Q3 2015 Earnings
Results Summary

Wix is providing the following document in conjunction with other material on its Investor Relations website to convey additional detail for analyzing its quarterly results.

As previously scheduled, Wix management will host a conference call on November 4, 2015 at 8:30 a.m. ET to discuss this quarter's results. Management will briefly remark on the quarter's results and then take questions. This Results Summary document will not be read on the call.

The call can be accessed in the following ways:

Webcast on Wix's IR site: https://investors.wix.com

Live broadcast:

US Toll Free: 866-393-4306

International: 734-385-2616

Israel: 1-809-315-362

Conference ID: 54703105

Replay:

Available two hours after the live broadcast until November 11, 2015 at 11:59 p.m. ET

US Toll Free: 855-859-2056

International: 404-537-3406

Conference ID: 54703105

QUARTERLY SUMMARY

- **Exceeded guidance range for collections on a constant currency basis and revenue on actual basis**
    - Collections grew to $65.8 million or 47% y/y on a constant currency basis (vs. $64-65 million guidance range) and 38% y/y to $61.6 million on an actual basis
    - Revenue grew 43% y/y to $53.6 million on an actual basis (vs. $52-53 million guidance range)

- **Largest quarterly increase in net premium subscriptions ever**
    - Added 140,000 net premium subscriptions, the largest quarterly increase in the company's history
    - Total premium subscriptions of 1.64 million, 46% increase y/y
    - Grew registered users by 4.8 million to 72.3 million total at quarter end

- **Expansion of quarterly adjusted EBITDA and free cash flow**
    - Adjusted EBITDA of $4.7 million is up 34% q/q and ahead of company expectations
    - Marketing expenses fell sequentially from 48% to 46% of collections despite 18% y/y growth and 4% q/q growth
    - Sustained profitability growth continues - increasing full year guidance of adjusted EBITDA to $12 to 13 million
    - Free cash flow of $5.4 million – cash balance of more than $100 million now higher than balance post IPO

- **Technology investment is paying off – new product launches driving new user conversion increases and continued growth in premium subscriptions and collections**
    - Release of new Wix Editor has initially indicated an increase of conversion of new users by 15% - 20% since launch
    - Demonstrates how Wix uses software and technology to drive growth and improve conversion of free users to paid subscriptions

Product and Development Highlights

We believe that software and product development drives growth and improves conversion from site visitors to free users to paid subscriptions. With over 50% of our employees dedicated to R&D, we believe we lead the market in this capacity. We recently announced the release of two products, the new Wix Editor and Wix Music that illustrate our technology leadership.

- **New Wix Editor:** In early October, we announced the launch of a complete redesign of the Wix Editor. The new Wix Editor represents the first full redesign of the company's web editing software since launching the industry's first DIY HTML5 Editor in 2012. With a highly improved user interface, industry-first features for a code-free platform and a more personalized experience for the user, the new Wix Editor makes it even easier for anyone to create, manage and grow their online presence.

  The new Wix Editor is based on a complete restructuring of the platform's codebase developed using Facebook's Open Source React technology. Offering a significantly leaner codebase, better modularization and improved testability, this new technology enables Wix to roll out features previously unseen in the code-free web design sector with unprecedented speed.

  We have also implemented changes that personalize the experience on Wix. Throughout the creation process, users are presented with templates and applications that are relevant to their business. This curation includes our vertical applications, which are now directly integrated into templates and bundled into pricing packages. This personalization improves the creation process and purchase funnel for our users.

  Since launching the new Wix Editor, initial results show an increase in conversion of new users to paid subscriptions of 15% - 20%. This improvement **demonstrates our ability to drive conversion through product innovation and software development and proves that our investment in R&D is generating returns.**

- **Wix Music 2.0:** We also recently announced the launch of a new version of Wix Music. The updated Wix Music offering eliminates the need for musicians to piece together multiple products to build an online presence. Wix Music integrates with Wix's website builder and offers commission-free music sales, distribution to over 120 streaming services, promotion and ticketing capabilities, and fan management and communication tools in a single solution.

Headlined by a partnership with Macklemore and Ryan Lewis, the Wix Music launch also includes a first of its kind collaboration with YouTube entitled #OpeningAct. Over the course of one week, Wix will generate more than 100 million views for users' music videos showcasing them as the pre-roll to the music videos of the world's top musicians, effectively turning them to the online #OpeningAct for today's biggest stars.

- **Mobile:** Our leadership as one of the largest mobile website development platforms was extended as we crossed **11 million mobile websites developed on Wix**.

- **Continued platform engagement:** Demonstrating the increasing engagement with the Wix ecosystem, **users have saved over 200 million contacts onto the Wix platform**. Leveraging Wix's MyAccount CRM system, users track customer activity data, manage relationships and communicate using WixShoutOut.

