

**Wix First Quarter 2020 Results Conference Call  
May 14, 2020**

*Introduction*

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Wix Q1 2020 Earnings Call. (Operator Instructions)

I would now like to introduce your host for this conference call, Ms. Maggie O'Donnell. You may begin.

Maggie O'Donnell: Great. Thank you. Good morning, everyone, and welcome to Wix' first 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 included in our press release and most recent Form 20-F that could cause our actual results to differ materially from these forward-looking statements.

We do not undertake any obligation to update these forward-looking statements. In addition, we will comment on non-GAAP financial results. You can find all reconciliations between our GAAP and non-GAAP results in our press release, presentation slides, shareholder update and our Interactive Analyst Center on the Investor Relations section of our website, [investors.wix.com](http://investors.wix.com).

Before I turn the call over to Avishai, I just want to say that we hope that everyone listening today is staying healthy and safe. We also appreciate you taking the time away from homeschooling your kids and taking care of your loved ones to be on our call today. Avishai?

Avishai Abrahami: Thank you, Maggie, and hi, everybody. As we go into this call, I want to say first that at Wix, when you look at this crisis, we are kind of in the sidelines of this crisis, we do not handle the medical part of it or the biology part of it. But we do have the responsibility to help people in how they manage their businesses in this hard time. And one of the things that we've seen during this time is, is how small businesses are behaving in a time of crisis. I will say that for me, personally, it was an amazing experience.

And what we've seen is a huge amount of innovation in the face of a crisis, where people that used to teach fitness, for example, right, learn that they cannot do it in a physical location, a huge amount of them quickly adapted and changed to do it online or to do different ways of performing the same actions.

And as we look at what happened in the last few months, I got to say that for me, it was amazing to see human innovation happen so quickly. We've seen grocery stores that moved online. We've seen education institutes that has been using Wix -- now using Wix to teach classes. And we've seen so many new things that have happened in this short amount of time that it is incredible.

Another thing I want to point out is that the people working at Wix. So if you look at what happened to us in the last couple of months, the first thing that happened, right, is that the way we work changed, people moved to home, some of our call centers were closed. And yet, the team in Wix has put so much effort in order to continue and support our customers.

I want to point out the support agents. For example, one of the things that happened there is that with about half of the workforce, they had to handle twice the load, twice the calls. And again, they did it in the same amount of time and pretty much with the same satisfaction from customers. This is due really to just people empowering themselves and understanding that this is the time they have to do so much more for our customers at this critical time.

I want to point out product and technology where people very quickly innovated and changes things in the product in order to fit a universe where people don't meet in person. So integration of Zoom for our scheduling and booking platform is just one example.

And really, as a CEO, looking at what happened during the last couple of months, I want to say, I'm really proud to be part of Wix to see what our employees did by themselves and even more at our customers to see how resilient and innovative so many of them have been.

Obviously, if we look at the last couple of months, as I'm sure all of you have had a chance to go over and see the PR, the numbers are great. Growth has been incredible. I think the understanding of how important it is to have your business on the internet has dramatically grown. And -- but I think that if you look on the long term, right, I think that this effect is probably a lot more fundamental. And so many people have been now locked at home for months, having a chance to rethink about how they do things. And in many ways, reestablished their business and learned about how they can do better by being online.

And we've seen many cases of people moving traditional businesses that have been done in certain ways for hundreds of years into a new format, which is completely online. And I think that this change in perception, change in behavior is something that is probably going to last longer, and in many ways, just accelerated what would have happened naturally over the next decade or two.

In addition, I want to say that when it comes to predicting how things are going to behave, it's probably a bit too earlier to say that we -- nobody really knows if this is the end of the COVID-19 or we're going to have COVID-19 part 2. Nobody really knows it's going to be COVID-20 coming at some point. Nobody knows how long this will last.

However, I do believe that we can look at what we are seeing today. And, in a reliable way, predict that this is probably -- the changes that we've seen in users behavior --- are probably going to last for a long time. With this, I want to thank everybody for being here today and joining us on this call. And we'll now go back to Maggie, so we can answer your questions.

