Operator
Ladies and gentlemen, thank you for standing by, and welcome to the Wix.com 2019 Third Quarter Financial Results Conference Call. (Operator Instructions)

Please be advised that today’s conference is being recorded. (Operator Instructions) I would now like to hand the conference over to your speaker today, Maggie O’Donnell, Director of Investor Relations. Please go ahead.

Maggie O’Donnell: Thanks, Sara. Good morning, everyone, and welcome to Wix’s Third Quarter 2019 Earnings Call.

Joining me today to discuss our results are Avishai Abrahami, CEO and Co-Founder; Nir Zohar, President and COO and Lior Shemesh, 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 the 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. In addition, we will comment on non-GAAP financial results. You can find all reconciliations between our GAAP and non-GAAP results in our press release, presentation slides, shareholder update and our interactive Analyst Center on the Investor Relations section of our website, investors.wix.com.

Now I will hand it over to Avishai Abrahami, who is going to say a couple of words about the quarter. Avishai?

Avishai Abrahami: Thanks, Maggie, and good morning, everyone. Q3 was another solid quarter. We’ve added 114,000 net subscriptions in the quarter. Collections were higher than our guidance. And we are raising our outlook for the full year when you adjust for changes in exchange rates. Collection from our newest user cohort were higher than last year’s cohort, which shows the success we’ve had in increasing the value of our product and optimizing pricing.

The future collection of our existing cohort is now expected to be over $6 billion over the next 8 years. This result proved that we have a very strong and consistent core business that continues to grow. We are also seeing great early success in many of our new products and initiatives. The investment in marketing to professionals is showing a very positive trend. The perception in the market of Wix as a professional tool is increasing and we have seen strong growth in users that build multiple websites.

In fact, collections from users that have 10 or more subscription grew approximately 50% in the last year. We are excited about this progress and we continue to develop our offering for this market. We recently launched Wix Fitness, our newest vertical offering, that focus on one of the fastest categories on Wix.
Use of Corvid is increasing, and this product has been an important part of our ability to attract high-quality and professional users. We also continue to see positive growth in Payments, and we are making positive advancement in expanding our customer solutions. We are ending 2019 on a strong note. We are very excited about the upcoming year. Thank you for your support for this year and for joining us today. Maggie?

Maggie O'Donnell: Thank you. Operator, can we have the first question, please?

Operator: Our first question comes from the line of Ygal Arounian with Wedbush.

Ygal Arounian: Hey guys. Good morning, and thanks for taking the questions. So I have two. Let’s start with the subs. And you had a really strong sub net add quarter. Your guidance is to now be at the high end of the previous range, which really implies a big deceleration in the fourth quarter. I think the kind of deceleration we haven’t seen typically. So I want to dig into that a little bit to see if there’s something specifically going on there? Kind of what the outlook is for subs in Q4 as we kind of bridge towards your expectations for acceleration in 2020.

And then wanted to dig into the subscription packages that you sell into the agencies a little bit more. Maybe if you could give a little bit more color around how that works? The difference in duration, average amount of subscriptions you saw per package. And if you’re -- if you could talk about any kind of like volume discounts that you’re giving to agencies on that as well and how that could be flowing through to ARPU? So I guess, a lot of questions within those two.

Lior Shemesh: Hi Ygal. This is Lior. So with regard to the net sub adds, I mean, yes, we had a really strong quarter, which I think that also a good demonstration of the overall changes that we’ve made in the last few quarters, especially about the price optimization. It was more than what was in our guidance. And that was the main reason for the fact that on an FX-neutral basis, we actually beat the quarter.

And we saw a very strong demand, specifically coming from international, but also from our Partners. So obviously, this is also very exciting news for us. And I believe that based on what we see right now, I think that we are in the right place to say that that next year, actually will be accelerated in terms of net premiums additions, this is what we expect to happen. With regard to Q4, Q4 usually impacted by seasonality. So therefore, I expect that Q4 is going to be less than Q3 in terms of net subscription, but it always has been the case. With regard to the agencies, I will move it to Nir.

