

WIX

Shareholder Update

First Quarter 2021 | May 12, 2021



Q1'21 Highlights

Strong start to the year with revenue and collections growth exceeding expectations

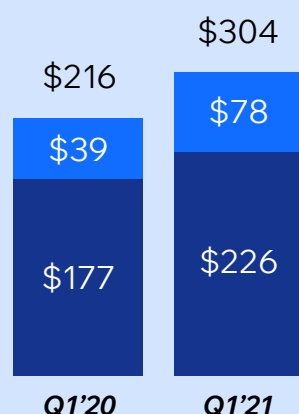
The nature of our horizontal platform led to increases in business applications adoption and higher Gross Payments Volume (GPV)

Continued strong demand across all types of users and online commerce businesses drove accelerating growth and cohort monetization

Raising guidance for the full year and introducing Q2 guidance to reflect an acceleration in growth over a groundbreaking year

Revenue (in millions)

↑ +41% y/y



Collections (in millions)

↑ +41% y/y



Business Solutions Collections (in millions)

↑ +107% y/y



■ Creative Subscriptions ■ Business Solutions

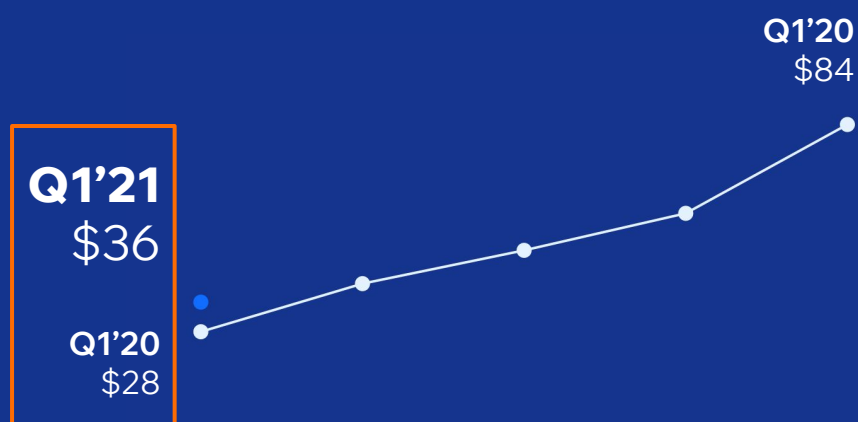
Strong Q1 Revenue Growth in Largest Global Regions

- North America +43% y/y
- Europe +43% y/y



Cumulative Collections from Q1 User cohorts (in millions)

+32% y/y



To our Shareholders, our Users & the Wix Team

We are starting off 2021 in a very strong position. Our first quarter 2021 results build on the growth we experienced in 2020 and serve as evidence of the positive returns we are generating from our investments in product development, marketing and customer care.

Last quarter, I shared our long term ambition for Wix to become the main engine of the internet, democratizing access and providing a place where the majority of people will build their online presence. These aspirations will drive us for the coming decades, and I believe that 50% of what is newly built on the internet within the next 5-7 years will be built on Wix.

We are in the early stages of this journey. We strive to be a platform that offers the right solution for any type of user to create, and we are building a horizontal platform for any type of business or venture to not only create but also grow and succeed online.

Wix is leading the transformation of web hosting into a SaaS model. Most websites today are hosted on a server, where a collection of open source applications are installed. This model creates a very complex environment, leading to many issues with maintenance, security and upgrades. What we have built at Wix is SaaS for online creation, fully integrated with commerce, CRM and marketing solutions.

The fastest growing companies in CRM, help desk, HR, project management, accounting, and many other segments are all SaaS providers -- for good reason. Building online content on a SaaS platform greatly reduces complexity, saves time and reduces cost for all types of creators, and it leads to a more secure and safer place for brands and businesses to operate, all of those reasons why Wix is one of the largest and fastest growing companies for online creators.

Wix is taking a leadership role in this transition, and we look forward to continuing to compete with providers of all types, as we build a platform for any type of user and any type of business to create their dreams online.

Thank you to the Wix team for creating amazing products and for putting us at the forefront of such a pivotal shift.

Again, thank you for joining us on this journey. I look forward to sharing updates throughout what is poised to be an exciting year at Wix.

Sincerely,
Avishai Abrahami, CEO

Business Update

Rapid Shift Online Continues

The migration online of brands, businesses and organizations of all types continues at a rapid pace. This shift online accelerated in 2020, driven by systemic changes to consumer behavior **and** business operations:

- Buying household essentials and groceries online is now habitual for people of all ages
- Shopping for clothing and trying things on in store is something many shoppers have traded in for free shipping and returns
- Restaurants offering takeout by phone or through a third-party delivery service are increasingly adding ordering through their own website and mobile app
- Coffee shops moving to “touch-free” transaction policies in which cash is no longer accepted and “tap-to-pay” is facilitated through their POS of choice

These are not temporary changes -- this is the new normal, and it is fueling growth at Wix.

Global sites built with online commerce capabilities have grown nearly 5x the rate of all sites.¹ This increased activity has been reflected in increased activity on Wix: over the last four quarters, online commerce sites built on Wix have grown more than 45% and continue to grow faster than non-online commerce sites.

Further, global search volume for terms related to “buy online” grew on average 50% in 2020 and have remained at elevated levels in early 2021.² At Wix, online orders through Wix Restaurants increased 409% y/y in 2020 and 387% y/y in Q1'21, and transactions on Wix Stores increased 141% y/y in 2020 and 142% in Q1'21 y/y.

This has become a pivotal moment for Wix. More people are moving online than ever before, and years of investment has placed Wix in a unique position to meet the demand and push the boundaries of what is possible.

As the demand for an online presence increases, we continue to experience an increase in new users coming to Wix. **In Q1 2021, over 7.5 million new users came to Wix to build an online presence, bringing our total registered users to over 204 million.**

¹Source: through Q3 2020, Wix Market Research, SimilarWeb

²Source: SimilarWeb

We also experienced a significant y/y increase in Q1 cohort collections as **the Q1 2021 user cohort generated \$36.5 million in collections, 32% more than what was generated by the Q1 2020 user cohort in its first quarter**, driven by strong increases in conversion of users to subscriptions and higher collections per subscription.

We believe that Wix is becoming the primary platform for every type of online presence around the world. Our goal is to offer products and services that are simply the best option for **any type of user** and for **any type of business**.

Building our Platform for Any Type of User

We want Wix to be the best platform for any skill set and use case -- for self creators who are building sites for themselves or their own business, and for those building sites for others, such as independent designers, agency design teams, or enterprise teams.