Maggie O'Donnell: Thanks so much, Avishai. Can we have the first question, operator?

## QUESTIONS AND ANSWERS

Operator: Our first questions come from Ken Wong with Guggenheim Securities.

Ken Wong: Glad to see everyone is safe. Avishai, we've got a chance to look through the prepared remarks, and thank you for all the really good April details. But I guess we'd love to get a sense for how those strong April trends have progressed into May?

Avishai Abrahami: Well, as I said, for -- currently, we don't see anything decreasing. And in fact, we're seeing some positive changes, even stronger. I think that most of the world is still in the same spot, right, people are still in isolation so I wouldn't expect to see any change. And I do believe that this change is probably going to take us much farther than May.

Ken Wong: Great. And then if maybe I could follow up. You guys mentioned the -- you've got 2x the volume going to about half of the customer support agents since some of your offshore ones had to be closed. Just wondering how that might impact the potential uplift that you guys were expecting to get from the customer care initiative? Any color there would be great.

Nir Zohar: Ken, it's Nir. So I think that, first and foremost, we are, today, extremely happy that we made the investment that was done last year into our care -- into our call centers. Because, as Avishai mentioned, the disruption of the work from home took us -- the more native call centers actually managed to move to work from home very seamlessly and quickly.

But our offshore ones, it was harder, and some of them are still missing a big chunk of their workforce, which basically means that we're still -- at some point, we were down 400, now we are down 200 agents. It's a significant amount. And also, again,

as Avishai mentioned in remarks, the huge boom in demand for our platform, obviously, also resulted a very big increase in the people who are calling them and asking for our service.

So I think we're very happy we made that investment because it allowed us to keep our service going. Even, although, we are stretching, people are working very hard to deliver that service, we managed to do it.

And we keep on trying to backfill the ranks and make sure that we keep on giving that great service. I think that naturally, some of the process we were aiming for in terms of the new approach to how to do more personal-oriented care is delayed. It has not stopped. We're just moving slower. So my belief is that we still have not seen the potential upside there, and we will probably see that just later than we originally expected.

Operator: Our next question comes from Naved Khan with SunTrust.

Naved Khan: Two, if I may. Can you just talk about the pause in the price increase that you are doing on renewals? Is there something that can be resumed perhaps next year? Or what is going to be the deciding factor there? And then just in terms of the markets that are probably coming out of the lockdowns, can you maybe share some trends out of those? Are they seeing a pickup in growth or vice versa?

Nir Zohar: So for the first question about the price increase suspension, I think we mentioned that, also in the, Avishai mentioned, in the shareholder letter from April. We thought that, first and foremost, it's the right thing to do for our customers. In a time when they are pressured you don't go to your users and customers and just raise prices on them. It just didn't make any sense.

So it was clear for us that it's the right thing to do is to stop that. It had some small impact on Q1 and probably a bit of a larger impact on Q2, a few millions of dollars. But you have to remember, we initiated this in last May. So the time to resume it, most of it, will only be in 2021, and we have enough time until then in order to consider whether we want to do it or not and exactly how.

Avishai Abrahami: And I couldn't understand the second question. Do you mind repeating it?

Naved Khan: Yes. Any early trends you can share from the markets that might be coming out of lockdowns, maybe pickup in demand or perhaps not? Just any color or commentary on that.

Avishai Abrahami: Countries that have eased down at this stage from the isolation, we do not see a change in how they behave, which is one of the reasons we are

led to believe that this change is more fundamental and long-term than just temporary.

Operator: Our next question comes from Brent Thill with Jefferies.

Brent Thill: Just given your comments about this as a more fundamental long-term change, I think many investors are scratching their head, why -- given the strength you're seeing, why you would remove the metrics in the back half? If you could just talk to the thought process around that, given it is a recurring model? And number two, if you have any color just, geographically, did you see even surge across the globe? Or was there one region where you saw a surge and you haven't seen that in other regions? Any color geographically would be helpful.

