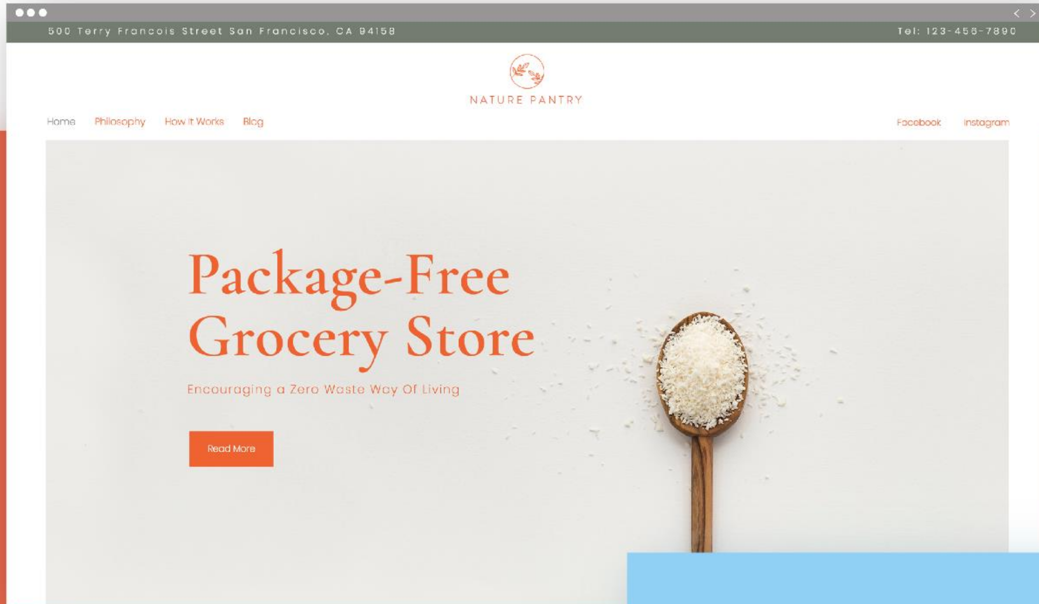
WiX.com



Nov 13th • Nov 13th • Nov 13th •
2018

SHAREHOLDER UPDATE

Third Quarter 2018

Q3 Operating Metrics

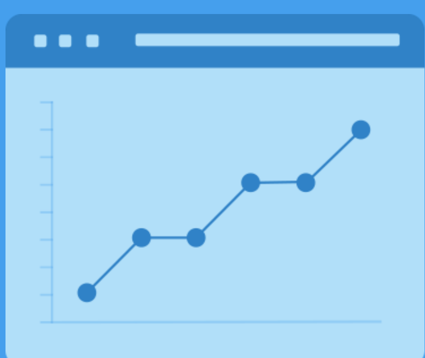
New Registered Users Added
5.5 M

Net Premium Subscriptions Added
177 K

Total Registered Users
137 M (+20% y/y)

Total Premium Subscriptions
3.8 M (+26% y/y)

Q3 Financial Metrics



GAAP Revenue
$155.6 M (+40% y/y)

Collections
$162.8 M (+36% y/y)

Net Cash Provided by Operating Activities
$27.6 M (+25% y/y)

Free Cash Flow
$23.7 M (+25% y/y)

Earnings Highlights

- **Strong top line growth combined with increasing profitability**
- **Collections and revenue above high end of expectations**
- **Improving monetization shown by increasing ARPS and conversion**
- **Professional usage of Wix Code growing**
- **Strong product pipeline driving excitement going into 2019**

Third Quarter Highlights

Results highlighted by combination of strong top line growth, which exceeded expectations…

- Revenue in Q3 was $155.6M, up 40% y/y and ahead of the top end of guidance
- Collections in Q3 were $162.8M, up 36% y/y and ahead of the top end of guidance
- Improvements to existing products and new product development drove conversion higher and contributed positively to Average Revenue per Subscription (ARPS). Pricing changes also drove ARPS higher in Q3
- Ongoing marketing execution and the improving strength of our brand contributed positively to results

…and growing profitability, illustrating the strength of our business model

- Free cash flow was $23.7M, up 25% y/y
    - Cash flow from operations was a record $27.6M
- Non-GAAP operating income reached an all-time high of $16.3M, up 376% y/y
- Increasing leverage driven by positive returns on investments in marketing and R&D

Cohort performance remains strong and monetization is improving as conversion increased and ARPS was up 11% y/y

- Conversion of registered users to premium subscriptions increased through Q3 due to continued product development and outstanding execution of our data-driven marketing strategy
- ARPS rose due to 1) increased adoption of vertical applications, 2) third party applications (TPAs), including G-Suite and 3) pricing changes
- The Q3 2018 user cohort is on pace to achieve a time to return on investment (TROI) of 7-9 months, **indicating that acquisition costs per premium subscription are not increasing**

Q3 Results vs. Guidance

GAAP Revenue
Actual Results
$155.6 million
Prior Guidance
$152-153 million

Collections
Actual Results
$162.8 million
Prior Guidance
$161-162 million

Free Cash Flow
Actual Results
$23.7 million

- Non-GAAP selling and marketing expense up 20% y/y in Q3 but declined to 36% of collections compared to 41% in Q3 2017

Strong pipeline of development driving significant product release cycle going into 2019

- Announcing the launch of **Wix Payments, a complete payments platform designed to help users grow their business online**
  - Wix Payments was introduced in Brazil earlier this year and already has demonstrated its value to small businesses by increasing processing approval rates by 25% versus competition
  - Will be introduced in the US and Europe in early 2019 and roll out to remaining geographies through the remainder 2019
- The **new DeviantArt platform** is currently available for a select group of users and will be fully launched in the coming months
- **Ongoing development of Wix Code** as usage by professional users continues to increase
- **Additional new product** that will contribute significantly to how businesses are managed and grow online to be announced in December

Updating 2018 outlook to reflect continued momentum through the end of the year

- Revenue outlook for 2018 increased to $601-602 million from its previous range of $597-599 million
- Collections outlook for 2018 is being updated to $658-660 million from its previous range of $656-660 million and free cash flow outlook remains $101-103 million
  - Our updated outlook for the full year 2018 reflects the continued decline in foreign exchange rates since guidance was last provided in July. Had FX rates stayed constant, we would have raised the collections and free cash flow outlook by approximately $2 million more, or $660-662 million for collections and $103-105 million for free cash flow

Financial Performance

The following financial results for Q3 2018 are presented under ASC 606 as well as ASC 605 for comparability purposes. Third quarter of 2017 financial results are presented under ASC 605. A reconciliation of the third quarter 2018 results under ASC 606 and ASC 605, as well as a reconciliation of other non-GAAP measures discussed in this document, are presented in the tables included in this document.

