**Filed Pursuant to Rule 424(b)(3)**
**Registration No. 333-262189**

**PROSPECTUS SUPPLEMENT NO. 2**
**(to prospectus dated May 2, 2022)**

# FATHOM DIGITAL MANUFACTURING CORPORATION

## 7,000,000 Shares of Class A Common Stock

This prospectus supplement is being filed to update and supplement the information contained in the prospectus dated May 2, 2022, as supplemented by Prospectus Supplement No. 1, dated May 17, 2022 (and as may be further supplemented or amended from time to time, the "Prospectus"), with the information contained in our (i) Current Report on Form 8-K, which we filed with the Securities and Exchange Commission ("SEC") on August 15, 2022 (the "Current Report") and (ii) our Quarterly Report on Form 10-Q, which we filed with the SEC on August 15, 2022 (the "Quarterly Report"). Accordingly, we have attached the Current Report and the Quarterly Report to this prospectus supplement. Capitalized terms used but not defined in this prospectus supplement have the meanings given to such terms in the Prospectus.

The Prospectus and this prospectus supplement relate to the resale from time to time by the selling stockholders named in the Prospectus or their permitted transferees of up to 7,000,000 shares of Class A common stock, par value $0.0001 per share (the "Class A common stock"), of Fathom Digital Manufacturing Corporation, a Delaware corporation, which were issued in private placements immediately prior to the consummation of the Business Combination pursuant to the terms of the Subscription Agreements, as part of the consideration for the Business Combination.

This prospectus supplement updates and supplements the information in the Prospectus and is not complete without, and may not be delivered or utilized except in combination with, the Prospectus, including any amendments or supplements thereto. This prospectus supplement should be read in conjunction with the Prospectus and if there is any inconsistency between the information in the Prospectus and this prospectus supplement, you should rely on the information in this prospectus supplement.

Our Class A common stock is traded on the New York Stock Exchange under the symbol "FATH." On August 15, 2022, the closing price of our Class A common stock was $3.80 per share.

**Investing in our securities involves risks that are described in the "Risk Factors" section beginning on page 17 of the Prospectus. Neither the SEC nor any state securities commission has approved or disapproved of the securities to be issued under the Prospectus or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus supplement is August 16, 2022.**

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# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

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# 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**

**For the transition period from to**

**Commission File Number: 001-39994**

# Fathom Digital Manufacturing Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **98-1571400**<br>(I.R.S. Employer Identification No.) |
| **1050 Walnut Ridge Drive**<br>**Hartland, WI**<br>(Address of principal executive offices) | **53029**<br>(Zip Code) |

Registrant's telephone number, including area code: **(262) 367-8254**

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

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Class A common stock, par value $0.0001 per share | FATH | New York Stock Exchange |
| Warrants to purchase Class A common stock | FATH.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 Exchange Act). Yes ☐ No ☒

As of August 12, 2022, there were 61,596,519 shares of the registrant's Class A common stock outstanding and 74,014,640 shares of the registrant's vote-only, non-economic Class B common stock outstanding.

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**EXPLANATORY NOTE**

This Quarterly Report on Form 10-Q includes information pertaining to periods prior to the closing of the Business Combination (as defined in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report). Refer to Note 1 “Nature of Business” and Note 2 "Basis of Presentation" of the notes to our consolidated financial statements contained in this Quarterly Report for further information regarding the basis of presentation.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements made in this Quarterly Report on Form 10-Q are “forward looking statements.” Statements regarding our expectations regarding the business are “forward looking statements.” In addition, words such as “estimates,” “projected,” “expects,” “estimated,” “anticipates,” “forecasts,” “plans,” “intends,” “believes,” “seeks,” “may,” “will,” “would,” “future,” “propose,” “target,” “goal,” “objective,” “outlook” and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. The forward-looking statements contained in this Quarterly Report on Form 10-Q and in our other periodic filings are not guarantees of future performance, conditions or results and are based on our 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 "Risk Factor Summary", “Item 1A. Risk Factors”, and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Form 10-K"). 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. We may face additional risks and uncertainties that are not presently known to us, or that we deem to be immaterial, which may also impair our business, financial condition or prospects. We undertake no 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.

## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

**Fathom Digital Manufacturing Corporation**
**Consolidated Balance Sheets**
**(In thousands, except share and unit amounts)**

| | Period Ended June 30, 2022 (unaudited) | Period Ended December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 11,118 | $ 20,357 |
| Accounts receivable, net(1) | 26,402 | 25,367 |
| Inventory | 14,100 | 13,165 |
| Prepaid expenses and other current assets | 3,802 | 1,836 |
| Total current assets | 55,422 | 60,725 |
| Property and equipment, net | 46,908 | 44,527 |
| Right-of-use operating lease assets, net | 8,081 | - |
| Right-of-use financing lease assets, net | 2,363 | - |
| Intangible assets, net | 260,483 | 269,622 |
| Goodwill | 1,188,441 | 1,189,464 |
| Other non-current assets | 1,415 | 2,036 |
| Total assets | $ 1,563,113 | $ 1,566,374 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities | | |
| Accounts payable(2) | $ 11,468 | $ 9,409 |
| Accrued expenses | 7,254 | 5,957 |
| Current operating lease liability | 2,976 | - |
| Current financing lease liability | 190 | - |
| Contingent consideration | 700 | 2,748 |
| Current portion of debt | 31,179 | 29,697 |
| Other current liabilities | 3,767 | 2,058 |
| Total current liabilities | 57,534 | 49,869 |
| Long-term debt, net | 117,677 | 120,491 |
| Fathom earnout shares liability | 27,690 | 64,300 |
| Sponsor earnout shares liability | 4,090 | 9,380 |
| Warrant liability | 13,300 | 33,900 |
| Noncurrent contingent consideration | - | 850 |
| Noncurrent operating lease liability | 5,160 | - |
| Noncurrent financing lease liability | 2,227 | - |
| Deferred tax liability | 12,335 | 17,570 |
| Other noncurrent liabilities | - | 4,655 |
| Payable to related parties pursuant to the tax receivable agreement (includes $4,440 and $4,600 at fair value, respectively) | 9,400 | 4,600 |
| Total liabilities | 249,413 | 305,615 |
| Commitments and Contingencies: | | |
| Redeemable non-controlling interest in Fathom OpCo | 749,615 | 841,982 |
| Shareholders' Equity: | | |
| Class A common stock, $0.0001 par value; 300,000,000 shares authorized; 61,596,519 issued and outstanding as of June 30, 2022 and 50,785,656 issued and outstanding as of December 31, 2021 | 6 | 5 |
| Class B common stock, $0.0001 par value; 180,000,000 shares authorized; 74,014,640 shares issued and outstanding as of June 30, 2022 and 84,294,971 shares issued and outstanding as of December 31, 2021 | 7 | 8 |
| Class C common stock, $.0001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021 | - | - |
| Preferred Stock, $.0001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021 | - | - |
| Treasury stock, at cost; 301,302 and 0 shares as of June 30, 2022 and December 31, 2021, respectively | (2,258 ) | - |
| Additional paid-in-capital | 556,417 | 466,345 |
| Accumulated other comprehensive loss | | - |
| Retained earnings (Accumulated deficit) | 9,913 | (47,581 ) |
| Shareholders' equity attributable to Fathom Digital Manufacturing Corporation | 564,085 | 418,777 |
| Total Liabilities, Shareholders' Equity, and Redeemable Non-Controlling Interest | $ 1,563,113 | $ 1,566,374 |

(1) Inclusive of allowance for doubtful accounts of $1,208 and $1,150 as of June 30, 2022 and December 31, 2021, respectively

(2) Inclusive of accounts payable to related parties of $443 and $1,246 as of June 30, 2022 and December 31, 2021, respectively

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

**Fathom Digital Manufacturing Corporation**
**Consolidated Statements of Comprehensive Income (Loss) (Unaudited)**
**(In thousands, except units, shares, per unit, and per share amounts)**

| | Three Months ended June 30, 2022 (Successor) | Three Months ended June 30, 2021 (Predecessor) | Six Months ended June 30, 2022 (Successor) | Six Months ended June 30, 2021 (Predecessor) |
|---|---|---|---|---|
| Revenue | $ 41,985 | $ 35,872 | $ 82,526 | $ 66,406 |
| Cost of revenue [(1) (2) (3)] | 26,437 | 22,376 | 54,981 | 39,499 |
| Gross profit | 15,548 | 13,496 | 27,545 | 26,907 |
| Operating expenses | | | | |
| Selling, general, and administrative [(4)] | 11,617 | 8,760 | 26,381 | 16,430 |
| Depreciation and amortization | 4,452 | 2,535 | 8,968 | 5,207 |
| Total operating expenses | 16,069 | 11,295 | 35,349 | 21,637 |
| Operating (loss) income | (521 ) | 2,201 | (7,804 ) | 5,270 |
| Interest expense and other (income) expense | | | | |
| Interest expense | 1,858 | 2,310 | 3,332 | 4,424 |
| Other expense | 129 | 7,110 | 195 | 8,650 |
| Other income | (36,108 ) | (3,206 ) | (63,223 ) | (3,300 ) |
| Total interest expense and other (income) expense, net | (34,121 ) | 6,214 | (59,696 ) | 9,774 |
| Net income (loss) before income tax | $ 33,601 | $ (4,013 ) | $ 51,892 | $ (4,504 ) |
| Income tax (benefit) expense | (378 ) | 69 | 79 | 78 |
| Net income (loss) | $ 33,979 | $ (4,082 ) | $ 51,813 | $ (4,582 ) |
| Net loss attributable to Fathom OpCo non-controlling interest (Note 14) | (442 ) | - | (5,702 ) | - |
| Net income attributable to controlling interest | 34,421 | (4,082 ) | 57,515 | (4,582 ) |
| Comprehensive income (loss): | | | | |
| Loss from foreign currency translation adjustments | - | 2 | (107 ) | (105 ) |
| Comprehensive income (loss), net of tax | $ 34,421 | $ (4,080 ) | $ 57,408 | $ (4,687 ) |
| Earnings per Share: | | | | |
| Net income (loss) per unit attributable to Class A and Class B common unit holders [(5)] | | | | |
| Basic and Diluted | | $ (1.55 ) | | $ (1.90 ) |
| Weighted average Class A and Class B units outstanding | | | | |
| Basic and Diluted | | 7,723,592 | | 7,723,592 |
| Net income per share attributable to shares of Class A common stock | | | | |
| Basic | $ 0.66 | | $ 1.12 | |
| Diluted | $ 0.25 | | $ 0.43 | |
| Weighted average Class A common shares outstanding | | | | |
| Basic | 52,259,885 | | 51,530,961 | |
| Diluted | 135,524,773 | | 135,305,168 | |

(1)Inclusive of $1,541 and $695 of depreciation and amortization for the three months ended June 30, 2022 and June 30, 2021, respectively; and of $3,236 and $1,549 for the six months ended June 30, 2022 and June 30, 2021, respectively;

(2)Inclusive of $443 and $3,854 of cost of revenue related to inventory purchases from a related party for the three months ended June 30, 2022 and June 30, 2021, respectively; and $1,552 and $4,434 for the six months ended June 30, 2022 and June 30, 2021, respectively;

(3)Inclusive of $0 and $0 of inventory step-up amortization for the three months ended June 30, 2022 and June 30, 2021, respectively; and $3,241 and $277 for the six months ended June 30, 2022 and June 30, 2021, respectively;

(4)Inclusive of $11 and $482 of management fees incurred to a related party for the three months ended June 30, 2022 and June 30, 2021, respectively; and $82 and $835 for the six months ended June 30, 2022 and June 30, 2021, respectively; and

(5)Basic and diluted net loss per unit amounts are the same for both Class A common units and Class B common units. See Note 13.

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

**Fathom Digital Manufacturing Corporation**
**Consolidated Statement of Shareholders' Equity and Redeemable Non-Controlling Interest (Successor)**
**(Unaudited)**
**(In thousands, except share amounts)**

| | Class A Common Shares | | Class B Common Shares | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Successor:** | **Number of Shares** | **Par Value ($0.0001 per share)** | **Number of Shares** | **Par Value ($0.0001 per share)** | **Treasury stock** | **Additional Paid-in Capital** | **Accumulated Deficit** | **Total Equity Attributable to Fathom** | **Redeemable Non-controlling Interest** |
| **Balance at December 31, 2021** | 50,785,656 | $ 5 | 84,294,971 | $ 8 | $ - | $ 466,345 | $ (47,581 ) | $ 418,777 | $ 841,982 |
| Equity based compensation | - | - | - | - | - | 2,130 | - | 2,130 | - |
| Adoption of ASC 842 | - | - | - | - | - | - | 82 | 82 | - |
| Net income | - | - | - | - | - | - | 22,991 | 22,991 | (5,259 ) |
| **Balance at March 31, 2022** | 50,785,656 | 5 | 84,294,971 | 8 | - | 468,475 | (24,508 ) | 443,980 | 836,723 |
| Equity based compensation | - | - | - | - | - | 1,795 | - | 1,795 | - |
| Net income | - | - | - | - | - | - | 34,421 | 34,421 | (442 ) |
| Vesting of restricted shares, net of tax witholding | 530,532 | - | - | - | (2,258 ) | - | - | (2,258 ) | - |
| Exchange of Class B common stock and Fathom Opco units | 10,280,331 | 1 | (10,280,331 ) | (1 ) | - | - | - | - | - |
| Non-controlling interest remeasurement | - | - | - | - | - | 86,666 | - | 86,666 | (86,666 ) |
| TRA liability on capital transactions | - | - | - | - | - | (5,000 ) | - | (5,000 ) | - |
| Tax impact of exchange of Class B common stock and Fathom Opco units | - | - | - | - | - | 4,481 | - | 4,481 | - |
| **Balance at June 30, 2022** | 61,596,519 | $ 6 | 74,014,640 | $ 7 | $ (2,258 ) | $ 556,417 | $ 9,913 | $ 564,085 | $ 749,615 |

