Cassie Corneau
Senior Director, 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, 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, for his first earnings call with 10x, Adam Taich, our new 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.

Revenue for the third quarter declined 1% year-over-year, in line with our pre-announcement. Our results this quarter fell short of our expectations. This was primarily caused by more disruption than we had anticipated from the sales restructuring we implemented this quarter, and by cautious customer spending, particularly around capital purchases, as we continue to navigate a challenging macro environment.

While these changes in our commercial structure are necessary to drive our growth and strategy, we expect to see continued headwinds and also expect cautious customer spending to persist. We now expect full-year revenue in the range of $595 million to $605 million. At the midpoint of the range, this implies flat fourth quarter revenue compared to our third quarter results and represents a 3% decline from the prior year. Adam will talk through more of the details of our updated guidance range shortly.

There's no question our revenue growth in 2024 has been disappointing. The year has had a number of moving pieces that have made it particularly challenging. We initiated major product transitions across all of our platforms and significantly evolved our sales organization. All of this with a backdrop of a difficult macro environment and changing competitive dynamics across the portfolio.

Despite these current headwinds, we continue to believe we are on the path to the most significant transition in the tools space since the introduction of NGS. We have the leading portfolio of single cell and spatial technologies, and we envision a world in which most tissues will be analyzed using our products.

The strategies we are pursuing to accelerate on this pathway are:

- First, to evolve our commercial structure in order to foster widespread use of our technologies.
- Second, to create increasingly accessible price points so that we can drive ubiquitous use of our tools across all samples. We intend to be a leader on price, and with our new product launches, we believe we now have the best cost structure for customers across a wide range of experiments. We have shown over and over our ability to extend our technological leadership and push frontiers. With these new offerings, we believe we are now the leader in both technology and cost.
- And, third, to advance our capabilities with new products, workflows and software in order to enhance ease-of-use and drive more adoption.

Finally, we intend to accomplish these objectives with a diligent approach to investment and cash management.

I am confident that the steps we are taking will enable us to reach more customers, execute consistently across the portfolio and drive the broad democratization of our technologies to reach the full potential of the large opportunity ahead.

For the rest of the call today, I will discuss what we are doing to advance our strategies and why we are confident they will set us up for future long-term growth. Adam will then provide more detail on our third quarter financials and specific impacts to our outlook for the rest of the year.

Let's start with the changes we've been making to our commercial organization.

As we shared on our last earnings call, we re-architected our commercial infrastructure from the ground up, making foundational changes to transform how we engage with our customers. We sell to a diverse set of customer types and research segments. And we designed our new sales structure to focus our team to better serve all their distinct needs – whether in academic or biopharma settings, scaling up top-tier customers, driving more adoption among emerging users or bringing new researchers into the ecosystem.

To accomplish this, we added specialization to key areas by:

- creating a distinct capital equipment team explicitly focused on driving Xenium instrument placements;
- creating a distinct biopharma organization, which is focused on better serving the unique needs and expansion opportunities in that sector; and
- adding a dedicated team to nurture new and emerging accounts, the next generation of 10x customers.

In addition to this specialization, we also recalibrated territory sizes to make each territory more manageable and to drive more efficient utilization of our sales force.

While these changes were necessary, they did cause more disruption than we anticipated. Ultimately, we saw the largest disruption in the areas where the sales structure changed the most. For example, over 40% of customer

accounts in the Americas changed sales coverage within the quarter. And our new biopharma and capital equipment teams still have a large number of open roles.

Our teams now have an improved focus and more defined roles with targeted incentives. I am confident these were the right changes to make and see them already creating more clarity and rigor in our processes.

There is still work to do to realize the full potential of our commercial organization. We are working fast to fill our open headcount. Account executives are still onboarding and getting up to speed with their new customers and territories. We expect it will take time before we see the full benefit and impact from our new approach. We are confident these changes will help us deliver the best experience to our customers, open up new opportunities and drive efficient growth across the portfolio.

Turning to our Chromium portfolio. As we have been communicating for some time, driving into price elasticity has been a particular focus for us. We recently took another step in this direction by launching new products and capabilities aimed at lowering the cost, and ultimately expanding access, of single cell analysis.

First, we are setting a new standard for the cost per cell for researchers with the launch of GEM-X Flex. Customers can now run millions of cells for less than one cent per cell, an over five-fold reduction compared to previous products. We are bringing our highest performing and most flexible assay to our new GEM-X technology architecture. GEM-X Flex enables broader opportunities for mega-scale CRISPR screens, cell atlassing projects and multi-site translational studies, among others.

Second, to decrease the cost per sample, even at a small scale, we launched GEM-X Universal Multiplex. With this product, researchers can batch and run four independent samples, up to 5,000 cells each, for approximately $560 per sample. This is a new multiplexing capability for our flagship GEM-X Universal 3' and 5' Gene Expression assays, which we launched in March of this year.