The following results are also presented, unless noted, using the change in accounting related to our revised agreement with Google, which we previously announced. Beginning in Q1 2018, we changed our method of accounting for revenue and collections from net (agent) to gross (principal). As previously stated, this impact is an approximately $30 million benefit to FY 2018 revenue and collections and approximately $7-8 million each quarter in 2018. This impact also has resulted in a year-over-year decrease in our GAAP and non-GAAP gross margins.

Revenue in Q3 was $155.6M, up 40% y/y, exceeding the high end of our guidance range of $152-153M. Under ASC 605, Q3 revenue would have been $153.6 million, an increase of 38% y/y.

Collections in Q3 were $162.8M, up 36% y/y, and exceeded the high end of our guidance range of $161-162M.

- **Results outperformed our expectations due to continued increases in conversion of registered users to premium subscriptions and higher than expected ARPS**
- Changes in currency rates negatively impacted collections in Q3 by an immaterial amount.

Revenue (in millions)

Collections (in millions)

Average revenue per subscription (ARPS) increased to $162 in Q3, an increase of 3% from $157 in Q2 2018 and an 11% increase from Q3 2017. ARPS is calculated as total revenue over the last four quarters divided by the average number of subscriptions over the same period. Several factors are driving increases in monetization of our subscriptions:

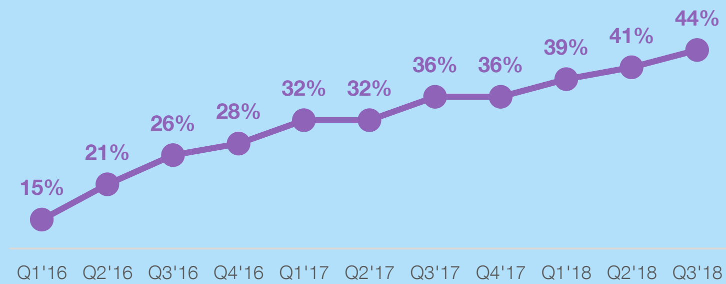
- The increase was partly driven by continued adoption of vertical applications. **As can be seen in the chart on the right, users are increasingly adopting vertical applications with their subscriptions, reaching 44% in Q3, nearly double the rate two years ago as we continue to deliver more valuable products for users to manage and grow their businesses online**
- Continued increases in the purchasing of TPAs, including G-Suite, also contributed to ARPS
- During Q3, we began increasing pricing of some vintages of renewed subscriptions to better align prices to the improved product experience on Wix. This change did not increase cancellations, demonstrating the value users get from our platform
- Also in Q3, we changed the package selection page in our checkout process in the US in an effort to bring more clarity about the type of package users purchase. This change has resulted in a decrease in the number of help tickets submitted regarding package changes and an increase in collections per subscription
- We also removed our lowest pricing tier in the US to better align pricing with our brand vision. We are testing both the new packaging and the removal of the lower pricing tier in other markets globally

We believe all of these changes will continue to increase ARPS in the coming quarters.

Non-GAAP gross margin was 80% of revenue in Q3. Under ASC 605, second quarter 2018 non-GAAP gross margin as a percent of revenue would have

Average Revenue per Subscription (ARPS)

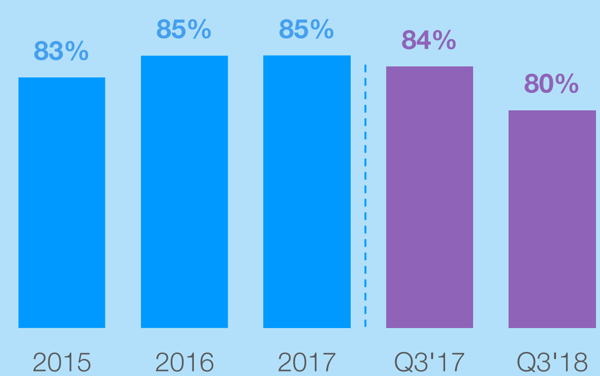
Vertical Application Attach Rate*



*% of new premium sites purchased in the current quarter cohort with an active vertical. An active vertical is a site with a vertical application that can be used by a site visitor

Non-GAAP Gross Margin

Q3'18 gross margin includes the impact of the Google agreement accounting change



been 79%. We continue to optimize our infrastructure to meet the growing needs of our users. Our consistent gross margin is a result of our scale and efficient resource management as well as strong relationships with multiple providers.

Non-GAAP R&D expense was $38.6M in Q3 compared to $37.8M in Q2 2018 and $32.0M in Q3 2017. As a percent of collections, non-GAAP R&D expense was 24% in Q3 2018, compared to 24% in Q2 2018 and 27% in Q3 2017.

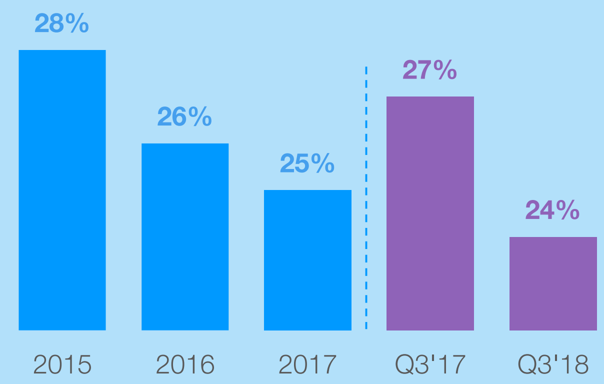
We continue to benefit from positive returns on our investment in product development, as evidenced by the decline in R&D as a percent of collections. New products introduced in the last several years, including Wix ADI and Wix Video and enhancements to our vertical applications have been the primary drivers of this leverage. We continue to hire engineers and developers to drive product development, but we have been able to hire in more cost efficient locations. We anticipate further leverage in R&D due to products such as Wix Code and more efficient hiring practices.

Non-GAAP S&M expense was $59.2M in Q3 compared to $56.2M in Q2 2018 and $49.3M in Q3 2017. As a percent of collections, S&M expense was 36% in Q3 compared to 35% in Q2 2018 and 41% in Q3 2017.

