WIX

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Q1 2026 Earnings Call

Prepared Remarks

Emily Liu, Investor Relations

Thanks, and good morning, everyone. Welcome to Wix's first quarter 2026 earnings call. Joining me today to discuss our results are 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 Nir.

Nir Zohar, Co-founder and President

Thank you, Emily. Hello, everyone. Before we begin, I would like to share that Avishai sends his best. He won't be on the call today because he very recently celebrated the birth of his son. We offer him our warmest congratulations, and I am certain he is looking forward to connecting with all of you soon.

The velocity of change within our industry has been remarkable throughout the last few quarters. As this momentum increases, it is increasingly evident which organizations are truly designed for longevity.

Over the past several quarters, the pace of change in our space has been extraordinary. And the faster things move, the clearer it becomes to me which companies are built to last. The winners in the AI era will be ones that have the underlying systems and infrastructure needed to actually run and scale AI effectively, as well as the product depth for AI to be integrated seamlessly into solutions that are genuinely useful for users. All of this needs to be underpinned by a deep understanding of the market and user expectations. This is a major competitive advantage for Wix, and importantly, one that is very difficult to replicate.

In this new era, our goals remain the same: place value in the hands of our users; increase our market share; cement our position as one of web creation’s defining players; and be the platform users choose when they build online.

I want to emphasize that we have been intentionally building toward AI’s ability to transform online creation for years. This was demonstrated in as early as 2016 with our launch of Artificial Design Intelligence, or ADI, and most recently in the rollout of Wix Harmony as well as our acquisition of Base44, now the largest AI-powered app creation platform in North America by market share.

AI has made building online simple and anyone can generate a simple good-looking website in minutes. But that’s as far as it goes. The real complexity begins the moment you hit publish. How does it drive engagement? How do you host it, get found on search engines, run your storefront, secure your customers’ data and actually operate a business day to day? These are the hard problems, and we've been solving them for twenty years through continuous product innovation and user feedback.

We continue to set the standard for what’s possible in the online creation market, and I am proud to share that we recently achieved an important innovation milestone: Wix has built and deployed our first proprietary LLM. This model was built specifically to power the design engine of Wix Harmony, and the early results are compelling. Our internal testing shows our model is meaningfully faster than the alternatives, produces fewer errors, and delivers noticeably better outcomes for users building Harmony websites. We also have complete control in our own product development and improvement cycle. We can iterate daily, guided by feedback from our massive user base, in ways that a general-purpose model simply cannot.

Importantly, building and relying on our own LLM means significantly lower inference costs that sit firmly within our own control as we scale the Harmony platform. We expect this Wix-built LLM to be the first in a broader portfolio of proprietary AI models across a number of use cases as they become increasingly central to our product roadmap.

As AI models become widely available across the industry, I believe differentiation will increasingly come from the experience built on top of these models and around agentic capabilities. That's exactly where we've invested and where we continue to push. Owning our proprietary model gives us a unique depth and data advantage that can’t be replicated, while also providing greater cost control and significantly lower inference costs. Still, we also have the flexibility to continue to leverage the best third-party models for the right use cases. So, we are never constrained. This breadth of options, combined with the unique assets we've built, means our users will always get the best possible outcome.

I also want to be clear about something fundamental. For Wix, web creation has always been our mission, not an off-the-cuff offering on the side. Two decades of singular focus on these users and on this market. That depth of expertise, layered on top of the meaningful investments we've made into infrastructure and our integrated product environment over many years, is not something a new entrant can replicate quickly or easily. This defining strategic advantage, combined with our brand strength, scale, and ecosystem, creates a powerful competitive moat. And it's why hundreds of millions of people around the world rely on us today for online creation.

Turning now to the new first quarter cohort, which saw 6.4 million users, which now includes Base44. This Q1 2026 user cohort generated nearly $52 million in bookings in its first three months, a 46% increase compared to the bookings generated by the Q1 2025 cohort over its first three months. Putting Base44 aside, our new core Wix users generated healthy bookings with growth nearly as strong as what we saw in the Q1 2025 cohort last year despite a slightly smaller user base.

This growth is particularly encouraging as Q1 2025 was by far the strongest post-COVID cohort and a high bar to reach, underscoring the continued demand for our growing suite of web creation offerings and the power of our platform. New cohort bookings were driven by noticeably improved year-over-year and quarter-over-quarter conversion of new users into paid subscriptions, powered by Harmony, which was rolled out in late January across our main geographic markets.

