



Beautiful business

MARKET RELEASE

Xero Investor Day 2024 Presentation - 29 February 2024

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Authorised for release to the ASX by the Chief Executive Officer of Xero Limited

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About Xero

[Xero](#) is a global small business platform with 3.95 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. Xero is a [FIFA Women's Football partner](#).

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Investor Day 2024

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Important notice (page 1 of 2)

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Important notice cont. (page 2 of 2)

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Xero's financial statements are prepared in accordance with Generally Accepting Accounting Practice in New Zealand (NZ GAAP) and comply with International Financial Reporting Standards (IFRS). This presentation includes non-GAAP measures as we believe they provide useful information for readers to assist in understanding Xero's financial performance. Non-GAAP financial measures do not have a standardised meaning and should not be viewed in isolation or considered as substitutes for measures reported in accordance with NZ IFRS. Non-GAAP measures have not been independently audited or reviewed.

General

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Agenda

29 February 2024

10:00am – 10:15am	Introduction and Acknowledgement of Country	Nicole Mehalski <i>EGM IR</i> , David Thodey <i>AO Chair</i>
10:15am – 11:00am	Xero vision and FY25-FY27 strategy	Sukhinder Singh Cassidy <i>CEO</i>
11:00am – 12:00pm	Product and technology	Diya Jolly <i>CPO</i>
12:00pm – 1:00pm	Product breakout demonstrations	LUNCH
1:00pm – 1:15pm	Product, pricing and packaging	Angad Soin <i>CBOSO</i>
1:15pm – 1:35pm	Fireside chat with CRO and CMO	Ashley Hansen Grech <i>CRO</i> , Michael Strickman <i>CMO</i>
1:35pm – 2:05pm	GTM overview	Ashley Hansen Grech <i>CRO</i> , Michael Strickman <i>CMO</i>
2:05pm – 2:25pm	Capital allocation, outlook, recap	Kirsty Godfrey-Billy <i>CFO</i> , Sukhinder Singh Cassidy <i>CEO</i>
2:25pm – 3:15pm	Q&A session and wrap-up	Xero Leadership Team

Note: The timings provided above are approximate and subject to change.



Investor Day

Xero vision and FY25–FY27 strategy



Sukhinder Singh Cassidy
Chief Executive Officer

February 2024

Objectives of Xero Investor Day

1

**A view on
where
we've been**

2

**Sharing
where we are
headed**

3

**Insight into
key areas of our
business**

4

**An opportunity
to meet
our leaders**

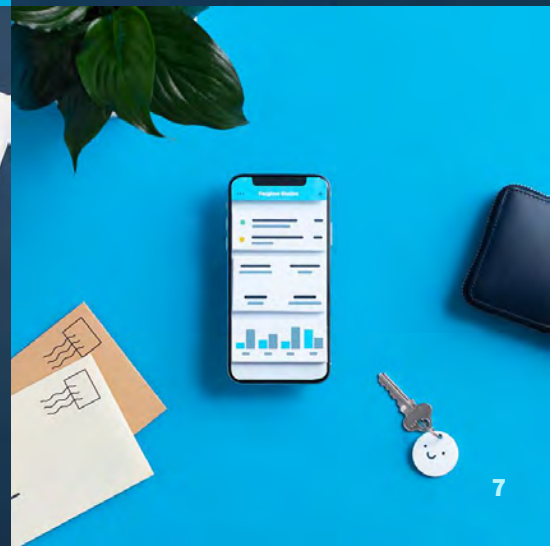
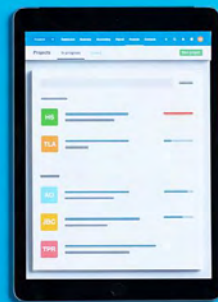
5

**Hearing from
you as long-term
partners**

Nury Saenz, bookkeeper

Internal use only

Our history to date

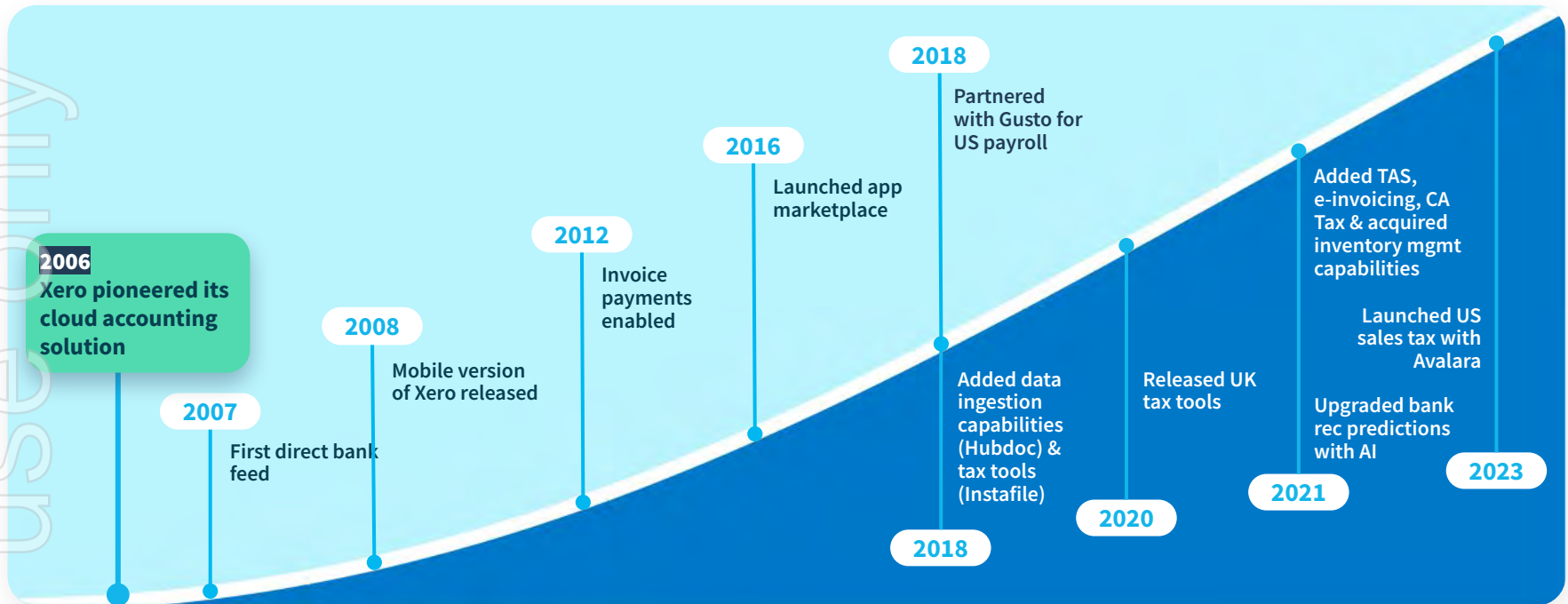


This is Xero: A history of innovation...

Established cloud accounting

Expanded - new geographies

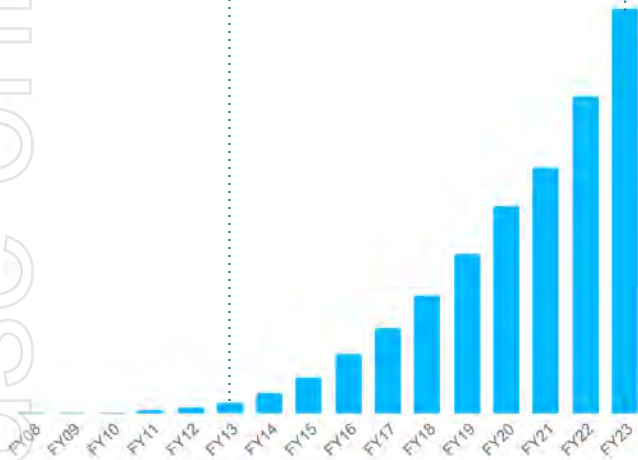
Extended - more jobs to be done



...and delivering strong revenue growth and shareholder returns...

Revenue (NZD)

10yr revenue
CAGR: 43%



Share price performance

XRO S&P ASX 200



Matthew Li, Nova CPA

...while building a strong purpose-driven brand that our customers love

Customer NPS

51
5yr average¹



2021



FT High-Growth Companies
Asia-Pacific (2020 – 2021)



AFR Best Places to Work
Australia & New Zealand



#1 Graduate Employer in NZ

2022



Carbon neutral certification
(2021 – 2022)



AFR BOSS
Most Innovative Companies



UK's Best Workplaces for Women

2023



Bloomberg Gender-Equality Index
(2021 – 2023)



Dow Jones Sustainability Indices
Powered by the S&P Global CSA
(2021 – 2023)

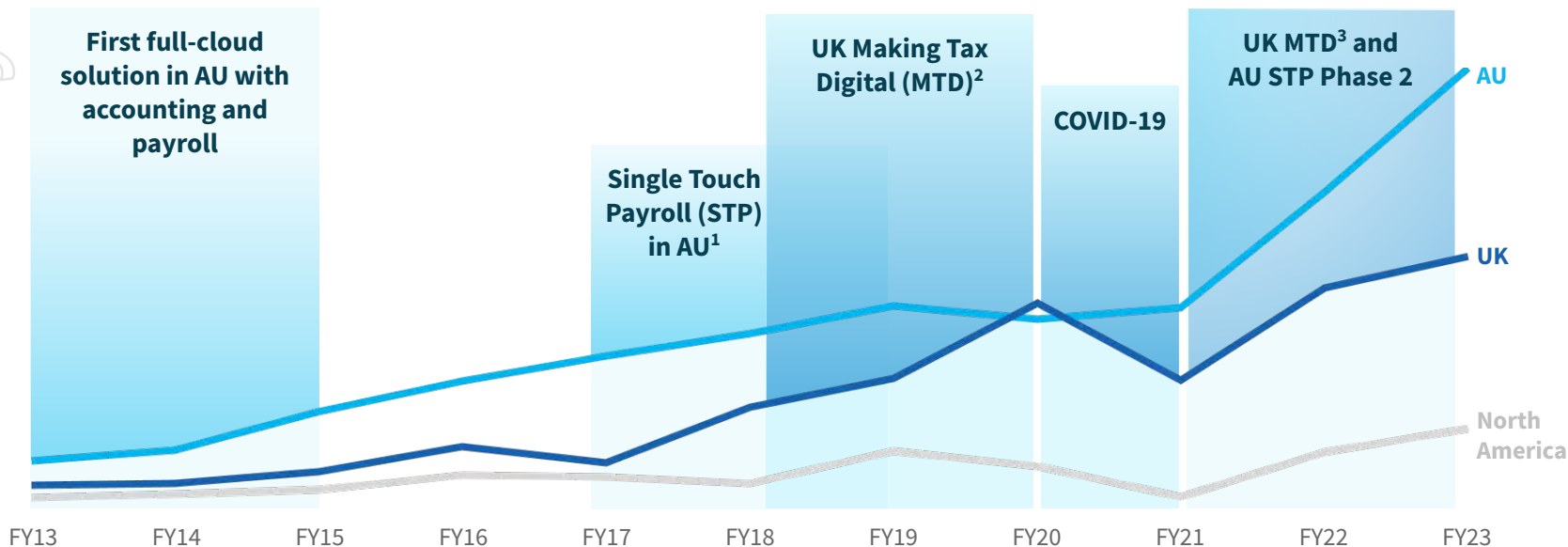
Deloitte Top 200

Deloitte Top 200
Company of the Year

1. Qualtrics, 2019 to 2024 weighted average of Small Business and Accountant and Bookkeeper NPS.

Growth has been driven by strong execution, accelerated by external tailwinds

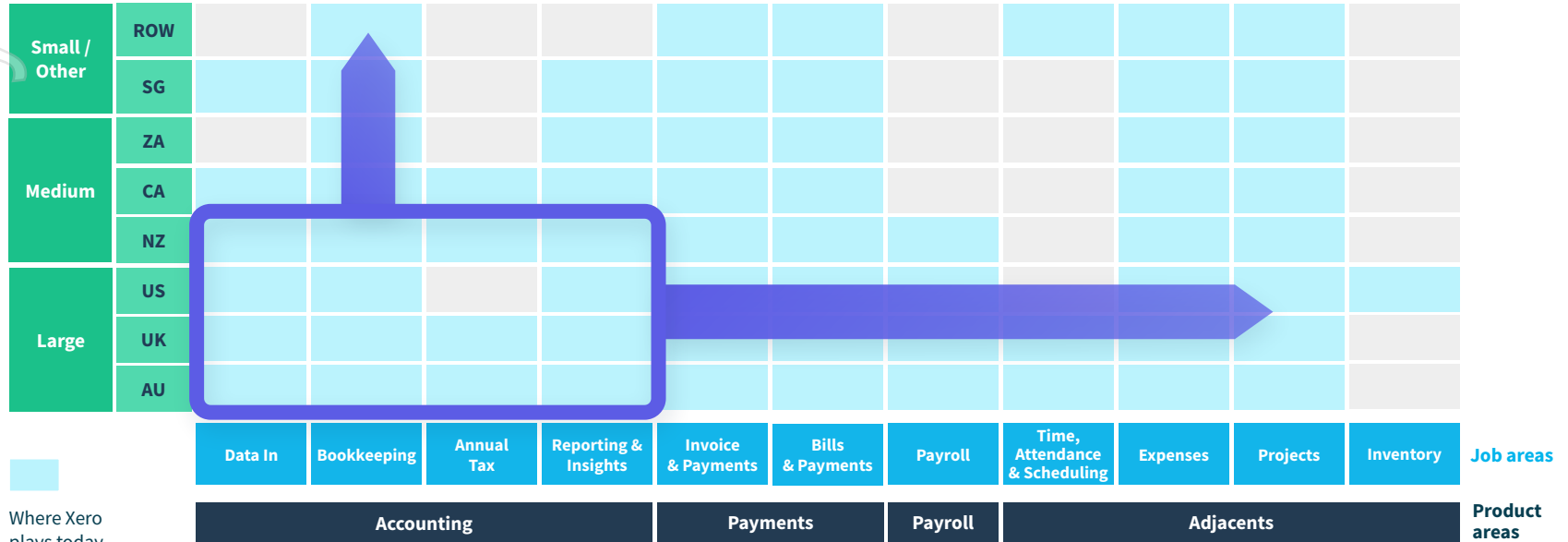
Net new revenue
(NZD)



1. Single Touch Payroll (STP) Phase 1 for employers with 20+ employees (2018) and employers with <19 employees (2019).
2. Making Tax Digital (MTD) for VAT for business with >85k GBP annual turnover.
3. MTD for VAT businesses with <85k GBP annual turnover.