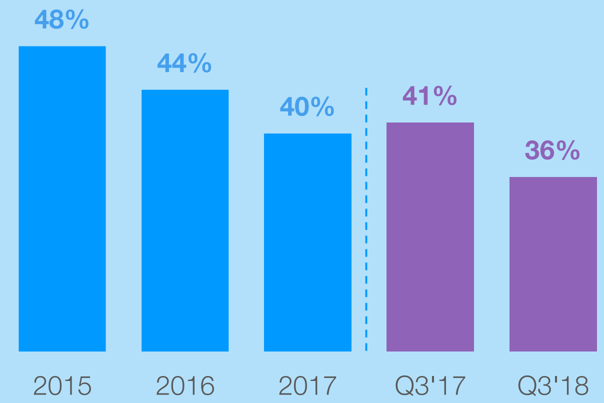
Marketing investment grew 20% y/y, yet we continue maintain a Time to Return on Marketing Investment (TROI) of 7-9 months, indicating that our cost of acquiring new premium subscriptions remains steady. We are able to maintain this TROI due to product improvements driving better conversion and higher ARPS, advertising that is more efficient and the strengthening of our brand.

Non-GAAP G&A expense was $9.8M in Q3 compared to $10.0M in Q2 2018 and $9.0M in Q3 2017. G&A expense increased on a year-over-year basis due to increasing headcount and overhead expenses related to the growth of our overall business. G&A expense was 6% of collections in Q3 2018, the same as in Q2 2018 and down slightly from 7% in Q3 2017.

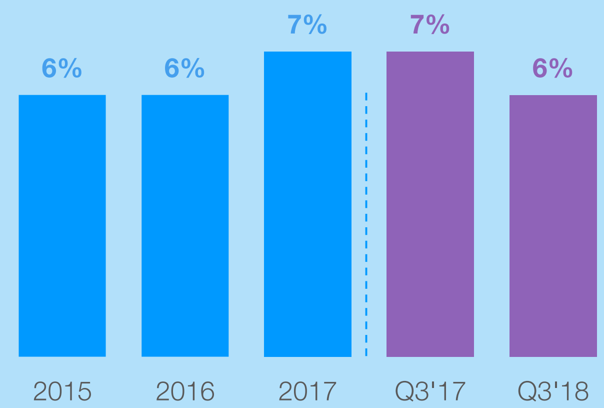
Non-GAAP R&D as a % of Collections



Non-GAAP S&M as a % of Collections



Non-GAAP G&A as a % of Collections



Non-GAAP operating income was $16.3M, an all-time high and a 376% increase over the year ago period's result of $3.4M. Non-GAAP operating income was $12.9M in Q2 2018.

Free cash flow was $23.7M, compared to $23.9M in Q2 2018 and $18.9M in Q3 2017, an increase of 25% y/y. The increase was primarily driven by a **record $27.6M in net cash provided by operating activities** as we continue to realize leverage in our model.

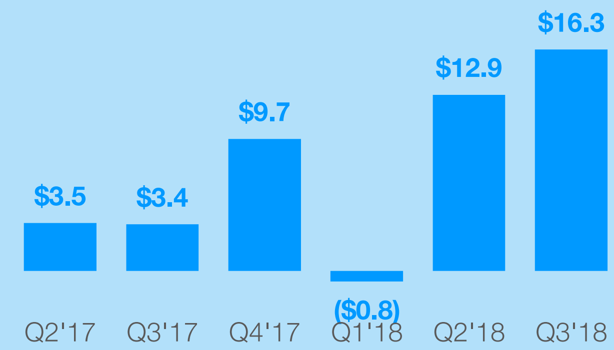
Capital expenditures of $3.9M in Q3 2018 were slightly higher than prior quarters due to leasehold improvements to office space and the purchase of technology equipment as our employee headcount grows.

We ended Q3 2018 with $716.6M in cash on the balance sheet and $334.0M in long-term debt. The cash and debt balance at Q3 reflects $385 million in net proceeds from the convertible notes we issued in June. As required by GAAP, a portion of the convertible note was booked in equity.

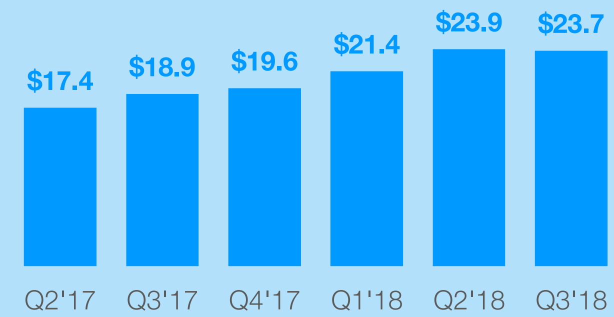
Our total employee headcount was 2,303 as of the end of the third quarter.

At the end of Q3 2018, our basic weighted average share count was approximately 48.5 million and our weighted average fully diluted share count was approximately 58.3 million, which includes the impact from the cashless net exercise of options that began in Q1 2018.

Non-GAAP Operating Income (Loss) (in millions)



Free Cash Flow (in millions)



We view free cash flow as the best metric by which to measure the profitability of our business, due to the large amount of deferred revenue we recognize in a given period

Registered Users and Premium Subscriptions

Overview of Cohort Economics

Growth of our business is primarily driven by the acquisition of new registered users – which we collectively refer to as "user cohorts" – that monetize over a long period of time as these registered users purchase premium subscriptions.

Historically, our user cohorts have grown in size as has the rate at which registered users purchase premium subscriptions, what we refer to as "conversion". In addition, the amount each user is paying for each premium subscription has also continued to grow as demonstrated by the increase in ARPS.

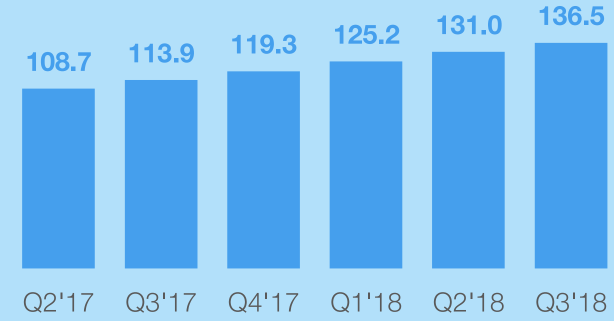
We invest marketing dollars to acquire new user cohorts, and **our primary measure of the efficiency of our marketing spend is the Time to Return on Marketing Investment, or TROI.** We aim to return 100% of our marketing investment dollars through collections generated within a 7-9 month period of time. **How we return this marketing investment may come through various combinations of registered users, premium subscriptions, conversion or ARPS. Above all, collections generated from user cohorts is our focus.**

Cohort Performance Update – Q3 2018

To date, collections generated by the Q3 2018 user cohort remain on track to achieve our targeted TROI. Conversion in Q3 continued to increase on a year over year basis, and ARPS increased 11% y/y and 3% sequentially.

