Wix.com Ltd.
Form F-1
March 20, 2014

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As filed with the Securities and Exchange Commission on March 20, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Wix.com Ltd.

(Exact Name of Registrant as Specified in its Charter)

State of Israel	**7370**	**98-0685109**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

**Eitan Israeli, Adv.
Vice President and General Counsel
Wix.com Ltd.
40 Namal Tel Aviv St.
Tel Aviv, 6350671 Israel
+972 (3) 545-4900**
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Wix.com, Inc.
2601 Mission Street
San Francisco, CA 94110
(415) 643-6479**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Colin J. Diamond, Esq. Joshua G. Kiernan, Esq. White & Case LLP 1155 Avenue of the Americas New York, NY 10036 Tel: (212) 819-8200	**Tuvia Geffen, Adv. Naschitz, Brandes & Co., Advocates 5 Tuval Street Tel Aviv 6789717 Israel Tel: +972 (3) 623-5000**	**Robert D. Sanchez, Esq. Allison B. Spinner, Esq. Wilson Sonsini Goodrich & Rosati, Professional Corporation 1700 K Street, NW, Fifth Floor Washington, D.C. 20006**	**J. David Chertok, Adv. David S. Glatt, Adv. Meitar Liquornik Geva Leshem Tal 16 Abba Hillel Silver Rd. Ramat Gan, 5250608 Israel**

Fax: (212) 354-8113	**Fax: +972 (3) 623-5005**	**Tel: (202) 973-8800** **Fax: (202) 973-8899**	**Tel: +972 (3) 610-3100** **Fax: +972 (3) 610-3111**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after effectiveness of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Ordinary shares, par value NIS 0.01	$86,250,000	$11,109

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

(2) Calculated pursuant to Rule 457(o) under the Securities Act of 1933, as amended, based on the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and neither we nor the selling shareholders are soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated March 20, 2014

Preliminary Prospectus

Shares

Ordinary Shares

We are selling ordinary shares and the selling shareholders named in this prospectus are selling ordinary shares. We will not receive any proceeds from the sale of the shares by the selling shareholders.

Our ordinary shares are listed on the NASDAQ Global Market under the symbol "WIX." On March 19, 2014, the last reported sales price of our ordinary shares was $26.63 per share.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us (before expenses)	$	$
Proceeds to the selling shareholders (before expenses)	$	$

(1) See "Underwriting" for a description of compensation payable to the underwriters.

We and the selling shareholders have granted the underwriters an option to purchase up to additional ordinary shares.

We are an "emerging growth company" as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements for future filings. Investing in our ordinary shares involves a high degree of risk. See "Risk Factors" beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ordinary shares to purchasers on or about , 2014.

J.P. Morgan **BofA Merrill Lynch**

, 2014

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Neither we, nor the selling shareholders, nor the underwriters have authorized anyone to provide information different from that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. Neither we, nor the selling shareholders, nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any information other than the information in this prospectus and any free writing prospectus prepared by us or on our behalf. Neither the delivery of this prospectus nor the sale of our ordinary shares means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or the solicitation of an offer to buy these ordinary shares in any circumstances under which such offer or solicitation is unlawful.

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before deciding to invest in our ordinary shares. You should read the entire prospectus carefully, including "Risk Factors" and our consolidated financial statements and notes to those consolidated financial statements, before making an investment decision. In this prospectus, the terms "Wix," "we," "us," "our" and "the company" refer to Wix.com Ltd. and its subsidiaries.

Our Vision

We believe that the Internet should be accessible to everyone, not just to access information but also to develop, create and contribute.

We see many similarities in our vision with the desktop revolution, when computer hardware and software evolved to provide everyone with the capability to develop, create and print professional-quality documents from their desktop. Access expanded to everyone, document creation became a core human skill, and the asset-heavy approach was abandoned. This same revolution has not yet happened online. Today, professional skill and capital is needed to turn ideas into high-quality web content. We believe that by providing an easy-to-use and affordable solution with professional-quality results, we are leading the "Webtop Revolution."

Our Business

We are a leading global web development platform with one of the largest number of registered users in the world. We empower over 42 million registered users in 190 countries to create and manage a fully integrated and dynamic digital presence. We are pioneering a new approach to web development and management that provides an easy-to-use yet powerful cloud-based platform that eliminates the need for complex coding and supplants expensive design services. Our solutions enable millions of businesses, organizations, professionals and individuals to take their businesses, brands and workflow online. We offer our solutions through a freemium and subscription model, and as of December 31, 2013, we had 789,753 premium subscriptions.

Our core product is a drag-and-drop visual development and editing environment complete with high quality templates, graphics, image galleries and fonts. With our platform, Wix users can create and manage a professional-quality digital presence tailored to their brands' specific look and feel, accessible across all major browsers and the most widely used desktop, tablet and mobile devices.

Our cloud-based platform is accessed through a hosted environment, allowing our users to update their site and manage their business or organization at any time. We provide our users with flexibility and scalability, allowing them to expand their digital presence as their business, organizational, professional or individual needs change and grow.

Through our highly curated App Market, which we launched in the last quarter of 2012, as of December 31, 2013, we offered our users the ability to easily install more than 156 free and purchasable apps that were carefully identified and selected for inclusion in the App Market by us based on user needs and demand. These apps add additional functionality and are easily integrated into users' websites with one click and without any coding. Revenues from our App Market have been negligible to date.

Our scale and reach makes us an attractive partner for companies interested in distributing their own solutions to our users, which are primarily small business owners, organizations and entrepreneurs. As we expand our platform through partnerships, we are able to increase our value proposition for existing users and more easily attract new users.

By developing business intelligence using the data we have generated over several years of operation, we have been able to leverage online channels effectively for the majority of our marketing efforts without the need for a direct sales force. In addition, many of our users refer us within their personal and professional networks. As a result, we generate a large volume of traffic through word-of-mouth, with organic and direct traffic, meaning visitor traffic that reached our website, Wix.com, via unpaid search results or by typing the URL of our website in their browser, accounting for approximately 58% of the premium subscriptions generated by users that registered in the fourth quarter of 2013.

We are removing not only technological, but also geographic and linguistic barriers to web development by offering our platform in several languages, including English, French, Spanish, Portuguese, Italian and Russian.

Through December 31, 2013, we had achieved 16 consecutive quarters of sequential growth in the number of premium subscriptions. We have also achieved 16 consecutive quarters of growth in revenues and collections. We had revenues of $24.6 million, $43.7 million and $80.5 million and collections of $29.6 million, $52.5 million and $98.7 million in 2011, 2012 and 2013, respectively. We had a net loss of $22.7 million, $15.0 million and $28.7 million in 2011, 2012 and 2013, respectively.

Industry Background

Increasing need for a dynamic digital presence

According to an October 2013 Netcraft survey, there are more than 767 million websites across all domains, nearly four times the number that existed five years ago. The way that consumers interact with websites, however, continues to expand with the evolution of technology. Consumers have come to expect a high level of personalization, engagement and functionality; a static website is no longer satisfactory and can even negatively affect overall brand perception for businesses, organizations and professionals.

In the current market, businesses, organizations and professionals need a dynamic digital presence with tools to manage interactions with customers, suppliers, partners and employees online and in real time. These interactions include back-end activities like invoicing, customer relationship management and payment processing, as well as front-end activities such as communications, online marketing, reservations and scheduling and social media integration.

Use of dynamic web content and services for high level customer engagement is becoming increasingly prolific. Businesses, organizations and professionals that have access to the latest technology and large budgets are able to create this fully functional, integrated and engaging digital presence and widen the competitive gap between themselves and those that lack access.

Creating a dynamic digital presence is challenging

Building this presence is becoming more challenging for businesses, organizations, professionals and individuals for the following reasons:

Developing a dynamic digital presence with professional quality is expensive. Developing and maintaining a professional-quality digital presence today often requires the engagement of professional designers and developers, which is not an option for many small businesses with limited budgets.

Learning to code is difficult, time consuming and out of reach for most. As coding languages continue to evolve over time to allow for additional features and functionality, the complexity and level of skill required to develop a digital presence increases dramatically. As a result, these professional-quality improvements are generally out of reach for those that have limited or no experience with computer programming.

The ability to manage and modify in real time is limited and time consuming. Hiring a third-party to dynamically update a site is costly, impractical and often time consuming even for relatively small changes. Most website template solutions provide options but have limited flexibility in terms of what can be changed once a website is published.

Integrating functionality requires advanced skills and access to multiple vendors. Proficiently discovering, managing and integrating multiple applications and tools is complex and typically requires hiring costly developers.

There are many platforms, browsers and devices which each have different compatibility requirements. In order to develop a digital presence that is widely accessible across the growing number of platforms, browsers and devices, there is often a need to recreate an entire site multiple times with different specifications. This is costly and time consuming for even the largest companies.

Our Solution

We offer our web development, design and management solutions and apps through a cloud-based online platform that enables almost 42 million businesses, organizations, professionals and individuals to create a sophisticated and professional digital presence. Our large user base provides our partners with a massive distribution channel for their products, enhancing the value we can provide our users.

Benefits to Our Users

We believe that our solution offers the following key benefits to our users:

Professional quality at an affordable price. We provide customizable and professionally designed content, allowing users to encapsulate their vision consistent with their brand and establish credibility. We have a dedicated team of over 40 design professionals, and users may access our professional content and features at a material discount to the cost of hiring a professional or in many cases at no cost at all.

Easy-to-use technology. Our platform provides our users with a powerful and easy-to-use cloud-based solution that takes the technological complexity out of web development and management, allowing anyone to create a dynamic digital presence. Our drag-and-drop editing environment enables users with basic computer skills to create a fully functional digital presence without the need to develop an advanced new skill set.

User-driven website management. Our cloud-based platform makes ongoing management simple, enabling users to maintain their dynamic digital presence at any time without the need to pay for expensive design professionals to make even small changes. We also have an in-house team of 152 support and call center professionals available for our users.

Access to third-party apps. We offer a selection of over 156 free and paid apps through our highly curated App Market that were carefully identified and selected for inclusion in the App Market by us based on user needs and demand. These apps provide online workflow and management tools that users can add through the Wix Editor. The required coding is managed automatically by our proprietary software without any effort needed by the user, making integration with our users' sites seamless.

Multi-platform. Our technology addresses the challenges posed by the wide range of browsers and devices used to access the web. We handle all the code customizations and required site

compatibility with new device and browser platforms, removing additional cost and effort for our users.

Benefits to Our Partners

We believe that our solution offers the following key benefits to our partners:

Distribution to a large user base. We attract interest from multiple companies seeking to market their solutions effectively to our large and highly engaged audience of businesses, organizations, professionals and individuals through free and paid apps available in our App Market, as well as other offers, features and services.

Seamless integration of offered solutions. We help developers get their products discovered and provide easy installation and integration. We also collect and process payments from our users for paid apps, further reducing friction for both our users and our partners.

Our Strengths

We believe the following key strengths provide us with competitive advantages:

Proprietary technology platform. Our core strength is our technology that reduces the challenges and complexities of web development and management for our users. Our environment enables simple drag-and-drop functionality, and our use of HTML5 gives our users the ability to easily incorporate video, audio, fonts, graphics and animations into their site. Our users also benefit from enhanced workflow functionalities through the seamless integration of third-party apps.

Large user base and growing global ecosystem. We have over 42 million registered users across 190 countries and offer our platform in several languages, empowering our users to create and manage a digital presence in their own language. As our community grows, we become increasingly valuable as a distribution channel for partners and developers, who in turn expand our offering to our users with additional features and services through the development of apps.

Superior design and content. More than 10% of our workforce is comprised of designers. We believe this investment in design provides our users with a superior starting point and allows them to create a visually engaging and professional-quality digital presence.

Efficient marketing and customer acquisition. Our marketing activities are based on a constant analysis of behavior response data generated on our platform, enabling us to operate different marketing campaigns efficiently across a variety of advertising channels and without a direct sales force.

Embedded solution for our users. As the basis of their online operating platform, Wix becomes a core aspect of our users' businesses. Our solutions are designed to cater to the varying needs of most business categories while supporting users throughout the evolution of their business lifecycle, greatly increasing the likelihood that they remain users.

Our Strategy

Key elements of our strategy include:

Growing our user base. The value of our platform continues to increase as our user base expands. We intend to continue to build our user base in the following ways:

Leveraging our data to increase and optimize our paid marketing. We will continue to leverage the intelligence derived from the large quantities of marketing data we have gathered since our launch to optimize our marketing spend.

Growing our brand. We plan to invest in brand marketing initiatives that will further associate Wix as the go-to platform for web development and management, increasing our long-term ability to acquire users.

Expanding to underserved geographic markets. We plan to make our solution, support and communication channels available in more languages and expand our billing infrastructure to drive growth in underserved geographic markets.

Developing new solutions. We intend to create additional value for our users and increase our platform's monetization in the following ways:

Investing in product development to offer additional services. We plan to leverage our experience and knowledge in web development and workflow management to build new solutions, such as apps, data management and mobile solutions that our users need to operate and succeed online.

Expanding our partner ecosystem. We will seek to attract more partners that will provide our users with free and paid apps through our App Market as well as other features and services, further enriching our solutions and creating additional monetization opportunities.

Risk Factors

Investing in our ordinary shares involves risks. You should carefully consider the risks described in "Risk Factors" beginning on page 12 before making a decision to invest in our ordinary shares. If any of these risks actually occurs, our business, financial condition or results of operations would likely be materially adversely affected. In such case, the trading price of our ordinary shares would likely decline, and you may lose all or part of your investment. The following is a summary of some of the principal risks we face:

Our results of operations and future prospects will be harmed if we are unable to attract new registered users and premium subscriptions at a sufficient rate.

Our results of operations would be adversely affected if our selling and marketing activities fail to generate traffic to our website, users and premium subscriptions at levels that we anticipate.

Our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects, and may increase the risk that we will not be successful.

We have a history of operating losses and may not be able to achieve profitability in the future.

A decrease in annual subscriptions or renewal rates of our existing premium subscriptions could adversely impact our collections and revenues, and harm our ability to forecast our business.

If we are unable to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to expand our base of users and premium subscriptions may be impaired, and our business and financial results may be harmed.

Our results of operations and business could be harmed if we fail to manage the growth of our infrastructure effectively.

Failures of the third-party hardware, software and infrastructure on which we rely, including third-party data center hosting facilities, could adversely affect our business.

We rely on search engines and social networking sites to attract a meaningful portion of our users, and if those search engines or social networking sites change their listings or policies regarding advertising, or increase their pricing or suffer problems, it may limit our ability to attract new users.

We may face challenges expanding our premium subscription base and increasing revenues in emerging markets due to difficulties in these markets associated with payment collections as well as legal, economic, tax and political risks that are greater than more developed markets.

We face potential liability and expense for legal claims based on the content on our platform.

Activities of users or the content of their websites could damage our reputation and brand, or harm our ability to expand our base of users and premium subscriptions, and our business and financial results.

Recent Developments

In February 2014, we acquired all of the share capital of Appixia Ltd. ("Appixia"), an Israeli company, for approximately $1.3 million in cash. Appixia is currently developing a platform for building eCommerce apps for the Israeli market. The acquisition is a component of our plan to continue strengthening our technological advantage and the breadth of our product offerings.

