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EDITED TRANSCRIPT

XMTR.OQ - Q3 2026 Xometry, Inc. Earnings Call

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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to Xometry's third quarter 2026 conference call. (Operator Instructions) Please be advised that today's conference call is being recorded.

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

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

Good morning, and thank you for joining us on Xometry's Q3 2026 earnings call. Joining me are Sanjeev Singh Sahni, our Chief Executive Officer, and James Miln, our Chief Financial Officer. During today's call, we will review our financial results for the third quarter 2026 and discuss our guidance for the fourth quarter and full year 2026.

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 US Securities and Exchange Commission, including our Form 10-Q for the quarter ended September 30, 2026. 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 financial and operating decision-making purposes and as a means to evaluate period-to-period comparisons. Non-GAAP

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financial measures are presented in addition to, and not as a substitute or superior to, measures of financial performance prepared in accordance with US GAAP.

To see the reconciliation of these non-GAAP measures, please refer to our earnings press release distributed today and 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 Sanjeev.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Thanks, Sean. Good morning, and thank you for joining our Q3 earnings call. Our continued robust growth and stellar Q3 results demonstrate the expanding strength of our AI-native marketplace. Q3 was a record quarter for Xometry across many fronts, including revenue, gross profit, marketplace gross margin, and adjusted EBITDA.

Q3 also marked several major milestones: a $1 billion plus revenue run rate, our highest-ever marketplace gross margin, and our first quarter of GAAP profitability. Q3 revenue increased 40% year over year to a record $252 million, our second consecutive quarter of at least 40% growth. Marketplace revenue increased 43%, driven by broad-based trends across many verticals and increasing buyer adoption. We drove strong structural enterprise growth as we expanded wallet share with large existing accounts.

Our proprietary AI models are effectively optimizing conversion, buyer growth, and market share gains. The strength we saw in Q3 has continued in Q4. We are off to a strong start in the quarter, and are once again raising our outlook for the year. We expect strong compounding growth and operating leverage to continue for years to come.

I will start by reiterating the fundamental thesis of our long-term growth. We have penetrated less than 1% of our massive $275 billion custom manufacturing TAM. This is a market that remains largely offline today, still run on email quotes and multi-day turnarounds. The majority of it is still sourced within 30- to 50-mile radius of the factory floor.

To me, the gap is the opportunity. We are in the opening innings of a digital transformation, and our ability to capture the massive untapped opportunity gives us strong confidence in our long-term growth trajectory. Our marketplace is well-positioned to capture this demand. The three consecutive quarters of 40%-plus growth in our marketplace are direct evidence that the product-led strategy put in place last year is working. We are defining the e-commerce playbook in custom manufacturing and raising the experience bar for buyers and suppliers everywhere.

I will now spend a few minutes providing updates to our key focus areas. First, I will talk about establishing Xometry as the digital infrastructure for custom manufacturing. Our confidence in driving the next S-curve of our growth stems from our ability to apply our core AI models to a decade-plus of proprietary data. The intelligence we derive from our data gives our customers the confidence in manufacturability of their part, the instant pricing options we present, and Xometry's ability to source the part optimally.

The depth of our data and intelligence is unrivaled in custom manufacturing. That same intelligence is now extending beyond our marketplace, embedding natively into partnership environments like Siemens Designcenter; proof that intelligence itself, not just the marketplace around it, is the infrastructure other platforms want to build on. More broadly, we see this as Xometry becoming the connective layer between design intent and actual physical production.

Siemens is the first, but not the only place we expect to integrate our intelligence. Deep technical integration is a critical pillar of our product-led growth strategy. Establishing seamless AI-native digital threads that remove friction from the custom manufacturing workflows will be an ongoing focus. We are making excellent progress on the Siemens collaboration, working as integrated teams across multiple products, regions, and departments.

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We are building native integrations to Siemens Designcenter, bringing Xometry's manufacturability and pricing insight directly into the platform. We expect a beta launch in Q1 2027, followed by a gradual ramp of customers to the various versions of Designcenter throughout the year. In addition to the work within Designcenter, there is also active collaboration between Siemens Supplyframe and Thomas, extending the value both teams can bring to their customers. We will share more as we hit milestones, and we expect Siemens partnership to positively impact our 2027 operating results.

Our second focus area is improving our AI-native marketplace experiences. Our customer and supplier online journeys are rapidly defining the e-commerce playbook in custom manufacturing. As I have shared before, one of our core beliefs is that the B2B buying experience should be every bit as good as what people experience in their personal lives.

The days of clunky B2B software, multi-step checkout processes, and waiting days for an email quote are simply over. What we are seeing is a generational shift in who is making manufacturing purchasing decisions. The engineers, procurement buyers, and supply chain lead roles are now full of dynamic, digitally native individuals. They expect the same frictionless experience at work that they have in their personal lives. When they find that Xometry can deliver, they become Xometry champions inside their organizations.