Monetization of these new users was also strong as they purchased higher-priced subscriptions and increased attach of Business Solutions, signaling the growing mix of high-intent users compared to the prior year quarter cohort.

This quarter, we ramped up our marketing efforts meaningfully, as anticipated, driven by incremental spend on Base44. We went all-in on capturing Base44's robust top of funnel demand, which continued its strong upwards momentum, and building our brand as a leading AI-powered application creation platform.

In addition to strong demand, we also saw positive signs in the user behavior and cohort quality of Base44. Retention is improving as more users are choosing annual subscriptions, either through new purchases or renewals. Monetization is also steadily increasing, resulting in stable TROI even as marketing spend stepped up in the first quarter. As a result, Base44 achieved $150 million in ARR in mid-May, demonstrating sustained growth momentum on the $100 million of ARR achieved in early March.

Acquisition marketing spend for Base44 and core Wix, excluding Super Bowl expenses and AI costs attributed to free users, totaled approximately $90 million this quarter. Time to return on this $90 million is projected to be seven to nine months. This accounts for a similar return timeline on spend in the core Wix business as we saw in previous years as well as Base44's longer, but stabilizing, return horizon.

Existing user cohorts were healthy, with bookings growth continuing to be driven by strong retention and solid monetization. This strength was against slower than anticipated Partners growth as a result of smaller Partners cohorts added over the past few quarters as we pulled back Partners-focused marketing spend. This smaller top of funnel drove user mix to shift towards Self Creators and away from Partners in recent quarters. We expect this dynamic to remain a drag on Partners bookings and revenue growth going forward as we continue to narrow our funnel while we realign our marketing strategy and build out significant platform and product enhancements.

Before I turn it over to Lior, I want to address how we are operating amid the current war in the Middle East that began in late February. First and foremost, our teammates and their families are safe, which always remains our top priority.

That said, with more than 60% of Wix employees located in Israel, we did experience a headwind to the productivity of our team over the past couple of months. As a result, certain product timelines for our Partners audience have been pushed out. We're working hard to catch up as fast as we can and minimize the impact of these delays, but above all else, we want to ensure all products perform against our high standards and are truly the best on the market before we put them out to users. Still, we are not backing off of our ambitious product roadmap and our excitement for the robust AI and more advanced tools still to come in 2026 remains unchanged.

Finally, I want to quickly touch on our execution of the repurchase program that we announced earlier this year. In April, we completed a modified Dutch Auction tender offer of approximately 18 million shares for $1.6 billion. By repurchasing nearly 30% of our equity base, we were able to return meaningful value to shareholders. We believe this will prove to be very accretive to our existing shareholder base in the long-run as we execute on our strategic plan.

With that, I'll hand it over to Lior.

Lior Shemesh, CFO

Thanks, Nir.

In the first quarter, we delivered solid topline growth and generated free cash flow against our guidance. As Nir mentioned, we're encouraged by the growth driven from positive early behavior from Wix Harmony and continued outperformance of Base44. Excitingly, Base44 achieved $150 million of ARR in mid-May as we strengthened our leadership position in North America. We believe this demonstrates that our deliberate investments in sales and marketing, particularly in Q1, are paying off, leading to better monetization and conversion against the near-term margin pressure that we expect to improve over the long-term. We continue to believe in the massive opportunity in AI-powered online creation, particularly for SMBs, and our focus is on executing on our product roadmap to deliver continued solid performance in the coming quarters and years ahead.

Before I get into the details of the quarter, I want to quickly address how we think about incorporating AI within our products and across our organization and the resulting margin dynamic. I think about this in two main ways, with the most top-of-mind being the cost of delivering AI-powered products to our Wix and Base44 users. As Nir discussed, we have been lowering inference costs of users by optimizing third party AI model usage, leveraging open source models, and most recently, building our own LLM to power Harmony. As we apply this strategy to more of our products, particularly Base44, we believe that the large majority of these AI costs will be firmly in our control.

Second, we are leveraging AI internally at Wix more broadly, which has already driven tangible benefits in certain areas of our business. In the Customer Care organization for example, we have ramped the integration of AI over the past three plus years. This has allowed us to optimize headcount, which has decreased by more than 40% since 2022, while maintaining, or even improving in some areas, our services to users. We believe that there is another opportunity to utilize AI across our R&D organization, where we are seeing early signs of progress. For example, we are working to shift our Wix R&D structure to align more closely with that of Base44, which has been a leader in leveraging AI to drive productivity since day one. We are learning from them and working to implement those same operating principles at Wix. As we execute on this strategy with good line of sight, we expect faster output will more than balance out the cost of AI usage across our organization.