Our user cohorts continued to exhibit consistent behavior through the third quarter of 2018:

Total Registered Users (in millions)



Total Premium Subscriptions (in millions)

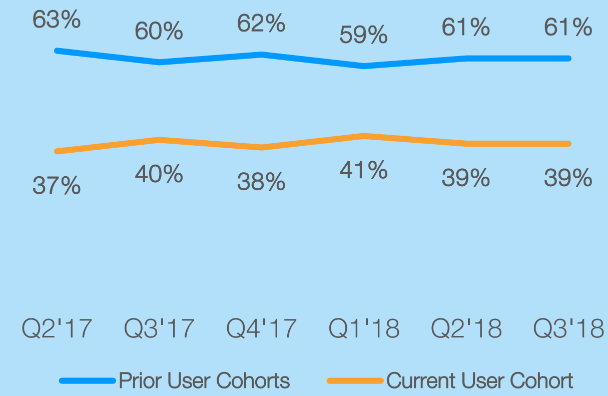
- Existing user cohorts continue to produce more collections on a year over year basis, before adding the collections we generate from the newest user cohort. This illustrates the **zero churn** in our model
- With the addition of our newest user cohort in Q3 2018, **we now expect future collections of all existing cohorts to be $4.9 billion over the next 8 years**, based on current cohort behavior
- Based on the historical behavior of our user cohorts, we approximate that for each 100K new premium subscriptions, we will generate over $165 million over eight years, at an 80% gross margin and with minimal marketing investment

In the third quarter, we added 5.5 million registered users, bringing total registered users to over 137 million, a 20% increase over last year. New registered user additions in select English-speaking markets increased approximately 10% year-over-year as we continue to invest marketing dollars to achieve our targeted TROI. Beginning in the second quarter of 2018, registered users includes an immaterial number of users that registered through early stage products including Wix Logo Maker, Wix Answers, and others.

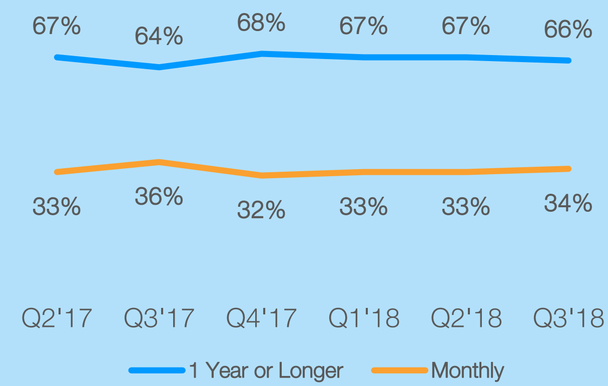
We added over 177K net premium subscriptions in the third quarter as conversion and retention improved. Total premium subscriptions at the end of the third quarter were 3.8 million, or 26% higher than the third quarter of 2017. **The average collection per subscription that increased this quarter allowed us to achieve our TROI with a lower number of subscription additions compared to the year ago period.**

During the quarter, 66% of gross subscriptions were annual or longer in term while 34% were monthly. As of the end of the third quarter, 82% of all subscriptions were annual or longer in term. The new cohort generated 39% of gross subscriptions in the quarter while existing cohorts comprised 61% of gross subscriptions. These ratios were all consistent with prior quarters' behaviors.

% Gross New Subscriptions by Cohort



% Gross New Subscriptions by Package Duration



Product Updates

Our vision remains to be a place where any business or individual can create and manage their businesses and brands online. Nearly two million new users register with Wix every month, and we strive to provide them with all the tools and products they need to achieve their goals.

Wix Code

We continue to invest in Wix Code, a groundbreaking technology and platform that enables designers and developers to create highly functional and robust websites and web applications. The number users and premium subscriptions purchased by users of Wix Code continues to increase. At the end of Q3, over 550,000 users are using Wix Code, and already over 100,000 of these users are highly engaged, using the most advanced features and functionalities of Wix Code.

We are seeing even more evidence that our strategy of penetrating the professional market is succeeding and ahead of our expectations. Users of Wix Code who have purchased subscriptions are purchasing multiple subscriptions at a rate of more than four times non Wix Code users, an indication that usage by professionals is increasing. Further, traffic of visitors to sites built using Wix Code is five times more than traffic to non Wix Code sites, a sign that these sites are more robust and built for bigger businesses or organizations.

As with all of our products, we are constantly adding functionalities and enhancing the product experience with Wix Code. As a result, users are creating more complex and robust websites than ever before on Wix. For example, a group of students at a recent Harvard Hackathon used Wix Code to build in just a matter of hours a complex global chat application that allows users to translate conversations into different languages instantaneously.

Users of Wix Code who have purchased subscriptions are purchasing multiple subscriptions at a rate of more than 4x non Wix Code users

Traffic of visitors to sites built using Wix Code is 5x more than traffic to non Wix Code sites

Recently, we released Wix Code for Stores and Bookings, both of which have added advanced functionalities to these popular vertical solutions. Taking advantage of these features, an Australian surfboard manufacturing company created its online store with custom ordering functionality, allowing its customers to view surfboards in any combination of colors and styles. We plan to roll out Wix Code for other verticals in the coming months. We believe combining Wix Payments with verticals on Wix Code increases our opportunity as professionals can incorporate our payments product into more robust sites with higher GMV.