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

**Fathom Digital Manufacturing Corporation**
**Consolidated Statement of Class A Contingently Redeemable Preferred Units and Members' Equity (Predecessor) (Unaudited)**
**(In thousands, except unit amounts)**

| | Class A Contingently Redeemable Preferred Equity | | Class A Common Units | | Class B Common Units | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Units | Amount | Number of Units | Amount | Number of Units | Amount | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
| **Balance at December 31, 2020** | 1,167,418 | $ 54,105 | 5,480,611 | $ 35,869 | 2,242,981 | $ 14,450 | $ (14,232 ) | $ (68 ) | $ 36,019 |
| Net loss | - | - | - | - | - | - | (500 ) | - | (500 ) |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | (107 ) | (107 ) |
| **Balance at March 31, 2021** | 1,167,418 | $ 54,105 | 5,480,611 | $ 35,869 | 2,242,981 | $ 14,450 | $ (14,732 ) | $ (175 ) | $ 35,412 |
| Share based compensation | - | - | - | - | - | 31 | - | - | 31 |
| Net loss | - | - | - | - | - | - | (4,082 ) | - | (4,082 ) |
| Foreign currency translation adjustment | - | - | - | - | - | - | - | 2 | 2 |
| **Balance at June 30, 2021** | 1,167,418 | $ 54,105 | 5,480,611 | $ 35,869 | 2,242,981 | $ 14,481 | $ (18,814 ) | $ (173 ) | $ 31,363 |

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

**Fathom Digital Manufacturing Corporation**
**Consolidated Statements of Cash Flows (Unaudited)**
**(In thousands)**

| | Six Months ended June 30, 2022 (Successor) | Six Months ended June 30, 2021 (Predecessor) |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income (loss) | $ 57,515 | $ (4,582 ) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | |
| Depreciation | 274 | 1,521 |
| Depreciation and amortization included in cost of revenue | 3,236 | 1,549 |
| Amortization of intangible assets | 8,694 | 4,555 |
| Amortization of inventory step-up | 3,241 | - |
| (Gain) loss on disposal of property and equipment | (164 ) | 79 |
| Foreign currency translation adjustment | (107 ) | (105 ) |
| Gain on PPP forgiveness | - | (1,624 ) |
| Share-based compensation | 3,925 | 31 |
| Non cash lease expense, net | 266 | - |
| Deferred taxes | (734 ) | - |
| Bad debt expense | - | 91 |
| Non-controlling interest share of Fathom OpCo net loss | (5,701 ) | - |
| Change in fair value of Fathom earnout shares liability | (36,610 ) | - |
| Change in fair value of Sponsor earnout shares liability | (5,290 ) | - |
| Change in fair value of TRA | (200 ) | - |
| Change in fair value of contingent consideration | (148 ) | (1,355 ) |
| Change in fair value of Warrant liability | (20,600 ) | - |
| Amortization of debt financing costs | 230 | 616 |
| Changes in operating assets and liabilities that (used) provided cash: | | |
| Accounts receivable | (1,430 ) | (8 ) |
| Inventory | (4,176 ) | (884 ) |
| Prepaid expenses and other assets | 985 | (150 ) |
| Accounts payable | (324 ) | 635 |
| Accrued liabilities and other | 1,277 | 592 |
| Net cash provided by operating activities | 4,159 | 961 |
| | | |
| **Cash Flows from Investing Activities** | | |
| Purchase of property and equipment | (6,671 ) | (2,942 ) |
| Cash used for acquisitions, net of cash acquired | - | (67,428 ) |
| Net cash used in investing activities | (6,671 ) | (70,370 ) |
| | | |
| **Cash Flows from Financing Activities** | | |
| Proceeds from debt | - | 183,500 |
| Payments on debt | (1,562 ) | (104,091 ) |
| Payments on finance leases | (157 ) | - |
| Tax payment for shares withheld in lieu of taxes | (2,258 ) | - |
| Loss on extinguishment of debt | - | 2,031 |
| Payment of debt issuance costs | - | (2,490 ) |
| Cash paid for contingent consideration | (2,750 ) | (2,984 ) |
| Net cash (used in) provided by financing activities | (6,727 ) | 75,966 |
| | | |
| Net (decrease) increase in cash | (9,239 ) | 6,557 |
| | | |
| Cash, beginning of period | 20,357 | 8,188 |
| Cash, end of period | $ 11,118 | $ 14,745 |
| | | |
| **Supplemental cash flows information:** | | |
| Cash paid for interest | $ 1,686 | $ 2,047 |
| Cash paid for taxes | - | 62 |
| Cash paid to related parties | 4,826 | 5,078 |
| Initial recognition of contingent consideration for acquisitions | - | 1,295 |
| | | |
| **Significant non-cash investing activities:** | | |
| Right-of-use assets acquired through lease liabilities | $ 11,986 | $ - |

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

**Note 1. Nature of Business**

Fathom Digital Manufacturing Corporation (“Fathom”, "Successor", or the “Company”) was incorporated as a Delaware corporation on December 23, 2021 as part of the business combination as defined below. Fathom was previously named Altimar Acquisition Corp. II ("Altimar II") before deregistering as an exempted company in the Cayman Islands. Fathom, through its consolidated subsidiary, Fathom Holdco, LLC (“Fathom OpCo”), is a leading on-demand digital manufacturing platform in North America, providing comprehensive product development and manufacturing services to many of the largest and most innovative companies in the world.

Fathom OpCo was formed on April 16, 2021 as a limited liability company in accordance with the provisions of the Delaware Limited Liability Company Act, for the purpose of holding a 100 percent equity interest in MCT Group Holdings, LLC and its subsidiaries (“MCT Holdings”) and holding a 100 percent equity interest in Incodema Holdings, LLC and its subsidiaries (“Incodema Holdings”). Capitalized terms used but not otherwise defined herein have the meanings given to such terms in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Form 10-K").

**Note 2. Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Fathom Digital Manufacturing Corporation and all majority-owned subsidiaries and entities in which a controlling interest is maintained. All significant intercompany transactions and balances have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim reports. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements and should be read in conjunction with the audited financial statements included in our 2021 Form 10-K. Our annual reporting period is the calendar year.

In the Company’s opinion, the unaudited consolidated financial statements contain all adjustments, consisting of adjustments of a normal, recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates, judgments and assumptions. Amounts in the prior years' unaudited consolidated financial statements are reclassified whenever necessary to conform to the current year's presentation. The reclassifications had no impact on our results of operations, financial position, or cash flows for the Predecessor Periods.

**Recently Adopted Accounting Standards**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842) Section A - Leases: Amendments to the FASB Accounting Standards Codification. The standard requires lessees to recognize the assets and liabilities arising from leases on the balance sheet and retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The Company adopted this standard and related amendments in the first quarter of 2022, using the modified retrospective approach. Using the modified retrospective approach the Company determined an incremental borrowing rate at the date of adoption based on the total lease term and total minimum rental payments.

The modified retrospective approach provides a method for recording existing leases at adoption with a cumulative adjustment to retained earnings. The Company elected the package of practical expedients which permits the Company to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any expired or existing leases as of the effective date. The Company also elected the practical expedient to use hindsight when determining the lease term, and the practical expedient lease considerations to not allocate lease considerations between lease and non-lease components for real estate leases. As such, real estate lease considerations are treated as a single lease-component and accounted for accordingly. The Company excludes leases with an initial term of 12 months or less from the application of Topic 842.

Adoption of the new standard resulted in the recording of $3,122 and $8,195 of current lease liabilities and long-term lease liabilities, respectively, and $11,986 in corresponding right-of-use lease assets. The difference between the approximate value of the right-of-use lease assets and lease liabilities is attributable to future rent escalations. The cumulative change in the beginning accumulated deficit was $82 due to the adoption of Topic 842. There was no material impact on the Company’s consolidated statement of operations or consolidated statement of cash flows. The Company’s comparative periods continue to be presented and disclosed in accordance with legacy guidance in Topic 840.

**Note 3. Business Combination with Fathom OpCo**

On December 23, 2021, Altimar II and Fathom OpCo closed a series of transactions (collectively, the "Business Combination") pursuant to the Business Combination Agreement dated as of July 15, 2021, as amended (the "Agreement"), that resulted in the combined Company becoming a publicly-traded company on the New York Stock Exchange ("NYSE") with the Company controlling Fathom OpCo in an "UP-C" structure. At the closing on December 23, 2021 ("Closing Date"), Altimar II domesticated into a Delaware corporation, and changed its name to Fathom Digital Manufacturing Corporation ("Fathom", the "Company", "we", or "our"). Following the closing, the former public investors in Altimar II, the investors that purchased Class A common stock in the private placement offering ("PIPE Investors") and the Founders collectively held Class A common stock representing approximately 10.4% economic interest in Fathom OpCo, and the CORE Investors and the other Legacy Fathom Owners collectively held 89.6% of economic interest in Fathom OpCo in the form of either Class A common stock or exchangeable Class A Units of Fathom OpCo. Additionally, the Company issued to the legacy Fathom owners shares of Class B common stock, which have no economic rights but entitle each holder to voting power (one vote per share). Subsequently to the closing, the Company controls Fathom OpCo and is a holding company with no assets or operations other than its equity interest in Fathom OpCo.

The Business Combination was accounted for using the acquisition method with the Company as the accounting acquirer. Under the acquisition method of accounting, the Company's assets and liabilities were recorded at carrying value, and the assets and liabilities associated with Fathom OpCo were recorded at estimated fair value as of the closing date. The excess of the purchase price over the estimated fair values of the net assets acquired was recognized as goodwill. For accounting purposes, the acquirer is the entity that has obtained control of another entity and, thus, consummated a business combination. The determination of whether control has been obtained begins with the evaluation of whether control should be evaluated based on the variable interest or the voting interest model. If the acquiree is a variable interest entity, the primary beneficiary would be the accounting acquirer. Fathom OpCo met the definition of a variable interest entity, and the Company was determined to the be the primary beneficiary and is therefore also the accounting acquirer in the Business Combination.

As a result of the Business Combination, the Company's financial statement presentation distinguishes Fathom OpCo as the "Predecessor" through the Closing Date. ("2021 Predecessor Period" or "Predecessor Period"). The Company is the "Successor" ("2022 Successor Period" or "Successor Period") for periods after the Closing Date. As a result of the application of the acquisition method of accounting in the Successor Period, the unaudited consolidated financial statements for the Successor Period are presented on a full step-up basis, and are therefore not comparable to the unaudited consolidated financial statements of the Predecessor Period that are not presented on the same full step-up basis.

In connection with the Business Combination, the Company incurred $19,010 of transaction expenses. These costs were recorded on the income statement of Altimar II prior to the Business Combination. Since the Predecessor period for purposes of these financial statements was deemed to be the historical results of Fathom OpCo, these transaction costs are not presented in the Company's consolidated statement of comprehensive income (loss) for the 2021 Predecessor Period. However, these transaction costs are reflected in the accumulated deficit balance of the Company in the consolidated balance sheet as of December 31, 2021 (Successor).

The seller earnout contingent consideration below represents the estimated fair market value of the 9,000,000 Fathom Earnout Shares issued in conjunction with the Business Combination. The Fathom Earnout Shares will be settled with shares of Class A common stock or New Fathom Units and are accounted for as liability classified contingent consideration. The Fathom Earnout Shares vest in three equal tranches of 3,000,000 shares each at the volume-weighted average share price thresholds of $12.50, $15.00 and $20.00, respectively. The earnout period related to the Fathom Earnout Shares is five years from the Closing Date. These estimated fair values are preliminary and subject to adjustment in subsequent periods.

In conjunction with the Business Combination, the Company recognized a deferred tax liability $17,573. The deferred tax liability was recorded on the standalone books of the Company with an offset to goodwill. The deferred tax liability is included in the other noncurrent liabilities caption in the second table below.

(In thousands, except share amounts)

The Business Combination was accounted for using the acquisition method of accounting and the fair value of the total purchase consideration transferred was $1,364,220. The following table sets forth the fair value of the assets and liabilities assumed in connection with the acquisition.

| | | Total |
|---|---|---|
| **Assets acquired:** | | |
| Cash | $ | 9,577 |
| Accounts receivable, net | | 24,712 |
| Inventory | | 12,825 |
| Prepaid expenses and other current assets | | 3,172 |
| Property and equipment, net | | 44,397 |
| Goodwill | | 1,189,762 |
| Intangible assets | | 270,000 |
| Other non-current assets | | 2,200 |
| **Total assets acquired** | | 1,556,645 |
| **Liabilities assumed:** | | |
| Accounts payable | | 9,808 |
| Accrued expenses | | 4,860 |
| Other current liabilities | | 5,226 |
| Current portion of debt | | 152,000 |
| Other noncurrent liabilities | | 20,531 |
| Total liabilities assumed | | 192,425 |
| **Net identifiable assets acquired** | $ | 1,364,220 |

The following table illustrates a summary of the total consideration transferred.

| | | Total |
|---|---|---|
| **Consideration Transferred:** | | |
| Total cash consideration | $ | 53,332 |
| Fathom earnout shares | | 88,160 |
| Class A common stock transferred | | 375,478 |
| Tax Receivable Agreement obligations to the sellers | | 4,300 |
| Total consideration transferred to sellers | | 521,270 |
| Non-controlling interest | | 842,950 |
| **Fair value of total consideration transferred** | $ | 1,364,220 |

The purchase price allocation is preliminary and subject to change during the measurement period, which is not to exceed one year from the acquisition date. At this time, the Company does not expect material changes to the assets acquired or liabilities assumed. Goodwill represents future economic benefits arising from acquiring Fathom OpCo's equity, primarily due to its strong market position and its assembled workforce that are not individually and separately recognized as intangible assets. A portion of the Goodwill is deductible for tax purposes. Goodwill is allocated to the Company's sole reportable segment and reporting unit.

| Identifiable Intangible Assets | | Provisional fair value | Provisional useful life (in years) |
|---|---|---|---|
| Trade name | $ | 70,000 | 15 |
| Customer relationships | | 180,000 | 19 |
| Developed software | | 15,700 | 5 |
| Developed technology | | 4,300 | 5 |
| | $ | 270,000 | |

The weighted average amortization period for the amortizable intangibles assets is 16.9 years.

**Note 4 - Fathom OpCo Predecessor Period Acquisitions**

***Acquisition of Summit Tooling, Inc., and Summit Plastics, LLC:***

Fathom OpCo completed an acquisition of Summit Tooling, Inc. ("Summit Tooling") and Summit Plastics, LLC (“Summit Plastics”), together with Summit Tooling, (“Summit”) on February 1, 2021 in which it acquired 100 percent of the equity interests of Summit. In conjunction with the equity purchase, Fathom OpCo acquired the real estate in which Summit performs their operations. Summit Tooling designs and manufactures plastic injection molds and Summit Plastics provides molding of precision plastic components for a variety of industries. The primary reason for the acquisition was to expand Fathom OpCo's capabilities in manufacturing and expand its customer base of high-quality manufacturing and industrial technology companies in North America.

