Q1’19 Highlights

Strong top line growth and cash flow continues

+6.6 M
Registered user adds

+180 K
Net subscription adds

User growth of 6.6M was the highest in history

Improving monetization per subscription continues

Early success in new revenue channels and new markets

Next phase of Customer Solutions provides further growth opportunities
**Q1’19 Highlights**

**Strong top line growth continues, underlining our strategy to focus on increasing collections per subscription**

- In Q1 revenue was $174.3M, up 27% y/y, and collections were $200.4M, up 26% y/y, both exceeding the high end of our guidance ranges
- The Q1’19 cohort contributed $27M in collections, the highest ever for a Q1 user cohort. In addition, cumulative collections from existing user cohorts significantly increased this quarter, growing 29% y/y

**User growth of 6.6M was the highest ever in a quarter**

- We ended Q1 2019 with 148M users demonstrating the strong demand for Wix and for building an online presence
- In Q1 net subscription additions were 180K, driven by an increase in new registered users and better than expected conversion and retention

**Increasing monetization of subscriptions indicates success in new revenue channels and new pricing**

- Average Revenue per Subscription (ARPS) increased 9% y/y, driven by increased pricing and the adoption of applications and non-subscription products
- The trend of increasing Average Collection per Subscription (ACPS) that we highlighted last quarter has continued as expected. ACPS for new, full-priced annual subscriptions in the US increased 25% y/y to $217 in Q1

**Signs of early success in new products and markets**

- Wix Payments is now rolled out to new users in over a dozen countries
- Logo Maker has several million users in a little over a year
- Collections from Ascend packages sold grew approximately 20% month over month in April
- Efforts to build agency relationships and increase engagement by professionals is off to a strong start with tens of thousands of agencies, designers and developers using Wix today
Wix Code was rebranded as Corvid by Wix

• In April, Wix Code was re-branded as Corvid, as the product has evolved significantly since its launch into a true developer platform for web applications and robust websites
• At Google Cloud Next in March, we introduced several significant new features to Corvid, which were implemented after receiving feedback from professionals

New Growth Opportunity with Next Phase of Customer Solutions

• We believe we have created another layer of top line growth through an evolution of our Customer Solutions (CS)
• Recent analyses revealed significantly higher conversion for users who engaged with one of our CS agents, as we can provide more of a “personalized” approach to support
• We believe investing in this next phase of CS will increase conversion as well as increase the adoption of additional products such as vertical applications, Ascend, Wix Payments and Wix Logo Maker
• We expect that this investment will drive incremental collections growth of approximately 5% in 2020, or approximately 3x the investment
Financial Performance

Please refer to the “Notes” section at the end of this document in regards to the presentation of these financial results.

Revenue in Q1 was $174.3M, up 27% y/y, exceeding the high end of our guidance range of $172-173M. Collections in Q1 were $200.4M, up 26% y/y, exceeding the high end of our guidance range of $196-197M.

Collections outperformance was driven primarily by higher conversion than expected as well as a higher mix of longer-term packages.

**ARPS grew 9% y/y to $168 in Q1.** ARPS was stable q/q as increased pricing and adoption of applications and other products has not yet impacted revenue significantly.

**Average collections per new annual, full-priced subscription package in the US, an early indicator of future ARPS growth, was up 25% y/y to $217 in Q1,** slightly better than the trend we highlighted last quarter.

The y/y increase in ARPS continues to reflect the success of our efforts to increase the monetization of our user cohorts.

We spoke last quarter about the evolution of our product, our target markets and our brand as well as our increasing focus on the overall monetization of our user cohorts. We still believe that the factors that we highlighted last quarter, including pricing changes and increased adoption of applications and non-subscription products, will contribute to monetization per subscription becoming a more significant driver of growth in the coming quarters.

**We will continue to test pricing and other changes to subscription packaging – which may come at the expense of growth in net new subscriptions – in order to maximize the lifetime value of our user cohorts.**
Non-GAAP gross margin was 78% of revenue in Q1 compared to 80% in Q1 of 2018. This decline in non-GAAP GM% is driven by:

- The growth in sales of TPAs, including G-suite, which have a lower gross margin
- Revenue from the adoption of Wix Payments, which is recognized on a gross basis, and the costs that we pay to our payment providers will be recognized in cost of revenue

Non-GAAP R&D expense was $45.8M in Q1 compared to $43.2M in Q4 and $36.8M in Q1 2018. As a percent of collections, non-GAAP R&D expense was 23% in Q1, compared to 25% in Q4 and 23% in Q1 2018. We continue to drive leverage in R&D by leveraging existing technologies to build new products and hiring talent in more cost effective locations.

