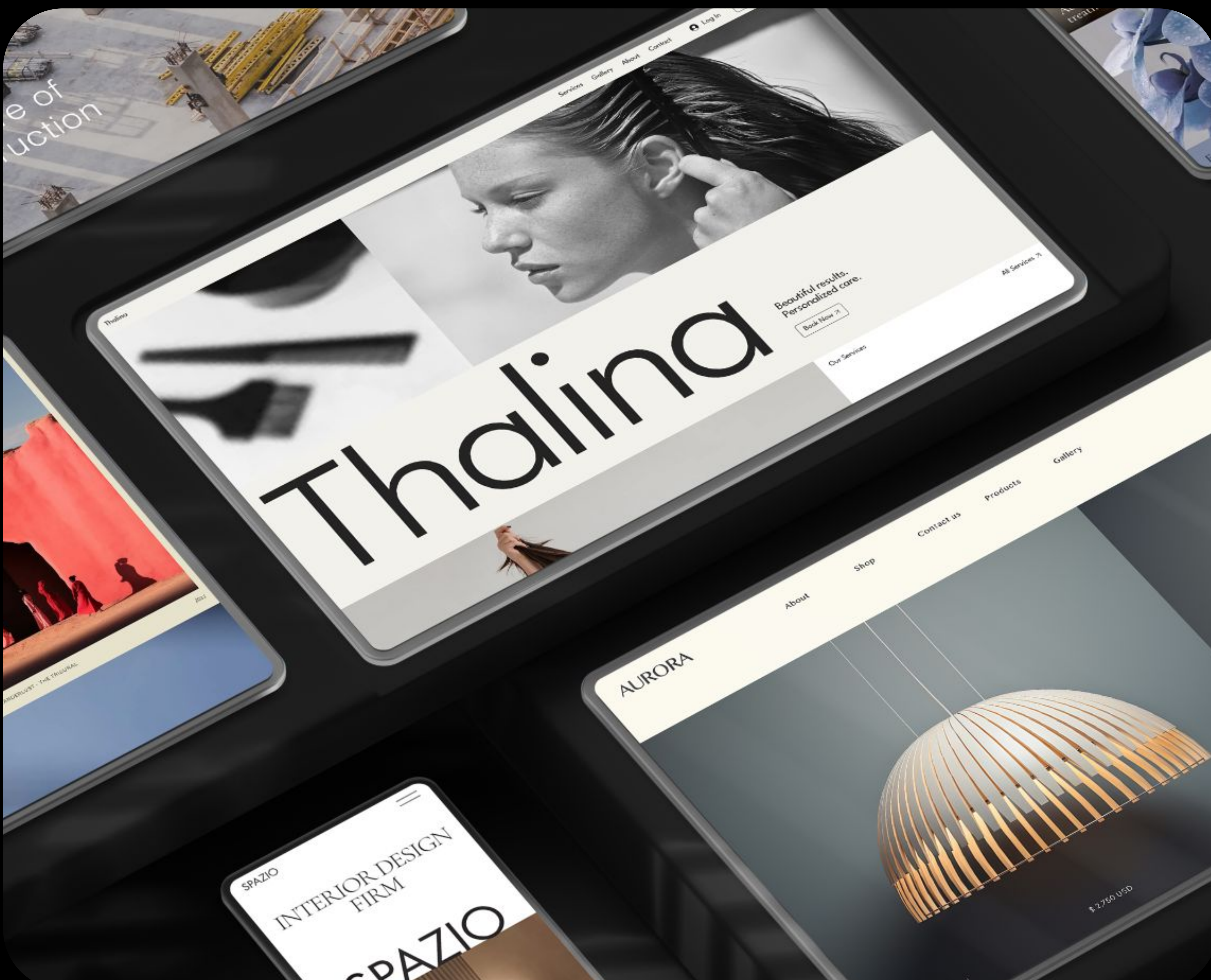
WIX

Shareholder Update

Fourth Quarter / Full Year 2023 | February 21, 2024



To our Shareholders, our Users & our People

We wrapped up an outstanding year of accelerating growth and record profitability with a strong fourth quarter underpinned by robust business fundamentals. New cohorts performed exceedingly well, driven by steadily improved conversion and higher ARPS from an increase in higher-tiered packages and better adoption of Business Solution products, as we continued to onboard high-intent and commerce-oriented users as well as bigger agencies and freelancers with more complex needs. Existing cohort behavior also improved compared to the prior year, demonstrated by net revenue retention increasing to 105% in 2023 from 102% in 2022, as we better monetized users through a growing suite of capabilities and continued GPV growth.

As a result, growth accelerated through 2023 with Q4 and full year revenue both finishing at the very top of our guidance ranges. This was anchored by tremendous revenue growth in our Partners business of 38% y/y in Q4 and 35% y/y in 2023, as we continued to win market share among designers and developers through industry-leading products and organic expansion of the professional community on Wix.

The incredible growth achieved this year, paired with continued operating leverage from the cost efficiencies implemented in 2022 and early 2023, enabled us to finish ahead of the 2023 targets outlined in our three-year plan. 2023 FCF margin and FCF per share were both higher than expected through strong cash flow generation coupled with disciplined share count management. We also achieved positive GAAP net income for the full year – a goal initially set for 2025.

In addition to a better than anticipated year of growth and profitability, 2023 was also a milestone year in terms of innovation with reception and performance of our key new products far exceeding expectations.

Wix Studio, our cornerstone web creation platform for Partners, has proven to be our highest-performing product release in recent history. **In just the six months since its launch, more than 500,000 agencies and freelancers have created Studio accounts, driving the number of Studio premium subscriptions ahead of expectations. Most excitingly, nearly half of these Studio accounts were created by new Partners – a powerful indication that Studio is successfully winning a new market of large agencies who had not built on Wix before.** On top of these new Partners, Studio has also meaningfully recaptured existing professionals who started to build but previously did not fully continue through the creation funnel.

This is a testament to the incredible strides we've made in building a best-in-class product tailored for the agency and freelancer market in a few short years. And we're just getting started. There are a number of improvements and new features on the way. We expect the momentum of the past several months to continue and Studio to be a meaningful catalyst of Partner growth in the coming years.