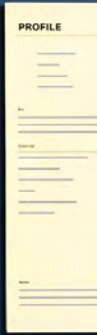
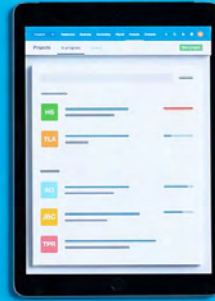
TAM and GTM have grown through market and job expansion

Markets



Look back on the last 12 months

Internal use only



Over the last 12 months, we have strengthened our foundations for Xero's next chapter

Our recent commitments

Targeting more balanced, profitable growth

More focused allocation of capital

Starting on journey to using multiple growth levers

Our achievements

- 15% headcount restructure
- Increase in FCF, strong H1 growth
- Adopted Rule of 40 as a useful measure

- Reshaped org by function
- Reviewed US business, and defined areas of focused investment
- Discontinued non-core businesses

- Increasing focus on product mix
- Plan to address 150-200k long-idle subscribers¹

Invested in new capabilities

Evolving towards a more performance and purpose based culture

Xero's leadership team brings deep and wide global expertise

Xero Leadership Team



Sukhinder Singh Cassidy
Chief Executive Officer
Ex StubHub, Google, Yodlee



Kirsty Godfrey-Billy
Chief Financial Officer
Ex PwC



Diya Jolly
Chief Product Officer
Ex Okta, Google



Angad Soin
Chief Business Operations
& Strategy Officer
Ex Deloitte



Ashley Hansen Grech
Chief Revenue Officer
Ex Square, JP Morgan



Michael Strickman
Chief Marketing Officer
Ex Uber, Tripadvisor



Nicole Reid
Chief People Officer
Ex AMP, Microsoft



Damien Coleman
Chief Legal Officer &
Company Secretary
Ex Telstra

As does our senior leadership team

Some of our SLT highlighted below



Chris Patalano
EVP Product Engineering
Ex Realtor.com, Pandora



Akankshu Dhawan
SVP Direct & Growth
Ex Uber, Microsoft



Che Douglas
EGM Design
Ex Booking.com, WSJ



Eitan Sharon
SVP Data & Science
Ex Amazon, Microsoft



Alex von Schirmeister
Managing Director,
UK & Emerging Markets
Ex eBay



Sylvia Ding
EGM Product -
AB & Payroll
Ex Amazon, Vodafone



Tony King
SVP Pricing, Packaging
& Commercialisation
*Ex Sage Intacct,
ServiceNow, Intuit*



Francesco Pittarello
EGM Performance
Marketing
*Ex Uber, Faire,
Rocket Internet SE*



Anthony Drury
Managing Director, ANZ
Ex Zip, Paypal, AMEX



Kate Hayward
UK Country Manager
Ex Deloitte, KPMG



James Kyd
EGM Brand & Marketing
Ex IBM



Suzy Clarke
EGM Security
Ex ASB, icebreaker

Xero FY25–27 strategy

Winning on purpose

Winning
solutions for
our customers

Living our
purpose
consistently

Purposefully
allocating
capital





Neredah Blake, Blakeaway

Our purpose and vision

Our purpose

To make life better for people in small business, their advisors and communities around the world

Our vision

To be the most insightful and trusted small business platform

Our aspiration¹

We aspire to be a world class SaaS business

*We believe we have the opportunity to both double the size of our business²
and deliver Rule of 40 or greater performance*

*As we grow, we will also seek to be more balanced between
subscriber growth and ARPU expansion*

1. Xero's aspirational revenue and Rule of 40 performance opportunity statement is not guidance, nor a prediction of future performance. No timeframe has been set. This is provided as an indication of outcomes which management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control. See slide 115 for important additional qualifications and information on the basis of this aspiration.

2. Xero FY23 revenue was \$1,400m. H1 FY24 revenue (when annualised on a straight line basis) is \$1,599m.

To deliver this aspiration, we have made choices on where to play and how to win



Where to play

Our target customers, markets and products



How to win

The key tactics that drive success in the next three years



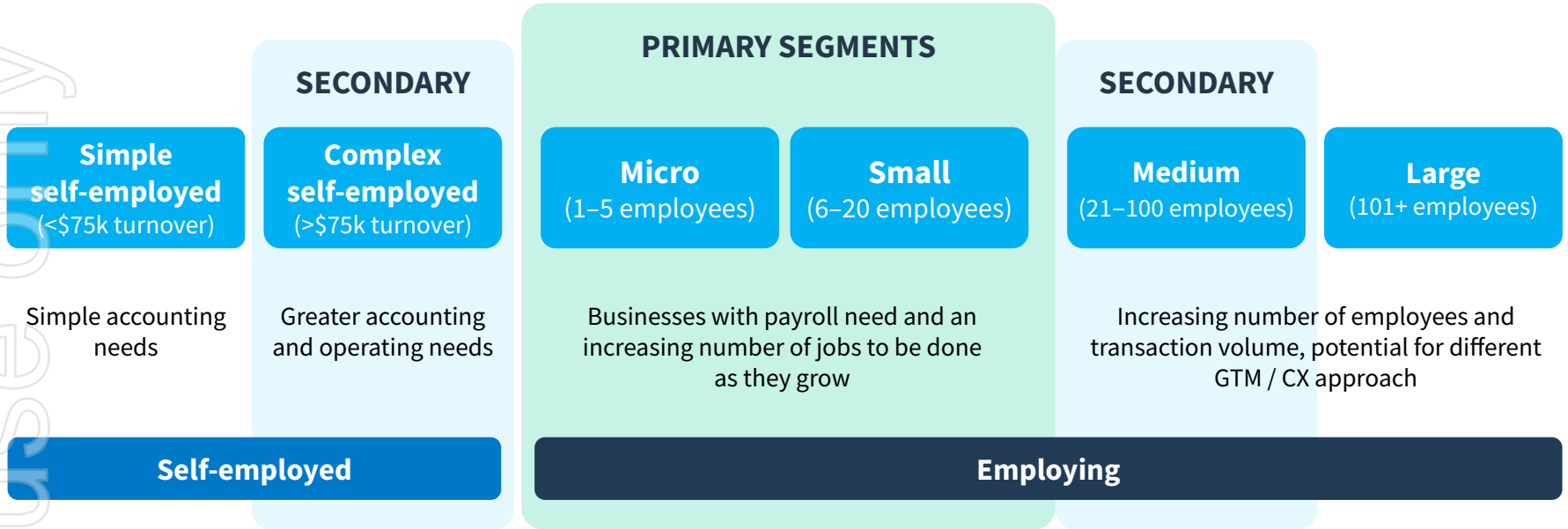


Where to play

Our target customers,
markets and products



We have two primary and secondary SMB segments



Our primary customer segments represent 50% of the TAM and have deeper engagement with our platform

		SECONDARY	50% of TAM PRIMARY SEGMENTS		SECONDARY	
	Simple self-employed (<\$75k turnover)	Complex self-employed (>\$75k turnover)	Micro (1-5 employees)	Small (6-20 employees)	Medium (21-100 employees)	Large (101+ employees)
Split of Xero SMBs ¹ (% of BE subscriptions)	<20%	25-35%	45-55%		<5%	<5%
Indicative average turnover ¹ (NZD)	<\$50k	~\$750k	~\$1m	~\$3m	~\$7m	~\$19m
Average number of jobs done within Xero ^{1,2}	~3 jobs	~4 jobs	~6 jobs	~8 jobs	~9 jobs	>9 jobs
Accountant and Bookkeeper usage ¹	~60%	~75%	~85%	~90%	~90%	~80%
Estimated TAM ^{3,4} (NZD)	~\$4 billion	~\$22 billion	~\$24 billion	~\$25 billion	~\$23 billion	-

1. Split of Xero SMBs and other attributes represent management's best estimates based on AU, UK & NZ Xero subscription data.

2. Jobs to be done within Xero represent common tasks carried out by SMBs to operate their business and does not represent a specific product or solution. Refer to slide 124 in Appendix for more information about JTBD.

3. Total Addressable Market estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s).

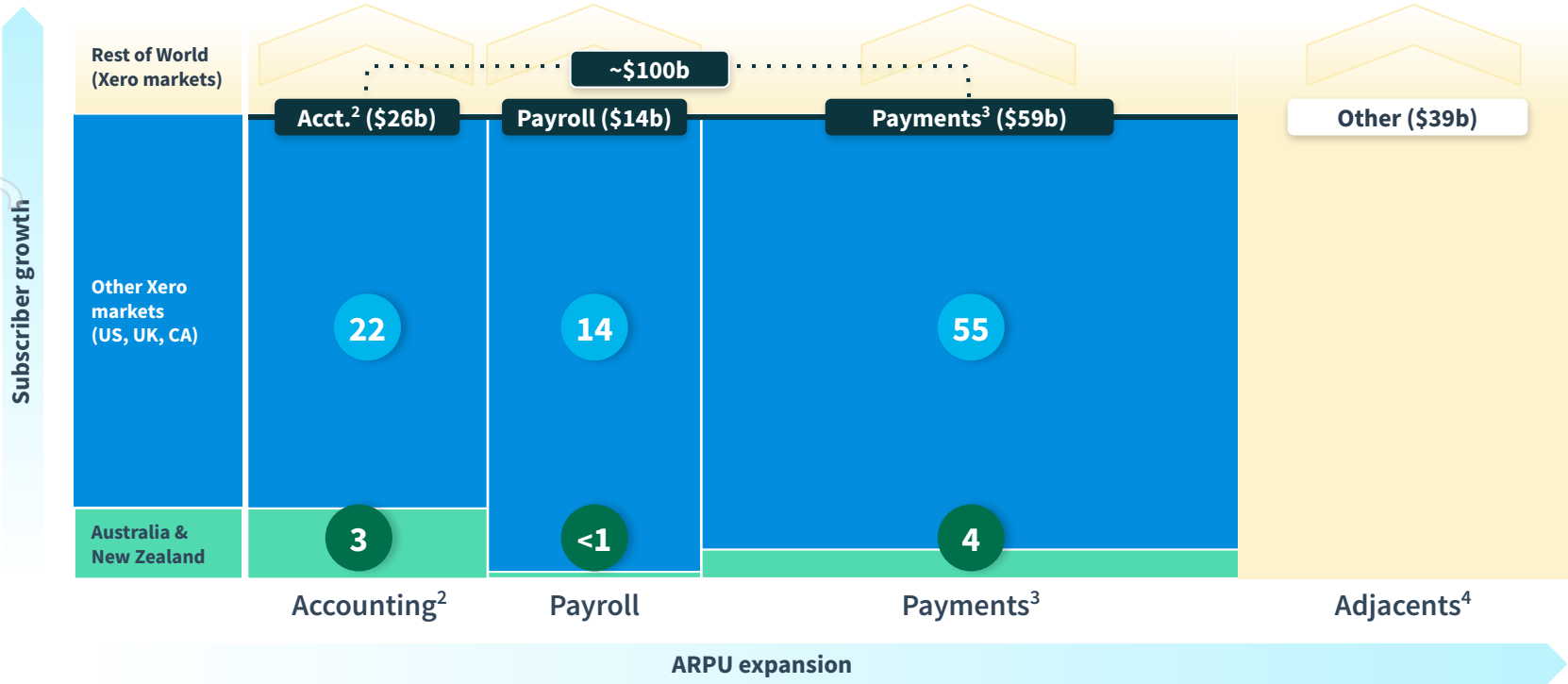
4. Based on AU, NZ, UK, US and CA across accounting (bookkeeping, annual tax, data in, reporting & insights), payments and payroll.

Small and mid-size practices remain our primary AB segment: the largest market opportunity with a strong propensity to adopt cloud software (like Xero)

	SECONDARY	Xero's AB segments PRIMARY SEGMENTS		SECONDARY
	Sole proprietors 10-250 clients (1 partner)	Small practices 150-750 clients (1-3 partners)	Mid-size practices 300-1000+ clients (3-10 partners)	Large practices 1000+ clients (10+ partners)
Share of Xero partners ¹	<40%	55-65%		<5%
Average number of employees	Non-employing	1-9 employees	10-49 employees	50+ employees
Estimated TAM (# SMBs served by segment)	2 million	9 million	6 million	5 million
Enterprise practices: <i>Collections of independent small, mid-size and large firms</i>				

1. Based on internal Xero data for Xero accounting and bookkeeping partners in large and medium markets.

Xero's top three super jobs, accounting, payments and payroll, represent ~\$100b TAM in AU, NZ, US, UK and CA¹



1. Figures may not sum due to rounding.

2. Accounting refers to combination of jobs to be done including annual tax, bookkeeping, data in and reporting & insights.

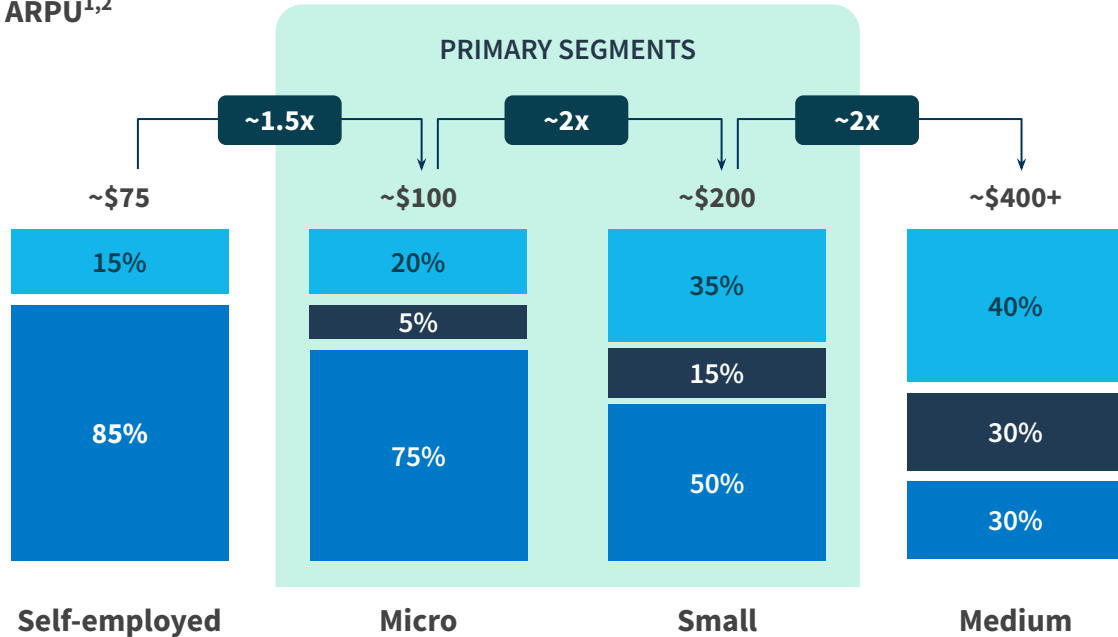
3. Payments TAM refers to invoice and bill payment opportunities available to a full service provider.

4. Adjacents include project management, expenses, inventory, time, attendance & scheduling and customer relationship management.

Payroll and payments are among the highest needs our SMBs identify with, and significant drivers of ARPU in AU and UK

Hypothetical industry ARPU^{1,2}
in AU & UK (NZD)

- Payments³
- Payroll⁴
- Accounting⁵



1. Does not reflect Xero's actual ARPU. Calculated on Serviceable Addressable Market (SAM) data assuming 100% adoption and penetration of services shown for Business Edition equivalent subscriber. US market SAM composition indicates higher ARPU opportunity than UK/AU with a greater proportion in payments and payroll.








2. SAM estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s).

3. Payments ARPU reflects invoice and bill payment opportunities available under Xero's existing partnership arrangements.

4. Payroll ARPU calculated on SAM estimates for each customer segment, noting ARPU scales with number of employees.

5. Accounting ARPU includes bookkeeping, data in and reporting & insights.

AU, UK and US provide the largest-scale revenue opportunities for Xero in the medium term, while our other markets support long-term growth in our portfolio

	PRIMARY MARKETS <i>Potential to be our largest markets</i>			SECONDARY <i>Pursue efficient growth using APIs and partnerships</i>				
	Large			Medium			Small / Other	
	 AU	 UK	 US	 NZ	 CA	 ZA	 SG	Other ³
Population of SMBs ¹	4.5m	8.2m	35.3m	1.2m	4.7m	2.7m	0.5m	~19m
Estimated Accounting SAM ² (NZD)	\$2.9b	\$2.8b	\$16.9b	\$0.6b	\$2.3b	\$1.0b	\$0.3b	-

1. Population of SMBs calculated using government statistics, public market data. Included within this number are other non-SMB entities such as trusts and landlords that may use Xero subscriptions.

2. Estimated Serviceable Addressable Market (SAM) includes activities collectively referred to as accounting (annual tax, bookkeeping, data in and reporting & insights).

3. Other includes other regions in which Xero has a material presence, such as Ireland, Hong Kong, Malaysia, Indonesia, Netherlands, Thailand, Saudi Arabia and Switzerland. TAM / SAM not sized.

Our focus for FY25–27: Complete the most critical jobs in the biggest markets, embed key JTBD, and extend even further through the ecosystem and APIs

	Accounting	Payments	Payroll	Adjacents
SMALL	Rest of World			
	Singapore			
MEDIUM	South Africa		3	
	Canada			
	New Zealand			
LARGE	US			
	UK		1	2
	Australia			

1 The '3 x 3' (\$43b SAM¹)
Complete the three key JTBD (accounting, payroll and payments) for SMBs and ABs in our large markets

+

2 Embed
Extend to other critical JTBD for SMBs and ABs in our three large markets with new embed capabilities and partnerships

+

3 Ecosystem and APIs
Leverage ecosystem to deliver profitable growth in medium and small markets

1. SAM opportunity represents the opportunity that is accessible to Xero over the short term. The estimation approach is consistent for the TAM, with the exception of payments, where only a subset of opportunity is captured, reflecting Xero's decision to rely on partners to support money movement, and therefore reduced margin.



