Cassie Corneau
Head of Investor Relations and Strategic Finance

Thank you and good afternoon everyone. Earlier today, 10x Genomics released financial results for the first quarter ended March 31, 2023. If you have not received this news release, or if you would like to be added to the company's distribution list, please send an email to investors@10xgenomics.com. An archived webcast of this call will be available on the investor tab of the company's website, 10xgenomics.com, for at least 45 days following this call.

Before we begin, I'd like to remind you that management will make statements during this call that are forward looking statements within the meaning of Federal Securities Laws. These statements involve material risks and uncertainties that could cause actual results or events to materially differ from those anticipated and you should not place undue reliance on forward-looking statements. Additional information regarding these risks, uncertainties and factors that could cause results to differ appears in the press release 10x Genomics issued today – and in the documents and reports filed by 10x Genomics from time to time with the Securities and Exchange Commission.

10x Genomics disclaims any intention or obligation to update or revise any financial projections or forward-looking statements, whether because of new information, future events or otherwise.

Joining the call today are: Serge Saxonov, our CEO and Co-Founder and Justin McAnear, our Chief Financial Officer.

We will host a question-and-answer session after our prepared remarks. We ask analysts to please keep to one question and one follow up so that we may accommodate everyone in the queue.

With that, I will now turn the call over to Serge.

Serge Saxonov
Chief Executive Officer, Co-founder

Thanks, Cassie, and good afternoon, everyone.

On today's call, I will start with an overview of our first quarter performance across our leading portfolio of single cell and spatial technologies. Next, I will discuss our progress, momentum and the exciting opportunities we have ahead in each of our three platforms. And, I'll share why – based on early, yet overwhelmingly positive feedback we've heard from our customers – we firmly believe Xenium is the best system for In Situ analysis. Then, I'll turn the call over to Justin for a more detailed look at our financials, business trends and outlook for the rest of the year.

2023 is off to a solid start, with first quarter revenue growing 17% year-over-year to $134 million. These results reflect the momentum we're seeing across our spatial portfolio, fueled by recent launches in both Visium and Xenium, and the strength in Chromium consumables. Regionally, the Americas and EMEA teams saw improvement after a slowdown in the prior year period, while APAC came in below our expectations.

As we look to the year ahead, it's all about execution and impact. We're coming off the biggest and most exciting year of product launches in our history, and our team is fully focused on driving adoption and ensuring our customers' success. We're continuing to push our innovation engine with new capabilities in all three platforms. And, we're working to improve scale, efficiency and operational excellence throughout the company. All this so we can maximize – and deliver on – the incredible opportunity we have ahead.

Now, let me share more about each platform, starting with Chromium – the unambiguous leader in single cell analysis.

In Q1, Chromium consumables continued their solid trajectory and returned to double-digit growth. This was driven by strong performance in the Americas and EMEA, as nearly every assay in our entire broad single cell portfolio grew year-over-year in both regions. The performance, ease of use and tremendous scalability of our consumables portfolio – across a wide range of applications and analytes – is an important differentiator for 10x that creates real value for our customers and their research.

This quarter in particular, we continued to see increasing traction and customer enthusiasm for Chromium Flex, the new "gold standard" for single cell gene expression. With its robust fixation, superior performance, built-in multiplexing, cost advantages and broad sample compatibility, we believe Flex will be transformative to the Chromium platform over the long-term.

It's very early in this launch, yet it's clear that momentum is building. We're hearing multiple examples of customers who've achieved amazing results in their initial evaluations and are now planning larger studies that leverage the assay's built-in multiplexing to run more samples at lower per sample costs. One customer shared how Flex – the first and only single cell assay to work with archival FFPE samples – revealed new signatures in bladder cancer blocks (some 15 years old) that are eye opening to pathologists.

The palpable enthusiasm we're seeing reinforces our belief that Flex has the potential to become our new flagship assay for single cell gene expression. It's drawing more researchers into the 10x ecosystem, as new customers increasingly choose Flex as their first 10x assay of choice.

