UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022
OR

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

Commission File Number: 001-39757

Velo3D, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**98-1556965**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
511 Division Street, Campbell, CA	**95008**
(Address of Principal Executive Offices)	(Zip Code)

(408) 610-3915
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.00001 per share	VLD	New York Stock Exchange
Warrants to purchase one share of common stock, each at an exercise price of $11.50 per share	VLD WS	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	☐	Accelerated filer ☐
Non-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 Act). Yes☐ No ☒

As of August 5, 2022, the registrant had 184,964,259 shares of common stock, $0.00001 per share outstanding.

TABLE OF CONTENTS

Explanatory Note – Certain Defined Terms

Unless otherwise stated in this Quarterly Report or the context otherwise requires, references to:

"Board" or "Board of Directors" means the board of directors of the Company.

"Bylaws" means the restated bylaws of the Company.

"Business Combination Agreement" means that certain Business Combination Agreement, dated as of March 22, 2021, by and among JAWS Spitfire, Merger Sub and Legacy Velo3D, as amended by Amendment #1 to Business Combination Agreement dated as of July 20, 2021.

"Certificate of Incorporation" means the restated certificate of incorporation of the Company.

"common stock" means the shares of common stock, par value $0.00001 per share, of the Company.

"Class A ordinary shares" means the Class A ordinary shares, par value $0.0001 per share, of JAWS Spitfire, prior to the Domestication, which automatically converted, on a one-for-one basis, into shares of common stock in connection with the Closing.

"Class B ordinary shares" means the Class B ordinary shares, par value $0.0001 per share, of JAWS Spitfire, prior to the Domestication, which automatically converted, on a one-for-one basis, into shares of common stock in connection with the Closing.

"Closing" means the closing of the Merger.

"Closing Date" means September 29, 2021.

"Code" means the Internal Revenue Code of 1986, as amended.

"Domestication" means the domestication contemplated by the Business Combination Agreement, whereby JAWS Spitfire effected a deregistration and a transfer by way of continuation from the Cayman Islands to the State of Delaware, pursuant to which JAWS Spitfire's jurisdiction of incorporation was changed from the Cayman Islands to the State of Delaware.

"DGCL" means the General Corporation Law of the State of Delaware.

"Earnout Shares" means up to 21,758,148 shares of our common stock issuable pursuant to the Business Combination Agreement to certain Legacy Velo3D equity holders upon the achievement of certain vesting conditions.

"Equity Incentive Plan" means the Velo3D, Inc. 2021 Equity Incentive Plan.

"ESPP" means the Velo3D, Inc. 2021 Employee Stock Purchase Plan.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Founder Shares" means the 8,625,000 shares of our common stock issued to the Sponsor and the other Initial Stockholders in connection with the automatic conversion of the Class B ordinary shares in connection with the Closing.

"GAAP" means United States generally accepted accounting principles.

"Initial Stockholders" means the Sponsor together with Andy Appelbaum, Mark Vallely and Serena J. Williams.

“IPO” means the Company’s initial public offering, consummated on December 7, 2020, of 34,500,000 units (including 4,500,000 units that were issued to the underwriters in connection with the exercise in full of their over-allotment option) at $10.00 per unit.

“JAWS Spitfire” refers to JAWS Spitfire Acquisition Corporation, a Cayman Islands exempted company, prior to the Closing.

“Legacy Velo3D” means Velo3D, Inc., a Delaware corporation (n/k/a Velo3D US, Inc.), prior to the Closing.

“Legacy Velo3D equity holder” means certain former stockholders and equity award holders of Legacy Velo3D.

“Merger” and “Reverse Recapitalization” mean the merger contemplated by the Business Combination Agreement, whereby Merger Sub merged with and into Legacy Velo3D, with Legacy Velo3D surviving the merger as a wholly-owned subsidiary of the Company on the Closing Date.

“Merger Sub” means Spitfire Merger Sub, Inc., a Delaware corporation.

“NYSE” means the New York Stock Exchange.

“PIPE Financing” means the private placement pursuant to which the PIPE Investors collectively subscribed for 15,500,000 shares of our common stock at $10.00 per share, for an aggregate purchase price of $155,000,000, on the Closing.

“PIPE Investors” means certain institutional investors that invested in the PIPE Financing.

“PIPE Shares” means the 15,500,000 shares of our common stock issued in the PIPE Financing.

“private placement warrants” means the 4,450,000 warrants originally issued to the Sponsor in a private placement in connection with our IPO.

“public shares” means the Class A ordinary shares included in the units issued in our IPO.

“public shareholders” means holders of public shares.

“public warrants” means the 8,625,000 warrants included in the units issued in our IPO.

“Sarbanes-Oxley Act” or “SOX” means the Sarbanes-Oxley Act of 2002.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Sponsor” means Spitfire Sponsor LLC, a Delaware limited liability company.

“Velo3D” refers to Velo3D, Inc., a Delaware corporation (f/k/a JAWS Spitfire Acquisition Corporation, a Cayman Islands exempted company), and its consolidated subsidiary following the Closing.

In addition, unless otherwise indicated or the context otherwise requires, references in this Quarterly Report to the “Company,” “we,” “us,” “our,” and similar terms refer to Legacy Velo3D prior to the Merger and to Velo3D and its consolidated subsidiary after giving effect to the Merger.

PART I. FINANCIAL INFORMATION

Forward-looking Statements

Certain statements in this Quarterly Report may constitute “forward-looking statements” for purposes of the federal securities laws. Our forward-looking statements include, but are not limited to, statements regarding our or our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “can,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Quarterly Report may include, for example, statements about:

- our market opportunity;
- the ability to maintain the listing of our common stock and the public warrants on the NYSE, and the potential liquidity and trading of such securities;
- the ability to recognize the anticipated benefits of the Merger, which may be affected by, among other things, competition, the ability of the combined company to grow and manage growth profitably and retain its key employees;
- changes in applicable laws or regulations;
- the inability to develop and maintain effective internal control over financial reporting;
- our ability to raise financing in the future;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- the period over which we anticipate our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements;
- the potential for our business development efforts to maximize the potential value of our portfolio;
- regulatory developments in the United States and foreign countries;
- the impact of laws and regulations;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our financial performance;
- the effect of the ongoing COVID-19 pandemic on the foregoing; and
- other factors detailed under the section entitled “*Risk Factors*”.

The forward-looking statements contained in this Quarterly Report are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under the section entitled "*Risk Factors*". Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Some of these risks and uncertainties may in the future be amplified by the ongoing COVID-19 pandemic and there may be additional risks that we consider immaterial or which are unknown. It is not possible to predict or identify all such risks. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Item 1. Financial Statements

Velo3D, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 43,509	$ 207,602
Short-term investments	98,287	15,483
Accounts receivable, net	11,817	12,778
Inventories	61,909	22,479
Contract assets	405	274
Prepaid expenses and other current assets	6,695	9,458
Total current assets	222,622	268,074
Property and equipment, net	17,717	10,046
Equipment on lease, net	8,128	8,366
Other assets	14,948	16,231
Total assets	$ 263,415	$ 302,717
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 15,744	$ 9,882
Accrued expenses and other current liabilities	16,485	9,414
Debt – current portion	5,119	5,114
Contract liabilities	16,175	22,252
Total current liabilities	53,523	46,662
Long-term debt – less current portion	1,889	2,956
Contingent earnout liabilities	12,493	111,487
Warrant liabilities	4,053	21,705
Other noncurrent liabilities	8,874	9,492
Total liabilities	80,832	192,302
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.00001 par value - 500,000,000 shares authorized at June 30, 2022 and December 31, 2021, 184,909,608 and 183,232,494 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	2	2
Additional paid-in capital	350,797	340,294
Accumulated other comprehensive loss	(957)	(14)
Accumulated deficit	(167,259)	(229,867)
Total stockholders' equity	182,583	110,415
Total liabilities and stockholders' equity	$ 263,415	$ 302,717

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Velo3D, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue				
3D Printer	$ 17,615	$ 6,079	$ 27,799	$ 6,313
Recurring payment	934	372	1,859	635
Support services	1,095	695	2,204	1,370
Total Revenue	19,644	7,146	31,862	8,318
Cost of revenue				
3D Printer	15,633	3,899	26,112	4,482
Recurring payment	685	257	1,403	444
Support services	2,094	806	3,100	1,598
Total cost of revenue	18,412	4,962	30,615	6,524
Gross profit	1,232	2,184	1,247	1,794
Operating expenses				
Research and development	12,965	6,399	25,880	11,094
Selling and marketing	6,249	2,337	12,232	4,360
General and administrative	8,259	5,218	17,549	10,004
Total operating expenses	27,473	13,954	55,661	25,458
Loss from operations	(26,241)	(11,770)	(54,414)	(23,664)
Interest expense	(92)	(524)	(233)	(644)
Gain (loss) on fair value of warrants	23,665	(227)	17,651	(1,741)
Gain on fair value of contingent earnout liabilities	130,227	—	98,995	—
Other income (expense), net	391	(17)	609	(37)
Income (loss) before provision for income taxes	127,950	(12,538)	62,608	(26,086)
Provision for income taxes	—	—	—	—
Net income (loss)	$ 127,950	$ (12,538)	$ 62,608	$ (26,086)
Net income (loss) per share:				
Basic	$ 0.69	$ (0.78)	$ 0.34	$ (1.62)
Diluted	$ 0.63	$ (0.78)	$ 0.31	$ (1.62)
Shares used in computing net income (loss) per share:				
Basic	184,282,194	16,150,202	183,892,304	16,085,750
Diluted	202,326,053	16,150,202	203,026,468	16,085,750
Net income (loss)	$ 127,950	$ (12,538)	$ 62,608	$ (26,086)
Net unrealized holding loss on available-for-sale investments	(335)	—	(943)	—
Total comprehensive income (loss)	$ 127,615	$ (12,538)	$ 61,665	$ (26,086)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Velo3D, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six months ended June 30,	
	2022	**2021**
Cash flows from operating activities		
Net income (loss)	$ 62,608	$ (26,086)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	2,108	692
Stock-based compensation	9,933	1,075
(Gain) Loss on fair value of warrants	(17,651)	1,741
(Gain) on fair value of contingent earnout liabilities	(98,995)	—
Changes in assets and liabilities		
Accounts receivable	961	(2,648)
Inventories	(34,826)	(1,279)
Contract assets	(131)	2,873
Prepaid expenses and other current assets	7,049	(1,748)
Other assets	1,283	(2,156)
Accounts payable	(415)	5,296
Accrued expenses and other liabilities	5,977	779
Contract liabilities	(6,077)	7,190
Other noncurrent liabilities	(617)	1,249
Net cash used in operating activities	(68,793)	(13,022)
Cash flows from investing activities		
Purchase of property and equipment	(8,578)	(601)
Production of equipment for lease to customers	(2,563)	(5,044)
Purchases of available-for-sale investments	(87,655)	—
Proceeds from maturity of available-for-sale investments	4,000	—
Net cash used in investing activities	(94,796)	(5,645)
Cash flows from financing activities		
Proceeds from loan issuance	—	14,339
Repayment of term loan	—	(4,888)
Proceeds from convertible notes	—	5,000
Proceeds from equipment loans	—	3,200
Repayment of equipment loans	(1,067)	(1,636)
Issuance of common stock upon exercise of stock options	570	283
Net cash (used in) provided by financing activities	(497)	16,298
Effect of exchange rate changes on cash and cash equivalents	(7)	—
Net change in cash and cash equivalents	(164,093)	(2,369)
Cash and cash equivalents and restricted cash at beginning of period	208,402	15,517
Cash and cash equivalents and restricted cash at end of period	$ 44,309	$ 13,148
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 152	$ 280

Supplemental disclosure of non-cash information				
Issuance of common stock warrants in connection with financing	$	—	$	134

The following table provides a reconciliation of cash, cash equivalents, and restricted cash shown on the condensed consolidated statements of cash flows:

	June 30,			
	2022		2021	
	(In thousands)			
Cash and cash equivalents	$	43,509	$	13,148
Restricted cash (Other assets)		800		—
Total cash and cash equivalents and restricted cash	$	44,309	$	13,148

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Velo3D, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands, except share data)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of March 31, 2021	**117,734,383**	**$ 123,704**	**16,042,945**	**$ 1**	**$ 15,376**	**$ —**	**$ (136,324)**	**$ (120,947)**
Issuance of common stock upon exercise of stock options	—	$ —	125,633	$ —	$ 244	$ —	$ —	$ 244
Issuance of common stock warrants in connection with financing	—	$ —	—	$ —	$ 66	$ —	$ —	$ 66
Stock-based compensation	—	$ —	—	$ —	$ 760	$ —	$ —	$ 760
Net loss	—	$ —	—	$ —	$ —	$ —	$ (12,538)	$ (12,538)
Balance as of June 30, 2021	**117,734,383**	**123,704**	**16,168,578**	**1**	**16,446**	**—**	**(148,862)**	**(132,415)**
Balance as of March 31, 2022	**—**	**$ —**	**183,557,946**	**$ 2**	**$ 345,418**	**$ (608)**	**$ (295,209)**	**$ 49,603**
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	$ —	1,221,179	$ —	$ 403	$ —	$ —	$ 403
Stock-based compensation	—	$ —	130,483	$ —	$ 4,976	$ —	$ —	$ 4,976
Net income	—	$ —	—	$ —	$ —	$ —	$ 127,950	$ 127,950
Other comprehensive loss	—	$ —	—	$ —	$ —	$ (349)	$ —	$ (349)
Balance as of June 30, 2022	**—**	**—**	**184,909,608**	**2**	**350,797**	**(957)**	**(167,259)**	**182,583**

	Redeemable Convertible Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance as of December 31, 2020	**117,734,383**	**$ 123,704**	**16,003,558**	**$ 1**	**$ 14,954**	**$ —**	**$ (122,776)**	**$ (107,821)**
Issuance of common stock upon exercise of stock options	—	—	165,020	—	283	—	—	283
Issuance of common stock warrants in connection with financing	—	—	—	—	134	—	—	134
Stock-based compensation	—	—	—	—	1,075	—	—	1,075
Net loss	—	—	—	—	—	—	(26,086)	(26,086)
Balance as of June 30, 2021	**117,734,383**	**$ 123,704**	**16,168,578**	**$ 1**	**$ 16,446**	**$ —**	**$ (148,862)**	**$ (132,415)**
Balance as of December 31, 2021	**—**	**$ —**	**183,232,494**	**$ 2**	**$ 340,294**	**$ (14)**	**$ (229,867)**	**$ 110,415**
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	1,546,631	—	570	—	—	$ 570
Stock-based compensation	—	—	130,483	—	9,933	—	—	$ 9,933
Net income	—	—	—	—	—	—	62,608	$ 62,608
Other comprehensive loss	—	—	—	—	—	(943)	—	(943)
Balance as of June 30, 2022	**—**	**$ —**	**184,909,608**	**$ 2**	**$ 350,797**	**$ (957)**	**$ (167,259)**	**$ 182,583**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Velo3D, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Velo3D, Inc., a Delaware corporation ("Velo3D"), formerly known as JAWS Spitfire Acquisition Corporation ("JAWS Spitfire"), produces metal additive three dimensional printers ("3D Printers") which enable the production of components for space rockets, jet engines, fuel delivery systems and other high value metal parts, which it sells or leases to customers for use in their businesses. The Company also provides support services ("Support Services") for an incremental fee. Velo3D's subsidiary, Velo3D US, Inc., formerly known as Velo3D, Inc. ("Legacy Velo3D"), was founded in June 2014 as a Delaware corporation headquartered in Campbell, California. The first commercially developed 3D Printer was delivered in the fourth quarter of 2018.

Unless otherwise stated herein or unless the context otherwise requires, references in these notes to the "Company" refer to (i) Legacy Velo3D prior to the consummation of the Merger (as defined below); and (ii) Velo3D and its consolidated subsidiary following the consummation of the Merger.

On September 29, 2021 (the "Closing Date" or the "Reverse Recapitalization Date"), JAWS Spitfire completed the previously announced merger with Legacy Velo3D, with Legacy Velo3D surviving as a wholly-owned subsidiary of JAWS Spitfire (the "Merger" or the "Reverse Recapitalization"). In connection with the Merger, JAWS Spitfire was renamed "Velo3D, Inc.", and Legacy Velo3D was renamed "Velo3D US, Inc."

Accordingly, all historical financial information prior to the Closing Date presented in the unaudited condensed consolidated financial statements of Velo3D represents the accounts of Legacy Velo3D. The shares and Net loss per share attributable to common stockholders, basic and diluted, prior to the Merger, have been retroactively restated as shares reflecting the exchange ratio (the "Exchange Ratio") established in the Merger (0.8149 shares of Velo3D common stock, par value $0.00001 (the "common stock") for 1 share of Legacy Velo3D common stock). All fractional shares were rounded.

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the requirements of the U.S. Securities and Exchange Commission (the "SEC") for interim financial reporting. Intercompany balances and transactions have been eliminated in consolidation. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K") and the related notes, which provide a more complete discussion of the Company's accounting policies and certain other information. The condensed consolidated balance sheet as of December 31, 2021 has been derived from the audited financial statements of the Company. These condensed consolidated financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company's financial information. These interim results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2022, or for any other interim period or for any other future year.

Financial Condition and Liquidity and Capital Resources

The condensed consolidated financial statements are unaudited and have been prepared on the basis of continuity of operations, the realization of assets and satisfaction of liabilities in the ordinary course of business. On September 29, 2021, the Company consummated the Merger, which resulted in the Company receiving approximately $278.3 million in total net proceeds, including $155.0 million from the private placement of

15,500,000 shares of common stock at $10.00 per share (the "PIPE Financing"). Since inception, the Company has not achieved profitable operations or generated positive cash flows from operations. The Company's operating plan may change as a result of many factors currently unknown and there can be no assurance that the current operating plan will be achieved in the time frame anticipated by the Company, and it may need to seek additional funds sooner than planned. If adequate funds are not available to the Company on a timely basis, it may be required to delay, limit, reduce, or terminate certain commercial efforts, or pursue merger or acquisition strategies, all of which could adversely affect the holdings or the rights of the Company's stockholders. The Company has incurred net operating losses and negative cash flows from operations in every year since inception and expects this to continue for the foreseeable future. As of June 30, 2022, the Company had an accumulated deficit of $167.3 million.

As of August 12, 2022, the issuance date of the unaudited condensed consolidated financial statements, the Company believes that the cash and cash equivalents on hand and cash the Company obtained from the Merger and the PIPE Financing, together with cash the Company expects to generate from future operations, will be sufficient to meet the Company's working capital and capital expenditure requirements for a period of at least twelve months.

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies and for further information on accounting updates adopted in the prior year, see Note 2, *Summary of Significant Accounting Policies*, to the audited consolidated financial statements in the 2021 Form 10-K. During the six months ended June 30, 2022, there were no significant updates to the Company's significant accounting policies other than as described below.

Revenue - Variable Consideration

The sales of 3D Printer systems under certain contracts may include variable consideration such that the Company is entitled to a rate per print hour used on the 3D Printer systems. The Company makes certain estimates in calculating the variable consideration, including amount of hours, the estimated life of the equipment and the discount rate. Although estimates may be made on a contract-by-contract basis, whenever possible, the Company uses all available information including historical customer usage and collection patterns to estimate variable consideration.

The Company intends to update its estimates of variable consideration on a quarterly basis based on the latest data available, and adjust the transaction price accordingly by recording an adjustment to net revenue and contract assets. The Company has recognized the estimate of variable consideration to the extent that it is probable that a significant reversal will not occur as a result from a change in estimation.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("Topic 326")", and has since released various amendments including ASU No. 2019-04. The guidance modifies the measurement of expected credit losses on certain financial instruments. This guidance is effective for the Company for the fiscal year beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the impact of the guidance on its consolidated financial statements and disclosures.

In July 2021, the FASB issued ASU 2021-05, "Leases ("Topic 842") Lessors — Certain Leases with Variable Lease Payments", that amends the lessor's lease classification for leases that include any amount of variable lease payments that are not variable lease payments that do not depend on an index or a rate as an operating lease at lease commencement if classifying the lease as a sales-type lease or a direct financing lease would result in the recognition of a selling loss. This guidance is effective for the Company for the fiscal year beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Company adopted the new guidance in the first quarter of 2022. The effect on the consolidated financial statements and related disclosures is not material.

Note 3. Basic and Diluted Net Income (Loss) per Share

Basic net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding. Diluted net income (loss) per share is computed based on the weighted average number of shares of common stock outstanding, increased by the number of additional shares that would have been outstanding had the potentially dilutive shares of common stock been issued. The Company applies the treasury stock method to determine the dilutive effect of potentially dilutive securities.

