First Quarter 2017

WiX.com

Shareholder Update

The very strong momentum in our business from our record-setting 2016 continued in the first quarter of 2017. **Our top-line growth continued to accelerate, we scaled our platform at a record pace, our financial and performance metrics improved even further, and we generated a greater amount of free cash flow than last year.**

Our performance this quarter was a result of our consistent execution against our strategic objectives to extend our technology leadership through product innovation, efficiently acquire new subscriptions, and grow our brand globally. Our track record of outperformance demonstrates that leveraging our investments in product and technology development and in our marketing strategy has a meaningful positive impact on our overall business growth and financial performance.

During Q1 2017, registered users and net premium subscriptions growth was the highest in our company's history, our collections growth accelerated to 51% year over year and, once again, **we delivered results well above the high end of our financial guidance.** Our strong top-line growth was driven primarily by record conversion of registered users to premium subscriptions and record collections per new annual subscriptions.

In addition to our outstanding financial performance, we continued to accelerate growth in the US, our largest market. We also closed our acquisition of DeviantArt, the world's largest online community of artists, web designers and graphic artists.

Looking ahead to the remainder of 2017, we continue to develop an even more robust portfolio of product and technology solutions for small businesses to operate online and are very excited about the pipeline of innovation. Given our scale, our highly scalable operating model, our cost-effective marketing strategy, and our low capital expense needs, we are in a strong position to continue growing our profitability and free cash flow.

First Quarter Financial Highlights

Collections
$114.5 Million (+51% y/y)

GAAP Revenue
$92.5 Million (+50% y/y)

Free Cash Flow
$14.8 Million

Registered Users[1]
103 Million (+25% y/y)

Premium Subscriptions[1]
2.7 Million (+38% y/y)

[1]Registered Users and Premium Subscriptions exclude Members and Subscriptions from DeviantArt

First Quarter Highlights

Revenue and Collections exceed top-end of guidance; growth accelerates year over year: Revenue grew 50% year over year vs. 48% last quarter while collections grew 51% vs. 46% in Q4 2016. Collections of $114.5 million and Revenue of $92.5 million exceeded the top-end of our guidance of $107-109 million and $89-90 million, respectively.

All key performance metrics improve: We experienced a further improvement in our key performance metrics as a result of our superior product and technology as well as strong execution of our marketing and branding strategy:

- Registered Users increased by a record 5.9 million during the quarter, bringing our total user base to 103 million as of the end of Q1.

- Premium Subscriptions increased 38% year over year to 2.7 million. We added a record 208K net premium subscriptions during the quarter. Subscriptions purchased by users that registered during the quarter represent over $200 million in future value that we expect to collect over the next six years without any additional marketing.

- New paid subscriptions purchased by registered users that joined our platform during Q1 2017 were 40% higher than subscriptions purchased by new users in the Q1 2016 cohort. This was due to an increase in registered users and record conversion of registered users to paid subscriptions. We achieved this growth while maintaining our TROI of 7-9 months. The continued improvement in conversion is a result of ongoing enhancements to our editor platform, continued benefits from Wix ADI, and the overall improved functionality of our Wix OS.

First Quarter Financial Performance

	Actual Results	Prior Guidance
GAAP Revenue	$92.5 million	$89-90 million
Collections	$114.5 million	$107-109 million

- Collections per new annual subscription in the US increased for the fifth consecutive quarter to $156 an increase of 11% year over year. This increase year over year was mainly due to package mix, greater adoption of vertical applications, increasing App Market purchases and higher package prices due to the introduction of new products and additional functionality.

Vertical subscriptions growth accelerates: Growth of e-commerce and other subscriptions with a vertical application attached continues to exceed our overall subscriptions growth and accelerated compared to Q4 2016. We believe our broad range of vertical solutions, which are unique to our platform, enable us to provide greater value to small businesses operating online than our peers. We ended Q1 with 357K e-commerce subscriptions.

