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XMTR.OQ - Q2 2026 Xometry Inc Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to Xometry's Q2 2026 earnings call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Shawn Milne, Vice President of Investor Relations. Please go ahead.

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

Good morning and thank you for joining us on Xometry's Q2 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 second quarter of 2026 and discuss our guidance for the third 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 June 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 would 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 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 would like to turn the call over to Sanjeev.

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

Thanks, Shawn. Good morning, and thank you for joining our Q2 earnings call. Our accelerating growth and record Q2 results demonstrate the growing strength of our AI-native marketplace. Q2 was a record quarter for Xometry across many fronts, including revenue, gross profit, and adjusted EBITDA. Q2 revenue increased 41% year-over-year to a record $229 million. Marketplace revenue growth accelerated to 45% year-over-year, driven by broad-based strength across many verticals, improving conversion rates, increasing adoption by new buyers, and growing wallet share of existing buyers.

We continued to see strong enterprise growth. Q2 marks our fourth consecutive quarter of accelerating revenue growth. Our AI models are effectively optimizing conversion, buyer growth, and market share gains. On top of the revenue growth, Q2 adjusted EBITDA improved $10.2 million year-over-year to $14.1 million.

We delivered record results in the first half of 2026. We are again raising our outlook for the second half of this year. The strength we saw in Q2 has continued in Q3. We are off to a strong start in the quarter. We expect strong compounding growth and operating leverage to continue through the second half of 2026 and for years to come. I reiterate this point every quarter because it remains fundamental to our long-term growth thesis.

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 a factory floor. To me, that gap is the opportunity.

We are in the opening innings of a digital transformation. Our ability to capture this massive untapped opportunity gives us strong confidence in our long-term growth trajectory. Beyond the shift from offline to online, we see a long-term tailwind in physical AI. The rapid growth of robotics, autonomous systems, and defense platforms creates a new category of customers needing fast on-demand parts. Our marketplace is well-positioned to capture this demand.

The four consecutive quarters of accelerating growth 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. We will structure our calls going forward to provide updates on our key focus areas. First, I will talk about establishing Xometry as the 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 the intelligence is unrivaled in custom manufacturing.

That same intelligence is now extending beyond our marketplace. Embedding natively into partnership environments like Siemens Design Center proves 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, 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, with both teams moving at the pace we expected. We are building real integration, bringing Xometry's manufacturability and pricing insight directly into Siemens Design Center.

In addition to the work within Design Center, there's 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 the 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've 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. In Q2, we made significant upgrades to our proprietary AI models that power our marketplace. Specifically, we enhanced model capabilities in costing, sourcing, and process recommendations.

These comprehensive upgrades deploy a new generation of high-capacity interconnected models that span the entire manufacturing journey. The upgrades enable additional data insights across five elements of our data architecture: geometry, manufacturability, certifications, supplier capability, and production outcomes. The smarter the platform gets, the faster we can turn complex engineering inputs into manufacturing decisions.

As part of our AI model upgrades, we launched a new generation cost prediction model that considers a greater breadth and depth of inputs, including geometry, material, finish, and whether the part is a standalone part or one of several in a job. This granular input leads to more accurate pricing. The model understands the specific parameters each part requires, delivering an approximately 15% improvement in CNC cost prediction accuracy. In addition, in Q2, we launched a new adaptive sourcing model that uses our proprietary data to price jobs dynamically for our suppliers.

The new model incorporates an upgraded partner suitability score for each job, measured against partners' specific machine capabilities, quality, and on-time shipping history. By matching jobs to the right machines, we ensure our suppliers receive a curated flow of better-fitting work, which strengthens our network overall. Lastly, we launched an upgraded context-aware AI process recommender. It reads a part's industry application to anticipate needs like tighter tolerances for aerospace components.

By factoring in material and geometry, it closes a real gap for first-time customers. Buyers are now accepting the recommendation more than 85% of the time, with the biggest gains coming from exactly those first-time customers.

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 buyers and suppliers. We delivered strong active buyer growth during the quarter.

The active buyers increasing 20% year over year to over 89,000. Our marketing teams have strengthened our martech and personalization capabilities, helping drive almost 4,000 net adds. Their efforts, combined with our AI model optimizations, are driving conversion rate improvements and continued robust buyer growth. At the same time, these efforts are also steadily decreasing our marketing costs as a percentage of revenue, which is improving marketplace unit economics.

