Shareholder Update

First Quarter 2023 | May 17, 2023

To our Shareholders, our Users & the Wix Team

Wix delivered an outstanding start to the year, building upon the momentum we saw in our business in the back half of 2022, as we executed on our strategy of providing the best platform of amazing products for Self Creators and Partners while increasing our operational discipline and efficiency. As a testament to the hard work and commitment to these objectives from everyone across the organization, we beat our growth and profitability expectations this quarter. Importantly, we are exiting Q1 on even better footing to achieve our goal of Rule of 40 in 2025, with a much higher expected FCF margin.

Strong bookings and revenue results in Q1 were underpinned by higher conversion and improved monetization of the new user cohort compared to the prior year quarter, stronger than expected performance of existing cohorts, robust Business Solutions adoption driven by new marketing and commerce-enablement tools, increased transaction revenue driven by GPV growth y/y and higher take rate, and particular outperformance in our Partners business.

These fantastic top-line results coupled with an intensified commitment to operational efficiency increased non-GAAP gross margin to 67% with non-GAAP Creative Subscriptions gross margin increasing to 80% in Q1 – both targets we had anticipated achieving later in the year.

In addition, execution of our new marketing strategy paid off as expected this quarter, resulting in higher y/y new Q1 cohort bookings with roughly half of the acquisition marketing investments of the prior year quarter. These strong bookings demonstrate the continued strength of the Wix brand nurtured over the past 15+ years. These standout results, combined with increased efficiencies across our organizational cost structure, resulted in higher than expected FCF margin of 12% of revenue in Q1. **Encouraged by these strong results, we are raising our expectations for revenue growth and FCF for 2023.**

The AI Opportunity for Wix

I want to provide some thoughts on AI that expand on my recent LinkedIn post and outline how I view AI as an exciting and value enhancing tool for Wix and our users.

My own background prior to Wix was in the development of advanced computing algorithms, including AI, which is why I find recent AI breakthroughs so exciting.

In fact, the data science and AI group here at Wix report directly to me. Over the past decade, we have been unlocking more and more opportunities based on AI breakthroughs while also collaborating with the best teams on the planet at OpenAI, Google X, IBM and others.

My thoughts on AI can be summarized in three key points:

First, our goal at Wix is to reduce friction.

The easier it is for our users to build websites, the better Wix is. We have proven this many times before, through the development of software and products, including AI. As we make it easier for our users to achieve their goals, their satisfaction goes up, conversion goes up, user retention goes up, monetization goes up and the value of Wix grows.

In 2016 we launched Wix ADI, an AI based site creation platform. Wix ADI is equivalent to using prompts from the user to build a site. Based on the prompts, the AI recommends pages, images and text that make sense, and then generates the site personalized to the business.

We have evolved this product over the years, and due to our long-established team and institutional knowledge of AI, it was easy for us to replace the initial text generation tool with OpenAI's ChatGPT for our AI Text Creator, which we introduced earlier this year.

Today, new emerging AI technologies create an even bigger opportunity to reduce friction in more areas that were almost impossible to solve a few years ago and further increase the value of our platform. We believe this opportunity will result in an increased addressable market and even more satisfied users.

We have over 200 AI and genAI models deployed on our platform, both to simplify complex technology for our users and to improve our internal workflows and development efficiency.

These models power many processes and innovations of ours including full site creation, text creation, image manipulation and enhancement, site design, user support, user sentiment analysis, site classification, recommendation engines, semantic search, forecasting and many more.

In the coming months, we will introduce even more AI tools fully powered by LLMs and proprietary algorithms, which will of course include full site creation that not only generates content but also the layout. It will also integrate with everything you need to run a business such as e-commerce, scheduling, SEO and more.

The second important point is that there is a huge amount of complexity in software, even with websites, and it’s growing.

Even if AI could code a fully functional e-commerce website, for example -- which I believe we are still very far from -- there is still a need for the site to be deployed to a server, to run the code, to make sure the code continues to work, to manage and maintain a database for when someone wants to buy something, to manage security, to ship the products, to partner with payment gateways, and many more things.

So even if you have something that can build pages and content and code…you still need so much more.

This gets to my third and final point, which is that even in the far future, if AI is able to automate all of these layers, it will have to disrupt a lot of the software industry, including database management, server management and cloud computing.

I believe we are very far from that and that before then, there will be many more opportunities for Wix to leverage AI and create value for our users.

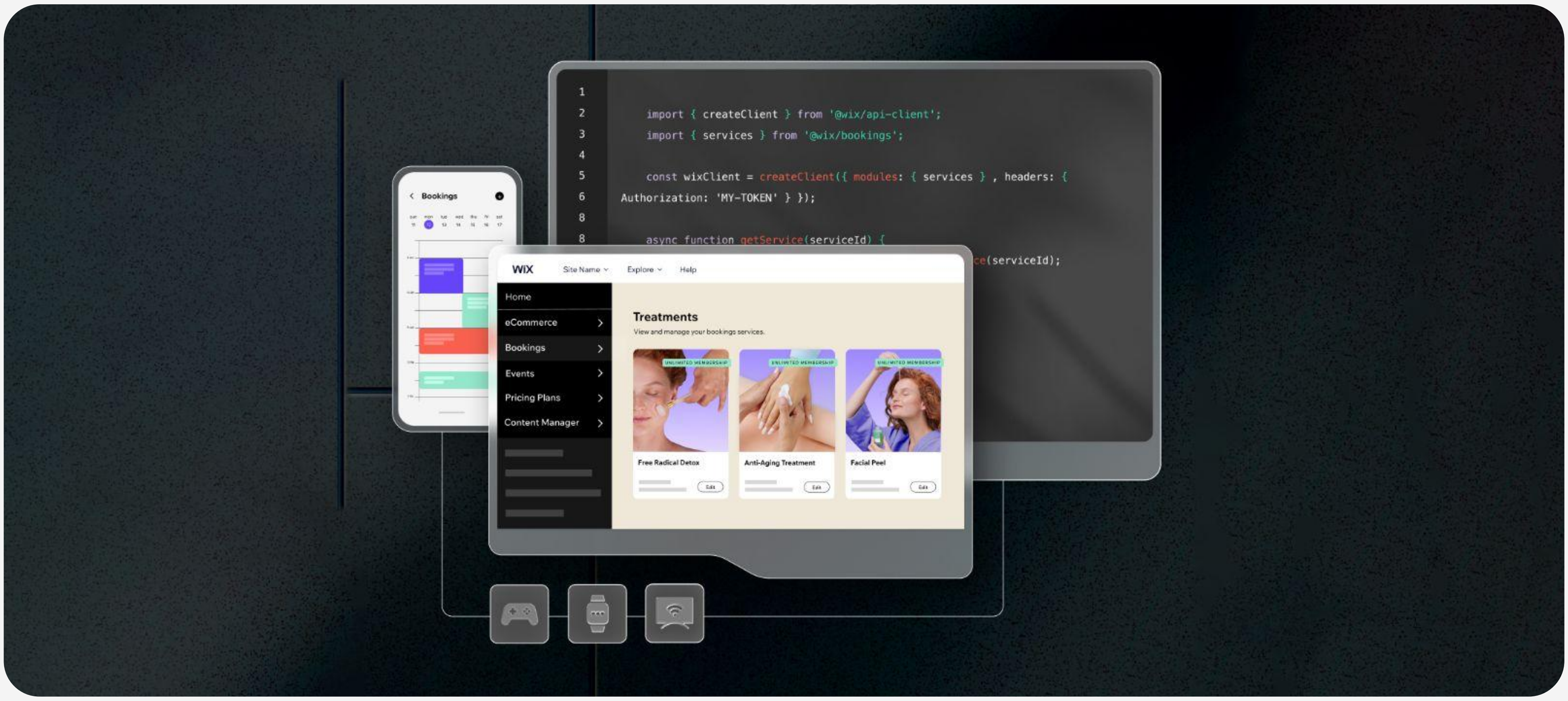
To add to that, the value in what we do today is allowing our users to capture their story and bring it to the web. The images have to be real and the story needs to be real -- the value of telling that story online and how to do it well is a big part of what we do here at Wix.