Strong free cash flow generation with continued investment in the business: Free cash flow during the quarter was $14.8 million, or $17.5 million excluding acquisition-related costs, compared to negative $2.1 million in the same quarter last year. We generated more cash this quarter than in any prior Q1 period, and our non-GAAP losses narrowed compared to the same quarter last year. We generated an even higher amount of free cash flow than last year while continuing to invest in our business. Most notably, Q1 included continued investment in product and technology development, marketing and brand activities, including our Super Bowl campaign, and costs associated with two acquisitions. The improvement in our margin profile and cash flow is a result of our ability to efficiently acquire new subscriptions and our utilization of managed hosting, which limits our capex needs relative to peers.

Raising financial outlook for 2017: We are raising our full year financial outlook for 2017 due to the stronger-than-expected Q1 2017 financial performance. We continue to expect positive non-GAAP operating income in 2017.

Financial Performance

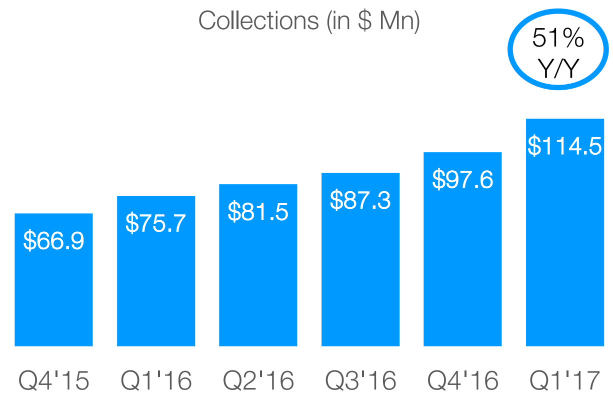
Please note all financial metrics include the impact of flok and DeviantArt, as both acquisitions closed in Q1.

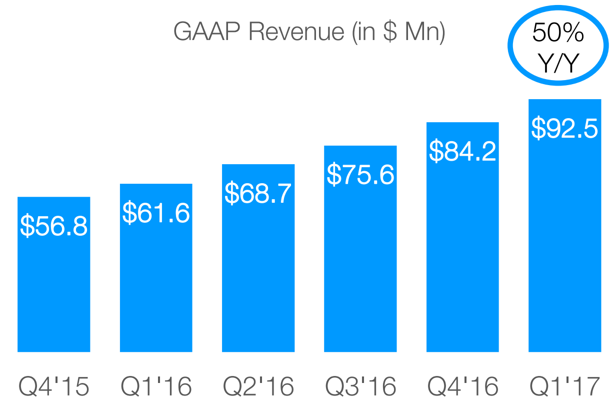
Collections were a record $114.5 million in Q1, above the high end of our guidance range of $107-109 million. Collections growth accelerated for the second consecutive quarter to 51% year over year from 46% year over year last quarter and 35% year over year growth in Q1 2016. Collections increased 17% quarter over quarter, the highest Q1 sequential increase in collections since Q1 2014. This accelerating top-line growth was mostly a result of continued improvements in conversion of registered users to premium subscriptions, strong renewal activity, and higher collections per new annual subscription.

As a reminder, collections is a non-GAAP financial measure that represents total cash we collect from customers in a given period primarily from the sale of annual or longer and monthly premium subscriptions. It is the sum of revenue and change in deferred revenue for the same period. We believe collections is a strong leading indicator of our revenue growth and is a useful metric to best evaluate the overall cash inflow of our business.

Revenue of $92.5 million was a new record and also exceeded the high end of our prior guidance of $89-90 million. Revenue growth accelerated to 50% year over year from 48% last quarter and 38% year over year growth in Q1 2016. In compliance US GAAP, revenue from the sale of subscriptions and domain name registrations is recognized ratably over the term of service, either monthly or annually (after a 14-day refund period).