Our Principal Shareholders

Following the closing of this offering, entities affiliated with Mangrove Capital Partners, Bessemer Venture Partners, Benchmark Capital Partners and Insight Venture Partners will beneficially own % of our outstanding ordinary shares in the aggregate (or % if the underwriters exercise in full their option to purchase additional shares). We are not a party to and are not otherwise aware of any voting agreement among our shareholders. For further information about the ownership of our ordinary shares following this offering, see "Principal and Selling Shareholders."

Corporate Information

Our principal executive offices are located at 40 Namal Tel Aviv St., Tel Aviv 6350671, Israel, and our telephone number is +972 (3) 545-4900. Our website address is www.wix.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. We have included our website address in this prospectus solely for informational purposes. Our agent for service of process in the United States is Wix.com, Inc., located at 2601 Mission Street, San Francisco, CA 94110, telephone number (415) 643-6479.

Throughout this prospectus, we refer to various trademarks, service marks and trade names that we use in our business. The "Wix.com" design logo is the property of Wix.com Ltd. Wix® is our registered trademark in the United States. We have several other trademarks, service marks and pending applications relating to our solutions. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

THE OFFERING

Ordinary shares offered:	
by us	ordinary shares
by the selling shareholders	ordinary shares
Ordinary shares to be outstanding after this offering	ordinary shares
Underwriters' option	We and the selling shareholders have granted the underwriters an option for a period of 30 days after the date of this prospectus to purchase up to additional ordinary shares in the case of the company and ordinary shares in the case of the selling shareholders.
Use of proceeds	The principal purposes of the offering are to obtain additional working capital, facilitate an orderly distribution of shares for the selling shareholders in the offering and increase our public float. We intend to use the net proceeds from this offering for general corporate purposes, including selling and marketing expenses aimed at growing our business through user acquisition activities and research and development expenses focused on product development. We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreement or understanding with respect to any such acquisition or investment at this time. We will not receive any of the proceeds from the sale of shares by the selling shareholders. See "Use of Proceeds."
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our ordinary shares.
NASDAQ Global Market Symbol	WIX

The number of ordinary shares to be outstanding after this offering is based on 37,493,217 ordinary shares outstanding as of December 31, 2013. The number of ordinary shares to be outstanding after this offering excludes (1) 12,135,358 ordinary shares reserved for issuance under our equity incentive plans as of December 31, 2013, of which there were (i) options outstanding to purchase 10,987,182 shares at a weighted average exercise price of $2.67 per share and (ii) outstanding restricted share units (or RSUs) with respect to 122,668 shares, and (2) warrants to purchase 29,298 ordinary shares with an exercise price of $6.83 per share. In addition, our 2013 Incentive Compensation Plan and our Employee Stock Purchase Plan are each subject to annual automatic increases in the amount of shares reserved for issuance occurring on January 1st of each year. On January 1, 2014, the number of ordinary shares reserved under our 2013 Incentive Compensation Plan increased by 1,874,660 and the number of ordinary shares reserved under our Employee Stock Purchase Plan increased by 374,932.

Unless otherwise indicated, this prospectus assumes no exercise of the underwriters' option to purchase up to an additional ordinary shares from us and the selling shareholders.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our summary consolidated financial and other data. You should read the following summary consolidated financial and other data in conjunction with "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

The summary consolidated statements of operations data for each of the years in the three-year period ended December 31, 2013 and the consolidated balance sheet data as of December 31, 2013 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands except share and per share data)		
Consolidated Statements of Operations:			
Revenues	$ 24,600	$ 43,676	$ 80,473
Cost of revenues(1)	5,290	9,233	15,257
Gross profit	19,310	34,443	65,216
Operating expenses:			
Research and development(1)	14,746	16,782	29,660
Selling and marketing(1)	21,586	29,057	53,776
General and administrative(1)	5,338	3,565	8,307
Total operating expenses	41,670	49,404	91,743
Operating loss	(22,360)	(14,961)	(26,527)
Financial income (expenses), net	(41)	487	(603)
Other expenses	127	2	18
Loss before taxes on income	(22,528)	(14,476)	(27,148)
Taxes on income	212	496	1,572
Net loss	$ (22,740)	$ (14,972)	$ (28,720)
Basic and diluted net loss per ordinary share(2)	$ (8.31)	$ (2.71)	$ (3.33)
	6,355,428	6,822,720	11,597,826

Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share(2)

	As of December 31, 2013	
	Actual	**As Adjusted(3)**
Consolidated Balance Sheet Data:		
Cash and cash equivalents	$ 101,258	$
Restricted deposits	3,306	
Total assets	115,355	
Deferred revenues	37,184	
Total shareholders' equity	62,296	

	Year Ended December 31,		
	2011	2012	2013
	(dollars in thousands)		
Supplemental Financial and Operating Data:			
Collections(4)	$ 29,648	$ 52,479	$ 98,673
Free cash flow(4)	$ (12,353)	$ (4,555)	$ 1,173
Adjusted EBITDA(4)	$ (17,035)	$ (13,070)	$ (18,244)
Number of registered users at period end(5)	16,951,837	28,225,857	42,126,246
Number of premium subscriptions at period end(6)	298,143	469,589	789,753

(1) Includes share-based compensation expense as follows:

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Cost of revenues	$ 40	$ 105	$ 490
Research and development	1,939	553	3,149
Selling and marketing	222	101	1,185
General and administrative	2,532	261	2,230
Total share-based compensation expense	$ 4,733	$ 1,020	$ 7,054

(2) Basic and diluted net loss per ordinary share is computed based on the weighted average number of ordinary shares outstanding during each period. For additional information, see Notes 2p and 11 to our consolidated financial statements included elsewhere in this prospectus.

(3) As adjusted gives effect to the issuance and sale of ordinary shares by us in this offering at the public offering price set forth on the cover page of this prospectus after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(4) See "Non-GAAP Financial Measures" for how we define and calculate collections, free cash flow and adjusted EBITDA, a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, and a discussion about the limitations of these non-GAAP financial measures.

(5) Number of registered users at period end is defined as the total number of users, including those who purchase premium subscriptions, who are registered with Wix.com with a unique email address at the end of the period. The length of time that users take following registration to design and publish a website varies significantly from hours to years, and many users never publish a website. We have no means of assessing the level of engagement of a particular user following registration or how close a user is to potentially publishing their website. Accordingly, our use of the term "user" herein is not intended to necessarily indicate a level of engagement. See "Risk Factors Risks Related Our Business and Our Industry The number of our registered users may be higher than the number of actual users and we have no means of assessing the level of engagement of a particular user following registration.

(6) A single user can purchase multiple premium subscriptions. Our premium subscriptions in any given period are derived from users that registered with us during that period and a range of prior periods with the largest contribution from most recently registered users. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Premium Subscription Analysis."

Non-GAAP Financial Measures

Collections

Collections is a non-GAAP financial measure that we define as total cash collected by us from our customers in a given period. Collections is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Collections consists primarily of amounts from annual and monthly premium subscriptions by users, which are deferred and recognized as revenues over the terms of the subscriptions and payments by our users for domains, which are also recognized ratably over the term of the service period. The following table reconciles revenues, the most directly comparable U.S. GAAP measure, to collections for the periods presented:

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Reconciliation of Revenues to Collections:			
Revenues	$ 24,600	$ 43,676	$ 80,473
Change in long-term and short-term deferred revenues	5,048	8,803	18,200
Collections	$ 29,648	$ 52,479	$ 98,673

For a description of how we use collections to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because it is a leading indicator of our revenue growth and the growth of our overall business. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for revenues recognized in accordance with U.S. GAAP.

Free Cash Flow

Free cash flow is a non-GAAP measure defined as cash flow from operating activities minus capital expenditures. The following table reconciles cash flow from operating activities, the most directly comparable U.S. GAAP measure, to free cash flow:

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Reconciliation of cash flow provided by (used in) operating activities to free cash flow:			
Net cash provided by (used in) operating activities	$ (10,599)	$ (3,608)	$ 4,243
Capital expenditures(1)	(1,754)	(947)	(3,070)
Free cash flow	$ (12,353)	$ (4,555)	$ 1,173

(1) Capital expenditures consist primarily of investments in leasehold improvements for our office space and the purchase of computers and related equipment.

For a description of how we use free cash flow to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because free cash flow reflects the cash surplus available or used to fund the expansion of our business after payment of capital expenditures relating to the necessary components of ongoing operations. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net cash flows from operating activities presented in accordance with U.S. GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss before financial expenses (income), net, other expenses, taxes on income, depreciation and share-based compensation expense. The following table reconciles net loss, the most directly comparable U.S. GAAP measure, to adjusted EBITDA for the periods presented:

	Year Ended December 31, 2011	2012	2013
	(in thousands)		
Adjusted EBITDA			
Net loss	$ (22,740)	$ (14,972)	$ (28,720)
Financial expenses (income), net	41	(487)	603
Other expenses	127	2	18
Taxes on income	212	496	1,572
Depreciation	592	871	1,229
Share-based compensation expense	4,733	1,020	7,054
Total adjustments	5,705	1,902	10,476
Adjusted EBITDA	$ (17,035)	$ (13,070)	$ (18,244)

For a description of how we use adjusted EBITDA to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net loss recognized in accordance with U.S. GAAP.

Other companies, including companies in our industry, may calculate collections, free cash flow or adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure. You should consider collections, free cash flow and adjusted EBITDA along with other financial performance measures, including revenues, net cash used in operating activities, and our financial results presented in accordance with U.S. GAAP.

RISK FACTORS

This offering and an investment in our ordinary shares involve a high degree of risk. You should consider carefully the risks described below and all other information contained in this prospectus, before you decide to buy our ordinary shares. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment.

Risks Related to Our Business and Our Industry

Our results of operations and future prospects will be harmed if we are unable to attract new registered users and premium subscriptions at a sufficient rate.

The number of new registered users we attract is a key factor in growing our premium subscription base, which in turn drives our revenues and collections. To date, we have grown the number of registered users and premium subscriptions through the provision of complimentary user-friendly, drag-and-drop web development, design and management software, which can be upgraded to a subscription-based package with various additional solutions and services. Over half of our new premium subscriptions in any given month are generated by users who registered in earlier months. We therefore attribute considerable importance to continued growth of our user base since they are our primary source of premium subscriptions. Although we do not expect to maintain the same period-over-period user and premium subscription growth rate that we have experienced in recent quarters, we do seek to add a larger absolute number of registered users and premium subscriptions each quarter in the immediate future. A number of factors could impact our ability to attract new registered users and premium subscriptions, including:

- the quality and design of our platform compared to other similar solutions and services;
- our ability to develop new technologies or offer new products and service offerings;
- the pricing of our solutions and services compared to our competitors;
- the reliability and availability of our customer service; and
- our ability to provide value-added third-party applications, solutions and services that integrate into our solutions.

Our results of operations would be adversely affected if our selling and marketing activities fail to generate traffic to our website, users and premium subscriptions at the levels that we anticipate.

We acquire many of our users through paid marketing channels, such as cost-per-click advertisements on search engines and social networking sites and targeted and generic banner advertisements on other sites. A portion of the users acquired through these channels purchase premium subscriptions over time. In order to maintain our current revenues and grow our business, we need to continuously optimize marketing campaigns aimed at acquiring new registered users and premium subscriptions. In the years ended December 31, 2011, 2012 and 2013, selling and marketing expenses were $21.6 million, $29.1 million and $53.8 million, respectively, representing 88%, 67% and 67% of our revenues, respectively. We conduct search engine optimization and A/B testing, a marketing approach which aims to identify which changes to our website will increase or maximize user interest and user acquisition. We also rely upon the assumption that historical user behavior can be extrapolated to predict future user behavior, and we structure our marketing activities in the manner that we believe is most likely to encourage the user behaviors that lead to desired future outcomes, such as purchasing premium subscriptions. However, we may fail to accurately predict user acquisition, interest, or to fully understand or estimate the conditions and behaviors that drove historical user behavior and thus, fail to generate the return on marketing we expected. For example, events outside our control, such as announcements by our competitors or other third-parties of significant business developments, have in the past adversely affected the returns we had anticipated on our marketing expenses in the short-term. In addition, we have recently started to direct a portion of our marketing expenses towards more traditional advertising, including radio and television commercials, the effectiveness of which is more difficult to track than online marketing. If any of our marketing campaigns prove less successful than anticipated in attracting users and premium subscriptions, we may not achieve our return-on-investment targets, and our rate of user and premium subscription acquisition may fail to meet market expectations, which could have a material adverse effect on our share price.

Our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects, and may increase the risk that we will not be successful.

We were founded in 2006 and the majority of our revenue growth has occurred since 2011. This short history makes it difficult to assess effectively our future prospects. We also operate in a new and developing market that may not develop as expected. We believe that the growth in our user base and revenues may indicate that our business strategy is successful, but you should consider our future prospects in light of the challenges and uncertainties that we face, including the fact that our business has grown rapidly and it may not be possible to discern fully the trends that we are subject to, that we operate in a new and developing market, and that elements of our business strategy are new and subject to ongoing development.

We have a history of operating losses and may not be able to achieve profitability in the future.

We have incurred net losses in each fiscal year since our inception and, as of December 31, 2013, we had an accumulated deficit of $88.5 million. We expect that our operating expenses will continue to increase in the near term at a rate that will offset all or substantially all of any future growth in revenues. We believe that this increase in operating expenses will result primarily from increased selling and marketing expenses related to user acquisition activities and increased research and development expenses related to enhancing the functionality of our solutions. We seek to leverage these expenses across a growing base of premium subscriptions while maintaining or increasing the amount of revenues per premium subscription in order to achieve profitability. As a result, if we are unable to grow our premium subscriptions at the required rate or to maintain or increase revenues per user, or if we incur unexpected expenses, we may be unable to achieve or sustain profitable operations.

A decrease in annual subscriptions or renewal rates of our existing premium subscriptions could adversely impact our collections and revenues, and harm our ability to forecast our business.

The rate at which annual premium subscriptions are purchased and the rate at which premium subscriptions are renewed significantly impact the overall number of premium subscriptions and, as a result, our collections and our revenues. Our annual subscription renewal rates have historically increased based on the length of time a subscription has been active. One of the key drivers of renewal rates is whether premium subscriptions are annual or monthly. Annual subscriptions have higher renewal rates than monthly subscriptions since there is one-twelfth as many opportunities in a given annual period to fail to renew a subscription than a monthly subscription whether deliberately or through failure to update credit card information upon expiration. As such, our overall renewal rates may drop if there is a decrease in the number of premium annual subscriptions compared to premium monthly subscriptions, and will affect our ability to forecast our future results of operations. If the number of annual premium subscriptions or renewal rates fail to meet our expectations, our profitability and future prospects may be adversely impacted.

If we are unable to maintain and enhance our brand, or if events occur that damage our reputation and brand, our ability to expand our base of users and premium subscriptions may be impaired, and our business and financial results may be harmed.

