

Wix.com Fourth Quarter and Full Year 2018 Results Conference Call
February 20, 2019

Operator

Good day, everyone, and welcome to the Wix.Com 2018 Fourth Quarter and Full-Year Financial Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star (*) key followed by zero (0). After the speakers' remarks, there will be an opportunity to ask questions. In consideration of time, please limit yourself to one question and one follow-up. To ask a question, you may press star (*), then one (1) on your touchtone phone. To withdraw your question, please press star (*), then two (2). For those on the webcast, you may submit questions throughout the event by typing in the Submit a Question box on your screen. Please note this event is being recorded.

At this time I would like to turn the conference over to Maggie O'Donnell, Director of Investor Relations. Please go ahead.

Maggie O'Donnell

Good morning, everyone, and welcome to Wix's fourth quarter and full-year 2018 earnings call. Joining me today to discuss our results are Avishai Abrahami, CEO and Co-Founder; Nir Zohar, President and COO; and Lior Shemesh, CFO. During this call we may make forward-looking statements, and these statements are based on current expectations and assumptions. Please consider the risk factors included in our press release and most recent Form 20-F that could cause our actual results to differ materially from these forward-looking statements. We do not undertake any obligation to update these forward-looking statements. In addition, we will comment on non-GAAP financial results. You can find all reconciliations between our GAAP and non-GAAP results in our press release, presentation slides, shareholder update, and our interactive analyst center on the Investor Relations section of our website, investors.wix.com.

Now, I will hand it over to Avishai Abrahami, who is going to say a couple of quick words about the quarter.

Avishai Abrahami

Thank you, Maggie, and good morning, everyone. Thanks for joining us today. We had an unbelievable year of strong execution and product innovation at Wix. For the full year, revenues grew 42% year-over-year. This is the fifth year in a row since our IPO of revenue growth of more than 40%. Collection for the year grew 36% year-over-year. And, we expanded profitability by gaining leverage in marketing and R&D. This is particularly impressive, given our pace of product launches for the year. I am very proud of everything we accomplished in 2018.

As we kick off 2019, I want to talk a bit about the evolution of Wix. Since the beginning, the vision of Wix has been to enable anyone to create their dreams online. Over the years, our product has evolved quite significantly.

We have made building stunning websites easier and faster with Wix ADI. We introduced Wix Code to enable users to develop and build their own highly functional content-rich websites and applications in Wix. Our vertical applications, such as Wix Stores, Wix Bookings, and Wix Events, give users an ERP system for their business. And, we've moved beyond website building with products like Ascend, Wix Payments, Wix Answers, and Wix Logo Maker among others. All of these products significantly increase the value we are offering to our users, and we will continue to

expand what we deliver to users.

While this product evolution shows our continued focus on the DIY market, we are also expanding into the professional market. Our full platform product, including Wix Code, allows us to deliver to this audience a complete solution to build a website application online that no other competitor has. And this is the evolution I talked about in our Investor Day last June - entering a new market and offering more products to enable users to build their dreams online. In 2019, we will invest more in bringing more products to more users and we expect this will contribute to sustainable growth for the years to come. I am absolutely thrilled with the progress we have made in giving our users even more tools to create without limits. This makes me more excited than ever heading into 2019.

With that, I am going to turn it over to Nir, who will talk about how this natural evolution of our company changes how we measure the success of our business. Nir?

Nir Zohar

Thank you, Avishai, and hello, everyone. As Avishai mentioned, we believe that our product offering and brand have evolved significantly, increasing the overall value we are able to deliver to our users. As our company evolves, we must also evolve how we measure the success of our business. As we have spoken about in the past, our primary focus has been to increase the conversion of registered users to premium subscriptions to drive growth. To show this, we often refer to our cohort chart, which is Slide 9 in our earnings deck this quarter. This chart shows the growth and consistent behavior of our user cohorts. We expect that our user cohorts will continue to show this consistent behavior and will continue to drive increases in conversion. However, the evolution of our product has allowed us to increase prices and deliver new monetization opportunities, driving higher value to our users. Therefore, the growth of collections per subscription is becoming a more meaningful driver of our growth. We are seeing this happening now. Already in Q1, collections per new annual full-price subscription in the US is up by approximately 25% year-over-year. In order to show the combined benefits of increases in conversion, the ongoing consistent behavior of our cohorts, and the acceleration in collections per subscription, we are sharing a new chart that shows cumulative collections by Q1 user cohorts. This new chart can be found in the earnings slides on Page 10. We believe this new chart is the best way to understand the evolution of our business as it highlights all of the factors that will drive our future growth.

