

Wix Second Quarter 2021 Results Conference Call August 11, 2021

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Wix Q2 2021 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, Maggie O'Donnell, Director of Investor Relations. Please go ahead.

Maggie O'Donnell: Thank you, Sandy.

Good morning, everyone, and welcome to Wix' Second Quarter 2021 Earnings Call. Joining me today to discuss our results are Avishai Abrahami, our CEO and Co-Founder; Nir Zohar, our President and COO; and Lior Shemesh, our CFO as well as Joe Pollaro, GM of the US.

During this call, we may make forward-looking statements, and these statements are based on current expectations and assumptions. Please consider the risk factors included in our press release and most recent Form 20-F that could cause our actual results to differ materially from these forward-looking statements.

We do not undertake any obligation to update these forward-looking statements. In addition, we will comment on non-GAAP financial results and key operating metrics. You can find all reconciliations between our GAAP and non-GAAP results in the earnings materials and our Interactive Analyst Center on the Investor Relations section of our website, investors.wix.com. With that, I will now turn the call over to Joe, who will be moderating the Q&A with the team. Joe, go ahead.

Joe Pollaro: Thanks, Maggie, and thanks, everyone, for joining us today. We're going to do something a little bit different on this call. I'm going to start off by just moderating a bit of a Q&A between Avishai, Nir and Lior. There are several things that I think we want to just make sure are captured on this call. You can obviously read a lot of the materials that we already provided. And then we will go ahead and move to some questions from those that have dialed in and queued in.

So we'll start off, Avishai, just off by giving your thoughts on the results here that we just released for Q2.

Avishai Abrahami: Well, first of all, I want to say that I'm very proud of the Wix team on execution this quarter. And obviously, we ended up at the lower part of our guidance. Most of it, I think, is because we gave a guidance based on assumptions that were proven to be wrong. Coming out of 2020, we assumed that 1 of 2 cases was going to happen: either COVID's going to come back big time and we're going to have a lockdown or, more likely, the vaccines are working and we're going to end up with a world moving back to normality.

And we're actually seeing, first, the waves of users that are starting to build the regular offline businesses, like hotels, restaurants, events. And all these things started. And suddenly, Delta has arrived. And the world has moved to a place where nobody knows what's going to happen next, right? Are we going to have more lockdowns? Or this is just a phase of governments going against stimulants? Are governments going to pay salaries again? People aren't working. There's a lot of confusion around that. And that confusion is something that we did not predict, right? Because if people would stay online, we know what happens. If people move back to normality, we know how it goes. But this uncertainty is certainly something we didn't predict.

What we can see from these uncertainties is that we actually had less people joining Wix, right? And that was the -- if I look at the quarter, that was the only negative KPI we had. Everything else is actually positive.

So, for me, it's a very interesting thing to see how long this uncertainty will happen. And yet, I think that when you look at everything else, and we're going to talk about it, right, then, everything else has pretty much stayed. The other thing that got to a bit delayed is that we had bigger partner deals, and a lot of those people were kind of like a bit delayed to the Q3. And this is mostly from what we analyze to be a lot of people went into vacation. But that's not an excuse, right? So, I think the underlying fundamentals of the business is still doing really well.

Joe Pollaro: Great. So, you talk about the uncertainty that we've experienced. How do you know -- how do you feel so confident that it is -- that uncertainty here that caused our Q2 results to come in where they are? What if it's competition? What if it's product fatigue? Why do we believe it's uncertainty?

Avishai Abrahami: So, we look at many different things for that, right? But I'm going to point out. You talked about competition. So, Squarespace just published their results yesterday, and we can see that on every metric, we're

actually growing faster, right? We had more new subscriptions, and this is on an absolute number and percentage number, right? The base is much bigger. So, we actually added a lot more. On collection, we're growing faster. On revenues, we are growing faster. And so, I think that it's probably not competition, right? We've seen it with everything around.