Avishai Abrahami: So I think that I'll start with the second part of the question. As surprising as it is, it seems that we've seen the same reaction globally. And of course, there was a period of time offset and you can trace that to corona when it was more known to places that have the virus growing. But beyond that, the reaction was pretty much all around the planet.

Nir Zohar: In terms of the first half of the question about the second half, I think what we've seen is -- and Avishai mentioned this I think a few times already on this call. We've seen a major shift, and it happened extremely quickly. And even within that time frame, things have changed. The first 2 weeks of the crisis or the last 2 weeks of March were actually -- we saw declines in some cases. Our Q1 numbers would have probably been higher without those 2 weeks and the coronavirus in those 2 weeks. And then it flipped and reversed and we've seen a surge on all metrics in April.

So first of all, I think there's a lot of variables that it's very, very hard to determine exactly what would work how and in what form or fashion. What will be the exact effect and changes, if any, when countries completely move out of lockup, will it be a complete move or a partial move, will there be more outbreaks, will -- as Avishai said, will there be actually a mutation and another virus, if people don't move out at this stage.

And also, as we are probably facing a big financial crisis, what will the impact of that be? We are very confident that we are -- much of you were geared up for this kind of crisis. Also we are very well geared up for financial crisis. And again, our customers will need our products, need our services in order to be successful in a shifting world like that. But all that being said, we thought that it is very hard for us to give the second half guidance at this point, and we wanted to be responsible in not giving that.

Operator: Our next question comes from Ron Josey with JMP.

Ronald Josey: Great. I wanted to ask about the conversion to higher-priced packages. I think you're just diving a little deeper here. With free to paid subscribers rising given more registered users are becoming paying users and these subscribers are signing up for these more expensive packages. I think you highlighted business unlimited and stores and others. Can you just talk about these conversion rate improvements that you're seeing at these higher levels?

I think others in the industry aren't necessarily seeing those. And just maybe any insights on these registered users, are these -- that are signing up for newer packages, are these the registered users that have been on the site for using Wix for a while and they're finally upgrading? Or are these newer users? And I guess I'm talking about that 76% growth in April cohort collections.

And then just a little bit more details, Avishai, I think you said -- and Lior, I think you said these trends continued into May. So any insights on just -- Nir, you just talked about guidance, but just any more insights on why not maybe provide that guidance? Is it just -- things are getting better and better and it's unclear? Or just perhaps the fear of things slowing down?

Avishai Abrahami: So the second question is about the yearly guidance, I'm guessing, right? So after the first one and the conversion to business packages, I think that what is -- one of the things that have changed is that think about it -- before corona time, a lot of businesses will have the transaction done off-line, right? So when you go and meet your personal trainer, you can pay him on the spot.

If you go and want to -- if you have a bicycle store, people will usually come to the store and buy, some online, but a lot of it will be stuff off-line, right? A lawyer will charge mostly offline for other services. Corona changed that.

And in order to -- so the emphasis on how easy it is for people to pay off-line compared to online, I mean that was a big change that we've seen and a lot of businesses just want really to be able to do everything online, and the result of that was that they needed more way to transact with their customers. And then this, of course, affected existing customers and new customers in very similar percentage. I think that kind of explains that. Nir, you want to answer the second one?

Nir Zohar: Yes, of course. Were you asking about Q2 guidance or the annual, again, I wasn't sure?

Ronald Josey: Yes. I guess the first question was around just like the freemium model that Wix has. And then on the guidance, just what Brent was asking to a extent just if trends are getting better in May, is just the visibility in the business? And is it more fear that this could turn around and this is temporary? But it seems like this is a longer-term event. So just trying to understand that unpacking it a little bit more.

Nir Zohar: I don't think that fear will be currently something that would define it in a good manner. I think -- listen, it's clear that we have a very strong positive trend in the business. We're not trying to -- we're clearly trying to describe that, and we want to also share and explain the April numbers.

But I think what you see from the April numbers and that massive change that is driven by very high demand and also very high intent of business, which relates to what Avishai just told you in the first half of the question, is that it's clear for us that it's a very positive direction. But again, we are seeing so many moving parts that are not only moving positively, but are also changing in a relatively big manner.