Non-GAAP S&M expense was $80.5M in Q1 compared to $57.8M in Q4 and $64.4M in Q1 2018. As a percent of collections, S&M expense was 40% in Q1 compared to 33% in Q4 2018 and 40% in Q1 2018.

Q1 is typically a quarter of high marketing spend, coinciding with the strong intent that we tend to see at the beginning of the year as well as one-time branding events. In addition, increases to conversion and average collection per new subscription generated higher collections, which also drives higher marketing spend as we aim to achieve a TROI of 7-9 months. This higher marketing investment also leads to less profitability on a GAAP basis, as revenue will not immediately reflect the returns from this additional spend.

As we mentioned last quarter, we are in the process of expanding into new market opportunities, most notably the professional website designer and developer markets. We are investing in hiring agency sales and account management teams and increasing advertising in order to penetrate into these new markets.

Non-GAAP G&A expense was $11.9M in Q1 compared to $11.2M in Q4 2018 and $9.5M in Q1 2018. G&A expenses have increased in parallel with the growth of our overall business. Non-GAAP G&A expense was 6% of collections in Q1, the same as in Q4 and Q1 2018.
Non-GAAP operating loss in Q1 was $(2.2M), compared to operating income of $18.8M in Q4 2018 and operating loss of $(0.8M) in Q1 2018.

Free cash flow in Q1 was $30.0M, compared to $32.7M in Q4 2018 and $21.4M in Q1 2018, an increase of 40% y/y. We continue to see leverage in our business model and an increase in net cash from operating activities.

Capital expenditures were $5.0M in Q1, compared to $3.4M in Q4 2018 and $3.4M in Q1 2018. The increase was driven mainly by leasehold improvements and equipment to support our growing headcount.

**We ended the quarter with $788.7M in cash on the balance sheet and $344.1M in long-term debt.** The cash and debt balances reflect $384.8 million in net proceeds from the convertible notes we issued in 2018. As required by GAAP, a portion of the convertible note was booked in equity.

Our total employee headcount was 2,695 as of the end of Q1 2019. As part of our investment in Customer Solutions, new agents have been hired by a third party and will not be counted in our employee headcount figures.

At the end of Q1 2019, our basic weighted average share count was approximately 49.6 million and our weighted average fully diluted share count was approximately 60.1 million, which includes the impact from the cashless net exercise of options that began in Q1 2018.
User Cohort Performance

The growth of our business is driven by a combination of three main factors: 1) user growth 2) conversion of users to premium subscriptions and 3) increasing monetization per subscription. **We closely monitor these factors individually, but our main objective is to maximize overall collections from each user cohort.**

Our primary measure of success and efficiency of our investment in marketing to create user cohorts is the Time to Return on Marketing Investment, or TROI. We aim to return 100% of our direct marketing investment dollars through collections generated from user cohorts within a 7-9 month period.

Last quarter, we shared an in depth look at the evolution of our business and how we expect to drive growth for years to come. While we expect to continue to see growth in users and subscriptions, **as our products have improved and we have added new products to our platform, we believe that monetization per subscription will be a larger contributor to growth than in years past.**

To illustrate this evolution, we provide three charts in the Earnings Slides found on our Investor Relations website:

- The cohort chart that we have shown historically is an illustration of the **User Growth** and **Conversion** of users to subscriptions for our user cohorts
- We illustrate **Monetization** per subscription by showing historical ARPS in combination with average collections per new, full-priced annual subscription in the US
- Last quarter we introduced the **Cumulative Cohort Collections**, which illustrates **the combined benefit of user growth, increasing conversion in our user cohorts, the stability of these user cohorts AND the acceleration in collections per subscription**. We believe this chart is the best way to understand our business model, highlighting all of the drivers from which we plan to generate growth going forward
User Cohort Performance Update

In Q1 2019, we added a record 6.6 million registered users, bringing total registered users to over 148 million, an increase of 19% y/y. Note that beginning in Q1 2019, we will exclude from the Registered Users number users that initially registered with Wix through non-website products (such as Wix Logo Maker) and have not yet begun the process of building a website. In Q2 through Q4 2018, we included these users as the number was immaterial in each of those quarters. Once one of these users begins the process of building a website on Wix, that user will be counted as a Registered User in that period.