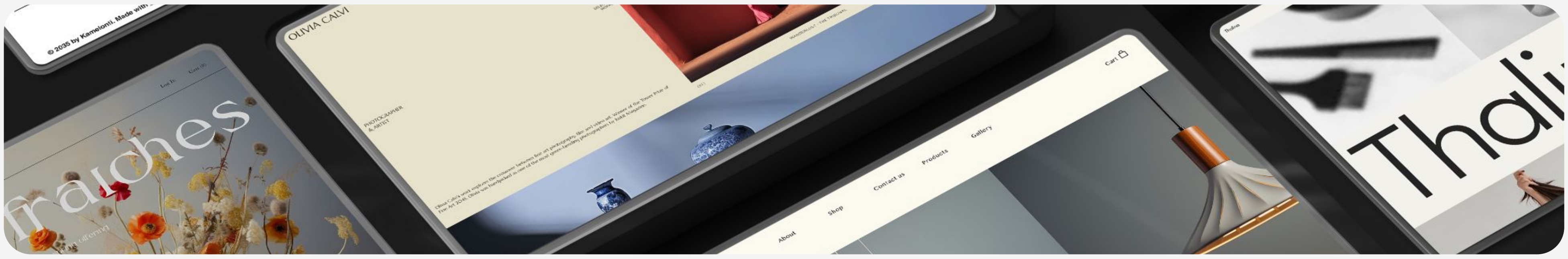
AI was another major focus of innovation in 2023, as we built on nearly a decade of leading AI research and product development at Wix. We introduced a suite of new genAI and AI tools, including AI Chat Experience for Business and AI Code Assistant and most recently, AI Site Generator, which has been in the hands of many of our users for a couple of months and is already generating fantastic feedback. **Both Self Creators and Partners have shown excellent engagement with our AI products over the past year with the majority of new users today using or interacting with at least one AI tool on their web creation journey.** Strong uptake has reduced friction, enhanced the creation experience for users, increased conversion and improved monetization. We expect our AI technology to be a significant driver of growth in 2024.

We expect momentum from these milestone products of 2023 along with continued strong cohort behavior to propel bookings growth acceleration in 2024. This anticipated acceleration on top of the overachievement of our 2023 targets gives us tremendous confidence that we will exceed the goals set in our three-year plan as well as significantly surpass the Rule of 40 in 2025.

2023 was an extraordinary year for Wix, and I am looking forward to building on these successes in 2024. We have already hit the ground running with a refreshed Partner revenue share program and new Studio features launched in January with many more Studio capabilities, new Self Creator products and additional AI initiatives slated for this year. I am extremely proud of the accomplishments of the world-class team here at Wix and am confident 2024 will be another year of remarkable progress, milestones and unbarred opportunities on all fronts.

Avishai Abrahami
Co-founder and CEO

Product & Business Updates



Improving AI Product Development Velocity at Wix

We continue to make great strides in improving the development velocity of our AI products and features to provide our users with best-in-class AI-driven tools more quickly and efficiently.

First, **we have expanded our internal machine learning platform, which includes Wix's proprietary in-house models, to include additional GenAI models and capabilities**. This internal platform is available to all employees, so everyone at Wix has the ability to contribute in parallel to the buildout of AI-driven user features at scale. Within this framework, we are able to develop and release high-quality AI-based features and tools more efficiently and in a shorter period of time.

Additionally, **we also have another internal GenAI-based platform dedicated to conversational assistance.** This platform is a complete generic infrastructure paired with in-house agent architecture for conversational assistant products and allows us to rapidly develop numerous conversational AI experiences across many products. This platform enables any product team at Wix to develop their own assistant tailored to specific user needs without having to create a conversational assistant from scratch. Conversational AI assistance for the creation of user sites and content, business management and site analytics are just some of the user-facing chat experiences that have been developed and rolled out so far.

Maximizing Partner Success with Refreshed Partner Revenue Share Program

In January 2024, we introduced a **refreshed revenue share program for Partners** to expand their earning opportunity and better empower their success and growth on Wix, as well as maximize cohort bookings value and optimize Studio uptake.

This refreshed program is part of the Wix Partner Program, a loyalty-based program aimed at professionals, agencies and freelancers initially launched in 2020. With these new updates, eligible and participating Partners are able to earn at least 20% revenue share on new Studio premium sites created in 2024. Legends, Partners in the highest tier of the Wix Partner Program, now enjoy 30% revenue share on Studio premium sites while continuing to receive 20% revenue share on all other Wix premium sites. The program also includes revenue share on additional non-website package products such as Facebook and Google Ads, Logos and others. Importantly, Partners can now earn revenue share on all transactions processed through Wix Payments on eligible client sites, making the earnings potential for Wix Partners truly unlimited. These updates underscore our commitment to maximizing Partners' success and fostering mutual growth opportunities within our ecosystem.

Learn more about our updated Partner revenue share program here.

Expanding Commerce Capabilities with New Global-E Partnership

We're continuously looking for ways to enable our users and merchants to effectively run and grow their businesses on Wix. This week, we added robust global selling capabilities to our suite of commerce tools with **a new partnership with Global-E**, **the global leader of DTC cross-border ecommerce enablement.** Wix merchants can now target global growth with localized ecommerce through Global-E's advanced international cross-border selling solution. The strategic partnership enables Wix merchants to easily enter and sell in new global markets with offerings such as multi-currency support, fully localized checkout, customizable pricing, enhanced international payment processing and streamlined international logistics among other features – removing many barriers of international online retail that SMBs face. This partnership is a reflection of our ongoing commitment to empowering merchants on Wix to grow their business in the global marketplace.

Financial Review

Outperformance of 2023 Targets and Anticipated Top-line Acceleration through 2024 Underpin Expectation to Significantly Surpass Three-Year Plan Goals and Rule of 40 in 2025

Strong strategic execution of our growth initiatives for Self Creators and Partners as well as continued operating leverage from the cost efficiencies implemented in 2022 and early 2023 resulted in outperformance against the 2023 targets set out in our three-year plan.

Highlights for the full year include:

- Total revenue grew 13% y/y, at the high end of our guidance
- Partners revenue grew 35% y/y with growth accelerating through the year
- Creative Subscriptions ARR of $1.19B, an increase of 10% y/y
- Non-GAAP gross margin of 68%, an improvement of 470 bps from 2022
- Non-GAAP operating margin of 15%, our first year of positive operating income since 2019
- Positive GAAP net income – two years ahead of expectations
- FCF[1] margin of 16% with record margin of 22% of revenue in Q4 – meaningfully above the 13% margin target in the three-year plan
    - Breakeven FCF in Partners business for first time – one year ahead of plan
- **2023 FCF[1] per share of $3.82, well ahead of our initial $3+ target due to strong cash flow generation and disciplined share count management**

As a result of the milestone product launches of 2023, strong cohort behavior, particularly in our Partners business, and a stable and steadily-improving macro environment, **we expect strong bookings growth of 12-14% y/y in 2024 with accelerated growth of 15% y/y in 2H. This bookings trend is anticipated to translate into y/y revenue growth acceleration in 2025.**

The outperformance of our 2023 targets in conjunction with this expected acceleration in bookings growth and continued mindful expense management in 2024 gives us confidence that we will overachieve on our three-year plan and <u>significantly surpass the Rule of 40 in 2025</u>.

