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 first quarter ended June 30, 2024. 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.

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 an overview of our second quarter performance across our portfolio of single cell and spatial technologies. 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.

For the second quarter, total revenue grew 4% year-over-year and 9% quarter-over-quarter, to $153 million, and we were free cash flow positive in the quarter.

We saw strong demand for spatial consumables this quarter and a solid sequential increase in single cell consumables. We continue to hear overwhelmingly positive feedback on GEM-X and its performance, and our customers are further along in the transition from our Next-GEM assays than we expected. Within spatial, we saw continued consumable growth driven by Visium HD and strong early demand for our Xenium Prime 5K product, which we launched in June.

Despite this strong demand for consumables, we are increasingly experiencing headwinds from the challenging macro environment – similar to many of our peers. Our customers are under budget pressure, which has most acutely resulted in cuts to CapEx budgets and elongated purchase cycles, impacting our instrument revenue this quarter.

We believe these macro factors and cautious customer spending patterns are likely to persist, putting particular pressure on instrument sales, especially Xenium. As we look to the rest of 2024, we are lowering our revenue guidance, which we now expect to be in the range of $640 million to $660 million. Justin will discuss this in greater detail.

Despite these near-term headwinds, we remain confident in our strength, differentiation and long-term potential. Biology needs to be analyzed at the single cell level and in spatial context. We have built leading platforms for both single cell and spatial biology. These are still nascent fields, which are drawing growing interest from competitors.

As we have always said, we operate in attractive spaces. There has always been competition, and there has been more recently. We planned our strategy anticipating this increase with the intent to both grow the field and stay ahead of new entrants. We firmly believe we are well positioned for the opportunity ahead.

We believe that 10x is differentiated by significant technology leadership, built over many years of multidisciplinary advances across microfluidics, chemistry, molecular biology, hardware and software. We believe our solutions are several years ahead of our competitors, and our innovation engine is poised to ensure it stays that way. We have also built an extensive commercial and sales channel, highly skilled at tailoring solutions specific to customer needs. We are proud of our talented and passionate Customer Support teams, who provide researchers with the bespoke assistance often required to run complex experiments. And our product roadmap has been intentionally designed to drive costs lower for researchers, especially those who are targeting large scale projects or those new to 10x. We expect our product roadmap will remain a meaningful competitive advantage, as we continue to execute against our plans to remove cost barriers and greatly lower cost per sample and cost per cell.

Now, let me share some more detail on recent developments across each of our platforms, beginning with Xenium, which is well-recognized as the In Situ performance leader.

This quarter, we launched Xenium Prime 5K, increasing plex capability by an order of magnitude, while continuing to deliver our industry-leading performance. This new product, which measures 5,000 genes, features an enhanced chemistry to deliver excellent per-gene sensitivity, improved specificity and spatial fidelity, and integrated multimodal cell segmentation. We are highly encouraged by the initial order rate and early customer feedback.

As I mentioned earlier, macroeconomic pressures are having a meaningful impact on Xenium instrument sales. Despite the near-term headwinds, our view of the huge expected long-term potential for the Xenium platform is unchanged. We continue to receive outstanding feedback from customers. We are seeing encouraging trends in utilization across the instrument fleet. We receive a lot of interest from potential new customers, many of whom are new to 10x. And we are excited to see the emergence of numerous large scale cohort studies that are aligning around Xenium.

We also believe there is more we can do to deliver on this opportunity and to drive near-term performance, which is why we're expanding our dedicated Xenium instrument sales team as part of our broader commercial strategy.

With the extensive range of offerings on both Xenium and Visium, we have multiple ways to support customers in their spatial biology research. Our complementary yet distinct platforms support a broad spectrum of customers'

use cases and accommodate the ways their research and research questions may evolve over time.

Turning to Visium, the leading platform for unbiased spatial analysis.

Building on last quarter's Visium HD launch, Visium consumables exceeded our expectations in Q2. As a reminder, Visium HD enables whole transcriptome spatial analysis at single cell-scale resolution, and it has continued to drive momentum for the platform.

We are pleased with the positive feedback that we are receiving for Visium HD based on its performance in the field. It is attracting both new and existing customers to spatial analysis. High customer interest for HD also contributed to the sustained demand for CytAssist placements during the second quarter, despite CapEx pressures on instruments.

Our experience over the years has made it clear that an instrument like CytAssist is key to delivering a complete solution for customers. CytAssist is critical for enabling a robust and straightforward workflow – one that allows customers to use standard histology slides. Additionally, by ensuring consistency, precision, and preservation of spatiality, CytAssist is integral to high quality data and more accurate scientific results for our customers' experiments.

Customers continue to discover the power of Visium, and we are enthusiastic about its trajectory and its ability to broaden exploratory capabilities within spatial biology.

Now, turning to single cell.

