

Internet Services

Wix.com Ltd. (WIX)
RATING
BUY
PRICE TARGET
\$265.00
from \$310.00
PRICE
\$215.49
52-WEEK RANGE
\$207.00 - \$362.07
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SMB Uncertainty Drying Funnel, Reiterate Buy, Lower Target to \$265

INVESTMENT HIGHLIGHTS

We reiterate our Buy rating and lower our price target to \$265 following a reduction to '21E guidance driven by increased SMB uncertainty drying the top of the funnel, WIX assumes this volatility continues through '21E. We note this sentiment on SMB uncertainty was also expressed by FVRR (Buy, \$200). While the commentary on the funnel decelerating is the most important growth driver for WIX, we continue to be positive on the stock as Business Solutions and WIX Payments growth continues to be on track to go along with strong existing cohort data.

KEY POINTS

For the Bulls. The growth in payments is on track. We continue to expect WIX to drive \$10B of GPV and a nearly 1.3% take rate. In 2Q, Business Solutions outperformed our collections/revenue estimates by 2%/10%. We believe this additional revenue stream, growing from ~\$10M in '19 to nearly \$130M in '21E, we estimate, is a contributing factor in WIX's valuation as its revenue multiples re-rated higher breaking out of the prior 4x-8x range to 8x-14x. Following the steep decline in the share price on 8/11 and cut to our estimates we estimate WIX trades at 8.5x '22E revenue and our price target implies a ~10.5x multiple.

Cohorts still strong. WIX took care to note new cohort behavior is stronger than pre-COVID cohorts, even as they are unsurprisingly unable to replicate 2020 metrics. Existing cohorts continue to grow with strong retention, conversion and upsell driving higher ARPUs including greater adoption of Business Solutions. We note our developer checks published 6/14 ([here](#)) pointed to WIX continuing to push deeper into e-commerce, and encouraging trials and experimentation of Editor X. Online commerce ticked up to 35% of total collections in Q2, up 200bps sequentially. While a likely small contributor to overall ARPU growth, Editor X did grow 30% QoQ as WIX makes in-roads in the larger developer community.

For the Bears. Uncertainty drying up the top of the funnel. Given this unexpected in-between period of another COVID wave caused by the Delta variant SMBs are stuck with a high degree of uncertainty causing a pause in new entrants into the top of their funnel. Helping to offset this weakness, WIX has been actively signing B2B partnerships, like Vistaprint reported with earnings, which will serve as another on-board for new customers onto WIX. These B2B deals are expected to represent \$70M of collections in '21E although are not all signed yet. Furthermore, given top of funnel weakness WIX lowered marketing spend (\$115M in 2Q, down \$22M sequentially) as a result of lower TROI which shows some flexibility in their business model.

Changes to our estimates. We are lowering our revenue estimates by ~1% in '21E and 3% in '22E and lowering our '22E revenue growth outlook by 200bps to 23.5%.

KEY DATA

Market Cap (MM)	\$12,155.2
Price [08/11/2021]	\$215.49
52-Week Range	\$207.00 - \$362.07
Shares Outstanding	56.41
Avg. Daily Volume	673,430.1
Total Debt/Cap.	80.73%

ESTIMATES

FY (Dec)	2020A	2021E	2022E
FCF			
Q1	39.95A	14.64A	2.70E
<i>Previous</i>	—	—	6.24E
Q2	46.69A	14.71A	15.55E
<i>Previous</i>	—	10.92E	25.16E
Q3	19.38A	(4.25)E	35.20E
<i>Previous</i>	—	14.38E	39.10E
Q4	23.17A	12.15E	49.03E
<i>Previous</i>	—	25.22E	53.79E
Year	129.20A	37.25E	102.48E
<i>Previous</i>	—	65.16E	124.29E

Rev. (MM)(\$)

Year	988.8A	1,266.3E	1,564.5E
<i>Previous</i>	—	1,284.8E	1,611.1E
Growth Rev	29.9%	28.1%	23.5%

At a Glance

OUR INVESTMENT THESIS

Utilizing its freemium based business model, Wix's wide funnel approach to user acquisition is attractive through both a value creation and marketing efficiency lens, in our view. We believe penetration of SMB websites is low and see growth potential from companies being brought online and companies switching from existing domains to a more vertical-specific design build. Moreover, consistent cohort behavior and further evidence of monetization abilities through a relatively inelastic consumer base raise our conviction in the sustainability of the long-term growth trajectory of the business in an already large, fragmented market.