The other thing we look at, right, is that what happens – like what kind of things our users are building. And we've seen this really massive move to offline in the beginning of the year and then it stopped, right? Well, it didn't stop, but it went down to the same lower amount of users joining Wix. So, I think that we can be – and of course, the last thing we do is that we talk to our users. We talk to a lot of our users, right? We have a lot of people in Wix that do that all the time. And if you – I talk to my friends, right? And Israel tends to be just a bit ahead of the curve because we have more vaccines than any other place. Talking to people, they don't know what they should be doing. Like, oh, my God, should I close my business again? Should I wait for a lockdown? Will there be school or not school in September? Nobody knows.

And this is something that, obviously, our users, being who they are, are a lot more sensitive, than most users – or most businesses on the planet. So, I mean, that is a massive effect.

Joe Pollaro: Yeah

Avishai Abrahami: To be fair, right? We didn't predict it, right, because this is not our profession. We don't know how to predict vaccinations and virus behavior. And if you go back to Q1, right, nobody predicted it. However, we probably should have been more cautious on guidance and provided a guidance which says, well, we have a really good idea on what we think would happen with Corona and the vaccine, but we should probably take into account that this is not a profession and we should have given a wider guidance.

Joe Pollaro: So, you've mentioned fundamentals are strong. Dive into that a little bit more. What are some of the positive trends that we saw in the quarter?

Avishai Abrahami: So, the most important, right, so the most important KPI for us is always conversion, right? How many of the users that come to Wix, try the product and actually convert? And this number is higher than it has ever been. So that's the first one. Then ARPU, right, per user is also – this is the – it's the highest ever, right? So, it increased again. It's the highest ever.

Renewals are stable. And if you think about, right, Q2 last year, it was a massive quarter. And you would imagine that the amount of renewals actually going to go away, there's likely going to be higher churn. But we don't see that. We're actually seeing consistent and actually – and improvement.

So – and those, I think, are the most important three KPIs. We do see other things, right, e-commerce as a percentage of our business has grown again. We see that Wix Payments is doing very well, and it's in line with our targets for the year.

Partners and designers actually joining Wix are doing it much faster than before. We actually accelerated on that KPI, which is a cornerstone of our future strategy. So, I have to say again with the exception of the amount of new users joining Wix, everything else looks really good.

Joe Pollaro: And product development, too. We had an announcement yesterday about a new product.

Avishai Abrahami: Yeah. So, there's a lot of new products coming. Of course, product development was not hurt in any way. And it's a big part of the reason I'm so proud of the team in what happened in the last six months.

Joe Pollaro: Yeah. Great. So, let's dive in a little bit more on the cohorts, because as you said, that's really the key piece of this. And Nir, I want to turn to you on cohorts. We obviously added some really large cohorts in 2020. And I think a lot of investors are going to wonder how are those happening now. We're anniversary-ing the first really big quarter of large cohorts from Q2 2020, what are we seeing now as we start to lap those?

Nir Zohar: Sure. So, absolutely, I think, this – as you said – this is kind of the annualized anniversary of the first cohort of 2020 under COVID, which is the Q2 cohort. But also in 2020, if I look at all of the cohorts, they're basically better than pre-COVID cohorts in every KPI. So, they are essentially – they're essentially bigger. We had a much higher intent of the users in those cohorts to build businesses. We see that by them buying and choosing higher priced packages, the business packages, which leads to the higher ARPU that Avishai mentioned. They do that across the board in higher conversion. Again, something that Avishai highlights for the current quarter, but it has been going on for over a year now. They're adopting more business applications, such as Google Workspace and Ascend. Their GPV is higher, and I think, this is – it's basically the key thing that we've seen throughout the year, and definitely now as they renew, they actually have better retention.

So, I think that across the board, these cohorts are stronger. And it's important to mention that this behavior side of the business, from the annual retention, which we still need to see how it goes over time. But we have very good indication it's the same. This is also going to stay into 2021, also in Q1 and Q2 of 2021. So, basically, we've seen this impact, and it's continuing going forward.

Joe Pollaro: Great. And just to focus a little bit more on commerce as part of that. Avishai mentioned strength there. We shared in our materials. Q2 collections were 35% comprised of commerce this quarter, which was up from Q1. So, we're seeing strength in online commerce. Share, Nir, why that's so beneficial for us.