Cohort Performance and Marketing Update

User and Subscription Growth

- Registered users grew by nearly 4.8 million users on the quarter, our **2nd largest quarterly increase ever**.

- Net premium subscription additions of over 140,000 was our **largest quarterly increase ever.** As of the end of Q3, our total premium subscription base stood at over 1.6 million. Premium subscription additions were due to an increase in the conversion of registered users to premium subscriptions driven by product improvements as well as marketing programs, including a new sign-up promotion that began in May.

- We continue to see strong performance in our cohorts, as shown on our updated user cohort slide posted on our IR site. **Our Q1 2015 cohort continues to grow at a faster rate than past cohorts.** The behavior of our more recent cohorts remains very consistent as illustrated by the behavior of the Q1 2014 and Q1 2013 cohorts. The Q1 2014 cohort is following a very similar path as the Q1 2013 cohort, which is now nearly three years old. Both of these cohorts continue to generate a significant amount of value without us spending any incremental marketing dollars. Older cohorts continue to add and retain subscriptions, driving growth in profitability.

- **Annual subscriptions accounted for 77% of new subscriptions** during Q3. **Of our total subscription base, 81% are annual** as of the end of Q2. We have successfully increased the overall mix of subscriptions from six quarters ago when it was 66%. While the shift impacts average revenue per subscription, annual subscriptions provide us the benefit of collecting a higher amount of cash up front and the ability to invest in the business at a faster pace. It also creates more stability in our cohorts, increases overall retention and improves our financial visibility.

- Of our new subscriptions in Q3, 42% were from users who registered with us in the current quarter, while 58% came from prior quarter user cohorts. The conversion of the current quarter's users improved in Q3 over Q2, illustrating our ability to increase this number with a combination of product and marketing.

- In an effort to strengthen the value of our cohorts through operational excellence, we focus efforts on reducing passive churn. Passive is a result of processing errors, like expired credit cards, or outdated payment information, like users who forget to update their credit card number after a card change. Our efforts have paid off, as we have successfully reduced our passive churn rate by 10%.

Marketing Update

- Our targeted time to return on marketing investment (TROI) remains 7 to 9 months on our direct acquisition marketing. We continue to diversify our marketing mix between online and offline acquisition channels as well as branding initiatives.

- Also during the quarter, we continued to successfully execute our new promotion program that began in Q2. Offering promotions has always been a part of our marketing strategy, but we modified how we offer these promotions last quarter. Most importantly, we have strengthened the lifetime value of our cohorts with more users and greater collections in total. We plan to continue with these promotional programs as we look to maximize our cohort lifetime value.

Financial Overview

Quarterly results

The following figures are non-GAAP and exclude the impact of stock-based compensation and one-time items, unless otherwise noted.

- Collections of $61.6 million reflects annual growth of 38% on an actual basis.

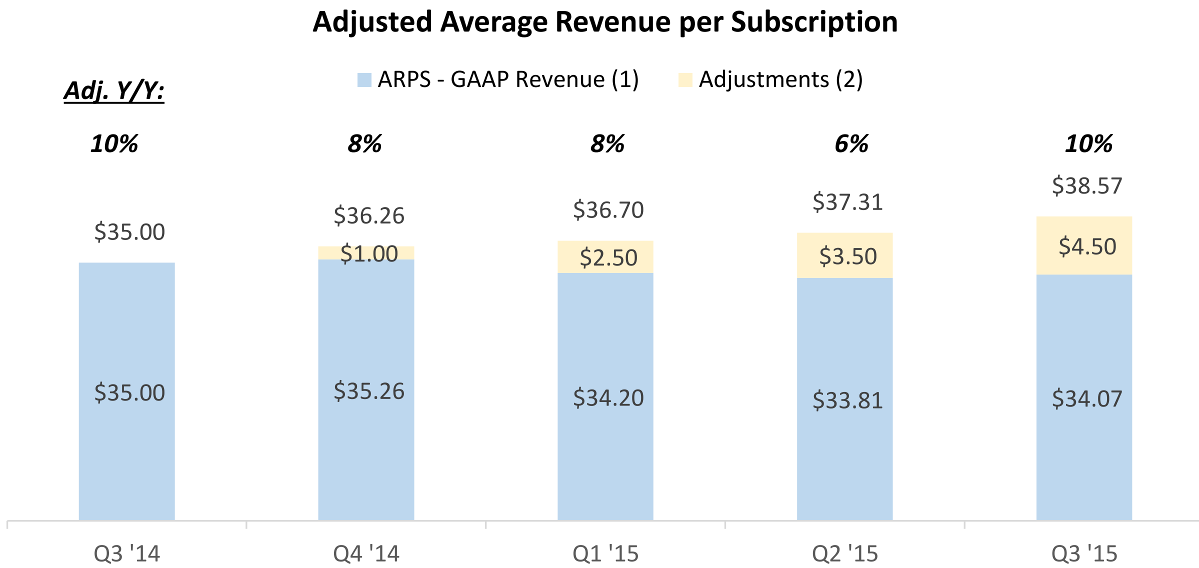
  - Assuming foreign exchange rates had remained constant from Q3 2014 through Q3 2015, collections in Q3 2015 would have been $4.2 million higher, or $65.7 million, an increase of 47% over the prior year and **exceeding our guidance range of $64 to $65 million.**

