

# ASC 606 - Reconciliations

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**WIX**.com

February 2018

# Summary of ASC 606 Adoption

- Beginning on January 1, 2018, Wix will recognize revenue based on the new revenue recognition standard ASC 606
- Wix will use the modified retrospective method to reflect this change in our financial statements
- As required, we will report revenue in 2018 under both ASC 605 and ASC 606

# Financial statement impact of ASC 606

## Revenue impact

- The new standard requires us to recognize the full amount of revenue from the sale of domain names and third party applications at the time of sale rather than over the term of the subscription

## Cost of revenue impact

- We will also recognize the full amount of the costs of domain names at the time of sale rather than over the term

## Margin impact

- Minimal impact on gross margin
- No impact on cash flow from operating activities or free cash flow

# 2017 annual financial impact of ASC 606

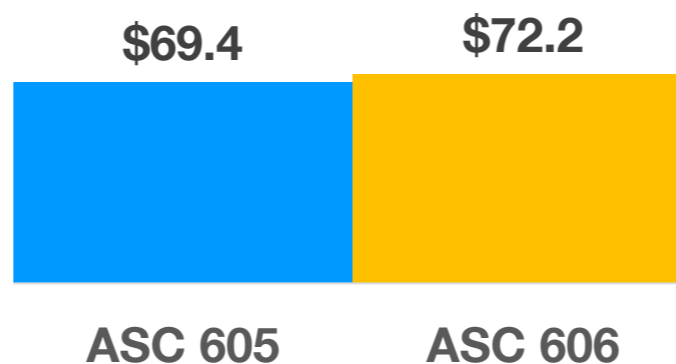
(GAAP, in millions)

