



Shareholder Update

Update

Second Quarter 2020

August 6, 2020



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Reaching New Heights in Q2 2020



New Registered Users



Revenue Growth



Collections Growth



Strong Growth in Key Geographies

Q2 2020 Collections Growth



N. America
+39% y/y

Europe
+37% y/y
FX neutral

Investing in Growth

Q2 2020 user cohort collection (\$m)



Q2 collections
+66% y/y

Expected future collections
over the next 8 years
+90% y/y

Dear Shareholders, Users and our Wix Team,

Over a decade ago, we created Wix to give people a place to create their dreams online. How this idea has manifested itself in the last few months is beyond anything we could have imagined.

Wix users are facing challenges unlike anything they have seen before, but they are rising to the moment. These users are creators and entrepreneurs, the types of people who, by nature, will always find a way to persevere when presented with obstacles. In the midst of a pandemic and global economic crisis, they have done just that.

One of my favorite things about Wix has always been talking to our users and seeing their dreams come to life. The level of creativity and business ingenuity displayed by our users in recent months is truly remarkable. Businesses with brick-and-mortar stores migrated years of operations and customer relationships online in a matter of weeks. Organizations centered around helping struggling communities have been built. Individuals who are finding themselves either out of work or with extra time on their hands due to months of stay-at-home orders are generating new ideas and creating brands and new sources of income for themselves.

The world has very quickly become centered around the web - a phenomenon we expected would take many more years. I believe this is the beginning of a permanent change in the way we all do business and interact with each other.

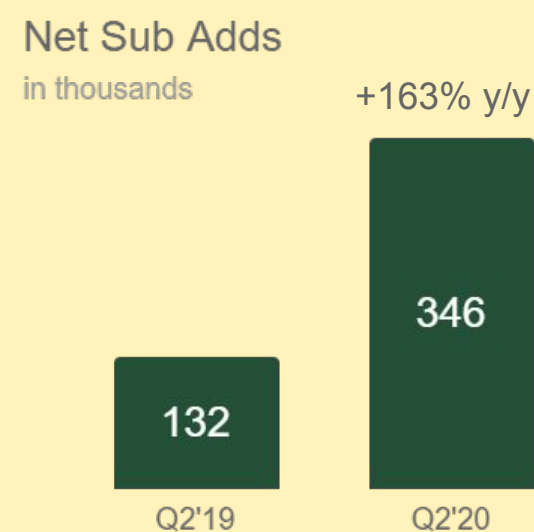
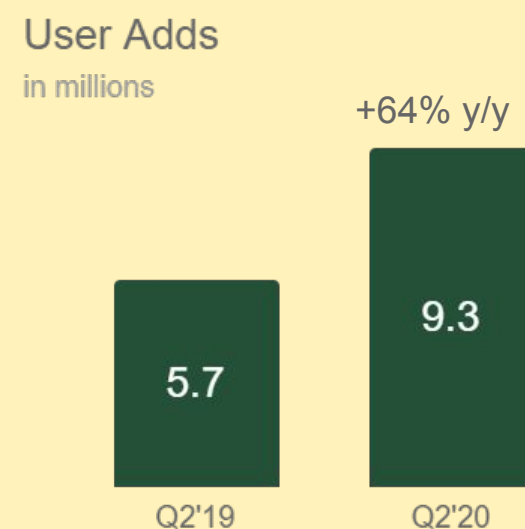
I could not be more proud of our role as a company at this monumental moment. We added a record-shattering nine million+ users this quarter, which means that we now provide over 180 million users around the world with the tools they need to thrive online in these uncertain times. These results would not have been possible without the talent and dedication of our team. Similar to our users, everyone at Wix has risen to the challenge of working from home and continuing to deliver best-in-class products and customer care. I am proud to be surrounded by so much talent and dedication.

The challenges presented to us all by COVID-19 are not yet behind us, but our users and employees give me confidence to say that we are ready to meet any challenge that lies ahead.

**Stay healthy,
Avishai Abrahami
CEO and Co-founder**

Earnings Highlights

- **Momentum across the platform continued throughout Q2, leading to record-breaking results**
 - Added over 9.3 million registered users in Q2, an increase of 64% y/y
 - Revenue in Q2 increased 27% y/y (28% y/y FX neutral) and collections grew 33% y/y (35% y/y FX neutral), both exceeding the high end of our guidance ranges
 - Creative Subscriptions ARR increased 22% y/y to \$791 million as of Q2
 - Net subscription additions of 346,000 in Q2 were up 163% y/y -- total net adds in 1H 2020 were nearly as many as all of 2019; now over 5 million premium subscriptions on Wix
- **Need for an online presence persists, and we continue to enable businesses to build and grow online when it is most important**
 - Business Solutions revenue increased 62% y/y and collections increased 66% y/y
 - Acceleration through Q2 in Wix Stores, Wix Restaurants and Ascend by Wix subscriptions and adoption of Wix Payments
- **Increasing marketing investment in response to surge in demand, driving future growth**
 - Swift and aggressive response to this opportunity, increasing our investment in acquisition marketing in Q2 by approximately 90% y/y and acquiring the largest user cohort in our history of over 9.3 million users. From this cohort, based on current cohort behavior, we expect to generate approximately \$570 million in future collections over the next eight years, which is roughly 90% higher than the expected future collections of the Q2 2019 user cohort
 - Historical data demonstrates consistency and durability of user cohort collections, supporting the increase in marketing investment
- **Significant growth in key geographies globally**
 - Collections in North America increased 39% y/y and in Europe 37% y/y on a y/y FX neutral basis, supporting our belief that Wix is increasing share
- **Delivering new, innovative products to users during a critical time**
 - Launched the Editor X brand and innovative website creation platform to the public
 - Introduced extended eCommerce capabilities, bringing merchants advanced online tools to be successful in creating and growing their businesses online
- **Q3 guidance reflects prolonged growth as increased demand continues**
 - Investment in marketing also continues to address the rise in demand and drive future growth



Q3'20 Guidance

Revenue:
\$247 - 250 million
26-27% y/y growth

Collections:
\$270 - 275 million
31-34% y/y growth

Business Update

We continue to live through uncertain times due to the COVID-19 pandemic, which is disrupting economies around the world. As many commercial activities shift online, businesses are transitioning for the first time or adapting their business to the web. Changes to conventional employment is driving entrepreneurship and creativity as people must replace lost income.

We believe the need for an online presence will persist and that we are witnessing a permanent acceleration of business activity and entrepreneurship moving online. We are fortunate to be positioned to deliver the products, technology and infrastructure that enable these transitions.

The growth that began in mid-March on our platform continued throughout the second quarter, producing some of the best quarterly results in our history:

- Demand for our platform accelerated throughout Q2 as more than 9.3 million new users registered at Wix in the quarter, growing 64% y/y
- Our Q2 user cohort generated over \$38 million in collections, which is 66% higher than the year ago cohort. Users purchased Business and eCommerce subscription packages and annual and multi-year packages at a higher frequency than in the past
- Net subscription additions grew 163% y/y to 346,000 in Q2 as the conversion of registered users to premium subscriptions accelerated between April and June
- Our users continue to adopt commerce applications -- such as Wix Stores, Wix Bookings, Wix Restaurants and Ascend by Wix -- at elevated levels, driving increases in average collections and revenue per subscription in Q2
- Selling activity of businesses increased throughout the quarter to the highest levels ever on Wix, including transactions processed through Wix Payments, which nearly doubled q/q as businesses continue to adopt our payments product

July results show that this momentum of growth in each of these measures is continuing in Q3.

Dialing up the offense: creating newer, larger user cohorts

As noted last quarter, our response to the surge in demand has been a swift and aggressive increase in our investment in marketing activities, which we did throughout Q2. We increased marketing focused on the acquisition of users by approximately 90% y/y to \$75 million in Q2 2020.

This additional investment created the largest user cohort in our history of over 9.3 million users, and based on current cohort behavior **we believe this larger user cohort will return approximately \$570 million in future collections over the next eight years, which is approximately 90% higher than the expected future collections of the Q2 2019 user cohort.** We have already returned more than half of our Q2 marketing investment as new users in Q2 2020 generated \$38 million in collections in the quarter.

