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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-38835

**DESKTOP METAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of Other Jurisdiction of incorporation or Organization)

**63 3rd Avenue, Burlington, MA**  
(Address of principal executive offices)

**83-2044042**

(I.R.S. Employer Identification No.)

**01803**  
(Zip code)

**Registrant's telephone number, including area code: (978) 224-1244**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Class A Common Stock, \$0.0001 Par Value per Share

Trading Symbol(s)  
DM

Name Of Each Exchange  
On Which Registered  
New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 5, 2023, there were 321,460,345 shares of the registrant's Class A common stock outstanding.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

**DESKTOP METAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**  
**(in thousands, except share and per share amounts)**

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 101,252	\$ 76,291
Current portion of restricted cash	4,595	4,510
Short-term investments	48,554	108,243
Accounts receivable	35,603	38,481
Inventory	98,221	91,736
Prepaid expenses and other current assets	21,067	16,325
Assets held for sale	6,871	830
Total current assets	316,163	336,416
Restricted cash, net of current portion	612	1,112
Property and equipment, net	45,262	56,271
Goodwill	113,571	112,955
Intangible assets, net	210,117	219,830
Other noncurrent assets	28,461	27,763
<b>Total Assets</b>	<b>\$ 714,186</b>	<b>\$ 754,347</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 21,988	\$ 25,105
Customer deposits	12,300	11,526
Current portion of lease liability	6,106	5,730
Accrued expenses and other current liabilities	28,026	26,723
Current portion of deferred revenue	14,639	13,719
Current portion of long-term debt, net of deferred financing costs	403	584
Total current liabilities	83,462	83,387
Long-term debt, net of current portion	252	311
Convertible notes	112,017	111,834
Lease liability, net of current portion	17,679	17,860
Deferred revenue, net of current portion	3,965	3,664
Deferred tax liability	8,074	8,430
Other noncurrent liabilities	3,167	1,359
Total liabilities	228,616	226,845
<b>Commitments and Contingencies (Note 17)</b>		
<b>Stockholders' Equity</b>		
Preferred Stock, \$0.0001 par value—authorized, 50,000,000 shares; no shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	—	—
Common Stock, \$0.0001 par value—500,000,000 shares authorized; 320,477,686 and 318,235,106 shares issued at March 31, 2023 and December 31, 2022, respectively, 320,401,389 and 318,133,434 shares outstanding at March 31, 2023 and December 31, 2022, respectively	32	32
Additional paid-in capital	1,883,764	1,874,792
Accumulated deficit	(1,361,596)	(1,308,954)
Accumulated other comprehensive loss	(36,630)	(38,368)
<b>Total Stockholders' Equity</b>	<b>485,570</b>	<b>527,502</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 714,186</b>	<b>\$ 754,347</b>

See notes to condensed consolidated financial statements

**DESKTOP METAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
**(in thousands, except per share amounts)**

	Three Months Ended March 31,	
	2023	2022
<b>Revenues</b>		
Products	\$ 36,697	\$ 39,476
Services	4,619	4,230
Total revenues	41,316	43,706
Cost of sales		
Products	38,891	41,902
Services	3,789	3,132
Total cost of sales	42,680	45,034
Gross profit (loss)	(1,364)	(1,328)
<b>Operating expenses</b>		
Research and development	23,144	24,605
Sales and marketing	9,607	19,689
General and administrative	18,202	23,857
Total operating expenses	50,953	68,151
<b>Loss from operations</b>	(52,317)	(69,479)
Interest expense	(811)	32
Interest and other (expense) income, net	(71)	(1,753)
<b>Loss before income taxes</b>	(53,199)	(71,200)
Income tax benefit	557	1,256
<b>Net loss</b>	\$ (52,642)	\$ (69,944)
Net loss per share—basic and diluted	\$ (0.16)	\$ (0.22)
Weighted average shares outstanding, basic and diluted	319,095,656	312,016,627

See notes to condensed consolidated financial statements.

**DESKTOP METAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED)**  
**(in thousands)**

	Three Months Ended	
	March 31,	
	2023	2022
Net loss	\$ (52,642)	\$ (69,944)
Other comprehensive (loss) income, net of taxes:		
Unrealized gain (loss) on available-for-sale marketable securities, net	189	12
Foreign currency translation adjustment	1,549	(11,047)
Total comprehensive (loss) income, net of taxes of \$0	<u>\$ (50,904)</u>	<u>\$ (80,979)</u>

See notes to condensed consolidated financial statements.

**DESKTOP METAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**  
**(in thousands, except share amounts)**

	Three Months Ended March 31, 2023					
	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount				
BALANCE—January 1, 2023	318,133,434	\$ 32	\$ 1,874,792	\$ (1,308,954)	\$ (38,368)	\$ 527,502
Exercise of Common Stock options	495,876	—	597	—	—	597
Vesting of restricted Common Stock	25,375	—	—	—	—	—
Vesting of restricted stock units	1,808,422	—	—	—	—	—
Repurchase of shares for employee tax withholdings	(61,718)	—	(99)	—	—	(99)
Stock-based compensation expense	—	—	8,474	—	—	8,474
Net loss	—	—	—	(52,642)	—	(52,642)
Other comprehensive income (loss)	—	—	—	—	1,738	1,738
<b>BALANCE—March 31, 2023</b>	<b>320,401,389</b>	<b>\$ 32</b>	<b>\$ 1,883,764</b>	<b>\$ (1,361,596)</b>	<b>\$ (36,630)</b>	<b>\$ 485,570</b>

	Three Months Ended March 31, 2022					
	Common Stock Voting		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
	Shares	Amount				
BALANCE—January 1, 2022	311,473,950	\$ 31	\$ 1,823,344	\$ (568,611)	\$ (6,414)	\$ 1,248,350
Exercise of Common Stock options	786,693	—	900	—	—	900
Vesting of restricted Common Stock	84,384	—	—	—	—	—
Vesting of restricted stock units	520,265	—	—	—	—	—
Repurchase of shares for employee tax withholdings	(39,720)	—	(158)	—	—	(158)
Stock-based compensation expense	—	—	9,912	—	—	9,912
Net loss	—	—	—	(69,944)	—	(69,944)
Other comprehensive income (loss)	—	—	—	—	(11,035)	(11,035)
<b>BALANCE—March 31, 2022</b>	<b>312,825,572</b>	<b>\$ 31</b>	<b>\$ 1,833,998</b>	<b>\$ (638,555)</b>	<b>\$ (17,449)</b>	<b>\$ 1,178,025</b>

See notes to condensed consolidated financial statements.

**DESKTOP METAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (52,642)	\$ (69,944)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	13,433	12,883
Stock-based compensation	9,313	9,912
Amortization (accretion) of discount on investments	(382)	413
Amortization of deferred costs on convertible notes	183	—
Provision for bad debt	179	419
Loss on disposal of property and equipment	519	2
Net increase (decrease) in accrued interest related to marketable securities	(8)	949
Net unrealized (gain) loss on equity investment	402	1,700
Deferred tax benefit	(557)	(1,256)
Change in fair value of contingent consideration	—	(114)
Foreign currency transaction (gain) loss	(25)	195
Changes in operating assets and liabilities:		
Accounts receivable	2,792	9,489
Inventory	(6,892)	(15,506)
Prepaid expenses and other current assets	(4,664)	(4,087)
Other assets	991	(210)
Accounts payable	(3,011)	(1,333)
Accrued expenses and other current liabilities	878	(3,391)
Customer deposits	705	2,980
Current portion of deferred revenue	1,127	721
Change in right of use assets and lease liabilities, net	(1,493)	(108)
Other liabilities	1,806	12
<b>Net cash used in operating activities</b>	<b>(37,346)</b>	<b>(56,274)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,011)	(4,074)
Proceeds from sale of property and equipment	3,071	6
Purchase of marketable securities	(4,973)	—
Proceeds from sales and maturities of marketable securities	64,840	98,625
Cash paid for acquisitions, net of cash acquired	(500)	(23)
<b>Net cash provided by investing activities</b>	<b>61,427</b>	<b>94,534</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the exercise of stock options	597	900
Payment of taxes related to net share settlement upon vesting of restricted stock units	(99)	(158)
Repayment of loans	(250)	(43)
<b>Net cash provided by financing activities</b>	<b>248</b>	<b>699</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	217	(349)
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>24,546</b>	<b>38,610</b>
Cash, cash equivalents, and restricted cash at beginning of period	81,913	68,258
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 106,459</b>	<b>\$ 106,868</b>
<b>Supplemental disclosures of cash flow information</b>		
Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that sum to the total shown in the condensed consolidated statements of cash flows:		
Cash and cash equivalents	\$ 101,252	\$ 103,590
Restricted cash included in other current assets	4,595	2,166
Restricted cash included in other noncurrent assets	612	1,112
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	<b>\$ 106,459</b>	<b>\$ 106,868</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ —	\$ —
Taxes paid	\$ —	\$ —

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<b>Non-cash investing and financing activities:</b>		
Net unrealized (gain) loss on investments	\$ (189)	\$ (12)
Additions to right of use assets and lease liabilities	\$ 1,531	\$ 7,784
Purchase of property and equipment included in accounts payable	\$ 183	\$ 313
Purchase of property and equipment included in accrued expense	\$ 32	\$ —
Transfers from property and equipment to inventory	\$ 275	\$ 1,721
Transfers from PP&E to Asset Held-For-Sale	\$ 6,040	\$ —
Transfers from inventory to property and equipment	\$ 1,067	\$ 605

See notes to condensed consolidated financial statements.



## 1. ORGANIZATION, NATURE OF BUSINESS, AND RISK AND UNCERTAINTIES

### Organization and Nature of Business

Desktop Metal, Inc. is a Delaware corporation headquartered in Burlington, Massachusetts. The company was founded in 2015 and is accelerating the transformation of manufacturing with 3D printing solutions for engineers, designers, and manufacturers. The Company designs, produces and markets 3D printing systems and services to a variety of end customers.

On December 9, 2020 (the “Closing Date”), Trine Acquisition Corp. (“Trine”) consummated the previously announced merger pursuant to the Agreement and Plan of Merger, dated August 26, 2020, by and among Trine, Desktop Metal, Inc. and Sparrow Merger Sub, Inc., pursuant to which Sparrow Merger Sub, Inc. merged with and into Desktop Metal, Inc., with Desktop Metal, Inc. becoming our wholly owned subsidiary (the “Business Combination”). Upon the closing of the Business Combination, Trine changed its name to Desktop Metal, Inc. and Desktop Metal, Inc. changed its name to Desktop Metal Operating, Inc.

Unless otherwise indicated or the context otherwise requires, references in this Quarterly Report on Form 10-Q to the “Company” and “Desktop Metal” refer to the consolidated operations of Desktop Metal, Inc., and its subsidiaries. References to “Trine” refer to the company prior to the consummation of the Business Combination and references to “Legacy Desktop Metal” refer to Desktop Metal Operating, Inc. prior to the consummation of the Business Combination.

### Risks and Uncertainties

The Company is subject to a number of risks similar to those of other companies of similar size in its industry, including, but not limited to, the need for successful development of products, the need for additional funding, competition from substitute products and services from larger companies, protection of proprietary technology, patent litigation, dependence on key individuals, and risks associated with changes in information technology. The Company has financed its operations to date primarily with proceeds from the sale of preferred stock, the Business Combination, and the sale of convertible senior notes due in 2027 (the “2027 Notes”) in May 2022. The Company’s long-term success is dependent upon its ability to successfully market its products and services; generate revenue; maintain or reduce its operating costs and expenses; meet its obligations; obtain additional capital when needed; and, ultimately, achieve profitable operations. Management believes that existing cash and short-term investments as of March 31, 2023 will be sufficient to fund operating and capital expenditure requirements through at least twelve months from the date of issuance of these consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements of the Company are prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the regulations of the U.S Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. The condensed consolidated financial statements include the Company’s accounts and those of its subsidiaries. In the opinion of the Company’s management, the financial information for the interim periods presented reflects all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the Company’s financial position, results of operations, and cash flows. The results reported in these condensed consolidated financial statements are not necessarily indicative of results that may be expected for the entire year.

### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The functional currency of all wholly owned subsidiaries is U.S. Dollars. All intercompany transactions and balances have been eliminated in consolidation.

### Significant Accounting Policies

The Company's significant accounting policies are described in Note 2 to the financial statements in Part II, Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. See the below discussion of changes to the Company's policies for assets held for sale. There have been no other changes to the Company's significant accounting policies during the first three months of fiscal year 2023.

### Assets Held for Sale

We classify long-lived assets or asset groups we plan to sell as held for sale on our consolidated balance sheets only after certain criteria have been met including: (i) management has the authority and commits to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and the plan to sell the asset have been initiated, (iv) the sale of the asset is probable within 12 months, (v) the asset is being actively marketed at a reasonable sales price relative to its current fair value, and (vi) it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made. We record assets or asset groups held for sale at the lower of their carrying value or fair value less costs to sell.

## 3. REVENUE RECOGNITION

### Contract Balances

The Company's deferred revenue balance was \$18.6 million and \$17.4 million as of March 31, 2023, and December 31, 2022, respectively. During the three months ended March 31, 2023, the Company recognized \$3.4 million of existing deferred revenue from 2022. During the year ended December 31, 2022, the Company recognized \$14.3 million of existing deferred revenue from 2021. The deferred revenue consists of billed post-installation customer support and maintenance, cloud-based software licenses that are recognized ratably over the term of the agreement, and contracts that have outstanding performance obligations or contracts that have acceptance terms that have not yet been fulfilled.

Contract assets were not significant during the three months ended March 31, 2023 and 2022.

### Remaining Performance Obligations

At March 31, 2023, the Company had \$18.6 million of remaining performance obligations, of which approximately \$14.6 million is expected to be fulfilled over the next 12 months, notwithstanding uncertainty related to customer site readiness and unanticipated economic events, which could have an adverse effect on the timing of delivery and installation of products and/or services to customers. In addition, the Company also had customer deposits of \$12.3 million at March 31, 2023.

## 4. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company's cash equivalents and short-term investments are invested in the following (in thousands):

	March 31, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market funds	\$ 43,944	\$ —	\$ —	\$ 43,944
Total cash equivalents	43,944	—	—	43,944
Commercial paper	4,994	—	—	4,994
Corporate bonds	18,213	—	(73)	18,140
U.S. Treasury securities	9,937	—	(37)	9,900
Government bonds	14,874	—	(40)	14,834
Total short-term investments	48,018	—	(150)	47,868
Total cash equivalents and short-term investments	\$ 91,962	\$ —	\$ (150)	\$ 91,812

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	December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money market funds	\$ 51,274	\$ —	\$ —	\$ 51,274
Total cash equivalents	51,274	—	—	51,274
Commercial paper	39,781	—	—	39,781
Corporate bonds	28,970	—	(156)	28,814
U.S. Treasury securities	19,896	—	(78)	19,818
Government bonds	14,846	—	(102)	14,744
Asset-backed securities	4,000	—	(2)	3,998
Total short-term investments	107,493	—	(338)	107,155
Total cash equivalents and short-term investments	\$ 158,767	\$ —	\$ (338)	\$ 158,429

During the year ended December 31, 2021, the Company made a \$20.0 million investment in equity securities of a publicly-traded company. The Company records this investment at fair value within short-term investments, which was \$0.7 million as of March 31, 2023. During the three months ended March 31, 2023, the Company recorded an unrealized loss due to the change in fair value of the equity securities of \$0.4 million, respectively, in interest and other (expense) income, net in the consolidated statements of operations.

## 5. FAIR VALUE MEASUREMENTS

The Company uses the following three-tier fair value hierarchy, which prioritizes the inputs used in measuring the fair values for certain of its assets and liabilities:

Level 1 is based on observable inputs, such as quoted prices in active markets;

Level 2 is based on inputs other than the quoted prices in active markets that are observable either directly or indirectly; and

Level 3 is based on unobservable inputs in which there is little or no market data, which requires the Company to develop its own assumptions.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Items measured at fair value on a recurring basis include money market funds.

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The following fair value hierarchy table presents information about the Company's financial assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the inputs the Company utilized to determine such fair value (in thousands):

	March 31, 2023			Total
	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 43,944	\$ —	\$ —	\$ 43,944
Commercial paper	—	4,994	—	4,994
Corporate bonds	—	18,140	—	18,140
U.S. Treasury securities	—	9,900	—	9,900
Government bonds	—	14,834	—	14,834
Equity securities	686	—	—	686
Other investments	—	—	2,000	2,000
Total assets	<u>\$ 44,630</u>	<u>\$ 47,868</u>	<u>\$ 2,000</u>	<u>\$ 94,498</u>
<b>Liabilities:</b>				
Contingent consideration	\$ —	\$ —	\$ 1,754	\$ 1,754
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,754</u>	<u>\$ 1,754</u>
	December 31, 2022			Total
	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets:</b>				
Money market funds	\$ 51,274	\$ —	\$ —	\$ 51,274
Commercial paper	—	39,781	—	39,781
Corporate bonds	—	28,814	—	28,814
U.S. Treasury securities	—	19,818	—	19,818
Government bonds	—	14,744	—	14,744
Asset-backed securities	—	3,988	—	3,998
Equity securities	1,088	—	—	1,088
Other investments	—	—	2,000	2,000
Total assets	<u>\$ 52,362</u>	<u>\$ 107,145</u>	<u>\$ 2,000</u>	<u>\$ 161,517</u>
<b>Liabilities:</b>				
Contingent consideration	\$ —	\$ —	\$ 2,587	\$ 2,587
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,587</u>	<u>\$ 2,587</u>

The Company has determined that the estimated fair value of its corporate bonds and commercial paper are reported as Level 2 financial assets as they are based on model-driven valuations in which all significant inputs are observable, or can be derived from or corroborated by observable market data for substantially the full term of the asset.

Equity securities include investments made via publicly-traded securities. The Company has determined that the estimated fair value of its equity securities is reported as Level 1 financial assets as they are based on quoted market prices in active markets for identical assets. During the three months ended March 31, 2023, the Company recorded an unrealized loss due to the change in fair value of the equity securities of \$0.4 million in interest and other (expense) income, net in the consolidated statements of operations.

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Other investments include investments made via convertible debt instruments totaling \$2.0 million. The other investments are reported as a Level 3 financial asset because the methodology used to develop the estimated fair values includes significant unobservable inputs reflecting management's own assumptions. Assumptions used in fair valuing convertible debt instruments include the rights and obligations of the notes the Company holds as well as the probability of a qualified financing event, acquisition, or change in control. During the three months ended March 31, 2022 and 2023, the Company did not recognize any gains or losses on convertible debt instruments.

The Aerosint acquisition included contingent consideration related to revenue metrics and technical milestones, with a fair value of \$6.1 million as of the date of acquisition and a fair value of \$1.8 million as of March 31, 2023. The contingent consideration liability was valued using a Monte Carlo simulation in a risk-neutral framework as well as a scenario-based approach (both special cases of the income approach), based on key inputs that are not all observable in the market and is classified as a Level 3 liability. The Company assesses the fair value of the contingent consideration liability at each reporting period, with any subsequent changes to the fair value of the liability reflected in the condensed consolidated statement of operations until the liability is settled. During the three months ended March 31, 2023, the Company did not recognize a gain or loss in fair value of contingent consideration. During the three months ended March 31, 2022, the Company recognized loss in fair value of contingent consideration of \$0.1 million. During the three months ended March 31, 2023, the Company paid \$0.8 million of contingent consideration in connection with the achievement of technical milestones. As of March 31, 2023, the \$1.8 million balance of contingent consideration is recorded in accrued expenses and other current liabilities in the condensed consolidated balance sheets.

The 2027 Notes are valued as a single liability measured at amortized cost, as no other features require bifurcation and recognition as derivatives.

There were no transfers between fair value measure levels during the three months ended March 31, 2023 and 2022. The following table presents information about the Company's movement in Level 3 assets measured at fair value (in thousands):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of period	\$ 2,000	\$ 6,750
Balance at end of period	\$ 2,000	\$ 6,750

The following table presents information about the Company's movement in Level 3 liabilities measured at fair value (in thousands):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of period	\$ 2,587	\$ 5,654
Payment of contingent consideration liability	(833)	—
Changes in fair value	—	(114)
Balance at end of period	\$ 1,754	\$ 5,540

## 6. ACCOUNTS RECEIVABLE

The components of accounts receivable are as follows (in thousands):

	March 31, 2023	December 31, 2022
Trade receivables	\$ 37,422	\$ 40,121
Allowance for doubtful accounts	(1,819)	(1,640)
Total accounts receivable	\$ 35,603	\$ 38,481

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The following table summarizes activity in the allowance for doubtful accounts (in thousands):

	March 31, 2023	December 31, 2022
Balance at beginning of period	\$ 1,640	\$ 665
Provision for uncollectible accounts, net of recoveries	179	1,393
Uncollectible accounts written off	—	(418)
Balance at end of period	<u>\$ 1,819</u>	<u>\$ 1,640</u>

## 7. INVENTORY

Inventory consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Raw materials	\$ 46,763	\$ 41,971
Work in process	13,531	11,936
Finished goods:		
Deferred cost of sales	6,885	3,602
Manufactured finished goods	31,042	34,227
Total finished goods	<u>37,927</u>	<u>37,829</u>
Total inventory	<u>\$ 98,221</u>	<u>\$ 91,736</u>

## 8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Prepaid operating expenses	\$ 9,060	\$ 5,705
Prepaid dues and subscriptions	2,886	2,674
Prepaid insurance	2,773	798
Government grants receivable	59	429
Prepaid taxes	1,818	395
Prepaid rent	403	383
Other	4,068	5,941
Total prepaid expenses and other current assets	<u>\$ 21,067</u>	<u>\$ 16,325</u>

## 9. ASSETS HELD FOR SALE

During the year ended December 31, 2022, in connection with the Company's strategic integration and cost optimization initiative (the "Initiative"), as discussed in *Note 24. Restructuring Charges*, the Company approved a plan to sell a facility in Troy, Michigan, as well as related equipment in the facility. On March 31, 2023, in connection with the Initiative, the Company approved a plan to sell a facility in North Huntingdon, Pennsylvania. These assets have been classified as assets held for sale, on the basis that management was committed to a plan to dispose of the building at the balance sheet date and considered the sale to be probable within one year.

