

TRADING OPPORTUNITY - WIX (update)

22 February 2018

TRADING OPPORTUNITY

As investment advisors, we are always screening the global stock markets for opportunities on behalf of our clients. We define a 'trading opportunity' as a stock which has a strong fundamental momentum, combined with an optimal technical entry point. Moreover, the stock also needs substantial upside potential and an attractive risk reward ratio.

COMPANY DETAILS

Ticker: WIX US
Current Price: \$77.30
1y Target: \$100 (29% upside)
Stop Loss: \$67.65 (12% downside)

Shares Outstanding (M)	45
Market Capitalization (M)	\$3'514
Enterprise Value (M)	\$3'282
Net Cash / Share	\$4.75
Book Value / Share	\$0.25
Dividend / Yield	-
P/E	-
PEG	2x

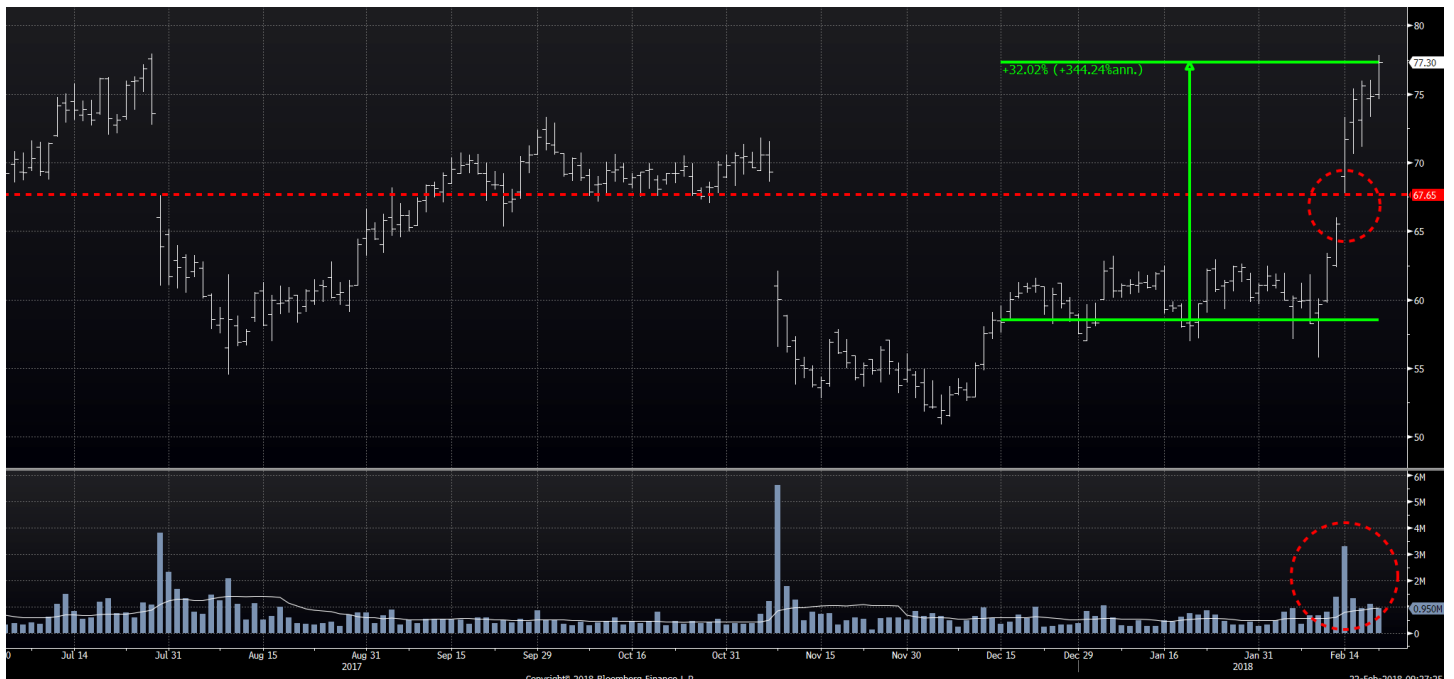
DESCRIPTION

Wix.com Ltd. operates and develops a web platform. The Company's platform offers solutions that enable businesses, organizations, professionals and individuals to develop customized websites and application platforms.

On the 15th of December 2017, we highlighted WIX as a good trading opportunity, given the leading position in the sector, the strong fundamental momentum and a good entry point at \$58.55. Today, two months later, following a strong widespread market correction and a better than expected quarterly report, we can see that the market is agreeing with our view with the stock price climbing **+32%** (\$77.3). On the 14th of February, the stock experienced a break-away gap with strong volumes, which technically signals that the stock is not going to close this gap and the price will become the starting point for a new bull run. The trading rule we follow is to raise the stop loss to the low of that day, setting our new stop loss at \$67.65. This price spike was caused by the exceeding of high-end expectations across all key metrics and increasing of the

guidance in the last quarterly report. The company is experiencing a huge increase in new subscriptions, mostly because of the success of the new "Wix Code" service. Subscribers are also converting from free to paying users, therefore increasing yearly revenues 47% y/y. Moreover this again confirms that company's revenues are not only growing through new subscribers, but also with existing subscribers which are upgrading their plans. Furthermore, we like that WIX furthers its strategic alliance with Google (GOOG US), from which it will receive an additional \$30 Mln benefit in FY 2018. On the other hand, in Google's quarterly report, we understand that their webpage service, which directly competes with WIX, is not growing as expected, therefore, we believe that it would make sense for the two com-

WIX US



panies to further increase their cooperation. Google would save R&D money and access to the big data collected by WIX, which would have huge additional distribution channels. We therefore reiterate our \$100 target price, increasing our stop loss to \$67.65 and will consider reducing our position when the stock price crosses \$85.

OUR CONTACTS

Filippo Pedotti
Gabriele Manferdini, CIIA, CIWM
Visanu Souk
Massimo Martinelli
Davide Lazzarotto
Dr. Giuseppe Tondini, MBA

KTS Capital Management AG
Seefeldstrasse 35
8008 Zurich
Switzerland

Telephone: +41 (0) 44 253 71 90
E-mail: info@ktscapital.ch
www.ktscapital.ch

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