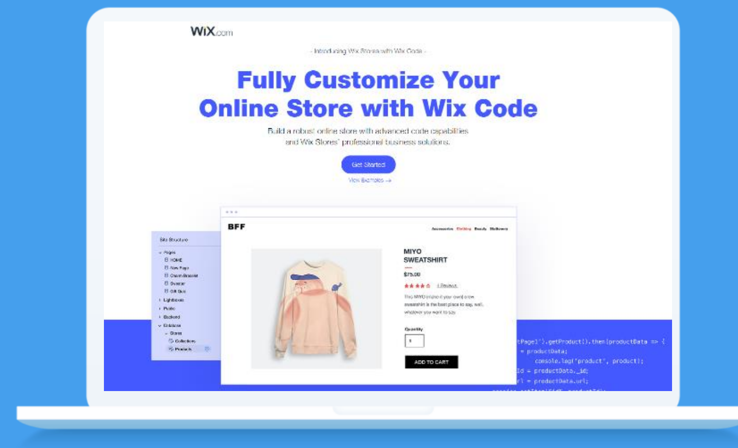
These complex and stunning examples are building our excitement for the future of this product.

In addition to investing in the product, we are just beginning to invest in marketing for Wix Code with a specific focus on the professional developer and designer communities. Reaching and interacting with the expert community is essential to expanding the usage of Wix Code, and we are increasing the quantity and quality of interactions with this community.

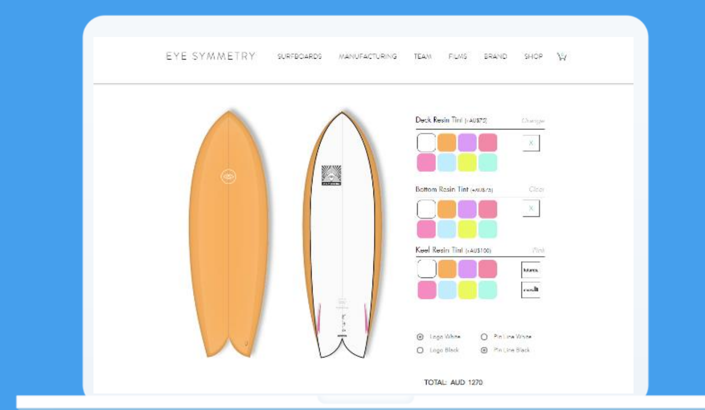
First, we have hosted offline events, such as global expert meetups, training sessions, hackathons, user interviews and the Wix Design Playground courses. Second, we are engaging with well-known coding and design influencers to reach their vast network of followers to contribute to our marketing efforts. Third, the Wix Code Forum, our online community for users to find help and interact with one another, continues to grow and plays a critical role in communicating with the Wix Code user base.

This ongoing dialogue is invaluable in our efforts to improve the overall experience for the users of Wix Code, and we are very excited by the number of experts we have been able to attract to Wix Code.

Wix Code for Stores



Wix Code User Example



The numbers of users and sites built with Wix Code continue to increase and are ahead of our expectations. We believe the contribution of incremental premium subscriptions and collections to our overall business will continue to grow through the end of 2018 and will increase through 2019 and subsequent years. We have not announced any change in pricing specifically related to Wix Code. However, as we noted at the Analyst & Investor Day in June, we are considering and evaluating several types of models, including:

- Higher pricing tier of packages
- Variable pricing based on usage
- A combination of subscription and variable pricing
- Other opportunities under consideration

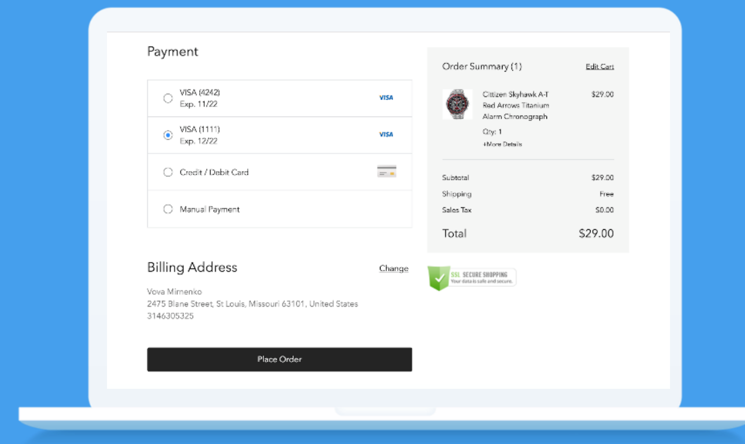
Wix Payments

We recently launched Wix Payments, a comprehensive payments platform to help users manage and grow their business. Wix Payments allows users to set up, accept and track payments through the entire financial flow - from sale to payout - in one place without the need to integrate third party payment providers.

Wix Payments is made for any type of business taking payments online including e-commerce retailers, service providers, restaurants, hotels, musicians, photographers and many more. Any type of business that needs to take payments from customers can take advantage of the efficiency, reliability and safety provided by Wix Payments. We believe combining Wix Payments with verticals on Wix Code increases our opportunity as professionals can incorporate our payments product into more robust sites with higher GMV.

Wix Payments is currently available in Brazil and has already demonstrated its value to small businesses by increasing processing approval rates by 25%

Wix Payments



versus our competitors. Wix Payments will be rolled out to the US and Europe in early 2019 and the rest of the world throughout the year.

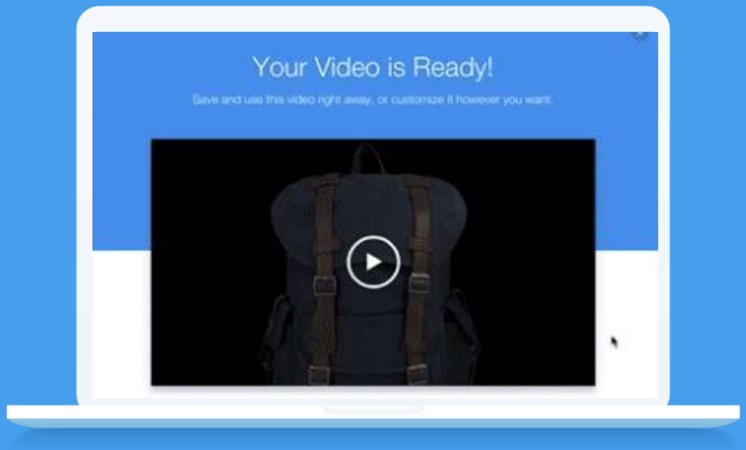
Wix Video Maker

To enable Wix users to market and grow their business through the use of video content, we launched the Wix Video Maker. Wix users can now instantly create custom videos using a predefined script, with options to edit theme, font, colors, soundtrack, text and media. These videos are meant to help users showcase their business, products or brand on their Wix website or other channels. Wix Video Maker makes it as simple as possible to create and add videos everywhere on Wix. This product solves the challenge small businesses face in creating engaging video content for advertisements, allowing them to compete with larger businesses online.