The Company ceased recording depreciation on these assets upon meeting the held for sale criteria. At March 31, 2023, and December 31, 2022, the total carrying value of assets held for sale was \$6.9 million and \$0.8 million, respectively. The estimated fair value less costs to sell the assets held for sale exceed their carrying values and hence no impairment was necessary during the three months ended March 31, 2023.

Subsequent to March 31, 2023, the Company completed the sale of the Troy, Michigan facility for \$1.7 million.

**10. PROPERTY AND EQUIPMENT**

Property and equipment, net consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Equipment	\$ 45,312	\$ 48,632
Leasehold improvements	18,401	18,527
Land and buildings	9,414	15,893
Construction in process	4,393	5,008
Furniture and fixtures	2,167	2,396
Software	1,908	2,183
Tooling	2,147	2,145
Computer equipment	1,851	2,076
Automobiles	1,138	1,180
Property and equipment, gross	86,731	98,040
Less: accumulated depreciation	(41,469)	(41,769)
Total property and equipment, net	\$ 45,262	\$ 56,271

Depreciation expense was \$3.0 million and \$3.1 million for the three months ended March 31, 2023 and 2022.

**11. GOODWILL & INTANGIBLE ASSETS**

The carrying amount of goodwill at March 31, 2023 and December 31, 2022 was \$113.6 million and \$113.0 million respectively, and has been recorded in connection with the Company's acquisitions. The goodwill activity is as follows (in thousands):

	March 31, 2023	December 31, 2022
Balance, beginning of year	\$ 112,955	\$ 639,301
Foreign currency translation adjustment	616	(26,940)
Measurement period adjustments	—	(606)
Goodwill impairment	—	(498,800)
Balance, end of period	\$ 113,571	\$ 112,955

No impairment of goodwill has been recorded for the three months ended March 31, 2023 and 2022.

The measurement period adjustments of \$0.6 million during 2022, represent the final measurement period adjustments related to the acquisition of May Dental Lab, Inc. in October 2021 and the acquisition of the ExOne Company in November 2021.

Due to sustained declines in the Company's stock price and the stock prices of comparable companies, we performed interim quantitative assessments as of June 30, 2022 and December 31, 2022, utilizing a combination of the income and market approaches. The results of the quantitative analysis performed indicated that the carrying value of the reporting unit exceeded the fair value. As such, \$498.8 million of goodwill impairment charges was recorded during the year ended December 31, 2022.

The Company estimated the fair value using a weighted average of the income and market approaches. Specifically, the discounted cash flow method was used under the income approach and the guideline public company and guideline merged and acquired company methods were used under the market approach. The significant assumptions used under the income approach include management's forecasts of future revenues and EBITDA margins used to calculate projected future cash flows, discount rates, and the terminal growth rate. The terminal value is based on an exit revenue multiple which requires significant assumptions regarding the selections of appropriate multiples that consider relevant market trading data. The Company bases its estimates and assumptions on its knowledge of the additive manufacturing industry, recent performance, expectations of future performance and other assumptions the Company believes to be reasonable. The significant assumptions used under the market approach include the control premium and selection of comparable companies and comparable transactions. Comparable companies and transactions are chosen based on factors including industry classification, geographic region, product offerings, earnings growth, and profitability.

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Intangible assets consisted of the following (in thousands):

	Weighted Average Remaining Useful Lives (in years)	March 31, 2023			December 31, 2022		
		Gross		Net	Gross		Net
		Carrying Amount	Accumulated Amortization	Carrying Amount	Carrying Amount	Accumulated Amortization	Carrying Amount
Acquired technology	8.3	\$ 196,996	\$ 44,502	\$ 152,494	\$ 196,367	\$ 36,919	\$ 159,448
Trade name	10.1	12,464	2,789	9,675	12,459	2,374	10,085
Customer relationships	9.6	68,199	20,270	47,929	67,915	17,663	50,252
Capitalized software	0.2	518	500	18	518	473	45
Total intangible assets		\$ 278,177	\$ 68,060	\$ 210,117	\$ 277,259	\$ 57,429	\$ 219,830

During the three months ended March 31, 2023 and 2022, the Company recognized the following amortization expense (in thousands):

Category	Statement of Operations Line Item	Three Months Ended March 31,	
		2023	2022
Acquired technology	Cost of Sales	\$ 6,927	\$ 5,990
Acquired technology	Research and Development	553	443
Trade name	General and Administrative	415	422
Customer relationships	Sales and Marketing	2,520	2,902
Capitalized software	Research and Development	27	27
		\$ 10,442	\$ 9,784

The Company expects to recognize the following amortization expense (in thousands):

	Amortization Expense
2023	\$ 31,339
2024	41,873
2025	39,370
2026	29,324
2027	21,083
2028 and after	47,128
Total intangible amortization	\$ 210,117

## 12. OTHER NONCURRENT ASSETS

The following table summarizes the Company's components of other noncurrent assets (in thousands):

	March 31, 2023	December 31, 2022
Right of use asset	\$ 22,515	\$ 22,147
Other investments	2,000	2,000
Long-term deposits	491	573
Other	3,455	3,043
Total other noncurrent assets	\$ 28,461	\$ 27,763



### 13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

The following table summarizes the Company's components of accrued expenses and other current liabilities (in thousands):

	March 31, 2023	December 31, 2022
Compensation and benefits related	\$ 8,396	\$ 8,058
Warranty reserve	4,385	4,301
Current portion of contingent consideration	1,754	2,587
Current portion of acquisition consideration	1,603	1,750
Franchise and royalty fees	1,946	1,448
Inventory purchases	1,296	925
Professional services	804	917
2027 Notes Interest	3,267	901
Commissions	485	897
Income tax payable	679	761
Sales and use and franchise taxes	449	286
Other	2,962	3,892
Total accrued expenses and other current liabilities	<u>\$ 28,026</u>	<u>\$ 26,723</u>

The Company recorded warranty reserve as of March 31, 2023 and December 31, 2022, respectively, as follows (in thousands).

	March 31, 2023	December 31, 2022
Warranty reserve, at the beginning of the period	\$ 4,301	\$ 4,048
Warranty reserve assumed in acquisition	4	—
Additions to warranty reserve	252	4,484
Claims fulfilled	(172)	(4,231)
Warranty reserve, at the end of the period	<u>\$ 4,385</u>	<u>\$ 4,301</u>

### 14. DEBT

**2027 Convertible Notes**—In May 2022, the Company issued an aggregate of \$115.0 million principal amount of convertible senior notes due in 2027 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The 2027 Notes consisted of \$100.0 million initial placement and an over-allotment option that provided the initial purchasers of the 2027 Notes with the option to purchase an additional \$15.0 million aggregate principal amount of the 2027 Notes, which was fully exercised. The 2027 Notes were issued pursuant to an indenture dated May 13, 2022. The net proceeds from the issuance of the 2027 Notes were \$111.4 million, after deducting the initial purchasers' discounts and commissions and our estimated offering expenses. The issuance costs will be treated as a debt discount for accounting purposes, which will be amortized into interest expense over the term of the 2027 Notes.

The 2027 Notes are senior unsecured obligations. The 2027 Notes accrue interest at a rate of 6.0% per annum, payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2022. The 2027 Notes will mature on May 15, 2027, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date.

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Before November 15, 2026, holders of the 2027 Notes will have the right to convert their 2027 Notes only upon the occurrence of certain events and during specified periods, including:

- if the last reported sale price per share of the Company's Common Stock, par value \$0.0001 per share exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- if during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the "measurement period") in which the trading price per \$1,000 principal amount of 2027 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company's Common Stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on the Company's Class A common stock; or
- if the Company calls the 2027 Notes for redemption.

From and after November 15, 2026, holders of the 2027 Notes may convert their 2027 Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering cash and, if applicable, shares of its Class A common stock.

The initial conversion rate is 601.5038 shares of Class A common stock per \$1,000 principal amount of 2027 Notes, which represents an initial conversion price of approximately \$1.66 per share of Class A common stock. The conversion rate is subject to customary adjustments for certain events as described in the indenture governing the 2027 Notes. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the indenture governing the 2027 Notes) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Company may redeem for cash all or any portion of the 2027 Notes, at the Company's option, on or after May 20, 2025, and on or before the 40<sup>th</sup> scheduled trading day immediately before the maturity date, but only if certain liquidity conditions are satisfied and the last reported sales price of the Company's Class A common stock exceeds 130% of the conversion price then in effect on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice and (ii) the trading day immediately before the date the Company sends such notice.

However, the Company may not redeem less than all of the outstanding 2027 Notes unless at least \$100.0 million aggregate principal amount of 2027 Notes are outstanding and not called for redemption as of the time the Company sends the related redemption notice. The redemption price will be a cash amount equal to the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, calling any 2027 Note for redemption will constitute a Make-Whole Fundamental Change with respect to that 2027 Note, in which case the conversion rate applicable to the conversion of that 2027 Note will be increased in certain circumstances if it is converted after it is called for redemption.

If certain corporate events that constitute a "Fundamental Change" (as defined in the indenture governing the 2027 Notes) occur, then, subject to a limited exception for certain cash mergers, holders of the 2027 Notes may require the Company to repurchase their 2027 Notes at a cash repurchase price equal to the principal amount of the 2027 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company's Class A common stock.

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The 2027 Notes are valued as a single liability measured at amortized cost, which approximates fair value, as no other features require bifurcation and recognition as derivatives. The following table presents the outstanding principal amount and carrying value of the 2027 Notes as of the date indicated (in thousands):

	March 31, 2023	December 31 2022
Principal	\$ 115,000	\$ 115,000
Unamortized debt discount	(2,357)	(2,502)
Unamortized debt issuance costs	(626)	(664)
Net carrying value	<u>\$ 112,017</u>	<u>\$ 111,834</u>

The annual effective interest rate for the 2027 Notes was approximately 6.1%. Interest expense related to the 2027 Notes for the periods presented below are as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Coupon interest	\$ 1,725	\$ —
Amortization of debt discount	144	—
Amortization of transaction costs	39	—
Total interest expense	<u>\$ 1,908</u>	<u>\$ —</u>

**Bank Debt**—In connection with the acquisition of A.I.D.R.O., the Company acquired three loans (“Bank Loans”) totaling \$1.1 million in aggregate. The Bank Loans have term of 4.5 years and mature from September 2024 through September 2025, with interest rates ranging from 1.70% to 2.10%. Payments of principal and interest are made quarterly. During the three months ended March 31, 2023 and 2022, the Company paid \$0.1 million and \$0.1 million, respectively, and as of March 31, 2023, \$0.5 million remains outstanding. \$0.3 million of the outstanding debt is recorded within current portion of long-term debt, net of deferred financing costs and \$0.2 million is recorded within long-term debt, in the condensed consolidated balance sheets.

## 15. OTHER NONCURRENT LIABILITIES

The following table summarizes the Company’s components of other noncurrent liabilities (in thousands):

	March 31, 2023	December 31, 2022
Taxes payable	\$ 1,034	\$ 1,034
Other	2,133	325
Total other noncurrent liabilities	<u>\$ 3,167</u>	<u>\$ 1,359</u>

## 16. LEASES

### *Lessee*

At March 31, 2023, the Company recorded \$22.5 million as a right of use asset and \$23.8 million as a lease liability. At December 31, 2022, the Company recorded \$22.1 million as a right of use asset and \$23.6 million as a lease liability. The Company assesses its right of use asset and other lease-related assets for impairment. There were no impairments recorded related to these assets during the three months ended March 31, 2023 and the year ended December 31, 2022.

The Company reviews all supplier, vendor, and service provider contracts to determine whether any service arrangements contain a lease component. The Company identified two service agreements that contain an embedded lease. The agreements do not contain fixed or minimum payments, and the variable lease expense was immaterial during the three months ended March 31, 2023 and 2022.

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Information about other lease-related balances is as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Lease cost</b>		
Operating lease cost	\$ 1,501	\$ 1,460
Short-term lease cost	55	70
Variable lease cost	34	61
Finance lease cost	23	19
Total lease cost	<u>\$ 1,613</u>	<u>\$ 1,610</u>
<b>Other Information</b>		
Operating cash flows used in operating leases	\$ 1,730	\$ 1,464
Operating cash flows used in finance leases	21	21
Weighted-average remaining lease term—operating leases (years)	5.0	3.5
Weighted-average remaining lease term—finance leases (years)	7.1	7.6
Weighted-average discount rate—operating leases	4.5 %	3.9 %
Weighted-average discount rate—finance leases	3.1 %	1.5 %

The rate implicit in the lease is not readily determinable in most of the Company's leases, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease.

Future minimum lease payments under noncancelable operating leases, including immaterial future minimum lease payments under finance leases, at March 31, 2023, are as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 5,285	\$ 62
2024	5,505	78
2025	4,721	77
2026	3,796	77
2027	3,505	77
2028 and after	2,966	317
Total lease payments	<u>25,778</u>	<u>688</u>
Less amount representing interest	(2,598)	(83)
Total lease liability	<u>23,180</u>	<u>605</u>
Less current portion of lease liability	(6,042)	(64)
Lease liability, net of current portion	<u>\$ 17,138</u>	<u>\$ 541</u>

In February 2022, the Company amended its existing facility lease for the ExOne European headquarters and operating facility in Gersthofen, Germany, extending the lease term set to expire in December 2022 through December 2027, with the option to extend for two additional five-year extension periods. The rent is fixed through December 31, 2024, for an aggregate annual rent totaling \$1.7 million, plus applicable taxes and is subject to adjustment on an annual basis thereafter (in accordance with the consumer price index for Germany) through December 31, 2027.

## 17. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

From time to time, the Company may face legal claims or actions in the normal course of business. At each reporting date, the Company evaluates whether a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs

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related to its legal proceedings. While the outcome of these claims cannot be predicted with certainty, management does not believe the outcome of any current legal proceedings will have a material adverse impact on the Company's condensed consolidated financial statements.<sup>f</sup>

As previously disclosed, between September 2021 and the closing of the ExOne Merger on November 12, 2021, twelve putative class action complaints were filed by purported ExOne shareholders against ExOne and the former ExOne Board of Directors alleging violations of federal securities laws in connection with the S-4 filed by ExOne for the ExOne Merger. All have been dismissed.

As previously disclosed, on November 8, 2021, another purported stockholder, Leo Lissog Goldstein, filed a Section 220 complaint in Delaware Chancery Court against ExOne (Goldstein v. The ExOne Company, Case No. 2021-0958-KSJM). Mr. Goldstein seeks to discover certain books and records of the company related to the ExOne Merger purportedly in order to investigate, among other things, the events leading up to and the disclosures made in connection with the ExOne Merger. Mr. Goldstein has also moved to intervene and stay the Campanella action, discussed below, until his Section 220 action is complete. Mr. Goldstein dismissed his complaint on February 14, 2023.

As previously disclosed, on November 22, 2021, purported stockholder Pietro Campanella filed a class action lawsuit against ExOne, Desktop Metal, Inc., and former ExOne directors and officers alleging breach of fiduciary duties and aiding and abetting breach of fiduciary duties in connection with the ExOne Merger (Campanella v. The ExOne Company et al., Case No. 2021-1013, Case No. 2021-1013-LWW). In particular, Mr. Campanella alleges that ExOne's proxy statement and supplemental disclosures did not adequately disclose information related to a whistleblower investigation at one of Desktop Metal's subsidiaries, EnvisionTEC, and the resignation of EnvisionTEC's CEO.

As previously disclosed, on December 21, 2021, January 14, 2022, February 2, 2022 and February 22, 2022, four alleged shareholders of Desktop Metal stock filed purported securities class action complaints in the United States District Court for the District of Massachusetts. (Luongo v. Desktop Metal, D. Mass., Case No. 1:21-cv-12099-IT; Hathaway v. Desktop Metal, D. Mass., Case No. 1:22-cv-10059-IT; Guzman-Martinez v. Desktop Metal, D. Mass., Case No. 1:22-cv-10173, Xie v. Desktop Metal, Case No. 1:22-cv-10297-IT). Each complaint alleges that Desktop Metal and certain of its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act by making false or misleading statements regarding EnvisionTEC's manufacturing and product compliance practices and procedures. On February 4, 2022, the court issued an order consolidating the first three District of Massachusetts securities class actions. On July 7, 2022, the court appointed Sophia Zhou lead plaintiff for the class period of February 17, 2021 through November 15, 2021. The court also vacated its earlier order consolidating the *Xie* action with the other lawsuits and will allow that action to proceed separately, with a new notice to investors, based on a class period of January 15, 2021 to February 16, 2021. On September 29, 2022, the Court re-consolidated the *Xie* action with the other actions for all pre-trial proceedings. Plaintiffs filed a Consolidated Complaint on December 19, 2022. On February 28, 2023, Defendants moved to dismiss the Consolidated Complaint. The parties will complete briefing on the motion to dismiss in May 2023.

As previously disclosed, on July 12, 2022, two alleged shareholders of Desktop Metal stock filed derivative actions purportedly on behalf of Desktop Metal in the United States District Court for the District of Massachusetts. (Keyser v. Fulop, et al., Case No. 1:22-cv-11117; Qi v. Fulop, et al., Case No. 1:22-cv-11118). On July 22, 2022, an alleged shareholder of Desktop Metal stock filed a similar derivative complaint in the United States District Court for the District of Delaware (Cherry v. Fulop, et al., Case No. 1:22-cv-00962). The complaints allege that certain officers and directors of Desktop Metal caused harm to the Company by violating Section 14(A) of the Exchange Act and SEC Rule 14a-9 and breaching their fiduciary duties by making false or misleading statements regarding EnvisionTEC's manufacturing and product compliance practice and procedures. The matters are stayed pending the outcome of Defendants' motion to dismiss in the D. Mass. securities class action.

As previously disclosed, on February 9, 2023, purported stockholder Jeffrey Schantz sent a demand letter to the company, requesting certain books and records of the company related to the December 8, 2020 transaction in which Trine Acquisition Corp. ("Trine"), a SPAC, merged with Desktop Metal.

The Company believes that these complaints are all without merit and intends to defend against them vigorously.

## Commitments

The Company has entered into legally binding agreements with certain suppliers to purchase materials used in the manufacturing of the Company's products. As of March 31, 2023, the Company had outstanding purchase orders with contract manufacturers in the amount of \$47.2 million which are not included in the condensed consolidated balance sheets. The Company has an additional purchase commitment of \$22.0 million through 2027 for equipment that it plans to lease to customers in connection with digital dentistry solution offerings related to the Desktop Labs platform.

The Company has also entered into licensing and royalty agreements with certain manufacturing and software companies and universities related to the use of patented technology. Under the terms of each agreement, the Company has made initial, immaterial one-time payments and is obligated to pay a set percentage, ranging from 4% - 13%, of all consideration received by the Company for sales of related products and services, until the agreements are terminated. The Company's aggregate minimum annual commitment under these contracts is \$0.6 million. During the three months ended March 31, 2023 and 2022, the Company recorded immaterial licensing and royalty fees.

As a result of the acquisition of ExOne, the Company assumed short-term financial guarantees and letters of credit. Within the Company's normal course of operations, it issues these short-term financial guarantees and letters of credit through a credit facility with a German bank to third parties in connection with certain commercial transactions requiring security. The credit facility provides a capacity amount of \$5.4 million for the issuance of financial guarantees and letters of credit for commercial transactions requiring security. The credit facility does not require cash collateral for the issuance of financial guarantees and letters of credit for commercial transactions requiring security for amounts up to \$1.1 million. Amounts in excess of \$1.1 million require cash collateral under the credit facility.

At March 31, 2023, total outstanding financial guarantees and letters of credit issued by the Company under the credit facility were \$4.0 million, of which \$1.2 million have expiration dates ranging from March 2023 to January 2024, and the remaining \$2.8 million with no expiration date. At March 31, 2023, cash collateral of \$4.0 million was required for financial guarantees and letters of credit issued under the credit facility, and is included in current portion of restricted cash in the consolidated balance sheets.

## 18. INCOME TAXES

The Company's provision for interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items arising in that quarter. The Company's effective tax rate differs from the U.S. statutory tax rate primarily due to valuation allowances on its deferred tax assets as it is more likely than not that some or all of the Company's deferred tax assets will not be realized. During the three months ended March 31, 2023 and 2022, the Company recorded an income tax benefit of \$0.6 million and \$1.3 million, respectively.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's consolidated financial statements and tax returns. Deferred tax assets and liabilities are determined based upon the differences between the consolidated financial statements carrying amounts and the tax bases of existing assets and liabilities and for loss and credit carryforwards, using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse. As a result of the fact that the Company has incurred tax losses from inception, the Company maintains that it is more likely than not that the Company would not realize the benefits of federal and state net deferred tax assets nor the benefits of deferred tax assets in certain non-U.S. jurisdictions.

The Company provides reserves for potential payments of taxes to various tax authorities related to uncertain tax positions. Amounts recognized are based on a determination of whether a tax benefit taken by the Company in its tax filings or positions is "more likely than not" to be sustained on audit. The amount associated with uncertain tax positions are recorded as a component of income tax expense. As of March 31, 2023, the Company has accrued uncertain tax positions of approximately \$1.0 million related to the EnvisionTEC acquisition. The amounts relate to U.S. state and foreign tax positions. Included in the balance of unrecognized tax benefits as of March 31, 2023 are amounts that, if recognized, would impact the effective tax rate. As of December 31, 2022, the Company had a liability of \$1.0 million for uncertain tax positions acquired in various acquisitions during 2021. At December 31, 2022, the Company had a balance in accrued interest and penalties related to uncertain tax positions of \$0.2 million.

## 19. STOCKHOLDERS' EQUITY

The Company's authorized shares consisted of 500,000,000 shares of Class A Common Stock, \$0.0001 par value per share (the "Common Stock") and 50,000,000 shares of Preferred Stock, \$0.0001 par value per share (the "Preferred Stock").

## 20. STOCK BASED COMPENSATION

In 2015, the Board of Directors approved the adoption of the 2015 stock incentive plan (the "2015 Plan"). The 2015 Plan allowed for the award of incentive and nonqualified stock options, restricted stock, and other stock-based awards to employees, officers, directors, consultants, and advisers of the Company. Awards could be made under the 2015 Plan for up to 26,283,789 shares of Common Stock. Option awards expire 10 years from the grant date and generally vest over four years; however, vesting conditions can vary at the discretion of our Board of Directors.