With that, Lior is going to share a few highlights regarding our financial outlook for 2019. Lior?

Lior Shemesh

Thanks, Nir. I just want to say a few things about our outlook for 2019. As Avishai mentioned, we have introduced several new products in the last year. These products provide our users with significantly more value, and they will provide us with additional levels of collections and revenue to drive future growth in our business. We are introducing our 2019 collections guidance of 24% to 26% year-over-year growth and revenue guidance of 25% to 26% year-over-year growth.

The vast majority of our top line growth in 2019 will be driven by our website subscription business. However, since some of these new products are already being sold, such as Ascend and Wix Payments, we have included what we know into our guidance. We continue to optimize all of these new products and expect them to accelerate and grow throughout the year. Other layers of collections and revenue, that we have little-to-no data on yet, are not included in our guidance, and

we expect these streams would begin to continue to contribute in the second half of the year.

I have spoken in the past about our desire to invest in growth opportunities, and we plan additional investments this year to launch many of our new initiatives. Our free cash flow guidance reflects these additional investments of approximately \$15 million to \$20 million, which we will put out building a dedicated team and increase advertising efforts focused on professionals. I want to point out that most of the benefits we believe we will get from this investment is not incorporated into our current top line guidance. Further, even with these additional investments, we still anticipate expanding our free cash flow margin this year. We are very proud that we are in a position to continue to drive significant top line growth, invest in new business, and expand our cash flow margins. This really show the strength of Wix.

With that, I will hand it back to Maggie.

Maggie O'Donnell

Thanks. Now, we can turn to questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. To ask a question you may press star (*), then one (1) on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star (*), then two (2). Please limit yourself to one question and one follow-up. For those on the webcast, you may submit questions throughout the event by typing in the Submit a Question box on your screen. And, at this time we will pause for a moment to assemble our roster.

Our first question today will come from Jason Helfstein of Oppenheimer. Please go ahead with your question.

Jason Helfstein

Hi, thanks, guys. I'm going to ask two. So the first, I think when people look at the numbers, they see the big slowdown in premium sub implied in 20--in the first quarter as well as for the full year. So first, just talk about what's the impact of removing the lowest price plan on both the first quarter 2019 and the full-year sub?

And then, secondly, you're obviously putting new investments. If I think about it, for a long time you were a consistent beat-and-raise company. As the business is maturing, obviously, there's a lot of large numbers where it's harder to beat as the base gets bigger, but you're investing ultimately to drive growth. And, while you're talking about 2019, presumably, the benefits of those investments will come in 2020 and beyond. And, I just wanted to then kind of focus on that new chart that you're showing, which basically implies that it takes about--if I understand it correctly, about four years to reach peak monetization of a cohort, and I think it was that 2014 cohort which had the highest monetization rate in that new chart.

So, maybe just help us think about why should investors kind of give you credit or be confident in your ability to kind of invest and ultimately, potentially reaccelerate growth in 2020 and beyond? Or, am I thinking about it wrong? Thanks.

Lior Shemesh

Hi Jason, this is Lior. So, first of all, I will relate to the first question about the Wix subs. Look, first of all, it's something that we actually elected and designed. It was--it's not something that took us by surprise. This is exactly what we expected, and I will try to elaborate about it. It's not just by the removing the Connect Domain package, but it's also changing prices, changing how the pricing pages look like, how we approach our product. So, there's a lot of changes that are part of the overall evolution that is part of our business about, you know, the evolution of the product, and right now the products provide much more capabilities and feature to our customers. The evolution of our brand, the brand is much, much stronger than what it used to be.