Nir Zohar: So, I think, this is something that has been going on for a while now. And it's becoming more and more significant. My belief is it's going to continue. And it's because when you look at our commerce offering, we basically have a compounding effect. It's maybe three things, right? First of all, our commerce on Wix is not only retail, it's not only stores. It's every activity of our users, who become, to some extent, online commerce transaction. And we support that through bookings, through events, through the restaurants, the hotels, the fitness trainers, and so on and so on and so forth.

And for all of those, first of all, they can then see the impact of people moving between the online and offline. We also introduced the POS this time in order to be able to capture some of the offline activity as well. And that's something that will increase over time. But it's a very wide range of commerce on our platform. So, obviously, as we capture more and more of it, it increases.

The second part that compounds this growth is the evolution of the products and the services. We've been delivering a huge amount of value for each and every one of those different verticals over the past few years. And even more so in the past year since COVID hit and they had more need to do things online. We've done so by investing heavily into our R&D team and into our technology and innovating all the time.

We've also done so by acquisitions of companies and products that complement our offering. And we've seen us doing more and more of that in the past 12 months. And obviously we see great value out of it because we deliver the value to the users who then convert at a higher rate, generate more GPV and stay with us for a longer time. And the third leg of it, of this

compounding effect, is Wix Payments itself. The product itself keeps on evolving, expanding. We are being able to make it better to touch more GPV and get a better take rate. So, obviously, that's also another thing that's expanding the financial contribution that the commerce has going back to Wix.

Joe Pollaro: Great. And another, I think, exciting growth area that's contributing to the cohorts as well is partners. Avishai, can you give a quick update on what we saw in partners this quarter as well?

Avishai Abrahami: Yeah. So, the speed in which we sign new partners is the speed of all time. And of course, that number is also the number of active partners, and freelancers, agencies, marketers on Wix is also the highest ever. Editor X is doing well. That's grown again 30% quarter-over-quarter. So, we're very happy with that.

It is, of course, still small compared to the size of Wix. Right? Because the base is so small, but it's getting – I think next year we're going to see actually that it is becoming significant. But the bigger contribution, right, of Editor X has always been that it attracts the top agencies to us or top designers. And we're seeing that it's doing very well.

A lot of the agencies will start with Editor X and then also build a lot of projects on the classic Editor. So, we think that was something we believe would happen and we're seeing confirmation for that. That is important. I want to point out another. For me, what is a partner deal, right, Vistaprint. So, Vistaprint is in many ways, right, kind of like NTT where we have in Japan. It's a mega designer. Mega design agency. Why? Because they will build sites for users, right. I'm talking about a very large number, right. Many, many hundreds of thousands that Vistaprint will build those sites on the Wix platform. And so, where they're using our technology and our product to do that. And so pretty much in every way we define a partner, right, they are a partner. So, I think having NTT a few years before and Vistaprint now is a really big confirmation that the gap in technology is so vast that even the big guys want to use our technology, even if it costs more for them and everything. And so, I think that that is another, for me, a very strong point regarding our partner strategy.

Joe Pollaro: So, let's talk about Vistaprint more because obviously that was a pretty significant announcement that we made this morning as well. So, Nir, why don't you share a little bit more about why this is such an important alliance for us strategically?

Nir Zohar: Absolutely, Joe. So, I think, obviously, it's a big commercial deal with a big commercial impact, but I think that the key impact here is also extremely important not to miss and Avishai started talking on it. Vistaprint is basically saying, we want to evolve our business. We want to take all these 20 years of knowhow of helping small and tiny businesses onboard online through content, and their print demand. And we want to become basically this massive, biggest on the globe, their ambition and their words, agency for tiny and small businesses to design their digital presence and then to market it. And in order to do that, we need someone with a layer of products and technology like no other. And their choice for that is to come to us and partner with us to deliver that value to their customer.

