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MARKET RELEASE

## FY24 Annual Results Investor Presentation

**WELLINGTON, 23 May 2024** - Xero Limited (ASX: XRO), in accordance with the ASX Listing Rules, attaches its FY24 Annual Results Investor Presentation.

Xero's FY24 earnings webcast at 10:30am AEST on 23 May 2024 can be accessed at:  
<https://webcast.openbriefing.com/xro-fyr-2024/>

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

*Authorised for release to the ASX by the Chair of the Board & Chair of the Audit and Risk Management Committee*

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### About Xero

[Xero](https://www.xero.com) is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

### Xero Limited (XRO)

NZ Company no. 1830488  
ARBN 160 661 183

### Registered Address

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Wellington 6011  
New Zealand

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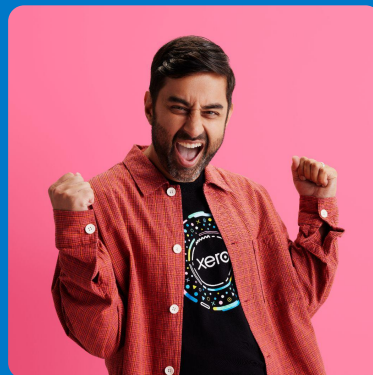
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XERO LIMITED

# INVESTOR BRIEFING

23 May 2024

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# IMPORTANT NOTICE

This presentation is given on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, ARBN 160 661 183)

Information in this presentation:

- is for general information purposes only, and is not an offer or invitation for subscription, or purchase of, or a recommendation to invest in, Xero securities
- should be read in conjunction with, and is subject to, Xero's latest and prior interim and annual reports, including Xero's annual report for the period ended 31 March 2024, and Xero's market releases on the ASX
- 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
- may contain information from third parties believed to be reliable, but no representations or warranties are made as to the accuracy or completeness of such information
- 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. These measures have not been independently audited or reviewed

All information in this presentation is current at 31 March 2024, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

Due to rounding, numbers in this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

See page 44 for a glossary of the key terms used in this presentation.

# AGENDA

01

**INTRODUCTION  
& SUMMARY OF  
RESULTS**



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER

02

**FINANCIAL  
RESULTS**



**KIRSTY GODFREY-BILLY**  
CHIEF FINANCIAL OFFICER

03

**STRATEGIC  
THEMES**

04

**Q&A**

# INTRODUCTION AND SUMMARY OF RESULTS



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER

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# FY24 results demonstrated our ability to execute towards our future aspirations



Continued our track record of strong revenue growth



Delivered profitability and above Rule of 40 outcome

Operating Revenue

**\$1,714m**

+22% YOY

(21% in constant currency)

Adjusted EBITDA

**\$527m**

+75% or \$225m YOY

Rule of 40<sup>1</sup>

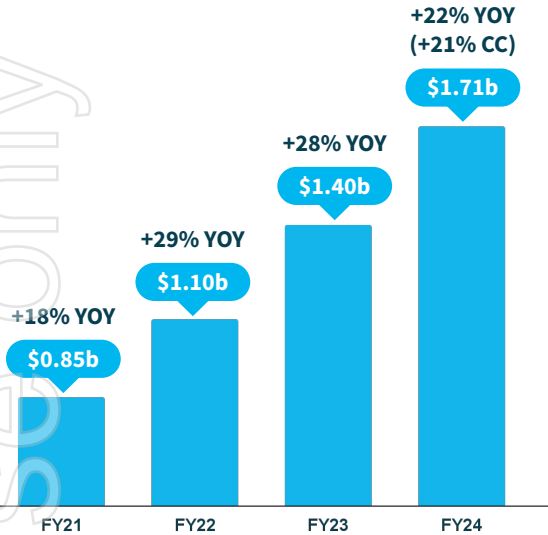
**41.0%**

+9.1pp YOY

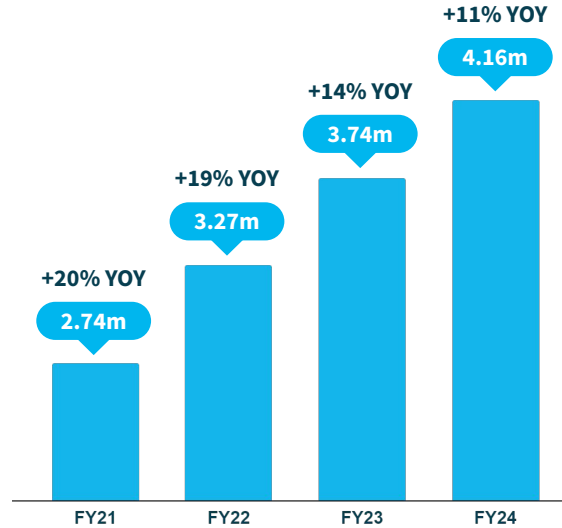
1. Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

# Continued our track record of strong revenue growth

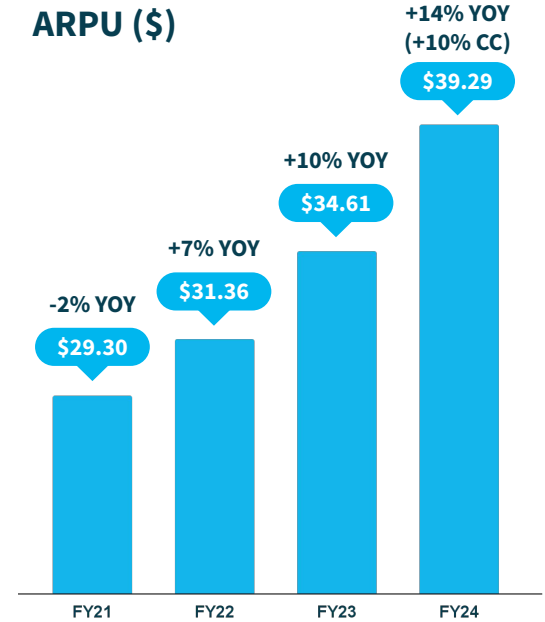
## Revenue (\$b)



## Subscribers (#m)

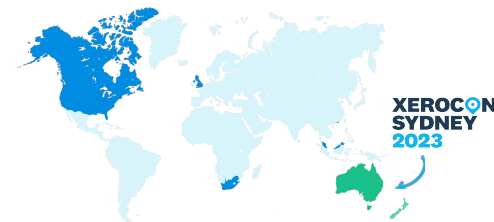


## ARPU (\$)



Delivered revenue growth balanced between subscribers and ARPU

# Strong revenue growth performance in ANZ



**\$970M REVENUE** (+22% YOY, 22% YOY constant currency)

**2.38M SUBSCRIBERS** (+11% YOY, 243k net additions)

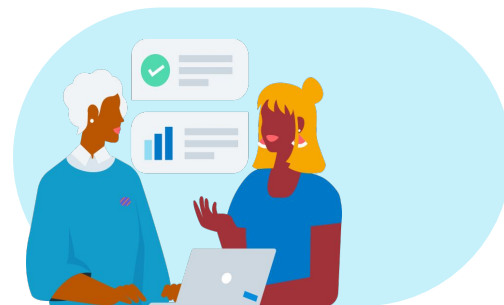
**\$37.97 ARPU** (+11% YOY, 9% YOY constant currency)<sup>1</sup>

- **Australia: Continued strong revenue growth**
  - Strong growth delivered with a better balance between subscribers and ARPU, reflecting the value of our products
  - Successful Single Client Record rollout
  - High attendance at Xerocon Sydney August 2023
- **New Zealand: Highly penetrated market still delivering double digit revenue growth** and pleasing subscriber growth

## Australia

## New Zealand

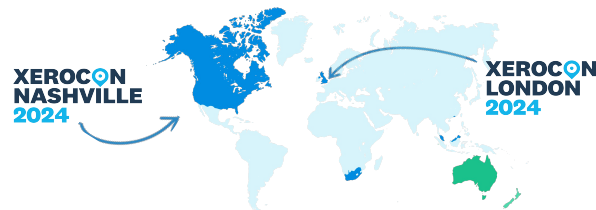
	FY24	Δ YOY		FY24	Δ YOY	
Revenue	\$770m	+23%	+24% in constant currency	\$200m	+15%	+15% in constant currency
Subscribers	1.77m	+13%	+205k net additions	605k	+7%	+38k net additions



1. Price changes for Australia and New Zealand Business Editions (BE) were effective from September 2023 and Partner Edition (PE) changes were effective in March 2024. Australian BE and PE price change announcements made in May 2024 will be effective from July 2024 and did not impact FY24 performance metrics



# Revenue growth momentum continues in International markets



**\$744M REVENUE** (+24% YOY, 20% YOY constant currency)

**1.8M SUBSCRIBERS** (+11% YOY, 176k net additions)

**\$41.05 ARPU** (+17% YOY, 11% YOY constant currency)<sup>1</sup>

- **UK: Continued strong revenue growth** and pleasing subscriber outcomes in a period where there were no MTD tailwinds
- **North America underlying momentum strong**
  - US delivered good subscriber growth
  - Subdued Canada subscriber growth reflects lack of adoption tailwinds, go-to-market approach changing in response
- **ROW: Strong revenue growth continues**, South Africa largest contributor