The Wix platform encompasses design products that work for a wide spectrum of users: Wix ADI, the Wix Editor and Editor X. Each of these are bolstered by our low-code/no-code web application development environment, Velo. The tool a user starts with depends on their skill level and needs, but they all lead to the same result: a stunning web presence that represents the user's brand and that functions in every way that they need.



We are constantly evolving and enhancing our existing web creation product suite. This quarter, we rolled out several new features to the Editors:

- Launch of the **Wix Accessibility Wizard**, which provides users with a step-by-step interactive solution that instructs them on how to improve and maintain their sites' accessibility. This tool allows users to design and build sites that include features with which their customers with disabilities can perceive, understand, navigate and interact
- Rollout of **Live Preview**, a highly requested feature that lets users who are utilizing the data binding feature to see their real data while still in editing mode in any of the Editors
- Test of **Wix2X**, a tool that allows users to migrate Wix sites to Editor X. Wix2X enables our Partners who have built sites on the Wix Editor, or are in the process of doing so, to transition to the Editor X environment, giving them a higher level of design control

Our vast array of product offerings puts us in a unique position to increase our penetration among all types of users, including self creators, like entrepreneurs, event coordinators, SMBs and individual brands, as well as users building for others, like agencies, designers, developers and enterprises.

We continue to invest in bringing all types of users to Wix and providing them the support they need to be successful in building their vision on Wix. **Expanding our Customer Care organization** allows us to offer best-in-class support to our users all over the globe.

Through our investments in Customer Care, we have added hundreds of Experts across our seven global locations over the past year, and we are now delivering support in a proactive and more immediate manner. These investments are bringing incredible results. **NPS scores from our areas of investment have improved by nearly 50% over the last year.** We are also seeing improved conversion of users engaging with Customer Care to subscriptions and more success from those users. We plan to continue investing in support throughout 2021 as we address increases in current and future demand.

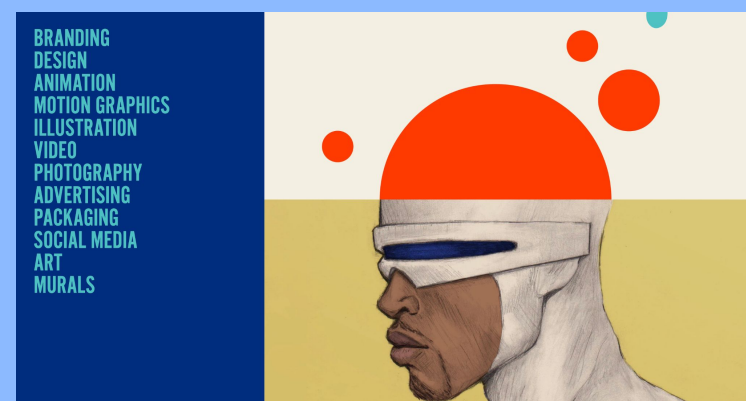
One of our most critical areas of focus is **expanding our reach into the market of users building for others.** There is a massive untapped opportunity in this space, with more than 30 million creative professionals worldwide.

As of today, **there are over 340K users building for others on Wix, 25% more than the end of 2020.** These users act as multipliers as they purchase multiple subscriptions and more often purchase Business or Editor X subscription packages. Further, these users bolster our cohorts through higher retention, higher attach rates of business applications and higher GPV.

Several investments have driven, and will continue to drive, this growth as we expand our usage among these types of creators:

- Dedicating R&D resources to critical product areas, such as Velo, SEO, and site performance
- Rolling out the **Partner Program** with incentives such as placement on the **Wix Marketplace** and the continued growth of our Account Management team, which plays a critical role in supporting our Partners
- Positioning **Editor X** as the best solution for designers and continuing to enhance the product to fit the needs of our users. As mentioned above, this quarter we began testing **Wix2X**, a tool that allows users to migrate Wix sites to Editor X. Wix2X was one of the most requested features since Editor X was released and is currently in beta testing with users participating in the Wix Partner Program

User Spotlight



“As a designer, I don’t do any code, and I really enjoy being able to build a website (on Editor X) and not have to worry about how developers have taken the code and messed up my design. I can make sure it appears how I want it to appear. Now I want to transform all our Wix sites to Editor X. I know it’s only gonna get better and better.”

Hamish McWhirter, director at “Hey! What?” agency www.heywhat.co.uk Bristol, UK

- Building awareness of Wix as a professional solution that is catered to the users in this market. Our most recent campaign, “**You Deserve Better**”, highlighted the Wix platform as maintenance-free and the most secure solution for agencies and developers

Finally, we continue launching channel partnerships with service providers that resell Wix to their own customers as these service providers -- such as telecom companies, online directories and marketing platforms -- are increasingly looking for value added products to extend to their customers.

The shift online is creating an opportunity massive enough for many creation platforms to succeed, and we believe that Wix is in a unique position to take meaningful share. We are in very early days of capturing this opportunity, and we believe that the runway for growth is just getting started.

Expanding our Platform Horizontally for Any Type of Business

The intent of business owners is evolving rapidly. The importance of a fully functioning online presence, including marketing, communications and sales is critical for success. This comprehensive approach is important horizontally -- across all kinds of business -- not just within a single vertical. We have evolved our platform to address these needs and become a **full-blown operating system for businesses**.

Expanding our platform horizontally provides many benefits. It helps to insulate us from economic fluctuations that could impact some verticals more than others. We observed this dynamic in the early days of the COVID pandemic. Initially, Wix Events, Wix Hotels and segments of Wix Bookings were negatively impacted as economies closed down; at the same time, Wix Stores and Wix Restaurants for online ordering grew dramatically. As economies have begun to reopen, we are experiencing a resurgence in Wix Events as well as Wix Restaurants for reservations and segments of Wix Bookings for in person services like fitness and beauty.

We are well-diversified across many types of businesses. In Q1 2021, over 40% of our GPV was from online commerce related to verticals other than Wix Stores, our solution for traditional retailers selling goods online. **We believe this diversification will drive growth through the remainder of this year as economies fully reopen.**



This horizontal platform approach also provides businesses with the option to incorporate multiple types of commerce capabilities on the same website. We are seeing a growing number of online commerce users adopt multiple vertical applications, and these users generate higher GPV than the average user. For example, a fitness instructor can offer class scheduling, sell branded apparel and manage community events from one place. Our solutions are designed to help merchants grow and succeed online, regardless of their business goals.

Finally, this horizontal diversification provides us with a distinct competitive advantage in converting users to subscriptions. With over 2.5 million new users registering with Wix every month, providing many types of business capabilities enables us to convert a higher percentage of these users to paid subscriptions.