We are all tremendously excited about the power that AI is bringing in simplifying complex software and technology. Given our domain expertise in AI, our multiple-year head start in building Wix AI tools and integrating leading, third party AI tools, I believe AI will continue to make our business bigger, better and stronger.

This is an exciting time for Wix on all fronts with many product and innovation, growth, and profitability milestones ahead. I am more confident than ever in our team, the strategy that drives us all forward, and the amazing opportunities in front of us.

Avishai Abrahami
Co-founder and CEO

Product Update



New Commerce Offerings

We're constantly evolving our solutions and offerings to help our users and merchants efficiently grow their business.

This quarter we launched **Wix Shipping**, a native solution in partnership with Shippo, that provides Wix business owners faster, cheaper and more reliable delivery. Wix Shipping gives our users access to Shippo's shipping capabilities and to dozens of carriers directly from the Wix Dashboard, as well as the ability to fulfill their eCommerce orders faster. The benefits our business owners are getting also include buying and printing shipping labels, managing inventory and shipping in one place, having access to pre-negotiated rates, and flexible shipping options for any shipment volume. Additionally, every region has its own local carriers, ensuring full geographical coverage and a large variety of top-carrier options and preferred shipping rates.

We also announced an extended **partnership with Stripe to bring Tap to Pay** on iPhone to U.S. based Wix merchants, enabling them to accept and process secure contactless payments from contactless credit or debit cards, Apple Pay, and other digital wallets anywhere in the U.S, using the Wix Owner App and a compatible iPhone. Tap to Pay gives Wix merchants more flexibility to grow their businesses, help them manage it at every touchpoint and increase the monetization of their offline sales.

Wix Headless

We're also continuing to enhance our offerings for advanced users, Partners and Agencies, allowing them to develop more complex websites with ease. We just launched **Wix Headless**, a brand-new offering designed for developers that enables them to use Wix's business APIs for integrating eCommerce, Bookings, CMS, Events and more, from anywhere. With Wix Headless developers can use Wix business solutions with leading web frameworks, including React, Vue, Svelte, and Qwik, enabling more partnerships with leading full stack solutions. This is the first time we are opening the backend to work outside the Wix platform, offering developers easier scalability, more customization, multiple lines of business from one dashboard, faster delivery of projects and much more.

Google Ads

In May, we announced our integration with **Google Ads**, which enables Wix users to seamlessly create Google Ads directly from the Wix platform, drive more traffic to their site and ultimately increase conversions. Users can create effective campaigns efficiently by customizing ad settings and ad content in accordance with their campaign budget and automatically monitoring traffic, conversion, leads and revenue generated from the campaign to ensure success – all within the Wix platform.

The addition of Google Ads to our Business Solutions offering provides entrepreneurs and business owners with a powerful tool to help drive traffic to their site and grow their business, expanding our monetization opportunity including through an increase in GPV generated by their site. Given the encouraging early results we're seeing today, we expect Google Ads to contribute meaningfully to our Business Solutions segment and be a significant driver of Business Solutions revenue growth going forward.

Financial Review

Achieving Profitability Milestones Earlier than Anticipated

The strong profitable start to 2023 makes us more confident in our ability to achieve “Rule of 40” in 2025. Excellent execution on our business strategy coupled with an intensified focus on operating efficiencies and cost discipline has resulted in profitability milestones this quarter, including:

- Highest quarterly non-GAAP gross margin since 2020 of 67%, up ~470 bps y/y – ahead of expectations as this was a target previously anticipated for Q4
  - Non-GAAP gross profit increased 18% y/y, driven by strong growth coupled with hosting optimization, headcount efficiencies and increased adoption of Wix Payments
- Creative Subscriptions non-GAAP gross margin was above 80%, up ~450 bps y/y – ahead of expectations as this was a target previously anticipated for Q3
- Highest non-GAAP quarterly operating income and non-GAAP quarterly net income in our history, driven by new marketing strategy and additional savings across overall operating cost structure
  - ~50% y/y decrease in acquisition marketing spend while still increasing Q1 new cohort bookings
- These achievements culminated in a higher than expected FCF (excl. HQ and restructuring charges) margin of 12% in Q1

