Cassie Corneau
Director, Head of Investor Relations and Strategic Finance

Thank you and good afternoon, everyone. Earlier today, 10x Genomics released financial results for the fourth quarter and full year ended December 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 so that we may accommodate everyone in the queue.

Last week, we were a Silver Sponsor of the 2024 Advances in Genome Biology and Technology General Meeting, known as AGBT. During our workshop, our team presented exciting science and details of our upcoming product launches. While Serge will highlight some of these today, we encourage you to check out the presentation replay on our website if you didn't see the news or if you would like more information.

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

Serge Saxonov
Chief Executive Officer, Co-founder

Thanks, Cassie, and good afternoon, everyone. During today's call, I'll start with a brief overview of our progress in 2023 and why we have a great set-up as we kick off the year. Next, I will highlight the strength of our innovation engine and our key priorities and focus areas in 2024. Then, Justin will provide a more detailed look at our financial results, business trends and revenue guidance for the year.

2023 was another strong year for 10x Genomics, with total revenue growing 20 percent to $619 million, as previously announced.

We catalyzed the field of single cell analysis, and in 2023, we came into our own in spatial biology as well, with Spatial revenue exceeding $135 million for the year. The big driver of this – and the big story of 2023 – was the launch of Xenium.

It was an extraordinary launch year for the Xenium platform. We've driven remarkable adoption, selling more than 250 instruments in the first year of launch. Even more importantly: Customers have been incredibly enthusiastic about the platform, as they rapidly move from install to insight, from instrument delivery to powerful discoveries.

To date, there have been more than 20 published papers or preprints using Xenium. Among them are multiple independent benchmarking studies that validate Xenium as the best performing system for In Situ analysis. These rigorous studies compare customer-generated data from their own instruments in their own labs. The results demonstrate Xenium delivers the best sensitivity, the best specificity, the best throughput and the best biological insights.

Of course, none of it was accidental. We carefully engineered Xenium to be a premium instrument that delivers premium performance with an extremely easy-to-use workflow. We leveraged our operations and manufacturing scale to ramp capacity faster than anticipated. And, we relied on the dedication and drive of our Commercial team to ensure our customers' success every step of the way. Xenium's exceptional launch year reinforces our belief in the enormous long-term potential for the platform, which we believe will usher in a new era of genomic analysis.

Xenium is just one of several accomplishments in 2023 validating our strategy to drive growth through innovation and reinforcing we are well positioned for long-term success.

- In 2023, we reached nearly 6,000 cumulative instruments sold around the world, a 29 percent increase year-over-year.
- We also opened our new R&D and Manufacturing hub in Pleasanton to support new product development and production, including for Visium HD and Xenium. This cutting-edge facility adds operational scale and capacity to enable multiples of growth.
- In addition, we achieved our goal of positive free cash flow in Q4 and, excluding acquisitions, delivered positive operating cash flow for the year, reflecting our commitment to maintaining cash discipline as we scale.
- Lastly, it was especially rewarding to see a massive increase in customer publications, which were up 58% year-over-year. We have now surpassed 7,000 peer-reviewed papers citing 10x technologies. Seeing how our customers use our tools to push science forward is a huge source of inspiration, motivation and pride for our mission-driven team. This is what 10x is all about.

Before I discuss the very exciting developments leading into 2024, I want to emphasize the key principles that anchor our approach:

- First, our fundamental thesis is unchanged. Biology needs to be understood and analyzed at single cell level with spatial context. Following this principle, we believe there are large opportunities ahead and our commitment to ongoing product innovation will allow us to capture those opportunities.
- Second, we have always built the company for scale and will continue to do so. We have made significant investments over the past several years, building out a world-class Operations facility and scaling our Research and Development and Commercial teams. At this point, we have additional capacities and as we grow our revenue, we expect to realize operating leverage as we drive towards profitability, while we continue to deliver breakthrough innovations.
- And, third, we are committed to maintaining cash discipline and driving a strong financial profile. We have already made investments to operate at scale. We have also put in place rigorous operational and cultural frameworks to prioritize incremental spending on highly targeted areas necessary to drive growth.