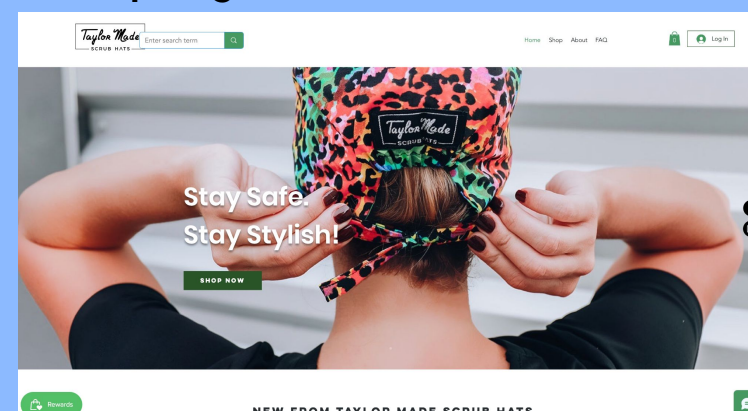
The number of users coming to Wix to create, manage and grow their online commerce business continued to grow in Q1 2021, driving increases in our cohort collections due to higher priced subscription packages, higher business applications adoption and higher GPV. **Online commerce accounted for 33% of total collections in Q1 2021 compared to 25% in Q1 2020.**

Our platform enables us to take the building blocks of online commerce and create vertical solutions to meet the needs of all types of businesses. Through the strength of the Wix infrastructure and capabilities of Velo, agencies and developers can take our platform a step further to create even more vertical solutions.

In the last year we have made significant enhancements to our online commerce offering, leading to rapid adoption of our vertical applications and business solutions. In the last few months, we:

- Acquired **SpeedETab** for our Wix Restaurants solution to enable our users the ability to integrate seamlessly with various industry-leading restaurant POS platforms and delivery networks
- Acquired **Rise.ai** to bring gift card, loyalty and customer re-engagement solutions natively within Wix for online commerce users
- Began testing multi-location classes and sessions on Wix Bookings
- Integrated Lightroom with Wix Photography and updated Photo Albums with new gallery options
- Continued to rollout the Wix POS, a fully integrated offering that combines physical commerce with the functionality of Wix Stores, Wix Payments, Ascend and many other business solutions

User Spotlight



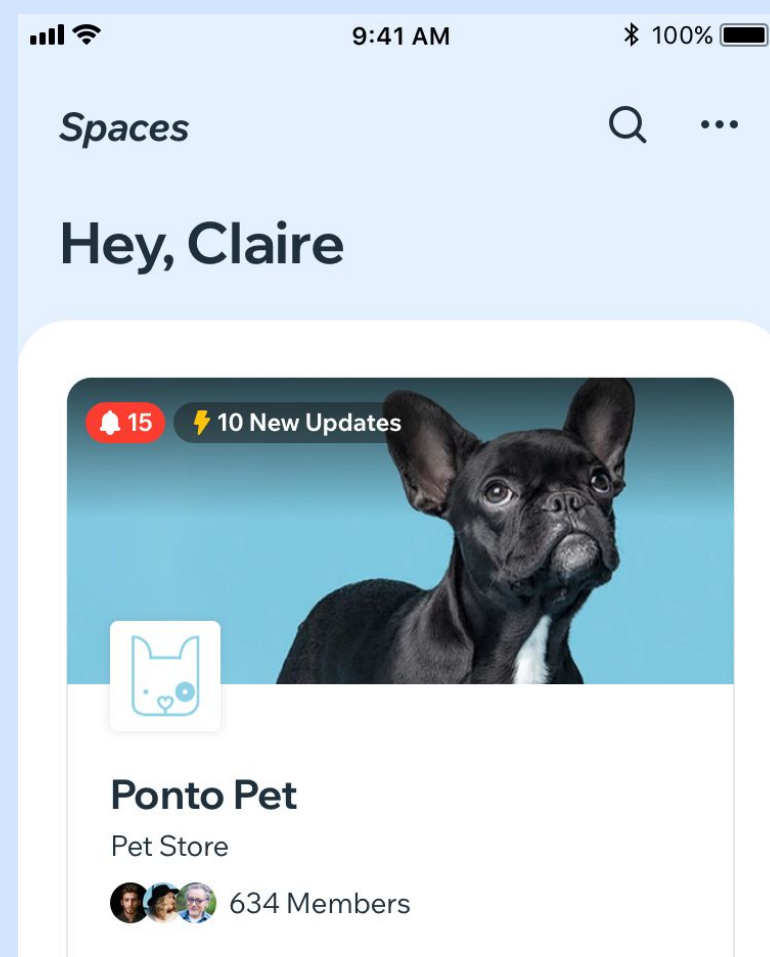
“Wix makes things really easy by integrating all of the different things we need to run our business. With the online shop, adding in products is super streamlined and very easy to use. The marketing is all integrated in one place. We use lots of different tools and with some, you can definitely tell the difference in the sales it brings in.”

Taylor Wahlgren, Owner at
www.taylormadescrubhats.com

To help businesses succeed online, we also offer a number of solutions that go beyond site creation and allow users to run their marketing and customer management directly from our all-in-one platform. Some examples include Ascend by Wix, Paid Ad campaigns, Wix Logo Maker, and third-party applications that can be found through the Wix App Market.

This quarter we added a number of new features and products that help businesses succeed online:

- Integration with **Google My Business**, which allows users to create and manage their Business Profile on Google Search and Maps directly on our platform
- **Spaces by Wix**, a native mobile application for customers to engage and transact with businesses built on Wix
- **Promoter**, an easy way for users to promote their services through email marketing, social posts, or videos, right from the Wix dashboard



We enable commerce users on Wix to take payments online through our payment platform, which includes our proprietary gateway, Wix Payments, along with the ability to connect to many other third-party payment providers. Online commerce users choosing Wix to create their web presence are selecting Wix Payments as their payment provider as it provides a more seamless way to take and manage payments on Wix. Wix POS also uses Wix Payments to process in-person payments.

GPV on Wix continued its strong growth in Q1 as more online commerce users came to Wix and succeeded in attracting customers and selling goods and services. Our take rate, defined as payments revenue as a percent of GPV, continued to climb as more online commerce users chose and transact through Wix Payments.

We plan to continue to expand our take rate by focusing on three areas:

1. Attracting more new online commerce users to Wix Payments
2. Offering new products that other payment providers don't offer. For example, the Wix POS uniquely makes the offline integration to a Wix website seamless
3. Expanding geographically

Our Platform is Addressing a Significant Global Opportunity

With the ongoing development of our design tools to create an online presence, and our solutions that enable businesses to operate and succeed online, we are addressing a significant, global opportunity with a current total addressable market of roughly \$185 billion.

