UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-40546

XOMETRY, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**32-0415449**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
6116 Executive Blvd Suite 800 North Bethesda, MD	**20852**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (240) 335-7914

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.000001 per share	XMTR	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 1, 2023, the registrant had 45,394,804 shares of Class A common stock, $0.000001 par value per share, outstanding.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "can," "will," "would," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "forecasts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our expectations regarding our revenue, expenses and other operating results;
- the anticipated growth of our business, including our ability to effectively manage or sustain our growth and to achieve or sustain profitability;
- the effects of public health crises or other macroeconomic factors and geopolitical tension, which may lead to periods of global economic uncertainty;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- our ability to attract new buyers and suppliers and successfully engage new and existing buyers and suppliers;
- the costs and success of our sales and marketing efforts, and our ability to promote our brand;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel;
- our ability to effectively manage our growth, including any international expansion;
- our ability to obtain, maintain, protect and enforce our intellectual property or other proprietary rights and any costs associated therewith;
- our ability to effectively manage our costs and expenses, which may be impacted by inflationary pressures;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled Risk Factors Part II, Item 1A, and elsewhere in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Form 10-Q. And while we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Form 10-Q to reflect events or circumstances after the date of this Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share data)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 44,373	$ 65,662
Marketable securities	232,400	253,770
Accounts receivable, less allowance for credit losses of $2.1 million and $2.0 million as of September 30, 2023 and December 31, 2022	63,974	49,188
Inventory	1,309	1,571
Prepaid expenses	4,898	7,591
Other current assets	10,309	12,273
Total current assets	357,263	390,055
Property and equipment, net	25,689	19,079
Operating lease right-of-use assets	13,337	25,923
Investment in unconsolidated joint venture	4,205	4,068
Intangible assets, net	36,678	39,351
Goodwill	262,898	258,036
Other assets	459	413
Total assets	$ 700,529	$ 736,925
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 13,326	$ 12,437
Accrued expenses	35,113	33,430
Contract liabilities	9,659	8,509
Income taxes payable	2,956	3,956
Operating lease liabilities, current portion	6,736	5,471
Total current liabilities	67,790	63,803
Convertible notes	281,305	279,909
Operating lease liabilities, net of current portion	12,675	16,940
Deferred income taxes	363	429
Other liabilities	1,499	1,011
Total liabilities	363,632	362,092
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, $0.000001 par value. Authorized; 50,000,000 shares; zero shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Class A Common stock, $0.000001 par value. Authorized; 750,000,000 shares; 45,346,289 shares and 44,822,264 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Class B Common stock, $0.000001 par value. Authorized; 5,000,000 shares; 2,676,154 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	641,607	623,081
Accumulated other comprehensive income	442	28
Accumulated deficit	(306,287)	(249,366)
Total stockholders' equity	335,762	373,743
Noncontrolling interest	1,135	1,090
Total equity	336,897	374,833
Total liabilities and stockholders' equity	$ 700,529	$ 736,925

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	$ 118,927	$ 103,571	$ 335,261	$ 282,857
Cost of revenue	72,678	62,670	206,087	171,321
Gross profit	46,249	40,901	129,174	111,536
Sales and marketing	23,210	21,416	68,315	58,846
Operations and support	12,622	11,620	39,450	36,158
Product development	8,523	7,613	25,570	22,698
General and administrative	14,940	15,126	56,479	43,143
Impairment of assets	151	325	397	444
Total operating expenses	59,446	56,100	190,211	161,289
Loss from operations	(13,197)	(15,199)	(61,037)	(49,753)
Other income (expenses)				
Interest expense	(1,205)	(1,194)	(3,596)	(3,172)
Interest and dividend income	2,994	1,344	8,648	1,914
Other expenses	(597)	(289)	(1,156)	(1,733)
Income from unconsolidated joint venture	134	297	437	600
Total other income (expenses)	1,326	158	4,333	(2,391)
Loss before income taxes	(11,871)	(15,041)	(56,704)	(52,144)
(Provision) benefit for income taxes	(139)	—	(208)	559
Net loss	(12,010)	(15,041)	(56,912)	(51,585)
Net income (loss) attributable to noncontrolling interest	13	(4)	9	17
Net loss attributable to common stockholders	$ (12,023)	$ (15,037)	$ (56,921)	$ (51,602)
Net loss per share, basic and diluted, of Class A and Class B common stock	$ (0.25)	$ (0.32)	$ (1.19)	$ (1.10)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted, of Class A and Class B common stock	47,989,277	47,303,090	47,852,671	47,057,521
Comprehensive loss:				
Foreign currency translation	$ 91	$ (559)	$ 450	$ (573)
Total other comprehensive income (loss)	91	(559)	450	(573)
Net loss	(12,010)	(15,041)	(56,912)	(51,585)
Comprehensive loss	(11,919)	(15,600)	(56,462)	(52,158)
Comprehensive income attributable to noncontrolling interest	21	14	45	85
Total comprehensive loss attributable to common stockholders	$ (11,940)	$ (15,614)	$ (56,507)	$ (52,243)

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)
Three months ended September 30, 2023 and 2022
(In thousands, except share and per share data)

	Class A - Common Stock		Class B - Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Equity	Interest	Equity
Balance, June 30, 2023	45,243,447	$ —	2,676,154	$ —	$ 635,267	$ 359	$ (294,264)	$ 341,362	$ 1,114	$ 342,476
Exercise of common stock options	33,516	—	—	—	284	—	—	284	—	284
Vesting of restricted stock units	49,193	—	—	—	—	—	—	—	—	—
Donated common stock	20,133	—	—	—	326	—	—	326	—	326
Stock based compensation	—	—	—	—	5,730	—	—	5,730	—	5,730
Comprehensive income										
Foreign currency translation	—	—	—	—	—	83	—	83	8	91
Net loss	—	—	—	—	—	—	(12,023)	(12,023)	13	(12,010)
Total comprehensive (loss) income	—	—	—	—	—	—	—	(11,940)	21	(11,919)
Balance, September 30, 2023	45,346,289	$ —	2,676,154	$ —	$ 641,607	$ 442	$ (306,287)	$ 335,762	$ 1,135	$ 336,897
Balance, June 30, 2022	44,545,080	$ —	2,676,154	$ —	$ 610,331	$ 85	$ (209,906)	$ 400,510	$ 1,105	$ 401,615
Exercise of common stock options	156,196	—	—	—	847	—	—	847	—	847
Donated common stock	20,133	—	—	—	987	—	—	987	—	987
Stock based compensation	—	—	—	—	5,113	—	—	5,113	—	5,113
Comprehensive income										
Foreign currency translation	—	—	—	—	—	(577)	—	(577)	18	(559)
Net (loss) income	—	—	—	—	—	—	(15,037)	(15,037)	(4)	(15,041)
Total comprehensive (loss) income	—	—	—	—	—	—		(15,614)	14	(15,600)
Balance, September 30, 2022	44,721,409	$ —	2,676,154	$ —	$ 617,278	$ (492)	$ (224,943)	$ 391,843	$ 1,119	$ 392,962

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)

Nine months ended September 30, 2023 and 2022

(In thousands, except share and per share data)

	Class A - Common Stock		Class B - Common Stock		Additional Paid-In	Accumulated Other Comprehensive Income (Loss)	Accumulated	Total Stockholders'	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Capital		Deficit	Equity	Interest	(Deficit) Equity
Balance, December 31, 2022	44,822,264	$ —	2,676,154	$ —	$ 623,081	$ 28	$ (249,366)	373,743	$ 1,090	374,833
Exercise of common stock options	202,423	—	—	—	1,428	—	—	1,428	—	1,428
Vesting of restricted stock units	277,774	—	—	—	—	—	—	—	—	—
Shared issued in business combination	3,562	—	—	—	180	—	—	180	—	180
Donated common stock	40,266	—	—	—	696	—	—	696	—	696
Stock based compensation	—	—	—	—	16,222	—	—	16,222	—	16,222
Comprehensive loss										
Foreign currency translation	—	—	—	—	—	414	—	414	36	450
Net loss	—	—	—	—	—	—	(56,921)	(56,921)	9	(56,912)
Total comprehensive loss	—	—	—	—	—	—	—	(56,507)	45	(56,462)
Balance, September 30, 2023	45,346,289	$ —	2,676,154	$ —	$ 641,607	$ 442	$ (306,287)	$ 335,762	$ 1,135	$ 336,897
Balance, December 31, 2021	43,998,404	$ —	2,676,154	$ —	$ 597,641	$ 149	$ (173,341)	$ 424,449	$ 1,034	$ 425,483
Exercise of common stock options	662,606	—	—	—	3,317	—	—	3,317	—	3,317
Donated common stock	60,399	—	—	—	2,272	—	—	2,272	—	2,272
Stock based compensation	—	—	—	—	14,048	—	—	14,048	—	14,048
Comprehensive loss										
Foreign currency translation	—	—	—	—	—	(641)	—	(641)	68	(573)
Net loss (income)	—	—	—	—	—	—	(51,602)	(51,602)	17	(51,585)
Total comprehensive loss	—	—	—	—	—	—	—	(52,243)	85	(52,158)
Balance, September 30, 2022	44,721,409	$ —	2,676,154	$ —	$ 617,278	$ (492)	$ (224,943)	$ 391,843	$ 1,119	$ 392,962

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (56,912)	$ (51,585)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,939	5,716
Impairment of assets	397	444
Reduction in carrying amount of right-of-use asset	13,257	5,351
Stock based compensation	16,222	14,048
Revaluation of contingent consideration	305	434
Income from unconsolidated joint venture	(137)	(100)
Donation of common stock	696	2,272
Losses on marketable securities	—	1,659
Non-cash income tax benefit	—	(559)
Loss on sale of property and equipment	92	71
Inventory write-off	223	—
Amortization of deferred costs on convertible notes	1,396	1,250
Deferred taxes benefit	(66)	(2)
Changes in other assets and liabilities:		
Accounts receivable, net	(14,873)	(19,032)
Inventory	(17)	(3,680)
Prepaid expenses	2,335	(1,784)
Other assets	1,395	(3,922)
Accounts payable	640	(240)
Accrued expenses	1,032	5,591
Contract liabilities	1,178	2,777
Lease liabilities	(3,845)	(4,219)
Income taxes payable	160	—
Net cash used in operating activities	(28,583)	(45,510)
Cash flows from investing activities:		
Purchases of marketable securities	(8,630)	(281,897)
Proceeds from sale of marketable securities	30,000	4
Purchases of property and equipment	(12,063)	(9,608)
Proceeds from sale of property and equipment	223	165
Cash paid for business combination, net of cash acquired	(3,349)	—
Net cash provided by (used in) investing activities	6,181	(291,336)
Cash flows from financing activities:		
Proceeds from stock options exercised	1,428	3,317
Proceeds from issuance of convertible notes	—	287,500
Costs incurred in connection with issuance of convertible notes	—	(9,309)
Payments on finance lease obligations	—	(2)
Net cash provided by financing activities	1,428	281,506
Effect of foreign currency translation on cash and cash equivalents	(315)	(425)
Net decrease in cash and cash equivalents	(21,289)	(55,765)
Cash and cash equivalents at beginning of the year	65,662	86,262
Cash and cash equivalents at end of the period	$ 44,373	$ 30,497
Supplemental cash flow information:		
Cash paid for interest	$ 2,875	$ 1,414
Non-cash investing and financing activities:		
Non-cash consideration in connection with business combination	1,593	—

See accompanying notes to the unaudited condensed consolidated financial statements.

XOMETRY, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements
(Unaudited)

(1) Organization and Description of Business

Xometry, Inc. (“Xometry”, the “Company”, “we”, or “our”) was incorporated in the State of Delaware in May 2013. Xometry is a global online marketplace connecting buyers with suppliers of manufacturing services, transforming one of the largest industries in the world. We use our proprietary technology to create a marketplace that enables buyers to efficiently source manufactured parts and assemblies, and empower suppliers of manufacturing services to grow their businesses. Xometry's corporate headquarters is located in North Bethesda, Maryland.

Our AI-enabled technology platform is powered by proprietary machine learning algorithms and dataset, resulting in a sophisticated two-sided marketplace that is rapidly digitizing the manufacturing industry. As a result, buyers can procure the products they want on demand, and suppliers can source new manufacturing opportunities that match their specific capabilities and capacity. Interactions on our marketplace provide rich data insights that allow us to continuously improve our AI models and create new products and services, fueling powerful network effects as we scale.