Onto our first quarter results. Total bookings in Q1 was $585 million, up 15% year-over-year and total revenue was $541 million, up 14%

year-over-year. Top-line growth was driven by strong new cohort behavior and retention of our existing user base in our core Wix business as well as Base44 outperformance.

During the quarter, we experienced a larger than expected slowdown in Partners growth, which still grew 19% year-over-year despite a deliberate pullback in Studio marketing efforts over the past few quarters. Additionally, GPV remained soft as SMBs on the platform continued to experience macro pressure. GPV grew 12% year-over-year to $3.8 billion in the first quarter.

Turning to margins - first quarter total non-GAAP gross margin was 66%, declining sequentially and year-over-year. This reflects stable gross margins in our core Wix business compared to the prior year period. We expect AI costs to remain minimal and core Wix gross margins to be relatively unchanged through the rest of 2026.

Lower total non-GAAP gross margin was driven by elevated investments in Base44 to support its rapid growth. We continue to incur elevated AI compute costs as we scale to meet stronger than expected Base44 demand and maximize gross profit dollars. As a reminder, we believe these AI costs to be front-loaded as new users consume more AI inference bandwidth during their initial build phase.

Total non-GAAP operating income came in at 5% of revenue, primarily driven by meaningfully higher sales and marketing expenses in the quarter. We leaned into the massive growth opportunity ahead and made significant advertising and branding investments into Base44 against our TROI target, which currently stands at less than 12 months. It is worth reiterating that our blended TROI across the company is 7 - 9 months as we balance stable returns on core Wix acquisition spend against the elevated spend and longer TROI of Base44 as demand ramps. First quarter sales and marketing investments also included approximately $24 million for the purchase and production of our Super Bowl ads for both Base44 and Wix Harmony. We saw a significant uptick in traffic volume to both of our platforms following these commercials, demonstrating the efficacy of these investments in driving brand awareness. This meaningful increase in sales and marketing expenses resulted in a large, one-time step up in working capital benefits. As a result, we achieved free cash flow of $112 million in Q1, or 21% of revenue.

Let's turn now to the outlook for the rest of 2026.

We are maintaining our guidance and continue to expect both bookings and revenue to grow at a mid-teens digit percentage on a year-over-year basis for the full year.

Our outlook takes into consideration the slower than expected start to the year in our Partners business, which we are aiming to supplement with accelerated growth initiatives across our core Wix business, focusing on optimizing our top of funnel further as well as strengthening the performance of our existing user base. Of course, we also expect Base44 growth to continue on its current trajectory, which is gaining momentum.

For the second quarter of 2026, we expect revenue to also grow at a mid-teens percentage on a year-over-year basis, similar to the first quarter.

For the full year 2026, we expect FCF margin excluding acquisition-related expenses to be in the high-teens. This includes the impact of foregone interest income on our cash balance that was used to fund our tender program as well as interest expense on our new $500 million credit facility.

Assuming pre-tender completion capital structure, we expect full year FCF margin would be in the low- to mid-20% range.

Our full year FCF outlook also includes a sizable FX headwind on our cost base as a significant portion of our operating expenses are denominated in Israeli Shekels, which has strengthened meaningfully compared to the U.S. dollar over the past year and even more so through the first five months of 2026. We expect a $64 million headwind on our full year expense base, primarily occurring in the second half of the year. We will continue to monitor our currency fluctuations and utilize our hedging program opportunistically.

Finally, turning to our balance sheet quickly. Following the completion of our $1.6 billion tender offer in early April, we are now in a net debt position. Having shrunk our total number of shares outstanding by nearly 30%, our goal is to return to a net cash position efficiently.

In conclusion, our conviction in our near-term strategy and AI-focused product roadmap remains firmly unchanged. Key initiatives, such as Harmony and Base44, continue to perform well which gives me the confidence that these are the right areas of investment and that the bets we made were the right ones for Wix. We are using this year to lean into our growth, and to utilize AI in everything we do. We are making every function more productive through faster adoption of AI tools to drive higher output. The products that we build, refine, and deliver are all powered by a singular belief in our early AI adoption. We believe that we have laid the foundation to capture additional market share across an evolving online creation ecosystem. This will drive strong compounding financial performance for our shareholders over time.

Operator – we are now ready for questions.