## United Kingdom

## North America

## Rest of World

	FY24	Δ YOY		FY24	Δ YOY		FY24	Δ YOY	
Revenue	\$461m	+24%	+20% in constant currency	\$112m	+17%	+15% in constant currency	\$171m	+26%	+25% in constant currency
Subscribers	1.08m	+11%	+107k net additions	422k	+10%	+38k net additions	285k	+12%	+31k net additions

1. Business Edition (BE) price changes effective September 2023 in the UK, October 2023 in North America and November 2023 in Rest of World. Partner Edition (PE) price changes were effective March 2024

# FY24 investment in product to support future growth

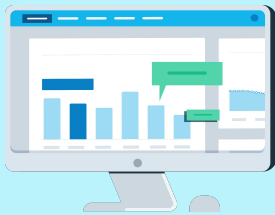
Step change in product velocity delivered in FY24, with development tightly aligned to the 3x3, while modernising

## Accounting

Boosted US direct bank feed quality and coverage, **increasing from ~20 to over 600 direct feeds<sup>1</sup>**

Increased the number of banks available to use with **Hubdoc bank statement extraction** in the US

**Enhanced UK Xero Tax** & launched tax manager



## Payroll

**Streamlined setup and onboarding** processes globally

**Significant improvements in UK** to support migration, non-traditional work hours and pensions

**Modernised Payroll monolith**, removing ~50% of code which was unused



## Payments

Announced partnership **with Bill** for **embedded bill pay capabilities for US** customers

**Removed friction and streamlined processes** for onboarding into Xero payments

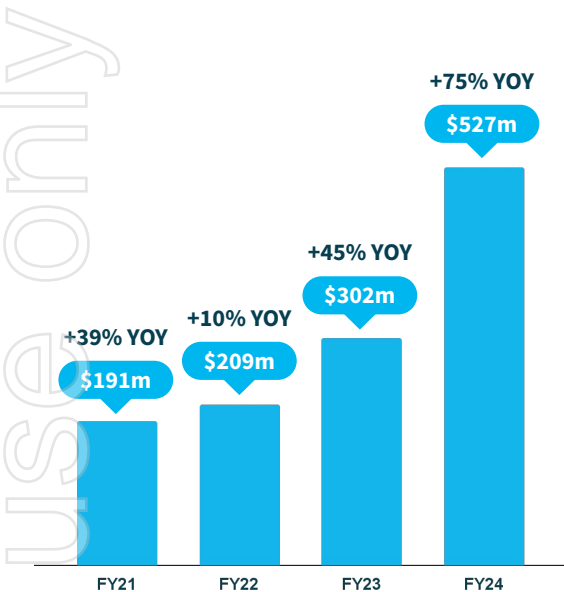
Launched **Bill pay and eInvoicing in the UK**



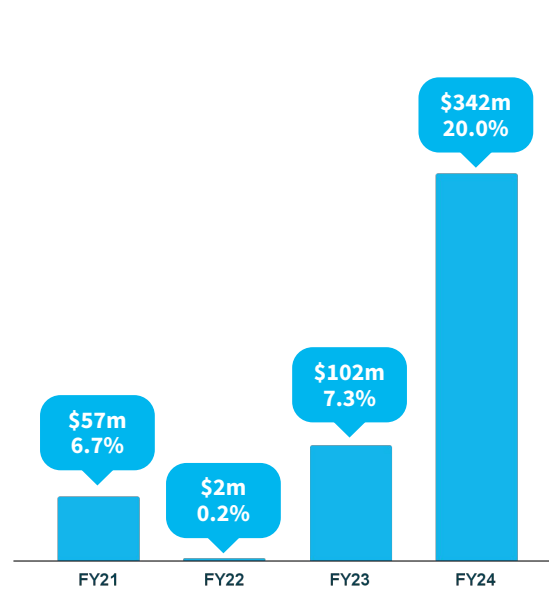
1. Both Xero built and aggregator supplied direct bank feeds

# Delivered a Rule of 40 outcome; in line with commitment to balance growth with profitability

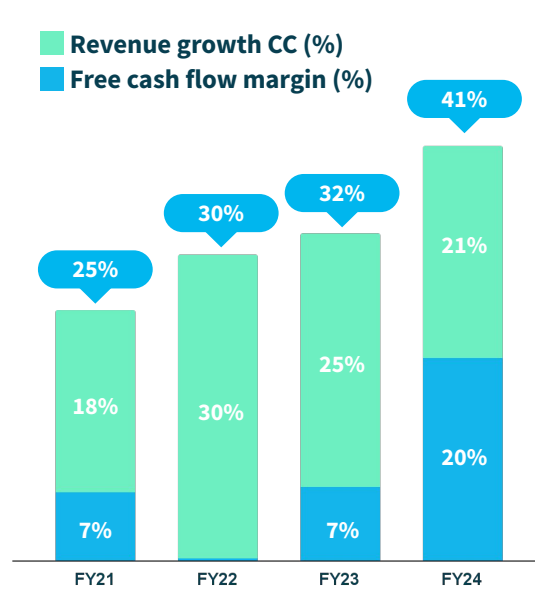
## Adjusted EBITDA (\$m)



## Free cash flow (\$m) & margin (%)



## Rule of 40 (%)



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

# We have continued to deliver on our commitments in FY24

## Our goals

Targeting more balanced, profitable growth

More focused allocation of capital

Starting on journey to using multiple growth levers

## Our achievements

- Continued **strong revenue growth while right-sizing** Xero's size and shape
- **Better balance** between subscriber and ARPU growth
- **Delivered Rule of 40 outcome**

- **Sharpened focus in US**, defined areas of focused investment
- Capital **allocation aligned** with product strategy
- **Discontinued non-core businesses** e.g. Waddle, WorkFlow Max

- **Product mix focus**, starting with;
  - Onboarding enhancements
  - Dynamic CAC allocation
- Plan to **address 125-175k long idle subscribers** to support GTM focus on mix

Invested in new capabilities adding new talent across the business

Evolving towards a more performance and purpose-based culture

# FINANCIAL RESULTS



**KIRSTY GODFREY-BILLY**  
CHIEF FINANCIAL OFFICER

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# Outcomes consistent with balancing growth and profitability

## Key metrics that measure our success

### Revenue growth (CC)

FY24: 21.0%

### FCF margin

FY24: 20.0%

#### ARPU

**FY24: \$39.29**  
+10% CC YOY

Increased value for customers through **product delivery**

#### Net subscriber additions

**FY24: 419k**  
+11% YOY

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

#### OPEX ratio

**FY24: 73.3%**  
-7.4pp YOY<sup>1</sup>

Continued to invest in a **measured and purposeful way**

#### LTV / CAC

**FY24: 6.2**  
-0.3 YOY

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

#### Revenue / FTE

**FY24: \$395k<sup>2</sup>**  
+39%

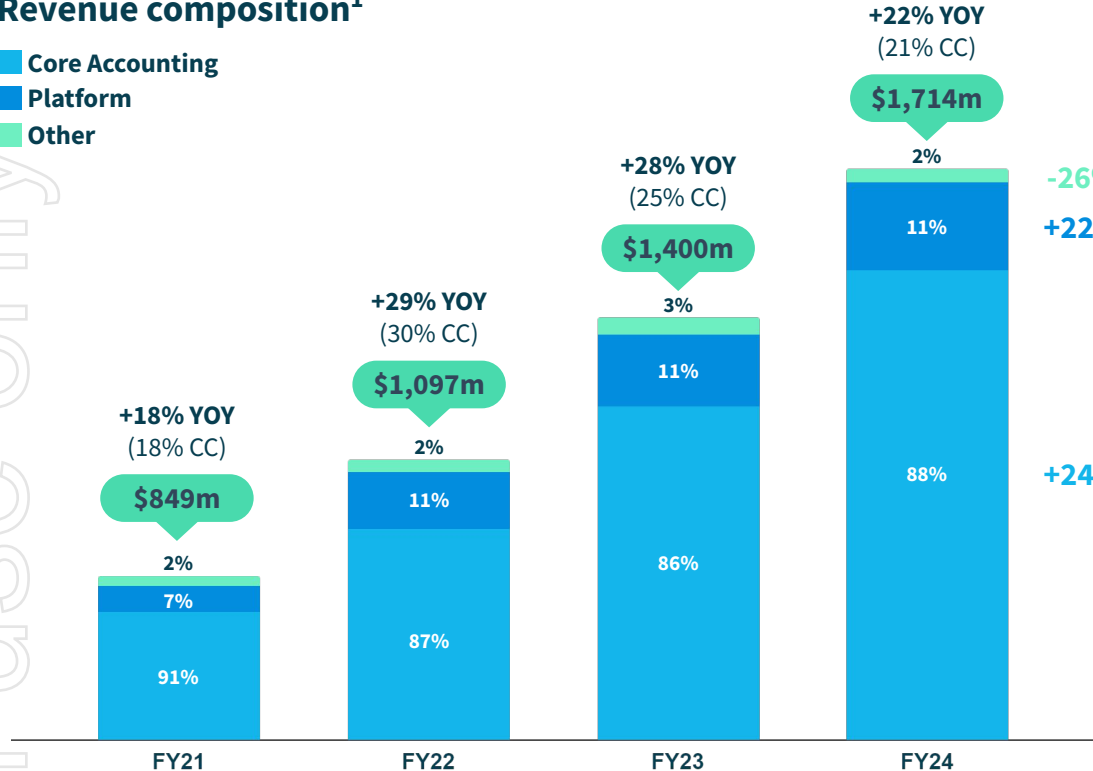
Ensuring a **higher-performing culture flows through to top-line metrics efficiently**

