

Wix.com



EARNINGS SLIDES

Second Quarter 2018

25th • JULY
2018
• 4th •

Safe Harbor

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, non-GAAP gross margin, non-GAAP operating income (loss), free cash flow, non-GAAP net income (loss) and non-GAAP net income (loss) per share (collectively the "Non-GAAP financial measures"). Collections represents 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 costs 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, and acquisition-related costs. Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, tax benefit related to exercise of options and acquisition-related costs. 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.

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 of GAAP to Non-GAAP Financial Measures" table in this presentation. This accompanying table has 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 has not reconciled its guidance as to free cash flow to cash flow from operations because it does not provide guidance for cash flow from operations. As items that impact cash flow from operations are out of the Company's control and/or cannot be reasonably predicted, the Company is unable to provide such guidance. Accordingly, a reconciliation to cash flow from operations is not available without unreasonable effort.

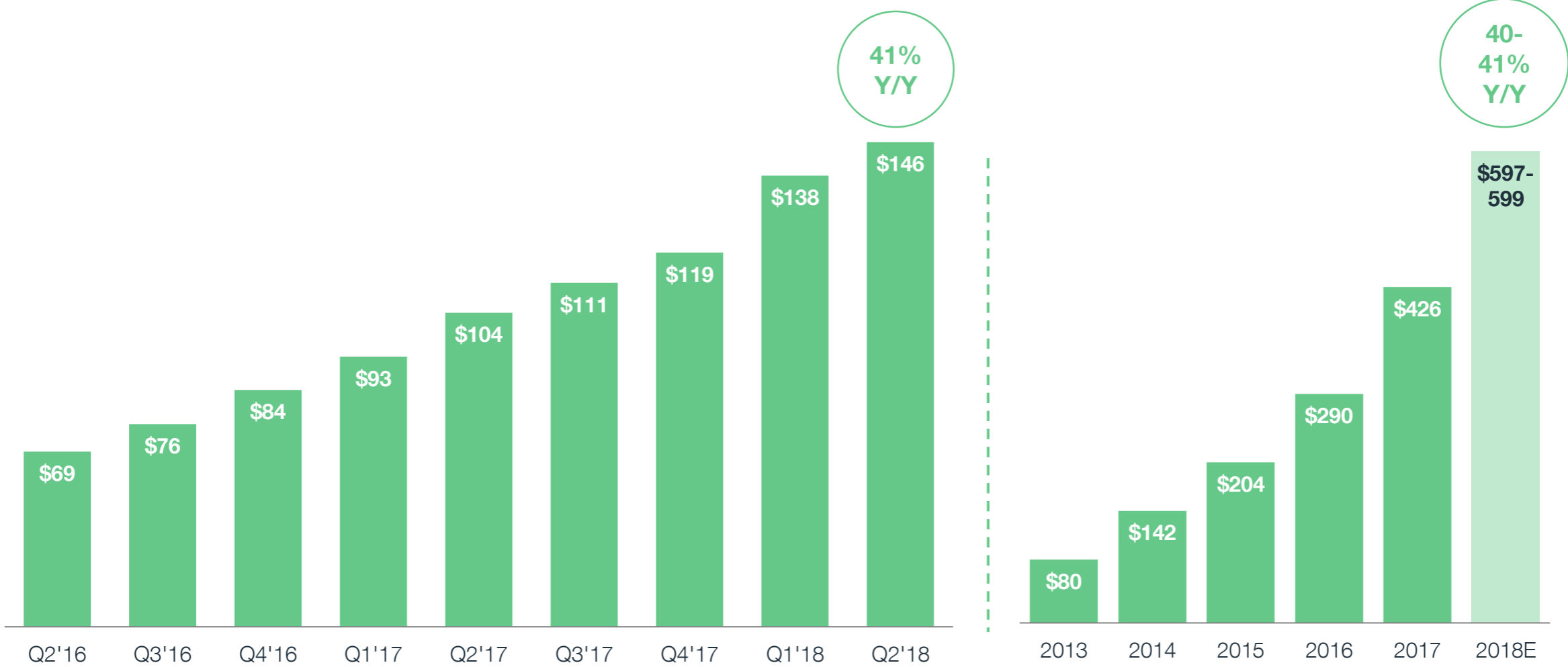
Forward-Looking Statements

This presentation 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, the availability, merchantability or functionality of certain new products or features and their anticipated product demand and customer satisfaction, and may be identified by words like "anticipate," "assume," "believe," "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 presentation, 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; our ability to maintain and enhance our brand and reputation; our ability to manage the growth of our infrastructure effectively; our prediction of the future collections generated by our user cohorts; our ability to effectively execute our initiatives to scale and improve our user support function; customer acceptance of new products and other challenges inherent in new product development, changes to technologies used in our solutions or in global, national, regional or local economic, business, competitive, market, regulatory and other factors discussed under the heading "Risk Factors" in the Company's 2017 annual report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2018. 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.

