



Beautiful accounting software

MARKET RELEASE

Xero raises NZ\$180m for global growth

14 October 2013

Xero Limited (XRO) has raised NZ\$180 million of new capital from a range of US and New Zealand investors including existing shareholders Matrix Capital Management and the Peter Thiel backed Valar Ventures.

The transactions are priced at NZ\$18.15 per share for 9.92 million shares representing 8% of the shares on issue after the raise.

Xero has built a powerful software platform supporting over 211,000 customers globally, with the assistance of accountant and bookkeeper partners. Over the last two months, the company has held partner conferences in Australia, the US, and the UK and is seeing acceleration in the acceptance and adoption of its products. Accordingly, the Board decided to raise additional capital to continue building a world-class team in the US market and support continued global growth.

US investors account for NZ\$147 million of the capital raised. In addition to Matrix and Valar, the US investors represent some of the most enduring and well-capitalised asset management firms in the world, all of whom will assist the company with its strategy and execution in the US market.

Xero earlier this month [reported](#) Annualised Monthly Committed Revenue of NZ\$70.6m as at 30 September 2013, up from NZ\$38.7m a year earlier, and expects its operating revenue to exceed NZ\$30.3m for the 6 months to 30 September 2013, up 84% over the same period last year. Following the raise Xero will have over NZ\$230m cash on hand.

David E. Goel, Managing Member of Matrix Capital Management, says "Xero is emerging as the definitive software platform for small business worldwide. Capturing the power and affordability of cloud-based computing, Xero has democratised accounting, payroll, and other business software that was once the privilege of only the largest companies. Having empowered hundreds of thousands of small and medium-sized businesses in New Zealand, Australia, and the United Kingdom, Xero is poised to do the same for its 29 million potential customers in the United States. We are adding to our investment to help facilitate and accelerate this goal."

Xero CEO Rod Drury says "Xero has had seven years to build the best global accounting platform. That investment puts us in a strong position as the cloud market accelerates. The calibre of our investors and our strong cash position sends a clear signal of our aspirations to serve millions of small businesses around the world and attract the world's best talent."

Video will be made available related to this announcement on [Vimeo](#) and in [Box](#).

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About Xero

[Xero](#) is beautiful, easy to use online [accounting software](#) for small businesses and their advisors. The company has over 200,000 paying customers in more than 100 countries around the world. Xero is listed on the NZX and ASX. See www.xero.com

About Matrix Capital Management

Matrix Capital Management is an investment advisor registered with the United States Securities and Exchange Commission and is based in Waltham, Massachusetts, just outside of Boston. Founded in 1999 by David E. Goel and Paul J. Ferri, the fund primarily invests in publicly traded equity securities with a focus on developing a deep and detailed “bottom-up” analysis of each company in its portfolio. Under Mr. Goel’s stewardship as the Managing Member, Matrix takes the long view of investing. This strategy involves developing high conviction in companies based on its particularised research into their fundamentals, and combining that knowledge with a differentiated understanding of the sectors in which they do business. Over its fifteen-year investment history, Matrix has specialised in companies that use technology to disrupt or disintermediate business models, while cultivating specialised experience in the technology, media/telecom and consumer sectors.

Within the technology sector, Matrix has been extensively involved in several sub-segments: software-as-a-service, cloud infrastructure, payments, e-commerce, social media, mobile data, and streaming video. Over the last two decades, the Matrix investment team has built relationships with executives and entrepreneurs in these areas who help Matrix identify and evaluate potential investment opportunities. Matrix’s strategy is to invest in a concentrated portfolio of attractively-valued companies whose innovative ideas, strong fundamentals, and visionary management teams position them to grow over multiple years. Matrix invests a significant amount of time and resources in developing high conviction in each of its positions, holding to a deliberate strategy designed to generate strong, durable returns over time.

This above information about Matrix Capital Management does not constitute an offer to sell or solicitation of an offer to buy any securities.

About Valar Ventures

Valar Ventures is a global venture capital firm backed by Peter Thiel. Based in San Francisco, Valar invests exclusively in companies outside of the United States. Valar believes that over the next decade an increasing number of transformative technology companies will be started outside of the US, and that the founders of those companies will benefit from having a US partner that understands their unique challenges and opportunities and can help them access US networks.

See <http://www.valarventures.com/>