BULL CASE ASSUMPTIONS

\$385 based on a multiple of 13x EV/ upside to our '22 revenue estimate. WIX shows better than anticipated registered user conversion and meaningful growth in the agency space. WIX payments adoption accelerates, putting upward pressure on its multiple.

OUR CASE ASSUMPTIONS

\$265 based on an EV/adj. EBITDA multiple of 37.5x our '25 estimate discounted back, implying a multiple of 10.5x our '22 revenue estimate. We think the company's strong footing in DIY web design and burgeoning position with design agencies will afford it a premium multiple due to attractive positioning for accelerating online adoption post-COVID. WIX sees increased adoption of new tools from existing users, allowing ARR to march higher.

BEAR CASE ASSUMPTIONS

\$175 based on a multiple of 6x EV/ downside to our 2022 revenue estimate. Premium subscriber additions slow, WIX's momentum with design agencies falters, and consequently ARR stagnates. WIX faces increased competition for new users as larger competitors move downstream. The company finds a natural ceiling for post-COVID growth and competition for existing users intensifies.

COMPANY DESCRIPTION

Wix is a leading cloud-based web development platform structured for website creators of all levels of proficiency. The company has spearheaded the DIY market, offering its customers products ranging from drag and drop visual development to developer capabilities. With roughly 165 million registered users, the company offers a unique narrative that allows Wix to leverage its freemium-based business model to convert non-paying registered users to premium subscriptions using its large audience base and verticalized solutions for SMBs looking to create an improved static or ecommerce web presence.

PRICE PERFORMANCE



KEY DATA

Market Cap (MM)	\$12,155.2
Price (08/11/2021)	\$215.49
52-Week Range	\$207.00 - \$362.07
Shares Outstanding	56.41
Avg. Daily Volume	673,430.1
Total Debt/Cap.	80.73%

Estimate changes

	Collections		Revenue		FCF	
	<u>New</u>	<u>Old</u>	<u>New</u>	<u>Old</u>	<u>New</u>	<u>Old</u>
2Q21	\$342.9	\$350.8	\$316.4	\$310.8	\$14.7	\$10.9
3Q21E	\$357.4	\$364.2	\$313.9	\$325.1	-\$4.3	\$14.4
4Q21E	\$367.0	\$383.1	\$331.9	\$344.8	\$12.2	\$25.2
2021E	\$1,418.5	\$1,449.2	\$1,266.3	\$1,284.8	\$37.3	\$65.2
2022E	\$1,736.6	\$1,811.2	\$1,564.5	\$1,611.1	\$102.5	\$124.3