It's been a busy and exciting start to the year. We kicked off 2024 with the launches of two catalytic new products, which demonstrate the enduring strength and velocity of our innovation engine and its impact and value for customers around the world. This year, we're planning to introduce franchise-defining new products and capabilities that will extend our technology leadership, raise the bar for researchers, and continue to set the standard for high performance single cell and spatial tools.

Let me highlight a few of the game-changers we're expecting to launch this year, starting with Visium HD.

Visium HD is a prime example of how we listen to our customers and take on the hardest development challenges that will have the biggest impact on scientific research. It has been the most requested product in our history. Visium HD increases the resolution of the Visium platform by over three orders of magnitude. Its development has entailed monumental technological leaps.

And what this means is that researchers will be able to extract large scale molecular information from their tissues at single cell-scale resolution. Visium HD will run on existing CytAssist instruments, with the same robust and easy-to-use workflow as standard Visium. Ahead of launch, we have sold more than 500 CytAssist instruments to customer labs around the world. We expect more researchers will adopt CytAssist to gain access to HD and take advantage of Visium's expanding spatial discovery capabilities.

Since we opened Visium HD preorders in January, we've been encouraged with the initial response and early demand from customers. This product has been a long time coming, but we're confident customers will soon see that Visium HD was well worth the wait.

Our ambition is to establish Visium HD as the platform for translational discovery. If one has a cohort of samples with phenotype information that needs to be correlated with molecular information for biomarker discovery or for anything else, we believe there is no better tool in existence than Visium HD.

At AGBT, we also unveiled GEM-X, a transformative new technology for our Chromium franchise. The first major overhaul to our Chromium architecture since 2019, GEM-X features a completely reengineered microfluidic chip design with optimized reagents to enable superior performance at larger scale and lower cost.

Later this quarter, we plan to launch the first two products on GEM-X: Our highest volume assays, Chromium Single Cell Gene Expression v4 and Chromium Single Cell Immune Profiling v3. These products, which are exclusively available on the Chromium X Series instruments, deliver higher performance across the board and give customers important performance advantages that will immediately benefit their single cell research.

Let me highlight a few:

- First, we designed GEM-X to be even more robust than previous generations of Chromium products, delivering more consistent performance even with more challenging samples.
- GEM-X boasts substantially increased sensitivity, detecting up to two times more genes compared to on-market Chromium assays.
- The new architecture greatly improves capture efficiency, recovering up to 80% of cells.
- GEM-X is also built to scale, enabling a two-fold increase in cells captured per channel, with improved assay robustness for faster and more efficient cell partitioning.
- And finally, and this is quite important, even with all of these performance advantages, the GEM-X assays are also more cost effective than ever before, reducing per-reaction cost and delivering a more than two-fold reduction in cost per cell.

We believe that there is significant price elasticity in single cell research, particularly as more researchers are exposed to these methods and existing users move towards larger and larger experiments. In fact, we're seeing more customers use Flex multiplexing to scale their experiments, as Chromium reactions growth outpaced revenue growth in 2023. We want to lean into this elasticity and make single cell analysis even more routine and accessible. That's why our long-term goal is to deliver high-performance single cell research for $100 per sample.

GEM-X is one of multiple planned steps in this direction – to drive prices lower to support researchers and expand the opportunity for single cell analysis. We have a robust GEM-X roadmap ahead, including a comprehensive menu of high-performance assays and applications designed to deliver superior economics and drive broad adoption at large scale.

In addition to GEM-X, we announced a number of new capabilities on the Chromium platform in response to our customers' most frequent requests. We're adding more workflow flexibility, including protocols for both upstream fixation and whole blood processing. And, we're opening up new applications on Chromium Flex, including CRISPR screening and intracellular protein profiling.

The investments we're making in the Chromium franchise to raise the bar and set a new standard for single cell analysis underscore our confidence in the growth opportunity ahead. We believe the momentum of our new products along with a renewed Commercial focus on Chromium will help invigorate the franchise and drive more robust performance in 2024 and beyond.