1. Excluding the impact of \$34.7m of restructuring costs in FY23 2. Calculated on a trailing 12 month average FTE basis

# Broad based revenue growth across our portfolio

## Revenue composition<sup>1</sup>

- Core Accounting
- Platform
- Other



-26%  
+22%

- **Group operating revenue** grew 22% YOY or 21% in constant currency

- **Core accounting revenues** grew 24% YOY or 23% in constant currency, driven by subscriber growth and price changes

- **Platform revenues** increased by 22% YOY or 18% in constant currency<sup>2</sup>

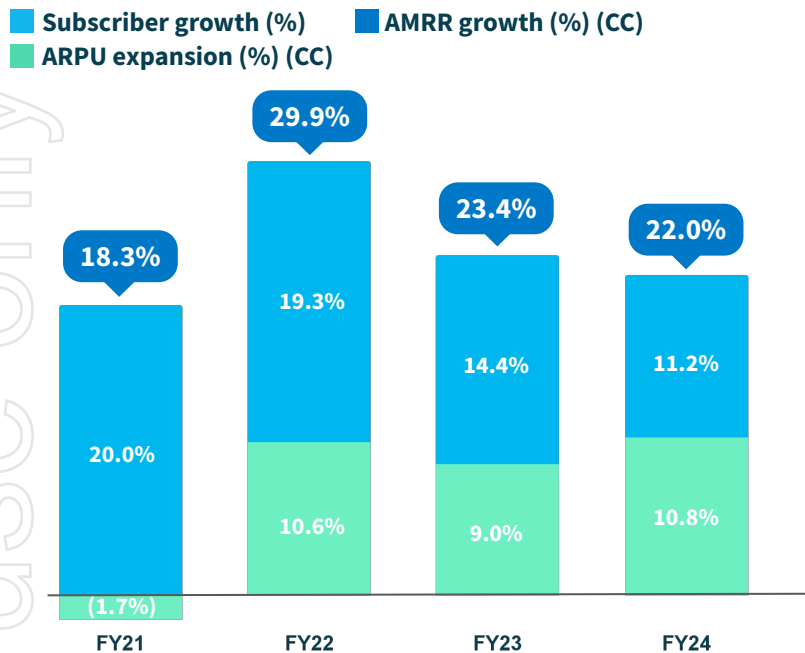
+24%

- **Other revenues** decreased 26% YOY, due to lower Xerocon revenue (one event held in FY24 vs three in FY23)

1. May not add through due to rounding 2. Platform revenues impacted by exit of Waddle in H2 FY24

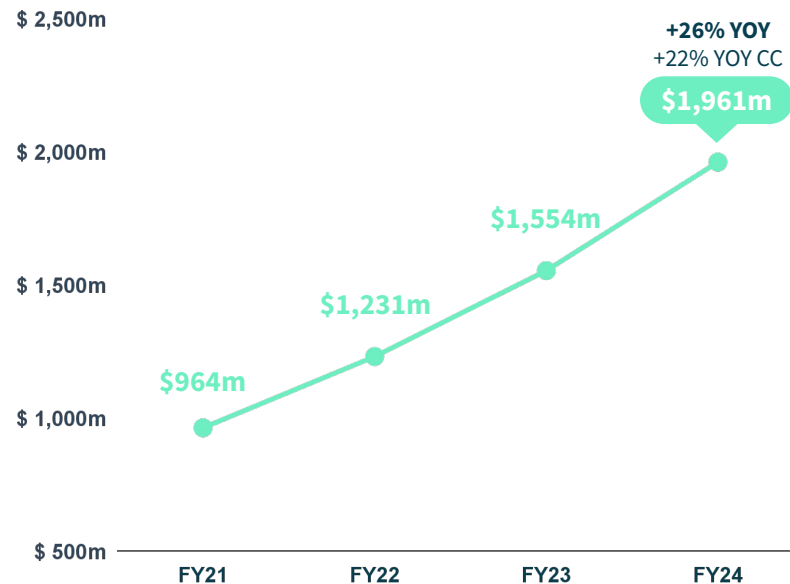
# Continued strong top-line momentum with more balance between ARPU and subscriber growth

## AMRR growth drivers



AMRR growth in FY24 was balanced between subscriber additions and ARPU expansion

## AMRR (\$m)



Growth in AMRR of \$407.6m or 26% YOY (22% in constant currency) reflects subscriber growth of 11%, and ARPU expansion of 14% YOY



# Strong ARPU expansion, churn remains low

## ARPU movement contributors

ARPU has increased \$4.68 since 31 March 2023

ARPU at 31 March 2023 \$34.61

Price changes ↑

Product mix —

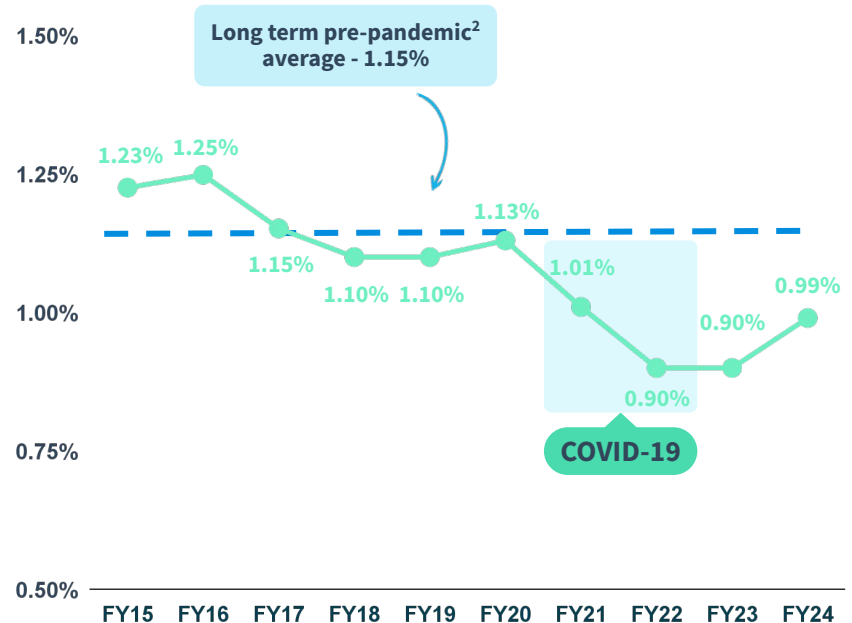
Platform attach & other<sup>1</sup> —

FX movements ↑

ARPU at 31 March 2024 \$39.29

## MRR churn (%)

Churn is reported on a percentage of monthly recurring revenue basis. It has remained below pre-pandemic levels

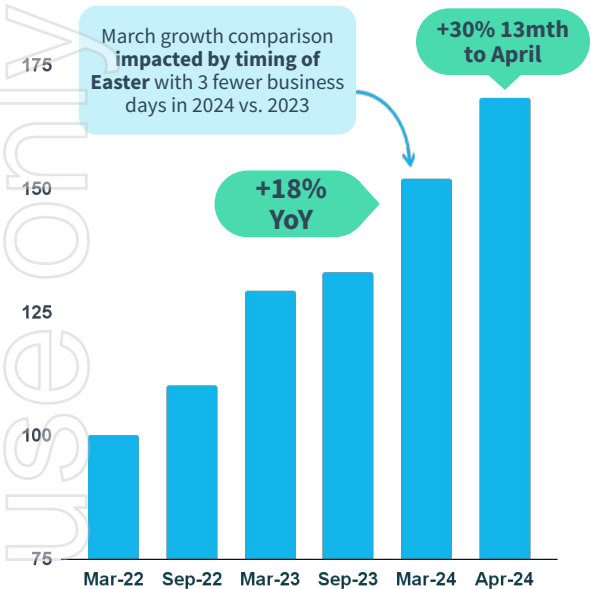


1. Other includes platform revenues such as Payments, Payroll, Planday and other items 2. Average calculated as MRR churn for the period FY16 - FY20