On our Q2 call, we discussed enhancing our AI model capabilities in costing, sourcing, and process recommendations; a new generation of high-capacity, interconnected models that span the entire manufacturing journey. We are training these models on much larger datasets and retraining them more frequently, so every quote, order, and supplier outcome sharpens the outcomes for the next one. Hence, the smarter the platform gets, the faster we turn complex engineering inputs into comprehensive manufacturing and supply chain decisions.

In Q3, we put that foundation to work. You can see the results in our financials. Q3 marketplace gross margin was a record 36.0%, up 130 basis points from Q2. In Q3, we made further marketplace enhancements to reduce friction and improve buyer experience. We moved the majority of our buyer traffic onto our new e-commerce platform, which is faster, increasingly mobile-optimized, and rebuilt from the ground up to be AI-native. We are seeing that the platform is attracting more and more digitally native engineers.

The new architecture is changing how fast we can launch product updates. We now deliver core buyer workflows at a fraction of the time that they would have taken a year ago. In Q3, these included a redesigned buyer dashboard with one-click reordering to drive conversion and repeat orders, and a shift to arrives by dates in place of lead and transit times to simplify supply chain decisions.

Additionally, we added more than 100 custom materials to our Instant Quoting Engine to expand marketplace selection. For our suppliers, in Q3, we launched the next generation of Workcenter experience. The new homepage brings together job discovery, performance scores, and payout visibility, and it is now live for all US suppliers. The enhanced Job Board adds filters, an on-screen 3D viewer, and drawing review.

Since launch, suppliers are accepting work faster, and more jobs are matched to the right partner on the first offer. Suppliers can now find and win work that fits their capabilities more easily. I will now share advances we made in our third focus area, expanding our buyer and supplier networks. Our focus is on becoming the most expansive custom manufacturing e-commerce platform for our buyers and suppliers.

We delivered strong active buyer growth during the quarter, with active buyers increasing 20% year over year to over 93,000. Our marketing teams have strengthened our MarTech and personalization capabilities, helping drive a record number of net buyer adds. Their efforts, combined with our AI model optimizations, are driving conversion rate improvements and continued robust buyer growth, with improving marketplace unit economics.

There are still millions of potential buyers to convert. Our partnership with Siemens and our other initiatives to become the infrastructure layer in custom manufacturing will further add momentum to these strengths. We are ever more focused on expanding our global supplier network and improving our supplier experience. Our global network of over 5,000 active suppliers across the world remains a significant strategic advantage, giving buyers unmatched speed, capacity, and resilience.

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In Q3, we expanded certified capacity and ITAR sponsorships, strengthening US manufacturing by helping suppliers win higher-value work. Additionally, in our domestic supplier network, suppliers are benefiting from Xometry's rapidly growing demand, enabling them to acquire new machines and create net new capacity.

Our 2027 manufacturing outlook highlights that smaller manufacturers offer a key advantage, as 44% of businesses under $50 million operate below 70% capacity, compared with just 16% of manufacturers above $100 million. As an asset-light marketplace, we are laser-focused on applying our AI investments, connecting these suppliers to demand at scale.

Let me share an example of success one such supplier has found on our platform. A US machine shop that joined the Xometry network in Q1 of 2025. In its first full quarter, they did about $140,000 of work, ramping rapidly to nearly sevenfold to $1 million in Q3 of 2025. As they grew with Xometry, they added ITAR and ISO certifications, opening up new job demand from aerospace, defense, and medical device industries.

Over the last 12 months, they earned over $2.3 million through Xometry, enabling investments in new CNC machining centers, lathes, and laser engraving capability. This is the flywheel in action. Xometry brings increasing job flow, partners invest in capacity and capabilities, and we deliver against customer demand.

Our fourth focus area is deepening enterprise engagement. We continue to deliver robust enterprise growth. Our Q3 revenue from our largest customers increased by over 40%. At the top of our enterprise funnel, we delivered accelerating 26% year-over-year growth in the number of accounts with greater than $50,000 marketplace spend.

In Q3, we expanded our partnership with TradeCentric to add purchase order automation and invoice automation to our PunchOut connection with customers' e-procurement systems. The integration works with more than 220 e-procurement solutions, including Coupa, SAP Ariba, and Microsoft Dynamics, and is available now to US customers. Invoice-to-PO matching is now automatic before an electronic invoice is sent, which removes several manual steps between an order and payment.

As Xometry becomes more embedded in our customers' workflows, we are seeing continued wallet share gains and more predictable spend. We ended 2025 with four accounts spending at least $10 million annually. We expect more accounts to cross that threshold in 2026. This is driven by multi-year production programs across key end markets.