We use proprietary technology to enable product designers, engineers, buyers, and supply chain professionals to instantly access the capacity of a global network of manufacturing facilities. The Company’s platform makes it possible for buyers to quickly receive pricing, expected lead times, manufacturability feedback and place orders on the Company’s platform. The network allows the Company to provide high volumes of unique parts, including custom components and assemblies for its buyers.

Xometry’s suppliers’ capabilities include computer numerical control manufacturing, sheet metal forming, sheet cutting, 3D printing (including fused deposition modeling, direct metal laser sintering, PolyJet, stereolithography, selective laser sintering, binder jetting, carbon digital light synthesis, multi jet fusion and lubricant sublayer photo-curing), die casting, stamping, injection molding, urethane casting, tube cutting, tube bending, as well as finishing services, rapid prototyping and high-volume production. Xometry's extensible technology platform allows the Company to add new technologies and processes to gain more wallet share with our buyers.

We empower suppliers to grow their manufacturing businesses and improve machine uptime by providing access to an extensive, diverse base of buyers. We also offer suppliers supporting products and services to meet their unique needs. We offer suppliers digital advertising and marketing services and data solutions. In addition, our suite of supplier services includes financial service products to stabilize and enhance cash flow and a cloud-based manufacturing execution system (“Workcenter”) to help suppliers optimize their productivity.

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

(2) Basis of Presentation and Summary of Significant Accounting Policies

(a)Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2023.

The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited financial statements as of that date, but may not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis. In the opinion of management, the accompanying condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, stockholders' equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2023 or any future period. The Company has two reporting segments which are referred to as: (1) the United States (“U.S.”) and (2) International.

Foreign Operations and Comprehensive Loss

The U.S. dollar ("USD") is the functional currency for Xometry's consolidated subsidiary operating in the U.S. The primary functional currency for the Company's consolidated subsidiaries operating in Germany and to a lesser extent, United Kingdom, Turkey, China and Japan, is the Euro, British Pound Sterling, Turkish Lira, Yuan and the Yen, respectively. For the Company's consolidated subsidiaries whose functional currencies are not the USD, the Company translates their financial statements into USD. The Company translates assets and liabilities at the exchange rate in effect as of the financial statement date. Revenue and expense accounts are translated using an average exchange rate for the period. Gains and losses resulting from translation are included in accumulated other comprehensive income ("AOCI"), as a separate component of equity.

Noncontrolling Interest

We have a 66.67% ownership in Incom Co., LTD. As we have a controlling interest in Incom Co., LTD, we have consolidated Incom Co., LTD into our unaudited condensed consolidated financial statements. The portion of equity in Incom Co., LTD not owned by the Company is accounted for as a noncontrolling interest. We present the portion of any equity that we do not own in a consolidated entity as noncontrolling interest and classify their interest as a component of total equity, separate from total stockholders' equity on our Condensed Consolidated Balance Sheets. We include net (loss) income attributable to the noncontrolling interests in net loss in our Condensed Consolidated Statements of Operations and Comprehensive Loss.

(b)Use of Estimates

The preparation of the Company's unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c)Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to the valuation of intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

(d)Fair Value Measurements and Financial Instruments

The Company measures certain assets and liabilities at fair value on a recurring basis based on an expected exit price, which represents the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability.

The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis, whereby inputs used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of certain of the Company's financial instruments, which include cash and cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and contract liabilities approximate their fair values due to their short maturities. The Company's marketable securities are recorded at fair value.

(e)Marketable Securities

The Company measures its marketable securities at fair value and recognizes any changes in fair value in other expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company's marketable securities represent our investments in a short term money market fund. These marketable securities have maturities of three months or less. As of September 30, 2023 and December 31, 2022, the Company's marketable securities of $232.4 million and $253.8 million, respectively, were recorded at fair value, within Level 1 of the fair value hierarchy. The fair value of the Company's Level 1 financial instruments is based on quoted prices in active markets, total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs, discounts or blockage factors. No losses were recorded during the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, the Company recorded losses of $0.5 million and $1.7 million, respectively, related to these securities, which is recorded in other expenses on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

(f)Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company's accounts receivable do not bear interest. Amounts collected on accounts receivable are included in net cash used in operating activities in the Condensed Consolidated Statements of Cash Flows. For buyers for which the Company provides credit, the Company performs credit inquiries, including reference checks, and queries credit ratings services and other publicly available information. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on the age of the outstanding amounts, each customer's expected ability to pay and collection history, current market conditions, and reasonable and supportable forecasts of future economic conditions to determine whether the allowance is appropriate. The Company reviews its valuation allowance monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Allowance For Credit Losses

The allowance for credit losses related to accounts receivable and changes were as follows (in thousands):

	2023	2022
Allowance for credit losses		
Balance at beginning of year, January 1	$ 1,988	$ 809
Charge to provision accounts	1,527	1,324
Write-offs or other	(1,369)	(145)
Balance at period end, September 30 and December 31, respectively	$ 2,146	$ 1,988

(g)Property and Equipment and Long-Lived Assets

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful life of the assets, which range from three to seven years, or in the case of leasehold improvements, over the shorter of the remaining lease term or the useful life of the asset.

Property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Property and equipment includes capitalized internal-use software development costs. Eligible internal-use software development costs are capitalized subsequent to the completion of the preliminary project stage. Such costs include internal and external direct development costs totaling $10.6 million for the nine months ended September 30, 2023 and $11.5 million for the year ended December 31, 2022. After all substantial testing and deployment is completed and the software is ready for its intended use, capitalization is discontinued and the internal-use software costs are placed in service and amortized using the straight-line method over the estimated useful life of the software, generally three years.

(h)Goodwill

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. As of September 30, 2023, the Company's goodwill is attributable to both the U.S. and International reporting units. As of December

31, 2022, the Company's goodwill is attributable to the U.S. reporting unit. Goodwill is not amortized. The Company tests goodwill for impairment annually in the fourth quarter, or more frequently, if events or changes in circumstances indicate that the carrying value of a reporting unit, including goodwill, might be impaired.

In testing for goodwill impairment, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These qualitative factors assessed may include the following: (i) significant changes in the manner of our use of the assets or the strategy of our overall business, (ii) certain restructuring initiatives, (iii) significant negative industry or economic trends and (iv) significant decline in our share price for a sustained period. If, after assessing the totality of events or circumstances, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if we conclude otherwise, we proceed to the quantitative assessment.

(i)Revenue

The Company derives the majority of its marketplace revenue in the U.S. and Europe from the sale of parts and assemblies fulfilled using a vast network of suppliers. The Company recognizes revenue from the sales to our customers pursuant to Financial Accounting Standard Board’s (“FASB”) Accounting Standards Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers* (“ASC 606”).

The Company determines that a contract exists between the Company and the customer when the customer accepts the quote and places the order, all of which are governed by the Company’s standard terms and conditions or other agreed terms with Xometry’s buyers. Upon completion of an order through Xometry’s platform, the Company identifies the performance obligation(s) within that order to complete the sale of the manufactured part(s) or assembly. Using Xometry’s in-house technology, the Company determines the price for the manufactured part(s) or assembly on a stand-alone basis at order initiation. The Company recognizes revenue from sales to Xometry’s customers upon shipment, at which point control over the part(s) or assembly have transferred.

The Company has concluded that the Company is principal in the sale of part(s) and assemblies that use the Company’s network of third-party manufacturers because the Company controls the manufacturing by obtaining a right to direct a third-party manufacturer to fulfill the performance obligation Xometry has with the Company’s customers on Xometry’s behalf. The Company has considered the following conditions of the sale: (i) the Company has the obligation of providing the specified product to the customer, (ii) the Company has discretion with respect to establishing the price of the product and the price the Company pays the suppliers and the Company has margin risk on all of Xometry’s sales, (iii) the Company has discretion in determining how to fulfill each order, including selecting the supplier and (iv) Xometry bears certain risk for product quality to the extent the customer is not satisfied with the final product.

Xometry also derives revenue from its supplier services which is a suite of services offered to our suppliers. Revenue also includes the sale of marketing services which includes advertising. This revenue is generally recognized as control is transferred to the customer, in an amount reflecting the consideration we expect to be entitled to in exchange for such product or service. From time to time, a purchase order with a customer may involve multiple performance obligations, including a combination of some or all of our products. Judgment may be required in determining whether products are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation. Revenue is recognized over the period or at the point in time in which the performance obligations are satisfied. Consideration is typically determined based on a fixed unit price for the quantity of product transferred. For purchase orders involving multiple performance obligations, the transaction price is allocated to each performance obligation based on relative standalone selling price, and recognized as revenue when each individual product or service is transferred to the customer.

Revenue is shown net of estimated returns, refunds, and allowances. At September 30, 2023 and December 31, 2022, the Company has a provision for estimated returns, refunds or allowances of $0.1 million and $0.3 million, respectively.

Sales tax and, if applicable, duties and/or tariffs collected from customers and remitted to governmental authorities is excluded from revenue.

Contract Liabilities

Contract liabilities are primarily derived from payments received in advance or at the time an order is placed, for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company’s revenue recognition criteria described above.

The following table presents contract liabilities as of December 31, 2022 and September 30, 2023 (in thousands):

Rollforward of contract liabilities:		
Contract liabilities at December 31, 2022	$	8,509
Revenue recognized		(151,504)
Payments received in advance		152,633
Acquired contract liabilities		21
Contract liabilities at September 30, 2023	$	9,659

During the nine months ended September 30, 2023, the Company recognized approximately $8.0 million of revenue related to its contract liabilities at December 31, 2022.

Sales Contract Acquisition Costs

The Company’s incremental costs to obtain a contract may include a sales commission which is generally determined on a per order basis. For contracts in excess of one year, the Company amortizes such costs on a straight-line basis over the average customer life of two years for new customers and over the renewal period for existing customers which is generally one year. Sales commissions are included in the Company's sales and marketing expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss. For the three and nine months ended September 30, 2023, the Company recognized approximately $2.0 million and $6.0 million, respectively of amortization related to deferred sales commissions. For the three and nine months ended September 30, 2022, the Company recognized approximately $1.6 million and $3.1 million, respectively of amortization related to deferred sales commissions. During the nine months ended September 30, 2022, the amount included a $1.9 million measurement period benefit related to the Company's acquisition of Thomas. As of September 30, 2023 and December 31, 2022, the Company had deferred sales contract acquisition costs of $3.6 million and $3.3 million, respectively which is classified in other current assets on the Condensed Consolidated Balance Sheets.

(j) Cost of Revenue

Cost of revenue for marketplace primarily consists of the cost of the products that are manufactured or produced by the Company’s suppliers for delivery to buyers on the Company's platform, internal and external production costs, shipping costs, and certain internal depreciation.

Cost of revenue for supplier services primarily consists of internal and external production costs and website hosting.

(k) Leases

The Company determines if an arrangement contains a lease and the classification of that lease, if applicable, at its inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, current portion and operating lease liabilities, net of current portion in the Condensed Consolidated Balance Sheets. For leases with terms of twelve months or less, the Company does not recognize ROU assets or lease liabilities on the Condensed Consolidated Balance Sheets. Additionally, the Company elected to use the practical expedient to not separate lease and non-lease components for leases of real estate, meaning that for these leases, the non-lease components are included in the associated ROU asset and lease liability balances on the Company’s Condensed Consolidated Balance Sheets.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments under the lease. Operating lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within the Company’s operating leases is generally not determinable, as such the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives. Certain of the Company’s leases include options to extend or terminate the lease. The expected lease term includes options to extend or terminate the lease when it is reasonably certain the Company will exercise such option.

Lease expense is recognized on a straight-line basis over the term of the lease.

(l) Sales and Marketing

Sales and marketing expenses are expensed as incurred and include the costs of digital marketing strategies, branding costs and other advertising costs, certain depreciation and amortization expense, contract acquisition costs and compensation expenses, including stock-based compensation, to the Company’s sales and marketing employees. For the three and nine months ended September 30, 2023, the Company's advertising cost were $7.7 million and $23.4 million, respectively. For the three and nine months ended September 30, 2022, the Company's advertising costs were $8.3 million and $23.3 million, respectively.

(m) Operations and Support

Operations and support expenses are the costs the Company incurs in support of the customers and suppliers on Xometry’s platforms which are provided by phone, email and chat for purposes of resolving customer and supplier related matters. These costs primarily consist of compensation expenses of the support staff, including stock-based compensation, certain depreciation and amortization expense and software costs used in delivering customer and supplier services.

(n) Product Development

Product development costs which are not eligible for capitalization are expensed as incurred. This account also includes compensation expenses, including stock-based compensation to the Company’s employees performing these functions and certain depreciation and amortization expense.