So I think that more than anything else, we just want to be prudent and not just throw numbers out. We want to be very clear about that.

Operator: Our next question comes from Ygal Arounian with Wedbush.

Ygal Arounian: So my first question, I want to ask a big picture. And honing in on the 3-point growth drivers that you talk about in the investor letter, on the one on providing tools for businesses to grow online. So a lot of what you noted in the letter, you've seen -- on top of the strength in users and subscribers, you've seen significant step-ups in payments, Ascend, Wix stores.

So commerce, in general, is kind of moving up and feels like becoming a bigger part of the platform. I just wanted -- I wanted to get your thoughts on how you think about Wix' positioning, how you're setting yourself apart from peers, maybe whether it's versus an e-commerce only platform or other web builders? And how that helps you kind of capture greater share in what, at least early on, is looking to be like a much larger market near term? And then maybe I'll ask my follow-up after that.

Avishai Abrahami: Well, I think that if you look -- if I understand the questions -- why do we see such growth, I think a lot of investment into products has created a very valuable platform. And we've always been leading, right, in the -- for people to design a website. And a big emphasis here on design, because, really, a lot of the core value of Wix, if you look at 3 or 4 years ago, was your ability to really design almost anything you wanted. And it to look professional and to present your business in a great way.

And in the last 3 years, what we've seen is that we've added a lot, not just in order for you to present your business, but also to manage it and sell online. And I mean that is the reason that we're seeing this growth. I think that today, our solution on scheduling and booking events in the, of course, restaurants and e-commerce, at least as good as any other platform out there.

When it comes to positioning and marketing, I think that what we found is that for us, it's easier to continue to leverage the brand of Wix and grow from that and continue to explain about that you can really design your look and control your brand identity and create the visual and business that you want and then talk about the business there. And it allows us to distinguish ourselves because nobody else has something that is even similar to that.

And I think this is how we see that at least for now. One of the things that will even take it more to the extreme is, of course, Editor X. Well, Editor X is the, as far as I believe, by far, the strongest professional platform to build a website, and then of course use any of the vertical offering that you need on top of that, which will be anything again from events all the way-- for every one of our verticals- - all the way to e-commerce.

So I believe that the combination is creating a very unique offering. And if you look at how most businesses run themselves, let's say you have a store, most of the time what you do is that -- most stores behave very similarly, right? Very few have a lot of different needs in terms of how they sell products. But then where you excel as a business is how you present your products to your customers. And I think this is also where Wix excel over everybody else.

Ygal Arounian: And so my next question was actually on Editor X and agencies and that hasn't gotten as much attention this quarter as it usually does. So I just wanted to -- in the investor letter, you also noted that, that's still on track for the summer. I wanted to ask how conversations with agencies have been going around that. It sounds like the time line wasn't pushed back at all.

But given the current environment, maybe there's been changes to the way you're approaching the agencies? I mean are you seeing agencies' own businesses doing well and being receptive in this environment as well? Has COVID kind of accelerated and helped that push to get Editor X out into the market as well? Or has it been neutral or more of a headwind?

Nir Zohar: So yes. So I think when we look at -- and I think it's a great question in tying it up, because this is also how we think about it internally. When we look at the partners and how COVID affected the partners, it's actually a little bit similar to what we've seen for our own business. So the first 2 weeks or so, kind of mid-March till the beginning of April, were slightly shaky, I think that people were trying to kind of get an understanding what's going on.

But then as people understood the need and there was this boom of demand to move businesses online. The same thing actually also applied to our partners. And their -- demand for them is also boomed just as well. And naturally, we were, first of all, very happy for them and very happy to be to who we can facilitate and help them on their journey there.



And also very happy that we had the team of account managers in New York that can walk them through and help them out. So that was, I think, another great investment or something that we are very, very happy that we invested into last year and positioned us very well for this crisis.

Naturally, they see the Editor X as a key component of what we can offer them. They've been using it. We've actually just moved Editor X last week to an open beta, and we're seeing tremendous results. And the way I measure tremendous results is we're looking at the websites that are being created on Editor X.