So, I think that with that and with those new products and also the way that we look at our business strategically, it came into our mind that we need to do change and also to evolve the way that we look at our model. And, this is why we've made many testing and many tests in the last few months to try to understand what would increase the value of our cohort, not just based on number of premium, but based on how much we are able to collect in term of the cohort and what will increase and optimize the value of it. And, those are the overall changes.

There was quite a bit of changes that we've made in order to get to this point. We are very happy to see that, and this is why we provided the chart about the overall ARPU for newcomers. So, you can actually see that quite a pure way what was happening to the, you know, to the new users and for what they are paying us. It's like more value. Think about it as like, they are paying for another cappuccino at Starbucks every month, but this is true. They are paying more, and they are willing to pay more because they are getting much more.

So, basically we gave up the--those customers. For example, the one that used to use the Connect Domain, that was we collect value for us, churn faster than the other customers, and this is why we were able to increase the overall value of the cohort.

Now, with regard to the additional investment in future growth, you're absolutely right. When we usually provide the guidance, we do that based on what we know. We never provide guidance on estimations. So, you're right that there is a potential upside of those investments, even in 2019, but we cannot take it into consideration right now as part of our guidance.

Jason Helfstein

Okay. Thank you.

Maggie O'Donnell

Operator, can we have the next question please?

Operator

Certainly. Thank you. Our next question will come from Deepak Mathivanan of Barclays. Please go ahead.

Deepak Mathivanan

Hi, guys. Thanks for taking the questions. Two questions for me as well. So, first we noticed that the recently you've been experimenting with some base price increases over the last few weeks. Is that incorporated into the guide? I mean, is the outlook you provided for premium subs for 2019 reflecting that?

And, then second one, you mentioned in the letter that you haven't included any contribution from sales to agencies or professionals in the guidance, but can you talk about what the pricing plan you're thinking about to capture these? And, do you have a timeline that we can expect this? Thank you so much.

Lior Shemesh

So, I will start with the first question, Deepak, this is Lior. With regard to testing, ongoing testing, you're right. There are still ongoing testing. It will always be ongoing testing. We test many things every day. And, testing by nature are not part of the guidance because it might change. It takes time until statistically, a test can be, well, can be validated. So, they are not part of the guidance. With regard to the other question about agencies, I will hand to Nir.

Nir Zohar

Hi, it's Nir. How are you doing? So, in terms of the agencies, this is actually something we started piloting throughout 2018 with a small team of account managers that had been contacting agencies and just trying to understand what are their needs, how can we help them, and how can we currently make them more successful? The fact is that we didn't have to go out to find them; they are already on our platform. Obviously, these are--they are considered customers, which are much higher value simply because they build many, many websites, tens and even hundreds of websites a year. And this pilot has been very successful. And, the goal in 2019 is to ramp it up so we can contact more and handhold more and help more with the intention of just helping them become more successful.

This has to do with solving issues in and around product, which they need things that are unique; things around how they bill their customers, which can be unique. And, generally understanding their needs better and supporting that. Whether there's going to be a separate pricing that is incorporated into how we work with agencies, it is something we're still trying to best understand with them. And, obviously, once--if it becomes something that is incorporated into our model, then we'll let you guys know. But, that being said, I think our belief is that the work with agencies has been a great success in '18 and should be something we ramp-up in '19.

Maggie O'Donnell

Great. Thanks, Deepak. Can we have the next question, please?

Operator

The next question will come from Mark Mahaney of RBC Capital Markets. Please go ahead.

Zachary Schwartzman

Hi, guys, it's Zachary Schwartzman on for Mark. In your guidance, why would 2019 collections be faster than Q1 growth? What would cause the acceleration through the year, excluding the potential upside from these new investments?

