

**Wix Second Quarter 2020 Results Conference Call  
August 6, 2020**

*Introduction*

**Operator:** Welcome to the Wix Q2 2020 Earnings Call. (Operator Instructions) Please note that this conference is being recorded. I will now turn the call over to Maggie O'Donnell, Director of Investor Relations. Maggie, you may begin.

**Maggie O'Donnell:** Thank you. Good morning, everyone. Welcome to Wix's second quarter 2020 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 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, [investor.wix.com](http://investor.wix.com). With that, I will now turn over the call to Avishai.

**Avishai Abrahami:** Good morning, everybody. Thank you for joining us today. Q2, we have great results and I think one thing that really happened is that a lot of our investment in 2019 and 2018 in creating products like Ascend, Wix Payments, all combined together, right, with the corona and created this perfect storm of growth.

In fact, the best way to measure our growth is looking at the cohort, right. We're a subscription business, looking at how much your cohort itself has grown. And as far as we can predict the growth of Q2 cohort compared to last year Q2 is around 90% in its value, which means that the growth rate of Wix is 90% higher than it was last year.

And really, this is something that has happened because all of those elements have compounded themselves and then creating a massive growth and then having even more growth because of corona.

Now I think that this is really establishing a new baseline for our business. Of course, because a lot of those opportunities, we put a lot of investment into support to support all the new customers and a lot of investment into marketing as

we have a lot of really -- what we consider to be -- very profitable opportunities in marketing.

And the other thing we can say is that if we look at the globe in countries where corona is stronger or became weaker, luckily, we are seeing that growth has not changed at least during July, we're pretty much at the same rate.

I want to take this opportunity also to thank the Wix team. Obviously, when a company grows so fast, there's a lot more that everybody has to do in order to support our customers. This is a really important time for our customers as their business became so much more depending on the internet. In fact, in many cases, that's now the only avenue of business possible.

And really, I want to say thanks to everybody that put so much effort and so much care into protecting our customers and supporting them in these hard times. And with this, I want to thank you and bring it back to Maggie.

**Maggie O'Donnell:** Thank you, Avishai. Operator, I think we're ready for our first question.

## QUESTIONS AND ANSWERS

**Operator:** (Operator Instructions) And our first question on the line comes from Mr. Mark Mahaney from RBC.

**Mark Mahaney:** Two questions. Could you talk about sales and marketing efficiency in the quarter? It looked like sales and marketing increased somewhat materially as a percentage of collections?

And then secondly, could you just double-click on the some of the e-commerce solutions that you've been rolling out recently? How well developed are they? What kind of traction are you seeing for them initially, that's an extremely powerful current in this environment, e-commerce enabling technologies? Talk about how well positioned you think Wix is for that opportunity.

**Lior Shemesh:** Thank you, Mark. I will start with the first question about the marketing. I think that the thing about the marketing, this is like the most amazing thing that happened to us in the second quarter.

And you're absolutely right. Marketing investment has increased by -- I'm talking about a direct marketing investment -- by about 90% on a year-over-year basis. And by the way, with the same efficiency, with the same KPI, with the same model as we always had. And this is like a very, very interesting effect.

It was very quick and aggressive response of our marketing team that actually in few days, managed to increase the marketing so significantly to answer the demand and still being with the same efficiency as we were in the last -- in the previous cohorts. So, we actually took the opportunity, and we did it. And talking about the efficiency, to date, we've already collected about 60% -- even more than 60% -- return over our investment in marketing.

I think that the way actually to look at it, and Avishai, mentioned that the future collection of the second quarter cohort and the growth of it is about 90%, where this is the pure true growth of Wix during the second quarter and it basically tells the entire story, which is very similar to the growth in marketing expenses.

So I think that it answers your question about the efficiency of the marketing. Obviously, we will continue to invest. We look at it as a new baseline of growth and investment, and we are very, very excited and happy to continue with that.

**Avishai Abrahami:** I want to add. I don't know if you said that, but 60% of marketing expenses that happened in Q2 have already been returned in cash back to Wix. So we think that this is an amazing efficiency, where a subscription-based company usually takes those back takes a bit longer. So we're very happy about the marketing efficiency in this quarter.