Our user cohorts continued to exhibit consistent behavior through the first quarter of 2019:

- The Q1’19 user cohort generated $27 million in its first quarter, the highest ever for a Q1 user cohort
- Existing user cohorts, in aggregate, continue to produce more collections on a year over year basis, before adding the collections we generate from the newest Q’19 user cohort. Cumulative collections from existing user cohorts increased 29% y/y
- With the addition of our newest user cohort in Q1 2019, we now expect future collections of all existing cohorts to be $5.5 billion over the next 8 years, based on current cohort behavior, an increase of approximately 30% over a year ago
- Based on the historical behavior of our user cohorts, we approximate that for each 100K new premium subscriptions, we will generate over $170 million over 8 years, with minimal additional marketing investment

Total premium subscriptions at the end of the first quarter were 4.2 million, or 21% higher than the first quarter of 2018.

We added 180K net premium subscriptions in the first quarter, driven by an increase in new registered users and better than expected conversion and retention.

During the quarter, 67% of gross subscriptions were annual or longer in term while 33% were monthly. As of the end of the first quarter, 83% of all subscriptions were annual or longer in
term. The new cohort generated 40% of gross subscriptions in the quarter while existing cohorts comprised 60% of gross subscriptions.

New Growth Opportunity through Next Phase of Customer Solutions

Since our founding, our strategy has always been and is today to focus on products. A key strength of ours is building and releasing new, innovative products with very strong marketing support. Innovations such as our Editor, Wix ADI and vertical applications have made Wix the best platform for “do it yourself” websites in the world.

We are now evolving into new markets and addressing new types of customers with products like Wix Logo Maker, Wix Payments, Wix Answers, Ascend and Corvid. We believe this evolution of products and marketing will provide us with multiple layers of growth for many years to come.

We believe we have uncovered yet another layer of growth.

Following an initial investment in our Customer Solutions last quarter, we gathered data to compare problem-solving support to a more personalized approach. The analyses showed that conversion of users who engaged with the personalized support was multiple times higher than regular conversion on Wix.

As a result, we will invest in building the infrastructure to increase our Customer Solutions globally.

This evolution of our CS organization will provide a more personalized approach to support globally. We believe this expansion will provide the following benefits:

- Drive growth through increased conversion and monetization: We have added over 50 million registered users since the beginning of 2017 and introduced several new products. We expect this
expansion to drive additional revenue and collections growth through increases in conversion with a greater level of consultative support in site building. Support agents will be able to spend more time with users not only answering questions but also providing advice on what is needed to finalize and publish a site. It will also enable our agents to offer and sell some of the many complementary products we have developed in the last several years including vertical applications, Ascend, Wix Payments and Wix Logo Maker.

- **Stellar support for our users worldwide:** Prior to this expansion, Wix provided support to users primarily in North America during US business hours. We will now be able to provide live phone support to all users around the world, regardless of location, 24 hours a day, 7 days a week.

This investment in growth will require an additional $15 million in 2019 and approximately $20 million on an annual basis beginning in 2020. **We believe this investment will drive incremental collections growth of approximately 5% in 2020, or a return of approximately 3x.**

As we have stated in the past, **we will take advantage of investing our cash flow into opportunities that we believe will increase our sustainable top line growth.** We have taken similar actions in the past such as our investments in developing Wix ADI, Corvid and last quarter when we announced the decision to invest in our penetration of the professional market. We prefer this approach to acquiring sources of growth inorganically through M&A.

**Product Updates**

Wix is committed to delivering a best-in class product experience that provides all current and potential users with the tools they need to create without limits. **In 2019, our focus is on optimizing the Wix brand and bringing these products to more markets.**
**Corvid by Wix**

In April, we introduced a technical preview of Corvid by Wix at the Google Cloud Next conference in San Francisco. Corvid is an evolution of Wix Code, which was rebranded due to the significant amount of enhancements to the product since its launch.

