

**Wix Third Quarter 2020 Results Conference Call
November 12, 2020**

Introduction

Operator: Ladies and gentlemen, thank you for standing by. And welcome to the Wix Third Quarter 2020 Earnings Call. At this time all participations are in a listen-only. After the speakers' presentation, there will be a question-and-answer session.

(Operator Instructions)

Please be advise that today's conference is being recorded.

(Operator Instructions)

I would now like to hand the conference over to your host, Maggie O'Donnell, Director of Investor Relations. Please go ahead.

Maggie O'Donnell: Thank you, and good morning, everyone. Welcome to Wix's third quarter 2020 earnings call. Joining me today to discuss our results are Avishai Abrahami, our CEO and Co-Founder; Nir Zohar, our President and COO; and Lior Shemesh, CFO.

During the 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 and shareholder update, and our Interactive Analyst Center on the Investor Relations section of our website, investors.wix.com.

I would also like to mention that we will be holding a virtual management update in early December. So please stay tuned for more information within the next few weeks.

With that, I will now turn the call over to Avishai.

Avishai Abrahami: Hi, everybody, and thank you so much for joining us today. I'm sure as you can see, Q4 results are fantastic, while growth is a continued from Q2 and with a very strong momentum. We are very happy about the quarterly results and I want to point out a couple of things in addition to that.

So first of all, we got a chance now to see how places that came out -- almost came out of a Corona reacted. And we see that a -- it seems that this trend of growth has stayed even when the pandemic is slow down. And which is something that we contribute to the fact that it's probably a different way of thinking from people and different behavior that is -- was created, where people were at home for us to think about how they do things or use the internet to order. I know that from personal experiences and my parents now order things online. They never did that before. And I think this is a trend that we're seeing is something that is very strong and growing.

Beyond the phenomenal growth that we had at least I want -- on the general population of Wix, I want to point out also, two specific trends that we're seeing. Our e-commerce growth rate is more than double the average growth on Wix, which is saying that even that we don't show much faster, e-commerce has actually doubled, more than doubled that.

The same is also true for agencies and partners that also, the collection from them is more than doubled the growth rate on Wix. We look at both of those as a very important indicators, and obviously, and we're very happy because we invest a lot to develop them in the last couple of years.

We can -- during the pandemic another thing that we can mention is that we show that our ability to release and invest in products have not slowed down, the Board has been doing an amazing job to be able to carry through this strong demand of our services and our products. So really fantastic quarter and I want to take this opportunity again to thank everybody at Wix for their incredible effort to help our customers during this tough time and to say to all of our customers amazing to see what you guys have done and how many incredible businesses are now flourishing on Wix. Thank you.

Maggie O'Donnell: Great. Thanks, Avishai. Can we now turn to the Q&A please?

QUESTIONS AND ANSWERS

Operator: Thank you.

(Operator Instructions)

Our first question comes from the line of Ron Josey with JMP Securities. Your line is now open.

Ron Josey: Great. Thanks for taking the question and great numbers guys. Nir, Avishai, I wanted to ask a little more about the subscriber base, just seeing the accelerating growth that we're seeing not only overall but for higher price packages like stores and you talked about, Avishai, e-commerce growth and then agencies

and partners. And so can you give us a little more insight on maybe the type of business that's coming to Wix?

Do you think this is newer businesses and we're all seeing the rise in business formations here or just existing businesses that are realizing that they have to come online, and with that, knowledge of your sub-base? How are you ramping marketing and really targeting continued growth and -- on the marketing side? So you can talk about your marketing approach as you know who's joining the business? Thanks, guys. Congrats again.

Avishai Abrahami: Well, thank you so much. So I think that we're seeing both. We're seeing a lot of the brick-and-mortar businesses that are moving online. And obviously, during the pandemic, this was a crucial thing, because a lot of them had to close the physical store and this is a kind of a global phenomenon.

But we also see a lot of a business' rebuilding their online presence. So they used to have some kind of a store and they decided that they need to do something better. So that's another very common thing that we're seeing now.