**Nir Zohar:** Hey Mark, it's Nir. In regards to e-commerce, I think -- first of all -- I think that it's interesting, because we have a wider view on commerce besides only stores. And naturally, our store solutions grew significantly and I'm going to talk about it. But, when we think about the opportunity around e-commerce, we think about everything that our platform has to offer.

So it will also go towards the restaurant owners and the photographers and musicians and the bookings and -- events are now mostly online -- but also events. And also naturally the stores themselves.

To that effect, much of the additions on functionality to our stores portfolio that you've seen and we've advertised, it's actually been going on and we've been working on it prior to the corona crisis starting.

Some of them were actually released prior to that. But naturally, we think it's a huge opportunity. And what happened, I think, during the end of Q1 and Q2 with this huge shift of people moving online, and Avishai mentioned this, we strongly believe, and we're actually already seeing evidence to it in different countries that this is not a onetime shift. It's a new baseline. So in our mind, what we see now is something that would have happened over many years that just happened overnight.

And to that effect, we think that our core solution, coupled also with Wix Payments and just the ability for people to come in and onboard really quickly, start selling

their services, whatever they are, whether they are services or goods, are going to play a huge part in the value that we deliver to our customers. Obviously, we're going to be -- have a very positive impact on us as a business.

**Avishai Abrahami:** And you wanted also to say what is the growth percentage on e-commerce? I think that one of the things that we're seeing that across all of the e-commerce enabling transaction, growth is over 100%.

**Operator:** Next question comes from Mr. Ron Josey from JMP Securities.

**Ronald Josey:** Just a quick follow-up on the marketing side. Avishai and Nir, you just talked about the permanent acceleration in the business activity. And just with marketing accelerating here in the back half of the year, I think you said similarly, similar spend in 3Q and 4Q as you did for 2Q.

Can you just talk about maybe where you plan to focus the marketing and what you -- if you look to get sort of similar results as you did in 2Q in terms of registered users, subscriptions and things along those lines.

And then any insights on quarterly trends in subs, I think, would be appreciated. I think you -- in April, it was talked about sub additions grew around 200%. For the quarter, they grew 164%. You saw a good conversion rate, I think, for net registered users, but any insights on quarterly trends would be helpful. Thank you.

**Nir Zohar:** Sure. So Ron, I'll start the first question and Lior will jump in. I think generally, what we're seeing in terms of the acceleration is it's across the board and under the similar -- the same kind of verticals and businesses that we've seen before, just at a much higher demand with better conversion and a huge intent towards going into business.

We have actually -- and I think Avishai mentioned this also in his opening remarks, we're seeing in July, very similar behavior to what we've seen in Q2. So we believe at least, for the time being, that, that's going to last for the second half of the year in similar manners. Lior?

**Lior Shemesh:** Yes. So as Nir mentioned, I think that we continue to see the trends in July. I can tell you that July net adds has increased by more than 200%. So actually, we saw more net adds in July than April, as a number. So very, very excited about it.

So as I mentioned, I think that the way that we look at it is a new baseline. And obviously, we will continue to invest in marketing. As you know, it's not going to be so smart not to do it because it's so efficient. And remember, when we have such a huge increase that's happened in a few days, usually, it happened like over a few years.

So every time we increase the investment in marketing, we see the response in topline and so on. This time, the increase was happening in few days. We increased marketing by 90%. Obviously, we've seen the same increase in the value of the cohort. But as any other SaaS model, we first invest the marketing and it's expensed in the P&L, then we see collection, then we see revenue.

Obviously, to your question, in the next couple of years, I assume that we are going to generate much more free cash flow and profitability as a result of this huge growth that we have right now.

**Operator:** Our next question on the line comes from Ygal Arounian from Wedbush Securities.

**Ygal Arounian:** I want to talk about the agency push and maybe get a little bit of color on traction you're seeing there. And tying that in as well with the new e-commerce solution, how that could open up the agency opportunity?

I guess kind of what I mean by that is you guys a bit more focused on design agencies. As an e-commerce solution, could broaden that e-commerce agencies, typically. When we talk to e-commerce agencies, the solutions we hear about the most are Shopify, Magento and Bigcommerce.

So is the e-commerce solution kind of intended to open up that market for you? And then at the same time, maybe we would love to hear a little bit more about Editor X? You mentioned pricing in the investor letter. Anything you could share around pricing and the traction you're seeing with Editor X early on?