There are still millions of potential buyers to convert. We expect continual improvements in marketing technology and AI models will enable us to steadily increase our conversion rates and net adds. Our partnership with Siemens and our other initiatives to become the infrastructure layer in custom manufacturing will further accelerate these trends. In Q2, we further strengthened our US injection molding offering. We added new auto quotable materials to expand choices for our buyers.

We also made free on-demand design for manufacturability consultations schedulable directly on the platform, connecting customers with our injection molding experts from the very first quote. Additionally, we launched self-service one-click reordering for injection molded parts. Customers can generate new quotes that automatically carry forward configurations, specifications, and files from the original order, routing them directly back to the original supplier holding the tool.

Small thing on the surface, but it is exactly the kind of friction we are trying to strip out everywhere. Because friction is the only thing standing between a first order and a habit. 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 50 countries remains a significant strategic advantage, giving buyers unmatched speed, capacity, and resilience.

In Q2, we added capacity in newer international markets, providing our buyers more choice and flexibility, including India and Vietnam. We continue to expand domestically, as we recently referenced in our Texas market press release. Additionally, we are investing in new categories, adding suppliers with specific advanced capabilities and certifications. Furthermore, we are supporting our high-performing partners in obtaining additional certifications to meet growing production demands.

Alongside expanding supplier breadth, we continue to expand the depth of our relationship with each supplier, driving up average volume per supplier and becoming more integral to their long-term success. Our fourth focus area is deepening enterprise engagement. We continue to deliver robust enterprise growth. Our Q2 revenue from our larger customers increased by more than 40%. We delivered a record net addition of 175 accounts with greater than $50,000 spent.

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 enterprise robotics leader who faced a critical build deadline.

They turned to us with a massive challenge, nearly 200 complex parts, including metal structures and tight tolerance CNC components, all needed within a short delivery window. We brought the strength of a marketplace to bear and leveraged 40 network suppliers to deliver the full build on time and on spec. This success proved that our platform is the go-to solution for high-stakes, large-scale hardware programs, directly resulting in significant follow-on production work.

The final focus area I will share is leveraging services opportunities. Our services offerings under Thomas help us engage with suppliers who aren't yet in the marketplace ecosystem. Thomas has built the largest digital sourcing network in North America for industrial manufacturing, 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 supply capacity. We made strong progress on our Thomas platform in Q2. We have completed the transition to our new ad platform and redesigned search experience. These are already yielding improvement in monetization.

We are building on this momentum by launching new AI-powered tools and processes for our Thomas marketing services. With the traction we are seeing across advertising and marketing services, we are ever more confident about inflecting the revenue curve and bringing our services offerings back to revenue growth year-over-year in the second half of 2026.

In conclusion, I'm very excited about the road ahead. Before I hand it over, I want to thank our entire team. The stellar results we are reporting today are the outcomes of a lot of hard work across product, technology, sales, marketing, and operations. I'm proud of the pace at which our teams continue to execute our product-led growth strategy.

I will now turn the call over to James for a more detailed review of Q2 and our business outlook.

James Miln - *Xometry Inc - Chief Financial Officer*

Thanks, Sanjeev. Good morning, everyone. Our record results for the second quarter underscore the continued scaling and increasing efficiency of our marketplace, driving both accelerated growth and expanding profitability. Revenue growth accelerated for the fourth quarter in a row. This accelerating top line was paired with yet another quarter of improved adjusted EBITDA profit margins. These achievements demonstrate that our marketplace is becoming the essential infrastructure for a predominantly offline and fragmented industry.

Driven by our record Q2 results and strong start to Q3, we are raising our revenue and adjusted EBITDA guidance for the full year. Q2 revenue grew 41% year over year to $229 million, a 500 basis point sequential acceleration from Q1. Q2 marketplace revenue was $215 million, and services revenue was $13.9 million.

Q2 marketplace revenue increased 45% year over year, a 500-basis point acceleration from Q1, driven by broad-based strength and adoption across the marketplace as we continue to capture significant market share. Q2 active buyers increased 20% year over year to 89,557, with a net addition of 3,976 active buyers, the highest number of net adds in 10 quarters. Strong Q2 net additions were driven by our product-led growth strategy, optimization of AI models for market share, and efficient marketing, including personalized pricing initiatives.

Q2 marketplace revenue per active buyer increased a robust 21% 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 Q2, the number of accounts with last 12 months' spend of at least $50,000 on our platform increased 23% year over year to [2,039], with a record 175 quarterly net adds.