[1] *Free cash flow excluding one-time cash restructuring charges, if applicable, and expenses associated with the buildout of our new corporate headquarters.*

User Cohort Performance

We stated in our August 2023 Analyst & Investor Day that we believed our 2023 cohorts would be among our strongest non-COVID-19 cohorts in our history, which has proved to be true. The strong performance of our user cohorts is supported by consistent performance of our Self Creators cohorts and compounding growth of our Partners cohorts.

Cumulative bookings in our Q1'23 user cohort grew to $60.4 million through Q4'23, an increase of 9% compared to the prior year cohort of the same age. The Q1'23 user cohort is also the second largest ever in terms of cumulative bookings through its first four quarters, behind only our Q1'21 user cohort, which was substantially aided by the COVID-19 pandemic. We ended 2023 with 263 million registered users.

Growth in our user cohorts continue to benefit from strong conversion of users to subscriptions, strong growth of Partners and increasing monetization. In 2023, we added 189 thousand premium subscriptions on a net basis, bringing our total subscriptions to approximately 6.3 million at year end.

Average revenue per subscription (ARPS) grew to more than $253, an increase of 10% y/y, as we benefited throughout the year from higher pricing, favorable mix in higher priced subscription packages and growth in the adoption and usage of Business Solutions.

Our overarching goal is to maximize the monetization of our user cohorts' lifetime value measured in dollars. We do this by leveraging our strong product innovation to increase the value of our platform for our users. As we introduce new features and services to our users, we benefit from higher conversion of users to subscriptions, improving price mix, strong revenue retention and overall longer term monetization. As we create cohorts with higher lifetime value, we generate bookings over a long period of time.

We continue to bring higher-intent users, particularly commerce users and Partners, which are converting at higher rates, purchasing a mix of higher-priced packages, attaching a greater number of Business Solutions offerings, which generate more GPV per site on average, and exhibit better retention rates. We believe this behavior will continue, increasing the lifetime value of our cohorts.

Our success is evidenced by the Net Revenue Retention, which increased to 105% in 2023, compared to 102% in 2022. Our strong product offering and accomplishments of bringing Partners increases revenue retention of our user cohorts.

Further illustrating our success, we now expect our existing user cohorts to produce over $16.2 billion in bookings over the next 10 years, assuming consistent cohort behavior. This estimation illustrates the strength of our product offering, our business model and execution over the last year.

Revenue and Bookings

Total revenue grew to $403.8 million in Q4'23, up 14% y/y, driven by strong revenue growth in both Creative Subscriptions and Business Solutions. Changes y/y in FX rates had an immaterial impact on revenue. Total revenue in 2023 grew to $1.562 billion, an increase of 13% y/y.

Total bookings in Q4'23 were $395.0 million, up 6% y/y, driven by strong bookings in both Creative Subscriptions and Business Solutions. Changes y/y in FX rates had an immaterial impact on bookings. Total bookings in 2023 were $1.598 billion, an increase of 9% y/y.

Revisiting Bookings

Bookings is a leading indicator of future revenue as it reflects cash collected from users that purchase subscription packages. The majority of new subscription packages sold are annual or longer in term (as opposed to monthly), and we collect cash up front for the entire term. This collection of cash generates deferred revenue on our balance sheet that is amortized into revenue over the life of the subscription. As of the end of 2023, deferred revenue totaled $676.0 million.

Beginning in 2020, we recorded long-term commitments from B2B Partners and Enterprises as bookings. Long-term commitments are off balance sheet and are not recorded as deferred revenue until due within 12 months.

In 2023, B2B partners became more reluctant to commit to long-term agreements due to macro uncertainty, so we moved to usage-based agreements. We also made the decision to stop recording any long term commitments in bookings going forward and are now only recording the first year as bookings.

Due to this change, we believe excluding long-term bookings associated with B2B partnership agreements from 2022 is the most appropriate way to compare results to 2023. As illustrated in the table below, removing long-term bookings from 2022 figures results in total bookings growth of 10% y/y in Q4'23 and 11% y/y for the full year 2023.

$ in thousands	**Q4'22**	**Q4'23**	***y/y***	**FY 2022**	**FY 2023**	***y/y***
Total bookings	$371,813	$395,004	*6%*	$1,472,119	$1,597,503	*9%*
B2B Partnership long-term bookings (commitments >12 months from time of booking)	$12,094	-		$37,926	-	
Bookings excl. B2B Partnership LT bookings	**$359,719**	**$395,004**	***10%***	**$1,434,193**	**$1,597,503**	***11%***

In addition to this change, total bookings growth in 2023 was impacted by a slightly higher percentage of monthly subscription packages compared to a year ago and the lapping of price increases we implemented in Q2 2022.

Note that all three of these items affect Creative Subscriptions bookings (as illustrated below), but they are not anticipated to be headwinds to bookings growth in 2024.

Creative Subscriptions Revenue and Bookings

Creative Subscriptions revenue grew to $296.2 million in Q4'23, up 12% y/y, and to $1.152 billion in 2023, up 11% y/y. Creative Subscriptions ARR grew to $1.193 billion as of the end of 2023, up 10% y/y.

Creative Subscriptions bookings in Q4’23 was $283.5 million, up 1% y/y, and $1.175 billion in 2023, up 5% y/y. Adjusting for long-term bookings in 2022, Creative Subscriptions bookings in Q4’23 grew 5% y/y and in FY23 grew 8% y/y. Bookings growth was positively driven by higher conversion and increased monetization and was offset by a slightly higher percentage of monthly subscription packages compared to a year ago and the lapping of price increases implemented in Q2 2022.

$ in thousands	**Q4’22**	**Q4’23**	***y/y***	**FY 2022**	**FY 2023**	***y/y***
Creative Subscription bookings	$281,766	$283,501	*1%*	$1,121,411	$1,174,776	*5%*
B2B Partnership long-term bookings (commitments >12 months from time of booking)	$12,094	-		$37,926	-	
Creative Subscription bookings excl. B2B Partnership LT bookings	**$269,672**	**$283,501**	***5%***	**$1,083,485**	**$1,174,776**	***8%***

Business Solutions Revenue and Bookings

Business Solutions revenue grew to $107.6 million in Q4’23, up 20% y/y, and to $409.7 million in 2023, up 18% y/y. Business Solutions bookings grew to $111.5 million in Q4’23, up 24% y/y, and to $422.7 million in 2023, up 21% y/y.