Q2 2018 Results

Strong revenue growth

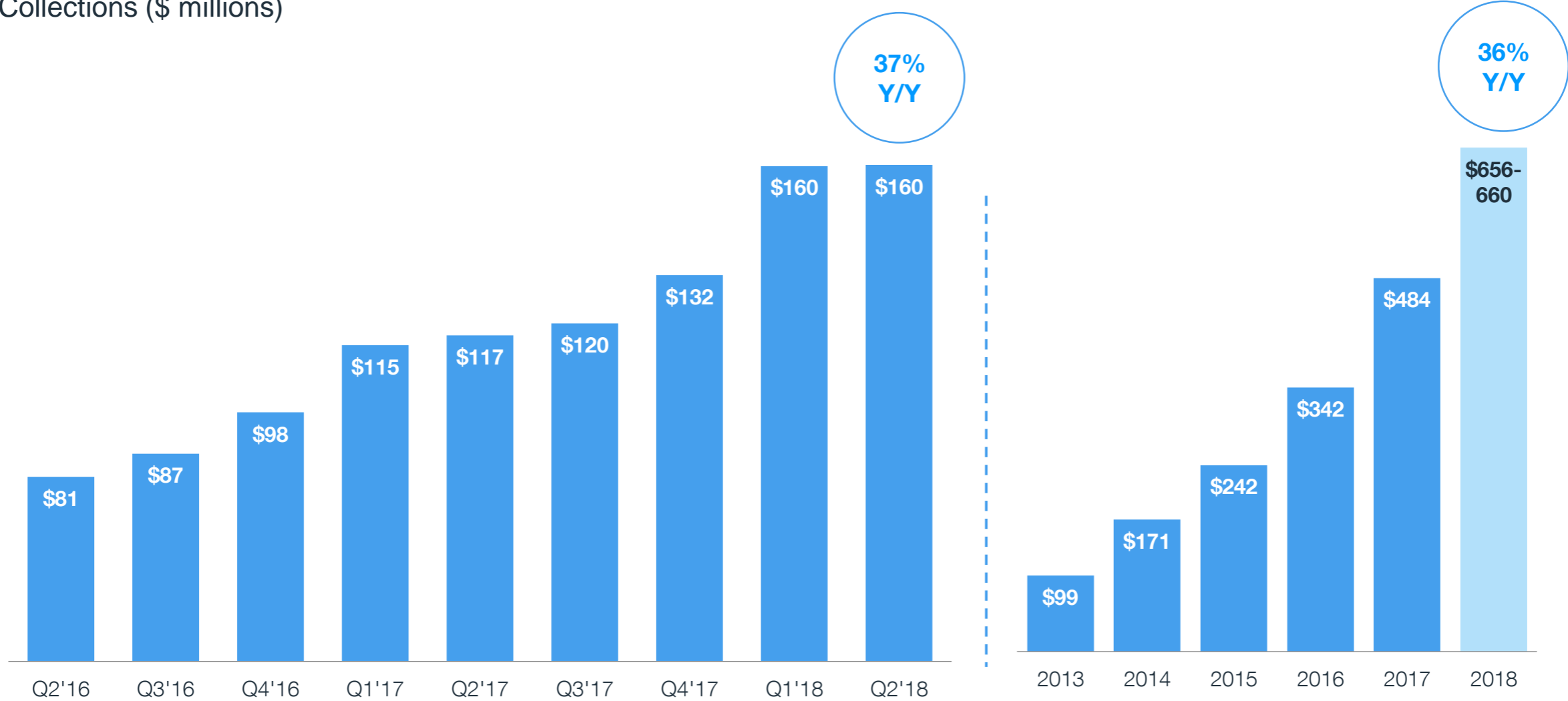
Revenue (\$ millions)



Note: 2018 guidance as provided on July 25, 2018; Q1'18 and 2018E revenue based on ASC 606

Strong collections growth

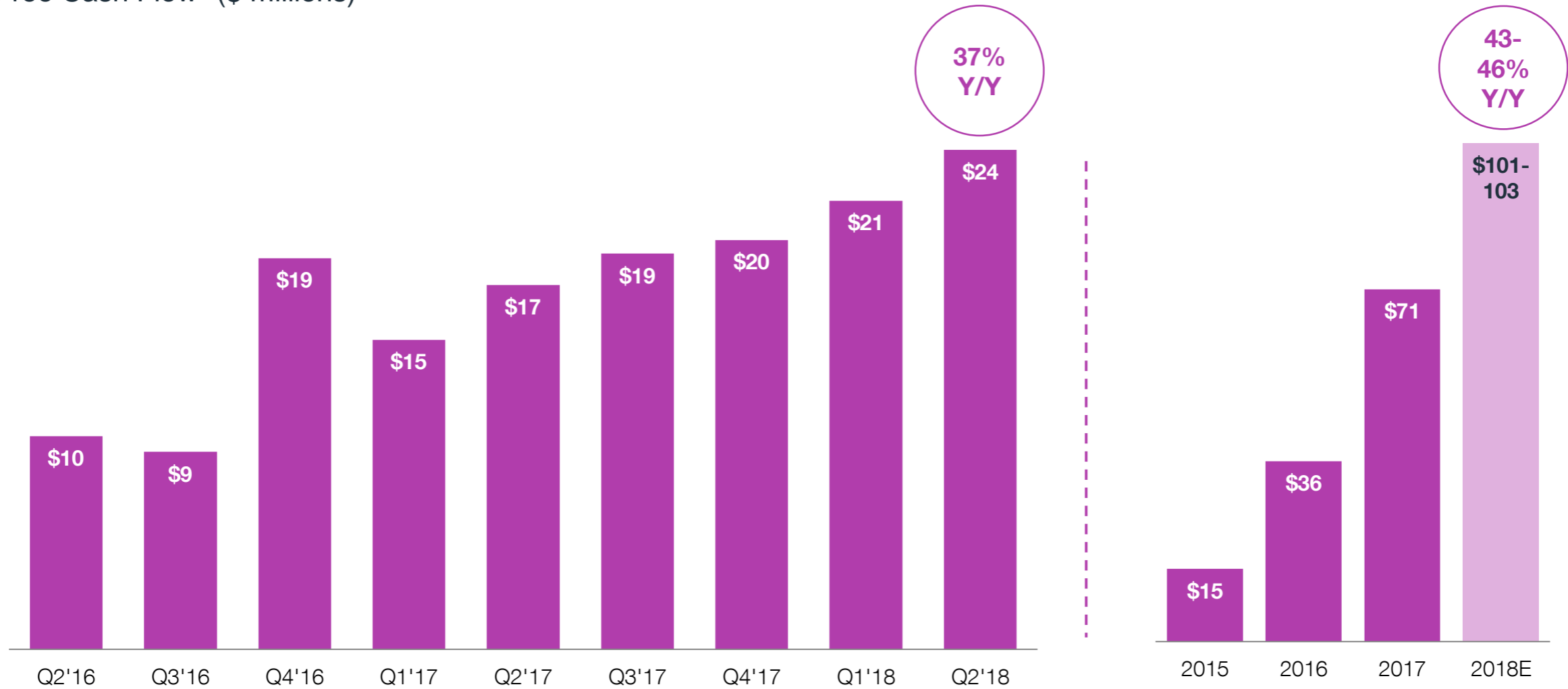
Collections (\$ millions)