And, just like we've always done, we are continuing to invest to broaden the menu of applications available in the Flex portfolio to enable more samples, more scale and more analytes. Later this year, we expect to expand our Feature Barcode application for Flex to simultaneously profile gene expression and cell surface proteins on a cell-by-cell basis, across multiplexed samples and millions of cells. We believe the additional "plug and play" multiomics capabilities on Flex will open up more opportunities within disease research and translational settings.

Flex is exclusively available on Chromium X Series instruments, and as such, we expect placements to accelerate as more customers appreciate the power and performance of this assay. The Chromium X Series is by far the most powerful tool available for single cell analysis, and we believe there's a long runway ahead with both new and existing customers.

All together, this is why I firmly believe – despite all the progress we've made – single cell is still just getting started.

Now, turning to Spatial, where both our Visium and Xenium platforms exceeded our expectations during Q1.

We launched Visium only a few years ago, and since then, Visium has emerged as the clear leader in NGS-based spatial technology, used in thousands of labs and having generated the largest number of public datasets by far.

Last year's launches of CytAssist and FFPE v2 have further accelerated adoption of the Visium platform. These new products helped solve the key challenges our customers had historically faced with the Visium workflow. CytAssist also opens up more samples and more sample types for Visium research, providing customers with a better experience and better data. This quarter, we launched protocols for both fresh frozen and fixed samples, now enabling all major sample types to run on CytAssist.

Demand for CytAssist remained solid in Q1. It's been particularly exciting to see these placements drive increased Visium utilization. CytAssist-based consumables became the preferred method in Q1, surpassing our instrument-free assays, a trajectory we expect to continue. And it's not just our existing power users who are adopting CytAssist. This instrument is bringing new labs into the 10x ecosystem: A large fraction of our placements in Q1 went to labs that were either new to the Visium platform or new to 10x entirely – a promising indicator of potential future growth.

These trends demonstrate why we're confident CytAssist is the future of the Visium platform. We're continuing to invest and innovate in the Visium franchise, developing new capabilities that will be exclusively available on CytAssist.

This quarter, we plan to launch Visium Gene + Protein Expression, empowering researchers with three analytes in one – high-plex protein, whole transcriptome RNA and H&E staining – all on the same tissue section. This will be the first and only assay of its kind to offer a morphology-first workflow, preserving pristine H&E staining patterns conducted upfront. Linking an information-rich image with its complementary molecular analytes on the same tissue section enables researchers to both cross-validate their findings and obtain a new level of understanding.

Now, turning to Xenium, which we believe is the best performing platform for In Situ analysis.

It's exciting to see the incredible momentum and traction we've built since we first started shipping Xenium in December, and we couldn't be more pleased with the initial feedback we're hearing from our customers. We set out to build Xenium so it "just works" in the hands of researchers – the same as our other products. To have our customers tell us this – and show us through their routine use – is a testament to the strength of our innovation engine and the talent and dedication of our team. Our customers have not only praised Xenium's performance and ease of use, but also their entire experience engaging with the platform. They've given rave reviews to our field teams for their support during installation and training, which shows the real impact of the Commercial breadth, depth and scale we've built over the years.

It is awesome to have the key design specs we intended and marketed for launch, now developed, delivered and in regular use in the field. Researchers are seeing that it's a system's on-market features – not on-paper futures – that deliver real value and lead to exciting new discoveries. To see our initial customers generate powerful results and stunning images on Xenium, run after run, has been deeply rewarding and motivating for our team.
In fact, since the end of January, our customers have completed dozens of successful Xenium runs with their own precious samples, ranging from mouse brain to more complex human samples, across various tissues – including breast, kidney, skin, lung – and various sample types, including Fresh Frozen, FFPE and tissue microarrays. The feedback they've shared after independently completing the entire workflow from sample prep to data analysis validates Xenium's differentiation and performance advantages across a number of fronts.