For example, this deeper integration is exactly what we saw with a major defense prime facing demanding program timelines. The customer initially projected a six-month manufacturing and assembly lead time. However, by leveraging 15 suppliers in our network and our rapid DFM capabilities, the customer was able to shrink design to delivery by a full three months. Our marketplace has produced hundreds of components for this program, including complex finishing and hardware installation, reinforcing our position as a trusted end-to-end partner for high-stakes defense applications.

Over our three-year partnership, this proven capability to deliver supply chain resilience and speed has fueled continuous land-and-expand growth, scaling the account well past our $10 million per year enterprise marker. The final focus area I will share is leveraging services opportunities. Our services offerings under Thomas helps us engage with suppliers who aren't yet in the marketplace ecosystem. Thomas has built the largest industrial manufacturing-focused digital sourcing network in North America, providing buyers access to over 500,000 suppliers.

We are focused on improving our monetization on the Thomas platform and leveraging the vast network to supplement Xometry's supplier capacity. We made strong progress on our Thomas platform in Q3. We are building on this momentum and recently enabled faster marketing services execution by integrating specialized AI workflows into Thomas Marketing Services.

Additionally, we will soon launch our first collaboration with Supplyframe and Thomas, driving incremental high-quality buyer traffic to Thomas. We will build upon this launch momentum to enhance our services business with additional e-commerce offerings.

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In conclusion, our momentum remains strong in Q4. We are raising our 2026 revenue growth outlook given robust demand on our marketplace and the strong execution of our teams. We expect strong compounding growth to continue in 2027 and coming years, driven by our initiatives as we rapidly scale beyond $1 billion.

I'm very excited about the road ahead, and before I hand it over, I want to thank our entire team. The $1 billion-plus run rate milestone we are reporting today is the outcome of a lot of hard work across all our teams worldwide. I am proud of the pace at which teams continue to execute our product-led growth strategy.

I will now turn the call over to James for a more detailed review of Q3 financials and our business outlook.

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

Thanks, Sanjeev, and good morning, everyone. Our record-setting Q3 performance demonstrates the compounding growth and operational efficiency of our marketplace, delivering both strong revenue expansion and margin improvement. Top-line performance was fueled by widespread adoption of our platform as we steadily gain market share. This robust growth was accompanied by further expansion in adjusted EBITDA margins, as well as our inaugural quarter of positive GAAP net income.

These results highlight how Xometry is establishing itself as vital digital infrastructure within a historically offline and fragmented sector. Building on these outstanding Q3 results and positive Q4 momentum, we are lifting our full-year revenue and adjusted EBITDA guidance. Q3 revenue grew 40% year over year to $252 million. Q3 marketplace revenue was $238 million, and services revenue was $14.4 million.

Q3 marketplace revenue grew 43% year over year, absorbing a 500-basis point tougher comparison relative to Q2 to deliver sustained strong growth. Q3 active buyers increased 20% year over year to 93,812, with a record net addition of 4,255 active buyers. These record net additions were driven by our product-led growth strategy, AI model optimization, and efficient marketing, including personalized pricing initiatives.

Q3 marketplace revenue per active buyer increased a robust 19% year over year, primarily due to increasing wallet share. We view accounts with at least $50,000 spend as the top of the enterprise funnel. In Q3, the number of accounts with last 12-month spend of at least $50,000 on our platform increased 26% year over year to 2,172, with 133 quarterly net adds.

Enterprise investments continue to show strong returns, with accounts with at least $500,000 spend again growing revenue over 40% year over year. Our enterprise strategy focuses on our largest accounts, each of which we believe have $10 million-plus in potential annual account revenue. Services revenue grew approximately 2% year over year, with a gross margin of approximately 90%. We are focused on improving engagement and monetization on the platform, which remains a leader in industrial sourcing, supplier selection, and digital marketing solutions.

Q3 gross profit was $98.7 million, an increase of 37% year over year, driven by a robust 44% year-over-year growth in marketplace gross profit. Q3 marketplace gross margin was a record 36.0%, up 130 basis points quarter over quarter. We are focused on driving marketplace gross profit dollar growth through the combination of top-line growth and gross margin expansion. Our AI models are effectively optimizing conversion, buyer growth, and market share gains.

In Q3, this led to record active buyer net adds, record marketplace gross margins, and increased leverage on marketplace advertising spend. We continue to expect marketplace gross margins to be higher in the second half of the year than the first half of the year. Over the long term, we expect to expand further into our target range of 35% to 40%. Our commitment to strong discipline and rigor in capital and resource allocation across all teams while continuing to invest in growth initiatives is reflected in our Q3 operating costs.

Total non-GAAP operating expenses for the third quarter were $77.4 million, a 17% increase year over year, which is less than half the growth rate of our revenue. Q3 operating costs as a percentage of revenue improved 590 basis points year over year. In Q3, this was driven primarily

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by G&A and sales and marketing, which decreased 250 basis points and 330 basis points year over year respectively. This reflects improving enterprise sales execution, efficiency of AI models, as well as strengthened MarTech and personalization capabilities.