How to win

The key tactics that drive success in the next three years



WINNING ON PURPOSE

Win the '3 x 3'



A Winning GTM
Playbook



Focused bets to
Win the Future



Unleash Xero(s) to Win



Our areas of focus for FY25–27

80%

20%

Win the '3 x 3'

Complete three critical jobs
in three largest markets

Reimagine the SMB journey
including embed

Reimagine the AB journey
including embed

A Winning GTM Playbook

Product, pricing and
packaging to increase
usage and growth

Acquire and onboard
subscribers to the right
products efficiently

Deepen customer
relationships

Focused bets to Win the Future

Evolve customer experience
through AI and mobile

Realise potential of our
ecosystem and APIs

Keep growing other
markets efficiently

Unleash Xero(s) to Win

Deliver a purpose and
performance driven EVP

Enhanced Product and Tech
capabilities and op model

Transform core
enterprise systems

Strategic deep-dives ahead



11:00am – 12:00pm

Diya Jolly *CPO*
Product and technology



1:00pm – 1:15pm

Angad Soin *CBOSO*
Product, pricing and packaging



1:15pm – 2:05pm

Ashley Hansen Grech *CRO*
Michael Strickman *CMO*
Fireside chat and GTM overview



2:05pm – 2:25pm

Kirsty Godfrey-Billy *CFO*
Capital allocation and outlook



Win the '3 x 3'

Complete three critical jobs in three largest markets

Reimagine the SMB journey including embed

Reimagine the AB journey including embed

A Winning GTM Playbook



Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently



Deepen customer relationships



Focused bets to Win the Future

Evolve customer experience through AI and mobile

Realise potential of our ecosystem and APIs

Keep growing other markets efficiently



Unleash Xero(s) to Win

Deliver a purpose and performance driven EVP

Enhanced Product and Tech capabilities and op model

Transform core enterprise systems

WINNING ON PURPOSE

WHY WE EXIST

Purpose

To make life better for people in small business, their advisors and communities around the world

Vision

To be the most trusted and insightful small business platform

ASPIRATION

To be a world class SaaS business

To double the size of our business and deliver Rule of 40 or greater performance¹

FY25-FY27 STRATEGIC PRIORITIES

Win the '3 x 3'

Complete our JTBD and journeys in AU, UK, US

A Winning GTM Playbook

Make it easier for customers to find, use and grow with Xero

Focused bets to Win the Future

Invest selectively to help Xero keep winning longer term

Unleash Xero(s) to Win

Enable Xero to move faster and Xeros to do the best work of their lives

VALUES



We make it beautiful



We make it happen



We make it human



We make it together

1. This aspirational opportunity is not guidance nor a prediction of future performance. No timeframe has been set. This is provided as an indication of outcomes which management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control. See slide 115 for important additional qualifications and information.



Investor Day

Product and technology



Diya Jolly
Chief Product Officer

February 2024

Business strategy focus areas



Product and technology

Win the '3 x 3'

Complete three critical jobs
in three largest markets

Reimagine the SMB journey
including embed

Reimagine the AB journey
including embed

Focused bets to Win the Future

Evolve customer experience
through AI and mobile

Realise potential of our
ecosystem and APIs

Keep growing other
markets efficiently

Unleash Xero(s) to Win

Deliver a purpose and
performance driven EVP

Enhanced Product and Tech
capabilities and op model

Transform core
enterprise systems

Introduction and experience



Diya Jolly
Chief Product Officer



Observations: What's working well



Strong core product



Multiple jobs to be done



Global reach



Robust ecosystem



Passionate team

Observations: How to turbocharge the next stage of growth



**Develop for
specific segments
and markets**



**Create delightful
end-to-end
experiences**



**Experimentation
and data-driven
analytics**



**Modernise
while innovating**



**Augment leadership
team with strong
domain experts**

Xero product vision



Win the '3 x 3'

Complete three critical jobs in three largest markets

Reimagine small business and accountant and bookkeeper journey



Win the future

Evolve our customer experience through AI and mobile



The most powerful accounting platform for small businesses and their advisors



Magical, personalised experiences for small businesses and their advisors



Create a small business operating system by embedding deeper ecosystem experiences



Reimagine accounting through AI and mobile



Win the '3 x 3'

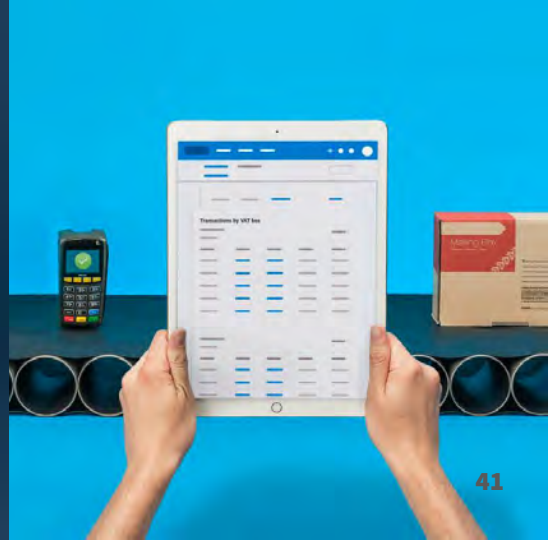
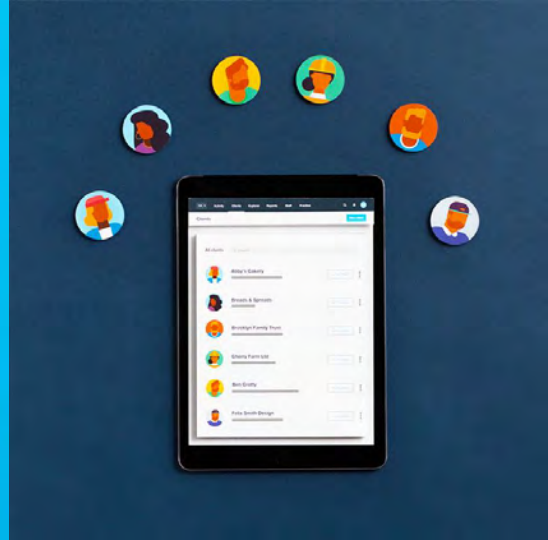
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Accounting

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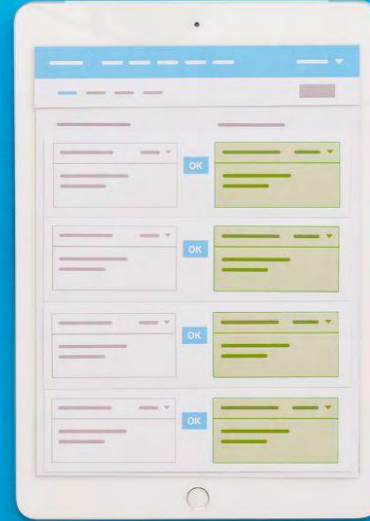
Bank transactions in Xero

Bank feeds and auto-reconciliation save Xero customers **5.5 hours per week**¹



1. Average from 183 customers surveyed in August 2023

Win the '3 x 3'



Boosted US bank feed quality and coverage

Win the '3 x 3'



12 months ago:

~20

US direct bank feeds

Today:

600+

US direct bank feeds

Both Xero built and aggregator supplied direct bank feeds



ENVESTNET
Yodlee



flinks



analyst use only

Released Hubdoc bank statement extraction

Win the '3 x 3'



Final use only

The screenshot displays the Hubdoc interface for a document titled "RBC Statement". The document is a PDF of a personal chequing account statement from RBC Bank of Canada, dated April 12, 2004. The interface includes a sidebar with document folders, a main content area with the document preview, and a right-hand panel for document details and extraction options.

Document Details:

- Document Type: Statement
- Financial Institution: RBC (Canada)
- File Format: Xero CSV
- Statement CSV generated: [Generate CSV](#)
- Supplier: RBC
- Invoice / Ref. #: [Blank]
- Date: 04-12-2004
- Due Date: [Blank]
- Total Amount: 3,864.79 CAD

Summary of your account for this period:

Regular Plus (1234) Statement
RBC Bank of Canada
1234 ANY STREET, SUITE 5478
OTTAWA, ONTARIO K1H 1A1

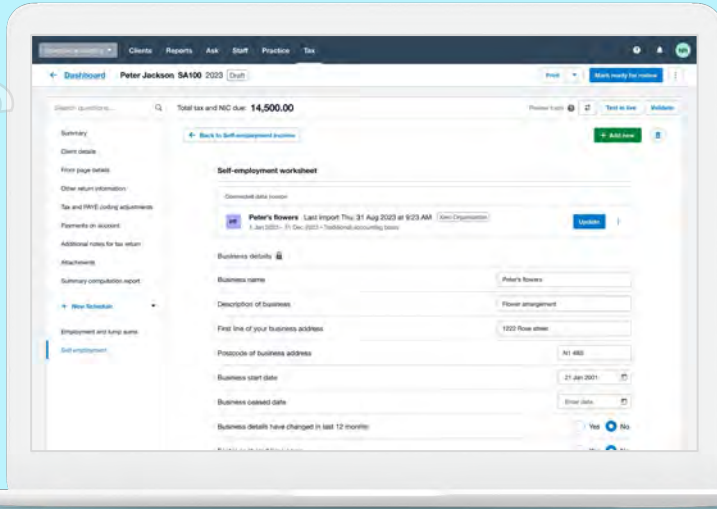
Your opening balance on March 31, 2004: \$4,242.14
Total deposits into your account: +141.18
Total withdrawals from your account: -727.05
Your closing balance on April 12, 2004: = \$3,656.27

Details of your account activity:

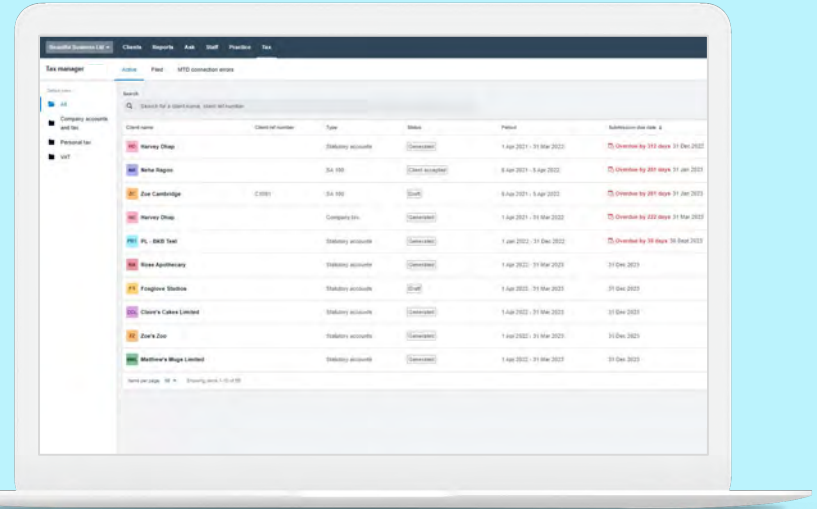
Date	Description	Withdrawal (\$)	Deposit (\$)	Balance (\$)
01 Mar	Opening balance		4,242.14	4,242.14
	Transfer	45.00	3%	
	Interest paid			
01 Mar	ATM withdrawal	100.00		
17 Mar	Deposit (1234) - RBC (Canada)	67.82		4,189.87
08 Mar	Deposit (1234) - RBC (Canada)	9.91		4,199.78
08 Mar	Deposit (1234) - RBC (Canada)	30.00		

Enhanced UK Xero Tax and launched tax manager

Win the '3 x 3'



Personal tax



Tax manager

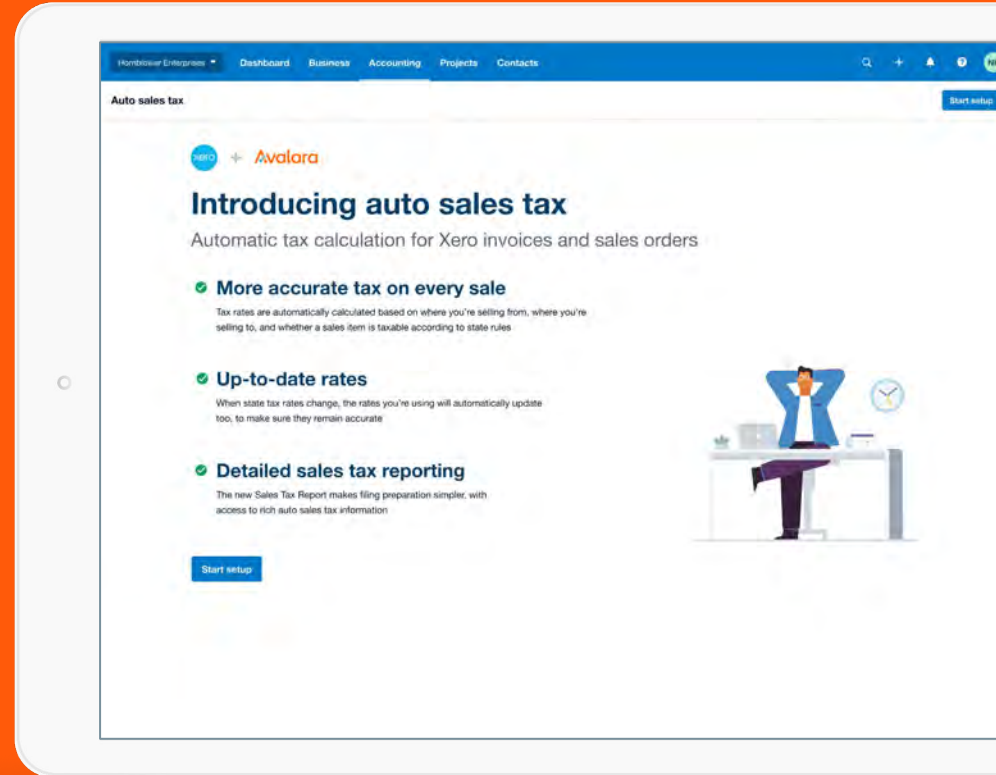


Released automatic sales tax in US

Win the '3 x 3'



Avalara



avalara only



What's ahead for accounting

Win the '3 x 3'



Key focus areas

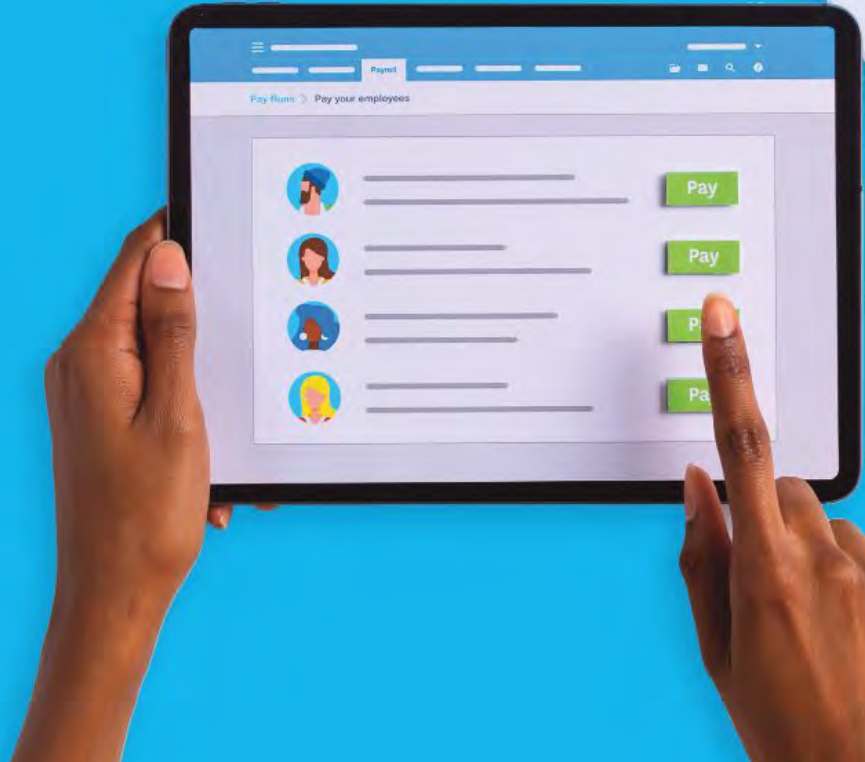
- ✓ Strengthen our tax capabilities in the UK
- ✓ Localise and support core needs in the US
- ✓ Bulk tools and insights