I think that is massive because if we're to achieve Avishai's north star goal of getting Wix to power 50% of everything new on the Internet in five to seven years from now, then we need to be able to obviously answer the needs of everyone. The self-creator - the people who can do it themselves, whether it's the tiny business owner who wants to just go on and use ADI or the classic Editor. Or the professional - whether it be the designers or the developers or the agencies using the full suite that Editor X and Velo offers them. And then there are the bigger companies, the biggest partners that come and say, we want to have something which is a new layer of technology attached to our own offering that can create something which is bigger than what we've had before. And I think that this signal that Vistaprint is choosing to do this with us, driving all of their massive traffic towards Wix - I think that's a huge testament to all of the innovation and work we've been putting into products and technologies in the last few years as well as our brand and the strength of it. So, I think this is, obviously, something very, very exciting for us.

Joe Pollaro: And just because we know investors want to know beyond strategy - commercially, what does this mean for us?

Nir Zohar: Well, naturally, I'm not going to - I can't go over the commercial details of the agreement. But if you just think about what has been announced, okay. Vistaprint is going to move their entire website business, hundreds of thousands of websites, entirely to work on Wix. They're going to transition all of their new websites being built, going forward, on their platform in years to come to move to Wix - that's hundreds of thousands more. So, only that is massive. But if you think about it, we're not going to be - they're transitioning from offering a site builder experience, which is what they have now, to having the full-blown Wix operating system for the business offering. So, it's going to be about the different applications and the verticals. It's going to be about the branded apps that were announced

yesterday. It's going to be about a much deeper e-commerce integration, about Ascend and the CRM. It's going to be about the ability to capture GPV and to delivering value to end customers at the other side of those users. So, essentially, I think the potential here is also massive over the next few years.

Joe Pollaro: Great. So, let's move on to financials a little bit more. And Lior, we want to dig into Q2 a little bit and the results. Share, if you could, a little bit more about the results for Creative Subscriptions versus Business Solutions in Q2?

Lior Shemesh: Sure. So, with regard to the Creative Subscription collection, this is actually what came in at our low end because of all the reasons that Avishai mentioned before about the number of users coming to Wix. On the other hand, the Business Solutions actually came in a bit better than what we've expected. We had really good growth coming from the Wix Payments, even better than the first quarter, while the Google Workspace actually came lower than the first quarter and it was pretty much expected. And I think that we also spoke about it last quarter, about the seasonality effect of it.

Joe Pollaro: Great. And gross margin, a little bit more on what we saw in gross margin by segment as well?

Lior Shemesh: Yes. So, we actually started to see, as expected, the improvement in gross margin in both places. The first one is in Creative Subscriptions. We saw some improvements over there, while we actually started to gain the leverage from the investments that we've made in customer support, in infrastructure. I do believe that this is something that is going to continue, especially through the second half of next year, and gross margin will continue to increase.

Business Solutions gross margin actually was better than what I've expected, and it's mainly because Payments scale up. While payment scale up, the margins are getting better over there, obviously, due mostly to the leverage that we see in this business.

Joe Pollaro: Great. And then the final thing in Q2 that I think is worth mentioning is around marketing and what we did with marketing investment in the quarter.

Lior Shemesh: Yeah. So, as you can notice, marketing was a bit down than our expectations, but it's mainly due to the ROI, the TROI model that we are using, which is based on the ROI and how much we invest and how much we

see in return. And as we saw new users slow down, so by default, our marketing investments are going down.

I think that it's a great example of how fast we are actually reacting to the changes in market. If you remember last year, when the demand was huge, we actually increased our marketing investments quite a bit and it was really fast. This time it's actually the opposite. But the reaction is really fast, and we always invest when we see the return. We do not do that when we don't see the return.

Joe Pollaro: And I think the returns that we're seeing, Nir walked through the cohorts, we're still seeing the benefits from those cohorts that we increased our investment on last year. And that's an example of why we manage marketing the way we do.

Lior Shemesh: Absolutely

Joe Pollaro: Okay. So, let's go on to guidance. Just talk about how we put together Q3 guidance.

Lior Shemesh: So, obviously we spoke a lot about the uncertainty, about the confusion among our customers and how we are going to guide, if this is the case. So, the trend actually started mid-May, continued through July, even early August. So, this is also part of our Q3 guidance. That said, I feel very good about the Q3 guidance. We're obviously about almost half already in the Q3 quarter. Actually, most of the uncertainty is in the fourth quarter and this is the main reason why we're expanding the range of our guidance.

