

Wix.com

FY24 guide underscores ongoing margin inflection, key investment areas; Buy

Reiterate Rating: BUY | PO: 150.00 USD | Price: 132.77 USD

Wix reports beat across most metrics & guidance

Wix reported 4Q'23 Revenue/Adj. Net Income of \$403.7mn/\$74.0mn, which beat BofAe at \$389.2mn/\$39.4mn. Gross Margin at 70% was slightly below our 71%, but with FY23 GM still up by nearly 500bps Y/Y due to infrastructure cost efficiencies and optimized support costs (including AI-driven cost savings). FCF ex-one time building costs exceeded \$90mn in 4Q alone, a strong 22% FCF margin, with mgmt. also announcing \$225mn in incremental buybacks (following \$300mn in buybacks LY). 1Q Revenue Guidance for \$415-419mn was also well above our prior projection of \$409mn.

FY24 Guidance underscores continued margin inflection

Mgmt provided strong color on FY24 expectations, giving incremental annual guidance that largely exceed prior guidance from last year's Analyst Day. For example, mgmt now expects \$370-400mn in FY24 FCF, ex one-time building costs, with a strong 21-23% FCF margin and 51-52% Adj. Opex % of Revenue. The Wix Studio ramp (key area of investment from LY) is helping drive outperformance, with over 500k agencies & freelancers creating accounts, & nearly half of these partners being new to Wix.

Estimate Changes: Raising revenue, margins mostly unch'd

Strong 4Q results & guidance reflect tailwinds from Wix Studio, partner momentum, pricing, and AI benefits. We are raising top-line estimates while margins are mostly unchanged. For 1Q'24, we raise revenue by 2% to \$419mn (vs. \$409mn prior), but lower our previously above-Street gross margin ests. slightly. For FY24, we are at Revenue/Adj. Profit/Adj. EPS of \$1.76bn/\$322mn/\$5.60 vs. \$1.74bn/\$319mn/\$5.52 prior.

Growing contribution from Wix Studio; Raise PO to \$150

With growing contribution from a key investment area in Wix Studio, we expect mgmt can re-accelerate growth in 2025 while also continuing the impressive margin inflection. With an improving growth & margin profile from here, we reiterate our Buy rating, and raise our PO to \$150 (up from \$126 prior) based on 6.1x 2025 Gross Profit (vs. 6x 2024x GP prior). Our multiple is still a slight discount to peers at 6.5x 2025E GP (down 0.2 turns vs. 6.7x 2024E GP as of last earnings) given Wix's slightly below peer average growth but expect the multiples to continue to converge as the growth profile improves.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.17)	4.71	5.60	7.39	9.17
GAAP EPS	(7.33)	0.56	1.51	3.13	4.05
EPS Change (YoY)	87.9%	NM	18.9%	32.0%	24.1%
Consensus EPS (Bloomberg)			5.20	6.80	8.33
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	28.2x	23.7x	18.0x	14.5x
GAAP P/E	NM	237.1x	87.9x	42.4x	32.8x
EV / EBITDA*	193.9x	22.5x	25.6x	18.5x	10.8x
Free Cash Flow Yield*	-0.4%	2.4%	4.7%	5.0%	6.7%

* For full definitions of *IQmethod*SM measures, see page 6.

21 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	126.00	150.00
2024E Rev (m)	1,739.5	1,757.9
2025E Rev (m)	2,009.5	2,008.1
2026E Rev (m)	NA	2,274.1
2024E EPS	5.52	5.60
2025E EPS	7.89	7.39
2026E EPS	NA	9.17

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Stock Data

Price	132.77 USD
Price Objective	150.00 USD
Date Established	21-Feb-2024
Investment Opinion	C-1-9
52-Week Range	73.39 USD - 141.25 USD
Mrkt Val (mn) / Shares Out (mn)	7,736 USD / 58.3
Free Float	96.8%
Average Daily Value (mn)	89.74 USD
BofA Ticker / Exchange	WIX / NAS
Bloomberg / Reuters	WIX US / WIX.OQ
ROE (2024E)	274.3%
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