Note: 2018 guidance as provided on July 25, 2018

Accelerating free cash flow generation

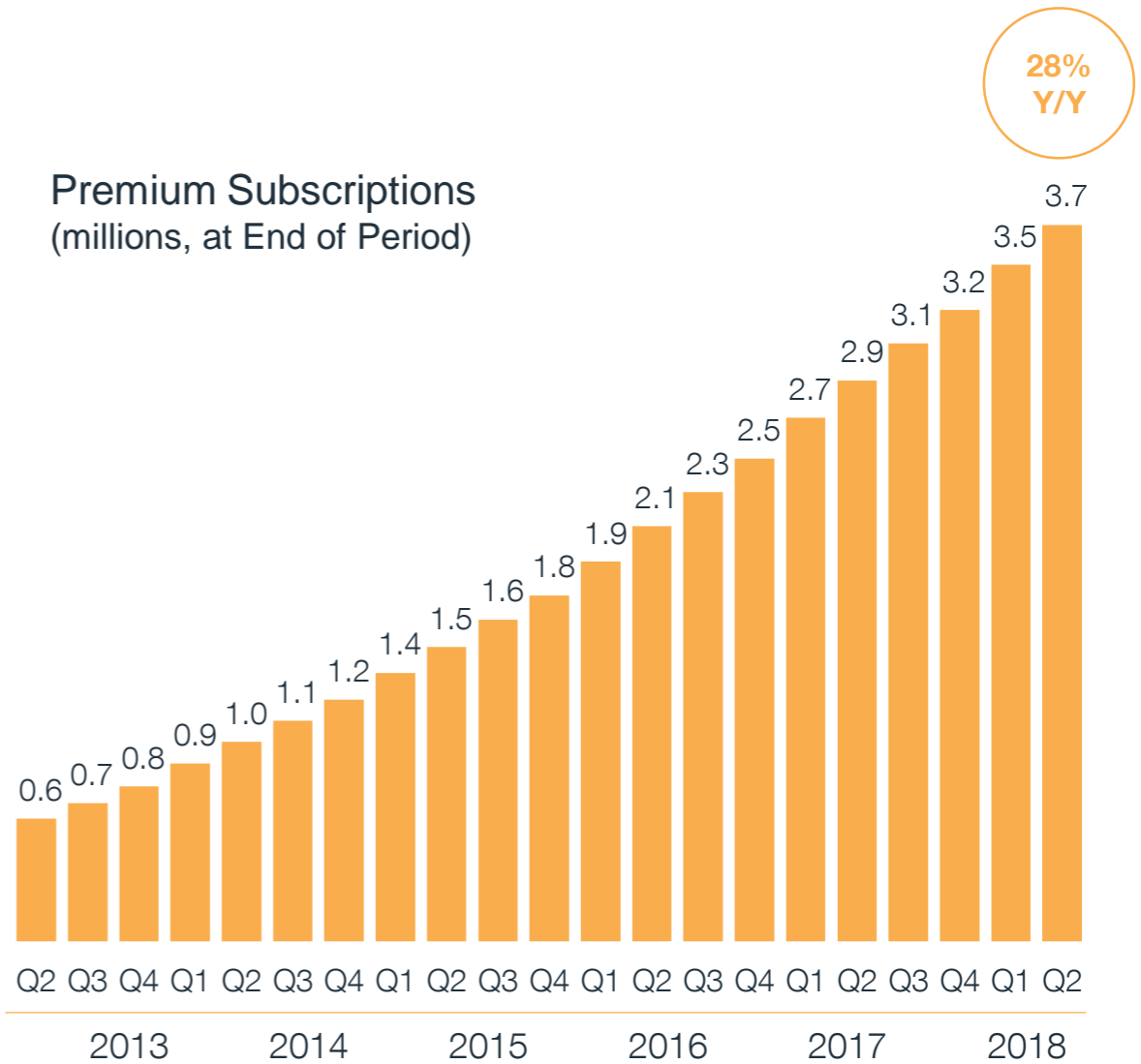
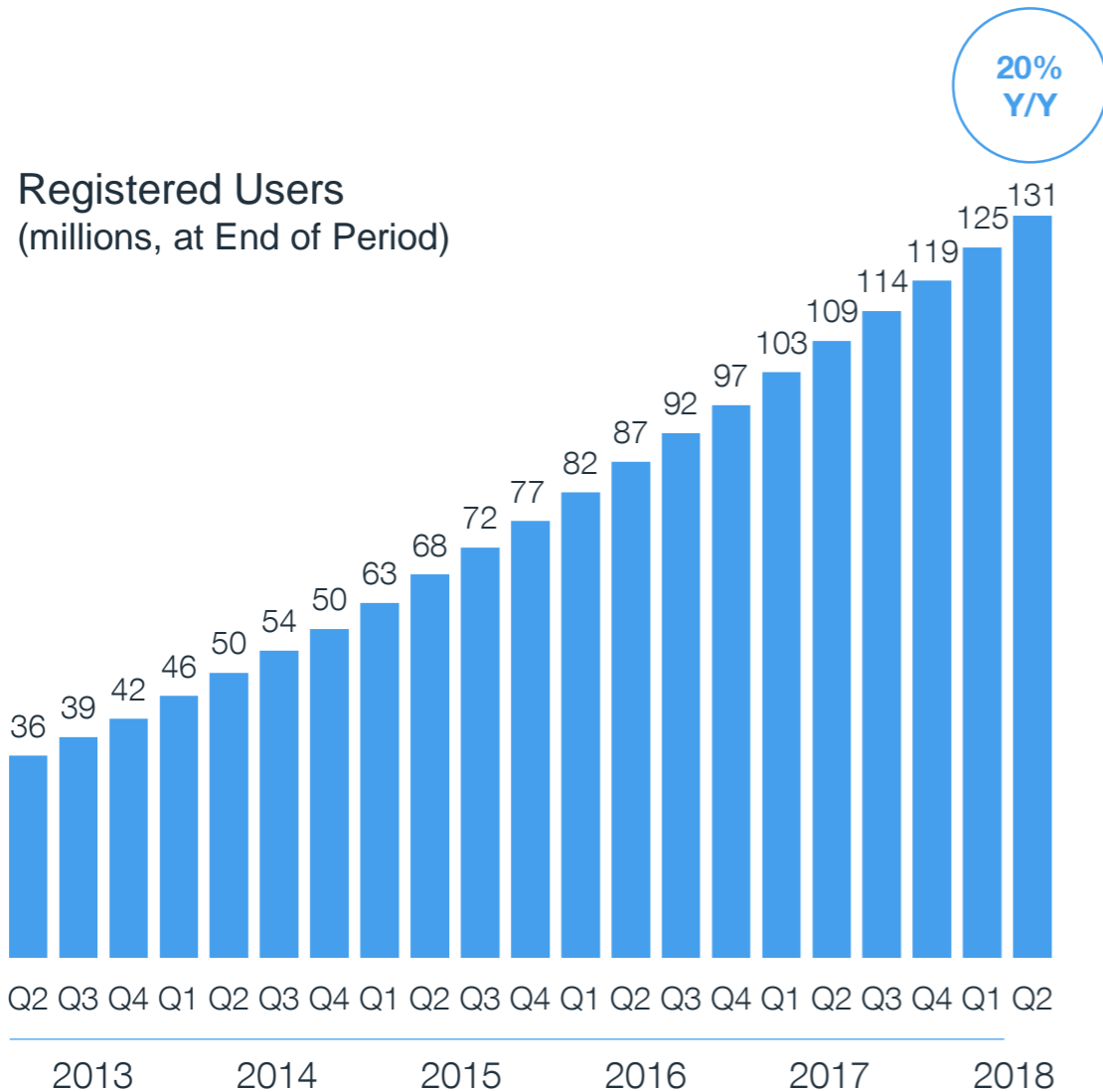
Free Cash Flow* (\$ millions)