Maintaining, promoting and enhancing the Wix brand is critical to expanding our base of users and premium subscriptions. For both users and premium subscriptions, we market our solutions and services primarily through cost-per-click advertisements on search engines and social networking sites, participation in social networking sites, and free and paid banner advertisements on other websites, and small Wix advertisements on our users' websites that do not currently have a premium subscription. Our ability to attract additional users depends in part on increasing our brand recognition. In addition, our solutions and services are also marketed through free traffic sources, including customer referrals, word-of-mouth and direct searches for our "Wix" name, or web presence solutions, in search engines. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable, and innovative solutions and services, which we may not do successfully. We may introduce new solutions or terms of service that users do not like, which may negatively affect our brand. Additionally, if users have a negative experience using third-party applications and websites integrated with Wix, such an experience may affect our brand. Our Wix Arena Marketplace enables independent web designers to offer their services to users who engage them directly. As we conduct only a limited evaluation of these designers' credentials, our reputation may be harmed if any of the services provided by these independent designers do not meet users' quality expectations. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. Additionally, errors, defects, disruptions or other performance problems with our products and platform, including the products and solutions we license from third parties, may reduce our revenue, harm our reputation and brand and adversely affect our ability to attract new users and premium subscriptions, especially if these errors occur when we introduce new services or features. If we fail to successfully promote and maintain the Wix brand or if we incur excessive expenses in this effort, we could be subject to claims regarding our business and financial results may be adversely affected.

Our results of operations and business could be harmed if we fail to manage the growth of our infrastructure effectively.

We have experienced rapid growth in our business and operations, which places substantial demands on our operational infrastructure. The scalability and flexibility of our cloud-based infrastructure depends on the functionality of our third-party servers and their ability to handle increased traffic and demand for bandwidth. The significant growth in the number of users and transactions has increased the amount of both our stored marketing and research data and the data of our users. Any loss of such data due to disruptions in our infrastructure could result in harm to our brand or reputation. Moreover, as our user base grows, and as users use our platform for more complicated tasks, we will need to devote additional resources to improving our infrastructure and continuing to enhance its scalability in order to maintain the performance of our platform and solutions. Our need to effectively manage our operations and growth will also require that we continue to assess and improve our operational, financial and management controls, reporting systems and procedures. We may encounter difficulties obtaining the necessary personnel or expertise to improve those controls, systems and procedures on a timely basis relative to our growth. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our results of operations and business.

Failures or loss of the third-party hardware, software and infrastructure on which we rely, including third-party data center hosting facilities, could adversely affect our business.

We rely on leased servers, cloud service providers and other third-party hardware and infrastructure to support our operations. Our primary data centers are in two geographically separate locations in the United States with a back-up data center in Europe. We lease our primary data centers in the United States from Hostway Services, Inc. pursuant to purchase orders issued under an agreement that automatically renews on an annual basis unless terminated by us by notice at least 60 days before the annual renewal date or by either party at any time with 180 days advance notice. We currently sublease cloud storage from Amazon.com, Inc. and Google Inc. If Hostway ceases to make its data centers available to us without sufficient advance notice or if we are unable to utilize cloud services from Amazon and Google, we would likely experience delays in delivering our solutions until migration to an alternate data center provider is completed.

The owners and operators of these data centers and cloud services do not guarantee that our users' access to our platform will be uninterrupted or error-free. We do not control the operation of these facilities and such facilities could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. Additionally, cloud services could be subject to breaches of cyber security. We and our hosting providers have in the past been subject to cyber-attacks, which have caused interruptions in our service. For example, in February 2014, we were the target of a malicious denial-of-service, or DDoS, attack, a technique used by hackers to take an internet service offline by overloading its servers. While we have robust systems in place to counter such attacks, the scale of this particular attack caused us and some of our user websites to experience significant but intermittent downtime. While throughout this attack, we were able to guarantee that the vast majority of websites remained live and unaffected and all of our users' personal data, including billing information, were secure, we cannot guarantee that future attacks may not have more dire consequences. Further, our servers and data centers are vulnerable to damage or interruption from fires, natural disasters, terrorist attacks, power loss, telecommunications failures or similar catastrophic events. Moreover, if for any reason our arrangement with one or more of the providers of the servers that we use is terminated, we could incur additional expenses in arranging for new facilities and support. Disruptions to these servers could interrupt our ability to provide our platform and solutions and materially and adversely affect our business and results of operations.

We rely on search engines and social networking sites to attract a meaningful portion of our users, and if those search engines or social networking sites change their listings or policies regarding advertising, or increase their pricing or suffer problems, it may limit our ability to attract new users.

We rely on search engines and social networking sites to attract new users, and many of our users locate our website and solutions by clicking through on search results displayed by search engines such as Google and Yahoo!, and advertisements on social networking sites such as Facebook. Search engines typically provide two types of search results, natural (i.e., non-paid) and purchased listings. Natural search results are determined and organized solely by automated criteria set by the search engine and a ranking level cannot be purchased. Advertisers can also pay search engines to place listings more prominently in search results and websites in order to attract users to advertisers' websites. To some extent, we rely on natural searches in order to attract free traffic to our website. Search engines revise their algorithms from time to time in an attempt to optimize their search result listings. If search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in fewer users clicking through to our website. For example, in one instance in the past, traffic was mistakenly directed to one of our homepages that was not in the language of the search performed and resulted in lower users and premium subscriptions for that period. Furthermore, competitors may in the future bid on our name from search services in an attempt to capture potential traffic. Preventing such actions and recapturing potential traffic could increase our expenses. Further, search engines or social networking sites may change their policies from time to time regarding pay-per-click or other means of advertising. If any change to these policies delays or prevents us from advertising these through channels, this could result in fewer users clicking through to our website.

We may face challenges expanding our premium subscription base and increasing revenues in emerging markets due to difficulties in these markets associated with payment collections as well as legal, economic, tax and political risks that are greater than more developed markets.

Expanding our business into emerging markets is an important component of our growth strategy and presents challenges that are different than those associated with more developed international markets. In particular, regulations limiting the use of local credit cards could constrain our growth in certain countries. For example, regulations in certain countries do not permit recurring charges on credit cards. In the last quarter of 2011, we established a Brazilian subsidiary to process local credit cards in Brazil in compliance with Brazilian currency controls. It is often difficult to establish an effective local business model, and we may need to enter into agreements with third-parties to process credit cards on our behalf or modify our business plans or operations in order to establish a local presence in emerging countries, which may delay our entry into these markets or increase our costs. Additionally, in emerging markets we face the risk of more rapidly changing government policies and encountering sudden currency revaluations. It is possible that governments of one or more countries may censor or block access to the Internet due to political concerns or in response to certain incidents or significant events, thereby preventing people in these countries, including our users, from accessing our products. The growth of our business may be adversely affected if we are unable to expand our user base in emerging markets.

We face potential liability and expense for legal claims based on the content on our platform.

Our platform allows users to create websites. At present, we do not require that our users post on their websites, or require their visitors to agree to, any terms of service, privacy policy, disclaimer or any other contractual documentation or policy. If our users do not post or require agreement to the appropriate documentation and policies on their websites, or should our users fail to take steps necessary to enjoy the benefits of certain statutory safe harbors, such as those set forth in Section 512 of the United States Copyright Act and Section 230 of the Communication Decency Act, then they may expose themselves to civil and criminal liability under applicable law, for example, where the visitors post information which is libelous, defamatory, in breach of regulation concerning unacceptable content or publications, or in breach of any third-party intellectual property rights or where our users or their suppliers fail to process personal data in accordance with applicable law. It is possible that we could also be subject to liability. In many jurisdictions, including the United States and countries in Europe, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, including actions based on defamation, invasion of privacy and other torts, unfair competition, copyright and trademark infringement, and other theories based on the nature and content of the materials searched, the ads posted, or the content provided by users. Any court ruling or other governmental action that imposes liability on providers of online services for the activities of their users and other third parties could harm our business. In such circumstances we may also be subject to liability under applicable law in a way which may not be fully mitigated by the user terms of service we require our users to agree to. Any liability attributed to us could adversely affect our brand, reputation, our ability to expand our user base and our financial position. Further, our indemnity from the users may also not be fully effective as a matter of practice if any user does not have sufficient assets, insurance or other means to back that indemnity. In addition, rising concern about the use of the Internet for illegal conduct, such as the unauthorized dissemination of national security information, money laundering or supporting terrorist activities may in the future produce legislation or other governmental action that could require changes to our products, solutions or services, restrict or impose additional costs upon the conduct of our business or cause users to abandon material aspects of our service. Any such adverse legal or regulatory developments could substantially harm our operating results and business.

Activities of users or the content of their websites could damage our reputation and brand, or harm our ability to expand our base of users and premium subscriptions, and our business and financial results.

Our reputation and brand may be negatively affected by the actions of users that are deemed to be hostile, offensive or inappropriate to other users, or by users acting under false or inauthentic identities. This particularly applies to our users who do not have premium subscriptions and who therefore maintain the "Wix" logo on their websites. We do not monitor or review the appropriateness of the domain names our users register or the content of our users' websites, and we do not have control over the activities in which our users engage. While we have adopted policies regarding illegal or offensive use of our services by our users and retain authority to terminate domain name registrations and to take down websites that violate these policies, users could nonetheless engage in these activities. The safeguards we have in place may not be sufficient to avoid harm to our reputation and brand, especially if such hostile, offensive or inappropriate use was high profile, which could adversely affect our ability to expand our user base, and our business and financial results.

We are exposed to risks associated with credit card and debit card payment processing.

We accept payments primarily through credit and debit card transactions and currently use an internal billing system, as well as third-party billing systems that are integrated into our website and provide a portal for users to submit credit or debit card information for processing. We are subject to a number of risks related to credit and debit card payments, including:

- we pay interchange and other fees, which may increase over time and could require us to either increase the prices we charge for our products or experience an increase in our operating expenses;

- if our billing systems fail to work properly and, as a result, we do not automatically charge our premium subscriptions' credit cards on a timely basis or at all, we could lose revenues; and

- if we are unable to maintain our chargeback rate at acceptable levels, our credit card fees for chargeback transactions, or our fees for other credit and debit card transactions or issuers, may increase, or issuers may terminate their relationship with us.

Our internal billing system interfaces with a number of different of gateway providers that link to a number of different payment card processors based on the jurisdiction and other factors. In connection with this system, we have implemented data security standards, operating rules and certification requirements in accordance with Payment Card Industry, or PCI, Data Security Standards in connection with internal controls requirements under Israeli law and we have maintained PCI compliance level 1 certification since February 2013. There can be no assurance that our billing system data security standards, or those of our third-party billing service providers, will adequately comply with the billing standards of any future jurisdiction in which we seek to market our service offering and establish a local billing solution.

If third-party applications change such that we do not or cannot maintain the compatibility of our platform and solutions with these applications or if we fail to provide third-party applications that our users desire to add to their websites, demand for our solutions and platform could decline.

The attractiveness of our platform depends, in part, on our ability to integrate third-party applications which our users desire into their websites. Third-party application providers may change the features of their applications and platforms or alter the terms governing use of their applications and platforms in an adverse manner. Further, third-party application providers may refuse to partner with us, or limit or restrict our access to their applications and platforms. Such changes could functionally limit or terminate our ability to use these third-party applications and platforms with our platform, which could negatively impact our offerings and harm our business. If we fail to integrate our platform with new third-party applications that our users need for their websites, or to adapt to the data transfer requirements of such third-party applications and platforms, we may not be able to offer the functionality that our users expect, which would negatively impact our offerings and, as a result, harm our business.

Our business and prospects would be harmed if changes to technologies used in our solutions or new versions or upgrades of operating systems and Internet browsers adversely impact the process by which users interface with our platform.

The user interface for our platform is currently simple and straightforward, which we believe has helped us to expand our user base even among users with little technical expertise. In the future, Microsoft, the dominant operating system provider, or any other provider of Internet browsers, could introduce new features that would make it difficult to use our platform. In addition, Internet browsers for desktop or mobile devices could introduce new features, or change existing browser specifications such that they would be incompatible with our products and solutions, or prevent end users from accessing our users' sites. For example, operating systems or major Internet browsers such as Firefox, Internet Explorer or Safari, could become unstable or be incompatible with HTML5-based products and solutions. Any changes to technologies used in our solutions, including within operating systems or Internet browsers that make it difficult for users to access our platform or end-users to access our users' sites, may slow the growth of our user base, and adversely impact our business and prospects.

Our ability to enhance our products may be harmed if we are unable to attract and retain sufficient research and development personnel.

In order to remain competitive, we must continue to develop new solutions, applications and enhancements to our existing platform. Our principal research and development activities are conducted from our headquarters in Tel Aviv, Israel, and we face significant competition for suitably skilled developers in this region. We also engage a small number of developers in Ukraine through a third-party service organization in order to benefit from the significant pool of talent that is more readily available in that market. Many larger companies expend considerably greater amounts on employee recruitment and may be able to offer more favorable compensation and incentive packages than us. If we cannot attract or retain sufficient skilled research and development employees, our business, prospects and results of operations could be adversely affected.

Our future prospects may be adversely affected if we are unable to generate revenues from sources other than our premium subscription packages.

In addition to our editor, we provide all of our users with access to additional products and services that enhance their digital presence. For example, in the last quarter of 2012 we launched the Wix App Market, which is integrated into our platform. Through the App Market, we offer our users a range of software applications that can be integrated as add-ons to their free or premium websites. The App Market offers both applications that are developed by us and by third-party developers. We cannot offer any assurances that sales of applications or other value-added solutions and services we may offer in the future will be a significant part of our revenues. In addition, our selling efforts for these items may negatively impact our users' perception of us due to our email marketing to generate sales. If we do not succeed in selling these items, our future prospects may be adversely affected.

We may face increased competition in a highly competitive market.

While there are other providers who offer features similar to those features found in our solutions, we believe that we do not compete with traditional web development firms as we focus on not only web development but also technology, design and business work flow processes. Nevertheless, we do compete with aspects of the services provided by web-based website design platforms and software programs, as well as some of the service offerings of a number of smaller template-based web builder companies and designers, as well as those who offer domain registration services, particularly using a freemium business model similar to ours. In the future, we may experience increased competition from web design companies if they broaden their product and service offerings, or significantly lower their pricing. In addition, it is possible that other providers may in the future decide that offering a platform similar to our platform represents an attractive business opportunity. In particular, if a more established company were to target our market, we may face significant competition from a company that enjoys potential competitive advantages, such as greater name recognition, longer operating histories, substantially greater market share, larger existing user bases and substantially greater financial, technical and other resources. These companies may use these advantages to offer solutions and service similar to ours at a lower price, develop different solutions to compete with our current solutions and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements. Increased competition could result in us failing to attract users or obtain premium subscriptions at the same rate. It could also cause us to have higher acquisition costs or force us to lower our prices or take other steps that may materially and adversely impact our results of operations.

If we fail to develop and introduce new products and services and keep up with rapid changes in design and technology, our business may be materially and adversely affected.