**Nir Zohar:** Ygal, it's Nir here. I'll kick it off with the agencies and the partners. So generally, we're seeing a very high-performance in this whole sector. And it kind of makes sense because the huge demand and the growth and the 90% value we're seeing at the cohort, is so connected to this huge demand. But as I said before, we are seeing it across the board, both in the people who are looking for to do it themselves, but also with people who would like somebody to handhold them or help them do it for them for a fee.

In that aspect, we've seen also a big uptake in the business flowing towards our partners. And in fact, I don't if you guys remember but we used to have a marketplace called the Arena. Now we just call it the Wix Marketplace. And it's a place where demand of people who need somebody to help them out and build the website for them is being met by our partners community.

We've revamped that platform significantly in many capabilities for both sides of the marketplace, and we're seeing really great traction going there as well. So I think that we're going to keep on seeing that through the second half of the year.

And actually, in relation specifically to agencies that build commerce sites, yes, absolutely. As we add more functionality and more capabilities, we allow them to do more on our platform. Will that mean that some of them will choose us over competitors? I think that absolutely, in some cases, yes. It all depends on what are the additional values that people are looking for.

But I think when we add the coding environment, we're adding Editor X as a really deep capability into building a very sophisticated website. When you add that to all of the CRM capabilities of Ascend, the payments, and it's all bundled in one place, then that's a real big value proposition. So we definitely assume that some of those partners and agencies that deal specifically with commerce, will adopt Wix as a solution. Avishai, you want to talk more about Editor X?

**Avishai Abrahami:** I think that Editor X really aimed at the higher end agencies -- the people that build mostly a lot of really sophisticated projects. It's a professional tool, if Wix is mostly for everybody, and we have designers using that, Editor X is really aimed at agencies and developers, so it's a very separate brand, and I think very different kind of customers. At least that's what we're seeing from the beta. And we're very happy about it because I think it allows us to give a complete solution to another big part of our addressable market.

**Nir Zohar:** I'll just say about the pricing, too, I think, interesting thing is, first of all, obviously, when we try to determine the pricing, we look and try to look at other kind of solutions that offer solutions for professional crowds. We spoke with the customers themselves, obviously. We looked at other companies. We look at what Adobe does on their cloud and we came up with what we think is great value for what you get on Editor X.

We did something that nobody else does, which is we kept the freemium offering, which, in our mind, is very, very strong.

We introduced this new pricing relatively lately. So we still cannot talk towards specific numbers and results. But we are very happy with what we're seeing in terms of the adoption.

**Operator:** Our next question on the line comes from Deepak Mathivanan from Barclays.

**Deepak Mathivanan:** Two questions. First one, given the success you have seen with e-commerce and other offline businesses coming into the platform, can you provide an update on where the GMV is right now on the platform and what the penetration is for Wix Payments at this time?

And then second question, Lior, what are you factoring in, in terms of TROI and sub growth into the 3Q guidance compared to 2Q levels? I mean you have seen pretty nice tailwinds over the past few months.

Some of that could moderate over the next few months in the back half. Are you expecting some efficiencies on marketing to moderate, while you keep marketing spend at current levels in the back half?

**Nir Zohar:** So in terms of in terms of payments penetration, we're seeing a very wide adoption of it. So over 80% of the eligible newcomers in terms of the territories are picking up Wix Payments.

And I can say that, generally, in terms of the geographies, Wix Payments is very diversified, so not focused only on one place. So we're seeing a really nice uptake there. We're still not breaking apart specific numbers around GMV, but we'll probably do that in the future.

**Lior Shemesh:** With regard to the TROI and investments in the third quarter guidance, I think that, look, we provided the range for the guidance, which basically take into consideration the uncertainty, but I think that for the third quarter, it's very small.

This is why we've chosen to provide the guidance for the third quarter and the way that we actually look at it is a new baseline. With the same TROI, as of now, it's basically continues with the same KPIs, with the same efficiency as we've seen in the second quarter.

And subs growth is actually stronger in July than the second quarter in average. And I think that the most important thing, the way to look at it, is the value of the cohort, which actually continues with this strength.

