



Beautiful accounting software

Investor update

SAN FRANCISCO • 23 APRIL 2015

Important notice

This presentation is given on behalf of Xero Limited
(Company number NZ 1830488, AU ARBN 160661183 NZX/ASX:XRO).

Information in this presentation:

- is for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Xero Limited;
- should be read in conjunction with, and is subject to, Xero's Annual Report, market releases, and information published on Xero's website (www.xero.com);
- includes forward-looking statements about Xero and the environment in which Xero operates, which are subject to uncertainties and contingencies outside of Xero's control – Xero's actual results or performance may differ materially from these statements;
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and
- may contain information from third parties believed to be reliable, however, no representations or warranties are made as to the accuracy or completeness of such information.

All information in this presentation is current at the date of this presentation, unless otherwise stated.

Financial results are unaudited. Audited financial results are due for release in May 2015.

All currency amounts are in NZ dollars unless otherwise stated.



Investor calendar



Annual results

24th April*



Annual report

21st May*



Annual meeting

22nd July*

* Dates New Zealand time

2015: Building the platform to win

Built capability

1,161

People. 403 into team Fy15

Team at scale after major focus recruiting and on-boarding top talent

Established US leadership team

Scaled out globally distributed product teams

Initiated global marketing and sales infrastructure

Capital in place for growth plans

Product releases

500+

Completed horizontal platform

Xero now meets the needs of the majority of small businesses

Payroll and inventory in all core markets

Game changing practice reporting

Added 214 people to the product team

Product cadence outpacing competitors

Customers

475,000

Expanded customers in all markets

Building Operating Platform to support millions customers

Exceptional execution of partner channel

Building online capability to capture large and expanding TAM

Delivering a superior experience

First accounting
experience people love

Recognised leader in first
three markets

Responsive and trusted relationship
with customers



@Xero so many of my clients go with
Xero because my other clients tell them
how much they “Love” it!

@AW_GRANT

99.99%
Uptime

Best in class availability

Innovative support model- delivering
high customer satisfaction

Industry leading resiliency

Amazing support by Robert at the @Xero
Colorado office. Xero support folks are
caring, smart, and go the extra mile. Thanks!

@VERTECONSULTING

400+
Ecosystem applications

20% attach rate across business
editions

40% attach rate across
premium editions

Over 20,000 registered developers

@Xero Thanks! So nice to be
dealing with actual caring,
competent, human beings.

@ASKHOLLYHOW

Delivered 80+% revenue growth

Subscription revenue

\$121M

\$67m for year ended 31 March 2014

YOY subscription revenue growth

81%

83% constant dollar

Annualised Committed Monthly Revenue

\$159M

\$93m as at 31 March 2014

Cash to invest

\$269M

\$210M as at 31 March 2014

Winning in a competitive environment

Hybrid software tactics

Flood of brand and marketing spend

Aggressive price discounting

Acquisition of adjacent cloud products and customers

Talk vision ahead of delivery

Treat customer service as a cost - even outsource

Cloud platform effect

Beautiful cloud experience builds growth virally

Great experiences allow premium pricing

Open ecosystem + community wins against a single brand

Empowered teams with no legacy products deliver faster

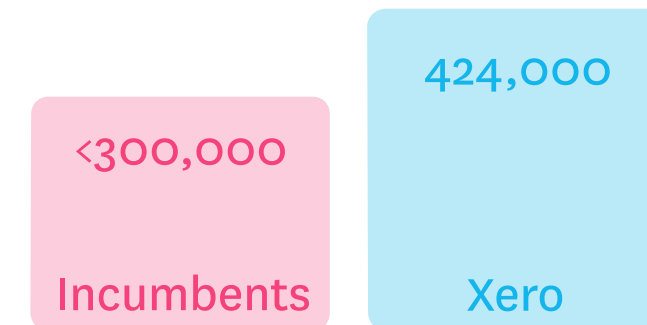
Superior customer experience drives adoption

Cloud platform effect

Maintained premium pricing

15,000+ Banklink conversions in FY15

+35% AU customers from incumbent software



More cloud accounting customers in AU, UK & NZ than four incumbents combined*

* Sage, Intuit, Reckon and MYOB public statements



“Xero has helped us to just have a better handle on everything – to actually make decisions and move forward to grow”

@threebabesbake



“Find/Recode feature released today could quite possibly be the biggest time saver since the introduction of the bank feed”

@liveca_chad



“Recode in bulk @xero – This is huge. And it they REALLY built it right.