And it's mind-blowing. It's really everything that we hoped for. And then in some cases, things that we didn't even imagine. So in that aspect, we're getting great feedback and reviews. Also issues and bugs, which we are fixing which relates to the timing of the release, but the release remains -- and before in the summer, we are trying to expedite, but it's also based on also fixing feedback and getting -- make sure that we incorporate everything that the people need in order to make it the best product for their usage.

Operator: Our next question comes from Deepak Mathivanan with Barclays.

Deepak Mathivanan: Can you provide some color on the payments adoption? You noted that Wix Payments merchants -- new Wix Payments merchants grew over 100% month-on-month. What is the penetration right now among new merchants? And are you seeing some migration from other payments methods into Wix at this time as well?

And then second question, Nir, can you talk about the marketing efficiency side? You noted that gap is stable, but given the tailwinds on demand and also conversion on the platform, are you reinvesting back to -- into the platform to sort of grow faster? Or should we expect stronger leverage in 2Q?

Nir Zohar: So regarding the first question about Wix Payments, obviously we're seeing a very high adoption. You have to remember, this is a relatively young product. We launched it last year. We are also already seeing about 30% of the total GMV running through Wix Payments, from basically 0 a year ago.

And if you look at the overall adoption rates for the new users in the countries where we support it, which is most of them, it's above 80%. So we are very, very happy with the adoption and the penetration. And naturally, the demand that is coming in through the door now, which is very business-oriented and transactional, in its orientation as well, is also a great place to have this product.

I think it also relates to what Avishai said before about how we were kind of adding all of these building blocks in our strategy to be in a place where we can support any kind of business online. And obviously, Payments is a big part of that as well.

To your second part of the question about the marketing investment, so generally, the efficiency is very similar to what we've done in the past, slightly better in some cases. But generally, we're investing according to the same formula we've always had.

The way we think about it is that we are -- our goal is always to manage growth and achieve a faster growth -- the fastest growth that we can. So we've seen this amazing organic demand for our business, for Wix and for our products. And we've basically invested -- we invested into that demand in order to get even better results. And I think you've seen that clearly in what we shared in April. And the goal is to keep on doing that according to the same efficiency.

Operator: Our next question comes from Mark Zgutowicz with Rosenblatt Securities.

Mark Zgutowicz: Just a couple of quick ones. Just curious, what's been the primary driver of conversion? There's -- you mentioned Editor X and potentially other products. I just wanted to get a sense of if you could quantify perhaps what conversion is trending at and what may be driving that?

And then if you could just quantify your exposure to e-commerce, maybe just simply a percentage of Wix sites that are accepting payment, may be pre-COVID and how you see that perhaps trending post this or in this COVID environment?

Avishai Abrahami: So of course, I think that the primary reason for conversion on Wix is always when you want to do one of two things, have your own domain, and - - which would mean that it would be `www.your name.com`, right? So that's one of the primary reasons for upgrading to a premium package.

The other one is when you want to do transactions in e-commerce or similar things on the site, then again, you have to be a premium user. And I think that this did not change during the last few months. What did change, right, is that -- and I want to just to be clear, Editor X is still not -- it's still in beta. That's not part of what I'm discussing here.

What did change is that last year, we spent a huge amount of effort on improving the business offerings, e-commerce included and I think that this, as we said, would probably be very effective this year. And combined with Corvid, it has created the increase that you have seen today.

As for exposure to e-commerce, I don't think we've ever discussed the exact number of websites that have transaction capabilities. We did, however, mentioned the total amount of verticals in Wix, right?

And the number currently is -- I'm going to just check here. I want to be sure that I know the actual number and quote it. The number is now over 44%. So it's pretty much -- we've seen a higher percentage going up. And I think that another thing to emphasize here is that when we think about transaction website and businesses that are selling online, you have to remember that we do more than just e-commerce, right? We also have scheduling and booking, we have restaurants, we have events, we have Hotels. So it's more than just the standard shopping cart.

Operator: Our next question comes from Jason Helfstein with Oppenheimer.