DeviantArt

Since March 2017, the DeviantArt team has been working on collaborative features and a sleek redesign of the online community, while keeping art at the center. In October 2018, we began testing a completely redesigned, modern DeviantArt platform with user focus groups and Wix employees. We are gathering and implementing feedback to the new platform and plan to release it fully in the coming months. We expect to see some incremental benefit from the combination of Wix and DeviantArt in 2019.

Wix Video Maker



Business Outlook

The following guidance for Q4 2018 and the updated guidance for full year 2018 are based on ASC 606 and include the benefit from the Google agreement accounting change.

Guidance for Q4 2018 and full year 2018 reflect continued momentum in our business.

For Q4 2018, we expect the following:

- Revenue of $161-162 million, reflecting y/y growth of 36-37%
- Collections of $176-178 million, a y/y increase of 33-35%

Our updated outlook for the full year 2018 reflects the continued decline in foreign exchange rates, especially the Euro and British Pound, since guidance was last provided in July. Had FX rates stayed constant, we would have raised the collections and free cash flow outlook by approximately $2 million more, or $660-662 million for collections and $103-105 million for free cash flow.

FY 2018 guidance is updated as follows:

- Revenue of $601-602 million, reflecting y/y growth of 41% and an increase to our prior guidance of $597-599 million
- Collections of $658-660 million, a y/y increase of 36%, and narrowed from our prior guidance of $656-$660
- Free cash flow of $101-103 million, reflecting y/y growth of 43-46%

Q4'18 Guidance

GAAP Revenue

$161-162 million

36-37% y/y growth

Collections

$176-178 million

33-35% y/y growth

FY 2018 Guidance

GAAP revenue

$601-602 million

41% y/y growth
Prior Guidance: $597-599 million

Collections

$658-660 million

36% y/y growth
Prior Guidance: $656-660 million

Free cash flow

$101-103 million

43-46% y/y growth

We re-affirm the additional FY 2018 guidance that we provided previously, unless noted.

- **Non-GAAP gross margin:** we expect non-GAAP gross margin of approximately 80% of revenue, which is lower than 2017 due to the impact of the Google agreement accounting change. This is in line with previous guidance

- **Non-GAAP selling and marketing expense:** we expect S&M expense on a non-GAAP basis to be approximately 36% of collections for the full year 2018

- **Non-GAAP operating expense:** we expect total non-GAAP operating expenses to be 66-67% of collections for FY 2018, in line with previous guidance

- **FX rates:** our guidance for revenue, collections, operating expenses and free cash flow assume current FX rates throughout the period
    - We have taken advantage of the strengthening US Dollar against the New Israeli Shekel and put in place hedges through December 2018. These hedges give us downside protection on our free cash flow

- **Financial income and expenses:** For Q4 2018, we anticipate that we will generate ~$4M in interest income. Note that this income will not necessarily be realized in cash flow in Q4 2018. We are unable to predict financial income and expenses related to hedging activity and rate differences that might cause significant fluctuation in the overall financial income and expenses. On a GAAP basis, we will recognize the convertible bond amortization of the debt discount and issuance costs, and this expense will be ~$5M in Q4 2018.

Additional 2018 Guidance

Non-GAAP gross margin

80% of revenue

for FY 2018

Non-GAAP selling and marketing expense

~36% of collections

for FY 2018

Total Non-GAAP operating expenses

66-67% of collections

for FY 2018

- **Tax expenses:** we now anticipate approximately $3-4 million in tax expense for the full year 2018

- **Capital expenditures:** we anticipate capital expenditures of approximately $13 million, primarily driven by leasehold improvements and equipment purchases as our employee base grows

- **Depreciation:** we expect depreciation to be $8-9 million for FY 2018

- **Share based compensation expense:** we now anticipate SBC expense to be approximately $72-73 million for the full year 2018

- **Share count:** we estimate we will have approximately 49-50 million basic shares outstanding at the end of full year 2018
  - Please note that basic weighted average shares outstanding is equal to fully diluted weighted shares outstanding to calculate fully diluted EPS as long as there is a GAAP net loss
  - We estimate that we will have approximately 57-59 million diluted shares outstanding, including the impact from the cashless net exercise

	FYE 2018
Basic Shares Outstanding	49-50M
Fully Diluted Shares Outstanding	59-61M
Impact of cashless net exercise[1]	(1.4M)
Fully Diluted Shares Outstanding, incl. cashless net exercise[1]	57-59M

Additional 2018 Guidance

Capital expenditures

~$13 million

for FY 2018

Share based compensation expenses

~$72-73 million

for FY 2018

Basic shares outstanding

49-50 million

at FYE 2018

Fully diluted shares outstanding

57-59 million

at FYE 2018

[1] Based on share price of $100.30 as of June 30, 2018

Additional Items

Share Repurchase Program Authorization

The Wix Board of Directors has authorized a share repurchase plan under which up to $100 million is available to purchase Wix's outstanding ordinary shares.

Wix intends to file a motion seeking court approval in Israel to extend the previously approved right to repurchase shares granted in July 2018 that expires December 31, 2018. The extension requested would be for six months, commencing on the later of (i) December 31, 2018 or (ii) the receipt of the required court approval. Wix intends to continue filing extension requests on an ongoing basis as required. Subject to approval by the Israeli courts, under the board authorized plan, shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions or by other means in accordance with federal securities laws and regulations, and the repurchase plan may be suspended or discontinued at any time. For all or a portion of the authorized repurchase amount, Wix may enter into a plan that is compliant with Rule 10b5-1 of the United States Securities Exchange Act of 1934, as amended, that is designed to facilitate these purchases. The actual timing, number and value of shares repurchased depend on a number of factors, including the market price of Wix's common stock, general market and economic conditions and other corporate considerations.

