart assemblies and expanded sheet cutting processes. The enhanced features allow buyers to instantly get pricing and lead times on CNC, sheet metal and sheet-cut parts with standard inserts while also analyzing multipart assemblies further accelerating Xometry's assembly production work. This expansion also delivers expanded sheet cutting options to include a wide array of metal, composite and rubber materials. Xometry's sheet cutting service can cut a variety of materials using the latest laser and waterjet cutting technologies.

Three, we continue to expand aggressively internationally. We delivered strong growth across Europe with increasing brand awareness. Additionally, customers and orders are ramping at a solid pace in recently launched markets in the U.K. and Turkey. In Q2, Xometry Asia, in collaboration with Alibaba Group's 1688.com, launched our instant quoting technology on 1688's B2B wholesale marketplace. Xometry's AI-powered Instant Quoting Engine is the sole provider of real-time pricing and lead times for custom parts on 1688.com. Product development efforts continue to further embed the Xometry technology into the customer journey, including the widely used 1688 mobile app. Through xometry.eu, xometry.uk and xometry.asia, we have leveraged Xometry's core technology to provide localized marketplaces in 13 different languages with networks of suppliers across Europe and Asia as well as North America.

Four, in Q2, we introduced, enhanced and continued to drive adoption of new products, including the Teamcenter, Workcenter and industrial buying engine platforms increasing our footprint with both buyers and suppliers and enabling us to scale cost effectively. For our suppliers, we continue to enhance Workcenter, the SaaS-like operating system that is the digital foundation for manufacturers. In Q2, we rolled out support for custom production workflows and improved notification experience. In Q3, we will continue to expand Workcenter capabilities, including job scheduling and accounting integrations. We are also focusing on improving the overall experience for suppliers, reducing the effort required to accomplish their daily tasks.

For partners doing work on behalf of the Xometry Marketplace, we are investing in features that provide Xometry with better insight into the status of ordered parts. For buyers, we continue to improve the industrial buying engine. The industrial buying engine digitizes the cumbersome and time-consuming request for quote process, taking what was once off platform and integrating it into the heart of thomasnet.com. In Q2, we further streamlined the IBE experience, making it even easier for buyers and suppliers to communicate and transact using IBE. Suppliers can now send quotes and transact with buyers using IBE regardless of whether the buyer discovered the supplier on ThomasNet. While the revenue from the industrial buying engine transaction fees in thomasnet.com are not yet a significant revenue stream, as we more tightly integrate with our instant quoting engine, we can increase our buyer share of wallet and be their one-stop shop. We continue to modernize the advertising products and expand self-serve options on thomasnet.com platform, making it easier for suppliers to start their advertising journey.

In Q2, we expanded our self-serve offerings to include advertising subscription packages bundled with video. In the second half of 2023, we're making further investments to move to a pay-for-performance advertising model on thomasnet.com. In addition, we continue to improve the relevancy and match quality of search results. As we upgrade our search capability, we expect to see a higher level of buyer engagement, enhancing the opportunity for search monetization. This will help drive growth of our higher-margin supplier services as well as boost use of the industrial buying engine. In Q2, Kassandra Webb-Galarza joined us as the new VP of Supplier Services sales. Kas is an accomplished sales executive with extensive experience with online marketplaces, including Vacasa and HomeAdvisor. Kas spent 16 years at HomeAdvisor and held key sales leadership roles.

Five, we are continuing to increase efficiency and reduce expenses across our organization. In Q2, we reduced our adjusted EBITDA loss by $3.1 million from Q1, driven by strong growth in marketplace gross profit and improved operating leverage. As I previously mentioned, we exited the supplies business in the U.S. in May, which will improve supplier services gross margin and lower operating expenses. We also consolidated office space and made an additional targeted reduction in our workforce in Q2. We are finding additional savings, including fixed costs to continue our progress throughout the year to help Xometry become adjusted EBITDA positive in Q4 of 2023. Jim will provide more context to these changes later in the call.

For Q3, we expect our momentum to continue and to remain in strong growth mode as we accelerate market share gains. The continuing shift in custom manufacturing to digital is inevitable. Xometry, as a leading provider of vertical technology solutions from our 2-sided global marketplace to software, information, marketing and analytics products is well positioned to drive and benefit from this massive shift. As the co-founder and CEO of Xometry, I've never been more optimistic about the future of our company. We are steadily and methodically executing on our vision of becoming the de facto digital rails for custom manufacturing. The opportunity is giant, and we are confident we will be one of the winners.

