Cassie Corneau
Head of Investor Relations and Strategic Finance

Thank you and good afternoon, everyone. Earlier today, 10x Genomics released financial results for the third quarter ended September 30, 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 begin with a brief overview of our third quarter performance and update you on our progress across each platform. Then, Justin will provide a more detailed look at our financials, business trends, and updated outlook for the remainder of the year. After that, we'll open it up for your questions.

Revenue increased 17% year-over-year to $154 million in the third quarter. Our results were once again driven by Xenium, as we continued to ramp operations and drive exceptional demand with researchers worldwide. We achieved strong growth despite continued headwinds in China. And excluding China, our growth exceeded 20 percent during the quarter.

Just like 10x catalyzed the single cell revolution, we are now ushering in a new era of genomic analysis with Xenium. Our mission is bigger than any one technology or any one platform. Our goal has always been to provide scientists with new generations of tools to measure biology at the right resolution and scale. That is why we have

invested in our three platforms. That is why we have invested in foundations – our innovation engine, commercial breadth and manufacturing scale. And that is why we firmly believe we are still just getting started.

Now, let me share more about each platform. I'd intentionally like to start today with Xenium, which we believe is the best performing platform for in situ analysis.

In the third quarter, revenue from our spatial products exceeded $36 million, largely driven by the accelerated adoption and operational ramp of our Xenium platform. It's worth pausing here for a moment. Very few platforms ever achieve the type of success that our team has accomplished with Xenium in just the first three quarters of launch.

Its steep adoption curve has put it on a truly special trajectory – likely among the best in life sciences tools history.

We have always believed that Xenium has the potential to be one of the most transformative technologies in our industry in decades. Which is why we deliberately brought the whole-of-company effort and focus to its development and commercialization.

Our R&D teams worked incredibly hard to build a high performance system that "just works" in researchers' hands. Our Operations teams put in incredible efforts to enable the manufacturing ramp. And we made the Xenium launch our top commercial priority this year.

Now that we have awesome traction with our customers, it's clear those efforts are paying off.
It's been extremely energizing to see results start pouring out from our customers showing how they are using Xenium in their own labs.

- For example, a team from Duke University recently published a study – fueled by Xenium – that sheds light on resistance mechanisms in a model of lethal pediatric brain tumors. We're thrilled to see how quickly researchers can go from initial install to groundbreaking results with Xenium, demonstrating the utility and ease of use of the platform.

- In addition, researchers at the University of Adelaide recently published the first side-by-side comparison of Xenium and another platform. This is the first public study to compare data run by a customer… on adjacent tissue sections… in their own lab… with commercially available instruments.

Across the board, the results are striking, validating Xenium's superiority and supporting our own analysis. This is the first real-world evidence generated by customers, for customers, that shows Xenium delivers better sensitivity… the best specificity… the highest throughput… the best workflow… the best data analysis and much more. Most importantly, Xenium shines in biological comparisons, delivering better cell typing, better spatiality and better expression marker identification. This data is strongly consistent with the resounding feedback we hear from Xenium customers around the world and gives researchers confidence that Xenium is clearly the right choice for In Situ analysis.

Q3 demonstrated the continued progress we're making with Xenium across all fronts:

- Commercially, Xenium's differentiated features, great workflow, and superior performance drove strong instrument demand among researchers worldwide. It's especially rewarding to have customers who are already running Xenium in their own labs order more instruments. We are also pleased to see customers make the switch from other In Situ platforms to take advantage of Xenium's performance.

- On the Operations side, we've continued to quickly ramp production to meet growing customer demand. As we previously announced, we surpassed 100 cumulative Xenium shipments in August, only eight months after launch.

- We've continued to deliver on the R&D front, too. In Q3, we introduced three new targeted gene panels, launched a 480-plex fully custom gene panel and deployed new on- and off-board software to unlock our highest sensitivity and throughput yet. With well over half of our panel orders containing some level of customization, we also launched the Xenium Panel Designer, a self-service website that makes it easier for researchers to design custom panels to answer their specific research questions.

We engineered Xenium to optimize performance not only at launch but also for the long term. We are already executing on an extensive, multi-year product development roadmap, designed to enable powerful research applications and build on Xenium's class-leading performance.

- In early 2024, we expect to launch a powerful new cell segmentation capability that's multi-modal and includes interior and membrane stains.

- Mid next year, we plan to launch 5,000 plex gene panels for mouse and human tissues that run in days – not weeks – and deliver high levels of specificity, sensitivity and throughput.

- We're also developing an in-line, high plex protein assay to combine with the RNA assays on the exact same tissue section, which we also intend to introduce next year. This will extend existing protein capabilities on Xenium beyond immuno-fluorescence based measurements.