As part of the acquisition of Make Composites, Inc. ("Make") in 2019, the Company assumed the 2018 equity incentive plan of Make (the "Make Plan"). The Make Plan allows for the award of incentive and nonqualified stock options and warrants for those employees and contractors that were hired as part of the acquisition. The Make Plan allowed for 232,304 options and warrants to be issued, which were issued in 2019, with no additional options to be issued in the future. Option awards expire 10 years from the grant date and generally vest over four years; however, vesting conditions can vary at the discretion of our Board of Directors.

In December 2020, the Board of Directors and stockholders of the Company approved the adoption of the 2020 Incentive Award Plan (the "2020 Plan" and together with the 2015 Plan and the Make Plan, the "Plans"), which became effective on the date of the Business Combination. Upon effectiveness of the 2020 Plan, the Company ceased granting new awards under the 2015 Plan.

The 2020 Plan allows for the award of incentive and nonqualified stock options, restricted stock, and other stock-based awards to employees, officers, directors, consultants, and advisers of the Company. The number of shares of common stock initially available for issuance under the 2020 Plan was 12,400,813 shares of common stock plus the number of shares subject to awards outstanding under the 2015 Plan that expire, lapse, terminate, or are exchanged for cash, surrendered, repurchased, or canceled without having been fully exercised or forfeited. In addition, the number of shares of common stock available for issuance under the 2020 Plan is subject to an annual increase on the first day of each calendar year beginning on January 1, 2021 and ending on and including January 1, 2030 equal to the lesser of (i) 5% of the aggregate number of shares of common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares as is determined by the Board of Directors. On January 1, 2022, 15,573,698 shares were added as available for issuance to the 2020 Plan.

### Stock Options

The option activity of the Plans for the three months ended March 31, 2023, is as follows (shares in thousands):

	Number of Shares	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2023	8,423	\$ 1.83	6.02	\$ 922,092
Exercised	(496)	\$ 1.20		
Forfeited/expired	(156)	\$ 2.12		
Outstanding at March 31, 2023	7,771	\$ 1.86	5.70	4,720
Options vested at March 31, 2023	6,770	\$ 1.92	5.47	3,829
Options vested or expected to vest at March 31, 2023	7,763	\$ 1.86	5.70	4,713

The aggregate intrinsic value of options exercised during the three months ended March 31, 2023 and 2022, was \$0.5 million and \$2.5 million, respectively.

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The total stock-based compensation expense related to stock options was \$0.4 million and \$0.9 million during the three months ended March 31, 2023 and 2022, respectively. Total unrecognized stock-based compensation expense related to unvested stock options at March 31, 2023, aggregated \$1.8 million and is expected to be recognized over a weighted-average period of 1.3 years.

*Performance-Based Stock Options (included above)*

During the year ended December 31, 2020, 560,256 performance-based stock options were granted to key employees of the Company. These awards vest upon the achievement of certain performance milestones by the Company and prescribed service milestones by the employee. During the year ended December 31, 2021, 83,958 performance-based stock options were forfeited due to employee termination. During the year ended December 31, 2022, 290,038 performance-based stock options were forfeited due to employee termination and the remaining 186,260 performance-based stock options outstanding expired without vesting as the performance milestones were not achieved by the Company, as such, there is no unrecognized compensation cost related to these awards.

### Restricted Stock Awards

In connection with acquisitions, the Company has granted restricted stock awards (“RSAs”) that are considered post-combination expense and accounted for as stock-based compensation as the shares vest.

The activity for stock subject to vesting as of March 31, 2023, is as follows (shares in thousands):

	Shares Subject to Vesting	Weighted-Average Grant Date Fair Value
Balance of unvested shares as of January 1, 2023	102	\$ 8.78
Vested	(25)	\$ 1.94
Balance of unvested shares as of March 31, 2023	<u>77</u>	<u>\$ 8.78</u>

The total stock-based compensation expense related to RSAs during the three months ended March 31, 2023 and 2022 was \$0.2 million and \$0.4 million, respectively. At March 31, 2023, the total unrecognized stock-based compensation expense related to unvested RSAs is \$0.6 million and is expected to be recognized over a weighted-average period of 0.9 years.

### Restricted Stock Units

Restricted Stock Units (“RSUs”) awarded to employees and non-employees generally vest over four years from the anniversary date of the grant, with one-year cliff vesting and quarterly vesting thereafter, provided service with the Company is not terminated. The fair value of RSUs is equal to the estimated fair market value of the Company’s Common Stock on the date of grant.

RSU activity under the 2020 Plan for the three months ended March 31, 2023, is as follows (shares in thousands):

	Shares Subject to Vesting	Weighted-Average Grant Date Fair Value
Balance of unvested shares as of January 1, 2023	22,145	\$ 4.15
Granted	3,895	\$ 1.91
Vested	(1,808)	\$ 4.90
Cancelled/Forfeited	(1,356)	\$ 4.09
Balance of unvested shares as of March 31, 2023	<u>22,876</u>	<u>\$ 3.71</u>

The total stock-based compensation expense related to RSUs during the three months ended March 31, 2023 and 2022 was \$8.7 million and \$8.6 million, respectively. Total unrecognized compensation costs related to unvested RSUs at March 31, 2023, is \$67.6 million and is expected to be recognized over a period of 2.7 years.

RSUs include awards that vest subject to certain performance and market-based criteria.



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*Performance-Based Restricted Stock Units (included above)*

During the year ended December 31, 2021, 670,000 performance-based RSUs were granted to key employees of the Company. These awards vest upon the achievement of certain performance milestones by the Company and prescribed service milestones by the employee. No performance-based RSUs vested during the years ended December 31, 2022 and 2021. During the year ended December 31, 2021, 120,000 awards expired due to performance milestones not being achieved. During the year ended December 31, 2022, 400,000 performance-based RSUs were forfeited due to employee termination. During the three months ended March 31, 2023, no performance-based RSUs vested or were forfeited. As of March 31, 2023, 150,000 performance-based RSUs remain outstanding.

During the year ended December 31, 2020, 124,300 performance-based RSUs were granted to a key employee of the Company. This award vests upon the achievement of certain performance milestones by the Company and prescribed service milestones by the employee. No performance-based RSUs vested during the years ended December 31, 2022 and 2021, or during the three months ended March 31, 2023. As of March 31, 2023, 124,300 performance-based RSUs remain outstanding.

*Market-Based Restricted Stock Units (included above)*

In October 2021 the Compensation Committee of the Company's Board of Directors awarded certain executive officers a total of up to 9,070,269 market-based RSUs. These RSUs will vest and result in the issuance of shares of Common Stock based on continuing employment and the achievement of certain market conditions set by the Company.

During the year ended December 31, 2021, one of the executive officers resigned from the Company, forfeiting his market-based RSUs. As the service condition was not met prior to his resignation, no stock-based compensation expense was recorded for this award. No market-based RSUs vested or were forfeited during the year ended December 31, 2022 or during the three months ended March 31, 2023. As of March 31, 2023, 6,802,702 market-based RSUs remain outstanding.

*Bonus Program*

In June 2022, the Compensation Committee approved an amendment to the Company's bonus program ("2022 Bonus Program"). Certain employees were granted dollar bonus amounts, which were paid out in RSUs during the three months ended March 31, 2023. The number of RSUs awarded was determined using the closing price of the Company's Common Stock on the date of the Board's final certification of the Company's performance attainment and awards to be issued to each employee. The Company accounted for these awards as liability-based awards until the awards were achieved, at which point the Company accounted for these awards as equity-based awards.

The Company's 2023 bonus program ("2023 Bonus Program") will be paid out in RSUs determined using the closing price of the Company's Common Stock on the date of the Board's final certification of the Company's performance attainment and awards to be issued to each employee. The Company has accounted for these awards as liability-based awards, since the monetary value of the obligation associated with the award is based predominantly on a fixed monetary amount known at inception, and it has an unconditional obligation that it must or may settle by issuing a variable number of its equity shares. The Company will recognize stock-based compensation expense over the employees' requisite service period, based on the expected attainment of the Company-wide targets. As of March 31, 2023, the Company has accrued \$1.6 million associated with these awards, which is recorded in accrued expenses and other current liabilities in the condensed consolidated balance sheets.

*Stock-Based Compensation Expense*

Total stock-based compensation expense related to all of the Company's stock-based awards granted is reported in the consolidated statements of operations as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Research and development	\$ 4,277	\$ 4,720
General and administrative expense	3,968	3,420
Sales and marketing expense	388	1,285
Cost of sales	680	487
Total stock-based compensation expense	<u>\$ 9,313</u>	<u>\$ 9,912</u>

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During the three months ended March 31, 2023, the Company recognized \$1.6 million of stock-based compensation expense associated with liability classified awards related to the 2023 Bonus Program. During the three months ended March 31, 2022, the Company did not recognize any stock-based compensation expense associated with liability classified awards.

There were 31,287,066 shares available for award under the 2020 Plan at March 31, 2023.

## 21. RELATED PARTY TRANSACTIONS

As a result of other acquisitions, the Company assumed lease agreements with related parties for facilities across the United States which extend through 2029. As of March 31, 2023, the Company recorded \$4.7 million of right of use asset and lease liability. During the three months ended March 31, 2023 and 2022, the Company paid lease expense of \$0.2 million and \$0.1 million, respectively, to the related party. The Company's annual commitment related to these lease agreements is \$0.8 million.

The Company sells products to Lightforce Orthodontics which is affiliated with a member of the Company's Board of Directors. Management believes the sales were conducted on terms equivalent to those prevailing in an arm's-length transaction. During the three months ended March 31, 2023, the Company recognized \$0.4 million of revenue from Lightforce Orthodontics. As of March 31, 2023, the Company has an account receivable balance of \$0.4 million with Lightforce Orthodontics.

## 22. SEGMENT INFORMATION

In its operation of the business, management, including the Company's chief operating decision maker, who is also Chief Executive Officer, reviews the business as one segment. The Company currently ships its product to markets in the Americas, Europe Middle East and Africa ("EMEA"), and Asia Pacific ("APAC"). Disaggregated revenue data for those markets is as follows (in thousands):

### Revenue for the three months ended March 31, 2023

	Americas	EMEA	APAC	Total
Products	\$ 24,258	\$ 8,722	\$ 3,717	\$ 36,697
Services	2,783	1,537	299	4,619
Total	<u>\$ 27,041</u>	<u>\$ 10,259</u>	<u>\$ 4,016</u>	<u>\$ 41,316</u>

### Revenue for the three months ended March 31, 2022

	Americas	EMEA	APAC	Total
Products	\$ 27,929	\$ 8,593	\$ 2,954	\$ 39,476
Services	2,806	1,200	224	4,230
Total	<u>\$ 30,735</u>	<u>\$ 9,793</u>	<u>\$ 3,178</u>	<u>\$ 43,706</u>

During the three months ended March 31, 2023 and 2022, the Company recognized the following revenue from service contracts and cloud-based software licenses over time, and hardware and consumable product shipments and subscription software at a point in time (in thousands):

	Three Months Ended March 31,	
	2023	2022
Revenue recognized at a point in time	\$ 36,697	\$ 39,476
Revenue recognized over time	4,619	4,230
Total	<u>\$ 41,316</u>	<u>\$ 43,706</u>

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The Company's operations are principally in the United States. The locations of long-lived assets, including property, plant and equipment, net and operating lease right-of-use assets, are summarized as follows (in thousands):

	March 31, 2023	December 31, 2022
Americas	\$ 46,339	\$ 56,145
EMEA	16,270	16,399
APAC	6,441	5,874
Total long-lived assets	<u>\$ 69,050</u>	<u>\$ 78,418</u>

### 23. NET LOSS PER SHARE

The Company computes basic loss per share using net loss attributable to Common Stockholders and the weighted-average number of Common Stock shares outstanding during each period. Diluted earnings per share include shares issuable upon exercise of outstanding stock options and stock-based awards where the conversion of such instruments would be dilutive.

<u>(in thousands, except per share amounts)</u>	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Numerator for basic and diluted net loss per share:		
Net loss	\$ (52,642)	\$ (69,944)
Denominator for basic and diluted net loss per share:		
Weighted-average shares	319,096	312,017
Net loss per share—Basic and Diluted	<u>\$ (0.16)</u>	<u>\$ (0.22)</u>

The Company's potential dilutive securities, which include outstanding Common Stock options, unvested restricted stock units, unvested restricted stock awards and outstanding Common Stock warrants, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding as of March 31, 2023 and 2022, from the computation of diluted net loss per share attributable to common stockholders because including them would have an anti-dilutive effect (in thousands):

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Common Stock options outstanding	7,771	12,179
Unvested restricted stock units outstanding	22,876	21,010
Unvested restricted stock awards outstanding	77	175
6.0% Convertible Senior Notes due 2027	86,466	—
Total shares	<u>117,190</u>	<u>33,364</u>

The dilution table above excludes RSUs to be awarded under the Company's 2022 Bonus Program, which is expected to have an impact on its outstanding awards in the first quarter of 2023. Refer to *Note 19. Stock-Based Compensation* for further details on the Company's Bonus Program.

### 24. RESTRUCTURING CHARGES

In June 2022, the Board of Directors approved a strategic integration and cost optimization initiative that includes a global workforce reduction, facilities consolidation, and other operational savings measures. As part of the facilities consolidation, the Company has approved plans to sell two facilities and relocate operations from those locations to existing facilities. The purpose of the Initiative is to streamline the Company's operational structure, reducing its operating expenses and managing its cash flows.

In January 2023, the Company committed to additional action to continue and expand the Initiative, resulting in an estimated \$19.6 million to \$26.0 million of additional restructuring costs. The Company anticipates that the Initiative will be substantially complete by the end of 2023.

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During the three months ended March 31, 2023, the Company recorded the following activity related to the Initiative in accrued expenses and other current liabilities on the balance sheet (in thousands):

	Three Months Ended March 31,	
	2023	2022
Accrued expenses, beginning of period	\$ 1,096	\$ —
Restructuring charges	3,618	—
Cash payments	(1,164)	—
Inventory write-off	(300)	—
Accrued expenses, end of period	<u>\$ 3,250</u>	<u>\$ —</u>

As of March 31, 2023, the Company recorded \$3.3 million of restructuring charges in accrued expenses and other current liabilities in the condensed consolidated balance sheet.

During the three months ended March 31, 2023, the Company recorded restructuring charges of \$3.6 million related to employee severance, benefits and related costs, inventory write-offs, royalty expenses associated with discontinued product offerings, and facility consolidations which were expensed as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cost of sales	\$ 717	\$ —
Research and development	2,633	—
Sales and marketing	126	—
General and administrative	142	—
Total restructuring charges	<u>\$ 3,618</u>	<u>\$ —</u>

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Quarterly Report on Form 10-Q contains forward-looking statements. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth, trends, events, and our objectives for future operations, are forward-looking statements. The words "may," "will," "expect," "anticipate," "believe," "intend," "project," "could," "would," "estimate," "potential," "continue," "plan," "target," or the negative of these words or similar expressions are intended to identify forward-looking statements.*

*The forward-looking statements included herein are based on current expectations of management. Actual results may differ from those expressed in forward-looking statements due to additional factors, including those set forth in Item 1A. "Risk Factors" elsewhere in this Quarterly Report on Form 10-Q. Although we believe that expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, performance, or achievements. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances, or otherwise.*

*You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.*

### Business Overview

Desktop Metal is pioneering a new generation of additive manufacturing technologies focused on Additive Manufacturing 2.0, the volume production of end use parts. We offer a comprehensive portfolio of integrated additive manufacturing solutions comprised of hardware, software, materials, and services with support for metals, polymers, elastomers, ceramics, sands, composites, wood, and biocompatible materials. Our solutions span use cases across the product life cycle, from product development to mass production and aftermarket operations, and they address an array of industries, including automotive, healthcare and dental, consumer products, heavy industry, aerospace, machine design and research and development.

Our growth strategy begins with a commitment to research and development. Since our founding in 2015, we have invested significant resources in research and development towards building an extensive portfolio of proprietary and differentiated technologies with a focus on making additive manufacturing an easy-to-use, economic, and scalable solution. These technologies represent the cornerstones of our future product introductions, are critical to enhancing our existing offerings, and are supported by over 950 patents or pending patent applications. Our additive manufacturing platforms, which leverage these technologies for the production of tools and end-use parts, enable businesses to address their specific goals through a range of solutions that span price points, throughput levels and operating environments.

Our product platforms offer several key advantages over competitive additive manufacturing systems including breakthrough print speeds, competitive part costs, accessible workflows and software, turnkey solutions and support for an extensive library of qualified materials, the sale of which represent a recurring revenue stream from customers of our additive manufacturing solutions in addition to system consumables and other services, such as installation, training and technical support. As a result of these strengths, our solutions are lowering the barriers to adopting additive manufacturing and unlocking new applications where conventional manufacturing has customarily held cost and volume advantages. Across printers, parts, and materials, we intend to continue investing to advance our current technology portfolio and develop new technologies that allow us to serve a broader customer base and reach new verticals, thereby expanding our addressable market and driving adoption of Additive Manufacturing 2.0.

We leverage our core competencies in technology innovation and product development by marketing and selling our Additive Manufacturing 2.0 solutions through a leading global distribution network, managed and augmented by our own internal sales and marketing teams. This distribution network, which covers over 65 countries around the world, is composed of sales and distribution professionals with decades of experience in digital manufacturing technologies and works alongside our direct sales force to market and sell products across a range of industries and price points. Similarly, our internal manufacturing and supply chain teams to work

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collaboratively with our internal engineering department and third-party contract manufacturers to scale up initial prototypes for commercialization and volume commercial shipments. Together, our hybrid distribution and manufacturing approaches allow us to produce, sell and service our products at-scale in global markets and create substantial operating leverage as we execute our strategy.

Our proprietary technology solutions also serve as the foundation for product parts offerings in which we directly manufacture parts for sale to our customers with a focus on key applications and verticals in which additive manufacturing can provide significant design, performance, cost, and supply chain advantages relative to conventional manufacturing. These offerings will enable us to provide a more holistic suite of solutions for our customers and enable the accelerated adoption of our Additive Manufacturing 2.0 solutions across select high-value production applications, which we refer to as “killer apps”, including, but not limited to, medical and dental devices, fluid power systems, and sustainable, end-use wood parts. We believe such offerings will not only create a high-margin revenue stream but will also facilitate lead generation for our additive manufacturing systems at scale and enable high-performance and specialized applications using new materials ahead of broader market introduction.

### **Operating Results**

For the three months ended March 31, 2023, we recognized revenues of \$41.3 million and incurred net losses of \$52.6 million. As of March 31, 2023, we used cash in operating activities of \$37.3 million, and we ended the period with \$149.9 million of cash, cash equivalents, and short-term investments. As of March 31, 2023, we had \$101.3 million in cash and cash equivalents, \$48.6 million in short-term liquid investments, and current liabilities of \$83.5 million.

### **Recent Developments**

#### ***Strategic Integration and Cost Optimization Initiative***

On June 10, 2022, the Board of Directors approved a strategic integration and cost optimization initiative that included a global workforce reduction, facilities consolidation, and other operational savings measures (the “Initiative”). The purpose of the Initiative is to streamline our operational structure, reduce our operating expenses and manage our cash flows. We have commenced workforce reductions in the United States and other countries and are planning for additional workforce changes, the timing of which will vary according to local regulatory requirements. On January 31, 2023, we committed to additional actions to continue and expand the Initiative. These additional actions include closing and consolidating select locations in the United States and Canada and reducing our workforce by an additional 15%, prioritizing investments and operations in line with near-term revenue generation, positioning us to achieve our long-term financial goals.

For all committed restructuring activities under the Initiative, we expect to incur total pre-tax restructuring charges of \$19.6 million to \$26.0 million related to one-time termination benefits and associated costs, inventory write-offs, lease termination and equipment exit costs, and contract termination costs. As a result of the Initiative, we realized \$20.7 million of cost savings in the second half of 2022 and expect annualized cost savings of \$100 million in 2023. We continue to anticipate that the Initiative will be substantially complete by the end of 2023.

#### ***COVID-19***

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. In response to the pandemic, governments around the world implemented safety precautions which included quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures as they deemed necessary. Many organizations and individuals, including our company and employees, took additional steps to avoid or reduce infections, including limiting travel and staying home from work. These measures disrupted normal business operations and had significant negative impacts on businesses and financial markets worldwide. In 2021, with the availability of vaccines against COVID-19, restrictions on social, business travel and government activities and functions in certain areas of the world began to be lifted, but infection rates continue to fluctuate, and new variants continue to appear, leading to continued uncertainty about the pandemic. While we have largely returned to our normal operations, we continue to monitor our operations and government recommendations to maintain readiness to implement modifications if conditions warrant.

In the long-term, we believe that the COVID-19 pandemic and the subsequent disruptions in global supply chains and logistics networks will encourage organizations to reassess their supply chain structure and may accelerate their adoption of solutions such as

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additive manufacturing, which could allow for greater flexibility through decentralized production capabilities, on-demand inventory resiliency, reductions in supply chain complexity and a reduced reliance on overseas manufacturing.

### **Key Factors Affecting Operating Results**

We believe that our performance and future success depend on many factors that present significant opportunities for us, but also pose risks and challenges, including those discussed below and in “*Risk Factors*” section of this Quarterly Report on Form 10-Q.

#### *Adoption of our Additive Manufacturing Solutions*

We believe the world is at an inflection point in the adoption of additive manufacturing solutions and that we are well-positioned to take advantage of this opportunity across an array of industries due to our proprietary technologies and global distribution capabilities. We expect that our results of operations, including revenue and gross margins, will fluctuate for the foreseeable future as businesses continue to shift away from conventional manufacturing processes towards additive manufacturing for end-use parts. Our turnkey and volume production solutions are designed to empower businesses to realize the full benefits of additive manufacturing at-scale, including geometric and design flexibility, mass customization and supply chain engineering, among others. The degree to which potential and current customers recognize these benefits and invest in our solutions will affect our financial results.