Source: Needham estimates

	Mar	Jun	Sep	Dec	2020	Mar	Jun	Sep	Dec	\$0.45	Mar	Jun	Sep	Dec	2021E	Mar	Jun	Sep	Dec	2022E	
(Amounts in millions, except per share data)	1Q20	2Q20	3Q20	4Q20		1Q21	2Q21	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E		1Q22E	2Q22E	3Q22E	4Q22E	2022E	
Collections	\$248.9	\$265.9	\$280.9	\$306.4	\$1,102.0	\$351.1	\$342.9	\$357.4	\$367.0	\$1,418.5	\$401.0	\$420.8	\$444.4	\$470.5	\$1,736.6	\$401.0	\$420.8	\$444.4	\$470.5	\$1,736.6	
Change in deferred revenue	\$32.9	\$29.8	\$26.7	\$23.9	\$113.3	\$47.0	\$26.5	\$43.5	\$35.1	\$152.1	\$38.7	\$40.7	\$48.7	\$43.9	\$172.1	\$38.7	\$40.7	\$48.7	\$43.9	\$172.1	
Revenue	\$216.0	\$236.1	\$254.2	\$282.5	\$988.8	\$304.1	\$316.4	\$313.9	\$331.9	\$1,266.3	\$362.3	\$380.0	\$395.6	\$426.6	\$1,564.5	\$362.3	\$380.0	\$395.6	\$426.6	\$1,564.5	
Creative Subscriptions	\$176.5	\$190.2	\$203.0	\$213.7	\$783.5	\$226.4	\$235.9	\$233.2	\$239.7	\$935.3	\$257.3	\$271.2	\$286.6	\$302.0	\$1,117.1	\$257.3	\$271.2	\$286.6	\$302.0	\$1,117.1	
Business Solutions	\$39.4	\$45.9	\$51.2	\$68.8	\$205.3	\$77.7	\$80.5	\$80.7	\$92.2	\$331.1	\$105.0	\$108.8	\$109.1	\$124.6	\$447.5	\$105.0	\$108.8	\$109.1	\$124.6	\$447.5	
Cost of revenue	\$60.4	\$68.6	\$77.4	\$100.1	\$306.6	\$112.3	\$117.6	\$117.0	\$127.6	\$474.6	\$140.0	\$143.3	\$143.9	\$159.0	\$586.2	\$140.0	\$143.3	\$143.9	\$159.0	\$586.2	
Gross profit	\$155.5	\$167.4	\$176.8	\$182.4	\$682.2	\$191.8	\$198.8	\$196.9	\$204.3	\$791.7	\$222.3	\$236.7	\$251.7	\$267.6	\$978.3	\$222.3	\$236.7	\$251.7	\$267.6	\$978.3	
Sales & marketing	\$91.6	\$113.9	\$107.0	\$102.9	\$415.4	\$137.0	\$114.8	\$107.0	\$102.9	\$461.7	\$143.9	\$128.6	\$117.7	\$113.1	\$503.3	\$143.9	\$128.6	\$117.7	\$113.1	\$503.3	
Research and development	\$54.5	\$57.2	\$64.2	\$67.5	\$243.4	\$71.8	\$79.7	\$86.6	\$91.1	\$329.2	\$93.3	\$99.6	\$105.7	\$109.3	\$407.9	\$93.3	\$99.6	\$105.7	\$109.3	\$407.9	
General & administrative	\$17.1	\$15.0	\$16.5	\$24.8	\$73.5	\$22.0	\$31.2	\$30.5	\$31.1	\$114.7	\$35.2	\$43.7	\$39.6	\$40.4	\$158.8	\$35.2	\$43.7	\$39.6	\$40.4	\$158.8	
Other NG adjustments	-\$3.5	-\$1.8			-\$5.3					\$0.0					\$0.0					\$0.0	
Total operating and expenses	\$159.7	\$184.5	\$187.6	\$195.2	\$727.0	\$230.8	\$225.7	\$224.1	\$225.0	\$905.6	\$272.4	\$271.9	\$263.0	\$262.8	\$1,070.0	\$272.4	\$271.9	\$263.0	\$262.8	\$1,070.0	
Non-GAAP Operating Income	-\$4.2	-\$17.0	-\$10.8	-\$12.8	-\$44.8	-\$39.0	-\$26.9	-\$27.2	-\$20.7	-\$113.8	-\$50.1	-\$35.2	-\$11.3	\$4.8	-\$91.7	-\$50.1	-\$35.2	-\$11.3	\$4.8	-\$91.7	
D&A	\$2.7	\$3.5	\$3.7	\$4.4	\$14.3	\$4.0	\$4.2	\$4.2	\$4.2	\$16.7	\$4.2	\$4.2	\$4.2	\$4.2	\$16.9	\$4.2	\$4.2	\$4.2	\$4.2	\$16.9	