Jem Selig Freeman, Like Butter



Xero Payroll

Personal use only



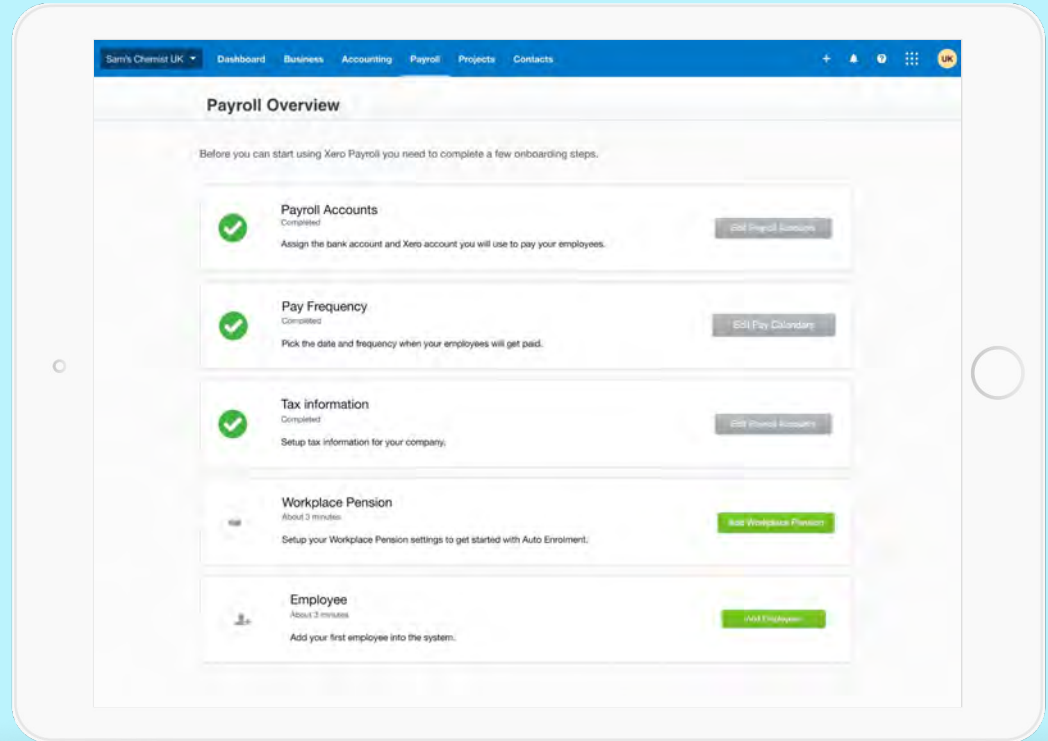
Easier setup and onboarding globally

Win the '3 x 3'



✓ Save time setting up Xero Payroll

✓ Reduce errors during setup



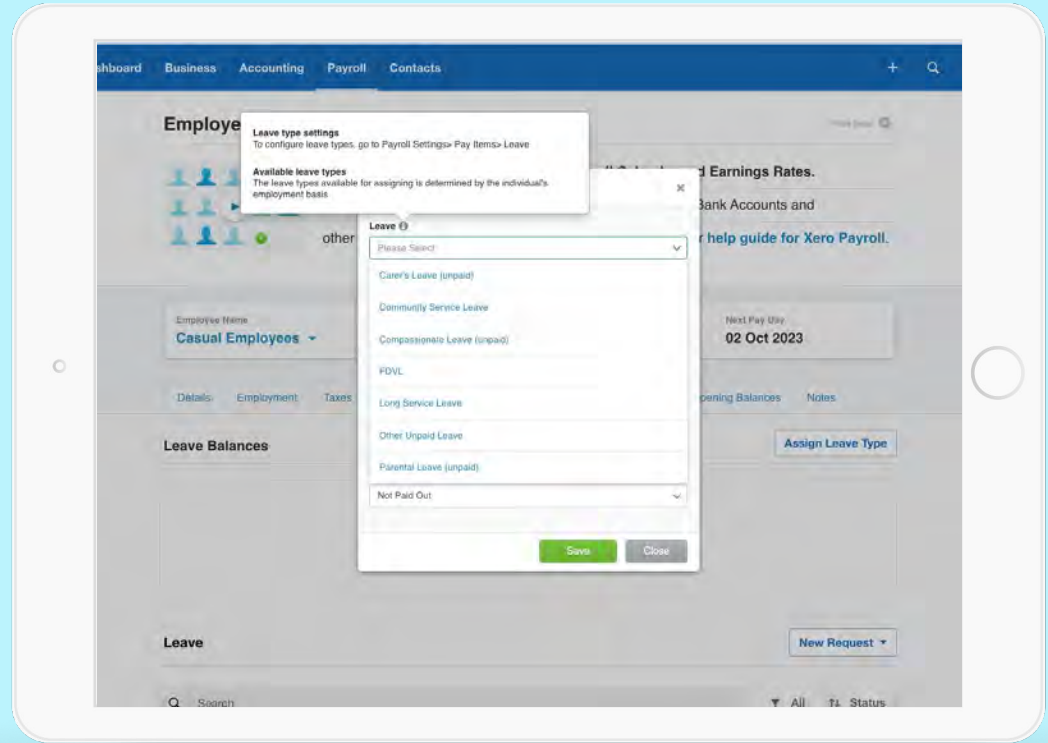
Enhanced payroll in Australia

Win the '3 x 3'



Automation for leave management for contractors and casuals

Tighter risk and fraud controls for superannuation



Significant improvements to Xero Payroll in the UK

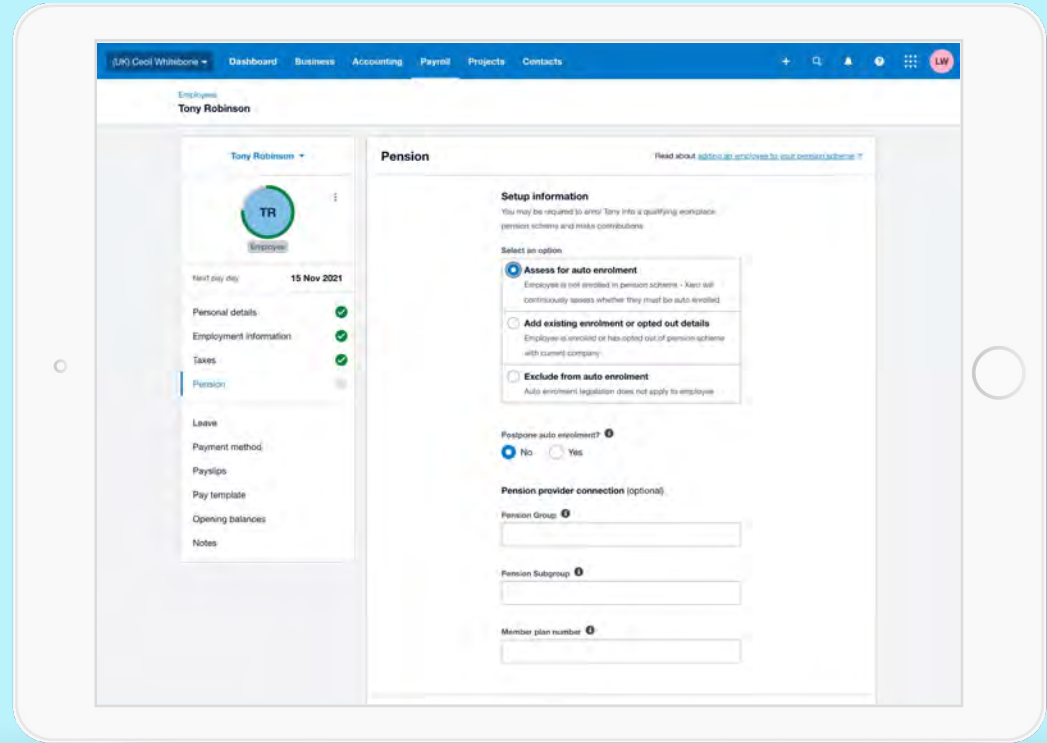
Win the '3 x 3'



✓ Easier transition to Xero Payroll from another provider

✓ Support for salaried employees with non-traditional work hours

✓ Tools to better manage employee pensions



What's ahead for Xero Payroll

Win the '3 x 3'



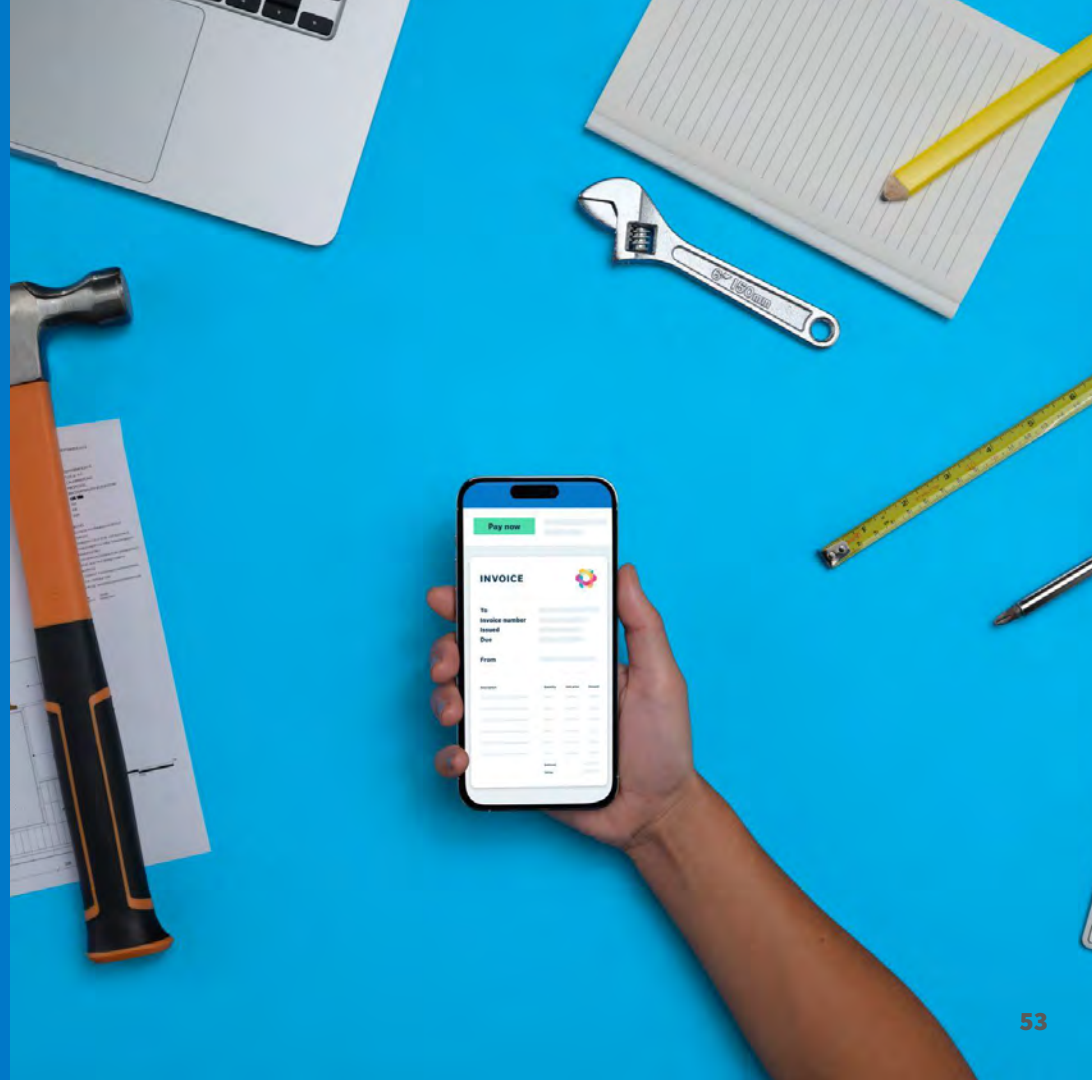
Key focus areas

- ✔ Enhance employee onboarding
- ✔ Use automation and intelligence to reduce time and errors
- ✔ Enhance Xero Payroll for UK users with complex needs

Don Oliver, Oliver's Taranga Vineyards



Payments



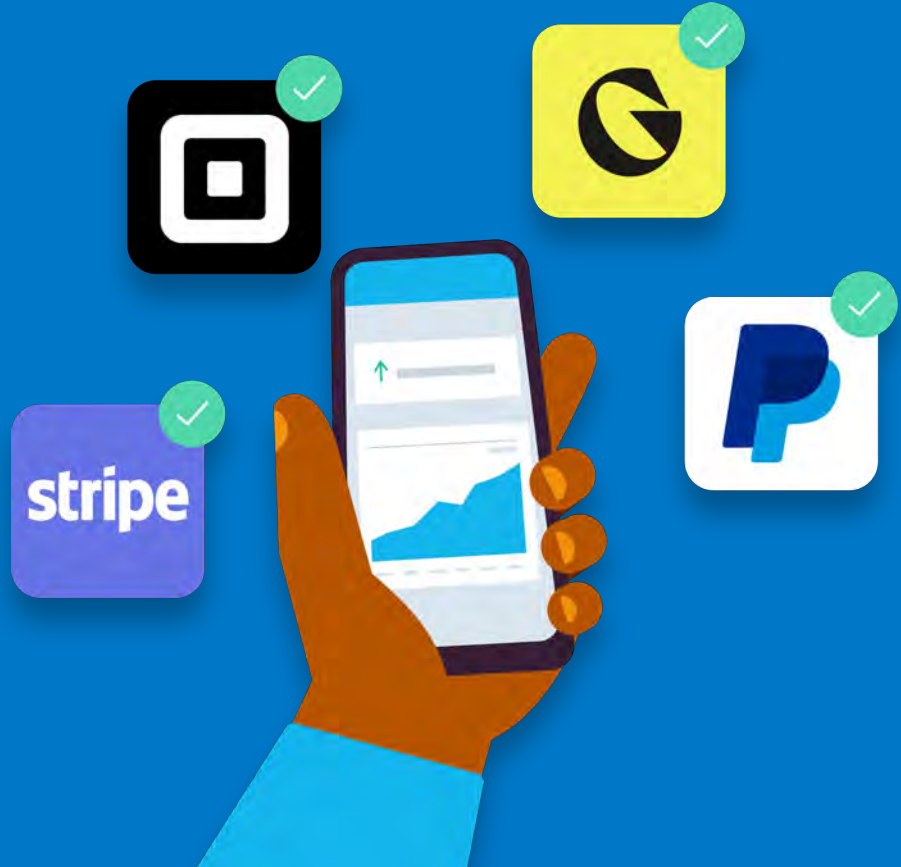
Removing friction to onboard to Xero payments

Win the '3 x 3'



Improvements to onboarding

- ✓ Deeply embed payment service providers in Xero
- ✓ Auto-suggest bank account during payments onboarding
- ✓ Link existing payment service provider accounts with a click



Removing friction to pay an online invoice

Win the '3 x 3'



Invoice INV-666 from Wild Craft Coffee Ltd for Mona Yang

Sharad Patel sharad@wildcraftcoffee.com 3:22 PM (11 minutes ago)

Wild Craft Coffee Ltd

\$360.00 USD
Due 8 Dec 2023
Invoice #: INV-666

[Review and pay](#)

Hi Mona,

Here's invoice INV-666 for \$USD 360.00.

The amount outstanding of \$USD 360.00 is due on 8 December 2023.

View your bill online: <https://in.xero.com/18Pn6eByQTX0o81Gbk65qdFdzN70x1Uz244m5F>

From your online bill you can print a PDF, export a CSV, or create a free login and view your outstanding bills.

If you have any questions, please let us know.

Thanks,
Wild Craft Coffee Ltd

Description	Amount
Limited Edition Festive Blend Coffee 500 / Premium Roast Beans 80g	14.40
Delux Coffee Original Best Sellers	172.80

Launched bill pay in the UK

Win the '3 x 3'



First major small business cloud accounting software in UK to offer on-platform bill payments using Open Banking



Dashboard Business Accounting Contacts

Purchases overview Bills to pay

Make payment

Pay from: Select an account Reconcile to: Select an account Payment reference (optional):

Payment will be made from this account. A record of the payment will appear in this Year account.