Our future success will depend on our ability to improve the look, function, performance and reliability of our solutions and services, including integrating Apps developed by third parties. The development of new and upgraded solutions and new service offerings involves a significant amount of time for our research and development team, as it can take our developers months to update, code and test new and upgraded solutions and integrate them into our platform. Further, our design team spends a significant amount of time and resources in order to incorporate various design elements, such as customized colors, fonts, content and other features into our new and upgraded solutions. The introduction of these new and upgraded design features, solutions and services also involves a significant amount of marketing spending. We must also manage our existing offerings, as we continually test, support, and market these solutions and applications. Our revenues and competitive position could be materially and adversely affected if we fail to improve our design features or technology, or if our solutions fail to achieve widespread acceptance.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.

We believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our users, and a focus on attractive designs and technologically advanced products. Other than our executive officers, as a result of our growth most of our employees have been with us for fewer than two years. As we continue to grow, we must effectively integrate, develop and motivate a growing number of new employees, including employees in international markets. As a result, we may find it difficult to maintain important aspects of our corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, continue to perform at current levels or execute on our business strategy.

If we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed.

We believe our focus on customer support is critical to retaining, expanding and further penetrating our user base. As a result, we have invested in the quality and training of our customer support and call center personnel. If we are unable to maintain a consistently high level of customer service, we may lose existing users and find it more difficult to attract new users. In addition, regardless of the performance of our customer support and call center, users of online services base their purchasing decisions on a number of factors, including price, design, integration abilities, functionality of services, reputation and ease of use. If we fail to maintain adequate customer support which improves the functionality of our solutions and their ease of use, our reputation, financial results and business prospects may be harmed.

Our business relies on the experience and expertise of our senior management.

The success of our business is dependent to a large degree on the continued service of our executive officers. If we lose the services of any of our key personnel and fail to manage a smooth transition to new personnel, our business could suffer. We do not carry key person insurance on any of our executive officers or other key personnel. We have entered into employment and services agreements with our executive officers and key employees that contain non-compete covenants. Despite these agreements, we may not be able to retain these officers and employees. If we cannot enforce the non-compete covenants, we may be unable to prevent our competitors from benefiting from the expertise of our former employees, which could materially and adversely affect our business and results of operations.

Our revenues may not increase if we are unable to maintain market share for mobile sites and applications, or if our mobile products fail to achieve widespread acceptance, which may affect our business and future prospects.

Consumers are increasingly accessing the Internet through devices other than personal computers, including mobile phones, smartphones and tablets. This trend has increased dramatically in the past few years and is projected to continue to increase. Acknowledging this trend, we launched our first free mobile offering in 2011, offering our users the ability to quickly and easily deploy an HTML5 mobile-optimized website and followed with a further enhanced mobile product in October 2013. The mobile device market is characterized by the frequent introduction of new products and solutions, short product life cycles, evolving industry standards, continuous improvement in performance characteristics and rapid adoption of technological and product advancements. We may incur additional costs in order to adapt our current functionalities to other operating systems and we may face technical challenges adapting our products to different versions of already supported operating systems, such as Android variants offered by different mobile phone manufacturers. If we are unable to offer continual improvements to our mobile solutions or adapt their functionalities to new and different operating systems, our mobile solutions may fail to achieve widespread acceptance by our users. Additionally, the providers of certain platforms, such as Apple, may limit or restrict access entirely to their platforms. Therefore, our revenues may not increase even if we continue to penetrate the mobile device market.

Exchange rate fluctuations may negatively affect our results of operations.

Our results of operations and cash flows are affected by fluctuations due to changes in foreign currency exchange rates. In 2013, approximately 80% of our revenues were denominated in U.S. dollars and approximately 20% in other currencies, primarily in euros, British pounds and the Brazilian Real. Conversely, in 2013, approximately 65% of our cost of revenues and operating expenses were denominated in U.S. dollars and approximately 35% in New Israeli Shekels, or NIS. Our NIS-denominated expenses consist primarily of personnel and overhead costs. Since a significant portion of our expenses are denominated in NIS, any appreciation of the NIS relative to the U.S. dollar would adversely impact our net loss or net income (if any). We estimate that a 10% increase (decrease) in the value of the NIS against the U.S. dollar would have decreased (increased) our net loss by approximately $3.8 million in 2013. To protect against the increase in value of forecasted foreign currency cash flow resulting from expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program. We hedge portions of the anticipated payroll of our Israeli employees, Israeli suppliers and anticipated rent expenses of our Israeli premises denominated in NIS for a period of one to twelve months with forward contracts and other derivative instruments. In addition, in 2013, we also hedged a portion of our revenue transactions denominated in euros and British pounds. We cannot provide any assurances that our hedging activities will be successful in protecting us from adverse impacts from currency exchange rate fluctuations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure About Market Risk Foreign Currency Risk."

Because we recognize revenues from premium subscriptions over the term of an agreement, downturns or upturns in sales are not immediately reflected in full in our operating results.

We recognize revenues over the term of our contracts. During 2013, approximately 59% of our premium subscription revenues were from annual subscriptions and approximately 41% were from monthly subscriptions. As a result, much of the revenue we report each quarter is the recognition of deferred revenue from premium subscriptions entered into during previous quarters. Consequently, a shortfall in demand for our solutions and services or a decline in new or renewed contracts in any one quarter may not significantly reduce our revenues for that quarter but could negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in new or renewed sales of our solutions and service offerings are not reflected in full in our results of operations until future periods.

The impact of worldwide economic conditions, including the resulting effect on spending by small to medium-sized businesses, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions and their impact on levels of spending by small and medium-sized businesses, which may be disproportionately affected by economic downturns. To the extent that worldwide economic conditions materially deteriorate, our existing and potential premium subscriptions may no longer consider investment in our solutions and platform a necessity, or may elect to reduce budgets for maintaining a digital presence. Economic conditions may adversely impact levels of user spending, which could adversely impact the numbers of users visiting our website. User purchases of discretionary items generally decline during recessionary periods and other periods in which disposable income is adversely affected, which could have a material adverse effect on our financial condition and results of operations.

Our business will suffer if the small business market for our solutions proves less lucrative than projected or if we fail to effectively acquire and service small business users.

We market and develop solutions for small businesses and a majority of our premium subscriptions are from small businesses. Small businesses frequently have limited budgets and may choose to allocate resources to items other than our solutions, especially in times of economic uncertainty or recessions. We believe that the small business market is underserved, and we intend to continue to devote substantial resources to it. We aim to grow our revenues by adding new small business customers, selling additional services to existing small business customers and encouraging existing small business customers to renew their subscriptions to our premium solutions. If the small business market fails to be as lucrative as we project or we are unable to market and sell our services to small businesses effectively, our ability to grow our revenues quickly and become profitable will be harmed.

We are subject to trade and economic sanctions and export laws that may govern or restrict our business and we, and our directors and officers, may be subject to fines or other penalties for non-compliance with those laws.

U.S. Laws and Regulations

We are subject to U.S. laws and regulations that may govern or restrict our business and activities in certain countries and with certain persons, including the trade and economic sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, and the export administration regulations administered by the U.S. Commerce Department's Bureau of Industry and Security, or BIS. In the course of an internal review in early 2013, we determined that we had 16 premium subscriptions, out of a total of approximately 583,000 premium subscriptions, with geographic internet protocols, or GEOIP, addresses in Cuba, Iran, North Korea, North Sudan or Syria ("U.S. Sanctioned Countries") or that had otherwise provided personal information indicating that they may be located in U.S. Sanctioned Countries. As part of a subsequent internal review, we also determined that we had 32,600 users, or less than 0.1% of our total user base of approximately 33 million as measured as of April 30, 2013, with GEOIP addresses in U.S. Sanctioned Countries.

In May 2013, we made a voluntary self-disclosure to OFAC and BIS. We cannot predict when OFAC and BIS will complete their respective reviews and determinations as to whether any violation of relevant U.S. sanctions or export laws occurred or is ongoing. In case of an apparent violation, OFAC and/or BIS could decide not to impose penalties but issue only a warning or cautionary letter. However, if OFAC or BIS determines that we have violated applicable regulations, we may face civil and/or criminal penalties and may also suffer reputational harm, any of which could have a material adverse effect on our business and financial results.

We have undertaken a number of remedial measures, including terminating the users and the premium subscriptions that may have been from a U.S. Sanctioned Country, and blocking the ability of new users with or without a premium subscription that have a GEOIP address in a U.S. Sanctioned Country to access our cloud-based software or services. We have also since instituted new periodic screening practices and updated our systems to prevent users from U.S. Sanctioned Countries entering billing information with an address in that location. We are working to implement other measures related to our billing practices.

Israeli Laws and Regulations

The Israeli Trading with the Enemy Ordinance 1939 (the "Ordinance") prohibits any Israeli person from trading goods with enemy countries or with the residents of enemy countries. The Israeli Ministry of Finance, which is responsible for implementing the Ordinance, has currently determined enemy countries to be Iran, Lebanon and Syria ("Israeli Sanctioned Countries"). The Ordinance was enacted in 1939 and does not expressly address online services. We therefore cannot state with certainty how the provisions of the Ordinance apply to the type of services that we provide.

We voluntarily approached the Israeli Ministry of Finance in September 2013 and asked for its formal position regarding the applicability of the Ordinance to the type of services that we provide. We do not know the extent to which the Ministry of Finance will want to have further discussions with us, the timing of those discussions or the ultimate outcome of their deliberations. Although the Ordinance allows Israeli persons to apply for a permit to trade with Israeli Sanctioned Countries or their residents, we are not aware of a permit being granted or denied in the past to a person providing the type of services that we provide.

Lebanon is the only Israeli Sanctioned Country that is not also a U.S. Sanctioned Country. We have ceased providing services to users with a GEOIP address in a U.S. Sanctioned Country. The number of users and premium subscribers that we have in Lebanon is not material to our business.

However, if we stop providing services in Lebanon, it may decrease the number of our current and future subscribers from other countries, particularly in the Middle East, who may cease using our services in protest to us blocking accounts in Israeli Sanctioned Countries.

In addition, if it is determined by a competent court that sanctions under the Ordinance cover the type of services that we provide, we, our officers and employees may be subject to criminal and/or civil actions. We believe that our initiation of voluntary discussions with the Israeli Ministry of Finance may reduce such exposure, but any liability to which we are subject to could adversely affect our personnel, brand and reputation.

We are subject to privacy and data protection laws and regulations as well as contractual privacy and data protection obligations, and our failure to comply with these or any future laws, regulations, or obligations could subject us to sanctions and damages and could harm our reputation and business.

We hold certain personal data of our users, primarily, username and email address, and may hold certain personal data of the visitors to our users' websites. We have implemented data security standards, operating rules and certification requirements in accordance with PCI Data Security Standards and we have maintained PCI compliance level 1 certification since February 2013. Since we began using our internal billing system in the first quarter of 2013, we have begun to also collect billing information, such as credit card numbers, full names, billing address and phone numbers in compliance with these data security standards. We do not regularly monitor or review the content that our users upload and store and, therefore, do not control the substance of the content within our hosted environment, including sensitive personal information.

We are subject to the privacy and data protection laws and regulations adopted by Israel and potentially, other jurisdictions. For example, although we do not have an operating entity in the Netherlands, the control that we exert over our servers in the Netherlands may result in our activities in Europe being deemed to be subject to Dutch law. Where the local data protection and privacy laws of a jurisdiction apply, we may be required to register our operations in that jurisdiction or make changes to our business so that user data is only collected and processed in accordance with applicable local law. Privacy laws restrict our storage, use, processing, disclosure, transfer and protection of personal information, including credit card data, provided to us by our users, and possibly the visitors to our users' websites. We strive to comply with all applicable laws, regulations, policies and legal obligations, as well as with certain industry standards (including voluntary third-party certification bodies such as TRUSTe) relating to privacy and data protection. We are also subject to the privacy and data security-related obligations set forth in our terms of use with our users, and we may be liable to third parties in the event we are deemed to have wrongfully processed personal data.

The regulatory framework for privacy and data security issues worldwide is currently in flux and is likely to remain so for the foreseeable future. In particular, the European Union has traditionally taken a broader view as to what is considered personal information and has imposed greater obligations under their privacy and data protection laws. For example, the European Union issued a proposal for a new General Data Protection Regulation at the beginning of 2012 which will replace the European Data Protection Directive and is likely to include more stringent obligations for online businesses, such as to conduct a data protection impact assessment for certain higher-risk processing operations, to introduce a more frequent need for the user's consent, to impose an obligation to act on data breaches, to restrict the collection and use of "sensitive" personal data and to expand the legislative requirements for data processors, as well as to introduce a stricter regime of enforcement. Additionally, the proposed regulation is stated to have extra-territorial effect and seeks to regulate the European activities of businesses regardless of their location or the locations of their servers. While it is currently expected that the proposed regulation will not take effect until 2015 or later, the more stringent requirements on privacy user notifications and data handling will require us to adapt our business and are likely to incur additional cost should we become subject to these and other laws and regulations, which could force us to incur material costs or require us to adapt our business.

A failure by us or a third-party contractor providing services to us to comply with applicable privacy and data security laws, regulations, self-regulatory requirements or industry guidelines, or our terms of use with our users, may result in sanctions, statutory or contractual damages or litigation. These proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability, incur additional management resource, increase our costs of doing business, and adversely affect our reputation and the demand for our solutions.

If the security of the confidential information or personal information of our users and the visitors to our users' websites stored in our systems is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

Due to the nature of our business, our system stores personally identifiable information, credit card information and other critical data for our users and the visitors of our users' websites. We believe that we take reasonable steps to protect the security, integrity and confidentiality of the information we collect and store, but there is no guarantee that inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts. Like many online companies, we have experienced attempts by third parties to circumvent the security of our systems but are not aware of any successful attempts. We may in the future experience successful attempts by third parties to obtain unauthorized access to our data despite our security measures. Since techniques used to obtain unauthorized access change frequently, we may be unable to anticipate these techniques or to implement adequate preventative measures. If our security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our software are exposed and exploited, and, as a result, a third party obtains unauthorized access to any of our users' data, our relationships with our users may be damaged, and we could incur liability. In addition, some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data, and our agreements with certain partners require us to notify them in the event of a security incident. These mandatory disclosures regarding a security breach sometimes lead to negative publicity and may cause our users to lose confidence in the effectiveness of our data security measures. Any security breach, whether actual or perceived, may harm our reputation, and we could lose users or fail to acquire new users.

If our security measures fail to protect credit card information adequately, we could be liable to both our users for their losses, as well as the vendors under our agreements with them such that we could be subject to fines and higher transaction fees, we could face regulatory action, and our users and vendors could end their relationships with us, any of which could harm our business, results of operations or financial condition. Any willful or accidental security breaches or other unauthorized access or unlawful processing could expose us to liability for the loss of such information, adverse regulatory action by governments in the United States, Israel, and elsewhere, investigation and litigation, downtime of our systems and other possible liabilities. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot assure you that our existing general liability insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the rules and regulations adopted by the payment card networks, such as Visa and MasterCard, and if we fail to adhere to their rules and regulations, we would be in breach of our contractual obligations to payment processors and merchant banks, which could subject us to damages and liability and could eventually prevent us from processing or accepting credit card payments.