This incremental investment in marketing is a “doubling down” on our business and on what we do best - acquiring large numbers of users that are in need of our technology to build an online presence with our products. Our strong balance sheet (now with over \$1 billion in cash) and ability to generate positive free cash flow positions us to make this incremental investment with confidence.

Our confidence is further supported by multiple factors:

- **Over a decade of historical user cohort data shows the consistent and predictable behavior that drives growth in collections over time.** The behavior of users in the newest cohorts added since mid-March are consistent with past cohorts...and they are much larger in size. Our freemium model drives monetization of user cohorts for many years after they are created. The expected future return of the Q2 2020 user cohort of approximately \$570 million over the next eight years is the largest quarterly user cohort we have ever acquired. The expected future collections over the next eight years of all of our user cohorts is approximately \$7.9 billion
- **The newest user cohorts are monetizing at increasingly higher levels than past cohorts.** A larger percentage of users are selecting higher priced Business and eCommerce subscription packages, and the adoption of business solutions such as Ascend by Wix, Wix Payments and paid third-party applications (TPAs) is also higher and continues to increase. Users are also selecting longer-term packages more often -- 72% of new subscriptions in Q2 were annual or longer. These trends drive higher average collections per subscription (ACPS), which returns our marketing investment faster, allowing us to reinvest in the business at an accelerated rate. These users also cancel subscriptions less frequently
- **New premium subscription additions from existing user cohorts continue to increase and exceed cancellations,** demonstrating the benefits of our freemium model and ongoing monetization of cohorts created several quarters and even years ago

- **We continue to improve our platform and introduce new products**, which drive user conversion and monetization by giving our users more tools to succeed and grow online. In Q2, we introduced a significantly upgraded eCommerce product, and we delivered Editor X to general availability on time

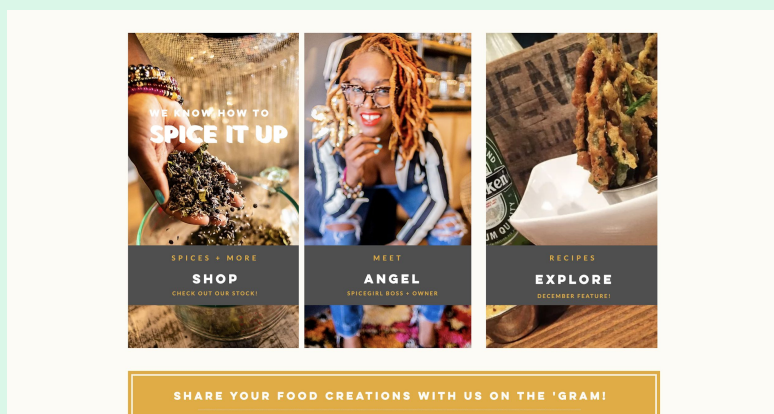
Given the significant opportunity we are seeing, we anticipate this elevated level of marketing investment to continue throughout the second half of 2020.

Delivering new product innovations on time

During Q2, we also released two significant products, as scheduled. These releases demonstrate the strength of our R&D capabilities and our ability to deliver, despite disruptions presented by the pandemic.

We introduced Editor X in February to bring professional creators on Wix a powerful, revolutionary design platform. We also launched a greatly enhanced eCommerce product, bringing “must have” solutions to merchants when they need it most. You can read more about these products later in this update document.

User Spotlights



“I travel the world for spices and spice inspiration. When I decided to open The Spice Suite, of course I knew I needed a website. When the pandemic happened, I said ‘let me just go on Wix and add eCommerce’. The online sales have been amazing because people all over the world are at home cooking right now. Our online store has become the most successful part of our business -- through my online store alone, we’ve sold over \$500K worth of spices. That’s so crazy!”

Angel Gregorio
 Owner of www.thespicesuite.com
 Takoma Park, D.C.



“During lockdown, a lot of balances have been changed. After a while, this time of uncertainty changed into a project -- an online shop that allows customers to wear their custom made dreams. Because we are a graphic designer and a digital strategist, we both used Wix a lot in the past and it meant, for us, the possibility to launch our website literally from one day to the next. It was super easy and we also had tons of fun. Wix gave us the opportunity to create exactly what we had in mind and made it possible for our project to take off.”

Elena & Sofia Caricasole
 Owner of www.poivorrei.it
 Verona, Italy

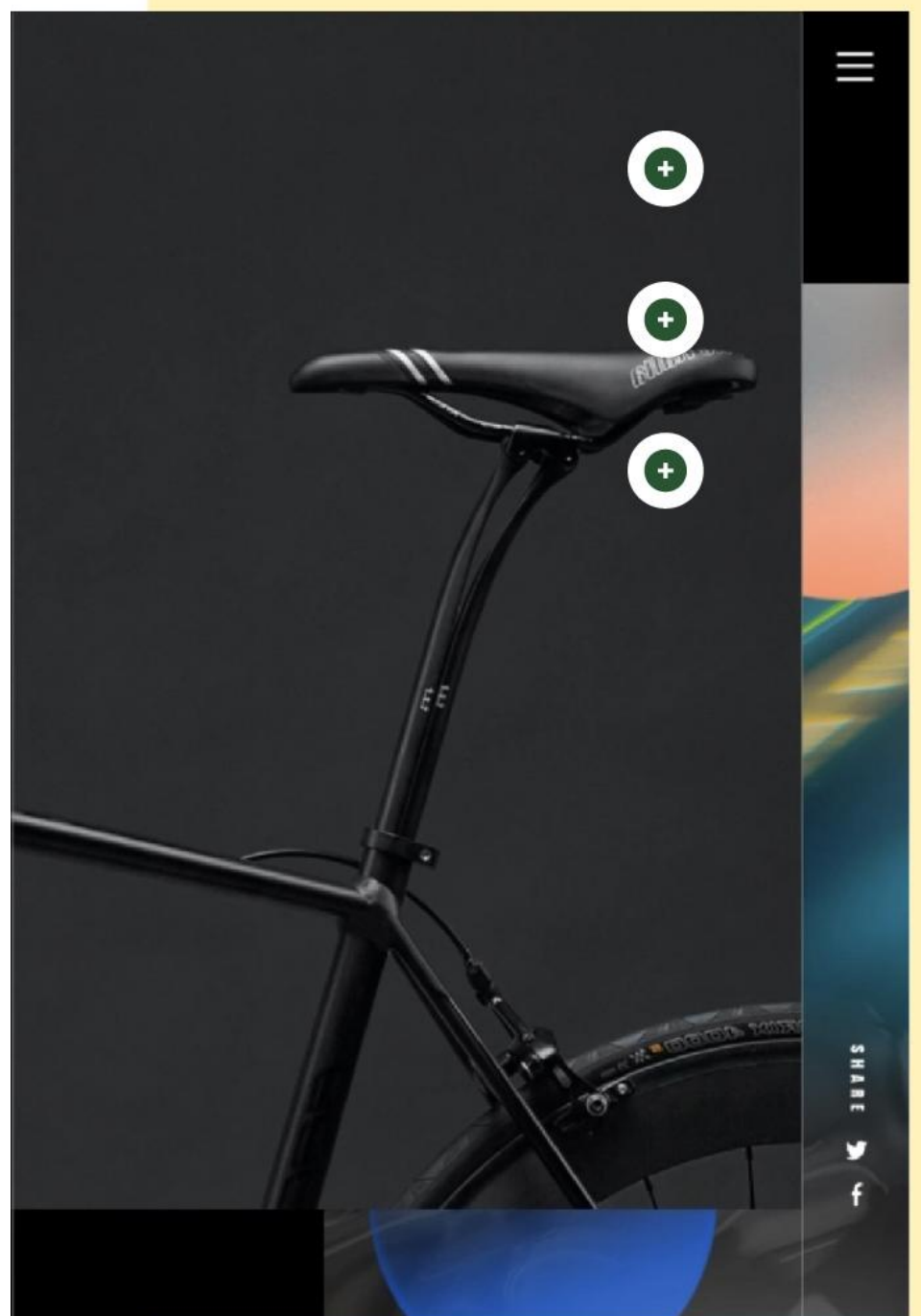
Drivers of Growth

Wix is focused on continuing to grow and expand. In order to sustain high levels of growth, we focus our business operations and investments on the following goals:

- 1. Maintain and grow our lead as a web creation platform for all creators**
- 2. Move creation products up market to freelance designers, agencies and in-house design teams**
- 3. Provide solutions for businesses to grow online**

Similar to last quarter, we have provided an update on our progress in each of these areas of strategic focus.