(o) General and Administrative

General and administrative expenses primarily consist of compensation expenses, including stock-based compensation expenses, for executive, finance, legal and other administrative personnel, professional service fees and certain depreciation and amortization expense.

(p) Stock Based Compensation

All stock-based compensation, including stock options and restricted stock units, are measured at the grant date fair value of the award. The Company estimates grant date fair value of stock options using the Black-Scholes option-pricing model. The fair value of stock options and restricted stock units is recognized as compensation expense on a straight-line basis over the requisite service period, which is typically four years. The fair value of the restricted stock units is determined using the fair value of the Company's Class A common stock on the date of grant. Forfeitures are recorded in the period in which they occur.

The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards.

These variables include:

- expected annual dividend yield;
- expected volatility over the expected term;
- expected term;
- risk free interest rate;
- per share value of the underlying common stock; and
- exercise price.

For all stock options granted, the Company calculated the expected term using the simplified method for “plain vanilla” stock option awards. The risk-free interest rate is based on the yield available on U.S. Treasury issuances similar in duration to the expected term of the stock-based award. The Company estimates its expected share price volatility based on the historical volatility of publicly traded peer companies and/or its own volatility and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded share price. The Company utilized a dividend yield of zero, as it had no history or plan of declaring dividends on its common stock.

(q) Net Loss Per Share

The Company computes net loss per share using the two-class method required for multiple classes of common stock and participating securities. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. Certain unvested share-based payment awards that contain nonforfeitable rights to dividends are treated as participating securities and therefore included in computing net income per share using the two-class method. The rights, including the liquidation and dividend rights, of the Class A common stock and Class B common stock are substantially identical, other than voting rights. Accordingly, the Class A common stock and Class B common stock shared proportionately in the Company’s net losses.

(r) Recently Issued Accounting Standards

There are currently no other accounting standards that have been issued, but not yet adopted, that are expected to have a significant impact on the Company’s consolidated financial position, results of operations or cash flows upon adoption.

(3) Credit Concentrations

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company maintains its cash, which at times may exceed federally insured limits, in deposit accounts at major financial institutions. A majority of the Company’s buyers are located in the United States.

For the three and nine months ended September 30, 2023 and 2022, no single buyer accounted for more than 10% of the Company's revenue. As of September 30, 2023, and December 31, 2022, no single buyer accounted for more than 10% of the Company’s accounts receivable.

(4) Inventory

Inventory consists of raw materials, work-in-process, tools inventory and finished goods. Raw materials (plastics and metals) become manufactured products in the additive and subtractive manufacturing processes. Work-in-progress represents manufacturing costs associated with customer orders that are not yet complete. The tools inventory primarily consists of small consumable machine tools, cutting devices, etc. Finished goods represents product awaiting shipment. Inventory consists of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	$ 171	$ 119
Work-in-progress	685	675
Tools inventory	-	477
Finished goods	453	300
Total	$ 1,309	$ 1,571

(5) Property and Equipment and Long-Lived Assets

Property and equipment consist of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	Useful Life	September 30, 2023	December 31, 2022
Technology hardware	3 years	$ 3,209	$ 2,927
Manufacturing equipment	5 years	3,434	2,892
Capitalized software development	3 years	34,878	24,343
Leasehold improvements	Shorter of useful life or lease term	1,402	1,345
Furniture and fixtures	7 years	2,251	1,705
Total		45,174	33,212
Less accumulated depreciation		(19,485)	(14,133)
Property and Equipment, net		$ 25,689	$ 19,079

Depreciation expense for the three and nine months ended September 30, 2023 and 2022 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 38	$ 41	$ 120	$ 99
Sales and marketing	29	-	33	-
Operations and support	52	15	142	43
Product development	1,252	753	3,872	2,180
General and administrative	200	147	1,008	512
Total depreciation expense	$ 1,571	$ 956	$ 5,175	$ 2,834

(6) Leases

Operating lease expense for the three and nine months ended September 30, 2023 and 2022 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 18	$ 23	$ 54	$ 60
General and administrative	1,171	1,518	13,802	4,446
Total operating lease expense	$ 1,189	$ 1,541	$ 13,856	$ 4,506

During the first quarter of 2023, the Company entered into two new office leases in Lyon, France and Istanbul, Turkey. In connection with these leases, the Company recorded non-cash ROU assets and lease liabilities of $0.3 million. During the second quarter of 2023, the Company determined that it was reasonably certain to exercise an extension option in an existing lease and recorded a non-cash ROU asset and lease liability of $0.5 million.

During the second quarter of 2023, the Company assessed its lease portfolio. As a result, the Company abandoned certain leases and/or portions of its leases in New York, NY, Horsham, PA, Culver City, CA, Doraville, GA and Gaithersburg, MD. As a result of abandoning these leases, the Company ceased its use of these locations and accelerated the amortization of the ROU assets to reduce the ROU assets carrying values to zero. The Company recognized a one-time charge of $8.7 million of additional operating lease expense during the second quarter of 2023 in general and administrative on our Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company will continue to pay the rent owed under the existing lease agreements.

(7) Acquisition

Tridi

On January 2, 2023, the Company acquired Tridi Teknoloj A.S. ("Tridi") located in Istanbul, Türkiye pursuant to a Share Purchase Agreement. The acquisition of Tridi extends the Company's marketplace capabilities in Europe and provides the Company with access to the Turkish market. The Company accounted for the acquisition as a business combination. The goodwill of $4.8 million arising from the acquisition of Tridi related to expected synergies including access to the Turkish market and an established supplier network. The goodwill is included in our International reporting segment and is not deductible for tax purposes. The aggregate non-contingent portion of the purchase price was approximately $3.8 million in cash, of which approximately $0.4 million was withheld and will be paid in a future period. In addition, the purchase price included a contingent consideration arrangement to the former owner of Tridi up to a maximum amount of $1.25 million (undiscounted) in shares of the Company's Class A common stock in two installments on the first and second anniversary of the acquisition. The contingent consideration arrangement is tied to the achievement of revenue thresholds. The initial fair value of the contingent consideration of $0.9 million was estimated by applying an income valuation approach. The measurement is based on inputs that are not observable in the market (Level 3 inputs). Key assumptions made include (a) discount rate and (b) probability weighted assumptions about achieving revenue thresholds.

During the second quarter of 2023, the Company recognized measurement period adjustments related to the initial fair value of the intangible asset. The Company reduced the fair value of the intangible asset from $0.6 million to $0.1 million, which resulted in $0.5 million of additional goodwill. The Company completed its valuation of the acquired assets and liabilities during the third quarter of 2023.

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

Consideration:		
Cash	$	3,824
Settlement of preexisting relationship		357
Fair value of contingent consideration		860
Fair value of consideration		5,041
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets		460
Property and equipment		22
Intangible asset		96
Current liabilities		(373)
Total identifiable net assets assumed		205
Goodwill		4,836
Total	$	5,041

The estimated fair value of the intangible asset acquired was determined by the Company. The Company engaged a third-party expert to assist with the valuation analysis. The Company used a cost method to estimate the fair value of the vendor relationship using Level 3 inputs. The useful life of the vendor relationship is 10 years.

Tridi's results of operations were included in the Company's consolidated financial statements from the date of acquisition, January 2, 2023. The acquisition of Tridi was not considered material to the Company for the periods presented, and therefore, proforma information has not been presented.

(8) Disaggregated Revenue and Cost of Revenue Information

The following table present our revenue and cost of revenue disaggregated by line of business. Revenue from our marketplace primarily reflects the sales of parts and assemblies on our platform. Revenue from supplier services primarily includes the sale of advertising and to a lesser extent supplies, financial service products and SaaS products.

Revenue and cost of revenue is presented in the following tables for the three and nine months ended September 30, 2023 and 2022, respectively (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Marketplace	**2023**	**2022**	**2023**	**2022**
Revenue	$ 102,473	$ 84,060	$ 282,664	$ 224,073
Cost of revenue	70,578	58,479	196,240	158,712
Gross Profit	$ 31,895	$ 25,581	$ 86,424	$ 65,361
Supplier Services				
Revenue	$ 16,454	$ 19,511	$ 52,597	$ 58,784
Cost of revenue	2,100	4,191	9,847	12,609
Gross Profit	$ 14,354	$ 15,320	$ 42,750	$ 46,175

(9) Investment in Unconsolidated Joint Venture

The Company has a 50% interest in Industrial Media, LLC ("IM, LLC") with the other 50% owned by Rich Media Group, LLC. IM, LLC primarily manages content creation, advertising sales, and marketing initiatives for the Industrial Engineering News brand, certain magazines, videos, website and associated electronic media products for industrial engineers.

The Company receives dividends from IM, LLC, which are recorded as a reduction to the Company's investment in unconsolidated joint venture on our Condensed Consolidated Balance Sheets. For the three months ended September 30, 2023 and 2022 the Company received dividends of $0.2 million and $0.3 million, respectively, and for the nine months ended September 30, 2023 and 2022 the Company received dividends of $0.3 million and $0.5 million, respectively. The Company recorded expense to IM, LLC of $0.1 million and $0.1 million, respectively for the three months ended September 30, 2023 and 2022 and $0.2 million and $0.1 million, respectively, for the nine months ended September 30, 2023 and 2022.

(10) Stock Based Compensation

In 2014, the Company adopted a stock compensation plan (the "2014 Equity Incentive Plan") pursuant to which the Company may grant stock options, stock purchase rights, restricted stock awards, or stock awards to employees, directors and consultants (including prospective employees, directors, and consultants). This plan was terminated in February 2016. No additional awards may be granted under the 2014 Equity Incentive Plan, however, outstanding awards continue in full effect in accordance with their existing terms.

In 2016, the Company adopted a stock compensation plan (the “2016 Equity Incentive Plan”) pursuant to which the Company may grant stock options, stock purchase rights, restricted stock awards, or stock awards to employees, directors and consultants (including prospective employees, directors, and consultants). No additional awards may be granted under the 2016 Equity Incentive Plan, however, outstanding awards continue in full effect in accordance with their existing terms.

In connection with the Company’s initial public offering on July 2, 2021, the Company's board of directors adopted the 2021 Equity Incentive Plan (the “2021 Equity Incentive Plan”). The 2021 Equity Incentive Plan provides for the grant of incentive stock options (“ISOs”), non-statutory stock options (“NSOs”), stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based awards and other awards, or collectively, awards. Awards may be granted to Xometry employees, Xometry’s non-employee directors and consultants/contractors and the employees and consultants/contractors of Xometry affiliates. ISOs may be granted only to Xometry employees and the employees of Xometry affiliates.

As of September 30, 2023, there were 5,953,225 shares available for the Company to grant under the 2021 Equity Incentive Plan.

Stock Options

The weighted average assumptions for the nine months ended September 30, 2023 and 2022 are provided in the following table.

	Nine Months Ended September 30,	
	2023	2022
Valuation assumptions:		
Expected dividend yield	—%	—%
Expected volatility	80 %	66 %
Expected term (years)	6.3	6.0
Risk-free interest rate	3.8 %	1.9 %
Fair value of share	$ 15.82	$ 34.86

A summary of the status of the Company's stock option activity and the changes during the nine months ended September 30, 2023, are as follows (in millions, except share and per share amounts):

	Number of Shares	Weighted Average Exercise Price Per Share	Average Remaining Contractual Term	Aggregate Intrinsic Value
Exercisable at December 31, 2022	1,391,047	6.09	7.2	$ 36.4
Balance at December 31, 2022	2,841,419	11.33	7.7	61.4
Granted	428,278	15.82	—	—
Exercised	(189,404)	7.19	—	—
Forfeited	(141,900)	18.65	—	—
Expired	(7,301)	24.46	—	—
Balance at September 30, 2023	2,931,092	11.87	7.3	21.8
Exercisable at September 30, 2023	1,796,986	8.50	6.6	17.7

The weighted average grant date fair value of options granted during the nine months ended September 30, 2023 and 2022, was $11.37 and $21.08, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2023 and 2022, was $2.5 million and $22.0 million, respectively.

At September 30, 2023, there was approximately $16.0 million of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of approximately two years as of September 30, 2023.

The Company currently uses authorized and unissued shares to satisfy share award exercises.