The payment card networks, such as Visa and MasterCard, have adopted rules and regulations that apply to all merchants who process and accept credit cards for payment of goods and services. We are obligated to comply with these rules and regulations as part of the contracts we enter into with payment processors and merchant banks. The rules and regulations adopted by the payment card networks include the Payment Card Industry Data Security Standards, or PCI DSS. Under the PCI DSS, we are required to adopt and implement internal controls over the use, storage and security of payment card data to help prevent fraud. If we fail to comply with the rules and regulations adopted by the payment card networks, including the PCI DSS, we would be in breach of our contractual obligations to payment processors and merchant banks. Such failure to comply may subject us to fines, penalties, damages, higher transaction fees, and civil liability, and could eventually prevent us from processing or accepting debit and credit cards or could lead to a loss of payment processor partners. We also cannot guarantee that such compliance will prevent illegal or improper use of our payments systems or the theft, loss or misuse of the debit or credit card data of users or participants or regulatory or criminal investigations. A failure to adequately control fraudulent credit card transactions would result in significantly higher credit card-related costs and any increases in our credit card and debit card fees could adversely affect our results of operations. Moreover, any such illegal or improper payments could harm our reputation and may result in a loss of service for our users, which would adversely affect our business, operating results and financial condition.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology.

Our intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, trade secrets, copyrights and trademarks to protect our intellectual property and know-how. In addition, we have filed a number of applications for patents to protect our technologies. However, the steps we take to protect our intellectual property may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create solutions and services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our solutions may be unenforceable under the laws of certain jurisdictions and foreign countries.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in controlling access to our proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our solutions. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including but not limited to our trademarks and patent applications. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for solutions that also address the software market. Additionally, the process of seeking patent protection can be lengthy and expensive. Any of our pending or future patent or trademark applications, whether or not challenged, may not be issued with the scope of the claims we seek, if at all. We are unable to guarantee that additional patents or trademarks will issue from pending or future applications or that, if patents or trademarks issue, they will not be challenged, invalidated or circumvented, or that the rights granted under the patents will provide us with meaningful protection or any commercial advantage. We rely on our brand and trademarks to identify our solutions to our users and to differentiate our solutions from those of our competitors. If we are unable to adequately protect our trademarks, third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion to our users or confusion in the market, or dilute our brand names or trademarks, which could decrease the value of our brand.

From time to time, we may discover that third parties are infringing, misappropriating or otherwise violating our intellectual property rights. However, policing unauthorized use of our intellectual property and misappropriation of our technology is difficult and we may therefore not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop solutions with the same or similar functionality as our solutions. If competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if such competitors are able to develop solutions with the same or similar functionality as ours without infringing our intellectual property, our competitive position and results of operations could be harmed and our legal costs could increase.

We have in the past been subject to claims by third parties of intellectual property infringement and may in the future become subject to similar or other claims that, regardless of merit, could result in litigation and materially adversely affect our business, results of operations or financial condition.

There can be no assurance that third parties will not assert that our solutions, services and intellectual property infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by competitors seeking to obtain a competitive advantage or by other parties. Additionally, in recent years, non-practicing entities, or NPEs, have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. We recently entered into settlement agreements with two NPEs with respect to patent infringement claims.

Any such claims, regardless of merit, that result in litigation, could result in substantial expenses, divert the attention of management, cause significant delays in introducing new solutions or services, materially disrupt the conduct of our business and have a material and adverse effect on our brand, reputation, business, financial condition and results of operations. As a consequence of such claims, we could be required to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions or services or re-brand our solutions or services. If it appears necessary, we may seek to license intellectual property that we are alleged to infringe, potentially even if we believe such claims to be without merit. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could result. Litigation is inherently uncertain and any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses for alternative technologies from third parties and otherwise negatively affect our business.

Our platform contains open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in connection with our software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms, and we may be subject to such claims in the future.

Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor the use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, it is our view that we do not distribute our software, since no installation of our software is necessary and editing and design platform is accessible solely through the "cloud." Nevertheless, this position could be challenged. Any requirement to disclose our proprietary source code or pay damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

The number of our registered users may be higher than the number of actual users, and we have no means of assessing the level of engagement of a particular user following registration.

We use the definition "user" to mean the number of unique email addresses registered on Wix.com. The number of users as we define it may be higher than the actual number of users because some users have multiple registrations and others may have registered under different or fictitious names. In addition, we have no means of assessing the level of engagement of a particular user following registration. The length of time that users take following registration to design and publish a website varies significantly from hours to years. Some users may never publish a website, but have not cancelled their registration. Even if it were measurable, we do not consider the level of engagement of our registered users to be material to our business. Rather, we consider the rate at which users from a particular period generate premium subscriptions to be material to our business. For example, in the fourth quarter of 2013, 40% of our premium subscriptions were purchased by users that registered with us in the same quarter and the remaining 60% were from users who registered in earlier quarters. Nevertheless, if the number of our registered users is materially inconsistent with the number of our actual users, our user base, which we believe is important to the growth of our premium subscriptions, may be overstated. If that is the case, our business may not grow as fast as we expect, and our financial results and business prospects may be harmed.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our contractors or employees, which could result in litigation and adversely affect our business.

We enter into assignment of invention agreements with certain of our employees pursuant to which such individuals agree to assign to us all rights to any inventions created in the scope of their employment or engagement with us. Under the Israeli Patent Law, inventions conceived by an employee or a person deemed to be an employee during the scope of their employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee shall determine whether the employee or contractor is entitled to remuneration for their inventions. However, recent decisions by the Israeli Compensation and Royalties Committee and the Supreme Court have created uncertainty in this area, as the Supreme Court held that employees may be entitled to remuneration for their service inventions despite having specifically waived such rights. Further, the Committee has not yet determined the method for calculating this Committee-enforced remuneration. Although our contractors or employees have agreed to assign to us service invention rights, we may face claims challenging such agreements and demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our contractors or employees, or be forced to litigate such claims, which could otherwise negatively affect our business.

U.S. states may seek to impose state and local business taxes and sales/use taxes and current EU taxes on Internet sales may increase.

There is a risk that U.S. states could assert that we or our non-U.S. subsidiaries are liable for U.S. state and local business activity taxes based upon income or gross receipts or for the collection of U.S. local sales/use taxes. This risk exists regardless of whether we and our non-U.S. subsidiaries are subject to U.S. federal income tax. States are becoming increasingly aggressive in asserting a nexus for business activity tax purposes and imposing sales/use taxes on products and services provided over the Internet. We and our non-U.S. subsidiaries could be subject to U.S. state and local taxation if a state tax authority asserts that our activities or the activities of our non-U.S. subsidiaries give rise to a nexus. We and our non-U.S. subsidiaries could also be liable for the collection of U.S. state and local sales/use taxes if a state tax authority asserts that distribution of our products over the Internet is subject to sales/use taxes. Additionally, pending legislation in the U.S. Congress, if enacted, could grant states additional authority to collect sales/use taxes on the sale of our premium subscriptions over the Internet. Further, if a state tax authority asserts that distribution of our products or services is subject to such sales/use taxes, our premium subscribers could also be subjected to sales/use taxes, which may decrease the likelihood that such users would purchase or continue to renew their premium subscriptions. Additionally, sales of our solutions subject to value-added tax, or VAT, at the applicable rate in each jurisdiction, which may increase and cause either our prices to increase or our revenues to decline. New obligations to collect or pay taxes of any kind could substantially increase our cost of doing business.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, in addition to this offering, we may seek additional equity or debt financing to fund our growth, develop new solutions and services or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may change, or other circumstances may arise, that have a material adverse effect on our cash flow and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business or to develop new business at the rate desired and our results of operations may suffer.

We may make acquisitions and investments, which could result in operating difficulties and other harmful consequences.

From time to time, we evaluate potential strategic acquisition or investment opportunities. Any transactions that we enter into could be material to our financial condition and results of operations. The process of integrating an acquired company, business or technology could create unforeseen operating difficulties and expenditures. Acquisitions and investments carry with them a number of risks, including the following:

- diversion of management time and focus from operating our business;
- implementation or remediation of controls, procedures and policies of the acquired company;
- coordination of product, engineering and selling and marketing functions;
- retention of employees from the acquired company;
- unforeseen liabilities;
- litigation or other claims arising in connection with the acquired company; and

- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.

Our failure to address these risks or other problems encountered in connection with acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business, results of operations and financial condition.

Risks Related to Our Ordinary Shares and the Offering

Our share price may be volatile, and you may lose all or part of your investment.

Our ordinary shares were first offered publicly in our initial public offering, or IPO, in November 2013, at a price of $16.50 per share, and our ordinary shares have subsequently traded as high as $32.69 per share and as low as $16.19 per share through March 19, 2014. In addition, the market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, some of which are beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our and our competitors' results of operations;
- variance in our and our competitors' financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions or expansion plans;
- announcements of technological innovations by us or our competitors;
- changes in the prices of our solutions;
- developments concerning intellectual property rights, including our involvement in litigation;
- our sale of ordinary shares or other securities in the future, or such sales by our significant shareholders;
- market conditions in our industry;
- changes in key personnel;
- the trading volume of our ordinary shares;
- changes in the estimation of the future size and growth rate of our markets; and
- general economic and market conditions.

In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against that company. If we were involved in any similar litigation we could incur substantial costs and our management's attention and resources could be diverted.

If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading price for our ordinary shares is affected by any research or reports that securities or industry analysts publish about us or our business. If one or more of the analysts who currently cover us or our business publish inaccurate or unfavorable research about us or our business, and in particular, if they downgrade their evaluations of our ordinary shares, the price of our ordinary shares would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our ordinary shares, which in turn could cause our share price to decline.

A small number of significant beneficial owners of our shares acting together will have a controlling influence over matters requiring shareholder approval, which could delay or prevent a change of control.

The largest beneficial owners of our shares, entities and individuals affiliated with Mangrove Capital Partners, Bessemer Venture Partners, Benchmark Capital Partners and Insight Venture Partners, as of February 28, 2014, beneficially owned in the aggregate 63.7% of our ordinary shares. As a result, these shareholders, acting together, could exercise a controlling influence over our operations and business strategy and will have sufficient voting power to control the outcome of matters requiring shareholder approval. These matters may include:

- the composition of our board of directors which has the authority to direct our business and to appoint and remove our officers;

- approving or rejecting a merger, consolidation or other business combination;

- raising future capital; and

- amending our articles of association which govern the rights attached to our ordinary shares.

This concentration of ownership of our ordinary shares could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our ordinary shares. This concentration of ownership may also adversely affect our share price.

As a foreign private issuer whose shares are listed on the NASDAQ Stock Market, or NASDAQ, we may follow certain home country corporate governance practices instead of certain NASDAQ requirements.

As a foreign private issuer whose shares are listed on the NASDAQ Global Market, we are permitted to follow certain home country corporate governance practices instead of certain requirements of the rules of NASDAQ. As permitted under the Israeli Companies Law, 5759-1999 (the "Companies Law"), our articles of association provide that the quorum for any meeting of shareholders shall be the presence of at least two shareholders present in person, by proxy or by a voting instrument, who hold at least 25% of the voting power of our shares instead of $33^{1}/_{3}$% of our issued share capital. We may in the future elect to follow home country practice in Israel with regard to matters such as the formation of compensation, nominating and corporate governance committees, separate executive sessions of independent directors and non-management directors and the requirement to obtain shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on NASDAQ may provide less protection than is accorded to investors of domestic issuers. See "Management Corporate Governance Practices."

As a foreign private issuer we are not subject to U.S. proxy rules and are exempt from filing certain Exchange Act reports.

As a foreign private issuer, we are exempt from the rules and regulations under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. We are also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. In addition, we are not required under the Exchange Act to file annual, quarterly and current reports and financial statements with the Securities and Exchange Commission, or SEC, as frequently or as promptly as domestic companies whose securities are registered under the Exchange Act.

However, we would lose our foreign private issuer status if a majority of our directors or executive officers are U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

We are an "emerging growth company" and we cannot be certain whether the reduced requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 effective on April 5, 2012, or the JOBS Act, and we may take advantage of certain exemptions from various requirements that are applicable to other public companies that are not "emerging growth companies." Most of such requirements relate to disclosures that we would only be required to make if we cease to be a foreign private issuer in the future. Nevertheless, as a foreign private issuer that is an emerging growth company, we will not be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, for up to five fiscal years after November 5, 2014, the effective date of our IPO. We will remain an emerging growth company until the earliest of: (a) the last day of our fiscal year during which we have total annual gross revenues of at least $1.0 billion; (b) the last day of our fiscal year following November 5, 2018, the fifth anniversary of the effective date of our IPO; (c) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above. We cannot predict if investors will find our ordinary shares less attractive as a result of our reliance on exemptions under the JOBS Act. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and our share price may be more volatile.

The market price of our ordinary shares could be negatively affected by future sales of our ordinary shares.

If our existing shareholders, particularly our largest shareholders, our directors, their affiliates, or our executive officers, sell a substantial number of our ordinary shares in the public market, the market price of our ordinary shares could decrease significantly. The perception in the public market that these shareholders might sell our ordinary shares could also depress the market price of our ordinary shares and could impair our future ability to obtain capital, especially through an offering of equity securities.

In connection with our IPO, our executive officers, our directors and the holders of substantially all of our ordinary shares entered into lock-up agreements with the underwriters or market standoff agreements with us, which, subject to limited exceptions, restrict their ability to transfer their shares until May 5, 2014 (or November 5, 2014 in the case of Avishai Abrahami, our Co-Founder, Chief Executive Officer and Chairman of the Board, and Nir Zohar, our President and Chief Operating Officer). We, our directors and officers, the selling shareholders in this offering have entered into a similar agreement with the underwriters of this offering that expires 90 days after the date of this prospectus. As a result, on May 5, 2014, approximately 7,100,000 shares will become available for sale, approximately 700,000 of which are expected to be subject to volume, manner of sale and other limitations; on , 2014, 90 days after the date of this offering, an additional approximately shares will become available for sale, approximately of which are expected to be subject to volume, manner of sale and other limitations; and on November 5, 2014, approximately 1,800,000 shares will become available for sale, all of which are expected to be subject to volume, manner of sale and other limitations.

In addition, certain of our directors and executive officers have established trading plans under Rule 10b5-1 of the Exchange Act. These plans permit the sale of an aggregate of up to approximately 885,000 shares commencing on May 6, 2014 and ending 90 days following this offering, subject to price and volume limitations, including with respect to a significant portion of such shares, the achievement of a price that is in excess of the trading price of our ordinary shares as of the date of this prospectus. The underwriters have agreed to permit such sales during the 90-day period following the date of this prospectus solely pursuant to plans established before this offering.

As of February 28, 2014, the holders of 25,653,917 of our ordinary shares were entitled to require that we register their shares under the Securities Act for resale into the public markets. All shares sold pursuant to an offering covered by such registration statement will be freely transferable. See "Related Party Transactions Registration Rights." Sales by us or our shareholders of a substantial number of ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities.

In addition to these registration rights, 12,121,918 ordinary shares are issuable under share options and RSUs granted to employees and office holders as of February 28, 2014. On November 7, 2013, we filed a registration statement on Form S-8 registering up to 13,228,710 ordinary shares that we may issue under our share incentive plans, of which as of February 28, 2014 we have granted 11,108,764 options and 122,668 RSUs. Shares included in such registration statement may be freely sold in the public market upon issuance, except for shares held by affiliates who have certain restrictions on their ability to sell.