With that, I'll turn the call over to our CFO, Jim Rallo, for a closer look at second quarter financial results and business outlook.

James M. Rallo - *Xometry, Inc. - CFO*

Thanks, Randy, and good morning, everyone. As Randy mentioned, Q2 was a record revenue and gross profit quarter for Xometry. Q2 revenue increased 16% year-over-year to $111 million, driven by strong marketplace growth. Q2 Marketplace revenue was $93.5 million and Supplier Services revenue was $17.5 million, reflecting the discontinuation of the sale of supplies in the quarter. On our Q1 call, we indicated that given the significantly low gross margin of selling tools and materials to our manufacturing partners, we were not going to proactively offer this service. In Q2, we discontinued the sale of them altogether and made staffing changes accordingly, which will result in better profitability for Xometry.

Q2 Marketplace revenue increased 24% year-over-year driven by a strong growth in the number of active buyers, partly offset by lower average revenue per buyer on a year-over-year basis. Our active buyer and order growth were much stronger than reported revenue growth in Q2. Q2 active buyers increased 44% year-over-year to 48,294 with 3,578 new Active Buyers. In Q2, the percentage of revenue from existing accounts was 96%, underscoring the efficiency and transparency of our business model that leads to increasing account stickiness and spend over time. Once an account joins our platform, we aim to expand the relationship and increase engagement and spending activities from the account over time. The number of accounts with the last 12 months spend of at least 50,000 on our platform reached 1,159 at the end of Q2, up 30% year-over-year.

Supplier services revenue declined 13% year-over-year in Q2. We discontinued the sale supplies in the U.S. in the middle of Q2, which negatively impacted Supplier Services revenue by approximately $1.7 million. Our core Thomas Marketing Services revenue remained stable in Q2. Part of our strategic plan for 2023 is to modernize the thomasnet.com advertising platform and expand the self-serve marketing products on it. We expect these efforts to grow the number of digital marketing customers and to reduce the sales costs associated with acquiring them, providing additional operating leverage of our sales and marketing spend. The number of active paying suppliers for Q2, 2023 was 7,553 on a trailing 12-month basis, an increase of 5% year-over-year. The exit of the supplies business impacted year-over-year growth by approximately 300 basis points. Active paying suppliers is the number of suppliers who have purchased one or more of our supplier services including digital marketing services, data services, supplies or financial services during the last 12 months. We believe this KPI will help investors to better understand how we operate the supplier services segment and track its performance.

Q2 gross profit was $43.6 million, an increase of 16% year-over-year. Total gross profit margin was 39.2%. Q2 gross margin for marketplace was 31.7%, up 250 basis points year-over-year and 290 basis points quarter-over-quarter. Q2 Marketplace gross profit increased 34% year-over-year. We are focused on driving marketplace gross profit dollar growth. Q2 gross margin for supplier services was an all-time high of 79.8%, driven by the high gross margin of Thomas Marketing and advertising services and growing financial services. Supplier Services gross margin increased 240 basis points quarter-over-quarter due to the discontinuation of the sale of supplies, which carried a significantly lower gross margin.

Moving on to Q2 operating costs. Q2 total non-GAAP operating expenses increased 14% year-over-year to $52.5 million, driven by continued investments in the business and public company costs. In Q2, we took further actions to reduce operating expenses with a 4% reduction in workforce on top of the 6% previously announced in Q1. Additionally, we consolidated office space, lowering our office lease expense by $2.7 million on an annual basis. These actions will further aid in our path to profitability in the second half of 2023. We are balancing these fixed cost reductions with important investments in our international and enterprise sales teams. Within our operating expenses, sales and marketing is our largest component.

In Q2, non-GAAP sales and marketing expenses were $20.5 million, excluding stock-based compensation and amortization and restructuring charge. Non-GAAP sales and marketing expenses increased 14% as compared to $18 million in Q2 2022. This increase in non-GAAP sales and marketing expenses on a year-over-year basis was driven by continued investment to expand our network of buyers and suppliers and hiring of additional sales people to support strong growth in our land and expand strategy. We delivered strong growth in new Active Buyers in Q2, leveraging increasing brand awareness and efficient marketing spend as advertising spend declined approximately 4% year-over-year.

Q2 adjusted EBITDA loss was $8.7 million or 7.8% of revenue compared with 8.7% of revenue in Q2 2022. Q2 adjusted EBITDA excludes $8.7 million of lease abandonment costs as we consolidated office space in Q2. Additionally, Q2 adjusted EBITDA excludes restructuring costs of $0.7 million for the reduction in workforce and $0.6 million associated with the exit of supplies. These moves are part of our strategic focus to improve operating leverage and path to profitability.