Nir Zohar: Sure. Gladly. So generally, in terms of how we work with partners. Naturally, a partner that builds many website buys, many subscriptions throughout the year has much better KPIs, delivers more value to us, has much higher retention in the subscriptions that he creates because he gives active support and hand holding to his customers.

And naturally, over time, we see a lot of potential there. As Avishai mentioned before and as we actually included in our package, we’re actually seeing -- when we look at the -- at those accounts that have 10-plus subscriptions in them, we’re actually seeing a rise of 50% in collections year-over-year, which we see as a great success and a big part of the new program that we’re running.

Specifically, we're currently not giving volume discounts. We’re definitely trying different approaches, working with agencies and with partners and want to find the best solutions that will deliver the most value for them. And by that also deliver the best value for our users that are using the platform
Through them. And obviously, we will see -- we deem that to be -- to generate great impact for the company in years to come.

Operator: Our next question comes from the line of Deepak Mathivanan with Barclays.

Deepak Mathivanan: Two quick ones from us. So first one, the gross margin deleverage in the quarter was a little bit higher than the second quarter levels. Can you help quantify the impact from customer support versus payments? And should we expect this kind of deleverage to be the normal for a few quarters until payment mix reaches a more normalized level?

And then the second question, you noted that the average collections per sub growth is likely to moderate over the next few quarters. But should we expect to see the benefit from price increases that you did in May this year continue for a few more quarters? Or is the benefit likely to be less significant from that? Thank you.

Lior Shemesh: Hi Deepak. This is Lior. So with regard to the gross margin, obviously, it was well expected. I actually view it as something that is quite positive because it means that everything that we’ve done with regard to Payments has actually been successful. Obviously, this quarter, we see a higher top line coming from Payments. Therefore, we provided at the very beginning of the year some kind of a range with regard to the gross margin because it was very early to say if everything that we’ve done about Payments, all the initiatives, how it’s going to work out and what will be the exact volume because basically, it’s new.

So I’m happy to say that it was all positive according to the expectations and even a bit better. And therefore, that as long as the Payments activity is going up, it will have an impact on gross margin, but it’s all incremental. Very important to mention that on the basic gross margin for the core business, meaning the subscription is still very high at about 84%, as it used to be 2 and 3 years ago.

The more that we are adding services to our customers like G Suite, like Payments and so on and obviously, every investment that we have in support has an impact on gross margin, but it’s all incremental to the core business. So I do expect gross margin to have more impact in the future as Payments will go more and more higher. We will try to provide next year, more color about it and try to make some more orders as -- again, as those kind of services will continue to increase.

With regard to the ACPS. So obviously, if I’m looking at the next, let’s say, few quarters. So there’s a few things that’s going to impact the overall ACPS, but also the ARPU and it’s -- first of all, about how we continue to provide more services to our customers. And this is, as I mentioned, I think that Payments is a good example to the fact that we are providing more services. And therefore, I expect it to increase.

Q4, obviously, has some seasonality into it, so I don’t see that increasing. But certainly, next year, I can say safely that at least for the ARPU, it’s going to increase and demonstrate all the different services that we are providing to our customers. And also, you will see some benefits coming from the price optimization that we’ve made early this year.

Operator: Our next question comes from the line of Ken Wong with Guggenheim Securities.
Ken Wong: Great, thanks for taking my question. And so in the prepared remarks, you guys mentioned potentially launching a significant new product in 1Q of ’20. Just wonder if you can maybe shed a little light on what that might be? And how we should think about potential contributions to top line there? And then also, you guys mentioned that revenue mix, I mean the revenue mix had a bit of a headwind on top line. Could you maybe walk us through what that might have been? And if possible, help us quantify what that impact was?