Note: 2018 guidance as provided on July 25, 2018

*Net cash provided by operating activities for Q2 2018 was \$27.3 million, while capital expenditures totaled \$3.4 million, leading to free cash flow of \$23.9 million

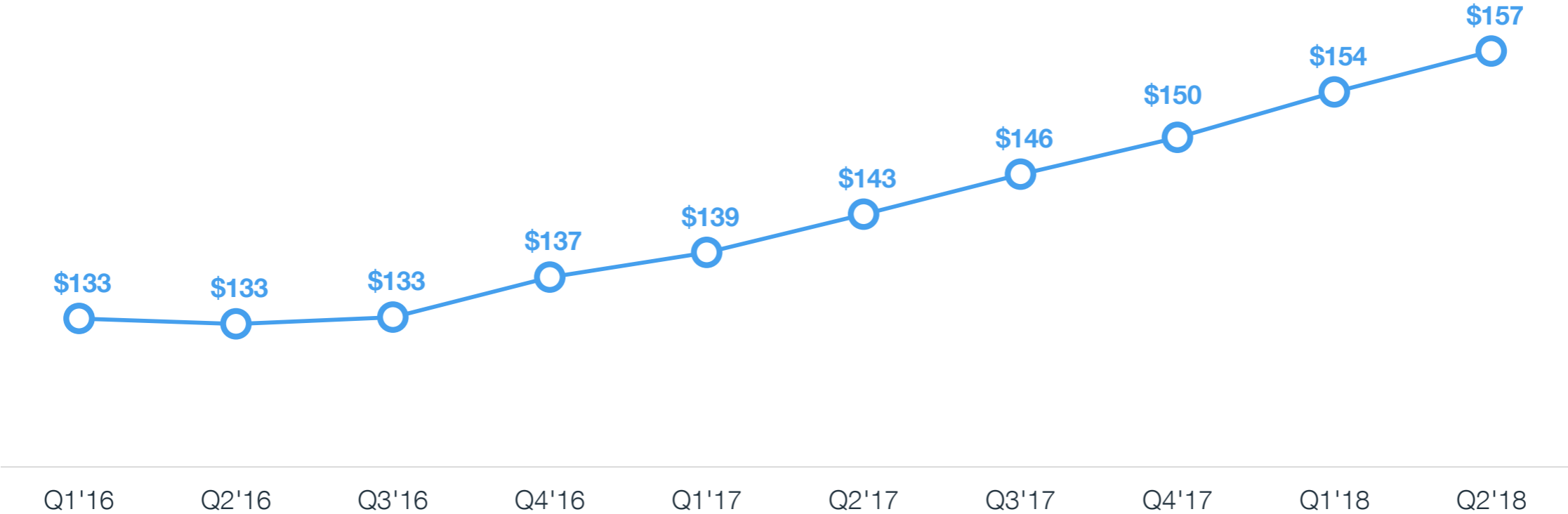
User and subscription bases are growing



Note: Data as of June 30, 2018

ARPS is increasing

