OFF WALL STREET

Wix.com (WIX)

DATE: 4/5/2026 | **SECTOR:** TECHNOLOGY | **SETUP:** STRUCTURAL
MARKET CAP: $5B | **SHORT INTEREST:** 9% | **ADV:** $256M

Bull case

- WIX stock fell ~50% last year on fears about AI/vibe-coding competition and margin pressure from WIX's June 2025 acquisition of Base44. Today WIX trades at ~10x 2026E FCF, and bulls see an opportunity to buy a fast-growing (low-to-mid-teens revenue growth), highly cash-generative business (20%+ FCF margins, $2B buyback authorized) at a discount created by fears they believe will prove unwarranted
    - Specifically, bulls believe WIX will remain cheaper and easier to use than competing platforms, and integrating Base44's vibe-coding capabilities into WIX's existing suite (CRM, SEO, e-commerce/payments) will create a unified offering no standalone vibe-coding tool can match

Short thesis

- While we agree that WIX may currently cheaper and easier for non-technical SMBs to use for some websites than emerging competitors like Lovable and Claude Code, we think bulls are missing the forest for the trees:
    - It is already easier and cheaper to vibe-code simple websites than to use WIX, and this poses an immediate incremental headwind to revenue growth and pricing power. Yet, despite this, bulls are still expecting revenue growth to accelerate in 2026 and margins to rebound significantly in 2027
        - Moreover, there is already evidence of this pressure in WIX's 'total premium subscribers' metric, which declined from 6.2M in 2024 to 6.1M in 2025. Coincidentally (or not), management has decided to stop reporting that number going forward
    - More importantly, this is only the beginning – the coding capabilities of frontier LLMs are growing exponentially. If Claude Code with Opus 4.6 is a competitive threat at the low end of the website market today, what will the upcoming Mythos model next month look like? And the models a year or two after that?
        - There is also the longer-term question of whether traditional websites remain relevant at all in a future AI-native world. Arguably their relevance for SMBs is already declining with more and more businesses prioritizing their social media presence (especially Instagram and TikTok) over the web

- Additionally, we think WIX's pivot to vibe-coding via its Base44 acquisition is a desperate, margin-dilutive defensive maneuver rather than the winning "unified platform" strategy bulls believe it to be:
    - Base44 is a late entrant in the increasingly crowded and commoditized vibe-coding space and we suspect it will struggle to compete with more technically advanced early movers like Lovable
        - While Base44 has shown rapid user growth, industry participants and our initial research suggest it has done so on the back of unsustainably high marketing spend and accounting gimmicks that mask the true cost (like classifying inference costs for free users as S&M expenses rather than COGS)
    - Vibe-coded websites also give users full ownership of the underlying code, which means trivial portability, near-zero switching costs, and commoditized hosting, suggesting the captive user base that management's longer-term margin assumptions depend on likely won't exist
- Finally, while bulls point to the recently-announced $2B buyback authorization as evidence of management confidence and a floor under the stock, we think it is a prime example of financial engineering, not a sign of strength:
    - This buyback is funded by a $260M private placement, a new $500M revolver, and cash on hand (much of which itself came from the $1.1B in 2030 converts issued last September). The company is literally selling equity (and debt) to one set of investors to buy it back from another – that is a recipe for disaster.