(In thousands, except share amounts)

The transaction was accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805 - *Business Combinations* and the fair value of the total purchase consideration transferred consisted of the following:

| **Consideration Transferred:** | | **Total** |
|---|---|---|
| Cash | $ | 10,875 |
| **Fair value of total consideration transferred** | $ | 10,875 |

The consideration excluded $892 of buyer transaction expenses that are included in other expenses within the 2021 consolidated statement of comprehensive loss. In addition, Fathom OpCo paid a transaction fee of $225 to an affiliate of the majority member of Fathom OpCo.

The goodwill recognized as part of the acquisition primarily reflects the value of the assembled workforce acquired and the value of future growth prospects and expected business synergies realized as a result of combining and integrating the acquired business into Fathom OpCo's existing platform. The goodwill recognized is partially deductible for tax purposes.

The following table sets forth the fair values of the assets acquired and liabilities assumed in connection with the acquisition of Summit:

| Recognized amounts of identifiable assets acquired and liabilities assumed | | **Total** |
|---|---|---|
| Cash | $ | 40 |
| Accounts receivable, net | | 627 |
| Inventory | | 339 |
| Property and equipment, net | | 4,371 |
| Intangible assets | | 5,000 |
| **Total assets acquired** | | 10,377 |
| Accounts payable | | 40 |
| Deferred revenue | | 776 |
| Other current liabilities | | 1,418 |
| **Total liabilities assumed** | | 2,234 |
| **Total identifiable net assets** | | 8,143 |
| Goodwill | $ | 2,732 |

Below is a summary of the intangible assets acquired in the acquisition:

| | | **Acquisition Date Fair Value** | **Estimated Life (Years)** |
|---|---|---|---|
| Trade name | $ | 400 | 5 |
| Customer relationships | | 4,600 | 11 |
| | $ | 5,000 | |

The amounts of revenue and net loss of Summit since the acquisition date included in the consolidated statement of comprehensive loss for the 2021 Predecessor Period are as follows:

| | | **Period From January 1 - June 30, 2021 (Predecessor)** |
|---|---|---|
| Revenue | $ | 2,753 |
| Net loss | $ | (1,367 ) |

***Acquisition of Precision Process Corp.:***

Fathom OpCo completed an acquisition of Precision Process Corp. ("PPC") on April 30, 2021 in which it acquired 100 percent of the membership interest of PPC. In conjunction with the equity purchase, Fathom Opco acquired the real estate in which PPC performs their operations. PPC is a manufacturing company that offers integrated engineering-to-production services, specializing in making prototype, small-run and mass production of parts and components for medical, high-tech, automotive and metal stamping industries. The primary reason for the acquisition was to expand Fathom OpCo's capabilities into metal stamping with high-quality manufacturing and industrial technology companies in North America.

The transaction was accounted for using the acquisition method of accounting and the fair value of the total purchase consideration transferred consisted of the following:

(In thousands, except share amounts)

| **Consideration Transferred:** | | **Total** |
|---|---|---|
| Cash | $ | 25,721 |
| **Fair value of total consideration transferred** | $ | 25,721 |

The consideration excludes $984 of buyer transaction expenses that are included in other expenses within the 2021 consolidated statement of comprehensive loss. Fathom OpCo paid a transaction fee of $264 to an affiliate of the majority member of Fathom OpCo.

The goodwill recognized as part of the acquisition primarily reflects the value of the assembled workforce acquired and the value of future growth prospects and expected business synergies realized as a result of combining and integrating the acquired business into Fathom OpCo's existing platform. The goodwill recognized is partially deductible for tax purposes.

The following table sets forth the fair values of the assets acquired and liabilities assumed in connection with the acquisition of PPC:

| Recognized amounts of identifiable assets acquired and liabilities assumed | | **Total** |
|---|---|---|
| Cash | $ | 162 |
| Accounts receivable, net | | 899 |
| Inventory | | 480 |
| Fixed assets, net | | 2,413 |
| Intangible assets | | 14,200 |
| **Total assets acquired** | | 18,154 |
| Accounts payable | | 148 |
| Accrued expenses | | 79 |
| **Total liabilities assumed** | | 227 |
| **Total identifiable net assets** | | 17,927 |
| Goodwill | $ | 7,794 |

Below is a summary of the intangible assets acquired in the acquisition:

| | | **Acquisition Date Fair Value** | **Estimated Life (Years)** |
|---|---|---|---|
| Trade name | $ | 1,100 | 5 |
| Customer relationships | | 13,100 | 17 |
| Total intangible assets | $ | 14,200 | |

The amounts of revenue and net loss of PPC since the acquisition date included in the consolidated statement of comprehensive loss for the 2021 Predecessor Period is as follows:

| | | **Period From January 1 - June 30, 2021 (Predecessor)** |
|---|---|---|
| Revenue | $ | 1,837 |
| Net loss | $ | (635 ) |

***Acquisition of Centex Machine and Welding, Inc. and Laser Manufacturing, Inc.:***

Fathom OpCo completed acquisitions of Centex Machine and Welding, Inc. ("Centex") and Laser Manufacturing, Inc. ("Laser") on April 30, 2021 in which it acquired 100 percent of the equity interests of Centex and Laser. Centex is a top tier medical device manufacturing supplier and Laser provides high precision manufacturing services, combining state of the art technology with expert craftsmanship to deliver superior products. The acquisition was completed in order to expand Fathom OpCo's high-quality manufacturing and industrial technology capabilities in North America.

The transaction was accounted for using the acquisition method of accounting and the fair value of the total purchase consideration transferred consisted of the following:

| **Consideration Transferred:** | | **Centex** | | **Laser** | | **Total** |
|---|---|---|---|---|---|---|
| Cash | $ | 11,774 | $ | 6,946 | $ | 18,720 |
| **Fair value of total consideration transferred** | $ | 11,774 | $ | 6,946 | $ | 18,720 |

The consideration excluded $1,226 of buyer transaction expenses that are included in other expenses within the 2021 consolidated statement of comprehensive loss. Fathom OpCo also paid a transaction fee of $190 to an affiliate of the majority member of the Fathom OpCo in connection with the transaction.

(In thousands, except share amounts)

The goodwill recognized as part of the acquisition primarily reflects the value of the assembled workforce acquired and the value of future growth prospects and expected business synergies realized as a result of combining and integrating the acquired businesses into the Company's existing platform. The goodwill recognized is partially deductible for tax purposes.

The following table sets forth the fair values of the assets acquired and liabilities assumed in connection with the acquisition of Centex and Laser:

| | Acquisition Date Fair Value | |
|---|---|---|
| | **Centex** | **Laser** |
| Recognized amounts of identifiable assets acquired and liabilities assumed | | |
| Cash | $ - | $ 68 |
| Accounts receivable, net | 1,775 | 900 |
| Inventory | 524 | 622 |
| Prepaid expenses | 108 | 1 |
| Fixed assets, net | 1,787 | 760 |
| Intangible assets | 6,243 | 3,557 |
| Other assets | 1 | 2 |
| **Total assets acquired** | 10,438 | 5,910 |
| Accounts payable | 252 | 568 |
| Paycheck Protection Program (PPP) loan | 649 | - |
| Accrued expenses | 271 | 27 |
| Other current liabilities | 23 | 44 |
| Other noncurrent liabilities | 1,234 | 703 |
| **Total liabilities assumed** | 2,429 | 1,342 |
| **Total identifiable net assets** | 8,009 | 4,568 |
| Goodwill | $ 3,765 | $ 2,378 |

Below is a summary of the intangible assets acquired in the acquisition:

| | **Acquisition Date Fair Value – Centex** | **Estimated Life (Years)** |
|---|---|---|
| Trade name | $ 510 | 5 |
| Customer relationships | 5,733 | 17 |
| Total intangible assets | $ 6,243 | |

| | **Acquisition Date Fair Value – Laser** | **Estimated Life (Years)** |
|---|---|---|
| Trade name | $ 290 | 5 |
| Customer relationships | 3,267 | 17 |
| Total intangible assets | $ 3,557 | |

The combined amounts of revenue and net loss of Centex and Laser since the acquisition date included in the consolidated statement of comprehensive loss for the 2021 Predecessor Period and is as follows:

| | **Period From January 1 - June 30, 2021 (Predecessor)** |
|---|---|
| Revenue | $ 2,326 |
| Net loss | $ (1,240 ) |

***Acquisition of Sureshot Precision, LLC:***

Fathom OpCo completed an acquisition of Sureshot Precision, LLC (d/b/a as "Micropulse West") on April 30, 2021 in which it acquired 100 percent of the membership interest of Micropulse West. Micropulse West is a full-service specialist offering a variety of services such as wire Electrical Discharge Machine ("EDM"), ram EDM, small hole EDM, computer numerical control ("CNC") and manual machining/turning, surface grinding, and inspection. The acquisition was consistent with the Fathom OpCo's mission to acquire high-quality manufacturing and industrial technology companies in North America.

(In thousands, except share amounts)

The transaction was accounted for using the acquisition method of accounting and the fair value of the total purchase consideration transferred consisted of the following:

| **Consideration Transferred:** | | **Total** |
|---|---|---|
| Cash | $ | 12,452 |
| Contingent consideration | | 1,295 |
| **Fair value of total consideration transferred** | $ | 13,747 |

The consideration excludes $869 of buyer transaction expenses that are included in other expenses within the 2021 consolidated statement of comprehensive loss. In addition, Fathom OpCo paid a transaction fee of $130 to an affiliate of the majority member of Fathom OpCo.

The goodwill recognized as part of the acquisition primarily reflects the value of the assembled workforce acquired and the value of future growth prospects and expected business synergies realized as a result of combining and integrating the acquired businesses into Fathom OpCo's existing platform. The goodwill recognized is partially deductible for tax purposes.

The following table sets forth the fair values of the assets acquired and liabilities assumed in connection with the acquisition of Micropulse West:

| Recognized amounts of identifiable assets acquired and liabilities assumed | | **Total** |
|---|---|---|
| Cash | $ | 70 |
| Accounts receivable, net | | 866 |
| Inventory | | 333 |
| Other current assets | | 10 |
| Fixed assets, net | | 2,490 |
| Intangible assets | | 7,000 |
| **Total assets acquired** | | 10,769 |
| Accounts payable | | 139 |
| Accrued expenses | | 13 |
| Other current liabilities | | 99 |
| **Total liabilities assumed** | | 251 |
| **Total identifiable net assets** | | 10,518 |
| Goodwill | $ | 3,229 |

Below is a summary of the intangible assets acquired in the acquisition:

| | | **Acquisition Date Fair Value** | **Estimated Life (Years)** |
|---|---|---|---|
| Trade name | $ | 600 | 5 |
| Customer relationships | | 6,400 | 17 |
| Total intangible assets | $ | 7,000 | |

The amounts of revenue and net loss of Micropulse West since the acquisition date included in the 2021 Predecessor Period consolidated statement of comprehensive loss is as follows:

| | | **Period From January 1 - June 30, 2021 (Predecessor)** |
|---|---|---|
| Revenue | $ | 1,134 |
| Net loss | $ | (223 ) |

**Note 5. Revenue**

The Company accounts for revenue in accordance with ASC 606. Revenue is recognized in five steps. The Company identifies the contract with the customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations, and recognizes revenue when (or as) each performance obligation is satisfied. Collectability is a required component of a valid contract. The Company assesses collectability based on a number of factors, including the customer’s past payment history and current creditworthiness. If collectability is not considered probable at inception, the Company will not have a valid contract.

Most of the Company’s revenue has one performance obligation and is recognized on a point-in-time basis upon shipment. The majority of the Company’s injection molding contracts have multiple performance obligations including one obligation to produce the mold and sample part and a second obligation to produce production parts. For injection molding contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price and recognizes revenue for each performance obligation on a point-in-time basis upon shipment. We generally determine stand-alone selling price based on the price charged to customers. The Company's payments terms are consistent with industry standards and never exceed 12 months.

(In thousands, except share amounts)

Revenue by product line for the three and six months ended June 30, 2022 and June 30, 2021 are as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** |
| Revenue: | | | | |
| Additive Manufacturing | $ 4,410 | $ 4,302 | $ 8,559 | $ 8,842 |
| Injection Molding | 7,093 | 6,492 | 13,908 | 13,129 |
| CNC Machining | 14,584 | 11,072 | 27,910 | 15,903 |
| Precision Sheet Metal | 14,751 | 12,093 | 29,434 | 25,210 |
| Ancillary Product Lines | 1,147 | 1,913 | 2,715 | 3,322 |
| Total revenue | **$ 41,985** | **$ 35,872** | **$ 82,526** | **$ 66,406** |

**Note 6. Inventories**

Inventories are estimated at the lower of cost or net realizable value ("NRV"), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation. Costs are determined on the first-in, first-out ("FIFO") method.

Inventories consisted of the following:

| | Period Ended | |
|---|---|---|
| | **June 30, 2022** | **December 31, 2021** |
| Raw materials | $ 3,875 | $ 4,967 |
| Work in process | 8,648 | 5,368 |
| Finished goods | 1,710 | 3,506 |
| Tooling | 636 | 605 |
| | 14,869 | 14,446 |
| Allowance for obsolescence | (769 ) | (1,281 ) |
| **Total** | $ 14,100 | $ 13,165 |

**Note 7. Property and Equipment**

Property and equipment, net, consisted of the following:

| | Period Ended | |
|---|---|---|
| | **June 30, 2022** | **December 31, 2021** |
| Machinery and equipment | $ 34,461 | $ 33,182 |
| Furniture and fixtures | 165 | 180 |
| Computer equipment | 373 | 804 |
| Property and leasehold improvements | 6,942 | 7,180 |
| Construction in progress | 7,835 | 2,859 |
| Transportation equipment | 329 | 454 |
| Total | 50,105 | 44,659 |
| Accumulated depreciation and amortization | (3,197 ) | (132 ) |
| Total | $ 46,908 | $ 44,527 |

Depreciation expense included in operating expenses for the three months ended June 30, 2022 and June 30, 2021 was $138 and $1,405, respectively, and $274 and $1,521 for the six months ended June 30, 2022 and June 30, 2021, respectively. Depreciation expense included in cost of revenues for the three months ended June 30, 2022 and June 30, 2021 was $1,326 and $924, respectively, and $2,791 and $1,099 for the six months ended June 30, 2022 and June 30, 2021, respectively.