With this technical preview of the evolved platform, we introduced four new features that were requested by advanced developers:

1) **Gradual rollout and release manager**: Enables the user to release a new version of their site, control the percentage of visitors that view it and gradually roll the application or site out to a wider audience

2) **Work locally and collaboratively**: Gives the user the flexibility to work within their own IDE (integrated development environment) and provides teams with the ability to work simultaneously

3) **Telemetry and app monitoring**: Users can use Wix tools or integrate with third-party logging systems to view and track runtime logs, errors and events from the Wix dashboard

4) **Connect to external data sources**: In addition to Corvid’s built-in database, users can now connect to other sources, such as Google Firestone

Corvid by Wix brings us closer to becoming the best solution for professionals and enterprises. There are now over 880K users of Corvid, with 180K of those users being highly engaged (+30% q/q). We continue to be excited about the accelerating growth in usage that we are seeing on the platform.

**Agency Relationships**

The continued improvements and rebranding of Corvid by Wix allow us to address the professional market. Corvid by Wix expands our entire product portfolio, bringing us closer to becoming the best solution for professionals and enterprises. One of the key professional audiences for our expanded product portfolio is design agencies, which include a mix of large businesses and small firms that build sites and applications for clients.
Efforts have already begun to build an agency relationship team to address this audience. This team, which is based in New York, is focused on attracting and engaging with design agencies to familiarize them with the latest product offerings at Wix. Many agencies are familiar with the Wix brand but are not familiar with newer product introductions, such as Corvid or Ascend, and recent product enhancements that could create more efficiency and provide cost savings for their business. In addition, this team advises agencies according to their specific needs, whether it is design, SEO, advanced coding capabilities, or back-end CRM management.

We believe this go to market strategy will allow us to showcase the improved workflow and efficiency the full Wix platform can deliver to these agencies. **We are seeing early success with this approach, with tens of thousands of agencies, designers and developers using Wix today.**

**Wix Payments**

Wix Payments, a payments platform to help users manage their entire financial flow in one place, has been launched to new users in over a dozen countries. It is fully rolled out in Brazil, the United States, Great Britain and approximately 10 other countries in Europe. We are in the process of launching it in additional markets.

**Ascend by Wix**

Ascend by Wix is an all-in-one business solution designed to help users manage and grow their brands through building customer relationships and promoting their business online.

We have seen increased adoption in recent months, and **collections from Ascend packages rose 19% month over month in April.**

In addition, we have seen that the usage of the components of Ascend, such as forms and invoices, continues to increase due to improved discoverability of these products. This increased usage is an early indicator of future Ascend subscribers who may need more tools as their business matures. Ascend is rolled out to 100% of users globally.
Business Outlook

Our updated outlook for 2019 reflects the same factors that we incorporated into our initial guidance for the year. We have also updated guidance for changes in FX rates since we provided guidance in February.

For Q2 2019, we expect the following:

- **Revenue** of $182-184 million, reflecting y/y growth of 25-26%
- **Collections** of $197-199 million, a y/y increase of 23-24%
  - Had FX rates remained constant since we provided guidance in February, Q2 collections guidance would have been approximately $1 million higher or $198-200 million, a y/y increase of 24-25%

For FY 2019, we are updating our guidance to the following:

- **Revenue** of $758-763 million, reflecting y/y growth of 26%
- **Collections** of $822-830 million, reflecting y/y growth of 25-26%
  - Had FX rates remained constant since we provided guidance in February, 2019 collections guidance would have been approximately $2 million higher or $824-832 million, a y/y increase of 25-26%
- **Free cash flow** of $122-126 million, reflecting y/y growth of 20-24%
  - Our FCF guidance includes an additional $15 million investment in 2019 for the next phase of Customer Solutions. Excluding this investment, FCF guidance would have been raised to $137-$141 million in 2019
  - The top line growth we expect from this incremental investment is not included in our revenue and collections guidance for 2019, but we believe it will generate an additional 5% collections growth in 2020

Q2’19 Guidance

<table>
<thead>
<tr>
<th>GAAP Revenue</th>
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<th>25-26% y/y growth</th>
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Updated FY’19 Guidance

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Free cash flow

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<tr>
<td>$135-140 million</td>
<td>Excluding CS investment</td>
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Additional Guidance

We are updating the following additional guidance for FY 2019:

- **Non-GAAP gross margin**: we now expect non-GAAP gross margin of approximately 75-76% of revenue in 2019. This reflects the expected impact from the investment in Customer Solutions.

  Excluding this CS investment, non-GAAP gross margin would have remained 78% for 2019, as we previously guided. Non-GAAP gross margin for Q2 is expected to be approximately 74% due to one-time charges related to hosting expenses.