Furthermore, even while we are lowering cost barriers for our customers, these two products have comparable gross margins to our current consumables.

Finally, to address capex barriers, we launched Chromium Xo, our most affordable single cell instrument, at a U.S. list price of only $25,000. Chromium Xo serves as a budget-friendly entry point into routine, high-performance single cell analysis. Xo enables researchers to generate high-quality data with less hands-on time, labor and experimental costs compared to non-10x workflows. Our GEM-X Universal 3’ Singleplex and Multiplex assays are available on the Xo.

With these launches, we are addressing a primary bottleneck for our customers – price. At the same time, we have also delivered new protocols, capabilities and software to enhance ease-of-use and drive more adoption.

Chromium Flex, for example, should be uniquely suited to open up more translational research. It is the only commercial single cell assay compatible with FFPE samples, which are often constrained by limited cell quantities. With GEM-X Flex, we’ve delivered a four-fold reduction in required cell input, significantly expanding the opportunity to include vast amounts of biobanked clinical samples that were previously off limits for single cell research.

Another example is the unique, on-chip multiplexing workflow built-in to GEM-X Universal Multiplex, which is an efficient and elegant way for researchers to analyze more samples in a single run. On-chip multiplexing eliminates the need for upstream sample tagging, simplifying the process and reducing hands-on time compared to other sample multiplexing methods.

And, we have introduced new solutions for upstream sample fixation to improve the workflow; whole blood fixation to expand sample compatibility; and library prep automation to enable greater throughput. On the software side, we delivered automated cell annotation, making it easier and faster for researchers to go from experiment to insight. Cell annotation is a fundamentally hard problem and a critical part of most types of single cell analysis. With this new capability, we are addressing one of the biggest challenges in data analysis for our customers.

All together, we are excited about the strength, differentiation and leadership of our single cell portfolio and believe the new products, workflows and software we've introduced will enable more researchers to adopt single cell methods for more studies, more often.

For additional product information, we encourage you to refer to the Supplemental Materials we posted on our Investor Relations website along with the earnings release.

As we continue to execute on single cell, we are also motivated by the immense potential of our spatial platforms. We were encouraged by spatial consumables usage this quarter, with the continued adoption of Visium HD and Xenium 5K.

Within the Visium platform, we are seeing the majority of labs order Visium HD and now that the initial wave of customers are starting to move past evaluations, we're beginning to see good reorder trends. In addition, we are seeing the majority of new to Visium customers start with HD, an encouraging sign of the benefits this product brings to researchers.

Adoption of our Visium CytAssist instrument continued at a solid pace. 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.

Within the Xenium platform, we saw continued adoption of Xenium 5K in Q3, leading to overall Xenium consumables revenue growth sequentially. And we continue to see encouraging utilization trends, with sequential growth in the number of runs.

We consistently hear very strong feedback from our customers on these products, on the data quality and on their ease of use. These complementary spatial platforms support a broad spectrum of customers' use cases and accommodate the ways their research and research questions may evolve over time.

As we look forward, I am encouraged by the underlying progress we are making and motivated by the immense opportunity I see ahead. Understanding biology requires measuring molecules, cells and tissues at large scale and at high resolution. Our technologies are delivering these fundamental capabilities to researchers around the world. But these are still very early days.

My conviction is fueled by our customers, both the work they are doing today and their ambitions for the future. I came away from last month's Human Cell Atlas General Meeting energized by the community's plans to take on larger, more complex studies; to embark on high impact translational projects; and to explore new single cell and spatial applications that could transform the world's understanding of health and disease. Conversations like these reinforce my belief that single cell and spatial continue to be some of the most exciting and game-changing opportunities in the life sciences.

While we continue to see strong adoption with cutting-edge genomics researchers, we believe there is an even larger opportunity across the broader space of academic research whether in basic science or in translational applications. This opportunity spans across many different fields including oncology, immunology, neuroscience, metabolic health, women's health, infectious disease, aging and multiple others. We know this opportunity exists because we see early interest and use from many new kinds of customers — just not yet routinely or at scale. Even among our well-established academic customers, we are seeing interest in running larger scale experiments – whether moving toward translational applications, analyzing large patient cohorts or embarking on massive cell screening campaigns.

In biopharma, there is increasing interest to apply single cell and spatial technologies across the entire continuum of the drug development process. For example, many groups are focused on applying single cell and spatial tools for target identification and drug discovery, especially in the context of large scale CRISPR experiments or combinatorial drug screens. In preclinical work, the emergence of organoids as a superior research model should open up a broad range of use-cases, including characterization of disease development, progression and therapy mechanism of action. We believe cell therapy development is another exciting opportunity, as our tools have the potential to accelerate biomarker discovery and screening, enhance cellular environment profiling, and support drug product characterization. And there exists an even larger space of translational applications to apply our technologies in clinical trials, which in many ways is only now becoming possible.