Our mission is to be the #1 website builder for all types of users -- small businesses, designers, agencies, mid-market businesses & enterprises



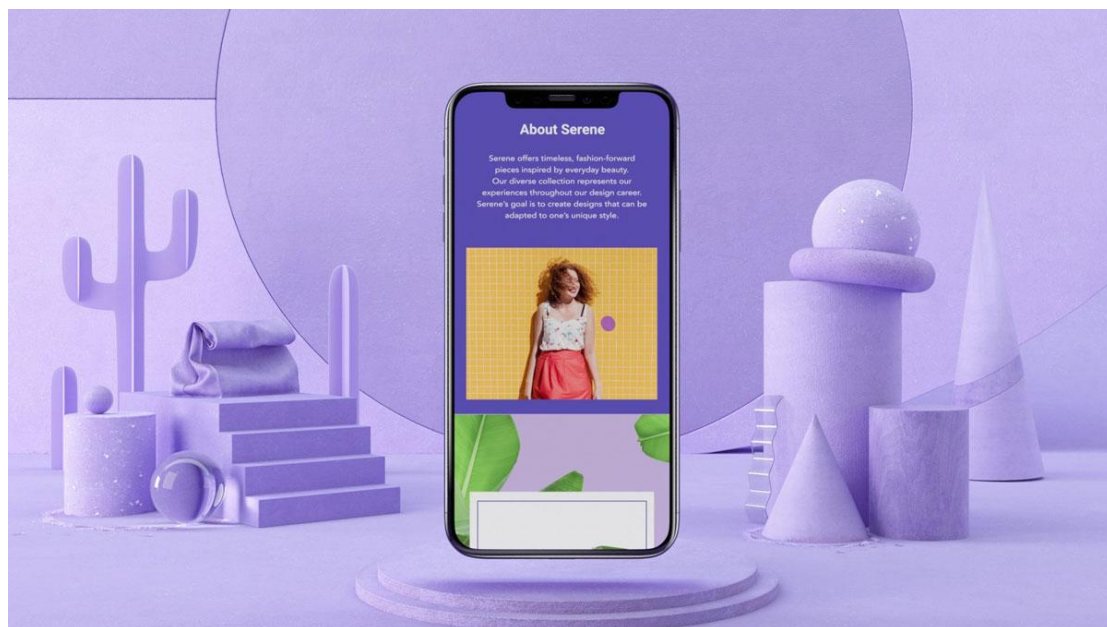
Leading Web Creation Platform for Creators

Wix aims to be the best web creation platform in the world for any type of user with any purpose. With the Wix Editor and Wix Artificial Design Intelligence (ADI), we provide all of the essential tools needed for a DIY user or professional designer to build a web presence for their business, brand, or personal use.

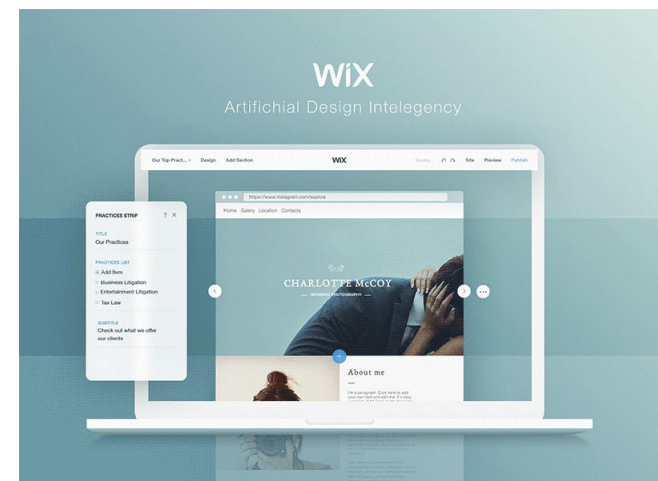
The current crisis has magnified the importance for a small business or organization not only to have a web presence, but also to showcase engaging content and enable online transactions. Existing users with simple landing pages faced challenges with generating revenue without their storefronts. Businesses that were previously able to thrive without a website were forced to quickly pivot to a 100% e-commerce solution. Individuals who were laid off from their jobs had to start from scratch and come up with fresh ideas for making a living through selling crafts, writing blogs, or building a start-up.

Wix ADI, our artificial design intelligence tool, enables anyone - even those with beginner-level technical skills - to quickly build and complete a website. It's the starting point for many of our users, so it's essential that we continue to add more functionality to the simple set up process. As one example, we integrated the Wix Groups application into Wix ADI, allowing small business owners and organizations to grow and engage with their communities virtually.

Enhancements were also made to the **Wix Editor**, in order to make engaging design more approachable for our users. We introduced Editor Search, which helps users sift through the 200+ items in the Add Elements Panel to find exactly what they are looking for in less time.



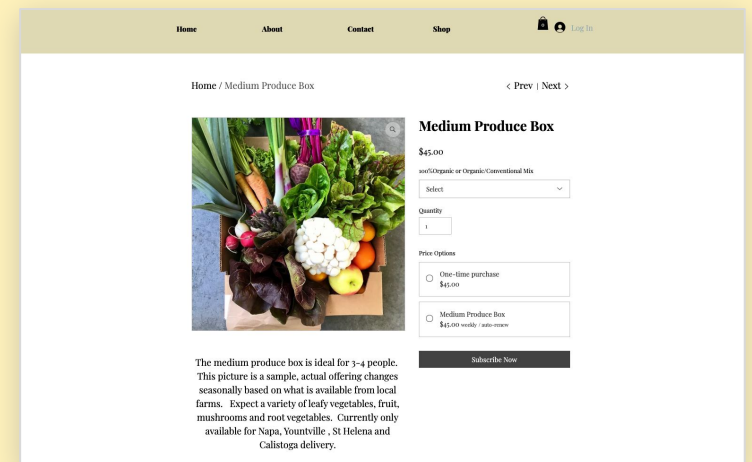
We are always iterating on and enhancing our existing products, but this quarter it was more important than ever. To add to the challenges of moving online, most small and medium-sized businesses and organizations do not have the resources to hire a professional to assist them. Wix needed to make it as easy as possible for them to do it on their own.



We also introduced Interactions, giving users the ability to make their site interactive without needing to use code. Interactions allow users to change what happens when visitors hover over an item on their site: show or hide content, change the design, or set special effects. Previously, custom interactions were only available through Covid, but now it is easy to use in the Wix Editor.

Vertical applications are also an essential part of bringing businesses online. In the last few months, we introduced several new key features that are mission-critical as the demand for online commerce rises:

- **Wix Stores** introduced expanded eCommerce solutions. With these enhancements, we provide merchants, entrepreneurs and retail brands of all sizes “must have” features, many of which are restricted to enterprise level plans on other platforms. Our expanded offering includes:
 - Customizable branded storefront, cart and checkout
 - Multi-language site and in-cart multi-currency convertor
 - Product subscriptions for recurring revenue product sales
 - Complete CBD selling platform to create a CBD eCommerce website, process payments online, manage and ship inventory, in the U.S. where government and state regulations permit
 - Dropshipping with Modalyst
 - Automated sales tax calculations with Avalara
 - Multi-channel sales through social media and marketplaces
 - USPS shipping integration with up to 70% discount on shipping rates
 - Extensive shipping & fulfillment solutions, including integration with warehousing and 3PL services powered by Corvid by Wix
 - Customizable business automations, like abandoned cart recovery
 - Advanced business reports with out-of-the-box reports and the ability for customization
- The demand for **Wix Restaurants** has dramatically grown since the pandemic forced many restaurants to pivot from in-house dining to online ordering. We have added multiple features to help restaurant owners, including the ability to sell packaged food via Wix Stores, print orders directly from the Wix App, and capacity control through Wix Bookings
- The **Wix Bookings** application has been added to a number of templates to address the issue of businesses and organizations suddenly needing capacity control. For example, a website template for a local swimming pool or church now includes the ability for visitors to make reservations



Napa Wild's vegetable box subscription



New Bookings template

Moving Creation Products Up Market

The Wix platform has enabled millions of DIY users to bring their ideas to life online. While easy-to-use tools, like Wix ADI and the Wix Editor, empower our users to build sites themselves, there is a larger need for professional designers, agencies, and developers to build websites and applications for others.