# ARPU drivers: Deep dive on platform revenue drivers

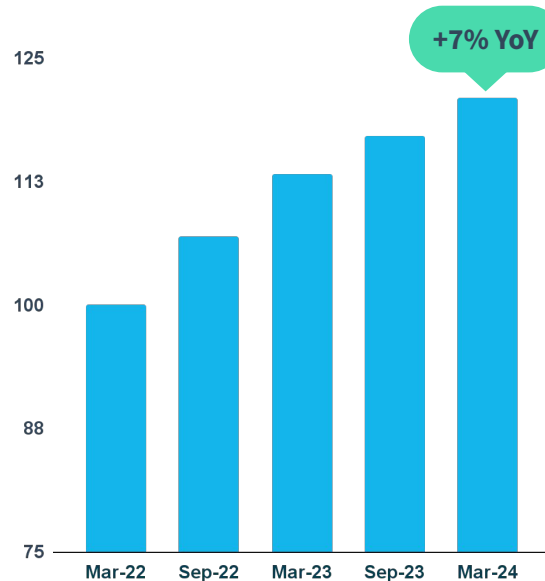
## Total payment value<sup>1</sup>

Indexed to Mar-22



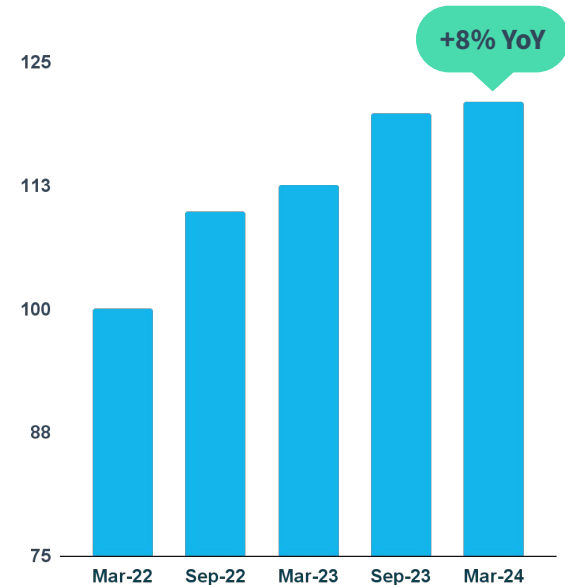
## Employees paid through Xero Payroll<sup>2</sup>

Indexed to Mar-22



## Planday users<sup>3</sup>

Indexed to Mar-22



1. Total invoice payment value across our connected online payment service providers who process the payment of invoices on the Xero platform

2. Total employees paid through Xero Payroll in Australia, New Zealand and the UK (markets with a Xero Payroll solution)

3. Average employee users of Planday

# ARPU drivers: Mix in FY25 to be impacted by long idle subscriptions

## Removal of long idle subscribers

- Identified pool of long idle subscribers<sup>1</sup> now estimated at **between 125k - 175k**. The majority are located in the international segment with:
  - 55k - 75k located in North America
  - 40k - 60k located in the UK
  - The remainder located in Australia and the Rest of World segments (none are located in New Zealand)
- Xero plans to **remove these subscriptions** in H1 FY25. We expect their removal to have minimal impact on FY25 revenue
- Based on the midpoint of this range as at 31 March 2024 if these subscribers were removed **group ARPU would increase approximately 2-4%**

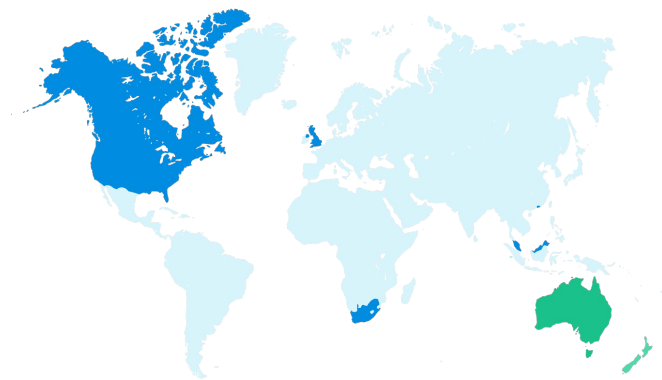
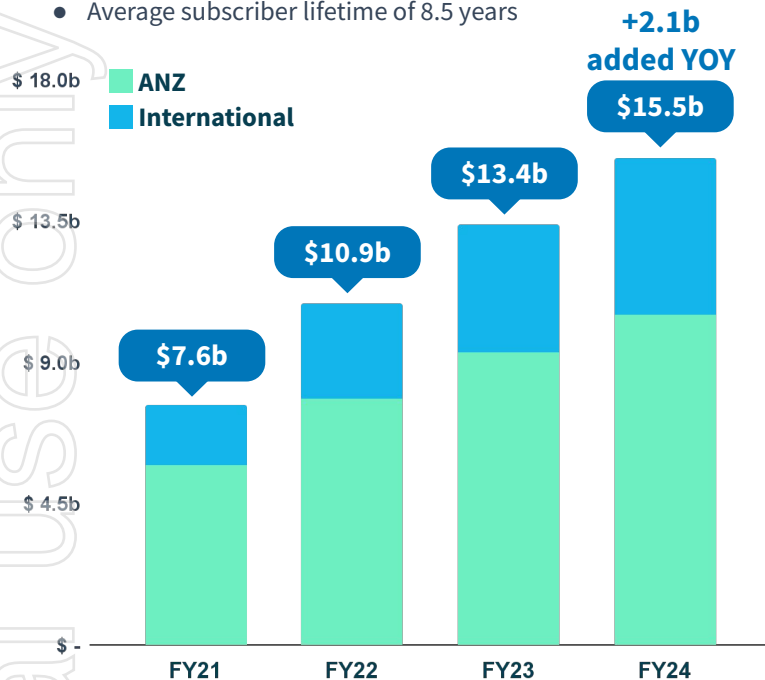


1. Long idle subscriptions are those that have been undeployed for more than 24 months, and that are not expected to be deployed in a reasonable timeframe

# LTV expansion & LTV/CAC demonstrate consistent macro resilient value creation

## Total LTV over time

- LTV 3 year CAGR 22% for ANZ and 38% for International
- Average subscriber lifetime of 8.5 years

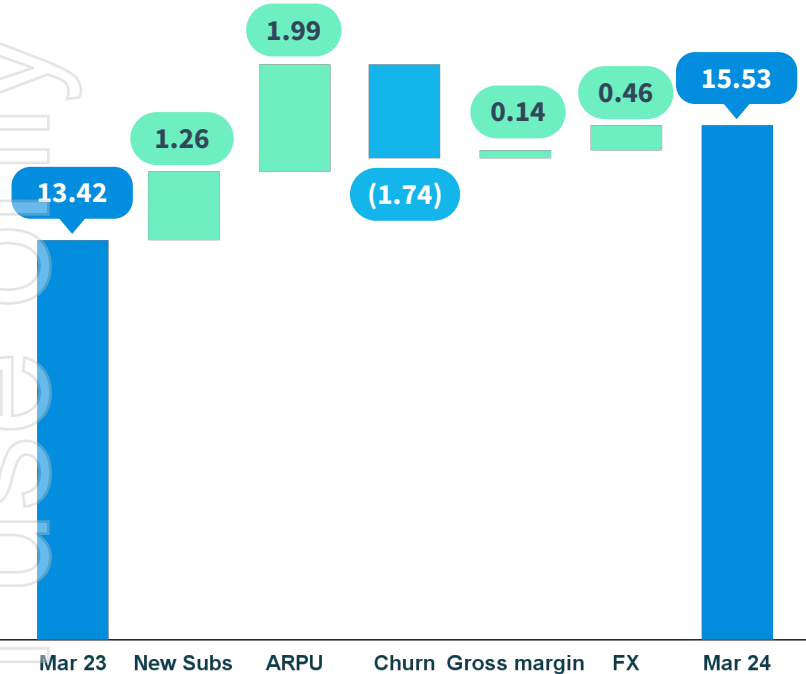


	ANZ	International	Group
ARPU	\$37.97	\$41.05	\$39.29
Churn	0.76%	1.28%	0.99%
LTV/CAC	14.3	3.1	6.2

# Continued uplift in lifetime value of subscribers

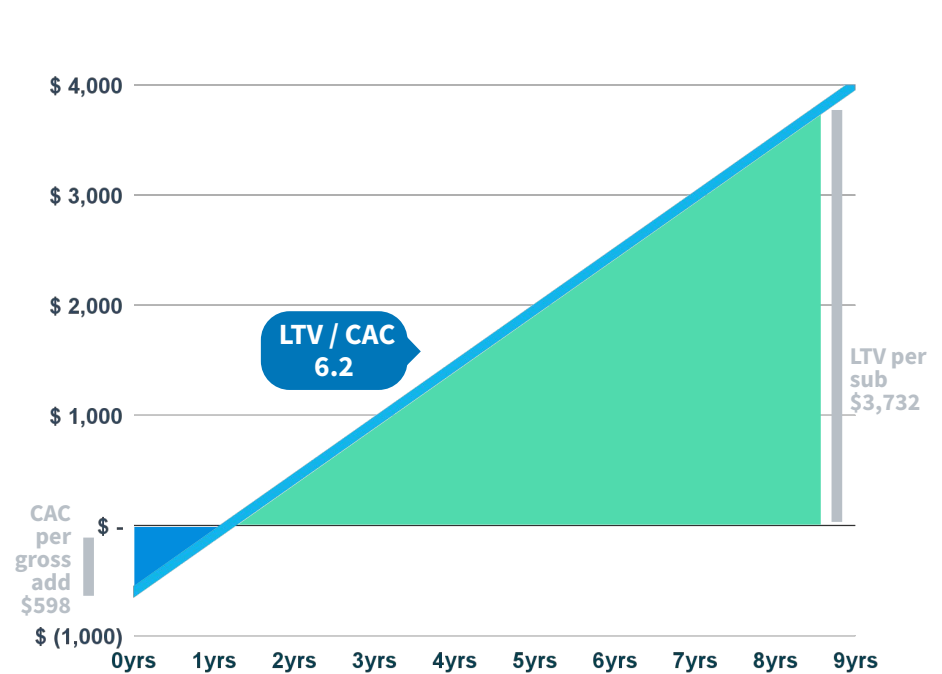
## LTV movements by driver (\$b)