Group payments by payee

Payee	Reference from bill	Payee reference	Bank account	Due	Payment
Kedgeroe Do	INV-0025	Plumber	23-45-72 12345678	100.00	100.00
Simple energy	Electricity	Energy supplier	12-34-56 02345678	320.00	320.00
Real estate	Rent	Leasing agent	45-67-89 45678901	2,400.00	2,400.00
Kedgeroe Do	INV-0026	Plumber	23-45-72 12345678	450.00	450.00
Simple energy	Gas	Energy supplier	12-34-56 02345678	120.00	120.00
Foxglove Café	Coffee beans	Coffee supplier	02-46-60 86420866	1,200.00	1,200.00
Sweet Bake	Baking ingredients	Cake supplier	10-25-69 23456789	600.00	600.00
Duck cleaning	INV-0027	Cleaning service	20-37-45 34567890	460.00	460.00
General supplies	Cutlery	Cutlery supplier	30-45-67 45678901	200.00	200.00
Simple energy	Water	Energy supplier	40-56-78 56789012	300.00	300.00

10 bill payments 6,150.00

Payment fee 2.40
0.20 incl. VAT per bill payment

Total 6,152.40

Authenticate and pay

Request someone to pay

Launched e-invoicing in UK

Win the '3 x 3'



Current markets



Australia



NZ



Singapore

New market



UK

Technology that powers e-invoicing



The screenshot shows the Xero software interface. At the top, there are navigation icons: a plus sign, a search icon, a bell, a question mark, a grid icon, and a yellow circle with 'FO'. Below this, there are tabs for 'Direct bill payments', 'Automate bill entry', and a green 'New bill' button with a dropdown arrow. A modal window titled 'Save time entering bills' is open, featuring a close button (X) in the top right. The modal contains the following text: 'Receive bills as eInvoices', 'eInvoicing allows your suppliers to directly send bills to Xero, regardless of what financial system they may use. Learn more about [receiving eInvoices](#).', a blue button labeled 'Register to receive eInvoices', 'Email bills to Xero', and 'To automatically create draft bills with some details filled in, forward emails with attachments to the following email address. [Learn more](#)'. Below this, there is an 'Email' field. In the background, a table is partially visible with columns for 'Start date' and 'Due date', containing dates like '19 Nov 2022', '18 Nov 2022', and '17 Nov 2022'.

What's ahead for payments

Win the '3 x 3'



Key focus areas

- ✓ Reduce friction for small businesses
- ✓ More ways to pay
- ✓ Enhance UK bill pay

Neredah Blake, Blakeaway

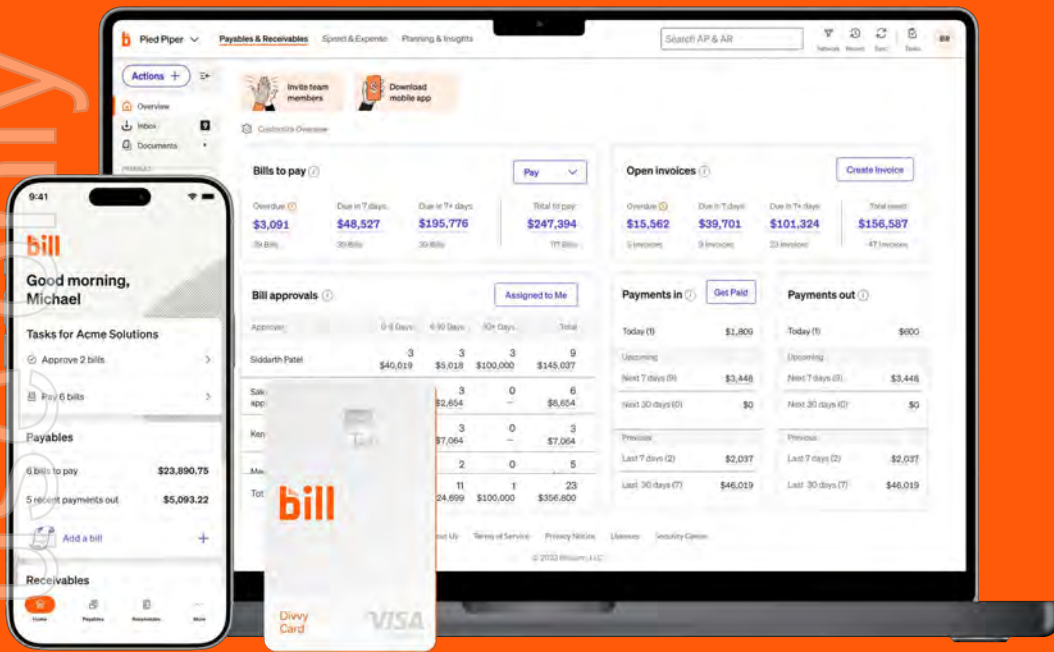
INTRODUCING: New partnership with BILL

Win the '3 x 3'



bill

- ✓ Deeply embedded experience
- ✓ Robust bill pay capabilities
- ✓ Broad payment choices
- ✓ Better cash flow visibility and control



 IN DEVELOPMENT

In development: US bill pay beta

Win the '3 x 3'



bill

DEMO





Win the future



AI already powers a range of products across Xero

Win the future



FORECASTING



CONNECTED
ENTITIES



UNDERSTANDING
FINANCIAL
DOCUMENTS



CODING
TRANSACTIONS



GENERATIVE
AI

Internal use only

We see AI playing a vital role in three ways

Win the future



Automating and streamlining repetitive, time-consuming tasks



Delivering the right insights at the right time



Introducing conversational interfaces using generative AI

Automating and streamlining repetitive, time-consuming tasks

Win the future



Bank reconciliation predictions

Reconcile (8) | Cash coding | Bank statements | Account transactions | Compact view

What's this? | Review your bank statement files.

Spent	Received
5 Aug 2023 Farmings Nursery Seedlings More details	500.00
8 Aug 2023 Google Ads (GUJ5843) More details	65.36
9 Aug 2023 KG Group (Healy Lease) More details	700.00
10 Aug 2023 Hutton Agricultural Course Compost More details	350.00
14 Aug 2023 Safety Supplies (Grove Mills L) More details	50.00

Then match with your transactions in Xero

Match	Create	Transfer	Discard	Spent	Received	Find & Match
Why	Farmings Nursery	What	200 - Sales			
Why	Enter a description.					
Region	GST or Income					Add details
Match	Create	Transfer	Discard	What	400 - Advertising	Find & Match
Why	Google Ads	What	400 - Advertising			
Why	Enter a description.					
Region	GST or Expenses					Add details
Match	Create	Transfer	Discard	What	459 - Rent	Find & Match
Why	KG Group	What	459 - Rent			
Why	Weekly Rent					
Region	GST or Expenses					Add details
Match	Create	Transfer	Discard	What	350.00	Find & Match
Why	Hutton Agricultural Ref: INV-5162	What	350 - Purchases			
Why	Safety Supplies	What	300 - Purchases			
Why	Gloves					
Region	GST or Expenses					Add details

How Hubdoc uses OCR AI technology

Hubdoc | Accounts | Foxglove Studios

FOLDERS | Docs | Sort By: Bill Date | IT | Adobe Invoice

Paypal Account Ser: Bill Date: Mar 1, 2018 825.00

Adobe Account: 0002765 | Bill Date: Dec 01, 2019 852.99 | Due: Dec 03, 2019

Hubdoc Account: 0003 | Bill Date: Dec 16, 2019 | Due: Jan 16, 2020

stripe Account: 0000129 | Bill Date: Mar 1, 2019 80.00

Adobe Account: 0006769 | Bill Date: Nov 01, 2019 30.00 | Due: Nov 08, 2019

INVOICE

Invoice Number: 01000
Invoice Date: 2023-01-19
Payment Terms: Net 30
Due Date: 2023-02-18
Purchase Order:
Contract No:
Order Number:
Order Date:
Customer No.:
Bill to No.:
Adobe Contact Information: <https://helpx.adobe.com/contact.html>

Line No.	Material No / Description	USD	Unit Price	Qty	Extended Price
000003	014021-12	84	52.98	1	52.98

1. Scan a physical bill

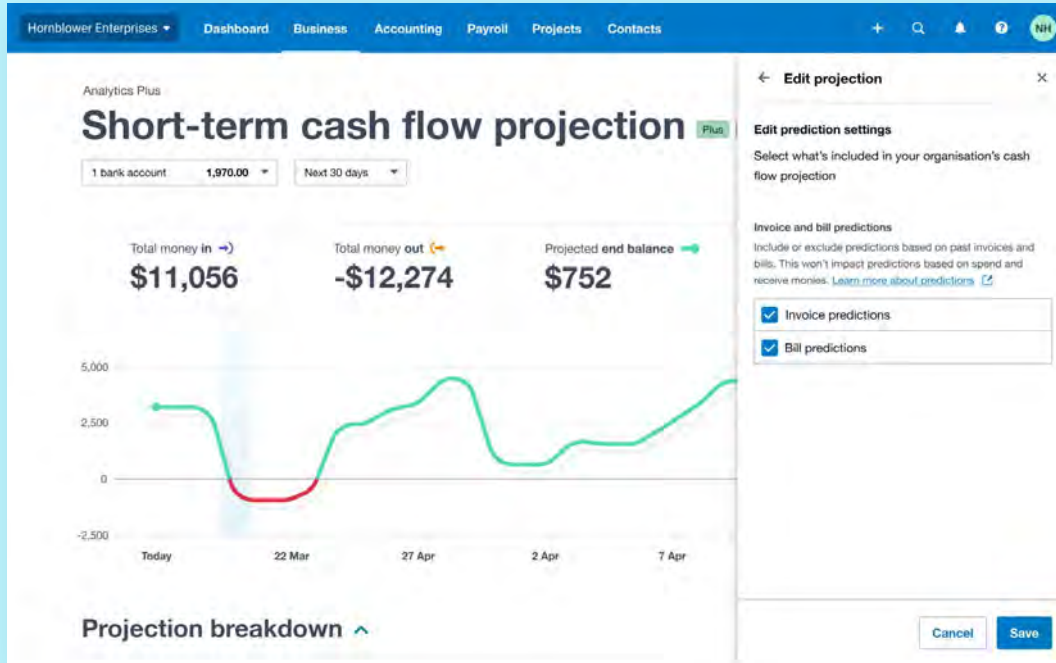
2. Create the appropriate bill automatically

3. AI matches if there is an existing supplier for it in contacts

4. For new suppliers, it verifies if the supplier is a valid business and updates contacts

Delivering the right insights at the right time

Win the future

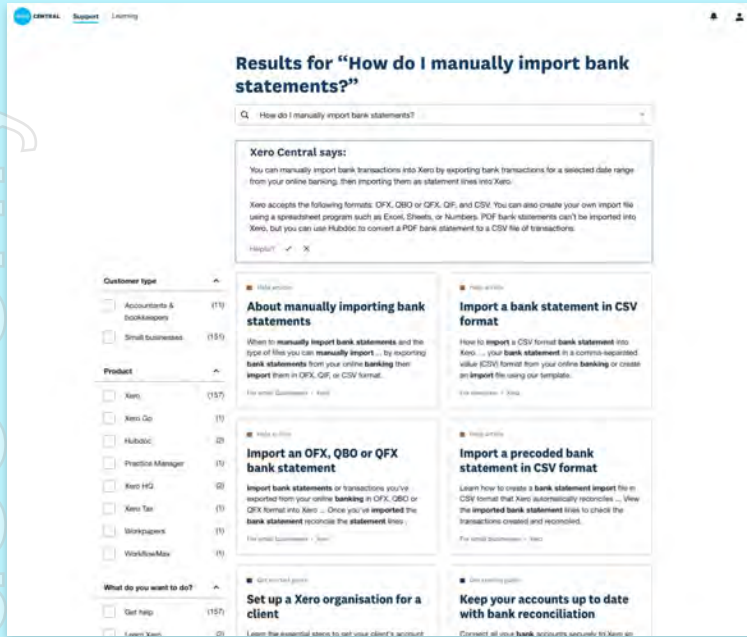


Xero Analytics Plus

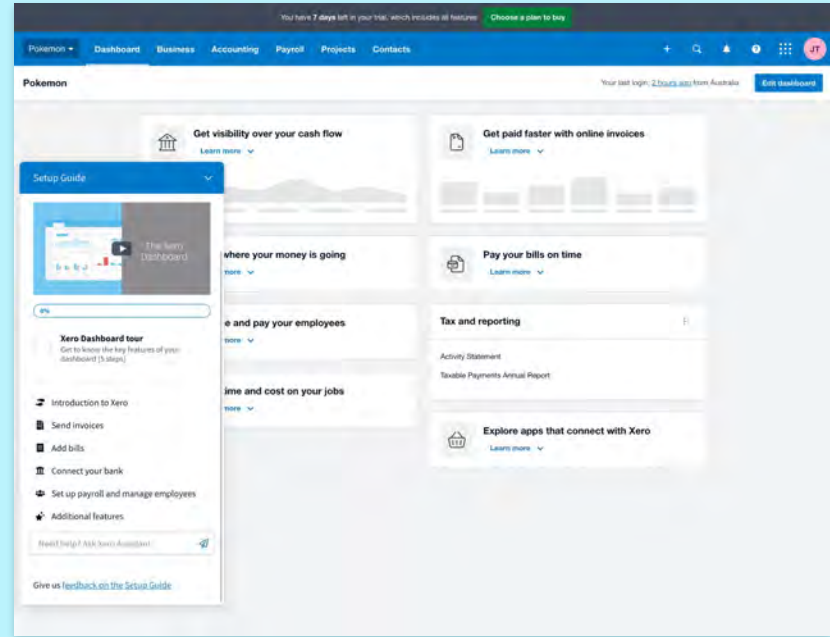
Internal use only

Launched conversational interfaces using Gen AI

Win the future



Gen AI in Xero Central



Xero setup guide

Introducing Just Ask Xero

A smart and trusted business companion
for small businesses and advisors

Win the future

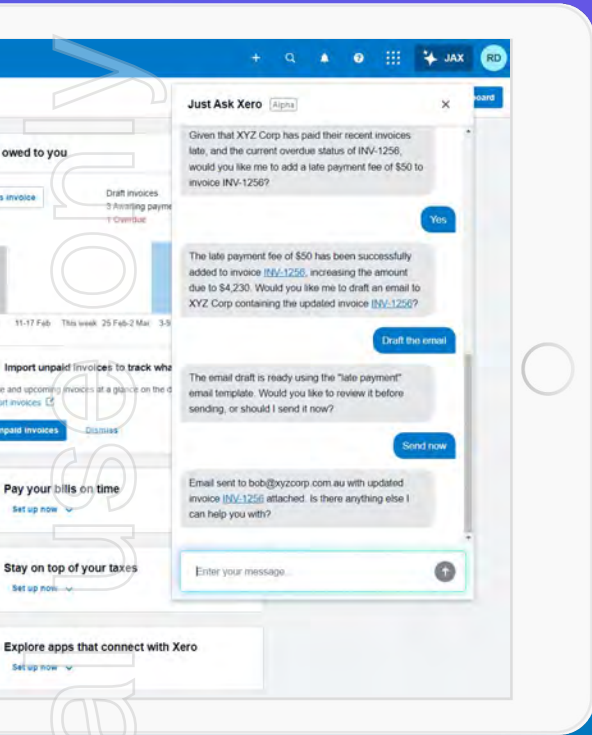


mal use only

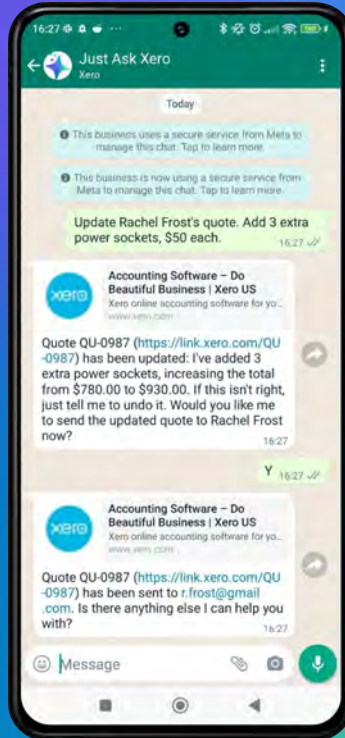
Just Ask Xero



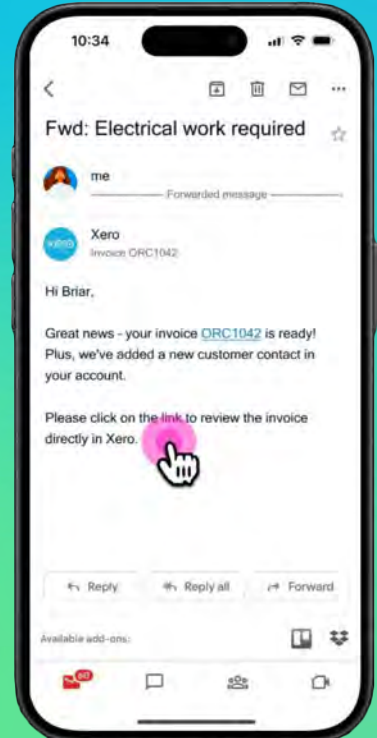
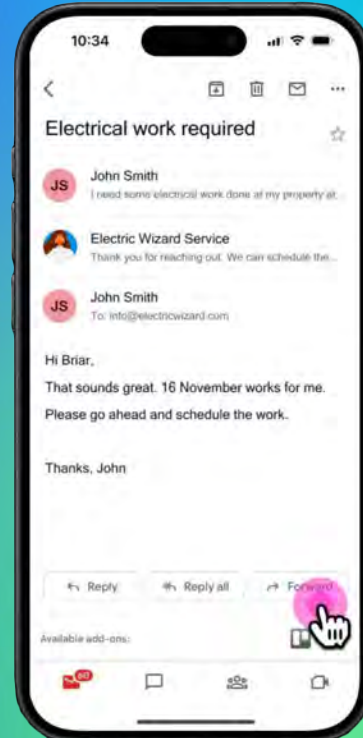
Apply a late payment fee in Xero



