WIX

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Q2 2026 Earnings Call

Prepared Remarks

Emily Liu, Investor Relations

Thanks, and good morning, everyone. Welcome to Wix's second quarter 2026 earnings call. Joining me today to discuss our results are Avishai Abrahami, CEO and Co-Founder; Nir Zohar, President and Co-Founder; and Lior Shemesh, our CFO.

During this call, we may make forward-looking statements, and these statements are based on current expectations and assumptions. Please consider the risk factors included in our press release and most recent Form 20-F that could cause our actual results to differ materially from these forward-looking statements. We do not undertake any obligation to update these forward-looking statements except as required by law.

In addition, we will comment on non-GAAP financial results and key operating metrics. You can find all reconciliations between our GAAP and non-GAAP results in the earnings materials and in our Interactive Analyst Center on the Investor Relations section of our website, investors.wix.com.

With that, I'll turn the call over to Avishai.

Avishai Abrahami, Co-founder and CEO

Thanks, Emily.

As I mentioned in our shareholder letter, our strategy is centered on deepening our ownership of the technology stack behind our AI products while expanding Wix's role across the AI ecosystem and throughout the entire user journey, from ideation online to fully operational businesses and deployed software.

We're pursuing this through two distinct, purpose-built paths rather than betting on a single outcome for how AI reshapes online creation. Wix Harmony continues to serve self-creators through visual, drag-and-drop creation paired with AI. Base44 serves a different and fast-growing motion: natural-language, vibe-coded app and software creation. Running both in parallel means we capture demand wherever the market evolves.

We achieved a significant product milestone this quarter in support of this strategic priority with the introduction of Base 1, the first platform in its category to launch a proprietary LLM. Building this model in-house was a deliberate choice. It gives us tighter control over quality, faster iteration cycles, and a better long-term cost structure. It also means every interaction on the platform continues to compound into a proprietary data asset, one that keeps improving Base 1, rather than benefiting an external vendor's model.

On the economics, Base 1 is also driving tangible margin improvement for Base44. As we shift more inference to our own model and continue cost optimization work, we see AI-related costs fall across free and paid users, improving the Base44 gross margin from roughly 0% when we started the year to approximately 60% in the second half of the year. This trajectory reflects a business moving past early-stage hyper-growth economics toward a more sustainable, margin-healthy model, with further room to improve.

Base 1 also demonstrates what is possible when bringing together Wix's 20 years of expertise building and making complex technology accessible to everyone with Base44's nimble and ambitious AI-powered workflow. The same data science organization that led the development of the Wix Harmony LLM, our first purpose-built AI model introduced earlier this year, was able to support the Base44 team directly with existing research, infrastructure, and experimentation capabilities achieved over years of AI development. This team, which I work closely with, played an invaluable role in the creation of Base 1 and was a major reason we were able to bring our model into production so quickly.

With continued demand strength and now more control over the technology stack powering the platform, we are doubling down on a strategy that has already proven successful.

The vision behind Wix Harmony is focused on building AI and human collaboration into the core editing experience helping users generate, refine, and iterate on content, while staying fully in control of the final result. This reflects a broader principle behind everything we build: as the market, the technology, and user expectations keep shifting, our focus is to continuously evolve our platform to the needs of our users. We've continued to make significant advancements in Wix Harmony as part of this ongoing commitment.

Our focus now is execution: leaning into our position of strength to create products that generate real value for users and durable growth for Wix.

With that, I'll turn it over to Nir.

Nir Zohar, Co-founder and President

Thanks, Avishai. I want to start with a quick overview of the growth trends we're seeing across the business, then explain how those insights inform our investment strategy.

We continued to execute on our plan in the second quarter with steady top-line performance. Bookings grew 12% y/y and revenue grew 15% y/y, driven by strong Base44 performance and continued growth in our core Wix business in-line with our expectations with encouraging performance from Wix Harmony. As a result, year-over-year Self Creators revenue growth accelerated sequentially to 14% this quarter, underpinned by healthy business fundamentals including improving conversion from free to paid users, stable retention behavior and a robust top of funnel.

Partners revenue grew 17% year-over-year, in-line with the expectations we provided in early June. Encouragingly, we saw a step-up in Base44 contribution to the Partners segment in the second quarter as professionals increasingly leveraged AI and AI agents in their workflows and expanded their pipelines to include software creation.

GPV in Q2 grew 3% year-over-year, driven primarily by the wind-down of our subsidiary, inkFrog, as part of our organizational realignment in June to refocus efforts on high-return products. inkFrog had moderate contribution to GPV, but low monetization. Its wind-down improves our mix towards better monetized GPV dollars, resulting in better take rate.

After our June outlook adjustments related to our Partners business, I want to make it clear that our Partners business remains a key area of investment and focus. We are already actively testing new solutions with our agency partners and believe that these solutions will align our platform with how the partners and agencies ecosystem is evolving.