Non-GAAP Adjustments	\$32.9	\$29.8	\$26.7	\$23.9	\$113.3	\$47.0	\$26.5	\$43.5	\$35.1	\$152.1	\$38.7	\$40.7	\$48.7	\$43.9	\$172.1	\$38.7	\$40.7	\$48.7	\$43.9	\$172.1	
Adjusted EBITDA	\$31.3	\$16.3	\$19.6	\$15.5	\$82.8	\$12.0	\$3.8	\$20.6	\$18.7	\$55.0	-\$7.2	\$9.8	\$41.7	\$53.0	\$97.3	-\$7.2	\$9.8	\$41.7	\$53.0	\$97.3	
Interest income (expense)	\$1.1	-\$3.3	-\$7.3	-\$10.2	-\$19.6	-\$28.0	\$0.0	\$0.0	\$0.0	-\$28.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Other income (expense)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Non-GAAP Adj	\$4.6	\$6.8	\$9.9	\$18.5	\$39.7	\$44.6	-\$23.4			\$21.2					\$0.0					\$0.0	
Pretax income	\$1.5	-\$13.5	-\$8.2	-\$4.4	-\$24.6	-\$22.4	-\$50.2	-\$27.2	-\$20.7	-\$120.5	-\$50.1	-\$35.2	-\$11.3	\$4.8	-\$91.7	-\$50.1	-\$35.2	-\$11.3	\$4.8	-\$91.7	
Taxes	-\$1.9	-\$0.7	\$0.2	\$2.8	\$0.4	-\$8.1	\$34.4	\$6.8	\$5.2	\$38.2	\$12.5	\$8.8	\$2.8	-\$1.2	\$22.9	\$12.5	\$8.8	\$2.8	-\$1.2	\$22.9	
Non-GAAP Net Income	-\$0.4	-\$14.2	-\$8.0	-\$1.6	-\$24.2	-\$30.6	-\$15.8	-\$20.4	-\$15.5	-\$82.3	-\$37.6	-\$26.4	-\$8.4	\$3.6	-\$68.8	-\$37.6	-\$26.4	-\$8.4	\$3.6	-\$68.8	
Basic Non-GAAP EPS	-\$0.01	-\$0.26	-\$0.14	-\$0.03	-\$0.44	-\$0.54	-\$0.28	-\$0.35	-\$0.27	-\$1.44	-\$0.65	-\$0.45	-\$0.14	\$0.06	-\$1.17	-\$0.65	-\$0.45	-\$0.14	\$0.06	-\$1.17	
Diluted Non-GAAP EPS	-\$0.01	-\$0.26	-\$0.14	-\$0.03	-\$0.44	-\$0.54	-\$0.24	-\$0.31	-\$0.24	-\$1.31	-\$0.57	-\$0.40	-\$0.13	\$0.05	-\$1.04	-\$0.57	-\$0.40	-\$0.13	\$0.05	-\$1.04	
Basic Shares	51.8	54.7	55.4	55.8	54.4	56.3	57.3	57.6	57.9	57.3	58.2	58.5	58.7	59.0	58.6	58.2	58.5	58.7	59.0	58.6	
Diluted Shares	51.8	54.7	55.4	55.8	54.4	56.3	64.9	65.2	65.5	63.0	65.8	66.1	66.4	66.7	66.2	65.8	66.1	66.4	66.7	66.2	
FCF	\$40.0	\$46.7	\$19.4	\$23.2	\$129.2	\$14.6	\$14.7	-\$4.3	\$12.2	\$37.3	\$2.7	\$15.6	\$35.2	\$49.0	\$102.5	\$2.7	\$15.6	\$35.2	\$49.0	\$102.5	
FCF/Share	\$0.77	\$0.85	\$0.35	\$0.42	\$2.39	\$0.26	\$0.23	-\$0.07	\$0.19	\$0.61	\$0.04	\$0.24	\$0.53	\$0.74	\$1.54	\$0.04	\$0.24	\$0.53	\$0.74	\$1.54	
As Percent of Revenue																					
Change in deferred revenue	15.2%	12.6%	10.5%	8.4%	11.5%	15.5%	8.4%	13.9%	10.6%	12.0%	10.7%	10.7%	12.3%	10.3%	11.0%	10.7%	10.7%	12.3%	10.3%	11.0%	
Creative Subscriptions	81.7%	80.6%	79.9%	75.7%	79.2%	74.5%	74.6%	74.3%	72.2%	73.9%	71.0%	71.4%	72.4%	70.8%	71.4%	71.0%	71.4%	72.4%	70.8%	71.4%	
Business Solutions	18.3%	19.4%	20.1%	24.3%	20.8%	25.5%	25.4%	25.7%	27.8%	26.1%	29.0%	28.6%	27.6%	29.2%	28.6%	29.0%	28.6%	27.6%	29.2%	28.6%	
Gross margin	72.0%	70.9%	69.6%	64.6%	69.0%	63.1%	62.8%	62.7%	61.5%	62.5%	61.4%	62.3%	63.6%	62.7%	62.5%	61.4%	62.3%	63.6%	62.7%	62.5%	
