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TAMID Pitch Competition

October 2022



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Investment Opportunity | Thesis

Thesis:

We recommend to short Wix.com Ltd.(WIX) because it is overvalued and stock price is probably still going down in the future.

- Losing money for almost five years
- Ratio of current assets to liabilities is close to 1:1
- We believe that it should be shorted in a short term

Valuation:

The fair value is around \$33.45 per share which indicates that the company is overvalued at its current price.



Investment Opportunity | Overview

A Bearish Development of Stock Price

Wix has lost almost 44% of its value since the beginning of 2022

Deficits for the Net Profit

Sales management and administrative expenses are too high, which makes WIX lose money

Financials

The company have only a few more current assets than liabilities. The ratio is close to 1:1



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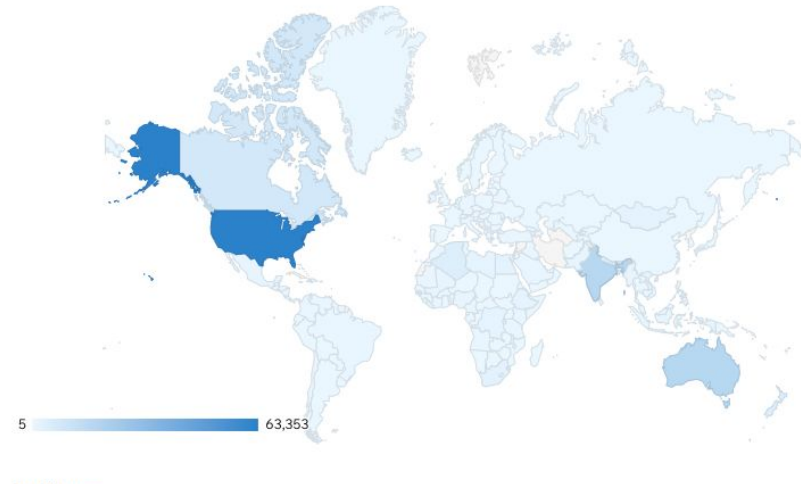
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Company Overview | Introduction

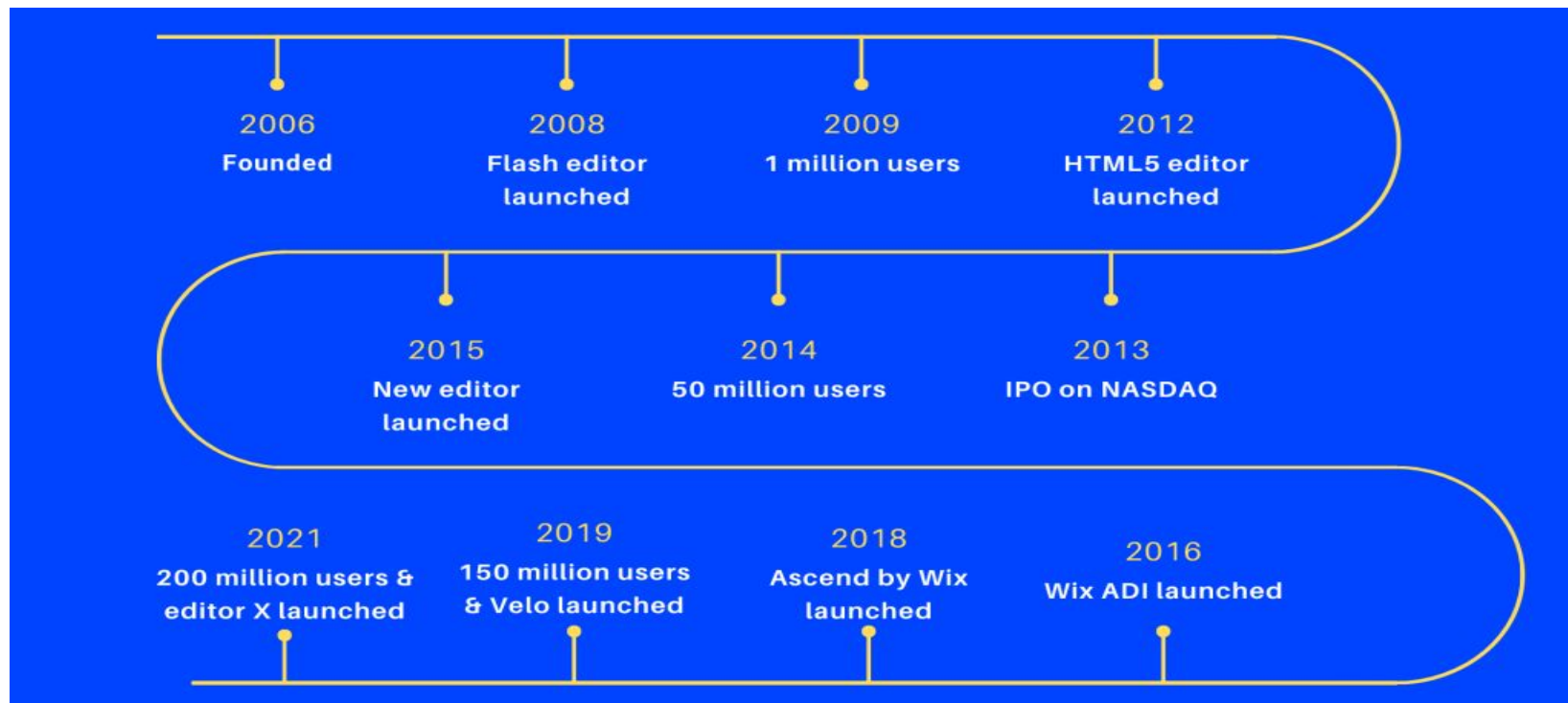
- Founded in 2006
- Website building platform
- Provides hundreds of features to create professional websites and manage businesses
- Accessible and easy use
- No coding required as seen in other website building platforms