Jason Helfstein: I want to ask a bit about conversion. So after about three quarters of declining conversion, premium as a percent of registered users, it would appear that obviously third quarter would be higher. Maybe just give us some thoughts how you're thinking about kind of conversion post-COVID?

And then second, with you lapping the price increases starting in the third quarter, yes, I would imagine most of that impacts creative solutions. What's the best way to think about kind of the drivers between ARPU and subscriber growth, like starting in the third quarter, to the extent you can provide some color?

Avishai Abrahami: So I think that when it comes to conversion, obviously, now we can see an increase. I think that this increase is derived from, as I said, Corvid, but also from a lot of the work that we've been doing in the last couple of years. So I just expect that -- the part that is result of the work we've been doing on the product over the last couple of years will stay with us.

As for COVID, it's very hard to know because I don't know how much of the changes that we've seen will stay in people minds and that is what drives, right, the conversion change. So it's very hard to predict how things will change after COVID.

I, as I said before, am a strong believer that we -- this is not a temporary change. A lot of what we're seeing now, -- a lot of it will stay and will lead us forward. And so April was 76% higher conversion at higher prices. And I don't know really well to predict if that's going to go to 60%, 50% higher than it was before or it might go to 90% higher than it was before.

So it's very hard for us to predict. We can talk about what we're seeing now. And again, I do believe that what we're seeing now is a massive change in how people perceive and think about their businesses. Lior, you want to take the second part?

Lior Shemesh: So with regard to the second question, I think that there are like 2 separate things over here. The growth of subscriptions and ARPU. Obviously, product, as always, is key to increasing conversion. And this is what we've always seen. I mean we talk about the Editor X that we are going to launch soon.

And obviously, it's going to have an impact on conversion, and we hope that this will be the case. And besides of that, many other features and products that we keep on releasing, I mean that was -- has always been the case, except of the big demand that we see right now from what is happening in the market.

With regard to the ARPU, I think that we clearly see right now the demand to our product. People need all kinds of business application. People need to use Ascend. People need to use all kinds of features and products to help them to manage their business, communicate with their customers. So obviously, we think that it will continue.

The same goes for the Payment solution and other stuff that we are going to present in the future. So obviously, we see the change in mix and the trend of people actually using more features and more products. And obviously, that is going to have a significant impact on ARPU also in the future.

Operator: Our next question comes from Sterling Auty with JPMorgan.

Sterling Auty: One question, one follow-up. In terms of the Business Solutions, you talked about the 3 big contributors, G Suite, Payments and Ascend. Can you give us a sense of the rank order of just what are the -- which one is the biggest contributor? And what kind of growth rates you're seeing out of those big 3?

Lior Shemesh: Yes. So G Suite right now is the biggest item. And obviously, it really depends, Sterling. I think that payments is growing much faster. So I think that the picture is going to change in a few quarters or a few years from now. Obviously, where we think that Payment is going to be larger in the future, but right now, as I mentioned, G Suite. Ascend is growing quite significantly, especially right now in light of what is happening. And we do believe that this trend is going to continue also in the future.

Sterling Auty: That makes sense. And then one quick follow-up. Can you characterize the promotional activity that you used during March and April through the crisis?

Avishai Abrahami: I think that promotional in terms of advertisement?

Nir Zohar: Sterling, can you clarify the question a little bit by promotional, what you mean?

Operator: His line is actually left the queue.

Nir Zohar: So -- okay, hopefully, we're answering the right question. If you mean by any sales and sale campaigns we've done, I think it was slightly above the regular, but we were trying to support this huge demand that we saw. So it made perfect sense to add them, mostly, I think in April and somewhat in March.

Avishai Abrahami: I think that one of the benefits, right, that we always had, if you look at some of our peers, a lot of them have started to give ways for businesses to establish them in a free way, right? Because demand in businesses that during the corona are suffering are not willing to add extra payments in order to start working on the platform to give those businesses the opportunity, right, to have a way to start establishing themselves online.