#### *Pricing, Product Cost and Margins*

We offer customers a range of additive manufacturing solutions spanning multiple price points, materials, throughput levels, operating environments, and technologies to enable them to find the solution that achieves their specific goals. Pricing for these products may vary by region due to market-specific supply and demand dynamics and product lifecycles, and sales of certain products have, or are expected to have, higher gross margins than others. As a result, our financial performance depends, in part, on the mix of products we sell during a given period. In addition, we are subject to price competition, and our ability to compete in key markets will depend on the success of our investments in new technologies and cost improvements as well as our ability to efficiently and reliably introduce cost-effective additive manufacturing solutions for our customers.

#### *Continued Investment and Innovation*

We believe that we are a leader in mass production and turnkey additive manufacturing solutions, offering breakthrough technologies that enable high throughput and ease-of-use through our broad product portfolio. Our performance is significantly dependent on the investment we make in our research and development efforts and on our ability to be at the forefront of the additive manufacturing industry. It is essential that we continually identify and respond to rapidly evolving customer requirements, develop and introduce innovative new products, enhance existing products and generate customer demand for our solutions. We believe that investment in our additive manufacturing solutions will contribute to long-term revenue growth, but it may adversely affect our near-term profitability.

#### *Commercial Launch of Products*

We continually invest in the development of new products and enhancements to existing products to meet constantly evolving customer demands, and during the three months ended March 31, 2023, we launched a number of new products. Prior to commercialization of new products, we must complete final testing, procurement, and manufacturing ramp up of these products in-house or at our third-party contract manufacturers, as applicable. Any delays in successful completion of these steps may impact our ability to generate revenue from these products.

#### *Acquisitions and Transaction-Related Costs*

Our growth relies heavily on the successful integration of acquired companies, including our ability to realize the anticipated business opportunities from combining operations in an efficient and effective manner. We expect that the results of our operations will fluctuate as we continue to integrate these businesses, and the technologies, products, and services that they offer. Additionally, our results of operations will be impacted by non-recurring transaction-related costs, including integration costs, severance costs and other costs associated with these acquisitions.

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*Macroeconomic Conditions*

The current macroeconomic environment is impacting our customers financially and operationally. Customers and potential customers are facing significant financial pressure as supply chain constraints and inflation drive up operating costs and rising interest rates make access to credit more expensive. In recent months, the consumer price index has increased substantially. In addition, during inflationary periods, interest rates have historically increased. In March 2022, the Federal Reserve began, and is expected to continue, to raise interest rates in an effort to curb inflation. As a consequence of these financial pressures, some customers may be lowering their capital investment plans and tightening their operational budgets, which may result in extended sales cycles, delayed purchasing decisions, and pricing pressure for our solutions. Higher interest rates may also impact our ability to obtain debt financing at attractive rates. We experienced less revenue growth than we expected in the first quarter, due to the negative impact of customers delaying purchase decisions amidst an uncertain macroeconomic backdrop.

**Results of Operations**

**Comparison of the three months ended March 31, 2023, and March 31, 2022**

*Revenue*

The following table presents the revenue of each of our revenue streams, as well as the percentage of total revenue and change from the prior year.

(Dollars in thousands)	For the Three Months Ended March 31,				Change in Revenues	
	2023		2022		\$	%
	Revenue	% of Total	Revenue	% of Total		
Products Revenue	\$ 36,697	89 %	\$ 39,476	90 %	\$ (2,779)	(7) %
Services Revenue	4,619	11 %	4,230	10 %	389	9 %
<b>Total Revenue</b>	<b>\$ 41,316</b>	<b>100 %</b>	<b>\$ 43,706</b>	<b>100 %</b>	<b>\$ (2,390)</b>	<b>(5) %</b>

Total revenue for the three months ended March 31, 2023 and 2022 was \$41.3 million and \$43.7 million, respectively, a decrease of \$2.4 million, or 5%. Products revenue decreased primarily due to a reduction in units shipped during the first quarter of 2023, driven by the macroeconomic conditions impacting the additive manufacturing industry described above. The decrease in revenue was partially offset by an increase in Services revenue. Services revenue increased approximately 9% during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, primarily due to an increase in support and installation revenue from increased shipments during recent periods.

The following table presents revenue by geographic region, as well as the percentage of total revenue and change from the prior period.

(Dollars in thousands)	For the Three Months Ended March 31,				Change in Revenues	
	2023		2022		\$	%
	Revenue	% of Total	Revenue	% of Total		
Americas	\$ 27,041	65 %	\$ 30,735	70 %	\$ (3,694)	(12) %
EMEA (Europe, the Middle East and Africa)	10,259	26 %	9,793	23 %	466	5 %
APAC (Asia-Pacific)	4,016	10 %	3,178	7 %	838	26 %
<b>Total Revenue</b>	<b>\$ 41,316</b>	<b>101 %</b>	<b>\$ 43,706</b>	<b>100 %</b>	<b>\$ (2,390)</b>	<b>(5) %</b>

Total revenue increased during the three months ended March 31, 2023, compared to the three months ended March 31, 2022, due to an increase in unit shipments in the Americas region across a more varied product mix.

*Cost of Sales*

Total cost of sales during the three months ended March 31, 2023 and 2022 was \$42.7 million and \$45.0 million, respectively, a decrease of \$2.3 million or 5%. The decrease in cost of sales is partially driven by the decrease in units shipped during the first quarter



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of 2023. Additionally, we reduced payroll expense by \$1.9 million, associated with workforce reductions in connection with the Initiative described above. This reduction was partially offset by an increase of \$2.0 million in transportation and freight costs.

### **Gross Profit and Gross Margin**

The following table presents gross profit (loss) by revenue stream, as well as change in gross profit dollars from the prior period.

(Dollars in thousands)	For the Three Months Ended March 31,		Change in Gross	
	2023	2022	Profit	
	Gross Profit		\$	%
Products	\$ (2,194)	\$ (2,426)	\$ 232	(10)%
Services	830	1,098	(268)	(24)%
<b>Total</b>	<b>\$ (1,364)</b>	<b>\$ (1,328)</b>	<b>\$ (36)</b>	<b>3 %</b>

Total gross profit (loss) during the three months ended March 31, 2023 and 2022 was (\$1.4) million and (\$1.3) million, respectively. The decrease in gross loss of \$0.1 million was driven by a less favorable product mix sold and increases in transportation and freight costs.

The following table presents gross margin by revenue stream, as well as the change in gross margin from the prior period.

	For the Three Months Ended March 31,		Margin	
	2023	2022	Percentage	
	Gross Margin		Points	%
Products	(6)%	(6)%	0.00	0 %
Services	18 %	26 %	(0.08)	31 %
<b>Total</b>	<b>(3)%</b>	<b>(3)%</b>	<b>(0.00)</b>	<b>(10)%</b>

Total gross margin for the three months ended March 31, 2023 and 2022 was (3)% and (3)%, respectively. Gross margin remained flat period over period as revenue decreased in line with cost of sales. Savings from headcount reductions were offset by higher transportation and freight costs and additional costs incurred with inventory relocation related to the Initiative.

### **Research and Development**

Research and development expenses during the three months ended March 31, 2023 and 2022 were \$23.1 million and \$24.6 million, respectively, a decrease of \$1.5 million, or 6%. The decrease in research and development expenses was largely due to a reduction in payroll expense of \$1.5 million and a reduction in outside consulting services expense of \$1.4 million, both associated with workforce reductions in connection with the Initiative described above. Additionally, we made targeted spend reductions amounting to \$0.7 million on research and development materials. These reductions were offset by \$2.0 million of restructuring costs incurred with discontinued product lines.

### **Sales and Marketing**

Sales and marketing expenses during the three months ended March 31, 2023 and 2022 were \$9.6 million and \$19.7 million, respectively, a decrease of \$10.1 million, or 51%. The decrease in sales and marketing expenses was primarily due to a reduction in payroll expense of \$2.9 million and a reduction in stock compensation expense of \$1.0 million, both associated with workforce reductions in connection to the Initiative described above. Additionally, as part of the Initiative, we reduced marketing spend by \$3.4 million, primarily driven by reduced spend on trade shows, advertising, and professional services. Further, there was a reduction in partner commission expenses of \$1.0 million.

### **General and Administrative**

General and administrative expenses during the three months ended March 31, 2023 and 2022 were \$18.2 million and \$23.9 million, respectively, an decrease of \$5.7 million, or 24%. The decrease in general and administrative expenses was primarily due to a

decrease of \$2.9 million in accounting, auditing, and legal fees due to a reduction in merger and acquisition activity and associated integration activities. Additionally, the decrease is attributable to a reduction in payroll expense of \$2.7 million associated with workforce reductions in connection with the Initiative described above.

#### ***Interest Expense***

Interest expense during the three months ended March 31, 2023 was \$0.8 million, compared to no interest expense during the three months ended March 31, 2022. Interest expense increased due to the accrued interest on the 2027 Notes during the three months ended March 31, 2023.

#### ***Interest and Other (Expense) Income, Net***

Interest and other (expense) income, net during the three months ended March 31, 2023 and 2022 was (\$0.1) million and (\$1.8) million, respectively. The decrease in expense during the three months ended March 31, 2023, is attributable to a smaller loss on the investment in equity securities of a publicly-traded company.

#### ***Income Taxes***

We recorded an income tax benefit of \$0.6 million during the three months ended March 31, 2023, compared to an income tax benefit of \$1.3 million during the three months ended March 31, 2022. The increase was primarily due to the tax benefit of losses in non-U.S. jurisdictions during the three months ended March 31, 2023.

We have provided a valuation allowance for all of our deferred tax assets as a result of our historical net losses in the jurisdictions in which we operate, except for Japan and Belgium. We continue to assess our future taxable income by jurisdiction based on our recent historical operating results, the expected timing of reversal of temporary differences, various tax planning strategies that we may be able to enact in future periods, the impact of potential operating changes on our business and our forecast results from operations in future periods based on available information at the end of each reporting period. To the extent that we are able to reach the conclusion that deferred tax assets are realizable based on any combination of the above factors in a single, or multiple, taxing jurisdictions, a reversal of the related portion of our existing valuation allowances may occur.

#### **Non-GAAP Financial Information**

In addition to our results determined in accordance with GAAP, we believe the below non-GAAP financial measures are useful in evaluating our operational performance. We use this non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that this non-GAAP financial information, when taken collectively, may be helpful to investors in assessing our operating performance.

The non-GAAP financial information excludes, as applicable, stock-based compensation expense, amortization of acquired intangible assets, restructuring expenses, acquisition-related and other transactional charges, inventory step-up, in-process research and development assets acquired, goodwill impairment, change in fair value of investments and change in fair value of warrant liability. These items are normally included in the comparable measures calculated and presented in accordance with GAAP. Our management excludes these items when evaluating our ongoing performance and/or evaluating earnings potential, and therefore excludes them when presenting non-GAAP financial measures. Management uses non-GAAP financial measures to supplement our GAAP results.

*Stock-based compensation* is a non-cash expense relating to stock-based awards issued to executive officers, employees, and outside directors, consisting of options and restricted stock units. We exclude this expense because it is a non-cash expense and we assess our internal operations excluding this expense and believe it facilitates comparisons to the performance of other companies in our industry.

*Amortization of acquired intangible assets* is a non-cash expense that is impacted by the timing and magnitude of our acquisitions. We believe the assessment of our operations excluding these costs is relevant to an understanding of internal operations and to comparisons with the performance of other companies in our industry.

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*Restructuring expenses* are costs related to strategic integration and cost optimization initiatives which include global workforce reductions, facilities consolidation, and other operational savings measures. We believe the assessment of our operations excluding these costs is relevant to an understanding of internal operations and to comparisons with the performance of other companies in our industry.

*Acquisition-related and other transactional charges* are direct costs related to potential and completed acquisitions, including transaction fees, due diligence costs, severance, professional fees, and integration activities. Other transactional charges include third-party costs related to structuring unusual transactions. The occurrence and amount of these costs will vary depending on the timing and size of acquisitions. We believe excluding acquisition-related costs facilitates the comparison of our financial results to our historical operating results and to other companies in our industry.

*Change in fair value of investments* is a non-cash gain or loss impacted by the change in fair value of convertible debt instruments and the equity investment. We believe the assessment of our operations excluding this activity is relevant to an understanding of internal operations and to comparisons with the performance of other companies in our industry.

We use the below non-GAAP financial measures, and we believe that they assist our investors, to make period-to-period comparisons of our operational performance because they provide a view of our operating results without items that are not, in our view, indicative of our core operating results. We believe that these non-GAAP financial measures help illustrate underlying trends in our business, and we use the measures to establish budgets and operational goals for managing our business and evaluating our performance. We believe that providing non-GAAP financial measures also affords investors a view of our operating results that may be more easily compared to the results of other companies in our industry that use similar financial measures to supplement their GAAP results.

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The items excluded from the non-GAAP financial measures often have a material impact on our financial results and such items often recur. Accordingly, the non-GAAP financial measures included in this Quarterly Report on Form 10-Q should be considered in addition to, and not as a substitute for, the comparable measures prepared in accordance with GAAP. The following tables reconcile each of these non-GAAP financial measures to its most closely comparable GAAP measure in our financial statements for the three months ended March 31, 2023 and 2022:

(Dollars in thousands)	For the Three Months Ended March 31,	
	2023	2022
<b>GAAP gross margin</b>	\$ (1,364)	\$ (1,328)
Stock-based compensation included in cost of sales <sup>(1)</sup>	680	487
Amortization of acquired intangible assets included in cost of sales	6,927	5,990
Restructuring expense in cost of sales	717	—
Acquisition-related and integration costs included in cost of sales	479	1,138
Inventory step-up adjustment in cost of sales	—	1,181
<b>Non-GAAP gross margin</b>	<u>\$ 7,439</u>	<u>\$ 7,468</u>
<b>GAAP operating loss</b>	\$ (52,317)	\$ (69,479)
Stock-based compensation <sup>(2)</sup>	9,313	9,912
Amortization of acquired intangible assets	10,442	9,784
Restructuring expense	3,618	—
Inventory step-up adjustment in cost of sales	—	1,181
Acquisition-related and integration costs	1,406	3,986
<b>Non-GAAP operating loss</b>	<u>\$ (27,538)</u>	<u>\$ (44,616)</u>
<b>GAAP net loss</b>	\$ (52,642)	\$ (69,944)
Stock-based compensation <sup>(2)</sup>	9,313	9,912
Amortization of acquired intangible assets	10,442	9,784
Restructuring expense	3,618	—
Inventory step-up adjustment in cost of sales	—	1,181
Acquisition-related and integration costs	1,406	3,986
Change in fair value of investments	179	1,700
<b>Non-GAAP net loss</b>	<u>\$ (27,684)</u>	<u>\$ (43,381)</u>

<sup>(1)</sup> Includes \$0.2 million and \$0.0 million of liability-award stock-based compensation expense for the three months ended March 31, 2023 and 2022, respectively.

<sup>(2)</sup> Includes \$1.6 million and \$0.0 million of liability-award stock-based compensation expense for the three months ended March 31, 2023 and 2022, respectively.

(Dollars in thousands)	For the Three Months Ended March 31,	
	2023	2022
<b>GAAP operating expenses</b>	\$ 50,953	\$ 68,151
Stock-based compensation included in operating expenses <sup>(1)</sup>	(8,633)	(9,425)
Amortization of acquired intangible assets included in operating expenses	(3,515)	(3,794)
Restructuring expense included in operating expenses	(2,901)	—
Acquisition-related and integration costs included in operating expenses	(927)	(2,848)
<b>Non-GAAP operating expenses</b>	<u>\$ 34,977</u>	<u>\$ 52,084</u>

<sup>(1)</sup> Includes \$1.6 million and \$0.0 million of liability-award stock-based compensation expense for the three months ended March 31, 2023 and 2022, respectively.

We define “EBITDA” as net loss plus net interest income, provision for income taxes, depreciation, and amortization expense.

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We define “Adjusted EBITDA” as EBITDA adjusted for change in fair value of warrant liability, change in fair value of investments, inventory step-up adjustment, stock-based compensation expense, restructuring expense, goodwill impairment and transaction costs associated with acquisitions.

We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends because it eliminates the effect of financing, capital expenditures, and non-cash expenses such as stock-based compensation and warrants, and provides investors with a means to compare our financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware when evaluating EBITDA and Adjusted EBITDA that we may incur future expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of these measures, especially Adjusted EBITDA, may not be comparable to other similarly titled measures computed by other companies because not all companies calculate these measures in the same fashion.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net loss to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net loss to EBITDA and Adjusted EBITDA during the three months ended March 31, 2023 and 2022:

(Dollars in thousands)	For the Three Months Ended	
	March 31,	
	2023	2022
Net loss attributable to common stockholders	\$ (52,642)	\$ (69,944)
Interest (income) expense, net	811	(32)
Income tax expense (benefit)	(557)	(1,256)
Depreciation and amortization	13,433	12,883
<b>EBITDA</b>	<b>(38,955)</b>	<b>(58,349)</b>
Change in fair value of investments	179	1,700
Inventory step-up adjustment	—	1,181
Stock-based compensation expense <sup>(1)</sup>	9,313	9,912
Restructuring expense	3,618	—
Acquisition-related and integration costs	1,406	3,986
<b>Adjusted EBITDA</b>	<b>\$ (24,439)</b>	<b>\$ (41,570)</b>

<sup>(1)</sup> Includes \$1.6 million and \$0.0 million of liability-award stock-based compensation for the three months ended March 31, 2023 and 2022, respectively.

### Liquidity and Capital Resources

We have incurred a net loss in each of our annual periods since our inception, and we have an accumulated deficit of \$1,361.6 million as of March 31, 2023. We incurred net losses of \$52.6 million and \$69.9 million during the three months ended March 31, 2023 and 2022, respectively. We expect to continue to incur additional losses and negative cash flows from operations in the near term. As of March 31, 2023, we had \$149.9 million in cash, cash equivalents, and short-term investments.

Since inception, we have received cumulative net proceeds from the Business Combination, the exercise of warrants, and the sale of our preferred and common stock of \$973.4 million to fund our operations, and in May 2022 we received aggregate net proceeds of \$111.4 million from the sale of 6.0% Convertible Senior Notes due 2027 as described below. As of March 31, 2023, our principal sources of liquidity were our cash, cash equivalents, and short-term investments of \$149.9 million which are principally invested in money market funds and fixed income instruments.

In May 2022, we issued \$115.0 million principal amount of our 6.0% Convertible Senior Notes due 2027 (“2027 Notes”). The 2027 Notes were issued pursuant to, and are governed by, an indenture, dated as of May 13, 2022, between us and U.S. Bank Trust

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Company, National Association, as trustee. Pursuant to the purchase agreement between us and the initial purchasers of the Notes, we granted the initial purchasers an option to purchase up to an additional \$15.0 million principal amount of 2027 Notes, which was exercised on May 19, 2022. We received aggregate net proceeds of \$111.4 million from the sale of the 2027 Notes.

Our material cash requirements have consisted of operating activities, research and development costs, purchase price for acquisitions, transaction costs and capital expenditures. We expect our cash expenditures to decrease in connection with the Initiative. As of March 31, 2023, we had inventory purchase commitments of \$47.2 million, with the majority payable within 12 months. In addition, as of March 31, 2023, we had lease payment obligations of \$23.8 million, with \$6.1 million payable within 12 months.

Capital expenditures for the three months ended March 31, 2023, totaled \$1.1 million and consisted primarily of lab equipment and leasehold improvements. As of March 31, 2023, we had no capital expenditure commitments payable within 12 months. As of March 31, 2023, we had \$101.3 million in cash and cash equivalents, and \$48.6 million in short-term liquid investments. This liquid asset balance significantly exceeds our current liabilities of \$83.5 million as of the same date. Our future cash requirements will depend on many factors including our revenue, research and development efforts, investments in, or acquisitions of, complementary or enhancing technologies or businesses, the impacts of the COVID-19 pandemic, the timing and extent of additional capital expenditures to invest in existing and new facilities, the expansion of sales and marketing and the introduction of new products.

We expect to continue to incur net losses and negative cash flows from operations, particularly as we continue to invest in commercialization of our product lines. We believe that our existing capital resources will be sufficient to support our operating plan and cash commitments for at least the next 12 months. This belief is based on assumptions that may change as a result of many factors currently unknown to us; however, we expect that we may need to further increase our capital resources by issuing additional shares of our capital stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. There is no assurance that sources of financing will be available on a timely basis, or on satisfactory terms, or at all. If we are unable to raise additional funds or reduce costs when needed, we may be required to delay, reduce, or terminate our product development and commercialization efforts, or forego attractive acquisition opportunities.

We have, and intend to continue to, enact cost savings measures to preserve capital. In June 2022, we announced the Initiative and commenced workforce reductions in the United States and other countries, and we are reviewing additional workforce changes, the timing of which will vary according to local regulatory requirements. On January 31, 2023, we committed to additional actions to continue and expand the Initiative. These additional actions include closing and consolidating select locations in the United States and Canada and reducing our workforce by an additional 15%, prioritizing investments and operations in line with near-term revenue generation, positioning us to achieve our long-term financial goals. We are currently evaluating other potential specific initiatives we may undertake to reduce our operating expenses and manage our cash flows. These initiatives could include disposing of certain of our assets, rationalizing our product portfolio, workforce adjustments based on changes to the business, manufacturing consolidation, improving our supply chain and logistics, improving our inventory management, and consolidating certain of our facilities.

We expect to incur \$19.6 million to \$26.0 million of costs in the near term in connection with the Initiative, including severance costs, lease termination costs, inventory costs, transportation costs, and other costs to invest in operational improvements. These initiatives may not be successful, and they may not generate the cost savings we expect. Certain future events, such as a global recession, a material supply chain disruption, or other events outside our control, may occur and could negatively impact our operating results and cash position and may require us to use our existing capital resources more quickly than we currently anticipate. These events may cause us to undertake additional cost savings measures or seek additional sources of financing.

[Table of Contents](#)**Cash Flows**

Since inception, we have primarily used proceeds from the Business Combination, issuances of preferred stock and debt instruments to fund our operations and complete acquisitions. The following table sets forth a summary of cash flows for the three months ended March 31, 2023, and 2022:

<b>(Dollars in thousands)</b>	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net cash used in operating activities	\$ (37,346)	\$ (56,274)
Net cash provided by investing activities	61,427	94,534
Net cash provided by financing activities	248	699
Effect of exchange rate changes on cash, cash equivalents and restricted cash	217	(349)
Net change in cash, cash equivalents, and restricted cash	<u>\$ 24,546</u>	<u>\$ 38,610</u>

**Operating Activities**

Net cash used in operating activities was \$37.3 million for the three months ended March 31, 2023, primarily consisting of \$52.6 million of net losses, adjusted for non-cash items, which primarily included depreciation and amortization expense of \$13.4 million and stock-based compensation expense of \$9.3 million, as well as \$7.8 million in cash consumed by working capital. This increase in cash consumed by working capital was primarily driven by an increase in inventory to support new product launches and commercialization of existing products.