Opex (of collections)	64.2%	69.4%	66.8%	63.7%	66.0%	65.7%	65.8%	62.7%	61.3%	63.8%	67.9%	64.6%	59.2%	55.8%	61.6%	67.9%	64.6%	59.2%	55.8%	61.6%	
Sales & marketing	42.4%	48.3%	42.1%	36.4%	42.0%	45.1%	36.3%	34.1%	31.0%	36.5%	39.7%	33.8%	29.7%	26.5%	32.2%	39.7%	33.8%	29.7%	26.5%	32.2%	
Research and development	25.2%	24.3%	25.2%	23.9%	24.6%	23.6%	25.2%	27.6%	27.4%	26.0%	25.8%	26.2%	26.7%	25.6%	26.1%	25.8%	26.2%	26.7%	25.6%	26.1%	
General & administrative	7.9%	6.4%	6.5%	8.8%	7.4%	7.2%	9.9%	9.7%	9.4%	9.1%	9.7%	11.5%	10.0%	9.5%	10.2%	9.7%	11.5%	10.0%	9.5%	10.2%	
Operating margin	-1.9%	-7.2%	-4.3%	-4.5%	-4.5%	-12.8%	-8.5%	-8.7%	-6.2%	-9.0%	-13.8%	-9.3%	-2.8%	-1.1%	-5.9%	-13.8%	-9.3%	-2.8%	-1.1%	-5.9%	
FCF Margin (of collections)	16.1%	17.6%	6.9%	7.6%	11.7%	4.2%	4.3%	-1.2%	3.3%	2.6%	0.7%	3.7%	7.9%	10.4%	5.9%	0.7%	3.7%	7.9%	10.4%	5.9%	
Tax Rate	125.7%	-5.0%	2.1%	63.0%	1.4%	-36.4%	68.5%	25.0%	25.0%	31.7%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Y/Y Growth																					
Collections	24.2%	33.2%	36.5%	35.2%	32.4%	41.1%	29.0%	27.2%	19.8%	28.7%	14.2%	22.7%	24.3%	22.4%	22.4%	14.2%	22.7%	24.3%	28.2%	22.4%	
Revenue	23.9%	27.3%	29.2%	38.1%	29.9%	40.8%	34.0%	23.5%	17.5%	28.1%	19.1%	20.1%	26.0%	28.5%	23.5%	19.1%	20.1%	26.0%	28.5%	23.5%	
Creative Subscriptions	16.6%	21.1%	23.2%	24.7%	21.6%	28.3%	24.0%	14.9%	12.1%	19.4%	13.6%	15.0%	22.9%	26.0%	19.4%	13.6%	15.0%	22.9%	26.0%	19.4%	
Business Solutions	72.0%	61.5%	59.8%	107.0%	76.1%	96.9%	75.5%	57.6%	34.0%	61.3%	35.2%	35.2%	35.2%	35.2%	35.2%	35.2%	35.2%	35.2%	35.2%	35.2%	
Gross profit	14.3%	19.3%	21.8%	21.2%	19.3%	23.3%	18.7%	11.4%	12.0%	16.1%	15.9%	19.1%	27.8%	31.0%	23.6%	15.9%	19.1%	27.8%	31.0%	23.6%	
Sales & marketing	13.7%	71.7%	52.3%	51.4%	45.7%	49.6%	0.8%	0.0%	0.0%	11.1%	5.0%	12.0%	10.0%	10.0%	9.0%	5.0%	12.0%	10.0%	10.0%	9.0%	
R&D	19.1%	21.2%	29.7%	31.2%	25.5%	31.7%	39.2%	35.0%	35.0%	35.2%	30.0%	25.0%	22.0%	20.0%	23.9%	30.0%	25.0%	22.0%	20.0%	23.9%	
G&A	44.0%	20.0%	24.9%	78.4%	42.6%	28.6%	107.4%	85.0%	25.0%	56.2%	60.0%	40.0%	30.0%	30.0%	38.5%	60.0%	40.0%	30.0%	30.0%	38.5%	
D&A	0.0%	20.8%	16.2%	31.7%	18.1%	51.7%	19.4%	13.8%	-4.2%	16.7%	4.8%	0.0%	0.0%	0.0%	1.2%	4.8%	0.0%	0.0%	0.0%	1.2%	
Adj. EBITDA	17.8%	-47.7%	-19.9%	-63.2%	-33.5%	-61.7%	-77.0%	4.8%	20.4%	-33.6%	-159.9%	159.7%	102.8%	184.1%	76.9%	-33.6%	159.7%	102.8%	184.1%	76.9%	
Non-GAAP Net income	-127.0%	-183.6%	-138.5%	-108.2%	-141.0%	7618.4%	11.6%	154.3%	846.7%	239.8%	23.0%	66.8%	-58.6%	-123.4%	-16.4%	23.0%	66.8%	-58.6%	-123.4%	-16.4%	
FCF y/y	33.0%	51.8%	-33.7%	-38.2%	1.3%	-63.4%	-68.5%	-121.9%	-47.5%	-71.2%	-81.6%	5.7%	-9								