For us, it was less of an issue, we always had a free offering, which is a great free offering. So we didn't really need to make those changes. And so most of what we did in terms of that was just continue with the standard model that has always allowed businesses in a risk-free way to test our platform, build their online offering and then update when they feel comfortable doing that. So we didn't need to do so many promotions.

Operator: Our next question comes from Jonathan Kees with Summit Insights Group.

Jonathan Kees: Can hear me now?

Avishai Abrahami: Yes.

Jonathan Kees: Okay. Great. Super. Sorry about the mute button there initially. I wanted to ask in terms of the sales teams for the agencies. You kind of talked about how they were helpful with the account managers being there once the demand spiked up. Just wondering, usually the sales agencies you have that doing a lot of direct contact, have they been performing -- obviously, there's a drop off you're talking about with the partnerships -- with the partners in March and April, are they performing to expectations or are they exceeding it?

And also I wanted to ask about Corvid, saw the statistics, great statistics that you had for April. Just wondering, I didn't see anything statistical for Corvid. Is there anything you can share for that in terms of how that's been performing other than what was quantitatively -- qualitatively discussed in the update?

Avishai Abrahami: I will start with the Corvid first and -- because that's just -- Corvid has acted exactly the same as everything else on Wix, which is every parameter that we know how to measure has went up dramatically. In terms of the agency team, I think that -- when you look at the larger deals, of course, with the

enterprise customers, it was -- it is delayed. But if you look at the smaller deals, it actually on what we expected. And in many ways, actually accelerated. And the thing to say that is maybe very relevant is that as far as we know, every Wix -- every agency using Wix during this time is sold out, meaning they all have reached their limits of what they can supply and our sales team is working very hard to support them for this level of demand.

Operator: Our next question comes from Mark Mahaney with RBC.

Mark Mahaney: Two questions. Somebody already asked about marketing efficiencies and I think your response was that you're seeing relatively similar levels of marketing efficiency. And I guess I'll just push you on that a little bit.

My guess is that you actually have seen improved marketing efficiencies. I think overall, marketing costs, advertising costs have come down. It's allowed you to probably lean in and you're clearly getting great conversion and customer responses. So my guess is that -- the question is how sustainable is it, but I know ad rates have come down. So my guess is that you're seeing elevated -- potential elevated TROIs on this cohort. So just comment on that, please.

And then the second point. When you talk about these transformation factors, I think that's the expression you used. One of the things I found really interesting was this idea that the global rise in unemployment rates and the need for individuals to turn to the internet to find a source of income. I'm worried about the second wave impact of COVID -- all the dislocation amongst small businesses and how that would be a negative drag in the back half of the year, but you make me think now that actually maybe even a second -- a potentially second tailwind. So I guess the question is, do you have any great data or what you've seen so far in terms of how many of your new customers are people who have been displaced and actually are looking to kind of launch a new career or setting -- or trying to generate a new stream of revenue? I think that would be a very interesting twist or turn here that I don't think most people would have thought about, I hadn't.

Lior Shemesh: So Mark, with regard to the first question about the efficiency of marketing, first of all, I think that is important to understand that we actually managed to increase significantly the marketing while being efficient as before and even better. And you are right about it. In some cases, we were better.

In some cases, we were the same. But I think that the most important thing that it was a significant increase, with more or less the same efficiency. And obviously, we are super happy about it, because it obviously helped us to meet the high demand that we also saw in the market. Obviously, we hope that it will continue.

Nir Zohar: Mark, it's Nir. Regarding the second question about the second wave. So I think one of the things we've always found that there's this kind of common

misperception thinking about the small business as the units, instead of thinking about the person behind the small business as the unit, the business owners, the people, the entrepreneurs, the people who initiate the business.

And I think that if there's one thing that is super clear from the endless amount of examples we've seen now is that these people will really -- will do everything in their power to find a solution to stay afloat. And indeed, some of those shifts in terms of displacements you talk about, some of them are around expanding their current business that already had some online activity and now just expands on -- at the expense of the off-line side.