And the last part is as you said, there's incredible number of new businesses that are being formed now, people that have to find a new way to support themselves. And so that's the last part that we're seeing.

So I would say, on all fronts, we're seeing massive growth and I think that really -- I think this pandemic have actually pushed people, right, to do something that they always knew that they need to do, but we need or I need to move online. I need to have a store. I need to do that, right? And then it -- but it was always things that you do next month, right, or tomorrow, and now it's something that you do today.

And the fact that people can't sit at home and play with Wix and understand how easy it is that they can do so much with their business. I think that doubt was an incredible thing. So because now they know what they can do and a lot of them are just doing that. So that's pretty much the growth.

In terms of marketing, I think, that the -- we continue to see exactly what we've been doing all the time, which is investing where we see that the marketing is efficient and a lot of it's pretty much in line with our current Wix strategy, which is measuring time to the total marketing investment.

And obviously, as we gain more in the subscription in the first couple of months, we can actually go to a higher absolute number, right? Because if you divide absolute cost of a marketing with a subscription value. So we see that and we're very happy about it. We believe that a lot of it will continue post the pandemic again, because consumers and businesses behaviors dramatically change.

Ron Josey: That's right. Thank you, guys.

Maggie O'Donnell: Thanks, Ron. Can we have the next question, please?

Operator: Thank you. Our next question comes from the line of Ygal Arounian with Wedbush Securities. Your line is now open.

Ygal Arounian: Hey. Good morning, guys. Thanks for taking the question. So I want to dig in a little bit on what you guys call out in investor letter as an elevation of brand perception among the agencies. And just asking if you could expand on that a little bit more, obviously, Editor X is rolling out. You have the e-commerce solution. Maybe just highlight what it is among the conversations you're having with agency partners, that's getting you to be at that place? And how much more room you think you have to go before you're at the brand perception that you want from agency partners?

And then the second question, on collections, the guidance range was a little bit wider than it usually is. And you obviously had really strong conversion this quarter, you talked about negative churn cohorts in the first quarter and second quarter, the core value kind of accelerating? As we think about that range and some of the unknown environments, so what are the things that you see getting you to the low end versus the high end and some of the kind of the mix and you all might see over the next couple quarters in that area? Thanks.

Avishai Abrahami: Of course. So what we're seeing is that a conversation. If you look at the forums or communities in the registry, we can see that the conversation has changed, right? In the past, which was do it yourself and now we can see that a lot of them are discussing that, switch is today is probably the best choice also for them.

And anything that has to do with the brand. It takes time for it to completely mature. But I think the driving force behind a lot of products improvements, from SEO to performance, to think that they allow them to manage multiple accounts and manage teams. So this is a lot of what we have been doing there and a lot of it is working extremely well.

Editor X is starting, right? So when -- what I'm talking about now is before even the effect of Editor X and this is a extremely important for our future. I think the way this amazing extra tool. And I'll give you one example, I think, that one of the discussions that we're seeing a lot now is that, it's about security, right? The traditional tool that agencies would use is WordPress, and obviously, with WordPress, it's extremely hard to maintain a high level of security and for your site, because most of the hacks you hear about or Morphus, right?

And you -- I don't know if you ever even heard about one Wix site that was packed, right? It's extremely hard to hack into Wix site and they do nothing for that. So usually this is something they're spending tons of energy on doing right and we wish to just have to do nothing in order to get a better solution.

This is also true for many other things that they have and by enabling them to be more productive and actually provide a much better product for their customers, right? We're seeing that the brand perception is changing and a lot of them are now using -- moving to use Wix. We also have, of course, the account management where we work with them and help them understand the platform and what they can do. So this is another contributing factor.

Nir Zohar: Hey. Ygal, it's Nir. I will take the second question about Q4. And I think, obviously, Q4 ties up directly to what we've seen in Q3, right. Even -- as Avishai mentioned, even if we've seen economies going into some form of normalcy and going back to regular economy behavior, we still see -- seen a tremendous amount of growth in Q3, which is carrying over to Q4, which is also why we are giving a strong guidance that we believe reflects a lot of growth.