(In thousands, except share amounts)

**Note 8. Goodwill and Intangible Assets, net**

A rollforward of goodwill is as follows:

| | | |
|---|---|---|
| Balance at December 31, 2021 | $ | 1,189,464 |
| Measurement period adjustments | | (1,023 ) |
| Balance at June 30, 2022 | $ | 1,188,441 |

Intangible assets, net consisted of the following:

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| Trade name | $ 70,000 | $ 2,448 | $ 67,552 | $ 70,000 | $ 98 | $ 69,902 |
| Customer relationships | 180,000 | 4,971 | 175,029 | 180,000 | 252 | 179,748 |
| Developed software | 15,700 | 1,647 | 14,053 | 15,700 | 22 | 15,678 |
| Developed technology | 4,300 | 451 | 3,849 | 4,300 | 6 | 4,294 |
| Total intangible assets | $ 270,000 | $ 9,517 | $ 260,483 | $ 270,000 | $ 378 | $ 269,622 |

Aggregate amortization expense related to intangible assets, excluding goodwill which is not amortized, was $4,535 and $2,704 for the three months ended June 30, 2022 and June 30, 2021, respectively, and $9,139 and $5,005 for the six months ended June 30, 2022 and June 30, 2021, respectively. There are no intangible assets, other than goodwill, with indefinite useful lives.

The following table represents the estimated aggregate amortization expense for each of the five succeeding fiscal calendar years.

| Year | Aggregate Amortization |
|---|---|
| Remaining 2022 | $ 9,070 |
| 2023 | 18,140 |
| 2024 | 18,140 |
| 2025 | 18,140 |
| 2026 | 18,041 |

**Note 9. Warrant Liability**

As of June 30, 2022, the Company had 8,625,000 Public Warrants outstanding with a fair value price of $0.39 per Public Warrant, and 9,900,000 Private Placement Warrants outstanding with a fair value price of $1.01 per Private Placement Warrant. Each reporting period the public and private warrants are fair valued with the change in the fair value being recognized in the Statement of Comprehensive Income (Loss). The change in the fair value for the three and six months ended June 30, 2022 was $12,500 and $20,600, respectively, and is recognized in Other income.

The below table summarizes the number of outstanding warrants and the fair value as of June 30, 2022 and December 31, 2021.

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Fair Value | # of Warrants | Fair Value | # of Warrants |
| Public Warrants | $ 3,300 | 8,625,000 | $ 7,600 | 8,625,000 |
| Private Placement Warrants | 10,000 | 9,900,000 | 26,300 | 9,900,000 |
| Total Warrant Liability | **$ 13,300** | | **$ 33,900** | |

**Note 10. Debt**

On December 23, 2021, Fathom OpCo entered into the New Credit Agreement, which included a $50,000 revolving credit facility and $125,000 term loan. The Company's borrowings under the revolving credit agreement were $27,000 at June 30, 2022. The loans made under the New Credit Agreement will mature in December 2026.

The Company recorded deferred financing costs of $1,828 in conjunction with the New Credit Agreement and the balance is presented net within Long-term debt, net on the Company's consolidated balance sheet. The Company amortizes the deferred financing costs using the effective interest method.

(In thousands, except share amounts)

The revolving credit facility under the New Credit Agreement is available for working capital and other general corporate purposes and includes a letter of credit sub-facility of up to $5,000. The New Credit Agreement also includes an uncommitted incremental facility, which, subject to certain conditions, provides for additional term loan facilities, an increase in commitments under the New Credit Agreement and/or an increase in commitments under the revolving credit facility, in an aggregate amount of up to $100,000. The Company is subject to various financial covenants, including quarterly net leverage and interest coverage covenants. The Company is in compliance with all debt covenants related to the New Credit Agreement as of June 30, 2022.

The Company's debt as of June 30, 2022 and December 31, 2021 is as follows:

| | As of June 30, 2022 | | As of December 31, 2021 | |
|---|---|---|---|---|
| **Debt Description** | **Interest Rate** | **Amount** | **Interest Rate** | **Amount** |
| New Credit Agreement Revolver | 5.41 % | $ 27,000 | 3.60 % | $ 27,000 |
| New Credit Agreement Term Loan | 5.75 % | 123,438 | 3.72 % | 125,000 |
| Total principal long-term debt | | 150,438 | | 152,000 |
| Debt issuance costs | | (1,582 ) | | (1,812 ) |
| Total debt, net | | 148,856 | | 150,188 |
| Less: current portion of debt | | 31,179 | | 29,697 |
| Long-term debt, net of current portion | | $ 117,677 | | $ 120,491 |

Interest on all debt is payable in 90 day increments, with the unpaid amount due upon maturity. Interest expense associated with long-term debt for the three months ended June 30, 2022 and June 30, 2021 was $1,843 and $1,632, respectively, and $3,316 and $3,746 for the six months ended June 30, 2022 and June 30, 2021, respectively. Included in interest expense, net on the accompanying unaudited consolidated statements of comprehensive loss is amortization of debt issuance costs for the three months ended June 30, 2022 and June 30, 2021 of $130, and $520, respectively, and $230 and $616 for the six months ended June 30, 2022 and June 30, 2021, respectively.

In December 2021, Fathom OpCo entered into a financing agreement through its insurance broker to spread the payment of its annual director's and officer's insurance premium over a ten-month period. Total financed payments of $3,001, including a $35 financing fee at a 2.57% annual rate, are to be made between January 2022 and October 2022. As of June 30, 2022 the Company recognized $1,345 of prepaid assets and $1,179 of other current liabilities in the unaudited consolidated financial statements. For the three months and six months ended June 30, 2022 the Company recognized $842 and $1,684 of insurance expense in selling, general and administrative ("SG&A") expenses, respectively.

**Note 11. Other (Income) Expense**

Other income and expense, net for the three and six months ended June 30, 2022 and June 30, 2021 are as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** |
| Acquisition expenses | $ - | $ 2,706 | $ - | $ 4,045 |
| Change in fair value of TRA | - | $ - | - | $ - |
| Loss on sale of assets | - | - | 24 | - |
| Loss on debt extinguishment | - | 2,031 | - | 2,031 |
| Loan prepayment fees | - | 1,463 | - | 1,463 |
| Other | 129 | 910 | 171 | 1,111 |
| Other expense | 129 | 7,110 | 195 | 8,650 |
| Change in fair value of Fathom and Sponsor Earnout Shares | (22,930 ) | - | (41,900 ) | - |
| Change in fair value of Warrants | (12,500 ) | - | (20,600 ) | - |
| Change in fair value of TRA | (200 ) | - | (200 ) | - |
| Gain on PPP forgiveness | - | (1,624 ) | - | (1,624 ) |
| Gain on fair value of contingent consideration | (148 ) | (1,355 ) | (148 ) | (1,355 ) |
| Gain on sale of assets | (188 ) | - | (188 ) | - |
| Other | (142 ) | (227 ) | (187 ) | (321 ) |
| Other income | (36,108 ) | (3,206 ) | (63,223 ) | (3,300 ) |
| Other (income) expense, net | $ (35,979 ) | $ 3,904 | $ (63,028 ) | $ 5,350 |

**Note 12. Shared Based Compensation**

On December 23, 2021, the Company executed the Fathom Digital Manufacturing 2021 Omnibus Incentive Plan (the "2021 Omnibus Plan") to encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company's objectives. The 2021 Omnibus Plan provides that the Company may grant options, stock appreciation rights, restricted shares, restricted stock units, performance-based awards (including performance-based restricted shares and restricted stock units), other share-based awards, other cash-based awards, and any combination of the foregoing.

(In thousands, except share amounts)

**Share Based Compensation Expense**

Share based compensation was $1,795 and $31 for the three months ended June 30, 2022 and June 30, 2021, respectively, and $3,925 and $31 for the six months ended June 30, 2022 and June 30, 2021, respectively.

**Stock Options**

In February 2022, the Company granted stock options to purchase up to 317,091 shares of Class A common stock at a weighted average exercise price of $8.71 per share which generally vest over a requisite service period of three years. The total intrinsic value of options exercised during the three and six months ended June 30, 2022 was $0.

The following table summarizes provides the assumptions used in the Black-Scholes model valuation of stock options for the six months ended June 30 2022:

| | June 30, 2022 |
|---|---|
| Expected term (years) | 4.5 |
| Expected volatility | 58.7 % |
| Expected dividend yield | 0.0 % |
| Risk-free interest rate | 1.91 % |
| Fair value of share | $ 4.26 |

At June 30, 2022, there was approximately $1,200 of total unrecognized compensation cost related to unvested stock options granted under the 2021 Omnibus Plan. That cost is expected to be recognized over a weighted average period of 2.67 years as of June 30, 2022.

The Company currently uses authorized and unissued shares to satisfy share award exercises.

**Restricted Stock Units and Restricted Stock**

Restricted stock unit awards are share-settled awards and restrictions lapse ratably over the vesting period, which is generally a period of one to three years. subject to the employee's continuing service to the Company.  Restricted stock awards are awards of shares subject to vesting and any other conditions specified in the related award agreements.

A summary of the status of the Company's restricted stock unit and restricted stock award activity and the changes during the six months ended June 30, 2022 are as follows:

| | Shares | Weighted Average Grant Date Fair Value | Aggregate Intrinsic Value |
|---|---|---|---|
| Non-vested at December 31, 2021 | 1,468,392 | $ 10.00 | $ - |
| Granted | 871,430 | 8.73 | - |
| Vested | (822,606 ) | 10.00 | - |
| Forfeited | (4,035 ) | 8.72 | - |
| Non-vested at June 30, 2022 | 1,513,181 | $ 8.09 | $ - |

At June 30, 2022, there was approximately $8,471 of total unrecognized compensation cost related to unvested restricted stock units granted under the 2021 Omnibus Plan.  That cost is expected to be recognized over a weighted average period of 2.64 years.

**Note 13. Earnings Per Share and Earnings Per Unit**

*2022 Successor*

Basic net income per share is computed based on the weighted average number of common shares outstanding. Diluted net  income per share is computed based on the weighted average number of common shares outstanding, increased by the number of any additional shares that would have been outstanding had any potentially dilutive common shares been issued and reduced by the number of shares the Company could have repurchased from the proceeds from issuance of the potentially dilutive shares.

Only the Company's Class A common stock participates in the Company’s undistributed earnings. As such, the Company’s undistributed earnings are allocated entirely to shares of Class A common stock based on the weighted-average number of shares of Class A common stock outstanding the three and six months ending June 30, 2022.

(In thousands, except share amounts)

The Company's basic earnings per share calculation is as follows:

| | Three Months Ended June 30, 2022 Class A | Six Months Ended June 30, 2022 Class A |
|---|---|---|
| Basic Earnings Per Share: | | |
| Numerator | | |
| Net income | $ 33,979 | $ 51,813 |
| Less: Net loss attributable to non-controlling interests | (442 ) | (5,702 ) |
| Net income attributable to Class A common stock | $ 34,421 | $ 57,515 |
| Denominator | | |
| Weighted average shares of Class A common stock outstanding-basic | 52,259,885 | 51,530,961 |
| Basic Earnings Per Share | $ 0.66 | $ 1.12 |

The Company's diluted earnings per share calculation is as follows:

| | Three Months Ended June 30, 2022 Class A | Six Months Ended June 30, 2022 Class A |
|---|---|---|
| Diluted Earnings Per Share: | | |
| Numerator | | |
| Net income attributable to holders of Class A common stock | $ 34,421 | $ 57,515 |
| Denominator | | |
| Weighted average shares of Class A common stock outstanding-basic | 52,259,885 | 51,530,961 |
| Effect of Dilutive Securities | | |
| Assumed exchange for shares of Class A common stock | 83,264,888 | 83,774,207 |
| Weighted average shares of Class A common stock outstanding-diluted | 135,524,773 | 135,305,168 |
| Diluted Earnings Per Share | $ 0.25 | $ 0.43 |

*2021 Predecessor*

Basic net loss per unit is computed based on the weighted average number of common units outstanding. Diluted net loss per unit is computed based on the weighted average number of common units outstanding, increased by the number of any additional units that would have been outstanding had any potentially dilutive common units been issued and reduced by the number of units Fathom OpCo could have repurchased from the proceeds from issuance of the potentially dilutive units. Fathom OpCo had no dilutive instruments outstanding as of June 30, 2021. As a result, basic and diluted earnings per units are the same as of June 30, 2021.

In the Predecessor Period, Fathom OpCo's Class A common units and Class B common units participated equally in Fathom OpCo's undistributed earnings. As such, Fathom OpCo's undistributed earnings were allocated pro-rata to the Class A common units and Class B common units based on the weighted-average number of Class A common units and Class B common units outstanding as of June 30, 2021 such that earnings per unit for Class A common units and Class B common units are the same in each period.

| | Period From | |
|---|---|---|
| | April 1 - June 30, 2021 (Predecessor) Class A | April 1 - June 30, 2021 (Predecessor) Class B |
| Basic and Diluted Loss Per Unit: | | |
| Numerator | | |
| Net loss | $ (2,897 ) | $ (1,185 ) |
| Less: annual dividends on redeemable preferred units | (5,574 ) | (2,282 ) |
| Net loss attributable to common unitholders | (8,471 ) | (3,467 ) |
| Denominator | | |
| Weighted-average units used to compute basic earnings per unit | 5,480,611 | 2,242,981 |
| Basic and Diluted Loss Per Unit | $ (1.55 ) | $ (1.55 ) |

(In thousands, except share amounts)

| | Period From January 1 - June 30, 2021 (Predecessor) Class A | Period From January 1 - June 30, 2021 (Predecessor) Class B |
|---|---|---|
| Basic and Diluted Loss Per Unit: | | |
| Numerator | | |
| Net loss | $ (3,251) | $ (1,331) |
| Less: annual dividends on redeemable preferred units | (7,188) | (2,942) |
| Net loss attributable to common unitholders | (10,439) | (4,273) |
| Denominator | | |
| Weighted-average units used to compute basic earnings per unit | 5,480,611 | 2,242,981 |
| Basic and Diluted Loss Per Unit | $ (1.90) | $ (1.90) |

**Note 14. Shareholders' Equity, Noncontrolling interest, and Members' Equity**

***Successor***

The Company's equity consists of a total of 500,000,000 authorized shares across all classes of capital stock, which the Company has the authority to issue. The 500,000,000 authorized shares consist of 10,000,000 authorized shares of preferred stock with a par value of $0.0001 per share, 300,000,000 authorized shares of Class A common stock with a par value of $0.0001 per share, 180,000,000 shares of Class B common stock with a par value of $0.0001 par value per share, and 10,000,000 shares of Class C common stock with a par value of $0.0001 per share.

During the second quarter of 2022, the Company' shareholders exchanged 10,280,331 of Fathom OpCo's exchangeable Class A Units (and the associated vote-only Class B shares) for an equal number of Class A shares. As a result of the exchange, the Company reallocated equity from noncontrolling interests to the Company's additional paid-in-capital and recorded additional deferred tax assets and TRA liability in connection with the exchanges. See the consolidated statement of shareholders' equity and redeemable non-controlling interest for these amounts.