(Amounts in millions, except per share data)

	Mar 1Q20	Jun 2Q20	Sep 3Q20	Dec 4Q20	Mar 1Q21	Jun 2Q21
Assets						
Cash and cash equivalents	\$191.3	\$174.0	\$158.5	\$168.9	\$415.8	\$362.3
Short term deposits	\$366.0	\$406.0	\$540.1	\$577.1	\$439.1	\$565.3
Restricted deposits	\$1.2	\$0.9	\$1.1	\$0.9	\$1.5	\$7.0
Marketable securities	\$168.6	\$174.6	\$299.7	\$289.9	\$269.3	\$351.6
Trade receivables	\$17.1	\$18.8	\$23.2	\$23.7	\$29.9	\$29.4
Prepaid expenses and other	\$40.6	\$49.9	\$57.5	\$40.7	\$75.9	\$37.3
Total Current Assets	\$784.7	\$824.3	\$1,080.0	\$1,101.2	\$1,231.5	\$1,352.8
PP&E, net	\$33.0	\$32.9	\$35.0	\$35.9	\$37.3	\$42.5
Marketable securities	\$210.3	\$245.2	\$540.0	\$536.9	\$463.6	\$526.8
Prepaid expenses & other	\$13.1	\$13.2	\$13.3	\$21.0	\$118.9	\$19.6
Intangible assets and goodwill	\$45.1	\$44.5	\$44.1	\$43.5	\$49.1	\$90.2
Operating lease	\$78.6	\$81.1	\$82.6	\$88.4	\$84.9	\$84.8
Total Assets	\$1,164.8	\$1,241.3	\$1,795.1	\$1,826.8	\$1,985.2	\$2,116.8
Liabilities and SE						
Trade payables	\$46.6	\$73.1	\$70.3	\$79.9	\$77.8	\$81.3
Employees and payroll accruals	\$65.7	\$66.3	\$74.6	\$70.8	\$103.7	\$86.7
Deferred revenue	\$319.5	\$344.5	\$359.8	\$373.5	\$412.4	\$432.6
Accrued expenses and other	\$48.4	\$65.0	\$68.7	\$70.4	\$85.3	\$84.1
Operating lease	\$15.9	\$17.4	\$19.1	\$22.3	\$22.1	\$26.7
Total current liabilities	\$496.2	\$566.3	\$592.6	\$617.0	\$701.3	\$711.4
Long term deferred revenue	\$24.5	\$29.3	\$40.8	\$50.9	\$59.1	\$58.6
Long-term deferred tax liabilities	\$1.6	\$1.6	\$0.7	\$0.0	\$22.4	\$55.9
Convertible senior note	\$364.1	\$369.7	\$823.0	\$834.4	\$919.1	\$920.4
Long term loan	\$1.2	\$1.2	\$1.2	\$0.0	\$0.0	\$0.0
Operating lease	\$66.3	\$68.4	\$69.3	\$74.2	\$69.5	\$65.7
Total Liabilities	\$953.9	\$1,036.4	\$1,527.6	\$1,576.5	\$1,771.4	\$1,812.0
Stockholders' Equity	\$210.9	\$204.8	\$267.5	\$250.3	\$213.8	\$304.8
Total Liabilities and SE	\$1,164.8	\$1,241.3	\$1,795.1	\$1,826.8	\$1,985.2	\$2,116.8

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(Amounts in millions, except per share data)