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share attributable to common stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except share and per share data)			
Numerator:				
Net income (loss)	$ 127,950	$ (12,538)	$ 62,608	$ (26,086)
Denominator:				
Basic weighted average shares outstanding	184,282,194	16,150,202	183,892,304	16,085,750
Effect of dilutive securities:				
Common stock options	18,043,859	—	19,130,274	—
Restricted stock units	—	—	3,890	—
Diluted weighted average shares outstanding	202,326,053	16,150,202	203,026,468	16,085,750
Net income (loss) per share				
Basic	$ 0.69	$ (0.78)	$ 0.34	$ (1.62)
Diluted	$ 0.63	$ (0.78)	$ 0.31	$ (1.62)

The following potentially dilutive shares of common stock equivalents "on an as-converted basis" were excluded from the computation of diluted net income (loss) per share attributable to common stockholders as including them would have had an antidilutive effect:

	Three Months Ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Redeemable convertible preferred stock	—	147,876,672	—	147,876,672
Convertible promissory note	—	6,756,757	—	6,756,757
Redeemable convertible preferred stock warrants	—	408,729	—	408,729
Common stock warrants	13,075,000	293,856	13,075,000	293,856
Restricted stock units	5,355,860	—	5,351,970	—
Common stock options	1,493,147	26,997,994	406,732	26,997,994
Total potentially dilutive common share equivalents	19,924,007	182,334,008	18,833,702	182,334,008

Total potentially dilutive common share equivalents for the three and six months ended June 30, 2022, excludes 21,758,148 shares related to the earnout liability as these shares are contingently issuable upon meeting certain triggering events.

Note 4. Fair Value Measurements

The Company's assets and liabilities that were measured at fair value on a recurring basis were as follows:

	Fair Value Measured as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets				
Money market funds (i)	$ 42,869	$ —	$ —	$ 42,869
U.S. Treasury securities (ii)	52,704	—	—	52,704
Corporate bonds (ii)	—	45,583	—	45,583
Total financial assets	$ 95,573	$ 45,583	$ —	$ 141,156
Liabilities				
Common stock warrant liabilities (Public) (iii)	$ 2,673	$ —	$ —	$ 2,673
Common stock warrant liabilities (Private Placement) (iii)	—	—	1,380	1,380
Contingent earnout liabilities	—	—	12,493	12,493
Total financial liabilities	$ 2,673	$ —	$ 13,873	$ 16,546

	Fair Value Measured as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets				
Money market funds (i)	$ 207,471	$ —	$ —	$ 207,471
U.S. Treasury securities (ii)	8,141	—	—	8,141
Corporate bonds (ii)	—	7,342	—	7,342
Total financial assets	$ 215,612	$ 7,342	$ —	$ 222,954
Liabilities				
Common stock warrant liabilities (Public) (iii)	$ 14,318	$ —	$ —	$ 14,318
Common stock warrant liabilities (Private Placement) (iii)	—	—	7,387	7,387
Contingent earnout liabilities	—	—	111,487	111,487
Total financial liabilities	$ 14,318	$ —	$ 118,874	$ 133,192

(i) Included in cash and cash equivalents on the condensed consolidated balance sheets.
(ii) Included in short-term investments on the condensed consolidated balance sheets.
(iii) Included in warrant liabilities on the condensed consolidated balance sheets.

The money market funds are classified as cash and cash equivalents on the condensed consolidated balance sheets. The aggregate fair value of the Company's money market funds approximated amortized cost and, as such, there were no unrealized gains or losses on money market funds as of June 30, 2022 and December 31, 2021. Realized gains and losses, net of tax, were not material for any period presented.

As of June 30, 2022 and December 31, 2021, the Company had no investments with a contractual maturity of greater than one year.

The following table presents a rollforward of the Level 3 assets and liabilities measured at fair value on a recurring basis:

	Redeemable convertible preferred stock warrant liabilities	Private placement warrant liabilities	Contingent earnout liabilities
		(In thousands)	
Three Months Ended June 30, 2022			
Fair value as of March 31, 2022	$ —	$ 9,434	$ 142,719
Change in fair value		(8,054)	(130,226)
Fair value as of June 30, 2022	$ —	$ 1,380	$ 12,493
Six months ended June 30, 2022			
Fair value as of January 1, 2022	$ —	$ 7,387	$ 111,488
Change in fair value	—	(6,007)	(98,995)
Fair value as of June 30, 2022	$ —	$ 1,380	$ 12,493
Three Months Ended June 30, 2021			
Fair value as of March 31, 2021	$ 1,695	$ —	$ —
Change in fair value	227	—	—
Fair value as of June 30, 2021	$ 1,922	$ —	$ —
Six months ended June 30, 2021			
Fair value as of January 1, 2021	$ 181	$ —	$ —
Change in fair value	1,741	—	—
Fair value as of June 30, 2021	$ 1,922	$ —	$ —

The fair value of the private placement warrant liability, redeemable convertible preferred stock warrant liability and contingent earnout liability are based on significant unobservable inputs, which represent Level 3 measurements within the fair value hierarchy. In determining the fair value of the private placement warrant liability, the Company used the Binomial-Lattice Model that assumes optimal exercise of the Company's redemption option at the earliest possible date. In determining the fair value of the redeemable convertible preferred stock warrant liability, the Company used the Black-Scholes option pricing model to estimate the fair value using unobservable inputs including the expected term, expected volatility, risk-free interest rate and dividend yield (see Note 10, *Equity Instruments*). In determining the fair value of the contingent earnout liability, the Company used the Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the applicable earnout period using the most reliable information available (see Note 10, *Equity Instruments*).

Note 5. Investments

Available-for-sale Investments

The Company began investing in available-for-sale ("AFS") investments in the fourth quarter of 2021. The following table summarizes our AFS investments. These are classified as "Short-term investments" on the condensed consolidated balance sheets.

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
U.S. Treasury securities	$ 53,229	$ —	$ (525)	$ 52,704
Corporate bonds	46,015	—	(432)	45,583
Total available-for-sale investments	$ 99,244	$ —	$ (957)	$ 98,287

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(In thousands)			
U.S. Treasury securities	$ 8,154	$ —	$ (13)	$ 8,141
Corporate bonds	7,343	1	(2)	7,342
Total available-for-sale investments	$ 15,497	$ 1	$ (15)	$ 15,483

The following table presents the breakdown of the AFS investments in an unrealized loss position as of June 30, 2022 and December 31, 2021, respectively.

	June 30, 2022		December 31, 2021	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(In thousands)			
U.S. Treasury securities				
Less than 12 months	$ 52,704	$ 525	$ 8,141	$ 13
Total	$ 52,704	$ 525	$ 8,141	$ 13
Corporate bonds				
Less than 12 months	$ 45,583	$ 432	$ 5,640	$ 2
Total	$ 45,583	$ 432	$ 5,640	$ 2

The Company does not believe these AFS investments to be other-than-temporarily impaired as of June 30, 2022 and December 31, 2021.

There were no realized gains or losses on AFS investments during the three and six months ended June 30, 2022 and June 30, 2021.

All remaining contractual maturities of AFS investments held at June 30, 2022 are as follows:

	Less than 12 months	
	Fair value	Gross unrealized losses
	(In thousands)	
Corporate bonds	$ 45,583	$ (432)
U.S. Treasury securities	52,704	(525)
Total	$ 98,287	$ (957)

There were no AFS investments with maturities greater than 12 months at June 30, 2022. Actual maturities may differ from the contractual maturities because the Company may sell these investments prematurely.

Note 6. Balance Sheet Components

Accounts Receivable, Net

Accounts receivable, net consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Trade Receivables	$ 11,884	$ 12,845
Less: Allowances for Doubtful Accounts	(67)	(67)
Total	$ 11,817	$ 12,778

Inventories

Inventories consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Raw materials	$ 44,682	$ 16,594
Work-in-progress	17,227	5,885
Total	$ 61,909	$ 22,479

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Prepaid insurance and other	$ 2,320	$ 5,326
Vendor prepayments	4,375	4,132
Total	$ 6,695	$ 9,458

Property and Equipment, Net

Property and equipment, net consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Computers and software	$ 1,848	$ 1,397
R&D lab equipment	6,079	2,283
Equipment and other	114	—
Furniture and fixtures	95	88
Leasehold improvements	13,635	2,771
Construction in progress	—	6,273
Total property, plant and equipment	21,771	12,812
Less accumulated depreciation and amortization	(4,054)	(2,766)
Property, plant and equipment, net	$ 17,717	$ 10,046

Depreciation expense for the three months ended June 30, 2022 and 2021 was $0.7 million and $0.2 million, respectively. Depreciation expense for the six months ended June 30, 2022 and 2021 was $1.2 million and $0.4 million, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Accrued expenses	$ 7,586	$ 3,015
Accrued salaries and benefits	6,289	4,143
Lease liability – current portion	2,610	2,256
Total Accrued expenses and other current liabilities	$ 16,485	$ 9,414

Other noncurrent liabilities consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Lease liabilities - noncurrent portion	$ 7,891	$ 9,184
Other noncurrent liabilities	983	308
Total other noncurrent liabilities	$ 8,874	$ 9,492

Please refer to Note 10, *Equity Instruments,* for further details of the contingent earnout liability and warrant liabilities.

Note 7. Equipment on Lease, Net

The equipment leased to customers had a cost basis of $9.3 million and accumulated depreciation of $1.2 million as of June 30, 2022. The equipment leased to customers had a cost basis of $9.3 million and accumulated depreciation of $0.9 million as of December 31, 2021.

Total lease revenue earned for the three months ended June 30, 2022 and 2021 was $0.8 million and $0.2 million, respectively. Total lease revenue earned for the six months ended June 30, 2022 and 2021 was $1.7 million and $0.6 million, respectively. The total depreciation expense was $0.5 million and $0.1 million included in cost of revenue for the three months ended June 30, 2022 and 2021, respectively. The total depreciation expense was $0.9 million and $0.3 million included in cost of revenue for the six months ended June 30, 2022 and 2021, respectively.

During the three months ended June 30, 2022, the Company had two equipment on lease returned at the end of their operating lease terms and one system was sold through the exercise of the lease's purchase option. One returned equipment on lease was subsequently leased to another customer, and the other equipment on lease was converted to a demo unit at the Company's European headquarters in Augsburg, Germany.

The Company entered into debt secured by certain leased equipment to customers. See Note 9, *Long-term Debt,* for a description of these financing arrangements.

Note 8. Leases

The Company leases its office and manufacturing facilities under four non-cancellable operating leases which expire in 2023 to 2027 and one month to-month operating lease. The agreements include a provision for renewal at the then market rate for terms specified in each lease.

Total right-of-use ("ROU") assets and lease liabilities are as follows:

	June 30, 2022	December 31, 2021
	(In thousands)	
Right-of-use assets:		
Net book value (Other assets)	$ 9,737	$ 11,073
Operating lease liabilities:		
Current (Accrued expense and other current liabilities)	$ 2,576	$ 2,222
Noncurrent (Other noncurrent liabilities)	7,867	9,143
	10,443	11,365
Financing lease liabilities:		
Current (Accrued expense and other current liabilities)	$ 34	$ 33
Noncurrent (Other noncurrent liabilities)	24	41
	$ 58	$ 74
Total lease liabilities	$ 10,501	$ 11,439

There were no impairments recorded related to these assets as of June 30, 2022 and December 31, 2021.

Information about lease-related balances were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands, except years and percentages)			
Operating lease expense	$ 717	$ 161	$ 1,434	$ 304
Financing lease expense	9	10	18	13
Short-term lease expense	68	10	167	25
Total lease expense	$ 794	$ 181	$ 1,619	$ 342
Cash paid for leases	$ 683	$ 465	$ 964	$ 628
Weighted – average remaining lease term – operating leases (years)	4.4	3.20	4.4	3.20
Weighted – average discount rate – operating leases	4.4%	4.4%	4.4%	4.4%

Maturity of operating lease liabilities as of June 30, 2022 are as follows:

	(In thousands)
Remainder of 2022	$ 1,344
2023	2,708
2024	2,676
2025	2,232
2026	2,315
Thereafter	598
Total operating lease payments	$ 11,873
Less portion representing imputed interest	(1,430)
Total operating lease liabilities	$ 10,443
Less current portion	2,576
Long-term portion	$ 7,867

Note 9. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2022	December 31, 2021
	(In thousands)	
Revolving credit line	$ 3,000	$ 3,000
Equipment loan	4,022	5,089
Deferred financing costs	(14)	(19)
Total	$ 7,008	$ 8,070
Debt – current portion	5,119	5,114
Long-term debt – less current portion	$ 1,889	$ 2,956

The Company's banking arrangements include three facilities and a revolving credit line with its primary bank. For a full description of these banking arrangements, see Note 15, *Long-Term Debt*, in the audited consolidated financial statements included in the 2021 Form 10-K, and Note 16,*Subsequent Events*, to these condensed consolidated financial statements. These loans contain customary representations and warranties, reporting covenants, events of default and termination provisions. The affirmative covenants include, among other things, that the Company furnish monthly financial statements, a yearly budget, timely files taxes, maintains good standing and government compliance, maintains liability and other insurance and furnishes audited financial statements no later than the date of delivery to the Board of Directors.

The Company amortizes deferred financing costs over the life of the borrowing. As of June 30, 2022 and December 31, 2021, the remaining unamortized balance of deferred financing costs was less than $0.1 million for both periods and was included in Debt — current portion on the balance sheets.

Revolving Credit Line — In May 2021, the Company executed the third amended and restated loan and security agreement and a mezzanine loan and security agreement, which included a $10.0 million revolving credit line and an $8.5 million secured equipment loan facility (see below).

In August 2021, the Company drew $3.0 million on the $10.0 million revolving credit facility, with a variable interest rate of the greater of 5.75% or Prime plus 2.50% and a term of 10 months. The Company has $7.0 million of the revolving credit line undrawn as of June 30, 2022. The effective interest rate was 5.2% and 4.9% for the three and six months ended June 30, 2022, respectively. The loan fees were less than $0.1 million as of June 30, 2022.

Loan Modification Agreements - On May 13, 2022, the Company entered into a first loan modification agreement that made certain modifications to the third amended and restated loan and security agreement. In particular, the first loan modification agreement extended the maturity date of the revolving line of credit from May 14, 2022 to June 13, 2022, and included a limited waiver of a default related to the Company's failure to maintain revenue of at least $25 million for the six month period ending March 31, 2022. The other material terms of the third amended and restated loan and security agreement remained unchanged.

On June 13, 2022, the Company entered into a second loan modification agreement that made certain modifications to the third amended and restated loan and security agreement, as amended. In particular, the second loan modification agreement extended the maturity date of the revolving line of credit from June 13, 2022 to July 14, 2022. The other material terms of the third amended and restated loan and security agreement remained unchanged.

Subsequent to June 30, 2022, the third amended and restated loan and agreement was further amended on July 11, 2022 pursuant to a third loan modification agreement and on July 25, 2022 pursuant to a joinder and fourth loan modification agreement. Following these further amendments, among other things, the maturity date of the Company's revolving line of credit has been extended to December 31, 2024. See Note 16, *Subsequent Events*.

Equipment Loan — On December 17, 2020, the Company executed the second amended and restated loan and security agreement, which included an equipment loan facility for up to $8.5 million secured by the equipment leased to customers. The facility has a variable interest rate of the greater of Prime rate or 3.25%.

During the year ended December 31, 2021, the Company executed seven additional advances on the facility for $5.6 million secured by equipment leased to customers. For the six months ended June 30, 2022, $1.1 million in principal payments were paid. As of June 30, 2022, the outstanding balance was $4.0 million. As of June 30, 2022, the deferred loans fees associated with the debt issuance was less than $0.1 million. The effective interest rate was 3.9% and 3.2% for the three months ended June 30, 2022 and 2021, respectively, and 3.5% and 3.2% for the six months ended June 30, 2022 and 2021, respectively.

The future minimum aggregate payments for the above borrowings are as follows as of June 30, 2022:

	(In thousands)
Less than 1 year	$ 5,119
1-3 years	1,889
	$ 7,008

On July 25, 2022, the Company entered into a joinder and fourth loan modification agreement to the third amended and restated loan and security agreement, which, among other things, established a secured equipment loan facility of up to $15.0 million available through December 31, 2023. See Note 16, *Subsequent Events*.

Note 10. Equity Instruments

Common stock

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders but are not entitled to cumulative voting rights, have the right to appoint two directors to the Company's Board of Directors, are entitled to receive ratably such dividends as may be declared by the Company's Board of Directors out of funds legally available therefor subject to preferences that may be applicable to any shares of redeemable convertible preferred stock currently outstanding or issued in the future, are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding redeemable convertible preferred stock in the event of the Company's liquidation, dissolution, or winding up, have no preemptive rights and no right to convert their common stock into any other securities, and have no redemption or sinking fund provisions applicable to the common stock.

Common Stock Reserved for Future Issuance

Shares of common stock reserved for issuance on an "as if converted" basis were as follows:

	June 30, 2022	December 31, 2021
	(share data)	
Common stock warrants	13,075,000	13,075,000
Restricted stock units issued and outstanding	5,355,860	4,041,346
Stock options issued and outstanding	19,537,006	21,191,226
Shares available for future grant under 2021 Equity Incentive Plan	25,288,973	17,533,471
Reserved for employee stock purchase plan	5,495,601	3,663,277
Total shares of common stock reserved	**68,752,440**	**59,504,320**

The shares available for future grant under the Company's 2021 Equity Incentive Plan include un-exercised stock options (vested and unvested) and unvested restricted stock units (RSUs) as of June 30, 2022 and December 31, 2021.

Warrant liabilities

Warrants for common stock of 13,075,000 were exercisable 1-to-1 as of June 30, 2022 and December 31, 2021. Warrants - Common Stock are equity classified and recorded at fair value on the issue date without further remeasurement. Private Placement Warrants and Public Warrants on common stock (as defined below) are liability classified and recorded at fair value on the issue date with periodic remeasurement. Warrants for shares of common stock consisted of the following:

	June 30, 2022					
	Issue Date	Expiration Date	Number of Warrants	Exercise Price per warrant	Fair Value on Issue Date per warrant	Fair Value on June 30, 2022
						(In thousands)
Private placement warrants - Common Stock	12/02/2020	09/29/2026	4,450,000	$11.50	$2.00	1,380
Public warrants - Common Stock	12/02/2020	09/29/2026	8,625,000	$11.50	$3.30	2,673
			13,075,000			$ 4,053

	December 31, 2021					
	Issue Date	Expiration Date	Number of Warrants	Exercise Price per warrant	Fair Value on Issue Date per warrant	Fair Value on December 31, 2021
						(In thousands)
Private placement warrants - Common Stock	12/02/2020	09/29/2026	4,450,000	$11.50	$2.00	7,387
Public warrants - Common Stock	12/02/2020	09/29/2026	8,625,000	$11.50	$3.30	14,318
			13,075,000			$ 21,705

Private Placement Warrants - Common Stock

Concurrently with JAWS Spitfire's initial public offering ("IPO"), 4,450,000 warrants (the "Private Placement Warrants") were issued to Spitfire Sponsor LLC (the "Sponsor") at $2.00 per warrant. Each Private Placement Warrant is exercisable to purchase one share of common stock at a price of $11.50 per share. Subject to certain exceptions, the Private Placement Warrants have terms and provisions that are identical to those of the Public Warrants. As of June 30, 2022, the number of Private Placement Warrants issued was 4,450,000.

Public Warrants - Common Stock

In conjunction with the JAWS Spitfire IPO, 34,500,000 units were issued to public investors at $10.00 per unit. Each unit consisted of one JAWS Spitfire Class A ordinary share and one-fourth of one warrant (the "Public Warrants"). Each Public Warrant is exercisable to purchase shares of common stock at $11.50 per share. As of June 30, 2022, the number of Public Warrants issued was 8,625,000.

Public Warrants may only be exercised for a whole number of shares. The Public Warrants became exercisable on December 7, 2021. The Public Warrants will expire 5 years after the completion of the Merger or earlier upon redemption or liquidation.

Private Placement Warrant and Public Warrant Liabilities - Common Stock

The issuance of the Private Placement Warrant and Public Warrant liabilities were accounted for upon the reverse recapitalization. See Note 3,*Reverse Recapitalization*, in the audited consolidated financial statements included in the 2021 Form 10-K for further discussion. The liability for private placement and public warrants on common stock carried at fair value was as follows:

	Six Months Ended June 30,
	2022
	(In thousands)
Beginning Balance	$ 21,704
Gain on fair value of warrants	(17,651)
Ending Balance	$ 4,053

The liability associated with the Private Placement Warrants was subject to remeasurement at each balance sheet date using the Level 3 fair value inputs and the Public Warrants were subject to remeasurement at each balance sheet date using Level 1 fair value inputs for the three and six months ended June 30, 2022.

As of June 30, 2022, the fair value of the common stock warrant liabilities were estimated using the Monte-Carlo simulation. The fair value of the common stock warrants takes into account the traded stock price as the valuation date used as the underlying stock input, the contract terms, as well as multiple unobservable inputs such as risk-free interest rates, and expected volatility.