Professionals have far more sophisticated requirements when it comes to web development. Depending on their area of expertise, they may be looking to build applications with thousands of lines of custom code, websites with design that reacts fluidly on any device, or robust online stores with numerous API integrations. They can now do all of that with Wix.

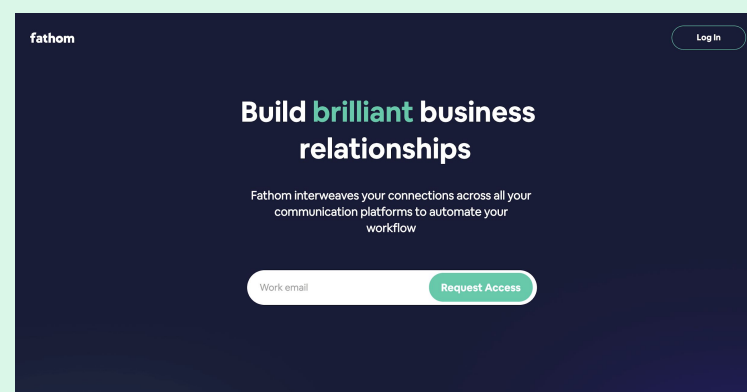
In early July, we officially launched **Editor X** to the public. Editor X caters directly to professional web designers and agencies, providing advanced design capabilities and approachable CSS technology. Web designers want to push the limits of design, create bold concepts and deliver exceptional business results for their clients. The combination of the full development capabilities of **Corvid by Wix**, the suite of business solutions on Wix, and Editor X, makes Wix the most comprehensive solution for professional web creators.

User Spotlights



“As COVID-19 began, I realized that I need a website for my portfolio as a graphic designer. I wasn't a fan of Wix because it was missing things. Then Editor X popped up, and I requested a beta. I was applying for a job so I set a deadline for myself to finish in two weeks. It worked. Editor X is more aligned with how I think as a designer and works better than traditional coding in my creative design practices. I'm the number one fan now.”

Alicia Churilla, Graphic Designer
Owner of www.aliciachurilladesign.com
Toronto



“I heard about Editor X via Slack. My first experience on the beta was pretty easy. It was unique in the way it handles the fluidity of the design. It was intuitive and the grid was pretty awesome. I worked with Webflow before, but I was looking for something that I can adapt and change easily because I'm creating a new startup and things are always changing. Designing in the browser was easier in Editor X. It's the perfect mix (drag&drop, docking, clean).”

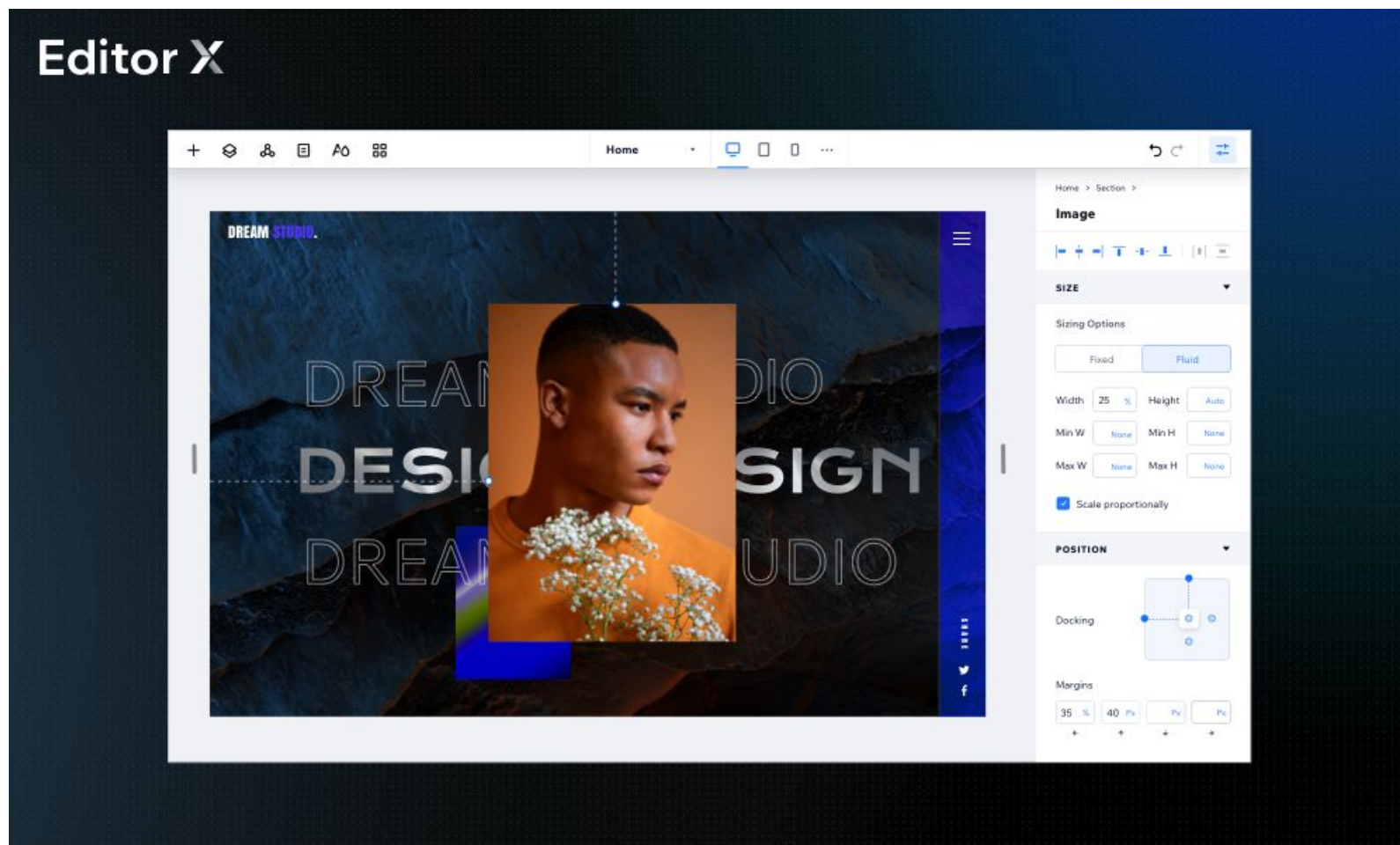
Asher Blumberg, Product Designer
Owner of www.fathomprivacy.com
San Francisco

The technology behind Editor X, specifically the packaging of CSS Grid with Flexbox Technology, is a significant accomplishment, bringing Wix to the forefront of the minds of the world's top designers. This accomplishment illustrates the strength of our robust R&D team, which was able to deliver this product while working remotely over the last few months.

Similar to the traditional Wix model, users are able to create unlimited projects on Editor X for free. This model is a key differentiator as other platforms limit the number of projects prior to payment. In order to connect a domain, get additional storage, connect payments, and use eCommerce functionality, Editor X users need to upgrade to premium packages.

We have launched Editor X as its own brand and have since introduced its own pricing packages to emphasize the significance of this product and the significant value it delivers to designers and professional creators.

With Corvid and Editor X, we have been able to significantly elevate our brand perception among agencies and freelance designers and developers.