Restricted Stock Units

A summary of the status of the Company's restricted stock unit activity and the changes during the nine months ended September 30, 2023 are as follows (in millions, except share and per share amounts):

	Number of Shares	Weighted Average Grant Date fair value (per share)	Aggregate Intrinsic Value
Unvested RSUs as of December 31, 2022	875,902	44.37	$ 28.2
Granted	1,357,297	16.27	—
Vested	(278,149)	42.24	—
Forfeited and cancelled	(275,321)	33.92	—
Unvested RSUs as of September 30, 2023	1,679,729	23.73	28.5

At September 30, 2023, there was approximately $34.3 million of total unrecognized compensation cost related to unvested restricted stock units granted under the 2021 Equity Incentive Plan. That cost is expected to be recognized over a weighted average period of approximately three years as of September 30, 2023.

Total stock-based compensation cost for the three and nine months ended September 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales and marketing	$ 1,216	$ 1,135	$ 3,453	$ 3,071
Operations and support	1,955	1,715	5,690	4,879
Product development	1,424	1,097	3,890	3,119
General and administrative	1,135	1,166	3,189	2,979
Total stock compensation expense	$ 5,730	$ 5,113	$ 16,222	$ 14,048

(11) Income Taxes

A full valuation allowance has been established against our net U.S. federal and state deferred tax assets and foreign deferred tax assets, including net operating loss carryforwards.

The Company had $0.1 million of income tax expense for the three months ended September 30, 2023, as compared to zero income tax expense/benefit in the U.S. for the three months ended September 30, 2022. During the nine months ended September 30, 2023, the Company had $0.2 million of income tax expense in the U.S. The Company had an approximate $0.6 million income tax benefit during the same time period in 2022. This estimated annual effective tax rate of (0.45%), differs from the U.S. federal statutory rate primarily due to the effects of certain permanent items, foreign tax rate differences, and increases in the valuation allowance against deferred tax assets.

Net Operating Loss and Credit Carryforwards

As of December 31, 2022, the Company has net operating loss (“NOL”) carryforwards for U.S. federal income tax purposes, and similar state amounts, of approximately $224.6 million available to reduce future income subject to income taxes before limitations. As of December 31, 2022, the Company had a net operating loss carryforward for tax purposes related to its foreign subsidiaries of $33.8 million. U.S. federal net operating carryforwards generated prior to 2018 in the approximate amount of $71.9 million will begin to expire, if not utilized, in 2023. Our non-U.S. net operating loss and U.S. federal net operating losses post 2017 have an indefinite life. Under the provisions of U.S. Internal Revenue Code Section 382, certain substantial changes in the Company’s ownership may result in a limitation in the amount of U.S. net operating loss carryforwards that can be utilized annually to offset future taxable income.

(12) Net Loss Per Share Attributable to Common Stockholders

The Company computes net loss per share of Class A common stock, Class B common stock and participating securities using the two-class method. Basic and diluted EPS are the same for each class of common stock and participating securities because they are entitled to the same liquidation and dividend rights. The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (12,010)	$ (15,041)	$ (56,912)	$ (51,585)
Net (loss) income attributable to noncontrolling interest	13	(4)	9	17
Net loss attributable to common stockholders	$ (12,023)	$ (15,037)	$ (56,921)	$ (51,602)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted, of Class A and Class B common stock	47,989,277	47,303,090	47,852,671	47,057,521
Net loss per share attributable to common stockholders, basic and diluted, of Class A and Class B common stock	$ (0.25)	$ (0.32)	$ (1.19)	$ (1.10)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect, or issuance of such shares is contingent upon the occurrence of an event:

	September 30,	
	2023	2022
Stock options outstanding	2,931,092	2,865,598
Unvested restricted stock units	1,679,729	841,153
Warrants outstanding	87,784	87,784
Shares reserved for charitable contribution	261,727	301,993
Convertible notes	5,123,624	5,123,624
Total shares	10,083,956	9,220,152

(13) Debt Commitments and Contingencies

2027 Convertible Notes

In February 2022, we entered into a purchase agreement with certain counterparties for the sale of an aggregate of $287.5 million principal amount of convertible senior notes due in 2027 (the “2027 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The 2027 Notes consisted of a $250 million initial placement and an over-allotment option that provided the initial purchasers of the 2027 Notes with the option to purchase an additional $37.5 million aggregate principal amount of the 2027 Notes, which was fully exercised. The 2027 Notes were issued pursuant to an indenture dated February 4, 2022. The net proceeds from the issuance of the 2027 Notes were $278.2 million, net of debt issuance costs. The debt issuance costs are amortized to interest expense using the effective interest rate method.

The 2027 Notes are unsecured obligations which bear regular interest at 1% per annum and for which the principal balance will not accrete. Interest payment are due on February 1 and August 1 of each year the Notes remain outstanding. The 2027 Notes will mature on February 1, 2027 unless repurchased, redeemed, or converted in accordance with their terms prior to such date.

The 2027 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock, at our election, at an initial conversion rate of 17.8213 shares of Class A common stock per $1,000 principal amount of 2027 Notes, which is equivalent to an initial conversion price of approximately $56.11 per share of our Class A common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the 2027 Notes.

We may redeem for cash all or any portion of the 2027 Notes, at our option, on or after February 5, 2025 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest or additional interest, if any.

Holders of the 2027 Notes may convert all or a portion of their 2027 Notes at their option prior to November 1, 2026, in multiples of $1,000 principal amounts, only under the following circumstances:

- if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the 2027 Notes on each such trading day;
- during the five business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of the 2027 Notes for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate of the 2027 Notes;
- on a notice of redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, in which case we may be required to increase the conversion rate for the 2027 Notes so surrendered for conversion in connection with such redemption notice; or
- on the occurrence of specified corporate events.

On or after November 1, 2026, the 2027 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Holders of the 2027 Notes who convert the 2027 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2027 Notes, or in connection with a redemption are entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change, holders of the 2027 Notes may require us to repurchase all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of 2027 Notes, plus any accrued and unpaid special interest, if any.

We accounted for the issuance of the 2027 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

The following table presents the outstanding principal amount and carrying value of the 2027 Notes as of the dates indicated (in thousands):

	September 30, 2023	December 31, 2022
Principal	$ 287,500	287,500
Unamortized debt discount	(5,750)	(7,044)
Unamortized debt issuance costs	(445)	(547)
Net carrying value	$ 281,305	279,909

The annual effective interest rate for the 2027 Notes was approximately 1.6%. Interest expense related to the 2027 Notes for the periods presented below was as follows (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Coupon interest	$ 718	$ 719	$ 2,156	$ 1,887
Amortization of debt discount	432	432	1,294	1,151
Amortization of transaction costs	34	37	102	99
Total interest expense	$ 1,184	$ 1,188	$ 3,552	$ 3,137

The following table presents the carrying value and estimated fair value of the 2027 Notes as of the date indicated (in thousands):

	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2027 Notes(1)	$ 281,305	$ 266,487	$ 279,909	$ 257,671

(1) At December 31, 2022, the fair value is estimated using a discounted cash flow analysis, using interest rate that we believe are offered for similar borrowings (a Level 3 measurement). As of September 30, 2023, the fair value of the 2027 Notes was measured using Level 2 inputs based on the frequency of trading on our debt at the end of the quarter.

Contingencies

The Company from time to time may be subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of the Company, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the Company in connection with its legal proceedings is not expected to have a material adverse effect on the Company's financial position or operations.

Restructuring

In December 2022 and May 2023, the Company reduced its workforce to help manage its operating expenses. During the three months ended September 30, 2023, the Company incurred no employee termination costs. During the nine months ended September 30, 2023, the Company incurred $0.7 million for employee termination costs related to the May 2023 restructuring.

The following table shows the total amount incurred and the liability, which was recorded in accrued expenses in the Condensed Consolidated Balance Sheets, for restructuring-related employee termination benefits as of December 31, 2022 and September 30, 2023 (in thousands):

	Employee Termination Benefits
Accrued restructuring costs as of December 31, 2022	$ 1,549
Restructuring costs incurred during the nine months ended September 30, 2023	738
Amount paid during the period ended September 30, 2023	(2,228)
Accrued restructuring costs as of September 30, 2023	$ 59

The following table shows the total restructuring costs incurred during the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales and marketing	$ -	$ -	$ 224	$ -
Operations and support	-	-	230	-
Product development	-	-	117	-
General and administrative	-	-	167	-
Total restructure charge	$ -	$ -	$ 738	$ -

Exit from the Supplies Business

The Company previously provided suppliers with access to competitively priced tools, material and supplies in the U.S. As a result of exiting the supplies business during the second quarter of 2023, the Company recognized $0.6 million of costs associated with its closure, of which $0.2 million is recognized in cost of revenue and $0.4 million is recognized in operations and support on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Defined Contribution Plans

The Company sponsors a defined contribution plan for qualifying employees, including a 401(k) Plan in the United States to which it makes matching contributions of 50% of participating employee contributions up to 6% of eligible income. The Company's total matching contribution to the 401(k) Plan was $0.5 million and $0.4 million for the three months ended September 30, 2023 and 2022, respectively, and was $1.6 million and $1.1 million for the nine months ended September 30, 2023 and 2022, respectively.

(14) Segments

Xometry is organized in two segments referred to as: (1) the U.S. and (2) International. Xometry's operating segments are also the Company's reportable segments. Xometry's reportable segments, whose products and offerings are generally the same, are managed separately based on geography. Xometry's two segments are defined based on the reporting and review process used by the chief operating decision maker ("CODM"), the Chief Executive Officer. The Company evaluates the performance of the operating segments primarily based on revenue and segment "profits/loss" which is largely the results of the segment before income taxes. The Company has not allocated certain general and administrative expenses to the International segment. The Company's CODM monitors assets of the consolidated Company, but does not use assets by operating segment when assessing performance or making operating segment resource decisions.

The following tables reflect certain segment information for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Segment Revenue				
U.S.	$ 103,379	$ 94,829	$ 292,715	$ 258,553
International	15,548	8,742	42,546	24,304
Total	$ 118,927	$ 103,571	$ 335,261	$ 282,857

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Segment Losses				
U.S.	$ (7,893)	$ (10,732)	$ (43,742)	$ (36,977)
International	(4,130)	(4,305)	(13,179)	(14,625)
Total	$ (12,023)	$ (15,037)	$ (56,921)	$ (51,602)

(15) Goodwill and Intangible Assets

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

	September 30, 2023			
	Weighted average amortization period in years	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible Assets				
Amortizing intangible assets:				
Customer Relationships	15	$ 36,600	$ 4,422	$ 32,178
Trade Names	10	800	145	655
Developed Technology	5	740	307	433
Vendor Relationships	15	1,277	314	963
Database	5	2,400	870	1,530
Patents	17	157	49	108
Subtotal intangible assets		41,974	6,107	35,867
In-place Lease Intangible Asset	4	568	251	317
Above Market Lease Intangible Asset	4	896	402	494
Total intangible assets		$ 43,438	$ 6,760	$ 36,678

	December 31, 2022			
	Weighted average amortization period in years	Gross carrying amount	Accumulated amortization	Net carrying amount
Intangible Assets				
Amortizing intangible assets:				
Customer Relationships	15	$ 36,652	$ 2,638	$ 34,014
Trade Names	10	841	97	744
Developed Technology	5	739	182	557
Vendor Relationships	15	1,267	299	968
Database	5	2,400	510	1,890
Patents	17	157	42	115
Subtotal intangible assets		42,056	3,768	38,288
In-place Lease Intangible Asset	4	548	143	405
Above Market Lease Intangible Asset	4	896	238	658
Total intangible assets		$ 43,500	$ 4,149	$ 39,351

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

	2023	2022
Balance as of January 1:		
Gross goodwill	$ 261,110	$ 257,746
Accumulated impairments	(3,074)	(3,074)
Net goodwill as of January 1	258,036	254,672
Goodwill acquired during the year[(1)]	4,836	3,364
Impact of foreign exchange	26	—
Net goodwill as of September 30, 2023, and December 31, 2022	$ 262,898	$ 258,036

(1) See Note 7 - Acquisitions.

As of September 30, 2023 and December 31, 2022, Xometry had $262.9 million and $258.0 million, respectively of goodwill. As of September 30, 2023, $258.0 million is part of Xometry's U.S. operating segment and $4.9 million is part of Xometry's International operating segment. As of December 31, 2022, $258.0 million is part of Xometry's U.S. operating segment.

As of September 30, 2023, estimated amortization expense for intangible assets for the remainder of 2023 and the next five years is: $0.9 million in 2023, $3.6 million in 2024, $3.6 million in 2025, $3.2 million in 2026, $2.6 million in 2027, $2.6 million in 2028 and $20.2 million thereafter.