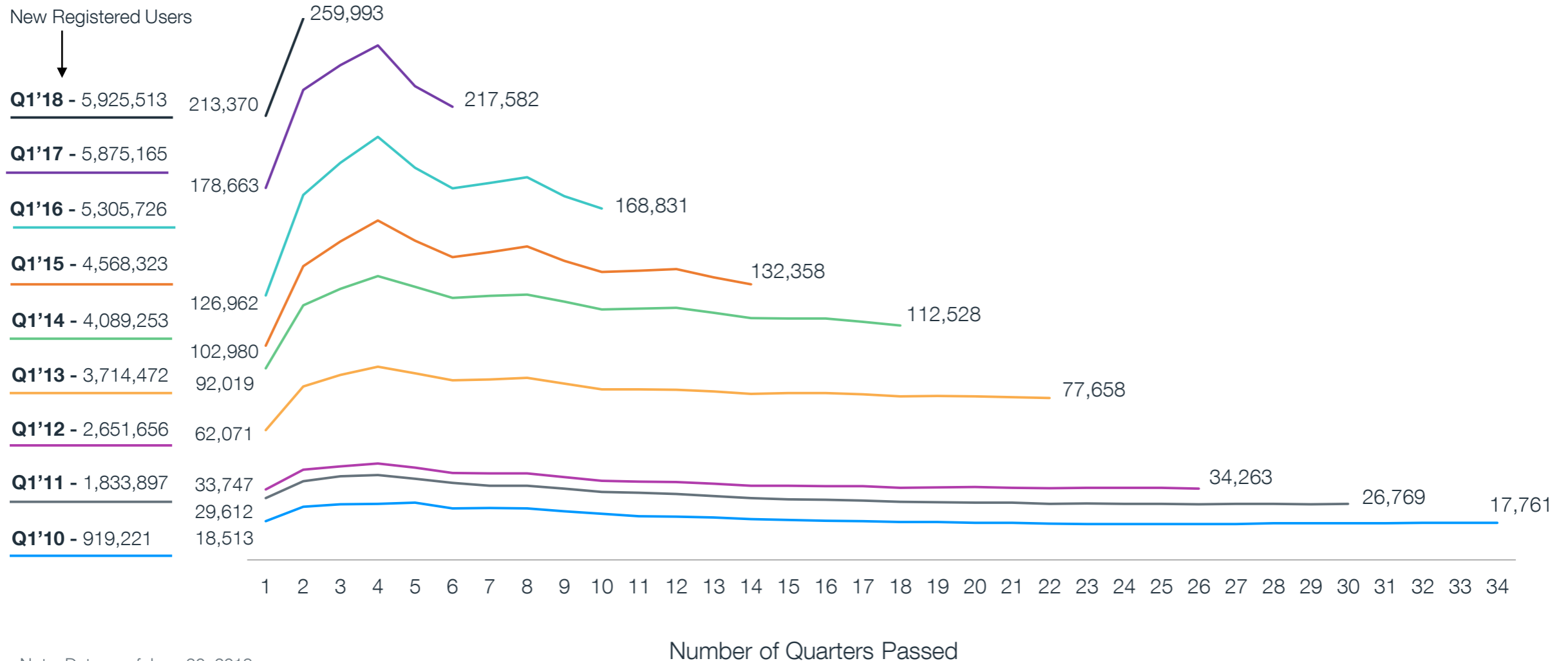
Average Annual Revenue per Subscription



Note: ARPS is defined as total revenue over last four quarters / average subscriptions over last four quarters. Subscriptions does not include Flok or DeviantArt

Consistent cohort behavior over the long term

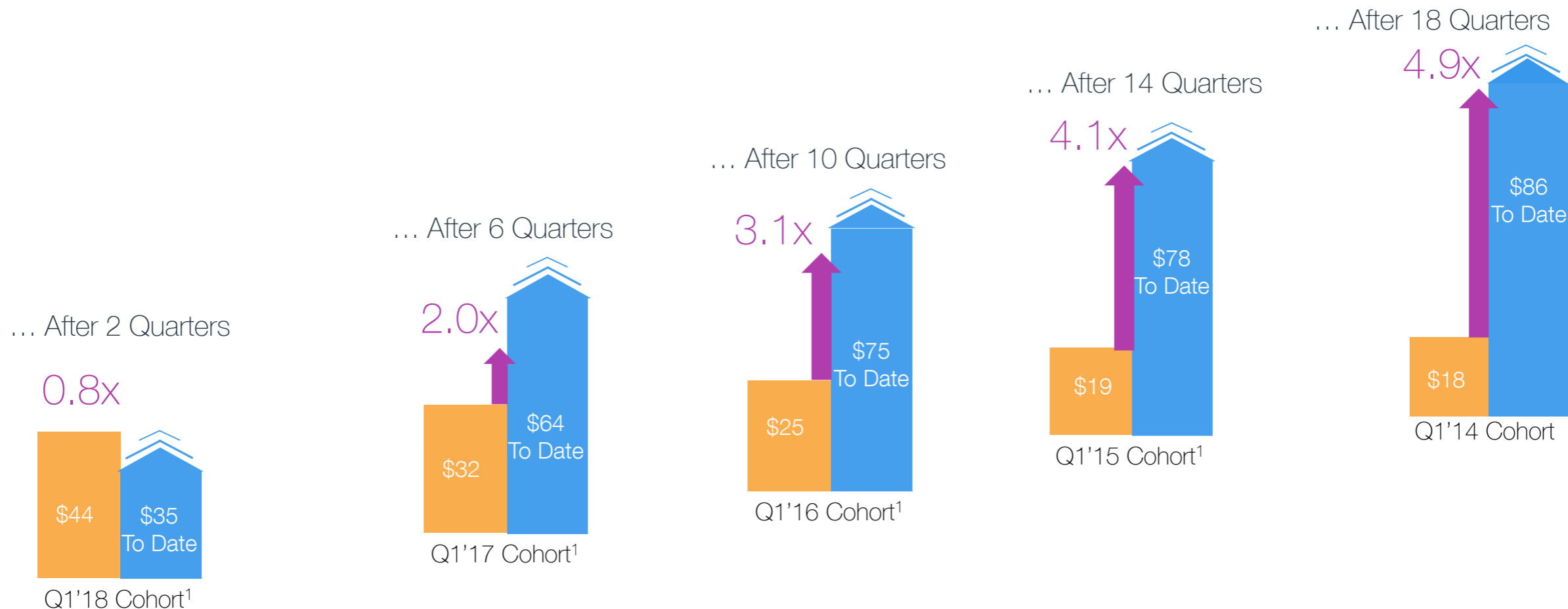
Active Premium Subscriptions from Q1 User Cohorts