The continued strong growth of both Business Solutions bookings and revenue was driven by strong GPV growth leading to higher transaction revenue y/y and continued strong adoption of business applications as our innovation and new products resonate with users.

Transaction revenue in Q4’23 was $46.6 million, or 43% of Business Solutions revenue, up 20% y/y. Transaction revenue growth was driven by a 13.5% y/y increase in GPV to $3.0 billion as well as a y/y increase in take rate as merchants continue to adopt Wix Payments. For the full year 2023, transaction revenue was $177.5 million, up 20% y/y, driven primarily by GPV of $11.4 billion, up 11% y/y, as well as an improvement in our take rate compared to a year ago.

In Q4, Partners comprised over 45% of our total GPV. As Partners bring larger commerce businesses to Wix, the transaction revenue generated from higher GPV creates a compounding revenue stream to our user cohorts.

Partners Revenue

Partners revenue in Q4’23 totaled $130.1 million, up 38% y/y, marking another quarter of incredible y/y growth. Partners revenue in 2023 was $468.5 million, an increase of 35% compared to a year ago.

Growth is driven by continued success in bringing new agencies, freelancers and developers to Wix and seeing existing Partners build more projects on Wix. This success is boosted by the addition of Wix Studio, which we fully launched in October 2023. Since launch, we’ve experienced an uptick in growth of Partners coming to Wix and projects built using Wix. We believe Studio will be a meaningful driver of growth in Partners revenue in 2024.

Our B2B partnerships also continue to drive Partners revenue growth as users from these partners utilize Wix to pair a website with other products and services.

Gross Profit and Margin

Total non-GAAP gross margin improved to 70% of revenue in Q4'23, an increase of over 460 bps y/y. For the full year 2023, total non-GAAP gross margin improved to 68%, a substantial increase from 64% in 2022.

Creative Subscriptions non-GAAP gross margin was approximately 83% in Q4'23 and was 82% for the full year 2023. Business Solutions non-GAAP gross margin improved to 33% in Q4'23 and to 29% for the full year. We expect continued improvement to the non-GAAP gross margin of Business Solutions in 2024 to approximately 30% for the full year.

Throughout 2023, we focused on bringing efficiency to our hosting infrastructure as well as Customer Care. We took many steps throughout the year, including optimizing hosting and incorporating AI into our Care workflows, that generated incremental margin.

We also benefited from improving gross margins in Wix Payments as adoption and volume of Wix Payments continues to grow.

Operating Expenses and Margin

Non-GAAP R&D expenses were $93.8 million in Q4'23, an increase of approximately 8% y/y and a decline of (1%) q/q. As a percent of revenue, non-GAAP R&D expenses were 23% in Q4'23, a decrease from 25% of revenue in the year ago quarter.

For the full year 2023, non-GAAP R&D expenses were $361.6 million, an increase of only 1% y/y, and were 23% of total revenue, a decline from 26% of total revenue in 2022.

Non-GAAP S&M expenses were $91.6 million in Q4'23, an increase of 5% y/y and 3% q/q. As a percent of revenue, non-GAAP S&M expenses were 23% in Q4'23, a decrease from 25% of revenue in the year ago quarter.

For the full year 2023, non-GAAP S&M expenses were $355.0 million, a decrease of 21% y/y, and were 23% of total revenue, a material decline from 32% a year ago.

The leverage in non-GAAP S&M expenses as a % of revenue, both in the quarter and the full year, was driven by the scale of our brand globally, mostly with Self Creators, allowing us to successfully execute a more streamlined marketing strategy throughout the year, focusing on attracting higher-intent users using lower amounts of acquisition marketing investment.

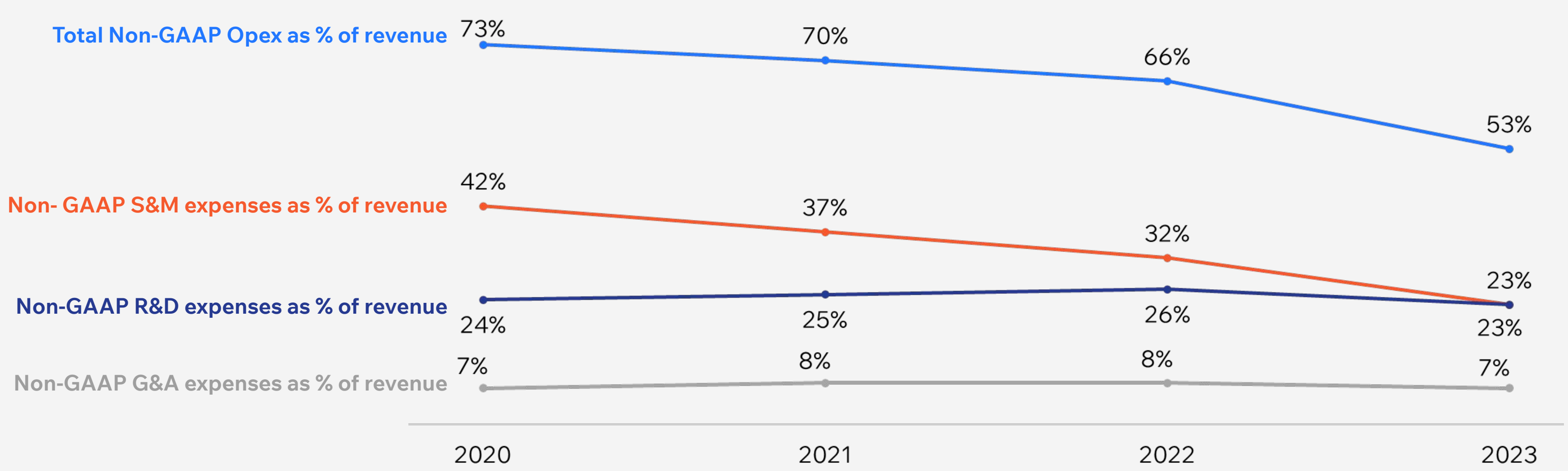
We increased our marketing investment for Wix Studio in Q4, the first full quarter of its release, and we plan to continue investing in marketing Wix Studio at these levels in 2024 as we capitalize on the growth we are already seeing with this product.

Non-GAAP G&A expenses were $32.0 million in Q4'23, an increase of 21% y/y and 17% q/q. As a percent of revenue, non-GAAP G&A expenses were 8% in Q4'23, an increase from a year ago. G&A expenses increased in Q4 due to approximately $5 million in non-recurring costs. First, as chargebacks on payments are expensed in G&A, we incurred several chargebacks related to a single business failure. Second, we incurred some expenses during the onset of the Israel-Hamas war.

For the full year 2023, non-GAAP G&A expenses were $110.4 million, flat compared to last year, and were 7% of total revenue, a decrease from 8% a year ago.