Marketplace advertising spend was a record low 3.0% of marketplace revenue, down 200 basis points year over year, reflecting our optimization efforts, driving improved marketplace unit economics. We continue to invest behind our product-led growth strategy and our focus on driving increased automation with AI across operations and support.

In Q3, Xometry reported its first quarter of GAAP net income, $1.9 million, compared to a GAAP loss of $11.6 million in Q3 2025, driven by our improving operational performance and asset-light model. Q3 adjusted EBITDA was $21.4 million, a record 8.5% margin compared with 3.4% a year ago. Q3 incremental adjusted EBITDA margin was 21% year over year, driven by strong revenue growth, gross margin, and operating efficiencies.

Our US segment continues to show scaling profitability with adjusted EBITDA margin of 10.3%, while our international segment adjusted EBITDA shows significant improvement year over year. At the end of the third quarter, cash and cash equivalents and marketable securities were $505 million. We generated $25.6 million in operating cash flow year-to-date through Q3, driven by strong operating leverage and working capital efficiency.

In the third quarter, we invested approximately $15 million in cash CapEx, almost entirely software-related, reflecting our technology investments in the platform and accelerating product rollouts. We are focused on improving cash flow conversion given our asset-light model and limited capital spending. Our disciplined execution has led to strong revenue and gross profit growth in our AI-native marketplace, coupled with significant operating leverage and increased operating cash flow generation. We are focused on strategically balancing future investment with a relentless pursuit of operating leverage, given the vast market opportunity and our low penetration rates.

As we rapidly expand beyond the $1 billion run rate, we have a clear trajectory for improving adjusted EBITDA margins while sustaining our investment in growth. Now, moving on to guidance. We are again raising our outlook for 2026, which includes higher revenue and profitability for the full year. For the fourth quarter, we expect revenue in the range of $254 million to $256 million, or 32% to 33% growth year over year. We expect Q4 marketplace growth to be approximately 35% to 36% year over year, driven by ongoing momentum from our growth initiatives.

We expect Q4 services revenue to be flat to slightly up year over year. In Q4, we expect adjusted EBITDA of $22 million to $22.5 million, compared to $8.4 million in Q4 2025. For the full year 2026, we are raising our revenue growth outlook to approximately 37% from 33% to 34%, driven by approximately 41% marketplace growth. For the full year 2026, we expect adjusted EBITDA in the range of $68 million to $68.5 million, approximately $7 million higher than prior guidance, and approximately 20% incremental adjusted EBITDA margin.

As we look further ahead, we believe that we are in the opening innings of a digital transformation with a very long-term growth trajectory. We expect strong durable growth to continue to compound in the coming years, given the large fragmented market opportunity and our strategic growth initiatives. We continue to target at least 20% incremental adjusted EBITDA on a full-year basis above the $1 billion revenue run rate. We look forward to updating you on our Q4 call and providing a detailed outlook for 2027 at that time.

Prior to taking your questions, I would like to extend my gratitude to our entire team. Today's strong performance is a direct result of their relentless execution, and I'm thrilled about the opportunities it unlocks for our future. With robust momentum, a large addressable market, and a proven team, we remain committed to fostering a values-driven culture where top talent thrives. Together, these factors give us immense confidence in what lies ahead.

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

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QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Boone, Citizens.

Andrew Boone - *Citizens JMP Securities LLC - Analyst*

Thanks so much for taking the questions. I would love to get an update on Siemens. As we think about the progress you guys are making with the partnership, can you guys highlight any key milestones that we should be looking out for ahead? Are there any additional details that we should be expecting as we start to flow this through in terms of expectations for 2027?

For my second question, I would love to talk about the growth of larger accounts, 40% revenue growth of accounts of $0.5 million. Can you guys just talk about the drivers of moving upmarket and the penetration of larger spenders on the platform? What does that imply for us looking from the outside in? Is that the move into larger orders? What does that do for revenue visibility? Can you just flesh out what exactly is driving that and the benefits to the platform? Thank you so much.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Thanks, Andrew. This is Sanjeev. I will take the question first, and happy to have James join in after. On Siemens, I think we are very, very happy with the progress we are making. The collaboration is truly global, with integrated teams from multiple products, regions, and departments working on the effort.

As we go through '27, like I mentioned on the prepared remarks, we will start with a beta launch in Q1 '27. Siemens has various different versions of Designcenter. It is called NX Cloud and installed on the site. You will see, as we launch each one of these, we will actually come up with formal launch events together with Siemens that you will be made aware of.

So you will start to see those happen throughout the year as customers are able to sign up freely and are able to actually use those. Lots of exciting action will happen on that front throughout the year, beginning in Q1.