While Visium HD and GEM-X have been the big news to start the year, we're also executing on an extensive, multi-year product roadmap for Xenium, including:

- Multimodal cell segmentation, a new add-on kit compatible with existing Xenium assays to improve the determination of cell boundaries, which is expected to launch this quarter.
- We're planning to launch our 5,000-plex gene panel mid-year, scaling up plex by an order of magnitude while delivering the really high quality, sensitivity, specificity and throughput customers have come to expect from Xenium.
- And, later in the year, we expect to launch our integrated high-plex Xenium Protein Profiling capability, enabling researchers to get a large-scale RNA readout and up to 20 proteins on the exact same tissue section in a single run.

These new products will continue to push the boundaries of science, yet this is only the beginning. What is really exciting about Xenium is the amount of technological headroom that this platform has ahead – with tremendous runway for more applications, higher throughput, and lower cost over the years. We can't wait to bring some of these capabilities to our customers.

In each of our three platforms this year, we are introducing new, franchise-defining products that will take our portfolio to the next level. We're confident that these are the right offerings to solidify our core platforms and drive growth for the long term, but we also recognize there may be near-term headwinds while customers take time to trial – and later transition – to these new tools. This warrants some conservatism around the pace of new product adoption.

Our Commercial team is excited and engaged to help customers navigate these product launches and deliver on the full promise of single cell and spatial biology. And while we're transitioning Commercial leadership, I couldn't be more proud of how our team has stepped up and leaned into the opportunity that comes with this change. We recently held our annual Global Commercial Meeting and the team's energy and enthusiasm was palpable, probably the highest I've ever seen at 10x.

It's clear our team is ready to deliver on our priorities and evolve the organization for greater scale and impact. They understand we have work to do to get there, and they're fully rallied around our vision of creating a premier Commercial organization that delivers superior execution and superior results. With incredible new products in every franchise, the Commercial team is primed to bring more balanced attention and focus across our portfolio as we continue to drive our mission and obsess over customer success.

And part of our commitment to customer success is to ensure as many researchers as possible are aware of – and have access to – our leading portfolio of single cell and spatial tools. Our goal is to drive broader adoption by reducing prices and making our technologies more accessible. We strongly believe in elasticity of demand for our products. And that means driving down cost along multiple vectors – lower cost per cell, per tissue area, per sample, per experiment, per project. GEM-X is one step in this direction, with more to come across all of our platforms as part of our long-term product roadmap.

Let me wrap up by summarizing our priorities for 2024:

- First, we are laser-focused on ensuring the success of these new product launches. We believe we have set the bar high for their performance and capabilities, and we want to make sure all researchers are aware and understand the potential of these offerings.
- Second, we plan to drive Chromium to higher rates of growth. We believe single cell analysis is nowhere near fully penetrated and that there are significant opportunities ahead, which our new products will help us capture.
- And finally, as I mentioned, we intend to maintain our strong focus on cash discipline.

And before I turn it over to Justin, I'd like to say that while we're excited about our new innovations and what's in front of us in 2024, there are considerations related to year-over-year comparisons and product introductions that will affect this year's financial growth, as Justin will address in his section.

We're focused on delivering in 2024 and are steadfast in maintaining a long-term orientation that has served us well since the earliest days of the company. The scope of our ambitions requires us to take the long view. That's how we make decisions. That's how we innovate. That's how we think about value creation.

With that, let me turn it over to Justin.

Justin McAnear
Chief Financial Officer

Thank you, Serge.

I'll start by reviewing our financial results for the three months ended December 31, 2023. Then I'll review our financial results for the full year 2023 and I'll finish by discussing our outlook for 2024.

Total revenue for the quarter grew 18% year over year to $184.0 million, with no change from our previously announced preliminary results.

Total consumables revenue was $140.3 million, an increase of 7% over the prior year period. Chromium consumables revenue was $118.1 million, down 2% year-over-year and Spatial consumables revenue was $22.2 million, up 95% year-over-year.

Total instrument revenue was $38.4 million, an increase of 72% over the prior year period. Chromium instrument revenue was $11.1 million, down 27% year-over-year. Spatial instrument revenue was $27.2 million compared to $7.1 million in the fourth quarter of 2022.

Services revenue was $5.3 million, which increased 129% over the prior year period.

