



# SHAREHOLDER UPDATE

Second Quarter 2018

July 25th • 2018 • July 25th

## Q2 Operating Metrics



New Registered Users Added

**5.8 M**

Net Premium Subscriptions Added

**205 K**

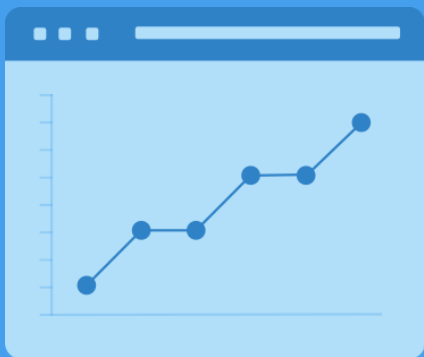
Total Registered Users

**131 M** (+20% y/y)

Total Premium Subscriptions

**3.7 M** (+28% y/y)

## Q2 Financial Metrics



GAAP Revenue

**\$146.1 M** (+41% y/y)

Collections

**\$159.9 M** (+37% y/y)

Net Cash Provided by Operating Activities

**\$27.3 M** (+39% y/y)

Free Cash Flow

**\$23.9 M** (+37% y/y)

# Earnings Highlights

- **Top line growth above high end of expectations; raising full year guidance**
- **Highest quarterly FCF ever, in combination with strong top line growth**
- **Strong momentum in product innovation driving expanding market opportunity**
- **Increasing cohort value highlighted by higher conversion and retention**
- **Efficient marketing execution continues**

## Second Quarter Highlights

### Continued strength with all key metrics once again exceeded high end of expectations

- The momentum and excitement we shared at our Analyst & Investor Day in June are reflected in strong financial results in Q2
- Revenue in Q2 was \$146.1M, up 41% y/y and ahead of the top end of guidance
- Collections in Q2 were \$159.9M, up 37% y/y and above our expectations
- Improvements to existing products and new product development drove conversion and retention higher, and ongoing marketing execution and the improving strength of our brand contributed positively to results

### Free cash flow of \$23.9 million was the highest ever in a quarter and was generated in combination with strong top line growth

- Y/Y growth in free cash flow was 37%
- Free cash flow was 15% of collections in Q2, compared to 13% in Q1 2018, indicating improved leverage in our business

### Momentum in product innovation expanding market opportunity

- We continue to provide Wix users of all skill levels and backgrounds with a complete product platform so they can create their brands and businesses online
- Development of Wix Code continues, and users of all skill levels, including experts and professionals, are creating a wide variety of websites and web applications. **We remain excited about the significant opportunity Wix Code presents for the coming years**

## Q2 Results vs. Guidance

### GAAP Revenue

Actual Results

**\$146.1 million**

Prior Guidance

**\$144-145 million**

### Collections

Actual Results

**\$159.9 million**

Prior Guidance

**\$158-159 million**

### Free Cash Flow

Actual Results

**\$23.9 million**

- We recently launched a **mobile site builder** for Wix, enabling users to create a professional looking, customized website entirely from a mobile device. This launch is part of our ongoing mobile-first efforts to address the needs of customers around the world
- **Wix ADI** continues to be a positive contributor to overall conversion improvements, and we are experiencing early success in additional languages other than English

### **Increasing conversion and strong user cohort performance drove increasing cohort value**

- Conversion of registered users to premium subscriptions continued to increase through Q2 driven by continued product development and outstanding execution of our data-driven marketing strategy
- Net subscription additions were 205K in Q2, the second consecutive quarter above 200K. Net subscription additions in the first half of 2018 were 436K, up 9% vs. the first half of 2017
- **We now expect over \$4.6 billion in future collections from existing cohorts over the next 8 years, based on current cohort behavior**
- Every 100K new subscriptions is expected to create \$165 million in future collections over the next 8 years, based on current cohort behavior
- Retention is at the highest levels experienced in our history, demonstrating that users are increasingly finding value in our product

### **Efficient marketing execution continues**

- The Q2 user cohort is on pace to achieve a time to return on investment, or TROI, of 7-9 months, **indicating that acquisition cost per premium subscription is not increasing**
- While marketing investment is up 22% y/y, non-GAAP S&M expense fell to 35% of collections in Q2 compared to 39% in Q2 2017 and 40% in Q1 2018, demonstrating the leverage in our business model

## **Increasing 2018 outlook to reflect continued momentum through the second half**

- Continued momentum in product enhancements and new product launches, including Wix Code, as well as improvements in conversion and retention to date, provide a strong setup for the second half of 2018
- Revenue outlook for 2018 increased to \$597-599 million from its previous range of \$594-597 million
- Collections outlook for 2018 increased to \$656-660 million from its previous range of \$651-657 million
- Free cash flow outlook for 2018 increased to \$101-103 million from its previous range of \$100-102 million

## Financial Performance

The following financial results for Q2 2018 are presented under ASC 606 as well as ASC 605 for comparability purposes. Second quarter of 2017 financial results are presented under ASC 605. A reconciliation of the second 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 of our Q2 2018 earnings press release.