The fair value assumptions used in the Monte Carlo simulation model for the recurring valuation of the private placement common stock warrants and public common stock warrant liability were as follows:

	As of June 30, 2022	As of December 31, 2021
Current stock price	$ 1.38	$ 7.81
Expected volatility	91.0 %	40.5 %
Risk-free interest rate	3.0 %	1.2 %
Dividend rate	— %	— %
Expected Term (years)	4.25	4.75

Expected volatility: The volatility is determined iteratively, such that the concluded value of the Public Warrant is equal to the traded price.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities corresponding to the expected term of the common stock warrants.

Expected dividend yield: The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on its common stock.

Expected term: The expected term represents the period that the Company’s common stock warrants are expected to be outstanding and is determined using the simplified method, which deems the term to be the average of the time to vesting and the contractual life of the common stock warrants.

Redeemable Convertible Preferred Stock Warrants

Warrants on redeemable convertible preferred stock of Legacy Velo3D were issued to lenders in connection with borrowings. The fair value on the date of issue is recorded as a debt issue cost (contra-liability) and a liability because the warrant was liability classified. The fair value of the warrants are remeasured each reporting period using Level 3 inputs with the increase or decrease recorded in other income (expense), net in the statements of operations.

The liability for warrants on redeemable convertible preferred stock (carried at fair value) was as follows:

	Six Months Ended June 30, 2021
Beginning Balance	$ 181
Change in fair value (Other income (expense), net)	1,741
Ending Balance	$ 1,922

Contingent Earnout Liabilities

In connection with the Reverse Recapitalization and pursuant to the Business Combination Agreement, eligible former Legacy Velo3D equity holders are entitled to receive additional shares of common stock upon the Company achieving certain Earnout Triggering Events (as described in the Business Combination Agreement) (the "Earnout Shares"). See Note 18, *Equity Incentive Plans & Stock-Based Compensation*, in the audited consolidated financial statements included in the 2021 Form 10-K for further discussion on the contingent earnout liability.

The change in fair value of contingent earnout liabilities are recognized in the condensed consolidated statement of operations.The rollforward for the contingent earnout liabilities was as follows:

	Six Months ended June 30, 2022
Beginning Balance	$ 111,488
Gain on fair value of contingent earnout liabilities	(98,995)
Ending Balance	$ 12,493

Assumptions used in the fair value of the contingent earnout liabilities are described below.

	As of June 30, 2022	As of December 31, 2021
Current stock price	$1.38	$7.81
Expected volatility	85.7%	52.5%
Risk-free interest rate	3.0%	1.2%
Dividend yield	—%	—%
Expected Term (years)	4.25	4.75

Expected volatility: The expected volatility was derived from the implied volatility of Velo3D's Public Warrants. The implied volatility is determined iteratively, such that the concluded value of the Public Warrant is equal to the traded price using a Monte Carlo Simulation. Additionally, the historical traded prices of the Guideline Public Comparables ("GPC") are relied upon to calculate an estimate of volatility for the Company. Volatility for each comparable is calculated as the annualized standard deviation of continuously compounded returns. The selected GPC have been identified as comparables as they operate in a similar industry to that of Velo3D. Additionally, the Company's trading volatility was considered for the three months ended June 30, 2022, with a 25% weighting as there is limited trading data available as of the valuation date. A blended weighting of the three different volatility scenarios is utilized to arrive at the conclusion. The Company intends to reevaluate this assumption in subsequent quarters.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities corresponding to the expected term of the Earnout Shares.

Expected dividend yield: The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on its common stock.

Expected term: The expected term represents the period that the Company's stock-based awards are expected to be outstanding and is determined using the simplified method, which deems the term to be the average of the time to vesting and the contractual life of the Earnout Shares.

Note 11. Equity Incentive Plans and Stock-Based Compensation

In 2014, the Company adopted its 2014 equity incentive plan (the "2014 Plan"), which provided for the granting of stock options, restricted stock awards and stock appreciation rights to employees, directors, and consultants of the Company.

Awards granted under the 2014 Plan generally expire10 years from the date of grant, or earlier if services are terminated. The exercise price of stock options grants shall not be less than 110% of the estimated fair value of the shares on the date of grant, respectively, as determined by Legacy Velo3D's Board of directors. Awards generally vest based on continuous service over four years. Awards forfeited, cancelled, or repurchased generally are returned to the pool of shares of common stock available for issuance under the 2021 Plan (as defined below).

In 2021, the Company adopted its 2021 Equity Incentive Plan (the "2021 EIP"), which provides for the granting of stock options, restricted stock units ("RSUs") and stock appreciation rights to employees, directors, and consultants of the Company. The Company initially reserved 42,766,043 shares of its common stock for issuance under the 2021 EIP. In March 2022, pursuant to the evergreen provisions of the 2021 EIP, the Company registered an additional 9,161,624 shares of common stock for issuance under the 2021 EIP.

As of June 30, 2022, the Company has an allocated reserve of51,927,667 shares of its common stock for issuance under the 2021 EIP.

In addition, in 2021, the Company adopted its 2021 Employee Stock Purchase Plan ("2021 ESPP"). The Company initially reserved3,663,277 shares of its common stock for issuance under the 2021 ESPP. In March 2022, pursuant to the evergreen provisions of the 2021 ESPP, the Company registered an additional 1,832,324 shares of common stock for issuance under the 2021 ESPP.

As of June 30, 2022, the Company has an allocated reserve of5,495,601 shares of its common stock for issuance under the 2021 ESPP. As of June 30, 2022, the Company had not begun any offering periods for the 2021 ESPP.

Awards granted under both the 2021 EIP generally expire10 years from the date of grant, or earlier if services are terminated. The exercise price of stock options grants shall not be less than 110% of the estimated fair value of the shares on the date of grant, respectively, as determined by the Company's Board of Directors. Awards generally vest based on continuous service over 4 years. Awards forfeited, cancelled, or repurchased generally are returned to the pool of shares of common stock available for issuance under the 2021 Plan.

Stock options

Activity under the Company's stock option plans is set forth below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in years
	(In thousands)	(Per share data)	(Years)
Outstanding as of December 31, 2020	21,471	$ 0.33	9.3
Granted	967	$ 6.63	
Exercised	(165)	$ 1.72	
Forfeited or expired	(271)	$ 0.40	
Outstanding as of June 30, 2021	22,002	$ 0.59	8.7
Options vested and expected to vest as of June 30, 2021	22,002	$ 0.59	
Vested and exercisable as of June 30, 2021	5,948	$ 0.63	
Outstanding as of December 31, 2021	21,191	$ 0.58	8.2
Granted	—	$ —	
Exercised	(1,547)	$ 0.36	
Forfeited or expired	(107)	$ 5.67	
Outstanding as of June 30, 2022	19,537	$ 0.57	7.4
Options vested and expected to vest as of June 30, 2022	19,537	$ 0.57	
Vested and exercisable as of June 30, 2022	10,345	$ 0.66	

The aggregate intrinsic value of options outstanding was $20.1 million and $153.2 million, respectively, as of June 30, 2022 and December 31, 2021. Intrinsic value of options exercised for the six months ended June 30, 2022 and 2021 was $5.0 million and $0.2 million, respectively. The weighted-average grant date fair value of options granted in the six months ended June 30, 2022 and 2021 was $1.83 per share and $2.91 per share, respectively. The total grant date fair value of options vested was $1.1 million and $0.7 million for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, total unrecognized compensation cost related to options was $2.3 million related to 9.2 million unvested options and is expected to be recognized over a weighted-average period of 1.8 years.

For the six months ended June 30, 2021, the Company used the Black-Scholes option pricing model to determine the fair value of stock options. The fair value of each stock option grant is estimated on the date of the grant. The fair value of the Legacy Velo3D common stock underlying the stock options had historically been determined by the Legacy Velo3D board of directors, as there was no public market for Legacy Velo3D's common stock prior to Merger closing. Therefore, the Legacy Velo3D board of directors had determined the fair value of the common stock at the time of the stock option grant by considering a number of objective and subjective factors including independent third-party valuation reports, valuations of comparable companies, sales of convertible preferred stock and common stock to unrelated third parties, operating and financial performance, lack of liquidity of capital stock and general and industry-specific economic outlook, among other factors.

For the six months ended June 30, 2022, there wereno options granted. The weighted-average assumptions in the Black-Scholes option-pricing model used to determine the fair value of stock options granted were as follows:

	Six months ended June 30, 2021
Expected volatility	60 %
Risk-free interest rate	0.9% -1.0%
Dividend yield	— %
Expected term (in years)	5.71
Discount for Lack of Marketability	23.5 %

Expected volatility: As Legacy Velo3D was not publicly traded at the time the awards were granted, the expected volatility for the Company's stock options was determined by using a review of historical volatilities of selected industry peers deemed to be comparable to the Company's business corresponding to the expected term of the awards.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities corresponding to the expected term of the awards.

Expected dividend yield: The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends on its common stock.

Expected term: The Company uses the simplified method available under U.S. GAAP to determine the expected term due to having insufficient history upon which to base an assumption about the term.

Discount for Lack of Marketability ("DLOM"): The DLOM is meant to account for the lack of marketability of stock that was not publicly traded and therefore does not apply for the three and six months ended June 30, 2022.

Restricted Stock Units

The fair value of RSUs under the Company's 2021 EIP is estimated using the value of the Company's common stock on the date of grant.

The following table summarizes outstanding and expected to vest RSUs as of June 30, 2022 and their activity during the six months ended June 30, 2022:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
	(In thousands)	(Per share data)	(In thousands)
Balance as of December 31, 2021	4,041	$ 7.26	$ 31,563
Granted	1,489	4.87	7,334
Released	(130)	7.21	789
Cancelled	(44)	7.26	259
Balance as of June 30, 2022	5,356	$ 6.60	$ 7,391
Expected to vest as of June 30, 2022	5,356	$ 6.60	$ 7,391

The aggregate intrinsic value of outstanding RSUs is calculated based on the closing price of the Company's common stock as of the date outstanding. As of June 30, 2022, there was $31.0 million of unrecognized compensation cost related to 5.4 million unvested RSUs, which is expected to be recognized over a weighted average period of approximately 3.3 years.

Earnout Shares - Employees

The Earnout Shares issuable to holders of employee stock options are accounted as stock-based compensation expense as they are subject to forfeiture based on the satisfaction of certain employment conditions. The estimated fair values of the Earnout Shares associated with vested stock options are recognized as an expense and determined by the Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the five-year earnout period. The portion of the Earnout Shares associated with unvested stock options are recognized as an expense and considers the vesting continuing employment requirements.

Stock-based Compensation Expense

The following sets forth the total stock-based compensation expense by type of award included in the statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Restricted stock units	$ 2,550	$ —	$ 4,990	$ —
Stock options	484	760	1,059	1,075
Earnout shares - employees	1,942	—	3,884	—
	$ 4,976	$ 760	$ 9,933	$ 1,075

The following sets forth the total stock-based compensation expense for the stock options included in the statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Research and development	$ 2,488	$ 222	$ 5,079	$ 387
Selling and marketing	1,142	109	2,255	174
General and administrative	1,346	429	2,599	514
	$ 4,976	$ 760	$ 9,933	$ 1,075

Note 12. Income Taxes

The income tax provision is calculated for an interim period by distinguishing between elements recognized in the income tax provision through applying an estimated annual effective tax rate (the “ETR”) to a measure of year-to-date operating results referred to as “ordinary income (or loss),” and discretely recognizing specific events referred to as “discrete items” as they occur. The income tax provision or benefit for each interim period is the difference between the year-to-date amount for the current period and the year-to date amount for the period prior. Under ASC 740-270-30-36, entities subject to income taxes in multiple jurisdictions should apply one overall ETR instead of separate ETRs for each jurisdiction when calculating the interim-period income tax or benefit related to ordinary income (or loss) for the year-to-date interim period, except in certain circumstances. The Company’s effective tax rates for the three and six months ended June 30, 2022 and 2021 differ from the federal statutory rate of 21% principally as a result of valuation allowances expected to be applied to net operating loss carry-forwards which will not meet the threshold for recognition as deferred tax assets.

Note 13. Commitments and Contingencies

The Company may be involved in various lawsuits, claims, and proceedings, including intellectual property, commercial, securities, and employment matters that arise in the normal course of business. The Company accrues a liability when management believes information available prior to the issuance of the condensed consolidated financial statements indicates it is probable a loss has been incurred as of the date of the condensed consolidated financial statements and the amount of loss can be reasonably estimated. The Company adjusts its accruals to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. Legal costs are expensed as incurred. As of June 30, 2022 and December 31, 2021, the Company is not aware of any litigation, claim or assessment in which the outcome, individually or in the aggregate, would have a material adverse effect on its financial positions, results of operations, cash flows or future earnings.

The Company’s purchase obligations per terms and conditions with suppliers and vendors are cancellable in whole or in part prior to shipment. If inventory is shipped, the Company will accrue a liability under accrued expenses. The Company has no other commitment and contingencies, except for the operating leases. See Note 8, *Leases*, for further discussion.

Purchase commitments (purchase orders) of $53.2 million for parts and assemblies are non-cancellable and are due upon receipts with standard payment terms and will primarily be delivered in the second half of 2022.

Note 14. Employee Defined-Contribution Plans

The Company has a defined-contribution plan intended to qualify under Section 401 of the Internal Revenue Code (the “401(k) Plan”). The Company contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all of the expenses incurred for administering the 401(k) Plan are paid by the Company. The Company has paid all matching contributions as of June 30, 2022. Accrued salaries and benefits included accruals related to the 401(k) plans the Company offers to its employees. In order to qualify for these plans, employees must meet the minimum age requirement (21 years) and begin participating on their entry date which is the first paycheck date in the month following the month of eligibility described above. Employee and employer contributions are immediately 100% fully vested. The plans offer employer contributions of3.0% of an employee's eligible compensation following safe-harbor rules. The Company's contribution to the 401(k) plan was $0.3 million and $0.1 million for the three months ended June 30, 2022 and 2021, respectively, and $0.6 million and $0.2 million for the six months ended June 30, 2022 and 2021, respectively.

Note 15. Revenue

Customer Concentration

The customer concentration for balances greater than 10% of revenues and 10% of accounts receivables, net, respectively, are presented below:

	Total Revenue				Accounts Receivable, Net	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
	2022	2021	2022	2021	2022	2021
	(as a percentage)					
Customer 1	22.7 %	<10 %	39.1 %	16.3 %	<10 %	71.2 %
Customer 2	28.6 %	24.0 %	17.9 %	21.1 %	22.2 %	16.0 %
Customer 3	<10 %	21.1 %	<10 %	18.2 %	14.6 %	<10 %
Customer 4	12.5 %	<10 %	<10 %	<10 %	<10 %	— %
Customer 5	<10 %	— %	<10 %	— %	21.1 %	— %
Customer 6	<10 %	— %	<10 %	— %	15.4 %	— %
Customer 7	13.8 %	— %	<10 %	— %	<10 %	— %
Customer 8	<10 %	19.5 %	<10 %	16.8 %	<10 %	<10 %
Customer 9	<10 %	16.9 %	<10 %	14.5 %	<10 %	<10 %

Revenue by Geographic Area

The Company currently sells its products in the Americas and other locations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(In thousands)			
Americas	$ 19,555	$ 7,105	$ 31,659	$ 8,246
Other	89	41	203	72
Total	$ 19,644	$ 7,146	$ 31,862	$ 8,318

Contract Assets and Liabilities

The amount of revenue recognized during the three and six months ended June 30, 2022 included in contract liabilities as of December 31, 2021 was $0.8 million and $1.6 million, respectively. The amount of revenue recognized during the three and six months ended June 30, 2021 included in contract liabilities as of December 31, 2020 was $0.2 million and $0.5 million, respectively. The change in contract assets reflects the difference in timing between our satisfaction of remaining performance obligations and our contractual right to bill our customers. The Company had no material asset impairment charges related to contract assets in the periods presented.

Note 16. Subsequent Events

On July 11, 2022, the Company entered into a third loan modification agreement to its third amended and restated loan and security agreement, as amended. In particular, the third loan modification agreement extended the maturity date of the Company's revolving line of credit to September 11, 2022. The other material terms of the third amended and restated loan and security agreement remained unchanged.

On July 25, 2022, the Company entered into a joinder and fourth loan modification agreement that made certain modifications to its third amended and restated loan and security agreement, as amended. The joinder and fourth loan modification agreement, among other things, amended the third amended and restated loan and security agreement to (i) increase the amount of the revolving credit line to $30.0 million, (ii) extend the maturity date of the revolving credit line to December 31, 2024, and (iii) establish a secured equipment loan facility of up to $15.0 million available through December 31, 2023.

Interest on the outstanding balance of the revolving credit line is payable monthly at an annual rate of WSJ Prime plus 0.25% when the Company's Adjusted Quick Ratio ("AQR") is less than or equal to 1.50, and plus 0.75% when the Company's AQR is greater than 1.50.

Under the secured equipment loan facility, Silicon Valley Bank, the Company's primary lender, will advance up to $800,000 for every confirmed shipment of a metal additive 3D printer associated with an equipment lease contract with a minimum tenor of one year and at least $300,000 in annual revenue.

The third amended and restated loan and security agreement, as amended, contains customary representations and warranties, affirmative and negative covenants (including financial covenants), events of default, and termination provisions. The financial covenants include requirements to maintain minimum liquidity (the sum of the Company's cash, cash equivalents and availability under the revolving credit facility) of $20.0 million and minimum levels of quarterly revenue for the 2022 fiscal year.

In conjunction with the joinder and fourth loan modification agreement, the Company issued to Silicon Valley Bank a warrant to purchase up to 70,000 shares of the Company's common stock at an exercise price of $2.56 per warrant share. The warrant is exercisable for a term of ten years and allows cashless exercise in whole or part.

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

The following discussion and analysis provides information which our management believes is relevant to an assessment and understanding of our results of operations and financial condition. This discussion should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021 and our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report. This discussion contains forward-looking statements based upon our current expectations, estimates and projections, and involves numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements due to, among other considerations, the matters discussed in the sections titled "Risk Factors" and "Forward-looking Statements" herein.

Overview

We seek to fulfill the promise of additive manufacturing, also referred to as 3D printing ("AM"), to deliver breakthroughs in performance, cost and lead time in the production of high-value metal parts.

We produce a full-stack hardware and software solution based on our proprietary laser powder bed fusion ("L-PBF") technology, which enables support-free production. Our technology enables the production of highly complex, mission-critical parts that existing AM solutions cannot produce without the need for redesign or additional assembly. Our products give our customers who are in space, aviation, defense, energy, and industrial markets the freedom to design and produce metal parts with complex internal features and geometries that had previously been considered impossible for AM. We believe our technology is years ahead of competitors

Our technology is novel compared to other AM technologies based on its ability to deliver high-value metal parts that have complex internal channels, structures and geometries. This affords a wide breadth of design freedom for creating new metal parts and it enables replication of existing parts without the need to redesign the part to be manufacturable with AM. Because of these features, we believe our technology and product capabilities are highly valued by our customers. Our customers are primarily original equipment manufacturers ("OEMs") and contract manufacturers who look to AM to solve issues with traditional metal parts manufacturing technologies. Those traditional manufacturing technologies rely on processes, including casting, stamping and forging, that typically require high volumes to drive competitive costs and have long lead times for production. Our customers look to AM solutions to produce assemblies that are lighter, stronger and more reliable than those manufactured with traditional technologies. Our customers also expect AM solutions to drive lower costs for low-volume parts and substantially shorter lead times. However, many of our customers have found that legacy AM technologies failed to produce the required designs for the high-value metal parts and assemblies that our customers wanted to produce with AM. As a result, other AM solutions often require that parts be redesigned so that they can be produced and frequently incur performance losses for high-value applications. For these reasons, AM solutions of our competitors have been largely relegated to tooling and prototyping or the production of less complex, lower-value metal parts.

In contrast, our technology can deliver complex high-value metal parts with the design advantages, lower costs and faster lead times associated with AM, and generally avoids the need to redesign the parts. As a result, our customers have increasingly adopted our technology into their design and production processes. We believe our value is reflected in our sales patterns, as most customers purchase a single machine to validate our technology and purchase additional systems over time as they embed our technology in their product roadmap and manufacturing infrastructure. We consider this approach a "land and expand" strategy, oriented around a demonstration of our value proposition followed by increasing penetration with key customers.

The unaudited condensed consolidated financial statements and disclosures reflect the effects of the Reverse Recapitalization which was consummated on September 29, 2021. The number of shares of redeemable convertible preferred stock and common stock presented in the financial statements and elsewhere in this Quarterly Report for periods prior to the Reverse Recapitalization have been retroactively adjusted to reflect the Merger's exchange ratio similar to the presentation of a stock-split.

See “Explanatory Note- Certain Defined Terms” for the definitions of certain terms used throughout this Quarterly Report.

Key Financial and Operational Metrics

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 the section of this Quarterly Report titled “*Risk Factors*.”