Again, I want to emphasize the fact that the second quarter generated a 90% growth in the new cohort, which the way that I'm looking at it is like a new baseline with amazing growth. And this is like the real pure growth of the company during the second quarter. We, obviously, expect that to continue to the third quarter as well.

**Operator:** Our next question on the line comes from Mr. Nick Jones from Citi.

**Nicholas Jones:** One, I saw on the press release, you introduced Facebook advertising to Ascend and there's (inaudible) integration with the extended e-commerce solutions. Can you talk a little bit about what type of kind of additional advertising capabilities you're potentially looking to add for current subs and future subs? Is that an area that we should look for additional investment?

**Avishai Abrahami:** If I understand question, you're asking about what tools we give our customers to market their business? Is that correct?

**Nicholas Jones:** Correct.

**Avishai Abrahami:** So, Facebook Ads is the only place we're actually in an active way managing the advertisements of our customers, right? We use AI to do that. And we might expand that to additional platform. However, one of the things that we do is that we support, pretty much, every advertising platform that you have, and we help our customers have the right material and content to put on those platforms, which is usually the harder part.

And so, for example, if you want to advertise videos, right? We have an AI-based system that will create videos that we know are very efficient in marketing, for you to put on YouTube, to put in Facebook, to put in any other platform that supports video advertisements. So this is currently part of our focus.

We also help you by closing the loop, which means that if you have a website, we help you track who has arrived, allow you to open a chat with them. We allow you to send the notification if they left something in the cart that they did not buy.

We pretty much close all of the loop in order to facilitate a better return on your business and then track it all with Wix Ascend. So that's currently a focus. With the exception of Facebook Ads, where you just put money and we do everything automatically for you.

**Operator:** Our next question on the line comes from Mr. Lloyd Walmsley from Deutsche Bank.

**Lloyd Walmsley:** First, can you talk about where you are in terms of gross margins for Wix Payments? When you see the large pickup in volumes or gross profit margins getting closer to sort of a normalized rate for payments business, anything you can tell about where it is today, where it will get to in the next few years would be helpful.

And second one, shareholder letter, you're talking about expanding the customer care team. Can you just give us a sense for how revenue returns have been from the customer care team, what side from kind of a pickup in volumes is informing the decision to kind of expand that? And how much we should be thinking about you guys spending over the next few quarters and years on care?

**Lior Shemesh:** Okay. So we'll start with the first and second question. Nir will join me to explain some of the trends that we see about the customer care. With regard to the Wix Payments, you're absolutely right.



The gross margin has improved dramatically in the second quarter because of the scale. I believe that we have more room to improve it over time as scale continues to grow. But obviously, we are learning more staff and improving it. I think that right now, when we are looking at the gross margin of Payments, it's approximately 30%.

But again, I believe that there is more room to increase it. And the overall, the Business Solution is interesting. I think that we are going to see more Payments, top line coming in the next couple of years.

But at the same time, we are going to introduce more functionalities, more services that are going to contribute to the gross margin of it. But I do expect that will continue to improve. And again, the second quarter was truly quite significant improvement.

With regard to the Customer Care, we were very lucky to increase the headcount of the Customer Care before in order to answer the huge demand, and Nir can elaborate about it, but we intend to continue with that. Because, obviously, when we are serving right now more than 180 million users and we are growing by 9 million users every quarter, this is something that we need to take care of.

And obviously, to provide a good service to our customers, as we always did. And we already started to see the benefits of it. Remember, when we are talking about the growth of Wix in the second quarter and going into the second half of the year, obviously, it was well returned in terms of the investment. Nir, do you want to elaborate more about it?

**Nir Zohar:** So as Lior mentioned, just imagine where we would have been now, had we not made that investment last year. So naturally, the gains from this investment so far are not exactly as we planned to begin with because we had this surprise of COVID-19 coming in and reshuffling our program.

But obviously, we are very happy that we made that investment because it allowed us to meet that huge demand and that huge spike of new growth coming from these new cohorts. Again, I remind you, it's not only that they are much, much bigger in size, but the intent of the people who are joining us is much higher towards building a website for running their business online.

So naturally, we need to be able to support that in high quality. I think after that, with also people who are building things that are much more complex now on Wix, with all the stores and with the partners. So naturally having a big sized, qualified care organization is very, very important.