- **Non-GAAP selling and marketing expense**: we now expect S&M expense on a non-GAAP basis to be approximately 35-36% of collections, versus 36% of collections, which we previously guided.

- **Non-GAAP operating expense**: we expect total non-GAAP operating expenses to be roughly 65% of collections, in line with what we previously guided.

- **Non-GAAP tax expenses**: we expect total non-GAAP tax expenses to be $5-6 million, consistent with prior guidance.

- **Capital expenditures**: we anticipate capital expenditures of approximately $22-23 million, a slight increase over prior guidance primarily driven by leasehold improvements and equipment purchases as our employee base grows.

- **Depreciation**: we continue to expect depreciation to be approximately $12 million.

- **Share based compensation expense**: we expect SBC expense to be roughly $114-115 million, an increase over our prior guidance of $102-104 million, reflecting the rise in our stock price since February.

- **Interest income**: we expect roughly $20 million in cash interest income in FY 2019.
• **Share count:** we estimate we will have approximately 51-53 million basic shares outstanding at the end of full year 2019
  
  o Please note that basic weighted average shares outstanding is equal to fully diluted weighted shares outstanding to calculate fully diluted EPS as long as there is a GAAP net loss, which we anticipate will be the case for 2019

We estimate that we will have approximately 61-62 million fully diluted shares outstanding at year-end, including the impact from the cashless net exercise.

Assuming the full impact of the cashless net exercise program in 2019, fully diluted shares outstanding would be approximately 1.8 million lower at year-end.

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<th>FYE 2019</th>
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<tr>
<td>Basic Shares Outstanding</td>
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<tr>
<td>Fully Diluted Shares Outstanding</td>
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<tr>
<td>Est. impact of cashless net exercise</td>
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<tr>
<td>Fully Diluted Shares Outstanding, incl. cashless net exercise</td>
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**Additional 2019 Guidance**

**Depreciation**

~$12 million for FY 2019

**Share based compensation expenses**

~$114-115 million for FY 2019

**Basic shares outstanding**

~51-53 million at FYE 2019

**Fully diluted shares outstanding**

~61-62 million at FYE 2019
Notes and Modeling Clarifications

- **Non-operating foreign exchange expenses (income):** Beginning in Q1 2019 we began excluding non-operating foreign exchange expenses and income from our non-GAAP calculations of net income and EPS; the tables in this document reflect these changes starting in Q1’18 for comparability purposes.

- **Operating leases:** We adopted Topic 842 effective January 1, 2019. The most significant effect of Topic 842 was the recognition of $62 million of operating lease assets and liabilities as of January 1, 2019. We applied Topic 842 to all leases as of January 1, 2019 with comparative periods continuing to be reported under Topic 840. Our accounting for finance leases remains substantially unchanged. The standard does not have a significant effect on our consolidated results of operations or cash flows.

- **Share repurchase authorization:** Wix filed a motion seeking court approval in Israel to re-authorize the Company to repurchase up to $100 million of its ordinary shares from time to time. In accordance with Israeli law, the Company must receive approval from the District Court prior to the implementation of any shareholder distribution program. The current court authorization expires June 30, 2019, and Wix expects it to be re-approved before the expiration. Wix did not repurchase any shares in the period ended March 31, 2019.

- **Revenue recognition:** throughout 2019, we plan to report revenue as a single line item. Revenue derived from Wix Payments will be recognized on a gross basis.

- **Registered Users:** beginning in Q1 2019, we will exclude from the Registered Users number users that initially registered with Wix through non-website products and have not yet begun the process of building a website. In Q2 through Q4 2018, we included these users as the number was immaterial in each of those quarters. Once one of these users begins the process of building a website on Wix, that user will be counted as a Registered User in that period.

- **Premium subscriptions:** we will continue to report premium subscriptions as we have in the past – each subscription represents a single website package purchased by a registered user. A registered user may purchase more than one premium subscription. Users that have purchased an Ascend by Wix subscription are not double-counted. We also do not include users who make a one-time purchase of a logo from the Wix Logo Maker. Wix Answers subscriptions that are purchased are also not counted as a separate premium subscription. We also do not include Flok or DeviantArt users in our user or subscription numbers.

- **ARPS:** We calculate ARPS as total revenue over the last four quarters divided by the average number of premium subscriptions (as defined in the Modeling Clarifications above) over the same period.