Lior Shemesh

Sure. So, what's--what is happening this year, which, by the way, it's a bit different than last year. 2018 was an amazing year for us in term of number of--it was a record, actually, year for us in term of our new product that we are--that we launched and introduced to the market. Some of them, like Wix Payments, like Ascend, started to contribute to Q1 not in a full way, meaning that it was not fully in during the first quarter. So, this is why you see that next quarter has actually a more like embedded with those revenue going forward. So, that--so this is like, you know, this is the main

reason.

Zachary Schwartzman

Thank you. And, one quick follow-up. I know it's still early, but can you please help us range the potential collections and revenue impact from the \$15 million to \$20 million in new investment initiatives? Thanks.

Lior Shemesh

Obviously, we have a model in estimation, but it's not something that we are willing to share, either to commit. We do believe that we see a great potential from those initiatives, not just in 2019 but also in 2020 and beyond. But, it's not something that we can share at this point of time. Obviously, when it will be more relevant, we will--certainly we'll do that.

Maggie O'Donnell

Great. Thanks, Zach. Can we have the next question, please?

Operator

The next question will come from Ron Josey of JMP Securities. Please go ahead.

Ron Josey

Great. Thanks for taking the question. I wanted to maybe key in on a few of the comments made during the call. Just specifically on the value of the portfolio and increasing product. And, with pricing up I think 24% year-to-date in 1Q, can you just remind us maybe how pricing is going up?

And, then to that maybe, Lior, on the guidance. I think you mentioned that you have some preliminary data on Ascend and Payments included, but historically, you don't do that. So, any insight on how Ascend and Payments are doing would be helpful. And, I think you even said Ascend and Payments should be accelerating growth in the back half maybe to Zach's question just there.

And, then lastly, you talk about adding sales and account management to Code, was that something you had already--always planned to do, or something that, that you think was absolutely needed in order just to accelerate the growth there? So, one's on pricing, two is on newer products, and three is on Code. Thank you.

Avishai Abrahami

This is Avishai. I want to say that--in terms of the value of products, the biggest thing that we did is that we removed the cheapest package we used to have in Wix, right? So, the cheapest package that we used to have in Wix was called Connect Domain, and we removed it. We kind of realized that it made less--long-term, it made less sense for us to focus continuously on serving the full range of customer. And, we really wanted, as we deliver more and more value in the product, we felt that it should reflect that in the pricing. So, basically people that used to buy the Connect Domain now have a choice to either go with the entry package that we have.

And, as Lior said, the difference in price is what, is per month is one cappuccino at Starbucks. It's not a big thing. And, that was the reason also for the bit of a decline in premium subscription. The overall results from that was actually an increase in the value of the cohort ARPU. So, we're actually seeing that it--most of our customers have really supported that move. And, again, they're getting a lot more per dollar as what we deliver in the product has dramatically increased. In terms

of the...

Lior Shemesh

Yes, in term of what you asked about the preliminary results, you are right. We never take into account something that we assume, but I have results. Let's take the Ascend, for example. We already started to sell it. I know what is the volume on a daily basis. And, it's quite solid. So, this is what I'm taking into account. But, I'm not taking into account optimization, where--there's a lot of optimization that we need to do there, because it just started and it's a new product. So, I believe that, therefore, every product that we introduce, we see the results. They are solid, but we always are able to optimize it, because this is the nature of our business. So, I'm taking just what I know as of the date of the guidance, but I hope to be able to optimize and get some more upside from those products in the future. I hope that it answers your question.

Maggie O'Donnell

Okay, thanks Ron. Was there a third question?

Lior Shemesh

Yes, what was your third question?

Nir Zohar

So the third question about--was kind of about Code and account management. So, Ron, actually account management was into the agencies more, you want to elaborate more on Code on that? Yes.

Avishai Abrahami

Well, we actually have currently no account managers for Code. We do see that the results for Code will continue to be solid. We moved from 100,000, what we call highly engaged users to 140,000 highly engaged users. Overall, on a users using Wix Code from 550,000 to 680,000, Wix users are using Wix Code. So, it is--the way we consider that to be a massive success. It's a very technical product. And, we can see that our users are picking it up, learning how to use it, and actually having a lot of value coming out of it.