@DougSleeter

Winning global firms



Large firms thinking globally
and using cloud to address
high growth market



Partnerships
Deloitte Private Australia
KPMG UK
KPMG Singapore

Results

Subscription revenue

	12 months ending 31 Mar 15 \$M	12 months ending 31 Mar 14 \$M	% Change
NEW ZEALAND	32.6	23.2	41%
AUSTRALIA	56.5	27.7	104%
UNITED KINGDOM	19.3	10.1	91%
NORTH AMERICA	7.7	3.3	133%
REST OF WORLD	4.8	2.6	85%
TOTAL	120.9	66.9	81%

Customers expanded

	At 31 Mar 15	At 31 Mar 14	% change
NEW ZEALAND	138,000	102,000	35%
AUSTRALIA	203,000	109,000	86%
UNITED KINGDOM	83,000	47,000	77%
NORTH AMERICA	35,000	18,000	94%
REST OF WORLD	16,000	8,000	100%
TOTAL	475,000	284,000	67%

Strong financial performance

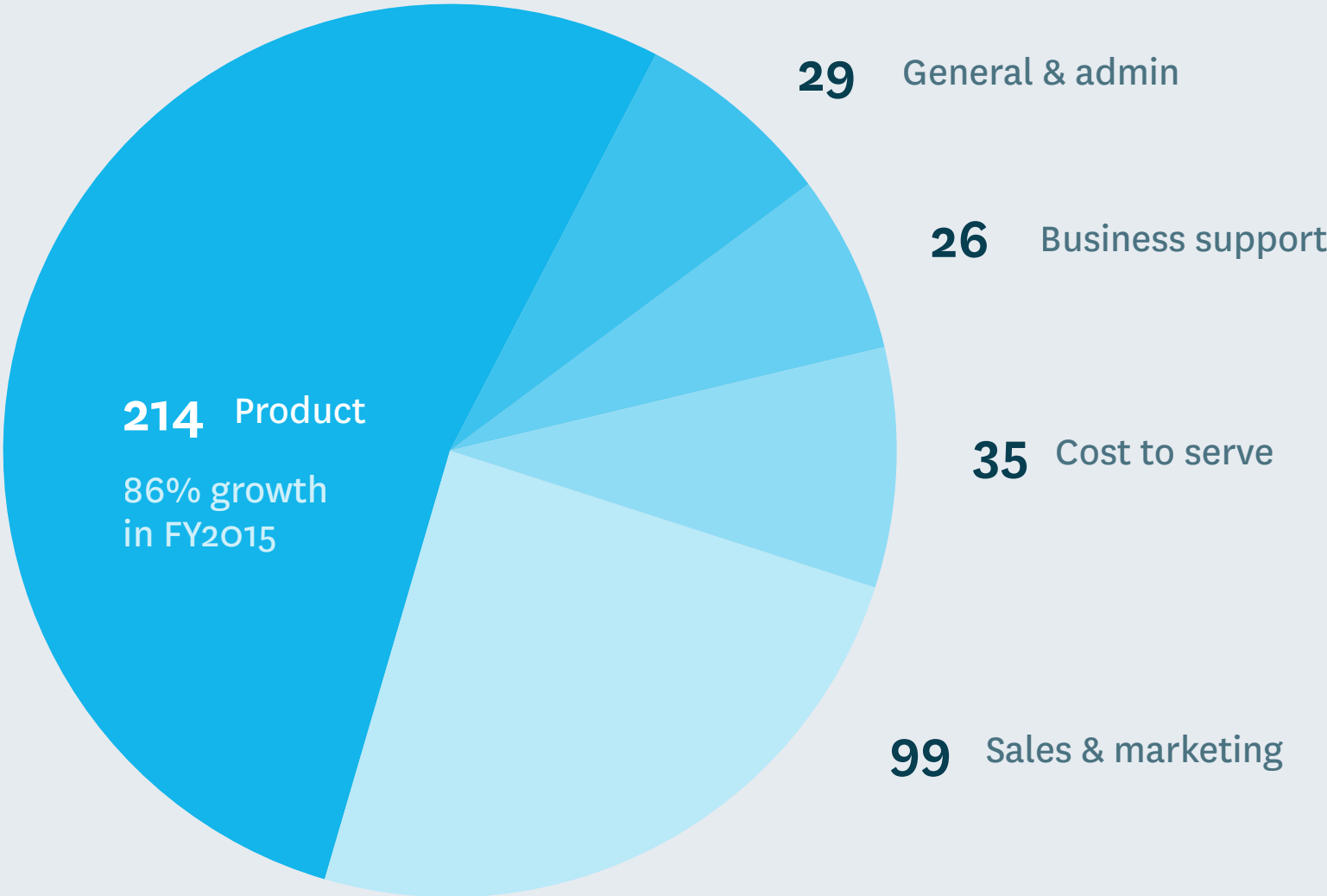
	Year ended 31 March 2015 \$M	Year ended 31 March 2014 \$M	% FY2015 Operating revenue	% FY2014 Operating revenue
Subscription revenue	120.9	66.9	-	-
Total operating revenue	123.9	70.1	-	-
Cost of revenues	37.4	24.5	30%	35%
Gross margin percentage	70%	65%	-	-
Sales and marketing	93.5	55.1	75%	79%
Product and design	49.0	18.4	40%	26%
G&A	24.5	11.7	20%	17%
Net loss after tax	69.5	35.5	56%	51%