Outperformance across the business and benefits from operating efficiencies resulted in non-GAAP operating income of $64.7 million in Q4'23, an increase of 111% y/y and 16% of revenue. For the full year, non-GAAP operating income was $240.0 million, or 15% of total revenue.

Meaningful Operating Leverage



Earnings, Cash Flow and Per Share Data

For the first time in our history, in 2023, we achieved GAAP net income for the full year. This accomplishment came two years ahead of when we anticipated at our Analyst & Investor Day in August and is a testament to the tremendous success of our operating efficiency and responsible management of stock based compensation.

GAAP net income was $3.0 million, or $0.05 per diluted share, in Q4'23. Non-GAAP net income was $74.0 million in Q4'23, or $1.22 per diluted share.

For the full year, GAAP net income was $33.1 million, or $0.57 per diluted share, and non-GAAP net income was $268.3 million, 17% of revenue and $4.39 per diluted share.

In Q4'23, free cash flow excluding capital expenditures and other expenses associated with the build out of our new corporate headquarters and restructuring costs, was $90.1 million, or 22% of total revenue. Including approximately $8.3 million in new HQ spend and $1.4 million in restructuring costs, free cash flow was $80.4 million in Q4'23.

For the full year 2023, free cash flow excluding capital expenditures and other expenses associated with the build out of our new corporate headquarters and restructuring costs was $246.1 million, or 16% of revenue. **This result is well ahead of the expectation of 13% of revenue we shared in August, as we continued to generate profitable growth throughout the second half of the year.**

Notably, we achieved breakeven free cash flow in our Partners business in full year 2023 – the first time in our history and one year ahead of our three-year plan. Higher than expected free cash flow was a result of strong sustained growth as well as improved gross margin and meaningful operating leverage driven by the broader efficiencies implemented over the past two years. We expect to continue to generate incremental gross and operating margin improvements as we benefit from compounding Partners growth, particularly as Studio ramps, and a stable operating expense base going forward. **As a result, we now expect to significantly exceed the FCF margin targets for 2024 and 2025 as outlined in our three-year plan.**

In 2023, we invested $57.9 million in capex for our new corporate headquarters, which is now open. For the first time in nearly a decade, all of our Tel Aviv-based employees are working in the same location. We believe being physically closer together as a team will allow us to operate more efficiently and effectively.

We incurred $5.9 million in cash restructuring charges in 2023 due to cash paid to terminated employees associated with our headcount reduction earlier in the year and costs related to restructuring or terminating real estate leases for office locations we no longer use. Including headquarters costs and these restructuring costs, free cash flow in 2023 was $182.2 million, or 12% of revenue.

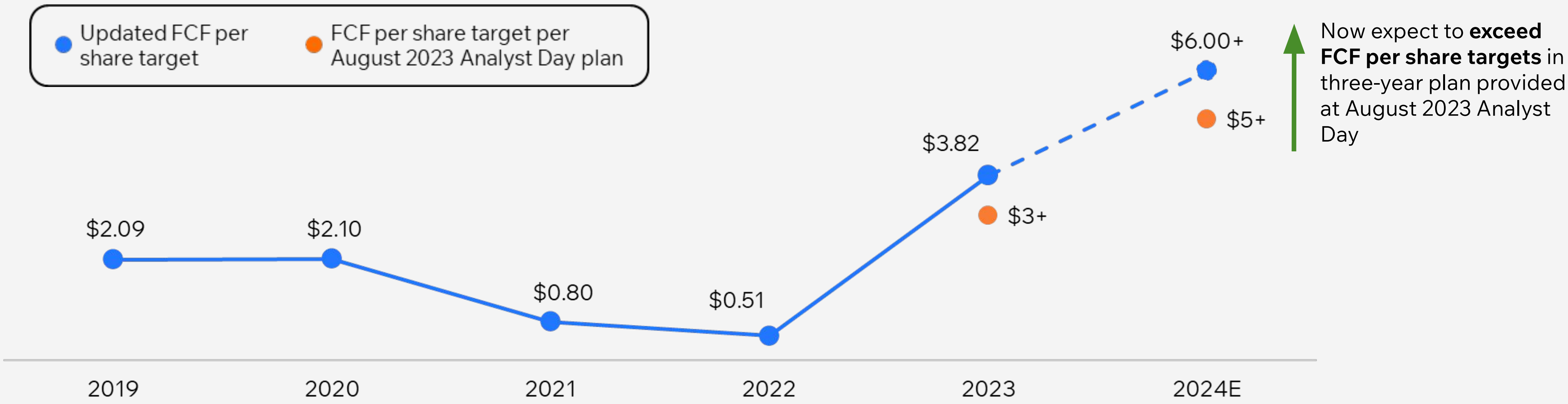
In addition to our focus on generating and growing free cash flow to increase shareholder value, we are following through on our commitment and Board authorization to use up to 50% of the free cash flow we generate through 2025 to repurchase shares. In mid-December, the Israeli courts approved $300 million in share repurchases, which we began executing soon after.

In Q4'23, we repurchased $58.7 million in shares and recently completed the $300 million court authorization. In total, we repurchased 2,401,695 shares at an average price of $124.91 per share.

Since Q4'22, we have used $600 million to repurchase more than 6 million shares, representing approximately 10% of our shares outstanding. This activity underscores our commitment to responsibly managing our share count and increasing shareholder value.

We are currently in the process of pursuing the necessary approvals for an additional $225 million in share repurchases.

Our strong cash flow generation and share repurchase activity puts us ahead of plan in achieving our forecasted FCF per share. We ended 2023 generating FCF per share of $3.82, ahead of the $3+ FCF per share we presented at our Analyst Day, and we are increasing our expectation for 2024 to $6+ FCF per diluted share.