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

Andrew, I'll just kick off on enterprise, and Sanjeev will be able to add in. I think what you've seen is sustained, durable enterprise growth as we really become more structural and embedded in the workflows. That's getting increasing program volume with our largest customers. We talked about we ended 2025 with four customers over $10 million, and we do expect more as the year goes on. We ended last year with over 140 accounts with more than $0.5 million spent, and we really continue to see great growth there.

The enterprise playbook's really driven by both technology and improving our sales efforts, driving increasingly adopting our enterprise tools, including Teamspace, and the ability for us to PunchOut into ERP integrations, which further embeds Xometry in the customer workflow. We feel we're really becoming a strategic supply partner, which is giving us greater visibility and confidence in terms of the trends that we're seeing and the growth ahead.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Absolutely. I think to me, the other trend to marry that with is growing number of greater than $500,000 accounts while we continue to expand our margin. You saw 36% margin that we reported, gross margin on the marketplace that we reported this quarter. It's the highest ever.

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So even as we continue to scale up our presence and integrations with the enterprise customers, some of the largest in the world, we continue to drive our gross margin higher, which truly is a testament to the product-led growth strategy that we've been talking about for the last year.

Operator

Brian Drab, William Blair.

Brian Drab - *William Blair Capital Partners - Equity Analyst*

Hi, good morning. Congrats on a great set of results here. First, on the record net adds, can you talk about what levers you are pulling there at this point in the company's life cycle that you are still adding that many customers in the quarter? Are you seeing more success at the larger enterprise customers or smaller businesses? Any insight into the breakdown?

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Thanks for the question. I would say the growth has been truly broad-based across categories, customer types, and products that we offer. To me, the growth is a testament to continued application of our product-led growth strategy. As you remember, we have been talking about ad adoption continues to happen in large enterprises.

Buyers, once they get used to the truly exceptional e-commerce experience that we provide on our marketplace, they help us actually become not only proponents and champions for Xometry within their organization, but that actually kicks off an engine that helps us bring more buyers into the funnel. Therefore, really, I still believe we are at a very early stage of a very, very large pool of millions of buyers that are out there that we will continue to go after. With the partnerships like Siemens, that is also going to further accelerate as that comes on.

But right now, our focus is on truly delivering on our five-part strategy, including pillars on that which include exceptional experience on our marketplace and continuing to drive the volumes of active buyers and suppliers.

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

I can add, Brian, I think that the team are executing well here through improvements we had through product-led strategy and some MarTech and personalization efforts. Those are important driver of us sustaining this over 40% marketplace growth, 43% growth in the quarter. I think we are seeing that our brand awareness investments are paying off. We are getting greater direct traffic.

Just also, I think the team are making a lot of progress in how we deploy our paid media spend across multiple channels, both owned and those that we are paying. Seeing great execution across and both from brand new buyers and new accounts as well as continuing to penetrate more deeply in existing large accounts with new buyers, which is great to see.

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

Brian, it is Shawn. I would just add on to what Sanjeev and James were saying. With the corporate marketing initiatives and seeing good growth there and then the MarTech improvements, what you see is improving marketplace unit economics overall. Our gross margin is up, marketplace gross margin is up year over year, and our ad spend, you can see in our deck, is down to 3.0%, an all-time low. So, improving marketplace unit economics as well.

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Operator

Nick Jones, BNP Paribas.

Nicholas Jones - *Exane Bnp Paribas - Analyst*

Great. Thank you for taking the questions. I have two, I guess. As we think about the active buyer growth algorithm from here, maybe into '27 and beyond, I think you said there is millions out there. How should we think about one, the right level of your ability to acquire new buyers as you improve sequential and year over year nominal active buyers? Of the millions you see, what is the mix that you think could maybe spend at least $50,000? Then I guess maybe what ties into this is how should we think about level of investment in international as the growth there continues to improve? Thank you.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Let me start. I think the important thing to think about is we are at 1% of the penetration of the TAM, at $275 billion. This is very, very early innings of a transition from offline to online for a custom manufacturing setup, which is truly, even today, really executed in a smaller radius of 30- to 50-mile radius from a factory.

You couple that with the trends we have all seen in aerospace, defense, and physical AI, we are very, very encouraged that the movement offline to online is only going to accelerate, and that we will continue to bring more buyers to look for best-in-class platforms like ourselves, which can continue to apply AI and our models to actually serve up the best experiences at the best price, at the speed the customer really wants.

I think to me, for an asset-light marketplace like ours, that really becomes a true advantage and brings the funnel of price, selection, speed that we have been talking about for a while to really drive the five-part strategy.

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

Nick, I think in terms of that, international plays an important role here. We are seeing very strong performance there, similar unit economics, similar use cases for our buyers and suppliers in international, and excited about the opportunity of taking the playbook of enterprise and product-driven growth to international and to continue to see strong scaling there.