Enterprise investments continued to show strong returns. Our enterprise strategy focuses on our largest accounts, each of which we believe have $10 million plus in potential annual account revenue. Services revenue was up slightly quarter over quarter as we stabilized the core advertising business. We expect services revenue will return to year-over-year growth beginning in Q3. We are focused on improving engagement and monetization on the platform, which remains a leader in industrial sourcing, supplier selection, and digital marketing solutions.

Q2 gross profit was $87.5 million, an increase of 34% year over year. Q2 marketplace gross profit dollars increased a robust 42% year over year. Q2 gross margin for Marketplace was 34.7%, flat 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 Q2, this led to accelerating active buyer net adds, accelerating revenue growth, and increased leverage on marketplace advertising, with spend down 220 basis points year over year. In fact, over the last year, our marketplace revenue growth has accelerated nearly 20 points to approximately 45%, driven by our optimization efforts.

We expect marketplace gross margins to be higher in the second half of the year than the first half of the year, and we expect this trend to continue, expanding further into our target range, 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 Q2 operating costs. Total non-GAAP operating expenses for Q2 were $73.2 million, a 19% increase year-over-year, which is less than half the growth rate of our revenue.

Q2 operating costs as a percentage of revenue improved 590 basis points year-over-year. In Q2, sales and marketing decreased 320 basis points year-over-year to 13.2% of revenue. This reflects improving enterprise sales execution, efficiency of AI models, as well as the strength in Martech and personalization capabilities that Sanjeev mentioned earlier.

Marketplace advertising spend was a record low 3.4% of marketplace revenue, reflecting our optimization efforts, driving improved marketplace unit economics. In Q2, operations and support decreased 90 basis points year-over-year to 8% of revenue. We are focused on driving increasing automation with AI across operations and support. Q2 adjusted EBITDA was $14.1 million, compared with $3.9 million in Q2 2025. Q2 adjusted EBITDA improved $10.2 million year over year, driven by strong revenue growth, gross profit, and operating efficiencies.

Alongside accelerating revenue growth, we delivered expanded adjusted EBITDA margin of 6.2%, a 380 basis point increase compared with 2.4% in Q2 2025. Q2 US segment adjusted EBITDA was $17.4 million, a $10.6 million improvement year-over-year. Q2 US segment adjusted EBITDA margin was 9%, a significant increase compared to 5.1% a year ago, driven by strong gross profit dollar growth and operating expense leverage.

Our international segment adjusted EBITDA loss was $3.3 million in Q2 2026, or 9.6% of revenue, a 140-basis point improvement from a loss of 11% in Q2 2025. At the end of the second quarter, cash and cash equivalents and marketable securities were $517 million, including $248 million raised in our follow-on offering completed on June 2, and $50 million from the Siemens investment announced on May 7.

Our successful follow-on offering will support key organic growth initiatives and our selective tuck-in M&A strategy. We generated $17 million in operating cash flow in the first half of 2026, driven by strong operating leverage and working capital efficiency. In the second quarter, we invested approximately $13 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 approach a 1 billion run rate this year, we have a clear trajectory for improved adjusted EBITDA margins while sustaining our investment in growth.

Moving on to guidance, we are raising our outlook for 2026, which includes higher revenue and profitability for the full year. For the second half of 2026, we are now expecting revenue growth of approximately 30% year over year, an incremental adjusted EBITDA of 20%.

For the third quarter, we expect revenue in the range of $234 to 236 million, or 30% to 31% growth year over year. We expect Q3 marketplace growth to be approximately 33% year over year, driven by ongoing momentum from our growth initiatives. We expect Q3 services revenue to be up modestly year over year. In Q3, we expect adjusted EBITDA of $16 to 17 million, compared to $6.1 million in Q3 2025.

For the full-year 2026, we are raising our revenue growth outlook to 33% to 34%, from 27% to 28%, driven by approximately 37% marketplace growth. This equates to an approximately 8-point acceleration over full year 2025 growth. For the full year 2026, we expect adjusted EBITDA in the range of $60 to 62 million. Before we open up to questions, I want to recognize our team. The results we've discussed today reflect their execution, and I'm equally excited for what those results make possible going forward. We have real momentum, a large market in front of us, and a team that has demonstrated it can deliver. That combination gives us genuine confidence in what's ahead.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Boone, Citizens.