Net cash used in operating activities was \$56.3 million for the three months ended March 31, 2022, primarily consisting of \$69.9 million of net losses, adjusted for non-cash items, which primarily included depreciation and amortization expense of \$12.9 million and stock-based compensation expense of \$9.9 million, as well as a \$11.2 million increase in cash consumed by working capital.

**Investing Activities**

Net cash provided by investing activities was \$61.4 million for the three months ended March 31, 2023, primarily consisting of proceeds from sales and maturities of marketable securities of \$64.8 million, partially offset by purchases of marketable securities of \$5.0 million. We also purchased \$1.1 million of property and equipment and received \$3.1 million in proceeds from the sale of property and equipment.

Net cash provided by investing activities was \$94.5 million for the three months ended March 31, 2022, primarily consisting of proceeds from sales and maturities of marketable securities of \$98.6 million. We also purchased \$4.1 million of property and equipment.

**Financing Activities**

Net cash provided by financing activities was \$0.2 million for the three months ended March 31, 2023, consisting primarily of \$0.6 million in proceeds from the exercise of stock options, partially offset by \$0.3 million in repayment of loans.

Net cash provided by financing activities was \$0.7 million for the three months ended March 31, 2022, consisting primarily of \$0.9 million in proceeds from the exercise of stock options.

**Critical Accounting Policies and Significant Estimates**

There were no material changes in the first three months of 2023 to the information provided under the heading "Critical Accounting Policies and Estimates" included in our Annual Report on Form 10-K for the year ended December 31, 2022.

### **Off-Balance Sheet Arrangements**

In the normal course of operations, ExOne's German subsidiary, ExOne GmbH, issues short-term financial guarantees and letters of credit to third parties in connection with certain commercial transactions requiring security through a credit facility with a German bank. At March 31, 2023, total outstanding financial guarantees and letters of credit issued were \$4.0 million. For further discussion related to financial guarantees and letters of credit, refer to Note 16 in our condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

We have no other off-balance sheet arrangements and do not utilize any "structured debt," "special purpose" or similar unconsolidated entities for liquidity or financing purposes.

### **Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements is included in *Note 2. Summary of Significant Accounting Policies* to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks from fluctuations in interest rates and foreign currency translation, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities and, if we consider it to be appropriate, through the use of derivative financial instruments. We do not purchase, hold, or sell derivative financial instruments for trading or speculative purposes.

#### *Interest Rate Risk*

Our exposure to market risk for changes in interest rates relates primarily to our cash, cash equivalents and short-term investment portfolio. Our investment strategy is focused on preserving capital and supporting our liquidity requirements, while earning a reasonable market return. We invest in a variety of U.S. government securities, corporate debt securities, asset-backed securities, and commercial paper. The market value of our marketable securities may decline if current market interest rates rise. As of March 31, 2023, the fair value of our cash, cash equivalents, and short-term investments was \$149.9 million. A 10% change in interest rates would have an immaterial impact on the fair value of our investment portfolio. Our marketable securities are recorded at fair value, and gains and losses from these securities are recognized within other comprehensive income as they occur.

#### *Foreign Currency Risk*

The majority of our operations in Europe and Asia use the local currency as the functional currency. We translate the financial statements of the operations in Europe in Asia to United States dollars and as such we are exposed to foreign currency risk. Currently, we do not use foreign currency forward contracts to manage exchange rate risk, as the amount subject to foreign currency risk is not material to our overall operations and results.



## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

Under the supervision of our Chief Executive Officer and Chief Financial Officer, our management has evaluated the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. As described in our Annual Report on Form 10-K for the year ended December 31, 2022, we identified material weaknesses in our internal control over financial reporting. As a result of these material weaknesses, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2023, our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities and Exchange Act is recorded, processed, summarized, and reported as and when required.

Notwithstanding these material weaknesses noted above, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America.

### **Changes in Internal Control Over Financial Reporting**

During the three months ended March 31, 2023, we continued to implement certain internal controls in connection with remediation efforts related to the material weaknesses identified in our Annual Report on Form 10-K for the year ended December 31, 2022. There were no changes to our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Limitations on Effectiveness of Internal Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, errors, and instances of fraud, if any, within the Company have been or will be detected.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are from time to time subject to various claims, lawsuits and other legal and administrative proceedings arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, non-monetary sanctions, or relief. We recognize provisions for claims or pending litigation when we determine that an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Due to the inherent uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any current legal proceedings will have a material adverse impact on the Company’s condensed consolidated financial statements.

As previously disclosed, between September 2021 and the closing of the ExOne Merger on November 12, 2021, twelve putative class action complaints were filed by purported ExOne shareholders against ExOne and the former ExOne Board of Directors alleging violations of federal securities laws in connection with the S-4 filed by ExOne for the ExOne Merger. All have been dismissed.

As previously disclosed, on November 8, 2021, another purported stockholder, Leo Lissog Goldstein, filed a Section 220 complaint in Delaware Chancery Court against ExOne (Goldstein v. The ExOne Company, Case No. 2021-0958-KSJM). Mr. Goldstein seeks to discover certain books and records of the company related to the ExOne Merger purportedly in order to investigate,

among other things, the events leading up to and the disclosures made in connection with the ExOne Merger. Mr. Goldstein has also moved to intervene and stay the Campanella action, discussed below, until his Section 220 action is complete. Mr. Goldstein dismissed his complaint on February 14, 2023.

As previously disclosed, on November 22, 2021, purported stockholder Pietro Campanella filed a class action lawsuit against ExOne, Desktop Metal, Inc., and former ExOne directors and officers alleging breach of fiduciary duties and aiding and abetting breach of fiduciary duties in connection with the ExOne Merger (Campanella v. The ExOne Company et al., Case No. 2021-1013, Case No. 2021-1013-LWW). In particular, Mr. Campanella alleges that ExOne's proxy statement and supplemental disclosures did not adequately disclose information related to a whistleblower investigation at one of Desktop Metal's subsidiaries, EnvisionTEC, and the resignation of EnvisionTEC's CEO.

As previously disclosed, on December 21, 2021, January 14, 2022, February 2, 2022, and February 22, 2022, four alleged shareholders of Desktop Metal stock filed purported securities class action complaints in the United States District Court for the District of Massachusetts. (Luongo v. Desktop Metal, D. Mass., Case No. 1:21-cv-12099-IT; Hathaway v. Desktop Metal, D. Mass., Case No. 1:22-cv-10059-IT; Guzman-Martinez v. Desktop Metal, D. Mass., Case No. 1:22-cv-10173, Xie v. Desktop Metal, Case No. 1:22-cv-10297-IT). Each complaint alleges that Desktop Metal and certain of its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act by making false or misleading statements regarding EnvisionTEC's manufacturing and product compliance practices and procedures. On February 4, 2022, the court issued an order consolidating the first three District of Massachusetts securities class actions. On July 7, 2022, the court appointed Sophia Zhou lead plaintiff for the class period of February 17, 2021 through November 15, 2021. The court also vacated its earlier order consolidating the Xie action with the other lawsuits and will allow that action to proceed separately, with a new notice to investors, based on a class period of January 15, 2021 to February 16, 2021. On September 29, 2022, the Court re-consolidated the Xie action with the other actions for all pre-trial proceedings. Plaintiffs filed a Consolidated Complaint on December 19, 2022. On February 28, 2023, Defendants moved to dismiss the Consolidated Complaint. The parties will complete briefing on the motion to dismiss in May 2023.

As previously disclosed, on July 12, 2022, two alleged shareholders of Desktop Metal stock filed derivative actions purportedly on behalf of Desktop Metal in the United States District Court for the District of Massachusetts. (Keyser v. Fulop, et al., Case No. 1:22-cv-11117; Qi v. Fulop, et al., Case No. 1:22-cv-11118). On July 22, 2022, an alleged shareholder of Desktop Metal stock filed a similar derivative complaint in the United States District Court for the District of Delaware (Cherry v. Fulop, et al., Case No. 1:22-cv-00962). The complaints allege that certain officers and directors of Desktop Metal caused harm to the Company by violating Section 14(A) of the Exchange Act and SEC Rule 14a-9 and breaching their fiduciary duties by making false or misleading statements regarding EnvisionTEC's manufacturing and product compliance practice and procedures. The matters are stayed pending the outcome of Defendants' motion to dismiss in the D. Mass. securities class action.

As previously disclosed, on February 9, 2023, purported stockholder Jeffrey Schantz sent a demand letter to the company, requesting certain books and records of the company related to the December 8, 2020 transaction in which Trine Acquisition Corp. ("Trine"), a special purpose acquisition company ("SPAC"), merged with Desktop Metal.

The Company believes that these complaints are all without merit and intends to defend against them vigorously.

## **Item 1A. Risk Factors**

### **Summary of Risk Factors**

*Our business is subject to numerous risks. Below is a summary of the principal factors that could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, and other risks that we face, can be found under the heading "Risk Factors" immediately following this section and should be carefully considered, together with other information in this Quarterly Report on Form 10-Q and our other filings with the SEC, before making an investment decision regarding our Class A common stock.*

- We may experience significant delays in the design, production and launch of our additive manufacturing solutions, and we may be unable to successfully commercialize products on our planned timelines.

- If demand for our products does not grow as expected, or if market adoption of additive manufacturing does not continue to develop, or develops more slowly than expected, our revenues may stagnate or decline, and our business may be adversely affected.
- The additive manufacturing industry in which we operate is characterized by rapid technological change, which requires us to continue to develop new products and innovations to meet constantly evolving customer demands and which could adversely affect market adoption of our products.
- We cannot guarantee that our restructuring activities and other cost savings measures will achieve their intended results.
- Difficulties or delays integrating the businesses and operations of acquired companies into Desktop Metal, or realizing the expected benefits of these acquisitions, may adversely affect the company's future results.
- We are an early-stage company with a history of losses. We have not been profitable historically and may not achieve or maintain profitability in the future.
- Future sales, or the perception of future sales, of our Class A common stock by us or our existing stockholders in the public market could cause the market price for our Class A common stock to decline.

## **Risk Factors**

*Our business is subject to numerous risks. You should carefully consider the risks and uncertainties described below and the other information in this Quarterly Report on Form 10-Q before making an investment decision regarding our Class A common stock. Our business, financial condition, results of operations, or prospects could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our Class A common stock could decline, and you could lose all or part of your investment. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including those set forth below.*

## **Risks Related to Our Business and Industry**

***We may experience significant delays in the design, production and launch of our additive manufacturing solutions, and we may be unable to successfully commercialize products on our planned timelines.***

Several of our announced additive manufacturing solutions are yet to be commercially released. There are often delays in the design, testing, manufacture and commercial release of new products, and any delay in the launch of our products could materially damage our brand, business, growth prospects, financial condition, and operating results. Even if we successfully complete the design, testing and manufacture for one or all of our products under development, we may fail to develop a commercially successful product on the timeline we expect for a number of reasons, including:

- misalignment between the products and customer needs;
- lack of innovation of the product;
- failure of the product to perform in accordance with the customer's expectations or industry standards;
- ineffective distribution and marketing;
- delay in obtaining any required regulatory approvals;
- unexpected production costs; or
- release of competitive products.

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Our success in the market for the products we develop will depend largely on our ability to prove our products' capabilities in a timely manner. Upon demonstration, our customers may not believe that our products and/or technology have the capabilities they were designed to have or that we believe they have. Furthermore, even if we do successfully demonstrate our products' capabilities, potential customers may be more comfortable doing business with another larger and more established company or may take longer than expected to make the decision to order our products. Significant revenue from new product investments may not be achieved for a number of years, if at all. If the timing of our launch of new products and/or of our customers' acceptance of such products is different than our assumptions, our revenue and results of operations may be adversely affected.

***We may experience significant delays or other obstacles in the design, production, launch and/or maintenance of produced parts offerings, and we may be unable to successfully commercialize said offerings.***

We are building out produced parts offerings for customers, and produced parts is an existing offering of some of our recently-acquired businesses. These offerings present similar challenges and risks to those outlined herein with respect to the design, production, launch and profitability of new additive manufacturing solutions. We have a limited history operating in the direct manufacturing and produced parts businesses, and as a result we may face challenges in designing or delivering parts that meet customer specifications, both on time and cost-effectively. Additionally, our produced parts in the healthcare and dental industry may be subject to regulatory approvals and controls, which may delay the design, production or launch of products. In particular, we may fail to develop commercially successful produced parts offerings if we are unable to meet customer needs or industry standards, if we fail to meet our desired gross margins or customer price expectations, or if our marketing and distribution strategy proves ineffective. If we are unsuccessful in establishing such offerings, sales of our additive manufacturing solutions and our overall operating results could suffer.

***Our business activities have been disrupted and may continue to be disrupted by the COVID-19 pandemic.***

In 2020 and 2021, the COVID-19 pandemic caused disruption and volatility in the global economy and capital markets, which increased the cost of capital and adversely impacted access to capital. Government-enforced travel bans and business closures around the world significantly impacted our ability to sell, install and service our additive manufacturing systems at customers around the world. The pandemic has, and may continue to, disrupt our third-party contract manufacturers and supply chain and delay payments from customers. We also experienced some delays in installation of our products at customers' facilities, which has and could lead to postponed revenue recognition for those transactions. In addition, installation delays could prevent us from achieving anticipated consumables revenues due to systems being put into operation later, or at lower utilization, than expected. Furthermore, if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, facility closures, remote working, or other restrictions in connection with the COVID-19 pandemic, our operations will likely be adversely impacted.

If future variants of COVID-19 cause any of these events to recur, we or our customers may be unable to perform fully on our contracts, which will likely result in increases in costs and reduction in revenue. These cost increases may not be fully recoverable or adequately covered by insurance. The long-term effects of COVID-19 to the global economy and to us are difficult to assess or predict and may include a further decline in the market prices of our products, risks to employee health and safety, risks for the deployment of our products and services and reduced sales in geographic locations impacted. Any prolonged restrictive measures put in place in order to control COVID-19 or other adverse public health developments in any of our targeted markets may have a material and adverse effect on our business operations and results of operations.

***We cannot guarantee that our restructuring activities and other cost savings measures will achieve their intended results.***

In June 2022, we implemented a strategic integration and cost savings initiative (the "Initiative") to match strategic and financial objectives and optimize resources for long term growth. In January 2023, we expanded the Initiative. We intend to implement additional cost savings measures in the future. We have incurred, and expect to continue to incur, substantial costs in connection with these initiatives. Our ability to achieve the anticipated cost savings and other benefits from these initiatives within the expected time frame is subject to many estimates and assumptions. There can be no assurance that the anticipated cost savings will be achieved, or that they will not be significantly and materially less than anticipated, or that the completion of such cost savings initiatives will be effectively accomplished. In addition, our ability to realize the anticipated cost savings are subject to significant business, economic and competitive uncertainties, and contingencies, many of which are beyond our control, such as operating difficulties, supply chain

disruptions, local regulations, employment laws or general economic or industry conditions. If we fail to realize the anticipated cost savings, it could have a material negative impact on our results of operations and financial position.

In addition, our restructuring activities and cost savings initiatives may subject us to litigation risks and expenses and may have other consequences, such as attrition beyond our planned reduction in workforce, a negative effect on employee morale and productivity or a negative effect on our ability to attract highly skilled employees. Our competitors may use our restructuring plans to seek to gain a competitive advantage over us. As a result, our restructuring plans and cost savings initiatives may affect our revenue and operating results in the future.

***Changes in our product mix may impact our gross margins and financial performance.***

Our financial performance may be affected by the mix of products and services we sell during a given period. Our products are sold, and will continue to be sold, at different price points. Sales of certain of our products have, or are expected to have, higher gross margins than others. If our product mix shifts too far into lower gross margin products, and we are not able to sufficiently reduce the engineering, production and other costs associated with those products or substantially increase the sales of our higher gross margin products, our profitability could be reduced. Additionally, the introduction of new products or services may further heighten quarterly fluctuations in gross profit and gross profit margins due to manufacturing ramp-up and start-up costs. We may experience significant quarterly fluctuations in gross profit margins or operating income or loss due to the impact of the mix of products, channels, or geographic areas in which we sell our products from period to period. Our financial performance also depends on the portion of our produced parts revenue supplied using additive manufacturing processes, which may enable higher gross margins and operational efficiencies as compared to conventional manufacturing technologies.

***If we fail to meet our customers' price expectations, demand for our products and product lines could be negatively impacted and our business and results of operations could suffer.***

Demand for our product lines is sensitive to price. We believe our competitive pricing has been an important factor in our results to date. Therefore, changes in our pricing strategies can have a significant impact on our business and ability to generate revenue. Many factors, including our production and personnel costs and our competitors' pricing and marketing strategies, can significantly impact our pricing strategies. If we fail to meet our customers' price expectations in any given period, demand for our products and product lines could be negatively impacted and our business and results of operations could suffer.

***If demand for our products does not grow as expected, or if market adoption of additive manufacturing does not continue to develop, or develops more slowly than expected, our revenues may stagnate or decline, and our business may be adversely affected.***

The industrial manufacturing market, which today is dominated by conventional manufacturing processes that do not involve 3D printing technology, is undergoing a shift towards additive manufacturing. We may not be able to develop effective strategies to raise awareness among potential customers of the benefits of additive manufacturing technologies or our products may not address the specific needs or provide the level of functionality or economics required by potential customers to encourage the continuation of this shift towards additive manufacturing. If additive manufacturing technology does not continue to gain broader market acceptance as an alternative to conventional manufacturing processes, or does so more slowly than anticipated, or if the marketplace adopts additive manufacturing technologies that differ from our technologies, we may not be able to increase or sustain the level of sales of our products, and our operating results would be adversely affected as a result.

***Declines in the prices of our products and services, or in our volume of sales, together with our relatively inflexible cost structure, may adversely affect our financial results.***

Our business is subject to price competition. Such price competition may adversely affect our results of operation, especially during periods of decreased demand. Decreased demand also adversely impacts the volume of our systems sales. If our business is not able to offset price reductions resulting from these pressures, or decreased volume of sales due to contractions in the market, by improved operating efficiencies and reduced expenditures, then our operating results will be adversely affected.

Certain of our operating costs are fixed and cannot readily be reduced, which diminishes the positive impact of our restructuring programs on our operating results. To the extent the demand for our products slows, or the additive manufacturing market contracts,

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we may be faced with excess manufacturing capacity and related costs that cannot readily be reduced, which will adversely impact our financial condition and results of operations.

***Our business model is predicated, in part, on building a customer base that will generate a recurring stream of revenues through the sale of our consumables and service contracts. If that recurring stream of revenues does not develop as expected, or if our business model changes as the industry evolves, our operating results may be adversely affected.***

Our business model is dependent, in part, on our ability to maintain and increase sales of our proprietary consumables and service contracts as they generate recurring revenues. Existing and future customers of our systems may not purchase our consumables or related service contracts at the rate we expect for certain product lines or at the same rate at which customers currently purchase those consumables and services. In addition, our entry-level systems focused on low-volume production generally use a lower volume of consumables relative to our volume throughput systems focused on high-volume production. If our current and future customers purchase a lower volume of our consumable materials or service contracts, or if our entry-level systems represent an increasing percentage of our future installed customer base, resulting overall in lower purchases of consumables and service contracts on average than our current installed customer base or than we expect, our recurring revenue stream relative to our total revenues would be reduced and our operating results would be adversely affected.

***Defects in new products or in enhancements to our existing products that give rise to product returns or warranty or other claims could result in material expenses, diversion of management time and attention and damage to our reputation.***

Our additive manufacturing solutions are complex and may contain undetected defects or errors when first introduced or as enhancements are released that, despite testing, are not discovered until after a machine has been used. This could result in delayed market acceptance of those products or claims from resellers, customers, or others, which may result in litigation, increased end user warranty, support and repair or replacement costs, damage to our reputation and business, or significant costs and diversion of support and engineering personnel to correct the defect or error. We may from time to time become subject to warranty or product liability claims related to product quality issues that could lead us to incur significant expenses.

We attempt to include provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future.

The sale and support of our products entails the risk of product liability claims. Any product liability claim brought against us, regardless of its merit, could result in material expense, diversion of management time and attention, damage to our business and reputation and brand, and cause us to fail to retain existing customers or to fail to attract new customers.

***Our operations could suffer if we are unable to attract and retain key management or other key employees.***

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management and other key personnel, including, in particular, our Co-Founder, Chief Executive Officer, and Chairman, Ric Fulop. Our executive team is critical to the management of our business and operations, as well as to the development of our strategy. Members of our senior management team may resign at any time. The loss of the services of any members of our senior management team, especially Mr. Fulop, could delay or prevent the successful implementation of our strategy or our commercialization of new applications for our systems or other products, or could otherwise adversely affect our ability to manage our company effectively and carry out our business plan. There is no assurance that if any senior executive leaves in the future, we will be able to rapidly replace him or her and transition smoothly towards his or her successor, without any adverse impact on our operations.

To support the continued growth of our business, we may need to effectively recruit and hire new employees, and we need to effectively integrate, develop, motivate, and retain new and existing employees. High demand exists for senior management and other key personnel (including scientific, technical, engineering, financial and sales personnel) in the additive manufacturing industry, and there can be no assurance that we will be able to retain our current key personnel. We experience intense competition for qualified personnel. While we intend to continue to provide competitive compensation packages to attract and retain key personnel, some of our competitors for these employees have greater resources and more experience, making it difficult for us to compete successfully for key personnel. Moreover, new employees may not become as productive as we expect since we may face challenges in adequately integrating them into our workforce and culture. If we cannot attract and retain sufficiently qualified technical employees for our

research product development activities, as well as experienced sales and marketing personnel, we may be unable to develop and commercialize new products or new applications for existing products. Furthermore, possible shortages of key personnel, including engineers, in the regions surrounding our Boston facility could require us to pay more to hire and retain key personnel, thereby increasing our costs. Since March 2020, we have had many employees working remotely to protect the health and safety of our employees, contractors, customers, and visitors. We also shifted customer, industry, and other stakeholder events to virtual-only experiences, and may continue to conduct future events virtually. Given our limited history with remote operations, the long-term impacts are uncertain.