We regularly evaluate several metrics, including the metrics presented in the table below, to measure our performance, identify trends affecting our business, prepare financial projections, make strategic decisions and establish performance goals for compensation and we periodically review and revise these metrics to reflect changes in our business. During 2022, our business has continued to evolve based on new product introductions and changing customer demand trends, including significantly higher average selling prices driven by higher demand for our higher priced Sapphire® XC systems versus our Sapphire® systems, offset by lower unit growth, as well as a material shift in our customer mix toward existing customers versus new customers as recurring purchasing rates from our existing customers is significantly higher, in both cases, relative to our initial plan for fiscal 2022. We have determined to no longer report our Bookings, Total Shipments and New Customers (by shipments) and to report instead the dollar value of our Bookings and Backlog.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue ($ in millions)	$ 20	$ 7	$ 32	$ 8
Bookings ($ in millions)	$ 18	$ 6	$ 36	$ 16
Backlog ($ in millions)	$ 55	$ 28	$ 55	$ 28

Bookings ($ in millions): Bookings ($ in millions) are defined as a confirmed order for a 3D printer system in contracted dollars.

Backlog ($ in millions): Backlog ($ in millions) is defined as the unfulfilled 3D printer systems to be delivered to customers in contracted dollars as of period end.

Customer Concentration

Our operating results for the foreseeable future will continue to depend on sales to a small group of customers. For the three months ended June 30, 2022 and 2021, sales to the top three customers accounted for 65.1% and 64.7%, respectively. Of the top three customers for the three months ended June 30, 2022, two customers were different from the top three customers for the comparable period in 2021. For the six months ended June 30, 2022 and 2021, sales to the top three customers accounted for 65.6% and 56.0% of our revenue, respectively. Of the top three customers for the six months ended June 30, 2022, two customers were different from the top three customers for the comparable period in 2021. While our objective is to diversify our customer base, we believe that we could continue to be susceptible to risks associated with customer concentration. See “*Risk Factors - Risks Related to Our Business - Risks Related to Our Financial Position and Need for Additional Capital - We expect to rely on a limited number of customers for a significant portion of our near-term revenue”* in this Quarterly Report and see Note 2, *Summary of Significant Accounting Policies* - Concentration of Credit Risk and Other Risks and Uncertainties, in the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Continued Investment and Innovation

Since our founding, we have been a customer-focused company working to develop innovative solutions to address customers’ needs. We believe this process has contributed significantly to our development of the most advanced metal AM systems in the world. We focus on our customers to identify the most impactful areas for research and development as we seek to further improve the capabilities of our AM solutions. We believe that continued investments in our products are important to our future growth and, as a result, we expect our research and development expenses to continue to increase, which may adversely affect our near-term profitability.

Impact of COVID-19 and Other World Events

We continue to operate our business through the ongoing COVID-19 pandemic and have taken additional precautions to ensure the safety of our employees, customers, and vendors with which we operate. The impact of COVID-19 on our operating results has added uncertainty in timing of customer orders creating longer lead times for sales and marketing. We continue to experience various supply chain constraints due to the pandemic, which could lead to delays in shipment of our products to our customers. 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 ongoing COVID-19 pandemic, our operations will likely be adversely impacted.

General economic and political conditions such as recessions, interest rates, fuel prices, inflation, foreign currency fluctuations, international tariffs, social, political and economic risks and acts of war or terrorism (including, for example, the ongoing military conflict between Ukraine and Russia and the economic sanctions related thereto), have added uncertainty in timing of customer orders and supply chain constraints.

Climate Change

Material pending or existing climate change-related legislation, regulations, and international accords could have an adverse effect on our business, financial condition, and results of operations, including: (1) material past and/or future capital expenditures for climate-related projects; (2) material indirect consequences of climate-related regulation or business trends, such as the following: decreased/increased demand for goods or services that produce significant greenhouse gas emissions or are related to carbon-based energy sources; increased competition to develop innovative new products that result in lower emissions; increased demand for generation and transmission of energy from alternative energy sources; and any anticipated reputational risks resulting from operations or products that produce material greenhouse gas emissions; and (3) material increased compliance costs related to climate change.

Components of Results of Operations

Revenue

Our revenue is primarily derived from our AM full-stack solution product, which includes the Flow™ print preparation software, Sapphire® and Sapphire® XC metal AM printers using our support-free L-PBF technology and Assure™ quality validation software (collectively referred to as the "*3D Printer*"). Contracts for 3D Printers also include post-sale customer support services ("*Support Services*"), except for our distributor partners, which are qualified to perform support services.

We sell our AM full-stack solution product through two types of transaction models: a 3D Printer sale transaction and a recurring payment transaction ("*Recurring Payment*"). We define our Recurring Payment transactions as operating leases. 3D Printer sale transactions are structured as a payment of a fixed purchase price for the system. The timeframe from order to completion of the site acceptance test occurs normally over three to six months. As we scale our production, we expect to reduce this timeframe. Contract consideration allocated to the 3D Printer is recognized at a point in time, which occurs upon transfer of control to the customer at shipment.

The initial sales of 3D Printers and Support Services are included in one contract and are invoiced together. Contract consideration is allocated between the two performance obligations based on relative fair value. This allocation involves judgement and is periodically updated as new relevant information becomes available.

In addition, the sales of 3D Printer systems under certain contracts may include variable consideration such that we are entitled to a rate per hour used on the 3D Printer systems. Sales with variable consideration represented a small percentage of revenue during the three and six months ended June 30, 2022 and none of our revenue during the three and six months ended June 30, 2021. For more information, see "—Critical Accounting Policies and Significant Estimates—Revenue – Variable Consideration" below.

The Recurring Payment transactions, which are structured as operating leases, represented a small percentage of revenue during the three and six months ended June 30, 2022 and 2021. Under this model, the customer typically pays a base rent and variable payments based on usage in excess of a defined threshold. Most of our leases have a 12-month term, though in certain cases the lease term is longer.

Support Services are included with most 3D Printer sale transactions and Recurring Payment transactions. Support services consist of field service engineering, phone and email support, preventative maintenance, and limited on and off-site consulting support. A subsequent Support Service contract is available for renewal after the initial contract period based on the then-fair value of the service, which is paid for separately. Support Service revenue is recognized over the contract period beginning with customer performance test acceptance.

Other revenue included under 3D Printer sales includes parts and consumables, such as filters, powder or build plates, that are sold to customers and recognized when the customer takes title to the product. Other revenue was not material for the three and six months ended June 30, 2022 and 2021.

Cost of Revenue

Our cost of revenue includes the "*Cost of 3D Printers*," "*Cost of Recurring Payment*" and "*Cost of Support Services*."

Cost of 3D Printers includes the manufacturing cost of our components and subassemblies purchased from vendors for the assembly, as well as raw materials and assemblies, shipping costs and other directly associated costs. Cost of 3D Printers also includes allocated overhead costs from headcount-related costs, such as salaries, stock-based compensation, depreciation of manufacturing related equipment and facilities, and information technology costs.

Cost of Recurring Payment includes depreciation of the leased equipment over the useful life of five years less the residual value, and an allocated portion of Cost of Support Services.

Cost of Support Services includes the cost of spare or replacement parts for preventive maintenance, installation costs, headcount-related costs such as salaries, stock-based compensation, depreciation of manufacturing related equipment and facilities, and information technology costs. The headcount-related costs are directly associated with the engineers dedicated to remote and on-site support, training, travel costs and other services costs.

Gross Profit and Gross Margin

Our gross profit is revenue less cost of revenue and our gross margin is gross profit as a percentage of revenue. The gross profit and gross margin for our products are varied and are expected to continue to vary from period to period due to the mix of products sold through either a 3D Printer sale transaction or a Recurring Payment transaction, new product introductions and efforts to optimize our operational costs. Other factors affecting our gross profit include changes to our material costs, assembly costs that are themselves dependent upon improvements to yield, and any increase in assembly overhead to support a greater number of 3D Printers sold and markets served.

Research and Development Expenses

Our research and development expenses represent costs incurred to support activities that advance the development of innovative AM technologies, new product platforms and consumables, as well as activities that enhance the capabilities of our existing product platforms. Our research and development expenses consist primarily of salaries and related personnel costs for individuals working in our research and development departments, including stock-based compensation, prototypes, design expenses, information technology costs and software license amortization, consulting and contractor costs, and an allocated portion of overhead costs, including depreciation of property and equipment used in research and development activities.

Selling and Marketing Expenses

Sales and marketing expenses consist primarily of salaries and related personnel costs for individuals working in our sales and marketing departments, including stock-based compensation, costs related to trade shows and events, advertising, marketing promotions, travel costs and an allocated portion of overhead costs, including information technology costs and costs for customer validation.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related personnel costs for individuals associated with our executive, administrative, finance, legal, information technology and human resources functions, including stock-based compensation, professional fees for legal, audit and compliance, accounting and consulting services, general corporate costs, facilities, rent, information technology costs, insurance, bad debt expenses and an allocated portion of overhead costs, including equipment and depreciation and other general and administrative expenses.

Interest Expense

Interest expense primarily consists of interest incurred under our outstanding debt and finance leases.

Gain (Loss) on Fair Value of Warrants

Gain (loss) on valuation of warrant liabilities relates to the changes in the fair value of warrant liabilities, including liabilities related to the public warrants and private placement warrants, which are subject to remeasurement at each balance sheet date.

Gain (Loss) on Fair value of Contingent Earnout Liabilities

Gain (loss) on valuation of contingent earnout liabilities relates to the changes in fair value of the contingent earnout liabilities in connection with the Earnout Shares, which are subject to remeasurement at each balance sheet date.

Other Income (Expense), Net

Other income (expense), net includes interest earned on our bank sweep account, gains and losses on disposals of fixed assets and other miscellaneous income/expenses.

Income Taxes

No provision for federal and state income taxes was recorded for any periods presented due to projected losses, and we maintained a full valuation allowance on the deferred tax assets as of June 30, 2022 and December 31, 2021.

We will continue to review our conclusions about the appropriate amount of the valuation allowance on a quarterly basis. If we were to generate profits, the U.S. valuation allowance position could be reversed in the foreseeable future. We expect a benefit to be recorded in the period the valuation allowance reversal is recorded and a higher effective tax rate in periods following the valuation allowance reversal.

Results of Operations

Comparison of the Three Months Ended June 30, 2022 and 2021:

The following table summarizes our historical results of operations for the periods presented:

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Change	%
	(In thousands, except for percentages)			
Revenue				
3D Printer	$ 17,615	$ 6,079	$ 11,536	189.8 %
Recurring payment	934	372	562	151.1 %
Support services	1,095	695	400	57.6 %
Total Revenue	19,644	7,146	12,498	174.9 %
Cost of revenue				
3D Printer	15,633	3,899	11,734	300.9 %
Recurring payment	685	257	428	166.5 %
Support services	2,094	806	1,288	159.8 %
Total cost of revenue	18,412	4,962	13,450	271.1 %
Gross profit	1,232	2,184	(952)	(43.6)%
Operating expenses				
Research and development	12,965	6,399	6,566	102.6 %
Selling and marketing	6,249	2,337	3,912	167.4 %
General and administrative	8,259	5,218	3,041	58.3 %
Total operating expenses	27,473	13,954	13,519	96.9 %
Loss from operations	(26,241)	(11,770)	(14,471)	122.9 %
Interest expense	(92)	(524)	432	(82.4)%
Gain (loss) on fair value of warrants	23,665	(227)	23,892	(10525.1)%
Gain on fair value of contingent earnout liabilities	130,227	—	130,227	100.0 %
Other income (expense), net	391	(17)	408	(2400.0)%
Gain (loss) before provision for income taxes	127,950	(12,538)	140,488	(1120.5)%
Provision for income taxes	—	—	—	— %
Net income (loss)	$ 127,950	$ (12,538)	$ 140,488	(1120.5)%

Revenue

The following table presents the revenue disaggregated by products and service type, as well as the percentage of total revenue.

	Three Months Ended June 30,							
	2022		2021		Change		%	
	(In thousands, except for percentages)							
3D Printer sales	$	17,615	89.6 %	$	6,079	85.1 %	$ 11,536	189.8 %
Recurring payment		934	4.8 %		372	5.2 %	562	151.1 %
Support services		1,095	5.6 %		695	9.7 %	400	57.6 %
Total Revenue	$	19,644	100.0 %	$	7,146	100.0 %	$ 12,498	174.9 %

Total revenue for the three months ended June 30, 2022 and 2021 was $19.6 million and $7.1 million, respectively, an increase of $12.5 million, or 174.9%.

3D Printer sales were $17.6 million and $6.1 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $11.5 million, which was primarily attributed to the launch of the Sapphire® XC system in late 2021 and the subsequent sales of these systems in 2022. The improvement in revenue was due to a mix of higher production volumes and our product mix between Sapphire® and Sapphire® XC systems, resulting in an increase in the average selling price and a sale of a lease Sapphire system.The 3D Printer sales included parts and consumables revenue.

Recurring Payment, structured as an operating lease, was $0.9 million and $0.4 million, for the three months ended June 30, 2022 and 2021, respectively. The increase was primarily attributed to an increase in the number of 3D Printer systems in service generating Recurring Payment revenue as of June 30, 2022, compared systems to the number of 3D Printer systems in service as of June 30, 2021. During the three months ended June 30, 2022, one operating lease purchase option was exercised.

Our Support Service revenue was $1.1 million and $0.7 million for the three months ended June 30, 2022 and 2021, respectively. The increase was primarily attributed to a significant increase in the number of 3D Printer systems in service as of June 30, 2022, compared to the number of 3D Printers in service as of June 30, 2021.

We expect the demand for the Sapphire® and Sapphire® XC to increase our revenue in the future. We also expect our Recurring Payment and Support Service revenue to increase as the number of systems we have in the field increases. As of June 30, 2022, our backlog for firm orders was $55 million for 3D Printers. Our focus for revenue remains on expanding our selling and marketing efforts and developing our existing customer network to increase demand.

Cost of Revenue

The following table presents the Cost of Revenue disaggregated by product and service type, as well as the percentage of total revenue.

	Three Months Ended June 30,			
	2022		2021	
	(In thousands, except for percentages)			
Cost of Revenue				
Cost of 3D Printers	$ 15,633	84.9 %	$ 3,899	78.6 %
Cost of Recurring Payment	685	3.7 %	257	5.2 %
Cost of Support Services	2,094	11.4 %	806	16.2 %
Total Cost of Revenue	$ 18,412	100.0 %	$ 4,962	100.0 %

Total cost of revenue for the three months ended June 30, 2022 and 2021 was $18.4 million and $5.0 million, respectively, an increase of $13.5 million, or 271%.

Cost of 3D Printers was $15.6 million and $3.9 million for the three months ended June 30, 2022 and 2021, respectively. The increase of $11.7 million was due to an increase in the number of 3D Printers sold in the three months ended June 30, 2022, compared to the number of 3D Printers sold in the three months ended June 30, 2021. For the three months ended June 30, 2022, cost of 3D Printers increased compared to the prior quarter in 2021, due to higher material, labor and factory overhead costs associated with a mix of higher production volumes and our product mix between the Sapphire® and Sapphire® XC systems.

Cost of Recurring Payment was $0.7 million and $0.3 million for the three months ended June 30, 2022 and 2021, respectively. This increase of $0.4 million was due to an increase in depreciation of the equipment on lease and the allocable Cost of Support Services as a result of more 3D Printers in service as of June 30, 2022, compared to June 30, 2021.

Cost of Support Services was $2.1 million and $0.8 million for the three months ended June 30, 2022 and 2021, respectively. This increase of $1.3 million was primarily attributable to the costs for preventative maintenance, costs incurred to enhance system reliability performance, and field service engineering labor costs due to significantly more 3D Printers in service as of June 30, 2022, compared to June 30, 2021. In addition, field service engineering support cost has increased specifically with the ramp of the Sapphire® XC systems in the field and we expect this to decrease on a per unit basis as the Sapphire® XC system performance improves. We expect our Cost of Support Services will increase with the delivery of more 3D Printer systems to customers.

Cost of revenue as a percentage of revenue was 93.7% and 69.4%, for the three months ended June 30, 2022 and 2021, respectively. This was primarily due to the costs for preventative maintenance, costs incurred to enhance system reliability performance, and field service engineering labor costs as a result of more 3D Printers in service as of June 30, 2022, compared to June 30, 2021.

Gross Profit and Gross Margin

Total gross profit was $1.2 million and $2.2 million for the three months ended June 30, 2022 and 2021, respectively. As a percentage of revenue, the gross margin was 6.3% and 30.6%, for the three months ended June 30, 2022 and 2021, respectively. The lower gross profit for the three months ended June 30, 2022 was primarily attributable to the mix of Sapphire® and Sapphire® XC system sales, the impact of launch customer pricing for Sapphire® XC, and the higher material, labor and overhead costs for the increased number of systems sold during the three months ended June 30, 2022, as compared to sales for the three months ended June 30, 2021.

Our gross profit and gross margin are influenced by a number of factors, including:

- New product introduction pricing strategies and market conditions that may impact our pricing;

- Production volumes that may impact factory overhead absorption; and
- Cost of our Support Services and product support may be influenced by product mix changes, including new product introductions, and other factors.
- During the remainder of 2022, we expect our gross margin will continue to be impacted by ongoing supply chain challenges, which have increased our material costs and resulted in shipping delays.

Research and Development Expenses

Research and development expenses were $13.0 million and $6.4 million, for the three months ended June 30, 2022 and 2021, respectively, an increase of $6.6 million. The research and development expenses have increased due to the development of the Sapphire® XC system.

The increases in research and development expenses in 2022 were related to a $2.9 million increase for additional headcount, salaries and employee-related expenses, a $2.3 million increase in stock-based compensation, and a $1.7 million increase in product development expenses for new parts for the Sapphire® family of systems, offset by a $0.3 million decrease in components design and engineering testing and validation for the Sapphire® XC large format AM system.

We expect research and development costs to begin to stabilize over time as our Sapphire® systems mature, while we continue to invest in enhancing and advancing our portfolio of AM solutions. In the near term, we expect a slight increase to be driven by research and development expenses for the product development of the Sapphire® XC system such as the launch of the Sapphire®1MZ XC system.

Selling and Marketing Expenses

Selling and marketing expenses were $6.2 million and $2.3 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $3.9 million. This increase was attributable to a $2.2 million increase for additional headcount, salaries and employee-related expenses, a $1.0 million increase in stock-based compensation, a $0.4 million increase in trade show expense and a $0.3 million increase in new marketing initiatives and branding expenses.

We expect selling and marketing expenses to increase over time as we expand our headcount, initiate new marketing campaigns with the launch of the Sapphire® XC, travel for trade shows, focus on our European markets and increase attendance of additive manufacturing conferences to build product and market awareness.

General and Administrative Expenses

General and administrative expenses were $8.3 million and $5.2 million for the three months ended June 30, 2022 and 2021, respectively, an increase of $3.0 million. The increase was attributable to a $3.0 million increase for additional headcount, salaries and employee-related benefits, a $1.1 million increase in stock-based compensation, and a $1.3 million increase in general and administrative expenses, offset by a $0.8 million decrease in public company related expenses in advisory, legal and accounting fees and insurance, and a non-recurring $1.6 million decrease in Merger related expenses.

We expect general and administrative expenses to slightly increase as a result of the expected increase in the scale of our operations and the increased costs of operating as a public company.

Interest Expense

Interest expense was $0.1 million and $0.5 million for the three months ended June 30, 2022 and 2021, respectively.

Gain (loss) on Fair Value of Warrants

The change in fair value of warrants resulted in a gain of $23.7 million for the three months ended June 30, 2022, and was related to the non-cash fair value change of the warrant liabilities driven by the impact of the change in the stock price.

Gain (loss) on Fair value of Contingent Earnout Liabilities

The change in fair value of the contingent earnout liability was a loss of $130.2 million for the three months ended June 30, 2022 and was related to the non-cash fair value change of the contingent earnout liabilities driven by the impact of the change in the stock price.

Other Income (Expense), Net

Other income (expense), net was $0.4 million and less than $0.1 million, for the three months ended June 30, 2022 and 2021, respectively. Interest income earned from available-for-sale investments was $0.4 million for the three months ended June 30, 2022.

Income Taxes

No provision for federal and state income taxes was recorded for both the three months ended June 30, 2022 and 2021, due to projected losses, and we maintained a full valuation allowance on the deferred tax assets as of June 30, 2022 and December 31, 2021.

We will continue to review on a quarterly basis our conclusions about the appropriate amount of the valuation allowance. If we were to generate profits in 2022 and beyond, the U.S. valuation allowance position could be reversed in the foreseeable future. We expect a benefit to be recorded in the period the valuation allowance reversal is recorded and a higher effective tax rate in periods following the valuation allowance reversal.