As of June 30, 2022, the Company had no outstanding shares of Preferred Stock, 61,596,519 outstanding shares of Class A common stock, 74,014,640 outstanding shares of Class B common stock, and no outstanding shares of Class C common stock.

The table below demonstrates the calculation of the comprehensive loss attributable to the non-controlling interest holders for the 2022 Successor Period.

| | Period From April 1, 2022 - June 30, 2022 (Successor) | Period From January 1, 2022 - June 30, 2022 (Successor) |
|---|---|---|
| Fathom OpCo comprehensive loss | $ (808) | $ (9,884) |
| Non-controlling interest percentage | 54.8 % | 54.8 % |
| Comprehensive loss attributable to non-controlling interest | $ (442) | $ (5,702) |

***Predecessor***

Fathom OpCo's equity in the 2021 Predecessor Period consists of Class A common units and Class B common units.

The following table represents a summary of the Company's Members' Equity as of June 30, 2021 (Predecessor):

| | June 30, 2021 (Predecessor) |
|---|---|
| Class A common units | 5,480,611 |
| Class B common units | 2,242,981 |

**Note 15. Leases**

The Company leases certain manufacturing facilities, office space, and equipment and determines if an arrangement is a lease at inception. Amounts associated with operating leases and financing leases are included in right-of-use lease assets ("ROU assets"), current lease liabilities and long-term lease liabilities in the Company's unaudited consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

(In thousands, except share amounts)

If the leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest that we would pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term. The Company uses quoted interest rates obtained from financial institutions as an input to derive its incremental borrowing rate as the discount rate for the lease.

Leases with an initial term of 12 months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, we combine lease and nonlease components.

Certain leases include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years or more, and the exercise of lease renewal options under these leases is at our sole discretion. Lease terms include the non-cancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods. Certain of the Company's operating leases include variable rental payments based on a percentage change of certain consumer price indices ("CPI"). Variable rental payments are recognized in the consolidated statement of comprehensive income (loss) in the period in which the obligation for those payments is incurred. The depreciable life of assets and leasehold improvements are limited by the expected lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

| | **Balance Sheet Location** | **June 30, 2022** |
|---|---|---|
| Assets | | |
| Operating | Right-of-use operating lease assets, net | $ 8,081 |
| Financing | Right-of-use financing lease assets, net | 2,363 |
| Total lease assets | | $ 10,444 |
| Liabilities | | |
| Current | | |
| Operating | Current operating lease liability | $ 2,976 |
| Financing | Current financing lease liability | 190 |
| Non-Current | | |
| Operating | Long-term operating lease liability | 5,160 |
| Financing | Long-term financing lease liability | 2,227 |
| Total lease liability | | $ 10,553 |

The following table sets forth our lease costs included in our unaudited consolidated statement of comprehensive income (loss):

| | **Three Months Ended June 30, 2022** | **Six Months Ended June 30, 2022** |
|---|---|---|
| Operating lease cost | $ 817 | $ 1,620 |
| Short-term lease cost | 4 | 8 |
| Financing lease cost: | | |
| Amortization of ROU assets | 54 | 108 |
| Interest on lease liabilities | 34 | 69 |
| Sublease income | (34) | (68) |
| Total lease costs | $ 875 | $ 1,737 |

| | **June 30, 2022** |
|---|---|
| Weighted-average remaining lease term (years) | |
| Operating | 3.6 |
| Financing | 8.6 |
| Weighted-average discount rate | |
| Operating | 4.2 % |
| Financing | 5.6 % |

(In thousands, except share amounts)

**Maturities of Leases**

| | Operating Leases | Financing Leases | Total |
|---|---|---|---|
| Remainder of 2022 | $ 1,802 | $ 159 | $ 1,961 |
| 2023 | 2,951 | 325 | 3,276 |
| 2024 | 1,780 | 335 | 2,115 |
| 2025 | 1,126 | 345 | 1,471 |
| 2026 | 638 | 356 | 994 |
| Thereafter | 693 | 1,566 | 2,259 |
| Total future lease payments | 8,990 | 3,086 | 12,076 |
| Less: Discount | 854 | 669 | 1,523 |
| Present value of lease liability | $ 8,136 | $ 2,417 | $ 10,553 |

**Disclosures related to period prior to adoption of the Topic 842**

Operating lease rent expense was $890 for the three months ended June 30, 2021, and $1,657 for the six months ended June 30, 2021.

As of December 31, 2021, future minimum lease payment obligations were as follows:

| Year | Total |
|---|---|
| 2022 | $ 3,212 |
| 2023 | 3,027 |
| 2024 | 1,959 |
| 2025 | 1,253 |
| 2026 | 443 |
| Thereafter | 328 |
| Total future lease payments | $ 10,222 |

**Note 16. Tax Receivable Agreement**

In connection with the Business Combination, Fathom entered into a Tax Receivable Agreement ("TRA") with certain owners of Fathom OpCo prior to the Business Combination. Pursuant to the TRA, the Company will pay certain of these parties, as applicable, 85% of the tax benefits, of any savings the company realize, calculated using certain assumptions, as a result of (i) tax basis adjustments from sales and exchanges of Fathom OpCo's equity interests in connection with or following the Business Combination and certain distributions with respect to Fathom OpCo's equity interests, (ii) our utilization of certain tax attributes, and (iii) certain other tax benefits related to entering into the TRA.

Actual tax benefits realized by Fathom may differ from tax benefits calculated under the TRA as a result of the use of certain assumptions in the TRA, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits. While the amount of existing tax basis, the anticipated tax basis adjustments and the actual amount and utilization of tax attributes, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, we expect that the payments that Fathom may make under the TRA will be substantial.

The Company’s TRA liability established upon completion of the Business Combination is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The TRA liability balance at June 30, 2022 assumes: (i) a constant blended U.S. federal, state and local income tax rate of 26.9%; (ii) no material changes in tax law; (iii) the ability to utilize tax attributes based on current alternative tax forecasts; and (iv) future payments under the TRA are made when due under the TRA. The amount of the expected future payments under the TRA has been discounted to its present value using a discount rate of 12.2%.

Subsequent to the Business Combination, the Company will record additional liabilities under the TRA when Class A Units of Fathom OpCo are exchanged for Class A common stock. Liabilities resulting from these exchanges will be recorded on a gross undiscounted basis and are not remeasured at fair value. During the Successor six months ended June 30, 2022, an additional TRA liability of $5,000 was established as a result of these exchanges.

The following table summarizes the changes in the TRA liabilities:

| | Tax Receivable Agreement Liability |
|---|---|
| Beginning balance as of December 31, 2021 | $ 4,600 |
| Fair value measurement | (200 ) |
| Conversion of non-controlling interest | 5,000 |
| Ending Balance as of June 30, 2022 | 9,400 |
| Less: Current portion included in other current liabilities | - |
| Total long-term tax receivable agreement liability | $ 9,400 |

(In thousands, except share amounts)

**Note 17. Fair Value Measurement**

The fair value of the Company's financial assets and liabilities reflects our management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1 — Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3 — Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis as of June 30, 2022.

| | Fair Value Measurements as of June 30, 2022 | | | |
|---|---|---|---|---|
| **Description** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Liabilities: | | | | |
| Tax Receivable Agreement | $ - | $ - | $ 4,400 | $ 4,400 |
| Fathom OpCo acquisitions contingent consideration | - | - | 700 | 700 |
| Sponsor Earnout Shares Liability | - | - | 4,090 | 4,090 |
| Fathom Earnout Shares Liability | - | - | 27,690 | 27,690 |
| Warrant liability – Public Warrants | 3,300 | - | - | 3,300 |
| Warrant liability – Private Placement Warrants | - | - | 10,000 | 10,000 |
| | $ 3,300 | $ - | $ 46,880 | $ 50,180 |

The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis as of December 31, 2021.

| | Fair Value Measurements as of December 31, 2021 | | | |
|---|---|---|---|---|
| **Description** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Liabilities: | | | | |
| Tax Receivable Agreement | $ - | $ - | $ 4,600 | $ 4,600 |
| Fathom OpCo acquisitions contingent consideration | - | - | 3,598 | 3,598 |
| Sponsor Earnout Shares Liability | - | - | 9,380 | 9,380 |
| Fathom Earnout Shares Liability | - | - | 64,300 | 64,300 |
| Warrant liability – Public Warrants | 7,600 | - | - | 7,600 |
| Warrant liability – Private Placement Warrants | - | - | 26,300 | 26,300 |
| | $ 7,600 | $ - | $ 108,178 | $ 115,778 |

The following table presents a reconciliation of the beginning and ending balances of recurring level 3 fair value measurements.

| | Level 3 Liabilities | | | | | |
|---|---|---|---|---|---|---|
| | Tax Receivable Agreement liability | Fathom OpCo acquisitions contingent consideration | Sponsor Earnout shares liability | Fathom Earnout shares liability | Warrant liability – Private Placement Warrants | Total |
| Balance at December 31, 2021 | $ 4,600 | $ 3,598 | $ 9,380 | $ 64,300 | $ 26,300 | $ 108,178 |
| Payments | - | (2,750 ) | - | - | - | $ (2,750 ) |
| Net (gain) loss [(1)] | (200 ) | (148 ) | (5,290 ) | (36,610 ) | (16,300 ) | $ (58,548 ) |
| Ending balance at June 30, 2022 | **$ 4,400** | **$ 700** | **$ 4,090** | **$ 27,690** | **$ 10,000** | **$ 46,880** |

(1) Net gains on changes in recurring level 3 fair value measurements are recognized in Other income and net losses on change in recurring level 3 fair value measurements are recognized in other expense in our unaudited consolidated statement of comprehensive loss.

***Valuation Methodologies for Fair Value Measurements Categorized within Levels 2 and 3***

*Tax Receivable Agreement*

The fair value of the TRA is based on multiple inputs and assumptions input into a Monte Carlo simulation model. The significant inputs into this model are the following: a corporate tax rate of 26.9%, an annual TRA payment date of February 16, existing non-controlling interest percentage of 54.8%, initial amortization deductions of $52,400, $126,000 of taxable income forecast by 2030, a sell-down schedule which reflects the expected sale of our Class A common units in Fathom OpCo ("New Fathom Units") by legacy Fathom OpCo shareholders, a Class A common stock price as of June 30, 2022 (Successor) of $3.88, volatility of 96.8%, correlation between taxable income and the Class A common stock price of 25%, and a cost of debt range from 8.1% to 10.6%

*Legacy Fathom OpCo Acquisitions Contingent Consideration*

The fair values for contingent consideration payable are determined by using a discounted cash flow approach with unobservable inputs and is classified as a Level 3 liability in the fair value hierarchy. The Company’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each entity to which the contingent consideration relates to, for example EBITDA targets for a given period.

*Earnout Shares Liability*

The fair values for the Earnout Shares are estimated using a Monte Carlo simulation assuming Geometric Brownian Motion in a risk-neutral framework. The Monte Carlo simulation considers daily simulated stock prices as a proxy for the Company's daily volume-weighted average price ("VWAP"). The key inputs into the valuation of the Earnout Shares are an expected term of five years, a risk-free rate of 3.0%, operating asset volatility of 93.3%, and equity volatility of 101.5%. The operating asset volatility and the equity volatility assumptions are based on a blended average of operating and equity volatility, respectively, of publicly traded companies within the Company's peer group.

*Private Placement Warrants*

The Warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of Warrant liabilities in the statement of operations.

The Private Placement warrants are valued using a Monte Carlo simulation model, which is considered to be a Level 3 fair value measurement. The volatility for the Private Placement warrants, a key input into the valuation, was estimated to be 25% based on a calibration to the publicly traded per share price of the Company's Class A common stock as of December 31, 2021 (Successor). Other key inputs into the valuation include a term of 5.0 years, a strike price of $11.50 per share, and an assumption that the Private Placement warrants will remain outstanding until maturity since the Private Placement warrants are not redeemable.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**Note 18. Income Taxes**

The Company calculates the provision for income taxes during interim periods by applying an estimate of the forecasted annual effective tax rate for the full fiscal year to "ordinary" income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. The benefit for income taxes was $79 for the six months ending June 30, 2022 compared to $78 for the six months ended June 30, 2021. The effective tax rate, including discrete items, was -0.18% for the period ended June 30, 2022 compared to 3.5% for the six months ended June 30, 2021. The change in the effective tax rate relates primarily to the change in organizational structure stemming from the Business Combination in December of 2021. In addition, the tax provision for the period ended June 30, 2022 is impacted by permanent differences with respect to gains and losses recorded on the earn-out share liability, sponsor share liability, and warrant liabilities, none of which were outstanding liabilities as of June 30, 2021.
The Company recorded a deferred tax asset of $4,481 through additional paid in capital related to the exchange during the second quarter of Fathom OpCo's exchangeable Class A Units (and the associated vote-only Class B shares) for an equal number of Class A shares.

The Company evaluates the realizibility of the deferred tax assets on a quarterly basis and establishes a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset may not be realized. For the six months ended June 30, 2022, the Company made no material adjustments to its assertion that deferred tax assets are not more-likely than not to be realized.

As of June 30, 2022, the Company did not recognize income tax expense or benefits associated with uncertain tax positions.

**Note 19. Commitments and Contingencies**

The Company is subject to various claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material effect on the Company's financial condition, comprehensive gain (loss) or cash flows.

**Note 20. Variable Interest Entities**

Based upon the criteria set forth in ASC 810, the Company consolidates variable interest entities ("VIEs") in which it has a controlling financial interest and is therefore deemed the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance; and (b) the obligation to absorb the VIE losses and the right to receive benefits that are significant to the VIE. The Company has determined that Fathom OpCo meets the definition of a VIE and that the Company is the primary beneficiary of Fathom OpCo beginning on the date of the Business Combination, and therefore the Company must consolidate Fathom OpCo from the date of the Business Combination.

The following table presents a summary of the total assets, liabilities, and shareholders' equity of the Company's consolidated VIE, which is comprised solely of Fathom OpCo.

| | | Period Ended June 30, 2022 Fathom OpCo Standalone |
|---|---|---|
| Total assets | $ | 1,562,841 |
| Total liabilities | | 194,931 |
| Total shareholders' equity | | 1,367,910 |

**Note 21. Subsequent Events**

On July 7, 2022, the Company's Board of Directors approved a reorganization plan (the "Reorganization") designed to consolidate the Company’s national footprint, streamline legacy leadership, and centralize core business functions following the completion of 13 acquisitions by Fathom since 2019. Pursuant to the Reorganization, the Company intends to:

• Consolidate its existing facility in Oakland, CA into Fathom headquarters in Hartland, WI, improving utilization and reducing costs;

• Establish a Fathom technology center in the Bay Area that will focus on new and emerging technologies, specifically in the additive market; and

• Consolidate leadership and other roles through a net workforce reduction of approximately 6%, create an accounting shared service organization to streamline company-wide processes and create economies of scale while pursuing additional shared-service systems in other administrative functions.