All in, Q3 was a remarkable quarter for Xenium. Strong demand and resounding enthusiasm from researchers reinforce our conviction that the spatial biology opportunity is at least as large as anything in the history of the industry. Our current position and our roadmap going forward give us confidence that we will realize the full potential of this opportunity.

Now turning to Visium, which we see as the leading NGS-based spatial technology.

CytAssist continues to resonate well with customers, who benefit from a better Visium workflow and better data. While demand for CytAssist moderated in Q3 relative to a strong launch quarter in the prior year period, we see a long runway for placements. There are thousands of customers who have tried Visium and haven't upgraded to CytAssist yet. In addition, we believe there are many thousands more who are well positioned to adopt Visium and CytAssist in the future.

With CytAssist as the foundation, we continue to invest and innovate in the Visium franchise. Last quarter, we launched our Visium CytAssist Gene and Protein Expression Assay, which enables researchers to combine whole transcriptome spatial analysis with high-plex protein detection and H&E staining – all on the same tissue section.

In addition, we're excited about all of the progress we're making on Visium HD, which will bring single-cell-scale resolution to unbiased spatial discovery. We've said before this is one of the hardest and most ambitious projects we've ever taken on. Our teams have been working hard to deliver a fantastic product, and our recent momentum has been driven in part by an acquisition we made earlier this year to accelerate the scaling and manufacturing of Visium HD. We see this investment as an important enabler for delivering a superior quality product with superior economics at scale.

Our team is generating absolutely breathtaking Visium HD data across various human and mouse tissues. We've shared some of these stunning images with customers during our Spatial World Tour events, which is fueling even more excitement for this highly anticipated new offering. We look forward to sharing more updates as we get closer to launch.

With the products and pipeline we have in both our Visium and Xenium platforms, it's easy to see why we're so bullish about the opportunity ahead in Spatial. It's also exciting when researchers combine our single cell and spatial portfolios in their work. We recently partnered with a biotech company that selected the Chromium and Visium platforms for a large-scale translational study involving many thousands of tumor samples. We believe this collaboration will result in clinically significant discoveries that should transform how we diagnose, treat and ultimately cure cancer. This is just one of a number of examples that show how our customers are leveraging the power and potential of the full 10x portfolio to advance human health.

Now, I'd like to share more about Chromium – the clear leader in single cell analysis.

In the third quarter, Chromium largely remained a regional story, as we continued to navigate headwinds in China that pressured our global growth rates. As a result, worldwide Chromium revenue was flat during the quarter. In the Americas and EMEA, year-to-date Chromium growth was in the low teens. However, we still believe Chromium has the potential for far more. There are three key points to make related to Chromium's performance.

- First, we strongly believe in the tremendous potential of the Chromium franchise and intend to fully capture the significant untapped opportunity that's still ahead. The cell is the fundamental unit of biology. The vast majority of biological research that could benefit from single cell measurements, doesn't yet. We see this as we talk to new prospective customers intrigued about the potential of single cell; we see this when we talk to long-term users who are keen to scale up their studies; we see this when we talk to translational customers who are looking to unlock the biology hidden in their biobank samples. We have an incredible roadmap of upcoming product launches that will take the entire Chromium franchise to the next level – raising the bar on performance and with the economics to drive broader adoption.

- Second, we intentionally prioritized the Xenium product launch this year. The entire company has been intensely focused on ensuring the success of our customers with this game-changing product – and the results speak for themselves. We knew this decision potentially carried some risk, as less of our focus was on driving Chromium growth. We're confident it was the right decision to make, particularly as we look long term. We expect more balance moving forward, which will help us deliver on Chromium's full potential.

- Finally, as excited and confident as we are about the Chromium opportunity ahead, our strategy has always been about the power of a full portfolio, offering a comprehensive suite of products that will enable researchers – and eventually clinicians – to interrogate biology in the way that's best for their work. In the near term, this may mean there's some trade-offs in lab resources, mind share and even budgets among the most cutting edge researchers. In the long term, we see the opportunity for tremendous growth across the combination of our platforms, driven by the vast unmet needs in addressing the complexity of biology.

Our goal is to enable more researchers to do more single cell work and to use more samples in the process. Our exciting and robust new product roadmap is built around this imperative, with several planned launches intended to open up larger studies and make single cell analysis more routine. Two recent announcements highlight additional capabilities we're bringing to the Chromium platform:

- In September, we launched our new high-throughput Feature Barcode multiomic profiling kit on the Flex platform. This offering enables researchers to gain more insights from a single experiment by detecting simultaneous gene and protein expression, with the ability to run multiomic million-cell experiments at a significantly lower price point. This launch is part of our long-term plan to broaden the menu of applications available on the Flex portfolio.