Change in deferred revenues was $22.0 million compared to $13.5 million last quarter. Deferred revenue consists almost entirely of amounts received from subscription sales that we expect to recognize within one year, while long-term deferred revenue consists of amounts we expect to receive in periods





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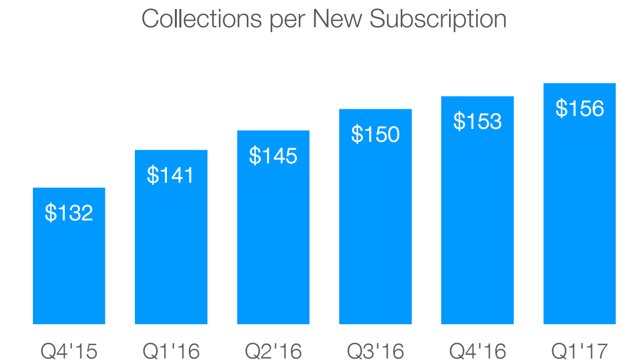
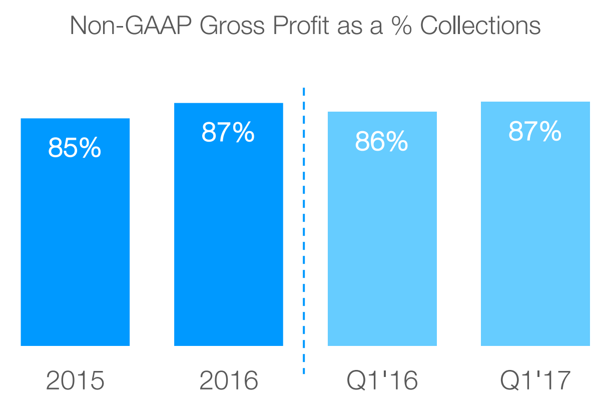
beyond one year. Our long-term deferred revenue balance has increased over the past several quarters as we have begun to offer packages in durations longer than one year. The mix of subscription length, as well as the timing of the sale of subscriptions during a period, influences the amount of revenue we defer and recognize in a period.



Source: Data based on New Annual Subscriptions; US Only

An increasing number of users are purchasing subscriptions with a vertical application attached, in particular Wix Bookings and Wix Stores. In fact, the percent of net subscriptions we sold in Q1 2017 with a vertical application nearly doubled over last year. This increase in vertical adoption was a contributing factor to the growth in collections per new annual subscription in the US in Q1, which increased for the fifth consecutive quarter to $156 from $141 in Q1 last year (up 11%).

We created the App Market to provide our users with applications that add functionality and continue to see strong demand. Total App purchases in Q1, including Wix ShoutOut, were up 41% year over year. This increase demonstrates the value the new products and services we introduced over the past several quarters provide small businesses and highlight our ability to build and offer businesses increasing functionality.



Our non-GAAP cost of revenue increased 42% year over year due primarily to higher cloud hosting costs to support our rapidly scaling business and to better meet the bandwidth needs of some of our media applications. We also saw an increase in domain registration costs due a higher attach rate of domain names to each new subscription. The 42% increase in our non-GAAP cost of revenue compares to a 50% increase in revenue year over year as we continued to scale and leverage our customer support and hosting costs.

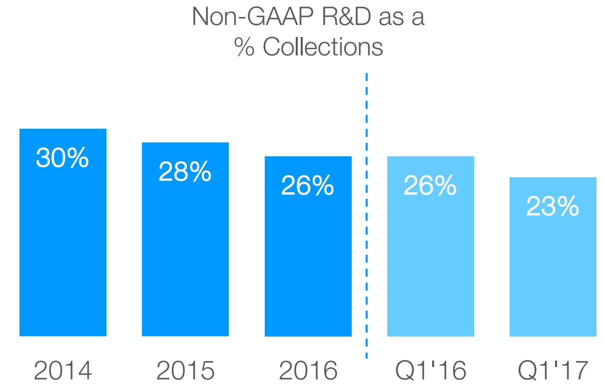
Our non-GAAP gross margin was 85% compared to 84% of revenue last year. Our non-GAAP gross profit (calculated as non-GAAP gross profit plus change in deferred revenues, less deferred domain expenses) as a percentage of collections was 87% compared to 86% in Q1 last year. We continue to leverage our relationships with third party cloud hosting providers to quickly and efficiently scale our capacity against the demands from our rapidly growing user base. Further, because we do not operate data centers internally, we do not have any depreciation expenses in cost of revenue for server hardware. As a result, we continue to deliver best in class gross margins.