That being said, regularly, Q4 has some effect of seasonality. It's really hard to say how that seasonality will behave this year, since some of that seasonality is attached to consumer behavior, which is quite different this year. Some of it is attached to the fact that people are going on vacation, which is hard to believe that many people will be able to go on proper vacations this year.

In light of that, we prefer to have a wider range than what we usually have at this part of the year. But obviously, it's still very flexibly -- very high level of growth 35% year-over-year growth in Q4, which we're very happy about, and obviously, it also sets up -- sets us up very well into 2021.

Operator: Thank you. Our next question comes from the line of Mark Mahaney with RBC. Your line is now open.

Mark Mahaney: Okay. Thanks. Two questions, please. You've leaned in heavily into marketing this year, marketing intensity, as a percentage of collections your revenues up? Could you just talk about some of the learnings you've had from that? And is that something that you think is a sustainable shift? Do you want to run the business with greater marketing intensity now than you've done in the past?

And then, secondly, just spend some more time on e-commerce solutions that you've rolled out in the middle of this year. You announced a series of new products and features? I think that's probably one of the single biggest new growth areas from the COVID crisis, the growth of online e-commerce? Do you feel like you -- your offering now is full and complete? Are there particular areas that you still want to build out and are there particular e-commerce solutions, which stores that

you think have really resonated really well? So just talk about how you've been able to take advantage of what's clearly been an inflection in online e-commerce demand? Thanks a lot.

Lior Shemesh: Hey. Mark, this is Lior. I will take the first question about the marketing, if you guys probably know we invest in marketing based on the TOI. And this is like the only KPI that based on that we actually determine how much money to invest marketing.

You absolutely right, we increase marketing investments quite significantly over the last couple of quarters, I believe that it will continue in Q4. And we talked about the new state of mind, meaning that the growth looks pretty much stable. So I assume that the marketing as in terms of its investment will continue to be higher.

That's said, and when you look at it in terms of percentage out of revenue and collection, remember that, as usual in a subscription model, you first invest in marketing then you see the fruits of the topline. So assume that once revenue and also collection will catch up with that, then we're going to be back to where we were before about the marketing as a percentage of collection.

Nothing has changed. But in the shelter, you can see some noises around it. But it's coming from a really, really exciting growth because we actually are able to increase marketing significantly with the same efficiency, by the way, sometimes even better efficiency and we are truly excited about it.

Avishai Abrahami: Hey, Mark. This is Avishai. You are asking about e-commerce. So in the last couple of years, we heavily invested into making our e-commerce product great and we -- during the last few every things like drop, [channel installment] multi-channel installment, multi-currency, shipping, to made itself that and a bunch of other features. I think that today we are one of the better e-commerce solutions in the world. And obviously, it was something that was highly needed in COVID and we saw that the shopping cart business is growing fantastically well.

I want to mention that there are some places where we are unique, right, solutions for restaurants, solution for events, solution for bookings, scheduling. We're pretty much the only platform in the world that does that. So there we are definitely the best. And I think that the combination of all of them who created these unique offerings, where we're able to go and really help so many businesses during the COVID crisis.

And in addition, again, with all that turmeric marketing, and things like I said, and really been a helpful for customers to learn and rapidly adapt to the changes that they needed to have, in order to support a business in an era -- in a world that is completely different.

But I do believe that, we enter the pandemic with a really strong e-commerce offering and now we're at a place that it's not only grown more than doubled, right? It's faster than anything on Wix. It's also really one of the better products in the market.

Operator: Thank you. Our next question comes from the line of Jason Helfstein with Oppenheimer. Your line is now open.

Jason Helfstein: Hey, guys. Thanks. So two questions, one, if we look at business solutions collections and revenue, it has been slowing over the past few quarters or basically flowing from first quarter while creative subscription revenue and collections have accelerated. Maybe -- how do we think about that, I mean, creative subscriptions is more top of funnel, is that the leading indicator, if we look the business solutions has increased as a percent of -- if you look at like as a percent of creative subscriptions.