We have built a sizable franchise with single cell and a solid foundation in spatial. And while this year has certainly had its challenges, we firmly believe there's a vast opportunity ahead and that we are the best company to deliver on it.

Before I turn it over to Adam, I'd like to officially welcome him to 10x. On our last call, we announced he would be joining as our new CFO, and I'm really excited to have him onboard.

With that, I'll turn it over to Adam.

Adam Taich
Chief Financial Officer

Thank you, Serge.

It's great to be here at 10x, working with such a dedicated and resilient team.

I'll start by reviewing our financial results for the three months ended September 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 $151.7 million, down 1% driven by weaker instruments revenue, primarily Xenium instruments, offset by stronger contributions from consumables.

Looking at our revenue breakout, total consumables revenue was $126.2 million, up 10%.

Chromium consumables revenue was $96.5 million, down 4% year-over-year driven primarily by lower average prices offset by increased consumables volumes.

Spatial consumables revenue was $29.7 million, up 111%, driven primarily by continued demand for the new

Spatial consumables products introduced this year, Visium HD and Xenium 5K.

Moving onto instruments, total instrument revenue decreased 45% to $19.1 million.

Chromium instrument revenue was $7.6 million, down 38% driven by fewer units sold. Spatial instrument revenue was down 50% to $11.4 million driven by a lower number of Xenium instruments sold.

Services revenue was $6.4 million, up 48%.

Looking at our revenue by geography, Americas decreased 11% to $87.8 million. EMEA grew 18% to $37.9 million. And revenue in APAC increased 15% to $26.0 million. The most significant changes in our commercial reorganization were in the Americas, which contributed to the regional disparities.

Turning to the rest of the income statement. Gross profit for the third quarter was $106.4 million compared to $95.5 million for the prior year period. Gross margin increased to 70%, from 62% the year prior, driven by change in product mix, which was predominantly fewer Xenium instruments.

Total operating expenses for the third quarter decreased to $147.9 million compared to $190.3 million for the prior year period. This decrease was primarily driven by a $41.4 million in-process research and development expense related to an agreement to acquire certain intangible and other assets in the prior year period.

R&D expenses decreased to $66.2 million compared to $66.5 million for the prior year period, primarily driven by lower personnel expenses, including stock-based compensation expenses, partially offset by higher laboratory materials and supplies.

SG&A expenses decreased to $81.7 million compared to $82.4 million for the prior year period, primarily driven by lower personnel expenses, including stock-based compensation, partially offset by higher outside legal expenses.

Operating loss for the third quarter was $41.5 million compared to a loss of $94.8 million in the third quarter last year. This includes $33.9 million of stock-based compensation, as compared to $40.2 million of stock-based compensation for the corresponding prior year period. Operating loss in the third quarter of 2023 included $41.4 million of in-process research and development expenses.

Net loss for the period was $35.8 million compared to a net loss of $93.0 million for the third quarter of 2023.

We ended the quarter with $398.2 million in cash and cash equivalents.

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 $595 million to $605 million, representing a 3% decrease from full year 2023 at the midpoint.

At the midpoint, our updated guidance range implies approximately flat fourth quarter revenue compared to our third quarter results. Within Chromium, we are assuming a continuation of decreasing price per reaction, while assuming an uptick in volumes. Within Spatial, we are assuming similar results to what we experienced in Q3.

The drivers of our assumptions are:

- First, ongoing headwinds from our commercial restructuring. While we implemented the new structure in mid-Q3, our efforts remain ongoing as we make new hires to fill our re-designed territories and teams, train new sales reps and solidify processes.
- And second, the macro environment continues to be challenging. We are still seeing cautious customer spending, putting pressure on both capex purchases, as well as larger consumables projects. Given this, we are not counting on the typical seasonality that we tend to see in Q4.

While we anticipate these factors will impact Q4 and into next year, I want to affirm that we are taking the appropriate and necessary steps to take advantage of our opportunity.

We are taking a disciplined look at our spend in our 2025 planning. We generated $18 million of cash in Q3, but I would note that much of this is due to timing and we expect this to offset in Q4. We are focused on maintaining a strong balance sheet going forward.

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

Serge Saxonov

Chief Executive Officer, Co-founder

Thanks, Adam.

The end point is clear: biology needs to be analyzed at the single cell level and in spatial context. However, as 2024 has shown, the path to get there is not linear. I’m incredibly grateful to the 10x team for staying focused on our mission and our customers as we navigate this period of change and push through these challenges.

I have strong conviction that the actions we’re taking now are necessary to deliver our long-term opportunity and fulfill the promise of single cell and spatial biology. We will continue to execute with urgency and excellence as we work to foster widespread use of our technologies and create value for all stakeholders.

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.

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