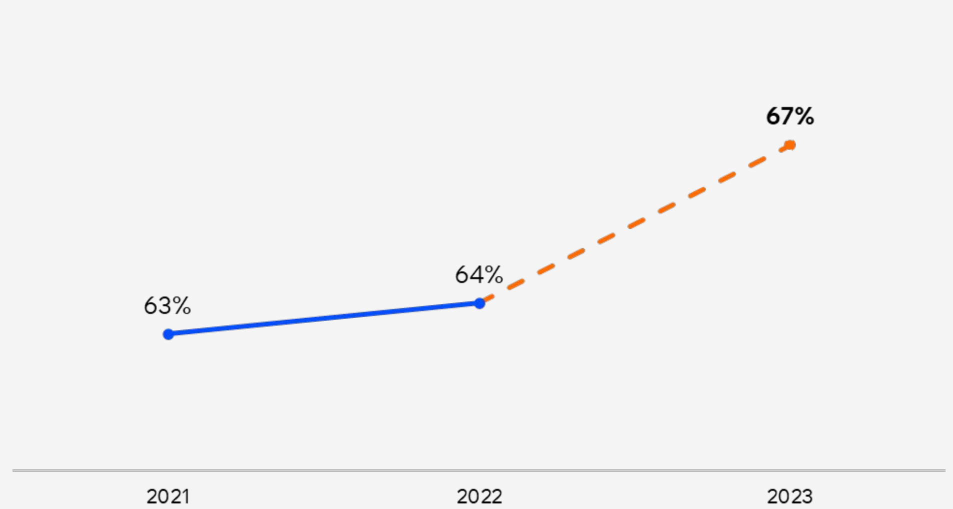
As a result of these achievements, we are updating our anticipated key financial milestones:

- Non-GAAP gross margin of 67% in FY2023 – previously anticipated to be 66%
- Creative Subscriptions non-GAAP gross margin of 81% in FY2023 – previously anticipated to be 80%
- Non-GAAP operating expenses of 58-59% of revenue for FY2023 – previously anticipated to be 59-60% of revenue
- More than $130 million of non-GAAP operating income and positive non-GAAP net income expected in FY2023 – previously anticipated to be more than $100 million
- FCF margin of 11-12% in FY23 with an exit rate of more than 13% – previously anticipated to be 10-11% in FY23 with an exit rate of 12-13%
  - Approximately half of this increase in expected free cash flow for the full year is driven by higher cost of revenue savings with the other half resulting from more operating expense savings than previously anticipated
- Reiterating positive GAAP operating income and net income expected for FY2025

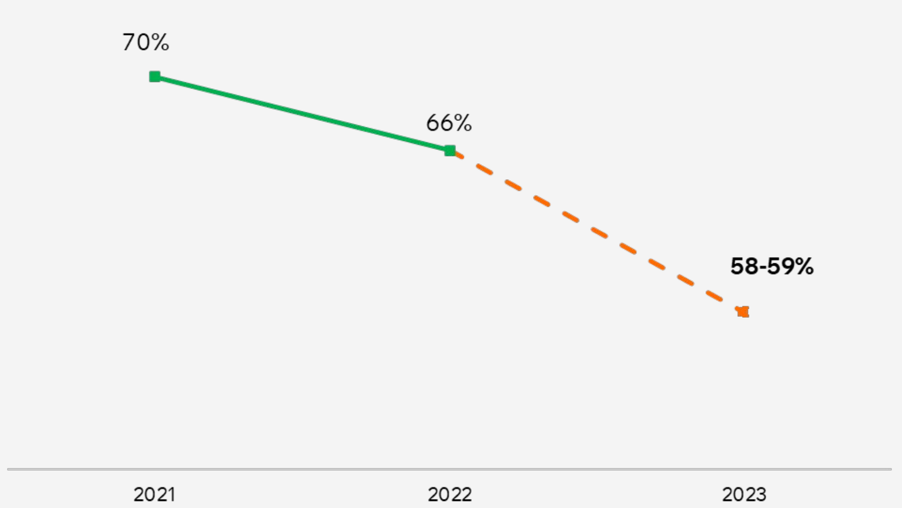
Well Positioned to Achieve “Rule of 40” in 2025

Strong execution of our strategic initiatives, particularly our focus on the Partners business which continues to grow nearly 30% y/y, will enable us to continue to deliver growth in the coming years. Additionally, we will carry forward the momentum we’ve built over the past few years of increasing profitability by advancing our commitment to operational efficiency across all aspects of our organization. **Looking past this year, continued cost management, particularly across operating expenses, will enable us to drive further leverage and achieve “Rule of 40” in 2025 with expectations of significant free cash flow margin expansion.**

Non-GAAP Gross Margin



Non-GAAP Opex % of revenue



User Cohort Performance

Our new Q1’23 user cohort of approximately 5.4 million users generated $30.1 million in bookings in the first quarter. Q1’23 user cohort bookings were higher than the bookings generated by the Q1’22 cohort in its first quarter while containing approximately 13% fewer users compared to the Q1’22 cohort. Note that the Q1’22 cohort performed well, generating 2% higher bookings in its first quarter compared to the Q1’20 cohort, which was just prior to the onset of the pandemic.

While the number of users in this new cohort is smaller than that of the Q1’22 cohort, these new users have much higher intent to build and succeed on Wix. This led to higher conversion of new users into paid subscriptions in the most recent cohort and allowed for better monetization as these higher intent users were more apt to purchase higher priced packages, add on Business Solutions products, and generate GPV.

The higher bookings from our new Q1’23 cohort, on a smaller new user base, reflects the continued success of our new marketing strategy introduced last quarter, which we believe is sustainable, and our success in capturing higher-intent users as well as increasing the monetization of our user cohorts. The strength of our global, scaled brand nurtured over the past 15 years allowed us to decrease acquisition marketing spend by approximately 47% y/y in the most recent quarter while increasing new cohort bookings compared to the prior year period. **As a result, we are realizing returns on our acquisition marketing investments faster than we ever have before in our history and are on pace to achieve a time to return on investment (TROI) of 4-5 months**. We ended Q1’23 with over 248 million registered users.

Growth of bookings from prior Q1 user cohorts was driven by new subscriptions to the platform, strong conversion of existing users and retention, increased ARPS year-over-year and sequentially and continued success at increasing our business with Partners. Our user cohorts also are benefitting from new subscriptions brought through our B2B partnerships. ARPS continues to improve as we onboard more commerce users and Partners and drive further monetization through higher priced packages, greater attach of Business Solutions products, particularly our marketing and commerce products, and increasing transaction revenue driven by growth in GPV and improved take rate. We expect ARPS to continue to increase as we lead innovation by introducing new product solutions built in house, like Wix Headless, as well as those built and customized with partners, like Wix Shipping, to better help our users achieve their goals online.

Total Revenue and Bookings

Total revenue grew to $374.1 million in Q1’23, up 10% y/y. **This result was $3.1 million above the top end of our guidance range.** Changes in y/y FX rates were a slight headwind in Q1 but had an immaterial impact on y/y growth. Strong revenue performance was driven by a reacceleration of growth in our Creative Subscriptions segment and continued growth in our Business Solutions segment underpinned by product innovation.