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iQprofileSM Wix.com

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-3.5%	26.6%	24.4%	24.4%	23.3%
Return on Equity	NM	NM	274.3%	83.8%	53.4%
Operating Margin	-2.6%	15.4%	18.3%	21.4%	23.8%
Free Cash Flow	(32)	185	360	385	522

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	0.9x	1.2x	1.0x	1.0x
Asset Replacement Ratio	4.2x	3.1x	0.6x	0.7x	0.8x
Tax Rate	9.2%	12.4%	NM	NM	NM
Net Debt-to-Equity Ratio	NM	NM	-335.6%	-184.0%	-145.6%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	1,388	1,562	1,758	2,008	2,274
% Change	9.3%	12.5%	12.6%	14.2%	13.2%
Gross Profit	882	1,067	1,231	1,433	1,646
% Change	10.4%	20.9%	15.3%	16.5%	14.9%
EBITDA	39	340	299	414	708
% Change	194.6%	762.6%	-12.0%	38.1%	71.2%
Net Interest & Other Income	(17)	37	0	0	0
Net Income (Adjusted)	(10)	278	322	430	541
% Change	88.2%	NM	15.7%	33.5%	25.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(425)	33	87	182	239
Depreciation & Amortization	17	20	29	32	32
Change in Working Capital	48	(19)	26	(53)	(28)
Deferred Taxation Charge	(58)	(9)	0	0	0
Other Adjustments, Net	455	222	235	248	304
Capital Expenditure	(69)	(63)	(17)	(24)	(25)
Free Cash Flow	-32	185	360	385	522
% Change	NM	NM	94.3%	7.0%	35.4%
Share / Issue Repurchase	(189)	(29)	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	245	610	970	1,356	1,877
Trade Receivables	42	57	39	45	198
Other Current Assets	861	413	401	409	449
Property, Plant & Equipment	109	137	147	157	159
Other Non-Current Assets	502	589	589	589	589
Total Assets	1,758	1,805	2,146	2,555	3,272
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,190	790	787	747	911
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	831	1,070	1,070	1,071	1,072
Total Liabilities	2,022	1,860	1,857	1,818	1,983
Total Equity	(263)	(54)	289	737	1,289
Total Equity & Liabilities	1,758	1,805	2,146	2,555	3,272

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Internet/e-Commerce

Company Description

Wix is a free alternative to businesses and individuals without the huge financial resources to hire a professional web designer or the programming knowledge to build a webpage on their own. The company has invested heavily in a proprietary website editor tool and has pre-built templates, graphics, images, and fonts that make it easy for anyone with basic computer skills to start a webpage. The company now has over 150mn registered users and generates revenue from its 4m+ premium subscribers.

Investment Rationale

Wix has proven as transformative for businesses as TurboTax by empowering "do-it-yourself" individuals with the technology and support necessary to bring a business online at an attractive price. Its scale and investment in content have created a significant competitive advantage over the many smaller web editor tools available. Accelerating top-line growth, a highly-predictable revenue, leadership in design and innovation, and margin expansion potential are key stock drivers.