We are very pleased in the quarter to see some good improvement on profitability there. This will remain an area of investment, but I think it is a key driver of both buyers and marketplace revenue growth over time.

Operator

Bryan Smilek, JPMorgan.

Unidentified Participant

Hey, it's Andrew on for Brian. Thanks for taking the question. Just wanted to follow up again on enterprise accounts, and if you could maybe talk about some of the gating factors or remaining friction points that you might be seeing that may limit further wallet share expansion with existing enterprise accounts, and your view on there. Thank you.

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Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Thanks, Andrew, for the question. On the enterprise accounts, we are very, very focused on truly serving up our insights in the place where the customers continue to work. As you can imagine, our first pillar of strategy is to become the digital infrastructure for custom manufacturing. The way the enterprise motions work is most enterprises prefer to have their employees stay within their current setup, right? Whatever platforms they use.

To that, integrations with TradeCentric and all of the procurement platforms are an example. The PunchOut capability is an example. Then continuing to work on the Siemens platform, Build & Designcenter, and scaling that is going to be important.

For us, we continue to double down on making it easy for our enterprise customers to work with us, whether that's working through our sales teams, working through our integrations. We are super happy in what we are seeing. You've seen the growth that we've given on Teamspace. I mean, now at this point, we have 17,000-plus Teamspace users globally. The PunchOut integrations continue to scale.

I mean, we ended the last year at four customers over $10 million, and expect that in 2026, you'll have that number go up as well. The friction is not necessarily one that we are not solving. The friction is actually something we are extremely focused on removing, and structurally, that is helping us win more and more.

Operator

Ron Josey, Citi.

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

Great. Thanks for taking the question. Sanjeev, I want to ask a little bit more about the new e-commerce architecture. You talked about just faster product updates and an increasing conversion rate as a result. Help us understand a little bit more just on the product cadence and what we can expect going forward with the new architecture. James, I want to ask a little bit more about capital allocation and plans here, given the strength of the balance sheet. Thank you.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

Thanks for the excellent question, Brian. Really appreciate it. Our efforts in the last year and a half with our product-led strategy has been truly making sure that the second pillar of our strategy, which is around improving the experiences for our buyers and suppliers online, stays true. I mean, like I mentioned on the prepared remarks, we've completely revamped the e-commerce platform. It is all internally now. API-focused, so it is also very future-looking in terms of agentic workflows and how we integrate with those. We continue to actually focus on the most used journeys by our customers, whether they are pre-ordered as they shop.

You heard about the process recommendation engine and what that's done for us, including pre-order extension into post-order, so things like repeat and how customers are able to repeat order quickly in one click. I think that's been the other big focus. Things that I would expect from a truly world-class e-commerce platform. In fact, I'd take this opportunity to also talk a little bit about agentic commerce, which is a true differentiation and strategic advantage for us.

I will say our platform now with the API structure is already ready to leverage the AI architecture we've just rolled out, and the supplier networks of the physical manufacturing of the products. That is a true advantage for us. Our marketplace is now focused on truly solving the complex order-to-part journey in a digital native mechanism for the true real-world challenges of custom manufacturing. In fact, what we've already done, and it's some of the benefit we are starting to see in Q3, is agents today can already interact with our site, learning about selection, categories, and capabilities, and taking it back to the foundation models.

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In fact, internally, we are using agents to drive work streams that focus on our customer interactions. We're actually very focused on continuing to look at the trends around generative CAD and agentic purchasing, which we think will further accelerate the digital transformation in custom manufacturing. As we know, driving the offline to online is a core part of our strategy, and surfacing our insights as an infrastructure layer for custom manufacturing is key to us.

You will see us continue to actually lean into the tailwind that we see from agentic commerce as demand increases, and we continue to monitor that very closely.

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

Ron, it's Shawn. Just take a look at the investor overview that was posted this morning. There's a couple new slides that talks about our AI architectural changes that we've made recently, and the e-commerce playbook and changes to the marketplace that Sanjeev was talking about.

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

Ron, this is James. On capital allocation, as you can see and hear from Sanjeev, we've got a lot of exciting opportunities ahead of us that we're keen to continue to invest in a disciplined manner as we grow strongly here and grow profitability and cash flow. As a reminder, we ended Q3 with $505 million in cash. That's after strengthening our balance sheet this year with a $50 million investment from Siemens, as well as approximately $250 million follow-on.

This puts us in a strong position where we can focus on our strategy, investing in organic growth, focused on driving sustainable profitable growth over the long term as we continue to increase our adjusted EBITDA profitability, and that flows through to cash flow. We are looking at areas of inorganic growth as well, where we could, through specific tuck-in acquisitions in a disciplined way, expand our offerings and geographies to help augment our technology and talent and continue to drive into the large growth ahead.

But overall, we want to maintain our balance sheet and flexibility. We have an asset-light model, and we're focused on investing for product equity.