Partners revenue in Q1’23 totaled $103.9 million or 28% of total revenue, up 27% y/y. Partners revenue growth accelerated in the most recent quarter as more agencies, designers and developers continued to choose Wix for projects. Additionally, Partners monetization is also increasing as professionals buy higher priced packages, increasingly adopt more Business Solutions offerings, and generate GPV. We have also begun to see very early revenue contributions from the B2B partnerships signed over the past couple of years, including Vistaprint, Legalzoom and NTT Townpage, though still very minimal. We expect the momentum in our Partners business to continue.

Total bookings grew to $414.9 million in Q1’23, up 6% y/y against a difficult comparison of 12% y/y growth in Q1’22 that was driven by meaningful B2B partnership bookings contribution from the signing of our partnership with LegalZoom last year. **Total bookings excluding B2B partnerships grew 13% y/y on a constant currency basis.** Total bookings on a y/y constant currency basis was $422.7 million, or 7% y/y growth, in Q1’23.

Total bookings this quarter included a change in total unbilled contractual obligations of ($20.1) million driven by unbilled obligations associated with our B2B partnerships moving into deferred revenue. These amounts are offset by increases to unbilled obligations from new commitments signed during the quarter.

Creative Subscriptions Revenue and Bookings

Creative Subscriptions revenue grew to $278.1 million in Q1'23, up 9% y/y, the first quarter of y/y growth acceleration since early 2021. Creative Subscriptions ARR grew to $1.135 billion as of the end of Q1'23, up 9% y/y.

Creative Subscriptions bookings grew to $313.4 million in Q1'23, up 5% y/y as we lap the closing of our partnership with LegalZoom in the year-ago quarter. Creative Subscriptions bookings excluding B2B partnerships grew 11% y/y. Bookings and revenue growth were both driven by higher conversion of new users and existing users into subscriptions as well as increased monetization of users through higher-priced packages.

Business Solutions Revenue and Bookings

Business Solutions revenue grew to $95.9 million in Q1'23, up 11% y/y. Business Solutions bookings grew to $101.5 million in Q1'23, up 9% y/y. Both revenue and bookings growth accelerated meaningfully in the quarter compared to the prior three quarters.

Growth in both Business Solutions bookings and revenue were driven by continued strong adoption of business applications, particularly Google Ads along with other marketing and business management offerings. Business Solutions growth also benefited from higher transaction revenue y/y.

Transaction revenue, which is a portion of Business Solutions revenue and includes revenue generated by transaction facilitation, in Q1'23 was $42.3 million or 44% of Business Solutions revenue, up 16% y/y. Transaction revenue growth was driven by a 6% y/y increase in gross payments volume (GPV) to $2.7B in Q1 due to solid performance both across geographic markets, our diverse commerce verticals and Partners. Growth was also driven by higher overall take rate as merchant adoption of Wix Payments increased in the quarter.

Gross Profit and Margin

Total non-GAAP gross margin was 67% of revenue in Q1’23, up approximately 470 bps y/y and approximately 150 bps q/q, driven by accelerating gross margins across both Creative Subscriptions and Business Solutions.

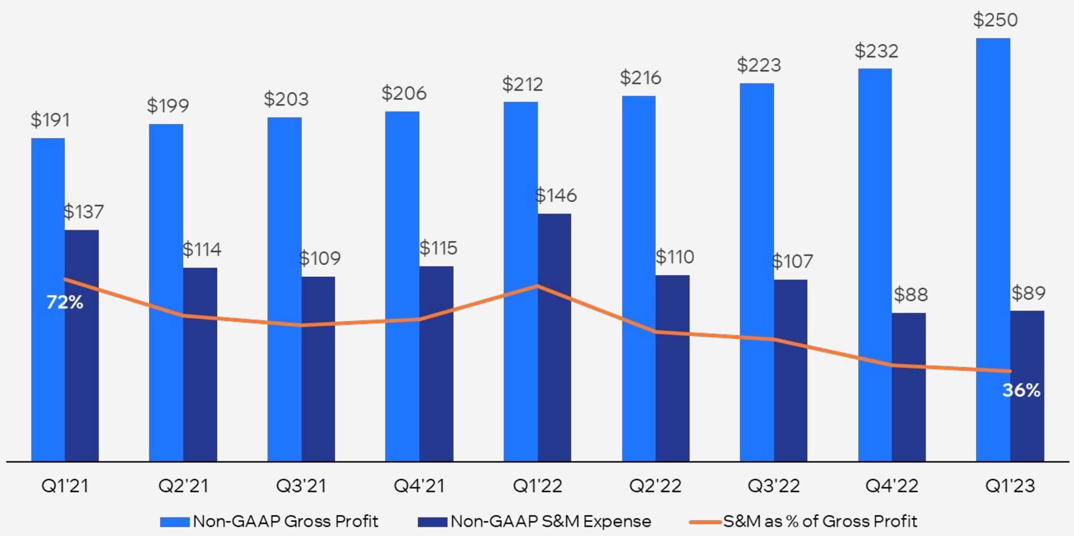
Creative Subscriptions non-GAAP gross margin was slightly above 80% in Q1’23, up more than 450 bps y/y and more than 110 bps q/q. This is ahead of our previous expectation of Creative Subscriptions non-GAAP gross margin increasing above 80% in Q3’23.

Business Solutions non-GAAP gross margin was 27% in Q1’23, up more than 550 bps y/y and more than 310 bps q/q.

These margin improvements were driven by strong growth in these businesses coupled with hosting optimization, headcount efficiencies across our Customer Care organization, and continued efficiencies across our operating cost structure this quarter. Business Solutions non-GAAP gross margin also benefited from strong adoption of business applications as well as higher gross margins in our payments business as a result of scale benefits of higher Wix Payments volume and adoption.

Operational efficiencies drove total non-GAAP gross profit up 18% y/y to $249.5 million while non-GAAP sales and marketing expenses have decreased nearly 39% y/y to $88.8 million this quarter, resulting in significantly lower non-GAAP sales and marketing expenses as a percentage of non-GAAP gross profit compared to historical periods. We expect this momentum to continue as we focus on profitability.

Operational efficiencies driving gross profit growth while sales & marketing spend has decreased over time



Cost discipline has driven gross profit to increase ~31% over past two years while S&M spend has decreased ~35% over the same period as we’ve deployed a new marketing strategy and Wix brand strengthened meaningfully

Operating Expenses and Margin

Non-GAAP R&D expenses were $86.5 million in Q1’23, a decrease of 1% q/q and 3% y/y. As a percent of revenue, non-GAAP R&D expenses were 23% in Q1’23, down from 25% in Q4’22 and 26% in Q1’22. The decrease in non-GAAP R&D expenses was a result of lower headcount and associated overhead costs as part of our commitment to driving efficiency.