Our belief is that since the growth is sustainable, so will be the additional investment we're going to do into care. And that will also be matched with the approach that

we spoke about in the past, which we are still training and working on that will also allow us to get even more value coming from just speaking and working with our customers proactively.

**Operator:** Our next question come from the line of from Josh Beck from KeyBanc.

**Josh Beck:** The thing that really stood out to me was the collections growth, and that's accelerated to pretty much a low [30s] percent level in Q2 and Q3. In the shareholder letter, I know that you mentioned you're seeing a higher mix of annual and multiyear contracts.

So I guess, my higher-level question is, do you see this as a structural change that you expect to remain in place? And at what point do you think this elevated collections growth can translate into revenue growth?

**Lior Shemesh:** So yes, for now, we think that this trend will continue, at least for the second half of the year. It's really hard to tell beyond that, but I believe that this is something that will continue in the second half of the year. And yes, I mean, business needs longer-term solutions.

So obviously, most of them are choosing the non-monthly, the yearly, the 2 years plan. And obviously, we're really, really happy for that. And with regard to the revenue, remember that once we collect the yearly plan, then we need to recognize it over the year, meaning every quarter and so on.

So I believe that in the second half of the year, we are going to see that deferred revenue is actually increasing to reflect the change between revenue to collection because collections are going to grow much faster than revenue. But eventually, it will be catching up.

It might take 1 year or 2 years, but it obviously will catch up. And then you're going to see also the improvement in profitability in the GAAP P&L. It's actually already going to happen next year. So yes, I mean, the same trends continue. And it looks really, really good.

**Josh Beck:** Okay. And if I can just sneak in one more on the net subscription additions. So I know in April, I believe it grew 207%. And then for the full quarter, it grew, I believe, 164%. So it seems like it did moderate a little bit in May and June, but it sounds like July was quite strong.

So any other color you can just give us on the progression of net add growth and then help us think about conversion from existing versus new customers?

**Nir Zohar:** So I think generally speaking, there was some change in mix and seasonality and things like that. But from a wider perspective, we keep on seeing a

high number of net sub adds. Also in July, as mentioned, we highlighted this also in the PR that the -- just the first half of this year has already reached almost the same number of net sub adds as '19. So naturally, there is -- you can see a very clear high acceleration there. And the acceleration is coming both from the new cohorts, but also from the existing cohorts, meaning that everything is accelerating and performing better because it kind of makes sense. It's being driven by the COVID-19 crisis on the financial side of it.

And people, whether they were Wix users before it started or after, have a need to move online. And that's also why you see that kind of acceleration. And I think the other thing that is worth mentioning, obviously, is that we see the huge increase both on the net subs, but also on the cohort value itself.

So I think both of them coupled together means that we can look ahead into elevated growth definitely in the second half and probably much further.

**Operator:** Our next question on line comes from Mr. Brad Erickson from Needham & Company.

**Bradley Erickson:** Just a couple of follow-ups. First, when you're -- I guess, when your sales force is talking -- out talking to agencies about Corvid, what are the areas of pushback, if there are any of why they wouldn't use Corvid versus, say, other competing solutions? And then just a follow-up. Just within business solutions, just can you give us any flavor of relative growth rates, maybe a rank order between Payments, G suite and then Ascend?

**Avishai Abrahami:** So this is Avishai. I think that what we mostly hear about with Corvid is that it needs to have better teamwork -- ability for many developers to work it once and together -- and some debugging tools.

And these are the things that we'll be addressing in the next 6 months hopefully get it to a point that is solving the pains and actually providing some benefit to our customers. For question number two, you want to take it?

**Lior Shemesh:** Yes. With regard to the growth, although G Suite is the largest component in our business solution, the Payments growing faster, obviously, really, really faster and also Ascend.

I think that the way to look at it is G Suite, usually will continue to grow the same level as a Creative Subscriptions growing, but we are going to see Payments growing much faster in the future. The same goes for Ascend.

**Operator:** Our next question on the line comes from Mr. Jason Helfstein from Oppenheimer.

**Jason Helfstein:** So I want to ask, it seems to be the biggest question right now is given comments about cohort strain, record user and premium ads and collections per sub acceleration in the quarter.