Nir Zohar

There one other thing, Ron, which is worth mentioning, I think, is that we do see with--while working with agencies, we see that they are getting a huge amount of value from working with Code, simply because they're able to be--to create and build websites for their clients that are much more sophisticated or based on the database, which raises the price point they can deliver to our--to their customers, so obviously, they are very happy with that. And, that's--they are very happy, they're selling more. We gain a lot of value from that.

And, regarding, I think--we spoke about it in the past, whether we're going to actually monetize separately for Code for specific kind of users, that is something that we're still considering. There's a very good chance it's going to happen, but later in the year.

Maggie O'Donnell

Okay, thanks Ron. Can we move to the next question, please?

Operator

The next question will come from Nat Schindler of Bank of America. Please go ahead.

Nat Schindler

Yes, hi. Maybe I missed it, but this is—you were talking a lot about a \$15 million to \$20 million investment over the next year. What is this investment in? Are you talking product R&D development or incremental products R&D? Or is this sales and marketing? Can you just help me understand a little bit about it? And, then on—a secondary question is, you continue to grow fastest in the US, despite your highest penetration in the U.S. Is this, you believe, due to some sort of virality in US? Or is there—is it just easier to figure out the marketing here? And, finally, this is an obligatory question. Wix Code, obviously still in beta. When should we expect to see a developed business model for Wix Code?

Lior Shemesh

I will start with the first question about this investment. First of all, very important to mention that this investment is not part of the—like, you know, the regular business, the regular do-it-yourself business that we have and this continue with the same model, with the same TROI, so there is no change to that. This investment is specifically for dedicated teams to take care of the go-to-market activities, mainly on agencies. So, there's a few things that we are doing over there, and we recognize that we have a window of opportunity to capture this market. And, this is what we are doing, and we are investing in go to market. So, it's not R&D, per se. I will add it to Nir—I will pass it to Nir for the second question.

Nir Zohar

So, in terms of the second question about growth in the US. Yes, I agree that it's a highly penetrated market, but the TROI is what's driving us. And obviously, it's working very strong in the US in our ability to bring more users and subs. You also have to remember that I think that it's probably the most sophisticated or one of the most sophisticated markets in terms of small businesses understanding their need to move online. So, that's obviously something that helps us out as well.

And, I think that in terms of, if you look at the Western world still our brand in the US is probably the strongest space for our brand. Although, again, it shows—we're seeing a lot of growth in various other geographies. In terms of the last question, which is the, about the Code, business model timing. I would say, again, I think that it's already delivering a lot of value in terms, as I mentioned before. In terms of a separate monetization, that will probably be somewhere towards the second half of the year.

Maggie O'Donnell

Great, thanks. Can we have the next question, please?

Operator

And the next question will come from Brent Thill of Jefferies. Please go ahead.

Brent Thill

Thanks. Question around the guidance. I think a number of investors are still trying to reconcile this. So, I just want to make sure I laid this out correctly. You had a pretty material price hike, you have Ascend and Code coming, yet you're guiding the organic business down about 1,000 basis points. If you take the Google contribution out, you grew mid-30s and the guide is in the mid-20s. And, so I think there's just a lot of questions around your guidance. Is there something different you're doing? Are you not reflecting some of these initiatives? I think if you could just clarify. And,

I just want to make sure too that that's accurate ex Google, you would've been mid-30% growth last year? Thank you.

Lior Shemesh

Okay. So, obviously the guidance that we provided, and I want to clarify something that we said also in the past, every time that we launch a new product, the benefit--though the immediate benefit that we see on our top line is quite limited because, when we start the year, about 80% of our collection coming from previous cohorts. So, even if the product is doing amazingly good, the benefit to the top line is quite limited. It doesn't mean that we are not going to see upside from it, but when we provide the forecast at the beginning of the year, obviously, we take into consideration that fact.

So, you are right, it's mid-20. It's mid-20 on a much larger number, but--and we hope and we do everything as always, and we have a very good track record of delivering and make sure that we get a positive ROI on our investments. And, obviously, every positive ROI is going to be part of our top line in the future.