Avishai Abrahami: This is Avishai. So we’re not in the habit of disclosing product details. But I want to say, this is a product that we’ve been working on for a very long time, we’re very proud of it. It’s a very clear continuation of one of the strategies we’re discussing on this call. So I think the actual product is probably is going to be a surprise, but the direction is probably going to be something that makes a lot of sense. And as a company, we are very, very excited about it.

Lior Shemesh: Yea, with regard to the mix, I think that it was -- Ken, it was really, really small. I think that when you look at the revenue, about half was actually coming from FX. The other one is a change of mix, nothing significant that should change your model.

Basically, we had more subscriptions and as we mentioned before, we had a strong quarter in terms of net subscription additions. As you know, subscription are tend to be deferred in terms of revenue recognition, so it has an impact compared to other services that have been recognized immediately. But again, it’s nothing significant. It was very small hundreds of thousands of dollars that shouldn’t make any change to the model.

Operator: Our next question comes from the line of Brent Thill with Jefferies.

Brent Thill: Thanks. Just a follow-on the revenue side. There was -- I think a little disappointment relative to where the street was at and where the revenue came in. And I think you highlighted -- part of this is FX and the mix change. But was bookings more back-end loaded this quarter? Did the subscriptions come in linear through the quarter. I think everyone is just trying to reconcile why you won’t see a little bit better flow-through on the top line based on the success of the customer adds. And we understand the mood to subscription, but was it more back-end loaded than you’ve historically seen?

Lior Shemesh: So the answer is no. Nothing was unusual about it. But we need to remember that most of the incremental subscription that we got was mostly on a non-monthly basis. So it’s -- most of it has been deferred.

But again, it was really, really small. When you look at the revenue, we’re talking about $1.5 million compared to the guidance that we provided before, about half of it was FX. So again, the change was such -- it was not that significant. I think that when you look at the bookings, so obviously, it was demonstrated very well that we actually, FX-neutral with that we actually beat. Unfortunately, not every dollar of it was part of the revenue. But again, it was not that dramatic.

Brent Thill: Okay. And just a quick follow-up. Can you just give us a quick update on the progress of Corvid?

Avishai Abrahami: Of course. So we’ve continue to see strong growth. And I think we’re currently at about 300,000 highly engaged users, the percentage of a highly engaged users that has grown from 20% to 25%.
Again, this product is what enabled us, I think, to grow so much stronger into the partners and designer markets. So we're very happy with where it is. And we believe that this is just the beginning. There are other things we need to do there in order to be able to get it to the next level. So we think that this was a year where we've seen a lot of success from this product. 300,000 developers that really develop into that is a tremendous number. And the fact that you can actually measure the perception change and the kind of users that it brought to Wix. So this is a fantastic success from our perspective.

**Operator:** Our next question comes from the line of Zachary Schwartzman with RBC Capital Markets.

**Zachary Schwartzman:** Great, thanks for taking my question. Nice to see the uplift in ACPS for new fully priced U.S. subs. But on the price optimization globally, you mentioned in the shareholders’ update that you continue to see these efforts benefit the lifetime cohort. Can you talk more on international, specifically on targeting highly valued users? And what you’re seeing that gives you confidence that this is the right strategy in those markets, given the lower penetration rates. And also as growth lagged North America and Europe and Asia and LatAm this last quarter?

And then a quick follow-up on Corvid. When Wix starts charging to use Corvid, could it turn off these developers who may generally prefer to work with open source alternatives? And if Corvid is kept open source, will outbound agency sales or perhaps a platform marketplace be the best way Wix decides to monetize Corvid? Just wondering how Wix will walk that line as it comes up with pricing? Thanks

**Avishai Abrahami:** Maybe we start with Corvid. So you were asking if when we start to monetize. So currently, we monetizing that in a way that you actually pay for the subscription. And if you look at -- even if you used open source, at some point of time, you will need to host it somewhere. So if there is project you still need to hosting, you need to buy a database or you need to use an open source database and then host that, use probably Amazon or Google or Microsoft in order to get that as a managed service. So those kind of customers are already used to paying. And I think that if we’re going to have a more expensive offering for Corvid at some point in time, they are used to that. And in addition, Corvid also offer the advantage you can develop it and then deploy in a test mode for free, which they don’t have today because they still need to build all the environment in order to start developing something.