The **Wix Partner Program** continues to be a key way for us to attract new professionals to Wix and provide resources to those on Wix in order to help them succeed. The **Wix Marketplace** further enables us to grow our ecosystem with users and Partners, who can grow their businesses by offering professional design, development, content, and marketing services to our DIY community. We continue to add features and functionality to the Marketplace that drive an increase in project completion for the Partners and an increase in satisfaction for the users. Features such as a Marketplace Overview to show project progress and the ability to reply to reviews provide a more positive experience for both groups of Wix users.

Providing Tools for Businesses to Grow Online

In order to grow their businesses, users require more than just a web presence. Wix provides businesses with many solutions to manage and grow their business online, including third-party applications, Ascend by Wix, and Wix Payments, among others.

As part of the expanded eCommerce solution announced in early July, we introduced several new and improved tools that have helped users manage and grow their businesses. Users can easily integrate payment management with **Wix Payments** and streamline orders and fulfillment all on one platform. This quarter we also introduced the ability to build a store and use Wix Payments to sell CBD online in the U.S.

Ascend by Wix is our all-in-one marketing and customer management application that helps businesses grow online. As part of Ascend, we recently introduced **Facebook Ads** for businesses to run dynamic campaigns that reach customers they want to target on the Facebook platform.

In recent months, Ascend has been pivotal in allowing businesses to continue to communicate with their customers. We recently launched Wix Business Phone Number or Virtual Numbers. **Virtual Numbers** enables our users to have their own dedicated business phone number while keeping their personal number private. It is seamlessly integrated with Ascend.

Get a Dedicated Business Phone Number to Connect with Customers

2 lines 1 Device

Separate work and personal calls so you can keep your mobile number private.

Unlimited Talk & Text

Communicate with customers in the US & Canada as much as you need.

Call Hours

Schedule the days and hours that you want to take business calls.

Seamless Customer Management

Get all your business tools like Contact List and Inbox in one place, integrated with your number.

Wix App Integration

Manage all your business calls and activities from the app on the go.

Personalized Voicemail

Elevate your business tone and voice with a voicemail message.



[Get a Business Number](#)

[Learn More](#)

Customer Care Update

The additional support Experts that we brought on board to our Customer Care organization over the last year have enabled us to maintain a high level of service throughout this period of increased demand. Through our Customer Care organization, we gain a better understanding of each of our users' journeys through Wix, which allows us to offer a much more tailored level of service. This higher level of service increases the likelihood that a user will purchase a subscription and/or business solution and be successful with their venture.

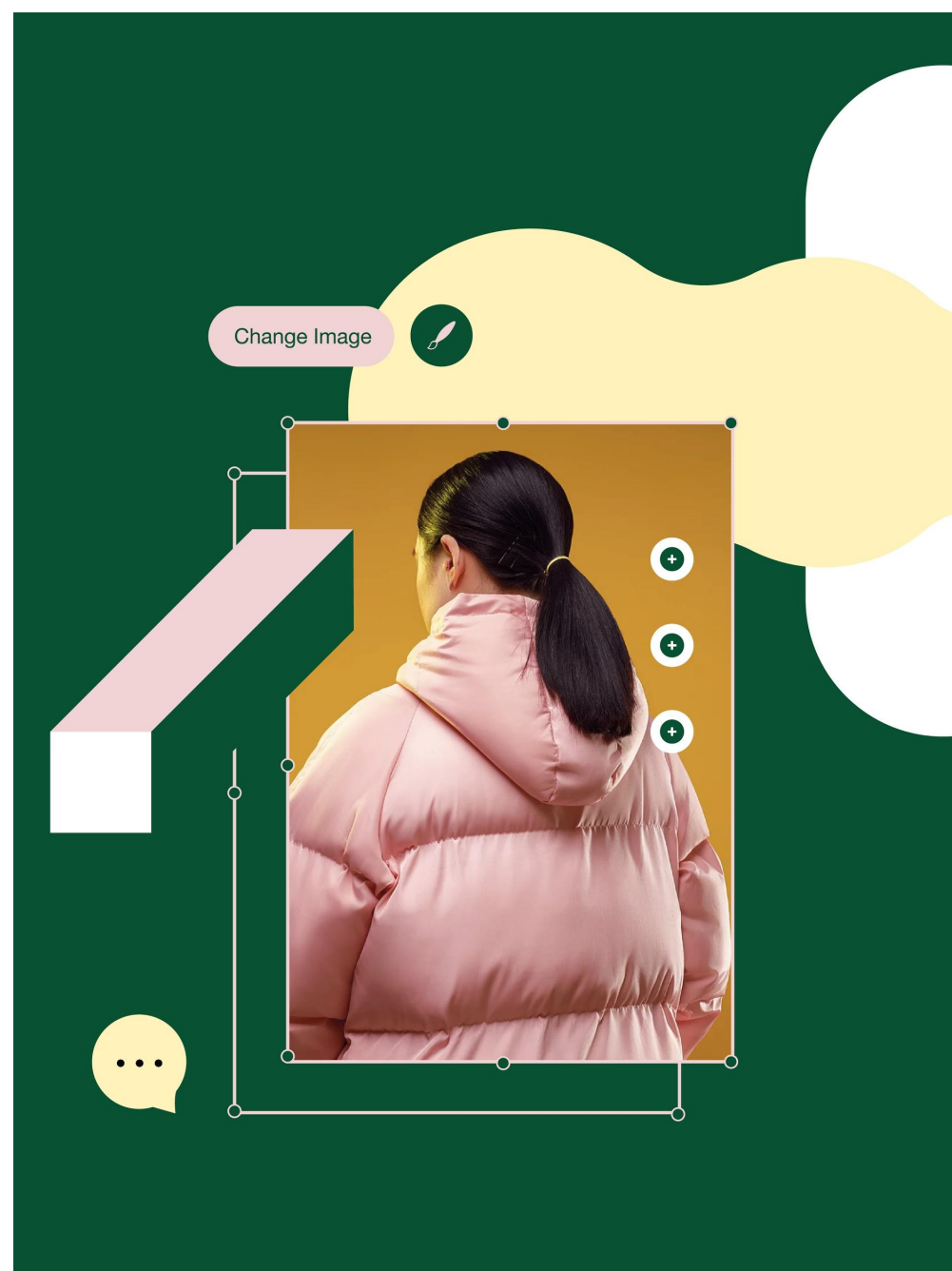
Given the dramatic increase in new users, we plan to expand our Customer Care organization throughout the second half of 2020. In July, we announced that we will open a new office in Denver, which will serve as the base for new support Experts. We also plan to expand our team in other locations in the US and Europe through the second half of the year.

We place a high priority ensuring our users' success through addressing their needs and providing a high level of service, and we believe that this expansion will continue to drive collections growth in our user cohorts, as we have observed up to this point.

Building our Global Community

As part of our global marketing efforts, we host several user meetups throughout the year in countries where we have a growing presence today. These meetups provide an opportunity for us to talk to our users, learn about their pain points, and teach them about new features on the Wix platform.

The pandemic means that we could not proceed with the in-person meetups that were scheduled this year, so we shifted to an online format. The engagement that we experienced with the first event we hosted was remarkable -- hundreds of attendees and thousands of questions, far more than an in-person event. Because of the success we saw, we decided to add more virtual events to the calendar this year. In Q2 alone, we hosted virtual events with users in Germany, Spain, Italy, and France, and we have many more scheduled throughout the remainder of the year.



Financial Review Q2 2020

Responding to Increased Demand

In response to the dramatic surge in demand, our Marketing team responded quickly and aggressively by substantially increasing our investment in user acquisition in Q2. Additionally, we began increasing the size of our Customer Care team to continue providing a high level of support to our growing user base. Expenses related to hosting also increased in Q2 as our user base grew rapidly.



The material increases in investments in support and hosting as well as in advertising in Q2 were all in response to the increased demand. Because these increases occurred so quickly, they are a headwind to profitability in the short term. Excluding these additional investments, our non-GAAP operating income would have been higher by approximately \$30-35 million in Q2. **Our ability to respond swiftly and aggressively is a testament to the execution strength of our team.**

These additional investments are being made to drive future growth. Evidence of this growth can be seen in the Q2 user cohort, which we expect will generate future collections over the next eight years that are 90% larger than the year ago cohort. Longer term, we believe profitability and free cash flow will return and even exceed prior levels and at higher dollar amounts.