- GAAP revenue was $53.6 million for the quarter, or 43% growth over the prior year period. **Revenue exceeded our guidance range of $52 to $53 million.**
  - On a constant currency basis compared to Q3 2014, revenue would have been approximately $2.7 million higher, or $56.3 million
  - The increase in collections and revenue was driven primarily by an increase in premium subscriptions.

- Changes in foreign currency exchange rates during the quarter impacted our results. During Q3, the Brazilian Real declined 30% relative to the US Dollar, and the Russian Ruble declined 20%. Additionally, as our business grows outside the US, foreign currencies become a larger portion of our overall collections. In Q3, foreign currencies comprised roughly 35% of our total collections based on 2014 exchange rates. This is an increase from Q4 2014 when foreign currencies comprised approximately 30% of total collections. We have been able to offset some of the impact from lower FX rates through hedging activities.

- Average revenue per subscription (ARPS) in Q3 was down slightly compared to the prior year period and roughly flat compared to last quarter. Currency continues to be a headwind to revenue per subscription as does the targeted shift we have realized over the last three quarters to annual packages compared to monthly packages.

- Excluding the impacts of currency and mix shift to annual, ARPS has increased on a year-over-year and sequential basis, driven by the purchase of more applications from our App Market, vertical applications and other revenue sources such as domain sales and images from Bigstock. The following chart illustrates ARPS over the last five quarters and adjustments for currency impact and the shift to annual plans:



(1) ARPS = current period GAAP revenue / average of ending premium subscriptions in current quarter and ending premium subscriptions in prior quarter
(2) Adjustments for year-over-year constant currency and estimated adjustments for annual mix shift, assuming 56% (equal to Q2 2014) of new subscriptions in quarter are annual in each period beginning Q3 2014

- Gross margin grew to 84% in the quarter, driven by increased efficiencies we continue to realize in hosting and support costs.

- R&D expenses were $17.4 million or 28% of collections, an increase from $16.3 million last quarter and $13.8 million in the prior year quarter. Since Q3 2014, R&D as a percent of collections has fallen from 31% to 28% this quarter as our business scales. Headcount additions to our engineering and product development teams has been the primary driver of the dollar increase in R&D. Our R&D headcount totaled 548 at quarter end, accounting for over 50% of our total employees.

- Sales and marketing expenses in Q3 were $28.5 million or 46% of collections in the quarter, an increase from $27.5 million in the prior quarter. Marketing expenses as a percent of collections fell from 54% of collections in the year ago period and 48% last quarter. We continue to generate incremental collections growth per marketing dollar, reflecting the leverage in our freemium business model.

- G&A expenses were $3.8 million or 6% of collections, up from $3.5 million in the prior quarter and $3.0 million in the prior year. Headcount additions drove the increase over both periods.

- Adjusted EBITDA in the quarter was $4.7 million, an increase from $(2.8) million in the prior year period. Adjusted EBITDA grew 34% over last quarter. The strength of our cohorts drives efficiencies and creates operating leverage across our expense base, which we continued to see this quarter. We believe generating positive EBITDA is sustainable going forward, as reflected in our outlook for the year.

- Our Free Cash Flow increased to $5.4 million in Q3, an increase from $(2.9) in the year ago period. Free Cash Flow increased 59% over the prior quarter. Total cash as of the end of Q3 was $101 million

- Net loss in Q3 was $(6.1) million, an improvement from $(9.0) million in the year ago period. EPS was $(0.15) compared to $(0.24) in the prior year period.

- Capex in the quarter totaled $1.3 million

- Our basic share count at quarter end was 39.7 million shares

- Total employees as of the end of Q3 was 1,054

Q4 and Updated FY 2015 Outlook

We are introducing the following outlook for Q4:

- Collections in the range of $66 and $67 million. If we assume constant exchange rates from Q4 2014, our collections outlook would be about $3 million higher, or $69 – 70 million.
- We expect GAAP revenue in the range of $55 to $56 million
- Adjusted EBITDA in the range of $5 to $6 million

Due to the currency movements in Q3, specifically in the Brazilian Real and the Russian Ruble, we are updating our full year outlook:

- The incremental impacts from currencies we saw in Q3 will carry into Q4. As a result, we are lowering the top end of our reported collections outlook by $3 million. Our revised collections outlook is $241 - $242 million on a reported basis.
  - On a constant currency basis, we are raising the bottom end of the range as we tighten the outlook for the last quarter of the year. Our updated range on a constant currency basis is $256 to $257 million or $15 million higher using rates from 2014.
  - In summary, we are raising the mid-point of our collections guidance on a constant currency basis by $1.5 million.