Amortization expense for the three and nine months ended September 30, 2023 and 2022 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales and marketing	$ 767	776	$ 2,347	2,326
Product development	42	86	126	257
General and administrative (1)	7	91	20	299
Total	$ 816	$ 953	$ 2,493	$ 2,882

(1) Amortization of the lease related intangible assets is recorded as operating lease expense in general and administrative.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. The discussion contains forward-looking statements that are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed in Part II, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022. Our historical results are not necessarily indicative of the results that may be expected in the future and our current quarterly results are not necessarily indicative of the results expected for the full year or any other period.

Overview

Xometry, Inc. (“Xometry”, “Company”, “our” or “we”) was incorporated in the State of Delaware in May 2013. Xometry is a global online marketplace connecting buyers with suppliers of manufacturing services, transforming one of the largest industries in the world. We use our proprietary technology to create a marketplace that enables buyers to efficiently source manufactured parts and assemblies, and empower suppliers of manufacturing services to grow their businesses. Xometry’s corporate headquarters is located in North Bethesda, Maryland.

Our AI-enabled technology platform is powered by proprietary machine learning algorithms and dataset, resulting in a sophisticated two-sided marketplace that is rapidly digitizing the manufacturing industry. As a result, buyers can procure the products they want on demand, and suppliers can source new manufacturing opportunities that match their specific capabilities and capacity. Interactions on our marketplace provide rich data insights that allow us to continuously improve our AI models and create new products and services, fueling powerful network effects as we scale.

We use proprietary technology to enable product designers, engineers, buyers, and supply chain professionals to instantly access the capacity of a global network of manufacturing facilities. The Company’s platform makes it possible for buyers to quickly receive pricing, expected lead times, manufacturability feedback and place orders on the Company’s platform. The network allows the Company to provide high volumes of unique parts, including custom components and assemblies for its buyers.

Our mission is to accelerate innovation by providing real time, equitable access to global manufacturing capacity and demand. Our vision is to drive efficiency, sustainability and innovation for industries worldwide by lowering the barriers to entry to the manufacturing ecosystem.

Our business benefits from a virtuous network liquidity effect, because adding buyers to our platform generates greater demand on our marketplace which in turn attracts more suppliers to the platform, allowing us to rapidly scale and increase the number of manufacturing processes offered on our platform. In order to continue to meet the needs of buyers and remain highly competitive, we expect to continue to add suppliers to our platform that have new and innovative manufacturing processes. Thus, our platform is unbounded by the in-house manufacturing capacity and processes of our current suppliers.

We define “buyers” as individuals who have placed an order to purchase on-demand parts or assemblies on our marketplace. Our buyers include engineers, product designers, procurement and supply chain personnel, inventors and business owners from businesses of a variety of sizes, ranging from self-funded start-ups to Fortune 100 companies. We define “accounts” as an individual entity, such as a sole proprietor with a single buyer or corporate entities with multiple buyers, having purchased at least one part on our marketplace. We define “suppliers” as individuals or businesses who have been approved by us to either manufacture a product on our platform for a buyer or have utilized our supplier services, including our financial services or the purchase of supplies.

The majority of our revenue is derived from the sale of part(s) and assemblies to our customers on our marketplace, which we refer to as marketplace revenue. The suppliers on our platform offer a diversified and expanding mix of manufacturing processes. These manufacturing processes include computer numerical control (“CNC”) manufacturing, sheet metal forming, sheet cutting, 3D printing (including fused deposition modeling, direct metal laser sintering, PolyJet, stereolithography, selective laser sintering, binder jetting, carbon digital light synthesis, multi jet fusion and lubricant sublayer photo-curing), die casting, stamping, injection molding, urethane casting, tube cutting, tube bending, as well as finishing services, rapid prototyping and high-volume production. Xometry's extensible technology platform allows the Company to add new technologies and processes to gain more wallet share with our buyers. We enable buyers to source these processes to meet complex and specific design and order needs across several industries, including Aerospace, Healthcare, Robotics, Defense, Industrial, Energy, Automotive, Government, Education and Consumer Goods.

We empower suppliers to grow their manufacturing businesses and improve machine uptime by providing access to an extensive, diverse base of buyers. We also offer suppliers supporting products and services to meet their unique needs. We offer suppliers digital advertising and marketing services and data solutions. In addition, our suite of supplier services includes financial service products to stabilize and enhance cash flow and a cloud-based manufacturing execution system (“Workcenter”) to help suppliers optimize their productivity.

In 2021, we acquired Thomas Publishing Company (“Thomas”) and Fusiform, Inc. (d/b/a FactoryFour) (“FactoryFour”), expanding our basket of supplier services to include advertising and marketing services and Workcenter to help suppliers optimize their productivity. Our revenue from Thomas is primarily advertising revenue.

On January 2, 2023, the Company acquired Tridi Teknoloj A.S. (“Tridi”) located in Istanbul, Türkiye pursuant to a Share Purchase Agreement. The acquisition of Tridi extends our marketplace capabilities in Europe and provides us access to the Turkish market.

In May 2023, the Company reduced its workforce by approximately 4% to help manage its operating expenses. During the second quarter of 2023, the Company incurred $0.7 million for employee termination costs related to the May 2023 restructuring.

In addition, the Company previously provided suppliers with access to competitively priced tools, material and supplies in the United States. As a result of exiting the supplies business during the second quarter of 2023, the Company recognized $0.6 million of costs associated with its closure, of which $0.2 million is recognized in cost of revenue and $0.4 million is recognized in operations and support on the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Unfavorable conditions in the economy both in the United States and abroad may negatively affect the growth of our business and our results of operations. For example, macroeconomic events, including changes in inflation, the U.S. Federal Reserve raising interest rates, disruptions in access to bank deposits or lending commitments due to bank failures, geopolitical tensions and the COVID-19 pandemic, have led to economic uncertainty globally. Historically, during periods of economic uncertainty and downturns, businesses may slow spending on information technology and manufacturing, which may impact our business and our customers’ businesses.

The effect of macroeconomic conditions may not be fully reflected in our results of operations until future periods. If, however, economic uncertainty increases or the global economy worsens, our business, financial condition and results of operations may be harmed. For further discussion of the potential impacts of macroeconomic events on our business, financial condition, and operating results, see the section titled “Risk Factors.”

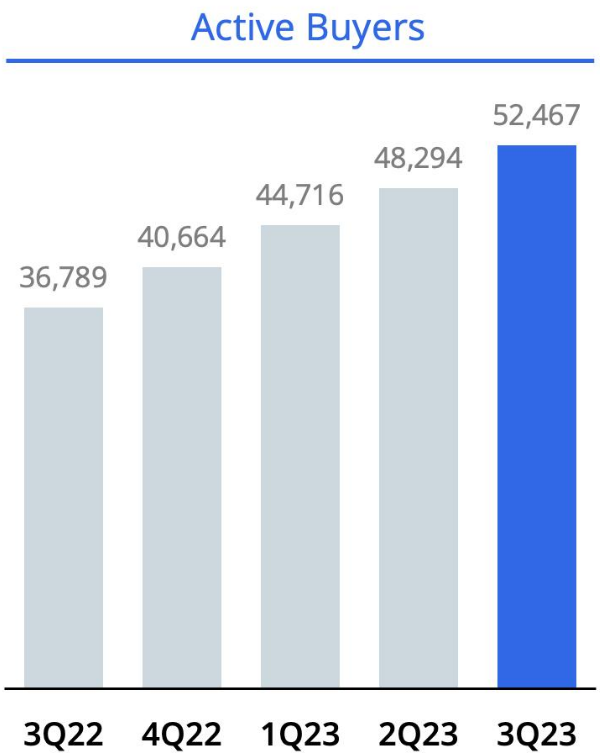
Key Marketplace Operational and Business Metrics

In addition to the measures presented in our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we use the following key operational and business metrics to help us evaluate our marketplace business, measure our performance, identify trends affecting our business, formulate business plans and develop forecasts, and make strategic decisions:

Active Buyers

We define Active Buyers as the number of buyers who have made at least one purchase on our marketplace during the last twelve months. An increase or decrease in the number of Active Buyers is a key indicator of our ability to attract, retain and engage buyers on our platform.

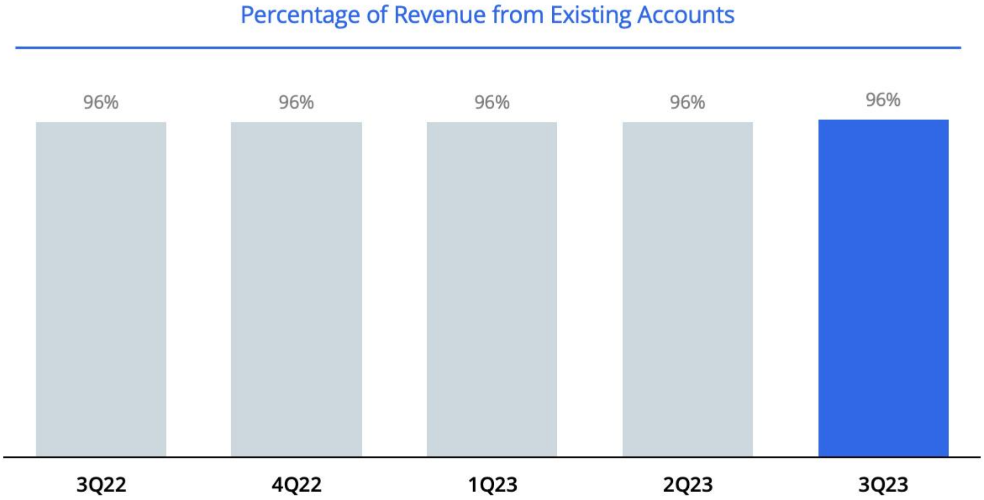
Active Buyers has consistently grown over time. The number of Active Buyers on our platform reached 52,467 as of September 30, 2023, up 43% from 36,789 as of September 30, 2022. The key drivers of Active Buyer growth are continued account and buyer engagement and the success of our strategy to attract new buyers.



Percentage of Revenue from Existing Accounts

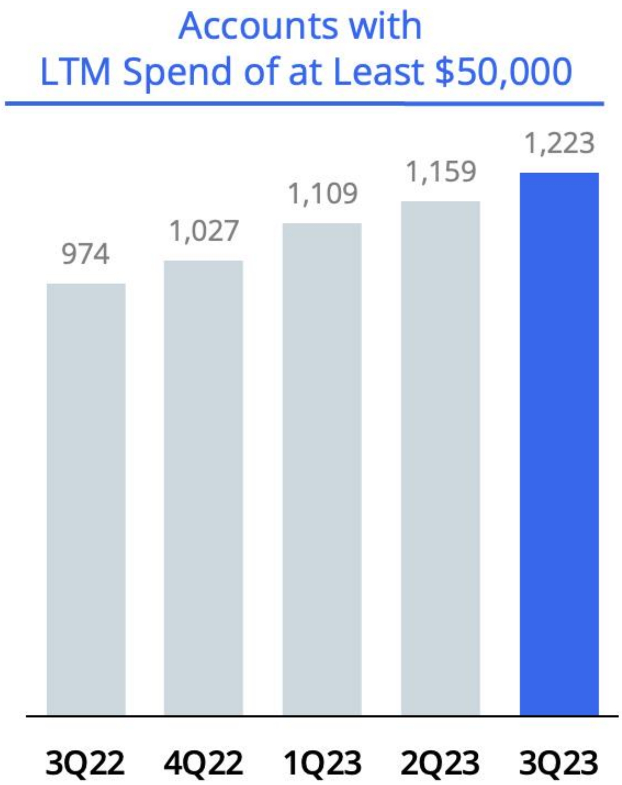
We define an existing account as an account where at least one buyer has made a purchase on our marketplace. We believe the efficiency and transparency of our business model leads to increasing account stickiness and spend over time. Buyers can utilize our marketplace for both one-off and recurring manufacturing opportunities. For example, a buyer may choose to utilize our marketplace's CNC manufacturing processes to manufacture a discrete component for a prototype, and then may choose to later use our marketplace to mass produce that same component. A buyer may also recommend our marketplace to other engineers within their organizations who are designing other products and who may use an entirely different set of manufacturing processes, deepening our reach and stickiness with an account.

For the quarter ended September 30, 2023, 96% of our revenue was generated from existing accounts. We believe the repeat purchase activity from existing accounts reflects the underlying strength of our business and provides us with substantial revenue visibility and predictability.



Accounts with Last Twelve-Month Spend of At Least $50,000

Accounts with Last Twelve-Month, or LTM, Spend of At Least $50,000 means an account that has spent at least $50,000 on our marketplace in the most recent twelve-month period. We view the acquisition of an account as a foundation for the addition of long-term buyers to our marketplace. Once an account joins our platform, we aim to expand the relationship and increase engagement and spending activities from that account over time. The number of accounts with LTM Spend of at least $50,000 on our platform reached 1,223 as of September 30, 2023, up 26% from 974 as of September 30, 2022.