From 31 March 2023 to 31 March 2024



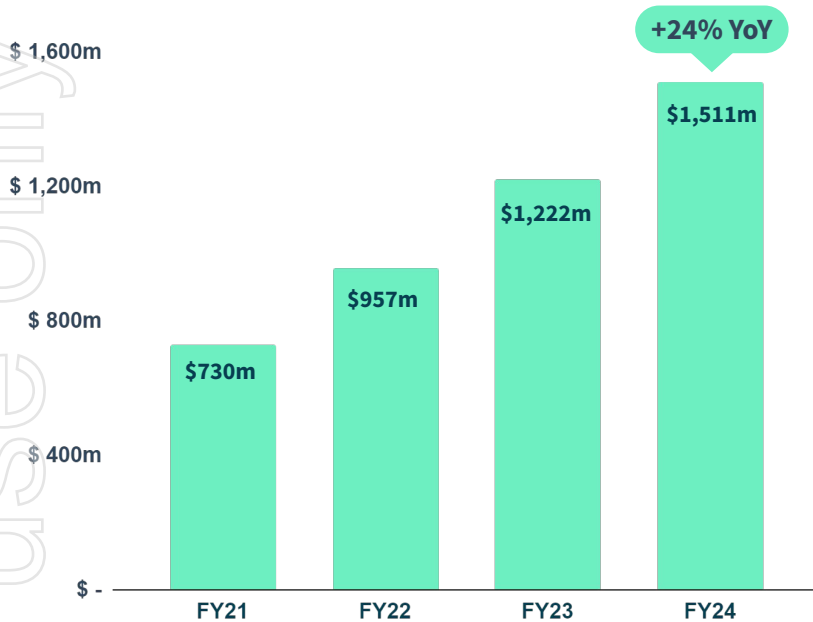
## Value of a Xero subscriber

At 31 March 2024



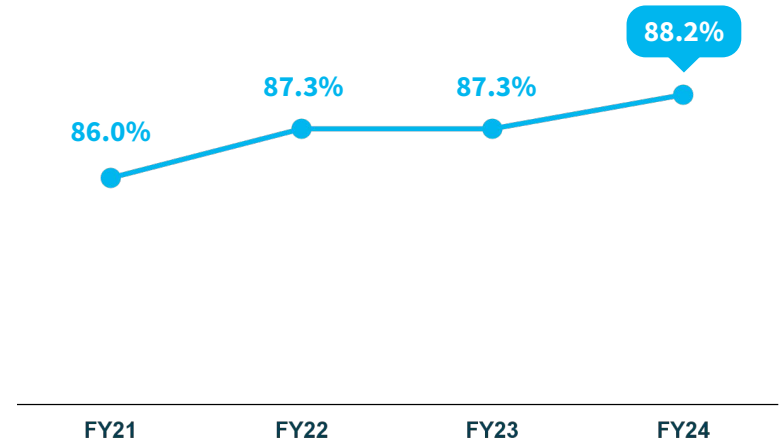
# Cost to serve well managed, margins improved

## Gross profit (\$m)



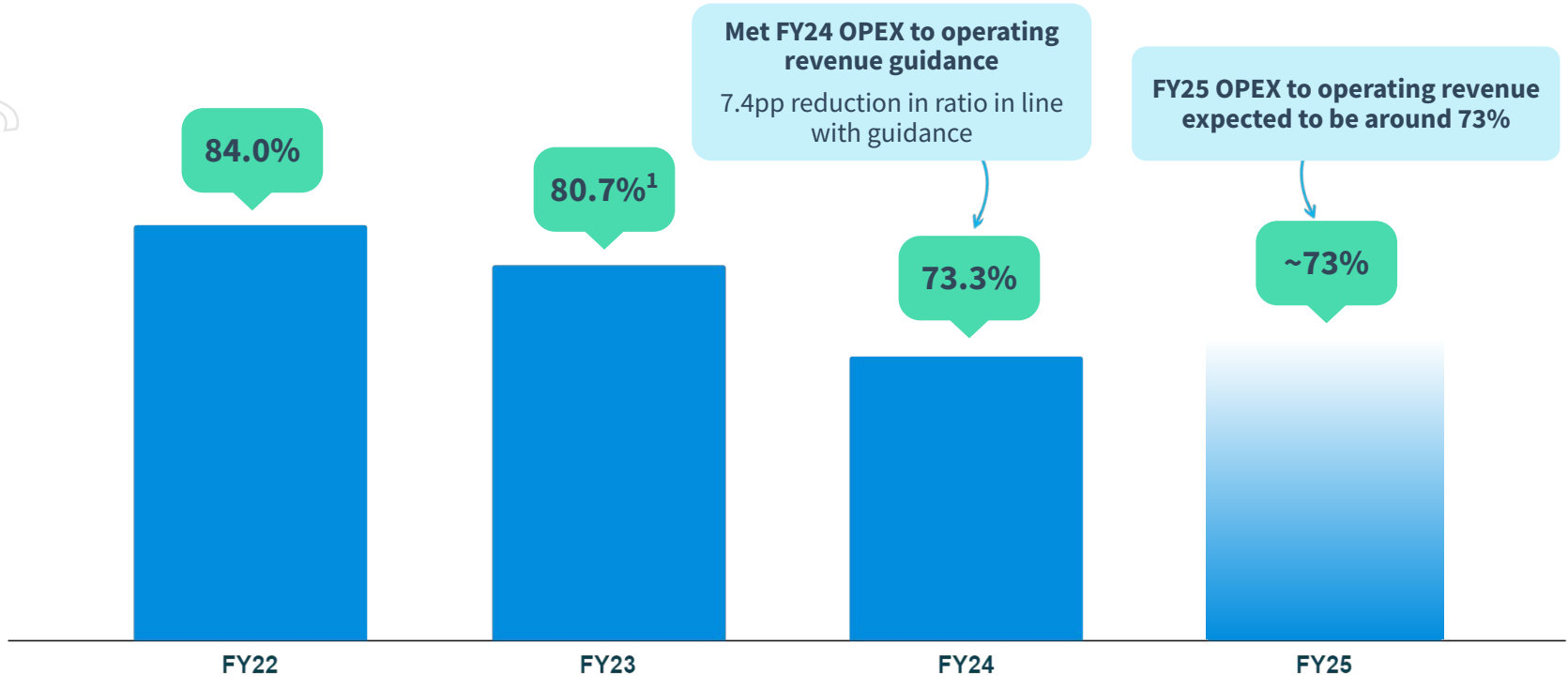
## Gross margin (%)

Gross profit increased by \$289m or 24% YOY, more than the 22% growth in revenue. This resulted in a 0.9pp increase in gross profit margin reflecting **the use of advanced technology and hosting optimisation**



# Reinvesting in line with our FY25-27 strategy to support revenue growth

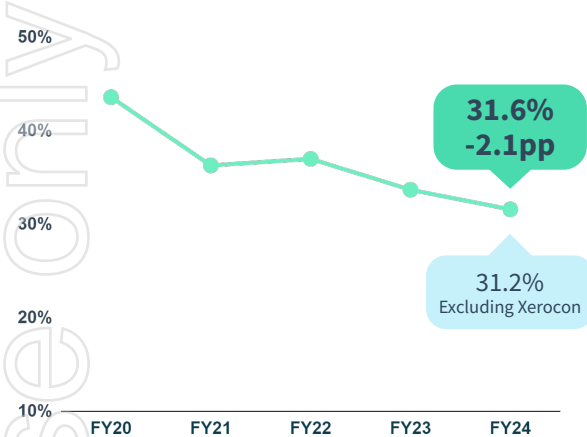
Operating expenses as a % of operating revenue



1. Excluding \$34.7m of restructuring costs

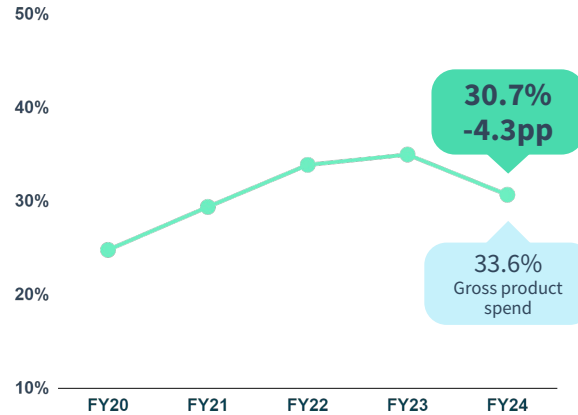
# Restructure improved efficiency across all functions

## Sales & marketing as a % of revenue



Sales and marketing costs increased by 15% YOY which was lower than the growth in operating revenue. This resulted in a 2.1pp improvement in CAC as a percentage of revenue. Excluding Xerocon, this ratio falls to 31.2% of revenue