	Mar 1Q20	Jun 2Q20	Sep 3Q20	Dec 4Q20	2020	Mar 1Q21	Jun 2Q21
Operating Activities							
Net Income	-\$39.2	-\$57.7	-\$56.8	-\$62.8	-\$216.5	-\$121.8	\$38.0
Depreciation and Amortization	\$4.1	\$4.1	\$4.5	\$4.4	\$17.2	\$4.0	\$4.2
Stock-Based Comp	\$30.7	\$35.0	\$38.9	\$42.7	\$147.3	\$46.6	\$50.4
Amortization of debt discount	\$5.4	\$5.5	\$7.6	\$11.4	\$30.0	\$62.3	\$1.3
Decrease (increase) in accrued int and FX rate on deposits	\$0.0	\$0.0	\$0.0	-\$0.1	\$0.0	\$0.0	-\$0.1
Amortization of premium and discount on marketable securities	\$0.3	\$0.4	\$1.2	\$2.5	\$4.5	\$2.3	\$2.1
Gain on equity securities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$73.2
Deferred income taxes, net	-\$1.7	-\$0.1	-\$1.7	\$0.2	-\$3.3	\$7.4	\$32.8
Changes in Working Capital	\$45.2	\$62.7	\$30.8	\$30.2	\$168.9	\$17.5	-\$33.6
Cash from Operations	\$45.0	\$50.0	\$24.5	\$28.6	\$148.0	\$18.5	\$21.8
Investing activities							
Proceeds (investments) from/in deposits	-\$72.0	-\$39.8	-\$134.2	-\$36.8	-\$282.8	\$137.4	-\$131.5
Proceeds (investments) from/in marketable securities	-\$40.0	-\$35.2	-\$423.4	\$12.4	-\$486.2	\$90.1	\$90.6
Purchase of PPE	-\$4.9	-\$3.3	-\$4.9	-\$5.3	-\$18.4	-\$3.7	-\$6.7
Capitalized website/software	-\$0.1	\$0.0	-\$0.2	-\$0.1	-\$0.5	-\$0.1	-\$0.5
Payment for business acquired, net of cash	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	-\$37.2
Other investing	-\$11.7	-\$1.3	\$0.0	\$0.7	-\$12.4	-\$5.6	-\$1.5
Cash from Investing	-\$128.8	-\$79.6	-\$562.7	-\$29.1	-\$800.2	\$218.1	-\$86.8
Financing Activities							
Process from exercise of options and ESPP shs	\$7.0	\$12.3	\$9.4	\$10.9	\$39.6	\$10.4	\$11.4
Payments of debt issuance costs	\$0.0	\$0.0	\$559.3	\$0.0	\$559.3	\$0.0	\$0.0
Purchase of capped call	\$0.0	\$0.0	-\$46.0	\$0.0	-\$46.0	\$0.0	\$0.0
Cash from Financing	\$7.0	\$12.3	\$522.7	\$10.9	\$552.9	\$10.4	\$11.4
Effect of Foreign Exchange	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Change in Cash	-\$76.8	-\$17.3	-\$15.5	\$10.4	-\$99.2	\$247.0	-\$53.6

VALUATION (PRICE TARGET: \$265.00)

- Our price target of \$265 is based on an EV/adj. EBITDA multiple of 37.5x our '25 estimate, discounted back, this implies a multiple of 10.5x our '22 revenue forecast. Our prior target was 33x our '25 EBITDA estimate and 10x our '22 revenue forecast. We look for success in payments to drive revenue growth estimates higher and make the stock more attractive relative to the company's SAAS peers. We also think that payment revenue making up a greater share of the company's mix will draw greater comparisons to SHOP and BIGC and support multiple expansion.