Operator

Scott Devitt, Rosenblatt.

Scott Devitt - *Rosenblatt Securities Inc - Equity Analyst*

Thanks, and great quarter and 4Q guide. I am curious, as investors start thinking more about '27-'28, can you just talk through the long-term model build for the marketplace business? Should investors be focused on sequential growth based on historical trend and tested by two-year stack growth? Is it going to be simply growth in buyers and revenue per buyer? We would like to better understand just how to think about the next few years.

Secondly, love to hear your thoughts on the implications of the Schneider Electric PTC deal, how it fits into your view of the future of the industry? Thanks.

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

Hey Scott, it is James. So yeah, as we talked about on the call, we are very excited about being at the opening innings here of this digital transformation. We see a very long-term growth trajectory. I think as we have mentioned on the call already, we see a lot of opportunity in

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continuing to grow out the buyers and buyer demand over time, both domestically and internationally. I think there is a lot of irons and opportunities there to continue to see growth, sustained buyer growth.

From a revenue per buyer perspective as well, the growth that we have seen as we capture more enterprise continues, I think, to have a lot of opportunity ahead. I think as we get into next year and give guidance, what we will be able to do there is give a little bit more color on the mix between international and domestic and our various other growth initiatives to consider the balance between buyer growth and rev per buyer growth.

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

Scott, the one thing I would just add on, you can see in our slides and presentations, we have said over the billion-dollar run rate, we will continue to deliver at least 20% incremental adjusted EBITDA margins. So if you are looking at EBITDA growth, keep that in mind.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

And to your question on the trends in the industry with the Schneider PTC deal, actually, I think we are very, very excited about opportunities like that, where investments in the CAD space together with manufacturing changes is actually going to further accelerate the tailwind that we want to drive so hard, which is continue to focus on offline to online conversion. The more such collaborations happen, the more people will look for new solutions that are cutting edge and are best in class.

And with the platform that we've built, with the intelligence that we are actually surfacing in other platforms, I think we continue to actually benefit from the changes that you're seeing with deals like that. So, very, very welcome and look forward to lots more.

Operator

Greg Palm, Craig-Hallum.

Greg Palm - *Craig-Hallum Holdings LLC - Senior Research Analyst*

Yeah, thanks. Good morning. I wanted to ask maybe a follow-up on the net buyer additions, because that's what really stood out to us. I mean, you're seeing this acceleration. Apart from improved end market demand, are supply chain conditions worsening? Is labor availability becoming a bigger risk? I don't know, it'd be helpful to get a little bit perspective on some of these structural tailwinds that maybe you're experiencing.

And I guess as a follow-up in light of this, you've got Siemens ramping up next year. I know we got to wait another quarter for formal guidance, but any way to frame up, Sanjeev? I think you said strong compounding growth expectations, just not exactly sure what that means.

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

First and foremost to your question, I think I would say the challenges in the market, truly we are not seeing those at all. As you can see, when you're in an asset-light marketplace, you are not tied down with a specific set of assets that continue to drag down any challenges that may happen in a specific segment or a part of the industry.

For us, as an asset-light marketplace, which has truly applied AI in the field where we're looking at costing, sourcing, DFM at a very, very minute level, we are able to actually find capacity that is actually waiting for demand and use that capacity to actually surface the opportunities that supply needs, but also continuing to make sure that in the process, our margin numbers continue to improve. You've seen us accelerate

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our margin, GM going up to 36%, while we continue to scale. That happens mainly because we apply that AI to find unused pockets of supply that the demand is really requiring.

I think these are the times when asset-light marketplaces always shine. Time and again, we have seen that come true in other categories as well. We are very positive on continuing to actually use that to our advantage and actually take market share from everybody who may be tied down by assets that they own. To your point on compounding growth, yes, there is not a number in there that we can plug into a model just yet. Of course, we will give you 2027 guidelines in the next quarter.

But to be very specific, just the beginning of the innings that we are at, you have seen us drive significant growth in this market just in the last year and a half. And you can see we continue to target profitability and adjusted EBITDA growth. I think all of those pieces continue to come together as the asset-light model continues to find capacity that needs to run.

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

Yeah, and I think we are always balancing growth and profitability, but feel very excited about that long-term opportunity that is ahead of us.

Operator

Eric Sheridan, Goldman Sachs.

Eric Sheridan - *The Goldman Sachs Group, Inc. - Analyst*

Thanks so much for taking the questions. Maybe following on this theme and attacking it from a qualitative perspective of your philosophy around margins relative to growth. Given the growth momentum you have in the business now, how should we be thinking about anchoring around the 20% of at least 20%, or elements where your priorities might shift between optimizing for margin or optimizing for growth as you think about the long term and what that balance might look like?

The second part of the question would be, how should we be thinking about the scaling of margins internationally as the business builds in terms of the revenue base? Thanks so much.