So just how are you thinking about kind of one being the funnel for the other the leading indicator, then we might think about what that means for the next several quarters? And then just to follow up on Mark's question, Lior, you did say that that marketing would return to historical percent of revenues at some point. Maybe be a little more specific, I mean, next year, how are you thinking about kind of marketing investment versus margin growth? Thanks.

Avishai Abrahami: Sure. So I will start with the first question about the business solution. As you know, we started the business solution was not for last year, it was up full year, meaning that it all started in the second quarter. So basically, when you look at it on a year-over-year basis, so obviously right now, the year-over-year basis has impacted by the fact that that we already had the payment solution a year ago.

Remember that business solution is still growing higher than subscription. But sometimes when you look at it on year-over-year basis, it might be misleading because of the large numbers. I do believe that if we take, for example, next quarter, I do believe the business solution is going to be a higher portion of the overall top and we would see that already next quarter.

And it will continue, meaning that the same phenomena that we've seen in the last few quarters where business solution is growing will continue into 2021 and I believe that it will be slowly but surely increase portion of our total collection in revenue.

But bear in mind that payments on a year-over-year basis, it was fluctuated by the fact that need to take into consideration when we actually started that. So it's relatively a young product. And I believe that that most of the growth, by the way of

next year on business solution are going to be from payments. So this is with regards to that.

With regard to the sales and marketing, so Jason, it is how to tell exactly specific quarter and when it's going to happen. And let me tell you why, because it's already happened. But when you look at collection, so you understand that it's a combination of many code, certainly the new one. But also, the third code, actually, when we start the year, about 85% of our collection coming from historical code. So the impact of the new code is very small.

If you remember last quarter, we mentioned that marketing increased by 90% on a year-over-year basis, but actually the value of the code also increased by 90%. Meaning that those new codes are going to have -- as time pass it is going to have more and more impact suddenly on 2021 and 2022 and then you can start to see that marketing as a percentage of collection will be improving obviously, but we will always invest marketing based on TOI, because the way that we look at marketing and measure marketing is not out of the overall collection, but out of the TOI for the specific code and because this is like the truest value of how much we're investing and how much money we're generating.

Operator: Thank you. Our next question comes from the line of Ken Wong with Guggenheim. Your line is now open.

Ken Wong: Great. My first question also digging into payments, I would just love to get a sense of maybe how you're seeing the behavior of your installed base react to the payments product, I know a lot of the benefits have come from the new cohorts coming in at 80% attach rate, any benefits on the installed base, anything you guys are doing to move those guys onto your product? And then second, on the customer support initiative, it seems like it's grown to be something much larger and perhaps more strategic than any of us anticipated. Maybe can you give us a sense for kind of how that strategy might have evolved in the last six months post-COVID? Thank you.

Nir Zohar: Hey. Ken, its Nir. I will start with the first question about payments. So, you're absolutely right. I mean, the wide adoption so far has been of the new users adapting payments and we've seen great levels of -- really great levels of attachment and adoption there.

I mean, more than 30% of -- all of the sales transactions that's happening on the system are already under Wix Payments, which I would say, over -- if you look at the attachment of the new customers, more than 80% in the eligible countries are onboarding Wix Payments. So, we see that as a great success.

I think that in terms of the existing user base, we already managed to somewhat convert some of them to be under the Wix Payments [suite] and we're going to

continue doing so in the next year to come, which is definitely another potential for growth there.

And the second thing that you have to remember is that we are also seeing these stores that just joined earlier throughout the year starting to mature. As they mature, the volume on the stores is increasing and obviously that contribution to Wix Payments is also increasing. So I think that definitely Wix Payments is going to be a big success story for us in the next few years and then we will definitely have to share more and more about it.

In terms of support, I think, this has definitely been a critical year for us to invest into care, and I think we are all so thankful that we did all this investment back in 2019 and continuing into 2020, because it's paid off big time this year. We would not have had a chance to give proper customer care to such a huge demand. It's such a big in growth had we not invested originally into the care.