Joe Pollaro: Okay. Just getting back to Q3 before we move on to Q4. So, we mentioned there were some partnerships booked in Q3 already. Talk more about that and how that affects the guidance.

Lior Shemesh: So, as we mentioned before, a significant B2B partnership already booked in the third quarter and it's part of our Q3 guidance as well. Actually, we mentioned in the shareholder update that about \$70 million of B2B partnerships is part of our second half guidance. And most of it is already booked in the third quarter. So, in a way, it creates the largest sequential decline in the fourth quarter because of that. Very important for me to mention and we actually saw that also in the second quarter, the B2B partnerships is something that is part of our strategic initiatives.

We believe that long-term, it's going to be obviously solid and generate very steady cash flow for us. But at the very beginning, it is lumpy. And this is something that we've seen in the second quarter. And again, we just booked a mega deal in the third quarter, which makes it even more lumpy. But obviously, long-term, we believe that it will be much more solid.

But I think that it's also another good example of how we drive organic growth through our new initiatives. And it's already contributing in the third quarter. It also will contribute in the fourth quarter. And I expect it to continue growing also next year.

Joe Pollaro: Great. And finally, on Q3, we give overall guidance. But can you give a little color on segment in Q3, just guidance by segment?

Lior Shemesh: Yes. So, what I can say is that Business Solutions is likely flat between Q3 and Q2. We feel some impact from Q2 going into Q3 mainly in applications. We see strong growth – we predict strong growth in Payments in the fourth quarter due to seasonality. Very important to mention Payments in general is still on track and it's doing very well.

Joe Pollaro: Great. And then Q4, you mentioned that's where most of the uncertainty is. But we still provided guidance. So how did we come up with and think about – how did we think about the guidance for Q4 full year here?

Lior Shemesh: So, obviously, uncertainty makes it harder to predict with the same precision we usually are able to do. So basically, the way that we are looking at it in two scenarios. The first one is capturing the low end, if uncertainty continues to drive down. The second is the high end, if things actually improve from here. So, I have no idea what makes more sense or what is going to happen. But this is why we provided the wider range to capture both of those options.

Joe Pollaro: So, this is a true range of outcomes for the remainder of the year that we're providing.

Lior Shemesh: It is a true range and most likely we'll be within the range.

Joe Pollaro: All right. And then finally, we updated free cash flow, how is all of this changing our investment plans for the year?

Lior Shemesh: So actually, none of the things that happened actually impact on our plans because we view that as something that is a temporary effect.

We don't know how much time it will last. But at some point of time, it's going to stop. And we are building the company for the long-term. So, it's not going to have any impact on our decision to continue our growth in investments. Obviously, except of marketing, which is by default based on the traffic, based on the number of users that join Wix. And it's based on ROI. But besides that, we are not doing any other changes to our plan.

And by the way, this is why you see most of the effect of the decrease in our guidance reflected as part of our free cash flow.

Joe Pollaro: Okay. Great. I think, these are all helpful items. Maggie, I'll turn it back over to you. And I think we can take some questions from others on the phones.

Maggie O'Donnell: Great. Yes. Operator, I think, we're ready for questions now.

Operator: Certainly. [Operator Instructions] Your first question comes from the line of Ron Josey with JMP Securities.

Ron Josey: Great. Thanks for taking the question and appreciate this new format. I wanted to talk a little bit more just about the top of funnel slowdown and good to hear all the commentary around that. But can you speak to just how the slowdown has affected more presence versus commerce differently?

I guess the question is, it seems like online activity for commerce continues to do well from your comments around Wix Payments. But talk to us more just about presence and how that was put on hold. And a follow up there, Avishai or Nir, in the letter, you talked just about demand was pulled forward due to higher conversions in 2020 though I think ARPU is at the highest ever and the 2020 cohorts showing better retention. So, just talk a little bit more about what do you mean by pull forward, are folks not up selling or buying more products because they're starting out at a higher level, or just any insights on that. So, pull forward, and then presence versus commerce. Thank you.