Update a quote via WhatsApp



Create an invoice via email



Our commitment to responsible data use and security

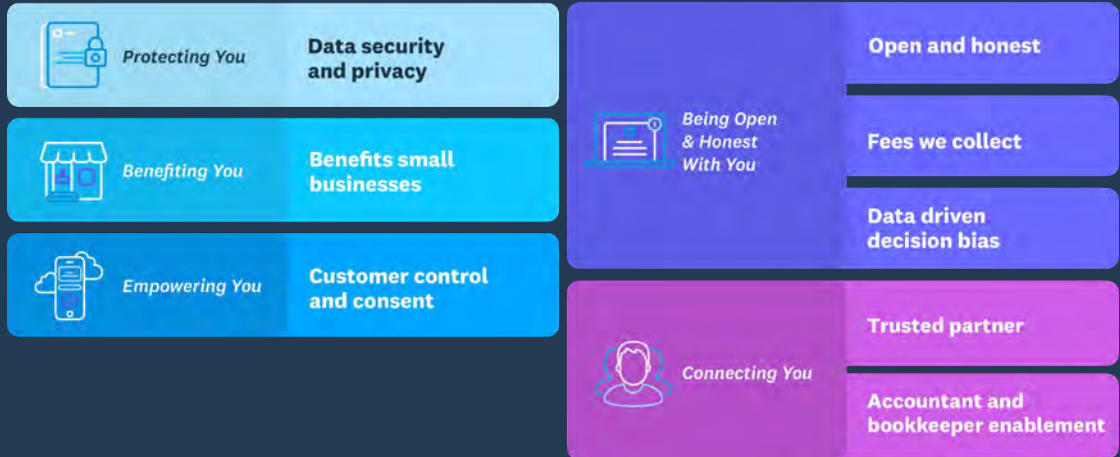
Win the future



Data use and security

- ✓ Our responsible data use commitments guide every area of data use (including AI)
- ✓ Our products are built using leading security and privacy measures

Xero's responsible data use commitments



mal use only



Unleash Xero

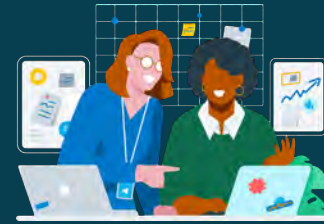


Scaling our organisation for the next arc of growth

Unleash Xero



**Product and Technology
operating model**



**Modernising while delivering
customer value**

Updates to our Product and Tech operating model

Unleash Xero



- ✓ Cross-product planning and delivery process
- ✓ Regional product teams focused on our three core markets
- ✓ Data, analytics and experimentation



Xero's modernisation approach

Unleash Xero



- ✓ Deep data, and analysis, to understand bottlenecks and enhance developer productivity
- ✓ Balance modernisation with customer delivery
- ✓ Align modernisation with where we want to innovate



Payroll modernisation case study

Unleash Xero



Help small businesses
confidently manage
payroll



Respond to how
customer needs and
technology have evolved



Technology upgrade for
improved efficiency and
performance



A new cross-functional
team with diverse skills

Payroll modernisation case study

Unleash Xero



Unused code

REMOVED



50%

Releasing a change to the codebase

PREVIOUSLY



~~Over 1 week~~



NOW
On demand

Setting up test environments

PREVIOUSLY



~~Many days~~



NOW
Under 45 min

What's next for our operating model and modernisation

Unleash Xero



- ✓ Continue localised development for key markets
- ✓ Bolster domain-specific expertise
- ✓ Holistic location strategy to increase effectiveness
- ✓ Balance customer delivery while modernising

Xero, Melbourne HQ

Recap of our talk today



Product and technology



Win the '3 x 3'



Core accounting

- Boosted US bank feed quality and coverage
- Released Hubdoc bank statement extraction
- Enhanced Xero Tax (UK) and launched tax manager
- Released automatic sales tax in US



Xero Payroll

- Easier setup and onboarding globally
- Enhanced payroll in Australia
- Significant improvements to Xero Payroll (UK)



Payments

- Removing friction to onboard to Xero payments
- Removing friction to pay an online invoice
- Launched bill pay in UK
- Launched e-invoicing in UK
- New partnership with BILL in US



Focused bets to Win the Future

- Bank reconciliation predictions
- Hubdoc
- Xero Analytics Plus
- Gen AI in Xero Central
- Xero setup guide
- Just Ask Xero



Unleash Xero(s) to Win

- Product and Technology operating model
- Modernising while delivering customer value

Strategic deep-dives ahead



11:00am – 12:00pm

Diya Jolly CPO
Product and technology



1:00pm – 1:15pm

Angad Soin CBOSO
Product, pricing and packaging



1:15pm – 2:05pm

Ashley Hansen Grech CRO
Michael Strickman CMO
Fireside chat and GTM overview



2:05pm – 2:25pm

Kirsty Godfrey-Billy CFO
Capital allocation and outlook

Win the '3 x 3'

Complete three critical jobs in three largest markets

Reimagine the SMB journey including embed

Reimagine the AB journey including embed

A Winning GTM Playbook



Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently



Deepen customer relationships

Focused bets to Win the Future

Evolve customer experience through AI and mobile

Realise potential of our ecosystem and APIs

Keep growing other markets efficiently

Unleash Xero(s) to Win

Deliver a purpose and performance driven EVP

Enhanced Product and Tech capabilities and op model

Transform core enterprise systems



Investor Day

Product, pricing and packaging



Angad Soin

Chief Business Operations
& Strategy Officer

February 2024

Introduction and experience



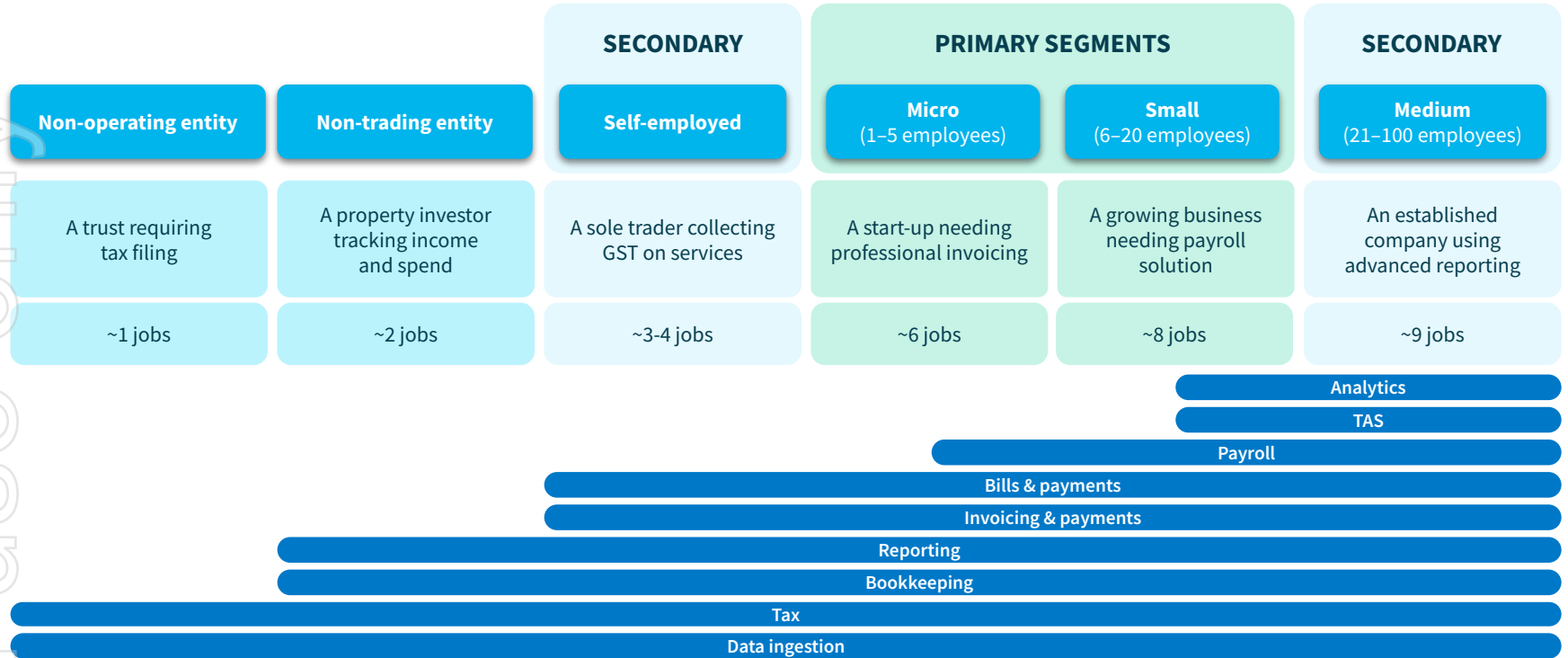
Angad Soin
Chief Business Operations
& Strategy Officer

Deloitte.



Our SMB customers have varying needs to stay compliant and run their businesses

Example JTBD¹ Indicative jobs²



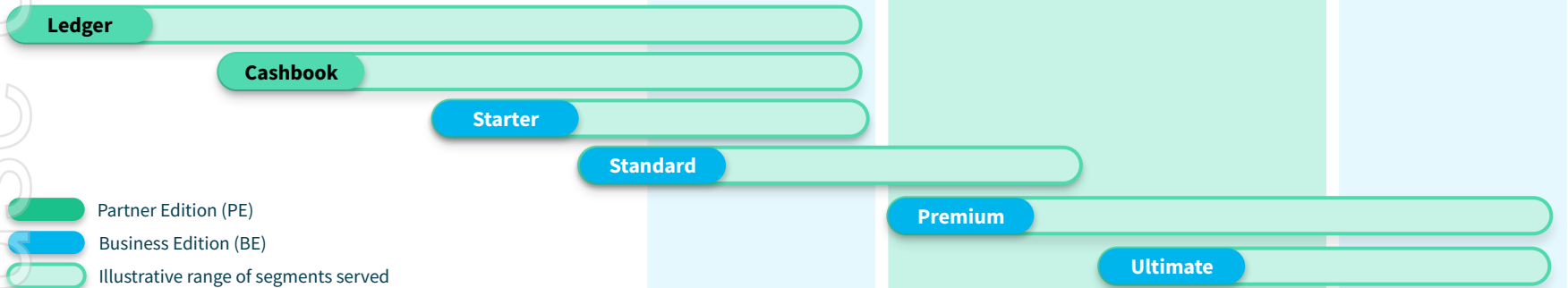
1. Average number of jobs completed based on actual usage of the Xero platform from September 2023 to November 2023. Refer to slide 125 in Appendix for more information about jobs.
 2. Sample jobs shown are indicative, and based on our customers top jobs to be done (not exhaustive).

Our current product ladder

Customer segments



Current state product plans (simplified view)



Plan overview: AU example

Example AU market plans¹ (Plans shown are not exhaustive, descriptions are not comprehensive)

Partners

**Partner Edition
(PE)**

Direct SMB

**Business Edition
(BE)**

Ledger **\$6**

Prepare annual accounts (bank reconciliation, fixed asset management, financial statement)

Cashbook **\$12-23²**
Everything in Ledger, plus:

Receive client bank feeds and generate GST returns

Enable client access (to code transactions & view data)

Starter **\$32**

Send up to 20 invoices and quotes

Enter 5 bills

Reconcile bank transactions

Capture bills & receipts with Hubdoc

Short-term cashflow & business snapshot

Payroll for 1 staff

Standard **\$65**
Everything in Starter, plus:

Send >20 invoices and quotes

Enter >5 bills

Bulk reconcile transactions

Payroll for 2 staff

Premium **\$85**
Everything in Standard, plus:

Multi-currency

Automate superannuation

Payroll for 5 staff³

Ultimate **\$115**
Everything in Premium, plus:

Analytics Plus

Expenses for 5 people⁴

Projects for 5 people⁴

Payroll for 10 staff³

1. Example pricing and plan sets as at 29 February 2024 which may change from time to time. Pricing represents base RRP incl. GST, but exclusive of any add ons and quoted in AUD. For more detail on inclusions and conditions of use, refer to Xero Terms and Conditions.

2. The Cashbook plan has two variants: Non-GST (\$12) and GST (\$23). Pricing current as of February 2024.

3. Subscribers have option to select plans with payroll for up to 10, 20, 50 or 100 people (at higher price), with additional charges of \$2/person over 100 people up to a maximum of 200.

4. Subscribers have option to add additional people (\$5 per additional user for expenses, and \$7 per additional user for projects).

Xero's small Business Edition plans are competitively priced

Represents least and most expensive advertised plans
 Xero
 Xero weighted average plan price²

Starting price per month¹

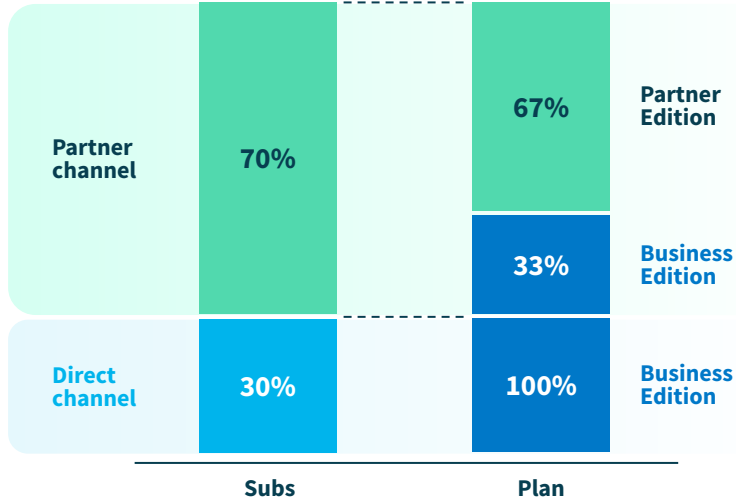


1. Indicative view based on publicly available desktop research and not exhaustive of all competitors or product features in the AU, UK and US market; Pricing is representative of RRP exclusive of discounts, limited to comparisons of Business Edition plans as at January 2024.

2. Reflects list price of Business Edition plans in each region (before discounts or other promotional offers) weighted by customer usage, in local currency.

We have a different product mix across channels

Our Partner channel accounts for ~2 in every 3 subs, contributing both Business and Partner Edition plans¹



1. Data shown for FY23 and reflective of Xero subscriptions globally, and does not include subscribers using only WorkflowMax, Hubdoc, Planday.