You may be subject to adverse United States federal income tax consequences if we are classified as a Controlled Foreign Corporation.

Each "Ten Percent Shareholder" in a non-U.S. corporation that is classified as a "controlled foreign corporation," or a CFC, for United States federal income tax purposes generally is required to include in income for U.S. federal tax purposes such Ten Percent Shareholder's pro rata share of the CFC's "Subpart F income" and investment of earnings in U.S. property, even if the CFC has made no distributions to its shareholders. A non-U.S. corporation generally will be classified as a CFC for United States federal income tax purposes if Ten Percent Shareholders own, directly or indirectly, more than 50% of either the total combined voting power of all classes of stock of such corporation entitled to vote or of the total value of the stock of such corporation. A "Ten Percent Shareholder" is a United States person (as defined by the U.S. Internal Revenue Code of 1986, as amended (the "Code")) who owns or is considered to own 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation. The determination of CFC status is complex and includes attribution rules, the application of which is not entirely certain.

We do not believe that we were a CFC for the taxable year ended December 31, 2013 or that we are currently a CFC. It is possible, however, a shareholder treated as a United States person for United States federal income tax purposes will acquire, directly or indirectly, enough shares to be treated as a Ten Percent Shareholder after application of the constructive ownership rules and, together with any other Ten Percent Shareholders of the Company, cause the Company to be treated as a CFC for United States federal income tax purposes. We believe that certain of our shareholders are Ten Percent Shareholders for United States federal income tax purposes. Holders should consult their own tax advisors with respect to the potential adverse U.S. tax consequences of becoming a Ten Percent Shareholder in a CFC.

Our U.S. shareholders may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for United States federal income tax purposes. Based on our belief that we were not a CFC during the 2013 taxable year, we do not believe we were classified as a PFIC for the taxable year ending December 31, 2013. However, because PFIC status is determined as of the end of the taxable year and depends on a number of factors, including the value of a corporation's assets and the amount and type of its gross income, it is not possible to determine whether we will be characterized as a PFIC for the 2014 taxable year until after the close of the year. There can be no assurance that we will not be considered a PFIC for any taxable year. Furthermore, because the value of our gross assets is likely to be determined in large part by reference to our market capitalization (assuming we are treated as publicly traded for purposes of the PFIC rules), a decline in the value of our ordinary shares may result in our becoming a PFIC. If we are characterized as a PFIC, our United States shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than a capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are United States holders, and having interest charges apply to distributions by us and the proceeds of share sales. If we are characterized as a PFIC, certain elections may be available that would alleviate some of the adverse consequences of PFIC status and result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares; however, we do not intend to provide the information necessary for U.S. holders to make qualified electing fund elections if we are classified as a PFIC. See "Taxation and Government Programs United States Federal Income Taxation Passive Foreign Investment Company Considerations."

If you purchase our ordinary shares in this offering, you will suffer immediate dilution of your investment.

The public offering price of our ordinary shares is substantially higher than the net tangible book value per share of our ordinary shares. Therefore, if you purchase our ordinary shares in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. See "Dilution."

Provisions of Israeli law and our articles of association may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

Provisions of Israeli law and our articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third-party to acquire us or our shareholders to elect different individuals to our board of directors, even if doing so would be considered to be beneficial by some of our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. Among other things:

- Israeli corporate law regulates mergers and requires that a tender offer be effected when more than a specified percentage of shares in a company are purchased;
- Israeli corporate law does not provide for shareholder action by written consent unless such consent is unanimous, thereby requiring all shareholder actions to be taken at a general meeting of shareholders;
- our articles of association divide our directors into three classes each of which is elected once every three years;
- our articles of association generally requires a vote of the holders of a majority of our outstanding ordinary shares entitled to vote at a general meeting of shareholders and voting in person or by proxy at the meeting, and the amendment of a limited number of provisions, such as the provision dividing our directors into three classes, requires a vote of the holders of $66^2/_3\%$ of our outstanding ordinary shares entitled to vote at a general meeting and voting in person or by proxy at the meeting;
- our articles of association do not permit a director to be removed except by a vote of the holders of at least $66^2/_3\%$ of our outstanding shares entitled to vote at a general meeting of shareholders and voting in person or by proxy at the meeting;
- our articles of association require that director vacancies may only be filled by our board of directors; and
- our articles of association prevent "business combinations" with "interested shareholders" for a period of three years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in accordance with our articles of association by a general meeting of our shareholders or satisfies other requirements specified in our articles of association.

Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of numerous conditions, including a holding period of two years from the date of the transaction during which certain sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred. See "Description of Share Capital Acquisitions under Israeli Law."

We have broad discretion over the use of proceeds we receive in this offering and may not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion in the application of the net proceeds we receive from this offering and, as a result, you will have to rely upon the judgment of our management with respect to the use of these proceeds. Our management may spend a portion or all of the net proceeds in ways that not all shareholders approve of or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business.

We have not yet determined whether our existing internal controls over financial reporting are effective under Section 404 of the Sarbanes-Oxley Act of 2002 and, as an emerging growth company, we are currently not required to obtain an auditor attestation regarding our internal control.

We will not be required to comply with the internal control, evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, until we file our Annual Report on Form 20-F for the year ending December 31, 2014 at the earliest. Furthermore, unless we lose our status as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, we will not be required to obtain an auditor attestation under Section 404 of the Sarbanes-Oxley Act until 2018. Accordingly, we have only recently commenced the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404. The process of evaluating our internal control over financial reporting will require an investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. In addition, we cannot predict the outcome of this determination and whether we will need to implement remedial actions in order to implement effective control over financial reporting. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

In addition, changing laws, regulations and standards, in the United States or Israel, relating to corporate governance and public disclosure and other matters, may be implemented in the future, which may increase our legal and financial compliance costs, make some activities more time consuming and divert management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a publicly traded company in the United States and being subject to U.S. rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

Risks Relating to Our Incorporation and Location in Israel

Conditions in Israel could adversely affect our business.

We are incorporated under Israeli law and our principal executive offices are located in Israel. Accordingly, political, economic and military conditions in Israel directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors. Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity into 2013. In mid-2006, Israel was engaged in an armed conflict with Hezbollah in Lebanon, resulting in thousands of rockets being fired from Lebanon and disrupting most day-to-day civilian activity in northern Israel. Starting in December 2008, for approximately three weeks, Israel engaged in an armed conflict with Hamas in the Gaza Strip, which involved missile strikes against civilian targets in various parts of Israel and negatively affected business conditions in Israel. In 2012 once again Israel engaged in an armed conflict with Hamas in the Gaza Strip, with missiles reaching as far as Tel Aviv. Popular uprisings in various countries in the Middle East and North Africa are affecting the political stability of those countries. Such instability may lead to deterioration in the political and trade relationships that exist between the State of Israel and these countries. Any armed conflicts, terrorist activities or political instability in the region could adversely affect our business, financial condition and results of operations. Our commercial insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East, such as damages to our facilities resulting in disruption of our operations. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained or will be adequate in the event we submit a claim.

A number of countries, principally in the Middle East, still restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities in Israel or political instability in the region continue or increase. These restrictions may limit materially our ability to distribute our products to users in these countries or establish distributor relationships with companies operating in these regions. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to sell our products. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or significant downturn in the economic or financial condition of Israel, could adversely affect our operations, cause our revenues to decrease and adversely affect the share price of publicly traded companies having operations in Israel, such as us. Similarly, Israeli corporations are limited in conducting business with entities from several countries. For example, in 2008 the Israeli legislature adopted a law forbidding any investments in entities that transact business with Iran. Moreover, individuals in certain geographical regions may refrain from doing business with Israel and Israeli companies as a result of their objection to Israeli foreign or domestic policies.

Our operations may be disrupted by the obligations of personnel to perform military service.

As of December 31, 2013, we had 467 employees based in Israel. Our employees in Israel, including executive officers, may be called upon to perform up to 56 days per each three year period, (in some cases more, e.g. officers may be called to serve up to 84 days per each three year period) of military reserve duty until they reach the age of 40 (and in some cases, depending on their certain military profession up to 45 or even 49) and, in emergency circumstances, could be called to immediate and unlimited active duty (however, this would need to be approved by the Israeli government). In response to increased tension and hostilities, there have been since September 2000 occasional call-ups of military reservists, including in connection with the mid-2006 war in Lebanon, the December 2008 conflict with Hamas and the 2012 conflict in the Gaza Strip, and it is possible that there will be additional call-ups in the future. Our operations could be disrupted by the absence of a significant number of employees related to military service or the absence for extended periods of one or more of our key employees for military service. Such disruptions in the future could materially adversely affect our business and results of operations, especially if we are unable to replace these key employees with other personnel qualified in information technology and data optimization.

The tax benefits that are available to us require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We are eligible for certain tax benefits provided to "Beneficiary Enterprises" under the Israeli Law for the Encouragement of Capital Investments, 1959, referred to as the Investment Law. In order to remain eligible for the tax benefits for "Beneficiary Enterprises" we must continue to meet certain conditions stipulated in the Investment Law and its regulations, as amended. In addition, in September 2011, we received a tax ruling from the Israeli Tax Authority, according to which, among other things, the Israeli Tax Authority approved (i) our status as an "Industrial Enterprise"; and (ii) that the expansion of our enterprise is considered as a "Beneficiary Enterprise" with 2009 as an elected year of operations, all under the Investment Law as amended by 2005 Amendment. The benefits available to us under this tax ruling are subject to the fulfillment of conditions stipulated in the ruling. If we do not meet these conditions, the ruling may be abolished which would result in adverse tax consequences to us. Further, in the future these tax benefits may be reduced or discontinued. If these tax benefits are reduced, cancelled or discontinued, our Israeli taxable income would be subject to regular Israeli corporate tax rates. The standard corporate tax rate for Israeli companies in 2011 was 24% of their taxable income and was increased to 25% in 2012 and to 26.5% for 2014 and thereafter. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs. See "Taxation and Government Programs Israeli Tax Considerations and Government Programs Law for the Encouragement of Capital Investments, 5719-1959."

It may be difficult to enforce a U.S. judgment against us, our officers and directors and the Israeli experts named in this prospectus in Israel or the United States, or to assert U.S. securities laws claims in Israel or serve process on our officers and directors and these experts.

We are incorporated in Israel. Only some of our directors and none of our executive officers are resident in the United States. Our independent registered public accounting firm is not a resident of the United States. Most of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Israeli court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert a claim based on U.S. securities laws in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. See "Enforceability of Civil Liabilities."

Your rights and responsibilities as our shareholder are governed by Israeli law which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

Since we are incorporated under Israeli law, the rights and responsibilities of our shareholders are governed by our articles of association and Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in United States-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders and to refrain from abusing its power in the company, including, among other things, in voting at the general meeting of shareholders on certain matters, such as an amendment to the company's articles of association, an increase of the company's authorized share capital, a merger of the company and approval of related party transactions that require shareholder approval. A shareholder also has a general duty to refrain from discriminating against other shareholders. In addition, a controlling shareholder or a shareholder who knows that it possesses the power to determine the outcome of a shareholders' vote or to appoint or prevent the appointment of an office holder in the company or has another power with respect to the company, has a duty to act in fairness towards the company. However, Israeli law does not define the substance of this duty of fairness. See "Management Approval of Related Party Transactions under Israeli Law Fiduciary Duties of Directors and Executive Officers." Some of the parameters and implications of the provisions that govern shareholder behavior have not been clearly determined. These provisions may be interpreted to impose additional obligations and liabilities on our shareholders that are not typically imposed on shareholders of United States corporations.

Additionally, we expect the quorum requirements for meetings of our shareholders to be lower than is customary for domestic issuers. As permitted under the Companies Law, pursuant to our articles of association, the quorum required for an ordinary meeting of shareholders will consist of at least two shareholders present in person, by proxy or by other voting instrument in accordance with the Companies Law, who hold at least 25% of our outstanding ordinary shares (and in an adjourned meeting, with some exceptions, any number of shareholders). For an adjourned meeting at which a quorum is not present, the meeting may generally proceed irrespective of the number of shareholders present at the end of half an hour following the time fixed for the meeting.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions. The statements we make regarding the following matters are forward-looking by their nature:

- our expectations regarding future changes in our cost of revenues and our operating expenses on an absolute basis and as a percentage of our revenues;
- our expectation that the percentage of revenues we derive from outside of North America will increase in the future;
- our expectation that the percentage of revenues we derive from premium subscriptions will increase in the future;
- our planned level of capital expenditures and our belief that our existing cash and cash from operations will be sufficient to fund our operations for at least the next twelve months; and
- our plans to make our product, support and communication channels available in additional languages and to expand our payment infrastructure to transact in additional local currencies and accept additional payment methods.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks provided under "Risk Factors" in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus, to conform these statements to actual results or to changes in our expectations.

MARKET PRICE OF OUR ORDINARY SHARES

Our ordinary shares have been quoted on NASDAQ under the symbol "WIX" since November 6, 2013. Prior to that date, there was no public trading market for our ordinary shares. Our IPO was priced at $16.50 per share on November 5, 2013. The following table sets forth for the periods indicated the high and low sales prices per ordinary share as reported on NASDAQ:

	Low	High
Annual:		
2013 (beginning November 6, 2013)	$ 16.19	$ 28.89
Quarterly:		
First Quarter 2014 (through March 19, 2014)	$ 23.71	$ 32.69
Fourth Quarter 2013 (beginning November 6, 2013)	$ 16.19	$ 28.89
Most Recent Six Months:		
March 2014 (through March 19, 2014)	$ 25.50	$ 31.12
February 2014	$ 25.12	$ 32.69
January 2014	$ 23.71	$ 30.25
December 2013	$ 20.50	$ 28.89
November 2013 (beginning November 6, 2013)	$ 16.19	$ 20.53

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and estimated offering expenses, will be approximately $ million (or approximately $ million if the underwriters exercise in full their option to purchase shares from us).

The principal purposes of this offering are to obtain additional working capital, facilitate an orderly distribution of shares for the selling shareholders in the offering and increase our public float. We intend to use the net proceeds from this offering for general corporate purposes focused on growing our business. We expect to use a significant portion to hire additional personnel for our research and development and support and call center functions, and to increase our selling and marketing expenses focused on user acquisition. We may also use a portion of the net proceeds to make acquisitions or investments in complementary companies or technologies, although we do not have any agreement or understanding with respect to any such acquisition or investment at this time. However, we do not currently have specific plans or commitments with respect to the net proceeds from this offering and, accordingly, are unable to quantify the allocation of such proceeds among the various potential uses. We will have broad discretion in the way that we use the net proceeds of this offering.

We will not receive proceeds from the sale of ordinary shares by the selling shareholders.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and total capitalization as of December 31, 2013, as follows:

- on an actual basis; and
- as adjusted to give effect to the issuance and sale of ordinary shares by us in this offering at the public offering price of $ per ordinary share, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

You should read this information in conjunction with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section and other financial information contained in this prospectus.