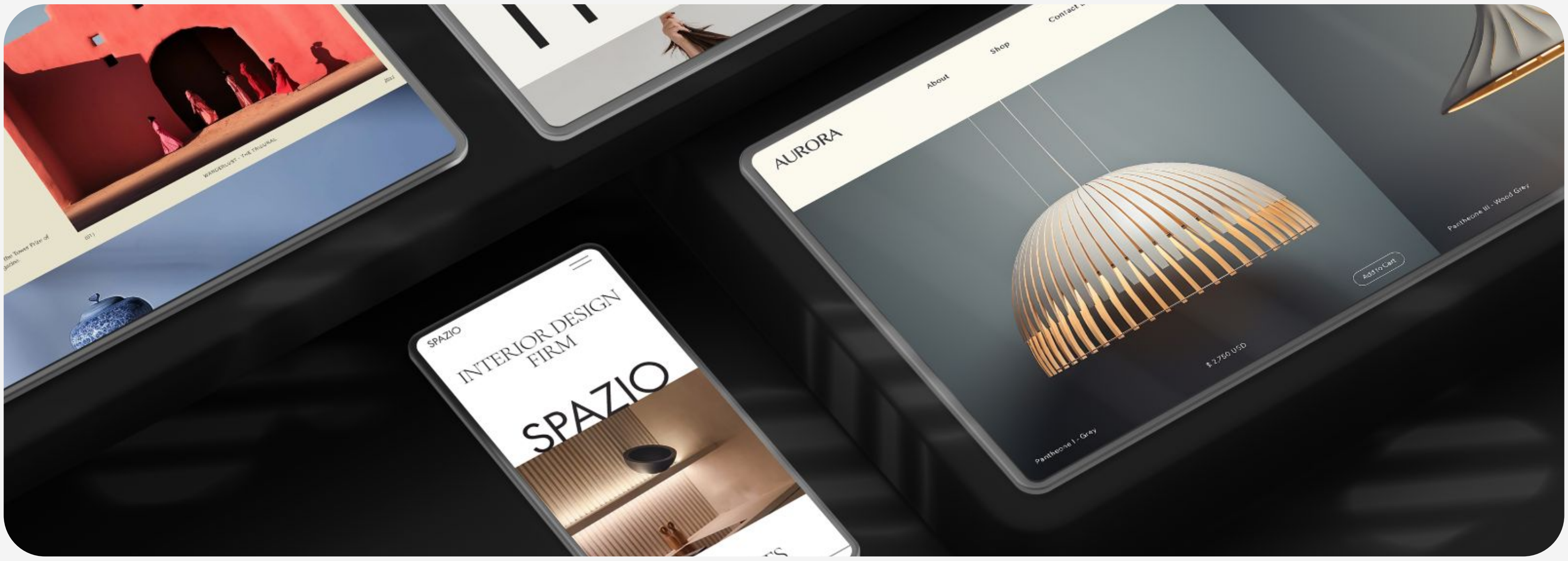


Balance Sheet and Other Items

We ended Q4'23 with approximately $1.03 billion in cash and cash equivalents and $569.7 million outstanding of our convertible bond due in August 2025.

Our total employee count including contractors at the end of Q4'23 was 5,302, down 4% from the same period last year.

Outlook



Coming off of a strong year of significant product launches and strengthening fundamentals, we believe our business will experience strong top line growth of bookings in 2024 and more significantly in the second half of the year. This positive trend in bookings growth is expected to translate into y/y revenue growth acceleration in 2025.

This growth, paired with improved profitability targets due to a high degree of operating efficiency leads to our expectation that our financial performance in 2024 and in 2025 will surpass the three-year plan we shared at our Analyst & Investor Day in August.

We now expect to significantly exceed the Rule of 40 in 2025.

Accelerating Bookings Growth in 2024

We are reintroducing bookings guidance as we enter 2024 with improved visibility and a tremendous amount of confidence in our business, a stable and positively-trending macro environment, strong cohort behavior, particularly in our Partners business, and most notably, ramping benefits from Studio and the milestone AI initiatives launched in 2023.

For the full year 2024, we expect total bookings of $1.78 - $1.81 billion, up 12 - 14% y/y, an acceleration from 2023. We expect y/y growth of total bookings to accelerate in the second half of 2024 to 15% at the high end of the guidance range, positioning the business to achieve accelerating y/y revenue growth in 2025. In particular, the acceleration is expected to be primarily in Creative Subscription bookings, bringing it to double digit y/y growth in the 2H24.

Reconciling Bookings y/y growth from 9% in 2023 to the 12-14% expectation in 2024, approximately half of the incremental y/y growth will be driven by the lapping of the negative impact of our shift away from multi-year B2B contracts with large upfront commitments to shorter-term usage-based contracts (reference *"Revisiting Bookings"* discussion for this impact on 2023 bookings growth).

The remaining half of this incremental growth acceleration is expected to be driven by the following factors:

- **Continued momentum and outperformance of Wix Studio** will benefit our user cohorts in 2024 as existing and new Partners choose Studio to build more of their projects;
- **Continuation of conversion and ARPS trends of Self Creators,** which will continue to bolster our user cohorts throughout the year;
- **Ramping benefits from our AI product releases to date**;
- **Continued success in attracting business and commerce users** that generate GPV and adopt business applications, as well as benefiting from the compounding of growing GPV from existing commerce users, that will drive Business Solutions bookings and revenue growth;
- **Results we have observed from the implementation of higher pricing for new and existing subscriptions**

This recent price action is part of our goal of aligning the continuously growing value our users receive from the Wix platform to the price they pay. Following our price increases in 2019 and 2022, as well as the one currently underway, **we believe there is still considerable room to continue to increase price as we innovate and deliver incremental value to users.** We will continue to explore potential price actions at a similar cadence going forward.

Outlook (cont’d)

For the full year 2024, we expect total revenue to be $1.73 - $1.76 billion, up 11 - 13% y/y.

We expect total revenue in Q1 2024 of $415 - $419 million, up 11 - 12% y/y.

We continue to operate the business in an efficient manner as evidenced by the meaningful operating leverage -- on both a GAAP and non-GAAP basis -- generated throughout 2023 compared to 2022. We plan to operate with the same efficiency in 2024 and expect strong gross profit growth due to gross margin improvements on a y/y basis as well as minimal incremental operating expenses this year.

For the full year 2024, we expect non-GAAP total gross margin of 68 - 69% with non-GAAP business solutions gross margin of 30-31% for the full year.

We expect non-GAAP operating expenses to be 51 - 52% of revenue for the full year, with non-GAAP sales and marketing to be roughly 23 - 24% of revenue.

We believe we are ahead of our plan to achieve GAAP profitability. We expect GAAP operating profit in 2024 as well as a second consecutive year of GAAP net income.

We expect to generate free cash flow, excluding headquarters costs, of $370 - $400 million, or 21 - 23% of revenue in 2024.

This FCF guidance, in combination with share repurchase activity, translates to more than $6 in free cash flow per diluted share in 2024, ahead of our three-year plan.

As we continue to responsibly manage dilution, we expect stock-based compensation expenses to decline for the third consecutive year as a percent of revenue to approximately 13% of revenue in 2024, in line with our three-year plan.

We expect capital expenditures, excluding costs associated with our new headquarters build out, of approximately $7 - $10 million in 2024. We will incur the final costs for our new headquarters in the first half of the year and anticipate them to be roughly $8 - $10 million.