Departing employees' knowledge of our business and industry can be extremely difficult to replace and provides their future employers with a competitive advantage. Where applicable law permits, we generally enter into non-competition agreements with our employees. These agreements prohibit our employees from competing directly with us or working for our competitors or clients while they work for us, and in some cases, for a limited period after they cease working for us. We may be unable to enforce these agreements under the laws of the jurisdictions in which our employees work, and it may be difficult for us to restrict our competitors from benefiting from the expertise that our former employees or consultants developed while working for us. If we cannot demonstrate that our legally protectable interests will be harmed, we may be unable to prevent our competitors from benefiting from the expertise of our former employees or consultants and our ability to remain competitive may be diminished.

***If we fail to grow our business as anticipated, our net sales, gross margin and operating margin will be adversely affected. If we grow as anticipated but fail to manage our growth and expand our operations accordingly, our business may be harmed and our results of operation may suffer.***

Over the past several years, we have experienced rapid growth, and we are attempting to continue to grow our business substantially. To this end, we have made, and expect to continue to make, significant investments in our business, including investments in our infrastructure, technology, marketing, and sales efforts. These investments include dedicated facilities expansion and increased staffing, both domestic and international. If our business does not generate the level of revenue required to support our investment, our net sales and profitability will be adversely affected.

Our ability to effectively manage our anticipated growth and expansion of our operations will also require us to enhance our operational, financial and management controls and infrastructure, human resources policies and reporting systems. These enhancements and improvements may require significant capital expenditures, investments in additional headcount and other operating expenditures and allocation of valuable management and employee resources. Our future financial performance and our ability to execute on our business plan will depend, in part, on our ability to effectively manage any future growth and expansion. There are no guarantees we will be able to do so in an efficient or timely manner, or at all.

***We may experience significant delays or obstacles to realizing the success of our Desktop Labs platform and Desktop Health product offerings.***

The Desktop Labs platform and our Desktop Health products aim to leverage our proprietary additive manufacturing technologies and materials to grow the market for existing applications in the dental market and identify, develop and/or commercialize future solutions in the healthcare and dental markets for personalized patient care spanning dentistry, orthodontics, dermatology, orthopedics, cardiology, plastic surgery and printed regenerative tissues and grafts. These businesses operate in a highly competitive space which may make it difficult for us to implement business plans and expectations and identify and realize opportunities. In addition, their technology, products, materials, and applications may be subject to strict regulatory requirements in the United States and other countries. The regulatory approval or clearance process may be lengthy and costly, and regulatory requirements may impact the timing of, or our ability to, commercialize the regulated technology, products, materials, and applications. The success of these parts of our business will also depend on our ability to attract, hire, and retain qualified personnel, establish sales, marketing and distribution infrastructure, and establish and maintain supply and manufacturing relationships.

***Our existing and planned global operations subject us to a variety of risks and uncertainties that could adversely affect our business and operating results. Our business is subject to risks associated with selling machines and other products in non-United States locations.***

Our products and services are distributed in more than 40 countries around the world, and we derive a substantial percentage of our sales from these international markets. In 2022, we derived approximately 35% of our revenues from countries outside the United States. Accordingly, we face significant operational risks from doing business internationally.

Our operating results may be affected by volatility in currency exchange rates and our ability to effectively manage our currency transaction risks. We incur currency transaction risks if we were to enter into either a purchase or a sale transaction using a different currency from the currency in which we report revenues. In such cases we may suffer an exchange loss because we do not currently engage in currency swaps or other currency hedging strategies to address this risk. As we realize our strategy to expand internationally, our exposure to currency risks may increase. Given the volatility of exchange rates, we can give no assurance that we will be able to effectively manage our currency transaction risks or that any volatility in currency exchange rates will not have an adverse effect on our results of operations.

Other risks and uncertainties we face from our global operations include:

- difficulties in staffing and managing foreign operations;
- limited protection for the enforcement of contract and intellectual property rights in certain countries where we may sell our products or work with suppliers or other third parties;
- potentially longer sales and payment cycles and potentially greater difficulties in collecting accounts receivable;
- costs and difficulties of customizing products for foreign countries;
- challenges in providing solutions across a significant distance, in different languages and among different cultures;
- laws and business practices favoring local competition;
- being subject to a wide variety of complex foreign laws, treaties and regulations and adjusting to any unexpected changes in such laws, treaties and regulations;
- specific and significant regulations, including the European Union's General Data Protection Regulation, or GDPR, which imposes compliance obligations on companies who possess and use data of EU residents;
- uncertainty and resultant political, financial and market instability arising from the United Kingdom's exit from the European Union;
- compliance with U.S. laws affecting activities of U.S. companies abroad, including the U.S. Foreign Corrupt Practices Act;
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- operating in countries with a higher incidence of corruption and fraudulent business practices;
- changes in regulatory requirements, including export controls, tariffs and embargoes, other trade restrictions, competition, corporate practices, and data privacy concerns;
- potential adverse tax consequences arising from global operations;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe and at year end globally;



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- rapid changes in government, economic and political policies and conditions; and
- political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events.

In addition, additive manufacturing has been identified by the U.S. government as an emerging technology and is currently being further evaluated for national security impacts. We expect additional regulatory changes to be implemented that will result in increased and/or new export controls related to 3D printing technologies, components and related materials and software. These changes, if implemented, may result in our being required to obtain additional approvals and/or licenses to sell 3D printers in the global market.

Additionally, we have teams that are engaged in marketing, selling, and supporting our products internationally, and we must hire and train experienced personnel to staff and manage our foreign operations. To the extent that we experience difficulties in recruiting, training, managing, and retaining international employees, particularly managers and other members of our international sales team, we may experience difficulties in sales productivity in international markets.

Our failure to effectively manage the risks and uncertainties associated with our global operations could limit the future growth of our business and adversely affect our business and operating results.

### ***Global economic, political and social conditions and uncertainties in the markets that we serve may adversely impact our business.***

Our performance depends on the financial health and strength of our customers, which in turn is dependent on the economic conditions of the markets in which we and our customers operate. A decline in the global economy, difficulties in the financial services sector and credit markets, continuing geopolitical uncertainties and other macroeconomic factors all affect the spending behavior of potential customers. The economic uncertainty in Europe, the United States, India, China, and other countries may cause end-users to further delay or reduce technology purchases.

We also face risks from financial difficulties or other uncertainties experienced by our suppliers, distributors or other third parties on which we rely. If third parties are unable to supply us with required materials or components or otherwise assist us in operating our business, our business could be harmed.

For example, the possibility of an ongoing trade war between the United States and China may impact the cost of raw materials, finished products or components used in our products and our ability to sell our products in China. Other changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment could also adversely affect our business. In addition, the United Kingdom's exit from the European Union on January 31, 2020 may result in increased costs of barriers to trade, and uncertainty surrounding this transition may have an effect on global economic conditions and the stability of global financial markets, which in turn could have a material adverse effect on our business, financial condition, and results of operations. If global economic conditions remain volatile for a prolonged period or if European economies experience further disruption, our results of operations could be adversely affected.

### ***In the future, some of our arrangements for additive manufacturing solutions may contain customer-specific provisions that may impact the period in which we recognize the related revenues under GAAP.***

Some customers that purchase additive manufacturing solutions from us may require specific, customized factors relating to their intended use of the solution or the installation of the product in the customers' facilities. These specific, customized factors are occasionally required by the customers to be included in our commercial agreements relating to the purchases. As a result, our responsiveness to our customers' specific requirements has the potential to impact the period in which we recognize the revenue relating to that additive manufacturing system sale.

Similarly, some of our customers must build or prepare facilities to install a subset of our additive manufacturing solutions, and the completion of such projects can be unpredictable, which can impact the period in which we recognize the revenue relating to that additive manufacturing solution sale.

***We rely on our information technology systems to manage numerous aspects of our business and a disruption of these systems could adversely affect our business.***

We rely on our information technology systems to manage numerous aspects of our business, including to efficiently purchase products from our suppliers, provide procurement and logistic services, ship products to our customers, manage our accounting and financial functions, including our internal controls, and maintain our research and development data. Our information technology systems are an essential component of our business and any disruption could significantly limit our ability to manage and operate our business efficiently. A failure of our information technology systems to perform properly could disrupt our supply chain, product development and customer experience, which may lead to increased overhead costs and decreased sales and have an adverse effect on our reputation and our financial condition. In addition, during the COVID-19 pandemic, a substantial portion of our employees have conducted work remotely, making us more dependent on potentially vulnerable communications systems and making us more vulnerable to cyberattacks.

Although we take steps and incur significant costs to secure our information technology systems, including our computer systems, intranet and internet sites, email and other telecommunications and data networks, our security measures may not be effective, and our systems may be vulnerable to damage or interruption. Disruption to our information technology systems could result from power outages, computer and telecommunications failures, computer viruses, cyber-attack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war, terrorism and usage errors by our employees.

Our reputation and financial condition could be adversely affected if, as a result of a significant cyber-event or otherwise:

- our operations are disrupted or shut down;
- our confidential, proprietary information is stolen or disclosed;
- we incur costs or are required to pay fines in connection with stolen customer, employee or other confidential information;
- we must dedicate significant resources to system repairs or increase cyber security protection; or
- we otherwise incur significant litigation or other costs.

If our computer systems are damaged or cease to function properly, or, if we do not replace or upgrade certain systems, we may incur substantial costs to repair or replace them and may experience an interruption of our normal business activities or loss of critical data. Any such disruption could adversely affect our reputation and financial condition.

Additionally, some of the companies we acquire may not have the same level of information technology systems which may require that we invest significant resources to get those systems to the level of security we require.

We also rely on information technology systems maintained by third parties, including third-party cloud computing services and the computer systems of our suppliers for both our internal operations and our customer-facing infrastructure related to our additive manufacturing solutions. These systems are also vulnerable to the types of interruption and damage described above but we have less ability to take measures to protect against such disruptions or to resolve them if they were to occur. Information technology problems faced by third parties on which we rely could adversely impact our business and financial condition as well as negatively impact our brand reputation.

***If we fail to implement or are delayed in the implementation of our new ERP system platform, we may not be able to effectively transact our business or produce our financial statements on a timely basis and without incurrence of additional costs, which would adversely affect our business, results of operations and cash flows.***

We are currently implementing Oracle Enterprise Resource Planning, or ERP, to manage enterprise functions for our significant subsidiaries. This integration involves significant complexity, requiring us to move and reconfigure all of our current system processes, transactions, data and controls to a new platform. Due to this complexity and the scope and volume of changes involved in this implementation, we may experience delays and higher than planned resource needs in our migration efforts. Although we will conduct testing, assessments and validation to ensure that our internal financial and accounting controls will be effective post-

implementation, we may nevertheless experience difficulties in transacting our business due to system challenges, delays or process deficiencies following the initial launch of the system, which could impair our ability to conduct our business or to produce accurate financial statements on a timely basis. If our ability to conduct our business or to produce accurate financial statements on a timely basis is impaired, our business, results of operations and cash flows would be adversely affected.

***Our current levels of insurance may not be adequate for our potential liabilities.***

We maintain insurance to cover our potential exposure for most claims and losses, including potential product and non-product related claims, lawsuits and administrative proceedings seeking damages or other remedies arising out of our commercial operations. However, our insurance coverage is subject to various exclusions, self-retentions and deductibles. We may be faced with types of liabilities that are not covered under our insurance policies, such as environmental contamination or terrorist attacks, or that exceed our policy limits. Even a partially uninsured claim of significant size, if successful, could have an adverse effect on our financial condition.

In addition, we may not be able to continue to obtain insurance coverage on commercially reasonable terms, or at all, our existing policies may be cancelled or otherwise terminated by the insurer, and/or the companies that we acquire may not be eligible for certain types or limits of insurance. Maintaining adequate insurance and successfully accessing insurance coverage that may be due for a claim can require a significant amount of our management's time, and we may be forced to spend a substantial amount of money in that process.

Due to our acquisition activity, the existing information technology systems and cyber controls of the acquired entities and integration efforts with respect thereto, as well as the state of the cyber insurance market generally, the costs for our cyber insurance increased in 2022, and the cost of such insurance could continue to increase for future policy periods. Our cyber insurance coverage does not extend to all of our group companies and while we are working to implement better cyber controls and infrastructure for these entities, we may continue to be unable to secure cyber risk coverage for them for future periods. Moreover, the scope and limits of our cyber insurance coverage may not be sufficient or available to cover all expenses or other losses, including fines, or all types of claims that may arise in connection with cyberattacks, security compromises, and other related incidents.

***Uncertainty and instability resulting from the conflict between Russia and Ukraine could negatively impact our business, financial condition and operations.***

The ongoing war in Ukraine could negatively impact global and regional financial markets which could result in businesses postponing spending in response to tighter credit, higher unemployment, financial market volatility, negative financial news, and other factors. In addition, our suppliers and contractors may have staff, operations, materials, or equipment located in the Ukraine or Russia which could impact our supply chain or services being provided to us. Moreover, we outsource some of our software development and design to third-party contractors that have employees and consultants located in Ukraine, Russia and/or Belarus. Poor relations between the United States and Russia, sanctions by the United States and the European Union against Russia, and any escalation of political tensions or economic instability in the area could have an adverse impact on our third-party contractors. In particular, Russia's invasion of Ukraine and the increased tensions among the United States, the North Atlantic Treaty Organization and Russia could increase the scope of armed conflict, cyberwarfare and economic instability that could disrupt or delay the operations of these resources in Russia, Belarus and/or Ukraine, disrupt or delay communication with such resources or the flow of funds to support their operations, or otherwise render our resources unavailable.

***The additive manufacturing industry in which we operate is characterized by rapid technological change, which requires us to continue to develop new products and innovations to meet constantly evolving customer demands and which could adversely affect market adoption of our products.***

Our revenues are derived from the sale of additive manufacturing systems, produced parts, and consumables and services. We have encountered and will continue to encounter challenges experienced by growing companies in a market subject to rapid innovation and technological change. While we intend to invest substantial resources to remain on the forefront of technological development, continuing advances in additive manufacturing technology, changes in customer requirements and preferences and the emergence of new standards, regulations and certifications could adversely affect adoption of our products either generally or for particular applications. Our ability to compete in the additive manufacturing market depends, in large part, on our success in developing and introducing new additive manufacturing systems and technology, in improving our existing products and technology

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and qualifying new materials which our systems can support. We believe that we must continuously enhance and expand the functionality and features of our products and technologies in order to remain competitive. However, we may not be able to:

- develop cost-effective new products and technologies that address the increasingly complex needs of prospective customers;
- enhance our existing products and technologies;
- respond to technological advances and emerging industry standards and certifications on a cost-effective and timely basis;
- adequately protect our intellectual property as we develop new products and technologies;
- identify the appropriate technology or product to which to devote our resources; or
- ensure the availability of cash resources to fund research and development.

Even if we successfully introduce new additive manufacturing products and technologies and enhance our existing products and technologies, it is possible that these will eventually supplant our existing products or that our competitors will develop new products and technologies that will replace our own. As a result, any of our products may be rendered obsolete or uneconomical by our or our competitors' technological advances, leading to a loss in market share, decline in revenue and adverse effects to our business and prospects.

***The additive manufacturing industry is competitive. We expect to face increasing competition in many aspects of our business, which could cause our operating results to suffer.***

The additive manufacturing industry in which we operate is fragmented and competitive. We compete for customers with a wide variety of producers of additive manufacturing and/or 3D printing equipment that creates 3D objects and end-use parts, as well as with providers of materials and services for this equipment. Some of our existing and potential competitors are researching, designing, developing, and marketing other types of products and services that may render our existing or future products obsolete, uneconomical, or less competitive. Existing and potential competitors may also have substantially greater financial, technical, marketing and sales, manufacturing, distribution, and other resources than we do, including name recognition, as well as experience and expertise in intellectual property rights and operating within certain international markets, any of which may enable them to compete effectively against us. For example, a number of companies that have substantial resources have announced that they are beginning production of 3D printing systems, which will further enhance the competition we face.

Future competition may arise from the development of allied or related techniques for equipment, materials and services that are not encompassed by our patents, from the issuance of patents to other companies that may inhibit our ability to develop certain products and from improvements to existing technologies.

We intend to continue to follow a strategy of continuing product development and distribution network expansion to enhance our competitive position to the extent practicable. But we cannot assure you that we will be able to maintain our current position or continue to compete successfully against current and future sources of competition. If we do not keep pace with technological change and introduce new products and technologies, demand for our products may decline, and our operating results may suffer.

***Because the additive manufacturing market is rapidly evolving, forecasts of market growth in this Quarterly Report on Form 10-Q may not be accurate.***

Market opportunity estimates and growth forecasts included in this Quarterly Report on Form 10-Q are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts and estimates in this Quarterly Report on Form 10-Q relating to the expected size and growth of the markets for additive manufacturing technology and other markets in which we participate may prove to be inaccurate. Even if these markets experience the forecasted growth described in this Quarterly Report on Form 10-Q, we may not grow our business at similar rates, or at all. Our future growth is subject to many factors, including market adoption of our products, which is subject to many risks and uncertainties. Accordingly, the forecasts and estimates of market size and growth described in this Quarterly Report on Form 10-Q, including our estimates that the size of the total addressable market is expected to be more than \$100 billion in 2030, should not be taken as indicative of our future growth. In

addition, these forecasts do not consider the impact of the COVID-19 pandemic, and we cannot assure you that these forecasts will not be materially and adversely affected as a result.

#### **Risks Related to Acquisitions**

***Difficulties or delays integrating the businesses and operations of acquired companies into Desktop Metal, or realizing the expected benefits of these acquisitions, may adversely affect the company's future results.***

Acquisitions involve numerous risks, any of which could harm our business and negatively affect our financial condition and results of operations. The success of our acquisitions, including EnvisionTEC and ExOne, will depend in part on our ability to realize the anticipated business opportunities from combining the operations of acquired companies with our business in an efficient and effective manner. Ongoing and expanded integration processes could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the acquisitions, and could harm our financial performance. Specifically, our ability to address the following integration matters may impact realization of anticipated benefits of our acquisitions:

- combining the operations and corporate functions of acquired companies;
- meeting the capital requirements of the acquired companies, in a manner that permits us to achieve any cost savings or other synergies anticipated to result from the acquisitions;
- integrating and unifying the offerings and services available to customers;
- identifying and eliminating redundant and underperforming functions, product lines and assets;
- harmonizing the acquired companies' operating practices, employee development and compensation programs, internal controls and other policies, procedures and processes;
- consolidating the acquired companies' administrative and information technology infrastructure; and
- coordinating distribution efforts.

If we are unable to successfully or timely integrate the operations of acquired companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the acquisitions, and our business, results of operations and financial condition could be materially and adversely affected.

In addition, at times the attention of certain management individuals may be focused on the integration of the acquired businesses and diverted from day-to-day business operations or other opportunities that may have been beneficial to us, which may disrupt our ongoing business.

We have incurred significant costs in connection with our acquisitions. The substantial majority of these costs are non-recurring acquisition expenses. These non-recurring costs and expenses are reflected in the consolidated financial statements included in this Annual Report on Form 10-K. We may incur additional costs in the integration of acquired companies and may not achieve cost synergies and other benefits sufficient to offset the incremental costs of these acquisitions.

***As part of our growth strategy, we may acquire or make investments in other businesses, patents, technologies, products or services. Our efforts to do so, or our failure to do so successfully, could disrupt our business and have an adverse impact on our financial condition.***

As part of our business strategy, we may acquire and invest in other companies, patents, technologies, products and/or services. To the extent we seek to grow our business through acquisitions, we may not be able to successfully identify attractive acquisition opportunities or consummate any such acquisitions if we cannot reach an agreement on commercially favorable terms, if we lack

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sufficient resources to finance the transaction on our own and cannot obtain financing at a reasonable cost or if regulatory authorities prevent such transaction from being consummated. The identification of potential targets, negotiation with targets and due diligence may divert management's attention from their day-to-day responsibilities and require the incurrence of related costs. In addition, competition for acquisitions in the markets in which we operate during recent years has increased, and may continue to increase, which may result in an increase in the costs of acquisitions or cause us to refrain from making certain acquisitions. We may not be able to complete future acquisitions on favorable terms, if at all.

If we do complete future acquisitions, we cannot assure you that they will ultimately strengthen our competitive position or that they will be viewed positively by customers, financial markets, or investors. Furthermore, future acquisitions could pose numerous additional risks to our operations, including:

- diversion of management's attention from their day-to-day responsibilities;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs, which would be recognized as a current period expense;
- problems integrating the purchased business, products or technologies;
- challenges in achieving strategic objectives, cost savings and other anticipated benefits;
- inability to maintain relationships with key customers, suppliers, vendors and other third parties on which the purchased business relies;
- the difficulty of incorporating acquired technology and rights into our platform and of maintaining quality and security standards consistent with our brand;
- difficulty in maintaining controls, procedures, and policies during the transition and integration;
- challenges in integrating the new workforce and the potential loss of key employees, particularly those of the acquired business; and
- use of substantial portions of our available cash or the incurrence of debt to consummate the acquisition.

If we proceed with a particular acquisition, we may have to use cash, issue new equity securities with dilutive effects on existing shareholders, incur indebtedness, assume contingent liabilities, or amortize assets or expenses in a manner that might have a material adverse effect on our financial condition and results of operations. Acquisitions will also require us to record certain acquisition-related costs and other items as current period expenses, which would have the effect of reducing our reported earnings in the period in which an acquisition is consummated. In addition, we could also face unknown liabilities or write-offs due to our acquisitions, which could result in a significant charge to our earnings in the period in which they occur. We will also be required to record goodwill or other long-lived asset impairment charges (if any) in the periods in which they occur, which could result in a significant charge to our earnings in any such period.