- **Free Cash Flow:** We view free cash flow as a useful metric by which to measure the profitability of our business, due to the large amount of deferred revenue we recognize in a given period.

- **Average Collections per New Full-Priced Subscription in the US** includes collections only from new annual subscriptions purchased in the US and paid in USD, excluding collections from subscriptions purchased on sale days or using coupons. We show this data to illustrate the early signs of a trend that we believe will continue, however this represents a small portion of our total business.

Conference Call and Webcast Information

Wix will host a conference call at 8:30 a.m. ET on Thursday, May 16, 2019 to answer questions about the financial and operational performance of the business for the first quarter ended March 31, 2019. 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 and supporting slides to its Investor Relations website at https://investors.wix.com/.
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 +1-877-270-2148 (US/Canada), +1-412-902-6510 (International) or 1-809-212-373 (Israel) at least ten minutes prior to the start time of the call and reference Conference ID WIX. A telephonic replay of the call will be available through May 23, 2019 at 11:59 p.m. ET by dialing +1-877-344-7529 and providing Conference ID 10131101.

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/.

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 operating income (loss), non-GAAP net income (loss), non-GAAP net income (loss) per share, non-GAAP research and development, non-GAAP selling and marketing, non-GAAP general and administrative, non-GAAP operating expense, non-GAAP tax expense and free cash flow (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, acquisition-related expenses and amortization, divided by revenue. Non-GAAP operating income (loss) represents operating income (loss) calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, and acquisition-related expenses. Non-GAAP net income (loss) represents net loss calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, amortization, amortization of debt discount and debt issuance costs, acquisition-related expenses and non-operating foreign exchange expenses (income). Non-GAAP net income (loss) per share represents non-GAAP net income (loss) divided by the weighted average number of shares used in computing GAAP loss per share. Non-GAAP research and development represents research and development expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP selling and marketing represents selling and marketing expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP general and administrative represents general and administrative expenses calculated in accordance with GAAP as adjusted for the impact of share-based compensation expense and acquisition-related expenses. Non-GAAP operating expense represents the sum of research and development, selling and marketing and general and administrative expenses calculated in accordance with GAAP adjusted for the impact of share-based compensation expense, acquisition-related expenses and amortization. Non-GAAP tax expense represents tax expense calculated in accordance with GAAP as adjusted for the tax benefit related to the exercise of options. 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 "Reconciliation of GAAP to Non-GAAP Financial Measures" below. The accompanying tables have 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 free cash flow, non-GAAP gross margin, non-GAAP selling and marketing expense, non-GAAP operating expense and non-GAAP tax expense guidance to the most directly comparable GAAP measure because the most directly comparable GAAP measure is not accessible on a forward-looking basis. Items that impact such GAAP measures are out of the Company’s control and/or cannot be reasonably predicted. Accordingly, a reconciliation the most directly comparable GAAP measure for each non-GAAP guidance measure is not available without unreasonable effort.

Forward-Looking Statements

This 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, including, but not limited to revenue, collections and free cash flow, 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 document, including the full year guidance, are based on management’s current expectations, which are subject to uncertainty, risks and changes in circumstances that are difficult to predict 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 create new and higher monetization opportunities from our premium subscriptions; our ability to enter into new markets and attract new customer segments; our ability to maintain and enhance our brand and reputation; our prediction of the future collections generated by our user cohorts; our share repurchases made pursuant to our share repurchase plan; 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; the success of our sales efforts; customer acceptance and satisfaction of new products and other challenges inherent in new product development; changes to technologies used in our solutions; or changes in global, national, regional or local economic, business, competitive, market, regulatory and other factors discussed under the heading “Risk Factors” in the Company’s 2018 annual report on Form 20-F filed with the Securities and Exchange Commission on April 9, 2019. 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.
Reconciliation of GAAP to Non-GAAP financial measures