So I think that our strategy continues as we wanted it to be, which is giving better and better care, going more proactively and talking more to users, helping them convert, helping them move along their journey, build the full business, understanding that it will contribute to, first of all, satisfaction and happiness, which directly impact our brand, it impacts the conversion to premium, it impacts adoption of higher-priced services, so it increases ARPU, and obviously, definitely, it reduces churn and increases loyalty over time.

So we are very happy with the returns we have seen. As you see that, there is a very big demand to our services and the growth continues, obviously, we will continue to invest into those areas of care in the next year.

Operator: Thank you. Our next question comes from the line of Sterling Auty with JPMorgan. Your line is now open.

Sterling Auty: Thanks guys. So I'm just curious, I want to make sure I understand, there is the comment in collections, talking about the partners and I don't know if it's agencies as well, but just partners are prepaying the collections are that's what's counted in collections. Can you give us an idea of what the contribution from that structure is? And when you say you counted, are you actually getting the cash upfront as well?

Lior Shemesh: Hey, Sterling. This is Lior. You're probably talking about channels, not about partners. So, you're right, about channels, usually the structure of the deal is with commitments. By the way, it's not that significant yet. Few millions of dollars I assume for this year, but it's not that significant.

So basically there we get a commitment for payments or for number of premiums, for example, for year, perhaps even more than that. So this commitment is part of

the deferred revenue, and therefore, it's increased collection. Sometimes, we get the money upfront. Sometimes, we get the money as installments. It really depends on the nature of the agreement.

But revenue, obviously, it's recognized over time, where they actually use the service and provide the service to their customers. I think that what is interesting about the channel is that, a few years ago, those guys like carrier hosting companies use white label not so good platform to provide to their customers. They understood that they are losing their customers because of really bad service.

Today, it started when they actually approached us to use Wix in order to make sure that they get a better service to their customers and to keep their brands strong. This is what has happened with NTT, with Vodafone, and a few other examples that we already had, and they feel really, really good about it.

And they actually benefit from two places. The first one is, obviously, keeping the brand strong, by the fact, that they're providing the best platform in the world. And second, they make sure that their businesses are more successful, and obviously, they benefit in indirect way from that fact.

Operator: Thank you. Our next question comes from the line of Deepak Mathivanan with Barclays. Your line is now open.

Deepak Mathivanan: Hey, guys. Thanks for taking the question. Two quick ones. So, first, can you talk about what you're seeing in the early days from Editor X monetization? How has attach rate progressed with your expectations? And who are you seeing as the early buyers of the product? Anything you can share on customer profile would be great?

And then second question, Lior, can you provide some additional color on the fourth quarter guidance? What are you seeing in terms of net customer adds growth in October and November so far? Is the ROI for customer acquisition on the pay channels relatively stable, our fourth quarter obviously with the U.S. elections is a little bit of a volatile quarter? So just curious on what you're seeing right now?

Avishai Abrahami: Hey, Deepak. This is Avishai. So Editor X, while the product is better, right? We are still not pushing it aggressively. While we're seeing already that it's been adopted very quickly. In fact, faster than we -- dramatically faster than I expected at least by agencies. Most of the people that use Editor X will be the more of the higher brands, because they've time to actually work a lot on the project and fine-tune it to the exact level that they need.

So we're seeing that it's been mostly adopted by -- it's been adopted a lot by the higher agencies, brands, and so we are very excited about it. Of course, it's professional too, right? For me, myself, I still struggle to finish a website with Editor

X, because it's not that easy. But when I do manage to do it, I really enjoy the fact that it could do exactly what I envision in my mind.

And the combination of COVID inline to program into the platform aimed the databases and the CMAs make it a unique offering. Nothing else in the world as far as I know at this stage is even close to be similar to that. So, it's really a broad offering of functionality that for now seems to be achieving exactly they think that we hoped for, which is going up today, agencies, partners to one who are developers that build more the higher brand products, really fantastic results.

Lior Shemesh: With regard to the net subs during the fourth quarter, so, look, obviously, we're expecting that, because demand still very high. So we expect that net subs will significantly increase on a year-over-year basis. I don't see any differences of what we've experienced in the second quarter and the third quarter.