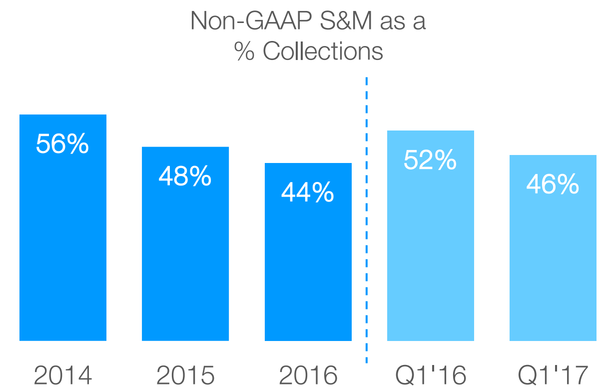
Non-GAAP R&D expense in the quarter increased to $26.1 million compared to $20.0 million in Q1 last year due to continued investments in new product development and improvements to existing products that enhance our platform. R&D expense was 23% of collections in Q1 compared to 26% of collections in Q1 last year as **we continue to generate incremental leverage on our technology investments on a year over year basis.**

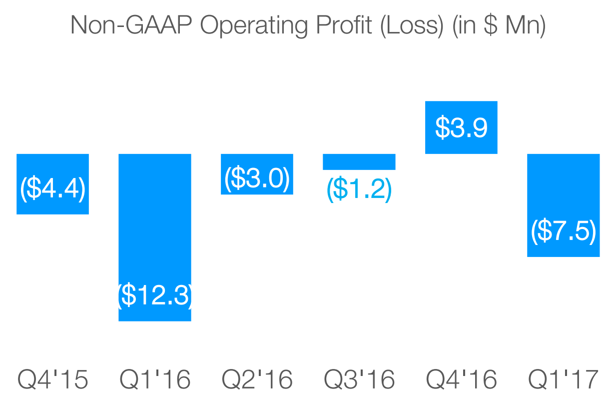
Non-GAAP S&M expense during the quarter was $52.2 million, or 46% of collections – in line with our prior guidance – compared to $39.4 million, or 52% of collections, last year. The increase was due to continued growth in our branding and direct acquisition campaigns. We continued to grow our ad spend year over year while remaining within our TROI range of 7-9 months as we effectively optimized our budget across various channels and geographies. **Our ability to increase our marketing investment and remain within our TROI target range is a significant achievement and a testament to the increasing efficiency of our direct response advertising, increased brand awareness and the continued improvement in our product.**

Non-GAAP G&A expense was $7.4 million in Q1 compared to $4.3 million last year. The year over year increase was due to increased headcount and higher overhead expenses.

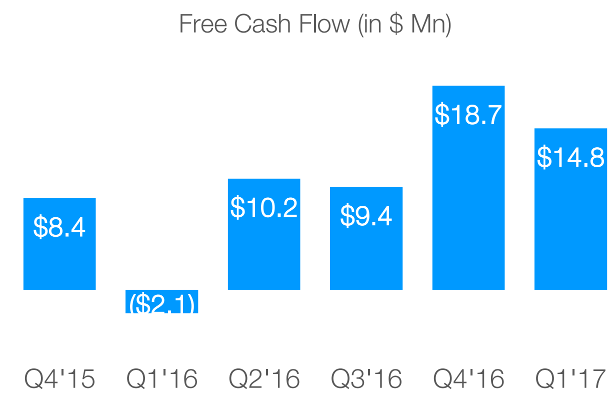
Non-GAAP operating loss narrowed to $7.5 million compared to $12.3 million last year as our business continues to grow, and we continue to benefit from the flexibility and scalability of our low, fixed-cost model. We continue to expect to be profitable on a non-GAAP operating income basis in 2017







Free cash flow during the quarter grew to $14.8 million, or $17.5 million excluding acquisition related expenses, a significant increase from negative $2.1 million in Q1 2016. This quarter was our second highest quarterly free cash flow ever, and we generated more cash this quarter than in any prior Q1 period. Q1 is historically the low point of our fiscal year for free cash flow as we typically deploy the majority of annual investment in branding activities during the quarter – including our Super Bowl campaign in each of the past three years.