Company Overview | Customers and Partners



Company Overview | Timeline



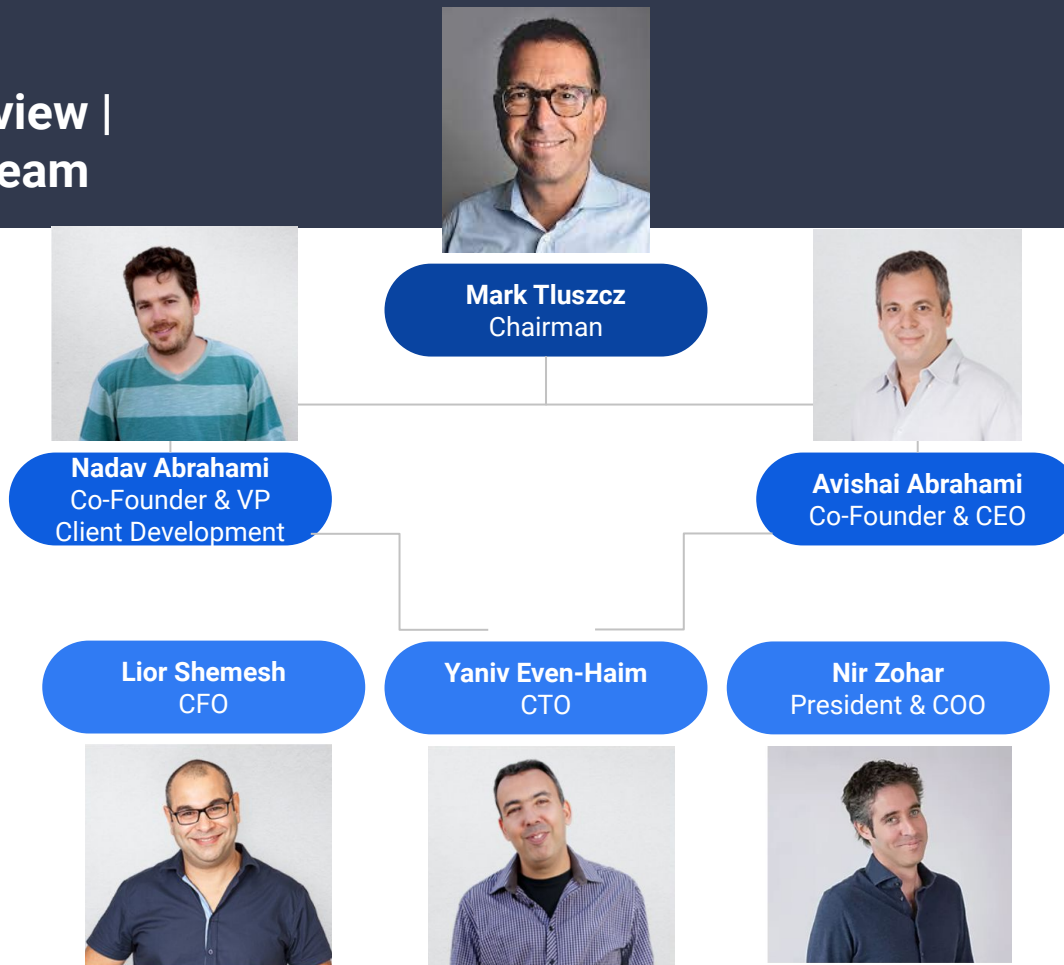
Company Overview | Basic Financials

Price of stock	Revenue	Market Cap	<u>PE ratio</u>	<u>ROI</u>	<u>ROE</u>	<u>PEG</u>	Beta	EV/EBITDA	EPS
\$85	\$316M	\$4.46B	-10.6	-23.51	-688%	-0.5	1.07	1.3%	-0.13

- Most of the ratios are negative possibly indicating the company may be overvalued
- Even though Wix is a large company, their numbers aren't very strong



Company Overview | Management Team

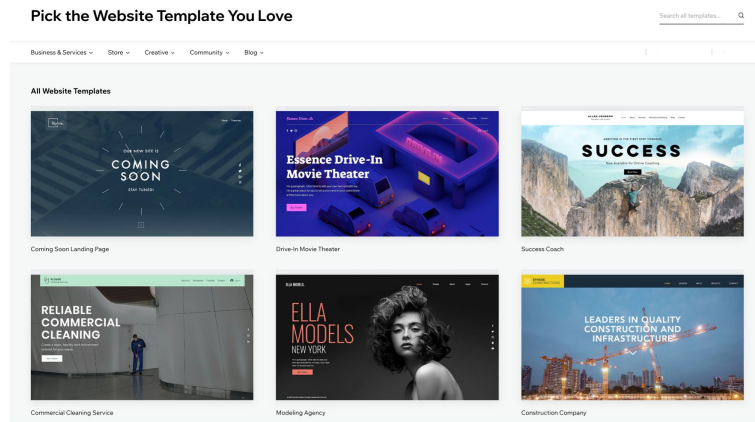


Products and Business Segmentation

- Ad features
 - SuperBowl, Celebrity Endorsements
- Ecommerce Platform
 - Multichannel selling
 - Targeted towards beginners to build a functional site
 - Advanced ecommerce tools
- WIX App Market