Note: Data as of June 30, 2018

Efficient marketing based on 7-9 month TROI

One Time Marketing, Ongoing Collections



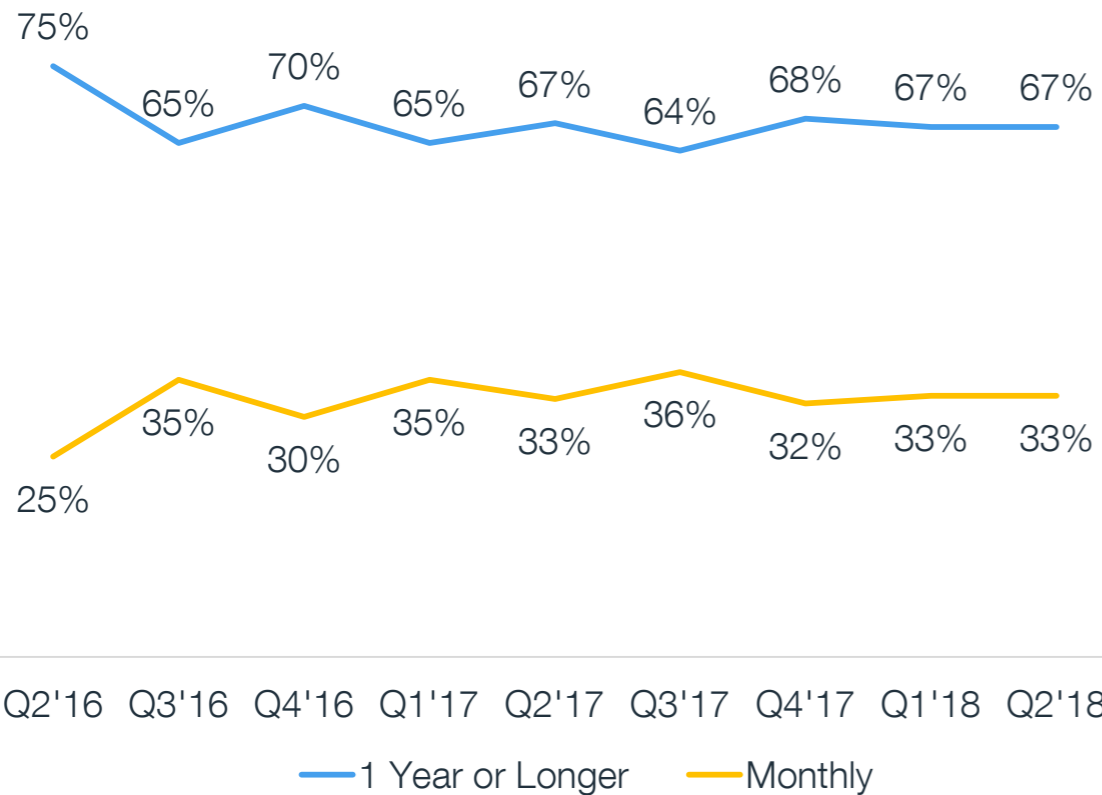
Marketing Cost (\$ million) Cohort Net Collections (\$ million)

Note: Data as of June 30, 2018; TROI is Time to Return On (Marketing) Investment. We define this metric as the time it takes to collect dollars from new premium subscriptions acquired in a cohort to equal dollars spent on direct marketing costs in the same cohort. We aim for 100% TROI in 7-9 months

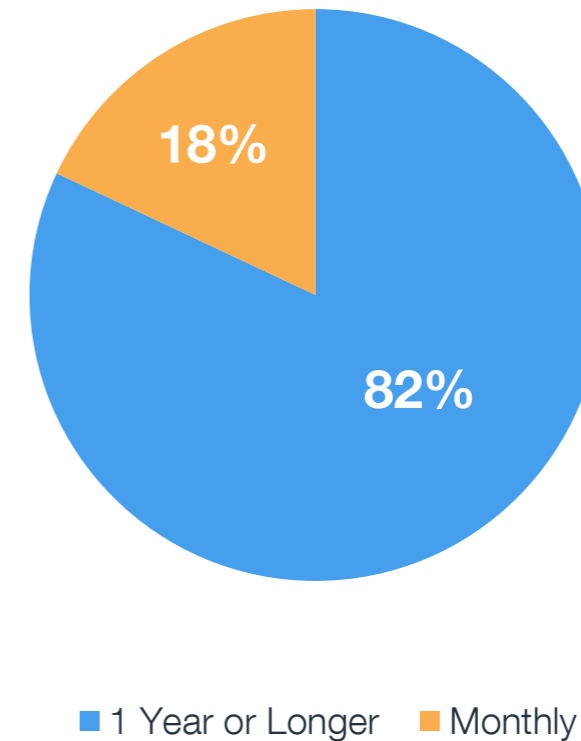
¹Excludes ~\$6 million in Q1'15, ~\$7 million in Q1'16, ~\$9 million in Q1'17 and ~\$4 million in Q1'18 of brand marketing expenses