We continue to generate positive free cash flow at scale due to our ability to efficiently acquire new subscriptions. Leveraging managed hosting limits our capex needs relative to our peers and provides our management greater flexibility to focus on developing the products and services that differentiate our platform.

Our cash balance at the end of Q1 was $165 million compared to $172 million at the end of Q4 2016. We ended Q1 with $1.2 million in long-term debt as we transferred the balance of a long term business loan from flok as part of our acquisition agreement with the company. We ended Q1 with 1,556 employees of which 66 are from acquisitions of flok and DeviantArt made during the quarter.

Our basic share count at the end of Q1 was approximately 45.2 million, and our fully diluted share count was approximately 56 million shares. This share count includes shares granted to employees from flok and DeviantArt upon the acquisition.

Registered Users and Premium Subscriptions

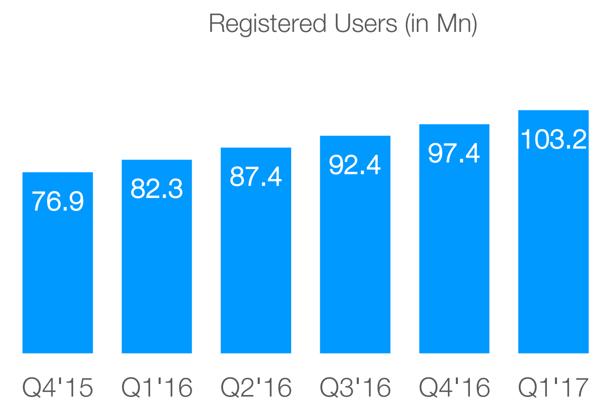
Please note that Registered User and Premium Subscription data <u>do NOT include</u> the impact of flok and DeviantArt. We exclude these figures so we are able to highlight the performance of the core Wix business.

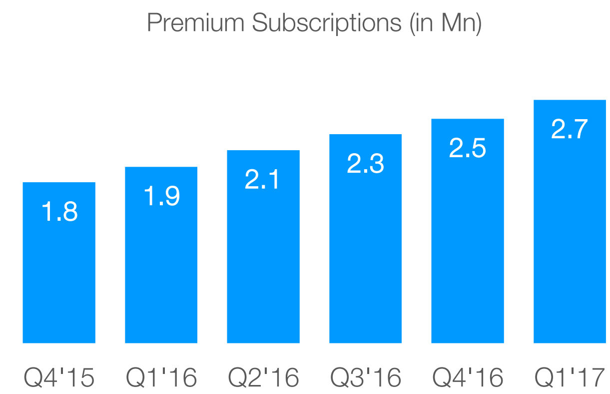
Our freemium business model and outstanding product experience remain critical benefits for users coming to Wix, and we continue to grow our audience with the addition of user cohorts that will generate significant value over time. Given improvement in conversion and higher collections per new annual subscription in the US **we now expect our existing user cohorts to produce over $2.1 billion in value over the next six years without any further investment in marketing.**

We added a record 5.9 million new registered users in Q1 2017, compared to 5.0 million in Q4 2016 and 5.3 million in Q1 last year. **This marks the fifth consecutive quarter we have grown our user base by five million or more users and** brings our total registered user base to 103 million as of the end of the quarter. Our ability to continue attracting users the direct result of the large and global addressable market, execution of our direct marketing strategy and the rapidly growing awareness of our brand.

Our cohorts continue to demonstrate negative churn as the number of new subscriptions purchased by existing users in a period already on our platform exceeded the number of subscriptions cancelled by the same existing user cohorts. In fact, our business grows each period before we spend marketing dollars to acquire a new cohort of users.

In Q1, we added a record 208,000 net premium subscriptions and ended the quarter with total subscriptions up 38% year over year to 2.7 million. Conversion of new and existing registered users into premium subscriptions reached an all-time high in Q1 due to enhancements made to our core editor.