Andrew Boone - *Citizens JMP Securities LLC - Analyst*

Thanks so much for taking the questions. I wanted to ask about demand. It sounds like AI has been a key unlock on the platform. Can you just expand upon that? How do we think about AI in terms of unlocking incremental demand? What specifically is it helping with? Then just as a bigger picture, how do we think about AI and model improvements and that rolling through the model on a go-forward basis?

Secondly, on Siemens, I'd love to hear more broadly just how partner conversations are going outside of Siemens, right? It feels like it's a step function change for functionality for CAD platforms, broadly speaking. What has that done as you guys now look more broadly across the industry? How are those conversations going? Thank you so much.

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

Thanks for the question, Andrew. This is Sanjeev Sahni. Let me take the questions one after the other. First, as you can see, we are clearly super excited about. Phenomenal outcomes our teams delivered. Marketplace revenue accelerating to 45% growth and 43% in the first half for year over year. All of that is broad-based. We see growth happening across categories, across new and existing buyers, conversion rate improvements, and just a broad-based increase in adoption of the platform as a go-to place for custom manufacturing.

To me, this is all rooted in the product-led growth strategy we've been working on and we've been talking about over the last year. That product-led strategy is truly bringing together the AI models that actually are no longer independently doing pricing, sourcing, and manufacturability. They're all interconnected models that are truly focused on driving the real big outcomes, which is the marketplace revenue, the profitability, the gross profit that is, and then the EBITDA.

As they do that, we want to make sure that we are continuing to get new buyers excited about joining the platform. We saw active buyers were up 20%, highest net adds in the last 10 quarters. All of that to say that the product-led strategy that we put in place is the real core. The AI models are not just independent models now, they're an ecosystem that's powering the growth that we have.

To your second question on Siemens, we are making excellent progress on that collaboration. Like I said, even in my prepared remarks, the two teams are actually working together through a timeline on integration. We are really fundamentally changing the way price for custom parts shows up inside a CAD tool, as you said. That's actually really net new.

The most exciting part is that we are getting continuous approaches by customers who want to be part of the initial group experiencing this new way of working, and in some cases, even wanting to provide feedback so they can actually help shape what gets rolled out. I think this is really, really exciting because we see the same asks come to us, not just here in the US, but also in EMEA, where we have a strong platform as well. So lots more exciting things to come. We'll share more milestones as we go along, but we expect, clearly, the Siemens partnership to positively impact our FY27 results.

Andrew Boone - *Citizens JMP Securities LLC - Analyst*

Thank you.

Operator

Brian Drab, William Blair.

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

Hi. Thanks for taking my question. I'm just going to ask one question for now. Sanjeev, can you just elaborate on what changes you're making in the pricing algorithm? You've been leveraging the millions and millions of parts and the data associated with them to improve that algorithm for years. Is this a step function change in the algorithm? Can you just elaborate on what exactly is changing and what this could do for gross margin in the marketplace longer term? Thanks.

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

Thanks, Brian. I think I'll start by saying first that we expect the marketplace gross margin to expand further into the target range of 35% to 40%, driven by all of these changes that we are making. What you're seeing is actually the proprietary data that we've had for a decade plus of parts that we produced. We're actually more extensively mining that data to find behavior patterns, find conversion rate opportunities, and optimizing those models such that every part that gets produced helps make the next quote stronger.

That the feedback mechanisms on the actual production floor are actually making their way back to when the next part is priced on the site. We already know if we've got a part that actually was more complicated than anticipated, what should that do to the pricing of the next part? What kind of questions we should be asking the customer. It's really becoming, to me, an intelligence engine. I think the exciting part there then is that, how are we taking that intelligence engine and embedding in places like Siemens in the future to truly drive the future of manufacturing?

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

Okay. Thanks very much.

Operator

Ron Josey, Citi.

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

Great. Thanks for taking the question, Sanjeev. I wanted to ask a little bit more just about the improving conversion rates you mentioned on active buyers, while also delivering that leverage in sales and marketing. Talk to us about the drivers of the conversion rate improvements, especially as we think about the millions of clients to convert, I think you mentioned.

With conversion rates improving, sales and marketing showing leverage and millions to go, just wanted to hear more about the approach here for sales and marketing. On the self-service for injection molding, you just talked about how that also has increased conversion rates. I wanted to hear a little bit more about the potential for other products to go self-service as you continue to integrate those capabilities. Thank you.