The following results are also presented, unless noted, using the change in accounting we announced last quarter related to our revised agreement with Google. 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 margin.

Revenue in Q2 was \$146.1M, up 41% y/y, exceeding the high end of our guidance range of \$144-145M. Under ASC 605, Q2 revenue would have been \$144 million, an increase of 39% y/y.

Collections in Q2 were \$159.9M, up 37% y/y, and exceeded the high end of our guidance range of \$158-159M.

- **Outperformance this quarter was driven by conversion and retention exceeding expectations as well as an increase in the adoption of vertical applications**
- Changes in currency rates positively impacted collections in Q2 by an immaterial amount and were included in the guidance that was provided for the quarter

Revenue (in millions)



Collections (in millions)



Average revenue per subscription (ARPS) increased to \$157 in Q2 from \$154 in Q1 2018. ARPS is calculated as total revenue over the last four quarters divided by the average number of subscriptions over the same period. The increase was driven by adoption of vertical applications and an improved mix of higher priced subscription packages. We believe that ARPS is the best measurement of our monetization per subscription going forward.

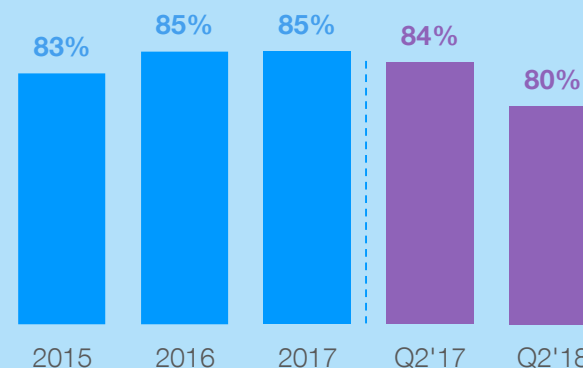
Non-GAAP gross margin was 80% of revenue in Q2. Under ASC 605, second quarter 2018 non-GAAP gross margin as a percent of revenue would have also been 79%. We continue to benefit from scale, efficient resource management and the use of multiple providers to meet the growing bandwidth and storage needs of our users.

Non-GAAP R&D expense was \$37.8M in Q2 compared to \$36.8M in Q1 2018 and \$29.2M in Q2 2017. As a percent of collections, R&D expense was 24% in Q2 2018, compared to 23% in Q1 2018 and 25% in Q2 2017.

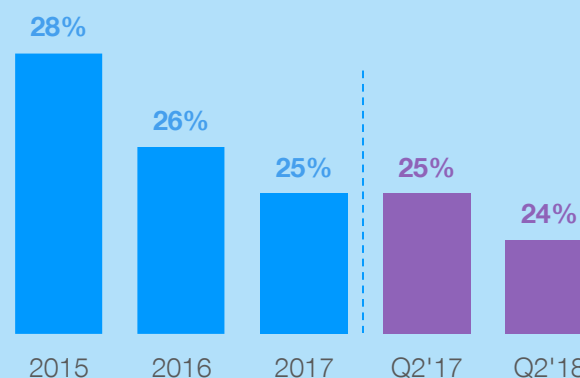
**The incremental margin on R&D expenses compared to the prior year is a reflection of our ability to drive positive returns through investment in product development and innovation.** The success of several products released in recent years, most notably Wix ADI, prove our ability to drive positive returns on R&D investments. We anticipate further leverage in R&D driven by recent products such as Wix Code.

### Non-GAAP Gross Margin

*Q2'18 gross margin includes the impact of the Google agreement accounting change*



### Non-GAAP R&D as a % of Collections

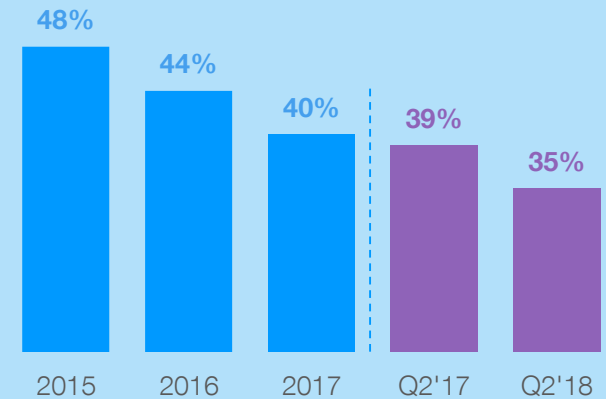


Non-GAAP S&M expense was \$56.2M in Q2 compared to \$64.4M in Q1 2018 and \$46.2M in Q2 2017. As a percent of collections, S&M expense was 35% in Q2 compared to 40% in Q1 2018 and 39% in Q2 2017.

**We continue to increase marketing investment while maintaining our TROI at 7-9 months due to product improvements that drove better conversion, more efficient advertising and the strengthening of our brand.** As we highlighted at our Analyst & Investor Day in June, the increase in our marketing investment while maintaining a TROI of 7-9 months indicates that our cost of acquiring new premium subscriptions is steady.