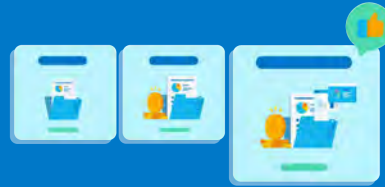
Product, pricing and packaging levers



Pricing
(RRP for plans)



Packaging and bundling
(Plan features and add-ons)



Product ladder
(Suite of plans)

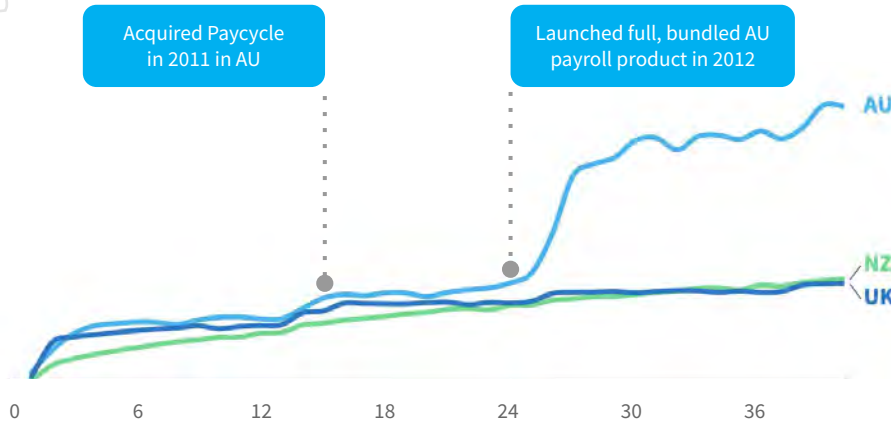


Merchandising
(xero.com, Xero HQ)

Packaging case study: Effective bundling increases adoption and LTV

Payroll adoption rate

(% subscriptions using payroll in the months since launch)¹



AU subscribers nearly
~3x more likely to use
payroll²



Payroll users have
higher LTV vs
non-payroll subscribers³



Bundling helped meet
changing customer
needs from regulatory
tailwinds



1. Adoption rate represents subscribers using payroll (defined as a paying Xero customer and having posted one pay run within a month) versus all Business Edition (BE) subscribers; Payroll launched in 2015 in both NZ and UK.

2. Based on adoption rate of AU BE subscribers versus the equivalent metric for NZ and UK at 40 months post-launch.

3. Based on higher ARPU and lower churn for BE subscribers actively using payroll versus those who are not using payroll.

What's next for product, pricing and packaging

A Winning GTM Playbook

Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently

Deepen customer relationships

- 1 Invest in pricing capability:**
Team, data, experimentation
- 2 Optimise merchandising:**
Match SMBs to the right plans
- 3 Simplified product ladder:**
Intuitive upgrade flow and features
- 4 Value-based pricing:**
Align price to customer value delivered

Fireside chat with CRO & CMO



Hosted by
Kirsty Godfrey-Billy
Chief Financial Officer



Introduction and experience



Ashley Hansen Grech
Chief Revenue Officer



Square



recharge

JPMORGAN CHASE & CO.



Michael Strickman
Chief Marketing Officer



Tripadvisor.

Uber



Investor Day

GTM overview



Ashley Hansen Grech
Chief Revenue Officer



Michael Strickman
Chief Marketing Officer

February 2024

Our sales leadership team

Nigel Piper
EGM Customer Experience
Ex IRD NZ



Anthony Drury
Managing Director, ANZ
Ex Zip Co, PayPal, AMEX



Pete Koteras
EGM Revenue Ops
& Strategy
*Ex National
Australia Bank*



Faye Pang
Country Manager - Canada
Ex Uber



Ashley Hansen Grech
Chief Revenue Officer



Jeremy Butteriss
EGM Ecosystem
& Partnerships
Ex Stripe, Google



Ben Richmond
Country Manager - US
Ex Spark NZ



Cameron Peters
CEO TaxCycle
Ex Intuit



Alex von Schirmeister
Managing Director,
UK & Emerging Markets
Ex eBay



Our GTM strategy is designed to meet customers where they are with four different motions across our two key sales channels



Do It Yourself (DIY)



Do It Together (DIT)



Do It For Me (DIFM)

Direct channel

Partner channel

SMB direct

SMB purchases directly online from Xero

100% Business Edition

Partner attributed

SMB purchases online, and invites in an AB partner

100% Business Edition

Partner originated

Partner digitally self-serves subs via Xero HQ

Balanced Business and Partner Edition

Partner wholesale

Partner buys bulk subscriptions to onboard multiple clients

Mostly Partner Edition

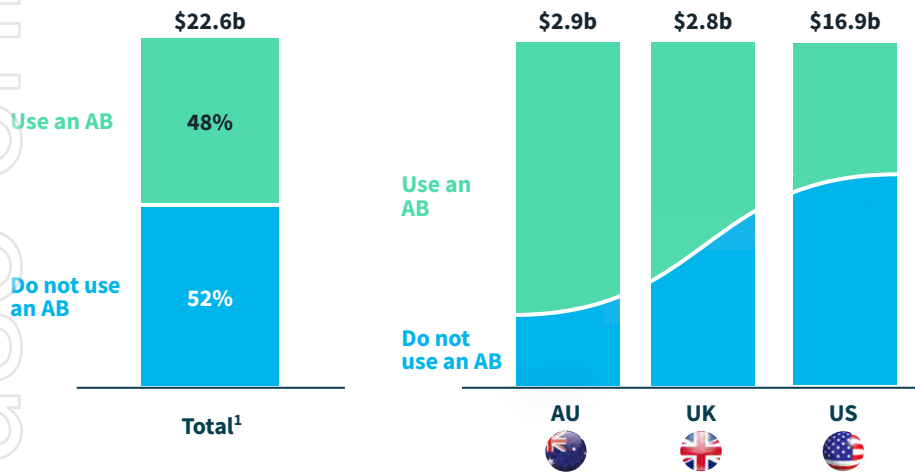
Collaboration Modes
Xero Channels
Sales Motion

Both of our channels are valuable to us

ABs play a key role in our three focus markets

SMB accounting software SAM^{1,2}

(SAM value)



1. SMB accounting software SAM based on AU, UK and US for accounting (bookkeeping, annual tax, data in, reporting & insights).

2. Estimated share of accounting software SAM by SMBs that use an accountant or bookkeeper (AB) and those that do not.

Our Partner and Direct channels form a flywheel to drive growth

Internal use only





Partner channel



Sach Yadav, Pennyhills

Sales teams focus on driving acquisition and deepening Partner relationships

Partner channel



Partner sales



Lead generation

Brand, events



Inbound

Nurturing and converting new partners



Growth-focused

Onboarding, establishing partners

CX



Retention

Supporting customers on product

Prospect

Qualify

Convince and win

Onboard and establish

Grow and retain

Partner channel levers

Partner channel



Lead generation (Events, digital)



Sales (Inbound/growth teams)



Onboarding (Partner Central)



Account management (Partner growth & support)



Partner success (Education)



Partner program (Incentives, rewards)

Acquiring new partners

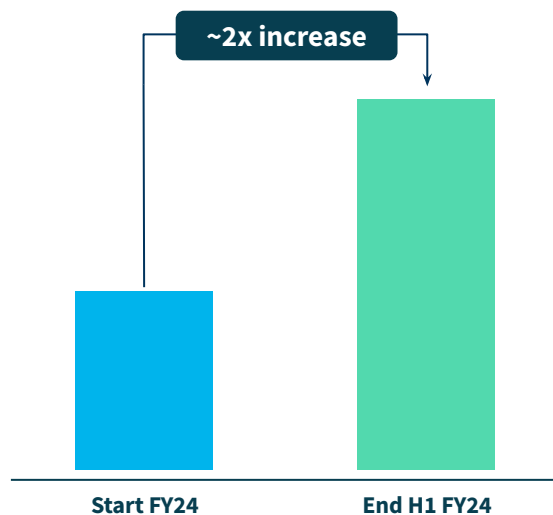
Deepening relationships with existing partners

US case study: Focusing on CAS to support product mix

Partner channel



Focus on CAS partners



US Client Advisory Services (CAS) partner base

US focus on Client Advisory Services (CAS) segment of accountant and bookkeepers



Initiative driving a ~2x uplift in CAS partner engagement with Xero¹



Initiative part of broader effort to improve mix; initial outcomes positive



1. Based on number of small or larger accounting or bookkeeping partners providing client advisory services in the US.

What's ahead for the Partner channel

Partner channel



A Winning GTM Playbook

Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently

Deepen customer relationships

- 1 Deeper investment in B2AB marketing engine** to turbocharge demand
- 2 Optimise partner segmentation and sales coverage model** for greater yield
- 3 Evolve incentives and Partner Program** to drive greater value (and improved mix)
- 4 Invest in new sales capabilities** to deepen partner penetration



Larissa Feeney, Accountant Online



Direct channel

Internal use only



Doggo, South Africa

Our marketing leadership team

Matt Moore
EGM Product Marketing
*Ex Winshuttle, Sears
Home Service*



Angela Sullivan
EGM Communications
Ex IBM



Adam Roberts
EGM Data Science, Analytics &
Insights
Ex Uber, TripAdvisor

Francesco Pittarello
EGM Performance
Marketing
Ex Uber



Michael Strickman
Chief Marketing Officer



John Coldicutt
EGM Partner Marketing
Ex Superb, IRIS Software

Vladka Kazda
EGM Customer Engagement
Ex carsales



James Kyd
EGM Brand and Marketing
Ex IBM

Our Direct channel teams focus on driving acquisition and deeper engagement

Direct channel



Brand

Growing awareness/demand, mid-funnel marketing



Regional marketing

Adapting marketing efforts to local markets



Performance channels

Leveraging free and paid channels to attract and convert SMBs



Customer engagement

Supporting SMB customer lifecycle



Data science, analytics and insights

Using data to improve measurement, strengthen experimentation, deliver insights and optimise

Awareness and consideration

Convince and win

Onboard and establish

Grow and retain

Direct channel levers

Direct channel



Acquiring new SMBs

Free levers

SEO
(Google, Bing)

Lifecycle marketing
(CRM)

Paid levers

SEM
(Google, Bing)

Social
(Meta, then others)

Display
(Google)

Brand
(Online and offline)

Promotions and offers

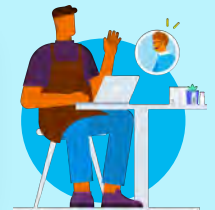
Deepening relationships with existing SMBs

Free levers

Lifecycle marketing
(CRM)

Paid levers

Promotions and offers



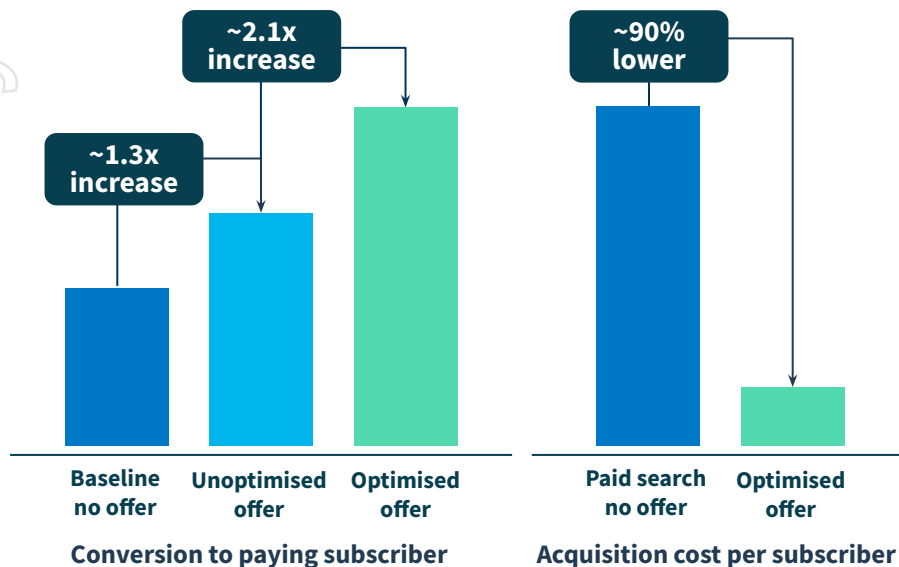
Promotions case study: Increasing efficiency in Direct

Direct channel



Outcomes of selected promotional experiments¹

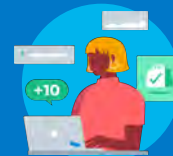
(Impact on conversion and acquisition cost per subscription)



Experimentation on promotion/offer size, type and length



~2.1x uplift in conversion observed for optimised offer



Learnings to support more efficient marketing spend



1. Results from experiment which tested impact of trial marketing content and promotions on an audience of expired and active trialists

What's ahead for the Direct channel

Direct channel



A Winning GTM Playbook

Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently

Deepen customer relationships

- 1 **Deeper investment in B2AB marketing engine** to turbocharge demand
- 2 **More dynamic allocation of marketing spend** based on efficiency
- 3 **Grow central capabilities** that scale across regions
- 4 **Optimise marketing** to better engage customers for up-sell and cross-sell
- 5 **Invest in tools/tech** for data-driven customer lifecycle marketing

Sheryl Ozinsky, Oranjezicht City Farm Market



Investor Day

Capital allocation and outlook



Kirsty Godfrey-Billy
Chief Financial Officer

February 2024

Key metrics we will use to measure our success

Rule of 40 outcomes consistent with our longer-term aspiration¹

Revenue growth

FY23: 28%

FCF margin

FY23: 7%

ARPU

FY23: \$34.61

Increase value for customers through **product delivery, packaging and mix**

Net subscriber additions

FY23: 470k

Grow customer base in line with focus on **primary customer segments**

OPEX ratio

FY23: 80.7%²

Investing within our cost envelope to **generate operating leverage**

LTV / CAC

FY23: 6.5

Deliver sustainable long-term value via low churn and high gross margin

Revenue / FTE

FY23: 284k

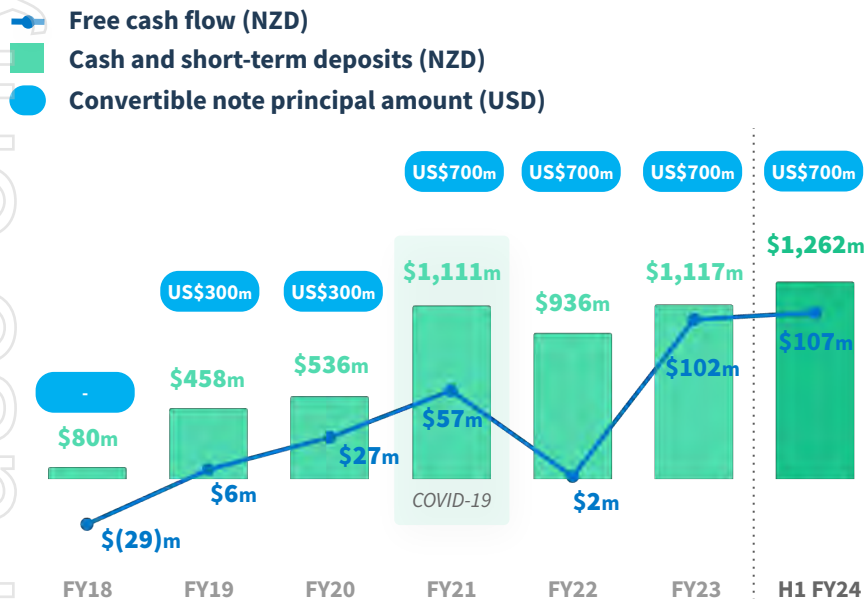
Ensuring that a **higher performing culture flows through to top-line metrics efficiently**