Appendix

Notes and Modeling Clarifications

Creative Subscription Revenue and Creative Subscription Bookings refer to revenue or bookings, as applicable, generated from premium subscriptions, including premium subscriptions bundled with vertical solutions and domain name subscriptions and exclude any revenue or bookings, as applicable, included under Business Solutions Revenue or Bookings, respectively. Our total revenue is comprised of Business Solutions Revenue and Creative Subscriptions Revenue. Our total bookings is comprised of Business Solutions Bookings and Creative Subscriptions Bookings.

Business Solutions Revenue and Business Solutions Bookings refer to all revenue or bookings, as applicable, generated from business solutions and exclude any revenue or bookings, as applicable, included under Creative Subscriptions Revenue or Bookings, respectively.

Unbilled contractual obligations: we present firm multi-year commitments for the full contract term in bookings in the quarter in which the agreement is executed. The first year commitment amount is recognized as short-term accounts receivable and deferred revenue, and the remaining commitment amount will be recorded in our bookings as unbilled contractual obligations.

B2B partnership bookings is a subset of total bookings representing the full contractual commitments received from B2B partners, such as Vistaprint and LegalZoom, as well as enterprise partners.

GPV or Gross Payments Volume includes the total value, in US dollars, of transactions facilitated by our platform.

Transaction revenue is a portion of Business Solutions revenue, and we define transaction revenue as all revenue generated through transaction facilitation, primarily from Wix Payments as well as Wix POS, shipping solutions and multi-channel commerce and gift card solutions.

Partners revenue is defined as revenue generated through agencies and freelancers that build sites or applications for other users as well as revenue generated through B2B partnerships, such as LegalZoom or Vistaprint, and through enterprise partners. We identify agencies and freelancers building sites or applications for others using multiple criteria including but not limited to the number of sites built, participation in the Wix Partner Program and/or the Wix Marketplace or Wix products used (incl. Wix Studio). Partners revenue includes revenue from both the Creative Subscriptions and Business Solutions segments.

Net revenue retention rate: we calculate our Annual Net Revenue Retention Rate at the end of a base year (e.g., Dec 31, 2023), by identifying all of the registered users on our platform as of the end of the prior year (e.g., Dec 31, 2022) and then dividing the total revenue generated by that cohort of registered users at the end of the base year by the total revenue generated by same cohorts of registered users at the end of the prior year. The quotient obtained from this calculation is the Annual Net Revenue Retention Rate. The Annual Net Revenue Retention Rate excludes revenue from B2B partnerships, DeviantArt, Wix Answers, or past acquisitions.

Future bookings over next 10 years from existing cohorts: Future bookings over next 10 years from existing cohorts: Data represents actual bookings from Q1'10 – Q4'23 cohorts since creation and forecasted future cumulative bookings through Q4'33. Underlying our forecast of expected future bookings are certain assumptions and projections, such as assumptions regarding future cohort behavior of Partner and Self Creator cohorts based on historical data. Actual results may differ materially from our expectations. Beginning in Q3 2020, we included expected future bookings from Wix Payments. Cohort Bookings do not include bookings from users coming from the Wix Logo Maker funnel, DeviantArt, Wix Answers, or past acquisitions.

Reconciliation of GAAP to Non-GAAP financial measures

in 000s	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	$345,805	$355,040	$374,076	$389,977	$393,841	$403,771	$984,367	$1,269,657	$1,387,666	$1,561,665
Change in deferred revenues	$6,023	$4,081	$60,975	$12,043	$387	$2,788	$117,664	$82,361	$55,387	$76,193
Change in unbilled contractual obligations	$636	$12,692	($20,146)	($3,521)	($5,133)	($11,555)	-	$66,805	$29,066	($40,355)
Bookings	$352,464	$371,813	$414,905	$398,499	$389,095	$395,004	$1,102,031	$1,418,823	$1,472,119	$1,597,503
Creative Subscriptions Revenues	$261,066	$265,268	$278,130	$287,089	$290,634	$296,154	$783,456	$950,299	$1,039,479	$1,152,007
Change in deferred revenues	$8,235	$3,806	$55,445	$10,361	($1,584)	($1,098)	$107,784	$70,775	$52,866	$63,124
Change in unbilled contractual obligations	$636	$12,692	($20,146)	($3,521)	($5,133)	($11,555)	-	$66,805	$29,066	($40,355)
Creative Subscriptions Bookings	$269,937	$281,766	$313,429	$293,929	$283,917	$283,501	$891,240	$1,087,879	$1,121,411	$1,174,776
Business Solutions Revenues	$84,739	$89,772	$95,946	$102,888	$103,207	$107,617	$200,911	$319,358	$348,187	$409,658
Change in deferred revenues	($2,212)	$275	$5,530	$1,682	$1,971	$3,886	$9,880	$11,586	$2,521	$13,069
Business Solutions Bookings	$82,527	$90,047	$101,476	$104,570	$105,178	$111,503	$210,791	$330,944	$350,708	$422,727
Gross Profit	$217,948	$226,276	$244,598	$262,083	$264,798	$277,658	$671,348	$781,078	$861,439	$1,049,137
Share based compensation expenses	$4,418	$4,607	$4,238	$3,479	$3,621	$3,675	$9,127	$15,462	$17,811	$15,013
Acquisition related expenses	-	-	$24	$183	$17	$5	$765	$484	$140	$229
Amortization	$759	$689	$667	$667	$668	$667	$316	$2,030	$2,968	$2,669
Non GAAP Gross Profit	$223,125	$231,572	$249,527	$266,412	$269,104	$282,005	$681,556	$799,054	$882,358	$1,067,048
Non GAAP Gross margin	*65%*	*65%*	*67%*	*68%*	*68%*	*70%*	*69%*	*63%*	*64%*	*68%*