## Product design & development as a % of revenue



Product design and development costs increased 7% YOY, lower than the growth in operating revenue in FY24. This resulted in a 4.3pp improvement in these costs as a percentage of revenue YOY. This was largely due to our restructure and reshaping of our organisation in FY24

## General & administration as a % of revenue

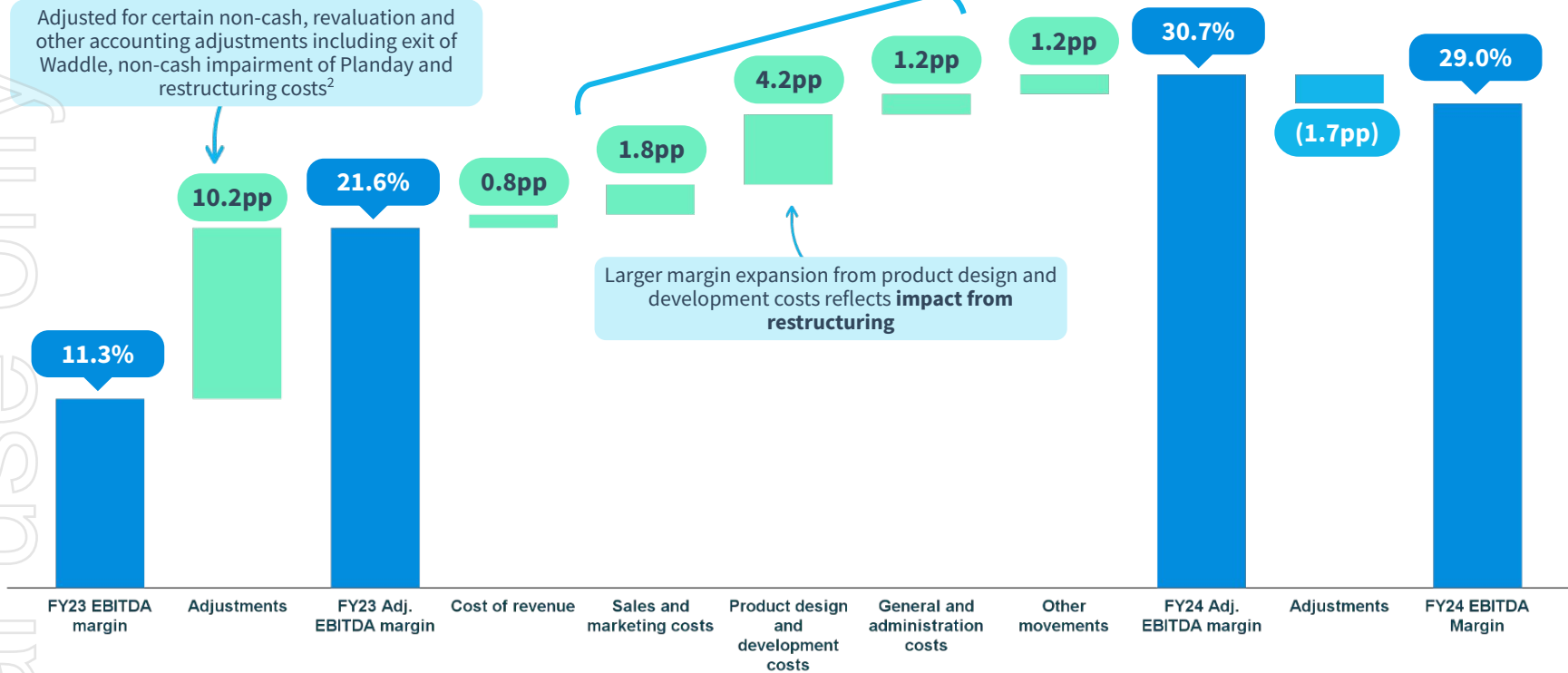


General and administration costs increased by 10% YOY which was lower than the growth in operating revenue in FY24. This resulted in 1.2pp improvement in G&A as a percentage of revenue YOY



# Progress on key metrics reflected in Adjusted EBITDA performance

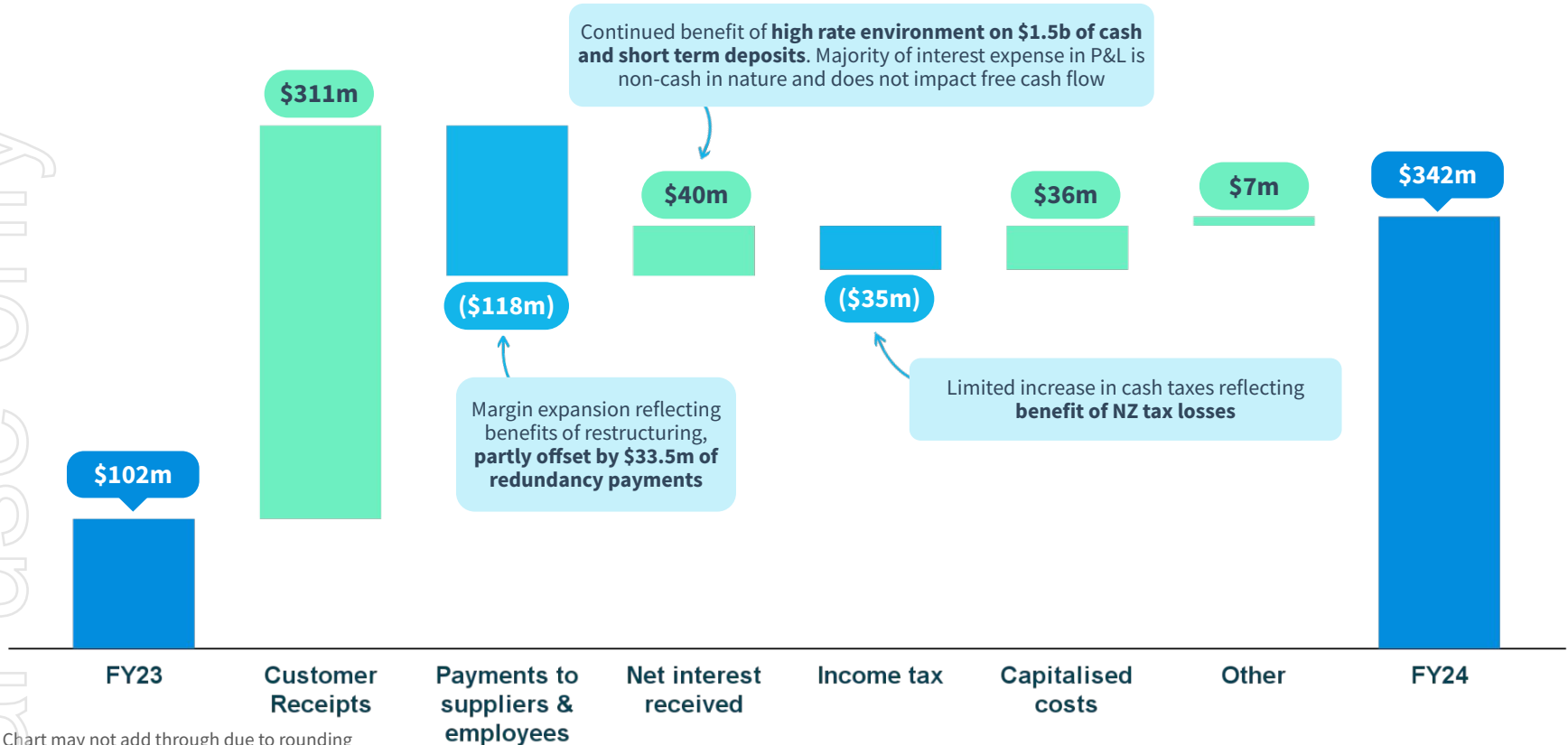
## Movements in EBITDA margin (%)<sup>1</sup>



1. Chart may not add through due to rounding 2. Refer to Appendix slide 40 for further detail on Adjusted EBITDA including definition and reconciliation to EBITDA

# Strong free cash flow, supporting Rule of 40 outcomes

## Movements in free cash flow (\$m)<sup>1</sup>



1. Chart may not add through due to rounding

# Strong balance sheet with total liquid resources of \$1.5 billion

- Net cash position grew \$324 million YOY reaching \$422 million at 31 March 2024, reflecting **strong free cash generation**
- Total available liquid resources at 31 March 2024 of \$1.5 billion
- Improved positive FCF supports balance sheet strength and provides flexibility



## Movement in net cash position

	FY23 (\$000s)	FY24 (\$000s)	Δ YOY (\$000s)
Cash and cash equivalents	230,624	<b>498,791</b>	268,167
Short-term deposits	886,563	<b>1,031,079</b>	144,516
<b>Total cash and short-term deposits</b>	<b>1,117,187</b>	<b>1,529,870</b>	<b>412,683</b>
Convertible notes - term debt liability	(1,019,794)	<b>(1,107,784)</b>	(87,990)
<b>Net cash</b>	<b>97,393</b>	<b>422,086</b>	<b>324,693</b>