Non-GAAP G&A expense was \$10.0M in Q2 compared to \$9.5M in Q1 2018 and \$8.4M in Q2 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 Q2 2018, the same as in Q1 2018 and down slightly from 7% in Q2 2017.

Non-GAAP S&M as a % of Collections

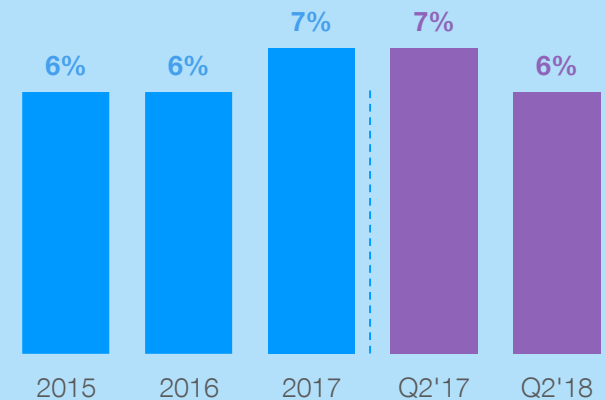


## TROI:

### Time to Return On (Marketing) Investment

The time it takes to collect dollars from new premium subscriptions acquired in a cohort to equal dollars spent on direct marketing costs in the same cohort. We aim for 100% TROI in 7-9 months

Non-GAAP G&A as a % of Collections





Non-GAAP operating income was \$12.9M, compared to non-GAAP operating loss of \$(0.8)M in Q1 2018 and non-GAAP operating income of \$3.5M in Q2 2017.

Free cash flow rose to \$23.9M, compared to \$21.4M in Q1 2018 and \$17.4M in Q2 2018, an increase of 37% y/y. **As we grow collections at high rates, we also continue to grow free cash flow at even greater rates. This unique combination is a reflection of our efficient business model and our success in cohort performance.**

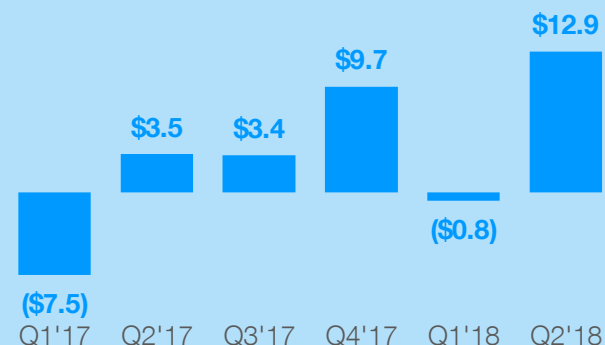
**We ended Q2 2018 with \$637M in cash on the balance sheet and \$286M in long-term debt.** The cash balance at Q2 reflects \$336 million in net proceeds from the convertible notes we issued in June. In July, the initial purchasers exercised their option to purchase additional notes to cover over-allotments. The net proceeds of this addition will be approximately \$50M and will be included on our Q3 balance sheet ending September 30. Please see the “Additional Items” section of this document for a further explanation of this transaction and its impact on our financials.

Our total employee headcount stood at 2,198 as of the end of the second quarter.

At the end of Q2 2018, our basic weighted average share count was approximately 47.7 million and our weighted average fully diluted share count was approximately 56.3 million, which includes the impact from the cashless net exercise of options that began in Q1 2018.

As we highlighted at our Analyst & Investor Day, we have instituted a cashless net exercise program for the majority of options outstanding and to be issued under our 2013 Incentive Compensation Plan. Under the cashless net exercise program, upon the exercise of an option, we will issue only the net shares (as opposed to issuing the gross number of shares) and will withhold the remaining shares having a fair market value equal to the exercise price. Further, the shares

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

withheld to cover the exercise price under the net exercise program will not be returned to the shares reserved for issuance. The result is a lower number of new shares issued by the company upon the exercise of options without increasing the number of shares available for issuance under the 2013 Incentive Compensation Plan.

We currently expect that this cashless net exercise program will reduce the dilution caused by our outstanding options by a maximum of approximately 1.5 million shares. This figure is based on the closing price of our shares on June 30, 2018 and assumes that all relevant options currently outstanding will be exercised before their expiration and also includes future option issuances. Fluctuations in our share price will impact the maximum reduction in dilution from the net exercise program. We believe that this program is an efficient way for us to reduce dilution without having to conduct a formal share repurchase program.