So I believe that by -- if at some point, we'll add additional pricing for Corvid, it'll be very aligned with what people are used to doing today and probably will be easily accepted.

**Lior Shemesh:** With regard to the global price optimization, the reason why we call it a price optimization because in some cases, we actually reduced prices in some of the countries meaning that we actually run and did those tests in literally in every country to try to see what is the best optimization that we can do in terms of the pricing, to get a better value for our cohorts.

So obviously, where we’ve made the changes, we see a better value of our cohort also outside of the U.S. I think that in the last of few quarters, we got better and growing faster in the U.S. than other places in the world. One of the reasons is, obviously, the strength of the dollar compared to other currencies. We need to remember that when we do the TROI, it’s based on dollar.
So if we’re getting, for example, in the U.K., we are getting the same amount of British pound in dollar it’s smaller. So the model is actually adjusting that automatically to be based on the TROI. So we were growing faster in the U.S., but I believe that still the international has a huge opportunity for us. And especially with all the price optimization that we’ve made, I see that the value from the cohort is actually going up.

**Operator:** Our next question comes from the line of Ron Josey with JMP Securities.

**Ronald Josey:** Lior, you talked about -- or at least in the letter, we had 3 reasons, reasons for confidence in growth next year with the subscriber base: products, partners, customer solutions. Can you just talk more about the partner side, and with the partner program live, how built out is the program? Are you expecting more partners like the Town Page partner? Or is it the smaller agencies? Any insight on maybe that second leg of the 3 stool, 3 legs that are driving growth next year.

And -- yes, I'll just stop there. And I guess, maybe a quick one, Avishai, you talked about excitement into 2020. Obviously, we have new products, payments gaining traction and subscribers. Anything else that you want to highlight there?

**Nir Zohar:** So I think that in terms of subscription growth. First of all, we keep on building, improving the kind of products that we have and also building new products. We have a great track record, I think, of showing how those new products improve conversion and by improving the conversion, obviously, driving growth.

The second part in terms of partners and then, absolutely, yes, I think the initiatives will cover any kind and any size and form of different partners and agencies. The NTT deal is definitely one kind of an example of a partner. And we'll keep on going down that path of supporting any kind and size of those partners. As this is exactly what we set up to do. We wanted to evolve and expand our business to the people who are building the websites for other people. Regarding the second question. Can you repeat the second question quickly?

**Ronald Josey:** Well, I guess, just on -- it’s more bringing everything together into 2020. And back to partners, just -- can you just talk about how built out is the program? But then on 2020, more than one I've seen in the past, just comments around why 2020 is sort of exciting, in your minds, new products, subscription and acceleration, payments getting stronger, et cetera. So just, Avishai, you mentioned excitement in 2020, just more thoughts around that?

**Avishai Abrahami:** Yes. Absolutely. I think that companies over their life go through stages. And I think that one of the interesting things that companies can experience is their ability to attract new kinds of customers, new types of customers. And it’s the nature of our business -- subscriptions -- things take time to accumulate to be significant.

But what we see now with our ability to attract professionals to Wix, for me, is really exciting. It will take time to accumulate as you’ve seen with ADI, things take time. But we’ve seen already that the number, the perception, the growth. And then we’re going to give some interesting stuff coming into Q1. As a result of that, I’m very positive that we'll be able to not just do what is our traditional market, but actually expand to new markets.
And I think that is something that does not happen a lot in life of companies. We’re at the point where we’re seeing something like this happen. So for me, it is super exciting. In addition to that, I think that if you look at the total view of our market as a company. I know there are other websites, but I think that our dominance today is higher than it’s ever been. And we can see that in many different aspects. So I think that is the other side, which is something that we’re very happy about. I think that we spent a lot of effort evolving our technology and product to a level that it enables such thing to happen.