Active Paying Suppliers

We define Active Paying Suppliers as individuals or businesses who have purchased one or more of our supplier services, including digital marketing services, data services, financial services or supplies on our platforms during the last twelve months. An increase or decrease in the number of Active Paying Suppliers is a key indicator of our ability to engage suppliers on our platform.

Active Paying Suppliers has grown over time. The number of Active Paying Suppliers on our platform reached 7,415 as of September 30, 2023, down 2% from 7,557 as of September 30, 2022. The key drivers of Active Paying Suppliers are continued supplier engagement and the success of our strategy to attract new suppliers. The decline during the quarter ended September 30, 2023 is due to our exit from the supplies business. Excluding the supplies business, Active Paying Suppliers on our platform reached 7,337 as of September 30, 2023, up 4% from 7,092 as of September 30, 2022.

Adjusted EBITDA

We define Adjusted EBITDA as net loss, adjusted for interest expense, interest and dividend income and other expenses, income tax provision (benefit), and certain other non-cash or non-recurring items impacting net loss from time to time, principally comprised of depreciation and amortization, amortization of lease intangible, stock-based compensation, charitable contributions of common stock, income from an unconsolidated joint venture, impairment of assets, lease abandonment, restructuring charges, costs to exit the supplies business and acquisition and other adjustments not reflective of the Company's ongoing business, such as adjustments related to purchase accounting, the revaluation of contingent consideration and transaction costs. Adjusted EBITDA is a performance measure that we use to assess our operating performance and the operating leverage in our business. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA for a period by revenue for the same period.

For the three months ended September 30, 2023, Adjusted EBITDA loss was $(4.2) million, as compared to Adjusted EBITDA loss of $(6.5) million for the same quarter in 2022. For the quarter ended September 30, 2023, Adjusted EBITDA Margin was (4)% of revenue, as compared to (6)% of revenue for the same quarter in 2022, driven primarily by increased operating efficiencies as we continue to grow our revenue and margins faster than our expenses.

For the nine months ended September 30, 2023, Adjusted EBITDA loss was $(24.6) million, as compared to Adjusted EBITDA loss of $(27.5) million for the same period in 2022. For the nine months ended September 30, 2023, Adjusted EBITDA Margin was (7)% of revenue, as compared to (10)% of revenue for the same period in 2022, driven primarily by increased operating efficiencies as we continue to grow our revenue and margins faster than our expenses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (12,010)	$ (15,041)	$ (56,912)	$ (51,585)
Add (deduct)				
Interest expense, interest and dividend income and other expenses	(1,192)	139	(3,896)	2,991
Depreciation and amortization	2,478	1,909	7,939	5,716
Amortization of lease intangible	180	333	770	999
Provision (benefit) for income taxes	139	—	208	(559)
Stock based compensation	5,730	5,113	16,222	14,048
Lease abandonment	—	—	8,706	—
Acquisition and other	117	42	343	(1,242)
Charitable contribution of common stock	326	987	696	2,272
Income from unconsolidated joint venture	(134)	(297)	(437)	(600)
Impairment of assets	151	325	397	444
Restructuring charge	—	—	738	—
Costs to exit the supplies business	—	—	586	—
Adjusted EBITDA	$ (4,215)	$ (6,490)	$ (24,640)	$ (27,516)

Non-GAAP Net Loss

We define Non-GAAP net loss, as net loss adjusted for depreciation and amortization, stock-based compensation expense, amortization of lease intangible, amortization of deferred costs on convertible notes, loss on marketable securities, loss on sale of property and equipment, charitable contributions of common stock, impairment of assets, lease abandonment and termination, restructuring charges, costs to exit the supplies business and acquisition and other adjustments not reflective of the Company's ongoing business, such as adjustments related to purchase accounting, the revaluation of contingent consideration and transaction costs.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP Net Loss:				
Net loss	$ (12,010)	$ (15,041)	$ (56,912)	$ (51,585)
Add (deduct):				
Depreciation and amortization	2,478	1,909	7,939	5,716
Stock-based compensation	5,730	5,113	16,222	14,048
Amortization of lease intangible	180	333	770	999
Amortization of deferred costs on convertible notes	466	469	1,396	1,250
Loss on marketable securities	—	469	—	1,659
Acquisition and other	117	42	343	(1,242)
Loss on sale of property and equipment	—	—	92	71
Charitable contribution of common stock	326	987	696	2,272
Lease abandonment and termination	—	—	8,778	—
Impairment of assets	151	325	397	444
Restructuring charge	—	—	738	—
Costs to exit the supplies business	—	—	586	—
Non-GAAP Net Loss	$ (2,562)	$ (5,394)	$ (18,955)	$ (26,368)

For the three months ended September 30, 2023, Non-GAAP net loss was $(2.6) million, as compared to Non-GAAP net loss of $(5.4) million for the same quarter in 2022. For the quarter ended September 30, 2023, Non-GAAP net loss was (2)% of revenue, as compared to (5)% of revenue for the same quarter in 2022.

For the nine months ended September 30, 2023, Non-GAAP net loss was $(19.0) million, as compared to Non-GAAP net loss of $(26.4) million for the same period in 2022. For the nine months ended September 30, 2023, Non-GAAP net loss was (6)% of revenue, as compared to (9)% of revenue for the same period in 2022.

Adjusted EBITDA and Non-GAAP net loss are non-GAAP financial measures that we use, in addition to our GAAP financial measures, to evaluate our business. We have included Adjusted EBITDA and Non-GAAP net loss in this filing because they are key measures used by our management to evaluate our operating performance. Accordingly, we believe that Adjusted EBITDA and Non-GAAP net loss provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Our calculation of Adjusted EBITDA and Non-GAAP net loss may differ from similarly titled non-GAAP measures, if any, reported by our peer companies and therefore may not serve as an accurate basis of comparison among companies. Adjusted EBITDA and Non-GAAP net loss should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Components of Results of Operations

Revenue

Our marketplace revenue is primarily comprised of sales to customers through our platform. Buyers purchase specialized CNC manufacturing, sheet metal manufacturing, 3D printing, injection molding, urethane casting, tube cutting, tube bending and finishing services. Customer purchases range from rapid prototyping of single parts to high-volume production on our marketplace. These products are primarily manufactured by our network of suppliers.

Supplier services revenue includes the sale of marketing and advertising services, and to a lesser extent financial service products, SaaS-based solutions and the sale of supplies.

Cost of Revenue

Marketplace cost of revenue primarily consists of the cost to us of the products that are manufactured or produced by us or our suppliers for delivery to buyers on our platform, internal and external production costs, shipping costs and certain internal depreciation. We expect cost of revenue to increase in absolute dollars to the extent our revenue increases and transaction volume increases. As we grow and add suppliers to our platform, we are able to improve our pricing efficiency, we expect cost of revenue to decline as a percentage of revenue over time.

Cost of revenue for supplier services primarily consists of internal and external production costs and website hosting.

Gross Profit

Gross profit, or revenue less cost of revenue, is primarily affected by the growth of our revenue. Our gross profit margin is primarily affected by liquidity of our suppliers' network and the efficiency of our pricing and will be benefited by increasing the use of existing supplier services and the variety of supplier services offerings over time.

Operating Expenses

Our operating expenses consist of sales and marketing, operations and support, product development and general and administrative functions.

Sales and Marketing

Sales and marketing expenses are expensed as incurred and include the costs of our digital marketing strategies, branding costs and other advertising costs, certain depreciation and amortization expense, contract acquisition costs and compensation expenses, including stock-based compensation, to our sales and marketing employees. We intend to continue to invest in our sales and marketing capabilities in the future to continue to increase our brand awareness, add new accounts and further penetrate existing accounts. We expect sales and marketing expense to increase in absolute dollars in the future as we grow our business, though in the near-term sales and marketing expenses may fluctuate from period-to-period based on the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over future periods.

Operations and Support

Operations and support expenses are the costs we incur in support of the buyers and suppliers on our platform which are provided by phone, email and chat for purposes of resolving buyer and suppliers related matters. These costs primarily consist of compensation expenses of the support staff, including stock-based compensation, certain depreciation and amortization expense and software costs used in delivering buyer and suppliers services. We expect operations and support expense to increase in absolute dollars in the future, though in the near-term operations and support expenses may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our operations and support functions as these investments may vary in scope and scale over future periods.

Product Development

Product development costs which are not eligible for capitalization are expensed as incurred. This account also includes compensation expenses, including stock-based compensation expenses to our employees performing these functions and certain depreciation and amortization expense. We expect product development expense to increase in absolute dollars in the future, though in the near-term product development expenses may fluctuate from period-to-period based on total revenue levels and the timing of our investments in our product development functions as these investments may vary in scope and scale over future periods.

General and Administrative

General and administrative expenses primarily consist of compensation expenses, including stock-based compensation expenses, for executive, finance, legal and other administrative personnel, professional service fees and certain depreciation and amortization expense. We expect general and administrative expenses to fluctuate as a result of operating as a public company.

Other (Expenses) Income

Interest Expense

Interest expense consists of interest incurred on our outstanding borrowings under our outstanding convertible notes or other borrowings.

Interest and Dividend Income

Interest and dividend income consists of interest and dividends on our cash, cash equivalents and marketable securities.

Other Expenses

Other expenses consist primarily of realized and/or unrealized losses and other expenses.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture consists of our share of the joint venture's income.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

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

	Three Months Ended September 30,	
	2023	2022
	(in thousands)	
Revenue	$ 118,927	$ 103,571
Cost of revenue	72,678	62,670
Gross profit	46,249	40,901
Operating expenses:		
Sales and marketing	23,210	21,416
Operations and support	12,622	11,620
Product development	8,523	7,613
General and administrative	14,940	15,126
Impairment of assets	151	325
Total operating expenses	59,446	56,100
Loss from operations	(13,197)	(15,199)
Other income (expenses):		
Interest expense	(1,205)	(1,194)
Interest and dividend income	2,994	1,344
Other expenses	(597)	(289)
Income from unconsolidated joint venture	134	297
Total other income (expenses)	1,326	158
Loss before income taxes	(11,871)	(15,041)
Provision for income taxes	(139)	—
Net loss	(12,010)	(15,041)
Net income (loss) attributable to noncontrolling interest	13	(4)
Net loss attributable to common stockholders	$ (12,023)	$ (15,037)

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

	Three Months Ended September 30,	
	2023	2022
Revenue	100.0 %	100.0 %
Cost of revenue	61.1 %	60.5 %
Gross profit	38.9 %	39.5 %
Operating expenses:		
Sales and marketing	19.5 %	20.7 %
Operations and support	10.6 %	11.2 %
Product development	7.2 %	7.4 %
General and administrative	12.6 %	14.6 %
Impairment of assets	0.1 %	0.3 %
Total operating expenses	50.0 %	54.2 %
Loss from operations	(11.1)%	(14.7)%
Other income (expenses):		
Interest expense	(1.0)%	(1.2)%
Interest and dividend income	2.5 %	1.3 %
Other expenses	(0.5)%	(0.3)%
Income from unconsolidated joint venture	0.1 %	0.3 %
Total other income (expenses)	1.1 %	0.1 %
Loss before income taxes	(10.0)%	(14.6)%
Provision for income taxes	(0.1)%	— %
Net loss attributable to common stockholders	(10.1)%	(14.6)%
Net income (loss) attributable to noncontrolling interest	— %	— %
Net loss attributable to common stockholders	(10.1)%	(14.6)%

The following tables present our disaggregated revenue and cost of revenue. Revenue from our marketplace primarily reflects the sales of parts and assemblies on our platform. Revenue from supplier services primarily includes the sale of advertising and to a lesser extent financial service products, SaaS products and supplies.

Revenue and cost of revenue is presented in the following tables for the three months ended September 30, 2023 and 2022 (in thousands):

	For the Three Months Ended September 30,	
	2023	2022
Marketplace		
Revenue	$ 102,473	$ 84,060
Cost of revenue	70,578	58,479
Gross Profit	$ 31,895	$ 25,581
Gross Margin	31.1 %	30.4 %
Supplier services		
Revenue	$ 16,454	$ 19,511
Cost of revenue	2,100	4,191
Gross Profit	$ 14,354	$ 15,320
Gross Margin	87.2 %	78.5 %

Revenue

Total revenue increased $15.4 million, or 15%, from $103.6 million for the three months ended September 30, 2022 to $118.9 million for the three months ended September 30, 2023. This growth was a result of an increase in marketplace revenue, partially offset by a decrease in supplier services revenue. Total revenue from marketplace and supplier services for the three months ended September 30, 2023 was $102.5 million and $16.5 million, respectively, as compared to $84.1 million and $19.5 million, respectively, for the three months ended September 30, 2022. Marketplace revenue increased $18.4 million, or 22% from $84.1 million for the three months ended September 30, 2022 to $102.5 million for the three months ended September 30, 2023. The increase in marketplace revenue was primarily due increased buyer activity on the platform for the three months ended September 30, 2023, as compared to the prior year period.