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

Thanks, Ron. This is Sanjeev. I'll start off and then have James chime in as well. As we think about the application of technology, I spoke a little bit about what we are doing in the marketing technology front or Martech. We're actually using the signals we are getting from the customers' shopping behavior to identify what kinds of sales and marketing interventions should follow.

In the same way we are connecting the models, we are connecting the signals that the customer give us by amount of time that they spend on the platform, which page do they leave, which page do they actually continue to browse on, to then use that to differentially plan our sales follow-ons or our sales conversations. I think that is what is making the change in us being able to really leverage the data we've had.

Now with the scale and the strength we have, that's truly becoming a difference maker in being able to know when a customer is likely to convert and actually following a much stronger follow-on with them, versus a customer who's a casual browser, looking at the site and then may not convert. How do we resource that follow-on in a much more efficient way. James?

James Miln - *Xometry Inc - Chief Financial Officer*

Yeah. Thank you, Ron, for noticing on the leverage there. I think we're really very happy here with what this is indicating in terms of improving unit economics, which bodes very well for continuing to grow into the large TAM ahead of us. 4,000 net adds in the quarter. That was, I think, a record in the last 10 quarters. Doing that while our AI models are optimizing our gross margin for our gross profit, for conversion, for buyer growth. We also saw accounts above $50,000 at a record as well, net adds in the quarter of 175.

Just as Sanjeev said, the work that we're doing on these AI models gives us a lot of confidence that we'll continue to see gross margin expand further over time into our target range of 35% to 40%, while also being able to support this strong growth on top line into our expanding opportunity.

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

Thank you. On self-service?

Operator

Thank you.

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

Ron, what was the question on service?

Operator

Oh, excuse me. I already promoted the next questioner. I can go back.

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

Okay. That'd be great.

Operator

Let me try to see.

James Miln - *Xometry Inc - Chief Financial Officer*

Yeah, Ron, could you just repeat your second, just clarify the second question you had?

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

Yeah. Just, if you can hear me, hopefully you can. Just with more insights on injection molding, I think you launched self-service there more recently.

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

Yeah.

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

I wanted just to hear about how that has changed sort of the conversion rate to project and maybe can collapse the time frames or compress the time frames and, also, how you think about self-service going forward for other projects. Thank you.

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

Thanks for the question, Ron. The injection molding work that we are doing is truly transformational in the sense that we're not only taking a completely offline process that is a two-part process, as you know, between the mold and the actual production. We are actually making a ton of progress in making sure the connective tissue between the mold, and the actual final production, actually is set in stone from the beginning.

To that, the increasing adoption in injection molding is actually making a ton of great traction for us. The benefits of linking all of that upfront with the expert advice that I mentioned, with the reordering made super easy in as one click as it can be, I think that's driving the awareness, and we are seeing that in the adoption numbers already. Lots more to come on that space. We actually are very excited about the tech improvements we've made there.

Ronald Josey - *Citi Infrastructure Investments LLC - Analyst*

Great. Thank you.

Operator

Troy Jensen, Cantor Fitzgerald.

Troy Jensen - *Cantor Fitzgerald LP - Research Analyst*

Hey, gentlemen. Congrats on the great results here.

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

Thank you.

James Miln - *Xometry Inc - Chief Financial Officer*

Thank you, Troy.

Troy Jensen - *Cantor Fitzgerald LP - Research Analyst*

Hey, Sanjeev, I'll maybe start with you. Could you just give us just your thoughts on the M&A focus comment that you had? Curious if it's just kind of like software tuck-ins or if you ever think you would need to own some more equipment.

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

Great. Thanks, Troy. I can start. I think maybe there's almost two elements to it. One is the tuck-in M&As for us are focused specifically on continuing to drive our moat. As you've seen, we've become more and more focused on driving product-led growth strategy, which means ensuring that we have access to some of the best technology capabilities in this space, and we continue to drive some of the growth that actually comes from that.

To that, we don't necessarily have a next update to give you, but as you can imagine, both thanks to the Siemens conversation and the point on M&A that we made during the equity raise, phones have been continuously ringing. There's conversations that are ongoing that we'd share as soon as we can. James, you can add anything.

James Miln - *Xometry Inc - Chief Financial Officer*

Troy, I think you know us. We're very disciplined in terms of our capital allocation. We feel that we're in a very strong position now in terms of our performance and in terms of our balance sheet. One that we'll remain disciplined around. Building on Sanjeev's point, the marketplace model is clearly winning here and being very strong. Ways that we can continue to blend that and improve our offerings, improve our geographies, augment technology and talent, that can help us on our roadmap. I think that complements also, the approach that we're taking in terms of partnerships as well.