Operator: Our next question comes from the line of Naved Khan with SunTrust.

Naved Khan: A couple of questions. On the subscriber additions for next year, again, you guys called out the 3 components: improve conversions from product improvement, partner program and the customer support. So if I have to, in my mind, if I had to rank order them, how should I be thinking about the impact on the subscriber additions for next year?

And then I had a question on the sales tax. It looks like it’s going to be getting layered in over the coming months. Is there a potential impact on conversion rate? Meaning as people see a higher amount that they have to pay, you might see an impact on conversion. How should we be thinking?

Lior Shemesh: I will start with the first question about the subs reacceleration. There is, by the way, a fourth reason, which is the lapping price optimization impact, which we had it on 2019. It was kind of a one-time when we did the price optimization. I don’t expect it to happen, at least not at that magnitude in 2020. So we had this impact.

In 2020, you’ll basically start from a different place. And therefore, the effect of the price optimization actually is going to end at 2020, when you look at it on a year-over-year basis. Again, that said, as you mentioned, you have new products and obviously, impact conversion, the partners and support investment. I believe that, obviously, partners is a big chunk out of it, but I cannot rank it to you 1, 2, 3, 4. But obviously, partners is a big -- one of the most important items for reaccelerating.

With regard to the sales tax. The answer is, I don’t know. I think that everything about the sales tax is something that’s happened, it’s a new thing in the U.S., at least for most of the companies.

And we need to see the impact of it. I think that it’s not just about Wix. I think that people ause to pay sales tax and I think that it will be -- have any big impact. We saw that, by the way, in the past, in Europe, when the VAT started, which is essentially, it’s really, really the same. We haven’t seen really impact on the conversion because of that when people started to pay VAT in Europe. So I believe that it’s really, really the same. But again, it’s hard to tell. We will have to test. We’ll have to understand. And then obviously, we will inform.

Naved Khan: That’s super helpful. And then -- so just on the clarification on the on the tax issue. Is this something that is layered into -- so you reiterated guide, 450,000 to 500,000 for the year. But do you think you’re going to come in towards the high end? Are you baking in some appropriate amount of conservatism because of the tax issue?

Lior Shemesh: No. No, because remember that we are talking about this number for this year. In 2019, we haven’t really started to collect taxes. The sales tax from the customers because we need to get ready for that, every country has different rules. And therefore, it is part of our provisions, meaning that next year, we won’t see that as a provision because we are going to charge customers
and pay back to the different authorities. Therefore, there is no change in terms of the pricing of sales tax in 2019.

Operator: Our next question comes from the line of Jason Helfstein with Oppenheimer.

Jason Helfstein: Two questions. So with respect to next year, you’re basically telling us you’re confident in sub acceleration, better ARPU, you’re obviously not giving us revenue at this point. But if I do the math and just correct me if I’m wrong, the guidance basically assumes 27% collections growth. There is a currency headwind. I think if you back out the headwind, it’s about $36 million. And so are you basically telling us, calling in aggregate, adjusted currency collections basically should accelerate next year?

And then just can you clarify, again, on the pricing increases, again, that when you expect to be complete as far as announce, but then they roll through at the annual increase, when that ends?

Lior Shemesh: So with regard to the first question, Jason, obviously, we are not in a position to provide numbers right now for 2020. So unfortunately, I cannot comment on that. I think that the only comment was about the reacceleration of next year, net subs. Again, not to a specific number. But we cannot comment on the exact collections or revenue for next year.

With regard to the pricing increase impact. So obviously, we started it at the mid of 2019. So I guess that the impact lap in mid of 2020 in most of the cases. So I hope that, that answered the question.

Jason Helfstein: And then just clarify the currency impact, the implied it’s about -- what is it about 9 points in the fourth quarter? Is that right? Headwind?

Lior Shemesh: The question is compared to what? If you compare what? If you compare...