Revenue and Collections

Total revenue in Q2 was \$236.1M, up 27% y/y. On a y/y constant currency basis, Q2 revenue would have been \$237.9M, up 28% y/y.

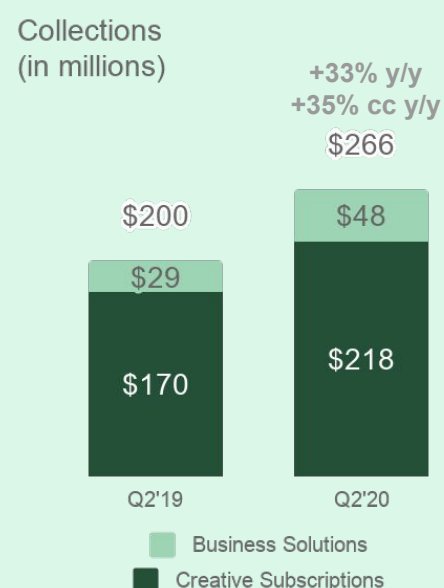
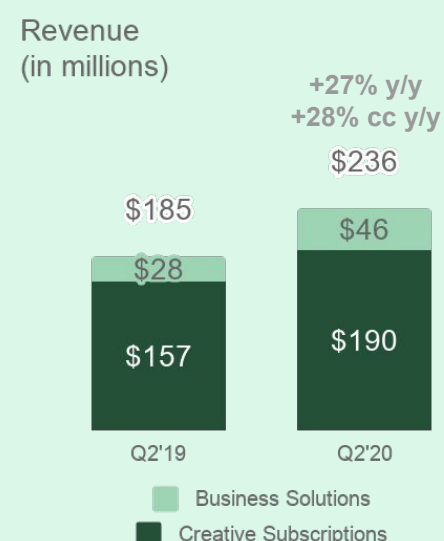
Total collections in Q2 were \$265.9M, up 33% y/y. On a y/y constant currency basis, Q2 collections would have been \$269.8M, up 35% y/y. Both revenue and collections exceeded the high end of our guidance ranges for the quarter.

Creative Subscriptions revenue in Q2 was \$190.2M, up 21% y/y, accelerating from growth of 17% y/y in Q1'20. Creative Subscriptions ARR grew to \$790.9M, up 22% y/y. The increase in ARR was driven by both a significant increase in premium subscriptions and average revenue per subscription (ARPS).

We added 346K subscriptions on a net basis in the quarter, which is up 163% y/y. In the first half of 2020, we added over 508K net subscriptions, almost as many as we added in all of 2019. In addition, more users selected higher-priced Business and eCommerce subscription packages, which drove higher ACPS compared to the prior quarter and the year ago quarter.

Creative Subscriptions collections in Q2 were \$217.7M, up 28% y/y, accelerating from 18% y/y in Q1. The acceleration was driven in part by the increase in subscriptions, subscriptions to higher priced packages and a higher ratio of annual and multi-year subscriptions. In Q2, 72% of gross new subscription additions were annual, up from 68% in Q1 and higher than we have ever had in a quarter.

Business Solutions revenue in Q2 was \$45.9M, up 62% y/y. Growth was driven primarily by an increase in Wix Payments adoption and sales processed through Wix Payments, as well as increased adoption of Ascend by Wix. Business Solutions collections in Q1 were \$48.2M, up 66% y/y.



Creative Subscriptions captures all revenue and collections generated from subscriptions to website and Partner packages, including vertical applications when purchased in a bundled subscription and domain subscriptions by any type of user.

Business Solutions is made up of various products that we offer to help users manage and growth their business online. Revenue models differ depending on the product.

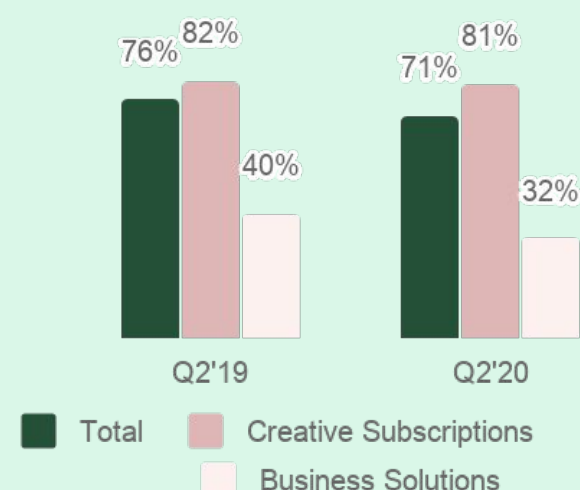
Non-GAAP Gross Margin

Total non-GAAP gross margin was 71% of revenue in Q2, compared to 72% in Q1 and 76% in Q2 2019. Overall gross margin declined y/y due to incremental investments in Customer Care and sequentially due to the faster revenue growth of the Business Solutions segment relative to the Creative Subscriptions segment.

Creative Subscriptions non-GAAP gross margin was 81% in Q2, compared to 81% in Q1 and 82% in Q2 2019. The y/y decline was related to the investment in expanding our Customer Care organization, which we began to lap in April.

Business Solutions non-GAAP gross margin was 32% in Q2, compared to 33% in Q1 and 40% in Q2 2019. The decline was due to the growth of Wix Payments, a product that carries a lower gross margin than the other products in this segment due to the cost structure with our payment providers, as well as the expansion of our Customer Care organization.

Non-GAAP Gross Margin



Operating Expenses

Non-GAAP R&D expenses were \$56.0M in Q2 compared to \$54.0M in Q1 and \$47.2M in Q2 2019. As a percent of collections, non-GAAP R&D expenses fell to 21% in Q2, down from 22% in Q1 and 24% in Q2 2019. Our disciplined approach to strategically investing in growth allows us to continue to deliver groundbreaking new products on time and do so with operating leverage.

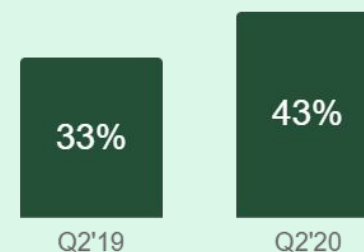
Non-GAAP S&M expenses were \$113.2M in Q2 compared to \$90.9M in Q1 and \$66.4M in Q2 2019. As a percent of collections, S&M expenses were 43% in Q2 compared to 37% in Q1 and 33% in Q2 2019. We made a significant incremental investment into acquisition marketing during the quarter in response to the increased demand that we have witnessed since the beginning of the pandemic.

Non-GAAP G&A expenses were \$15.5M in Q2 compared to \$14.9M in Q1 and \$12.5M in Q2 2019. Non-GAAP G&A expense was 6% of collections in Q2 2020, roughly the same as it has been for more than two years. G&A expenses have increased in parallel with the growth of our overall business.

Non-GAAP R&D as a % of Collections



Non-GAAP S&M as a % of Collections



Non-GAAP G&A as a % of Collections



Operating Income (Loss)

Non-GAAP operating loss in Q2 was \$(17.0)M, compared to operating loss of \$(4.2)M in Q1 and income of \$14.2M in Q2 2019. The operating loss in Q2 was due to the incremental investment in marketing as well as increased hiring in Customer Care and slightly increasing hosting costs in conjunction with the rapid growth of our user base.

Overall collections again grew faster in the quarter, which also impacted operating income. When incremental collections growth exceeds revenue growth, our income statement profitability slows as revenue can only be recognized ratably over the term of a subscription even though cash is collected up front. This impact is further supported by the y/y change in total deferred revenue, which increased 34% y/y.

Free Cash Flow and Balance Sheet

Free cash flow in Q2 was \$46.7M, compared to \$40.0M in Q1 and \$30.8M in Q2 2019, an increase of 52% y/y.

Total capital expenditures were \$3.3M in Q2, compared to \$5.0M in Q1 and \$6.4M in Q2 2019. Excluding capital expenditures related to the buildout of our new headquarters offices, free cash flow would have been \$47.1M in Q2, an increase of 53% y/y.