Results of Operations

Comparison of the Six Months Ended June 30, 2022 and 2021:

The following table summarizes our historical results of operations for the periods presented:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change	%
	(In thousands, except for percentages)			
Revenue				
3D Printer	$ 27,799	$ 6,313	$ 21,486	340.3 %
Recurring payment	1,859	635	1,224	192.8 %
Support services	2,204	1,370	834	60.9 %
Total Revenue	31,862	8,318	23,544	283.0 %
Cost of revenue				
3D Printer	26,112	4,482	$ 21,630	482.6 %
Recurring payment	1,403	444	$ 959	216.0 %
Support services	3,100	1,598	$ 1,502	94.0 %
Total cost of revenue	30,615	6,524	24,091	369.3 %
Gross profit	1,247	1,794	(547)	(30.5)%
Operating expenses				
Research and development	25,880	11,094	14,786	133.3 %
Selling and marketing	12,232	4,360	7,872	180.6 %
General and administrative	17,549	10,004	7,545	75.4 %
Total operating expenses	55,661	25,458	30,203	118.6 %
Loss from operations	(54,414)	(23,664)	(30,750)	129.9 %
Interest expense	(233)	(644)	411	(63.8)%
Gain (loss) on fair value of warrants	17,651	(1,741)	19,392	(1113.8)%
Gain on fair value of contingent earnout liabilities	98,995	—	98,995	100.0 %
Other income (expense), net	609	(37)	646	(1745.9)%
Gain (loss) before provision for income taxes	62,608	(26,086)	88,694	(340.0)%
Provision for income taxes	—	—	—	— %
Net income (loss)	$ 62,608	$ (26,086)	$ 88,694	(340.0)%

Revenue

The following table presents the revenue disaggregated by products and service type, as well as the percentage of total revenue.

	Six Months Ended June 30,					
	2022		2021		Change	%
	(In thousands, except for percentages)					
3D Printer sales	$ 27,799	87.3 %	$ 6,313	75.9 %	$ 21,486	340.3 %
Recurring payment	1,859	5.8 %	635	7.6 %	1,224	192.8 %
Support services	2,204	6.9 %	1,370	16.5 %	834	60.9 %
Total Revenue	$ 31,862	100.0 %	$ 8,318	100.0 %	$ 23,544	283.0 %

Total revenue for the six months ended June 30, 2022 and 2021 was $31.9 million and $8.3 million, respectively, an increase of $23.6 million, or 283.0%.

3D Printer sales were $27.8 million and $6.3 million, respectively, for the six months ended June 30, 2022 and 2021, an increase of $21.5 million, which was primarily attributed to the launch of the Sapphire® XC system in late 2021 and the subsequent sales of these systems in 2022. The improvement in revenue was due to a mix of higher production volumes and our product mix between Sapphire® and Sapphire® XC systems, resulting in an increase in the average selling price. The 3D Printer sales included parts and consumables revenue.

Recurring Payment, structured as an operating lease, was $1.9 million and $0.6 million, for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily attributed to an increase in the number of 3D Printer systems in service generating Recurring Payment revenue as of June 30, 2022, compared to the number of 3D Printer systems in service as of June 30, 2021. During the six months ended June 30, 2022, one operating lease purchase option was exercised.

Our Support Service revenue was $2.2 million and $1.4 million for the six months ended June 30, 2022 and 2021, respectively. The increase was primarily attributed to a significant increase in the number of 3D Printer systems in service as of June 30, 2022, compared to the number of 3D Printers in service as of June 30, 2021.

Cost of Revenue

The following table presents the Cost of Revenue disaggregated by product and service type, as well as the percentage of total revenue.

	Six Months Ended June 30,			
	2022		2021	
	(In thousands, except for percentages)			
Cost of Revenue				
Cost of 3D Printers	$ 26,112	85.3 %	$ 4,482	68.7 %
Cost of Recurring Payment	1,403	4.6 %	444	6.8 %
Cost of Support Services	3,100	10.1 %	1,598	24.5 %
Total Cost of Revenue	$ 30,615	100.0 %	$ 6,524	100.0 %

Total cost of revenue for the six months ended June 30, 2022 and 2021 was $30.6 million and $6.5 million, respectively, an increase of $24.1 million, or 369%.

Cost of 3D Printers was $26.1 million and $4.5 million for the six months ended June 30, 2022 and 2021, respectively. The increase of $21.6 million was due to an increase in the number of 3D Printers sold in the six months ended June 30, 2022, compared to the number of 3D Printers sold in the six months ended June 30, 2021. For the six months ended June 30, 2022, cost of 3D Printers increased compared to the same period in 2021, primarily due to higher material, labor and factory overhead costs associated with a mix of higher production volumes and our product mix between the Sapphire® and Sapphire® XC systems.

Cost of Recurring Payment was $1.4 million and $0.4 million for the six months ended June 30, 2022 and 2021, respectively. This increase of $1.0 million was due to an increase in depreciation of the equipment on lease and the allocable Cost of Support Services as a result of more 3D Printers in service as of June 30, 2022, compared to June 30, 2021.

Cost of Support Services was $3.1 million and $1.6 million for the six months ended June 30, 2022 and 2021, respectively. This increase of $1.5 million was primarily attributable to the costs for preventative maintenance, costs incurred to enhance system reliability performance, and field service engineering labor costs due to significantly more 3D Printers in service as of June 30, 2022, compared to June 30, 2021. In addition, field service engineering support cost has increased specifically with the ramp of the Sapphire® XC systems in the field. We expect our Cost of Support Services will increase with the delivery of more 3D Printer systems to customers.

Cost of revenue as a percentage of revenue was 96.1% and 78.4%, for the six months ended June 30, 2022 and 2021, respectively. This was primarily due to the costs for preventative maintenance, costs incurred to enhance system reliability performance, and field service engineering labor costs due to more 3D Printers in service in as a result of more 3D Printers in service as of June 30, 2022, compared to June 30, 2021.

Gross Profit and Gross Margin

Total gross profit was $1.2 million and $1.8 million for the six months ended June 30, 2022 and 2021, respectively. As a percentage of revenue, the gross margin was 3.9% and 21.6%, for the six months ended June 30, 2022 and 2021, respectively. The lower gross profit was primarily attributable to the mix of Sapphire® and Sapphire® XC system sales, the impact of launch customer pricing for Sapphire® XC, and the higher material costs, and labor and overhead for the increased number of systems sold during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021.

Research and Development Expenses

Research and development expenses were $25.9 million and $11.1 million, for the six months ended June 30, 2022 and 2021, respectively, an increase of $$14.8 million. The research and development expenses have increased due to the development of the Sapphire® XC system.

The increases in research and development expenses in 2022 were related to a $1.4 million increase in components design and engineering testing and validation for the Sapphire® XC large format AM system, a $5.3 million increase for additional headcount, salaries and employee-related expenses, a $4.7 million increase in stock-based compensation and a $3.4 million increase in product development expenses for new parts for the Sapphire® family of systems.

Selling and Marketing Expenses

Selling and marketing expenses were $12.2 million and $4.4 million for the six months ended June 30, 2022 and 2021, respectively, an increase of $7.8 million. This increase was attributable to a $4.4 million increase for additional headcount, salaries and employee-related expenses, a $2.1 million increase in stock-based compensation, a $0.7 million increase in trade show expense and a $0.6 million increase in new marketing initiatives and branding expenses.

General and Administrative Expenses

General and administrative expenses were $17.5 million and $10.0 million, for the six months ended June 30, 2022 and 2021, respectively, an increase of $7.5 million. The increase was attributable to a $6.5 million increase for additional headcount, salaries and employee-related benefits, a $2.1 million increase in stock-based compensation, and a $3.1 million increase in general and administrative expenses, offset by a $0.6 million decrease in public company related expenses in advisory, legal and accounting fees and insurance, and a non-recurring $3.5 million decrease in Merger related expenses.

Interest Expense

Interest expense was $0.2 million and $0.6 million for the six months ended June 30, 2022 and 2021, respectively.

Gain (loss) on Fair Value of Warrants

The change in fair value of warrants resulted in a gain (loss) of $17.7 million and $(1.7) million for the six months ended June 30, 2022 and 2021, respectively, and was related to the non-cash fair value change of the warrant liabilities driven by the impact of the change in the stock price.

Gain (loss) on Fair value of Contingent Earnout Liabilities

The change in fair value of the contingent earnout liability was a loss of $99.0 million for the six months ended June 30, 2022 and was related to the non-cash fair value change of the contingent earnout liabilities driven by the impact of the change in the stock price.

Other Income (Expense), Net

Other income (expense), net was $0.6 million and less than $(0.1) million, for the six months ended June 30, 2022 and 2021, respectively. Interest income earned from available-for-sale investments was $0.6 million for the six months ended June 30, 2022.

Income Taxes

No provision for federal and state income taxes was recorded for both the six months ended June 30, 2022 and 2021, due to projected losses, and we maintained a full valuation allowance on the deferred tax assets as of June 30, 2022 and December 31, 2021.

Liquidity and Capital Resources

As of June 30, 2022, we had raised net proceeds of $428.3 million, comprised of approximately $278.3 million from the Merger and the PIPE Financing, which closed on September 29, 2021, and $150.0 million from the issuance of redeemable convertible preferred stock (series A to series D), third-party financing and convertible notes. We have incurred net income (loss) of $62.6 million and $(26.1) million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, we had $141.8 million and $223.1 million in cash and cash equivalents and short-term investments, respectively, and an accumulated deficit of $167.3 million and $229.9 million, respectively. Our business requires substantial amounts of cash for operating activities, including salaries and wages paid to our employees, component and sub-assembly purchases, general and administrative expenses, and others.

Our purchase commitments per our standard terms and conditions with our suppliers and vendors are cancellable in whole or in part with or without cause prior to delivery. If we terminate an order, we will have no liability beyond payment of any balances owing for goods and services delivered previously. Certain Sapphire® and Sapphire® XC purchase orders for parts and assemblies are non-cancellable and are due upon receipts with standard payment terms and will primarily be delivered over the next two quarters of 2022.

We may require additional funds to respond to business challenges and opportunities, including the need to provide working capital, develop new features or enhance our products, expand our manufacturing capacity, 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, including seeking additional capital from public or private offerings of our equity or debt securities, electing to repay, restructure or refinance our existing indebtedness, or electing to borrow additional amounts under new credit lines or from other sources. We may also seek to raise additional capital, including from offerings of our equity or debt securities, on an opportunistic basis when we believe there are suitable opportunities for doing so.

We believe that our cash and cash equivalents on hand and the cash we obtained from the Merger and the PIPE Financing, together with cash we expect to generate from our future operations, will be sufficient to meet our working capital and capital expenditure requirements for a period of at least twelve months. However, our ability to meet our cash requirements depends on, among other things, our operating performance, competitive and industry developments, and financial market conditions, all of which are significantly affected by business, financial, economic, political and other factors, many of which we may not be able to control or influence. To the extent that our actual operating results or other developments differ from our expectations, our liquidity could be adversely affected.

Debt Facilities

In May 2021, we entered into a third amended and restated loan and security agreement and a mezzanine loan and security agreement providing for certain debt facilities comprised of a $35.0 million term loan, a $10.0 million revolving credit line and a $8.5 million secured equipment loan facility. For more information, see Note 15, *Long-Term Debt* in the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Revolving Credit Line

In August 2021, we drew on the working capital revolver line of credit in the amount of $3.0 million, with a variable interest rate of the greater of 5.75% of Prime plus 2.50% and a term of 10 months. The outstanding balance on the revolver as of June 30, 2022 was $3.0 million. We do not hedge our exposure to changes in interest rates. A 10% change in interest rates would not have a material impact on annualized interest expense.

On July 25, 2022, we entered into a joinder and fourth loan modification agreement that made certain modifications to the third amended and restated loan and security agreement, including (i) increasing the amount of the revolving credit line to $30.0 million, (ii) extending the maturity date of the revolving credit line to December 31, 2024, and (iii) establishing a secured equipment loan facility of up to $15.0 million available through December 31, 2023. For more information, see Note 16, *Subsequent Events*, in the notes to the condensed consolidated financial statements in this Quarterly Report.

Equipment Loans Secured by Leased Equipment

The equipment loan secured by leased equipment has a variable interest rate of the greater of Prime rate, or 3.25%, and terms of three years. As of June 30, 2022, we had $4.0 million outstanding on the equipment loan. We do not hedge our exposure to changes in interest rates. A 10% change in interest rates would not have a material impact on annualized interest expense.

As discussed in more detail above, on July 25, 2022, we established an up to $15.0 million secured equipment loan facility.

Facilities Expansion

As of June 30, 2022, we have invested $12 million into lab equipment and leasehold improvements for our Sapphire® XC manufacturing facility. We expect to invest an additional $2.0 million to $3.0 million in factory equipment and leasehold improvements to complete the Sapphire® XC system manufacturing facility in the second half of 2022 depending on our operating performance, competitive and industry developments, and financial market conditions.

Cash Flow Summary

The following table summarizes our cash flows for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021	Change
	(In thousands)		
Net cash provided by (used in) operating activities	$ 68,793	$ (13,022)	$ 81,815
Net cash used in investing activities	$ (94,796)	$ (5,645)	$ (89,151)
Net cash (used in) provided by financing activities	$ (497)	$ 16,298	$ (16,795)

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2022 was $68.8 million, consisting primarily of net income of $62.6 million and a decrease in net operating assets of $26.8 million, primarily comprised of an increase from prepaid expenses of $7.0 million related to insurance and vendor prepayments, an increase from accounts receivable of $1.0 million due to timing of customer payments, an increase in accrued expenses and other current liabilities of $6.0 million, and an increase from other net operating assets of $0.5 million, offset by a decrease from inventories of $34.8 million for Sapphire® and Sapphire® XC system production, a decrease from contract liabilities of $6.1 million, and a decrease from accounts payable of $0.4 million. The noncash charges of $104.6 million primarily consisted of the gain on fair value of warrants of $17.7 million and the gain on fair value of contingent earnout liabilities of $99.0 million, partially offset by depreciation and amortization and stock-based compensation expense.

Net cash used in operating activities for the six months ended June 30, 2021 was $13.0 million, consisting primarily of a net loss of $26.1 million and an increase in net operating assets of $9.6 million, primarily due to increases from contract liabilities of $7.2 million, increase from accounts payable of $5.3 million, increases in accrued expenses and other liabilities of 0.8 and increases from contract assets for committed orders of $2.9 million, offset by decreases from accounts receivable of $2.6 million, decreases from prepaid expenses of $1.7 million, and decreases from inventory of $1.3 million and a decrease from other net operating assets of $1.0 million. The noncash charges of $3.5 million primarily consisted of the loss on fair value of warrants of $1.7 million, depreciation and amortization and stock-based compensation expense.

We expect our cash used in operating activities to increase in the remainder of 2022 driven by working capital requirements and operating expenses as we significantly increase the scale of our operations.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2022 was $94.8 million, consisting of property and equipment purchases of $8.6 million, production of equipment for lease to customers of $2.6 million and purchases of available-for-sale investments of $87.7 million, partially offset by maturities of available-for-sale investment securities of $4.0 million.

Net cash used in investing activities during the six months ended June 30, 2021 was $5.6 million, consisting of property and equipment purchases of $0.6 million and production of equipment for the equipment on lease, net of $5.0 million.

We expect our capital expenditures, excluding purchases of available-for-sale investments, to increase slightly in the remainder of 2022 as we expand existing operations, and complete the build out of our new manufacturing facility.

Financing Activities

Net cash used in financing activities during the six months ended June 30, 2022 was $0.5 million, consisting of repayments of $1.1 million for equipment loans, partially offset by $0.6 million of proceeds from the issuance of common stock upon exercise of stock options.

Net cash provided by financing activities during the six months ended June 30, 2021 was $16.3 million, consisting of financing activities resulting primarily from the proceeds from the issuance of convertible notes of $5.0 million, proceeds from the term loan of $14.3 million, proceeds from equipment loans of $3.2 million, and proceeds from the issuance of common stock upon exercise of stock options of $0.3 million, partially offset by repayment of the term loan of $4.9 million and repayment of equipment loans of $1.6 million.

We expect to provide cash by financing activities by issuing new equity or incurring new debt to continue operations. Our future cash requirements and the adequacy of available funds will depend on many factors, including our operating performance, competitive and industry developments, and financial market conditions.

Off-Balance Sheet Arrangements

As of June 30, 2022 and December 31, 2021, we did not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on Velo3D's condensed consolidated financial statements, see Note 2, *Summary of Significant Accounting Policies*, in the notes to the condensed consolidated financial statements in this Quarterly Report.

Implications of Being an Emerging Growth Company

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable. We are an “emerging growth company” as defined in Section 2(A) of the Securities Act and has elected to take advantage of the benefits of this extended transition period.

We will elect to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public business entities and nonpublic business entities until the earlier of the date we (a) are no longer an emerging growth company or (b) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used. Please refer to Note 2. *Summary of Significant Accounting Policies,* of the condensed consolidated financial statements of Velo3D included elsewhere in this Quarterly Report for the recent accounting pronouncements adopted and the recent accounting pronouncements not yet adopted for the three months ended June 30, 2022 and 2021.

We will remain an emerging growth company under the JOBS Act until the earliest of (a) December 31, 2025, (b) the last date of our fiscal year in which we have total annual gross revenue of at least $1.07 billion, (c) the last date of our fiscal year in which we are deemed to be a “large accelerated filer” under the rules of the SEC or (d) the date on which we have issued more than $1.0 billion in nonconvertible debt securities during the previous three years.

Implications of Being a Smaller Reporting Company

We are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited consolidated financial statements.

We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We will remain a smaller reporting company and may take advantage of certain scaled disclosures available to smaller reporting companies until the last day of the fiscal year in which (a) the market value of our voting and nonvoting common stock held by non-affiliates equals or exceeds $250.0 million measured on the last business day of that year’s second fiscal quarter and (b) our annual revenue equals or exceeds $100.0 million during the most recently completed fiscal year or our voting and nonvoting common stock held by non-affiliates equals or exceeds $700.0 million measured on the last business day of that year’s second fiscal quarter.

Critical Accounting Policies and Significant Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. We evaluated the development and selection of our critical accounting policies and estimates and believe that the following involve a higher degree of judgement or complexity and are most significant to reporting our results of operations and financial position and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgements used in the preparation of our condensed consolidated financial statements. Actual results could differ materially from those estimates and assumptions, and those differences could be material to our condensed consolidated financial statements. We re-evaluate our estimates on an ongoing basis. For more information, see Note 2, *Summary of Significant Accounting Policies,* included in the notes to the condensed consolidated financial statements in this Quarterly Report, and *Critical Accounting Policies and Significant Estimates* in Part II Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2021.

Revenue - Variable Consideration

The sales of 3D Printer systems under certain contracts may include variable consideration such that the Company is entitled to a rate per print hour used on the 3D Printer systems. The Company makes certain estimates in calculating the variable consideration, including amount of hours, the estimated life of the equipment and the discount rate. Although estimates may be made on a contract-by-contract basis, whenever possible, the Company uses all available information including historical customer usage and collection patterns to estimate variable consideration.

The Company intends to update its estimates of variable consideration on a quarterly basis based on the latest data available, and adjust the transaction price accordingly by recording an adjustment to net revenue and contract assets. The Company has recognized the estimate of variable consideration to the extent that it is probable that a significant reversal will not occur as a result from a change in estimation.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined in Rule 12b-2 under the Exchange Act. As a result, pursuant to Item 305(e) of Regulation S-K, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, with participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule(s) 13a-15(e) and 15d-15(e) under the Exchange Act as of June 30, 2022. Based upon this evaluation our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2022, our disclosure controls and procedures were not effective due to the material weaknesses in internal control over financial reporting described below.

Material Weaknesses in Internal Control over Financial Reporting

As described Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2021, we previously identified material weaknesses in our internal control over financial reporting. These material weaknesses have not been remediated as of June 30, 2022. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. These material weaknesses are as follows:

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and financial reporting requirements. Additionally, the lack of a sufficient complement of personnel resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the segregation of duties related to journal entries and account reconciliations. Specifically, certain personnel have the ability to both (i) create and post journal entries within our general ledger system and (ii) prepare and review account reconciliations.

- We did not design and maintain effective controls over the accounting and valuation for debt and equity instruments, specifically, the recording of redeemable convertible preferred stock arrangements, contingent earnout liabilities and warrants. Additionally, we did not design and maintain effective controls over the completeness and presentation of accrued inventory purchases; and we did not design and maintain effective controls over the presentation of contract assets and liabilities. These material weaknesses resulted in audit adjustments to accounts receivable, inventory, other current assets, current and non-current contract liabilities, accrued expenses and other current liabilities, redeemable convertible preferred stock, share-based compensation expense, additional paid-in capital and accumulated deficit, which were recorded prior to the issuance of the consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021; and as of and for the interim periods ended September 30, 2021 and December 31, 2021, and immaterial misstatements to current and non-current contract liabilities, accounts payable, accrued expenses and other current liabilities, additional paid-in capital and accumulated deficit as of and for the interim period ended March 31, 2022, and immaterial misstatements to additional paid-in capital and accumulated deficit as of and for the interim period ended June 30, 2022. The material weakness related to accounting for warrants resulted in the restatement of the previously issued consolidated financial statements of JAWS Spitfire as part of the September 29, 2021 merger agreement related to warrant liabilities, ordinary shares subject to possible redemption, and transaction costs allocated to warrant liabilities. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

- We did not design and maintain effective controls over certain information technology ("IT") general controls for information systems that are relevant to the preparation of our consolidated financial statements. Specifically, we did not design and maintain effective:

    - user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel; and

    - program change management controls to ensure that information technology program and data changes affecting certain financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately.