## Revenue



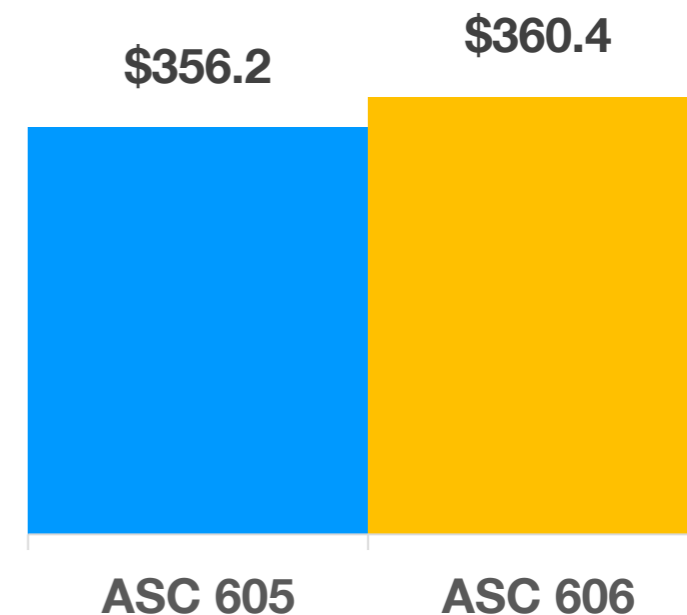
+ \$6.9 million

## Cost of Revenue



+ \$2.8 million

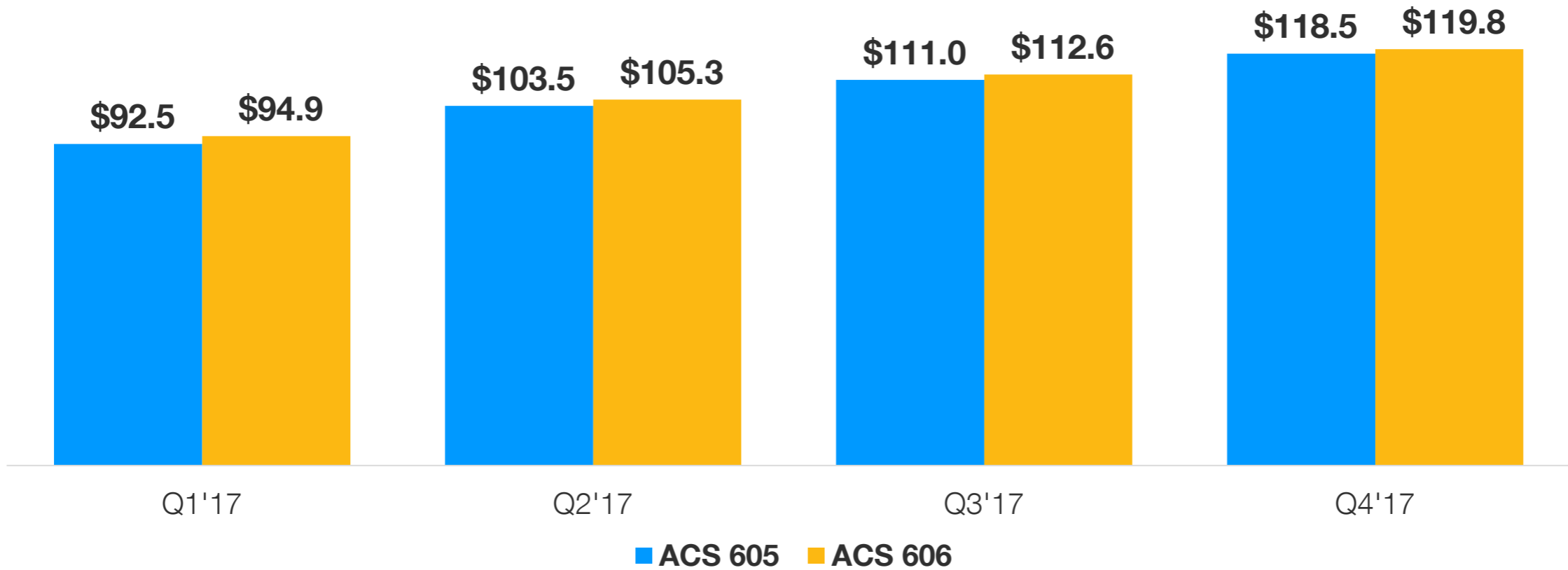
## Gross Profit



+ \$4.1 million

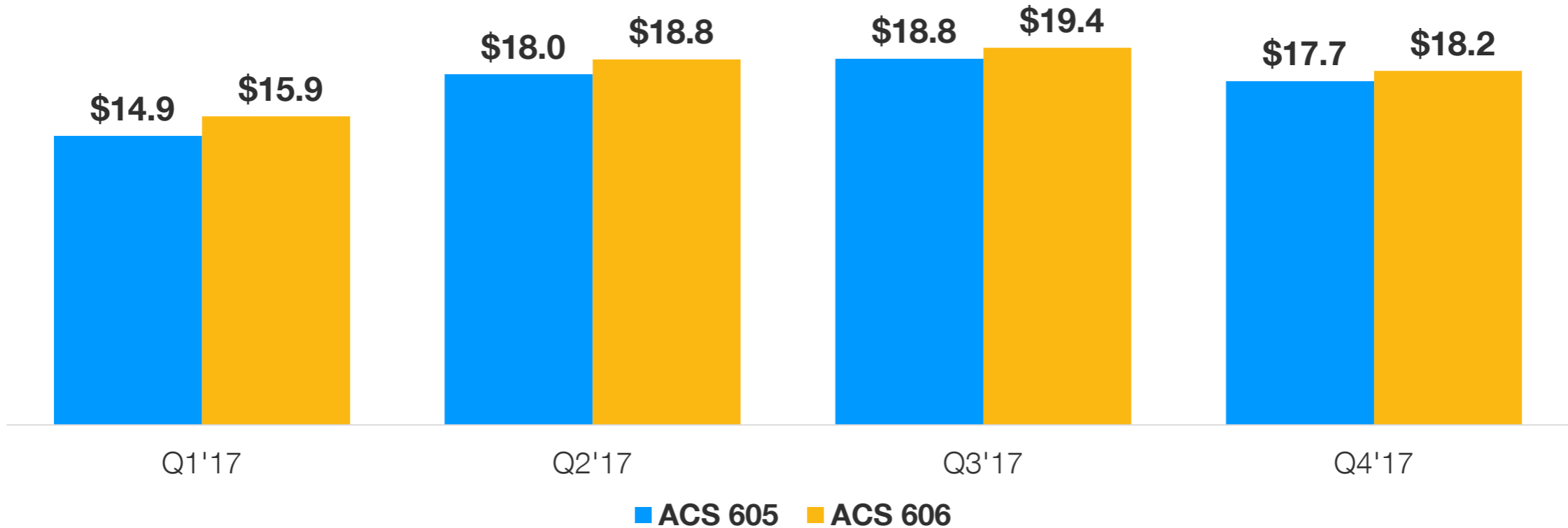
# 2017 quarterly financial impact of ASC 606