# STRATEGIC THEMES



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER



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Xero FY25–27 strategy

# Winning on purpose

Winning  
solutions for  
our customers

Living our  
purpose  
consistently

Purposefully  
allocating  
capital



# 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 performance<sup>1</sup>**

FY25-FY27 STRATEGIC PRIORITIES

### Win the 3x3

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 34 for important additional qualifications and information

# Our areas of focus for FY25–27

80%

## Win the 3x3

Complete the three critical jobs in the 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

20%

## Unleash Xero(s) to Win

Deliver a purpose and performance driven EVP

Enhanced Product and Tech capabilities and op model

Transform core enterprise systems

# We continue to progress our strategic priorities & purposefully allocate capital



## Win the 3x3

- Embed partnership with Deputy in Australia<sup>1</sup> (Exiting Planday AU & focusing on Europe & UK)



## A Winning GTM Playbook

- Launched simplified product packages in Australia



## Focused Bets to Win the Future

- Restructured Canada for efficient growth
- Retired Xero Go as we evolve Mobile efforts



## Unleash Xero(s) to Win

- Diya Jolly promoted to Chief Product and Technology Officer

1. Including a US \$25m equity investment in Deputy



# Priority product areas of focus for FY25 aligned to our strategy

## Accounting

Strengthen tax capabilities in UK, **localise & support core** needs in the US, and enhance bulk tools / insights

## Payments

Continue to **reduce friction for onboarding**, **increase number of ways to pay** and launch on platform Bill pay

## Payroll

**Enhance employee onboarding and improve capabilities** particularly in the UK

## Win the Future

Launch **JAX Beta** and **begin trialling** with customers



# FY25 Outlook



Total operating expenses as a percentage of revenue is expected to be around 73% in FY25, and compared to FY24, product design and development costs as a % of revenue is expected to be higher



# Our aspiration<sup>1</sup>

*We aspire to be a world class SaaS business*

*We believe we have the opportunity to both double the size of our business<sup>2</sup>  
and deliver Rule of 40 or greater performance<sup>3,4</sup>*

*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 in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

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 NZ tax losses during the FY25-27 strategic period. Xero's remaining NZ losses balance was ~\$193m at 31 March 2024

# Wrap up of FY24 Key Themes



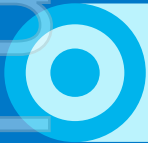
**FY24 results demonstrated our ability to execute towards our future aspirations**



**We are delivering on our commitments**



**We continue to progress our strategic priorities and purposefully allocate capital**



**Focused strategy to “Win on Purpose” positions us well for FY25-27**

# APPENDIX



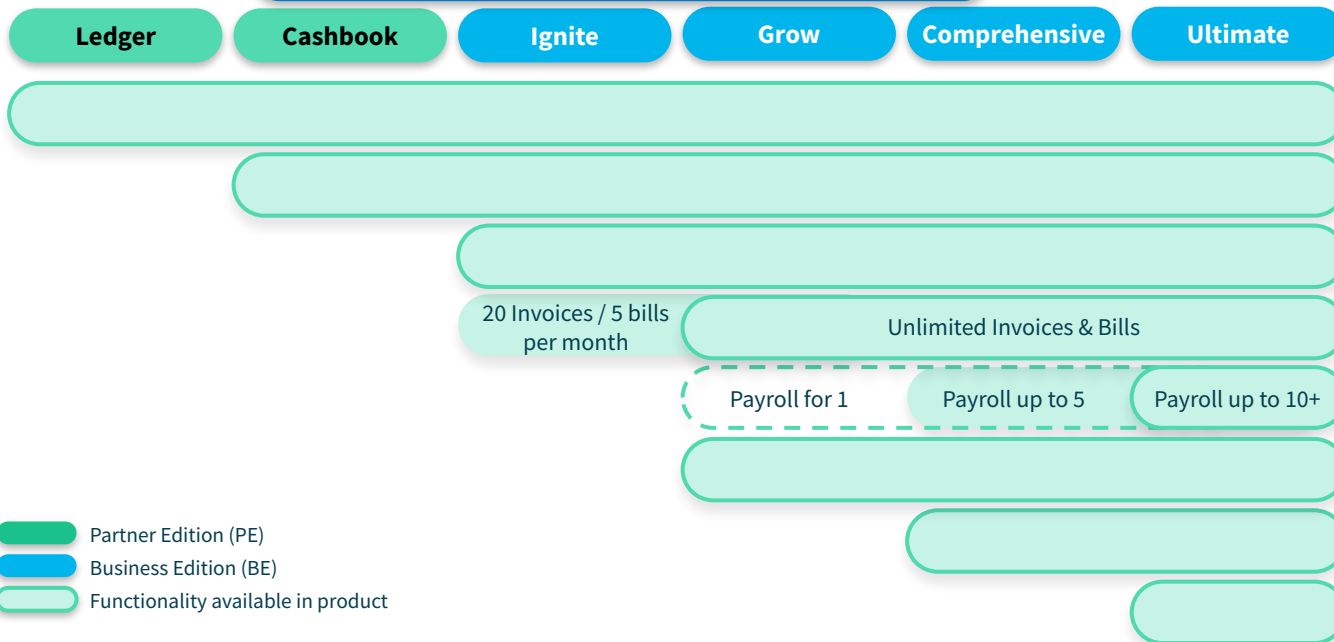
xero

mal use only

# New Australian product ladder supports our multiple growth levers

Changes will **better enable Xero to get customers on the right product at the right time**  
Migration to the new ladder will **provide better functionality** and value to customers

## Australian product ladder functionality



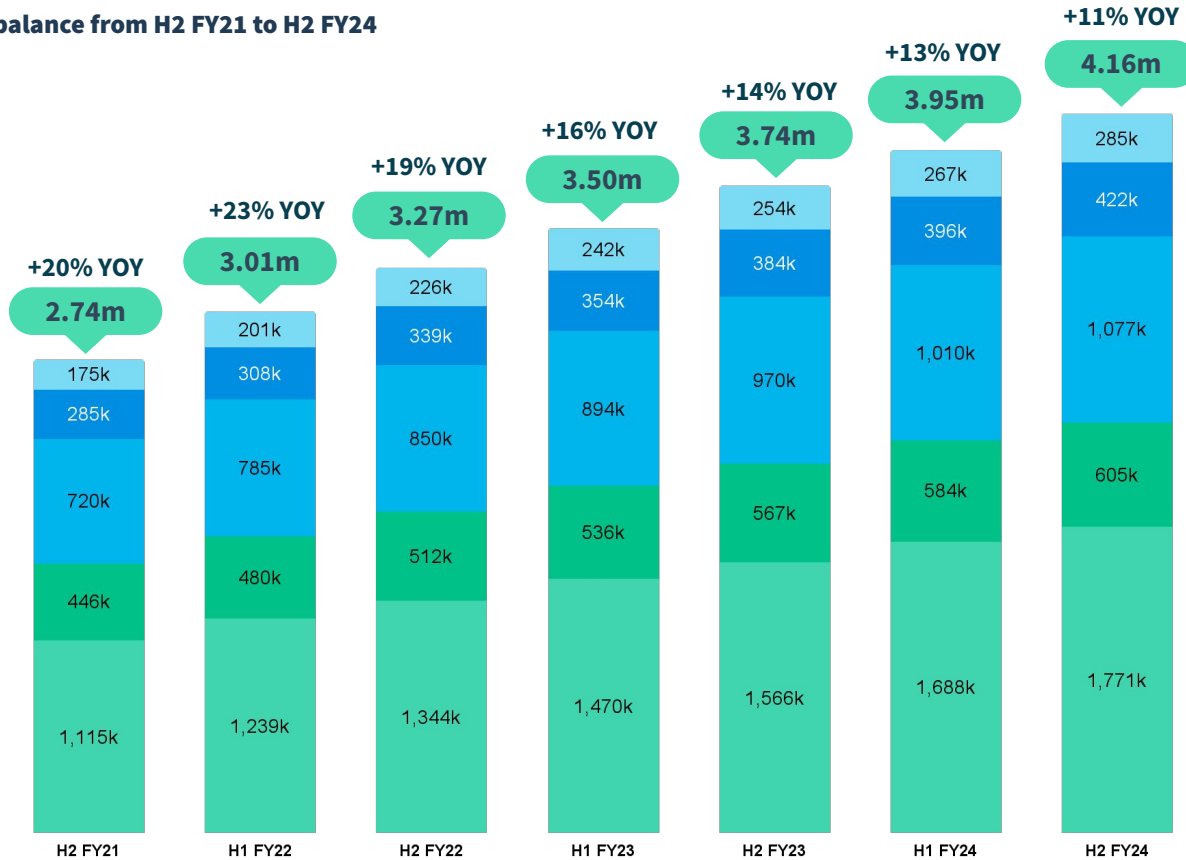
1. Ultimate 10, 20, 50 and 100 include Payroll functionality for respective levels of users (i.e Ultimate 10 up to 10 people)