Troy Jensen - *Cantor Fitzgerald LP - Research Analyst*

Perfect. All right, James, maybe just a follow-up for you. I guess I'm assuming a lot of the profitability leverage is going to come from the international side, as that kind of shifts from being a drag on profitability to accretive. Can you just talk us through maybe investments you're doing there? Are you trying to accelerate that more than the US or maybe timing to a breakeven or any help would be great.

James Miln - *Xometry Inc - Chief Financial Officer*

Yeah. I'll kick off and I think, also Sanjeev, too, in terms of extending our playbook because I think I'd point first to the fantastic progress we've been demonstrating in the US, that we've made a lot of progress on enterprise and then a lot of progress on our product roadmap and playbook. In fact, in the last quarter on a segment basis, our US margin was at adjusted EBITDA, our margin was at 9%, that's up from 5% a year ago.

I think showing great progress towards our longer-term target. On international, we're really pleased with how the marketplace offering is a truly global offering, that it works well, the unit economics are similar across the markets we're in, that the strength that we get with being able to source globally and continue to grow that, as we've done.

We've talked about places like India, Turkey, Southeast Asia is also as areas that we're expanding into. I think that, the performance that we're seeing is really encouraging for us in terms of getting to our $120 million run rate earlier than we had in the U We'll continue to build on that momentum. I think, the opportunity for us is to now take more of that playbook on the go-to-market and product side to international. Yeah.

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

I totally echo James' point. I think you've seen us execute to a product-led playbook here in the US. You're seeing the impact of phenomenal revenue growth. We're going to take the same playbook and do the same kind of a growth trajectory build in Europe. You'll see that come through the numbers in the quarters and years to come. Clearly, we've perfected that playbook that we want to now take on and execute in enterprise, in product differentiation, in marketing technology, more to come.

Troy Jensen - *Cantor Fitzgerald LP - Research Analyst*

Well, it's been an amazing run, guys. Keep up the good work.

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

Thank you.

James Miln - *Xometry Inc - Chief Financial Officer*

Thanks, Troy.

Operator

Eric Sheridan, Goldman Sachs.

Eric Sheridan - *Goldman Sachs Group Inc - Analyst*

Thanks so much for taking the questions. Appreciate the opportunity. I want to come back on the first one to something you said in the beginning of the prepared remarks that I thought was really interesting. You talked about the rapid growth in new market segments like robotics and autonomous systems and defense platforms opening up pockets of market opportunity.

Can you talk to us a little bit about how new verticals and innovation in the broader manufacturing landscape is opening up a wider array of potential customer growth for the medium to long term? Would love to go as far as you can in terms of digging deeper on that topic.

Secondarily, maybe for James, following on the equity offering you did recently, how should investors think about capital allocation and broadly balance sheet flexibility, strategic M&A, and making sure you're making all the critical growth investments in the business over the medium long term in terms of the balance you want to strike there? Thanks so much, guys.

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

Thanks for the question, Eric. Let me ask actually the first question in two parts. One, in terms of the momentum that we are trying to, or we are seeing on the platform, as I mentioned, we've seen really broad-based expansion in your customers and categories that we are getting traction on. Whether it's CNC or additive or sheet or tube, all of those areas, including injection molding, we've seen grow.

To your point, we have also seen people who are in new areas like robotics and in autonomous vehicles, just naturally find their way to the online marketplace much more easily. In fact, part of the growth in the active buyer base that I mentioned, also talks about the new buyer growth and how we are actually continuing to see that traction.

To your point, a lot of that is coming from the digital native or digitally native individuals in the right roles there that are finding that, when they come to Xometry and we deliver the friendly e-commerce platform they're used to in their personal life, they stay on and be part of the platform longer term. Actually in the physical AI space, in robotics and autonomous vehicles, all of those spaces, we are seeing significant traction from new buyers.

The other side of the spectrum, I mentioned in the first priority for us, which is truly becoming the infrastructure for customer manufacturing, we are seeing a real interesting trend there, where clearly everybody is looking to get to a zero-touch manufacturing reality.

I think the intelligence that we have, that we can actually insert in other platforms, think Siemens, that opportunity is actually surfacing in multiple other spaces along the manufacturing spectrum, from design intent all the way to capacity planning and production. I think we see ourselves play a key role in that provider of design intelligence or the infrastructure that helps manufacturing go from today's multi-touch environments to a zero-touch. More to follow on that, but that's the other exciting part about new areas and new opportunities that we're seeing. James?