	<b><u>Q2'18</u></b>
Basic and diluted weighted avg number of shares outstanding	47.7M
Stock options	8.0M
<u>Restricted share units</u>	<u>2.1M</u>
Weighted avg shares outstanding, incl. anti-dilutive items	57.8M
<u>Impact of cashless net exercise<sup>1</sup></u>	<u>(1.5M)</u>
<b>Weighted avg shares outstanding, incl. anti-dilutive items and cashless net exercise<sup>1</sup></b>	<b>56.3M</b>

<sup>1</sup> Based on share price of \$100.30 as of June 30, 2018

# Registered Users and Premium Subscriptions

Our user cohorts continued to exhibit their consistent performance in the second quarter and demonstrated the behaviors that we highlighted in our Analyst Day:

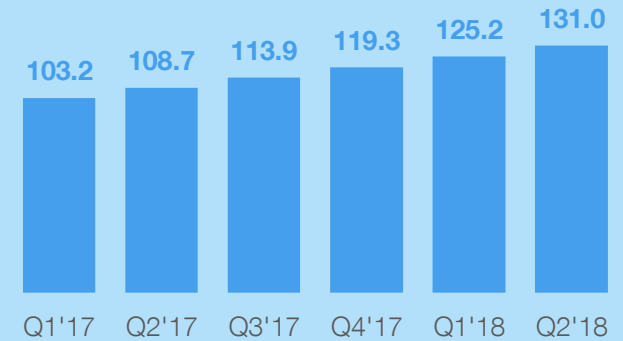
- We continue to generate more collections from existing cohorts before adding the new cohort, which illustrates the zero churn in our model
- With the addition of our newest user cohort, we now expect future collections of all existing cohorts to be \$4.6 billion over the next 8 years, based on current cohort behavior

**In the second quarter, we added 5.8 million registered users, bringing total registered users to over 131 million, a 20% increase over last year.**

As was the case last quarter, new registered user additions in select English-speaking markets increased year-over-year as we continue to invest marketing dollars to achieve our targeted TROI. Beginning in the second quarter, 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 205K net premium subscriptions in the second quarter as conversion and retention improved again.** Total premium subscriptions at the end of the second quarter were 3.7 million, or 28% higher than second quarter 2017. Conversion and retention improvements continued to be driven by enhancements to our product platform and improved billing execution. Collections generated by subscriptions from the second quarter user cohort remain on track to achieve our targeted TROI of 7-9 months.

Total Registered Users (in millions)



Total Premium Subscriptions (in millions)

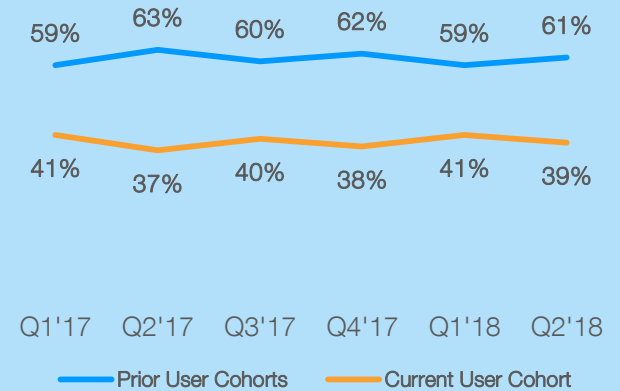


Based on the historical behavior of our user cohorts, we approximate that for each 100K new premium subscriptions, we will generate over \$165 million over eight years, at an 80% gross margin and with minimal marketing investment.

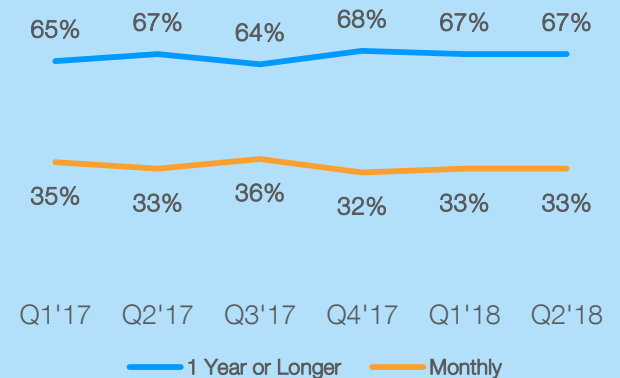
**We believe these consistent improvements in conversion and retention demonstrate the continued advancement of our product offering, efficiency of our marketing investment and strengthening of our brand.**

During the quarter, 67% of gross subscriptions were annual or longer in term while 33% were monthly. As of the end of the second 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, community or person can create their businesses and brands online. We execute this vision by developing innovative technology and products that are intuitive to use and give creative freedom to the user.

Nearly two million new users register with Wix every month with the intent to create online. We strive to continue to build new products and enhance existing products to allow these users to achieve their goals and more.

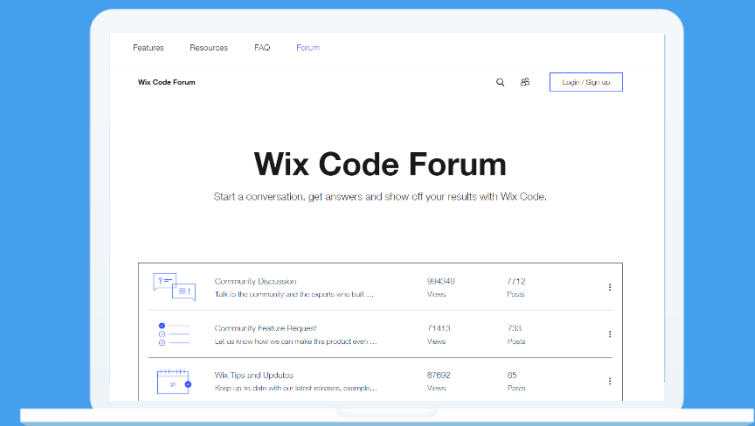
## Wix Code

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 of premium subscriptions purchased by users of Wix Code continues to increase, building on our excitement for the future of this product.