in 000s	2022 Q3	2023 Q4	Q1	Q2	Q3	Q4	FY 2020	FY 2021	FY 2022	FY 2023
Gross Profit - Creative Subscriptions	$199,031	$206,841	$220,646	$235,039	$237,447	$243,360	$615,917	$717,680	$787,892	$936,492
Share based compensation expenses	$3,503	$3,437	$3,151	$2,562	$2,673	$2,695	$7,140	$11,446	$13,933	$11,081
Non GAAP Gross Profit - Creative Subscriptions	$202,534	$210,278	$223,797	$237,601	$240,120	$246,055	$623,057	$729,126	$801,825	$947,573
Non GAAP Gross margin - Creative Subscriptions	*78%*	*79%*	*80%*	*83%*	*83%*	*83%*	*80%*	*77%*	*77%*	*82%*
Gross Profit - Business Solutions	$18,917	$19,435	$23,952	$27,044	$27,351	$34,298	$55,431	$63,398	$73,547	$112,645
Share based compensation expenses	$915	$1,170	$1,087	$917	$948	$980	$1,987	$4,016	$3,878	$3,932
Acquisition related expenses	-	-	$24	$183	$17	$5	$765	$484	$140	$229
Amortization	$759	$689	$667	$667	$668	$667	$316	$2,030	$2,968	$2,669
Non GAAP Gross Profit - Business Solutions	$20,591	$21,294	$25,730	$28,811	$28,984	$35,950	$58,499	$69,928	$80,533	$119,475
Non GAAP Gross margin - Business Solutions	*24%*	*24%*	*27%*	*28%*	*28%*	*33%*	*29%*	*22%*	*23%*	*29%*
Research and development (GAAP)	$120,384	$120,994	$114,943	$115,490	$125,117	$125,743	$320,278	$424,937	$482,861	$481,293
Share Based Compensation	$29,606	$32,335	$28,294	$28,778	$30,428	$31,982	$76,883	$102,056	$120,580	$119,482
Amortization	-	-	-	-	-	-	$477	-	-	-
Acquisition related expenses	$585	$1,656	$172	$56	$5	$4	$3,759	$7,312	$4,948	$237
Non-GAAP research and development	$90,193	$87,003	$86,477	$86,656	$94,684	$93,757	$239,159	$315,569	$357,333	$361,574
% of revenue	*26%*	*25%*	*23%*	*22%*	*24%*	*23%*	*24%*	*25%*	*26%*	*23%*
Selling and marketing (GAAP)	$117,448	$97,944	$99,133	$96,037	$100,765	$103,642	$438,210	$512,027	$492,886	$399,577
Share Based Compensation	$9,261	$9,559	$9,558	$9,652	$10,835	$11,232	$22,845	$33,853	$38,714	$41,277
Amortization	$820	$821	$820	$821	$820	$821	$1,780	$2,918	$3,274	$3,282
Acquisition related expenses	-	-	-	-	-	-	$956	$28	-	-
Non-GAAP selling and marketing	$107,367	$87,564	$88,755	$85,564	$89,110	$91,589	$412,629	$475,228	$450,898	$355,018
% of revenue	*31%*	*25%*	*24%*	*22%*	*23%*	*23%*	*42%*	*37%*	*32%*	*23%*
% of Non- GAAP Gross Profit	*48%*	*38%*	*36%*	*32%*	*33%*	*32%*	*61%*	*59%*	*51%*	*33%*

in 000s	2022 Q3	Q4	2023 Q1	Q2	Q3	Q4	FY 2020	FY 2021	FY 2022	FY 2023
General and administrative (GAAP)	$42,427	$39,941	$38,517	$37,250	$40,865	$43,401	$111,915	$169,648	$171,045	$160,033
Share Based Compensation	$13,511	$13,416	$12,431	$11,751	$13,365	$11,306	$38,458	$70,020	$59,731	$48,853
Amortization	$2	$1	$1	$1	$1	$1	$4	$4	$4	$4
Acquisition related expenses	-	-	-	$5	$1	-	$331	$856	$39	$6
Sales tax accrual and other G&A expenses (income)	$183	$219	$308	$157	$146	$137	$4,299	$1,692	$763	$748
Non-GAAP general and administrative	$28,731	$26,305	$25,777	$25,336	$27,352	$31,957	$68,823	$97,076	$110,508	$110,422
% of revenue	*8%*	*7%*	*7%*	*6%*	*7%*	*8%*	*7%*	*8%*	*8%*	*7%*
GAAP Operating Income (Loss)	($62,311)	($32,603)	($33,333)	$12,976	($5,792)	$1,769	($199,055)	($325,534)	($285,353)	($24,380)
Share Based Compensation	$56,796	$59,917	$54,521	$53,660	$58,249	$58,195	$147,313	$221,391	$236,836	$224,625
Amortization	$1,581	$1,511	$1,488	$1,489	$1,489	$1,489	$2,577	$4,952	$6,246	$5,955
Acquisition related expenses	$585	$1,656	$196	$244	$23	$9	$5,811	$8,680	$5,127	$472
Sales tax accrual and other G&A expenses (income)	$183	$219	$308	$157	$146	$137	$4,299	$1,692	$763	$748
Restructuring	-	-	$25,338	$330	$3,843	$3,103	-	-	-	$32,614
Non-GAAP Operating Income (Loss)	($3,166)	$30,700	$48,518	$68,856	$57,958	$64,702	($39,055)	($88,819)	($36,381)	$240,034
% of revenue	*-1%*	*9%*	*13%*	*18%*	*15%*	*16%*	*-4%*	*-7%*	*-3%*	*15%*
Net cash provided (used) by operating activities	$267	$53,234	$45,961	$47,761	$64,144	$90,379	$148,049	$65,685	$37,152	$248,246
Capital expenditures, net	($22,874)	($14,649)	($20,932)	($15,751)	($19,376)	($9,989)	($18,853)	($37,700)	($70,664)	($66,049)
Free Cash Flow	($22,607)	$38,585	$25,029	$32,010	$44,768	$80,390	$129,196	$27,985	($33,512)	$182,197
Capital expenditures and other cash costs related to Wix HQ office build out	$27,166	$13,405	$16,949	$14,630	$18,043	$8,324	$2,462	$23,449	$65,920	$57,946
Restructuring	-	-	$2,051	$2,453	-	$1,411	-	-	-	$5,915
Free Cash Flow (excluding capex and other cash costs)	$4,559	$51,990	$44,029	$49,093	$62,811	$90,125	$131,658	$51,434	$32,408	$246,058
% of revenue	*1%*	*15%*	*12%*	*13%*	*16%*	*22%*	*13%*	*4%*	*2%*	*16%*
Outstanding ordinary shares as year-end							56,027,758	57,254,189	56,305,462	57,172,595
Outstanding Stock options as year-end							4,621,780	4,720,600	4,332,022	3,956,056
Outstanding Restricted share units as year-end							2,078,427	2,225,516	3,123,019	3,236,742
Total Diluted Shares as of year-end							62,727,965	64,200,305	63,760,503	64,365,393
Free Cash Flow per Share							$2.10	$0.80	$0.51	$3.82
Net cash provided by (used in) operating activities per Share							$2.36	$1.02	$0.58	$3.86

in 000s	2023 Q4	FY
Bookings	$395,004	$1,597,503
Adjustment for FX changes	($4,325)	($2,324)
Y/Y Constant Currency Bookings	$390,679	$1,595,179

in 000s	2023 Q4	FY
Revenues	$403,771	$1,561,665
Adjustment for FX changes	($1,732)	$867
Y/Y Constant Currency Revenues	$402,039	$1,562,532