	As of December 31, 2013	
	Actual	As Adjusted
	(in thousands, except share and per share amounts)	
Cash and cash equivalents	$ 101,258	$
Ordinary shares, par value NIS 0.01 per share; 500,000,000 shares authorized, actual and as adjusted; 37,493,217 shares issued and outstanding, actual, , shares issued and outstanding, as adjusted	60	
Additional paid-in capital, net	151,011	
Other comprehensive loss	(263)	
Accumulated deficit	(88,512)	
Total shareholders' equity	62,296	
Total capitalization	$ 62,296	$

DILUTION

If you invest in our ordinary shares in this offering, your ownership interest will be immediately diluted to the extent of the difference between the public offering price per share and net tangible book value per ordinary share after this offering. Our net tangible book value as of December 31, 2013 was $2.65 per ordinary share.

Consolidated net tangible book value per ordinary share was calculated by:

- subtracting our consolidated liabilities, except the deferred revenues balance, from our consolidated tangible assets; and

- dividing the difference by the number of ordinary shares outstanding.

Net tangible book value per ordinary share furthermore reflects the sale of ordinary shares that we are offering at the public offering price of $ per share. After giving effect to adjustments relating to this offering, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value on an adjusted basis as of December 31, 2013 would have been approximately $ million, equivalent to $ per ordinary share. This amount represents an immediate increase in net tangible book value of $ per ordinary share to our existing shareholders and an immediate decrease in net tangible book value of $ per ordinary share to new investors purchasing ordinary shares in this offering. We determine dilution by subtracting the net tangible book value per share after this offering from the amount of cash that a new investor paid for an ordinary share.

The following table illustrates this dilution:

Assumed public offering price per share		$
Net tangible book value per share as of December 31, 2013	$	
Increase in net tangible book value per share attributable to new investors in this offering		
Net tangible book value per share immediately after this offering		
Dilution in net tangible book value per share to new investors in this offering.		$

Each $1.00 increase or decrease in the assumed public offering price of $ per share would increase or decrease, as applicable, our as adjusted net tangible book value per share to new investors by $, and would increase or decrease, as applicable, dilution per share to new investors in this offering by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 100,000 shares in the number of shares offered by us would increase or decrease, as applicable, our as adjusted net tangible book value by approximately $ per share and increase or decrease, as applicable, the dilution to new investors by $ per share, assuming the assumed public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional ordinary shares from us in full in this offering, the as adjusted net tangible book value after the offering would be $ per share, the increase in net tangible book value per share to existing shareholders would be $ and the decrease in net tangible book value per share to new investors would be $ per share, in each case at the public offering price of $ per ordinary share.

The following table summarizes, as of December 31, 2013, the differences between the number of shares purchased from us, the total consideration paid to us in cash and the average price per share that each director, officer and affiliated shareholder paid during the past five years, on the one hand, and new investors are paying in this offering, on the other hand. The calculation below is based on the assumed public offering price of $ per share before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Directors, officers and affiliated shareholders		%	$	%	$
New investors(1)					$
Total		100%	$	100%	

(1) Does not reflect shares purchased by new investors from the selling shareholders.

The foregoing tables and calculations exclude (1) 12,135,358 ordinary shares reserved for issuance under our equity incentive plans as of December 31, 2013, of which there were (i) options outstanding to purchase 10,987,182 shares at a weighted average exercise price of $2.67 per share and (ii) outstanding RSU with respect to 122,668 shares, and (2) warrants to purchase 29,298 ordinary shares with an exercise price of $6.83 per share.

To the extent any of these outstanding options is exercised, there will be further dilution to new investors. To the extent all of such outstanding options had been exercised as of December 31, 2013, the pro forma as adjusted net tangible book value per share after this offering would be $, and total dilution per share to new investors would be $.

If the underwriters exercise their option to purchase additional shares in full from us:

- the percentage of ordinary shares held by existing shareholders will decrease to approximately % of the total number of our ordinary shares outstanding after this offering; and

- the number of shares held by new investors will increase to , or approximately % of the total number of our ordinary shares outstanding after this offering.

To the extent that any outstanding options to purchase our ordinary shares or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth our selected consolidated financial and other data. You should read the following selected consolidated financial and other data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with U.S. GAAP.

The selected consolidated statements of operations data for each of the years in the three-year period ended December 31, 2013 and the consolidated balance sheet data as of December 31, 2012 and 2013 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statements of operations data for the year ended December 31 2010 and the consolidated balance sheet data as of December 31, 2010 and 2011 are derived from our audited consolidated financial statements that are not included in this prospectus.

	Year Ended December 31,			
	2010	2011	2012	2013
	(in thousands, except share and per share data)			
Consolidated Statements of Operations:				
Revenues	$ 9,850	$ 24,600	$ 43,676	$ 80,473
Cost of revenues(1)	2,223	5,290	9,233	15,257
Gross profit	7,627	19,310	34,443	65,216
Operating expenses:				
Research and development(1)	7,315	14,746	16,782	29,660
Selling and marketing(1)	9,848	21,586	29,057	53,776
General and administrative(1)	1,779	5,338	3,565	8,307
Total operating expenses	18,942	41,670	49,404	91,743
Operating loss	(11,315)	(22,360)	(14,961)	(26,527)
Financial income (expenses), net	(19)	(41)	487	(603)
Other expenses		127	2	18
Loss before taxes on income	(11,334)	(22,528)	(14,476)	(27,148)
Taxes on income	155	212	496	1,572
Net loss	$ (11,489)	$ (22,740)	$ (14,972)	$ (28,720)
Basic and diluted net loss per ordinary share(2)	$ (4.30)	$ (8.31)	$ (2.71)	$ (3.33)
Weighted average number of ordinary shares used in computing basic and diluted net loss per ordinary share(2)	5,835,897	6,355,428	6,822,720	11,597,826

	As of December 31,			
	2010	2011	2012	2013
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 4,501	$ 10,374	$ 7,510	$ 101,258
Restricted deposits	1,358	4,164	2,536	3,306
Total assets	7,631	18,577	16,055	115,355
Deferred revenues	5,133	10,181	18,984	37,184
Total shareholders' equity (deficiency)	(16)	3,086	(10,571)	62,296

	Year Ended December 31,			
	2010	2011	2012	2013
	(dollars in thousands)			
Supplemental Financial and Operating Data:				
Collections(2)	$ 13,753	$ 29,648	$ 52,479	$ 98,673
Free cash flow(2)	$ (6,374)	$ (12,353)	$ (4,555)	$ 1,173
Adjusted EBITDA(2)	$ (10,085)	$ (17,035)	$ (13,070)	$ (18,244)
Number of registered users at period end(2)	6,523,968	16,951,837	28,225,857	42,126,246
Number of premium subscriptions at period end(2)	149,084	298,143	469,589	789,753

(1) Includes share-based compensation expense as follows:

	Year Ended December 31,			
	2010	2011	2012	2013
	(in thousands)			
Cost of revenues	$ 14	$ 40	$ 105	$ 490
Research and development	659	1,939	553	3,149
Selling and marketing	95	222	101	1,185
General and administrative	343	2,532	261	2,230
Total share-based compensation expense	$ 1,111	$ 4,733	$ 1,020	$ 7,054

(1) Basic and diluted net loss per ordinary share is computed based on the weighted average number of ordinary shares outstanding during each period. For additional information, see Notes 2p and 11 to our consolidated financial statements included elsewhere in this prospectus.

(2) For a description of how we define and use collections, free cash flow, adjusted EBITDA, number of registered users at period end and number of premium subscriptions at period end to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." Collections and free cash flow are non-GAAP financial measures. For a reconciliation of collections and free cash flow to the most directly comparable U.S. GAAP measure, see " Non-GAAP Financial Measures."

Non-GAAP Financial Measures

Collections

Collections is a non-GAAP financial measure that we define as total cash collected by us from our customers in a given period. Collections is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Collections consists primarily of amounts from annual and monthly premium subscriptions by users, which are deferred and recognized as revenues over the terms of the subscriptions and payments by our users for domains, which are also recognized ratably over the term of the service period. The following table reconciles revenues, the most directly comparable U.S. GAAP measure, to collections for the periods presented:

	Year Ended December 31,			
	2010	2011	2012	2013
	(in thousands)			
Reconciliation of Revenues to Collections:				
Revenues	$ 9,850	$ 24,600	$ 43,676	$ 80,473
Change in long-term and short-term deferred revenues	3,903	5,048	8,803	18,200

Collections	$ 13,753	$ 29,648	$ 52,479	$ 98,673

For a description of how we use collections to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because it is a leading indicator of our revenue growth and the growth of our overall business. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for revenues recognized in accordance with U.S. GAAP.

Free Cash Flow

Free cash flow is a non-GAAP measure defined as cash flow from operating activities minus capital expenditures. The following table reconciles cash flow from operating activities, the most directly comparable U.S. GAAP measure, to free cash flow:

	Year Ended December 31,			
	2010	2011	2012	2013
	(in thousands)			
Reconciliation of cash flow provided by (used in) operating activities to free cash flow:				
Net cash provided by (used in) operating activities	$ (5,310)	$ (10,599)	$ (3,608)	$ 4,243
Capital expenditures(1)	(1,604)	(1,754)	(947)	(3,070)
Free cash flow	$ (6,374)	$ (12,353)	$ (4,555)	$ 1,173

(1) Capital expenditures consist primarily of investments in leasehold improvements for our office space and the purchase of computers and related equipment.

For a description of how we use free cash flow to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because free cash flow reflects the cash surplus available or used to fund the expansion of our business after payment of capital expenditures relating to the necessary components of ongoing operations. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net cash flows from operating activities presented in accordance with U.S. GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net loss before financial expenses (income), net, other expenses, taxes on income, depreciation and share-based compensation expense. The following table reconciles net loss, the most directly comparable U.S. GAAP measure, to adjusted EBITDA for the periods presented:

	Year Ended December 31,			
	2010	2011	2012	2013
	(in thousands)			
Adjusted EBITDA				
Net loss	$ (11,489)	$ (22,740)	$ (14,972)	$ (28,720)
Financial expenses (income), net	19	41	(487)	603
Other expenses		127	2	18
Taxes on income	155	212	496	1,572
Depreciation	119	592	871	1,229
Share-based compensation expense	1,111	4,733	1,020	7,054
Total adjustments	1,404	5,705	1,902	10,476
Adjusted EBITDA	$ (10,085)	$ (17,035)	$ (13,070)	$ (18,244)

For a description of how we use adjusted EBITDA to evaluate our business, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Key Financial and Operating Metrics." We believe that this non-GAAP financial measure is useful in evaluating our business because the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Nevertheless, this information should be considered as supplemental in nature and is not meant as a substitute for net loss recognized in accordance with U.S. GAAP.

Other companies, including companies in our industry, may calculate collections, free cash flow or adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure. You should consider collections, free cash flow and adjusted EBITDA along with other financial performance measures, including revenues, net cash used in operating activities, and our financial results presented in accordance with U.S. GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus. You should read the following discussion in conjunction with "Special note regarding forward-looking statements" and "Risk Factors."

Overview

We are a leading global web development platform with one of the largest number of registered users in the world. We empower over 42 million registered users in 190 countries to create and manage a fully integrated and dynamic digital presence. We are pioneering a new approach to web development and management that provides an easy-to-use yet powerful cloud-based platform that eliminates complex coding and expensive design services. Our solutions enable millions of businesses, organizations, professionals and individuals to take their businesses, brands and workflow online without the need to engage expensive development and design firms or other costly professionals.

We were founded in late 2006 and have achieved a number of significant milestones since then:

- In April 2008, we launched our Wix Editor, which enabled the creation of a digital presence in Flash format.

- In October 2008, we launched our premium subscription offering and by July 2009 gained our first one million users and 20,495 premium subscriptions.

- By June 2011, we reached 10 million users and by January 2012, we supported five languages across 190 countries.

- In March 2012, we released our advanced HTML5 Editor, which greatly improved our service offering and support for mobile devices, allowed our users greater functionality and customization and expanded our abilities to develop new solutions to offer our users. By April 2012, we reached 20 million registered users.

- In October 2012, we introduced the Wix App Market with Wix and third-party developed applications, or apps, providing users with additional workflow functionality which can be integrated into their websites.

- In November 2013, we closed our IPO, at which time we sold a total of 5,712,446 ordinary shares and certain of our shareholders sold a total of 1,987,554 ordinary shares. Our shares are currently listed on the NASDAQ Global Market.

- Throughout 2013, we continued to grow at a rapid pace and as of December 31, 2013, we had almost 42 million registered users and 789,753 premium subscriptions and averaged 21,783 app installations per day during the month of December.

We have experienced significant growth in our user base and premium subscriptions in recent periods. Our registered users grew from 17 million at December 31, 2011 to 42 million at December 31, 2013, representing a 57% compounded annual growth rate. Our premium subscriptions have grown from 298,143 to 789,753 over the same period, representing a 63% compounded annual growth rate. Through December 31, 2013, we had achieved 16 consecutive quarters of sequential growth in the accumulated number of premium subscriptions. We have also achieved 16 consecutive quarters of growth in revenues and collections. We had revenues of $24.6 million, $43.7 million and

$80.5 million and collections of $29.6 million, $52.5 million and $98.7 million in 2011, 2012 and 2013, respectively. We had a net loss of $22.7 million, $15.0 million and $28.7 million in 2011, 2012 and 2013, respectively.

How We Generate Revenues

We derive the substantial majority of our revenue from monthly and annual premium subscriptions for our solutions. Annual subscriptions provide benefits to our operating model because we are able to collect cash up front, increase overall retention rates and have greater visibility into revenues. As a result, we provide incentives to drive annual subscriptions, including a lower average monthly price relative to a monthly subscription. We have noticed, however, that promotions that further lower the effective price of an annual subscription can result in attracting users who do not renew their subscription once the promotion is no longer available. We therefore seek to strike a balance between attracting annual subscriptions and maintaining a user base that is loyal to our offering. As of December 31, 2013, 66% of our overall premium subscriptions were annual and 34% were monthly.

In addition, we generate revenues from selling third-party domain registrations and from revenue sharing agreements with third-party developers for apps sold through our App Market. We launched our App Market in the last quarter of 2012 and therefore generated negligible revenues from it in 2012 and 2013.

Our solutions are offered through a freemium model in which users can register with an e-mail address and build, launch and manage a digital presence for free for an unlimited amount of time. A premium subscription, which provides users with additional solutions such as extra bandwidth and storage, Wix ad removal, access to Google Analytics, domain connectivity and eCommerce solutions, can be purchased at any time. Because we increase our pipeline of potential premium subscriptions by acquiring more registered users and over half of the new premium subscriptions in a typical month in recent periods were generated by registered users who registered in previous months, we are focused on building a large user base. The number of new registered users we attract is therefore a key factor in growing our premium subscription base, which drives our revenues and collections. Users that purchase premium subscriptions often decide to do so several months, quarters or years after initially registering with us. Thus, in each period, new premium subscriptions include users who registered in that period as well as users who initially registered with us in previous periods. We believe this characteristic of our business model provides us with a growing pipeline of potential subscriptions as our user base grows.