I think that it's important to understand that about like, what is going to happen in the fourth quarter. For example, that we can be in a situation where actually people are not going to go out for vacation because of what is happening. So it can be even stronger than what we actually expect.

So, obviously, it is going to be a very strong fourth quarter. I think that it also indicated as part of our guidance for the fourth quarter on the average about 35% on the year-over-year basis, very similar to the third quarter, which actually has a higher growth in the second quarter. So we feel very excited about it.

With regard to the marketing, again, no matter what channel we're using, we are always do it based on the TOI. No exception. The sales growth for the fourth quarter, the sales growth for what we've already seen in October, it's growing very well with the same efficiency and I assume that we are going to invest more in the fourth quarter as we've done in the second quarter and the third quarter about the marketing expense.

Operator: Thank you. Our next question comes from the line of Josh Beck with KeyBanc Capital Markets. Your line is now open.

Josh Beck: Thanks for taking the question. I wanted to follow up on partners. It certainly seems like you have some really good momentum, collections have doubled there, adding new agencies. So I'm just kind of curious the conversation that you're having with these partners. Are you benefiting because the category awareness has gone up, because the way the world has changed in the last six months, is it maybe more specifically around, which is brand capabilities. I would love a little more color on that topic?

Avishai Abrahami: Of course, I think, that when you look, if I understand question is like, what happened with the partner? Why he is becoming so successful? I think

that the -- so this is obviously not a pandemic conversation, right? Those people do what they do. They've have been doing that before the pandemic and they will continue to do it after the pandemic. So this is showing the change in how we are being perceived and how we are being used.

A lot of it is coming because of functionality on Wix that have changed, right? We build specific solution for partners to manage multiple accounts in Wix, to manage teams that work for Wix, to share feedback with the customers. We did the large on SEO, right, which is probably the best product for search engine optimization, I mean, Google can read you probably the best way today on Wix. We did a huge amount in performance. We did a lot in how you can customize your designs, how you can delegate that to customers.

So we spent in the last couple of years a lot of effort, making our product really fit an agency that develops website for other people, e-commerce solution for other people, and this is something that -- and at this time to realize, well, I can do all of this now on Wix and I think that this is most of what we're seeing now.

And so it's not really related so much to the pandemic, it's more related to things like high cart management to them or support toward the community that we have, the ability that we give them to do so many things and how efficient they are towards their customers, they are least of the COVID coding platform, all of this seems to support growth that we see there and so it's pretty much broad majority.

Josh Beck: Really helpful. And Lior, maybe a follow-up for you. The collections growth has really outpaced the revenue growth for the last couple of quarters, certainly that's better than the previous years. So I'm just wondering as you go into 2021, is your visibility improving with this dynamic?

Lior Shemesh: Of course, because in the end of the day collection is transforming to revenue and what we actually see when the gap between collection and revenue increases, it means that we are experiencing higher growth, because usually revenue is based on the growth of the previous few quarters.

So this is exactly what is happening. I think that it's great, because we spoke in the past, but also this quarter about the value of the code. The value of our newest code has increased significantly. For example, last quarter, we indicated that the value of the code have increased by 90%, so think about it.

This is all going to be transformed into our collection and revenue in the next few years. The overall value of the codes has increased to \$9.2 billion, up 43% on a year-over-year basis. This is something that provides me a really, really good understanding of what to expect from our business going forward. So this is truly exciting.

Operator: Thank you. Our next question comes from the line of Naved Khan with Truist. Your line is now open.

Naved Khan: Yes. Hi. Thanks a lot. I've two questions. Maybe talk a little bit about the customer care initiative and I think previously you talked about at least 3x ROI. How do we think about it now? Is it still the same or higher? And how should we think about gross margin impact for next year because of the investment that we're making today? And then secondarily, maybe talk a little bit about the increased conversions you have seen from the last two cohorts you brought in, how much of an improvement is that versus what you had seen historically?