Supplier services revenue decreased $3.1 million, or 16% from $19.5 million for the three months ended September 30, 2022 to $16.5 million for the three months ended September 30, 2023. The decrease in revenue was primarily due to our exit from the supplies business in the U.S. during the second quarter of 2023.

Total revenue for the three months ended September 30, 2023 and 2022, was $103.4 million and $94.8 million, respectively, for the U.S. operating segment, and $15.5 million and $8.7 million, respectively, for the International operating segment.

Cost of Revenue

Total cost of revenue increased $10.0 million, or 16%, from $62.7 million for the three months ended September 30, 2022 to $72.7 million for the three months ended September 30, 2023. This increase was the result of an increase in marketplace cost of revenue offset by a decrease in supplier services costs of revenue. Total cost of revenue from marketplace and supplier services for the three months ended September 30, 2023 was $70.6 million and $2.1 million, respectively, as compared to $58.5 million and $4.2 million, respectively for the three months ended September 30, 2022.

Marketplace cost of revenue was driven by increased payments to suppliers on our platform due to order growth and increased activity on our marketplace.

Gross Profit and Margin

Gross profit increased $5.3 million, or 13%, from $40.9 million for the three months ended September 30, 2022 to $46.2 million for the three months ended September 30, 2023. The increase in gross profit was primarily due to increases in revenue from marketplace and improved marketplace gross margins as compared to the prior year period.

Gross margin for marketplace was 31.1% for the three months ended September 30, 2023, as compared to 30.4% for the three months ended September 30, 2022. The improvement over the prior year period was due in part to our AI-driven platform and increasing supplier selection. Pricing has become more efficient due to the increased number of orders over time, improving the data set and thus making our pricing decisions more accurate. Additionally, we continue to grow our active suppliers resulting in more competition for buyers' orders and therefore a lower cost of revenue. Gross margin for our supplier services was 87.2% for the three months ended September 30, 2023, as compared to 78.5% for the three months ended September 30, 2022. The increase in gross margin for supplier services is primarily due to a higher mix of marketing services revenue and the exit from the lower margin supplies business. As marketplace revenue continues to grow, our aggregate gross margin will change.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased $1.8 million, or 8%, from $21.4 million for the three months ended September 30, 2022 to $23.2 million for the three months ended September 30, 2023, primarily due to sales commissions resulting from sales growth offset by lower advertising costs. As a percent of total revenue, sales and marketing expenses decreased to 19.5% for the three months ended September 30, 2023 from 20.7% for the three months ended September 30, 2022.

Operations and Support

Operations and support expense increased $1.0 million, or 9%, from $11.6 million for the three months ended September 30, 2022 to $12.6 million for the three months ended September 30, 2023, due to increases in consulting costs and hiring additional operations and support employees and their compensation, including stock-based compensation. As a percent of total revenue, operations and support expenses decreased to 10.6% for the three months ended September 30, 2023 from 11.2% for the three months ended September 30, 2022.

Product Development

Product development expense increased $0.9 million, or 12%, from $7.6 million for the three months ended September 30, 2022 to $8.5 million for the three months ended September 30, 2023, primarily as result of increases in depreciation expense related to capitalized internal-use software development costs, hiring additional product development employees and their compensation, including stock-based compensation, and additional software costs, offset by a decrease in consulting expense. As a percent of total revenue, product development expenses decreased to 7.2% for the three months ended September 30, 2023 as compared to 7.4% for the three months ended September 30, 2022.

General and Administrative

General and administrative expense decreased $0.2 million, or 1%, from $15.1 million for the three months ended September 30, 2022 to $14.9 million for the three months ended September 30, 2023. The decrease is due to a reduction in non-cash charitable contributions of Class A common stock and lower facility cost due to the abandonment of leased offices in the second quarter of 2023. Offsetting these decreases are increased costs for software and maintenance, consulting expense and professional fees. As a percent of total revenue, general and administrative expenses decreased to 12.6% for the for the three months ended September 30, 2023 from 14.6% for the three months ended September 30, 2022.

Impairment of Assets

Impairment expense decreased $0.2 million, or 54%, from $0.3 million for the three months ended September 30, 2022 to $0.2 million for the three months ended September 30, 2023. As a percent of total revenue, impairment expense decreased to 0.1% for the for the three months ended September 30, 2023 from 0.3% for the three months ended September 30, 2022.

Other (Expenses) Income

Interest Expense

Interest expense remained flat at $1.2 million for the three months ended September 30, 2022 and for the three months ended September 30, 2023. Interest expense is primarily due to the interest on the 2027 convertible notes issued in February 2022.

Interest and Dividend Income

Interest and dividend income increased by $1.7 million, or 123%, from $1.3 million for the three months ended September 30, 2022 to $3.0 million for the three months ended September 30, 2023, primarily due to dividend income from our marketable securities.

Other Expenses

Other expenses increased by $0.3 million, or 107%, from $0.3 million for the three months ended September 30, 2022 to $0.6 for the three months ended September 30, 2023.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture decreased $0.2 million, or 55%, from $0.3 million for the three months ended September 30, 2022 to $0.1 for the three months ended September 30, 2023 due to a decrease in income from our 50% interest in Industrial Media, LLC.

Additional Segment Considerations

Total segment loss from our U.S. operating segment for the three months ended September 30, 2023 and 2022, was $7.9 million and $10.7 million, respectively. Total segment loss from our International operating segment for the three months ended September 30, 2023 and 2022, was $4.1 million and $4.3 million, respectively.

Comparison of the Nine Months Ended September 30, 2023 and 2022

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

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Revenue	$ 335,261	$ 282,857
Cost of revenue	206,087	171,321
Gross profit	129,174	111,536
Operating expenses:		
Sales and marketing	68,315	58,846
Operations and support	39,450	36,158
Product development	25,570	22,698
General and administrative	56,479	43,143
Impairment of assets	397	444
Total operating expenses	190,211	161,289
Loss from operations	(61,037)	(49,753)
Other income (expenses):		
Interest expense	(3,596)	(3,172)
Interest and dividend income	8,648	1,914
Other expenses	(1,156)	(1,733)
Income from unconsolidated joint venture	437	600
Total other income (expenses)	4,333	(2,391)
Loss before income taxes	(56,704)	(52,144)
(Provision) benefit for income taxes	(208)	559
Net loss	(56,912)	(51,585)
Net income (loss) attributable to noncontrolling interest	9	17
Net loss attributable to common stockholders	$ (56,921)	$ (51,602)

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue	100.0 %	100.0 %
Cost of revenue	61.5 %	60.6 %
Gross profit	38.5 %	39.4 %
Operating expenses:		
Sales and marketing	20.4 %	20.8 %
Operations and support	11.8 %	12.8 %
Product development	7.6 %	8.0 %
General and administrative	16.8 %	15.3 %
Impairment of assets	0.1 %	0.2 %
Total operating expenses	56.7 %	57.1 %
Loss from operations	(18.2)%	(17.7)%
Other income (expenses):		
Interest expense	(1.1)%	(1.1)%
Interest and dividend income	2.6 %	0.7 %
Other expenses	(0.3)%	(0.6)%
Income from unconsolidated joint venture	0.1 %	0.2 %
Total other income (expenses)	1.3 %	(0.8)%
Loss before income taxes	(16.9)%	(18.5)%
(Provision) benefit for income taxes	(0.1)%	0.2 %
Net loss	(17.0)%	(18.3)%
Net income (loss) attributable to noncontrolling interest	— %	— %
Net loss attributable to common stockholders	(17.0)%	(18.3)%

The following tables present our disaggregated revenue and cost of revenue. Revenue from our marketplace primarily reflects the sales of parts and assemblies on our platform. Revenue from supplier services primarily includes the sale of advertising and to a lesser extent financial service products, SaaS products and supplies.

Revenue and cost of revenue is presented in the following tables for the nine months ended September 30, 2023 and 2022 (in thousands):

	For the Nine Months Ended September 30, 2023	For the Nine Months Ended September 30, 2022
Marketplace		
Revenue	$ 282,664	$ 224,073
Cost of revenue	196,240	158,712
Gross Profit	$ 86,424	$ 65,361
Gross Margin	30.6 %	29.2 %
Supplier services		
Revenue	$ 52,597	$ 58,784
Cost of revenue	9,847	12,609
Gross Profit	$ 42,750	$ 46,175
Gross Margin	81.3 %	78.6 %

Revenue

Total revenue increased $52.4 million, or 19%, from $282.9 million for the nine months ended September 30, 2022 to $335.3 million for the nine months ended September 30, 2023. This growth was a result of an increase in marketplace revenue, partially offset by a decrease in supplier services revenue. Marketplace revenue increased $58.6 million, or 26% from $224.1 million for the nine months ended September 30, 2022 to $282.7 million for the nine months ended September 30, 2023. The increase in marketplace revenue was primarily due increased buyers activity on the platform for the nine months ended September 30, 2023, as compared to the prior year period.

Supplier services revenue decreased $6.2 million, or 11% from $58.8 million for the nine months ended September 30, 2022 to $52.6 million for the nine months ended September 30, 2023. The decrease in revenue was primarily due to our exit from the supplies business in the U.S. during the second quarter of 2023.

Total revenue for the nine months ended September 30, 2023 and 2022, was $292.7 million and $258.6 million, respectively, for the U.S. operating segment, and $42.5 million and $24.3 million, respectively, for the International operating segment.

Cost of Revenue

Total cost of revenue increased $34.8 million, or 20%, from $171.3 million for the nine months ended September 30, 2022 to $206.1 million for the nine months ended September 30, 2023. This increase was the result of an increase in marketplace cost of revenue offset by a decrease in supplier services costs of revenue. Total cost of revenue from marketplace and supplier services for the nine months ended September 30, 2023 was $196.2 million and $9.8 million, respectively, as compared to $158.7 million and $12.6 million, respectively for the nine months ended September 30, 2022.

Marketplace cost of revenue was driven by increased payments to suppliers on our platform due to order growth and increased activity on our marketplace.

Gross Profit and Margin

Gross profit increased $17.6 million, or 16%, from $111.5 million for the nine months ended September 30, 2022 to $129.2 million for the nine months ended September 30, 2023. The increase in gross profit was primarily due to increases in revenue from marketplace and improved marketplace gross margins as compared to the prior year period.

Gross margin for marketplace was 30.6% for the nine months ended September 30, 2023, as compared to 29.2% for the nine months ended September 30, 2022. The improvement over the prior year period was due in part to our AI-driven platform and increasing supplier selection. Pricing has become more efficient due to the increased number of orders over time, improving the data set and thus making our pricing decisions more accurate. Additionally, we continue to grow our active suppliers resulting in more competition for buyers' orders and therefore a lower cost of revenue. Gross margin for our supplier services improved to 81.3% for the nine months ended September 30, 2023, as compared to 78.6% for the nine months ended September 30, 2022. The increase in gross margin for supplier services is primarily due to a higher mix of marketing services revenue and the exit from the lower margin supplies business. As marketplace revenue continues to grow, our aggregate gross margin will change.

Operating Expenses

Sales and Marketing

Sales and marketing expense increased $9.5 million, or 16%, from $58.8 million for the nine months ended September 30, 2022 to $68.3 million for the nine months ended September 30, 2023, the increase was primarily due to increases in commissions expense due to increased sales and additional sales and marketing employees and compensation costs, including stock-based compensation. As a percent of total revenue, sales and marketing expenses decreased to 20.4% for the nine months ended September 30, 2023 from 20.8% for the nine months ended September 30, 2022.

Operations and Support

Operations and support expense increased $3.3 million, or 9%, from $36.2 million for the nine months ended September 30, 2022 to $39.5 million for the nine months ended September 30, 2023, primarily due to hiring of additional operations and support employees and their compensation costs, including stock-based compensation, and expenses incurred as part of the Company's restructuring and exit from the supplies business. As a percent of total revenue, operations and support expenses decreased to 11.8% for the nine months ended September 30, 2023 from 12.8% for the nine months ended September 30, 2022.