During the quarter, we saw solid sequential growth in consumables revenue. We also delivered year-over-year growth in reactions sold. While there's still work to do to return Chromium to robust growth over the long term, this quarter's results reflect the underlying progress we're making in single cell and the good momentum we have with the GEM-X transition.

More customers are now aware of and are impressed with GEM-X and its superior sensitivity, throughput, data quality and cell recovery – all delivered at a lower cost per sample and per cell compared to our Next-GEM architecture. In the first two quarters since launch, the GEM-X transition has progressed faster than we initially anticipated, with more early adopters seeking out GEM-X for its performance and cost advantages.

Our Flex assay also continues to gain traction with customers. In a recent independent benchmarking study from Genentech that compared ten commercially available single cell technologies, Flex exhibited the highest ranked performance. Researchers also called out Flex for its "unique ability to process FFPE tissue," which, they wrote, "greatly expands the reach of [single cell RNA-seq] to access the vast catalogs of preserved clinical specimens."

The opportunity in translational is one of many reasons why we believe there is still a long runway ahead for single cell. Large scale projects also hold tremendous potential. As we remove cost barriers, we expect to open up more possibilities for large scale studies with more samples and more cells. A great example of this is the Garvan Institute's new TenK10K Project, which we announced earlier this week. TenK10K intends to use GEM-X to map 50 million human cells from 10,000 people to identify unique genomic fingerprints of autoimmune diseases, heart diseases and cancer.

In addition, we see the emergence of powerful new applications based on high-throughput single cell approaches – from analyzing organoids, to scaling CRISPR screens, to building out Foundation Models that enable AI-based

modeling of biology. And as we've said all along, there's a large opportunity to democratize single cell analysis by making it more accessible for new customers and more routine for existing customers.

We know price is an important consideration, both for new researchers taking on their first single cell experiment and current customers looking to scale towards larger and larger projects.

As we've said before, our goal is to drive broader adoption and enable routine use by reducing customer cost and making our technologies more accessible. As part of our strategy, we have been working to drive down cost along multiple vectors: per cell, per sample, per experiment, per project. We strongly believe in the elasticity of demand for our products, and we will continue to execute on our product roadmap to take advantage of this elasticity.

To truly deliver on the next phase of 10x growth and impact, we need to evolve our Commercial organization. We are taking steps to improve our Commercial execution, address recent challenges brought on by the increasing breadth and complexity of our business, and set us up to scale into the future.

That starts with the leadership. Earlier today, we officially announced Mennah Moustafa as our new Chief Commercial Officer following an extensive search. Mennah joined 10x in 2022 to lead Commercial Operations and has done an exceptional job as our interim CCO. She has a clear vision for our commercial strategy and has been rapidly implementing foundational processes to better enable the success of our customers and our company.

Under Mennah's leadership, we rigorously evaluated our Sales structure to assess what's working well and what's needed for the future. We are now implementing a new organization structure, which we architected from the ground up to drive our next phase of growth and scale. Our new structure re-engineers how we go to market with distinct teams explicitly focused on driving Xenium instrument placements, expanding consumables utilization with existing customers, and accelerating adoption with biopharma and new and emerging academic researchers. This specialization also helps us to focus and to deploy the right resources across our platforms. I am confident these commercial changes will, over time, help us drive growth across the portfolio, open up opportunities with new customers and segments, and maximize our scale and impact.

I couldn't be more excited to have Mennah at the helm as we continue our work to build a premier Commercial organization that delivers superior execution and superior results.

Now, before I turn the call over to Justin, I want to take a moment to acknowledge the CFO transition we announced earlier this afternoon. After nearly six years with 10x, Justin is moving on to another opportunity. Justin has been an incredible leader during his tenure at 10x. He took us public, helped to scale the company and built a strong financial profile that has generated tremendous revenue growth and positive cash flow. He has assembled a talented team and has contributed greatly to the fantastic culture we have today. On behalf of the Board and everyone at 10x, I want to thank Justin for his immeasurable contributions and wish him the best of luck in his new role.

Adam Taich will be joining 10x as our new Chief Financial Officer. Adam is a seasoned executive and strategic finance leader with more than two decades of experience in the life sciences tools industry. Most recently, he served as the interim Chief Executive Officer at SomaLogic and has also held a number of senior roles at Thermo Fisher, including Vice President and General Manager of the Molecular Biology business. He brings a unique skill set across finance, strategy, business development and general management which will be immensely valuable to take 10x to the next scale. I am very excited to welcome him to 10x.

With that, let me turn it over to Justin.

Justin McAnear
Chief Financial Officer

Thank you, Serge.

It's been an honor to be part of the 10x team over the past six years. I'm extremely proud of how much we have accomplished and how much we have grown – from a single product company to a scaled organization with three leading platforms across single cell and spatial biology. This was not an easy decision to make. I continue to have deep conviction in Serge, the team and the opportunity to accelerate the mastery of biology and advance human health. I firmly believe 10x will continue to lead and has a very bright future ahead.