Outlook Summary

Non-GAAP, $ in thousands, except per share data	ASC 606 FY 2018E Prior Guidance	ASC 606 FY 2018E Updated Guidance	ASC 606 Q4'18E Initial Guidance
Collections	$ 656,000 - $ 660,000	$ 658,000 - $ 660,000	$ 176,000 - $ 178,000
y/y%	*36%*	*36%*	*33% - 35%*
Revenue	$ 597,000 - $ 599,000	$ 601,000 - $ 602,000	$ 161,000 - $ 162,000
y/y%	*40% - 41%*	*41%*	*36% - 37%*
Gross margin (% revenue)	~80%	~80%	
S&M % of collections	35% - 36%	~36%	
Total opex % of collections	66% - 67%	66% - 67%	
FCF	$ 101,000 - $ 103,000	$ 101,000 - $ 103,000	
Capital expenditures	~12,000 - 13,000	~13,000	
Depreciation	~8,000	~8,000 - 9,000	
SBC Expense	~70,000 - 71,000	~72,000 - 73,000	
Cash acquisition related costs	~5,000	~3,000	
Basic shares outstanding	~49 - 50 million	~49 - 50 million	
Fully diluted shares outstanding, including cashless net exercise	~57 - 59 million	~57 - 59 million	

Conference Call and Webcast Information

Wix will host a conference call at 5:00 p.m. ET on Tuesday, November 13, 2018 to answer questions about the financial and operational performance of the business during the third quarter of 2018. The conference call will include a brief statement by management and will focus on answering questions about our results during the quarter. To enhance the Q&A portion of this call, the Company has posted this shareholder update and supporting slides to its Investor Relations website at https://investors.wix.com/. These materials provide shareholders and analysts with additional detail for analyzing results in advance of the quarterly conference call.

To participate on the live call, analysts and investors should dial 866-966-5335 (US/Canada), +44-203-003-2666 (International) or 1-809-216-213 (Israel) at least ten minutes prior to the start time of the call and reference Conference ID WIX. A telephonic replay of the call will be available through November 20, 2018 at 11:59 p.m. ET by dialing +44-(0)-208-196-1998 and providing Conference ID 84853377.

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

To supplement its consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, Wix uses the following non-GAAP financial measures: collections, non-GAAP gross margin, non-GAAP operating income (loss), free cash flow, non-GAAP net income (loss) and non-GAAP net income (loss) per share (collectively the "Non-GAAP financial measures"). Collections represents the total cash collected by us from our customers in a given period and is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Non-GAAP gross margin represents gross profit calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related 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, and acquisition-related expenses. Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, amortization of debt discount and debt issuance costs and acquisition-related expenses. Non-GAAP net income (loss) per share represents non-GAAP net income (loss) divided by the weighted average number of shares used in computing GAAP loss per share. Free cash flow represents net cash provided by (used in) operating activities less capital expenditures.

The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. The Company uses these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. The Company believes that these measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

For more information on the non-GAAP financial measures, please see "Reconciliation of GAAP to Non-GAAP Financial Measures" 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 has not reconciled its free cash flow guidance to net cash provided by operating activities because net cash provided by operating activities is not accessible on a forward-looking basis. Items that impact net cash provided by operating activities are out of the Company's control and/or cannot be reasonably predicted. Accordingly, a reconciliation to net cash provided by operating activities is not available without unreasonable effort.

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, the availability, merchantability or functionality of certain new products or features and their anticipated product demand and customer satisfaction, and may be identified by words like “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “outlook,” “future,” “will,” “seek” and similar terms or phrases. The forward-looking statements contained in this document, including the full year guidance, are based on management’s current expectations, which are subject to uncertainty, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Important factors that could cause our actual results to differ materially from those indicated in the forward-looking statements include, among others, our ability to grow our user base and premium subscriptions; our ability to maintain and enhance our brand and reputation; our prediction of the future collections generated by our user cohorts; our ability to manage the growth of our infrastructure effectively; our ability to effectively execute our initiatives to scale and improve our user support function; customer acceptance of new products and other challenges inherent in new product development, changes to technologies used in our solutions or in global, national, regional or local economic, business, competitive, market, regulatory and other factors discussed under the heading “Risk Factors” in the Company’s 2017 annual report on Form 20-F filed with the Securities and Exchange Commission on March 29, 2018. Any forward-looking statement made by us in this press release speaks only as of the date hereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise.

Reconciliation of GAAP to non-GAAP measures

in 000s	2017 Q3	2018 Q3	Full Year 2015	Full Year 2016	Full Year 2017
Revenues	$111,031	$155,600	$203,518	$290,103	$425,636
Collections	$120,119	$162,777	$241,687	$342,069	$483,989
Non-GAAP Gross Profit	$93,744	$123,867	$169,901	$246,614	$359,708
Gross Margin %	*84%*	*80%*	*83%*	*85%*	*85%*
Non-GAAP R&D expenses	$32,037	$38,590	$67,977	$87,570	$121,293
% of revenues	*29%*	*25%*	*33%*	*30%*	*28%*
% of collections	*27%*	*24%*	*28%*	*26%*	*25%*
Non-GAAP S&M expenses	$49,303	$59,196	$116,733	$151,759	$195,041
% of revenues	*44%*	*38%*	*57%*	*52%*	*46%*
% of collections	*41%*	*36%*	*48%*	*44%*	*40%*
Non-GAAP G&A Expenses	$8,986	$9,825	$14,457	$19,814	$34,275
% of revenues	*8%*	*6%*	*7%*	*7%*	*8%*
% of collections	*7%*	*6%*	*6%*	*6%*	*7%*
Non-GAAP Operating Income (Loss)	$3,418	$16,256	($29,266)	($12,529)	$9,099
% of revenues	*3%*	*10%*	*(14%)*	*(4%)*	*2%*
% of collections	*3%*	*10%*	*(12%)*	*(4%)*	*2%*
Non-GAAP Net Income (Loss)	$353	$18,803	($31,354)	($14,555)	($549)

in 000s	2016				2017				2018			Full Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2015	2016	2017
Revenue	$61,586	$68,730	$75,611	$84,176	$92,538	$103,522	$111,031	$118,545	$137,775	$146,132	$155,600	$203,518	$290,103	$425,636
Change in deferred revenue	$14,108	$12,723	$11,659	$13,476	$22,008	$13,599	$9,088	$13,658	$21,880	$13,763	$7,177	$38,169	$51,966	$58,353
Collections	$75,694	$81,453	$87,270	$97,652	$114,546	$117,121	$120,119	$132,203	$159,655	$159,895	$162,777	$241,687	$342,069	$483,989