Nir Zohar: Hey. I will -- so it's Nir. I will take the customer care and can -- then can pass it on for -- to Lior to talk about the gross margin. So, as I mentioned before about customer care, obviously, as I said before, we're very happy we made that investment. And indeed we've seen that interacting with our customers in depth, having them on the phone and talking to them, understanding not only what is their current problem that they're calling in with, but actually helping them having the agent fully understand what is the goal of the customer, where he is trying to take his business and hand holding them and helping them along the way, it is something that we discovered has a big impact on conversion.

After 3x conversion in some of the cases, of the people we speak with, so naturally we want to engage more, not less and this is a big part and big chunk of what we set up to do. So it's not only about having a larger force of people who can answer the phones or take on chat, but it's also about the different approach that is much more engaged with the customers. That approach is definitely proven to be effective, very effective in the past year since we started testing it and we will keep on ramping it up.

Keep in mind that we are ramping it up, while also dealing with growth of 50% to 70% of the volume, which is an amazing achievement in my mind. And I think the team there is doing a tremendous job. We definitely are going to keep on investing in it, because we see that the great ROI that comes into that investment. In terms of gross margin, Lior, do you want to take it?

Lior Shemesh: Yes. With regard to the gross margin, I think, that the best way to look at it is to try to understand exactly what is the contribution of codes, right? And when we look at the P&L, obviously, so we increase the investments in support and it's all recognized now, while the benefit of top plan is yet to be seen.

I think that one of the best ways to understand it that if you look at the latest codes, since we actually started to heavily invest in support and you look at the gross margin of the new codes, it's much more than 80%.

Why? Because you actually see that very clearly, the fact that we are managed to support and increase the value of those codes just from the fact that we have those people to make it happen, because otherwise we couldn't get -- we couldn't reach to this value of code without this support.

So I assume that when you look at the gross margin of the overall basis, I tend to look at it as kind of short-term noises. Yes, we invest the money right now. We are going to benefit big time in the future.

I assume that on the creative subscription, I still going to see us about, as I mentioned before, about 80% gross margin short-, medium-term, also long-term. It might fluctuate a little bit based on where we exactly invest the money for the supporting, but nothing has changed in terms of the model.

Nir Zohar: Hey, Naved. It's Nir again. In terms of the heightened conversion, so, first of all, you're correct, we are probably at the highest conversion we had in the past two years and there is a few drivers to it.

First of all, if I circle back to the beginning of your question, then absolutely customer -- good customer care is helping in the good contribution to conversion, but there is also those many product improvements that we keep on doing.

Avishai mentioned before all the new introductions we did to Wix stores and the improvements we've done around the support, the product functionality support for partners. But it's not only that. It's everywhere around the product. It's in our Editor X, it's in ADI, it is on our online scheduling product, Wix bookings, the restaurant vertical, the musicians, the artists, the photographers, pretty much across the Board and all of these improvements obviously always improve conversion.

And then, I would say that, the last part is that, new state-of-mind that we are actually seeing where it is much higher demand and higher intent, people are coming and it's much clearer to them what they need to achieve. And by the way, it affects the new codes and the newcomers, but we also see that within the existing cohorts, okay, a much higher intent coming in and finishing a website and transitioning a business to be an online business. So I think all of this together obviously what's driving this amazing results in terms of conversion.

Operator: Thank you. Our next question comes from the line of Brent Thill with Jefferies. Your line is now open.

Brent Thill: Avishai, good to see e-commerce business double. I guess if you tie economics to this, is there a sense of the average uplift you're seeing from a customer that was basic to e-comm. I know there's different plans, but are you seeing the 20%, 30%, 40% uplift in pricing on those as they move to e-commerce?

Can you give us just a sense of what you've seen so far on the economics of an e-comm customer?

Avishai Abrahami: Yes. So obviously the e-commerce packages are more expensive and you kind of like touched right numbers. But the biggest of indifference right is in the payment, because where Wix Payment and this is something that we are seeing that it enhance, right, the value over time as businesses are becoming more successful and so that's another side of it.