The global addressable market for online creation and business operating software is nearly \$98 billion,³ based on our current product offerings today. This opportunity includes cloud-based software used to create an online presence as well as software solutions used to operate and manage a business online, such as online commerce capabilities, marketing and CRM tools.

We have also begun to address payments needs for businesses operating online. Our current offerings of Wix Payments and our Wix POS address a global market of approximately \$87 billion.⁴

We believe we are at the early stages of penetrating these markets and that we have the potential to expand our addressable market with new products and solutions under development today.

³Source: Netcraft, Wix Market Research

⁴Source: US Bureau of Labor Statistics, US SBA, Wix Market Research

ESG at Wix

Our vision

Where any business, community or person can create their dreams online.

Sustainability and social responsibility are at the core of who we are as a company. It is our belief that these are concepts that are intertwined with building products that have a purpose and running a company that actively mitigates risk while planning for the future. Our values are put into action through the products and services that we provide and our deep connection to our users, partners, and employees.

We are currently undergoing a formal assessment of our current ESG state and we plan to publish more on our efforts as the year progresses. Below we outline how we think about our ESG strategy.

Our Users and Partners

Wix enables millions of people to build a web presence and run a business, creating significant economic and social opportunities. Our freemium model allows a web presence to be attainable by anyone in the world, regardless of their financial situation. When a user chooses Wix, they are depending on us to provide them with products and services that help them achieve their goals, in addition to a safe and secure experience. We care deeply about the [privacy](#) of our users and their customers, as well as security across our platform.

Our Employees

Our goal is to motivate and empower our employees to build the best products possible, so that our users can succeed in pursuing great economic and social opportunities. At Wix, every employee is awarded equity in the company, which makes every one of them a partner in our success. Our teams are structured into companies and guilds with leadership teams that provide employees with autonomy and influence over their areas of expertise. Wix is committed to fostering a diverse, inclusive, and equitable environment and to facilitating advancement of our employees through training and development.

Corporate Governance

We are committed to having best-in-class corporate [governance](#) practices through an effective Board of Directors and management team.

Climate & Environmental Impact

We recognize the importance of fighting climate change and our responsibility to make the most sustainable choices. The vast majority of our data is hosted on [AWS](#) and [Google Cloud](#), both organizations with some of the most ambitious sustainability commitments. In addition, our new headquarters in Tel Aviv, Israel is being built according to LEED standards.

Financial Review

Total Revenue and Collections

Total revenue grew to \$304.1 million in Q1 2021, an increase of 41% y/y. The results were well above the high end of our prior guidance range of \$291-\$296 million, and the 41% y/y growth rate was an acceleration over the y/y growth we experienced in both Q4 2020 and Q1 2020. Total revenue growth in North America was particularly strong in Q1 2021, increasing 43% y/y.

Outperformance in Q1 was driven by accelerating growth in Creative Subscriptions revenue and continued growth in Business Solutions revenue.

Total collections in Q1 2021 were \$351.1 million, an increase of 41% y/y and above the high end of our guidance range of \$340-\$350 million. The 41% growth rate is an acceleration over the y/y growth rate in both Q4 2020 and Q1 2020. Changes in FX rates were immaterial to both revenue and collections results since February when we reported our guidance.

FX-Neutral Revenue by Geography (% of total) and Q1'21 Y/Y Growth



- **North America +43% Y/Y**
57% of total
- **Europe +43% Y/Y**
27% of total
- **Latin America +14% Y/Y**
4% of total
- **Asia and others +30% Y/Y**
12% of total

Revenue (in millions)

↑ +41% y/y



Collections (in millions)

↑ +41% y/y



■ Creative Subscriptions ■ Business Solutions

User Cohort Performance

Our user cohorts are defined by the quarter in which a new user registers at Wix. Our freemium model allows users to create and publish an online presence for free and provides the option to convert into premium subscriptions over an extended period of time. Users that purchase a subscription, which is needed to publish a site with a branded domain name and to take payments online, pay for the entire term of the subscription up front.

The newest user cohort created in Q1 2021 contained over 7.5 million new users and generated \$36.5 million in collections in Q1. This amount of collections is 32% higher than the Q1 2020 user cohort generated in its first quarter. **This strong performance was the result of a substantial increase in conversion of users to premium subscriptions and higher collections per subscription, as more users purchased online commerce business packages, attached business applications and utilized Wix Payments.**

Due to our history of data about the behavior of our user cohorts, we are able to estimate the future collections of existing cohorts, based on the current behavior of user cohorts. **As of the end of Q1 2021, we estimate that our existing user cohorts will generate approximately \$14.2 billion in collections over the next 10 years.**

Cumulative Collections from Q1 User Cohorts (\$ Millions)



Note: Data as of March 31, 2021. Excludes collections from users coming from the Wix Logo Maker funnel. It also excludes collections from channel partnerships, DeviantArt and Wix Answers

Beginning in 2022, we will transition from using the term Collections to using Bookings. We believe Bookings more accurately describes this KPI as we anticipate that long-term agreements with partners, in which we will not collect the full amount of the agreement up front, will become a more significant part of our business in the future. Today, these types of agreements are an immaterial part of our overall collections. However, as we evolve our products and invest in marketing to these partners, we believe it will become more meaningful. We will provide more clarity on the size of these agreements and their impact on Bookings.

Creative Subscriptions Revenue and Collections

Creative Subscriptions revenue grew to \$226.4 million in Q1 2021, an increase of 28% y/y. Creative Subscriptions collections were \$268.1 million, an increase of 28% y/y. Both revenue and collections growth accelerated on a sequential and annual basis.

Creative Subscriptions Annualized Recurring Revenue (ARR) grew to \$926.1 million as of the end of Q1 2021, an increase of 25% y/y, the **fifth consecutive quarter of accelerating sequential growth in ARR.**

The migration of individuals, businesses and commerce online continues to serve as a tailwind to our business, and our continued investment in product development and marketing enables us to capture an increasing share.

Our y/y Creative Subscriptions collections growth was slightly below our expectations for the quarter due to an agreement with a channel partnership that was not finalized in the quarter as we had expected; however, the delay on this agreement does not change our expectations for the year.

The strong results in Creative Subscriptions were driven by the continued addition of premium subscriptions during the quarter -- which on a net basis were nearly 50% more in Q1 2021 than the year ago quarter -- due to increased conversion of registered users purchasing premium subscriptions and higher revenue and collections per subscription, as more users purchased higher priced business packages for online commerce capabilities.

Business Solutions Revenue and Collections

Business Solutions revenue was \$77.7 million in Q1 2021, an increase of 97% y/y. Business Solutions collections grew to \$83.1 million in Q1 2021, an increase of 107% y/y. Both Business Solutions revenue and collections exceeded our expectations for Q1.