These IT deficiencies did not result in a misstatement to the consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all consolidated financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

Remediation Plan for Material Weaknesses in Internal Control over Financial Reporting

We intend to take measures to remediate these material weaknesses, including the following: hiring additional accounting and IT personnel to bolster our reporting, technical accounting and IT capabilities; providing ongoing training for our personnel on accounting, financial reporting and internal control over financial reporting; engaging a third-party to assist in designing and implementing controls, including controls related to segregation of duties and IT general controls; designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience and designing and implementing controls over segregation of duties; designing and implementing controls over the preparation and review of journal entries and account reconciliations, controls over accounting and valuation for debt and equity instruments, controls over accrued inventory purchases, and controls over the presentation of contract assets and liabilities; and designing and implementing IT general controls, including controls over the review and update of user access rights and privileges and program change management controls.

During the six months ended June 30, 2022, we have engaged an IT consulting firm to address the IT general controls that impact financial reporting. The material weaknesses will not be considered remediated until our management completes the design and implementation of the measures described above and our controls operate for a sufficient period of time and our management has concluded, through testing, that these controls are effective.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various disputes and litigation matters that arise in the ordinary course of business. We are currently not a party to any material legal proceedings.

Item 1A. RISK FACTORS

Investing in our securities involves risks. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Quarterly Report, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report, before deciding whether to purchase any of our securities. Our business, results of operations, financial condition, and prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of these risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Unless otherwise indicated, references in these risk factors to our business being harmed will include harm to our business, reputation, brand, financial condition, results of operations, and prospects. In such event, the market price of our securities could decline, and you could lose all or part of your investment.

Summary of Risk Factors

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.
- Our limited operating history and rapid growth makes evaluating our current business and future prospects difficult and may increase the investment risk.
- We expect to rely on a limited number of customers for a significant portion of our near-term revenue.
- We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.
- We have invested and expect to continue to invest in research and development efforts that further enhance our products. Such investments may affect our operating results and liquidity, and, if the return on these investments is lower or develops more slowly than we expect, our revenue and operating results may suffer.

Risks Related to Our Business and Industry

- We have in the past and may in the future experience significant delays in the design, production, launch, manufacture, shipment and installation of our additive manufacturing solutions, and we may be unable to successfully commercialize products on our planned timelines.
- As part of our growth strategy, we intend to continue to acquire or make investments in other businesses, patents, technologies, products or services. Our failure to do so successfully could disrupt our business and have an adverse impact on our financial condition.
- Our business activities have been and may continue to be, disrupted due to the outbreak of the ongoing COVID-19 pandemic.
- Changes in our product mix may impact our gross margins and financial performance.
- Our business model is predicated, in part, on building a customer base that will generate a recurring stream of revenues through the use of our additive manufacturing system 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.
- If demand for additive manufacturing products does not grow as expected, or if market adoption of additive manufacturing technology does not continue to develop, or develops more slowly than expected, our revenues may stagnate or decline, and our business may be adversely affected.
- 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.
- 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.
- Reservations for our Sapphire® XC solution may not convert to purchase orders.

- Defects in our additive manufacturing system or in enhancements to our existing additive manufacturing systems that give rise to part failures for our customers, resulting in product liability or warranty or other claims that could result in material expenses, diversion of management time and attention and damage to our reputation.
- 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.
- 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.
- 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.
- We have identified material weaknesses in our internal control over financial reporting and we may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our condensed consolidated financial statements or cause us to fail to meet our periodic reporting obligations or cause our access to the capital markets to be impaired and have a material adverse effect on our business.

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.
- We may rely heavily on future collaborative and supply chain partners.
- If our suppliers become unavailable or inadequate, our customer relationships, results of operations and financial condition may be adversely affected.

Risks Related to Operations

- We operate primarily at two facilities, and any disruption at one facility could adversely affect our business and operating results.
- Construction and expansion of our production facilities may not be completed in the expected timeframe or in a cost-effective manner. Any delays in the construction of our production facilities could severely impact our business, financial condition, results of operations and prospects.
- Maintenance, expansion and refurbishment of our facilities, the construction of new facilities and the development and implementation of new manufacturing processes involve significant risks.

Risks Related to Compliance Matters

- We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions and similar laws and regulations. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.
- We are subject to environmental, health and safety laws and regulations related to our operations and the use of our additive manufacturing systems and consumable materials, which could subject us to compliance costs and/or potential liability in the event of non-compliance.

Risks Related to Intellectual Property

- Our business relies on technological and other innovations embodied in various forms of proprietary information and other intellectual property (IP) related information. Our failure to protect our IP rights could potentially harm our competitive advantages to an extent (e.g., with respect to the use, manufacturing, lease, sale or other commercialization of our processes, technologies and products), which may have an adverse effect on our results of operations and financial condition.
- Third-party lawsuits and assertions to which we are subject alleging our infringement of patents, trade secrets or other IP rights may have a significant adverse effect on our financial condition.

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 income (loss) of $128.0 million and $(12.5) million for the three months ended June 30, 2022 and 2021, respectively, and net income (loss) of $62.6 million and $(26.1) million for the six months ended June 30, 2022 and 2021, respectively. 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 R&D efforts and sales and marketing programs. These investments may not result in increased revenue or growth in our business.

As a public company, we incur significant additional legal, accounting and other expenses that Legacy Velo3D did not incur as a private company. 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. While we have generated revenue in the past, we have only recently begun commercial shipments of several of our announced additive manufacturing solutions, some of which are expected to generate a substantial portion of our revenue going forward, and it is difficult for us to predict our future operating results. We may incur significant losses in the future for a number of reasons, including due to the other risks described in this Quarterly Report, 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 when expected, or at all, 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 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 make it difficult for them to evaluate our current business and our future prospects and 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 investment risk.

Much of our growth has occurred in recent periods. Our limited operating history may make it difficult 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 securities may decline.

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. If actual results differ from our estimates or we adjust our estimates in future periods, our operating results and financial position could be materially affected.

We expect to rely on a limited number of customers for a significant portion of our near-term revenue.

We currently have purchase orders with a limited number of customers, from which we expect to generate most of our revenues in the near future. A majority of our revenue was generated by sales to our top three customers. We anticipate that a significant portion of our revenue will continue to be derived from sales through these customers in the foreseeable future. We have had a diverse number of customers for our 3D Printer sales. We continue to diversify our customer base. SpaceX is our largest customer and it accounts for a significant amount of our revenue.

Our 3D printer sales occur under purchase orders that are governed by our terms and conditions of sale. Our terms and conditions with SpaceX are consistent with all other customers and permit the customer to terminate our services at any time (subject to notice and certain other provisions). Accordingly, the sudden loss of SpaceX or one or more of our other significant customers, the renegotiation of a significant customer contract, a substantial reduction in their orders, their failure to exercise customer options, their unwillingness to extend contractual deadlines if we are unable to meet production requirements, their inability to perform under their contracts or a significant deterioration in their financial condition could harm our business, results of operations and financial condition. In particular, in late 2021, there was media speculation that SpaceX might be facing production challenges that could adversely impact its business. If we fail to perform under the terms of these agreements, the customers could seek to terminate these agreements and/or pursue damages against us, including liquidated damages in certain instances, which could harm our business.

Because we rely on a limited number of customers for a significant portion of our revenues, we depend on the creditworthiness of these customers. If the financial condition of our customers declines, our credit risk could increase. Should one or more of our significant customers declare bankruptcy, be declared insolvent or otherwise be restricted by state or federal laws or regulation from continuing in some or all of their operations, this could adversely affect our ongoing revenues, the collectability of our accounts receivable and our net income.

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

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, expand our manufacturing capacity, 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, including seeking additional capital from public or private offerings of our equity or debt securities, electing to repay, restructure or refinance our existing indebtedness, or electing to borrow additional amounts under new credit lines or from other sources. We may also seek to raise additional capital, including from offerings of our equity or debt securities, on an opportunistic basis when we believe there are suitable opportunities for doing so. 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 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. Our ability to raise additional capital when needed may be adversely affected by external factors beyond our control, including changes in the political climate, geopolitical actions, changes in market interest rates, market volatility in the trading prices for our common stock and other technology companies, a recession, depression, high inflation or other sustained adverse market event and the ongoing COVID-19 pandemic. 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.

We have invested and expect to continue to invest in research and development efforts that further enhance our products. Such investments may affect our operating results and liquidity, and, if the return on these investments is lower or develops more slowly than we expect, our revenue and operating results may suffer.

We have invested and expect to continue to invest in research and development efforts that further enhance our products. These investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins, operating results and liquidity and that such investments may not generate sufficient revenues to offset liabilities assumed and expenses associated with these new investments. The AM industry changes rapidly as a result of technological and product developments, which may render our solutions less effective. We believe that we must continue to invest a significant amount of time and resources in our products to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, if the achievement of these benefits is delayed, our business, operating results and prospects may be materially adversely affected.

Risks Related to Our Business and Industry

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

There are significant technological and logistical challenges associated with producing, marketing, selling and delivering additive manufacturing systems such as ours that make high-value component parts for customers, and we may not be able to resolve all of the difficulties that arise in a timely or cost-effective manner, or at all. While we believe that we understand the engineering and process characteristics necessary to successfully design and produce additive manufacturing systems to make high-value metal parts for our customers, our assumptions may prove to be incorrect, and we may be unable to consistently produce additive manufacturing products in an economical manner in commercial quantities.

Certain additive manufacturing solutions are still under development. We have experienced, and may experience in the future, 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 industry standards;
- ineffective distribution and marketing;
- delay in obtaining any required regulatory approvals;
- unexpected production costs; or
- release of competitive products.

We have also experienced, and may experience in the future, delay in the manufacture, shipment and installation of products we have launched. For example, following the launch of our Sapphire® XC printer at the end of 2021, we have been in the process of scaling the production of our Sapphire® XC printers while managing supply chain issues stemming from the COVID-19 pandemic. This has resulted in delays in the manufacture, shipments and installation of our Sapphire® XC printers.

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.

Additionally, we are in the process of establishing a recurring payment offering for customers, which may present similar challenges to those outlined above with respect to the design, production and launch of new additive manufacturing solutions. In particular, we may fail to develop a commercially successful offering if we are unable to meet customer needs or industry standards, if we fail to meet customer price expectations or if our marketing and distribution strategy proves ineffective. If we are unable to establish such an offering, sales of our additive manufacturing solutions and our overall operating results could suffer.

As part of our growth strategy, we intend to continue to acquire or make investments in other businesses, patents, technologies, products or services. 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 expect to enter into agreements to acquire or invest in other companies. 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 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. 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 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;
- increases in our expenses;
- 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 stockholders, 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 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 IP 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.

Our business activities have been, and may continue to be, disrupted due to the ongoing COVID-19 pandemic.

We face various risks and uncertainties related to the ongoing global COVID-19 pandemic. Since the first quarter of 2020, the pandemic has led to periods of disruption and volatility in the global economy and capital markets, which has increased the cost of capital and adversely impacted access to capital. During 2020 and, to a lesser extent, 2021, the government-enforced travel restrictions, quarantines and business closures around the world that occurred periodically in response to the pandemic have 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 our ability to perform the final assembly and testing of our systems. In particular, we have been impacted by the global wafer chip and electronic component supply chain disruptions that have been exacerbated by the pandemic, which has delayed the completion of our Sapphire® and Sapphire® XC printers and subsequently delayed shipments of those printers to our customers and installations of those printers at their facilities. These delays in installation could lead to postponed customer acceptance of the transactions. 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 ongoing COVID-19 pandemic, our operations will likely be adversely impacted.

It is not currently possible to reliably project the direct impact of COVID-19 on our operating revenues and expenses. If the ongoing COVID-19 pandemic continues for a prolonged duration, 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 continued supply chain disruptions, risks for the production and deployment of our products and services, reduced sales, declines in the market prices of our products, and risks to employee health and safety. In addition, 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, including as a result of new variant strains of the virus, may have a material and adverse effect on our business operations and results of operations.

To the extent the ongoing COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section, including but not limited to those relating to cyber-attacks and security vulnerabilities, interruptions or delays due to third parties or our ability to raise additional capital or generate sufficient cash flows necessary to fulfill our obligations under our existing indebtedness or to expand our operations.

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

Our financial performance may be affected by the mix of transaction models under which we sell during a given period. Different transaction models have different margins in the period in which the transaction occurs and in subsequent periods. Therefore our gross margins may fluctuate based on the mix of sale and recurring payment transactions in a given period. If our product mix shifts too far into lower gross margin transactions in a given period and we are not able to sufficiently reduce the engineering, production and other costs associated with those transactions or substantially increase the sales of our higher gross margin transactions, 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 as well as new product introduction pricing strategies. 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 business model is predicated, in part, on building a customer base that will generate a recurring stream of revenues through the use of our additive manufacturing system 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 additive manufacturing products and service contracts as they generate recurring revenues. Existing and future customers of our systems may not purchase our products or related service contracts at the same rate at which customers currently purchase those products and services.

If demand for additive manufacturing products does not grow as expected, or if market adoption of additive manufacturing technology 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 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, particularly with regard to high value parts, 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.

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 new product launches, 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.

We use, and plan to continue using, different pricing models for different products. For example, we plan to use a recurring payment pricing model for certain customers, which includes both a leased 3D printer transaction and a sale and utilization fee model. This pricing model is still relatively new to some of our customers and may not be attractive to them, especially in regions where the model is less common. If customers resist this or any other new pricing models we introduce, our revenue may be adversely affected, and we may need to restructure the way in which we charge customers for our products.

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 additive manufacturing 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, 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.

Reservations for our Sapphire® XC solution may not convert to purchase orders.

Commercial shipments of our Sapphire® XC solution began at the end of 2021. Given the anticipated lead times between the reservation and the date of delivery of the Sapphire® XC, there is a risk that customers who place reservations may ultimately decide not to convert such reservations into purchase orders and take delivery of their reserved Sapphire® XC due to potential changes in customer preferences, competitive developments or other factors. These include conditions in the economy as a whole and market conditions in the industries of our customers such as increased interest rates, supply chain disruptions, increased fuel prices and high inflation and recessionary environments. As a result, no assurance can be made that reservations will result in the purchase of our Sapphire® XC, and any such failure to convert these reservations could harm our business, prospects, financial condition and operating results.

Defects in our additive manufacturing system or in enhancements to our existing additive manufacturing systems that give rise to part failures for our customers, resulting in product liability or warranty or other claims that 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 an additive manufacturing system has been used. This could result in delayed market acceptance of those additive manufacturing systems or claims from 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 and purchase orders 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 our 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.

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, parts 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 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 IP 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 R&D.

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 IP 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. We may lose market share to, or fail to gain market share from, producers of products that can be substituted for our products, which may have an adverse effect on our results of operations and financial condition.

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. However, we cannot assure 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.

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, and product outputs from contract manufacturers who use our 3D printer systems, are distributed in more than 25 countries around the world. Accordingly, we face significant operational risks from doing business internationally. For current and potential international customers whose contracts are denominated in U.S. dollars, the relative change in local currency values creates relative fluctuations in our product pricing. These changes in international end-user costs may result in lost orders and reduce the competitiveness of our products in certain foreign markets. As we realize our strategy to expand internationally, our exposure to currency risks may increase.

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

- limited protection for the enforcement of contract and IP 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;
- compliance with U.S. laws affecting activities of U.S. companies abroad, including the U.S. Foreign Corrupt Practices Act ("*FCPA*"), and compliance with anti-corruption laws in other countries, such as the UK Bribery Act ("*Bribery 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;
- 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.

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.

We are dependent on management and key personnel, and our business would suffer if we fail to retain our key personnel and attract additional highly skilled employees.

Our success depends on the specialized skills of our management team and key operating personnel, particularly those of our Chief Executive Officer, Benny Buller. This may present particular challenges as we operate in a highly specialized industry sector, which may make replacement of our management team and key operating personnel difficult. A loss of our managers or key employees, or their failure to satisfactorily perform their responsibilities, could have an adverse effect on our business, financial condition, results of operations and prospects.

Our success has been dependent, and will continue to depend, on our ability to identify, hire, develop, motivate and retain highly qualified personnel for all areas of our organization, particularly R&D, recycling technology, operations and sales. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies that we compete with for experienced employees have greater resources than us and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel, which will negatively impact our business, financial condition, results of operations and prospects. Each member of senior management as well as our key employees may terminate employment without notice and without cause or good reason. The members of our senior management are not subject to non-competition agreements. Accordingly, the adverse effect resulting from the loss of certain members of senior management could be compounded by our inability to prevent them from competing with us.

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.

Since 2020, we have experienced rapid growth each quarter, 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 facilities expansion, increased staffing and market expansion into global territories. If our business does not generate the level of revenue required to support our investment, our net sales and profitability will be adversely affected.

We may not manage our growth effectively. 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. This expansion will place a significant strain on our management, operational and financial resources. To manage the growth of our operations and personnel, we must establish appropriate and scalable operational and financial systems, procedures and controls and establish and maintain a qualified finance, administrative and operations staff. We may be unable to hire, train, retain and manage the necessary personnel or to identify, manage and exploit potential strategic relationships and market opportunities, which will negatively impact our business, financial condition, results of operations and prospects.

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 R&D 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 ongoing 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. The failure of any such systems or the failure of such systems to scale as our business grows could adversely affect our results of operations. 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.

We have engaged with third-party auditors to identify risk factors based on the NIST SP 800-171 framework which provides recommended requirements for protecting the confidentiality of controlled unclassified information, that affect data security within our internal network and external products. These audits include compliance reviews and penetration tests where applicable. A prioritized list of remediations to strengthen our security posture are in progress, and there are risks associated with unaddressed vulnerabilities in the meantime including risk of data loss, malware, and ransomware. We have taken steps to protect customer data within our products by applying strong encryption to files both in transit and at rest.

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 or our customers' or employees' 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.

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.

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, and our existing policies may be cancelled or otherwise terminated by the insurer. 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.

Changes in tax laws or tax rulings could materially affect our financial position, results of operations and cash flows.

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws, regulations, or rulings, or changes in interpretations of existing laws and regulations, could materially affect our financial position and results of operations. For example, the 2017 Tax Cuts and Jobs Act (the "*Tax Act*") made broad and complex changes to the U.S. tax code, including changes to U.S. federal tax rates, additional limitations on the deductibility of interest, both positive and negative changes to the utilization of future net operating loss ("*NOL*") carryforwards, allowing for the expensing of certain capital expenditures, and putting into effect the migration from a "worldwide" system of taxation to a more territorial system. Future guidance from the IRS with respect to the Tax Act may affect us, and certain aspects of the Tax Act could be repealed or modified in future legislation. The Coronavirus Aid, Relief, and Economic Security Act (the "*CARES Act*") has already modified certain provisions of the Tax Act. In addition, it is uncertain if and to what extent various states will conform to the Tax Act, the CARES Act or any newly enacted federal tax legislation. The issuance of additional regulatory or accounting guidance related to the Tax Act could materially affect our tax obligations and effective tax rate in the period issued. As we continue to expand internationally, we will be subject to other jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations. In addition, the authorities in several jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and on our results of operations. In addition, many countries in Europe and a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in the countries where we do or intend to do business or require us to change the manner in which we operate our business.

As we expand the scale of our international business activities, these types of changes to the taxation of our activities could increase our worldwide effective tax rate, increase the amount of taxes imposed on our business, and harm our financial position. Such changes also may apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our condensed consolidated financial statements.

We have identified material weaknesses in our internal control over financial reporting and we may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our condensed consolidated financial statements or cause us to fail to meet our periodic reporting obligations or cause our access to the capital markets to be impaired and have a material adverse effect on our business.

Our management has significant requirements for financial reporting and internal control over financial reporting as a public company. The process of designing and implementing effective internal control over financial reporting is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain internal control over financial reporting that is adequate to satisfy our reporting obligations as a public company. If we are unable to establish or maintain adequate internal control over financial reporting, it could cause us to fail to meet our reporting obligations on a timely basis or result in material misstatements or omissions in our condensed consolidated financial statements, which could harm our operating results.

In addition, we will be required, pursuant to the rules and regulations of the SEC to furnish a report by management on the effectiveness of our internal control over financial reporting. However, for the year ended December 31, 2021, we excluded management's report on internal control over financial reporting in our Annual Report on Form 10-K for the year ended December 31, 2021 pursuant to Section 215.02 of the SEC Division of Corporation Finance's Regulation S-K Compliance & Disclosure Interpretations. This assessment will need to include disclosure of any material weaknesses identified in our internal control over financial reporting. Assessing and maintaining adequate internal control over financial reporting 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. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. If we are not able to complete our initial assessment of our internal control over financial reporting in a timely manner, or if we identify one or more material weaknesses, our independent registered public accounting firm may not be able to attest that our internal control over financial reporting is effective.