Of course, you also have to take account that it's more popular to [have send] and it's more to the Facebook -- automatic Facebook marketing on top of this product, right? So those customers are probably at least should be valued twice the average value of a Wix customers -- normal Wix customers.

But -- and we are always going to continue to monitor, because -- and then we'll see how it develops, right? A lot of it is new and a lot of it is influenced by the pandemic to kind of like metrics that we are watching. So, but it's definitely those are more value customers.

Brent Thill: Great color. Thank you.

Avishai Abrahami: Of course.

Operator: Thank you. Our next question comes from the line of Mark Zgutowicz with Rosenblatt Securities. Your line is now open.

Mark Zgutowicz: Hi. Thank you. I was just hoping you could maybe comment on the uniqueness and what happened with the 3Q cohort conversion. You mentioned it was year -- two-year high levels and I'm just curious how that might be representative in 4Q and how that may carry into '21? Does that imply net add growth in '21 or is that unlikely given the comparison? Thanks.

Nir Zohar: Yes. We do believe that increase in conversion is sustainable, right? We talk a lot of time about the new state-of-mind, but it's gotten through also with the facts with people are coming with more intense and we will have more products. Avishai mentioned, all the different products, for example, that we actually launched on our e-commerce solution.

So this is like, this is the major contribution for the increase in conversion. So this is all going to stay with us. It's not going to disappear. So we obviously assume that also the fourth quarter and certainly next year, it's going to benefit from this increase in conversion.

And -- actually, we know from the historical numbers of Wix, we always get some kind of an upside to our numbers as a result of even more increased conversion as a result of launching new products and so on.

So, obviously, this is something that, I think, that will continue also the next few years. But again, the conversion, as we know right now, is part of the fourth quarter guidance. If conversion will be higher, it's going to be an upside to our model.

Maggie O'Donnell: Thanks. So I think we have time for just one last question.

Operator: Thank you. Our last question comes from the line of Matt Pfau with William Blair. Your line is now open.

Matt Pfau: Hey, guys. Thanks for taking my question and congrats on the strong results. Hey. Just wanted to sort of understand, if you look at the strong premium subscriber additions over the past few quarters, is there any significant shift from a geographic perspective that you've seen versus the several quarters prior to that? And then, anything that surprised you, either from a country or geographic basis that you've seen the results come in over the past few quarters? Thanks.

Nir Zohar: So, I think, we've seen -- we've definitely seen, I would say, we've seen all geographies grow, but probably, a little bit more strength coming out of the U.S., which is I think great testament to us taking market share, which obviously, we are very happy about.

But overall, there is a lot of global strength and our product is global, we operate in every -- 190 countries across the globe. Europe has been very, very strong. Latin America has been accelerating over the last few quarters.

So I would say, generally, it's an overall growth, it's not only in one geography with the tendency of the U.S. to be a little bit stronger than others. We always spend a lot of time and effort also in increasing our international expansion, whether it's adding languages or solving local solutions that are different from one market to the other, it could go into marketing, it could go into product development all across. But we've definitely seen a huge growth globally this year.

Matt Pfau: Does the really strong business formation in the third quarter that the U.S. saw, does that factor into that acceleration that you're seeing in the U.S. as well?

Avishai Abrahami: What do you mean by...

Nir Zohar: Business formation?

Avishai Abrahami: Business formation? What do you mean by business formation?

Matt Pfau: Yes. So in the third quarter in the U.S. really strong growth I think about 80% year-over-year in terms of applications for tax ideas for new businesses, and so obviously, new -- a lot of new businesses getting started in the U.S. and in the third quarter. So I was just wondering if that sort of factored into the results you saw in the third quarter at all?

Avishai Abrahami: Oh!

Nir Zohar: I think that the answer is, A, yes, absolutely, and B, I think, we all see a new state-of-mind and thinking online as a primary and critical part with any new business.

Matt Pfau: Thanks, guys.

Operator

Thank you. This concludes today's question-and-answer session. I would now like to turn the call back to Maggie O'Donnell for closing remarks.

Maggie O'Donnell: Great. Thanks everybody for joining us today. Have a great day. Bye.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.