 - Digital Market to help build up the features and functions of your professional online store
- WIX Stores
 - Marketing and Integrating loyalty programs to sell on multiple channels

Business Segmentation
Technology

- Web Development/Design
 - Provides hundreds premade templates
- Content Management System
 - Drag and drop functionality
 - No coding requirement



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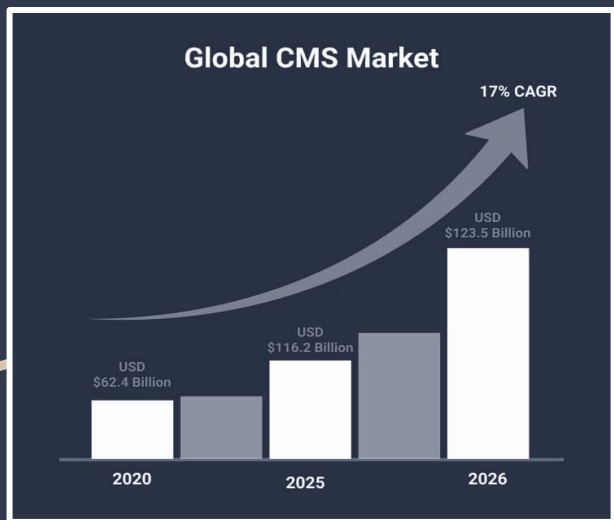
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Market Overview - Content Management Software (CMS)

CMS manages the creation and modification of digital content for your website. Its a software that allows you to create and manage content on your website, often with no prior knowledge of coding or website development.