User Acquisition Spending

Approximately 58% of the premium subscriptions generated by users that registered in the fourth quarter of 2013 came from organic and direct sources, meaning visitors that reached us via unpaid search results or by typing the URL of our website in their browser. Our selling and marketing spending to attract additional new registered users focuses primarily on online advertising. The types of paid marketing channels that we target are primarily cost-per-click advertisements on search engines and social networking sites and targeted and generic banner advertisements on other sites. A portion of our marketing expenses are directed towards more traditional advertising, such as radio and television commercials in the United States, United Kingdom and Australia.

Our registered user acquisition strategy is based on the significant amounts of data that we have accumulated regarding the behavior of registered users that we acquire from different sources. We extrapolate from this historical user behavior data to predict future user behavior and make decisions regarding our marketing expenditures. In order to grow our registered user base and in turn our premium subscriptions, we consider the time period over which we seek to return an amount of collections equal to the marketing expenditures used to attract a specific group of registered users during a particular period, which we refer to as a cohort. In order to achieve the targeted time for return on those marketing expenditures, we adjust the paid marketing channels that we use and the amounts that we pay to acquire new registered users in addition to considering those registered users that come from organic and direct sources. For example, we could pay a substantially identical amount to acquire fewer users that generate premium subscriptions at a higher rate versus acquiring more users that generate premium subscriptions at a lower rate. The net amount of premium subscriptions would be the same, but in the former case we would have acquired fewer new registered users overall. We prefer the latter case due to the benefit of gaining more registered users and having a larger pipeline of registered users that can generate premium subscriptions over time based on the long "tail" of premium subscriptions that each cohort generates. This larger number of users also creates more overall users of our platform who can recommend others to our site. In addition, a single registered user can purchase multiple premium subscriptions. This fact, coupled with our preference to grow the size of our user base even if the rate of purchase of premium subscriptions is lower, is why we do not consider the rate at which registered users purchase a premium subscription (or any other measure of "conversion") to be a meaningful measure of the success of our business.

Since we target our marketing expenditures by extrapolating from historical user behavior to predict future user behavior, an event that disrupts that behavior can adversely impact the returns that we projected for a particular cohort. For example, an event such as a change to or a bug in a browser that affects all websites viewed on that browser, including websites created using our platform, can adversely impact user behavior and in turn our projected returns. Moreover, significant announcements by third parties can also have the same effect. For example, an announcement by Adobe to stop supporting Flash on mobile devices when our platform was Flash-based only, in the past caused us to attract less new registered users than we projected during the short-term impact of such announcement.

Premium Subscription Origination Analysis

To track our growth, progress and execution of marketing efforts, including achievement of our targeted time for return on marketing expenditures, we regularly review the relationship between origination of our users and origination of premium subscriptions.

First Quarter 2010 User Cohort. The following chart summarizes the number of premium subscriptions that originated during each quarterly period from the first quarter of 2010 to the fourth quarter of 2013 from the 919,221 registered users that first registered with us in the first quarter of 2010. We refer to this group of users as our first quarter 2010 User Cohort. The first quarter 2010 User Cohort is representative of trends we have seen in premium subscription originations, and we believe it is consistent with our users' subscription purchasing behavior in recent periods.

Through December 31, 2013, the first quarter 2010 User Cohort generated a total of 68,311 new premium subscriptions and continued to generate premium subscriptions up through and during the first quarter of 2014. As of the end of its first quarter, there were 18,512 premium subscriptions that had been purchased by users from the first quarter 2010 User Cohort. Sixteen quarters later, as of December 31, 2013, there were still 20,063 premium subscriptions from users that originated from this same cohort. We spent approximately $1.1 million in advertising expenses to acquire this user cohort. Since originating, premium subscriptions from users in this cohort have resulted in aggregate revenues recognized of $9.3 million and $10.0 million in collections through the fourth quarter of 2013. Approximately $0.7 million of deferred revenue relating to purchases by this user cohort remained outstanding at December 31, 2013. Furthermore, this cohort continues to generate revenue and collections beyond that date.

Premium Subscriptions From First Quarter 2010 User Cohort

Fourth Quarter 2013 Premium Subscription Cohort. The following chart summarizes the composition of premium subscriptions purchased in the fourth quarter of 2013 by user registration date. In the fourth quarter of 2013, we sold 185,476 premium subscriptions, of which 73,774 premium subscriptions, or 40% of the total, were purchased by users that first registered with us in the same quarter. The remaining 60% of premium subscriptions purchased in the fourth quarter of 2013 were by users who initially registered in earlier quarters.

Premium Subscriptions in Fourth Quarter 2013 by User Registration Date

Some users account for multiple premium subscriptions. For example, users who are professional web designers often use our platform to support their business, building and designing sites for their own customers. We believe these trends illustrate the increasing value of our user base as we continue to increase the number of our users.

Key Financial and Operating Metrics

We monitor the following key operating and financial metrics to evaluate the growth of our business, measure the effectiveness of our marketing efforts, identify trends affecting our business, formulate financial projections and make strategic decisions:

Collections. We define collections as total cash collected by us from our customers in a given period. Collections is calculated by adding the change in deferred revenues for a particular period to revenues for the same period. Collections consists primarily of amounts from annual and monthly premium subscriptions by users, which are deferred and recognized as revenues over the terms of the subscriptions and payments by our users for domains, which are also recognized ratably over the term of the service period. We believe that collections is a leading indicator of the growth of our overall business. Collections is a non-GAAP financial measure. For a reconciliation of collections to the most directly comparable U.S. GAAP measure, see "Summary Summary Consolidated Financial and Other Data Non-GAAP Financial Measures Collections" and "Selected Consolidated Financial and Other Data Non-GAAP Financial Measures Collections."

Free cash flow. We define free cash flow as cash flow from operating activities minus capital expenditures. We believe that free cash flow is useful in evaluating our business because free cash flow reflects the cash surplus available or used to fund the expansion of our business after the payment of capital expenditures relating to the necessary components of ongoing operations. Free cash flow is currently negative because of the substantial investments that we are making in expanding our business. Free cash flow is a non-GAAP financial measure. For reconciliation of free cash flow to the most directly comparable U.S. GAAP measure, see "Summary Summary Consolidated Financial and Other Data Non-GAAP Financial Measures Free Cash Flow" and "Selected Consolidated Financial and Other Data Non-GAAP Financial Measures Free Cash Flow."

Adjusted EBITDA. We define this metric as net loss before financial expenses (income), net, other expenses, taxes on income, depreciation and share-based compensation expense. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results. The exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of adjusted EBITDA to the most directly comparable U.S. GAAP measure, see "Summary Summary Consolidated Financial and Other Data Non-GAAP Financial Measures Adjusted EBITDA" and "Selected Consolidated Financial and Other Data Non-GAAP Financial Measures Adjusted EBITDA."

Number of registered users at period end. We define this metric as the total number of users, including those who have purchased premium subscriptions, who are registered with Wix.com with a unique e-mail address at the end of the period. The length of time that users take following registration to design and publish a website varies significantly from hours to years, and many users never publish a website. We have no means of assessing the level of engagement of a particular user following registration or how close a user is to potentially publishing their website. We view the number of users at the end of a given period as a key indicator of the attractiveness and usability of our product, as well as the strength of our pipeline that can generate premium subscriptions over time. We believe that growth in premium subscriptions will be driven significantly by our ability to add users to our platform and to further enhance our product and service offerings

Number of premium subscriptions at period end. We define this metric as the total monthly and annual premium subscriptions as of the end of the period. A single user can purchase multiple premium subscriptions. Because we derive the majority of our revenues and collections from premium subscriptions, we believe that this is a key metric in understanding our growth. The total number of premium subscriptions is also impacted by the renewal rates of our existing premium subscriptions. Premium subscriptions terminate due to an active decision by a user not to renew their subscription or due to the failure of a user to update his or her credit card information upon expiration or termination. Our renewal rates demonstrate our strong value proposition to our premium subscriptions. We observe the average renewal rates of the cohorts of our users with premium subscriptions to measure the effectiveness of our platform and satisfaction of our users. From January 1, 2010 to December 31, 2013, an average of 71% of our registered users with annual subscriptions renewed their subscriptions after the first year. Over the same period, an average of 50% of our registered users with monthly subscriptions maintained their subscriptions after one year. Renewal rates improved in the second and third years of subscription for both annual and monthly subscriptions. Registered users with annual subscriptions who had renewed in the first year, renewed at a rate of 71% in the second year, while those with monthly subscriptions renewed at a rate of 65% in the second year. Registered users with annual subscriptions who had renewed for two years, renewed at a rate of 72% in the third year, while those with monthly subscriptions renewed at a rate of 70% in the third year.

Components of Statements of Operations

Revenues

Sources of Revenues. We derive the substantial majority of our revenues from monthly and annual premium subscriptions by businesses, organizations, professionals and individuals to our various premium subscriptions, which include extra bandwidth and storage, Wix ad removal, access to Google Analytics, domain connectivity and eCommerce solutions.

We derive a small portion of our revenues from selling third-party domain registrations. Revenues from domain name registrations accounted for approximately 5% of revenues in 2012 and approximately 7% of revenues in 2013. We also derive a small portion of our revenues from our App Market consisting of revenues derived from sharing agreements with third parties pursuant to which we receive a portion of the collected revenues of any app to which our users subscribe. Revenues from app installations from our App Market accounted for a negligible amount of revenues in 2012 and 2013. We plan to increase the number of value-added services that we offer and the associated revenues we derive from these services.

Payment and Revenue Recognition. Revenues from premium subscriptions and domain name registrations are recognized ratably over the term of the service period. We offer new premium subscription packages for a 14-day trial period during which the user can cancel the subscription at any time and receive a full refund. We classify such amounts collected from new subscriptions as customer deposits until the end of the 14-day trial period. After the 14-day trial period has ended, we recognize premium subscription revenues ratably over the term of the service period, either monthly or annually. We do not offer trial periods for domain name registrations. Substantially all deferred revenues consist of amounts received from premium subscriptions and domain registration sales that are not yet recognized as revenues. For revenues from apps developed by third-party app developers, we account on a net basis by recognizing only the commission we retain from each sale. We do not reflect in our financial statements the portion of the gross amount billed to users with apps that we remit to third-party app developers. See " Application of Critical Accounting Policies and Estimates Revenue Recognition."

We bill our premium subscriptions in advance through our users' credit or debit cards and a small amount through PayPal. We currently use third-party billing systems integrated into our website, and an internal billing system, both of which provide a portal for users to submit credit or debit card information for processing. Payment occurs after the credit card information entered for the transaction passes through the validation and verification process of our internal and third-party billing providers and processors.

Geographic Breakdown of Revenues

The following table sets forth the geographic breakdown of revenues for the periods indicated:

	Year Ended December 31,		
	2011	**2012**	**2013**
North America	67%	60%	54%
Europe	18	21	24
Latin America	6	10	11
Asia and Others	9	9	11
Total	100%	100%	100%

We expect the percentage of revenues derived from outside of North America to increase over time as we continue to further penetrate internationally. Additional international adoption of our solutions and services is driven by our ability to offer our platform in local languages and offer local billing solutions. When penetrating new markets, we first focus on establishing an operational online billing system, if needed, prior to launching and investing in local marketing activities. We currently offer our platform in six languages English, French, Spanish, Portuguese, Italian and Russian, and we have plans to add more languages. We have historically launched our platform in new markets without the need for local support staff.

Costs and Expenses

Cost of Revenues. Cost of revenues consists primarily of costs directly associated with the provision of services, namely, bandwidth and hosting costs for our platform, customer support software solutions and related call center costs along with domain name registration costs. Cost of revenues also consists of personnel and the related overhead costs, including share-based compensation. We expect cost of revenues to increase with the increase in the number of users but to slightly decrease as a percentage of revenues.

Research and Development. Research and development expenses consist primarily of personnel and the related overhead costs, including share-based compensation, related to our solutions and service development activities including new initiatives, quality assurance and other related development activities. We expect research and development costs and expenses to continue to increase on an absolute basis as we develop new solutions and add functionalities to our existing solutions and services and expand our mobile app offering.

Selling and Marketing. Our primary operating expense is selling and marketing. The significant majority of our selling and marketing expenses are user acquisition costs, which consist primarily of fees paid to third parties for our cost-per-click advertising, social networking and marketing campaigns and other media advertisements. We intend to continue expanding our user acquisition efforts to drive revenue growth while focusing on our return-on-investment targets. Other selling and marketing expenses also consist primarily of personnel and the related overhead costs, including share-based compensation for personnel engaged in marketing, advertising and promotional activities. Our marketing expenses also include billing costs in connection with the processing fee of our collections.

We expect our selling and marketing expenses to increase on an absolute basis as we penetrate our existing markets and expand to new markets, hire additional personnel and increase our business and collections.

General and Administrative. General and administrative expenses primarily consist of personnel and overhead related costs, including share-based compensation, for our executive, finance, human resources and administrative personnel. General and administrative expenses also include legal, accounting and other professional service fees and other corporate expenses. We expect our general and administrative expenses to increase on an absolute basis as we penetrate our existing markets and expand to new markets, hire additional personnel and incur additional costs related to the growth of our business. We will also incur costs associated with being a public company in the United States, including compliance under the Sarbanes-Oxley Act of 2002 and rules promulgated by the SEC and NASDAQ, and director and officer liability insurance.

Financial Income (Expenses), Net. Financial income (expenses), net consists primarily of costs related to derivative instruments we enter into for foreign exchange transactions to hedge a portion of our payments in NIS and revenue transactions denominated in euros and British pounds, as well as income and expenses related to the change in the fair value of such derivative instruments. In addition, financial income (expenses), net includes the fluctuation in value due to foreign exchange differences between our monetary assets and liabilities denominated in NIS. In addition, financial income (expenses), net for 2013 included interest expenses related to our revolving credit facility with Silicon Valley Bank.

Other Expenses. During 2011, we relocated to our current corporate headquarters in Tel Aviv. This relocation resulted in us incurring a capital loss due to the disposal of leasehold improvements and fixed assets. Therefore, we recorded a capital loss of $0.1 million in 2011 and a minimal amount in 2012 and 2013.

Taxes on Income. As of December 31, 2013, we had not yet generated taxable income in Israel. At the end of our last fiscal year, our net operating loss carry forwards for Israeli tax purposes amounted to approximately $54.0 million. After we utilize our net operating loss carry forwards, we are eligible for certain tax benefits in Israel under the Law for the Encouragement of Capital Investments, 1959, or the Investment Law. Accordingly, if we generate taxable income in Israel during the benefit period, we expect our effective tax rate will be lower than the standard corporate tax rate for Israeli companies, which was 24% in 2011 and 25% in 2012 and 2013 and will be 26.5% in 2014 and thereafter. Our benefit period currently ends in 2020. Our taxable income generated outside of Israel or derived from other sources in Israel which is not eligible for tax benefits will be subject to the regular corporate tax rate. For more information about the tax benefits available to us as a Beneficiary Enterprise, see "Taxation and Government Programs"

Comparison of Period to Period Results of Operations

The following table sets forth our results of operations in dollars and as a percentage of revenues for the periods indicated:

Year Ended December 31,					
2011		2012		2013	
Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
(dollars in thousands)					