James Miln - *Xometry Inc - Chief Financial Officer*

Thanks, Sanjeev. Eric, on the question, I think that what you've seen from us Really over the last couple of years, there's been a very deliberate strategy to ensure that we've got the capital structure and balance sheet that the opportunity ahead of us merits. We went through, we refinanced our convertible to give us a lot of flexibility as we continued to grow and show the opportunity ahead here.

We were fortunate to be able to do a strong equity raise as well as the investments in Siemens. We went in the quarter with $517 million in cash. We also have moved from being a cash burning a couple of years ago to now in the first half of this year, basically neutral. That puts us now in a really strong position, in all operating environments to continue on the strategy and mission and opportunity that Xometry has ahead of it. Our first focus is about building shareholder value.

It's about growing into the 275 billion TAM that we have, that we're less than 1%, we think we've got a huge opportunity ahead. Our focus will remain on sustainable, profitable growth, continuing to adjust our profitability. Maintaining a strong balance sheet gives us a lot of flexibility in different operating environments, as well as the opportunity, as we were just saying, for selective discipline, talking M&A, that can help us execute on that strategy.

If I can just go in and touch on that M&A. The way we think about M&A opportunities is not adjacency, it's actually to my point that I made in the prepared remarks about becoming the expansive marketplace for custom parts, which means opportunities in categories that we are already strong in, but we see opportunities to grow further, geographies where we are actually already having a presence, but we can see an additional add there. It's very much focused on the expansive e-commerce platform that we are building and driving traction to that.

Eric Sheridan - *Goldman Sachs Group Inc - Analyst*

Thank you.

Operator

Matt Swanson, RBC Capital Markets.

Matthew Swanson - *RBC Capital Markets Inc - Analyst*

Great. Thank you guys so much. You've spent the last couple of years showing really strong growth despite having headwinds from PMI and kind of like the overall macro environment. As we're starting to see some of those indicators improve, are there any parts of the business that you're noticing, like a notable impact, in terms of pickup that maybe you didn't know were seeing headwinds before, whether it be enterprise, discrete manufacturing, or certain like international geos?

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

Hey, Matt, it's Shawn. I'll take that. Certainly, we talked a lot about the last couple of years really driving strong enterprise growth, which drove a big lift in our revenue growth rates. Sanjeev, of course, has really driven the product-led growth strategy, which has added a whole another layer to the growth. What we talked about on the call is these added markets now around physical AI, which are gonna drive long-term tailwinds.

A lot of what you're seeing has been driven by the execution of the company. That said, we're now seeing in manufacturing, the PMIs turn positive for several months, and we can lean into that. You saw in our active buyers this quarter, we're near a 10-quarter high, and so we're prepared to continue to gain outsized market share capture.

James Miln - *Xometry Inc - Chief Financial Officer*

Yeah, just to build on that, Matt, I think Xometry, as we talked about before, I think we feel very much that we are built for this pivotal time in manufacturing. The choice of a resilient and flexible supply chain, the marketplace offerings and the value of our network and the value of an improving e-commerce experience just continues to raise.

Just as Sanjeev talked about in his remarks, it's really just transformational in terms of how buyers, suppliers, the marketplace, these crosscurrents are all areas that Xometry was built to work in and solve for.

Matthew Swanson - *RBC Capital Markets Inc - Analyst*

That's super helpful. Then I guess just one follow-up question to an earlier question on the Siemens partnership. We talked a little last quarter about how the workflow integrations kind of supercharged this enterprise adoption that you've been working on for a long time. Is there anything from these early conversations with customers that is starting to kind of help the way you think of your own R&D process, and maybe some different features or use cases that are gonna help you develop Xometry's kind of overall enterprise capabilities inside and outside of Siemens in the future?

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

That's an excellent question. I will say one of the most interesting outcomes of the Siemens collaboration has been across the world, we are seeing the understanding of what we are trying to do just list up in most of the enterprise conversations we are having. From being able to explain what custom manufacturing marketplace can do for you, as an initial push into a new enterprise. Now we are talking directly about, here are the three opportunities we have.

You can work with us on prototyping, you can work with us on production, you can work with us on special projects, and tell us where your data is strongest and how you can actually help us gain insight. I think for the nature of that conversation that we have with our enterprise customers is already changing.