The approved plan is expected to achieve approximately $5.5 million in net pre-tax annualized cost savings upon completion. The savings for the current fiscal year are expected to be limited as the plan is implemented over the remainder of 2022 and into 2023. Additionally, the Company expects to incur pre-tax restructuring charges related to these activities totaling approximately $2.0 million, consisting of approximately $0.8 million in severance and other employee-related costs, $0.5 million in fixed asset and facility related write-down expenses, and $0.8 in other associated moving and relocation costs. The Company expects to incur approximately $0.9 million of the total restructuring charges in the third quarter of 2022, with the remaining charges to be incurred throughout the remainder of the restructuring process. The total cash expenditures associated with the plan are expected to be $1.7 million.

The Company anticipates that the initiative will be substantially complete by the end of the second quarter of 2023.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited interim consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report, together with our audited consolidated financial statements for our most recently completed fiscal year set forth under Item 8 of our 2021 Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in Item 1A “Risk Factors” of our 2021 Form 10-K and other filings under the Exchange Act.*

**Overview**

Fathom Digital Manufacturing Corporation was incorporated in Delaware in December 2021 as part of the completion of the business combination of Altimar Acquisition Corp II and Fathom Opco ("the Business Combination"). However, our roots stretch back over 35 years with the founding of several of our subsidiaries. The terms “Fathom” the “Company,” “we,” “us,” and “our” as used herein refer to the business and operations of Fathom Digital Manufacturing Corporation and its consolidated subsidiaries.

We are a leading national on-demand digital manufacturing platform at the forefront of the Industry 4.0 revolution. Industry 4.0 utilizes e-commerce, automation, and data sharing in a cyber-physical system to communicate and cooperate in the manufacturing process over the Internet of Things ("IoT"). Using our expansive manufacturing footprint and extensive expertise in both additive and traditional manufacturing, we provide comprehensive product development and on-demand manufacturing services to many of the largest and most innovative companies in the world. Our unified suite of manufacturing technologies, processes, and proprietary software enables us to deliver hybridized solutions that meet the specific needs of our customers, empowering them to tackle complex manufacturing problems and accelerate product development cycles.

Our differentiated strategy focuses on speed, problem solving, adaptive technical responsiveness, and a technology agnostic approach across our 25 plus manufacturing processes to meet customers’ design intent. This allows our customers to iterate faster, often shortening their product development and production cycles from months to days.

We seamlessly blend in-house capabilities consisting of plastic and metal additive technologies, injection molding and tooling, computer numerical control (“CNC”) machining, and precision sheet metal fabrication. We operate over 530 advanced manufacturing systems across 25 unique manufacturing processes and a 450,000 sq. ft. manufacturing footprint, spanning 12 facilities located primarily within the U.S. We believe we are positioned to serve the largest geographic markets in which our customers are located and enable cost effective and rapid turnaround times for our customers. Our scale and the breadth of offerings allow our customers to consolidate their supply chain and product development needs through the ability to source through a single manufacturing supplier. Fathom’s manufacturing technologies and capacity are further extended through the utilization of a selected group of highly qualified suppliers that specialize in injection molding and tooling and CNC machining.

We have experienced significant growth since inception both organically and through our successful and proven acquisition playbook, which is enabled by our proprietary software platform that allows for a streamlined integration of acquired companies. Over the past three years, we have successfully completed 13 acquisitions to bolster our operations and offerings. Fathom started as Midwest Composite Technologies, LLC ("MCT"), a leader in prototyping and low-volume services. Founded in 1984, MCT specialized in model making, industrial design, and rapid prototyping. Today, MCT serves companies through a variety of in-house additive manufacturing technologies, including 3D printing and processing, CNC machining, injection molding, and industrial design capabilities.

In September 2019, we acquired Kemeera, LLC to expand our additive, CNC machining, injection molding, and development and engineering services, as well as bring urethane casting capabilities. In December 2019, we acquired ICOMold, LLC ("ICOMold") to expand our injection molding capabilities and significantly enhance our customer experience by bringing in-house an interactive, automated quotation system capable of providing feedback in 30 seconds with an intuitive, customer-facing project management portal, which we have continued to develop and enhance. Our acquisition of ICOMold also expanded our capabilities into China.

In July 2020, we acquired Incodema, LLC and Newchem, LLC to expand our in-house manufacturing processes to include precision sheet metal engineering solutions, including a broad array of sheet metal cutting and forming solutions such as laser cutting, micro waterjet, specialty stamping, and photochemical etching, among others, for quick and complex, tight tolerance parts. In August 2020, we acquired GPI Prototype & Manufacturing Services, LLC ("GPI") to expand our additive manufacturing capabilities. GPI was one of the first metal additive manufacturing service providers in the U.S., bringing metallurgical expertise in-house and enabling the Company to produce metal parts with complex geometries for on-demand manufacturing applications. In December 2020, we acquired Dahlquist Machine, LLC to expand our precision machining capabilities with state-of-the-art CNC mills and lathes for high-speed precision machining of light metals, aluminum, and plastics. In December 2020, we also acquired Majestic Metals, LLC, further expanding our precision sheet metal fabrication capabilities. Further, in December 2020, we acquired Mark Two Engineering, LLC expanding our precision machining services and footprint in the medical device industry.

In February 2021, we acquired Summit Tooling, Inc. and Summit Plastics LLC, further expanding our plastic injection mold manufacturing capabilities. In April 2021, we acquired Centex Machine and Welding Inc. and Laser Manufacturing, Inc. to expand our high-precision manufacturing services specializing in CNC machining and medical device manufacturing. In April 2021, we also acquired Sureshot Precision, LLC (d/b/a Micropulse West) expanding our Electrical Discharge Machine (“EDM”) services, and CNC and manual machining capabilities. Further, in April 2021, we acquired Precision Process, LLC specializing in CNC machining, engineering support, and EDM services.

**Factors Affecting the Comparability of our Results of Operations**

As a result of a number of factors, our historical results of operations are not comparable from period to period and may not be comparable to our financial results of operations in future periods. Set forth below is a brief discussion of the key factors that may impact the comparability of our results of operations in future periods.

***Impact of the Business Combination***

Fathom is subject to corporate level tax rates at the federal, state and local levels. Fathom OpCo was and is treated as a flow-through entity for U.S. federal income tax purposes, and as such, has generally not been subject to U.S. federal income tax at the entity level. Accordingly, other than for certain consolidated subsidiaries of the Predecessor that are structured as corporations and unless otherwise specified, the historical results of operations and other financial information of the Predecessor presented does not include any provision for U.S. federal income tax.

Fathom pays U.S. federal and state income taxes as a corporation on its share of our taxable income. The Business Combination was accounted for as a business combination using the acquisition method of accounting. Accordingly, the assets and liabilities, including any identified intangible assets, were recorded at their preliminary fair values at the date of completion of the Business Combination, with any excess of the purchase price over the preliminary fair value recorded as goodwill. The application of business combination accounting required the use of significant estimates and assumptions.

As a result of the application of accounting for the Business Combination, the historical consolidated financial statements of Fathom OpCo are not necessarily indicative of the Fathom's future results of operations, financial position and cash flows. For example, increased tangible and intangible assets resulting from adjusting the basis of tangible and intangible assets to their fair value would result in increased depreciation and amortization expense in the periods following the consummation of the Business Combination.

In connection with the Business Combination, we entered into a Tax Receivable Agreement (“TRA”) with certain of our pre-Business Combination owners that provides for the payment by Fathom to such owners of 85% of the benefits that Fathom is deemed to realize as a result of the Company’s share of existing tax basis acquired in the Business Combination and other tax benefits related to entering into the TRA.

Additionally, in connection with the Business Combination, we have accounted for the issuance of warrants and earnout shares as liabilities which require re-measurement to fair value at the end of each reporting period, as applicable, and adopted the Fathom 2021 Omnibus Incentive Plan which will result in higher share-based compensation expenses.

***Impact of Becoming a Public Company***

We expect to continue to incur additional costs associated with operating as a public company, including human resources, legal, consulting, regulatory, insurance, accounting, investor relations and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act and rules adopted by the SEC require public companies to implement specified corporate governance practices that are not applicable to a private company. These additional rules and regulations increased our legal, regulatory and financial compliance costs and will make some activities more time-consuming and costly.

**Key Factors Affecting Our Results**

Our financial position and results of operations depend to a significant extent on the following factors:

***Industry Opportunity and Competitive Landscape***

The market in which we operate is projected to grow from $25 billion in 2021 to $33 billion in 2025, fueled by growth in demand for additive manufacturing and continuing trends in customer outsourcing of production needs. We operate in a large, fragmented, and competitive industry, competing for customers with a range of digital manufacturers, digital manufacturing brokers, and regional design bureaus. We believe we are uniquely positioned as the only full-service outsourced solution built specifically to cater to the manufacturing needs of enterprise-level corporate customers. In particular, we believe we compare favorably to other industry participants on the basis of the following competitive factors:

- Fathom offers a wide breadth of advanced manufacturing processes, including additive 2.0 and emerging technologies;
- We have a proven track record of serving blue-chip, enterprise-level corporate customers;
- We offer our clients turnaround times in as little as 24-hours, nationwide;
- Our unified digital customer experience supplemented by with embedded support teams;
- Fathom provides the industry’s only team of dedicated customer-facing engineers, unlocking the broadest parts envelope and providing customers with high-value customized parts;
- Our list of certifications validates our capabilities and precision (tight tolerances, handling of sensitive client data, etc.);
- We possess a wealth of material expertise, technical design capabilities, and engineering resources which we leverage to deliver superior customer results regardless of manufacturing process and production material; and

- Our successful and proven acquisition integration playbook for strategic growth opportunities.

***Customer Product Life Cycle and Connectivity***

We believe that a number of trends affecting our industry have affected our results of operations and may continue to do so. For example, we believe that many of our target customers are facing three mega trends which are disrupting long-term product growth models including (i) increased pressure to shorten product life-cycles, (ii) the demand for manufactured parts on-demand, and (iii) expectation to deliver products that are personalized and customized to unique customer specifications. We believe we continue to be well positioned to benefit from these trends given our proprietary technology alignment with Industry 4.0 trends that enables us to automate and integrate processes involved in manufacturing custom parts. The COVID-19 pandemic has also impacted the manufacturing environment. For example, the pandemic accelerated the digitization of manufacturing as companies pivoted to a work-from-home and socially-distanced manufacturing plant environment. As a result, the adoption of e-commerce was accelerated, which allows opportunity for us to provide valuable solutions to manufacturers looking to build resiliency in their supply chains through fast, on-demand manufacturers. While our business may be positively affected by these trends, our results may also be favorably or unfavorably impacted by other trends that affect product developer and engineer orders for custom parts in low volumes, including, among others, economic conditions, changes in product developer and engineer preferences or needs, developments in our industry and among our competitors, and developments in our customers' industries. For a more complete discussion of the risks facing our business, see Item 1A. "Risk Factors" of our 2021 Form 10-K.

***Manufacturing Facilities and Capacity***

We believe our combined facilities are adequate for our development and production needs in the near future. Should we need to add space or transition into new facilities, we believe we have the ability to expand our footprint on commercially reasonable terms.

***Impacts of the COVID-19 pandemic***

The full extent of the impact and effects of the COVID-19 pandemic will depend on future developments, including, among other factors, the duration, spread and resurgences of the virus, including variants thereof, along with related travel advisories and restrictions, the recovery time of the disrupted supply chains and industries, the impact of labor market interruptions, the impact of government interventions, the pace, scope and efficacy of vaccination and booster programs, and general uncertainty as to the impact of COVID-19, including variants and resurgences, on the global economy.

Further discussion of the potential impacts on our business and results of operations from the COVID-19 pandemic is provided in the section entitled "Risk Factors" in Part I, Item 1A of our 2021 Form 10-K.

**Comparison of the three months ended June 30, 2022 and June 30, 2021**

| | Three Months Ended | | Change | |
|---|---|---|---|---|
| (dollars in thousands) | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** | **$** | **%** |
| Revenue | $ 41,985 | $ 35,872 | $ 6,113 | 17.0 % |
| Cost of revenue | 26,437 | 22,376 | 4,061 | 18.1 % |
| Gross profit | 15,548 | 13,496 | 2,052 | 15.2 % |
| Operating expenses | | | | |
| Selling, general, and administrative | 11,617 | 8,760 | 2,857 | 32.6 % |
| Depreciation and amortization | 4,452 | 2,535 | 1,917 | 75.6 % |
| Total operating expenses | 16,069 | 11,295 | 4,774 | 42.3 % |
| Operating (loss) income | (521 ) | 2,201 | (2,722 ) | -123.7 % |
| Interest expense and other (income) expense | | | | |
| Interest expense | 1,858 | 2,310 | (452 ) | -19.6 % |
| Other expense | 129 | 7,110 | (6,981 ) | -98.2 % |
| Other income | (36,108 ) | (3,206 ) | (32,902 ) | 1026.3 % |
| Total interest expense and other (income) expense, net | (34,121 ) | 6,214 | (40,335 ) | -649.1 % |
| Net income (loss) before income tax | $ 33,601 | $ (4,013 ) | $ 37,614 | -937.3 % |
| Income tax (benefit) expense | (378 ) | 69 | (447 ) | -647.8 % |
| Net income (loss) | $ 33,979 | $ (4,082 ) | $ 38,061 | -932.4 % |
| Net loss attributable to Fathom OpCo non-controlling interest | (442 ) | - | (442 ) | |
| Net income attributable to controlling interest | 34,421 | (4,082 ) | 38,503 | -943.2 % |
| Comprehensive income (loss): | | | | |
| Loss from foreign currency translation adjustments | - | 2 | (2 ) | -100.0 % |
| Comprehensive income (loss), net of tax | $ 34,421 | $ (4,080 ) | $ 38,501 | -943.7 % |

**Revenue**

Revenue for the three months ended June 30, 2022 was $41,985 compared to $35,872 in the three months ended June 30, 2021, an increase of 17.0%. The year-over-year growth was driven by an increase in the volume of customers served, primarily through acquisition-related activity, and growth within Fathom's strategic accounts.