Non-GAAP S&M expenses were $88.8 million in Q1’23, a slight increase of 1% q/q and a decrease of 39% y/y. As a percent of revenue, non-GAAP S&M expenses were 24% in Q1’23, down from 25% in Q4’22 and 43% in Q1’22. This significant decline in non-GAAP S&M expenses was driven by continued execution of our new marketing strategy focusing on higher intent users, which resulted in an approximately 47% decrease in acquisition marketing spend in Q1’23 compared to the prior year quarter and a significant improvement in TROI.

Non-GAAP G&A expenses were $25.8 million in Q1’23, a decrease of 2% q/q and 6% y/y. As a percent of revenue, non-GAAP G&A expenses were 7% in Q1’23, slightly down q/q and down from 8% in Q1’22. The decrease in non-GAAP G&A expenses were driven by declining headcount and associated overhead as well as continued efficiencies across our operating cost structure.

Our GAAP results in Q1 include a $25.3 million one-time charge related to the headcount reduction we announced in February. The one-time charge includes cash and non-cash severance and related items of approximately $4.5 million and impairment charges of approximately $20.8 million related to the early termination, modification or impairment of operating leases that will no longer be needed as we align our office space with operating needs.

Non-GAAP operating income in Q1 was $48.5 million, or 13% of revenue, marking the highest non-GAAP quarterly operating income in our history. Non-GAAP operating income excludes the impact of the one-time restructuring charge as well as stock-based compensation and other one-time items.

Earnings and Per Share Earnings

On a GAAP basis, net loss was $10.4 million, or $(0.18) per share. Non-GAAP net income was $51.1 million in Q1'23 or $0.91 per share. Non-GAAP net income excludes the impact of the restructuring charge in Q1.

Additionally, we recorded realized and unrealized gains, net of taxes, of approximately $10.7 million from our equity investments, primarily attributed to the increase in the share price of monday.com. These adjustments were excluded from non-GAAP results.

Basic weighted average shares outstanding in Q1 was 56.4 million, a decrease of nearly 1.8 million shares compared to the prior quarter due to our share repurchase activity during Q4 and Q1.

Cash Flow and Balance Sheet

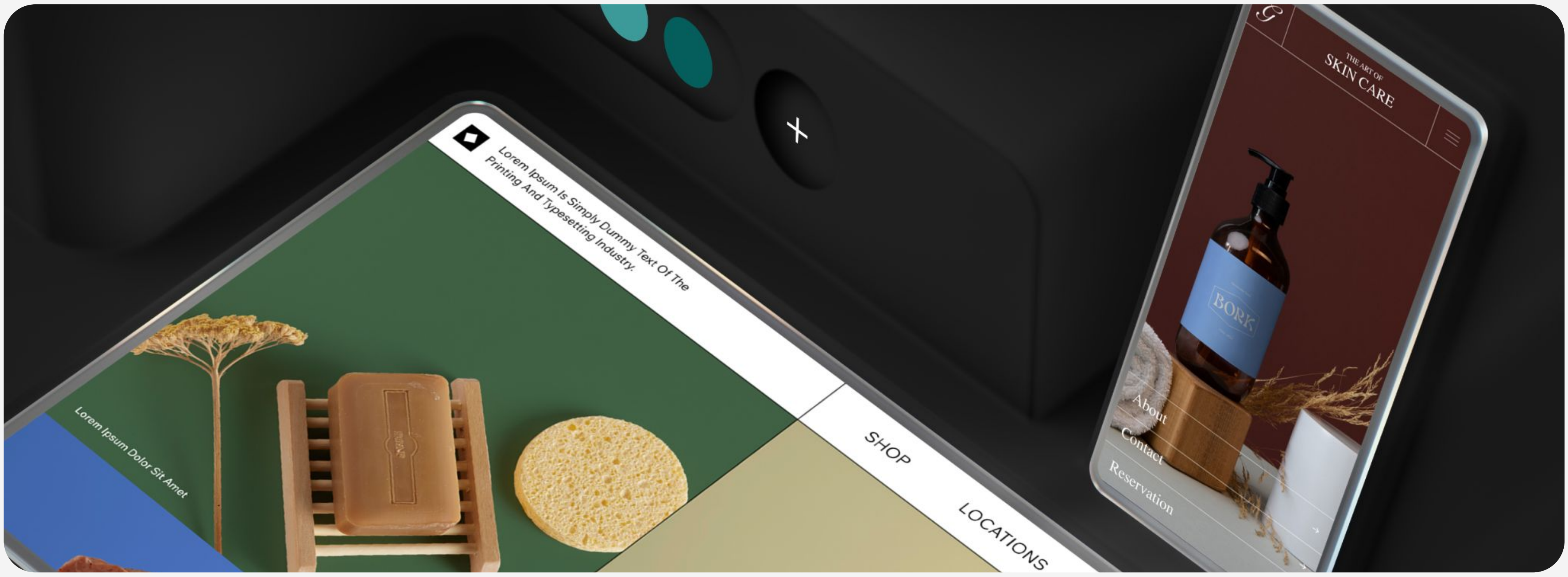
Free cash flow in Q1’23, excluding one-time cash restructuring charges and capital expenditures and other expenses associated with the build out of our new corporate headquarters, was $44.0 million in Q1'23 or 12% of total revenue. Including approximately $2.1 million in cash restructuring charges and $16.9 million in new HQ spend, free cash flow was $25.0 million in Q1’23.

We ended Q1’23 with approximately $1.3 billion in cash and cash equivalents and $929 million in short and long-term debt.

This quarter, we continued to repurchase shares. In total, we have repurchased approximately $250 million of ordinary shares under our $300 million share repurchase program authorized by the board in September 2022.

Our total employee count at the end of Q1’23 was 5,006, which includes the impact of the headcount reduction announced in February. Our total headcount is down 18% in the last year.

Outlook



Our outstanding Q1 results, which exceeded our expectations, demonstrate the success of our business model in a challenging macro environment and gives us confidence in the ability to achieve our profitability goals for the year ahead of our original plan. We also remain committed to achieving the Rule of 40 in 2025, with expectations of significant cash flow margin expansion.

While we are seeing signs of a modest recovery in the macro economy, we remain cautious going forward and continue to focus on ways to drive efficiencies in our business.

We expect Q2 revenue to be $380 - $385 million, or 10 - 12% growth y/y.

Due to the outperformance we experienced in Q1, we are increasing our full year outlook to $1,522 - $1,543 million or 10-11% y/y growth, an increase from our previous outlook of $1,510 - $1,535 million or 9 - 11% y/y growth.