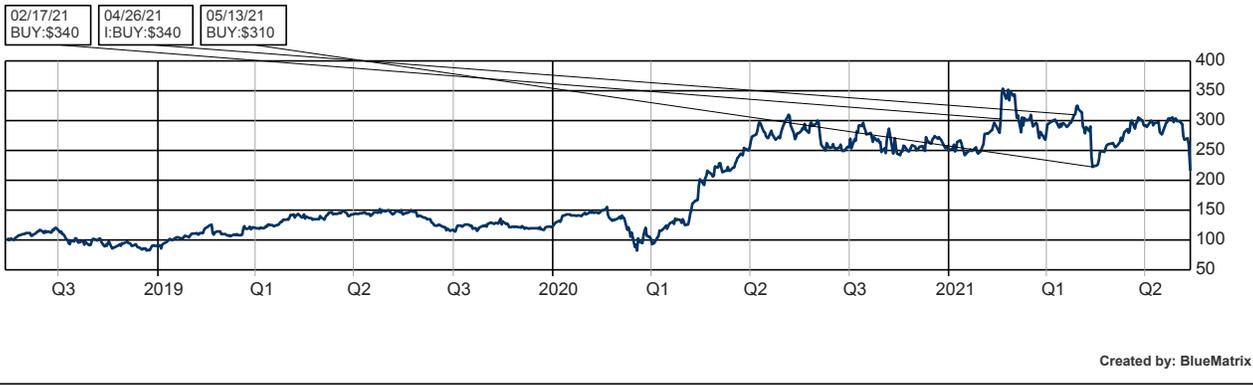
POTENTIAL UPSIDE DRIVERS

- Higher conversion of registered users.** Fundamentally, we think conversion of registered users was limited by the narrower focus on novice and intermediate users. We think Corvid by Wix (rebranding/revamp of Wix Code) will provide a platform for agencies that will better enable Wix to penetrate the vertical more effectively.
- ARPS growth driven by lapsing pricing optimization and add-on offerings, such as Wix Payments.** Growth in ARPS has been consistent y/y, signaling to us the company's ability to capture high intent customers and the early success in targeting higher priced offerings.
- Higher than anticipated internet adoption and/or domain registration in emerging markets.** Although the U.S. has generated the strongest growth, we still expect the company's unique value proposition to be attractive in international markets. Latin America and Asia's secular adoption of the internet and website creation could be an opportunistic avenue for growth, in our view.
- Higher domain registration growth would likely provide a natural tailwind. While we think domain registration growth will remain strong in the U.S., we see any surprise coming from international markets.

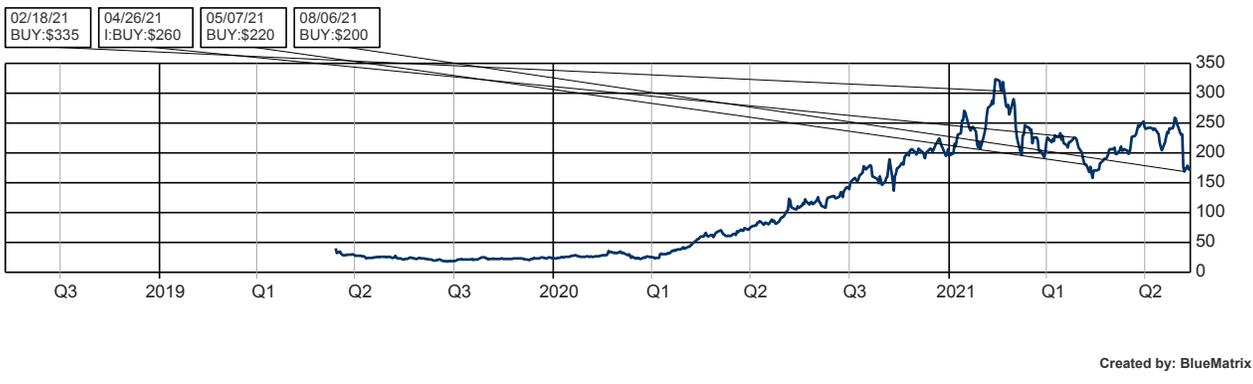
RISKS TO TARGET

- Registered user growth slows and the company is unable to further monetize its existing user base.** The potential inability to further penetrate SMBs, prosumers, and individuals around the globe could cause the company's revenue and collections growth to slow. Any early indication of negative cohort behavior changes or signs of ACPS/ARPS slowing would likely justify a re-rating in the stock's multiple and taper free cash flow.
- International market expansion slowing.** High growth in the U.S. (~52% of revenue), despite the higher penetration, has largely been due to SMB's better awareness around the need to move operations online, per management. However, other high growth regions such as Europe and Latin America will be large contributors to future growth and any deceleration in these regions could adversely affect top-line growth.
- Renewal rates.** Offering monthly, yearly, and multi-yearly premium subscriptions, Wix is able to capture both the low and high intent users, but runs the risk of having renewal rates be lower than expected. If future cohorts skew more towards monthly subscriptions and/or renewal rates for longer-term subscriptions drop, revenue growth could be adversely affected.
- Increased customer acquisition cost.** If the company witnesses lower than expected renewal rates and/or conversion challenges through its marketing channels it is likely to accelerate marketing spend to maintain market share leading to hindered profitability.
- Foreign exchange risk.** ~69% of the company's revenues were denominated in USD, any significant appreciation in the NIS against the USD could adversely affect the company's margins.

Rating and Price Target History for: Wix.com Ltd. (WIX) as of 08-11-2021



Rating and Price Target History for: Fiverr International Ltd. (FVRR) as of 08-11-2021



ANALYST CERTIFICATION

I, Bernie McTernan hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities. I, also certify that I, have not been, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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Buy	76	35
Hold	21	6
Underperform	< 1	0
Rating Suspended	< 1	0
Restricted	< 1	0

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