The intent of businesses coming online is rapidly changing from merely creating a digital presence to managing and growing a fully functioning online business with commerce capabilities. **As we build out our horizontal platform to become an OS for businesses of any kind, we are experiencing greater adoption of business applications and growth in transaction volume.**

Business Solutions revenue and collections growth was driven by continued adoption of business applications -- including Google Workspace (formerly G-Suite), Ascend by Wix, Paid Ads and other third-party applications (TPAs).

Growth in Business Solutions was also driven by continued strong growth of revenue generated through our payments platform and shipping solutions.

Businesses using our online commerce platform continue to grow in numbers and sales. Growth in payments was driven by a substantial increase in GPV in Q1 2021. In addition, take rate -- defined as payments revenue as a percent of GPV -- expanded in Q1 as a higher mix of total GPV was facilitated through Wix Payments. We remain on track to generate more than \$10 billion in GPV and exceed our goal of 1.25-1.30% take rate in 2021, as we stated last quarter.

We generate revenue from payments transacted on Wix primarily through online commerce users choosing Wix Payments to accept payments from their customers. For transactions facilitated through Wix Payments, we charge a transaction fee (which varies based on country) as a percentage of the transaction amount, or GPV. We recognize the revenue from these fees on a gross basis. Transaction costs paid to our payment processing partners are expensed through cost of revenue.

We expect that payments revenue will continue to grow as GPV increases and take rate expands, as more users choose Wix Payments as their payment gateway.

Shipping solutions revenue is generated from Wix Stores subscribers who choose to print shipping labels through our in-house solution that is integrated with the Wix dashboard.

Gross Margin

Total non-GAAP gross margin was 63% in Q1 2021, which was a decline sequentially as well as y/y, as was expected. The decline was primarily attributed to Business Solutions revenue becoming a larger portion of our overall revenue.

Creative Subscriptions non-GAAP gross margin was 77%, a decline sequentially and on a y/y basis. This decline was due to the increase in Customer Care Experts hired over the last several quarters. In 2020, we brought on over 700 Customer Care Experts, and we continued to hire in Q1 to serve our rapidly growing user base. Investments in our hosting infrastructure also contributed to the decline in Creative Subscriptions non-GAAP gross margin.

We believe the scale benefits of these investments will generate positive returns through growth in collections and revenue in the coming years, and that our Creative Subscriptions non-GAAP gross margin will reach 80% by the second half of 2022. For 2021, we believe Creative Subscriptions non-GAAP gross margin will be approximately 76% for the full year.

Business Solutions non-GAAP gross margin was 24% in Q1 2021, a y/y decline and a sequential decline of less than 100 basis points. The lower margins are attributed to the growth in revenue from payments and shipping solutions. We recognize gross revenue for each of these products, which results in lower gross margins.

Revenue growth of payments and shipping solutions has been significant in recent quarters as they are key in enabling the success of online commerce businesses. Integrating these products natively into our platform provides our users with a better experience and increases their success, improving retention and monetization and leading to stronger user cohorts over time. As these products scale, we expect Business Solutions non-GAAP gross margin to also increase.

We plan to continue our investments in our payments platform, including dedicated Customer Care, throughout 2021, and we expect Business Solutions non-GAAP gross margin will be approximately 20% for the full year.

Operating Expenses

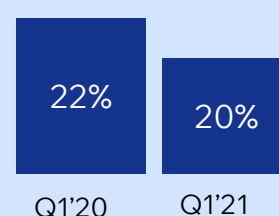
Non-GAAP R&D expenses were \$70.4 million in Q1 2021, an increase of 6% sequentially and 30% y/y. Non-GAAP R&D expenses were 20% of collections in Q1 2021, a decline of 160 bps sequentially and 170 bps y/y. **These improvements demonstrate the positive returns on our past investments in product development as we deliver new, innovative solutions to our users.**

Non-GAAP S&M expenses were \$136.6 million in Q1 2021, an increase of 34% over Q4 2020 and 50% y/y. Non-GAAP S&M expenses were 39% of collections in Q1, slightly better than we anticipated as growth outperformed our expectations.

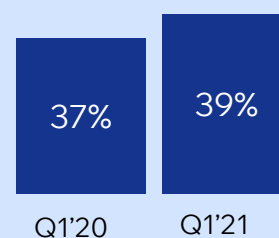
The sequential increase in S&M is in line with past years as we typically increase marketing activities during Q1, seasonally our biggest quarter in terms of new user additions. The y/y increase of 50% is a result of the incremental investments over the last four quarters due to a higher level of demand since the beginning of the pandemic. We also increased our investment in branding activities and continue to grow our Account Management team to bring more Partners to the Wix platform.

Direct acquisition marketing was \$80.8 million in Q1, an increase of 42% year over year. Our objective when investing in direct acquisition marketing, which comprises the largest amount of our S&M activities, is to optimize the returns on our investment in the form of collections growth from cohorts of users that we acquire. We aim to return these investments within a period of time, which we call Time to Return On Investment (TROI).

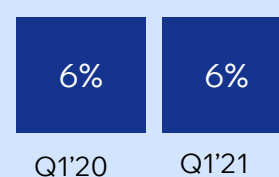
Non-GAAP R&D as a % of collections



Non-GAAP S&M as a % of collections



Non-GAAP G&A as a % of collections



As our newest user cohorts increasingly include more online commerce businesses that generate GPV over a period of time and Partners that generate multiple subscriptions and bring higher GPV businesses over time, TROI may take slightly longer than in the past. We believe over the long term, returns on our marketing investments will be even higher given the characteristics of these types of users.

We will continue to invest in direct acquisition marketing as we see high potential for collections growth, and we will continue to employ our data-driven TROI analysis when investing in all marketing activities and focus on driving efficient returns.

We expect non-GAAP S&M expenses will be approximately 32-33% of collections for the full year 2021, a reduction from 37% of collections in 2020 as we continue to realize leverage generated by the scale and growth of our user cohorts.

Non-GAAP G&A expenses were \$21.4 million in Q1 2021, a sequential decline of 3% and an increase of 44% y/y. Non-GAAP G&A expenses were 6% of collections in Q1 2021, an improvement of 110 basis points sequentially and flat y/y. The y/y increase is attributed to reclassification of payments chargebacks into G&A beginning in Q4 2020. A decrease in chargebacks caused the sequential decline in non-GAAP G&A expenses in Q1.

Total non-GAAP operating expenses in Q1 were \$228.3 million, an increase of 20% sequentially and 43% y/y. Total non-GAAP operating expenses were 65% of collections in Q1 2021. We expect total non-GAAP operating expenses will be 61-62% for the full year 2021 as we realize leverage in our investments in marketing and R&D.