**Activity in the Wix Code Forum, our online community for users to find help and interact with one another, is also increasing as users have contributed over 35,000 posts and comments, which have generated over 1 million views.**

The Wix Code Forum is the early stage of our Wix Code community and a key part of our strategy. This community is important for several reasons. First, it is a resource for our professional users who are in need of support that is specific to Wix Code. Both we and other users can provide this support in the Forum, and these responses can be seen by others, including those that may have similar questions.

## Wix Code Forum



Second, the Forum is a great source for our product teams to quickly get feedback and feature requests from users. This input greatly informs our product roadmap and helps us prioritize different features or upgrades.

Finally, the Forum allows us to communicate directly with users about product updates, changes and new features. This ongoing dialogue is invaluable in our efforts to improve the overall experience for the users of Wix Code.

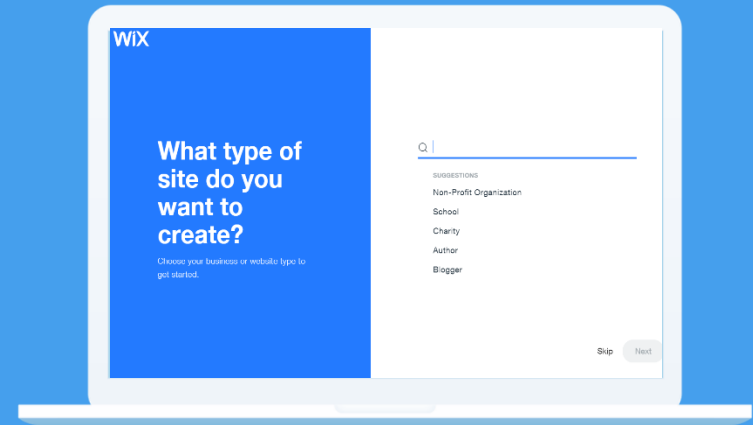
The numbers of users and sites built with Wix Code continue to increase and are ahead of our expectations. We believe the contribution of incremental premium subscriptions and collections to our overall business will continue to grow through the second half of 2018 and will increase through 2019 and subsequent years. We have not announced any change in pricing specifically related to Wix Code. However, as we noted at the Analyst & Investor Day, we are considering and evaluating several types of models including higher tier packages, variable pricing based on usage, a combination of subscription and variable pricing and others.

## Wix ADI

Wix ADI allows a user to create a website tailored to their specific business, with its own content, in minutes. Users can publish a website created by ADI, or further modify it in the Wix Editor before publishing. **The combination of Wix ADI and the Wix Editor provides a powerful offering that we believe is unrivaled in the market today.**

As of today, we have released Wix ADI in multiple languages other than English and plan to release more by the end of the year.

# Wix ADI



## Mobile Site Builder

In response to increasing requests from our users, we recently launched a mobile site builder for Wix. Users can now create a complete, customized and stunning website from a mobile device. The mobile site builder is powered by the same technology that powers Wix ADI, demonstrating our ability to use the same technology to solve multiple challenges.

Once the initial website is built, users are able to modify the site further on either a mobile device or using the Wix Editor on a desktop. We believe this product will address the needs of users who are located in countries where desktop computers are less available or used. This product is another example of our ability to develop new products and features in response to requests from users who come to Wix to build their businesses and communities online. **While strategically this product is valuable to many users, we do not expect significant incremental collections from this launch at this point in time.**

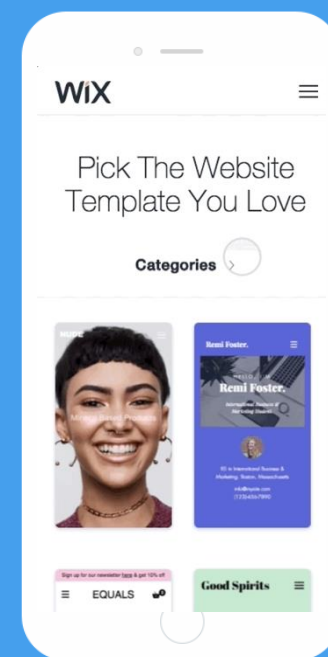
## Other Product Updates

We continue to improve existing products and release new features based on user feedback. To highlight a few recent product improvements:

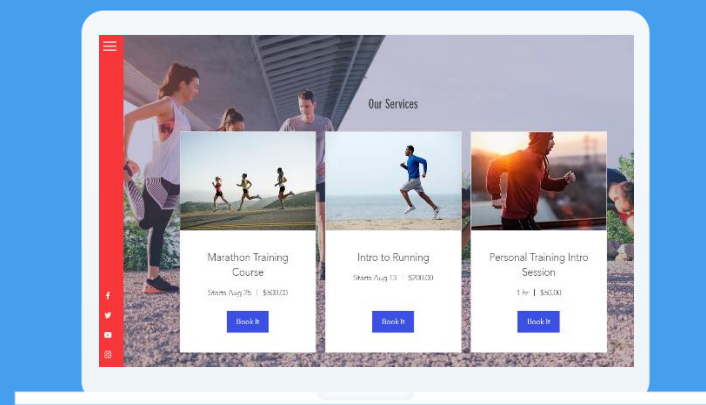
**Wix Bookings.** This quarter, we released Courses for Wix Bookings, giving users the ability to offer a set of sessions booked all at once. Courses are perfect for users who offer multi-session meetings to get clients to sign up for and pay for the entire course, not just single sessions.

**Wix Events.** Now with Wix Events, site visitors can buy tickets straight from a website. In the events manager, users can add as many events as desired, select the price, add a limit to the number of tickets available, connect a payment method and manage all transactions in one place. After guests sign up, they will receive a printable (PDF) version of the ticket which they can bring with them to

## Mobile site builder



## Wix Bookings



the event. Users can easily manage a guest list and check-in guests to the event right from the Wix mobile app.

**Wix Logo Maker.** We continue to work towards a world in which anyone can quickly turn an idea into a successful brand. We recently launched Wix Logo Maker, a new product that generates a customizable, high-resolution logo for users in minutes using artificial intelligence. Creating a brand for a business is a critical piece of building an online presence. We found that many of our users were looking to build a logo for their websites. Offering this capability provides Wix users with an additional product to build a stunning website and grow their business online.

We believe Wix Logo Maker will serve as an additional user acquisition path for our core product offering, but we do not anticipate it to contribute to collections in a meaningful way on a standalone basis.

## Wix Events



## Wix Logo Maker





## Business Outlook

*The following guidance for Q3 2018 and the updated guidance for full year 2018 are based on ASC 606 and include the benefit from the Google agreement accounting change. For purposes of comparison to 2017 figures, please refer to the tables that were presented under ASC 606 with our Q4 2017 earnings release.*

**The initial guidance for Q3 2018 and increase to our full year guidance reflects our continued confidence in the trends in our business through the second half of the year.** We believe collections and revenue growth will continue, combined with increasing free cash flow.

For Q3 2018, we expect the following:

- Revenue of \$152-153 million, reflecting y/y growth of 37-38%
- Collections of \$161-162 million, a y/y increase of 34-35%

We are increasing our FY 2018 guidance as follows:

- Revenue of \$597-599 million, reflecting y/y growth of 40-41% and an increase to our prior guidance of \$594-597 million
- Collections of \$656-660 million, a y/y increase of 36% and an increase to our prior guidance of \$651-657 million
- Free cash flow of \$101-103 million, reflecting y/y growth of 43-46% and higher than our prior guidance of \$100-102 million

## Q3'18 Guidance

### GAAP Revenue

**\$152-153 million**

37-38% y/y growth

### Collections

**\$161-162 million**

34-35% y/y growth

## FY 2018 Guidance

### GAAP revenue

**\$597-599 million**

40-41% y/y growth

Prior Guidance: \$594-597 million

### Collections

**\$656-660 million**

36% y/y growth

Prior Guidance: \$651-657 million

### Free cash flow

**\$101-103 million**

43-46% y/y growth

Prior Guidance: \$100-102 million

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 Sales and Marketing Expenses:** we expect S&M expense on a non-GAAP basis to be 35-36% of collections for the full year 2018, in line with previous guidance
- **Non-GAAP Operating Expenses:** 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:** due to the issuance of the Convertible Notes, we are updating our guidance for financial income and expense. For H2 2018, we anticipate that we will generate ~\$6M in interest income. Note that this income will not necessarily be realized in cash flow in the H2. 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 ~\$9M in 2H 2018. Please see “Additional Items” for additional detail

## Additional 2018 Guidance

Non-GAAP gross margin

**80% of revenue**

for FY 2018

Non-GAAP sales & marketing expense

**35-36% of collections**

for FY 2018

Total Non-GAAP operating expenses

**66-67% of collections**

for FY 2018

# Additional 2018 Guidance

## Capital expenditures

~\$12-13 million

for FY 2018

## Share based compensation expenses

~\$70-71 million

for FY 2018

## Basic shares outstanding

49-50 million

at FYE 2018

## Fully diluted shares outstanding

57-59 million

at FYE 2018

- **Tax expenses:** we now anticipate approximately \$4-5 million in tax expense for the full year 2018
- **Capital expenditures:** we anticipate capital expenditures of \$12-13 million, primarily driven by leasehold improvements and equipment as our employee base grows. This outlook is consistent with the prior outlook
- **Depreciation:** we expect depreciation to be ~\$8 million for FY 2018
- **Share based compensation expense:** we now anticipate SBC expense to be approximately \$70-71 million for the full year 2018. The outlook for this expense is higher than last quarter due to the increase in our share price YTE and this impact on the Black-Scholes option pricing model. This expense may continue to fluctuate during the year due further changes in our share price
- **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