Turning to segment reporting. In Q2, revenue from our U.S. and international operating segments was $95.4 million and $15.6 million, respectively. Segment loss from our U.S. and international operating segments for Q2 was $22.9 million and $3.6 million, respectively. We continue to invest in our international business which grew revenue 96% year-over-year in Q2. At the end of the second quarter, cash and cash equivalents and marketable securities were $286.1 million.

Now moving on to guidance. We expect Q3 2023 revenue in the range of $119 million to $121 million, representing year-over-year growth of 15% to 17%. We expect Marketplace revenue growth to remain strong in Q3 2023. We expect the exit of supplies to impact Q3 2023 revenue by approximately $2 million. Year-over-year growth, excluding supplies is expected to be 17% to 19%. We expect Supplier Services gross margins to improve in Q3 quarter-over-quarter, reflecting the higher margin Thomas Marketing Services and FinTech revenue and the discontinuation of the sales of supplies.

In Q3, we expect adjusted EBITDA loss to be in the range of $5.5 million to $6.5 million, a significant 25% to 36% improvement quarter-over-quarter. Q3 adjusted EBITDA loss will be lower quarter-over-quarter, driven by sequential growth in marketplace revenue, improving marketplace gross profit and further measures to tighten operating expenses, particularly fixed cost. In Q3, we expect stock-based compensation expense to be approximately $5 million to $6 million, which we will exclude from adjusted EBITDA. As Randy mentioned, we expect robust marketplace growth and gross profit growth in 2023.

We expect Marketplace revenue growth of 30% to 33% for the full year 2023. We are adjusting 2023 revenue guidance to $464 million to $474 million from $470 million to $480 million to reflect the discontinuation of the sale of supplies in the U.S. which will impact revenue by approximately $6 million on a full year basis. We do not expect this to have a material impact on gross profit dollars. We expect to be profitable on an adjusted EBITDA basis in Q4 2023. We expect significantly improved operating leverage in the second half of 2023, driven by strong marketplace revenue growth and higher gross profit margins on both marketplace and supplier services on a year-over-year basis. We expect significant leverage over fixed and semi-fixed costs, such as our public company costs. At the same time, we have reduced operating expenses not directly related to generating revenue or gross profit, setting the stage for stronger operating leverage through 2023 and into 2024.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). And our first question comes from Eric Sheridan from Goldman Sachs.

Eric James Sheridan - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Maybe two, if I could. First just away from some of the growth initiatives you laid out, how would you characterize the broader macro environment that you're seeing, whether you want to characterize it by certain geographies or industry verticals. Curious what's happening in the environment broadly away from some of the growth initiatives since you sort of had laid out? And then coming back to the strategy laid out, how should we be thinking about the implementation of that strategy around time line of implementation and what you're most excited about in terms of inflecting either buyer growth or spend per buyer?

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

Yes, thanks for the question. So as we talked about, Q3 is off to a strong start and marketplace momentum is continuing. And as we talked about in Q2, we're seeing strength across industries and across our manufacturing technology as well, particularly injection molding. And we've been making, as you know, investments as part of a 5-point plan, and we're increasing the breadth of what we can offer on our platform. So while I can't speak the overall macro, and we're not baking in any improvement in the macro on our numbers, we're seeing some strong momentum not only in Q2, but Q3 is also off to a strong start.

Shawn Christopher Milne - *Xometry, Inc. - VP of IR*

Yes. And Eric, it's Shawn. I would just add too, and we talked a lot about international. Very pleased with growth in Europe. We were up 96% year-over-year. And as you know, we launched a couple of new markets early in the year in the U.K. and Turkey, and we're pleased with the early ramp there. So we expect to see strong growth in international to continue.

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

And then also, Eric, I know -- your question -- your second question about our spend per buyer. One of the things we talked about in the call earlier was we're expanding what we can offer our customers. We bring broadly the things that are offered in the Xometry Marketplace. Likewise, we talked about this new initiative, new product we've got able to work with teams of engineers and procurement professionals on projects. As Xometry has historically been much more focused on individuals, this new initiative working with teams, and we're successfully piloting that with a number of large organizations and we expect to expand that to our 200 largest accounts in the coming months. We think that will not only help us go deeper with our customers, but also we'll be able to expand the number of users within those organizations as well.

Operator

Our next question comes from William -- from Brian Drab from William Blair?

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

Brian, we can't hear you.

Shawn Christopher Milne - *Xometry, Inc. - VP of IR*

Why don't we try the next question operator?