Product Development

Product development expense increased $2.9 million, or 13%, from $22.7 million for the nine months ended September 30, 2022 to $25.6 million for the nine months ended September 30, 2023, primarily as result of increases in depreciation expense related to capitalized internal-use software development costs, hiring additional product development employees and their compensation, including stock-based compensation and additional software and maintenance costs. Offsetting these costs were decreases in consulting expenses. As a percent of total revenue, product development expenses decreased slightly to 7.6% for the nine months ended September 30, 2023 from 8.0% for the nine months ended September 30, 2022.

General and Administrative

General and administrative expense increased $13.3 million, or 31%, from $43.1 million for the nine months ended September 30, 2022 to $56.5 million for the nine months ended September 30, 2023. The primary driver of the increase was due to the abandonment of multiple company leases resulting in a one-time $8.7 million increase in operating lease expense. In addition, there were higher professional fees related to accounting and legal services, higher software and maintenance costs and consulting expenses. These increases were partially offset by a reduction in non-cash charitable contributions of Class A common stock and insurance costs. As a percent of total revenue, general and administrative expenses increased to 16.8% for the nine months ended September 30, 2023 from 15.3% for the nine months ended September 30, 2022.

Impairment of Assets

Impairment expense remained constant at approximately $0.4 million for the nine months ended September 30, 2022 and 2023. As a percent of total revenue, impairments expense decreased to 0.1% for the nine months ended September 30, 2023 from 0.2% for the nine months ended September 30, 2022.

Other (Expenses) Income

Interest Expense

Interest expense increased by $0.4 million, or 13%, from $3.2 million for the nine months ended September 30, 2022 to $3.6 million for the nine months ended September 30, 2023, primarily due to the interest on the 2027 convertible notes issued in February 2022.

Interest and Dividend Income

Interest and dividend income increased by $6.7 million, or 352%, from $1.9 million for the nine months ended September 30, 2022 to $8.6 million for the nine months ended September 30, 2023, primarily due to dividend income from our marketable securities.

Other Expenses

Other expenses decreased by $0.6 million, or 33%, from $1.7 million for the nine months ended September 30, 2022 to $1.2 million for the nine months ended September 30, 2023, primarily as a result of decreases in unrealized loss on marketable securities.

Income from Unconsolidated Joint Venture

Income from unconsolidated joint venture decreased $0.2 million, or 27%, from $0.6 million for the nine months ended September 30, 2022 to $0.4 million for the nine months ended September 30, 2023, primarily due to a decrease in the income from our 50% interest in Industrial Media, LLC.

Additional Segment Considerations

Total segment loss from our U.S. operating segment for the nine months ended September 30, 2023 and 2022, was $43.7 million and $37.0 million, respectively. Total segment loss from our International operating segment for the nine months ended September 30, 2023 and 2022, was $13.2 million and $14.6 million, respectively.

Liquidity and Capital Resources

General

We have financed our operations primarily through sales of our equity securities and borrowings under our convertible notes. As of September 30, 2023, our cash and cash equivalents and marketable securities totaled $276.8 million. We believe our existing cash and cash equivalents and marketable securities will be sufficient to support our working capital and capital expenditure requirements for at least the next twelve months and over the long-term. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities and available cash and cash equivalents and marketable securities. We may also engage in equity or debt financings to secure additional funds. Our future capital requirements will depend on many factors, including our revenue growth rate, receivable and payable cycles, the timing and extent of investments in product development, sales and marketing, operations and support and general and administrative expenses.

Our capital expenditures consist primarily of internal-use software costs, manufacturing equipment, computers and peripheral equipment, furniture and fixtures and leasehold improvements and patents.

Convertible Notes due 2027

In February 2022, we entered into a purchase agreement with certain counterparties for the sale of an aggregate of $287.5 million principal amount of convertible senior notes due in 2027 (the “2027 Notes”) in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”). The 2027 Notes consisted of a $250 million initial placement and an over-allotment option that provided the initial purchasers of the 2027 Notes with the option to purchase an additional $37.5 million aggregate principal amount of the 2027 Notes, which was fully exercised. The 2027 Notes were issued pursuant to an indenture dated February 4, 2022. The net proceeds from the issuance of the 2027 Notes were $278.2 million, net of debt issuance costs. The debt issuance costs are amortized to interest expense using the effective interest rate method.

The 2027 Notes are unsecured obligations which bear regular interest at 1% per annum and for which the principal balance will not accrete. Interest payment are due on February 1 and August 1 of each year the Notes remain outstanding. The 2027 Notes will mature on February 1, 2027 unless repurchased, redeemed, or converted in accordance with their terms prior to such date.

The 2027 Notes are convertible into cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock, at our election, at an initial conversion rate of 17.8213 shares of Class A common stock per $1,000 principal amount of 2027 Notes, which is equivalent to an initial conversion price of approximately $56.11 per share of our Class A common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the 2027 Notes.

We may redeem for cash all or any portion of the 2027 Notes, at our option, on or after February 5, 2025 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest or additional interest, if any.

Holders of the 2027 Notes may convert all or a portion of their 2027 Notes at their option prior to November 1, 2026, in multiples of $1,000 principal amounts, only under the following circumstances:

- if the last reported sale price of our Class A common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the 2027 Notes on each such trading day;
- during the five-business day period after any ten consecutive trading day period in which the trading price per $1,000 principal amount of the 2027 Notes for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of our Class A common stock and the applicable conversion rate of the 2027 Notes;
- on a notice of redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, in which case we may be required to increase the conversion rate for the 2027 Notes so surrendered for conversion in connection with such redemption notice; or
- on the occurrence of specified corporate events.

On or after November 1, 2026, the 2027 Notes are convertible at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

Holders of the 2027 Notes who convert the 2027 Notes in connection with a make-whole fundamental change, as defined in the indenture governing the 2027 Notes, or in connection with a redemption are entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change, holders of the 2027 Notes may require us to repurchase all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of 2027 Notes, plus any accrued and unpaid special interest, if any.

We accounted for the issuance of the 2027 Notes as a single liability measured at its amortized cost, as no other embedded features require bifurcation and recognition as derivatives.

As of September 30, 2023, the 2027 Notes have a carrying value of $281.3 million with an effective annual interest rate of 1.6%.

We may, from time to time, repurchase our convertible senior notes using cash on hand, either on the open market or in privately negotiated transactions.

Cash Flows

The following table presents a summary of our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (28,583)	$ (45,510)
Net cash provided by (used in) investing activities	6,181	(291,336)
Net cash provided by financing activities	1,428	281,506

Operating Activities

For the nine months ended September 30, 2023, net cash used in operating activities was $28.6 million, primarily due to a net loss of $(56.9) million adjusted for non-cash charges of $40.3 million and a net decrease in our operating assets and liabilities of $(12.0) million. The non-cash adjustments primarily relate to stock-based compensation of $16.2 million, $13.3 million of reduction to our right of use lease assets, and depreciation and amortization of $7.9 million. The net decrease in operating assets and liabilities is primarily driven by changes in accounts receivable of $14.9 million and lease liabilities of $3.8 million, offset by changes in contract liabilities of $1.2 million, accrued expenses of $1.0 million, prepaid expenses of $2.3 million and other assets of $1.4 million.

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

Investing Activities

For the nine months ended September 30, 2023, net cash provided by investing activities was $6.2 million, primarily due to the proceeds from the sale of marketable securities of $30.0 million offset by the purchase of property and equipment (which includes internal-use software development costs) of $12.1 million, $8.6 million for the purchase of marketable securities, and $3.3 million for the acquisition of Tridi.

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

Financing Activities

For the nine months ended September 30, 2023, net cash provided by financing activities was $1.4 million, relating to proceeds from the exercise of stock options.

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

Critical Accounting Estimates

Our condensed consolidated financial statements and accompanying notes have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected. For additional information about our critical accounting policies and estimates, see the disclosure included in our Annual Report on Form 10-K as well as Note 2 – Basis of Presentation and Summary of Significant Accounting Policies in the notes to the condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2 – Basis of Presentation and Summary of Significant Accounting Policies in the notes to the condensed consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure to potential changes in interest rates. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

Our U.S. revenue and costs are principally denominated in U.S. dollars and are not subject to foreign currency exchange risk. Our International operating segment generates revenue outside of the United States that is denominated in currencies other than the U.S. dollar. Our results of operations are impacted by changes in exchange rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, results of operations, or financial condition. If our costs were to become subject to significant inflationary pressures such as those caused by geopolitical tensions, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, results of operations and financial condition.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act, our management, with the participation of our principal executive officer and principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as a result of a material weakness that existed in our internal control over financial reporting as described below. While the Company has implemented remediation steps, the material weakness cannot be considered fully remediated until the controls have been in place and operate for a sufficient period of time.

Material Weakness in Internal Control Over Financial Reporting

In connection with the audit of our financial statements as of and for the fiscal year ended December 31, 2022, during our implementation of internal control over financial reporting (Sarbanes-Oxley Act of 2002, or “SOX”), we identified a material weakness in our internal control over financial reporting that existed as of December 31, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

On December 9, 2021, we completed our acquisition of Thomas Publishing, Inc. (“Thomas”). The additional workload on our resources to integrate Thomas contributed to our inability to timely perform an effective risk assessment related to the achievement of its control objectives in certain processes, primarily revenue and costs of revenue. As a result, we were unable to design and operate effective process-level controls as of December 31, 2022.

Management's Plan to Remediate the Material Weakness

During the first three quarters of 2023, management implemented remediation steps to address the material weakness and to improve our internal control over financial reporting. Specifically, now that Thomas has been fully integrated, we have improved our review processes over risk assessment, which also includes the documentation to support the operating effectiveness of our controls. While we implemented remediation steps, the material weakness cannot be considered fully remediated until the improved controls have been in place and operate for a sufficient period of time. However, our management, including our principal executive officer and principal financial officer, has concluded that, notwithstanding the identified material weakness in our internal control over financial reporting, the financial statements in this filing fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

During the remainder of fiscal year 2023, management will test and evaluate the related internal controls to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material error in the financial statements.

Changes in Internal Control over Financial Reporting

Other than as discussed above under "Management's Plan to Remediate the Material Weakness", there were no changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various claims and legal actions that arise in the ordinary course of business. We are not a party to any legal proceedings, that individually or in the aggregate, are reasonably expected to have a material adverse effect on our consolidated results of operations, financial condition or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more matters could have a material adverse effect on our consolidated results of operations, financial condition or cash flows.

For the period ending September 30, 2023, there were no material legal proceedings brought against us nor were there any material developments to any ongoing legal proceedings which constituted reportable events.

Item 1A. Risk Factors.

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in our Annual Report on Form 10-K for the year ended December 31, 2022 under Part I, Item 1A, "Risk Factors," together with all of the other information in this Quarterly Report on Form 10-Q, including the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Our business, financial condition, results of operations, or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations, and prospects could be adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

There have been no material changes to our risk factors as previously disclosed in Item 1A. contained in Part I of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, our directors and officers (as defined in Rule 16a-1(f) under the Securities and Exchange Act of 1934, as amended) adopted or terminated the contracts, instructions or written plans for the purchase or sale of the Company’s securities set forth in the table below.

			Type of Trading Arrangement				
Name and Position	**Action**	**Adoption/Termination Date**	**Rule 10b5-1***	**Non-Rule 10b5-1****	**Total Shares of Class A Common Stock to be Sold**	**Total Shares of Class A Common Stock to be Purchased**	**Expiration Date**
James Rallo *Chief Financial Officer*	Adopted	8/15/2023	X	-	135,669	-	11/20/2025
Emily Rollins *Director*	Adopted	9/1/2023	X	-	6,000	-	5/31/2024

* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

** “Non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K under the Exchange Act.

Item 6. Exhibits.

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are herein incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Xometry, Inc., (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40546), filed with the SEC on July 2, 2021).
3.2	Amended and Restated Bylaws of Xometry, Inc., (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-40546), filed with the SEC on July 2, 2021).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

XOMETRY, INC.

Date: November 9, 2023	By:	/s/ Randolph Altschuler
		Randolph Altschuler
		Chief Executive Officer and Director
Date: November 9, 2023	By:	/s/ James Rallo
		James Rallo
		Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Randolph Altschuler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xometry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

By: /s/ Randolph Altschuler
Randolph Altschuler
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Rallo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xometry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023	By:	/s/ James Rallo
		James Rallo
		Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Xometry, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 9, 2023

By: /s/ Randolph Altschuler
Randolph Altschuler
Chief Executive Officer and Director

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Xometry, Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 9, 2023

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