	<b>FYE 2018</b>
Basic Shares Outstanding	49-50M
Fully Diluted Shares Outstanding	59-61M
<u>Impact of cashless net exercise<sup>2</sup></u>	<u>(1.5M)</u>
Fully Diluted Shares Outstanding, incl. cashless net exercise <sup>2</sup>	57-59M

<sup>2</sup> Based on share price of \$100.30 as of June 30, 2018

## Additional Items

### *Convertible notes issuance*

On June 21, we issued \$385 million of 0% Convertible Senior Notes due 2023. The Notes will not bear regular interest, and the principal amount of the Notes will not accrete. In connection with this issuance, we also entered into privately negotiated capped call transactions. These capped call transactions are expected to reduce the potential dilution to the ordinary shares of Wix upon any conversion of Notes. The cap price of the capped call transactions will initially be \$211.30 per share, which represents a premium of 100% over the last reported sale price of the ordinary shares of Wix of \$105.65 per share on June 21, 2018.

Net proceeds from the issuance of the Notes in the second quarter were \$335 million after deducting fees and expenses associated with the offering and the cost of the capped call transactions. Our financial statements for the second quarter ending June 30 reflect these transactions.

On July 3, the initial purchasers of the Notes exercised their over-allotment option in full to purchase an additional \$57.75 million in aggregate principal amount of the Notes. Our net proceeds from this additional issuance was \$50 million, after deducting fees and expenses associated with the offering and the cost of the capped call transactions. These transactions will appear on our third quarter financial statements ending September 30.

In aggregate, we issued \$443.8 million of 0% Convertible Senior Notes due 2023 and total net proceeds to us were \$385.9 million.

### *Deferred revenue*

The changes in short term and long term deferred revenues on our statement of cash flows for the six months ended June 30, 2018 will not match the differences in these deferred revenue accounts on our balance sheet. The reason is due to our transition to ASC 606 for revenue recognition using the modified retrospective approach in our financial statements. Under this approach, we allocated ~\$28M in deferred revenue to retained earnings on our balance sheet on January 1, 2018. Because this reclassification has no impact on our cash, it does not appear in the statement of cash flows.

### *Financial Income and Expense*

Financial income and expense is primarily comprised of two items: 1) income related to interest earned from the investment of our cash and 2) income and expense related to our hedging activities and exchange rate differences. Through H1 2018, we generated ~\$1.5M in interest income, and there was a net ~\$0 income or expense related to hedging activities and rate differences.

# Outlook Summary

Non-GAAP, \$ in thousands, except per share data

	ASC 606 FY 2018E Prior Guidance	ASC 606 FY 2018E Updated Guidance	ASC 606 Q3'18E Initial Guidance
Collections	\$ 651,000 - \$ 657,000	\$ 656,000 - \$ 660,000	\$ 161,000 - \$ 162,000
y/y%	35% - 36%	36% - 36%	34% - 35%
Revenue	\$ 594,000 - \$ 597,000	\$ 597,000 - \$ 599,000	\$ 152,000 - \$ 153,000
y/y%	40% - 40%	40% - 41%	37% - 38%
Gross margin (% revenue)	~80%	~80%	
S&M % of collections	35% - 36%	35% - 36%	
Total opex % of collections	66% - 67%	66% - 67%	
FCF	\$ 100,000 - \$ 102,000	\$ 101,000 - \$ 103,000	
Capital expenditures	~12,000 - 13,000	~12,000 - 13,000	
Depreciation	~8,000	~8,000	
SBC Expense	~66,000 - 67,000	~70,000 - 71,000	
Cash acquisition related costs	~5,000	~5,000	
Basic shares outstanding	~49 - 50 million	~49 - 50 million	
Fully diluted shares outstanding	~59 - 61 million	~57 - 59 million	

## Conference Call and Webcast Information

Wix will host a conference call at 8:30 a.m. ET on Wednesday, July 25, 2018 to answer questions about the financial and operational performance of the business during the second 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 a shareholder update and supporting slides to its Investor Relations website at <https://investors.wix.com/results>. 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 866-393-4306 (US/Canada), 734-385-2616 (International) or 1-809-315-362 (Israel) at least ten minutes prior to the start time of the call and reference Conference ID 5158929. A telephonic replay of the call will be available through July 29, 2018 at 11:59 p.m. ET by dialing 855-859-2056 (US/Canada) or 404-537-3406 (International) and providing Conference ID 5158929.

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 costs 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 costs. Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, tax benefit related to exercise of options and acquisition-related costs. 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 the "Reconciliation of GAAP to Non-GAAP Financial Measures" table in this press release. This accompanying table has 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 guidance as to free cash flow to cash flow from operations because it does not provide guidance for cash flow from operations. As items that impact cash flow from operations are out of the Company's control and/or cannot be reasonably predicted, the Company is unable to provide such guidance. Accordingly, a reconciliation to cash flow from operations is not available without unreasonable effort.