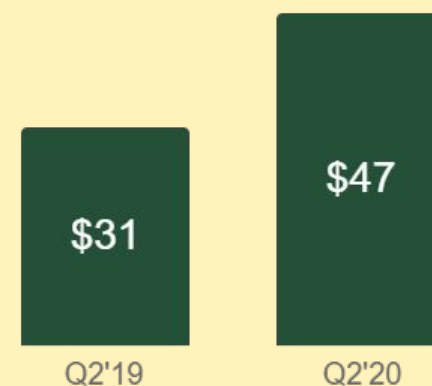
Total capex in Q2 included approximately \$0.4M in costs associated with our new headquarters office buildout. We continue to expect total capex associated with this buildout of \$8-9M in 2020.

We ended the quarter with \$1.0B in cash on the balance sheet and \$371M in long-term debt.

Our total employee headcount was 3,551 as of the end of Q2.

At the end of Q2, our basic weighted average share count was approximately 54.7M and our weighted average fully diluted share count was approximately 61.8M. The share count increased by ~3M shares q/q, mostly driven by members of management exercising options for tax purposes and exercising options granted in 2010 that are set to expire at the end of this year.

Free Cash Flow (in millions)



Outlook Update

Our outlook for Q3 reflects continued momentum of new registered user growth as well as the growth in monetization of our user cohorts. We expect these trends will accelerate y/y collections growth in Q3.

We have the opportunity to be much more aggressive with our investments in marketing than we had originally predicted for the remainder of the year, and we believe this increase will drive growth in the coming years. During Q2, we increased advertising investment by approximately 90% y/y, and we acquired the largest user cohort in our history, which we expect will return future collections that are approximately 90% higher than the previous year's Q2 cohort. This return supports our decision to be more aggressive with our marketing investment.

Our Marketing team responded to the surge in demand quickly and aggressively, a testament to the strength of our team. We believe this level investment will drive higher revenue and collections over the coming years and will expand profitability and free cash flow over time as well.

For Q3 2020, we expect the following:

- Revenue of \$247 - \$250 million, or 26 - 27% y/y growth
- Collections of \$270 - \$275 million, or 31 - 34% y/y growth
- Free cash flow of \$15 - \$17 million and of \$16 - \$18 million excluding approximately \$1 million in capex for the future build out of our new headquarters

This guidance assumes FX rates as of today. We are again providing free cash flow guidance for the quarter due to the significant increase in marketing investment that occurred in Q2 and we expect will continue in Q3.

We continue to experience trends that are tailwinds to our top line growth. However, given the uncertainty related to COVID-19 and macroeconomic conditions, it is difficult to predict how long and to what degree these trends will remain; therefore, we are only providing guidance for the third quarter at this time.

Q3'20 Guidance

Revenue:
\$247 - 250 million
26-27% y/y growth

Collections:
\$270 - 275 million
31-34% y/y growth

Additional Modeling Notes

- **Gross margin:** we now expect non-GAAP gross margin of our Creative Subscriptions segment to be approximately 79-80% of revenue for the full year 2020 due to the incremental investment we plan in Customer Care and hosting. We expect this investment will return itself through future collections growth

We expect the non-GAAP gross margin of our Business Solutions segment to continue to decline from the 1H 2020 through the end of the year, primarily due to to expected growth of Wix Payments

- **Non-GAAP operating expenses:** as demand remains high, we plan to increase marketing activities substantially in the second half of 2020 similar to the dollar level of Q2. We anticipate non-GAAP R&D and G&A expenses to be in line with dollar levels that we planned prior to the pandemic
- **GAAP and Non-GAAP tax expense:** expected to be \$7-8M for the full year 2020
- **Capital expenditures:** expected to be approximately \$26-28M for the full year 2020 including approximately \$8-9M of leasehold improvements related for construction of our new HQ offices
- **Depreciation expense:** expected to be approximately \$16-18M for the full year 2020
- **Share based compensation expense:** is expected to be roughly \$145-147M for the full year 2020
- **Share count:** we estimate we will have approximately 56M basic shares outstanding and approximately 63M fully diluted shares outstanding at the end of full year 2020
 - Considering the above, weighted average shares outstanding used to calculate EPS is expected to be approximately 53-54 million shares for the FY 2020
 - Please note that basic weighted average shares outstanding is equal to fully diluted weighted shares outstanding to calculate fully diluted EPS as long as there is a GAAP net loss, which we anticipate will be the case for 2020

Appendix

Notes and Modeling Clarifications

Annualized Recurring Revenue (ARR): ARR is calculated as Monthly Recurring Revenue (MRR) multiplied by 12. MRR is calculated as the total of (i) all active 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; (iii) monthly revenue from partnership agreements

Share repurchase authorization: As previously disclosed in a separate filing, Wix received approval by the Israeli District Court to repurchase up to \$300 million of its ordinary shares or convertible notes from time to time, until December 31, 2020, when the current court authorization expires.

Conference Call and Webcast Information

Wix will host a conference call at 8:30 a.m. ET on Thursday, August 6, 2020 to answer questions about the financial and operational performance of the business for the second quarter ended June 30, 2020. The conference call will include a brief statement by management and will focus on answering questions about our results during the quarter. To enhance the Q&A portion of this call, the Company has posted supporting slides to its Investor Relations website at <https://investors.wix.com/>. These materials provide shareholders and analysts with additional detail for analyzing results in advance of the quarterly conference call.

To participate on the live call, analysts and investors should dial +1-888-771-4371 (US/Canada) or +1-847-585-4405 (US Toll) at least ten minutes prior to the start time of the call. A telephonic replay of the call will be available through August 13, 2020 at 11:59 p.m. ET at <https://onlinexperiences.com/Launch/QReg/ShowUUID=D0DBA6CF-E305-452B-976E-19713D114599&LangLocaleID=1033> with passcode 49852245.

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

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: collections, cumulative cohort collections, collections on a constant currency basis, revenue on a constant currency basis, non-GAAP gross margin, non-GAAP operating income (loss), 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 tax expense (collectively the "Non-GAAP financial measures"). Measures presented on a constant currency or FX neutral basis have been adjusted to exclude the effect of y/y changes in foreign currency exchange rate fluctuations. Collections represent the total cash collected by us from our customers in a given period and is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. 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. 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, 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 capital expenditures associated with our new 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.

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 collections, 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.

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, collections 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 full year 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 ability to grow our user base and premium subscriptions, including through our Wix Partner Program; uncertainty surrounding the duration and severity of COVID-19 and its effects on our business, including changes in consumer dynamics shifting to online and increased GMV on our platform; our ability to create new and higher monetization opportunities from our premium subscriptions; our ability to enter into new markets, and attract new customer segments, and our ability to successfully enter into partnership agreements; our ability to maintain and enhance our brand and reputation; our prediction of the future collections generated by our user cohorts; our share repurchases made pursuant to our share repurchase plan; our ability to manage the growth of our infrastructure effectively; our ability to effectively execute our initiatives to scale and improve our user support function, including through the recent expansion of our Customer Solutions organization by engaging additional agents around the world to provide 24/7 support in nine different languages; the success of our sales efforts; customer acceptance and satisfaction of new products and other challenges inherent in new product development; changes to technologies used in our solutions; or changes in global, national, regional or local economic, business, competitive, market, regulatory and other factors discussed under the heading “Risk Factors” in the Company’s 2019 annual report on Form 20-F filed with the Securities and Exchange Commission on April 2, 2020. 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	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	\$174,290	\$185,419	\$196,791	\$204,588	\$215,987	\$236,059
Collections	\$200,379	\$199,563	\$205,860	\$226,683	\$248,858	\$265,851
Non-GAAP Gross Profit	\$136,028	\$140,334	\$145,163	\$150,461	\$155,548	\$167,751
<i>Non-GAAP Gross Margin %</i>	78%	76%	74%	74%	72%	71%
Non-GAAP R&D expenses	\$45,790	\$47,231	\$49,465	\$51,426	\$53,972	\$56,034
<i>% of revenues</i>	26%	25%	25%	25%	25%	24%
<i>% of collections</i>	23%	24%	24%	23%	22%	21%
Non-GAAP S&M expenses	\$80,517	\$66,368	\$70,255	\$67,940	\$90,905	\$113,227
<i>% of revenues</i>	46%	36%	36%	33%	42%	48%
<i>% of collections</i>	40%	33%	34%	30%	37%	43%
Non-GAAP G&A Expenses	\$11,874	\$12,540	\$13,185	\$13,926	\$14,865	\$15,496
<i>% of revenues</i>	7%	7%	7%	7%	7%	7%
<i>% of collections</i>	6%	6%	6%	6%	6%	6%
Non-GAAP Operating Income (Loss)	(\$2,153)	\$14,195	\$12,258	\$17,169	(\$4,194)	(\$17,006)
<i>% of revenues</i>	(1%)	8%	6%	8%	(2%)	(7%)
<i>% of collections</i>	(1%)	7%	6%	8%	(2%)	(6%)
Non-GAAP Net Income (Loss)	\$1,468	\$16,956	\$20,826	\$19,898	(\$396)	(\$14,170)