Stock Data

Average Daily Volume 675,870

Quarterly Earnings Estimates

	2023	2024
Q1	1.09A	1.29E
Q2	1.37A	1.32E
Q3	1.14A	1.42E
Q4	1.29A	1.57E

Wix 4Q'23 Actuals vs. Estimates

Exhibit 1: Actuals vs. Estimates

Wix Earnings results beat Street across most metrics

Actuals vs. Estimates	Dec-23		
	Actual	Estimate	Diff.
Revenue	\$403,771	\$389,212	\$14,559
% y/y	14%	10%	4%
Cost of Revenue (ex SBC)	121,765	112,382	\$9,383
Gross Profit	282,006	276,830	\$5,176
% Margin	70%	71%	-1%
Operating expenses (ex SBC):			
R&D	93,757	97,303	(3,546)
as % Revenue	23%	25%	-2%
S&M	91,589	108,979	(17,390)
as % Revenue	23%	28%	-5%
G&A	31,957	31,137	820
as % Revenue	8%	8%	0%
Total Operating expenses	217,303	237,419	(20,116)
Operating Income	64,703	39,410	25,293
as % Revenue	16%	10%	6%
Net Income	74,035	39,410	34,625
EPS - Adj	\$1.29	\$0.69	\$0.60
GAAP Model			
Revenue (ABTve)	403,771	389,212	\$14,559
COS	126,113	116,455	9,658
Gross Profit	277,658	272,757	\$4,901
Operating expenses:			
R&D	125,743	125,772	(29)
S&M	103,642	119,935	(16,293)
G&A	43,401	43,787	(386)
Total Opex	275,889	289,495	(\$13,606)
Operating Income	1,769	(16,737)	\$18,506
Other Income (ABTve)	6,505	0	6,505
EBT	8,274	(16,737)	25,011
Taxes (ABTve)	5,320	0	5,320
Net Income	2,954	(16,737)	19,691

Source: BofA Global Research estimates, company report

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Wix 4Q'23 Estimate Changes

Exhibit 2: Estimate Changes

We are raising revenue estimates for 2024, while Gross Profit is mostly unchanged

Estimate Changes	Mar-24			2024			2025		
	New	Old	Change	New	Old	Change	New	Old	Change
Revenue	\$418,981	\$409,958	\$9,023	\$1,757,879	\$1,739,499	\$18,380	\$2,008,143	\$2,009,515	(\$1,372)
% y/y	12%	10%	2%	13%	12%	0%	14%	16%	-1%
Cost of Revenue (ex SBC)	133,916	118,825	\$15,091	527,042	509,226	\$17,816	574,687	575,433	(\$746)
Gross Profit	285,065	291,133	(\$6,068)	1,230,837	1,230,273	\$564	1,433,456	1,434,082	(\$627)
% Margin	68%	71%	-3%	70%	71%	-1%	71.4%	71.4%	0.0%
Operating expenses (ex SBC):									
R&D	87,986	89,835	(1,849)	378,862	378,278	584	421,294	401,903	19,391
as % Revenue	21%	22%	-1%	22%	22%	0%	21%	20%	1%
S&M	96,366	98,390	(2,024)	413,298	417,480	(4,182)	449,040	436,928	12,113
as % Revenue	23%	24%	-1%	24%	24%	0%	22%	22%	1%
G&A	26,438	25,869	569	116,756	115,550	1,206	133,342	133,486	(144)



Exhibit 2: Estimate Changes

We are raising revenue estimates for 2024, while Gross Profit is mostly unchanged

