



Beautiful business

MARKET RELEASE

Xero announces program to reduce costs and drive disciplined growth

Organisational changes reduce 700-800 roles globally and streamline Xero's business

WELLINGTON, 9 March 2023 - Xero Limited (ASX: XRO) today announced a program to streamline its operations, realign the business to drive greater operating leverage, and better balance of growth and profitability. This will strengthen Xero's ability to deliver value to customers and take advantage of the significant growth opportunity presented by cloud accounting.

CEO Sukhinder Singh Cassidy said: "We have made strong progress in executing our strategy. However as we aspire to build a higher performing global SaaS company and to enable Xero's next phase of growth and drive better customer outcomes, we need to streamline and simplify our organisation. These changes, and our decision to reinvest in key strategic areas, will adjust our operating cost base as we balance growth and profitability, while taking a robust approach to capital allocation that supports long term value creation."

The program involves reshaping Xero's organisational structure by reducing 700-800 roles across Xero's business. These headcount reductions will improve Xero's operating profitability as its operating expense to revenue ratio is expected to reduce significantly in FY24. Along with reinvestment into strategic priorities, management is targeting an operating expense to revenue ratio in FY24 of around 75%.

Further detail and FY24 guidance and outlook will be provided as part of Xero's FY23 annual reporting in May. Xero maintains its current guidance for FY23 that total operating expenses (including acquisition integration costs) as a percentage of operating revenue for FY23 are expected to be towards the lower end of a range 80-85%. This excludes restructuring charges associated with this program - expected to be \$25-35 million. These costs are expected to have an immaterial impact on cash flow in FY23 with the majority of payments expected to occur in FY24. Xero remains committed to its aspirational focus on continued operating efficiency over the long term and will take a disciplined approach to reinvestment of cash and generating long term shareholder value.

Xero also plans to exit cloud-based lending platform Waddle - which Xero acquired in 2020 - and expects to incur a write down of \$30-40 million in FY23 as a result of this decision. Xero remains committed to its broader small business platform strategy.

"These are difficult but necessary steps as we work to further strengthen Xero for the future, while carefully balancing the interests of all our stakeholders. We don't take these decisions lightly and we recognise today is a very hard day for our people. Today's announcement does not take away from the significant contributions from everyone at Xero. We take our purpose and values seriously, and are committed to working closely with each impacted employee and providing them with the right level of support," said Singh Cassidy.

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Xero's business remains well positioned to realise its vision to be the most trusted and insightful small business platform. These changes will allow the company to better prioritise resources to deliver for all stakeholders in both the short and long term.

Investor call

Xero will host a webcast at 9:30am AEDT on Thursday, 9 March 2023 which can be accessed at:

<https://webcast.openbriefing.com/XRO-March-2023/>

Pre-registration for the event is encouraged at the above link. A replay of the webcast will be available on Xero's Investor Centre: www.xero.com/about/investors

Authorised for release to the ASX by Xero's Board of Directors

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About Xero

Xero is a global small business platform with 3.5 million subscribers which includes a core accounting solution, payroll, workforce management, expenses and projects. Xero also has an extensive ecosystem of connected apps and connections to banks and other financial institutions helping small businesses access a range of solutions from within Xero's open platform to help them run their business and manage their finances. For four consecutive years (2020-2023) Xero was included in the Bloomberg Gender-Equality Index. In 2021 and 2022, Xero was included in the Dow Jones Sustainability Index (DJSI), powered by the S&P Global Corporate Sustainability Assessment. Xero is a [FIFA Women's Football partner](#).

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