Matters impacting our internal control over financial reporting 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 condensed consolidated financial statements. Confidence in the reliability of our condensed consolidated financial statements also could suffer if we and our independent registered public accounting firm continue to report material weaknesses in our internal control over financial reporting. This could materially adversely affect us and lead to a decline in the market price of our securities.

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. These material weaknesses are as follows:

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we did not maintain a sufficient complement of personnel with an appropriate degree of internal controls and accounting knowledge, experience, and training commensurate with our accounting and financial reporting requirements. Additionally, the lack of a sufficient complement of personnel resulted in an inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the segregation of duties related to journal entries and account reconciliations. Specifically, certain personnel have the ability to both (i) create and post journal entries within our general ledger system and (ii) prepare and review account reconciliations.

- We did not design and maintain effective controls over the accounting and valuation for debt and equity instruments, specifically, the recording of redeemable convertible preferred stock arrangements, contingent earnout liabilities and warrants. Additionally, we did not design and maintain effective controls over the completeness and presentation of accrued inventory purchases and we did not design and maintain effective controls over the presentation of contract assets and liabilities. These material weaknesses resulted in audit adjustments to accounts receivable, inventory, other current assets, current and non-current contract liabilities, accrued expenses and other current liabilities, redeemable convertible preferred stock, share-based compensation expense, additional paid-in capital and accumulated deficit, which were recorded prior to the issuance of the consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021; and as of and for the interim periods ended September 30, 2021 and December 31, 2021, and immaterial misstatements to current and non-current contract liabilities, accounts payable, accrued expenses and other current liabilities, additional paid-in capital and accumulated deficit as of and for the interim period ended March 31, 2022, and immaterial misstatements to additional paid-in capital and accumulated deficit as of and for the interim period ended June 30, 2022. The material weakness related to accounting for warrants resulted in the restatement of the previously issued consolidated financial statements of JAWS Spitfire as part of the September 29, 2021 merger agreement related to warrant liabilities, ordinary shares subject to possible redemption, and transaction costs allocated to warrant liabilities. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

- We did not design and maintain effective controls over certain information technology (“IT”) general controls for information systems that are relevant to the preparation of our condensed consolidated financial statements. Specifically, we did not design and maintain effective:

    - user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel; and

    - program change management controls to ensure that information technology program and data changes affecting certain financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately.

These IT deficiencies did not result in a misstatement to the condensed consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all condensed consolidated financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

Although we intend to take measures to remediate these material weaknesses, there can be no assurance that the material weaknesses will be remediated on a timely basis or at all, or that additional material weaknesses will not be identified or occur in the future, which could result in material misstatements of our interim or annual consolidated financial statements. If we are unable to remediate the material weaknesses or additional material weaknesses are identified in the future, our ability to record, process and report financial information accurately, and to prepare consolidated 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 securities. In particular, if our consolidated financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our consolidated financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities. In either case, this could result in a material adverse effect on our business. Failure to timely file will cause us to be ineligible to utilize short form registration statements on Form S-3, which may impair our ability to obtain capital in a timely fashion to execute our business strategies or issue shares to effect an acquisition.

Some members of our management have limited experience in operating a public company.

Some of our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage the transition to a public company that will be subject to significant regulatory oversight and reporting obligations under federal securities laws. Our limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities, which will result in less time being devoted to the management and growth of the company. We may not have adequate personnel with the appropriate level of knowledge, experience and training in the accounting policies, practices or internal control over financial reporting required of public companies. The development and implementation of the standards and controls and the hiring of experienced personnel necessary to achieve the level of accounting standards required of a public company may require costs greater than expected.

Economic uncertainty or downturns could adversely affect our business and operating results.

In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain, including as a result of the ongoing COVID-19 pandemic, supply chain disruptions, the Ukraine – Russia conflict, rising fuel prices, increasing interest rates and, as discussed in more detail below, high inflation and the possibility of a recession. Economic uncertainty and associated macroeconomic conditions make it extremely difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products, which could delay and lengthen sales cycles.

A significant downturn in economic activity, or general spending on additive manufacturing systems, may cause our current or potential customers to react by reducing their capital and operating expenditures in general or by specifically reducing their spending on additive manufacturing systems and related technologies. Moreover, competitors may respond to challenging market conditions by lowering prices and attempting to lure away our customers.

We cannot predict the timing, strength, or duration of any economic slowdown or any subsequent recovery generally, or in any industry. If the conditions in the general economy and the markets in which we operate worsen from present levels, our business, financial condition, and operating results could be adversely affected.

We may be adversely affected by the effects of inflation or possible stagflation.

Inflation or possible stagflation in the United States and other regions has the potential to adversely affect our liquidity, business, financial condition and operating results. For example, our current and potential customers may choose to limit their spending on and budgets for our additive manufacturing systems as a response to decreased spending by their own customers and consumers. The existence of inflation in certain economies has resulted in, and may continue to result in, higher interest rates and capital costs, increased costs of labor, weakening exchange rates and other similar effects. Although we may take measures to mitigate the impact of this inflation, if these measures are not effective, our business, financial condition, operating results and liquidity may be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our operating results and when the cost of inflation is incurred. Inflation and any economic challenges may also adversely impact spending patterns by our customers.

Changes in financial accounting standards or practices as well as interpretations thereof may cause adverse, unexpected financial reporting fluctuations and affect our results of operations.

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (the "*FASB*"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies and treatment are being subjected to heightened scrutiny by regulators and the public. Further, accounting rules and regulations as well as their interpretations are continually changing in ways that could materially impact our condensed consolidated financial statements.

We cannot predict the impact of future changes to accounting principles or interpretations thereof or our accounting policies on our condensed consolidated financial statements going forward, which could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of the change.

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, 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 and purchase orders 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 independent contractors and third parties to provide key services in our product development and operations, and any disruption of their services, or an increase in cost of these services, could negatively impact our financial condition and results of operations.

We depend on subcontractors to provide cost effective and efficient services in supply chain functions, including sourcing certain subcomponents and assemblies, and in product development activities.

Our operations and operating results may be negatively impacted if we experience problems with our subcontractors that impact the delivery of product to our customers. These problems may include: delays in software or hardware development timelines, prolonged inability to obtain components with competitive performance and cost attributes; inability to achieve adequate yields or timely delivery; inability to meet customer timelines or demands, disruption or defects in assembly, test or shipping services; or delays in stabilizing manufacturing processes or ramping up volume for new products. If our third-party supply chain providers were to reduce or discontinue services for us or their operations are disrupted as a result of a fire, earthquake, act of terrorism, political unrest, governmental uncertainty, war, disease, or other natural disaster or catastrophic event, weak economic conditions or any other reason, our financial condition and results of operations could be adversely affected.

We may rely heavily on future collaborative and supply chain partners.

We have entered into, and may enter into, strategic collaborations and partnerships to develop and commercialize our current and future R&D programs with other companies to accomplish one or more of the following:

- obtain capital, equipment and facilities;
- obtain expertise in relevant markets;
- obtain access to components;
- obtain sales and marketing services or support; and/or
- obtain support services and other downstream supply chain support.

We may not be successful in establishing or maintaining suitable collaborations and partnerships, and we may not be able to negotiate collaboration or partnership agreements having terms satisfactory to us, or at all. Failure to make or maintain these arrangements or a delay or failure in a collaborative partner's performance under any such arrangements could harm our business and financial condition.

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. We face risks from financial difficulties or other uncertainties experienced by our suppliers, distributors or other third parties on which we rely. We do not have long-term agreements with any of these suppliers that obligate them to continue to sell components, subsystems, systems or products to us. Our reliance on these suppliers involves significant risks and uncertainties, including whether the suppliers will provide an adequate supply of required components, subsystems or systems of sufficient quality will increase prices for the components, subsystems or systems and will perform their obligations on a timely basis. In addition, certain suppliers have long lead times, which we cannot control. 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. In addition, compliance with the SEC's conflict minerals regulations may increase our costs and adversely impact the supply-chain for our products.

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 as well as our suppliers' and our customers' facilities are vulnerable to disruption due to natural or other disasters, 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, nuclear event or terrorist attack affecting our facilities or the area in which it is located, or affecting those of our suppliers or customers, could significantly disrupt our or their operations and delay or prevent product shipment or installation during the time required to repair, rebuild or replace our or their damaged manufacturing facilities. These delays could be lengthy and costly. If any of our suppliers' or customers' facilities 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 (including the Ukrainian - Russia conflict) or the outbreak of epidemic diseases (including the outbreak of COVID-19 and variants) could have a negative effect on our operations and sales.

Risks Related to Operations

We operate primarily at two facility locations, and any disruption at one facility could adversely affect our business and operating results.

Our principal offices are located in Campbell, California. Substantially all of our R&D activities, customer and technical support, and management and administrative operations are conducted at this location. Our final assembly and testing operations are conducted at one facility in Campbell, California and a second facility in Fremont, California. In addition, substantially all of our inventory of component supplies and finished goods are held at these two locations. We take precautions to safeguard our facilities, including acquiring insurance, employing back-up generators, adopting health and safety protocols and utilizing off-site storage of computer data. However, vandalism, terrorism or a natural or other disaster, such as an earthquake, fire or flood, could damage or destroy our manufacturing equipment or our inventory of component supplies or finished goods, cause substantial delays in our operations, result in the loss of key information and cause us to incur additional expenses. Recent prolonged power outages due to California wildfires may cause substantial delays in our operations. Our insurance may not cover our losses in any particular case. In addition, regardless of the level of insurance coverage, damage to our facilities may have a material adverse effect on our business, financial condition and operating results.

Construction and expansion of our production facilities may not be completed in the expected timeframe or in a cost-effective manner. Any delays in the construction of our production facilities could severely impact our business, financial condition, results of operations and prospects.

We continue to make building improvements for our production facilities, and began moving equipment into the new research and development lab. However, if we are unable to complete construction of these facilities within the planned timeframes, in a cost-effective manner or at all due to a variety of factors, including, but not limited to, a failure to acquire or lease land on which to build our production facilities, a stoppage of construction as a result of the ongoing COVID-19 pandemic, unexpected construction problems, permitting and other regulatory issues, severe weather, labor disputes and issues with subcontractors or vendors, our business, financial condition, results of operations and prospects could be severely impacted.

The construction and commission of any new project is dependent on a number of contingencies some of which are beyond our control. There is a risk that significant unanticipated costs or delays could arise due to, among other things, errors or omissions, unanticipated or concealed project site conditions, including subsurface conditions and changes to such conditions, unforeseen technical issues or increases in plant and equipment costs, insufficiency of water supply and other utility infrastructure, or inadequate contractual arrangements. Should these or other significant unanticipated costs arise, this could have a material adverse impact on our business, financial performance and operations. No assurance can be given that construction will be completed on time or at all, or as to whether we will have sufficient funds available to complete construction.

Maintenance, expansion and refurbishment of our facilities, the construction of new facilities and the development and implementation of new manufacturing processes involve significant risks.

Our existing facilities and any of our future facilities may require regular or periodic maintenance, upgrading, expansion, refurbishment or improvement. Any unexpected operational or mechanical failure, including failure associated with breakdowns and forced outages, could reduce our facilities' production capacity below expected levels, which would reduce our production capabilities and ultimately our revenues. Unanticipated capital expenditures associated with maintaining, upgrading, expanding, repairing, refurbishing or improving our facilities may also reduce our profitability. Our facilities also may be subject to unanticipated damage as a result of natural disasters, terrorist attacks or other events.

If we make any major modifications to our facilities, such modifications likely would result in substantial additional capital expenditures and could prolong the time necessary to bring the facility online. We also may choose to refurbish or upgrade our facilities based on our assessment that such activity will provide adequate financial returns. However, such activities require time for development and capital expenditures before commencement of commercial operations, and key assumptions underpinning a decision to make such an investment may prove incorrect, including assumptions regarding construction costs and timing, which could harm our business, financial condition, results of operations and cash flows.

Finally, we may not be successful or efficient in developing or implementing new production processes. Innovation in production processes involves significant expense and carries inherent risks, including difficulties in designing and developing new process technologies, development and production timing delays, and product defects. Disruptions in the production process can also result from errors, defects in materials, delays in obtaining or revising operating permits and licenses, returns of product from customers, interruption in our supply of materials or resources, and disruptions at our facilities due to accidents, maintenance issues, or unsafe working conditions, all of which could affect the timing of production ramps. For example, following the launch of our Sapphire® XC printer at the end of 2021, we have been in the process of scaling the production of our Sapphire® XC printers while managing supply chain issues stemming from the ongoing COVID-19 pandemic. This has resulted in delays in the manufacture, shipments and installations of our Sapphire® XC printers. Production issues can lead to increased costs and may affect our ability to meet product demand, which could adversely impact our business and results from operations.

Risks Related to Compliance Matters

We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions and similar laws and regulations. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investments.

In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the FCPA and the Bribery Act, export controls and economic sanctions programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control ("*OFAC*"), the State Department's Directorate of Defense Trade Controls ("*DDTC*") and the Bureau of Industry and Security ("*BIS*") of the Department of Commerce. As a result of doing business in foreign countries and with foreign customers, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

As part of our business, we may deal with state-owned business enterprises, the employees of which are considered foreign officials for purposes of the FCPA's prohibition on providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. In addition, the provisions of the Bribery Act extend beyond bribery of foreign public officials and also apply to transactions with individuals that a government does not employ. Some of the international locations in which we operate lack a developed legal system and have higher than normal levels of corruption. Our continued expansion outside the U.S., primarily in Europe, South-East Asia and Oceania, and our development of new partnerships worldwide, could increase the risk of FCPA, OFAC or Bribery Act violations in the future.

As an exporter, we must comply with various laws and regulations relating to the export of products and technology from the U.S. and other countries having jurisdiction over our operations. In the United States, these laws include the International Traffic in Arms Regulations ("*ITAR*") administered by the DDTC, the Export Administration Regulations ("*EAR*") administered by the BIS and trade sanctions against embargoed countries and destinations administered by OFAC. The EAR governs products, parts, technology and software which present military or weapons proliferation concerns, so-called “dual use” items, and ITAR governs military items listed on the United States Munitions List. Prior to shipping certain items, we must obtain an export license or verify that license exemptions are available. Any failures to comply with these laws and regulations could result in fines, adverse publicity and restrictions on our ability to export our products, and repeat failures could carry more significant penalties.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment and could harm our reputation, create negative shareholder sentiment and affect the value of our securities. We have established policies and procedures designed to assist our compliance with applicable U.S. and international anti-corruption and trade control laws and regulations, including the FCPA, the Bribery Act and trade controls and sanctions programs administered by OFAC, the DDTC and BIS, and have trained our employees to comply with these laws and regulations. However, there can be no assurance that all of our employees, consultants, agents or other associated persons will not take actions in violation of our policies and these laws and regulations. Additionally, there can be no assurance that our policies and procedures will effectively prevent us from violating these regulations in every transaction in which we may engage or provide a defense to any alleged violation. In particular, we may be held liable for the actions that our joint venture partners take inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation, even if our policies prohibit it, could have an adverse effect on our reputation, business, financial condition and results of operations. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business with sanctioned countries, persons and entities, which could adversely affect our reputation, business, financial condition and results of operations.

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

We are subject to various 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 also could 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. Compliance with extensive environmental, health and safety laws could require material expenditures, changes in our operations or site remediation. In addition, we use hazardous materials in our business, and we must comply with environmental laws and regulations associated therewith. Any claims relating to improper handling, storage or disposal of these materials or noncompliance with applicable laws and regulations could be time consuming and costly and could adversely affect our business and results of operations.

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 cost of complying with current and future environmental, health and safety laws applicable to our operations, 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.

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 the General Data Protection Regulations ("*GDPR*") in the European Union ("*EU*"), which became effective May 25, 2018, and the California Consumer Privacy Act of 2018, which was enacted on June 28, 2018 and became effective on January 1, 2020. Further, in connection with its withdrawal from the EU, the United Kingdom has implemented the GDPR as of January 1, 2021 (as it existed on December 31, 2020 but subject to certain UK-specific amendments). 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 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 and in various other countries in which we operate.

Risks Related to Intellectual Property

Our business relies on technological and other innovations embodied in various forms of proprietary information and other intellectual property (IP) related information. Our failure to protect our IP rights could potentially harm our competitive advantages to an extent (e.g., with respect to the use, manufacturing, lease, sale, or other commercialization of our processes, technologies and products), which may have an adverse effect on our results of operations and financial condition.

We may be required to make significant capital investments into the R&D of proprietary information and other IP as we develop, improve and scale our processes, technologies and products, and failure to fund and make these investments, or underperformance of the technology funded by these investments, could severely impact our business, financial condition, results of operations and prospects. From time to time, we collaborate with partners on certain R&D activities and the success of such R&D activities is aided by the cooperation of such partners.

In addition, our failure to adequately protect our IP rights could result in the reduction or loss of our competitive advantage. We may be unable to prevent third parties from using our proprietary information and other IP without our authorization or from independently developing proprietary information and other IP that is similar to ours, particularly in those countries where the laws do not protect our proprietary rights to the same degree as in the U.S. or those countries where we do not have IP rights protection. The use of our proprietary information and other IP by others could reduce or eliminate competitive advantages that we have developed, potentially causing us to lose sales, licensing opportunities, actual or potential customers, or otherwise harm our business. If it becomes necessary for us to litigate to protect these IP rights, any proceedings could be burdensome and costly, could result in counterclaims challenging our IP (including validity or enforceability) or accusing us of infringement, and we may not prevail.

Our patent applications and issued patents may be practiced by third parties without our knowledge. Our competitors may also attempt to design around our patents or copy or otherwise obtain and use our proprietary information and other IP. Moreover, our competitors may already hold or have applied for patents in the U.S. or abroad that, if enforced, could possibly prevail over our patent rights or otherwise limit our ability to manufacture, sell or otherwise commercialize one or more of our products in the U.S. or abroad. With respect to our pending patent applications, we may not be successful in securing issued patents, or the claims of such patents may be narrowed, any of which may limit our ability to protect inventions that these applications were intended to cover, which could harm our ability to prevent others from exploiting our technologies and commercializing products similar to our products. In addition, the expiration of a patent can result in increased competition with consequent erosion of profit margins.

Our confidentiality agreements could be breached or may not provide meaningful protection for at least a portion of our trade secrets or proprietary manufacturing expertise. Adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and manufacturing expertise. Violations by others of our confidentiality agreements and the loss of employees who have specialized knowledge and expertise could harm our competitive position resulting from the exclusive nature of such knowledge and expertise and cause our sales and operating results to decline as a result of increased competition. In addition, others may obtain knowledge of our trade secrets through independent development or other access by legal means.

The applicable governmental authorities may not approve our pending service mark and trademark applications. A failure to obtain trademark registrations in the U.S. and in other countries could limit our ability to obtain and retain our trademarks in those jurisdictions. Moreover, third parties may seek to oppose our applications or otherwise challenge the resulting registrations. In the event that our trademarks are not approved or are successfully challenged by third parties, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote significant resources to rebranding and advertising and marketing new brands. We could be sued by third parties who, unbeknown to us and to government agencies allowing for registration of our trademark, previously used our registered trademark in the market before we did.

The failure of any of our patents, trademarks, trade names, trade secrets, other IP rights, IP right assignments, or confidentiality agreements to protect our proprietary information and other IP, including our processes, systems, apparatuses, devices, software, composition of matter (e.g., 3D objects), our other proprietary manufacturing expertise, and any other of our technology and know-how, could have a material adverse effect on our business and results of operations.

Third-party lawsuits and assertions to which we are subject alleging our infringement of patents, trade secrets or other IP 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 or any other technology related to our products. 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 or any other technology related to our products. Because patent applications can take many years to issue as patents, there may be currently pending patent applications which may later result in issued patents that our technologies may potentially infringe in the future. In addition, third parties may obtain patents in the future and claim that our technologies infringe upon these obtained patents. Any third-party lawsuits or other assertion to which we are subject alleging our infringement of patents, trade secrets or any other IP rights may have a significant adverse effect on our financial condition.

We may incur substantial costs enforcing and defending our IP rights.

We may incur substantial expense and costs in protecting, enforcing and defending our IP rights against third parties. IP disputes may be costly and can be substantially 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 IP 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 IP rights for use in our products. Any and all of these could have an adverse effect on our business and financial condition.

If we are unable to adequately protect or enforce our IP rights, such information may be used by others to compete against us.

We have devoted substantial resources to the development of our technology and related IP rights. Our success and future revenue growth will depend, in part, on our ability to protect the various facets of our IP. We rely on a combination of registered and unregistered IP and protect our rights using patents, trademarks, trade secrets, confidentiality agreements, and assignment of invention agreements and other methods.