Achieving the expected returns and synergies from future acquisitions will depend, in part, upon our ability to integrate the products and services, technology, administrative functions and personnel of these businesses into our product lines in an efficient and effective manner. We cannot assure you that we will be able to do so, that our acquired businesses will perform at levels and on the timelines anticipated by our management or that we will be able to obtain these synergies. In addition, acquired technologies and intellectual property may be rendered obsolete or uneconomical by our own or our competitors' technological advances. Management resources may also be diverted from operating our existing businesses to certain acquisition integration challenges. If we are unable to successfully integrate acquired businesses, our anticipated revenues and profits may be lower. Our profit margins may also be lower, or diluted, following the acquisition of companies whose profit margins are less than those of our existing businesses.

## **Risks Related to Our Financial Position and Need for Additional Capital**

***We are an early-stage company with a history of losses. We have not been profitable historically and may not achieve or maintain profitability in the future.***

We experienced net losses in each year from our inception, including net losses of \$740.3 million and \$240.3 million for the years ended December 31, 2022, and 2021, respectively, and \$52.6 million for the three months ended March 31, 2023. We believe we will continue to incur operating losses and negative cash flow in the near-term as we continue to invest significantly in our business, in particular across our research and development efforts and sales and marketing programs. These investments may not result in increased revenue or growth in our business or enable us to achieve profitability.

In addition, as a public company, we incur significant additional legal, accounting and other expenses. We will also incur additional legal, accounting and other expenses in connection with acquisitions and integration activities associated therewith. These increased expenditures may make it harder for us to achieve and maintain future profitability. Revenue growth and growth in our customer base may not be sustainable, and we may not achieve sufficient revenue to achieve or maintain profitability. We may incur significant losses in the future for a number of reasons, including due to the other risks described in this Quarterly Report on Form 10-Q, and we may encounter unforeseen expenses, difficulties, complications and delays and other unknown events. As a result, our losses may be larger than anticipated, we may incur significant losses for the foreseeable future, and we may not achieve profitability, and even if we do, we may not be able to maintain or increase profitability. Furthermore, if our future growth and operating performance fail to meet investor or securities analyst expectations, or if we have future negative cash flow or losses resulting from our investment in acquiring customers or expanding our operations, this could have a material adverse effect on our business, financial condition, and results of operations.

***Our limited operating history and rapid growth makes evaluating our current business and future prospects difficult and may increase the risk of your investment.***

Much of our growth has occurred in recent periods. Our limited operating history may make it difficult for you to evaluate our current business and our future prospects, as we continue to grow our business. Our ability to forecast our future operating results is subject to a number of uncertainties, including our ability to plan for and model future growth. We have encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly evolving industries, as we continue to grow our business. If our assumptions regarding these uncertainties, which we use to plan our business, are incorrect or change in reaction to changes in our markets, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, our business could suffer, and the trading price of our stock may decline.

***We may fail to meet our publicly announced guidance or other expectations about our business, which would cause our stock price to decline.***

We provide guidance regarding our expected revenue and Adjusted EBITDA, and we may in the future provide guidance regarding other measures of financial and business performance.

It is difficult to predict our future revenues and appropriately budget for our expenses, and we have limited insight into trends that may emerge and affect our business. Correctly predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate. Our guidance is based on certain assumptions such as anticipated production and sales volumes, material costs and planned cost reductions. In addition, we have implemented, and in the foreseeable future expect to continue to implement, a number of cost saving measures in order to contain costs from our acquisitions. Those measures may not have their intended effect, and we may not adequately be able to implement them. Even if the measures we implement lead to cost savings, those cost savings may not be sufficient, or we may be unable to sustain the cost savings that we achieve. Our ability to achieve the anticipated cost savings and other benefits from these measures within the expected time frames is subject to many estimates and assumptions, and depends on many factors, some of which are beyond our control. If actual results differ from our guidance or from the expectations of securities analysts or investors, or we adjust our guidance in future periods, whether as a result of our inability to successfully implement our cost saving measures or because of other factors, the market value of our common stock could decline significantly.

***Our operating results and financial condition may fluctuate from period to period.***

Our operating results and financial condition fluctuate from quarter-to-quarter and year-to-year and are likely to continue to vary due to a number of factors, many of which will not be within our control. Both our business and the additive manufacturing industry are changing and evolving rapidly, and our historical operating results may not be useful in predicting our future operating results. If our operating results do not meet the guidance that we provide to the marketplace or the expectations of securities analysts or investors, the market price of our Class A common stock will likely decline. Fluctuations in our operating results and financial condition may be due to a number of factors, including:

- the degree of market acceptance of our products and services;
- our ability to compete with competitors and new entrants into our markets;
- the mix of products and services that we sell during any period;
- the timing of our sales and deliveries of our products to customers;
- the geographic distribution of our sales;
- changes in our pricing policies or those of our competitors, including our response to price competition;
- changes in the amount that we spend to develop and manufacture new products or technologies;
- changes in the amounts that we spend to promote our products and services;
- changes in the cost of satisfying our warranty obligations and servicing our installed customer base;
- expenses and/or liabilities resulting from litigation;
- delays between our expenditures to develop and market new or enhanced solutions and the generation of revenue from those solutions;
- unforeseen liabilities or difficulties in integrating our acquisitions or newly acquired businesses;
- disruptions to our information technology systems or our third-party contract manufacturers;
- general economic and industry conditions that effect customer demand;
- seasonal reductions in business activity in certain parts of the world, particularly during the summer months in Europe;
- the impact of the COVID-19 pandemic on our customers, suppliers, manufacturers, and operations; and
- changes in accounting rules and tax laws.

In addition, our revenues and operating results may fluctuate from quarter-to-quarter and year-to-year due to our sales cycle and seasonality among our customers. Generally, our additive manufacturing solutions are subject to the adoption and capital expenditure cycles of our customers. As a result, we typically conduct a larger portion of our business during the fourth quarter of our fiscal year relative to the other quarters. Our quarterly sales also have often reflected a pattern in which a disproportionate percentage of each quarter's total sales occurs towards the end of the quarter. This uneven sales pattern makes predicting revenue, earnings, cash flow from operations, adjusted EBITDA and working capital for each period difficult, increases the risk of unanticipated variations in our quarterly results and financial condition, and places pressure on our inventory management and logistics systems. We face a number of uncertainties related to our ability to achieve our targets in a given quarter, including: we may be unable to obtain materials as a result of global supply chain issues, our customers may decline or be unable to take delivery of products during holidays, and we may



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not receive our expected level of purchase orders or payments. If these or other events were to occur, our results for a given quarter could be negatively impacted and may vary materially and adversely from our stated expectations and the estimates or expectations of securities research analysts, investors, and other market participants.

Additionally, for our more complex solutions, which may require customers to make additional facilities investment, potential customers may spend a substantial amount of time performing internal assessments prior to making a purchase decision. This may cause us to devote significant effort in advance of a potential sale without any guarantee of receiving any related revenues. As a result, revenues and operating results for future periods are difficult to predict with any significant degree of certainty, which could lead to adverse effects on our inventory levels and overall financial condition.

Due to the foregoing factors, and the other risks discussed in this Quarterly Report on Form 10-Q, you should not rely on quarter-over-quarter and year-over-year comparisons of our operating results as an indicator of our future performance.

***We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.***

We have funded our operations since inception primarily through debt and equity financings and sales. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges and opportunities, including the need to develop new features or enhance our products, improve our operating infrastructure, or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds if our existing sources of cash and any funds generated from operations do not provide us with sufficient capital. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges and opportunities could be significantly impaired, and our business may be adversely affected.

***Bank failures or other events affecting financial institutions could have a material adverse effect on our business, financial condition or liquidity, or have other adverse consequences.***

We maintain the majority of our cash and cash equivalents in accounts with major financial institutions, and our deposits at certain of these institutions exceed insurance limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business, financial condition, and liquidity.

### **Risks Related to Third Parties**

***We could be subject to personal injury, property damage, product liability, warranty and other claims involving allegedly defective products that we supply.***

The products we supply are sometimes used in potentially hazardous or critical applications, such as the assembled parts of an aircraft, medical device or automobile, that could result in death, personal injury, property damage, loss of production, punitive damages, and consequential damages. While we have not experienced any such claims to date, actual or claimed defects in the products we supply could result in our being named as a defendant in lawsuits asserting potentially large claims.

We attempt to include legal provisions in our agreements with customers that are designed to limit our exposure to potential liability for damages arising from defects or errors in our products. However, it is possible that these limitations may not be effective as a result of unfavorable judicial decisions or laws enacted in the future. Any such lawsuit, regardless of merit, could result in material expense, diversion of management time and efforts and damage to our reputation, and could cause us to fail to retain or attract customers, which could adversely affect our results of operations.

***We depend on our network of resellers and our business could be adversely affected if they do not perform as expected.***

We rely heavily on our global network of resellers to sell our products and to provide installation and support services to customers in their respective geographic regions. These resellers may not be as effective in selling our products or installing and supporting our customers as we expect. Further, our contracts with our resellers provide for termination for convenience, and if our contracts with a significant number of resellers, or with the most effective resellers, were to terminate or if they would otherwise fail or refuse to sell certain of our products, we may not be able to find replacements that are as qualified or as successful in a timely manner, if at all. In addition, if our resellers do not perform as anticipated, or if we are unable to secure qualified and successful resellers, our sales will suffer, which would have an adverse effect on our revenues and operating results. Because we also depend upon our resellers to provide installation and support services for products, if our reseller relationship were terminated or limited to certain products, we may face disruption in providing support for our customers, which would adversely affect our reputation and our results of operations. Any failure to offer high-quality technical support services may adversely affect our relationships with our customers and adversely affect our financial results.

Additionally, a default by one or more resellers that have a significant receivables balance could have an adverse financial impact on our financial results. We have reviewed our policies that govern credit and collections and will continue to monitor them in light of current payment status and economic conditions. In addition, we try to reduce the credit exposures of our accounts receivable by instituting credit limits. However, there can be no assurance that our efforts to identify potential credit risks will be successful. Our inability to timely identify resellers that are credit risks could result in defaults at a time when such resellers have high accounts receivable balances with us. Any such default would result in a significant charge against our earnings and adversely affect our results of operations and financial condition.

***We could face liability if our additive manufacturing solutions are used by our customers to print dangerous objects.***

Customers may use our additive manufacturing systems to print parts that could be used in a harmful way or could otherwise be dangerous. For example, there have been news reports that 3D printers were used to print guns or other weapons. We have little, if any, control over what objects our customers print using our products, and it may be difficult, if not impossible, for us to monitor and prevent customers from printing weapons with our products. While we have never printed weapons on any printers in our offices, there can be no assurance that we will not be held liable if someone were injured or killed by a weapon printed by a customer using one of our products.

***We depend on a limited number of third-party contract manufacturers for a significant portion of our manufacturing needs. If these third-party manufacturers experience any delay, disruption or quality control problems in their operations, including due to the COVID-19 pandemic, we could lose market share and our brand may suffer.***

We depend on third-party contract manufacturers for the production of several of our additive manufacturing systems. While there are several potential manufacturers for most of these products, several of our products are manufactured, assembled, tested and generally packaged by a limited number of third-party manufacturers. In most cases, we rely on these manufacturers to procure components and, in some cases, subcontract engineering work. Our reliance on a limited number of contract manufacturers involves a number of risks, including:

- unexpected increases in manufacturing and repair costs;
- inability to control the quality and reliability of finished products;
- inability to control delivery schedules;
- potential liability for expenses incurred by third-party contract manufacturers in reliance on our forecasts that later prove to be inaccurate;
- potential lack of adequate capacity to manufacture all or a part of the products we require; and
- potential labor unrest affecting the ability of the third-party manufacturers to produce our products.

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If any of our third-party contract manufacturers experience a delay, disruption, or quality control problems in their operations, including due to the COVID-19 pandemic, or if a primary third-party contract manufacturer does not renew its agreement with us, our operations could be significantly disrupted, and our product shipments could be delayed. Qualifying a new manufacturer and commencing volume production is expensive and time consuming. Ensuring that a contract manufacturer is qualified to manufacture our products to our standards is time consuming. In addition, there is no assurance that a contract manufacturer can scale its production of our products at the volumes and in the quality that we require. If a contract manufacturer is unable to do these things, we may have to move production for the products to a new or existing third-party manufacturer, which would take significant effort and our business, results of operations and financial condition could be materially adversely affected.

As we contemplate moving manufacturing into different jurisdictions, we may be subject to additional significant challenges in ensuring that quality, processes, and costs, among other issues, are consistent with our expectations. For example, while we expect our third-party contract manufacturers to be responsible for penalties assessed on us because of excessive failures of the products, there is no assurance that we will be able to collect such reimbursements from these manufacturers, which causes us to take on additional risk for potential failures of our products.

In addition, because we use a limited number of third-party contract manufacturers, increases in the prices charged may have an adverse effect on our results of operations, as we may be unable to find a contract manufacturer who can supply us at a lower price. As a result, the loss of a limited source supplier could adversely affect our relationships with our customers and our results of operations and financial condition.

All of our products must satisfy safety and regulatory standards and some of our products must also receive government certifications. Our third-party contract manufacturers are primarily responsible for conducting the tests that support our applications for most regulatory approvals for our products. If our third-party contract manufacturers fail to timely and accurately conduct these tests, we may be unable to obtain the necessary domestic or foreign regulatory approvals or certifications to sell our products in certain jurisdictions. As a result, we would be unable to sell our products and our sales and profitability could be reduced, our relationships with our sales channel could be harmed and our reputation and brand would suffer.

***If our suppliers become unavailable or inadequate, our customer relationships, results of operations and financial condition may be adversely affected.***

We acquire certain of our materials, which are critical to the ongoing operation and future growth of our business, from several third parties. If we or one of our contract manufacturers has a supply chain disruption, or our relationship with any of our contract manufacturers or key suppliers terminates, we could experience delays. While most manufacturing equipment and materials for our products are available from multiple suppliers, certain of those items are only available from limited sources. Should any of these suppliers become unavailable or inadequate, or impose terms unacceptable to us, such as increased pricing terms, we could be required to spend a significant amount of time and expense to develop alternate sources of supply, and we may not be successful in doing so on terms acceptable to us, or at all. As a result, the loss of a limited source supplier could adversely affect our relationship with our customers as well as our results of operations and financial condition.

***Our facilities and the facilities of our third-party contract manufacturers, suppliers, and customers, are vulnerable to disruption due to natural or other disasters, including climate-related events, strikes and other events beyond our control.***

A major earthquake, fire, tsunami, hurricane, cyclone or other disaster, such as a pandemic, major flood, seasonal storms, droughts, extreme temperatures, nuclear event or terrorist attack affecting our facilities or the areas in which they are located, or affecting those of our customers or third-party manufacturers or suppliers, could significantly disrupt our or their operations and delay or prevent product shipment or installation during the time required to repair, reinforce, rebuild or replace our or their damaged manufacturing facilities. These delays could be lengthy and costly. Climate change may contribute to increased frequency or intensity of certain of these events, as well as contribute to chronic changes in the physical environment (such as changes to ambient temperature and precipitation patterns or sea-level rise) any of which may impair the operating conditions of our facilities or the facilities of our customers or third-party manufacturers or suppliers, or otherwise adversely impact our operations and value chain (including the delivery of our services and products), access to capital, access to insurance or access to talent. If any of our facilities or those of our third-party contract manufacturers, suppliers or customers are negatively impacted by such a disaster, production, shipment, and installation of our 3D printing machines could be delayed, which can impact the period in which we recognize the revenue related to that 3D printing machine sale. Additionally, customers may delay purchases of our products until operations return

to normal. Even if we are able to respond quickly to a disaster, the continued effects of the disaster could create uncertainty in our business operations. In addition, concerns about terrorism, the effects of a terrorist attack, political turmoil, labor strikes, war or the outbreak of epidemic diseases (including the outbreak of COVID-19) could have a negative effect on our operations and sales.

#### **Risks Related to Our Class A Common Stock**

***Our issuance of additional shares of Class A common stock or convertible securities may dilute your ownership of us and could adversely affect our stock price.***

From time to time, we have issued, and we expect in the future to issue, additional shares of our Class A common stock or securities convertible into our Class A common stock pursuant to a variety of transactions, including acquisitions. Additional shares of our Class A common stock may also be issued upon exercise of outstanding stock options and warrants to purchase our Class A common stock. The issuance by us of additional shares of our Class A common stock or securities convertible into our Class A common stock would dilute your ownership of us and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our Class A common stock. Subject to the satisfaction of vesting conditions and the expiration of lockup agreements, shares issuable upon exercise of options will be available for resale immediately in the public market without restriction.

In the future, we expect to obtain financing or to further increase our capital resources by issuing additional shares of our capital stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. Issuing additional shares of our capital stock, other equity securities, or securities convertible into equity may dilute the economic and voting rights of our existing stockholders, reduce the market price of our Class A common stock, or both. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred stock, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our Class A common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. As a result, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their percentage ownership.

***Future sales, or the perception of future sales, of our Class A common stock by us or our existing stockholders in the public market could cause the market price for our Class A common stock to decline.***

The sale of substantial amounts of shares of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Certain shares of our common stock are freely tradable without restriction under the Securities Act, except for any shares of our Class A common stock that may be held or acquired by our directors, executive officers, and other affiliates, as that term is defined in the Securities Act, which are restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. Any such sales, including sales of a substantial number of shares or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. We may also issue shares of our common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments, or otherwise. Any such issuance could result in ownership dilution to you as a stockholder and cause the trading price of our common stock to decline.

***Our directors, executive officers and stockholders affiliated with our directors and executive officers own a significant percentage of our Class A common stock and, if they choose to act together, will be able to exert significant control over matters subject to shareholder approval.***

Our directors, executive officers, and stockholders affiliated with our directors and executive officers exert significant influence on us. As of December 31, 2022, these holders owned approximately 13.9% of our outstanding Class A common stock. As a result, these holders, acting together, have significant control over all matters that require approval of our stockholders, including the election of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate

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transactions. The interests of these holders may not always coincide with our corporate interests or the interests of other stockholders, and they may act in a manner with which you may not agree or that may not be in the best interests of our other stockholders.

***Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.***

Our certificate of incorporation, bylaws, and Delaware law contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our certificate of incorporation and bylaws include the following provisions:

- a staggered board, which means that our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- limitations on convening special stockholder meetings, which could make it difficult for our stockholders to adopt desired governance changes;
- a prohibition on stockholder action by written consent, which means that our stockholders will only be able to take action at a meeting of stockholders and will not be able to take action by written consent for any matter;
- a forum selection clause, which means certain litigation against us can only be brought in Delaware;
- the authorization of undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures, which apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the DGCL, which prevents interested stockholders, such as certain stockholders holding more than 15% of our outstanding Class A common stock, from engaging in certain business combinations unless (i) prior to the time such stockholder became an interested stockholder, our board of directors approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our Class A common stock, or (iii) following board approval, such business combination receives the approval of the holders of at least two-thirds of our outstanding Class A common stock not held by such interested stockholder at an annual or special meeting of stockholders.

Any provision of our certificate of incorporation, our bylaws or Delaware law that has the effect of delaying, preventing, or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

***Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our certificate of incorporation and bylaws provide that, unless we consent in writing to the selection of an alternative forum, the (a) Court of Chancery of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action, suit or proceeding brought on our behalf; (ii) any action, suit or proceeding asserting a claim of breach of fiduciary duty owed by any of our directors, officers, or stockholders to us or to our stockholders; (iii) any action, suit or proceeding asserting a claim arising pursuant to the DGCL, our certificate of incorporation or bylaws; or (iv) any action, suit or proceeding asserting a claim governed by the internal affairs doctrine; and (b) subject to the foregoing, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a

cause of action arising under the Securities Act. Notwithstanding the foregoing, such forum selection provisions shall not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

Additionally, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As noted above, our certificate of incorporation and bylaws provide that the federal district courts of the United States of America shall have jurisdiction over any action arising under the Securities Act. Accordingly, there is uncertainty as to whether a court would enforce such provision. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

#### **Risks Related to Our Indebtedness**

***Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our obligations under the 2027 Notes.***

In May 2022, we issued \$115.0 million principal amount of 6.0% Convertible Senior Notes due 2027. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our Class A common stock upon conversion of the 2027 Notes; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than we or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, to pay amounts due under our indebtedness, including the 2027 Notes, and our cash needs may increase in the future. In addition, any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under any existing indebtedness. If we fail to comply with these covenants or to make payments under any existing indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and any other existing indebtedness becoming immediately payable in full.

***We may be unable to raise the funds necessary to repurchase the 2027 Notes for cash following a fundamental change, or to pay the cash amounts due upon conversion, and any other existing indebtedness may limit our ability to repurchase the 2027 Notes or pay cash upon their conversion.***

Noteholders may require us to repurchase the 2027 Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the 2027 Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion, we will satisfy part or all of our conversion obligation in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the 2027 Notes or pay the cash amounts due upon conversion. In addition,

applicable law, regulatory authorities and the agreements governing any other indebtedness may restrict our ability to repurchase the 2027 Notes or pay the cash amounts due upon conversion. Our failure to repurchase the 2027 Notes or pay the cash amounts due upon conversion when required will constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing any other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under any other indebtedness and the 2027 Notes.

***Provisions in the indenture governing the 2027 Notes could delay or prevent an otherwise beneficial takeover of us.***

Certain provisions in the 2027 Notes and the indenture governing the 2027 Notes could make a third-party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then holders of the 2027 Notes will have the right to require us to repurchase their 2027 Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under the 2027 Notes and the indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that holders of our 2027 Notes or holders of our Class A common stock may view as favorable.

**Risks Related to Compliance Matters**

***Failure of our global operations to comply with anti-corruption laws and various trade restrictions, such as sanctions and export controls, could have an adverse effect on our business.***

We operate in a number of countries throughout the world, including countries known to have a reputation for corruption. Doing business on a global basis requires us to comply with anti-corruption laws and regulations imposed by governments around the world with jurisdiction over our operations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, as well as the laws of the countries where we do business. We are also subject to various trade restrictions, including trade and economic sanctions and export controls, imposed by governments around the world with jurisdiction over our operations. For example, in accordance with trade sanctions administered by the Office of Foreign Assets Control and the U.S. Department of Commerce, we are prohibited from engaging in transactions involving certain persons and certain designated countries or territories, including Russia, Belarus, Cuba, Iran, Syria, North Korea and the Crimea Region of Ukraine. In addition, our products are subject to export regulations that can involve significant compliance time and may add additional overhead cost to our products. In recent years the U.S. government has had a renewed focus on export matters. For example, the Export Control Reform Act of 2018 and regulatory guidance have imposed additional controls, and may result in the imposition of further additional controls, on the export of certain “emerging and foundational technologies.” Our current and future products may be subject to these heightened regulations, which could increase our compliance costs.