Strong financial performance

Metric	Expectation at commencement of FY2015	Performance	
		FY2015	YoY
Subscription rev growth	<i>“Xero expects strong revenue growth to continue for the foreseeable future.”</i>	\$120.9M	81%
Funding	<i>“Maintain strong cash position for growth agenda”</i>	\$269M	+28%
		FY2015	Movement
Gross Margin	<i>“We expect cost of revenues to continue to reduce as a percentage of operating revenue, thereby increasing the gross margin.”</i>	70%	+5%
Sales and Marketing	<i>“costs will increase in absolute dollar terms as investment toward growing global market share continues, however we expect to see a significant reduction in “months to recover CAC” and in sales and marketing costs as a percentage of operating revenue”</i>	75%	-4%
Product	<i>“Product design and development costs will increase in absolute dollar terms and are expected to increase as a percentage of operating revenue”</i>	40%	+14%

Investment in people

403 staff hired in the past 12 months



GLOBAL STAFF*

NZ	658
AU	185
UK	104
US	214**
Total	1,161

* Total staff in each country
** US GTM team 64 staff



Country SaaS metrics

		NZ	AU	UK	NA	ROW	Group
FY2015	ARPU	\$23.90	\$30.50	\$26.00	\$29.70	\$37.50	\$28.00
	CAC months	7.8	8.7	16.7	42.5	2.9	13.5
	Customer Churn	0.9%	1.1%	1.3%	3.1%	2.1%	1.2%
	Life time value (LTV)	\$1,818	\$2,008	\$1,418	\$662	\$1,387	\$1,622
	Life time value / CAC*	9.8	7.6	3.3	0.5	12.6	4.3

		NZ	AU	UK	NA	ROW	Group
FY2014	ARPU	\$23.40	\$31.00	\$25.20	\$28.70	\$35.40	\$27.30
	CAC months	5.3	9.1	9.6	42.3	3.1	11.8
	Customer Churn	1.2%	1.5%	1.4%	5.0%	2.2%	1.6%
	Life time value (LTV)	\$1,303	\$1,332	\$1,142	\$385	\$1,043	\$1,133
	Life time value / CAC*	10.6	4.7	4.7	0.3	9.4	3.5

* Lifetime value/CAC is the ratio between the gross margin derived over the life of a customer and the cost to acquire that customer