Our efforts in improving gross margins and operating efficiencies across the organization have resulted in an inflection in profitability, which we believe we can continue to improve and sustain throughout 2023 and beyond. As a result, we are increasing our profitability expectations for the year.

We now anticipate non-GAAP gross margin of approximately 67% for the full year, up from our previous expectation of approximately 66% for the full year 2023, driven by improvement in the profitability of our Creative Subscriptions business. We now anticipate Creative Subscriptions gross margin of approximately 81% for the full year, up from our previous expectation of approximately 80%. We continue to expect Business Solutions gross margin of approximately 27% in 2023.

Non-GAAP operating expenses are expected to decrease to 58-59% of revenue for the full year, down from our previous expectation of 59-60% of revenue. This decrease is primarily driven by lower sales and marketing expenses than previously anticipated as well as other incremental operational efficiencies. Non-GAAP sales and marketing expenses are now expected to be approximately 27% of revenue in 2023, down from our previous expectation of 27-28% of revenue.

We are increasing our outlook for free cash flow, excluding HQ and cash restructuring costs, for the year to $172 - $180 million, or 11 - 12% of revenue, and we expect to exit 2023 with a free cash flow margin of more than 13%. This compares to our previous free cash flow outlook of $152 - $162 million, or 10 - 11% of revenue and an exit rate of 12-13%.

Note that our revised outlook excludes approximately $4.5 million in cash restructuring costs, of which approximately $2.1 million was incurred in Q1 with the remainder being incurred in Q2.

Approximately half of this increase in expected free cash flow for the full year is driven by higher cost of revenue savings with the other half resulting from more operating expense savings than previously anticipated.

Finally, stock-based compensation is expected to decrease to 14-15% of revenue in 2023, previously anticipated to be 15%, as headcount across the organization declines more meaningfully than previously anticipated. We expect stock-based compensation as a percentage of revenue to continue to decline y/y through 2025.

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. 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, 2022), by identifying all of the registered users on our platform as of the end of the prior year (e.g., Dec 31, 2021) 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. Net revenue retention is based on constant FX rates from 2021. Including FX impact of 2022, net revenue retention was 102%.

Future bookings over next 10 years from existing cohorts: Data represents actual bookings from Q1’10 – Q4’22 cohorts since creation and forecasted future cumulative bookings through Q4’32. Underlying our forecast of expected future bookings are certain assumptions and projections, such as assumptions regarding future cohort behavior based on historical data, the timing of improvement in certain macroeconomic conditions, the impact of certain macroeconomic conditions on our business, and the non-recurrence of foreign currency exchange rate changes that negatively impacted bookings in 2022. 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, or bookings from B2B partnerships, DeviantArt, Wix Answers, or past acquisitions .

Conference Call and Webcast Information

Wix will host a conference call to discuss the results at 8:30 a.m. ET on Wednesday, February 22, 2023. To participate on the live call, analysts and investors should register and join at https://register.vevent.com/register/BI5eb72bdb2bf1417e924830624d187210. A replay of the call will be available through February 22, 2024 via the registration link.

Wix will also offer a live and archived webcast of the conference call, accessible from the "Investor Relations" section of the Company's website at https://investors.wix.com/.

Non-GAAP Financial Measures and Key Operating Metrics

To supplement its consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, Wix uses the following non-GAAP financial measures: bookings, cumulative cohort bookings, bookings on a constant currency basis, revenue on a constant currency basis, non-GAAP gross margin, non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per share, free cash flow, free cash flow, as adjusted, free cash flow margins, non-GAAP R&D expenses, non-GAAP S&M expenses, non-GAAP G&A expenses, non-GAAP operating expenses, non-GAAP cost of revenue expense, non-GAAP financial expense, non-GAAP tax expense (collectively the "Non-GAAP financial measures"). Measures presented on a constant currency or foreign exchange neutral basis have been adjusted to exclude the effect of y/y changes in foreign currency exchange rate fluctuations. Bookings is a non-GAAP financial measure calculated by adding the change in deferred revenues and the change in unbilled contractual obligations for a particular period to revenues for the same period. Bookings include cash receipts for premium subscriptions purchased by users as well as cash we collect from business solutions, as well as payments due to us under the terms of contractual agreements for which we may have not yet received payment. Cash receipts for premium subscriptions are deferred and recognized as revenues over the terms of the subscriptions. Cash receipts for payments and the majority of the additional products and services (other than Google Workspace) are recognized as revenues upon receipt. Committed payments are recognized as revenue as we fulfill our obligation under the terms of the contractual agreement. Non-GAAP gross margin represents gross profit calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization, divided by revenue. Non-GAAP operating income (loss) represents operating income (loss) calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, acquisition-related expenses and sales tax expense accrual and other G&A expenses (income). Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, sales tax expense accrual and other G&A expenses (income), amortization of debt discount and debt issuance costs and acquisition-related expenses and non-operating foreign exchange expenses (income). Non-GAAP net income (loss) per share represents non-GAAP net income (loss) divided by the weighted average number of shares used in computing GAAP loss per share. Free cash flow represents net cash provided by (used in) operating activities less capital expenditures. Free cash flow, as adjusted, represents free cash flow further adjusted to exclude one-time cash restructuring charges and the capital expenditures and other expenses associated with the buildout of our new corporate headquarters. Free cash flow margins represent free cash flow divided by revenue. Non-GAAP cost of revenue represents cost of revenue calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP R&D expenses represent R&D expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP S&M expenses represent S&M expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP G&A expenses represent G&A expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP operating expenses represent operating expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP financial expense represents financial expense calculated in accordance with GAAP as adjusted for unrealized gains of equity investments, amortization of debt discount and debt issuance costs and non-operating foreign exchange expenses. Non-GAAP tax expense represents tax expense calculated in accordance with GAAP as adjusted for provisions for income tax effects related to non-GAAP adjustments.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. The Company uses these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. The Company believes that these measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

For more information on the non-GAAP financial measures, please see the reconciliation tables provided below. The accompanying tables have more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures. The Company is unable to provide reconciliations of free cash flow, free cash flow, as adjusted, cumulative cohort bookings, non-GAAP gross margin, and non-GAAP tax expense to their most directly comparable GAAP financial measures on a forward-looking basis without unreasonable effort because items that impact those GAAP financial measures are out of the Company's control and/or cannot be reasonably predicted. Such information may have a significant, and potentially unpredictable, impact on our future financial results.