Healthy mix of annual and monthly subscriptions

% of Gross New Subscriptions



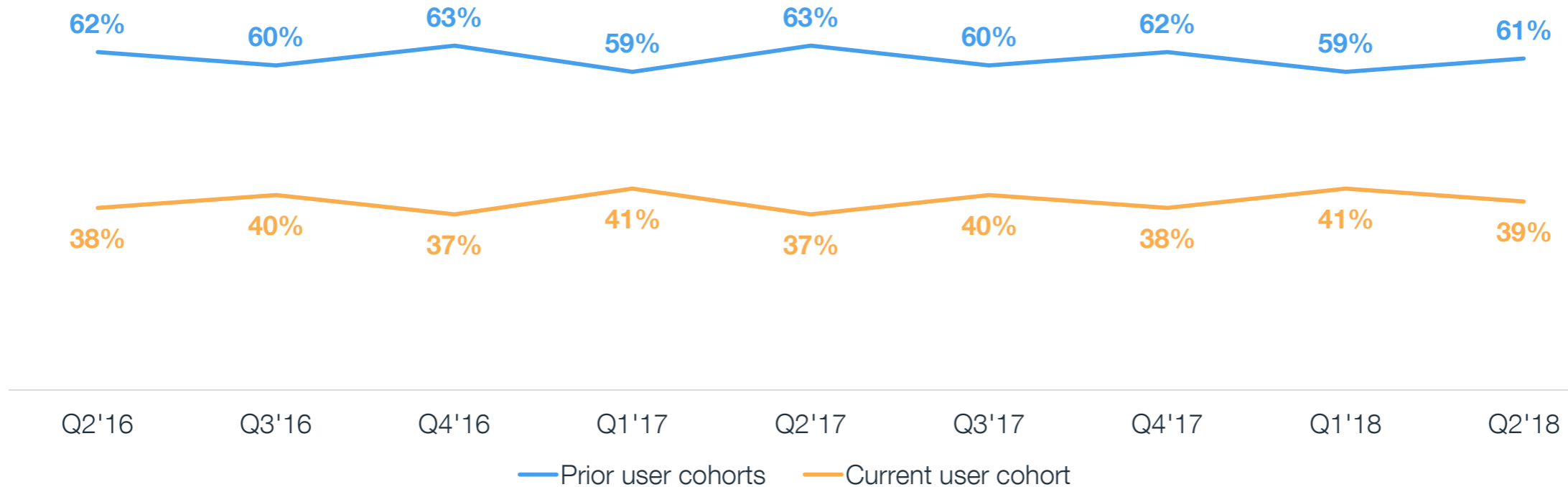
% of Total Subscriptions



Note: Data as of June 30, 2018

Prior cohorts continue to convert

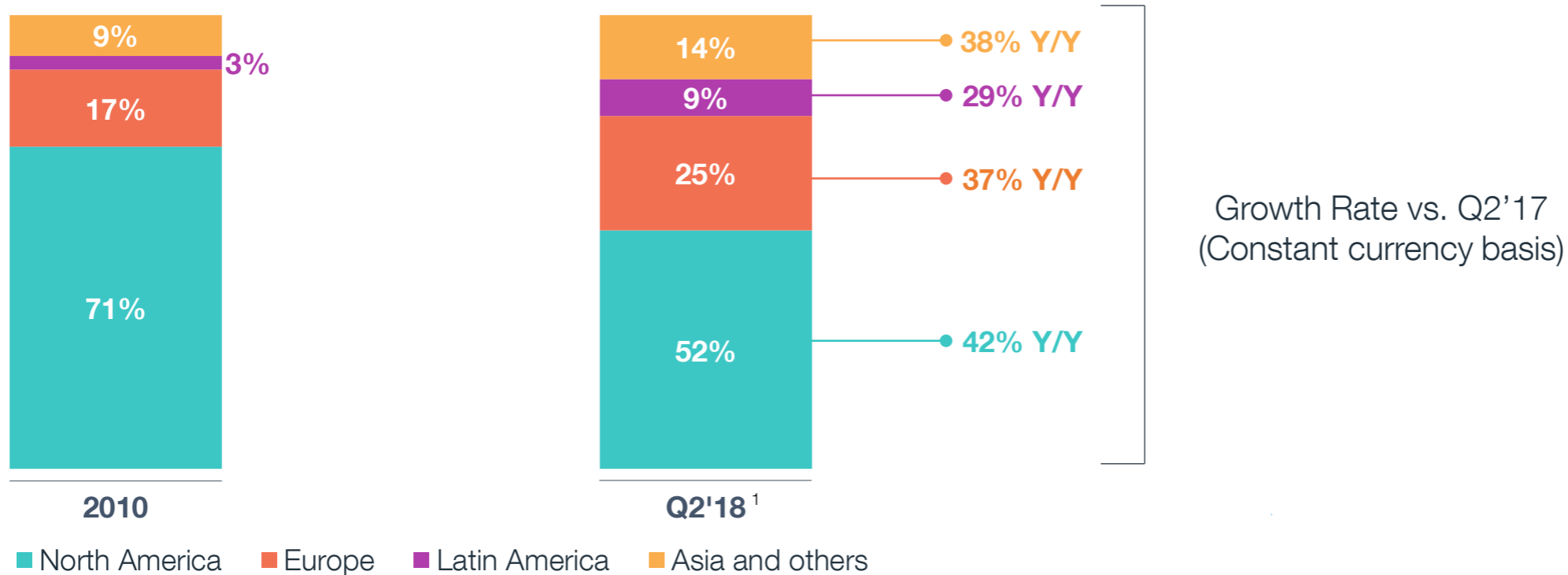
% of Gross New Subscriptions by Prior and Current User Cohorts



Note: Data as of June 30, 2018

Increasing geographic penetration

FX-Neutral Revenue by Geography (% of total)



¹Revenue by Geography and Y/Y change based on constant FX rates from Q2'17; 2018 revenue based on ASC 606

APPENDIX



Non-GAAP Financial Results

in 000s	2017 Q2	2018 Q2	Full Year 2016	2017
Revenues	\$103,522	\$146,132	\$290,103	\$425,636
Collections	\$117,121	\$159,895	\$342,069	\$483,989
Non-GAAP Gross Profit	\$87,232	\$116,924	\$246,614	\$359,708
<i>Gross Margin %</i>	<i>84%</i>	<i>80%</i>	<i>85%</i>	<i>85%</i>
Non-GAAP R&D expenses	\$29,165	\$37,802	\$87,570	\$121,293
<i>% of revenues</i>	<i>28%</i>	<i>26%</i>	<i>30%</i>	<i>28%</i>
<i>% of collections</i>	<i>25%</i>	<i>24%</i>	<i>26%</i>	<i>25%</i>
Non-GAAP S&M expenses	\$46,176	\$56,188	\$151,759	\$195,041
<i>% of revenues</i>	<i>45%</i>	<i>38%</i>	<i>52%</i>	<i>46%</i>
<i>% of collections</i>	<i>39%</i>	<i>35%</i>	<i>44%</i>	<i>40%</i>
Non-GAAP G&A Expenses	\$8,375	\$9,995	\$19,814	\$34,275
<i>% of revenues</i>	<i>8%</i>	<i>7%</i>	<i>7%</i>	<i>8%</i>
<i>% of collections</i>	<i>7%</i>	<i>6%</i>	<i>6%</i>	<i>7%</i>
Non-GAAP Operating Income (Loss)	\$3,516	\$12,939	(\$12,529)	\$9,099
<i>% of revenues</i>	<i>3%</i>	<i>9%</i>	<i>(4%)</i>	<i>2%</i>
<i>% of collections</i>	<i>3%</i>	<i>8%</i>	<i>(4%)</i>	<i>2%</i>
Non-GAAP Net Income (Loss)	(\$185)	\$13,806	(\$14,555)	(\$549)