Earnings

Non-GAAP net loss was \$(30.2) million in Q1 2021 or \$(0.54) per share. On a GAAP basis, net loss was \$(121.8) million, or \$(2.16) per share. There were two notable adjustments to GAAP net income in Q1 2021, outlined below.

First, the conversion of approximately \$80 million of our 2023 convertible note in March 2021 resulted in approximately \$62.3 million in financial expenses. Second, as a result of a regular valuation exercise, we recognized approximately \$29.5 million in gains from equity investments, which were offset by approximately \$6.8 million in provisions for income tax effects.

For the purposes of calculating loss per share on a GAAP and non-GAAP basis in Q1 2021, we used a weighted average share count of 56.3 million shares. Due to the conversion of a portion of our 2023 convertible note, we anticipate our weighted average share count will be approximately 57.3 million shares in Q2 2021. For the full year of 2021, we now expect our weighted average share count to be approximately 57-58 million shares.

Because we still have a net loss on a GAAP basis, we use the same weighted average share count for the calculation of both basic and fully diluted earnings per share. A table showing a weighted average fully diluted share count can be found in the financial tables of our earnings press release.

Cash Flow and Balance Sheet

Free cash flow, excluding capital expenditures associated with the build out of our new corporate headquarters, was \$15.5 million in Q1 2021. Including approximately \$0.8 million in new HQ capex, free cash flow was \$14.6 million in Q1.

We ended Q1 2021 with approximately \$1.6 billion in cash and \$919 million in long-term debt.

Our total employee headcount at the end of Q1 2021 was 5,137.

Outlook Update

Following the strong start to 2021, we are excited about the remainder of the year ahead. As the need for an online presence continues while businesses increasingly require online commerce capabilities, we believe our growth will continue throughout the year.

As countries administer vaccines to their populations and economies reopen and improve, we believe that our diversified horizontal platform puts us in a position of strength. Our online commerce platform encompasses businesses of all types -- over 40% of GPV in Q1 was from non-retail store businesses like restaurants, fitness, beauty and events. As these businesses begin to capture more consumer spending, subscriptions and GPV on Wix will continue to grow.

Considering these factors, our initial Q2 2021 outlook as well as our revised full year 2021 outlook reflects sustained growth and momentum from the expansion we experienced in 2020, underscoring the continued strong demand for our solutions as well as positive returns from investments in product development, support and marketing.

Our initial Q2 2021 outlook is as follows:

- Revenue of \$308 - \$312 million, which is 30 - 32% y/y growth
- Collections of \$342 - \$352 million, which is 29 - 32% y/y growth

Q2 2021 Guidance

Revenue

\$308-\$312 million
30-32% y/y growth

Collections

\$342-\$352 million
29-32% y/y growth

We are updating our full year 2021 guidance as follows:

- Revenue of \$1.280 - \$1.290 billion, or 29 - 30% y/y growth, an increase from the previous range of \$1.272 - \$1.286 billion
- Collections of \$1.440 - \$1.460 billion, or 31 - 32% y/y growth, an increase from the previous range of \$1.435 - \$1.455 billion
- Free cash flow, excluding HQ capex, of \$92 - \$102 million, an increase from our previous range of \$90 - \$100 million
 - We still anticipate that HQ capex will be approximately \$30 million for the full year in 2021. Including this HQ capex, our free cash flow guidance would be \$62 - \$72 million

As we mentioned last quarter, our free cash flow guidance is inclusive of approximately \$60 million in incremental investments we plan to make in 2021 to address the significant opportunities ahead of us. Specifically, our investments are focused on the continued expansion of Customer Care, advancing the evolution of our payments platform, building infrastructure to scale and globalize the Wix POS and growing our Account Management team globally.

FY 2021 Guidance

Revenue

\$1.28-\$1.29 billion
29-30% y/y growth

Collections

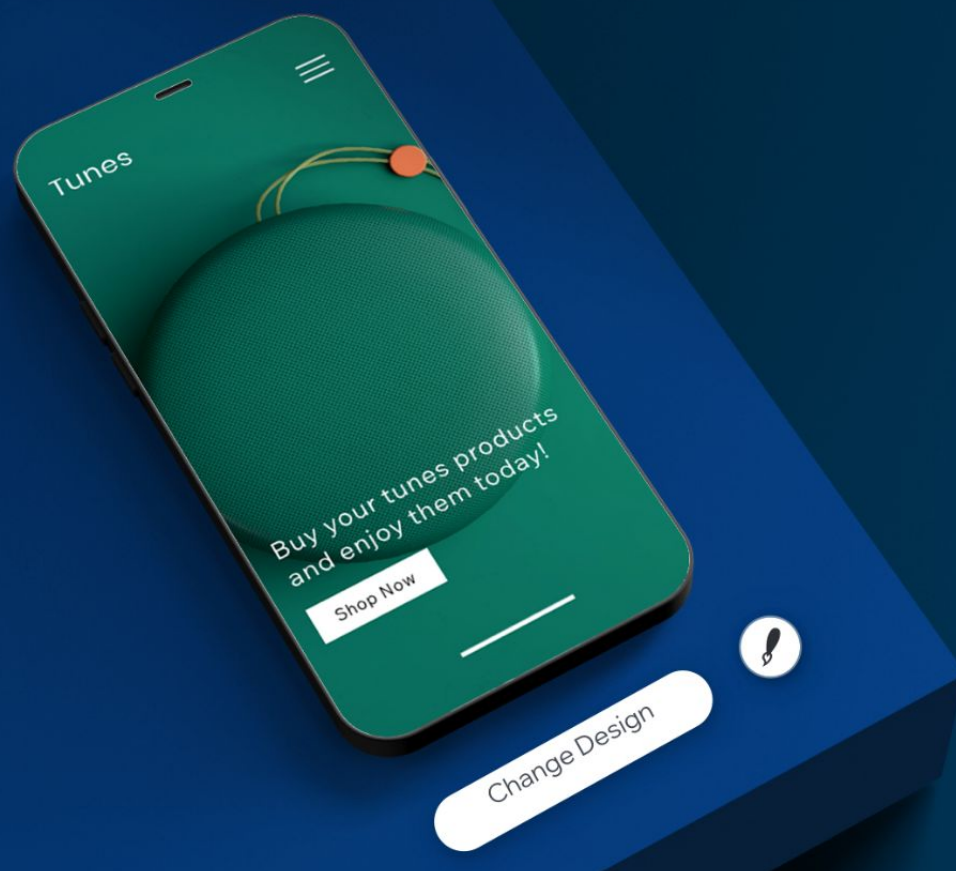
\$1.44-\$1.46 billion
31-32% y/y growth

Free Cash Flow (excl. HQ capex)

\$92-\$102 million

Free Cash Flow

\$62-\$72 million



Appendix

Notes and Modeling Clarifications

“**Creative Subscriptions Revenue**” or “**Creative Subscriptions Collections**” refer to revenue or collections, as applicable, generated from premium subscriptions, including premium subscriptions bundled with vertical solutions and domain name subscriptions and exclude any revenue or collections, as applicable, included under Business Solutions Revenue or Collections, as applicable. Our total revenue is comprised of Business Solutions Revenue and Creative Subscriptions Revenue. Our total collections is comprised of Business Solutions Collections and Creative Subscriptions Collections.