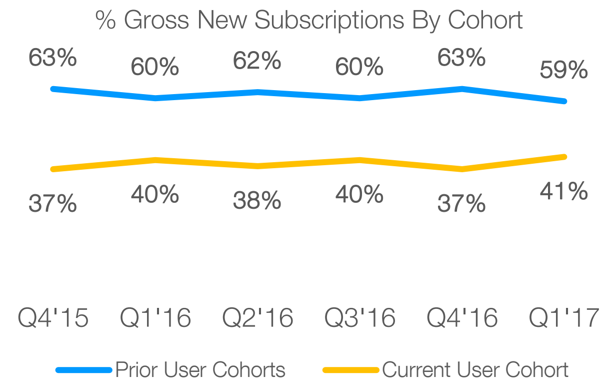


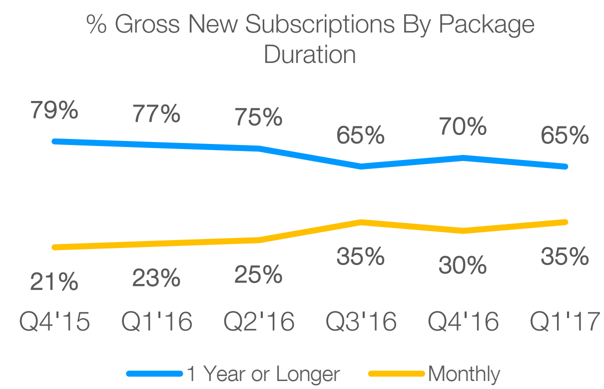


Subscriptions that were and will be purchased by users that registered during the quarter represent over $200 million in future value that we expect to collect over the next six years without any additional marketing. This strong performance illustrates the positive return we receive on recent investments we have made in product and technology development as well as our brand.

In Q1, 41% of new subscriptions came from users who registered and joined Wix during the quarter. This improvement demonstrates the stronger conversion of our new cohort. Of our gross new subscriptions, 59% came from users who joined in prior quarters. These new subscriptions consist of users that had already registered with Wix, were using our product, and required no additional marketing dollars to purchase a premium subscription. Our opportunity to convert a large cohort of existing users into subscriptions is unique to our freemium business model.

We continue to benefit from optimization of our acquisition funnel, which has enabled us to successfully capture more monthly subscriptions over the past several quarters. During Q1, 65% of new subscriptions purchased were for periods of one year or longer with the remaining 35% being monthly subscriptions. As of the end of Q1, 82% of our subscriptions are for duration of one year or longer.





Product Updates

Software and technology is our core, and we continuously solicit and leverage the feedback from our users to innovate and enhance our platform. This feedback is critical to the development of new features and functionalities, and we are constantly increasing the capabilities of our platform to extend our technology leadership. This includes ground breaking new products, including Wix ADI and the Wix Mobile App, as well as countless product updates we have made to our core editor and vertical applications.

We have shared plans for an exciting new product. We are in the final stages of development of this platform-wide product, and we intend to open a closed beta version in June. This contained release will allow us to see how users interact with the product, gather feedback and make final adjustments. We will publicly reveal the product in the months after. We are very excited about this new product and believe it will again reinforce our technology leadership.

DeviantArt

In February, we acquired DeviantArt, one of the world's largest online communities dedicated to artists, art enthusiasts and designers. Our community of users continues to grow rapidly and we believe that a key to sustaining and building upon our success is to provide our users with even more ways to engage and connect with other users around the world.

DeviantArt’s history of growing and engaging with a large community makes the company a fantastic addition to Wix. Further, we believe Wix will be a great compliment for DeviantArt’s community given our substantial resources to develop and implement its product roadmap.

This acquisitions give us direct access to DeviantArt’s more than 40 million members, which we believe have the potential to benefit from this unique combination of talent and technology. DeviantArt represents the potential to cross promote the Wix brand to a highly engaged audience of users, and we see tremendous opportunities in key growth areas for Wix including product development, brand recognition, and increased traffic potential.

We plan to invest in the DeviantArt platform throughout the coming years to increase traffic and engagement. We believe our experience in product development and marketing will result in a much more robust user experience on the DeviantArt platform.

Customer Support

To meet the growth in numbers of registered users and premium subscriptions, Wix has launched several initiatives to scale and improve its global user support function. These initiatives include product improvements, greater automation, and an increased number of support agents. Wix believes that these initiatives will reduce the occurrence of common user issues and help resolve issues faster for users across the globe.