in 000s	2016				2017				2018			Full Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2015	2016	2017
GAAP Gross Profit	$51,079	$57,712	$64,587	$71,438	$77,675	$85,497	$92,204	$100,869	$108,731	$115,695	$122,623	$168,548	$244,816	$356,245
Share Based Compensation	$428	$475	$466	$429	$506	$695	$783	$946	$1,079	$1,087	$1,102	$1,353	$1,798	$2,930
Amortization	$0	$0	$0	$0	$0	$1,040	$757	($1,292)	$142	$142	$142	$0	$0	$505
Acquisition Related Expenses	$0	$0	$0	$0	$28	$0	$0	$0	$0	$0	$0	$0	$0	$28
Non-GAAP Gross Profit	$51,507	$58,187	$65,053	$71,867	$78,209	$87,232	$93,744	$100,523	$109,952	$116,924	$123,867	$169,901	$246,614	$359,708
Non-GAAP Gross Margin %	*84%*	*85%*	*86%*	*85%*	*85%*	*84%*	*84%*	*85%*	*80%*	*80%*	*80%*	*83%*	*85%*	*85%*

in 000s	2016				2017				2018			Full Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	2015	2016	2017
Research and development (GAAP)	$24,472	$25,483	$26,536	$28,877	$32,669	$36,749	$40,252	$43,965	$46,502	$48,492	$49,360	$77,647	$105,368	$153,635
Share Based Compensation	$3,111	$3,558	$3,718	$4,156	$4,726	$6,586	$7,190	$7,725	$8,485	$9,470	$10,372	$9,234	$14,543	$26,227
Amortization	$137	$136	$138	$136	$136	$138	$136	$136	$137	$136	$137	$0	$547	$546
Aquisition related expenses	$1,183	$397	$514	$614	$1,713	$860	$889	$2,107	$1,095	$1,084	$261	$436	$2,708	$5,569
Non-GAAP research and development	$20,041	$21,392	$22,166	$23,971	$26,094	$29,165	$32,037	$33,997	$36,785	$37,802	$38,590	$67,977	$87,570	$121,293
% of collections	*26%*	*26%*	*25%*	*25%*	*23%*	*25%*	*27%*	*26%*	*23%*	*24%*	*24%*	*28%*	*26%*	*25%*
Selling and marketing (GAAP)	$40,454	$36,026	$40,010	$40,022	$54,329	$48,016	$51,184	$50,906	$67,011	$58,855	$62,247	$120,010	$156,512	$204,435
Share Based Compensation	$981	$1,122	$1,237	$1,213	$1,419	$1,778	$1,826	$1,562	$2,042	$2,352	$2,597	$3,077	$4,553	$6,585
Amortization	$50	$50	$50	$50	$50	$62	$55	$1,535	$309	$453	$454	$200	$200	$1,702
Aquisition related expenses	$0	$0	$0	$0	$611	$0	$0	$496	$237	($138)	$0	$0	$0	$1,107
Non-GAAP selling and marketing	$39,423	$34,854	$38,723	$38,759	$52,249	$46,176	$49,303	$47,313	$64,423	$56,188	$59,196	$116,733	$151,759	$195,041
% of collections	*52%*	*43%*	*44%*	*40%*	*46%*	*39%*	*41%*	*36%*	*40%*	*35%*	*36%*	*48%*	*44%*	*40%*
General and administrative (GAAP)	$5,921	$6,693	$7,073	$7,281	$11,148	$11,295	$12,222	$13,521	$13,670	$14,855	$14,514	$19,526	$26,968	$48,186
Share Based Compensation	$1,617	$1,772	$1,743	$2,022	$2,331	$2,920	$3,236	$3,471	$4,068	$4,860	$4,689	$5,069	$7,154	$11,958
Acquisition related expenses	$0	$0	$0	$0	$1,413	$0	$0	$540	$96	$0	$0	$0	$0	$1,953
Non-GAAP general and administrative	$4,304	$4,921	$5,330	$5,259	$7,404	$8,375	$8,986	$9,510	$9,506	$9,995	$9,825	$14,457	$19,814	$34,275
% of collections	*6%*	*6%*	*6%*	*5%*	*6%*	*7%*	*7%*	*7%*	*6%*	*6%*	*6%*	*6%*	*6%*	*7%*

in 000s	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	Full Year 2015	Full Year 2016	Full Year 2017
GAAP Operating Loss	($19,768)	($10,490)	($9,032)	($4,742)	($20,471)	($10,563)	($11,454)	($7,523)	($18,452)	($6,507)	($3,498)	($48,635)	($44,032)	($50,011)
Share Based Compensation	$6,137	$6,927	$7,164	$7,820	$8,982	$11,979	$13,035	$13,704	$15,674	$17,769	$18,760	$18,733	$28,048	$47,700
Amortization	$187	$186	$188	$186	$186	$1,240	$948	$379	$588	$731	$733	$200	$747	$2,753
Acquisition Related Expenses	$1,183	$397	$514	$614	$3,765	$860	$889	$3,143	$1,428	$946	$261	$436	$2,708	$8,657
Non-GAAP Operating Income (Loss)	($12,261)	($2,980)	($1,166)	$3,878	($7,538)	$3,516	$3,418	$9,703	($762)	$12,939	$16,256	($29,266)	($12,529)	$9,099

in 000s	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	Full Year 2015	Full Year 2016	Full Year 2017
GAAP Net Loss	($19,912)	($11,420)	($9,643)	($5,921)	($20,885)	($14,264)	($14,519)	($6,605)	($19,811)	($5,640)	($5,916)	($51,334)	($46,896)	($56,273)
Share Based Compensation & Other Non-GAAP Adjustments	$7,682	$7,707	$8,074	$8,878	$12,933	$14,079	$14,872	$13,840	$17,690	$19,446	$24,719	$19,980	$32,341	$55,724
Non-GAAP Net Income (Loss)	($12,230)	($3,713)	($1,569)	$2,957	($7,952)	($185)	$353	$7,235	($2,121)	$13,806	$18,803	($31,354)	($14,555)	($549)

in 000s	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	Full Year 2015	Full Year 2016	Full Year 2017
Net cash provided by operating activities	($925)	$11,314	$10,470	$19,714	$16,397	$19,651	$22,063	$24,941	$24,779	$27,268	$27,607	$20,876	$40,573	$83,052
Capital expenditures, net	($1,209)	($1,129)	($1,046)	($1,031)	($1,616)	($2,239)	($3,128)	($5,386)	($3,358)	($3,411)	($3,916)	($6,342)	($4,415)	($12,369)
Free Cash Flow	($2,134)	$10,185	$9,424	$18,683	$14,781	$17,412	$18,935	$19,555	$21,421	$23,857	$23,691	$14,534	$36,158	$70,683