Brent Thill

Thanks.

Maggie O'Donnell

Thanks, Brent. Can we have the next question, please?

Operator

And our next question will come from Mark Grant of Goldman Sachs. Please go ahead.

Mark Grant

Hi. Thanks for taking my question. Just wanted to dive in a little bit more on Wix Code. It's been out for a while now. You mentioned last quarter that you expected to see--I think you said massive returns from Wix Code in 2019, and specifically that you expected it to be strong early in 2019. It seems like the impact is expected to be a bit more back-half weighted now, based on the commentary and the guidance. Was there anything in the timing of your investments around there on marketing or anything like that or anything you're seeing in the funnel that makes that more of a second-half impact now?

Nir Zohar

So, I think, hey, it's Nir, and Lior will jump in in a second. But, I think that there's--there are two--to the commentary, there are two parts. So, for the agencies and the impact we see that on agencies, that's something we already see now. And, I would say that's probably this pilot and the expansion of the work we've done with agencies would have been very limited had we not had Wix Code in order to support their ability to build professional websites for their customers.

In terms of creating a separate monetization, which is something which is probably a more high-end usage of Wix Code, that is something that indeed we believe that would be kind of a more for second half of the year. Lior?

Lior Shemesh

Yes. With regard--look, with regard to the guidance that we provided, Wix is a company that generates growth based on technology and product. That was the case in the last few years,

where we managed to generate most of our growth, obviously, not just from the ongoing from the Code business. Like, it's the same thing was with the ADI, with the new Editor and for the different verticals and so on.

And, again, as I mentioned before, it's mostly impact the new Code, for the newcomers. And therefore, you can see the impact over time. With regard to the--specifically, with regard to the Wix Code, we do see improvement in conversion, and it's keep on increasing, and getting better and better. And, as Nir mentioned before, we believe that the agencies going to be a major part of contribution to--and one of our major growth drivers in the near, medium, and future.

Mark Grant

Great. Thank you.

Maggie O'Donnell

Thanks, Mark. Can we have the next question, please?

Operator

And our next question will come from Monika Garg of KeyBanc. Please go ahead.

Monika Garg

Hi. Thanks for taking my question. You know, it seems like you are shifting your model to get high growth from pricing, like high average annual collections than from net sub adds, because you're guiding to about 550,000 net sub-adds for '19, whereas you had, like, 760,000 in '18 year-over-year. So, maybe could you walk through what gives the confidence that you would be able to achieve this is to drive this model shift to drive 2019 growth targets and beyond that?

Lior Shemesh

Sure. Let me, first of all, let's you--give you some of the testing that we did. It was quite simple. Taking cohort without any change in pricing, taking the cohort with the change in pricing and the different packages. And, then simply to try to measure what will be the overall value of this cohort over time. You are right about--we basically gave up some number of premiums, which I believe that the results of the fact that we're having a better value for our cohort is because we are--most of our high-valued customers, high-quality, high-intent customers obviously still with us, and they are willing to pay more for the different features and capabilities that we provide them.

So, from one hand, we actually gave up for some number of premium, but from the other hand, we managed to increase prices and basically to charge for that. We can see that in a very, very clear way. And, this is why we provided this graph on part of our shareholders' update, where you can see that in just four months, we have managed to increase the ARPU for newcomers. And, right now we give the example in the US, but we managed to increase it from \$178 to \$216, which reflects about 24% growth just in four months, when we started to do this change, which you can say that it's actually set off against the reduction in the number of premiums.

But even more than that, because you have a much future growth coming in a way because the cohort keep on generating more and more revenue. It's in a way changed also the mix of our customers because of that. And, I believe that the \$216 will continue to increase throughout the year, taking into account that the full effect of Ascend is not there, the full effect of Payment is not there. So, although services will contribute to the increase in the ARPU, and this is exactly what we are thinking about.

Maggie O'Donnell

Great, thanks Monika. Can we have the next question, please?

