



**Xometry (NAS:XMTR): \$11.33**  
Market Cap: \$550mm  
Enterprise Value: \$530mm  
EV/EBITDA: NA  
P/E: NA

**Upside: 60%**  
Short Interest: 11%  
12-month perf (%): -46%  
30-Day Average Daily Volume: 614k  
Date: 7/1/2024

### Company Background

Xometry (NAS:XMTR) is the leading disruptor in digital manufacturing, connecting businesses needing custom parts with a global network of manufacturers capable of producing those parts. Their platform reduces high search costs, long lead times, and quoting frictions typically associated with hiring smaller (non-contract) manufacturers. Like most class of '21 IPOs, Xometry came to market too early and at too high a price, which has contributed to a near 85% sell-off since highs. Sentiment has soured, and the market is being overly punitive regarding Xometry's business fluctuations and even mischaracterizing its business model. Market participants are missing the fact that Xometry is a major lever on the massive digital transformation silently underway in non-contract manufacturing. Xometry will continue to scale and exhibit operating leverage as it grows revenues, and we anticipate 60% upside from current levels. We intend to maintain an ownership position in this business for a long time to come.

### Opportunities

- **Large Digital Transformation Trend in Non-Contract Manufacturing:** Manufacturers have traditionally managed numerous supplier relationships, but industry experts confirm that digital marketplaces like Xometry are beginning to gain respect for their staying power. This change is expected to be gradual yet inevitable, driven by enhanced traceability, quality, and efficiency in digital marketplaces.
- **Market Misunderstanding of Xometry's Business:** Xometry's unique positioning suggests it can evolve into a great business despite not fitting into traditional categories. The mischaracterization of Xometry's business model as "not a marketplace" even though it enjoys network effects is a contributing factor to its mispricing.
- **AI and Machine Learning:** Xometry leads the industry in using AI and machine learning for pricing, leveraging the largest data sets to train its models. Soon, Xometry will be able to price from prints through imaging. The company has the tools and data to develop a quoting engine that is 10x better than competitors. Xometry's partnership with Google's AI platform is a significant step in this direction.

### Valuation

Given Xometry's competitive positioning and the early stages of digital transformation underway in the manufacturing industry, we expect high durability in Xometry's long-term revenue growth profile. Despite revenue growth expected to slow in 2024 to 18% due to customers being more price sensitive and Xometry adding more lower cost supplier options to its platform we expect this growth to pick up in years 2025 and we model a 22% CAGR over the next five years and expect Xometry to achieve a free cash flow margin profile of roughly 4% by year five.

#### INVESTMENT DISCLAIMERS & INVESTMENT RISKS

Past performance is not necessarily indicative of future results. All investments carry significant risk and all investment decisions of an individual remain the specific responsibility of that individual. There is no guarantee that our research, analysis, and forward-looking price targets will result in profits or that they will not result in a full loss or losses. All investors are advised to fully understand all risks associated with any kind of investing they choose to do.