Group SaaS metrics

Group	CAC months for the Group increased from 11.8 to 13.5 months due to the ongoing focus to accelerate growth through sales and marketing activities. Excluding North America, CAC months for the Group were 9.9 (8.2 in FY14) representing an efficient sales model. Improved churn has driven higher LTV and LTV to CAC ratio.
New Zealand	CAC months increased due to investment activities undertaken to further develop future revenue streams via connections to Enterprise and Government. This has led to a lower LTV to CAC ratio despite an improvement in churn.
Australia	Local currency ARPU increased due to strength in the online channel but decreased in NZD due a weakened AUD. CAC months decreased reflecting efficiency gains during the period. This along with improved churn has driven higher LTV and LTV to CAC ratio.
United Kingdom	CAC months increased due to growth in the sales and marketing team during the period. This growth reflects the market size and stage with Xero continuing to solidify its leadership position. As a result, the LTV to CAC ratio reduced despite a slight improvement in churn.
North America	Metrics such as CAC months are currently not considered relevant in this market given its very early stage and with Xero continuing to invest to build the platform for future growth. A significant improvement in churn during the period resulted in the increase in LTV and LTV to CAC ratio.

SaaS metrics

	FY15	FY14
ARPU	\$28.00	\$27.30
CAC months	13.5	11.8
Customer Churn	1.2%	1.6%
Life time value (LTV)	\$1,622	\$1,133
Life time value / CAC	4.3	3.5

New Zealand

Leading accounting software provider

Payroll launched to increase ARPU in FY2016

Launched cloud farming solution increased farming segment ACMR by over 100%

Improving reporting in practice tools accelerating partner channel growth

Business platform test lab:

Banking 2.0
NZ Business Number
Enterprise EDI
Business to Government

CUSTOMERS

138,000

31% share*

SUB REVENUE

\$33M

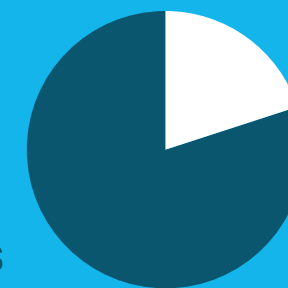
ACMR \$40M

\$70B

TRANSACTIONS PROCESSED
THROUGH THE PLATFORM**

CUSTOMERS BY CHANNEL

80%
Partners



20%
Online

* Based on estimated market size of 450,000

**processed during CY2014

Australia

Leading cloud accounting solution
Ranked #1 most innovative company**
Leading branded search in category
Over 8,000 accounting and
bookkeeping partners
'Big 4' bank API partnership
800+ accounting firms adopted Xero
practice management
Leveraging strategic partnerships:
Telstra, Google and Shopify

CUSTOMERS

203,000

10% share*

SUB REVENUE

\$57M

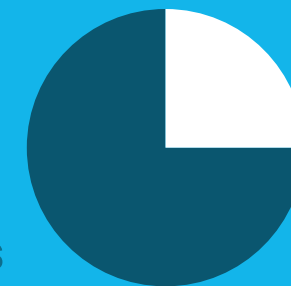
ACMR \$74M

\$114B

TRANSACTIONS PROCESSED
THROUGH THE PLATFORM**

CUSTOMERS BY CHANNEL

75%
Partners



25%
Online

* Based on estimated market size of 2,000,000

**processed during CY2014

United Kingdom

Leading cloud accounting solution
Increased team from 57 to 104 to drive growth
Partnerships with: RBS, Natwest, Santander and Metrobank
Building senior leadership team
Increasing momentum following UK Xerocon
1,500 accountants and bookkeepers on current 'Evolve' 9 city roadshow
Delivery of payroll in April unlocking market