Looking at our revenue by geography. Americas' revenue was $103.8 million, growing 21% over the prior year period. EMEA revenue was $50.6 million, growing 18% over the prior year period. And revenue in APAC was $29.5 million, a 7% increase year-over-year.

Turning to the rest of the income statement. Gross profit for the fourth quarter of 2023 was $115.8 million compared to a gross profit of $119.4 million for the prior year period. Gross margin for the fourth quarter was 63% compared to 76% for the fourth quarter of 2022. The decrease in gross margin was primarily due to a higher mix of Xenium instruments sold.

Total operating expenses for the fourth quarter of 2023 were $171.0 million compared to $142.5 million for the fourth quarter last year. The increase was primarily driven by $19.6 million of non-recurring in-process research and development expense related to a technology acquisition.

R&D expenses were $65.3 million compared to $63.6 million for the fourth quarter of 2022. The increase was primarily driven by higher personnel expenses and higher costs to support operational expansion.

SG&A expenses were $86.1 million compared to $78.9 million for the fourth quarter of 2022, primarily driven by increased outside legal expenses including success fees.

Operating loss for the fourth quarter of 2023 was $55.2 million compared to a loss of $23.1 million for the fourth quarter of 2022. This includes $38.9 million of stock-based compensation compared to $41.0 million of stock-based compensation for the corresponding prior year period.

Net loss for the period was $49.0 million compared to a net loss of $17.2 million for the fourth quarter of 2022. The increase in net loss includes, and is primarily driven by $19.6 million in non-recurring expense related to a technology acquisition.

I'll speak now to our full year results.

Total revenue for the full year ended December 31, 2023 was $618.7 million, representing a 20% increase over full year 2022.

Total consumables revenue for the year was $479.6 million, an increase of 10% over the prior year period. Chromium consumables revenue was $420.3 million, up 5% year-over-year and Spatial consumables revenue was $59.2 million, up 69% year-over-year.

Total instrument revenue was $123.5 million, an increase of 71% over the prior year period. Chromium instrument revenue was $47.9 million, down 18% year-over-year. Spatial instrument revenue was $75.6 million compared to $13.8 million in 2022, which was driven by the incredibly strong traction we experienced with Xenium in its first full year.

Services revenue was $15.7 million, an increase of 86% over the prior year.

As of year-end, we have sold a cumulative total of 5,966 instruments across all three platforms comprising 5,180 Chromium instruments, 531 Visium instruments and 255 Xenium instruments. In 2023, we sold 1,336 total instruments, increasing 29% from the prior year.

During 2023, our customers bought over 347,000 reactions worth of consumables products, up 9% from approximately 319,300 reactions in 2022. Broken out across our product platforms, customers bought approximately 312,500 Chromium reactions, up 7% year-over-year; 29,300 Visium reactions, up 3% year-over-year; and 5,200 Xenium reactions. As a reminder, a consumable reaction is the reagent setup needed to perform an experiment using one of our solutions. We believe it is an important metric because it represents the unit volumes we sell to our customers.

Looking at our regional results for full year 2023, Americas' revenue was $373.2 million, growing 27% over the prior year period. EMEA revenue was $142.3 million, growing 22% over the prior year period. And revenue in APAC was $103.3 million, a 2% decrease year-over-year.

Gross profit for 2023 was $409.3 million compared to a gross profit of $396.0 million for 2022. Gross margin for 2023 was 66% compared to 77% for 2022. The decrease in gross margin was primarily due to changes in product mix due to a higher number of Xenium instruments sold.

Total operating expenses for 2023 were $674.6 million compared to $564.0 million for 2022. The increase was primarily driven by $61.0 million of in-process research and development expense related to an agreement to acquire certain intangible and other assets earlier this year, and higher personnel expenses including stock-based compensation expense.

R&D expenses for 2023 were $270.3 million compared to $265.7 million for 2022. The increase was primarily attributable to increased personnel related costs, and higher costs for facilities and information technology.

SG&A expenses for 2023 were $343.3 million compared to $298.3 million for the prior year. The increase was primarily driven by increased outside legal expenses, personnel related costs, including stock-based compensation expenses, and increased facilities and information technology costs.

Operating loss for 2023 was $265.3 million, compared to a loss of $167.9 million for 2022.