Operator

The next question will come from Sterling Auty of JPMorgan. Please go ahead.

Sterling Auty

Hi, guys. So, I'm wondering--I understand the strategy change, but I am--I want to better understand the motivation on the timing. So, was the decision to move up the value chain in terms of the values, users and subscribers, driven by a desire to improve churn? Or, was there anything in the growth dynamics in that lower end, you know, Connect Domain and lower-end users that you thought maybe some of the growth dynamics were changing there? So, just curious why the timing on the decision?

Avishai Abrahami

I think, so Sterling, this is Avishai. The actual reason, so we started to think about it and to test it, came actually from branding, right? The Connect Domain package, this banner that said that build with Wix get your free website today, on the bottom, right, on official website. And the more that we--what we thought about realized that this was moving upward, right, in the value chain. And, this actually hurt our brand and in many ways affects our customers' brands as we don't buffer them. And, we were thinking about it for a while, and at some point we said, you know, this is causing more damage than benefit. And, we also came to the belief that--and that today Wix products are so much better than they used to be two years ago, three years ago, right, that it makes very little sense for us to continue to skew pricing toward the lowest point and not toward where it should be now. And, as a result, we felt very comfortable with moving the Connect Domain and then having the ability to actually charge a bit more for products that give a lot more. So, that was the thinking behind it.

One of the interesting things that we see is that, if you look statistically, the customers that would normally buy the Connect Domain package are still active within Wix. So, there is a chance that they at some point that they are still just waiting for us to change pricing or something. We don't know yet. But, we didn't get any negative feedback from our customers on it.

So, this is--we felt very strongly that this is the right thing to do and the timing is here. Also, we really do believe that it brings tremendous more amount of value today than we used to before. It will have some impact on churn probably, but I don't see that as a massive thing. It is positive impact, right, positive impact on churn, but I don't think that's going to be a significant--meaning, we're probably going to have less churn because the users that were more sensitive to the difference, which is a couple of dollars, right, were more likely to churn.

Sterling Auty

That makes sense. And, just kind of follow-up to that is, so yes, I would expect a positive impact on churn. You're showing the investments, so maybe this user group, the professionals, the agencies, maybe a little bit more expensive on a cost of customer acquisition. Any early read on what you think the LTV to CAC or the unit economics in this segment of the market would look like versus the segment of the market that you're moving away from?

Avishai Abrahami

Yes. So, I think that we always look at it right in TROI, which is pretty much as same as to what you're asking. We think it's going to be stable. We actually know that for now the marketing effort that we have are working very well, and we're staying with the same frame of return on marketing investment. So, again, we have the ability--because price is a bit higher, we have the ability to spend a bit more on marketing, right? But, all of which is going to come back within seven-to-eight months. So, we feel very confident that we should continue with the same overall marketing strategy.

Lior Shemesh

With regard to the LTV, I think that from what we see on LTV of agency and the type of customer that's serving is much higher than what we have right now.

Maggie O'Donnell

Great. Thank you. Can we have the next question, please?

Operator

And our next question will come from Naved Khan of SunTrust. Please go ahead.

Naved Khan

Hi, thanks a lot. I've got a couple of questions. Maybe, can you guys just comment on the -- on how you see the market for Code between freelancers who are web professionals and the agencies? How big is the freelancer market versus agency? And, just in terms of your ability to monetize Code, do you see monetization happening first with the freelancer base or with the agency base? And, then there is follow-up I have.

Avishai Abrahami

So, I mean, the first question is how big the market for Code, right? I think that overall, there are about eight million relevant developers now currently on the planet that are relevant for Wix Code. I think we can see that we are having engagement from that community and that we are able to grow faster and faster. There--a lot of them are working in agencies. Those agencies, of course, make more than one website or even one each. Every agency that joins Wix, they're actually going to end up in multiple websites. Most of them with higher value than--higher ARPU than the normal websites, because they consume most of the functionality we have to offer.