in 000s	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	\$174,290	\$185,419	\$196,791	\$204,588	\$215,987	\$236,059
Change in deferred revenues	\$26,089	\$14,144	\$9,069	\$22,095	\$32,871	\$29,792
Collections	\$200,379	\$199,563	\$205,860	\$226,683	\$248,858	\$265,851
Creative Subscriptions Revenues	\$151,364	\$157,012	\$164,761	\$171,355	\$176,546	\$190,169
Change in deferred revenues	\$25,529	\$13,481	\$8,810	\$19,450	\$32,251	\$27,527
Creative Subscriptions Collections	\$176,893	\$170,493	\$173,571	\$190,805	\$208,797	\$217,696
Business Solutions Revenues	\$22,926	\$28,407	\$32,030	\$33,233	\$39,441	\$45,890
Change in deferred revenues	\$560	\$663	\$259	\$2,645	\$620	\$2,265
Business Solutions Collections	\$23,486	\$29,070	\$32,289	\$35,878	\$40,061	\$48,155
Gross Profit	\$134,575	\$138,757	\$142,496	\$147,353	\$153,917	\$165,577
Share based compensation expenses	\$1,311	\$1,436	\$1,525	\$1,582	\$1,631	\$1,869
Acquisition related expenses	\$0	\$0	\$0	\$0	\$0	\$305
Amortization	\$142	\$141	\$142	\$1,526	\$0	\$0
Non GAAP Gross Profit	\$136,028	\$140,334	\$143,496	\$150,461	\$155,548	\$167,751
<i>Non GAAP Gross margin</i>	<i>78%</i>	<i>76%</i>	<i>74%</i>	<i>74%</i>	<i>72%</i>	<i>71%</i>
Gross Profit - Creative Subscriptions	\$124,716	\$127,717	\$133,219	\$137,935	\$141,156	\$151,659
Share based compensation expenses	\$1,150	\$1,225	\$1,285	\$1,334	\$1,322	\$1,485
Non GAAP Gross Profit - Creative Subscriptions	\$125,866	\$128,942	\$134,503	\$139,269	\$142,478	\$153,144
<i>Non GAAP Gross margin - Creative Subscriptions</i>	<i>83%</i>	<i>82%</i>	<i>82%</i>	<i>81%</i>	<i>81%</i>	<i>81%</i>

in 000s	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
Gross Profit - Business Solutions	\$9,859	\$11,041	\$10,277	\$9,418	\$12,761	\$13,918
Share based compensation expenses	\$161	\$211	\$240	\$248	\$309	\$384
Acquisition related expenses	\$0	\$0	\$0	\$0	\$0	\$305
Amortization	\$142	\$141	\$142	\$1,526	\$0	\$0
Non GAAP Gross Profit - Business Solutions	\$10,162	\$11,393	\$10,659	\$11,192	\$13,070	\$14,607
<i>Non GAAP Gross margin - Business Solutions</i>	<i>44%</i>	<i>40%</i>	<i>33%</i>	<i>34%</i>	<i>33%</i>	<i>32%</i>
Research and development (GAAP)	\$58,183	\$61,486	\$64,488	\$66,634	\$70,716	\$75,464
Share Based Compensation	\$12,256	\$14,119	\$14,886	\$14,900	\$16,185	\$18,216
Amortization	\$137	\$136	\$137	\$308	\$123	\$123
Acquisition related expenses	\$0	\$0	\$0	\$0	\$436	\$1,091
Non-GAAP research and development	\$45,790	\$47,231	\$49,465	\$51,426	\$53,972	\$56,034
<i>% of collections</i>	<i>23%</i>	<i>24%</i>	<i>24%</i>	<i>23%</i>	<i>22%</i>	<i>21%</i>
Selling and marketing (GAAP)	\$85,718	\$71,329	\$75,862	\$74,809	\$96,156	\$119,333
Share Based Compensation	\$4,748	\$4,506	\$4,590	\$4,614	\$4,568	\$5,395
Amortization	\$453	\$455	\$453	\$550	\$442	\$442
Acquisition related expenses	\$0	\$0	\$564	\$1,705	\$241	\$269
Non-GAAP selling and marketing	\$80,517	\$66,368	\$70,255	\$67,940	\$90,905	\$113,227
<i>% of collections</i>	<i>40%</i>	<i>33%</i>	<i>34%</i>	<i>30%</i>	<i>37%</i>	<i>43%</i>

in 000s	2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2
General and administrative (GAAP)	\$18,466	\$20,103	\$23,751	\$23,602	\$25,436	\$24,531
Share Based Compensation	\$6,592	\$7,504	\$7,391	\$7,377	\$8,334	\$9,487
Amortization	\$0	\$6	\$1	\$1	\$1	\$1
Acquisition related expenses	\$0	\$53	\$0	\$163	\$262	\$32
Sales tax accrual and other G&A expenses (income)	\$0	\$0	\$3,174	\$2,135	\$1,974	(\$485)
Non-GAAP general and administrative	\$11,874	\$12,540	\$13,185	\$13,926	\$14,865	\$15,496
GAAP Operating Loss	(\$27,792)	(\$14,161)	(\$20,605)	(\$17,692)	(\$38,391)	(\$53,751)
Share Based Compensation	\$24,907	\$27,565	\$28,392	\$28,473	\$30,718	\$34,967
Amortization	\$732	\$738	\$733	\$2,385	\$566	\$566
Acquisition related expenses	\$0	\$53	\$564	\$1,868	\$939	\$1,697
Sales tax accrual and other G&A expenses (income)	\$0	\$0	\$3,174	\$2,135	\$1,974	(\$485)
Non-GAAP Operating Income (Loss)	(\$2,153)	\$14,195	\$12,258	\$17,169	(\$4,194)	(\$17,006)
Net cash provided by operating activities	\$35,074	\$37,180	\$36,073	\$41,237	\$45,027	\$49,958
Capital expenditures, net	\$5,028	\$6,426	\$6,846	\$3,766	\$5,075	\$3,264
Free Cash Flow	\$30,046	\$30,754	\$29,227	\$37,471	\$39,952	\$46,694
Capital expenditures related to future Wix HQ office build out	\$0	\$0	\$0	\$0	\$483	\$408
Free Cash Flow (excluding future Wix HQ office build out)	\$30,046	\$30,754	\$29,227	\$37,471	\$40,435	\$47,102

in millions	Q3'20 Outlook
Revenues	\$247 - \$250
Deferred Revenue	\$23 - \$25
Collections	\$270 - \$275

in millions	Q2'19	Q2'20
Q2 Cohort Revenues	\$6	\$10
Q2 Cohort change in deferred revenues	\$17	\$28
Q2 Cohort Collections	\$23	\$38
y/y%		66%

in 000s	Q2'19	Q2'20
Revenues	\$185,419	\$236,059
FX impact on Q2'20 revenues using Q2'19 rates	\$0	\$1,824
Revenues FX Neutral	\$185,419	\$237,883
y/y%		28%
Collections	\$199,563	\$265,851
FX impact on Q2'20 collections using Q2'19 rates	\$0	\$3,922
Collections FX Neutral	\$199,563	\$269,773
y/y%		35%