Jason Helfstein: Per collections. Collections. Collections grow headwind in the fourth quarter with the implied guidance.

Lior Shemesh: When you compare it to the last guidance that we provided a few months ago...

Jason Helfstein: No. No. No, year-over-year. Year-over-year. Year-over-year growth rate collections in the fourth quarter...

Lior Shemesh: For overall year, the impact was about $12 million. So I believe that for Q3, it’s a few million. I don’t think that we provided the number. I can check it and get back to you. But it was a few millions of dollars.

Jason Helfstein: Okay. I was talking about the fourth quarter, though.

Lior Shemesh: Oh, the fourth quarter?

Jason Helfstein: Right. What’s implied in the guidance that it’s about a 9-point headwind on collections?

Lior Shemesh: It was more like $2 million to $3 million.
**Jason Helfstein:** In the fourth quarter?

**Lior Shemesh:** On a year-over -- Yes. For the fourth quarter on a year-over-year basis. Correct.

**Operator:** Our next question comes from the line of Lloyd Walmsley with Deutsche Bank.

**Lloyd Walmsley:** Can you remind us, do some of the lower-margin products like G-Suite and payments flow through the disclosure on cohort collections? And kind of when you look at cohorts on a gross margin basis, adjusting for some of the lower-margin products. Can you talk about how that -- the recent cohorts look compared to earlier cohorts. And then a second one, if I can. Just on the collections from partners with 10 or more subscriptions being up 50%. How big is that in your base from last year, just prior to the agency push, the sales force push?

I would think it would be growing even quicker than that, unless it’s just a bigger portion of the basin than we’ve realized. So that if you can give us a sense of the magnitude of that in the mix, that would be really helpful.

**Lior Shemesh:** So with regard to the first question about the cohorts. So basically, the cohort include collection in terms of dollars, not margins. To your question, it’s include the G Suite, included everything that we are selling because we need to compare it to the overall TROI model that we have and we measure collections. And obviously, the other associated costs is part of the overall budget and profitability that we keep on optimizing. But you are right, the cohort include all the different aspects of the collections.

With regard to the increased mention of partners. So we didn’t actually provide the number, but it was a very quiet and significant increase compared to where we were last year.

**Avishai Abrahami:** And it’s starting from a very -- it’s a wide base.

**Lior Shemesh:** It’s a wide base. Correct. It’s a wide base. Remember that we already had our partners when we started. And overall, it’s make us to be very, very excited about next year.

**Lloyd Walmsley:** Okay. So on the cohort stuff, given that it does include some of the lower-margin products. I mean, if you look at it on a gross margin basis by cohort, is that showing healthy growth as well?

**Lior Shemesh:** Correct. Because still, for example, when you take the payments, although, we had millions of dollars, for example, this quarter from payments, it’s still not that significant when you look at the cohort basis. Remember that usually, when you start a cohort, usually, you don’t use the payments immediately. It takes time until you open the store, and start to have business on top of it and so on.

So usually, it’s incremental, but it might have an impact in a later stage. I believe that it will be all incremental because the basic, more fundamental business that we have has not changed in terms of the gross margin. So I believe that it will certainly going to have an impact in the future. Right now, it’s not so significant, but it will be interesting to see.

**Operator:** Our next question comes from the line of Sterling Auty with JPMorgan.
Sterling Auty: One question, one follow up. First, on Corvid, you mentioned in the prepared remarks, that 6.5x, I think traffic improvement for sites that are actually using it. Can you give us a sense of what is the revenue per subscription for those that are using Corvid in terms of how that compares to the average kind of revenue per subscription?

Avishai Abrahami: Yes, I can say that, overall, people that are using Corvid tend to take the more expensive packages.

And currently, all pricing for Corvid is within the normal business model that we have. The one thing that we do notice that is very significant is that, the retention of those users is dramatically higher. So they tend to stay much longer, build a much more complex website. So does this answer your question?