Some cases, it's an off-line business that didn't have that before and now has evolved it. And again, I think in some cases, it's easier. So in Avishai's example, about fitness trainers, it's relatively obvious. So for some people, their business, their inherent businesses, it's harder to evolve online. So if you're a hairdresser, then moving online is literally almost impossible.

And in this case, obviously, we need to find something else that you need to do. From our experience now and from our actually also experience from 10 years ago in the previous financial crisis, when people struggle like that and unemployment rates actually go up, which means that they can't switch from being a new business owner to being employed very easily, they have to restart.

Sometimes it's something which is adjacent to what they've done before, and sometimes it's something completely new. I think that at this stage, when we are looking at what people are doing, we see all of it. And we also -- it's not only looking at websites. We've talked with a lot of our customers, a lot of our users to hear what they're doing.

To your point about giving something more deeper, analytical and statistical, that's actually a very interesting idea. And then we'll actually try and see if we can garner more of it to maybe release something around it because I think everyone will find it extremely interesting.

Avishai Abrahami: Mark, I want to put some color on it. Again, it's not statistically valid, but from conversation I had, which I always do with the people joining Wix, I see that a lot of them are coming from the trend that you have described. The people that lost their job somewhere and they want to restart and do something. And the easiest way to start something with pretty much no money is to do something online. So we're seeing, again, from conversation I have with users, that is a very big part of what is that I see now.

Operator: Our last question comes from Nat Schindler with Bank of America Merrill Lynch.

Nathaniel Schindler: Two quick questions on, one, can you just -- there's a significant disconnect between your guidance for 2Q and your April numbers. And I know that a lot of that has to do with how much of your individual quarter collections and revenue comes from the cohort that came in that quarter. Is there any way you could walk us through the math there that shows why you're seeing such huge numbers in April -- the April cohort versus a substantial but still relatively modest acceleration in total collections and revenue from what you saw in Q1?

Secondly, have you seen anything in the monthly -- in April that is showing you that any change in the willingness of consumer -- of customers to go for higher price, call it, maybe annual plans versus monthly? Has there been anything that suggests that people are more worried about their money?

Lior Shemesh: So I'll relate to the first question with regard to the guidance for the second quarter. So basically, when we look at the increase of numbers for the second quarter compared to what we had in our plan previously when we provided the guidance for the full year back in February, so there is like 3 items that we need to take into consideration. The first increase was because of increasing conversion from cohort that we had previous to April. And obviously, we saw a very nice increase over there.

The second one, obviously, for newcomers. We mentioned before that we managed to significantly increase their marketing investment. And we also started to see a huge demand in April as a result of what is going on in the market. So that is the reason why -- the second reason why we increased the guidance for the second quarter. But we need to remember that a big portion of -- when we look at the cohort, when we acquire cohort.

So actually, a big upside of that is going forward. In different words, I think that you need to think about it this way that every call that we manage to increase due to this demand or through the increased marketing investment with the same efficiency has a very big impact on the growth also in the future, not just on the second quarter. So basically, because of our model, it will continue and continue. And this is what's so nice about it.

The third factor that we had in the second quarter is obviously some stuff that didn't go well, for example, like events, but -- and -- or the increased prices that we stopped. So -- but taking everything into consideration, the second quarter guidance represent about 70% growth on a year-over-year basis. So I think that this is really, really tremendous.

Nir Zohar: Nat, it's Nir. Regarding the second question about willingness to buy annual versus monthly and whether that has changed. If anything, there's a slight increase towards the annuals, actually, and I think that generally, there is no real indication that people are spending less. You can see clearly that our users, the



ones who are converting or choosing more of the high-priced business packages than before, and I have to -- I think it makes sense.

This is not casual spending. This is not -- this is something that people deem as mission-critical because it is mission-critical. They are trying to build a business online, which is going to be the thing that delivers income for them and it allows them to sustain themselves and their families.

So I think that in that aspect, we see an increase, not a decrease.

Maggie O'Donnell: Thanks for your question, Nat. And thank you, everybody, again, for joining today, and please stay healthy and safe. Have a good day.

Operator: Ladies and gentlemen, that does conclude today's presentation. You may now disconnect. Have a wonderful day.