Net loss for 2023 was $255.1 million compared to a net loss of $166 million for 2022. For 2023, operating loss and net loss both include $61.0 million of non-recurring expense related to the technology acquisition.

We ended 2023 with $388.7 million in cash and cash equivalents and marketable securities. I'm proud to share that in Q4 we hit our goal of achieving free cash flow positive, meaning cash flows from operating activities exceeded capital expenditures. In Q4, we generated over $20 million of free cash flow. For full year 2023, excluding acquisitions and net of restricted cash, we were cash break-even. Net of restricted cash, our cash burn for 2023 was $41.3 million and that included $41.3 million of cash payments related to the aforementioned technology acquisition. Our teamwork and diligence in controlling spend is paying off, and we ended the year on strong financial footing.

Turning to our outlook for 2024, we expect full year revenue to be in the range of $670 to $690 million, representing growth of 8% to 12% over full year 2023.

With this outlook, there are a few key factors to consider:

First is the impact of our new products, which we announced at the JP Morgan Conference earlier this year and at AGBT last week. Our new Chromium GEM-X technology and our Visium HD product are exciting innovations. That said, and generally expected for major product updates like these, we are anticipating some temporary headwinds while customers evaluate, test and train as part of the transition to these new products. Both of these transitions are expected to start this quarter, and we do not expect to see as large a customer stock-up on either the legacy or newly introduced products at quarter-end. Thus, the biggest impact should be in Q1.

Second, with respect to Xenium, Q3 and Q4 of last year, we saw a large number of placements, with nearly 180 placements over those two quarters. As a reminder, we took a price increase at the start of Q4. We believe that, combined with the year-end CapEx budget dynamics, likely pulled forward about a quarter to a quarter-and-a-half of demand into 2023. And as a result, we expect to see a more pronounced step down in placements to start the year.

Finally, and as I have explained before, our guidance philosophy is to anchor on the midpoint of the range with balanced upsides and downsides. The midpoint of our guidance range incorporates the above factors, and we'll need to see how these transitions play out over the next couple of quarters.

For the rest of the year, we believe we have a number of potential upsides. First is the upside of balancing our commercial efforts across all three platforms with increased focus on driving Chromium growth. Second is the upside in Xenium instrument placements. While the sales cycle is longer than our other products, we have a large funnel of opportunities. Third is the upside related to Visium HD where there is potential for quicker adoption overall and the benefit of driving increased CytAssist placements.

When looking out over the next 12 months, we are anticipating about $20 million to $25 million of total capital expenditures, down from almost $50 million in 2023 and $132.0 million in 2022. As Serge mentioned earlier, we have now made many of the significant capital expenditures for this stage of growth.

As I mentioned earlier, we hit our goal of achieving free cash flow positive in Q4. Given the seasonality of our business and a milestone payment related to Visium HD that was accrued in December and paid in January, we do not expect to achieve the same in Q1, but we will maintain discipline in 2024. Overall, we believe we have a great setup to drive positive cash flow for the year while making targeted investments to continue driving growth. Our goal is to self-fund our innovation and scale by investing cash generated back into our business.

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

Serge Saxonov
Chief Executive Officer, Co-founder

Thanks, Justin.

You know we often talk about the enormous complexity of biology. This complexity is what makes it so challenging to understand biology and to advance human health. But the extent of the challenge also means that there are vast opportunities ahead of us.

At our core, 10x is fundamentally about growth and impact. Our innovation engine has consistently delivered transformational technologies that have enabled our customers to expand the frontiers of science and have a

profound impact on society. In fact, a customer recently told us that our technologies aren't just unraveling biology; they're unearthing opportunities to create hope.

We see this as a powerful responsibility and a guiding force for our team, who work tirelessly every day to support science – and scientists – around the world. I'm so grateful for our team's drive and determination as we remain bold, ambitious and disciplined in pursuit of our mission.

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, potential, progress and launches, our expected performance advantages and benefits of using our products and services, customer usage 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. Actual outcomes and results could differ materially from these statements due to a number of factors and such statements should not be relied upon as representing 10x Genomics, Inc.'s views as of any date subsequent to the date of this communication. 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. 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.