Wix also uses Creative Subscriptions Annualized Recurring Revenue (ARR) as a key operating metric. Creative Subscriptions ARR is calculated as Creative Subscriptions Monthly Recurring Revenue (MRR) multiplied by 12. Creative Subscriptions MRR is calculated as the total of (i) all Creative Subscriptions in effect on the last day of the period, multiplied by the monthly revenue of such Creative Subscriptions, other than domain registrations; (ii) the average revenue per month from domain registrations in effect on the last day of the period; and (iii) monthly revenue from other partnership agreements.

Forward-Looking Statements

This document contains forward-looking statements, within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements may include projections regarding our future performance, including, but not limited to revenue, bookings and free cash flow, and may be identified by words like “anticipate,” “assume,” “believe,” “aim,” “forecast,” “indication,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “outlook,” “future,” “will,” “seek” and similar terms or phrases. The forward-looking statements contained in this document, including the quarterly and annual guidance, are based on management’s current expectations, which are subject to uncertainty, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Important factors that could cause our actual results to differ materially from those indicated in the forward-looking statements include, among others, our expectation that we will be able to attract and retain registered users and generate new premium subscriptions, in particular as we continuously adjust our marketing strategy and as the macro-economic environment continues to be turbulent; our expectation that we will be able to increase the average revenue we derive per premium subscription, including through our partners; our expectations related to our ability to develop relevant and required products using Artifical Intelligence (“AI”), the regulatory environment impacting AI related activities including privacy and intellectual property aspects, and potential competition from third-party AI tools which may impact our business; our expectation that new products and developments, as well as third-party products we will offer in the future within our platform, will receive customer acceptance and satisfaction, including the growth in market adoption of our online commerce solutions; our assumption that historical user behavior can be extrapolated to predict future user behavior, in particular during the current turbulent macro-economic environment; our expectation regarding the successful impact of our previously announced Cost-Efficiency Plan and other cost saving measures we may take in the future; our prediction of the future revenues generated by our user cohorts and our ability to maintain and increase such revenue growth, as well as our ability to generate and maintain elevated levels of free cash flow and profitability; our expectation to maintain and enhance our brand and reputation; our expectation that we will effectively execute our initiatives to improve our user support function through our Customer Care team, and that our recent downsizing of our Customer Care team will not affect our ability to continue attracting registered users and increase user retention, user engagement and sales; our plans to successfully localize our products, including by making our product, support and communication channels available in additional languages and to expand our payment infrastructure to transact in additional local currencies and accept additional payment methods; our expectation regarding the impact of fluctuations in foreign currency exchange rates, interest rates, potential illiquidity of banking systems, and other recessionary trends on our business; our expectations relating to the repurchase of our ordinary shares and/or Convertible Notes pursuant to our repurchase program; our expectation that we will effectively manage our infrastructure; our expectations regarding the outcome of any regulatory investigation or litigation, including class actions; our expectations regarding future changes in our cost of revenues and our operating expenses on an absolute basis and as a percentage of our revenues, as well as our ability to achieve profitability; our expectations regarding changes in the global, national, regional or local economic, business, competitive, market, and regulatory landscape, including as a result of COVID-19 and as a result of the military invasion of Ukraine by Russia; our planned level of capital expenditures and our belief that our existing cash and cash from operations will be sufficient to fund our operations for at least the next 12 months and for the foreseeable future; our expectations with respect to the integration and performance of acquisitions; our ability to attract and retain qualified employees and key personnel; and our expectations about entering into new markets and attracting new customer demographics, including our ability to successfully attract new partners large enterprise-level users and to grow our activities with these customer types as anticipated and other factors discussed under the heading “Risk Factors” in the Company’s annual report on Form 20-F for the year ended December 31, 2022 filed with the Securities and Exchange Commission on March 30, 2023. The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. Any forward-looking statement made by us in this press release speaks only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

Reconciliation of GAAP to Non-GAAP financial measures

in 000s	2021 Q1	2022 Q1	Q2	Q3	Q4	2023 Q1	FY 2020	FY 2021	FY 2022
Revenues	$300,779	$341,597	$345,224	$345,805	$355,040	$374,076	$988,760	$1,269,657	$1,387,666
Change in deferred revenues	$50,330	$37,552	$7,731	$6,023	$4,081	$60,975	$113,271	$82,361	$55,387
Change in unbilled contractual obligations	$0	$14,099	$1,639	$636	$12,692	-$20,146	$0	$66,805	$29,066
Bookings	$351,109	$393,248	$354,594	$352,464	$371,813	$414,905	$1,102,031	$1,418,823	$1,472,119
Creative Subscriptions Revenues	$226,436	$254,968	$258,177	$261,066	$265,268	$278,130	$783,456	$950,299	$1,039,479
Change in deferred revenues	$41,623	$30,720	$10,105	$8,235	$3,806	$55,445	$107,784	$70,775	$52,866
Change in unbilled contractual obligations	$0	$14,099	$1,639	$636	$12,692	-$20,146	$0	$66,805	$29,066
Creative Subscriptions Bookings	$268,059	$299,787	$269,921	$269,937	$281,766	$313,429	$891,240	$1,087,879	$1,121,411
Business Solutions Revenues	$74,343	$86,629	$87,047	$84,739	$89,772	$95,946	$200,911	$319,358	$348,187
Change in deferred revenues	$8,707	$6,832	-$2,374	-$2,212	$275	$5,530	$9,880	$11,586	$2,521
Business Solutions Bookings	$83,050	$93,461	$84,673	$82,527	$90,047	$101,476	$210,791	$330,944	$350,708
Gross Profit	$186,980	$206,848	$210,367	$217,948	$226,276	$244,598	$671,348	$781,078	$861,439
Share based compensation expenses	$3,501	$4,231	$4,555	$4,418	$4,607	$4,238	$9,127	$15,462	$17,811
Acquisition related expenses	$167	$81	$59	$0	$0	$24	$765	$484	$140
Amortization	$97	$761	$759	$759	$689	$667	$316	$2,030	$2,968
Non GAAP Gross Profit	$190,745	$211,921	$215,740	$223,125	$231,572	$249,527	$681,556	$799,054	$882,358
Non GAAP Gross margin	*63%*	*62%*	*62%*	*65%*	*65%*	*67%*	*69%*	*63%*	*64%*