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

Thanks, Eric. It's James. I'll kick off and maybe have Sanjeev talk a little bit about our gross margin algorithms. I think there's two parts to it, really, because there's the gross margin that we talked about, and that path to 35%-40%. Within that, what we've seen this year is, as we've rolled out these improving algorithms, it's given us the ability to respond and those to respond to what we see in the marketplace, whether that's leaning into market share driving or margin.

I think while the continued journey is into that long-term range, I think our marketplace responds to the demand signals that it's seeing, and we'll see that play out. On the operating expense side, I think this is a very relentless pursuit of leverage here and focus and discipline across our teams, as well as utilizing automation and AI tools to help us continue to see improvements there. You've seen that in marketing over the last year, as well as in sales and G&A. I think we'll continue to invest in product, which will also be able to improve operations and support over time as well.

I think that those are the algorithms that we're looking at. With the large opportunity ahead, I think we've given you that framework of at least 20%, such that if we see the opportunity to drive between market share gain and growth versus margin, we have that ability. Again, I

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think over the long term, we expect to expand further into our target range of 35% to 40% gross margin as well, which would actually continue our six-year trend of year over year growth in marketplace gross margins. That commitment you have from us.

The main drivers there for this continued expansion are again back to our five-part strategy that we spoke about, and the continued delivery that you've seen on those elements already. And then on international, we saw some good progress this quarter, which I think we'll see in the second half here. I think we'll continue to be focused on that improving.

When we look at the segment that you'll see in the Q, while third quarter margins are 8.5%, the US is at 10%, so making really good progress towards the long-term target on marketplace adjusted EBITDA margin. Again, international remains this huge opportunity for us that we're excited about investing in.

Operator

Troy Jensen, Cantor Fitzgerald.

Troy Jensen - *Cantor Fitzgerald LP - Research Analyst*

Hey, gentlemen. Congrats on this nice stretch of great results. James, question for you. You kind of just hit on it a little bit. It was the international adjusted EBITDA. It was almost at break-even this quarter. I guess I was curious if there's more incremental flow-through on kind of margins in international sales than US, given just kind of where it is right now.

Then also if I could throw in just a second question here, is the flow-through margin for the Siemens channel also going to be greater than 20% incremental? Thank you.

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

Thanks, Troy. So yeah, I think in international in the quarter, there was some expense favorability that I think is a little bit of a one-off. So, I think the flow-through we had this quarter was particularly strong. I think that'll balance out in Q4. Overall, I'd say the gross margin is pretty similar, and I think we can see us achieve the same, similar types of flow-through as we're targeting overall when it comes, as we get into 2027 and over a long period.

To your question on Siemens, yes, exactly right. Without the sales and marketing associated with having to acquire those buyers, when they do flow through, they should be flowing through at a higher incremental margin. I think to me, the international opportunity truly is about growth. As we said before, we've now created a playbook that you started to see work in the US We hired a new GM to lead Europe, and you'll see that same playbook being rolled out in international over the next few quarters.

That should actually truly be very exciting, given Europe historically has always been faster trajectory for us, just growing even this quarter, revenue grew 32%, up from 29% even in Q2. Even through this period, we are continuing to accelerate international, but there's lots more opportunity that's still untapped there.

Operator

Matt Swanson, RBC Capital Markets.

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Matthew Swanson - *RBC Capital Markets Inc - Analyst*

Great. Thank you guys so much for taking my questions. It feels like the last few quarters or the last year has kind of been the most rapid innovation cycle that we've seen from the company in terms of both product and updates. We're also seeing more and more partnerships, obviously Siemens, and then now with TradeCentric.

Could you just talk a little bit more about how you think about your internal development cycle versus where you want to partner, and then where you might want to kind of develop in parallel with partnerships?

Sanjeev Sahni - *Xometry, Inc. - Chief Executive Officer, Director*

That's a very, very interesting question. I will say we have actually been always AI-first as a company. The company started off with Instant Quoting Engine IQE, which was built on a data science model. That data science model now we've converted into an interconnected set of models that span the entire order-to-part journey.

As part of these integrations, as you very well pointed out, the true insight that we generate on the part through our DFM or the potential pricing that will hold in the real world and somebody would be ready to produce for, we want to surface that in other places. To your point, when we actually surface with our first pillar of strategy, that intelligence in other marketplaces, that in other software tools and partners, that will not just be us. It will be actually joint development for those outcomes as well.

In fact, I mentioned a little bit in my comment around agentic, that in agentic, we are actually super excited about what we are seeing in generative CAD and the agentic purchasing there. In fact, those spaces are some of the hottest spaces for conversations that we continue to have with various players.

Operator

Thank you. This concludes our question and answer session. Thank you for your participation at today's conference. This does conclude the program. You may now disconnect.

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