CUSTOMERS

83,000

2% share*

SUB REVENUE

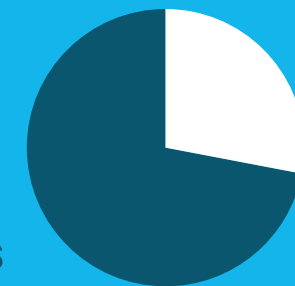
\$19M

\$26M

ACMR

CUSTOMERS BY CHANNEL

72%
Partners



28%
Online

* Based on estimated market size of 4,300,000

North America

Product fit addressed

300% YoY increase in online leads in last quarter

H2 delivered a 300% increase on H1 net new customers

Focus on building online direct model to address massive TAM

Strong progress with strategic partnerships and banking

US go-to-market team is 64

CUSTOMERS

35,000

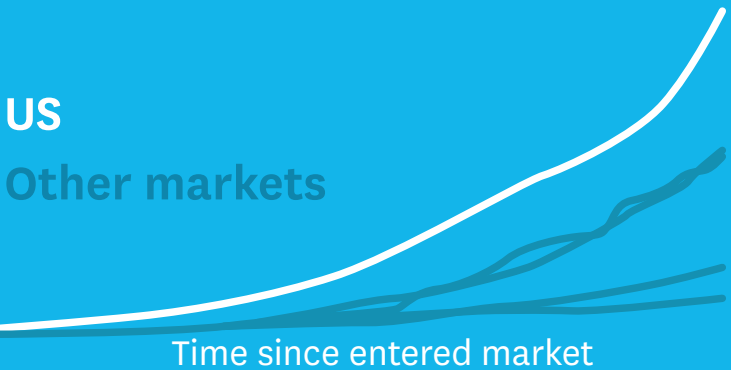
<1% share*

SUB REVENUE

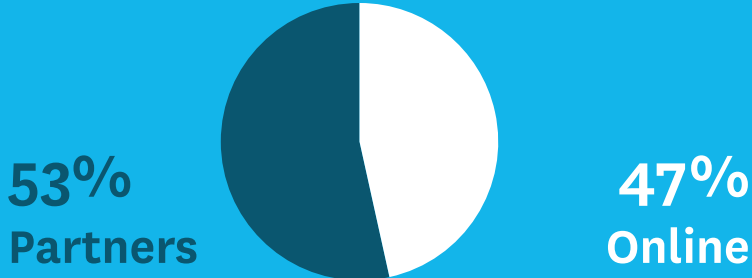
\$8M

ACMR \$12M

XERO CUSTOMER GROWTH TREND



CUSTOMERS BY CHANNEL



* Based on estimated market size of 29,000,000



US progress



Actions

US leadership in place

Growing digital and channel engagement

Full solution with accounting, invoicing,