Avishai Abrahami: Of course. So, this is Avishai. And so, I'll start with commerce. Right? I think that what we're seeing is that – well, as we think about presence, right, so presence will be things like events or people doing something for a store, or for a clinic, or for many other things that are not only based on online. Right? And when people don't know if they're going to go back to lockdown, we've seen a slowdown there.

We've also seen a bit of a slowdown in commerce, but not as strong. So, the gap – so, basically, we can see about 10% to 20% improvement in the percentage of commerce in Wix. This is coming from two reasons. The one that we just described and the other is that we continue to invest in commerce a lot and the products are getting better. So, we have more customers with commerce.

As to your – regards to your second question, what we saw a bit in the last year is that cohorts that we had in the past, right, was working very faster than before. And why was that? Because of pandemic, it made it more of an urgent thing for people to finish their online presence and to start working with that. So that is the effect that we've seen. And then we've seen that slow down now with new user registration. But I just wanted to point out that the old cohort conversion is still higher than 2019. So, it's not as high as 2020, but we also see a significant improvement there compared to the past.

Ron Josey: Thank you, Avishai. Very helpful.

Operator: Your next question comes from the line of Elizabeth Elliott with Morgan Stanley.

Elizabeth Elliott: Hi. Thank you so much. First, just a quick question on the progress on the \$10 billion GMV and take rate, I know you guys mentioned it's trending to your goal. But kind of any signposts that make us incrementally more confident on hitting those goals and some color on expansion to the new geos and adoption of Wix Payments as the default option would be helpful. And then kind of any color on, if the fact that about 40% of GPV is services oriented, does that have any incrementally hurt by some of the COVID variance? And then I have a follow-up. Thanks.

Avishai Abrahami: Well, that was a lot of questions. But I think, yes, we are in line with the targets that we placed. We do see that GPV being where it was for service oriented, so it's still in this area. We are seeing the compounded benefits from 2020 obviously, right, into that because retention stayed pretty much the same as it used to be and we had a lot of commerce happening in 2020. But we have even more commerce in percentage coming this year.

So, in terms of globally, we don't have Wix Payments yet in all the countries that we sell. This is something that we are working very hard to close. So, we can offer it in more countries. But in the countries that we do offer it, we're

seeing that the adoption is better than before and so higher than before. I think that answers all of your questions, or did I miss one?

Elizabeth Elliott: Yeah. That was helpful. Thank you. And then just a follow-up on the Vistaprint announcement. Can you walk us through how customers start adopting the Wix platform, and kind of any expectations on when those users from B2B partnerships start to move over? Is there any sort of kind of delayed timing we should expect? And just a higher level, kind of the go-to-market strategy on finding new partners and how you think you can accelerate adding more partnerships to the model? Thank you.

Nir Zohar: Sure. Yeah. I'll take this one. So, in terms of, you asked about specifically how do the customers – the Vistaprint customers start adopting Wix. Well, the goal is to have them in a place where when they go into Vistaprint funnel and after the initial onboarding of the Vistaprint product, we will find the best places to offer them the Wix offering according to who they are. Obviously, we'll play with that. We'll segment that. But the goal is to learn that funnel and put the offering in their hands in the best possible way.

Another thing that's going to happen there is Vistaprint acquired 99designs a while ago. And also part of the offering will be an offering which is very much agency-like, do-it-for-me, for which the Wix platform would be the technology and product platform that will empower it. In terms of timing, then we're talking – it's going to be soon. We're talking about early next year.

Elizabeth Elliott: Great. Thank you.

Operator: Your next question comes from the line of Brad Erickson with RBC Capital.

Brad Erickson: Hi. Thanks, guys. I guess, first, just a little more clarity on the guidance and the uncertainty you're talking about. I think we can all understand, and I guess, appreciate what would happen to the business if COVID totally flared up again and everyone kept their businesses online. But to the degree that things would have or do fully reopen, can you just clarify what would the acute effects of that be on your business? And then I have a follow-up. Thanks.