To start, thanks to unique features inherent in our chemistry, Xenium delivers excellent sensitivity and specificity, which are the necessary foundations of any high-quality, trustworthy In Situ system. We compared information in a competitor's marketing materials to our own data sets and found Xenium is currently up to six times more sensitive.

Xenium also delivers much higher specificity, giving customers confidence that each transcript detected is the intended one and that there's no false or phantom genes or cells in their samples. In another comparison using a competitor's marketing data, we found Xenium delivers up to 42 times better specificity than the other platform, where 6 to 25 percent of the transcripts in each cell can be misleading.

Beyond performance, Xenium's ease of use, efficient workflow, and best-in-class throughput are also resonating very well with our early customers. Researchers can use our entire slide area, enabling maximum flexibility to run single large sections, multiple smaller sections or even tissue microarrays. With Xenium, researchers can analyze the most tissue area, in the least amount of time, using the fewest number of slides.

In addition, our gene panel strategy – designed to help customers answer their specific research questions – is also resonating well. Our approach combines a growing menu of targeted gene panels, optimized by tissue type, with the flexibility to add in large numbers of custom genes.

This quarter, we will continue to expand our content menu with the planned launch of new tissue-specific panels and a multi-tissue panel optimized for cancer research. With each of these offerings, researchers can also spike in their own custom genes to ensure they aren't limited in any way by gene selection.

In addition, we recently launched a fully custom gene panel for maximum flexibility. Our unique combination of pre-designed and fully custom panels is increasingly validated in the field, giving researchers the ability to measure the genes they need at high performance and high throughput.

This all comes together with our differentiated approach to software and data analysis, which is the best demonstration of the caliber and performance of an In Situ platform and essential to ensuring a positive customer experience and to enabling routine use.

Everyone in the field has talked about how challenging it can be for researchers to handle the large amounts of data produced by In Situ instruments. However, challenges like these play exactly to one of our key strengths. We have invested and built world-class software and data analysis expertise since the earliest days of the company, in contrast to others who outsource this critical function. We have brought our team's proven software prowess to Xenium, and the result is yet another area where the 10x approach is a big differentiator that's making a big impact with our customers.

Xenium is the only platform to feature comprehensive primary and secondary onboard analysis in parallel with the instrument run – including cell segmentation and clustering results. This enables researchers to directly access their data on the Xenium instrument immediately after the run is done, without the need for onerous post-instrument analysis or massive uploads, downloads or data transfers. Customers who want more off-instrument interpretation can easily do so using Xenium Explorer or a wide variety of open source tools. We're confident that our differentiated approach is flexible, fast and significantly reduces the computational burden on customers.

We've built Xenium to be the best performing In Situ platform, both now and for the future. Xenium is backed by an ambitious and exciting multi-year roadmap. We've already demonstrated a number of these future capabilities, including the ability to scale to many thousands of genes. In addition, Xenium's chemistry uniquely enables isoform mapping and SNV detection – real game-changers that simply aren't possible on other platforms. The real-world feedback we've received from our early Xenium users is giving us better insights faster and helping us to prioritize our roadmap so we can deliver researchers precisely what they want.

Overall, we feel really good about our early progress and momentum. There's tremendous potential ahead with Xenium, and we're bringing the whole-of-company effort to capture it. We've already made significant improvements in our installation and training times, and we are increasingly confident in our scaling as we move through the year. The kinds of projects our customers are already running indicate that Xenium may be one of the – if not the – most transformative technologies in our industry in decades.

We believe our platforms, each on their own, are by far the best in class in their respective fields. Each provides a different lens on biology and can be used together to provide even more value and reveal the deepest biological insights.

Our progress across each of our platforms continues to reinforce my conviction that one day just about all tissue samples – whether for research, clinical or therapeutic applications – will need to be analyzed at single cell resolution, large scale and in the right context. We firmly believe our technologies are critical to accelerating the mastery of biology and advancing human health.