payroll in 7 states, and inventory

Increased solutions via integration with
ecosystem partners



US executive focus

Investment in bookkeeping and
accounting channel

Establish high velocity automated sales and
marketing engine

Continue to build marketing and PR momentum

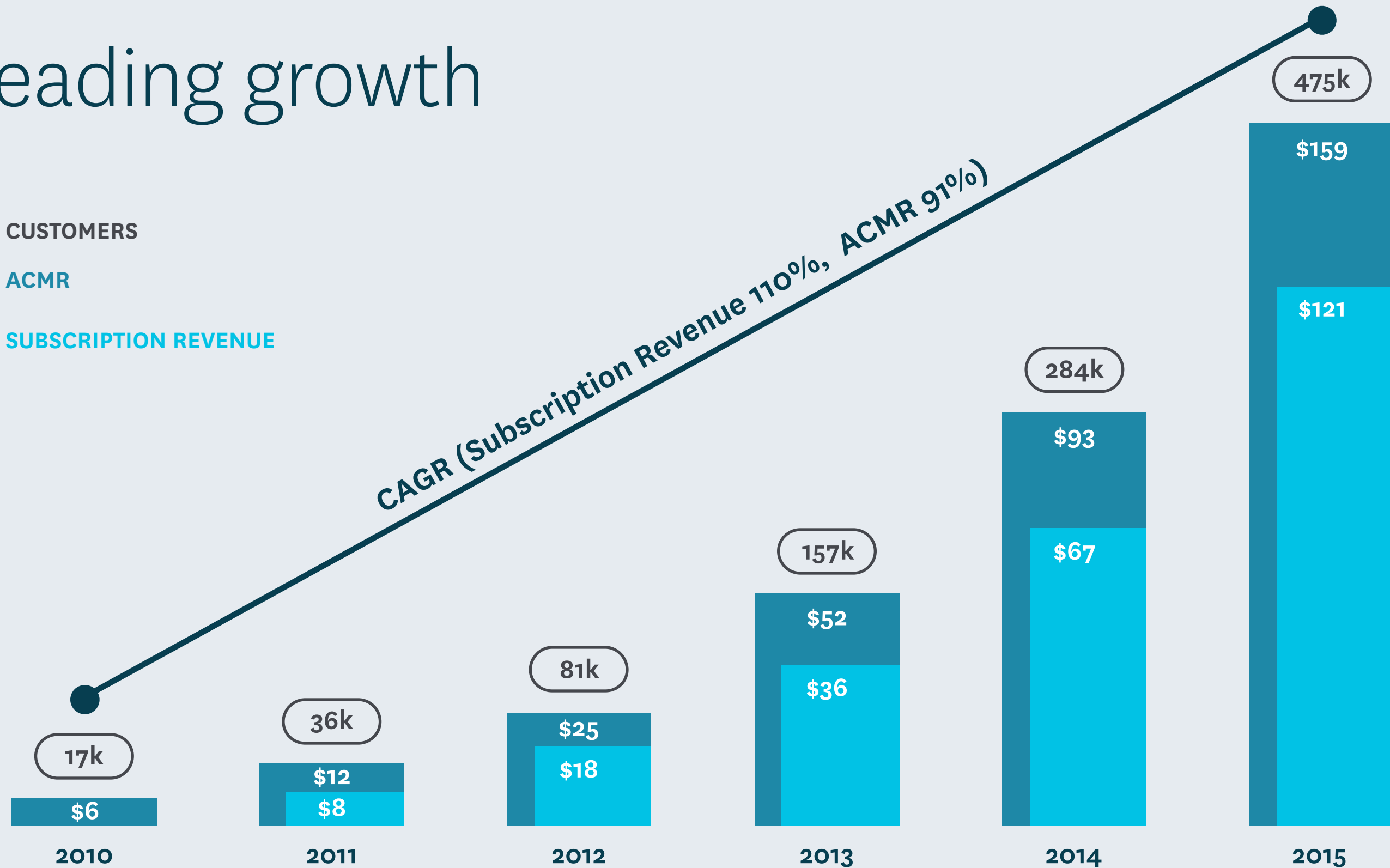
Invest in mobile and viral features

Key strategic and ecosystem partnerships

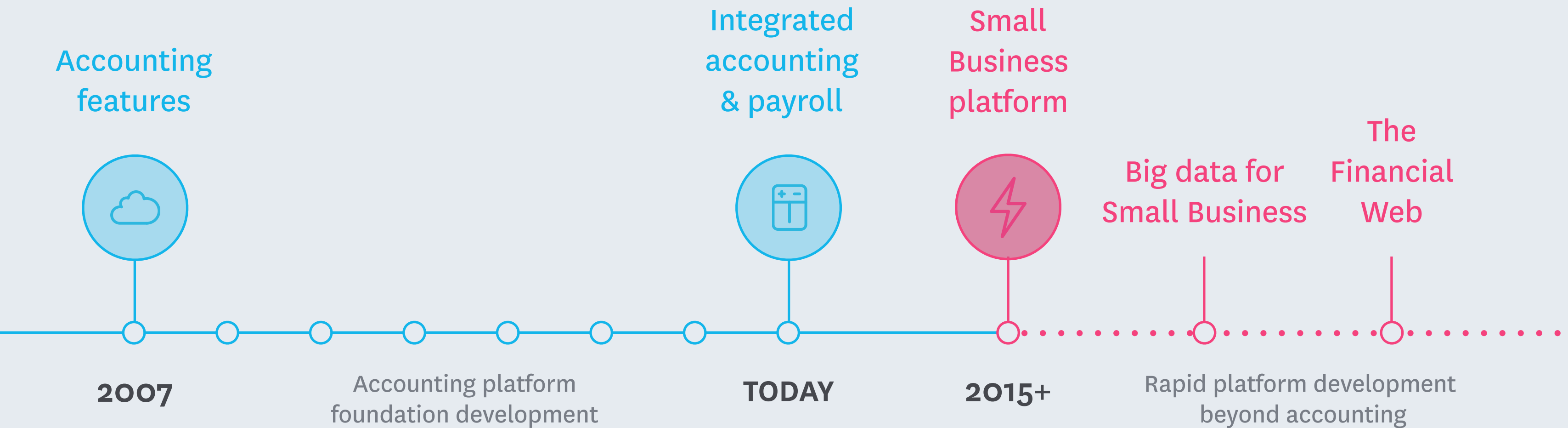
Create new US specific solutions

Leading growth

- CUSTOMERS
- ACMR
- SUBSCRIPTION REVENUE



At the beginning of platform evolution



Incredibly well positioned

Xero's around the world all on a mission to win



First global accounting solution people love



Massive and expanding TAM, significant new revenue opportunities



First global small business cloud accounting platform



Global strategy and proven execution

Q&A



Beautiful accounting software