	2010 JAN	2011 JAN	2012 JAN	2013 JAN	2014 JAN	2015 JAN	2016 JAN	2017 JAN	2018 JAN	2019 JAN	2020 JAN	2021 JAN	2022 JAN
CMS													
WordPress	51.0%	55.3%	54.3%	54.8%	59.8%	60.7%	58.8%	58.5%	60.0%	59.7%	62.1%	64.1%	65.2%
Shopify					0.3%	0.7%	1.0%	1.3%	1.8%	2.6%	3.4%	5.2%	6.6%
Joomla	12.0%	10.9%	9.5%	8.7%	9.3%	8.6%	7.5%	7.2%	6.5%	5.4%	4.6%	3.6%	2.6%
Squarespace		0.2%	0.2%	0.1%	0.3%	0.5%	0.8%	1.1%	1.5%	2.6%	2.7%	2.3%	2.7%
Wix				<0.1%	0.2%	0.3%	0.4%	0.6%	0.9%	1.8%	2.3%	2.4%	2.9%
Drupal	7.1%	6.1%	6.5%	7.2%	5.5%	5.1%	4.9%	4.8%	4.6%	3.5%	3.0%	2.5%	2.0%
Bitrix		0.8%	0.9%	1.0%	1.0%	1.1%	1.3%	1.4%	1.5%	1.2%	1.5%	1.7%	1.4%
Blogger		2.7%	3.0%	3.5%	3.3%	2.9%	2.7%	2.4%	1.9%	1.4%	1.5%	1.6%	1.5%
Magento					2.7%	2.8%	2.9%	2.7%	2.4%	1.9%	1.5%	1.2%	1.1%
OpenCart						0.9%	1.0%	0.9%	0.8%	0.8%	0.8%	1.0%	0.8%

Takeaways:

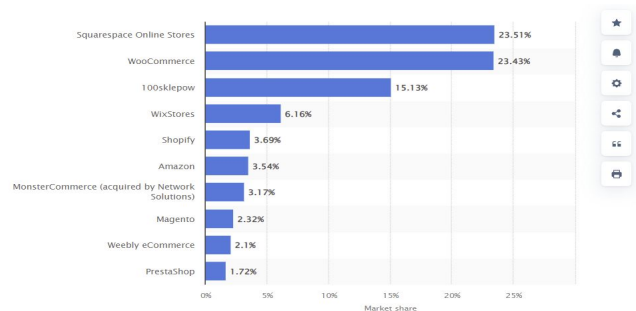
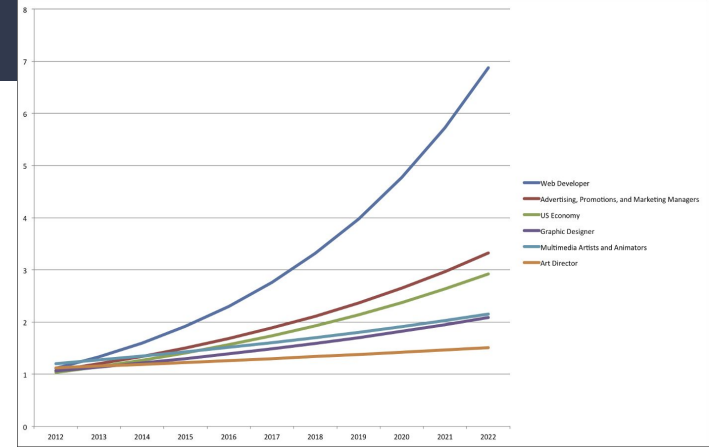
- The CMS industry is expected to continue to grow as more companies begin to utilize these easy to use website builders.
- Due to Wordpress's domination over the industry, its massive market share doesn't give much wiggle room to its smaller counterparts.



Market Overview - Web Development/Design

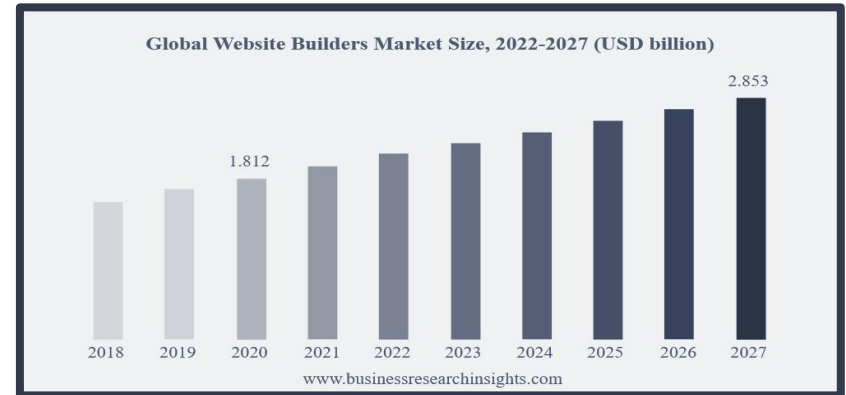
Takeaways:

- The Global Website Builders Market is expected to continue its growth throughout the 2020's as more and more people and businesses begin to use websites
- Web design is more in demand than ever before companies that need to build websites often just hire people to do so, rather than using website building software.