1. Please refer slide 115 for further information on Xero's aspiration.

2. Excluding \$34.7m of restructuring costs.

A strong balance sheet provides optionality

Free cash flow improving, liquidity / strength maintained

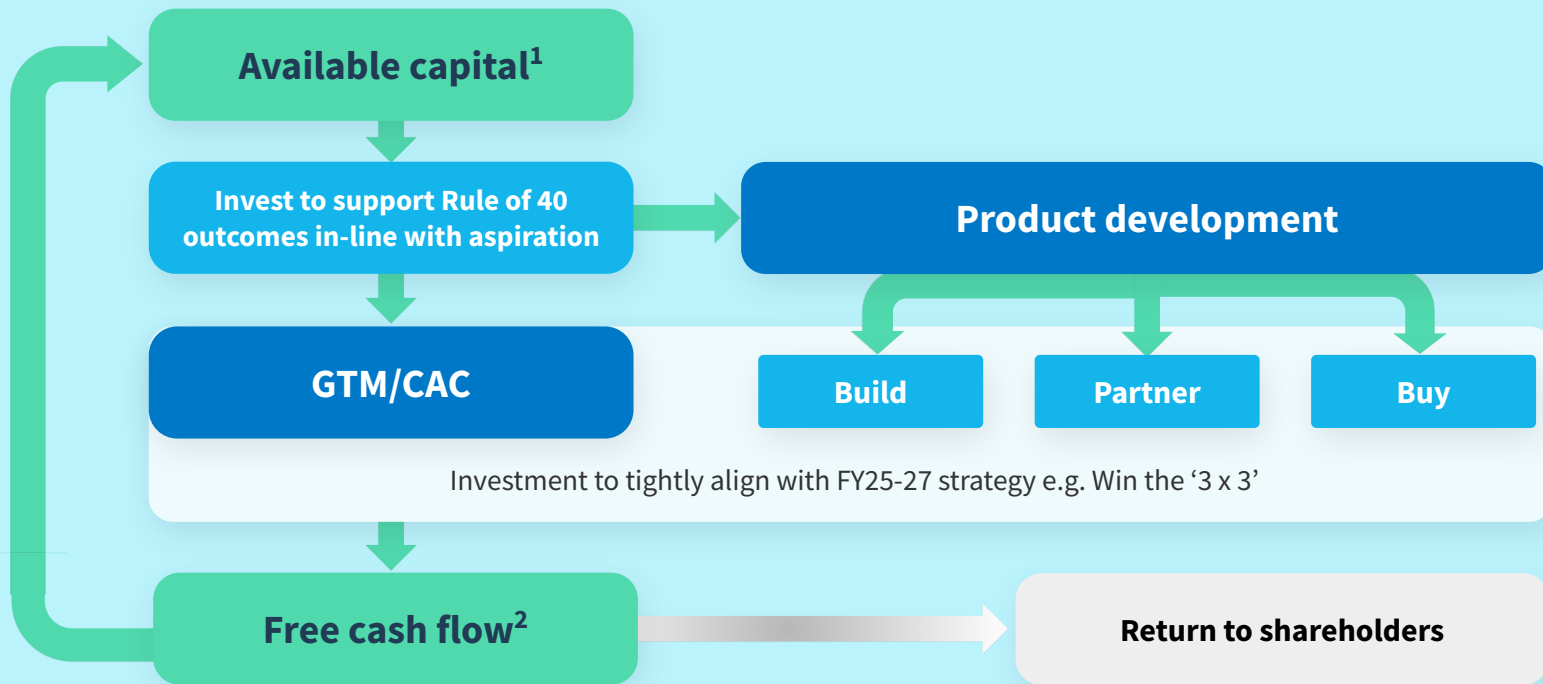


Convertible note provides funding and balance sheet flexibility

Key convertible note features to be aware of:

- **Maturing in Q3 FY26 (Dec-25)**, balance is US\$700m
- **Funding is at a very attractive rate**, with no cash interest expense
- Convertible and other funding options in capital structure will **depend on M&A opportunities, operating and funding conditions and balance sheet structure**
- **Optionality to settle in either cash or shares**, fixed at either US\$700m or 5.2m shares (3.4% dilution) up to share price of US\$174.64

The best use of capital is to invest in Xero's growth...



1. Assumes balance sheet strength is maintained.

2. Free cash flow also includes investment into cost-to-serve and G&A and other operating costs, which are excluded for simplicity.

...with a disciplined portfolio allocation framework and processes

We will purposefully allocate resources to our highest returning areas

80%

20%

Win the '3 x 3'

A Winning GTM
Playbook

Focused bets to
Win the Future

Unleash Xero(s) to Win

Focused in long term, dynamic in short term, measured throughout

Refining capital allocation quarterly based on performance against key company metrics

Doubling down where we see results; adjusting investment where more proof points are needed

Programmatic M&A has been part of Xero's success

Key Success Factors



Targeted on **solving critical functionality in our core JTBD**



Provided key functionality to **better serve core customer segments**



Accessed **best-in-class** capability



Increased the value of our offering by combining with our core proposition



Simple to integrate to our existing offering

Learnings



Activity that's **focused on non-core jobs for our customers**



Required **complex, new out-of-market product build**, development or enhancement in the core business case

We will continue to employ programmatic M&A

Criteria for M&A supporting the FY25-27 strategy

- Aligned to the '3 x 3' (including sub jobs)
- Best-in-class capabilities
- Simple ways to integrate (tuck-in, embed or bundle)

Other considerations

- Optionality to extend into new markets or segments with a best-in-class solution

Our approach to M&A going forward will be focused

- Strategic clarity supports **greater focus in capital allocation**
- **Larger scale and free cash flow generation** opens new opportunities
- Executive and senior leadership **strengthened and new capabilities added**
- Platform better **enabled to embed and/or bundle**
- **Lessons learned** on keeping it simple; sticking to core JTBD or closely aligned, with ease of integration

Reiterating existing FY24 outlook



FY24 outlook¹

Along with reinvestment in strategic priorities, management is targeting an **operating expense to operating revenue ratio in FY24 of around 75%**. This will improve operating income margin compared to FY23

Recap of approach to long-idle subscriptions²

At the H1 FY24 results we announced a plan to remove a small pool of paid for but long-idle subscriptions estimated at **150k-200k** after the end of FY24 during H1 FY25. This is a small percentage of our subscriptions, and we expect removing them to have minimal impact on Xero's revenue. These subscriptions **had an ARPU of ~\$3.70 at 30 September 2023** and if they were removed at that date **group ARPU would increase by approximately 3-5%**, reflecting the limited revenue contribution of these subscriptions.

1. Refer to slide 123 in the Appendix for compositional commentary on this ratio.
2. Refer H1 FY24 Investor Presentation slide 27 for details.

Our aspiration¹

We aspire to be a world class SaaS business

We believe we have the opportunity to both double the size of our business² and deliver Rule of 40 or greater performance^{3,4}

As we grow, we will also seek to be more balanced between subscriber growth and ARPU expansion

1. Xero's aspirational revenue and Rule of 40 performance opportunity statement is not guidance nor a prediction of future performance. No timeframe has been set. It is provided as an indication of outcomes management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control.

2. Xero FY23 revenue was \$1,400m, and H1 FY24 revenue (annualised on a straight line basis) is \$1,599m.

3. Rule of 40 is defined as the sum of annual Revenue growth percentage and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue) calculated on a constant currency basis.

4. Rule of 40 outcomes, and the component parts may vary from period to period as we identify opportunities for disciplined customer focused growth and experience changes in our cash tax payment profile. Xero is likely to exhaust its accumulated tax losses and other tax credits in New Zealand (NZ DTAs) during the FY25-27 strategic period and commence paying cash taxes. Xero's outstanding balance of usable NZ DTAs as at 30 September 2023 was ~\$345m.

Recap

1

Strong track record

Innovative product customers love and delivering on our commitments

2

Focused vision

Well positioned for large TAM opportunity with focus on what matters most

3

Turbocharged capabilities

Ready to drive new levers for growth

4

High aspirations

To be a world class SaaS business



Investor Day

Q&A session and wrap-up

February 2024



Investor Day

Appendix

February 2024

Glossary

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure) is provided as Xero believes it provides useful information for users to understand and analyse the underlying business performance. Adjusted EBITDA is calculated by adding back net finance expense, depreciation and amortisation, and income tax expense, as well as certain non-cash, revaluation and other accounting adjustments and charges to net profit/(loss).

AMRR

Annualised monthly recurring revenue (AMRR) represents monthly recurring revenue at 31 March, multiplied by 12. It provides a 12 month forward view of revenue, assuming any promotions have ended and other factors such as subscriber numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year.

ARPU

Average revenue per user (ARPU) is calculated as AMRR at 31 March divided by subscribers at that time (and divided by 12 to get a monthly view).

Business Edition (BE)

Xero's Business Edition plans, which include Starter, Standard, Premium, Ultimate and Payroll only (names and inclusions may vary by region).

CAC months

Customer Acquisition Cost (CAC) months are the months of ARPU to recover the cost of acquiring each new subscriber. The calculation represents the sales and marketing costs for the year, excluding the capitalisation and amortisation of contract acquisition costs, less Xerocon revenue, divided by gross new subscribers added during the same period, divided by ARPU.

CAGR

Compound annual growth rate.

Churn

Churn is the value of monthly recurring revenue (MRR) from subscribers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months. Average subscriber lifetime is calculated as one divided by churn.

CX

Customer Experience.

EVP

Employee value proposition.

Free cash flow (FCF)

Free cash flow is defined as cash flows from operating activities less cash flows used for investing activities excluding cash used for acquisitions of, and investments into, businesses and strategic assets.

FTE

Full time equivalent employee.

GAAP

Generally accepted accounting principles.

Jobs to be done (JTBD)

Jobs reflect the common tasks that a customer can perform on the Xero platform to run their business. A job does not directly represent a specific product or solution. Refer to Appendix slide 124 for examples.

Glossary

Lifetime value (LTV)

LTV is the gross margin expected from a subscriber over the lifetime of that subscriber. This is calculated by taking the average subscriber lifetime (1 divided by churn) multiplied by ARPU, multiplied by the gross margin percentage. Group LTV is calculated as the sum of the individual segment LTVs, multiplied by their respective segment subscribers, divided by total Group subscribers.

Net Promoter Score (NPS)

NPS is a measure of brand advocacy and the likelihood of a customer to recommend Xero. NPS is calculated by subtracting the percentage of detractors from the percentage of promoters surveyed in a given period.

Operating Income

Operating income is a non-GAAP financial measure that has been included to demonstrate the operating performance of the business. Xero defines operating income as total operating revenue less cost of revenue less total operating expenses.

OPEX ratio

The ratio of operating expenses to operating revenue.

Partner Edition (PE)

Xero's Partner Edition plans, which include Cashbook and Ledger (names and inclusions may vary by region).

Rest of World (ROW)

Rest of World includes other regions Xero has a material presence in such as South Africa, Singapore, Ireland, Hong Kong and Malaysia.

Rule of 40

Rule of 40 is defined as the sum of annual Revenue growth percentage and annual Free Cash Flow margin percentage (Free Cash Flow as a percentage of Revenue) calculated on a constant currency basis.

SAM

Serviceable Addressable Market is estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s).

Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (e.g. a small business or accounting partner) and which is, or is available to be, deployed. Subscribers that have multiple subscriptions to integrated products on the Xero platform are counted as a single subscriber.

TAM

Total Addressable Market is estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s).

TAS

Time, attendance and scheduling.

Financial performance

	\$000s						
	H1 FY22	H2 FY22	FY22	H1 FY23	H2 FY23	FY23	H1 FY24
Total operating revenue	505,703	591,116	1,096,819	658,512	741,372	1,399,884	799,547
Gross profit	440,417	517,014	957,431	572,912	649,029	1,221,941	699,790
Gross margin	87.1%	87.5%	87.3%	87.0%	87.5%	87.3%	87.5%
Sales & marketing costs	(189,017)	(216,636)	(405,653)	(238,980)	(232,851)	(471,831)	(277,220)
<i>Percentage of operating revenue</i>	37.4%	36.6%	37.0%	36.3%	31.4%	33.7%	34.7%
Product design & development	(166,833)	(205,191)	(372,024)	(230,710)	(259,338)	(490,048)	(256,392)
<i>Percentage of operating revenue</i>	33.0%	34.7%	33.9%	35.0%	35.0%	35.0%	32.1%
General & administration	(66,144)	(78,028)	(144,172)	(82,501)	(85,576)	(168,077)	(96,634)
<i>Percentage of operating revenue</i>	13.1%	13.2%	13.1%	12.5%	11.5%	12.0%	12.1%
Total operating expenses excl restructuring costs	(421,994)	(499,855)	(921,849)	(552,191)	(577,765)	(1,129,956)	(630,246)
<i>Percentage of operating revenue</i>	83.4%	84.6%	84.0%	83.9%	77.9%	80.7%	78.8%
Restructuring costs	-	-	-	-	(34,692)	(34,692)	(2,131)
Total operating expenses incl restructuring costs	(421,994)	(499,855)	(921,849)	(552,191)	(612,457)	(1,164,648)	(632,377)
<i>Percentage of operating revenue</i>	83.4%	84.6%	84.0%	83.9%	82.6%	80.7%	79.1%
Operating income	18,423	17,159	35,582	20,721	36,572	57,293	67,413
Asset impairments and disposals	(2,898)	(21,797)	(24,695)	(26,532)	(96,148)	(122,680)	1,636
Other income & expenses	1,398	29,689	31,087	12,188	(6,598)	5,590	10,403
EBIT	16,923	25,051	41,974	6,377	(66,174)	(59,797)	79,452
EBITDA	98,080	114,581	212,661	108,551	49,848	158,399	206,090
EBITDA margin	19.4%	19.4%	19.4%	16.5%	6.7%	11.3%	25.8%
Adjusted EBITDA	98,603	110,116	208,720	123,709	177,980	301,689	204,522
Adjusted EBITDA margin	19.5%	18.6%	19.0%	18.8%	24.0%	21.6%	25.6%
Net profit/(loss)	(5,922)	(3,192)	(9,114)	(16,130)	(97,402)	(113,532)	54,084

SaaS metrics summary

ANZ

Australia, New Zealand

International

UK, US, CA, ROW





Group

Global Total

only use internal

	FY22	FY23	H1 FY24	FY22	FY23	H1 FY24	FY22	FY23	H1 FY24
ARPU	\$32.00	\$34.24	\$36.99	\$30.53	\$35.10	\$37.91	\$31.36	\$34.61	\$37.38
CAC months	8.8	9.1	8.4	22.9	23.3	23.5	15.5	15.9	15.6
Churn	0.66%	0.68%	0.72%	1.23%	1.21%	1.24%	0.90%	0.90%	0.94%
Subscribers	1,856,000	2,133,000	2,272,000	1,415,000	1,608,000	1,673,000	3,271,000	3,741,000	3,945,000
Net additions	295,000	277,000	139,000	235,000	193,000	65,000	530,000	470,000	204,000
LTV per sub	\$4,225	\$4,374	\$4,543	\$2,164	\$2,542	\$2,654	\$3,333	\$3,587	\$3,742
LTV/CAC	14.9	14.0	14.6	3.1	3.1	3.0	6.9	6.5	6.4
Total LTV	\$7.84b	\$9.33b	\$10.32b	\$3.06b	\$4.09b	\$4.44b	\$10.90b	\$13.42b	\$14.76b

FY24 operating expense ratio composition

EXPENSE RATIO	FY23	FY24 EXPECTATION	
SALES & MARKETING	33.7% of revenue	Expected ratio trend vs FY23: Flat to down	
PRODUCT DESIGN & DEVELOPMENT	35.0% of revenue	Expected ratio trend vs FY23: Down	
GENERAL & ADMINISTRATION	12.0% of revenue	Expected ratio trend vs FY23: Down	
TOTAL OPERATING EXPENSES	80.7% ¹ of revenue	Along with reinvestment in strategic priorities, management is targeting an operating expense to operating revenue ratio in FY24 of around 75%	

1. Excluding \$34.7m of restructuring costs

Jobs to be done

Jobs reflect the common tasks that a customer can perform on the Xero platform to run their business. A job does not directly represent a specific product or solution. Some examples are below.

XERO PRODUCT AREAS										
Accounting				Payments	Payroll	Adjacents				
JOB AREAS										
Data In	Book-keeping	Annual Tax	Reporting & Insights	Invoice & Payments	Bills & Payments	Payroll	TAS	Expenses	Projects	Inventory
<ul style="list-style-type: none"> • Data In - data ingestion such as through bank feeds, Hubdoc, other data extraction tools • Bookkeeping - involves record keeping activities such as bank account reconciliation, recording sales tax, managing data and documents • Annual Tax - managing and filing annual tax • Reporting & Insights - analysing performance of the business such as through Xero Analytics Plus, planning and budgeting 				<ul style="list-style-type: none"> • Invoice & Payments - managing invoices and debt collection by invoicing the customers, sending e-invoices, using payment services like Stripe to collect payments • Bills & Payments - managing and paying bills, including receiving e-invoices and using bill payment services like GoCardless 		<ul style="list-style-type: none"> • Payroll - paying employees & contractors 	<ul style="list-style-type: none"> • Time, Attendance & Scheduling (TAS) - tracking time worked by employees • Expenses - using Xero Expenses to manage expense claims and employee reimbursements • Projects - using Xero Projects to provide quotes and manage the workflow between staff (who is working on what, for which clients, for how long) • Inventory - manage my inventory e.g. tracking stock such as through Xero Inventory Plus 			

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mal use only



Beautiful business