Sterling Auty: It does. Thanks Avishai, I really appreciate that. And then one follow-up on Payments. Can you give us a sense of what is the type of customer that's taking Wix Payments? And maybe, Lior, given the number of questions kind of earlier in the queue around payments. Can you just remind people what the accounting is for payments?

Nir Zohar: This is Nir. So I'll take the first part in terms of the type and hand it over for the accounting to Lior. But in terms of the kind of user, it’s pretty much -- it’s very, very varied and diverse profile. You have to remember; we have so many different kinds of businesses running on our platform. And many of them would like to close transactions online.

So it will be an online store naturally, but it will also be a -- it will also be someone with a -- who's using our bookings engine and then trying to close a class or appointment. It can be a restaurant; it can be someone who is selling tickets to an event. When you look at eCommerce transactions on Wix, we have very high variety and all of them need that ability to do payments easily.

Lior Shemesh: With regard to the overall margin of payments, Sterling, to your question. When you look at the payments by itself as a business, it has much lower margins than the overall margins that we have.

I think that it's usually, it's around 30%. But we need to remember that the way that I look at it is in a much different way because what -- I think that the more interesting way to look at it is about all the services that you provide for merchants.

And it’s not necessarily just payments. I think that payments is one of them. In some of the cases, you can provide a bundle solution that includes all kinds of stuff, like, for example, drop ship and so on. It’s not new in this market. And then I think that it’s much more interesting to look at the overall margin of those merchant solutions to our customers because in the end of the day, each and every one of them has its own value, but together, they provide much more value to the customer.

So if you ask me about the target of where I can see that in the future, I certainly hope that it will be somewhere between 30% to 40%. When I’m talking about the overall services that we provide our merchants and our customers in general. So I hope that next year, we’ll be able to provide much more color around it. I do believe that as long as it’s growing, we need to provide some more information about it.

Operator: Our next question comes from the line of Josh Beck with KeyBanc.
Josh Beck: I'm not sure if you'll be able to address this, but I'm really just trying to think a little bit more granular about the shape of net add acceleration for next year. When I look at the implied Q4 guidance, it just -- it seems like the way that the 2020 is going to start off as it could still be down. And then maybe the back half could feature a lot of acceleration and that's what gets you to a better number for the year? Is there any -- I know that's pretty detailed. But is there any commentary you can share just on the shape of net adds for 2020?

Avishai Abrahami: Sure. I think that -- I think to answer your question, I will start with some general comments about it.

You can see that in previous years, when you look historically at Wix, it was all based on products, meaning that the way that we increase net subs was all due to a -- when we actually launch new products. In some cases, you saw a better, a stronger H2 than H1. In some of the cases, a stronger H1 than H2.

So except of seasonality, where usually the first quarter is really, really strong, there is another impact of when your product become mature and people actually more engaged with your product and using that.

Specifically to your question. I do believe that the second half of next year is going to be stronger than the first half of the year, simply because of the fact that the effect of partners, I do believe we'll be stronger in the second half than in the first half. As the product is more mature, and we have the opportunity to increase the usage of that. Second, there is also, obviously, the effect of the price optimization that we've made. So if you look at it on a year-over-year basis, the price increase lapping is at around -- I think that it's around May of 2020. So obviously, when you look at it on a year-over-year basis, again, there is also -- and it's mathematic, there is also an impact to that.

Operator: Our next question comes from the line of Aaron Kessler with Raymond James.

Aaron Kessler: Two questions. May be first on the customer solutions initiatives, reaffirm kind of the 5-point growth reacceleration in 2020. Can you maybe update us on maybe traction or what you're seeing so far in terms of conversion rates, et cetera, from customer solutions investments?

And second, just make quickly back to the gross margin. Drivers on a sequential basis, if you like, maybe the rough 200 basis point decline was -- should we infer most of that with payments? Or kind of -- can you help us -- how much of the sequential changes payments versus customer service than G Suite?