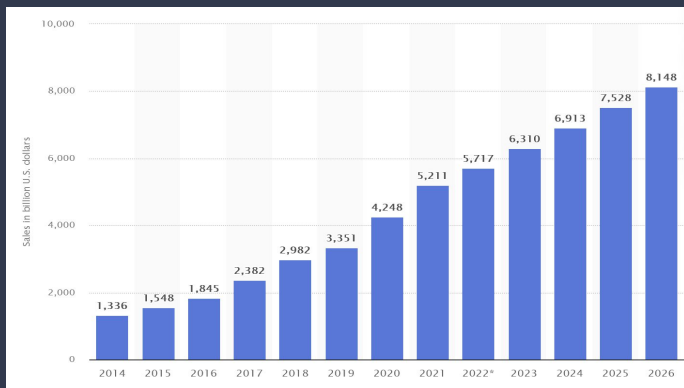


Additional Information

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Show source



Market Overview - ECOMMERCE



Where E-Commerce Is Growing Fastest

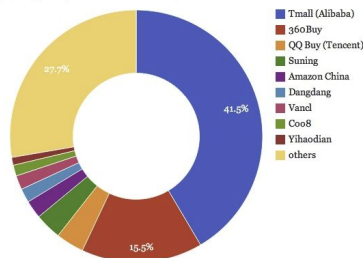
E-commerce sales in selected countries/regions in 2020 and 2025* (in billion U.S. dollars)



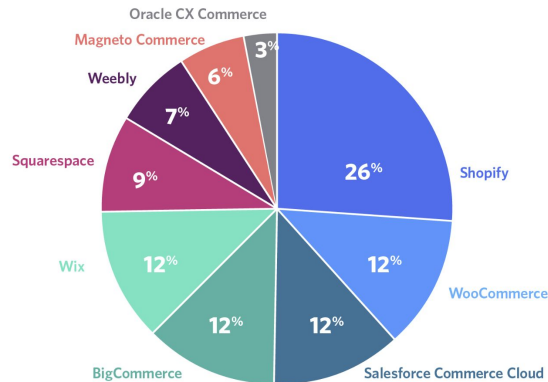
* projected
Source: Statista Digital Market Outlook

statista

B2C China e-commerce sector market share, 2012 Q2 (using Analysis International data)



Market Share of Top eCommerce Software in 2021



Source: TrustRadius platform data collected in June 2021

TrustRadius

Takeaways:

- Ecommerce is growing at an extremely rapid rate, and will continue to do so in the near future.
- Asia (specifically China) has the highest growth rate in terms of ecommerce sales, and outside companies in general have little market share compared to their Asian counterparts.
- Because the industry is growing so fast, competition is intense, and WIX's equal market share in Ecommerce is unfavorable for future outlook.



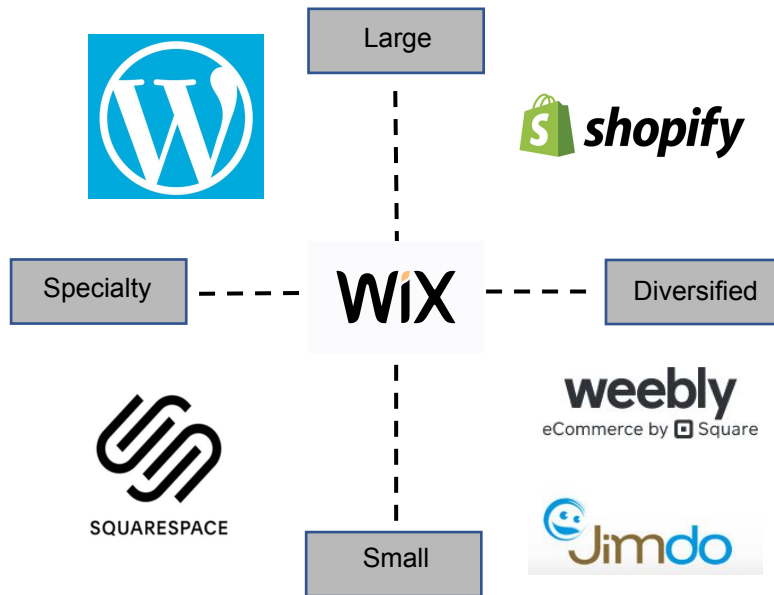
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Market Overview | Global / Domestic Overview & Positioning