- In addition, we recently partnered with Beckman Coulter Life Sciences to expand our automation solutions for single cell assay workflows. As part of this agreement, we'll develop dedicated kits for use on Beckman Coulter's broad installed base of automated liquid handlers.

Not only are we working to enable more samples for single cell analysis, we're also working to enable more applications. We have established strong beachheads in translational and biopharma, but it's still very early relative to the expected large potential. We've seen a number of recent customer publications that demonstrate the promise of single cell tools on the future of drug development and clinical care.

- On our blog, we recently highlighted a Phase 2 clinical trial that leveraged single cell analysis to study the efficacy of a combination therapy in a group of patients with a mutated, metastatic colon cancer. Single cell data and correlative patient outcomes suggested the therapy was effective to extend progression free survival in some patients, likely as a result of upregulating immune-related genes in tumor cells.

- In September, MIT researchers published several papers using 10x products to reveal the transcriptomic and epigenomic changes that occur as Alzheimer's Disease progresses. In one study, researchers used Chromium to analyze more than 2 million nuclei isolated from more than 400 patients with varying degrees and clinical stages of Alzheimer's, producing the most detailed single cell atlas of Alzheimer's Disease and uncovering cell subtypes and pathways associated with cognitive resilience.

- And also this quarter, researchers at UCLA published their work in the *Journal of Clinical Investigation* to explain why immunotherapy is more effective for certain brain cancers than others. This study highlighted how Chromium and Visium are being used in parallel to make new discoveries that can transform the future of cancer care.

Examples like these energize and inspire our team as we push toward our mission and work to bring the future forward.

I am so proud of our team's continued execution and dedication. We like to say we obsess with customer success. That's evident in everything we do – from our innovation engine to our manufacturing ramp to our field and commercial teams working tirelessly to support our customers and their groundbreaking research.

As we look ahead to 2024, I'm very excited about the robust pipeline of new product launches we have planned in all three platforms. We can't wait to see how researchers use these new tools – with even higher levels of scale and resolution – to fuel their next scientific discoveries. And, we'll continue our focus on operating with ever higher levels of rigor, discipline and clock speed, dialing up both our efficiency and effectiveness to be in the best possible position for all of the incredible opportunities ahead. We believe Single Cell and Spatial are the future, and we have every intent to be the company that delivers on that future.

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 September 30, 2023. Then I'll provide an update on our outlook for 2023.

To summarize, from an income statement standpoint, we saw exceptional performance from Xenium, which was above our expectations. And given its effect on product mix, this had a negative impact on overall gross margins. From a balance sheet and cash flow standpoint, we continued to be disciplined in our spending while being opportunistic on acquiring assets to accelerate our strategy. In the quarter, we closed on an acquisition which we signed earlier in the year to acquire certain intangible and other assets to accelerate our R&D pipeline. It's important to note that net of the transaction, we were operating cash flow positive, and this will continue to be a focus of ours going forward.

Now, on to the detailed results.

Total revenue for the quarter grew 17% year over year to $153.6 million compared to $131.1 million for the prior year period.

Looking more closely at our revenue breakdown and starting with consumables, total consumables revenue was $114.4 million, an increase of 6% over the prior year period. Worldwide Chromium consumables revenue was $100.3 million, up 2% year-over-year and Spatial consumables revenue was $14.1 million, up 38% year-over-year.

Turning to instruments, total instrument revenue was $34.9 million, an increase of 67% over the prior year period. Chromium instrument revenue was $12.2 million, down 18% year-over-year, driven primarily by lower unit volume and shifting product mix. Spatial instrument revenue was $22.7 million compared to $6.0 million in the third quarter of 2022. As a reminder, our Xenium instrument launched in Q4, so Xenium did not contribute to spatial instrument revenue in Q3 of last year.

Services revenue was $4.3 million, which increased 110% over the prior year period.

Looking at our revenue by geography. Americas' revenue was $99.0 million, growing 28% over the prior year period. EMEA revenue was $32.0 million, growing 15% over the prior year period. And revenue in APAC was $22.6 million, a 12% decrease year-over-year.

We continue to face challenges in the APAC region, largely driven by China. On our last earnings call we shared that we expected China revenue to remain flat in the back half of the year compared to Q2, which is what happened in Q3. As we continue to navigate challenges in the macro environment, we are seeing lower demand, particularly at service providers where a large portion of our revenue is concentrated and samples are consolidated. We've been working with these service providers to better track underlying demand and smooth out ordering patterns to better control inventory levels going forward.