We are committed to doing business in accordance with applicable anti-corruption laws and regulations and with applicable trade restrictions. We are subject, however, to the risk that our affiliated entities or our and our affiliates’ respective officers, directors, employees, and agents (including distributors of our products) may take action determined to be in violation of such laws and regulations. Any violation by any of these persons could result in substantial fines, sanctions, civil and/or criminal penalties, or curtailment of operations in certain jurisdictions, and might adversely affect our operating results. In addition, actual or alleged violations could damage our reputation and ability to do business.

***We are subject to environmental, health and safety laws and regulations related to our operations and the use of our additive manufacturing systems, produced parts, and consumable materials, which could subject us to compliance costs and/or potential liability in the event of non-compliance.***

We are subject to domestic and foreign environmental laws and regulations governing our operations, including, but not limited to, emissions into the air and water and the use, handling, disposal and remediation of hazardous substances. A certain risk of environmental liability is inherent in our production activities. These laws and regulations govern, among other things, the generation, use, storage, registration, handling, and disposal of chemicals and waste materials, the presence of specified substances in electrical products, the emission and discharge of hazardous materials into the ground, air or water, the cleanup of contaminated sites, including any contamination that results from spills due to our failure to properly dispose of chemicals and other waste materials and the health and safety of our employees. Under these laws, regulations, and requirements, we could also be subject to liability for improper

disposal of chemicals and waste materials, including those resulting from the use of our systems and accompanying materials by end-users. Accidents or other incidents that occur at our facilities or involve our personnel or operations could result in claims for damages against us. In the event we are found to be financially responsible, as a result of environmental or other laws or by court order, for environmental damages alleged to have been caused by us or occurring on our premises, we could be required to pay substantial monetary damages or undertake expensive remedial obligations. If our operations fail to comply with such laws or regulations, we may be subject to fines and other civil, administrative, or criminal sanctions, including the revocation of permits and licenses necessary to continue our business activities. In addition, we may be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury (including exposure to hazardous substances that we generate, use, store, handle, transport, manufacture or dispose of), property damage or contribution claims. Some environmental laws allow for strict, joint and several liabilities for remediation costs, regardless of fault. We may be identified as a potentially responsible party under such laws. The amount of any costs, including fines or damages payments that we might incur under such circumstances could substantially exceed any insurance we have to cover such losses. Any of these events, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations and could adversely affect our reputation.

The export of our products internationally from our production facilities subjects us to environmental laws and regulations concerning the import and export of chemicals and hazardous substances such as the United States Toxic Substances Control Act and the Registration, Evaluation, Authorization and Restriction of Chemical Substances. These laws and regulations require the testing and registration of some chemicals that we ship along with, or that form a part of, our systems and other products. If we fail to comply with these or similar laws and regulations, we may be required to make significant expenditures to reformulate the chemicals that we use in our products and materials or incur costs to register such chemicals to gain and/or regain compliance. Additionally, we could be subject to significant fines or other civil and criminal penalties should we not achieve such compliance.

The SEC's rules on climate change disclosures proposed in March 2022, if adopted, will increase our costs and expenditures, as well as the costs, expenditures and expectations of many of our third parties. The cost of complying with other current and future environmental, health and safety laws applicable to our operations and the operations of many of our third parties, or the liabilities arising from past releases of, or exposure to, hazardous substances, may result in future expenditures. Any of these developments, alone or in combination, could have an adverse effect on our business, financial condition, and results of operations.

***Increasing attention to, and evolving expectations for, environmental, social, and governance (“ESG”) initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business.***

Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs, changes in demand for certain offerings, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations. While we may at times engage in voluntary ESG initiatives, such initiatives may be costly and may not have the desired effect. We may experience pressure to make commitments relating to ESG matters that affect us, but we may be unable to make such commitments for strategic or cost-related reasons (or be perceived as not making commitments to the extent expected by stakeholders), in which case, we may experience reputational fallout, negative impacts with respect to our stakeholder relations or limitations with respect to our access to capital or insurance. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to attract and retain employees or customers, which may adversely impact our operations.

***Aspects of our business are subject to privacy, data use and data security regulations, which could increase our costs.***

We collect personally identifiable information from our employees, prospects, and our customers. Privacy and security laws and regulations may limit the use and disclosure of certain information and require us to adopt certain cybersecurity and data handling practices that may affect our ability to effectively market our services to current, past, or prospective customers. We must comply with privacy laws in the United States, Europe and elsewhere, including GDPR in the European Union, which became effective May 25, 2018 and the retained version of the GDPR as it forms part of the law of England and Wales, Scotland and Northern Ireland, and the California Consumer Privacy Act of 2018, which was enacted on June 28, 2018 and became effective on January 1, 2020. These laws create new individual privacy rights and impose increased obligations, including disclosure obligations, on companies handling personal data. In many jurisdictions, consumers must be notified in the event of a data security breach, and such notification requirements continue to increase in scope and cost. Privacy and security laws and regulations may limit the use and disclosure of



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certain information and require us to adopt certain cybersecurity and data handling practices that may affect our ability to effectively market our services to current, past, or prospective customers. While we have invested in, and intend to continue to invest in, resources to comply with these standards, we may not be successful in doing so, and any such failure could have an adverse effect on our business, results of operations and reputation.

As privacy, data use and data security laws are interpreted and applied, compliance costs may increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. In recent years, there has been increasing regulatory enforcement and litigation activity in this area in the United States, Germany and in various other countries in which we operate.

***Compliance with regulations for medical devices and solutions is expensive and time-consuming, and failure to obtain or maintain approvals, clearances, or compliance could impact financial projections and/or subject us to penalties or liabilities.***

Our Desktop Labs and Desktop Health products and services, and healthcare provider customers and distributors, are and will be subject to extensive federal, state, local and foreign regulations, including, without limitation, regulations with respect to approvals and clearances for products, design, manufacturing and testing, labeling, marketing, sales, quality control, and privacy. Unless an exemption applies, we must obtain clearance or approval from the Food and Drug Administration (or comparable foreign regulatory body) before a medical device or solution can be marketed or sold; this process involves significant time, effort and expense. The healthcare market overall is highly regulated and subject to frequent and sudden change. Our failure to secure clearances or approvals or comply with regulations could have an adverse impact on our business and reputation and subject us to lost research and development costs, withdrawal of clearance/approval, operating restrictions, liabilities, fines, penalties and/or litigation.

### **Risks Related to Intellectual Property**

***Third-party lawsuits and assertions alleging our infringement of patents, trade secrets or other intellectual property rights may have a significant adverse effect on our financial condition.***

Third parties may own issued patents and pending patent applications that exist in fields relevant to additive manufacturing. Some of these third parties may assert that we are employing their proprietary technology without authorization. There may be third-party patents or patent applications with claims related to additive manufacturing. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our additive technologies may infringe. In addition, third parties may obtain patents in the future and claim that our technologies infringe upon these patents. Any third-party lawsuits or other assertion to which we are subject alleging our infringement of patents, trade secrets or other intellectual property rights may have a significant adverse effect on our financial condition.

***We may incur substantial costs enforcing and defending our intellectual property rights.***

We may incur substantial expense and costs in protecting, enforcing, and defending our intellectual property rights against third parties. Intellectual property disputes may be costly and can be disruptive to our business operations by diverting attention and energies of management and key technical personnel and by increasing our costs of doing business. Third-party intellectual property claims asserted against us could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from assembling or licensing certain of our products, subject us to injunctions restricting our sale of products, cause severe disruptions to our operations or the marketplaces in which we compete or require us to satisfy indemnification commitments with our customers, including contractual provisions under various license arrangements. In addition, we may incur significant costs in acquiring the necessary third-party intellectual property rights for use in our products. Any of these could have an adverse effect on our business and financial condition.

***If we are unable to adequately protect or enforce our intellectual property rights, such information may be used by others to compete against us, in particular in developing consumables that could be used with our printing systems in place of our proprietary consumables.***

We have devoted substantial resources to the development of our technology and related intellectual property rights. Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We rely on a combination of

registered and unregistered intellectual property and protect our rights using patents, licenses, trademarks, trade secrets, confidentiality and assignment of invention agreements and other methods.

Despite our efforts to protect our proprietary rights, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies, inventions, processes or improvements. We cannot assure you that any of our existing or future patents or other intellectual property rights will not be challenged, invalidated or circumvented, or will otherwise provide us with meaningful protection. Our pending patent applications may not be granted, and we may not be able to obtain foreign patents or pending applications corresponding to our U.S. patents. Even if foreign patents are granted, effective enforcement in foreign countries may not be available.

Our trade secrets, know-how and other unregistered proprietary rights are a key aspect of our intellectual property portfolio. While we take reasonable steps to protect our trade secrets and confidential information and enter into confidentiality and invention assignment agreements intended to protect such rights, such agreements can be difficult and costly to enforce or may not provide adequate remedies if violated, and we may not have entered into such agreements with all relevant parties. Such agreements may be breached, and trade secrets or confidential information may be willfully or unintentionally disclosed, including by employees who may leave our company and join our competitors, or our competitors or other parties may learn of the information in some other way. The disclosure to, or independent development by, a competitor of any of our trade secrets, know-how or other technology not protected by a patent or other intellectual property system could materially reduce or eliminate any competitive advantage that we may have over such competitor. This concern could manifest itself in particular with respect to our proprietary consumables that are used with our systems. Portions of our proprietary consumables may not be afforded patent protection. Chemical companies or other producers of raw materials used in our consumables may be able to develop consumables that are compatible to a large extent with our products, whether independently or in contravention of our trade secret rights and related proprietary and contractual rights. If such consumables are made available to owners of our systems, and are purchased in place of our proprietary consumables, our revenues and profitability would be reduced, and we could be forced to reduce prices for our proprietary consumables.

If our patents and other intellectual property do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents and other intellectual property. Any of the foregoing events would lead to increased competition and reduce our revenue or gross margin, which would adversely affect our operating results.

If we attempt enforcement of our intellectual property rights, we may be, and have been in the past, subject or party to claims, negotiations or complex, protracted litigation. Intellectual property disputes and litigation, regardless of merit, can be costly and disruptive to our business operations by diverting attention and energies of management and key technical personnel and by increasing our costs of doing business. Any of the foregoing could adversely affect our business and financial condition.

As part of any settlement or other compromise to avoid complex, protracted litigation, we may agree not to pursue future claims against a third party, including related to alleged infringement of our intellectual property rights. Part of any settlement or other compromise with another party may resolve a potentially costly dispute but may also have future repercussions on our ability to defend and protect our intellectual property rights, which in turn could adversely affect our business.

***Our additive manufacturing software contains third-party open-source software components, and failure to comply with the terms of the underlying open-source software licenses could restrict our ability to sell our products.***

Our additive manufacturing software contains components that are licensed under so-called “open source,” “free” or other similar licenses. Open-source software is made available to the general public on an “as-is” basis under the terms of a non-negotiable license. We currently combine our proprietary software with open-source software, but not in a manner that we believe requires the release of the source code of our proprietary software to the public. We do not plan to integrate our proprietary software with open-source software in ways that would require the release of the source code of our proprietary software to the public; however, our use and distribution of open-source software may entail greater risks than use of third-party commercial software. Open-source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, if we combine our proprietary software with open-source software in a certain manner, we could, under certain open-source licenses, be required to release to the public or remove the source code of our proprietary software. We may also face claims alleging noncompliance with open-source license terms or infringement or misappropriation of proprietary software. These claims could result in litigation, require us to purchase a costly license or remove the software. In addition, if the license terms for open-source software

that we use change, we may be forced to re-engineer our solutions, incur additional costs or discontinue the sale of our offerings if re-engineering could not be accomplished on a timely basis. Although we monitor our use of open-source software to avoid subjecting our offerings to unintended conditions, there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our offerings. We cannot guarantee that we have incorporated open-source software in our software in a manner that will not subject us to liability or in a manner that is consistent with our current policies and procedures.

### **General Risk Factors**

***Our Class A common stock price may be volatile or may decline regardless of our operating performance. You may lose some or all of your investment.***

The trading price of our Class A common stock is likely to be volatile. The stock market recently has experienced extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to several of factors such as those listed in this section and the following:

- the impact of the COVID-19 pandemic on our financial condition and the results of operations;
- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- conditions that impact demand for our products;
- future announcements concerning our business, our customers' businesses, or our competitors' businesses;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- the size of our public float;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in senior management or key personnel;
- issuances, exchanges or sales, or expected issuances, exchanges, or sales of our capital stock;
- changes in our dividend policy;
- adverse resolution of new or pending litigation against us; and
- changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war and responses to such events.

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These broad market and industry factors may materially reduce the market price of our Class A common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. As a result, you may suffer a loss on your investment.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade our Class A common stock, the price of our Class A common stock could decline.***

The trading market for our Class A common stock depends, in part, on the research and reports that third-party securities analysts publish about us and the industries in which we operate. We may be unable or slow to attract research coverage and if one or more analysts cease coverage of us, the price and trading volume of our securities would likely be negatively impacted. If any of the analysts that may cover us change their recommendation regarding our Class A common stock adversely, or provide more favorable relative recommendations about our competitors, the price of our Class A common stock would likely decline. If any analyst that may cover us ceases covering us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our Class A common stock to decline. Moreover, if one or more of the analysts who cover us downgrades our Class A common stock, or if our reporting results do not meet their expectations, the market price of our Class A common stock could decline.

***The obligations associated with being a public company involve significant expenses and require significant resources and management attention, which may divert from our business operations.***

We are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly, and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal control over financial reporting. Now that we have ceased to be an “emerging growth company” an attestation report on internal control over financial reporting is required to be issued by our independent registered public accounting firm. As a result, we have incurred, and will continue to incur, increased legal, accounting, and other expenses. Our entire management team and many of our other employees will continue to devote substantial time to compliance and may not effectively or efficiently manage our transition into a public company.

In addition, the need to establish the corporate infrastructure demanded of a public company may also divert management’s attention from implementing our business strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal control over financial reporting, including IT controls, and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition, and results of operations. In addition, we cannot predict or estimate the amount of additional costs we may incur to comply with these requirements.

These rules and regulations result in our incurring legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees, or as executive officers.

***As a public reporting company, we will be subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. If we fail to establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or report them in a timely manner.***

We are subject to the rules and regulations established from time to time by the SEC and the NYSE. These rules and regulations require, among other things that we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to place a considerable strain on our financial and management systems, processes, and controls, as well as on our personnel.

In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal control over financial reporting.

***We have identified material weaknesses in our internal controls over financial reporting as of December 31, 2022. Our internal controls over financial reporting currently do not meet all of the standards contemplated by Section 404 of Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could impair our ability to produce timely and accurate financial statements or comply with applicable regulations and have a material adverse effect on our business.***

We are required to maintain internal control over financial reporting and to report any material weaknesses in these controls. The process of designing and implementing effective internal controls is a continuous effort that will require us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis or result in material misstatements in our consolidated financial statements, which could harm our operating results. In addition, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Testing and maintaining internal controls may divert management's attention from other matters that are important to our business. Our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting on an annual basis.

In addition to our results determined in accordance with GAAP, we believe certain non-GAAP measures may be useful in evaluating our operating performance. We present certain non-GAAP financial measures in this Quarterly Report on Form 10-Q and intend to continue to present certain non-GAAP financial measures in future filings with the SEC and other public statements. Any failure to accurately report and present our non-GAAP financial measures could cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable NYSE listing rules, which may result in a breach of the covenants under existing or future financing arrangements. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements also could suffer if we or our independent registered public accounting firm continue to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in the market price of our Class A common stock.

As of December 31, 2022, our management and auditors determined that material weaknesses existed in our internal control over financial reporting due to the fact that we had not fully integrated our acquired subsidiaries into our control structure, and with our limited accounting department personnel, this may not be achievable. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. While we have instituted plans to remediate the issue described above and continue to take remediation steps, including hiring additional personnel, including a vice

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president of accounting with public company experience, we continued to have a limited number of personnel with the level of GAAP accounting knowledge, specifically related to complex accounting transactions, commensurate with our financial reporting requirements.

Although we believe the hiring of additional accounting resources, implementation of additional reviews and processes requiring timely account reconciliations and analysis and implementation of processes and controls to better identify and manage segregation of duties will remediate the material weakness with respect to insufficient personnel, there can be no assurance that the material weakness will be remediated on a timely basis or at all, or that additional material weaknesses will not be identified in the future. If we are unable to remediate the material weakness, our ability to record, process, and report financial information accurately, and to prepare financial statements within the time periods specified by the rules and forms of the SEC, could be adversely affected which, in turn, may adversely affect our reputation and business and the market price of our Class A common stock.

### ***Our goodwill has been subject to impairment and may be subject to impairment in the future.***

We have \$113.0 million of goodwill on our balance sheet as of December 31, 2022. Under U.S. GAAP, goodwill is required to be reviewed for impairment at least annually, or more frequently if potential interim indicators exist. Impairment may result from various factors, including adverse changes in assumptions used for valuation purposes, such as actual or projected revenue growth rates, profitability, or discount rates. If the testing indicates that an impairment has occurred, we are required to record a non-cash impairment charge for the difference between the carrying value of the goodwill and the fair value of the goodwill. Events and conditions that could result in impairment include a prolonged period of global economic weakness, a decline in economic conditions, or a slow economic recovery, adverse changes in the market share of our products, or other factors which could result in reductions in our sales or profitability over an extended period. We cannot predict the amount and timing of any future impairments, if any. We have experienced impairment charges with respect to goodwill, and we may experience such charges in the future, particularly if our business performance declines or expected growth is not realized. During the year ended December 31, 2022, we incurred \$498.8 million of goodwill impairment charges. It is possible that material changes in our business, market conditions, or assumptions about our market share or position could occur over time. Any future impairment of our goodwill or other intangible assets could have a material adverse effect on our financial condition and results of operations as well as the trading price of our securities.

### ***We are, and have been in the recent past, subject to litigation.***

We are currently, and have been in the recent past, subject to litigation, and we could be subject to further litigation in the future. Although we vigorously pursue favorable outcomes, we can provide no assurance as to the outcome of any current or future lawsuits or allegations, and any such actions may result in judgments against us for significant damages. Resolution of any such matters can be prolonged and costly, and the ultimate results or judgments are uncertain due to the inherent uncertainty in litigation and other proceedings. In addition, the additive manufacturing industry has been, and may continue to be, litigious, particularly with respect to intellectual property claims. Moreover, our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements. Regardless of the outcome, litigation has resulted in the past, and may result in the future, in significant legal expenses and require significant attention and resources of management. As a result, any present or future litigation that may be brought against us by any third party could result in losses, damages and expenses that have a significant adverse effect on our financial condition.

### ***We do not intend to pay dividends on our Class A common stock for the foreseeable future.***

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, we do not anticipate declaring or paying any cash dividends on our Class A common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, certain restrictions related to our indebtedness, industry trends and other factors that our board of directors may deem relevant. Any such decision will also be subject to compliance with contractual restrictions and covenants in the agreements governing our current and future indebtedness. In addition, we may incur additional indebtedness, the terms of which may further restrict or prevent us from paying dividends on our Class A common stock. As a result, you may have to sell some or all of your Class A common stock after price appreciation in order to generate cash flow from your investment, which you may not be able to do. Our inability or decision not to pay dividends, particularly when others in our industry have elected to do so, could also adversely affect the market price of our Class A common stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

**Recent Sales of Unregistered Securities**

All issuances of unregistered securities by us during the three months ended March 31, 2023, have been included previously in a Current Report on Form 8-K.

**Issuer Purchases of Equity Securities**

The following table sets forth purchases of our common stock for the three months ended March 31, 2023:

<u>Period</u>	<u>Total number of shares purchased <sup>(1)</sup></u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of a publicly announced program</u>	<u>Approximate dollar value of shares that may yet be purchased under the program</u>
January 1, 2023 through January 31, 2023	—	\$ —	—	—
February 1, 2023 through February 28, 2023	21,480	\$ 1.78	—	—
March 1, 2023 through March 31, 2023	40,238	\$ 1.50	—	—
<b>Total</b>	<u>61,718</u>		<u>—</u>	

<sup>(1)</sup> All of the shares were withheld from employees in satisfaction of minimum tax withholding obligations associated with the issuance of shares of Class A common stock.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

(a) Exhibits

The exhibits listed in the Exhibit Index are filed as part of this Quarterly Report on Form 10-Q and are incorporated herein by reference.

EXHIBIT INDEX

Exhibit		Incorporated by Reference		
		Form	Exhibit	Filing Date
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a)</a>			*
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a)</a>			*
32.1	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer of Periodic Report Pursuant to 18 U.S.C. Section 1350</a>			*
101.INS	Inline XBRL Instance Document			*
101.SCH	Inline XBRL Taxonomy Extension Schema Document			*
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document			*
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document			*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			*
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)			*

\* Filed with this Quarterly Report on Form 10-Q.



**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DESKTOP METAL, INC.

Date: May 10, 2023

By: \_\_\_\_\_  
/s/ Ric Fulop  
Ric Fulop  
Chief Executive Officer  
(Principal Executive Officer)

Date: May 10, 2023

By: \_\_\_\_\_  
/s/ Jason Cole  
Jason Cole  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) of RULE 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Ric Fulop, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Desktop Metal, Inc. for the quarter ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Ric Fulop  
\_\_\_\_\_  
Ric Fulop  
Chief Executive Officer  
(Principal Executive Officer)

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CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jason Cole, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Desktop Metal, Inc. for the quarter ended March 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Jason Cole

\_\_\_\_\_  
Jason Cole  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Desktop Metal, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Ric Fulop, the Chief Executive Officer of the Company, and Jason Cole, the Chief Financial Officer of the Company, each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 10, 2023	<u>/s/ Ric Fulop</u> Ric Fulop	Chief Executive Officer (Principal Executive Officer)
May 10, 2023	<u>/s/ Jason Cole</u> Jason Cole	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to Desktop Metal, Inc. and will be retained by Desktop Metal, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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