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

Put Brian back in the queue. We'll just try next question, please. Operator, can we go to the next question, please.

Operator

Our next question comes from Ron Josey from Citi.

Ronald Victor Josey - *Citigroup Inc., Research Division - MD and Co-Head of Tech & Communications*

I had two. Maybe, Randy, a follow-up to the active buyer, then for active buyer trends, I wanted to ask specifically just about the growth of new active buyers. And I understand 96% of revenues from existing accounts, but just talk to us about the ramp of newer active buyers? Are you seeing similar trends as in the past, just given the growth we've seen in the expansion of new buyers coming to the market, any insights on cohorts, et cetera, would be helpful.

And then just on gross margins, obviously, it's great that we've seen that expand since really quarter-to-quarter since 4Q. But do we still expect the same guidance for 2024 mid 30-plus percent gross margins for Marketplace?

Shawn Christopher Milne - *Xometry, Inc. - VP of IR*

I'll just take the buyer growth. I mean we continue to see very strong growth in new active buyers. The one thing we did call out this quarter, we were balancing some of our marketing investments. And as Jim said in his script, our advertising spend was actually down 4% year-over-year, but our marketing is becoming more efficient. We're seeing strong growth in the organic search. So very healthy across the active buyer front. But again, we were balancing our ad spend this quarter a bit.

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

Yes. And I think just to add to that, Ron, when you look at the -- when you talk about the new cohorts, we're very excited about the new accounts that we've been bringing on board. We've got a slide in the deck where we talk about our cohort analysis. And as you've seen the year one revenue from our new cohorts every year has been growing. So that's always very exciting for us. In terms of gross margins, we had our highest -- we went up to 31.7% gross margins for marketplace, a huge jump from Q1. And so there's no change in our guidance next year where we expect that to -- by the end of the year we'll be at 35% 40%.

James M. Rallo - *Xometry, Inc. - CFO*

Yes, Ron, I would say when you look at margins, that the second half of the year margins will be higher than the first half of the year and that will apply both the marketplace as well as seller services. So you'll see seller services margin jump up as we exited the supplies business. So that business obviously carried a much lower margin. With that exit, again, we'll have a better margin in Seller Services.

Operator

Our next question comes from Nick Jones from JMP Securities.

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

Why not kind of the breadth of offerings, you continue to increase the number of processes or the breadth of offerings on the site. How much is that a factor in increasing spend? And how much are you hearing from, I guess, buyers looking for processes or manufacturing processes that are not on the site today.

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

As we continue -- and this also goes into some of the new functionality we have working with teams of not only engineers or procurement professionals, those procurement professionals have multiple kinds of spend underneath them. So they're buying in multiple manufacturing categories. So our ability to expand the menu of what we can offer makes it easier for them. And we're seeing increasing numbers of procurement people who are trying to consolidate spend and if Xometry can offer more of that, we can be more and more of their one-stop shop that's very attractive to them. So -- and we're noticing you know we talked about what we're adding to our menu that is based on feedback that we're getting from our customers, and we have various ways some of that built into our UI, but then tell us what are they looking for that they're not seeing right now. And so then we get that feedback and then we're actively then adding it to our marketplace.

James M. Rallo - *Xometry, Inc. - CFO*

I would just add to that, too, that our ability to do that really continues to be strong because of the suppliers that we have in the Thomas network. So we've got a lot of suppliers in Thomas network that bring capabilities that we haven't had historically in Xometry network. So again, just taking advantage of some of the synergies from that acquisition.

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

Yes. And then just to add on to that also, when you look at our use of AI, our technology that also helps us is very extensible and helps us scale what we can offer as well.

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

Maybe a follow-up on that. I mean, from here, I mean, how should we think about increasing the breadth of the offering? I mean can you double it? I mean, I guess, how much wood to chop is there from here kind of over time?

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

There's a tremendous amount of work. And we're looking at ways to accelerate the number of new processes and technologies that we can offer. So as Jim alluded to, leveraging the tremendous supplier base on ThomasNet and the data that we're getting from transactions they've done with their customers it's helpful for us as we're -- it's going to be expanding the menu. So lots to come.

Operator

And our next question comes from Brian Drab from William Blair.

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

All right. I'm trying a different phone now. I'm on like 3 conference calls at once. So I guess, I found a phone that doesn't work. Can you talk a little bit about what you've learned over the last couple of quarters in terms of the speed with which orders are being received by the supplier base? And what you've learned about how the macro impacts that speed to acceptance and maybe what happens when the macro improves and capacity begins to tighten a little bit across the supplier base?