Nir Zohar: It's Nir. I'll take the first question about customer service. So I have to say, we've kind of dived into this whole initiative based on years of data and work we've been doing in our customer service, and understanding in many ways that this isa big opportunity that was just there for us to go after.

Throughout this year, we hired and increased the size of our call centers, mostly based on a third party, but we're talking about hundreds of agents.
We already -- just by doing that and training them on the basic level, we have already managed to
definitely improve significantly our SLA and just give better customer service in general. Now what
we’re doing in the last few months is basically going into much deeper training levels.

And basically working into a much more personalized level of customer service and experience in a
way that will actually help us consult our users to just become better and more successful online.
Whether it’s taking them through the building of the website process and helping them convert and
getting to the endpoint and actually have a live effective site online.

And even if they’re already have converted and we can help them out, get more value by using more
products, whether they have free products or paid products like Asecnd, for example, then we would
love to do that. As long as we help them become more successful. So that has been the big focus
in the last few months, also revamping a lot of the training programs, understanding the quality
control for them, bringing in more new talent of people with experience that can manage and run
such an operation.

And I would say that I’m very excited about it, not only because of the potential growth we see
towards 2020, I think that for us to be able to be in a position where we work with our customers
more closely, we consult them, we help them be more successful, just puts us in a much better
position for growth in years to come, not only as I look forward into next year.

Lior Shemesh: Yes. With regard to the gross margin decline this quarter compared to Q2. Since
the investments in customer support was already done in Q2 and obviously, in Q3, it was a bit higher,
but most of the impact is coming from payments.

Maggie O’Donnell: Great. I think we have time for just one more question.

Operator: Our last question comes from the line of Jonathan Kees with Summit Insights Group.

Jonathan Kees: I wanted to ask regarding one of your opportunities, specifically international. I’ve
heard you in terms of you’re seeing international is a huge opportunity. But if I look at the growth
rate for the regions. For the quarter, it was only Asia Pacific that was at corporate average. The
other regions were below corporate average for the year-over-year growth.

So I guess -- and also saw the announcement with NTT page there. Is there going to be like -- just
trying to tie that in. Are you looking to change your strategy, by chance? Are you looking to lead
international more with Corvid? And are you also looking now at just focused countries versus more
the regions? Or are you going to still stay with the DIY market services?

Avishai Abrahami: Well, I think that you asked a lot of questions. Maybe I’ll start with that. So,
Obviously, we’ve continued to go with our international strategy. But as we said, we are also working
on attracting partners -- Partners being companies or individuals who are building websites for
others. NTT is an extreme example of that, of course, it’s not that common case, which is a huge
company that is now using Wix as the technology and product to build websites for their customers.

That is aligned with our partner strategy. We hope to have a lot of those in the future. Some of them
as big as NTT. And the majority of them, of course, will be smaller. So we will continue our DIY side
of the business as it is very, very effective.
We do intend to continue to invest in the partners as we mentioned today. We see a lot of growth in that, the amount of users with 10 or more subscription is growing rapidly 50% on collections there. And so we are very excited about both opportunities. We don't see them as conflicting with each other.

Most of the people that will take a partner to build a website, will not do so on themselves, only because they are too busy or because they don't have the computer skills or they want the professional to do the websites for them. So we believe that those 2 do not conflict with each other, are actually contribute to the creation of Wix as the stronger brand in this category.

**Lior Shemesh**: With regard to the first part of your question about Europe, for example, I think that the best way to explain it in a simple way is about the TROI. Think about it this way, what's happened in Europe, where -- and the strength of the dollar compared to the euro and the British pound, obviously, had an impact because when you do the calculation of the TROI, essentially, it's dollar in and dollar out.

Obviously, dollar in is less when you convert what we are getting in Euro and British pound. And therefore, we allocate some of the investment to the U.S., where we saw there are much, much better growth. But most of the impact was because of what's happened to the FX, meaning, had the FX remained same as last year, you would have seen more investment in Europe because of that.

**Maggie O'Donnell**: Thanks, everybody, for joining.

**Operator**: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.