“**Business Solutions Revenue**” or “**Business Solutions Collections**” refer to all revenue or collections, as applicable, generated from business solutions and exclude any revenue or collections, as applicable, included under Creative Subscriptions Revenue or Collections, as applicable.

Share repurchase authorization: Wix plans to submit to the Israeli District Court a renewal of a repurchase authorization for up to \$200 million of ordinary shares or convertible notes from time to time, until December 31, 2021 or a shorter period approved by the court.

Conference Call and Webcast Information

Wix will host a conference call to discuss the results at 8:30 a.m. ET on Wednesday, May 12, 2021. To participate on the live call, analysts and investors should dial +1-877-667-0467 (US/ Canada), +1-346-354-0953 (International) or 1-809-315-362 (Israel) and reference Conference ID 3484525. A telephonic replay of the call will be available through May 19, 2021 at 11:30 a.m. ET by dialing +1-855-859-2056 and providing Conference ID 3484525.

Wix will also offer a live and archived webcast of the conference call, accessible from the "Investor Relations" section of the Company's website at <https://investors.wix.com/>.

Non-GAAP Financial Measures and Key Operating Metrics

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, cumulative cohort collections, collections on a constant currency basis, revenue on a constant currency basis, non-GAAP gross margin, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP net income (loss) per share, free cash flow, free cash flow, as adjusted, free cash flow margins, non-GAAP R&D expenses, non-GAAP S&M expenses, non-GAAP G&A expenses, non-GAAP operating expenses, non-GAAP cost of revenue expense, non-GAAP financial expense, non-GAAP tax expense (collectively the "Non-GAAP financial measures"). Measures presented on a constant currency or FX neutral basis have been adjusted to exclude the effect of y/y changes in foreign currency exchange rate fluctuations. Collections is a non-GAAP financial measure calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Collections include cash receipts for premium subscriptions purchased by registered users as well as cash we collect for payments and additional products and services, as well as payments due to us under the terms of contractual agreements for which we may have not yet received payment. Cash receipts for premium subscriptions are deferred and recognized as revenues over the terms of the subscriptions. Cash receipts for payments and majority of the additional products and services are recognized as revenues upon receipt. Committed payments are recognized as revenue as we fulfil our obligation under the terms of the contractual agreement. Non-GAAP gross margin represents gross profit calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses 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, acquisition-related expenses and sales tax expense accrual and other G&A expenses (income). Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, sales tax expense accrual and other G&A expenses (income), amortization of debt discount and debt issuance costs and acquisition-related expenses and non-operating foreign exchange expenses (income). 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. Free

cash flow, as adjusted, represents free cash flow further adjusted to exclude capital expenditures associated with our new headquarters. Free cash flow margins represent free cash flow divided by revenue. Non-GAAP cost of revenue represents cost of revenue calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP R&D expenses represent R&D expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP S&M expenses represent S&M expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP G&A expenses represent G&A expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP operating expenses represent operating expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP financial expense represents financial expense calculated in accordance with GAAP as adjusted for unrealized gains of equity investments, amortization of debt discount and debt issuance costs and non-operating foreign exchange expenses. Non-GAAP tax expense represents tax expense calculated in accordance with GAAP as adjusted for provisions for income tax effects related to non-GAAP adjustments.

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 tables provided below. The accompanying tables have 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 is unable to provide reconciliations of free cash flow, free cash flow, as adjusted, cumulative cohort collections, non-GAAP gross margin, and non-GAAP tax expense to their most directly comparable GAAP financial measures on a forward-looking basis without unreasonable effort because items that impact those GAAP financial measures are out of the Company's control and/or cannot be reasonably predicted. Such information may have a significant, and potentially unpredictable, impact on our future financial results.

Wix also uses Creative Subscriptions Annualized Recurring Revenue (ARR) as a key operating metric. Creative Subscriptions ARR is calculated as Creative Subscriptions Monthly Recurring Revenue (MRR) multiplied by 12. Creative Subscriptions MRR is calculated as the total of (i) all active Creative Subscriptions in effect on the last day of the period, multiplied by the monthly revenue of such Creative Subscriptions, other than domain registrations; (ii) the average revenue per month from domain registrations; (iii) monthly revenue from partnership agreements.

Forward-Looking Statements

This document 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, and may be identified by words like “anticipate,” “assume,” “believe,” “aim,” “forecast,” “indication,” “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 document, including the annual and quarterly 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 attract and retain registered users and generate new premium subscriptions; our ability to increase the revenue we derive from the sale of premium subscriptions and business solutions through our partners; our expectation that new products and developments, including third-party products offered within our platform, will receive customer acceptance and satisfaction, including the growth in market adoption of our online commerce solutions; our assumption that historical user behavior can be extrapolated to predict future user behavior; our prediction of the future revenues generated by our user cohorts and our ability to maintain and increase such revenue growth; our ability to maintain and enhance our brand and reputation; our ability to attract and retain qualified employees and key personnel; our ability to enter into new markets and attract new customer demographics, including new partners; our expectation that our products created for markets outside of North America will continue to generate growth in those markets; the impact of fluctuations in foreign currency exchange rates on our business; our ability to effectively execute our initiatives to scale and improve our user support function through our Customer Care team, and thereby increase user retention, user engagement and sales; the integration and performance of acquisitions; risks relating to the repurchase of our ordinary shares and/or Convertible Notes pursuant to our repurchase plan; our ability to successfully localize our products, including by making our product, support and communication channels available in additional languages and to expand our payment infrastructure to transact in additional local currencies and accept additional payment methods; our ability to effectively manage the growth of our infrastructure; the impact on our business and operations of the COVID-19 pandemic, including uncertainty relating to expected consumer dynamics after the COVID-19 pandemic subsides and the anticipated GPV on our platform, the effectiveness of government policies, vaccine administration rates and other factors; changes to technologies used in our solutions; any regulatory investigations or litigation; our expectations regarding changes in our cost of revenues and our operating expenses on an absolute basis and as a percentage of our revenues; changes in the global, national, regional or local economic, business, competitive, market, and regulatory landscape, including as a result of COVID-19; our planned level of capital expenditures and our belief that our existing cash and cash from operations will be sufficient to fund our operations for at least the next 12 months and other factors discussed under the heading “Risk Factors” in the Company’s 2020 annual report on Form 20-F filed with the Securities and Exchange Commission on March 25, 2021. 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.