With that, let me turn it over to Justin for more detail on our financials.

Justin McAnear
Chief Financial Officer

Thank you, Serge.

I'll start by reviewing our financial results for the three months ended March 31, 2023, and will then provide an update on our outlook for 2023. Total revenue for the quarter was $134.3 million compared to $114.5 million for the prior year period, representing a 17% increase year-over-year.

Given the differences in regional dynamics this quarter, I am going to start with our revenue by geography. Americas' revenue of $78.8 million grew 32% over the prior year period. EMEA revenue of $28.4 million grew 38% over the prior year period. And revenue in APAC was $27.1 million, a 21% decrease year-over-year.

As discussed on our last call, we saw an impact to sales in China at the beginning of the quarter. While we believe activity levels are recovering, there is typically a lag in reorders after such disruptions, as distributors and service providers work through existing inventory. We also instituted price increases at the beginning of Q1, and customers typically buy ahead of such increases, particularly service providers, and we believe this also contributed to a larger inventory position in Q1 that customers are continuing to work through.

As we shared at our Investor Day last December, starting this quarter, we will be providing a breakout of consumable and instrument revenue by Chromium and Spatial.

Starting with consumables, total consumables revenue was $112.4 million, an increase of 15% over the prior year period. Chromium consumable revenue was $101.1 million, up 11% year-over-year and Spatial consumable revenue was $11.3 million, up 69% year-over-year.

Turning to instruments, total instrument revenue was $19.2 million, an increase of 33% over the prior year period. Chromium instrument revenue was $11.6 million, down 19% year-over-year and Spatial instrument revenue was $7.6 million. As a reminder, our CytAssist and Xenium instruments launched in Q2 and Q4 of last year, respectively, and we did not have material spatial instrument revenue in Q1 of last year.

Finally, services revenue was $2.7 million, which increased 29% over the prior year period.

Turning to the rest of the income statement. Gross profit for the first quarter of 2023 was $98.4 million compared to a gross profit of $89.0 million for the prior year period. Gross margin for the first quarter was 73% compared to 78% for the first quarter of 2022. The gross margin decrease was driven primarily by the impact of shifting product mix due to newly introduced products and inventory write downs.

Total operating expenses for the first quarter of 2023 were $150.4 million compared to $130.8 million for the first quarter last year.

R&D expenses were $67.1 million compared to $64.1 million for the first quarter of 2022. SG&A expenses were $83.3 million compared to $66.7 million for the first quarter of 2022. The increase in R&D and SG&A expenses during the quarter were primarily due to increased personnel related costs and operational expansion.

Operating loss for the first quarter of 2023 was $52.0 million compared to a loss of $41.7 million for the first quarter of 2022. This includes $42.1 million of stock-based compensation compared to $26.0 million for the corresponding prior year period.

Net loss for the period was $50.7 million compared to a net loss of $42.4 million for the first quarter of 2022.

We ended the quarter with $418 million in cash and cash equivalents and marketable securities, net of restricted cash.

Turning to our outlook for 2023, we are raising our guidance and now expect full year revenue to be in the range of $590 to $610 million, representing growth of 14% to 18% over full year 2022. Our updated guidance reflects our first quarter performance as well as Xenium momentum based upon the overwhelmingly positive feedback we are seeing from early customers along with better visibility into our operational ramp.

With increased Xenium momentum, we expect overall company gross margin to trend lower as more instruments are sold. Xenium consumables have a gross margin comparable to our existing products, however, the Xenium instrument currently carries a significantly lower margin than our other instruments. As we continue to scale our manufacturing capacity to produce more units, the cost per instrument will decline. There are also opportunities for component cost reduction, which we have not yet undertaken, that will improve instrument margin over time. Our goal with Xenium was to make the best-in-class instrument. To do that, we used a number of high end components, prioritizing performance and time to market over cost. This is a strategic investment we are making given the potential utilization for the instrument, where, over time, annual consumable revenue streams could be significant. We believe these are wise near-term investments to make and it does not impact our view of our long-term financial profile.