as % Revenue	6%	6%	0%	7%	7%	0%	7%	7%	0%
Total Operating expenses	210,790	214,093	(3,303)	908,915	911,308	(2,392)	1,003,677	972,317	31,360
Operating Income	74,276	77,040	(2,764)	321,922	318,966	2,956	429,778	461,765	(31,987)
as % Revenue	18%	19%	-1%	18%	18%	0%	21%	23%	-2%
Net Income	74,276	77,040	(2,764)	321,922	318,966	2,956	429,778	461,765	(31,987)
EPS - Adj	\$1.29	\$1.33	(\$0.04)	\$5.60	\$5.52	\$0.08	\$7.39	\$7.89	(\$0.50)
GAAP Model									
Revenue (ABTve)	418,981	409,958	\$9,023	1,757,879	1,739,499	\$18,380	2,008,143	2,009,515	(\$1,372)
COS	138,229	123,062	15,167	545,008	527,039	17,969	593,485	594,246	(761)
Gross Profit	280,752	286,895	(\$6,144)	1,212,871	1,212,460	\$411	1,414,658	1,415,269	(\$611)
Operating expenses:									
R&D	116,962	117,815	(852)	500,434	497,000	3,434	549,490	528,502	20,988
S&M	107,196	108,903	(1,708)	458,575	461,889	(3,314)	496,606	484,066	12,540
G&A	38,422	38,090	331	167,009	167,373	(364)	186,304	188,709	(2,405)
Total Opex	262,580	264,808	(\$2,229)	1,126,018	1,126,262	(\$243)	1,232,400	1,201,277	\$31,123
Operating Income	18,172	22,087	(\$3,915)	86,853	86,199	\$655	182,257	213,992	(\$31,734)
Other Income (ABTve)	0	0	0	0	0	0	0	0	0
EBT	18,172	22,087	(3,915)	86,853	86,199	655	182,257	213,992	(31,734)
Taxes (ABTve)	0	0	0	0	0	0	0	0	0
Net Income	18,172	22,087	(3,915)	86,853	86,199	655	182,257	213,992	(31,734)

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Price objective basis & risk

Wix.com (WIX)

Our \$150 PO is based on 6.1x 2025E EV/Gross Profit. The 6.1x multiple is below median of application software peers at 6.5x. We think the multiple is justified given the lower growth profile vs. peers, but expect long-term convergence due to consistency of the subscription model, upside potential from new products, and predictable free cash flow generation. Wix model is highly leverageable with potential for new products and services to drive solid free cash flow growth.

Downside risks to our PO are 1) competition and limited barriers to entry, 2) recessionary impact on SMB formation, 3) limited pricing power, and 4) an undiversified product line.

Analyst Certification

I, Michael McGovern, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
UNDERPERFORM	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA
RSTR	Lyft, Inc.	LYFT	LYFT US	Michael McGovern

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization

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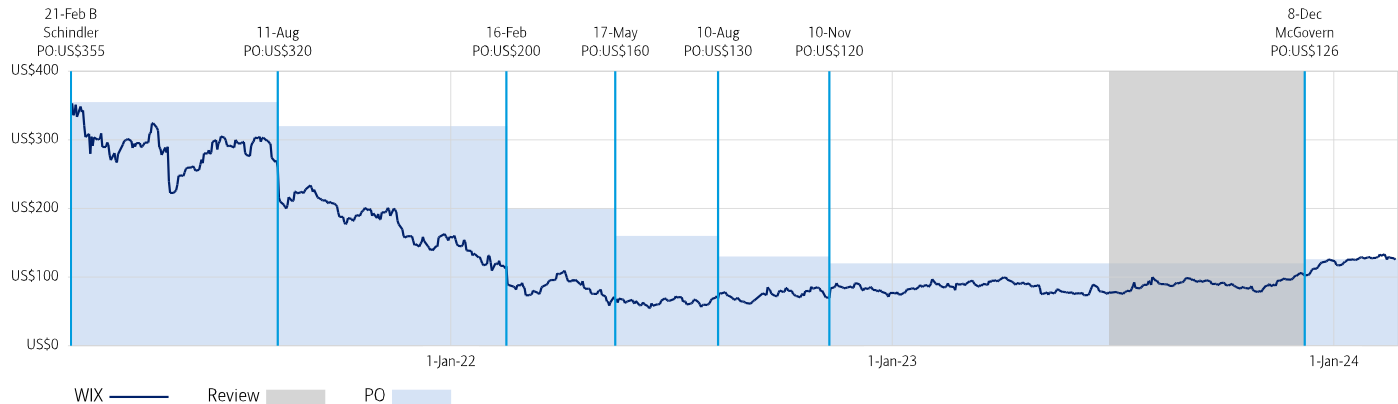
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Disclosures

Important Disclosures

Wix (WIX) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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