Revenue (in millions)



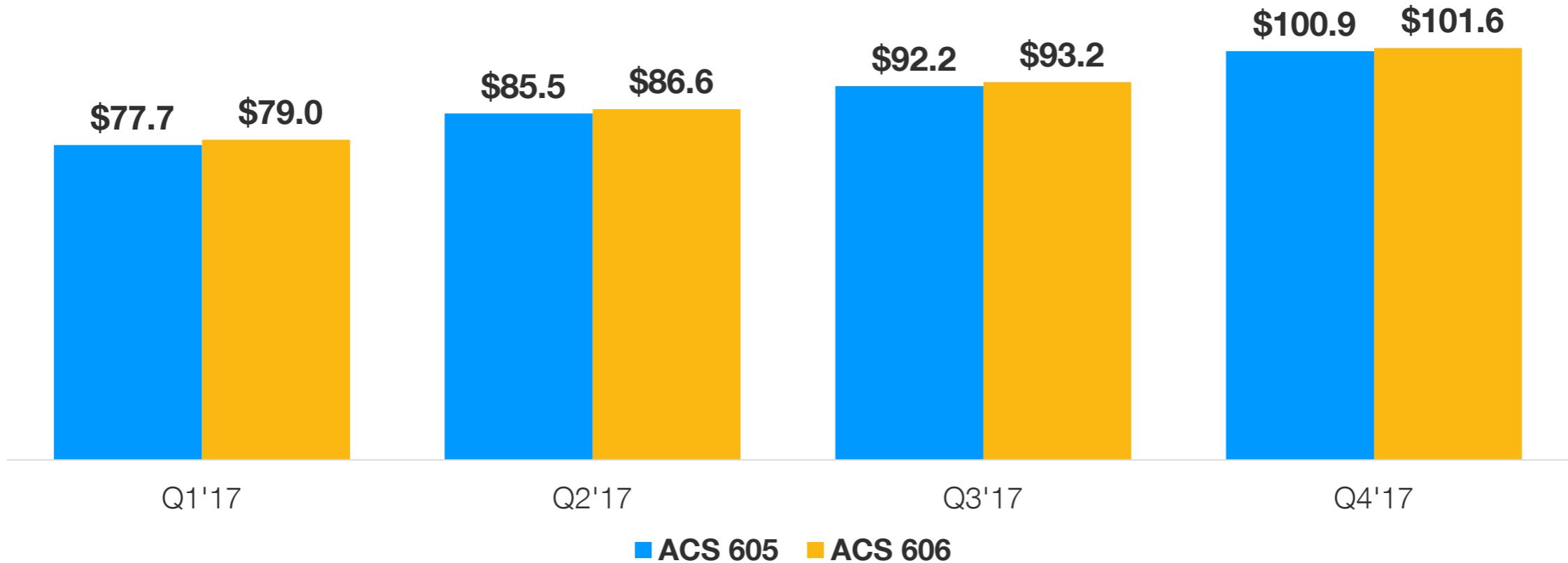
# 2017 quarterly financial impact of ASC 606

GAAP cost of revenue (in millions)



# 2017 quarterly financial impact of ASC 606

GAAP gross profit (in millions)