Avishai Abrahami: Yeah. So, I think that was a big part of why we gave the guidance the way we did. We assume that this is what's going to happen. And if you're familiar with our business, right, we have a lot of things like restaurants, hotels, events, and a lot of places like studios for yoga, fitness,

beauty salons, and a lot of those things that were really hurt during the pandemic. And we expected that once COVID would end or be – well, at least a lot – in a much better place, we would see that acceleration in those businesses that, first of all, is a natural part of our business, but also was lacking in 2020, and we thought there will be some catch up.

What we ended up seeing is that it started to be that. And then, of course, it became obvious that we did not yet finish with the pandemic, it actually went back to slowdown. Is this answering your question?

Brad Erickson: Yeah. That's kind of what we're getting at. And then, I guess, just a follow-up on the B2B partnerships. You mentioned that I think another one push to the second half. I think this came up maybe last quarter as well. So, I guess, question is sort of what's your confidence level in everything closing in second half that you've contemplated in the guidance for the second half of the year? Thanks.

Lior Shemesh: So, as we mentioned, we have about – I think that it will be the only time that we're actually providing those numbers. I think that the intention is to be like very transparent in terms of what we have in the second half of the year for our guidance and also to explain the lumpy nature of this business, at least at the very beginning.

What I can tell you is that on the second half of the year, we have about \$70 million as part of our guidance where most of it's already been signed and booked. We do anticipate to close more deals in the second half of the year, but, again, as I mentioned before, most of it already done.

Brad Erickson: Got it, thanks.

Operator: Your next question comes from the line of Ygal Arounian with Wedbush Securities.

Ygal Arounian: Hey. Good morning, guys. So, I think one of the themes we've noticed is, as we've gone through earnings, is that some of the larger, more established customers are not necessarily hitting pause or – not that they're not concerned, but they're just not hitting pause the way that it feels that some of the smaller ones are. Are you seeing that also like in your – you said that the agency and partner business is stronger than it's ever been. Is the top of the funnel there seeing the same kind of impact or are your agency partners at least doing a little bit better than maybe the rest of the top of the funnel?

And then the second question, just going back to the comments on the pull-forward, I just want to be clear. It sounds like you're saying that the pull-forward was in conversion and not in new users. Is that the case? And are you – why fully confident that it wasn't a pull-forward in new users?

Avishai Abrahami: So, let me try and answer. First of all, for the first question, right, so we do see a bit of a slowdown also with new projects coming to partners. And so, they are experiencing similar effect to us, although not on the same scale, on a smaller scale, which kind of makes sense, right? The pull-forward, why we call pull-forward, is that, let's say that we have cohort in 2017, right? So, most of the users will convert in the first few months and then we have this amount of users that join for free and are playing with Wix but that will convert over time, right?

And if we look at really all cohorts, we still see that users that joined Wix five or seven years ago as free users and play with the product would suddenly convert. So, this is something that has been true for all of the life of the company, right? That old cohorts are still converting.

And why we're seeing in 2020 that the rate of that conversion went up, right? So, what it means is that we felt as if we have pulled and we made that conversion going from the user will convert in a few months or in a few years to faster conversion. And this is at least how we perceive that to be. And what we saw in – so if we look at 2020, it was a higher rate. But if we look at how it is behaving now compared to 2019, 2018, or the early part of 2020, right, then that effect is actually better. So, we are somewhere in between what we used to be in the past to where we were in 2020. And so, it is still better than most of our history, but not as good, of course, as when Corona just – the pandemic exploded.

Ygal Arounian: Okay. Thanks. And just one more quick follow-up on the B2B stuff. You obviously spent a lot of time on it last quarter, but like the way you guys talked about it was that it wasn't as important a part of the big picture or the plan for the business. And it feels like the way you're talking about it now, it is and it's a much bigger part of the overall strategy. Is that a right read? Are you stepping into that more? Is it a bigger part of your growth going forward than it's been in the past? Thanks, guys.

Lior Shemesh: Yeah. I think that it really depends on, first of all, on the nature of the partner. I think that Avishai and Nir mentioned before how it's all connected to the overall strategy of obviously serving more people, in a way

also acting as a huge agency for us. Every customer is strategic for us obviously. And I believe that in the past, like a few quarters ago, it was not that big. We just started the business.