I'll now turn to the quarterly results. I'll start by reviewing our financial results for the three months ended June 30, 2024, and will then provide further details on our updated outlook for 2024. All growth rates provided will be on a year-over-year basis, unless otherwise noted.

Total revenue for the quarter was $153.1 million, up 4% driven by stronger contributions from consumables partially offset by lower instrument contributions.

Looking at our revenue breakout, total consumables revenue was $123.4 million, up 10%.

Spatial consumables revenue was $29.3 million, up 150%. This growth was driven primarily by continued enthusiasm for Visium HD as well as contributions from Xenium Prime 5K, which we started shipping at the end of Q2.

Chromium consumables revenue was $94.1 million, down 7% year-over-year driven by continued customer transition to our new GEM-X products and prioritization of spatial experiments.

We saw positive momentum in our Chromium consumables results this quarter. Sequentially, revenue was up 12% as customers worked through the stalling and trialing due to the GEM-X introduction in Q1. This transition is ongoing, and near-term we still expect the lower price of GEM-X to continue to drive some revenue pressure, but over time we believe there is elasticity that will more than offset the lower price.

Moving onto instruments, total instrument revenue decreased 23% to $23.9 million.

Chromium instrument revenue was $8.8 million, down 32% year-over-year driven by fewer units sold, but up 12% sequentially. Spatial instrument revenue was down 17% to $15.1 million primarily driven by lower number of Xenium instruments sold.

Services revenue was $5.9 million, up 74%, primarily due to increased Chromium service plan contracts.

Looking at our revenue by geography, Americas revenue grew 2% to $93.1 million. EMEA revenue grew 20% to $37.4 million. And revenue in APAC decreased 6% to $22.7 million.

Turning to the rest of the income statement. Gross profit for the second quarter was $104.2 million compared to $99.6 million for the prior year period. Gross margin remained flat at 68% compared to the second quarter of 2023.

Total operating expenses for the second quarter decreased to $146.0 million compared to $163.0 million for the prior year period. This decrease was primarily driven by lower personnel expenses, including stock-based compensation expense, and a decrease in laboratory materials and supplies.

R&D expenses decreased to $62.9 million compared to $71.5 million for the prior year period, primarily driven by lower laboratory materials and supplies.

SG&A expenses decreased to $83.0 million compared to $91.5 million for the prior year period, primarily driven by lower personnel expenses, including stock-based compensation.

Operating loss for the second quarter was $41.7 million compared to a loss of $63.4 million in the second quarter last year. This includes $38.5 million of stock-based compensation, as compared to $45.7 million of stock-based compensation for the corresponding prior year period.

Net loss for the period was $37.9 million compared to a net loss of $62.4 million for the second quarter of 2023.

We ended the quarter with $380.1 million in cash and cash equivalents and marketable securities, generating $8.3 million of cash in the quarter.

Turning to our outlook for the rest of the year. As Serge mentioned at the beginning of the call, we now expect full year revenue to be in the range of $640 million to $660 million, representing 5% growth over full year 2023 at the midpoint.

Our updated guidance reflects impacts from macro-level factors and the commercial restructuring.

I'll start with macro-level factors. In this environment, we've seen many customers experience budgetary pressures and uncertainties. This has mostly been on the CapEx side, with spending constraints and elongated sales cycles. We expect these headwinds to continue for the remainder of the year.

Additionally, under Mennah's leadership, we are executing on a new sales model that improves how we support our customers. We believe these new functions, roles, and territories may cause some near-term disruption while laying the foundation for long-term growth.

While these factors may have near-term impacts on revenue, we continue to have full confidence in the strength of our platforms to deliver strong long-term growth.

When looking out over the next 12 months, we continue to anticipate about $15 million to $20 million of total capital expenditures.

We also continue to maintain cash discipline in 2024 and in our 2025 planning. Our goal is to self-fund our innovation and scale by investing cash generated back into our business. We still believe we have a great setup to drive positive cash flow for the year, and into next year as well.

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

Serge Saxonov

Chief Executive Officer, Co-founder

Thanks, Justin. I'd like to wrap up by reaffirming my conviction in the strength of 10x and our leadership in single cell and spatial biology. As we navigate near-term macro pressures, deliver on our strategy and product roadmap, and optimize our commercial structure, we are steadfast in our goal of driving more balanced focus, execution and growth across all three platforms.

Of course, none of this would be possible without our amazing team at 10x. Thank you for your commitment and drive, especially in times of change. I truly appreciate how you all rally together and stay focused on delivering for our customers and advancing our mission.

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," "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, our expected performance advantages and benefits of using our products and services, customer enthusiasm and adoption of our products and our financial and commercial organizations, operations, results and performance, 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. 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.