# 2017 reconciliations by quarter and full year – ASC 605 to ASC 606

	Three Months ended March 31,			Three Months ended June 30,			Three Months ended September 30,			Three Months ended December 31,			Year ended December 31,		
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	
	ASC 605	ASC 606	Impact	ASC 605	ASC 606	Impact	ASC 605	ASC 606	Impact	ASC 605	ASC 606	Impact	ASC 605	ASC 606	Impact
Revenues	\$ 92,538	\$ 94,850	\$ 2,312	\$ 103,522	\$ 105,342	\$ 1,820	\$ 111,031	\$ 112,581	\$ 1,550	\$ 118,545	\$ 119,842	\$ 1,297	\$ 425,636	\$ 432,615	\$ 6,979
Cost of revenues	14,863	15,858	995	18,025	18,791	766	18,827	19,385	558	17,676	18,196	520	69,391	72,230	2,839
Gross Profit (loss)	77,675	78,992	1,317	85,497	86,551	1,054	92,204	93,196	992	100,869	101,646	777	356,245	360,385	4,140
	84%	83%		83%	82%		83%	83%		85%	85%		84%	83%	
Operating expenses:															
Research and development	32,669	32,669	-	36,749	36,749	-	40,252	40,252	-	43,965	43,965	-	153,635	153,635	-
Marketing	54,329	54,329	-	48,016	48,016	-	51,184	51,184	-	50,906	50,906	-	204,435	204,435	-
General and administrative	11,148	11,148	-	11,295	11,295	-	12,222	12,222	-	13,521	13,521	-	48,186	48,186	-
Total operating expenses	98,146	98,146	-	96,060	96,060	-	103,658	103,658	-	108,392	108,392	-	406,256	406,256	-
Operating loss	(20,471)	(19,154)	1,317	(10,563)	(9,509)	1,054	(11,454)	(10,462)	992	(7,523)	(6,746)	777	(50,011)	(45,871)	4,140
Financial income (expenses), net	148	148	-	(2,043)	(2,043)	-	(1,978)	(1,978)	-	(1,142)	(1,142)	-	(5,015)	(5,015)	-
Other expenses	-	-	-	1	1	-	(4)	(4)	-	79	79	-	76	76	-
Loss before taxes on income	(20,323)	(19,006)	1,317	(12,605)	(11,551)	1,054	(13,436)	(12,444)	992	(8,586)	(7,809)	777	(54,950)	(50,810)	4,140
Taxes on income	562	562	-	1,659	1,659	-	1,083	1,083	-	(1,981)	(1,981)	-	1,323	1,323	-
Net loss	(20,885)	(19,568)	1,317	(14,264)	(13,210)	1,054	(14,519)	(13,527)	992	(6,605)	(5,828)	777	(56,273)	(52,133)	4,140
Basic and diluted net loss per share	\$ (0.47)	\$ (0.44)	\$ 0.03	\$ (0.31)	\$ (0.29)	\$ 0.02	\$ (0.32)	\$ (0.30)	\$ 0.02	\$ (0.14)	\$ (0.13)	\$ 0.02	\$ (1.24)	\$ (1.14)	\$ 0.09
Basic and diluted weighted-average shares used to compute net loss per share	44,704,787	44,704,787	-	45,392,918	45,392,918	-	45,843,390	45,843,390	-	46,267,701	46,267,701	-	45,552,199	45,552,199	-
Adjustments to Non GAAP															
total adjustments	\$ 12,933	\$ 12,933	\$ -	\$ 14,079	\$ 14,079	\$ -	\$ 14,872	\$ 14,872	\$ -	\$ 13,840	\$ 13,840	\$ -	\$ 55,724	\$ 55,724	\$ -
Non GAAP operating income (loss)	\$ (7,538)	\$ (6,221)	\$ 1,317	\$ 3,516	\$ 4,570	\$ 1,054	\$ 3,418	\$ 4,410	\$ 992	\$ 9,703	\$ 10,480	\$ 777	\$ 9,099	\$ 13,239	\$ 4,140
Non-GAAP net income/(loss)	\$ (7,952)	\$ (6,635)	\$ 1,317	\$ (185)	\$ 869	\$ 1,054	\$ 353	\$ 1,345	\$ 992	\$ 7,235	\$ 8,012	\$ 777	\$ (549)	\$ 3,591	\$ 4,140
Basic Non GAAP net income/(loss) per share	\$ (0.18)	\$ (0.15)	\$ 0.03	\$ (0.00)	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.16	\$ 0.17	\$ 0.01	\$ (0.01)	\$ 0.08	\$ 0.08