I believe that as time progresses, we actually have seen that there is a really huge demand to the Wix brand from those partners. So, I do believe that regardless of what we've already signed, for example, with Vistaprint and others, I believe that we are going to have more. But, yeah, I mean look, everything is strategic to us, everything is important. And remember what we said before, in the end of the day, what is important for us is to obviously to serve everyone and to be a big part of the Internet. And we are doing the right steps to be there and Vistaprint and those partnerships, very important milestone in our way.

Ygal Arounian: Great. Thank you.

Operator: We have time for one last question. My apologies. Your next question comes from Naved Khan with Truist.

Naved Khan: Yeah. Thanks a lot. Just a couple of questions for me. On the Vistaprint partnership and how you guys expected to start layering in next year. With the migration of these existing customers over to Wix, is there a step up that we might see in Wix's paying subscriber base once that happens? And then in terms of the pull forward, I wanted to just double click on the historical mix that you guys used to disclose. So, it seems like more than half of the net adds were from previous cohorts previously. We haven't obviously broken that out more recently. But how does that ratio look like, the new adds coming from new customers versus the older cohorts?

Lior Shemesh: Yeah. So, the first question was about the migration from those partners. Once it's going to start, yeah, we are going to see many customers, many new premium subscriptions joining Wix. And obviously, it's going to increase the number of Creative Subscriptions that we have. I think that it's too early for me to tell you that it's going to be massive in one quarter or two quarters, but it is significant. I mean, Nir mentioned that we are talking about hundreds of thousands of subscriptions to be migrated to Wix. So, it's a good question. If it's going to happen in one year or in six months, I think that it's too early to say.

So, with regard to the second quarter, old cohorts are typically about 60% of the gross adds in a quarter and only 40% coming from new ones. Nothing has changed in this dynamic in the second quarter. It's very similar.

Naved Khan: Got it. Thank you.

Operator: Your final question comes from the line of Deepak Mathivanan with Wolfe Research.

Deepak Mathivanan: Hey, guys. Thanks for taking the questions. Just a couple ones. First, can you give some color on how we should think about the Creative Subscriptions growth on the collection side in the second half? Your guidance for total collections kind of implies de-selling to around 20% range in 4Q. I know Lior you provided some context on Business Solutions, but anything you can share on the Creative Subscriptions will be great.

And then the second question, just to follow-up on the B2B side. How should we think about this going forward in 2022 and 2023 and so on? I mean, this \$70 million is about like a 5 points, 6 points of incremental growth this year, but do you expect this business to incrementally get bigger and bigger over the next few years? Thank you.

Lior Shemesh: Yeah. So, I will start with the second question actually because it has an impact from – basically it's related also to the first one. Look, we just started the business. So, for example, we mentioned about the \$70 million in the second half which is mostly talking about new premiums. Now think about it this way - those new premiums are going to be renewed. Most likely, we expect those partnerships to be successful so it's even can be more on top of that. So, we just started. And every big partnership has a bigger impact on our collection result in a single quarter.

To answer your question, yes, I do believe that it's going to be much higher in terms of the dollar value in the next few years because we see the demand in the market to our brand. We've invested in our brand, in technology for many, many years. And this is part of the reason why the demand is so loud. So, I do believe that we are going to see more and more partnerships like that. And yes, this business I expect that it will continue to grow. But as I mentioned before, at the very beginning, it is lumpy. So, we need to take it into consideration.

With regard to the first question that you asked about the Creative Subscriptions business - yes. I mean, as Business Solutions is more stable due to Payments, most of the decrease that we have in our forecast actually is because of the Creative Subscriptions. And this is due to what Avishai mentioned before about the uncertainty. The uncertainty mostly affects the Creative Subscriptions as Payments continue to grow because it's a

compounding effect. So, this is how we view things. Obviously, if we are going to see any improvement, first, is going to be on Creative Subscriptions.

Deepak Mathivanan: Got it. Okay. That's very helpful. Thank you so much.

Maggie O'Donnell: Thanks, Deepak. Thanks everybody for joining us today. That's all the time we have. Have a great day.

Operator: This concludes today's conference call. You may now disconnect your lines at this time and have a wonderful day.