**Gross Profit**

Gross profit for the three months ended June 30, 2022 totaled $15,548 or 37.0% of revenue, compared to $13,496, or 37.6% of revenue, for the three months ended June 30, 2021.

**Operating Expenses**

Selling, general and administrative (SG&A) expenses were $11,617 and $8,760 for the three months ended June 30, 2022 and June 30, 2021, respectively. The $2,857, or 32.6%, increase in SG&A expenses was primarily driven by stock based compensation of $1,785 in the three months ended June 30, 2022 and by additional costs related to being a public company.

Depreciation and amortization expenses were $4,452 and $2,535 for the three months ended June 30, 2022 and June 30, 2021, respectively. The increase of $1,917 or 75.6%, was primarily driven by an increase in intangible assets related to the Business Combination resulting in amortization expenses associated with those assets.

**Operating Income (Loss)**

Operating loss was $521 for the three months ended June 30, 2022 and operating income was $2,201 for the three months ended June 30, 2021. The additional losses were primarily driven by additional costs related to being a public company and additional amortization of the increased intangible assets related to the Business Combination.

**Interest Expense and Other Expense (Income)**

Interest expense was $1,858 and $2,310 for the three months ended June 30, 2022 and June 30, 2021, respectively. The decrease in interest expense is primarily due to lower debt at June 30, 2022 as compared to June 30, 2021 and lower interest rates under the New Credit Agreement.

Other expenses were $129 and $7,110 for the three months ended June 30, 2022 and June 30, 2021, respectively. The decrease in other expenses of $6,981 is due to non-recurring expenses related to the Summit acquisition that took place in the period ended June 30, 2021.

Other income was $36,108 and $3,206 for the three months ended June 30, 2022 and June 30, 2021, respectively. The increase in other income of $32,902 represents the changes in fair value in the Earnout Share liabilities and the Warrant liability during the three months ended June 30, 2022 of $22,930 and $12,500, respectively. This is partially offset by the gains in the three months ended June 30, 2021 on PPP loan forgiveness and change in fair value of contingent consideration or $1,624 and $1,355, respectively.

**Income Taxes**

The Company recorded a tax benefit of $378 for the three months ended June 30, 2022 and an income tax expense of $69 for the three months ended June 30, 2021. For the three months ended June 30, 2022 the tax benefit was impacted by permanent difference with respect to gains and losses recorded on the Fathom earnout shares liability, sponsor earnout shares liability, and warrant liabilities. During the 2021 predecessor period, certain subsidiaries of Fathom OpCo which were previously held as corporations for U.S. federal tax purposes, were reorganized into flow-through entities in non-taxable transactions. As a result, deferred tax liabilities pertaining to the corporate subsidiaries were reversed as income tax benefits during the 2021 predecessor period.

**Comparison of the six months ended June 30, 2022 and June 30, 2021**

| | Six Months Ended | | Change | |
|---|---|---|---|---|
| (dollars in thousands) | June 30, 2022 (Successor) | June 30, 2021 (Predecessor) | $ | % |
| Revenue | $ 82,526 | $ 66,406 | $ 16,120 | 24.3 % |
| Cost of revenue | 54,981 | 39,499 | 15,482 | 39.2 % |
| Gross profit | 27,545 | 26,907 | 638 | 2.4 % |
| Operating expenses | | | | |
| Selling, general, and administrative | 26,381 | 16,430 | 9,951 | 60.6 % |
| Depreciation and amortization | 8,968 | 5,207 | 3,761 | 72.2 % |
| Total operating expenses | 35,349 | 21,637 | 13,712 | 63.4 % |
| Operating (loss) income | (7,804 ) | 5,270 | (13,074 ) | -248.1 % |
| Interest expense and other (income) expense | | | | |
| Interest expense | 3,332 | 4,424 | (1,092 ) | -24.7 % |
| Other expense | 195 | 8,650 | (8,455 ) | -97.7 % |
| Other income | (63,223 ) | (3,300 ) | (59,923 ) | 1815.8 % |
| Total interest expense and other (income) expense, net | (59,696 ) | 9,774 | (69,470 ) | -710.8 % |
| Net income (loss) before income tax | $ 51,892 | $ (4,504 ) | $ 56,396 | -1252.1 % |
| Income tax (benefit) expense | 79 | 78 | 1 | 1.3 % |
| Net income (loss) | $ 51,813 | $ (4,582 ) | $ 56,395 | -1230.8 % |
| Net loss attributable to Fathom OpCo non-controlling interest | (5,702 ) | - | (5,702 ) | |
| Net income attributable to controlling interest | 57,515 | (4,582 ) | 62,097 | -1355.2 % |
| Comprehensive income (loss): | | | | |
| Loss from foreign currency translation adjustments | (107 ) | (105 ) | (2 ) | 1.9 % |
| Comprehensive income (loss), net of tax | $ 57,408 | $ (4,687 ) | $ 62,095 | -1324.8 % |

**Revenue**

Revenue for the six months ended June 30, 2022 was $82,526 compared to $66,406 in the six months ended June 30, 2021, an increase of 24.3%. The year-over-year growth was driven by an increase in the volume of customers served, primarily through acquisition-related activity, and growth within Fathom's strategic accounts.

**Gross Profit**

Gross profit for the six months ended June 30, 2022 totaled $27,545, or 33.4% of revenue, compared to $26,907, or 40.5% of revenue, for the six months ended June 30, 2021. The decrease in gross profit is primarily driven by a $3,241 amortization expense related to inventory step-up adjustments from purchase accounting following the completion of the Business Combination on December 23, 2021.

**Operating Expenses**

SG&A expenses were $26,381 and $16,430 for the six months ended June 30, 2022 and June 30, 2021, respectively. The $9,951, or 60.6%, increase in SG&A expenses was primarily driven by stock based compensation of $3,926 in the six months ended June 30, 2022 and by additional costs related to being a public company.

Depreciation and amortization expenses were $8,968 and $5,207 for the six months ended June 30, 2022 and June 30, 2021, respectively. The increase of $3,761 or 72.2%, was primarily driven by an increase in intangible assets related to the Business Combination resulting in amortization expenses associated with those assets.

**Operating Income (Loss)**

Operating loss was $7,804 for the six months ended June 30, 2022 and operating income was $5,270 for the six months ended June 30, 2021. The operating loss was primarily driven by additional costs related to related to being a public company, and the non-cash amortization of the increased intangible assets relating to the Business Combination, inventory step-up from purchase accounting, professional fees, and additional employees.

**Interest Expense and Other Expense (Income)**

Interest expense was $3,332 and $4,424 for the six months ended June 30, 2022 and June 30, 2021, respectively. The decrease in interest expense is primarily due to lower debt at June 30, 2022 as compared to June 30, 2021 and lower interest rates under the New Credit Agreement.

Other expenses were $195 and $8,650 for the six months ended June 30, 2022 and June 30, 2021, respectively. The decrease in other expenses of $8,455 is due to non-recurring expenses related to the Summit acquisition that took place in the six month period ending June 30, 2021.

Other income was $63,223 and $3,300 for the six months ended June 30, 2022 and June 30, 2021, respectively. The increase in other income of $59,923 represents the changes in fair value in the Earnout Share liabilities and the Warrant liability during the six months ended June 30, 2022 of $41,900 and $20,600, respectively.

**Income Taxes**

We recorded a tax expense of $79 for the six months ended June 30, 2022 and an income tax expense of $78 for the six months ended June 30, 2021, respectively. For the six months ended June 30, 2022 the tax expense was impacted by permanent difference with respect to gains and losses recorded on the Fathom earnout shares liability, sponsor earnout shares liability and warrant liability. During the 2021 predecessor period, certain subsidiaries of Fathom OpCo which were previously held as corporations for U.S. federal tax purposes, were reorganized into flow-through entities in non-taxable transactions. As a result, deferred tax liabilities pertaining to the corporate subsidiaries were reversed as income tax benefits during the 2021 predecessor period.

**Non-GAAP Information**

This Quarterly Report on Form 10-Q includes Adjusted Net Income (Loss) and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), which are non-GAAP financial measures that we use to supplement our results presented in accordance with GAAP. We believe Adjusted Net Income (Loss) and Adjusted EBITDA are useful in evaluating our operating performance, as they are similar to measures reported by our public competitors and regularly used by securities analysts, institutional investors and other interested parties in analyzing operating performance and prospects. Adjusted Net Income (Loss) and Adjusted EBITDA are not intended to be a substitute for any GAAP financial measure and, as calculated by us, may not be comparable to other similarly titled measures of performance of other companies within our industry or in other industries. These non-GAAP financial measures supplement and should be considered in addition to and not in lieu of our, GAAP results.

We include these non-GAAP financial measures because they are used by management to evaluate Fathom's core operating performance and trends and to make strategic decisions regarding the allocation of capital and new investments. Adjusted EBITDA excludes certain expenses that are required in accordance with GAAP because they are non-recurring (for example, in the case of transaction-related costs), non-cash (for example, in the case of depreciation and amortization) or are not related to our underlying business performance (for example, in the case of interest income and expense).

***Adjusted Net Income (Loss)***

We define and calculate Adjusted Net Income (Loss) as net loss before the impact of any increase or decrease in the estimated fair value of the Company's warrants and earnout shares as well as transaction-related costs and certain other non-cash and non-core items.

The table below presents our Adjusted Net Income (Loss) reconciled to our net income (loss), the most directly comparable GAAP measure, for the periods indicated:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (dollars in thousands) | June 30, 2022 (Successor) | June 30, 2021 (Predecessor) | June 30, 2022 (Successor) | June 30, 2021 (Predecessor) |
| Net income (loss) | $ 33,979 | $ (4,082 ) | $ 51,813 | $ (4,582 ) |
| Acquisition expenses[1] | - | 2,876 | - | 4,045 |
| Stock compensation | 1,796 | - | 3,926 | - |
| Inventory step-up amortization | - | - | 3,241 | 277 |
| Change in fair value of warrant liability[2] | (12,500 ) | - | (20,600 ) | - |
| Change in fair value of Earnout Shares liability[2] | (22,930 ) | - | (41,900 ) | - |
| Change in fair value of TRA[2] | (200 ) | - | (200 ) | - |
| Integration, non-recurring, non-operating, cash, and non-cash costs[3] | 1,047 | 1,516 | 2,951 | 2,630 |
| Adjusted Net Income (Loss) | $ 1,192 | $ 310 | $ (769 ) | $ 2,370 |

(1) Represents expenses incurred related to business acquisitions;
(2) Represents the income statement impacts from the change in fair value related to both the Sponsor Earnout Share liability, the Fathom Earnout Shares liability, and the Warrant liability associated with the Business Combination; and
(3) Represents adjustments for other integration, non-recurring, non-operating, cash, and non-cash costs related primarily to integration costs for new acquisitions, severance, and management fees paid to our principal owner.

***Adjusted EBITDA***

We define and calculate Adjusted EBITDA as net income (loss) before the impact of interest income or expense, income tax expense and depreciation and amortization, and further adjusted for the following items: transaction-related costs, the impact of any increase or decrease in the estimated fair value of the Company's warrants and earnout shares, and certain other non-cash and non-core items, as described in the reconciliation included below.

The table below presents our Adjusted EBITDA reconciled to net income (loss), the most directly comparable U.S. GAAP measure, for the periods indicated.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (dollars in thousands) | **6/30/2022 (Successor)** | **6/30/2021 (Predecessor)** | **6/30/2022 (Successor)** | **6/30/2021 (Predecessor)** |
| Net income (loss) | $ 33,979 | $ (4,082 ) | $ 51,813 | $ (4,582 ) |
| Depreciation and amortization | 5,996 | 4,099 | 12,204 | 7,625 |
| Interest expense, net | 1,858 | 2,310 | 3,332 | 4,424 |
| Income tax expense | (378 ) | 69 | 79 | 78 |
| Acquisition expenses(1) | - | 2,876 | - | 4,045 |
| Inventory step-up amortization | - | - | 3,241 | 277 |
| Stock compensation | 1,796 | - | 3,926 | - |
| Change in fair value of warrant liability(2) | (12,500 ) | - | (20,600 ) | - |
| Change in fair value of Earnout Shares liability(2) | (22,930 ) | - | (41,900 ) | - |
| Change in fair value of TRA(2) | (200 ) | - | (200 ) | - |
| Contingent consideration | - | (1,355 ) | - | (1,355 ) |
| Loss on extinguishment of debt | - | 2,031 | - | 2,031 |
| Integration, non-recurring, non-operating, cash, and non-cash costs(3) | 1,047 | 1,516 | 2,951 | 2,630 |
| Adjusted EBITDA | $ 8,668 | $ 7,464 | $ 14,846 | $ 15,173 |

(1) Represents expenses incurred related to business acquisitions;
(2) Represents the impacts from the change in fair value related to both the earnout share liabilities and the warrant liabilities associated with the Business Combination; and
(3) Represents adjustments for other integration, non-recurring, non-operating, cash, and non-cash costs related primarily to integration costs for new acquisitions, severance, and management fees paid to our principal owner.

**Liquidity and Capital Resources**

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including working capital and capital expenditure needs, contractual obligations and other commitments, with cash flows from operations and other sources of funding. Our current working capital needs relate mainly to our growth strategies, including business combination activity, capital equipment investments, and business development efforts, as well as compensation and benefits of our employees. In addition, under our New Credit Agreement, the Company is subject to various financial covenants, including quarterly net leverage and interest coverage covenants. As of June 30, 2022, the Company was in compliance with all covenant requirements. Our ability to expand and grow our business will depend on many factors, including our working capital needs and the evolution of our operating cash flows.

We had $11,118 in cash as of June 30, 2022. We believe our operating cash flows, together with amounts available under the New Credit Agreement and our cash on hand will be sufficient to meet our anticipated working capital and capital expenditure requirements during the next 12 months.

We may, however, need additional cash resources due to changed business conditions or other developments, including unanticipated regulatory developments, significant acquisitions and competitive pressures. We expect our capital expenditures and working capital requirements to continue to increase in the immediate future, as we seek to expand our product offerings across more of the U.S. Our capital expenditures in 2021 of $9.0 million equaled approximately 6.0% of annual revenue We believe that our annual future growth capital expenditures, excluding any expenditures for buildings and maintenance capital we might purchase for our operations, are likely to be approximately 6.0% of annual revenue. To the extent that our current resources are insufficient to satisfy our cash requirements, we may need to seek additional equity or debt financing. If the needed financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease our level of investment in new product launches and related marketing initiatives or to scale back our existing operations, which could have an adverse impact on our business and financial prospects. See Note 3—*Business Combination with Fathom OpCo* in the notes to our unaudited consolidated financial statements for further information.