in 000s	2021	2022				2023	FY	FY	FY
	Q1	Q1	Q2	Q3	Q4	Q1	2020	2021	2022
Gross Profit - Creative Subscriptions	$170,690	$190,095	$191,925	$199,031	$206,841	$220,646	$615,917	$717,680	$787,892
Share based compensation expenses	$2,586	$3,385	$3,608	$3,503	$3,437	$3,151	$7,140	$11,446	$13,933
Non GAAP Gross Profit - Creative Subscriptions	$173,276	$193,480	$195,533	$202,534	$210,278	$223,797	$623,057	$729,126	$801,825
Non GAAP Gross margin - Creative Subscriptions	*77%*	*76%*	*76%*	*78%*	*79%*	*80%*	*80%*	*77%*	*77%*
Gross Profit - Business Solutions	$16,290	$16,753	$18,442	$18,917	$19,435	$23,952	$55,431	$63,398	$73,547
Share based compensation expenses	$915	$846	$947	$915	$1,170	$1,087	$1,987	$4,016	$3,878
Acquisition related expenses	$167	$81	$59	$0	$0	$24	$765	$484	$140
Amortization	$97	$761	$759	$759	$689	$667	$316	$2,030	$2,968
Non GAAP Gross Profit - Business Solutions	$17,469	$18,441	$20,207	$20,591	$21,294	$25,730	$58,499	$69,928	$80,533
Non GAAP Gross margin - Business Solutions	*23%*	*21%*	*23%*	*24%*	*24%*	*27%*	*29%*	*22%*	*23%*
Research and development (GAAP)	$95,086	$119,865	$121,618	$120,384	$120,994	$114,943	$320,278	$424,937	$482,861
Share Based Compensation	$23,288	$28,720	$29,919	$29,606	$32,335	$28,294	$76,883	$102,056	$120,580
Amortization	$92	$0	$0	$0	$0	$0	$477	$0	$0
Acquisition related expenses	$1,329	$1,615	$1,092	$585	$1,656	$172	$3,759	$7,312	$4,948
Non-GAAP research and development	$70,377	$89,530	$90,607	$90,193	$87,003	$86,477	$239,159	$315,569	$357,333
% of revenue	*23%*	*26%*	*26%*	*26%*	*25%*	*23%*	*24%*	*25%*	*26%*
Selling and marketing (GAAP)	$144,455	$156,714	$120,780	$117,448	$97,944	$99,133	$438,210	$512,027	$492,886
Share Based Compensation	$7,442	$9,875	$10,019	$9,261	$9,559	$9,558	$22,845	$33,853	$38,714
Amortization	$409	$812	$821	$820	$821	$820	$1,780	$2,918	$3,274
Acquisition related expenses	$28	$0	$0	$0	$0	$0	$956	$28	$0
Non-GAAP selling and marketing	$136,576	$146,027	$109,940	$107,367	$87,564	$88,755	$412,629	$475,228	$450,898
% of revenue	*45%*	*43%*	*32%*	*31%*	*25%*	*24%*	*42%*	*37%*	*32%*
% of Non- GAAP Gross Profit	*72%*	*69%*	*51%*	*48%*	*38%*	*36%*	*61%*	*59%*	*51%*

in 000s	2021 Q1	2022 Q1	Q2	Q3	Q4	2023 Q1	FY 2020	FY 2021	FY 2022
General and administrative (GAAP)	$34,394	$45,686	$42,991	$42,427	$39,941	$38,517	$111,915	$169,648	$171,045
Share Based Compensation	$12,400	$18,158	$14,646	$13,511	$13,416	$12,431	$38,458	$70,020	$59,731
Amortization	$1	$1	$0	$2	$1	$1	$4	$4	$4
Acquisition related expenses	$181	$3	$36	$0	$0	$0	$331	$856	$39
Sales tax accrual and other G&A expenses (income)	$452	$172	$189	$183	$219	$308	$4,299	$1,692	$763
Non-GAAP general and administrative	$21,360	$27,352	$28,120	$28,731	$26,305	$25,777	$68,823	$97,076	$110,508
% of revenue	*7%*	*8%*	*8%*	*8%*	*7%*	*7%*	*7%*	*8%*	*8%*
GAAP Operating Loss	-$86,955	-$115,417	-$75,022	-$62,311	-$32,603	-$33,333	-$199,055	-$325,534	-$285,353
Share Based Compensation	$46,631	$60,984	$59,139	$56,796	$59,917	$54,521	$147,313	$221,391	$236,836
Amortization	$599	$1,574	$1,580	$1,581	$1,511	$1,488	$2,577	$4,952	$6,246
Acquisition related expenses	$1,705	$1,699	$1,187	$585	$1,656	$196	$5,811	$8,680	$5,127
Sales tax accrual and other G&A expenses (income)	$452	$172	$189	$183	$219	$308	$4,299	$1,692	$763
Restructuring	$0	$0	$0	$0	$0	$25,338	$0	$0	$0
Non-GAAP Operating Income (Loss)	-$37,568	-$50,988	-$12,927	-$3,166	$30,700	$48,518	-$39,055	-$88,819	-$36,381
Net cash provided (used) by operating activities	$18,488	-$13,662	-$2,687	$267	$53,234	$45,961	$148,049	$65,685	$37,152
Capital expenditures, net	-$3,849	-$19,924	-$13,217	-$22,874	-$14,649	-$20,932	-$18,853	-$37,700	-$70,664
Free Cash Flow	$14,639	-$33,586	-$15,904	-$22,607	$38,585	$25,029	$129,196	$27,985	-$33,512
Capital expenditures and other cash costs related to Wix HQ office build out	$835	$15,438	$9,911	$27,166	$13,405	$16,949	$2,462	$23,449	$65,920
Restructuring	$0	$0	$0	$0	$0	$2,051	$0	$0	$0
Free Cash Flow (excluding capex and other cash costs)	$15,474	-$18,148	-$5,993	$4,559	$51,990	$44,029	$131,658	$51,434	$32,408

in 000s	2023 Q1
Bookings	$414,905
Adjustment for FX changes	$7,828
Y/Y Constant Currency Bookings	$422,733
Revenues	$374,076
Adjustment for FX changes	$2,343
Y/Y Constant Currency Revenues	$376,419

in millions	Q1'10	Q1'11	Q1'12	Q1'13	Q1'14	Q1'15	Q1'16	Q1'17	Q1'18	Q1'19	Q1'20	Q1'21	Q1'22	Q1'23
Cumulative Cohort Revenue	$36	$50	$60	$125	$170	$175	$198	$217	$218	$192	$162	$127	$54	$8
Cumulative Cohort change in deferred revenues	$1	$2	$3	$6	$9	$10	$13	$16	$19	$22	$24	$28	$25	$22
Cumulative Cohort Bookings	$37	$52	$63	$131	$179	$185	$211	$233	$237	$214	$186	$155	$79	$30