Note: non-GAAP items exclude the impact of share-based compensation expense, amortization of intangibles, withdrawn secondary expenses and acquisition-related expenses; Q1 and Q2 2018 based on ASC 606

Reconciliation of GAAP to Non-GAAP Measures

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$61,586	\$68,730	\$75,611	\$84,176	\$92,538	\$103,522	\$111,031	\$118,545	\$137,775	\$146,132
Change in deferred revenue	\$14,108	\$12,723	\$11,659	\$13,476	\$22,008	\$13,599	\$9,088	\$13,658	\$21,880	\$13,763
Collections	\$75,694	\$81,453	\$87,270	\$97,652	\$114,546	\$117,121	\$120,119	\$132,203	\$159,655	\$159,895
in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Gross Profit	\$51,079	\$57,712	\$64,587	\$71,438	\$77,675	\$85,497	\$92,204	\$100,869	\$108,731	\$115,695
Share Based Compensation	\$428	\$475	\$466	\$429	\$506	\$695	\$783	\$946	\$1,079	\$1,087
Amortization	\$0	\$0	\$0	\$0	\$0	\$1,040	\$757	(\$1,292)	\$142	\$142
Acquisition Related Expenses	\$0	\$0	\$0	\$0	\$28	\$0	\$0	\$0	\$0	\$0
Non-GAAP Gross Profit	\$51,507	\$58,187	\$65,053	\$71,867	\$78,209	\$87,232	\$93,744	\$100,523	\$109,952	\$116,924

Note: Q1 and Q2 2018 based on ASC 606

Reconciliation of GAAP to Non-GAAP Measures

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Research and development (GAAP)	\$24,472	\$25,483	\$26,536	\$28,877	\$32,669	\$36,749	\$40,252	\$43,965	\$46,502	\$48,492
Share Based Compensation	\$3,111	\$3,558	\$3,718	\$4,156	\$4,726	\$6,586	\$7,190	\$7,725	\$8,485	\$9,470
Amortization	\$137	\$136	\$138	\$136	\$136	\$138	\$136	\$136	\$137	\$136
Aquisition related expenses	\$1,183	\$397	\$514	\$614	\$1,713	\$860	\$889	\$2,107	\$1,095	\$1,084
Non-GAAP research and development	\$20,041	\$21,392	\$22,166	\$23,970	\$26,094	\$29,165	\$32,037	\$33,997	\$36,785	\$37,802
Selling and marketing (GAAP)	\$40,454	\$36,026	\$40,010	\$40,022	\$54,329	\$48,016	\$51,184	\$50,906	\$67,011	\$58,855
Share Based Compensation	\$981	\$1,122	\$1,237	\$1,213	\$1,419	\$1,778	\$1,826	\$1,562	\$2,042	\$2,352
Amortization	\$50	\$50	\$50	\$50	\$50	\$62	\$55	\$1,535	\$309	\$453
Aquisition related expenses	\$0	\$0	\$0	\$0	\$611	\$0	\$0	\$496	\$237	(\$138)
Non-GAAP selling and marketing	\$39,423	\$34,854	\$38,723	\$38,759	\$52,249	\$46,176	\$49,303	\$47,313	\$64,423	\$56,188
General and administrative (GAAP)	\$5,921	\$6,693	\$7,073	\$7,281	\$11,148	\$11,295	\$12,222	\$13,521	\$13,670	\$14,855
Share Based Compensation	\$1,617	\$1,772	\$1,743	\$2,022	\$2,331	\$2,920	\$3,236	\$3,471	\$4,068	\$4,860
Acquisition related expenses	\$0	\$0	\$0	\$0	\$1,413	\$0	\$0	\$540	\$96	\$0
Non-GAAP general and administrative	\$4,304	\$4,921	\$5,330	\$5,259	\$7,404	\$8,375	\$8,986	\$9,510	\$9,506	\$9,995

Note: Q1 and Q2 2018 based on ASC 606

Reconciliation of GAAP to Non-GAAP Measures

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Operating Loss	(\$19,768)	(\$10,490)	(\$9,032)	(\$4,742)	(\$20,471)	(\$10,563)	(\$11,454)	(\$7,523)	(\$18,452)	(\$6,507)
Share Based Compensation	\$6,137	\$6,927	\$7,164	\$7,820	\$8,982	\$11,979	\$13,035	\$13,704	\$15,674	\$17,769
Amortization	\$187	\$186	\$188	\$186	\$186	\$1,240	\$948	\$379	\$588	\$731
Acquisition Related Expenses	\$1,183	\$397	\$514	\$614	\$3,765	\$860	\$889	\$3,143	\$1,428	\$946
Non-GAAP Operating Income (Loss)	(\$12,261)	(\$2,980)	(\$1,166)	\$3,878	(\$7,538)	\$3,516	\$3,418	\$9,703	(\$762)	\$12,939

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Net Loss	(\$19,912)	(\$11,420)	(\$9,643)	(\$5,921)	(\$20,885)	(\$14,264)	(\$14,519)	(\$6,605)	(\$19,811)	(\$5,640)
Share Based Compensation & Other Non-GAAP Adjustments	\$7,682	\$7,707	\$8,074	\$8,878	\$12,933	\$14,079	\$14,872	\$13,840	\$17,690	\$19,446
Non-GAAP Net Income (Loss)	(\$12,230)	(\$3,713)	(\$1,569)	\$2,957	(\$7,952)	(\$185)	\$353	\$7,235	(\$2,121)	\$13,806

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net cash provided by operating activities	(\$925)	\$11,314	\$10,470	\$19,714	\$16,397	\$19,651	\$22,063	\$24,941	\$24,779	\$27,268
Capital expenditures, net	(\$1,209)	(\$1,129)	(\$1,046)	(\$1,031)	(\$1,616)	(\$2,239)	(\$3,128)	(\$5,386)	(\$3,358)	(\$3,411)
Free Cash Flow	(\$2,134)	\$10,185	\$9,424	\$18,683	\$14,781	\$17,412	\$18,935	\$19,555	\$21,421	\$23,857

Note: Q1 and Q2 2018 based on ASC 606