And, monetization for Code will probably--well, it's already happening to some of them, right, because we are able to get those agencies and experts that we couldn't before. We do plan, at some point later this year, to launch pricing--different pricing for heavier Wix Code users, okay? And, we've been working on that, testing that, and brainstorming with agencies and developers on how it should look, and we're going to see that probably as we continue during this year.

Naved Khan

Got it. And, just on that, and so where does DeviantArt fit into the scheme of things?

Avishai Abrahami

So DeviantArt is in to support a huge amount of artists that we have, right? That's the first thing. And, allowing them to publish their work and making their work more available for everybody to

find. And, we think that DeviantArt, in that case, is actually an excellent way for us to deliver that. The other part of DeviantArt is that DeviantArt is the largest community on the planet for graphic artists, designers, and artists, all of which belong to the category, right, that--of people that build more than one website normally and, as such, are our best customers. And, we expect to continue working on DeviantArt this year and to start enjoying some of the values this year.

Maggie O'Donnell

Okay, thanks Naved. Unfortunately, I think we only have time for one more question. Can we have the last question, please?

Operator

The next question is from Lloyd Walmsley of Deutsche Bank. Please go ahead.

Lloyd Walmsley

Hi, thanks. I have two. First, just looking at the 1Q guidance, maybe some conservatism there, but it doesn't seem to imply a lot of ARPU growth, even if you don't add a lot of new users from where you ended the year. So, just wondering how to think about net adds versus ARPU specific to 1Q, and I guess how this jibes with that comments in the shareholder letter on collections per new account growth being so strong in the US. And, then taking a step back, I guess, why shouldn't we be concerned that the pivot to focus on higher value plans is essentially an indication that the market opportunity is just smaller than we thought on the low end? Why can't you attack the higher-value customers without continuing to offer some of the lower-price plans and kind of attack both? Thanks.

Lior Shemesh

Yes. So, I will start about the guidance. Look, I don't want to call it conservative guidance. I think that what I want to call it is guidance that, again, we don't want to provide, based on assumptions. So, yes there is many upside to those guidance. But, we don't want to provide them yet. And, this is how we used to do that, and we will continue to do this in the future as well.

I think that with regard to the ARPU, Lloyd, I think that we need to distinguish or to understand the difference between those, the number that I provided for the US for newcomers and the regular ARPU. The regular ARPU is based on revenue. The increase in ARPU for newcomers, it will take time until it actually impact the overall cohort and for the overall ARPU based on revenue, because newcomers account for about 20% of our collection, when we start the year. So, there is a limited benefit that we see in the year.

That said, it's a great indication of how the future value for our cohorts are going to look like. And, this is why it's make it so exciting because, think about it this way, where we already embedded in the first quarter 25% growth on our cohort starting next year, some of it obviously going to be this year. But this is what is so exciting about it.

With regard to the second question, I will pass it to Avishai, yes.

Avishai Abrahami

So, why--the question was why we can't get more advanced user while keeping with lower pricing point? So, the thing is that it's all about--the way we look at it's about branding, right? The base of the lower pricing point was adding the banners on the--on our users' websites. And, which was the reason that--that was the differentiator between that to the current pricing point. And, what we

feel is that our branding message has evolved, right? Five years ago, it would be about build a free website or easily build a free website, okay? Where we're evolving the brand toward today is that build the best website, right, build a stunning website that looks great and work fantastically well. And, in this kind of branding, having websites of Wix with banners on top of them that make them look a lot less stunning, right? Just didn't fit. So, we felt that it's okay for us to come to a place and say no, the product now and the messaging behind it and brand messaging behind it should change and are changing and in fact, we worked on changing it last year.

And, the actual results, the websites, which is what our customer builds and this is the best showcase of what Wix can do should also reflect that. So, we kind of arrived to a place that if you want to have a consistent brand identity to where we are today, we really had to remove those kind of plans. And--so this is where we are today.

CONCLUSION

Maggie O'Donnell

Great. Thank you, Lloyd, and thanks, everyone, for joining today.

Operator

The conference has now concluded, and we thank you for attending today's presentation. You may now disconnect your lines.