To your point, a lot of them are asking the next level of question then saying, hey, I'm a Design Center user already, when I start working with Xometry in the box, what would that mean? Could the flow actually do X, Y, and Z?

Actually, a lot of those inputs are super helpful, as you can imagine, because with the close partnership, work that the tech teams are doing, we want all of those inputs to be defining what the outcome looks like. Even on the outset, just being able to have those conversations with the enterprise customers, with an acknowledgement of the role we will play long term, that's a welcome change for sure.

Matthew Swanson - *RBC Capital Markets Inc - Analyst*

Thank you.

Operator

Greg Palm, Craig-Hallum.

Jackson Schroeder - *Craig Hallum - Analyst*

Good morning. This is Jackson Schroeder on for Greg Palm. Just kind of a follow-up first to that PMI question. Is there any effect that that's kind of having on the buyers and suppliers in the platform, both like buyers kind of expediting shipping more, seeing elevated traction, and suppliers being maybe more or less price sensitive, how much extra capacity it seems like they have?

Then also, can you kind of separate what you're seeing internationally versus the US, the international like PMI ticking up, possibly be a bigger benefit and help you get to a point where you're kind of growing that at a rate above the domestic market, again, to expand that as a percentage of sales? Thank you.

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

Thanks for the question. I would say on the first part around various different tiers, as you know, we don't necessarily disclose that. I would say when you're growing at 45% year over year, really all boards are actually driving in the same direction and at the same pace.

We're actually seeing the true value of a marketplace play out here, where customers, depending on their price sensitivity, their urgency, can actually choose between I want it in one day or two day. We in fact launched the ability to ship orders the same day in a couple of categories, which is really, really exciting. The expedite definition, we are redefining ourselves.

Also there are customers, of course, who are very, very price sensitive, and with the continued investments in the sourcing markets like India and Vietnam, we are continuing to take that head on and actually capture a lot of that share as well.

Truly to me, that growth numbers that you see is not concentrating one way or the other, but actually helping us capture both ends of the market very, very well. Then you're absolutely spot on. As growth picks up in EMEA and the conversations around focusing on manufacturing again starts to pick up, we see that same trend happen in Europe, and that's why we are ready with our playbook to drive those conversations.

Jackson Schroeder - *Craig Hallum - Analyst*

Perfect. I'll leave it there. Thank you.

Operator

Ygal Arounian, Wedbush.

Ygal Arounian - *Wedbush Securities Inc - Analyst*

Good morning, guys. I guess a question on the gross margins. They were slightly lower year-over-year here in 2Q, then you talked about expectations for them to improve over the second half. I know you have the AI models driving better pricing over time. Is that what's driving to the improvement over the course of the rest of the year?

Are there other factors? I just want to understand the components of gross margin through this year. Then on the guidance also for the rest of the year and as we look into next year, is there any Siemens component in the guidance for this year, and how are we thinking about the contribution as we get into next year? Any updates on that at all? Thanks.

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

Thanks for the question. Let me start, then I'll hand it over to James. The continued gross margin expansion into our target range of 35% to 40%, that is indeed driven by our confidence in the AI models and the continuous improvement that we are seeing them drive, not just on one metric, but across the board.

I mean, you saw those models have now helped us improve growth rate from 20 point or so from 20 something last year to 45% this year. The same thing we expect and we are seeing, in fact, Q3 has started really strong and all of the same indicators, we are seeing them trend really, really well. We feel very, very positive about making that commitment for the rest of the year. James?

James Miln - *Xometry Inc - Chief Financial Officer*

Yeah. Thanks, Sanjeev. Yeah, very pleased with the start. In fact, marketplace gross margin over the first half is up about 100 basis points. We've got a long track record here of the more data, more suppliers, more orders. Now, with the improving AI models working across the whole marketplace, I think as Sanjeev said, gives us good confidence in continuing to make progress in that 35 to 40 range over time.

In terms of, well, on the guidance, you're asking about Siemens, I think there is some slightly more product related cost within our second half guidance. It's embedded in there. That in terms of prepare, the work that the teams are doing as we build for operating back in 2027.

Ygal Arounian - *Wedbush Securities Inc - Analyst*

Thanks so much.

James Miln - *Xometry Inc - Chief Financial Officer*

Thanks, Ygal.

Operator

Thank you. This concludes the question-and-answer session. Thank you for your participation in today's conference. This does conclude the program, and you may now disconnect.