### **Forward-Looking Statements**

This press release 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 press release, 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	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$61,586	\$68,730	\$75,611	\$84,176	\$92,538	\$103,522	\$111,031	\$118,545	\$137,775	\$146,132
Change in deferred revenue	\$14,108	\$12,723	\$11,659	\$13,476	\$22,008	\$13,599	\$9,088	\$13,658	\$21,880	\$13,763
Collections	\$75,694	\$81,453	\$87,270	\$97,652	\$114,546	\$117,121	\$120,119	\$132,203	\$159,655	\$159,895

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Gross Profit	\$51,079	\$57,712	\$64,587	\$71,438	\$77,675	\$85,497	\$92,204	\$100,869	\$108,731	\$115,695
Share Based Compensation	\$428	\$475	\$466	\$429	\$506	\$695	\$783	\$946	\$1,079	\$1,087
Amortization	\$0	\$0	\$0	\$0	\$0	\$1,040	\$757	(\$1,292)	\$142	\$142
Acquisition Related Expenses	\$0	\$0	\$0	\$0	\$28	\$0	\$0	\$0	\$0	\$0
Non-GAAP Gross Profit	\$51,507	\$58,187	\$65,053	\$71,867	\$78,209	\$87,232	\$93,744	\$100,523	\$109,952	\$116,924

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Research and development (GAAP)	\$24,472	\$25,483	\$26,536	\$28,877	\$32,669	\$36,749	\$40,252	\$43,965	\$46,502	\$48,492
Share Based Compensation	\$3,111	\$3,558	\$3,718	\$4,156	\$4,726	\$6,586	\$7,190	\$7,725	\$8,485	\$9,470
Amortization	\$137	\$136	\$138	\$136	\$136	\$138	\$136	\$136	\$137	\$136
Acquisition related expenses	\$1,183	\$397	\$514	\$614	\$1,713	\$860	\$889	\$2,107	\$1,095	\$1,084
Non-GAAP research and development	\$20,041	\$21,392	\$22,166	\$23,970	\$26,094	\$29,165	\$32,037	\$33,997	\$36,785	\$37,802
Selling and marketing (GAAP)	\$40,454	\$36,026	\$40,010	\$40,022	\$54,329	\$48,016	\$51,184	\$50,906	\$67,011	\$58,855
Share Based Compensation	\$981	\$1,122	\$1,237	\$1,213	\$1,419	\$1,778	\$1,826	\$1,562	\$2,042	\$2,352
Amortization	\$50	\$50	\$50	\$50	\$50	\$62	\$55	\$1,535	\$309	\$453
Acquisition related expenses	\$0	\$0	\$0	\$0	\$611	\$0	\$0	\$496	\$237	(\$138)
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
General and administrative (GAAP)	\$5,921	\$6,693	\$7,073	\$7,281	\$11,148	\$11,295	\$12,222	\$13,521	\$13,670	\$14,855
Share Based Compensation	\$1,617	\$1,772	\$1,743	\$2,022	\$2,331	\$2,920	\$3,236	\$3,471	\$4,068	\$4,860
Acquisition related expenses	\$0	\$0	\$0	\$0	\$1,413	\$0	\$0	\$540	\$96	\$0
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

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Operating Loss	(\$19,768)	(\$10,490)	(\$9,032)	(\$4,742)	(\$20,471)	(\$10,563)	(\$11,454)	(\$7,523)	(\$18,452)	(\$6,507)
Share Based Compensation	\$6,137	\$6,927	\$7,164	\$7,820	\$8,982	\$11,979	\$13,035	\$13,704	\$15,674	\$17,769
Amortization	\$187	\$186	\$188	\$186	\$186	\$1,240	\$948	\$379	\$588	\$731
Acquisition Related Expenses	\$1,183	\$397	\$514	\$614	\$3,765	\$860	\$889	\$3,143	\$1,428	\$946
Non-GAAP Operating Income (Loss)	(\$12,261)	(\$2,980)	(\$1,166)	\$3,878	(\$7,538)	\$3,516	\$3,418	\$9,703	(\$762)	\$12,939

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Net Loss	(\$19,912)	(\$11,420)	(\$9,643)	(\$5,921)	(\$20,885)	(\$14,264)	(\$14,519)	(\$6,605)	(\$19,811)	(\$5,640)
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
Non-GAAP Net Income (Loss)	(\$12,230)	(\$3,713)	(\$1,569)	\$2,957	(\$7,952)	(\$185)	\$353	\$7,235	(\$2,121)	\$13,806

in 000s	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
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
Capital expenditures, net	(\$1,209)	(\$1,129)	(\$1,046)	(\$1,031)	(\$1,616)	(\$2,239)	(\$3,128)	(\$5,386)	(\$3,358)	(\$3,411)
Free Cash Flow	(\$2,134)	\$10,185	\$9,424	\$18,683	\$14,781	\$17,412	\$18,935	\$19,555	\$21,421	\$23,857