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Global



Domestic Market

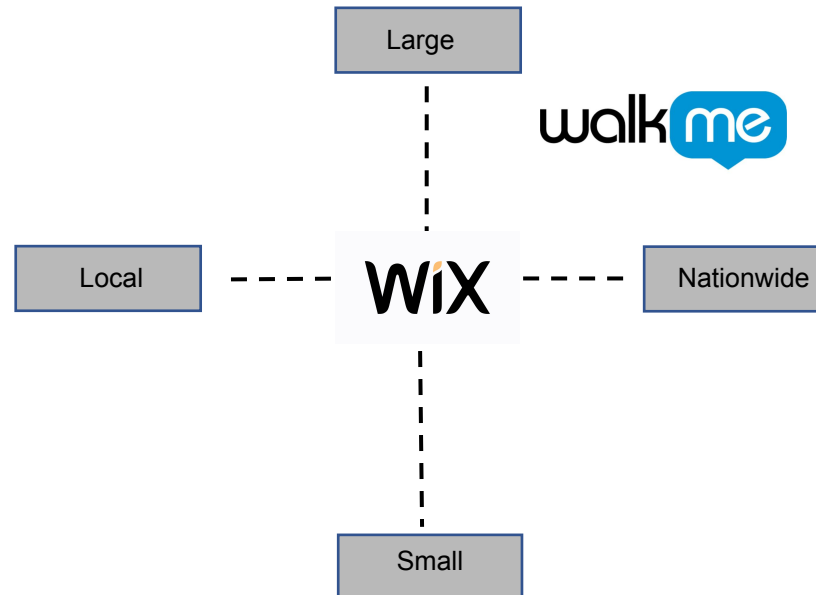


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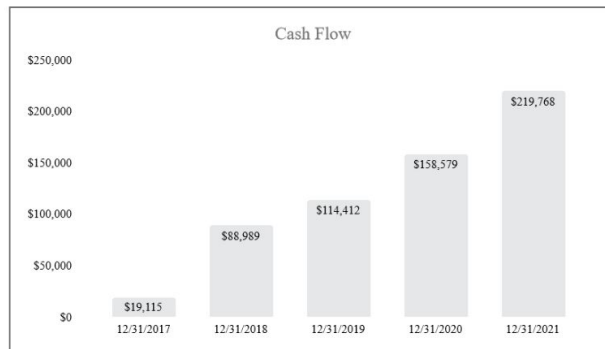
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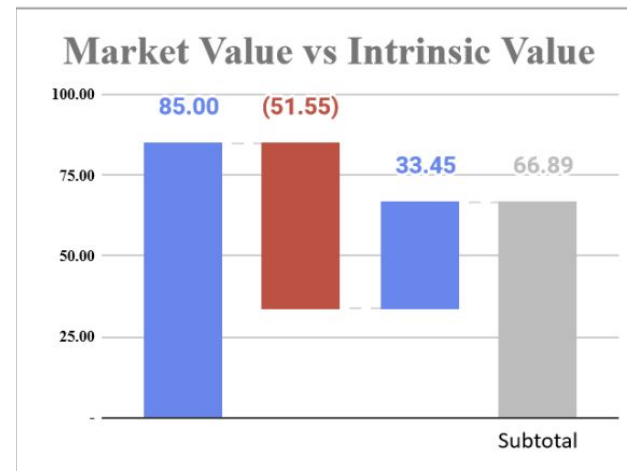
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Assumptions

Tax Rate	25%
Discount Rate	9%
Perpetual Growth Rate	3%
EV/EBITDA Multiple	1.3x
Transaction Date	12/31/2016
Fiscal Year End	12/31/2017
Current Price	85.00
Shares Outstanding	57,250
Debt	1,140,000
Cash	1,170,000
Capex	37,700