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<tr>
<th></th>
<th>2017 Q1</th>
<th>2018 Q1</th>
<th>2019 Q1</th>
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</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$92,538</td>
<td>$137,775</td>
<td>$174,290</td>
<td>$425,636</td>
<td>$603,704</td>
</tr>
<tr>
<td>Collections</td>
<td>$114,546</td>
<td>$159,655</td>
<td>$200,379</td>
<td>$483,989</td>
<td>$658,885</td>
</tr>
<tr>
<td>Non-GAAP Gross Profit</td>
<td>$78,209</td>
<td>$109,952</td>
<td>$136,028</td>
<td>$359,708</td>
<td>$481,743</td>
</tr>
<tr>
<td>Gross Margin %</td>
<td>85%</td>
<td>80%</td>
<td>78%</td>
<td>85%</td>
<td>80%</td>
</tr>
<tr>
<td>Non-GAAP R&amp;D expenses</td>
<td>$26,094</td>
<td>$36,785</td>
<td>$45,790</td>
<td>$121,293</td>
<td>$156,384</td>
</tr>
<tr>
<td>% of revenues</td>
<td>26%</td>
<td>27%</td>
<td>26%</td>
<td>28%</td>
<td>26%</td>
</tr>
<tr>
<td>% of collections</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
<td>25%</td>
<td>24%</td>
</tr>
<tr>
<td>Non-GAAP S&amp;M expenses</td>
<td>$52,249</td>
<td>$64,423</td>
<td>$80,517</td>
<td>$195,041</td>
<td>$237,639</td>
</tr>
<tr>
<td>% of revenues</td>
<td>56%</td>
<td>47%</td>
<td>46%</td>
<td>46%</td>
<td>39%</td>
</tr>
<tr>
<td>% of collections</td>
<td>46%</td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
<td>36%</td>
</tr>
<tr>
<td>Non-GAAP G&amp;A Expenses</td>
<td>$7,404</td>
<td>$9,506</td>
<td>$11,874</td>
<td>$34,275</td>
<td>$40,476</td>
</tr>
<tr>
<td>% of revenues</td>
<td>8%</td>
<td>7%</td>
<td>7%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>% of collections</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Non-GAAP Operating Income (Loss)</td>
<td>($7,538)</td>
<td>($762)</td>
<td>($2,153)</td>
<td>$9,099</td>
<td>$47,244</td>
</tr>
<tr>
<td>% of revenues</td>
<td>(8%)</td>
<td>(1%)</td>
<td>(1%)</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>% of collections</td>
<td>(7%)</td>
<td>(0%)</td>
<td>(1%)</td>
<td>2%</td>
<td>7%</td>
</tr>
<tr>
<td>Non-GAAP Net Income (Loss)</td>
<td>($7,952)</td>
<td>($2,687)</td>
<td>$1,468</td>
<td>($549)</td>
<td>$54,778</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q2’19</th>
<th>FY’19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Projected Revenues</td>
<td>$182</td>
<td>$184</td>
</tr>
<tr>
<td>Projected change in deferred revenues</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Projected collections</td>
<td>$197</td>
<td>$199</td>
</tr>
</tbody>
</table>

Projected Revenues
Projected change in deferred revenues
Projected collections
<table>
<thead>
<tr>
<th>Non-GAAP Gross Profit</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Gross Profit</td>
<td>$77,675</td>
<td>$108,731</td>
<td>$134,575</td>
</tr>
<tr>
<td>Share Based Compensation</td>
<td>$506</td>
<td>$1,079</td>
<td>$1,311</td>
</tr>
<tr>
<td>Amortization</td>
<td>$0</td>
<td>$142</td>
<td>$142</td>
</tr>
<tr>
<td>Acquisition Related Expenses</td>
<td>$28</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Non-GAAP Gross Profit</td>
<td>$78,209</td>
<td>$109,662</td>
<td>$136,028</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-GAAP Gross Margin %</th>
<th>$2016</th>
<th>$2017</th>
<th>$2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of collections</td>
<td>23%</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selling and marketing (GAAP)</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-GAAP selling and marketing</td>
<td>$52,249</td>
<td>$56,423</td>
<td>$64,317</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General and administrative (GAAP)</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-GAAP general and administrative</td>
<td>$7,404</td>
<td>$9,506</td>
<td>$11,674</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GAAP Net Loss</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAP Net Income (Loss)</td>
<td>($5,538)</td>
<td>($3,516)</td>
<td>($3,418)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital expenditures, net</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>$14,781</td>
<td>$17,412</td>
<td>$19,555</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in deferred revenue</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collections</td>
<td>$114,546</td>
<td>$159,655</td>
<td>$200,379</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash provided by operating activities</th>
<th>$2017</th>
<th>$2018</th>
<th>$2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,397</td>
<td>$24,779</td>
<td>$25,074</td>
<td></td>
</tr>
</tbody>
</table>