Why isn't the third quarter collections guidance stronger? Is there a specific headwind that you want to call out? Is it shift to the new cohorts, lower price plan? I just think everyone is looking at the guidance and just obviously, this was a stellar -- unbelievable quarter. Why the collections guidance is not stronger?

**Lior Shemesh:** So Jason, this is Lior. So first of all, the guidance for the third quarter is 31% to 34%. When you compare the 34%, obviously, it's higher than the growth of the second quarter.

And look, you're right. There is some uncertainty about the third quarter that, obviously -- and we've chosen to provide the guidance for the third quarter, but we also need, in a way, to be also a little bit conservative about what is going on right now in the world. So it's obviously taking it into account.

If everything is good and everything is happening, everything continues the same way, especially around everything that we do right now, obviously, there is an upside to the third quarter. But at this point of time, we feel very comfortable with the guidance that we provided.

**Jason Helfstein:** So to the extent that you -- there could be, I guess, you'd say, like macro factors, what would that be? Is it -- are you worried about like for all of the new businesses coming online, old customers canceling? I mean just maybe be more specific, what that concern or what the downside scenario could be relative to the upside?

**Avishai Abrahami:** I think we are mostly afraid of what world leaders would do, right? COVID, corona, is something that we didn't expect. We show that in different parts of the world, there were different kind of reactions to it and with different level of efficiency.

And the one thing we are not sure about, more than anything, is how world leaders will react? What happens to the economy? Obviously, more stimulants need to support the populations in a lot of the countries, and it's very hard to anticipate.

It's kind of like e-commerce, we continue to have a lot of people building e-commerce enabled sites, you need customers, right? Those customers need to have money. So kind of like -- we feel very uncomfortable not knowing what world leaders would do. That is the reality of our biggest fears. Not to point any specific country, beyond others as being less predictable.

**Operator:** Our next question alone comes from Mr. Ken Wong from Guggenheim Securities.

**Ken Wong:** I just wanted to touch on your investments in the customer care organization. It looks like you guys are going to expand that out to Denver. Previously, that investment was supposed to generate about 5 points of incremental growth. I'm just trying to get a sense for kind of where we are in terms of progress there and then whether or not this expansion should also deliver some incremental growth?

**Lior Shemesh:** Okay. I think that the fact that when we look at the growth of the second quarter, what will be the growth for the full year compared to where we were back in February? So obviously, we manage to deliver growth, which is higher than 5%. But we managed to do that only because of the headcount that we have in support, meaning that without it, it was obviously really, really hard to deliver this growth.

So, we will continue to do that because we see that we are having more and more demand for our product. So obviously, we need to continue to invest in our support. But again, I think that the return already have proven to be higher than what we actually predicted because also time has changed.

**Ken Wong:** Got it. And then if I could sneak in a quick question just on churn. Last quarter, you guys talked about be at a negative churn. Was that something you guys saw this quarter as well? And to the extent you did, any thoughts on how that trend might progress going forward?

**Avishai Abrahami:** Yes. I think that what we saw is that past cohorts have actually added more subs than they would normally do, which is more than offsetting the churn that was there to begin with. Now normally, we're at a tiny bit of a negative churn, and it actually has grown, and we're seeing that it continues at the same rate.

**Nir Zohar:** So the rate of the negative churn improved, meaning that it's even better.

**Avishai Abrahami:** Yes. So we are actually doing better, so we have more new customers from past cohorts than ever before.

**Operator:** Our next question on line comes from Mr. Brent Thill from Jefferies.

**Brent Thill:** Were there any common themes from a geo perspective that you saw where the demand was coming? Or is it pretty much across the board?

**Nir Zohar:** Pretty much -- I would say pretty much across the board. Obviously, we've seen specific fluctuations around specific verticals in the U.S., in Europe. We saw some fluctuations when countries opened, reopened and reclosed again for specific verticals. But generally, we're seeing very high demand, especially in the U.S. and Europe.

**Brent Thill:** Great. And I know you guys keep talking about the new baseline and the perfect storm. I think some investors are a little concerned the sustainability and predictability of the storm that we're in.

And beyond the July quarter, and I know you're seeing good results, what gives you conviction that this kind of continues, even if we got a vaccine. Do you feel that the tailwinds are so strong that as you keep saying this is the new baseline and it doesn't really matter what really happens on the health care side, this is really just the inevitable shift to online?