Despite our efforts to protect our IP and proprietary rights, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies, inventions, processes, improvements, or any other IP. We cannot assure that any of our existing or future patents or other IP rights will not be challenged, invalidated, 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 IP portfolio. While we take reasonable steps to protect our proprietary information and IP in trade secrets and other forms of confidential information protection, and enter into confidentiality agreements 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 have inadvertently not have entered into such agreements with all relevant parties, or some of the agreements may prove invalid in all jurisdictions. 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 our proprietary information and IP including trade secrets, know-how or other technology related information not protected by a patent or other IP system could materially reduce or eliminate any competitive advantage that we may have over such competitor.

If our patents and other forms of IP protection 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, reverse engineer our technology, or design around our patents and other forms of IP protection. 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 IP rights, we may be subject or party to claims, negotiations or complex, protracted litigation. IP disputes and litigation, regardless of merit, can be substantially costly and disruptive to our business operations, e.g., 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 IP 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 IP 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 our proprietary software's source code 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.

Risks Related to Our Securities

Warrant holders may only be able to exercise their public warrants on a “cashless basis” under certain circumstances, and if warrant holders do so, they will receive fewer shares of common stock from such exercise than if they were to exercise such warrants for cash.

The warrant agreement provides that in the following circumstances holders of warrants who seek to exercise their warrants will not be permitted to do for cash and will, instead, be required to do so on a cashless basis in accordance with Section 3(a)(9) of the Securities Act: (i) if the shares of common stock issuable upon exercise of the warrants are not registered under the Securities Act in accordance with the terms of the warrant agreement; (ii) if we have so elected and the shares of common stock are at the time of any exercise of a warrant are not listed on a national securities exchange such that they satisfy the definition of “covered securities” under Section 18(b)(1) of the Securities Act; and (iii) if we have so elected and we call the public warrants for redemption. If warrant holders exercise their public warrants on a cashless basis, they would pay the warrant exercise price by surrendering all of the warrants for that number of common stock equal to the quotient obtained by dividing (x) the product of the number of common stock underlying the warrants, multiplied by the excess of the “fair market value” of our common stock (as defined in the next sentence) over the exercise price of the warrants by (y) the fair market value. The “fair market value” is the average reported last sale price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. As a result, warrant holders would receive fewer shares of common stock from such exercise than if they were to exercise such warrants for cash.

We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to "emerging growth companies" or "smaller reporting companies," this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such an election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our consolidated financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited consolidated financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of our common stock held by nonaffiliates exceeds $250 million as of the prior June 30 or (ii) our annual revenues exceeded $100 million during such completed fiscal year and the market value of our common stock held by non affiliates exceeds $700 million as of the prior June 30. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our consolidated financial statements with other public companies difficult or impossible.

Our warrants are accounted for as liabilities and the changes in value of our warrants could have a material effect on our financial results.

On April 12, 2021 the SEC released a public statement highlighting the potential accounting implications of certain terms of warrants issued by Special Purpose Acquisition Companies ("SPACs") (the "*Public Statement*"). The terms described in the Public Statement are common in SPACs and are similar to the terms contained in the warrant agreement governing our warrants. In response to the Public Statement, we reevaluated the accounting treatment of our public warrants and private placement warrants and determined to classify the warrants as derivative liabilities measured at fair value, with changes in fair value each period reported in earnings. As a result, included on our balance sheet as of June 30, 2022 contained elsewhere in this Quarterly Report are derivative liabilities related to embedded features contained within our warrants. ASC Topic 815, provides for the remeasurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in earnings in the statement of operations. As a result of the recurring fair value measurement, our condensed consolidated financial statements and results of operations may fluctuate quarterly based on factors which are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non-cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material.

The price of our common stock and our warrants may be volatile.

The trading price of our common stock and our warrants has fluctuated, and is likely to continue to fluctuate due to a variety of factors, including:

- changes in the industries in which we and our customers operate;
- variations in our operating performance and the performance of our competitors in general;
- material and adverse impact of the ongoing COVID-19 pandemic on the markets and the broader global economy;
- actual or anticipated fluctuations in our quarterly or annual operating results;
- publication of research reports by securities analysts about our or our competitors or our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- our failure or the failure of our competitors to meet securities analysts' projections or guidance that our or our competitors may give to the market;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed, or significantly exceed securities analyst expectations;
- additions and departures of key personnel;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of our common stock available for public sale; and
- general economic and political conditions such as recessions, interest rates, fuel prices, inflation, foreign currency fluctuations, international tariffs, social, political and economic risks and acts of war or terrorism (including, for example, the ongoing military conflict between Ukraine and Russia and the economic sanctions related thereto).

These market and industry factors may materially reduce the market price of our common stock and our warrants regardless of our operating performance.

Future resales of our common stock could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, 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 had outstanding 184,964,259 shares of common stock on August 5, 2022. We have filed a registration statement which registers the offer and sale from time to time by certain selling stockholders of up to 161,028,936 shares of our common stock. Furthermore, beginning on September 29, 2022, Rule 144 under the Securities Act will become available for the resale of any shares that are restricted and control securities, subject to volume and other restrictions applicable under Rule 144. To the extent shares are sold into the market pursuant to the registration statement, under Rule 144 or otherwise, particularly in substantial quantities, the market price of our common stock could decline.

To the extent, the public warrants and the private placement warrants are exercised, it will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

We have outstanding the public warrants and the private placement warrants to purchase an aggregate of 13,075,000 shares of our common stock, which became exercisable on December 7, 2021 and expire on September 29, 2026. The exercise price of these warrants is $11.50 per share. To the extent such warrants are exercised, additional shares of our common stock will be issued, which will result in dilution to the holders of our common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of our common stock. However, there is no guarantee that the public warrants will ever be in the money prior to their expiration, and as such, the warrants may expire worthless.

We may amend the terms of the warrants in a manner that may be adverse to holders of public warrants with the approval by the holders of at least 65% of the then outstanding public warrants. As a result, the exercise price of their warrants could be increased, the exercise period could be shortened and the number of our common stock purchasable upon exercise of a warrant could be decreased, all without their approval.

Our warrants were issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65% of the then outstanding public warrants to make any change that adversely affects the interests of the registered holders of public warrants. Accordingly, we may amend the terms of the public warrants in a manner adverse to a holder if holders of at least 65% of the then outstanding public warrants approve of such amendment. Although our ability to amend the terms of the public warrants with the consent of at least 65% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash, shorten the exercise period or decrease the number of shares of our common stock purchasable upon exercise of a warrant.

We may redeem their unexpired warrants prior to their exercise at a time that is disadvantageous to them, thereby making their warrants worthless.

We have the ability to redeem outstanding warrants at any time prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of our common stock equals or exceeds $18.00 per share (as adjusted for share subdivisions, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading-day period ending on the third trading day prior to the date we send the notice of redemption to the warrant holders. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force them to: (i) exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so; (ii) sell their warrants at the then-current market price when they might otherwise wish to hold their warrants; or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of their warrants.

In addition, we may redeem their warrants at any time prior to their expiration at a price of $0.10 per warrant upon a minimum of 30 days’ prior written notice of redemption provided that holders will be able to exercise their warrants prior to redemption for a number of shares of our common stock determined based on the redemption date and the fair market value of our common stock.

The value received upon exercise of the warrants (1) may be less than the value the holders would have received if they had exercised their warrants at a later time where the underlying share price is higher and (2) may not compensate the holders for the value of the warrants, including because the number of shares of common stock received is capped at 0.365 shares of common stock per warrant (subject to adjustment) irrespective of the remaining life of the warrants. None of the private placement warrants will be redeemable by us, subject to certain circumstances, so long as they are held by the Sponsor or its permitted transferees.

We may not be able to satisfy the continued listing standards of the NYSE going forward.

Our common stock and our public warrants are listed on the NYSE. However, an active trading market for our common stock or warrants may not be sustained. Furthermore, we cannot ensure that we will be able to satisfy the continued listing standards of the NYSE going forward. If we cannot satisfy the continued listing standards going forward, the NYSE may commence delisting procedures against us, which could result in our common stock or public warrants being removed from listing on the NYSE. If any of our common stock or public warrants were to be delisted, the liquidity of our common stock or warrants could be adversely affected and the market price of our common stock or warrants could decrease. Delisting could also adversely affect our security holders' ability to trade or obtain quotations on our securities because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask price for our securities. They may also not be able to resell their common stock or warrants at or above the price they paid for such securities or at all.

In addition, the National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities." If our securities were not listed on the NYSE, such securities would not qualify as covered securities and we would be subject to regulation in each state in which we offer our securities because states are not preempted from regulating the sale of securities that are not covered securities.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our common stock.

Securities research analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our share price or trading volume could decline. While we expect research analyst coverage of our company, if no analysts commence coverage of us, the market price and volume for our shares of common stock could be adversely affected.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure will continue to increase our costs and the risk of non-compliance.

We are subject to rules and regulations by various governing bodies, including, for example, the SEC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in increased general and administrative expenses and a diversion of management time and attention.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Delaware law and our Certificate of Incorporation and Bylaws contain certain provisions, including anti-takeover provisions, that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our Certificate of Incorporation, our Bylaws and the DGCL, contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by the Board and therefore depress the trading price of our common stock. These provisions also could make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of the Board or taking other corporate actions, including effecting changes in our management. Among other things, the Certificate of Incorporation and Bylaws include provisions regarding:

- the ability of the Board to issue shares of preferred stock, including "blank check" preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of stockholders after such date and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by a majority of the entire Board, which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings;
- the ability of the Board to amend the bylaws, which may allow the Board to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to the Board or to propose matters to be acted upon at a stockholders' meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in the Board, and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in the Board or management.

The Certificate of Incorporation designates a state or federal court located within the State of Delaware as 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, stockholders, employees or agents.

The Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for state law claims for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of our company to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Certificate of Incorporation or the Bylaws, (iv) any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or the Bylaws or (v) any action asserting a claim against us governed by the internal affairs doctrine. The forgoing provisions will not apply to any claims arising under the Exchange Act or the Securities Act and, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any action asserting a claim arising under the Securities Act.

This choice of forum provision in our Certificate of Incorporation may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. It is possible that a court could find these types of provisions to be inapplicable or unenforceable, and if a court were to find the choice of forum provision contained in the 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.

Our warrant agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with our company.

Our warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the warrant agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants will be deemed to have notice of and to have consented to the forum provisions in our warrant agreement.

If any action, the subject matter of which is within the scope of the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a "*foreign action*") in the name of any holder of our warrants, such holder will be deemed to have consented to (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an "enforcement action") and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder's counsel in the foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with our company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our warrant agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Certain significant stockholders whose interests may differ from those of public stockholders have the ability to significantly influence our business and management.

Pursuant to the Business Combination Agreement, the members of our board of directors are Matthew Walters, two individuals that were identified by Legacy Velo3D and six individuals that were identified by Legacy Velo3D, in consultation with JAWS Spitfire. Accordingly, the former Legacy Velo3D equity holders will be able to significantly influence the approval of actions requiring board of director approval through their voting power. Such stockholders will retain significant influence with respect to our management, business plans and policies, including the appointment and removal of our officers. In particular, the former Legacy Velo3D equity holders could influence whether acquisitions, dispositions and other change of control transactions are approved.

Our business and operations could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of business and growth strategy and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the stock price of our common stock or other reasons may in the future cause it to become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and board of directors' attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

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

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Second Loan Modification Agreement

On June 13, 2022, we entered into a second loan modification agreement that made certain modifications to our third amended and restated loan and security agreement with Silicon Valley Bank, as amended. In particular, the second loan modification agreement extended the maturity date of our revolving line of credit from June 13, 2022 to July 14, 2022. The other material terms of the third amended and restated loan and security agreement remained unchanged.

Subsequent to our entry into the second loan modification agreement, our third amended and restated loan and agreement with Silicon Valley Bank was further amended on July 11, 2022 pursuant to a third loan modification agreement and on July 25, 2022 pursuant to a joinder and fourth loan modification agreement. Following these further amendments, among other things, the maturity date of our revolving line of credit has been extended to December 31, 2024. For more information, see our Current Report on Form 8-K filed with the SEC on July 15, 2022 related to the third loan modification agreement and our Current Report on Form 8-K filed with the SEC on July 29, 2022 related to the joinder and fourth loan modification agreement.

Item 6. Exhibits

Exhibit Number	Description
10.1	Second Loan Modification Agreement by and between Silicon Valley Bank and Velo3D US, Inc., dated June 13, 2022
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or rule 15d-14(a)
32.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350*
32.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350*
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy 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)

* This certification is not deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

Pursuant to the requirements 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, in the City of Campbell, State of California, on the 12th day of August, 2022.

VELO3D, INC.

Date: August 12, 2022	By:	/s/ William McCombe
	Name:	William McCombe
	Title:	*Chief Financial Officer and Principal Financial Officer*

SECOND LOAN MODIFICATION AGREEMENT

This Second Loan Modification Agreement (this " **Loan Modification Agreement**") is entered into as of June 13 , 2022, by and between (a) **SILICON VALLEY BANK**, a California corporation, with a loan production office located at 505 Howard Street, 3 rd Floor, San Francisco, California 94105 ("**Bank**") and (b) **VELO3D US, INC.**, a Delaware corporation, with its principal place of business at 511 Division Street, Campbell, California 95008 (formerly known as VELO3D, INC.) ("**Borrower**").

1. DESCRIPTION OF EXISTING INDEBTEDNESS AND OBLIGATIONS. Among other indebtedness and obligations which may be owing by Borrower to Bank, Borrower is indebted to Bank pursuant to a loan arrangement dated as of May 14, 2021, evidenced by, among other documents, a certain Third Amended and Restated Loan and Security Agreement dated as of May 14, 2021, between Borrower and Bank, as amended by a certain First Loan Modification Agreement dated as of May 13, 2022 (as has been and as may be further amended, modified, restated, replaced or supplemented from time to time, the "**Loan Agreement**"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Agreement.

2. DESCRIPTION OF COLLATERAL. Repayment of the Obligations is secured by, among other property, (a) the Collateral as defined in the Loan Agreement and (b) the Intellectual Property Collateral as defined in a certain Intellectual Property Security Agreement dated as of May 14, 2021, between Borrower and Bank (as may be amended, modified, restated, replaced or supplemented from time to time, the "**IP Agreement**") (together with any other collateral security granted to Bank, as amended the "**Security Documents**"). Hereinafter, the Security Documents, together with all other documents evidencing or securing the Obligations shall be referred to as the "**Existing Loan Documents**".

3. DESCRIPTION OF CHANGE IN TERMS.

A. Modification to Loan Agreement. The Loan Agreement shall be amended by deleting the following definition, appearing in Section 13.1 thereof:

" "**Revolving Line Maturity Date**" is June 13, 2022."

and inserting in lieu thereof the following:

" "**Revolving Line Maturity Date**" is July 14, 2022."

4. FEES AND EXPENSES. Borrower shall reimburse Bank for all legal fees and expenses incurred in connection with this amendment to the Existing Loan Documents.

5. RATIFICATION OF IP AGREEMENT. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and conditions of the IP Agreement, and acknowledges, confirms and agrees that the IP Agreement contains an accurate and complete listing of all Intellectual Property Collateral as defined in the IP Agreement, and shall remain in full force and effect.

6. PERFECTION CERTIFICATE. Borrower hereby ratifies, confirms and reaffirms, all and singular, the terms and disclosures contained in a certain Perfection Certificate of Borrower dated as of May 14, 2021 delivered by Borrower to Bank and acknowledges, confirms and agrees that the disclosures and information Borrower provided to Bank in such Perfection Certificate have not changed, as of the date hereof.

7. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever necessary to reflect the changes described above.

8. RATIFICATION OF LOAN DOCUMENTS. Borrower hereby ratifies, confirms, and reaffirms all terms and conditions of all security or other collateral granted to Bank, and confirms that the indebtedness secured thereby includes, without limitation, the Obligations.

9. RELEASE BY BORROWER.

A. FOR GOOD AND VALUABLE CONSIDERATION, Borrower hereby forever relieves, releases, and discharges Bank and its present or former employees, officers, directors, agents, representatives, attorneys, and each of them, from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses, actions and causes of action, of every type, kind, nature, description or character whatsoever, whether known or unknown, suspected or unsuspected, absolute or contingent, arising out of or in any manner whatsoever connected with or related to facts, circumstances, issues, controversies or claims existing or arising from the beginning of time through and including the date of execution of this Loan Modification Agreement (collectively "Released Claims"). Without limiting the foregoing, the Released Claims shall include any and all liabilities or claims arising out of or in any manner whatsoever connected with or related to the Loan Documents, the recitals hereto, any instruments, agreements or documents executed in connection with any of the foregoing or the origination, negotiation, administration, servicing and/or enforcement of any of the foregoing.

B. In furtherance of this release, Borrower expressly acknowledges and waives any and all rights under Section 1542 of the California Civil Code, which provides as follows:

> "**A general release** does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party." (Emphasis added.)

C. By entering into this release, Borrower recognizes that no facts or representations are ever absolutely certain and it may hereafter discover facts in addition to or different from those which it presently knows or believes to be true, but that it is the intention of Borrower hereby to fully, finally and forever settle and release all matters, disputes and differences, known or unknown, suspected or unsuspected; accordingly, if Borrower should subsequently discover that any fact that it relied upon in entering into this release was untrue, or that any understanding of the facts was incorrect, Borrower shall not be entitled to set aside this release by reason thereof, regardless of any claim of mistake of fact or law or any other circumstances whatsoever. Borrower acknowledges that it is not relying upon and has not relied upon any representation or statement made by Bank with respect to the facts underlying this release or with regard to any of such party's rights or asserted rights.

D. This release may be pleaded as a full and complete defense and/or as a cross-complaint or counterclaim against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this release. Borrower acknowledges that the release contained herein constitutes a material inducement to Bank to enter into this Loan Modification Agreement, and that Bank would not have done so but for Bank's expectation that such release is valid and enforceable in all events.

E. Borrower hereby represents and warrants to Bank, and Bank is relying thereon, as follows:

1 Except as expressly stated in this Loan Modification Agreement, neither Bank nor any agent, employee or representative of Bank has made any statement or representation to Borrower regarding any fact relied upon by Borrower in entering into this Loan Modification Agreement.

2 Borrower has made such investigation of the facts pertaining to this Loan Modification Agreement and all of the matters appertaining thereto, as it deems necessary.

3 The terms of this Loan Modification Agreement are contractual and not a mere recital.

4 This Loan Modification Agreement has been carefully read by Borrower, the contents hereof are known and understood by Borrower, and this Loan Modification Agreement is signed freely, and without duress, by Borrower.

5 Borrower represents and warrants that it is the sole and lawful owner of all right, title and interest in and to every claim and every other matter which it releases herein, and that it has not heretofore assigned or transferred, or purported to assign or transfer, to any person, firm or entity any claims or other matters herein released. Borrower shall indemnify Bank, defend and hold it harmless from and against all claims based upon or arising in connection with prior assignments or purported assignments or transfers of any claims or matters released herein.

10. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the existing Obligations, Bank is relying upon Borrower's representations, warranties, and agreements, as set forth in the Existing Loan Documents. Except as expressly modified pursuant to this Loan Modification Agreement, the terms of the Existing Loan Documents remain unchanged and in full force and effect. Bank's agreement to modifications to the existing Obligations pursuant to this Loan Modification Agreement in no way shall obligate Bank to make any future modifications to the Obligations. Nothing in this Loan Modification Agreement shall constitute a satisfaction of the Obligations. It is the intention of Bank and Borrower to retain as liable parties all makers of Existing Loan Documents, unless the party is expressly released by Bank in writing. No maker will be released by virtue of this Loan Modification Agreement.

11. COUNTERSIGNATURE. This Loan Modification Agreement shall become effective only when it shall have been executed by Borrower and Bank.

12. COUNTERPARTS. This Loan Modification Agreement may be executed in any number of counterparts (including by PDF or other electronic transmission, or facsimile) and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Modification Agreement to be executed as of the date first written above.

BORROWER:

VELO3D US, INC.

By: /s/ William D. McCombe

Name: William D. McCombe

Title: Chief Financial Officer

BANK:

SILICON VALLEY BANK

By: /s/ Anthony DeSantis

Name: Anthony DeSantis

Title: Vice President

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Benyamin Buller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Velo3D, Inc.;

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 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 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 (or persons performing the equivalent functions):

   (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: August 12, 2022

By: /s/ Benyamin Buller
Benyamin Buller
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William McCombe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Velo3D, Inc.;

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 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 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 (or persons performing the equivalent functions):

   (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: August 12, 2022

By: /s/ William McCombe
William McCombe
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Benyamin Buller, Chief Executive Officer of Velo3D, Inc. (the “Company”), do hereby certify, 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 my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the “Report”), as filed with the Securities and Exchange Commission, 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 for the periods presented therein.

Date: August 12, 2022	By:	/s/ Benyamin Buller
		Benyamin Buller
		Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

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

I, William McCombe, Chief Financial Officer of Velo3D, Inc. (the "Company"), do hereby certify, 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 my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2022 (the "Report"), as filed with the Securities and Exchange Commission, 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 for the periods presented therein.

Date: August 12, 2022	By:	/s/ William McCombe
		William McCombe
		Chief Financial Officer
		(Principal Financial Officer)