Shawn Christopher Milne - *Xometry, Inc. - VP of IR*

Yes. Brian, it's Shawn. I mean we -- as Randy talked about, really no change consistent. I mean we're trying to really drive faster order growth. Obviously, as Jim said in his prepared remarks, I mean, our order growth and buyer growth, as you know, are much stronger than our revenue growth. And we put forth our plan to really execute in our business and drive strong order growth no matter what's happening in the macro. We're seeing -- if you look at the ARPU quarter-over-quarter, it's stable. So that's kind of where we see it right now, but our plan is to execute under different environment. So that's what we're working on.

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

Okay. And early on, you talked about -- you showed us some information regarding profitability for the company domestically versus in the international business and the international business is doing really well in terms of quarter-on-quarter growth, more than 30% again this quarter. Can you comment at all about are we actually at like EBITDA profitable in the U.S. and it's the international piece that is catching up with scale? Or any comment along those lines?

James M. Rallo - *Xometry, Inc. - CFO*

Yes, I'll take that, Brian, it's Jim. So I think, look, in the U.S., we are strong in our adjusted EBITDA profitable at this point in time. As we said, we anticipate that will happen in Q4. And look, there's some good dynamics going on right now if you think about it. So we did have obviously a consolidation of our real estate. We discussed that. We also discussed a smaller RIF in the last quarter. And those things, we didn't really get the benefit of those things. A little bit of benefit in the last quarter, but not very much. So that's going to carry on through the second half of the year. And then again, as I said earlier, we expect our margins in the second half of the year to be stronger both on marketplace and seller services. So I think the increased margin in the second half of the year, the continued growth from both U.S. and international as well as the cost-saving initiatives that we've laid out, we should be able to get there by Q4.

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

Okay. And can I ask one more. Again, I kind of slip between a couple of calls. But I did hear you mention Alibaba. And I think you said there's some software work being done -- as you've explored that opportunity and learned more about that opportunity, can you or have you made any comment around sizing that for us? It just feels like there is nebulous incredible potentially huge opportunity, but I just have no idea how to size this and neither does any investor that's called me. So anything like expectations for 2024 and what kind of revenue you can potentially see from that business?

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

Yes. And Brian, it's Randy again. So two things. One is on the call in our remarks, we talked about we're continuing to expand our integration with Alibaba in particularly on their mobile app. A lot of people are using the mobile so that integration is very important, and we're working actively together with Alibaba to put it into the mobile app. In terms of this year, we continue to expect -- we expect to have continued robust international growth in the second half of the year. But we're not baking in that, that's going to be coming from the Alibaba relationship. It's really driven right now by Europe and the strong growth that we're seeing there. So I think right now, we're -- it's still too early for us to give a readout other than our international segment remains super strong at this point really because of Europe, but we'll see how that can play out. It's a great potential, but we still don't know yet.

Operator

And our next question comes from Matt Hedberg from RBC.

Matthew George Hedberg - *RBC Capital Markets, Research Division - Analyst*

Randy, I think you started out the call or near the top talking about sort of large customer strength and large customer or in fact, I think one -- you had one of your largest kind of production runs. I wanted to maybe drill in a little bit on that, maybe some more specifics there. And how do you think about the pipeline of some of these larger customers?

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

Yes. And just on the -- in my remarks, I mentioned that we had our largest multiyear commitment from a customer in our history. So we're definitely seeing more and more larger orders, and those can be multiple years as we saw in that example. So that does provide a nice pipeline. I think also in recognition of that, we've been making changes in some of our products, our technology products. We talked about this ability that we've got to integrate with teams of engineers and procurement professionals. And those often, as you can imagine, and we're still beta testing there.

But as you can imagine, those often revolve around production projects. Sometimes those are going to be for extended periods of times. And then finally, we talk about strength in injection molding. And those are typically -- those can typically be more on the production side and those tools can be used for multiple years. So that certainly provides a nice outlook on a longer period of time for us.

Matthew George Hedberg - *RBC Capital Markets, Research Division - Analyst*

Got it. And then with bringing Wes in, it sounds like a good background for you guys. Any sorts of -- I mean, how do you think about him perhaps impacting enterprise sales or any sort of changes or just any additional details on that would be helpful.

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

Yes. We're more and this goes back to a question earlier in the call. We're working with organizations about committed spend and involving multiple categories. So folks who come from an enterprise background whether it's software enterprise or others who have deep experience in that. And so we're developing that, investing in that, and we think Wes will be a great leader for our effort -- for those efforts.

Operator

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