Turning to Base44, which continued on its strong growth trajectory in Q2. Top of funnel demand remained elevated with the newest cohort outperforming the previous one while renewal activity led overall Base44 growth. Encouragingly, we continued to see more new and existing users choose annual plans as they increasingly trust Base44 for their software needs.

Given the continued strong demand, meaningful product improvements and the significantly improved margin profile of the Base44 business driven by Base 1, which Lior will speak to in more detail shortly, we plan to invest further into Base44. As a result, we are raising our TROI target moderately, underscoring our confidence that the opportunity in front of us remains competitive, but massive. Our priority is to aggressively capture Base44 market share as the AI-powered app creation space continues to be dynamic and growing, with strong belief that the strategic investments we’re making today will drive sustained growth and market leadership over the long-term.

With that, I'll hand it over to Lior, who will discuss how we expect these priorities to flow through the financials. Lior?

Lior Shemesh, CFO

Thanks, Nir.

In the second quarter, we delivered continued solid topline growth and continued to position the business for long-term success and free cash flow generation by innovating our platform and managing the business with discipline. You just heard from Nir about our strategic priorities and top-line trends, so I'll focus my remarks on the cost side of the business, where we drove strong execution on initiatives that I believe will create meaningful leverage over time.

I am proud to say that we have delivered on a key initiative planned for this year. A company-wide priority for 2026 was to lower inference costs with our own LLMs. We started with our Harmony model earlier this year. Then in June, we launched our Base 1 model, which we believe structurally improves the margin profile of the business. And we are seeing immediate results: we now expect non-GAAP gross margin for Base44 to be approximately 60% in the second half of this year. This is a very significant improvement from the near-zero gross margin entering 2026.

These cost savings are expected to translate into approximately two points of total non-GAAP gross margin improvement in the second half of the year versus the first half for the consolidated business.

Turning quickly to the second quarter. Let's start with gross margin. Our second quarter total non-GAAP gross margin was 67%, a slight increase sequentially, and down 3 pts year-over-year. Our lower year-over-year total non-GAAP gross margin was driven by continued elevated investments in Base44 to support its rapid growth and elevated AI compute costs as we scale and maximize gross profit dollars. Our second quarter margin reflects stable gross margins in our core Wix business compared to the prior year period.

Total non-GAAP operating income came in at 12% of revenue, primarily driven by continued higher levels of sales and marketing expenses in the quarter. Non-GAAP S&M expenses remained elevated in the second quarter, as expected, as we continued to accelerate marketing investments into Base44 in order to capture strong top-of-funnel demand trends throughout the quarter while also seeing, AI inference and compute costs associated with free Base44 users continued to increase sequentially.

As Nir discussed: with the margin profile of Base44 fundamentally improved, we are going to lean into S&M expenses to capture increased demand. As a result, we plan to reinvest the entirety of the gross margin savings I just discussed back into sales and marketing activities. As a result, we anticipate third and fourth quarter sales and marketing activities to remain elevated as we now aim towards a moderately longer TROI.

Finally, turning to our balance sheet. We ended Q2'26 with approximately $960 million in cash and cash equivalents and $1.63 billion in short- and long-term debt.

Let's turn now to the outlook for the third quarter and second half of 2026.

We are maintaining our current guidance and continue to expect bookings to grow at a low-teens percentage, lagging revenue growth by a few points, and revenue to grow at a low- to mid-teens percentage on a year-over-year basis for the full year. We expect third quarter revenue to grow at a low double-digit percentage on a year-over-year basis.

For the full year 2026, we are maintaining our expectation for FCF margin excluding acquisition and restructuring costs to be in the high-teens. Our full year outlook assumes that the approximately two points of non-GAAP gross margin improvement in 2H in the consolidated business will be re-invested into Base44 sales and marketing through the rest of the year. This reflects our expectation that demand for Base44 will remain elevated, enabling us to capture additional market share as the business continues to outperform.

We expect to offset this increased sales and marketing investment in Base44 with lower AI costs and decreased marketing costs for core Wix in the second half of the year, in-line with seasonality and lapping the SuperBowl investments earlier this year. We expect R&D expenses to remain stable in the second half of the year compared to the first half as the FX headwind from a strengthening Israeli Shekel offsets savings from our organizational realignment. As a result, we continue to expect non-GAAP operating margin for the consolidated company to step up in the second half of the year, putting us on track to achieve our free cash flow outlook.

In conclusion, our conviction in our near-term strategy and ambitious AI-focused product roadmap remains unchanged. The team is incredibly focused on executing our shared vision, and I am confident that key initiatives like Harmony and Base44 are the right areas of investment. We are utilizing this year to lean into our future growth and leverage AI across every function to drive higher output. The decisions we are making today will pay off in the long-term, as we continue to build, refine, and deliver products that capture additional market share and drive compounding financial performance for our shareholders.

Operator – we are now ready for questions.