Discounted Cash Flow	Entry	2017	2018	2019	2020	2021	Exit
Date	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2021
Time Periods		0	1	2	3	4	
Year Fraction		1.00	1.00	1.00	1.00	1.00	
EBIT		(50,000)	(31,000)	(80,000)	(199,000)	(326,000)	
Less: Cash Taxes		(12,500)	(7,750)	(20,000)	(49,750)	(81,500)	
Plus: D&A		69,390	126,950	196,910	327,240	502,240	
Less: Capex		12,400	14,100	22,100	18,900	37,700	
Less: Changes in NWC		375	611	398	511	272	
Unlevered FCF		19,115	88,989	114,412	158,579	219,768	
(Entry)/Exit	(4,836,250)						2,167,978
Transaction CF	-	19,115	88,989	114,412	158,579	219,768	2,167,978
Transaction CF	(4,836,250)	19,115	88,989	114,412	158,579	219,768	2,167,978

**Terminal Value**

Perpetual Growth	4,115,655
EV/EBITDA	220,300
Average	2,167,978

Financial Analysis | Discounted Cash Flow

Intrinsic Value

Enterprise Value	1,884,789
Plus: Cash	1,170,000
Less: Debt	<u>1,140,000</u>
Equity Value	1,914,789

Equity Value/Share	33.45
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Rate of Return

Target Price Upside	-61%
Internal Rate of Return (IRR)	-11%

Market Value

Market Cap	4,866,250
Plus: Debt	1,140,000
Less: Cash	<u>1,170,000</u>
Enterprise Value	4,836,250

Equity Value/Share	85.00
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Market Value vs Intrinsic Value

Market Value	85.00
Upside	(51.55)
Intrinsic Value	33.45



Financial Analysis | WACC Calculation

$$\text{WACC: } [(12.75\% * 36.61\%) + (5.85\% * 67.67\%)] / 100 = 8.62\%$$

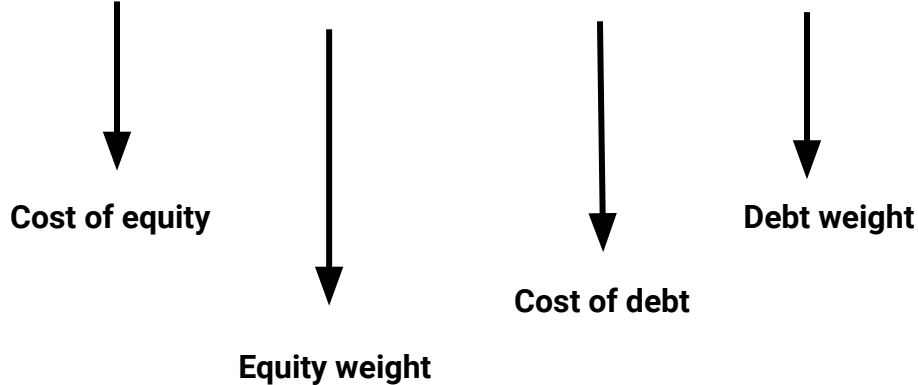


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Risks and Catalysts | SWOT Analysis

WIX SWOT Analysis

Strengths (+)

- Distribution and reach
- Cost and structure
- Partner Relationship

Weaknesses (-)

- Low current ratio
- Research and development
- High day sales inventory

Opportunities (+)

- E-commerce
- Social media
- Technological developments

Threats (-)

- Competitors with advancements in technology
- Suppliers
- Political uncertainty



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Risks and Catalysts

Catalysts:

- Macroeconomic facing challenges
- Earnings Report
- Currently unprofitable
- Negative shareholders equity

Risks:

- Buybacks
- Cutting spending on research and development

Recent News

[Wix Just Changed Its Financial Guidance -- Is It Time to Panic? | Nasdaq](#)

- Wix has been spending heavily the last couple of years to maximize its growth potential, which has reduced free cash flow.

[Website creator Wix.com Q4 loss widens, unable to forecast 2022 | Reuters](#)

- "We have experienced a much higher level of volatility in demand for online services over the last year and a half due to COVID," Wix said. "As a result, we are not able to forecast our business with the same level of confidence as we have historically been able to pre-COVID, even as fundamentals remain strong."

[Latest Earning](#)

- According to Wix's latest financial reports the company's current earnings are -\$80.85 M. In 2021 the company made an earning of -\$47.71 M an increase over its 2020 earnings that were of -\$0.13 B.

[Latest Newest](#)

- If you are looking for WIX Website they are no longer available. They have discontinued their website builder service and is focusing on it business platform.



End of Pitch