- For GAAP revenue, our revised range is $202 - $203 million, reflecting a $1 million increase to the bottom end of our previous range.

- We are also raising our outlook for full year profitability as we continue to see increasing leverage in the model through the remainder of the year. We now expect adjusted EBITDA of $12 to $13 million, an increase from our prior range of $10 to $12 million.

DEFINITIONS OF KEY OPERATING METRICS

We monitor the following key operating and financial metrics to evaluate the growth of our business, measure the effectiveness of our marketing efforts, identify trends affecting our business, formulate financial projections and make strategic decisions:

Collections - We define collections as total cash collected by us from our customers in a given period. Collections is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Collections consists primarily of amounts from annual and monthly premium subscriptions by users, which are deferred and recognized as revenues over the terms of the subscriptions and payments by our users for domains, which are also recognized ratably over the term of the service period. We believe that collections is a leading indicator of the growth of our overall business. Collections is a non-GAAP financial measure.

We believe that this non-GAAP financial measure is useful in evaluating our business because it is a leading indicator of our revenue growth and the growth of our overall business. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for revenues recognized in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate collections differently or not at all, which reduces their usefulness as a comparative measure. You should consider collections along with other financial performance measures, including revenues, net cash used in operating activities, and our financial results presented in accordance with U.S. GAAP.

Registered Users - We define this metric as the total number of users, including those who have purchased premium subscriptions, who are registered with Wix.com with a unique e-mail address at the end of the period. The length of time that users take following registration to design and publish a website varies significantly from hours to years, and many users never publish a website. We have no means of assessing the level of engagement of a particular user following registration or how close a user is to potentially publishing their website. We view the number of users at the end of a given period as a key indicator of the attractiveness and usability of our product, as well as the strength of our pipeline that can generate premium subscriptions over time. We believe that growth in premium subscriptions will be driven significantly by our ability to add users to our platform and to further enhance our product and service offerings.

Premium Subscriptions - We define this metric as the total monthly and annual premium subscriptions as of the end of the period. A single user can purchase multiple premium subscriptions. Because we derive the majority of our revenues and collections from premium subscriptions, we believe that this is a key metric in understanding our growth. The total number of premium subscriptions is also impacted by the renewal rates of our existing premium subscriptions. Premium subscriptions terminate due to an active decision by a user not to renew their subscription or due to the failure of a user to update his or her credit card information upon expiration or termination. Our renewal rates demonstrate our strong value proposition to our premium subscriptions. We observe the average renewal rates of the cohorts of our users with premium subscriptions to measure the effectiveness of our platform and satisfaction of our users. We measure the retention of our premium subscriptions on a cohort basis. Subscriptions that are terminated are replaced by new subscriptions from users from the same cohort, generally at a similar rate. As observed in our first quarter 2010 user cohort, there are more active subscriptions in such cohort at the end of 2014 than existed when the cohort was acquired 20 quarters ago. We believe this demonstrates our strong renewal rates and our ability to replace terminated subscriptions with new subscriptions from the same cohort.

Adjusted EBITDA - Free cash flow is a non-GAAP measure we define as cash flow from operating activities minus capital expenditures. We define this metric as net profit or loss excluding interest, bank charges and other financial expenses (income), net, unrealized losses (gains) on hedging transactions, other expenses, taxes on income, depreciation, amortization, share-based compensation expense and other unusual or nonrecurring expenses, and including the effect of changes in deferred revenue and prepaid domain registration costs. We believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results because the exclusion of certain expenses and adding the changes in our deferred revenues and prepaid domain registration costs in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Adjusted EBITDA is a non-GAAP financial measure.

We believe that this non-GAAP financial measure is useful in evaluating our business because the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business and the net cash flow results of our company. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net loss recognized in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure. You should consider adjusted EBITDA along with other financial performance measures, including revenues, net cash used in operating activities, and our financial results presented in accordance with U.S. GAAP.

Free Cash Flow - We believe that this non-GAAP financial measure is useful in evaluating our business because free cash flow reflects the cash surplus available or used to fund the expansion of our business after payment of capital expenditures relating to the necessary components of ongoing operations. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net cash flows from operating activities presented in accordance with U.S. GAAP. Other companies, including companies in our industry, may calculate free cash flow differently or not at all, which reduces their usefulness as a comparative measure. You should consider free cash flow along with other financial performance measures, including revenues, net cash used in operating activities, and our financial results presented in accordance with U.S. GAAP.