We have now substantially completed and moved into our new operations facility in Pleasanton, a key enabler of increasing Xenium production. The timing of capital expenditures has shifted and we expect to see final payments transact in Q2 and Q3, and in the next 12 months we expect $60 million to $70 million of total capital expenditures, with the majority incurred over the next two quarters.

We still expect a significant reduction in capital expenditures in the back half of this year and continue to drive towards becoming free cash flow positive. We will maintain a disciplined and targeted approach to OpEx spend throughout the year, however, we expect some increases over 2022 due to increased stock-based compensation expense as a result of previous equity grants, additional headcount to support new products and increased litigation

expenses as we continue to defend our intellectual property.

Our strong cash position gives us the flexibility to invest in support of our strategic priorities, while still protecting our balance sheet.

At this point, I'll turn it back to Serge.

Serge Saxonov
Chief Executive Officer, Co-founder

Thanks, Justin.

Before we open it up for Q&A, I want to take a moment to thank our team, who work tirelessly to ensure our customers' success. It is their relentless focus on our mission that sets 10x apart.

Our products are powerful, helping to drive fundamental advances in our understanding of health and disease. We just achieved an exciting milestone, as our products have now been cited in more than 5,000 peer-reviewed papers, enabling discoveries across a wide range of application areas. Underscoring that achievement, a recent article in *The Economist* and a December paper in *Nature Medicine* both highlighted the tremendous progress made by the Human Cell Atlas over the past five years, the incredible breakthroughs enabled by our technologies and the potential impact on the future of medicine.

It's more clear than ever that it's still early days. We believe there are massive opportunities ahead, and we are in a very strong position to capture them. I couldn't be more optimistic and confident about the future. Thanks again to our team for all you're doing every day to push 10x, our mission and science forward.

Forward Looking Statements

This communication contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “might," "will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” "would," "likely," "seek" or “continue” or the negatives of these terms or variations of them or similar terminology, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements include statements regarding 10x Genomics, Inc.’s expectations regarding our growth and anticipated growth rates, our product momentum and progress, our expected performance advantages and benefits of using our products and services, customer enthusiasm and adoption of our products, and our financial performance and results of operations, including our expectations regarding revenue and guidance. These statements are based on management’s current expectations, forecasts, beliefs, assumptions and information currently available to management, and actual outcomes and results could differ materially from these statements due to a number of factors. The material risks and uncertainties that could affect 10x Genomics, Inc.’s financial and operating results and cause actual results to differ materially from those indicated by the forward-looking statements made in this communication include those discussed under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the company’s most recently-filed 10-K and elsewhere in the documents 10x Genomics, Inc. files with the Securities and Exchange Commission from time to time.

Although 10x Genomics, Inc. believes that the expectations reflected in the forward-looking statements are reasonable, it cannot provide any assurance that these expectations will prove to be correct nor can it guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments 10x Genomics may make. Further, such forward-looking statements may not accurately or fully reflect the potential impact of adverse geopolitical and macroeconomic events, difficulties selling in APAC, product capabilities and adoption rates, international economic, political, legal, compliance, social and business factors, such as the COVID-19 pandemic, inflation, supply chain that may have on the business, financial condition, results of operations and cash flows of 10x Genomics, Inc. The forward-looking statements in this communication are based on information available to 10x Genomics, Inc. as of the date hereof, and 10x Genomics, Inc. disclaims any obligation to update any forward-looking statements provided to reflect any change in our expectations or any change in events, conditions, or circumstances on which any such statement is based, except as required by law. These forward-looking statements should not be relied upon as representing 10x Genomics, Inc.’s views as of any date subsequent to the date of this communication.