Turning to the rest of the income statement. Gross profit for the third quarter of 2023 was $95.5 million compared to a gross profit of $100.7 million for the prior year period. Gross margin for the third quarter was 62% compared to 77% for the third quarter of 2022. The decline in gross margin was driven by the strength of Xenium placements this quarter.

I have shared that in the early quarters of Xenium adoption, we expected overall company gross margin to trend lower as more instruments are sold given that the Xenium instrument currently carries a significantly lower margin than our other instruments. We have seen a greater impact to gross margin given the strength and our prioritization of the Xenium launch.

We plan to continue to prioritize Xenium placements over the coming quarters given the overwhelming enthusiasm we are receiving for this platform and its capabilities, which in turn will continue to impact gross margin in the near-term. As customers ramp up their Xenium utilization, the Xenium consumables, which have a gross margin comparable to our existing products, will become a larger portion of the revenue and increase our overall margin over time.

Total operating expenses for the third quarter of 2023 were $190.3 million compared to $140.7 million for the third quarter last year. The increase was driven by $41.4 million of in-process research and development expenses related to our January 2023 agreement to acquire certain intangible and other assets. The $41.4 million includes the upfront payment of $10.0 million earlier this year, $31.3 million paid in Q3 upon closing and the achievement of certain milestones and $0.1 million related to adjustments for assets and liabilities acquired.

R&D expenses were $66.5 million compared to $67.3 million for the third quarter of 2022. The decrease was primarily driven by lower laboratory materials and supplies, partially offset by higher personnel expenses. SG&A expenses were $82.4 million compared to $73.4 million for the third quarter of 2022. The increase was primarily due to increased outside legal expenses and increased personnel related expenses.

Operating loss for the third quarter of 2023 was $94.8 million compared to a loss of $40 million for the third quarter of 2022. This includes $41.4 million of in-process research and development expense. This also includes $40.2 million of stock-based compensation compared to $33.5 million of stock-based compensation for the corresponding prior year period.

Net loss for the period was $93.0 million compared to a net loss of $41.9 million for the third quarter of 2022.

We ended the quarter with $356.9 million in cash and cash equivalents and marketable securities, net of restricted cash.

Turning to our outlook for the remainder of 2023, we are raising our guidance and now expect full year revenue to be in the range of $610 to $625 million, representing growth of 18% to 21% over full year 2022. This compares to our previous expectation of $600 to $620 million. Our updated guidance reflects our performance for the first nine months of the year as well as continued Xenium momentum.

At 10x, we have a disciplined approach to spending and are continuing to execute across our business with a drive to become free cash flow positive in the near-term. We still expect a significant reduction in capital expenditures in the final quarter of this year. As expected, the payments for our new facility are now substantially complete.

When looking out over the next 12 months, we are anticipating about $20 million to $25 million of total capital expenditures. In addition, relating to our acquisition, up to $15.0 million will be due if an additional technology development milestone is met. We also have agreed to certain milestone payments for future sales volumes if such milestones are met.

There remains a path to hitting free cash flow positive by the end of this year, and we believe it will be close. We

continue to balance that goal with the investments we are making in supporting our Xenium rollout and build on the incredible momentum to date. The opportunity is huge and we will continue to push to expand our leadership in this space.

It's also important to note that excluding the cash consideration for the aforementioned acquisition, our cumulative cash flow from operations has been positive over the last three quarters. Our teamwork and diligence in controlling spending while continuing to drive growth is paying off, and we will maintain this discipline heading into 2024. Overall, we have a great setup to drive positive cash flows heading into next year.

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

Serge Saxonov
Chief Executive Officer, Co-founder

Thanks, Justin.

Given the progress we've made executing on our three platform vision, my conviction in the long term is stronger than ever. There are vast opportunities before us. I believe we're still early in the Chromium opportunity and a long way from realizing the full promise of Single Cell. In addition, the incredible customer enthusiasm for Xenium solidifies my view that Spatial has the potential to be bigger than anything in the history of the industry.

There are many reasons why I'm so bullish on what lies ahead: The fundamental performance advantages of our products, the formidable strength of our innovation engine, the scale of our operations network, the breadth of our commercial organization, but ultimately, it all comes down to the talent and tenacity of the 10x team. Day in and day out, our team works tirelessly in pursuit of our mission, developing groundbreaking tools to transform the world's understanding of health and disease. Their relentless focus on our mission and customers is a core part of what makes 10x, 10x. And why we're so well positioned to deliver on all the tremendous opportunities ahead.

With that, we will now open it up for questions. Operator?

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 included in this communication, 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," "see," "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 product momentum and progress, product pipeline, commercial execution, 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, gross margins 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.

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