**Avishai Abrahami:** So I think there's a couple of factors. The first factor is that we've seen a lot of the growth in the supporting products, even pre-COVID, right? So -- and this is something that was enhanced during, but I think that there's no reason that it would not continue to grow after.

So that's probably the first part. I mean, the second part of it is our countries in the world where you see that the dynamic is pretty much stopped and that there's nothing that actually the fear is gone and people are very back to mostly normal.

And we're seeing that the growth in those countries has stayed the same as it was. Now we don't know to predict if that effect will last for the next 5 years. But we can say that every metric that we have today show that there's no reason that things will change.

**Operator:** Our next question on the line comes from Sterling Auty from JPMorgan.

**Sterling Auty:** You mentioned the multiyear. I was just wondering what percentage of the business was multiyear in the quarter versus what you've seen in previous quarters?

And then when you look at the conversion to premium subscriptions, especially given that huge number of new registered users how would you characterize the conversion rate? Were you happy with it? And what do you think can happen to that conversion rate as we look here to the back half?

**Lior Shemesh:** Sterling, this is Lior. So, in the second quarter, the non-monthly were about 72%, which is higher than the past. It usually was around 68%. With regard to the conversion rate, so it's actually increasing. I think that we mentioned that also last quarter, but it actually continued.

**Nir Zohar:** And Sterling, when you think about conversion, usually, we need to think about a few factors, right? One is the product itself, whether it answers the users' needs and whether they are blockers that are stopping the user from being able to do what they want to do in terms of the editing environment itself.

The second is whether they can achieve what they wanted to do in terms of the business functionality. And third, I would say, is the intent, how high of the intent the user has when they got to us that will actually get them to finish a website and then move to a premium.

I think what we've seen in the past 4, 5 months is that all of these are on an uptake. So the product, obviously, is in our control, and we've been improving significantly. You've seen the wide list that the team put together in the shareholder update.

But also, we've seen a huge increase in terms of the intent of the users that are coming in and are, obviously, a much bigger need. And that comes to the higher intent.

**Operator:** Our next question online comes from Naved Kahn from Truist Securities.

**Naved Khan:** I have a couple of questions. So maybe just on the customer care expansion, do you have an inclination to do it more in-house versus using an outside or outsourced provider? And then can you maybe just talk a little bit about the promotional intensity, how are you pulling on the promotional level as you increase your marketing spend 90%?

**Nir Zohar:** It's Nir. I'll take the first one. In terms of customer care, we believe that going forward, not immediately, but going forward, we will prefer the in-house approach to anything else just because we deem customer care to be a critical core function of the business.

And if there's one lesson which we learned throughout the corona that we want to be able to control it. It doesn't mean that we will not work with third parties and with third-party vendor, but we're definitely going to see also growth on the in-house solutions that we have there.

In terms of promotion, so we know that we always adapt and test and change our marketing activities based on the data that we have and the performance of it. Naturally, with a big shift in change in the cohorts and the size of the cohorts and we are testing new and different approaches all the time.

We will not share more than that, obviously, because we never shared too much on the marketing side and how we do it.

**Operator:** Our last question comes from Jonathan Kees from Summit Insight Group.

**Jonathan Kees:** Great. Wanted to ask about just pricing in general for the premium. Did you, I guess, part of the promotion as part of your efforts to sign new subscribers, do you provide any discounts to new subscribers or even to the partners? Any advanced payment fees or in that area. Last quarter, you talked about you paused price increases. I'm assuming that's still the case now? And did you even cut into that for Q2?

**Lior Shemesh:** Yes. So to the first question about discount. When we do promotion, we do provide a discount to the customers for newcomers. And sometimes not just to newcomers, but it really depends on the testing on the country and what kind of promotion we want to provide.

But obviously, it's based on certain terms like, for example, only to annual subscription and so on. So this is something that we do. And you mentioned before, we do promotion based on many tests, and we adjusted based on the size of the cohort and so on. And with regard to the price increase, it is still paused -- and so nothing new happened there.

**Operator:** I would now like to turn the call over to Maggie O'Donnell for closing remarks.

**Maggie O'Donnell:** Great. Thank you, everyone, for joining us today. We appreciate your time, and we look forward to speaking with you again soon. Have a good day.

**Operator:** And thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.