***Borrowings and Lines of Credit***

On December 23, 2021, the Company entered into the New Credit Agreement, which included a $50.0 million revolving credit facility and a $125.0 million term loan. The Company's borrowings under the revolving credit facility were $27,000 at June 30, 2022. The loans obtained under the New Credit Agreement will mature in December 2026.

The Company recorded deferred financing costs of $130 and $230, respectively for the three and six months ended June 30, 2022 in conjunction with the New Credit Agreement and the balance is presented within Long-Term debt, net on the Company's Consolidated Balance Sheet. The Company amortizes the deferred financing costs using the effective interest method.

The revolving credit facility under the New Credit Agreement is available for working capital and other general corporate purposes and includes a letter of credit sub-facility of up to $5.0 million. The New Credit Agreement also includes an uncommitted incremental facility, which, subject to certain conditions, provides for additional term loan facilities, and/or an increase in commitments under the revolving credit facility, in an aggregate amount of up to $100 million.

***Tax Receivable Agreement***

In connection with the Business Combination, we entered into the TRA with certain of our pre-Business Combination owners that provides for the payment by Fathom to such owners of 85% of the benefits that Fathom is deemed to realize as a result of the Company’s share of existing tax basis acquired in the Business Combination and other tax benefits related to entering into the TRA.

Actual tax benefits realized by Fathom may differ from tax benefits calculated under the TRA as a result of the use of certain assumptions in the TRA, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits. While the amount of existing tax basis, the anticipated tax basis adjustments and the actual amount and utilization of tax attributes, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, we expect that the payments that Fathom may make under the TRA will be substantial. As of June 30, 2022, we do not expect to make any material payments within the next two years, and anticipate payments to become more material beginning in 2024.

***Cash Flow Analysis***

| | Six Months Ended | |
|---|---|---|
| (dollars in thousands) | **June 30, 2022 (Successor)** | **June 30, 2021 (Predecessor)** |
| *Net cash provided by (used in) :* | | |
| Operating Activities | $ 4,159 | $ 961 |
| Investing Activities | (6,671 ) | (70,370 ) |
| Financing Activities | (6,727 ) | 75,966 |
| **Net Change in Cash and Cash Equivalents** | **$ (9,239 )** | **$ 6,557** |

***Operating Activities***

Net cash provided from operating activities was $4,159 and $961 for the six months ended June 30, 2022 and June 30, 2021, respectively. The increase of $3,198 is primarily driven by additional depreciation and amortization resulting from property and equipment additions and an increase to intangible assets from the Business Combination.

***Investing Activities***

Cash used in investing activities of $6,671 for the six months ended June 30, 2022 represents capital expenditures. Cash used in investing activities of $70,370 for the six months ended June 30, 2021 represents the cash used in the acquisitions of Summit Tooling Inc, and Summit Plastics, LLC, Precision Process Corp, Centex Machine and Welding, Inc. and Laser Manufacturing, Inc., and Sureshot Precision, LLC of $67,428 and capital expenditures of $2,942.

***Financing Activities***

Cash used in financing activities of $6,727 for the six months ended June 30, 2022 was due to payments made on the term loan of $1,562, contingent consideration of $2,750, and tax payments for shares held in lieu of taxes. Cash provided by financing activities of $75,966 for the six months ended June 30, 2021 was primarily due to debt proceeds of $183,500 for the acquisitions, partially offset by payments on debt of $104,091.

**Critical Accounting Policies and Use of Estimates**

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We believe that the most complex and sensitive judgments, because of their potential significance to the unaudited consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain and are described subsequently. Actual results could differ from management’s estimates.

***Business Combinations***

We account for business acquisitions in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"). We measure the cost of an acquisition as the aggregate of the acquisition date fair values of the assets transferred and liabilities assumed and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. We record goodwill for the excess of (i) the total costs of acquisition, fair value of any non-controlling interests and acquisition date fair value of any previously held equity interest in the acquired business over (ii) the fair value of the identifiable net assets of the acquired business.

The acquisition method of accounting requires us to exercise judgment and make estimates and assumptions based on available information regarding the fair values of the elements of a business combination as of the date of acquisition, including the fair values of identifiable intangible assets, deferred tax asset valuation allowances, liabilities related to uncertain tax positions and contingencies. We must also refine these estimates over a one-year measurement period, to reflect any new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to retroactively adjust provisional amounts that we have recorded for the fair value of assets and liabilities in connection with an acquisition, these adjustments could materially impact our results of operations and financial position. Estimates and assumptions that we must make in estimating the fair value of future acquired technology, user lists and other identifiable intangible assets include future cash flows that we expect to generate from the acquired assets. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expenses could be accelerated or slowed, which could materially impact our results of operations.

***Goodwill and Intangible Assets***

We recognize goodwill in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"). Goodwill is the excess of cost of an acquired entity over the fair value amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill is not amortized.

Goodwill is tested for impairment annually in the fourth quarter of each year, and is tested for impairment between annual tests whenever events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. In addition, an impairment evaluation of our amortizable intangible assets may also be performed if events or circumstances indicate potential impairment. Among the factors that could trigger an impairment review are current operating results that do not align with our annual plan or historical performance; changes in our strategic plans or the use of our assets; restructuring charges or other changes in our business segments; competitive pressures and changes in the general economy or in the markets in which we operate; and a significant decline in our stock price and our market capitalization relative to our net book value. An impairment charge for goodwill is recognized only when the estimated fair value of a reporting unit, including goodwill, is less than its carrying amount. As of June 30, 2022 and June 30, 2021, no impairment charges for goodwill have been recognized.

Evaluating the recoverability of goodwill requires judgments and assumptions regarding future trends and events. As a result, both the precision and reliability of our estimates are subject to uncertainty. Among the factors that we consider in our qualitative assessment are general economic conditions and the competitive environment; actual and projected reporting unit financial performance; forward-looking business measurements; and external market assessments. To determine the fair values of our reporting unit for a quantitative analysis, we typically utilize detailed financial projections, which include significant variables, such as projected rates of revenue growth, profitability and cash flows, as well as assumptions regarding discount rates, the Company’s weighted average cost of capital and other data.

We recognize intangibles assets in accordance with ASC 350. Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. As of June 30, 2022 and June 30, 2021, no impairment charges for intangible assets have been recognized.

The estimates of fair value are based on the best information available as of the date of the assessment, which primarily incorporates management assumptions about expected future cash flows. Although these assets are not currently impaired, there can be no assurance that future impairments will not occur. See Note 3—*Business Combination with Fathom OpCo,* and Note 8—*Goodwill and Intangible Assets, net* in the accompanying notes to the unaudited consolidated financial statements for more information.

***Revenue Recognition from Contracts with Customers***

Most of the Company’s revenue has one performance obligation and is recognized on a point-in-time basis upon shipment. The majority of the Company’s injection molding contracts have multiple performance obligations including one obligation to produce the mold and sample part and a second obligation to produce production parts. For injection molding contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price and recognizes revenue for each performance obligation on a point-in-time basis upon shipment. We generally determine standalone selling price based on the price charged to customers. The Company’s payments terms are consistent with industry standards and never exceed 12 months.

***Contingent Liabilities***

Our contingent liabilities, which are included within the "Other non-current liabilities" caption on our consolidated balance sheets, are uncertain by nature and their estimation requires significant management judgment as to the probability and estimation of the amount of liability. These contingencies include, but may not be limited to, the warrants, TRA liabilities, earnout shares, litigation, and management's evaluation of complex laws and regulations, including those relating to indirect taxes, and the extent to which they may apply to our business and industry. See Note 17—*Fair Value Measurement* and Note 18—*Commitments and Contingencies* in the accompanying notes to our unaudited consolidated financial statements for more information.

We regularly review our contingencies to determine whether the likelihood of a liability is probable and to assess whether a reasonable estimate of the liability can be made. Determination of whether a liability estimate can be made is a complex undertaking that considers the judgement of management, third-party research, the prospect of negotiation and interpretations by regulators and courts, among other information. When liabilities can be reasonably estimated, an estimated contingent liability is recorded. We continually reevaluate our indirect tax and other positions for appropriateness.

***Earnout Shares Liabilities and Warrant Liability***

The fair values of the Sponsor earnout shares liability, Fathom earnout shares liability, and Warrants liability were determined using Monte Carlo simulations that have various significant unobservable inputs. The assumptions used could have a material impact on the valuation of these liabilities, and include our best estimate of expected volatility, expected holding periods and appropriate discounts for lack of marketability. Changes in the estimated fair values of these liabilities may have material impacts on our results of operations in any given period, as any increases in these liabilities have a corresponding negative impact on our U.S. GAAP results of operations in the period in which the changes occur. See Note 3 - *Business Combination with Fathom OpCo* and Note 9 - *Warrant Liability* in the accompanying notes to our unaudited consolidated financial statements for more information.

**Impact of Changes in Accounting on Recent and Future Trends**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) Section A - Leases: Amendments to the FASB Accounting Standards Codification which the company adopted in the first quarter of 2022. See Note 2 - *Basis of Presentation* and Note 15 - *Leases* in the accompanying notes to our unaudited consolidated financial statements for more information.

***Emerging Growth Company Accounting Election***

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 ("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. Altimar II was an emerging growth company as defined in Section 2(a) of the Securities Act of 1933, as amended, and has elected to take advantage of the benefits of this extended transition period. Fathom is expected to remain an emerging growth company at least through the end of the 2022 and is expected to continue to take advantage of the benefits of the extended transition period. This may make it difficult or impossible to compare Fathom financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions for emerging growth companies because of the potential differences in accounting standards used.

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

For quantitative and qualitative disclosures about market risk, see Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" of our 2021 Form 10-K. Our exposures to market risk have not changed materially since December 31, 2021.

**Item 4. Controls and Procedures.**

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is properly and timely reported and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As reported in "Item 4. Controls and Procedures" of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022, management performed its evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2022. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2022, our disclosure controls and procedures were ineffective to the extent of the material weaknesses described below:

- Our Information Technology General Controls ("ITGC") intended to restrict access to data and applications were not adequate resulting in inappropriate access and improper segregation of duties at both the system (pervasive) and end user levels across multiple applications. The Company did not maintain a fully integrated financial consolidation and reporting system, and as a result, extensive manual analyses, reconciliations, and adjustments were required in order to produce materially correct financial statements for external reporting purposes;

- A comprehensive system of formal policies, procedures and controls has not been fully designed or implemented to ensure appropriate document retention and achieve complete, accurate and timely financial accounting, reporting and disclosures. Additionally, we did not design and maintain controls over the determination of appropriate cut-off, classification and presentation of accounts and disclosures in the financial statements; and

- We did not design or maintain an effective control environment commensurate with our financial reporting requirements. We lacked a sufficient number of professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately.

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 company's annual or interim consolidated financial statements may not be prevented or detected on a timely basis. Following the identification of the foregoing material weaknesses, our management established and commenced implementation of a remediation plan, as more fully described under "Changes in Internal Control Over Financial Reporting" below. The implementation of this remediation plan is ongoing.

We have further evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022 with the participation and under the supervision of our management, including our Chief Executive Officer and our Chief Financial Officer. In this evaluation, our management did not identify any material weaknesses in addition to those identified in its evaluation as of March 31, 2022. Based on this latest evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of June 30, 2022, our disclosure controls and procedures were ineffective to the extent of the material weaknesses described above.

***Changes in Internal Control over Financial Reporting***

There has been no change in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2022 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Management has identified the material weaknesses in our internal controls as noted above under "*Evaluation of Disclosure Controls and Procedures.*"

Management is working to remediate the material weaknesses by hiring additional qualified accounting and financial reporting personnel, implementing an advanced Enterprise Resource Planning ("ERP") system, improving contract terms and support for revenue recognition, and further evolving our accounting processes. We may not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. We cannot assure you that the measures we have taken to date and plan to take will be sufficient to remediate the material weaknesses we identified or avoid the identification of additional material weaknesses in the future. If we are not able to maintain effective internal control over financial reporting, our financial statements and related disclosures may be inaccurate, which could have a material adverse effect on our business and our stock price.

In light of the material weakness described above, we performed additional analysis and other post-closing procedures to ensure our financial statements were prepared in accordance with U.S. GAAP. Accordingly, we believe that the consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

## PART II—OTHER INFORMATION

**Item 1. Legal Proceedings.**

We may from time to time be involved in litigation and claims incidental to the conduct of our business. We are not currently subject to any pending legal (including judicial, regulatory, administrative or arbitration) proceedings that we expect to have a material impact on our consolidated financial statements. However, given the inherent unpredictability of these types of proceedings and the potentially large and/or indeterminate amounts that could be sought, an adverse outcome in certain matters could have a material effect on Fathom's financial results in any particular period. See Note 18 "Commitments and Contingencies" to our unaudited consolidated financial statements for additional information.

**Item 1A. Risk Factors.**

Some factors that could cause our actual results to differ materially from those results in this report are described as risks in our 2021 Form 10-K. Any of these factors could materially and adversely affect our business, financial condition, results of operations and cash flows. As of the date of this report, there have been no material changes to the risk factors previously disclosed in our 2021 Form 10-K. We may, however, disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because 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 Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.

## 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.

| | | |
|---|---|---|
| | FATHOM DIGITAL MANUFACTURING CORPORATION | |
| Date: August 15, 2022 | By: | /s/ Ryan Martin<br>**Ryan Martin**<br>**Chief Executive Officer** |
| Date: August 15, 2022 | By: | /s/ Mark Frost<br>**Mark Frost**<br>**Chief Financial Officer** |

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan Martin, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Fathom Digital Manufacturing Corporation;

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 officers 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 officers 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 15, 2022 | By: | /s/ Ryan Martin<br>**Ryan Martin**<br>**Chief Executive Officer** |

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark Frost, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Fathom Digital Manufacturing Corporation;

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 officers 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 officers 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 15, 2022 | By: | /s/ Mark Frost<br>**Mark Frost**<br>**Chief 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**

In connection with the Quarterly Report of Fathom Digital Manufacturing Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| Date: August 15, 2022 | By: | /s/ Ryan Martin<br>**Ryan Martin**<br>**Chief 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**

In connection with the Quarterly Report of Fathom Digital Manufacturing Corporation (the “Company”) on Form 10-Q for the period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | | |
|---|---|---|
| Date: August 15, 2022 | By: | /s/ Mark Frost<br>**Mark Frost**<br>**Chief Financial Officer** |