Reconciliation of GAAP to Non-GAAP financial measures

in 000s	2020				2021
	Q1	Q2	Q3	Q4	Q1
Revenues	\$215,987	\$236,059	\$254,180	\$282,534	\$304,112
Change in deferred revenues	\$32,871	\$29,792	\$26,761	\$23,847	\$46,997
Collections	\$248,858	\$265,851	\$280,941	\$306,381	\$351,109
Creative Subscriptions Revenues	\$176,546	\$190,169	\$202,996	\$213,745	\$226,436
Change in deferred revenues	\$32,251	\$27,527	\$25,331	\$22,675	\$41,623
Creative Subscriptions Collections	\$208,797	\$217,696	\$228,327	\$236,420	\$268,059
Business Solutions Revenues	\$39,441	\$45,890	\$51,184	\$68,789	\$77,676
Change in deferred revenues	\$620	\$2,265	\$1,430	\$1,172	\$5,374
Business Solutions Collections	\$40,061	\$48,155	\$52,614	\$69,961	\$83,050
Gross Profit	\$153,917	\$165,577	\$174,340	\$179,227	\$188,280
Share based compensation expenses	\$1,631	\$1,869	\$2,455	\$3,172	\$3,501
Acquisition related expenses	\$0	\$305	\$200	\$260	\$167
Amortization	\$0	\$0	\$226	\$90	\$97
Non GAAP Gross Profit	\$155,548	\$167,751	\$177,221	\$182,749	\$192,045
Non GAAP Gross margin	72%	71%	70%	65%	63%

in 000s	2020				2021
	Q1	Q2	Q3	Q4	Q1
Gross Profit - Creative Subscriptions	\$141,156	\$151,659	\$159,635	\$163,467	\$170,690
Share based compensation expenses	\$1,322	\$1,485	\$1,947	\$2,386	\$2,586
Non GAAP Gross Profit - Creative Subscriptions	\$142,478	\$153,144	\$161,582	\$165,853	\$173,276
<i>Non GAAP Gross margin - Creative Subscriptions</i>	81%	81%	80%	78%	77%
Gross Profit - Business Solutions	\$12,761	\$13,918	\$14,705	\$15,760	\$17,590
Share based compensation expenses	\$309	\$384	\$508	\$786	\$915
Acquisition related expenses	\$0	\$305	\$200	\$260	\$167
Amortization	\$0	\$0	\$226	\$90	\$97
Non GAAP Gross Profit - Business Solutions	\$13,070	\$14,607	\$15,639	\$16,896	\$18,769
<i>Non GAAP Gross margin - Business Solutions</i>	33%	32%	31%	25%	24%
Research and development (GAAP)	\$70,716	\$75,464	\$84,473	\$89,625	\$95,086
Share Based Compensation	\$16,185	\$18,216	\$20,312	\$22,170	\$23,288
Amortization	\$123	\$123	\$123	\$108	\$92
Acquisition related expenses	\$436	\$1,091	\$1,115	\$1,117	\$1,329
Non-GAAP research and development	\$53,972	\$56,034	\$62,923	\$66,230	\$70,377
<i>% of collections</i>	22%	21%	22%	22%	20%
Selling and marketing (GAAP)	\$96,156	\$119,333	\$113,092	\$109,629	\$144,455
Share Based Compensation	\$4,568	\$5,395	\$6,108	\$6,774	\$7,442
Amortization	\$442	\$442	\$476	\$420	\$409
Acquisition related expenses	\$241	\$269	\$152	\$294	\$28
Non-GAAP selling and marketing	\$90,905	\$113,227	\$106,356	\$102,141	\$136,576
<i>% of collections</i>	37%	43%	38%	33%	39%

in 000s	2020				2021
	Q1	Q2	Q3	Q4	Q1
General and administrative (GAAP)	\$25,436	\$24,531	\$26,515	\$35,433	\$34,394
Share Based Compensation	\$8,334	\$9,487	\$10,047	\$10,590	\$12,400
Amortization	\$1	\$1	\$1	\$1	\$1
Acquisition related expenses	\$262	\$32	\$22	\$15	\$181
Sales tax accrual and other G&A expenses (income)	\$1,974	\$(485)	\$0	\$2,810	\$452
Non-GAAP general and administrative	\$14,865	\$15,496	\$16,445	\$22,017	\$21,360
<i>% of collections</i>	6%	6%	6%	7%	6%
GAAP Operating Loss	\$(38,391)	\$(53,751)	\$(49,740)	\$(55,460)	\$(85,655)
Share Based Compensation	\$30,718	\$34,967	\$38,922	\$42,706	\$46,631
Amortization	\$566	\$566	\$826	\$619	\$599
Acquisition related expenses	\$939	\$1,697	\$1,489	\$1,686	\$1,705
Sales tax accrual and other G&A expenses (income)	\$1,974	\$(485)	\$0	\$2,810	\$452
Non-GAAP Operating Income (Loss)	\$(4,194)	\$(17,006)	\$(8,503)	\$(7,639)	\$(36,268)
Net cash provided by operating activities	\$45,027	\$49,958	\$24,514	\$28,550	\$18,488
Capital expenditures, net	\$5,075	\$3,264	\$(5,134)	\$(5,380)	\$(3,849)
Free Cash Flow	\$39,952	\$46,694	\$19,380	\$23,170	\$14,639
Capital expenditures related to future Wix HQ office build out	\$483	\$408	\$779	\$792	\$835
Free Cash Flow (excluding future Wix HQ office build out)	\$40,435	\$47,102	\$20,159	\$23,962	\$15,474

	Q2'21 Outlook	FY'21 Outlook
Revenues	\$308- 312 million	\$1,280 - 1,290 million
Deferred Revenue	\$34 - 40 million	\$160 - 170 million
Collections	\$342 - 352 million	\$1,440 - 1,460 million

in millions	Q1'10	Q1'11	Q1'12	Q1'13	Q1'14	Q1'15	Q1'16	Q1'17	Q1'18	Q1'19	Q1'20	Q1'21
Cumulative Cohort Revenue	\$29	\$40	\$48	\$96	\$130	\$128	\$138	\$143	\$131	\$97	\$55	\$4
Cumulative Cohort change in deferred revenues	\$1	\$2	\$3	\$6	\$9	\$11	\$15	\$19	\$23	\$26	\$29	\$32
Cumulative Cohort Collections	\$30	\$42	\$51	\$102	\$139	\$139	\$153	\$162	\$154	\$123	\$84	\$36