Business Outlook

Note that all financial metrics in our outlook include the impact of flok and DeviantArt.

We are increasing our full year outlook for all key metrics due to the outperformance we experienced in Q1 and our updated expectations for the remainder of the year. As a reminder, our forward looking statements are based on current expectations and assumptions.

For the full year 2017, we now expect the following:

- Revenue in the range of $421 to $423 million, an increase of 45% to 46% year over year. This range is an increase from our prior guidance of $417 to $419 million announced with our acquisition of DeviantArt
- Collections in the range of $473 to $477 million, representing annual growth of 38% to 39% and an increase over our prior range of $461 to $467 million announced with our acquisition of DeviantArt
- Free Cash Flow of $67 to $68 million, which is an increase from the guidance of $63 to $64 million we provided with our acquisition of DeviantArt. Our product investments into DeviantArt began in Q1, and it will continue in the coming years. We expect net free cash flow investment into DeviantArt of roughly $8 million in 2017. We anticipate that incremental investments into DeviantArt for the next two to three years including 2017 will be up to $20 million and that the impact will be breakeven at some point in 2019
- We reaffirm our guidance for non-GAAP gross profit as a percent of collections of approximately 87% and non-GAAP S&M expense as a percent of collections of approximately 40% to 41% for the full year

Non-GAAP Financial Outlook

	2017 Prior	2017 Updated	Q2'17 Initial
GAAP Revenue	$417-419	$421-423	$101-102
% Y/Y	*44%*	*45-46%*	*47-48%*
Collections	$461-467	$473-477	$116-117
% Y/Y	*35-37%*	*38-39%*	*42-44%*
Gross Profit (% collections)	~87%	~87%	
S&M (% collections)	40-41%	40-41%	
OpEx (% collections)	70-71%	70-71%	
Capex	~$6-7	~$6-7	
Free Cash Flow	$63-64	$67-68	
% Collections	*13-14%*	*14%*	
SBC Expense	~$39-40	~$39-40	
Basic Shares O/S	48-49mn	48-49mn	
Fully Diluted Shares O/S	57-58mn	57-58mn	

(In $ millions)

- We also reiterate our outlook for annual stock-based compensation expense of approximately $39 to $40 million for the full year and capex of roughly $6 million

- We continue to expect our basic share count will be approximately 48 to 49 million shares outstanding and our fully diluted share count will be roughly 57 to 58 million shares outstanding at year end

Our outlook for the second quarter of 2017 is as follows:

- Revenue in the range of $101 to $102 million, representing 47% to 48% annual growth

- Collections of $116 to $117 million, representing 42% to 44% year over year growth

Conference Call and Webcast Information

Wix.com will host a conference call at 8:30 a.m. ET on Wednesday, May 10, 2017 to answer questions about the financial and operational performance of the business during the first quarter 2017. 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, supplemental data sheet and supporting slides to its Investor Relations website at https://investors.wix.com/results.cfm. 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. A telephonic replay of the call will be available through May 17, 2017 at 11:59 p.m. ET by dialing 855-859-2056 (US/Canada) or 404-537-3406 (International) and providing Conference ID: 7871041.

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/.

Forward-Looking Statements

This Shareholder Update 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 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 are based on management's current expectations, which are subject to uncertainty, risks and changes in circumstances that are difficult to predict, including the timing of product releases, 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 ability to manage the growth of our infrastructure effectively; our ability to effectively execute our initiatives to scale and improve our user support function; 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 2016 annual report on Form 20-F filed with the Securities and Exchange Commission on March 28, 2017. 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.

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 gross profit as a percent of collections, non-GAAP operating loss, free cash flow, non-GAAP net loss and non-GAAP net 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 and acquisition-related costs divided by revenue. Non-GAAP gross profit as a percent of collections is calculated as non-GAAP gross profit plus change in deferred revenues, less deferred domain expenses. Non-GAAP operating loss represents operating loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, and acquisition-related costs. Non-GAAP net loss represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, and acquisition-related costs. Non-GAAP net loss per share represents non-GAAP net 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.