2. Incremental cost for each additional user, refer Xero website for further detail

# Subscriber growth trend

Closing subscriber balance from H2 FY21 to H2 FY24

- Australia
- New Zealand
- United Kingdom
- North America
- Rest of World



Internal use only

# SaaS metrics summary

## ANZ

Australia, New Zealand

## International

UK, US, CA, ROW

## Group

Global Total

	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
ARPU	\$31.23	\$32.00	\$34.24	<b>\$37.97</b>	\$26.74	\$30.53	\$35.10	<b>\$41.05</b>	\$29.30	\$31.36	\$34.61	<b>\$39.29</b>
CAC months	8.9	8.8	9.1	<b>8.1</b>	22.4	22.9	23.3	<b>22.4</b>	14.8	15.5	15.9	<b>15.2</b>
Churn	0.73%	0.66%	0.68%	<b>0.76%</b>	1.43%	1.23%	1.21%	<b>1.28%</b>	1.01%	0.90%	0.90%	<b>0.99%</b>
Subscribers	1,561,000	1,856,000	2,133,000	<b>2,376,000</b>	1,180,000	1,415,000	1,608,000	<b>1,784,000</b>	2,741,000	3,271,000	3,741,000	<b>4,160,000</b>
Net additions	255,000	295,000	277,000	<b>243,000</b>	201,000	235,000	193,000	<b>176,000</b>	456,000	530,000	470,000	<b>419,000</b>
LTV per sub	\$3,682	\$4,225	\$4,374	<b>\$4,431</b>	\$1,608	\$2,164	\$2,542	<b>\$2,802</b>	\$2,789	\$3,333	\$3,587	<b>\$3,732</b>
LTV/CAC	13.2	14.9	14.0	<b>14.3</b>	2.7	3.1	3.1	<b>3.1</b>	6.4	6.9	6.5	<b>6.2</b>
Total LTV	\$5.75b	\$7.84b	\$9.33b	<b>\$10.53b</b>	\$1.90b	\$3.06b	\$4.09b	<b>\$5.00b</b>	\$7.65b	\$10.90b	\$13.42b	<b>\$15.53b</b>



# Limited impact from impairments & exits on Adjusted EBITDA

	FY23 (\$000s)	FY24 (\$000s)
<b>EBITDA</b>	158,399	497,418
Add back: restructuring costs	34,692	3,013
Add back: Non-cash impairment of Planday	77,927	-
Add back: Non-cash impairments of XeroGo	-	28,885
Add back: Non-cash impairment; and costs relating to the exit of Waddle	48,527	(9,090)
Add back: Non-cash revaluations	(17,856)	6,319
<b>Adjusted EBITDA</b>	301,689	526,545

	FY23 (\$000s)	FY24 (\$000s)	Δ YOY (%)
Total operating revenue	1,399,884	1,713,767	22%
Cost of revenue	(177,943)	(202,505)	14%
Gross profit	1,221,941	1,511,262	24%
Gross margin	87.3%	88.2%	0.9pp
Total operating expenses excl restructuring costs	(1,129,956)	(1,252,540)	11%
Restructuring costs	(34,692)	(3,013)	-91%
<b>Total operating expenses incl restructuring costs</b>	(1,164,648)	(1,255,553)	8%
<b>Operating income</b>	57,293	255,709	NM
Asset impairments and disposals	(122,680)	(26,414)	-78%
Reversal of asset impairments	-	1,934	NM
Other income & expenses	5,590	8,326	49%
EBIT	(59,797)	239,555	NM
<b>EBITDA</b>	158,399	497,418	NM
EBITDA margin	11.3%	29.0%	17.7pp
<b>Net profit/(loss)</b>	(113,532)	174,640	NM

- **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 gross profit (total operating revenue less cost of revenue) less total operating expenses
- **EBITDA** impacted by impairment to Xero Go and flow through of the exit of the Waddle business. **Adjusted EBITDA** provides a view on underlying business performance and is calculated by adding back certain non-cash, revaluation and other accounting adjustments and charges to EBITDA. Both of these metrics include Share Based Payments

# Financial performance

	H1 FY22	H2 FY22	FY22	H1 FY23	H2 FY23	FY23	H1 FY24	H2 FY24	FY24
Total operating revenue	505,703	591,116	1,096,819	658,512	741,372	1,399,884	799,547	914,220	<b>1,713,767</b>
<b>Gross profit</b>	<b>440,417</b>	<b>517,014</b>	<b>957,431</b>	<b>572,912</b>	<b>649,029</b>	<b>1,221,941</b>	<b>699,790</b>	<b>811,472</b>	<b>1,511,262</b>
<i>Gross margin</i>	87.1%	87.5%	87.3%	87.0%	87.5%	87.3%	87.5%	88.8%	88.2%
Sales & marketing costs	(189,017)	(216,636)	(405,653)	(238,980)	(232,851)	(471,831)	(277,220)	(264,015)	(541,235)
<i>Percentage of operating revenue</i>	37.4%	36.6%	37.0%	36.3%	31.4%	33.7%	34.7%	28.9%	31.6%
Product design & development	(166,833)	(205,191)	(372,024)	(230,710)	(259,338)	(490,048)	(256,392)	(269,791)	(526,183)
<i>Percentage of operating revenue</i>	33.0%	34.7%	33.9%	35.0%	35.0%	35.0%	32.1%	29.5%	30.7%
General & administration	(66,144)	(78,028)	(144,172)	(82,501)	(85,576)	(168,077)	(96,634)	(88,488)	(185,122)
<i>Percentage of operating revenue</i>	13.1%	13.2%	13.1%	12.5%	11.5%	12.0%	12.1%	9.7%	10.8%
<b>Total operating expenses excl restructuring costs</b>	<b>(421,994)</b>	<b>(499,855)</b>	<b>(921,849)</b>	<b>(552,191)</b>	<b>(577,765)</b>	<b>(1,129,956)</b>	<b>(630,246)</b>	<b>(622,294)</b>	<b>(1,252,540)</b>
<i>Percentage of operating revenue</i>	83.4%	84.6%	84.0%	83.9%	77.9%	80.7%	78.8%	68.1%	73.1%
Restructuring costs	-	-	-	-	(34,692)	(34,692)	(2,131)	(882)	(3,013)
<b>Total operating expenses incl restructuring costs</b>	<b>(421,994)</b>	<b>(499,855)</b>	<b>(921,849)</b>	<b>(552,191)</b>	<b>(612,457)</b>	<b>(1,164,648)</b>	<b>(632,377)</b>	<b>(623,176)</b>	<b>(1,255,553)</b>
<i>Percentage of operating revenue</i>	83.4%	84.6%	84.0%	83.9%	82.6%	83.2%	79.1%	68.2%	73.3%
<b>Operating income</b>	<b>18,423</b>	<b>17,159</b>	<b>35,582</b>	<b>20,721</b>	<b>36,572</b>	<b>57,293</b>	<b>67,413</b>	<b>188,296</b>	<b>255,709</b>
Asset impairments and disposals	(2,898)	(21,797)	(24,695)	(26,532)	(96,148)	(122,680)	(298)	(26,116)	(26,414)
Reversal of asset impairment	-	-	-	-	-	-	1,934	-	1,934
Other income & expenses	1,398	29,689	31,087	12,188	(6,598)	5,590	10,403	(2,077)	8,326
<b>EBIT</b>	<b>16,923</b>	<b>25,051</b>	<b>41,974</b>	<b>6,377</b>	<b>(66,174)</b>	<b>(59,797)</b>	<b>79,452</b>	<b>160,103</b>	<b>239,555</b>
<b>EBITDA</b>	<b>98,080</b>	<b>114,581</b>	<b>212,661</b>	<b>108,551</b>	<b>49,848</b>	<b>158,399</b>	<b>206,090</b>	<b>291,328</b>	<b>497,418</b>
<i>EBITDA margin</i>	19.4%	19.4%	19.4%	16.5%	6.7%	11.3%	25.8%	31.9%	29.0%
<b>Adjusted EBITDA</b>	<b>98,603</b>	<b>110,117</b>	<b>208,720</b>	<b>123,709</b>	<b>177,980</b>	<b>301,689</b>	<b>204,522</b>	<b>322,023</b>	<b>526,545</b>
<i>Adjusted EBITDA margin</i>	19.5%	18.6%	19.0%	18.8%	24.0%	21.6%	25.6%	35.2%	30.7%
<b>Net profit/(loss)</b>	<b>(5,922)</b>	<b>(3,192)</b>	<b>(9,114)</b>	<b>(16,130)</b>	<b>(97,402)</b>	<b>(113,532)</b>	<b>54,084</b>	<b>120,556</b>	<b>174,640</b>

# 2024 Exchange rates

<i>Full year ended/ as at 31 March</i>	2024		2023	
	Average rate	Closing rate	Average rate	Closing rate
NZD / AUD	0.927	0.915	0.912	0.934
NZD / CAD	0.822	0.805	0.825	0.847
NZD / EUR	0.562	0.552	0.599	0.574
NZD / GBP	0.485	0.473	0.518	0.505
NZD / SGD	0.820	0.805	0.857	0.831
NZD / USD	0.610	0.597	0.624	0.626

# 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

Invoicing & Payments

Bills & Payments

Payroll

TAS

Expenses

Projects

Inventory

- **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

- **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

- **Payroll** - paying employees & contractors

- **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

# 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)

## 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

## Constant currency (cc)

Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2024. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2024

## Core accounting revenue

Core accounting revenue comprises subscription based revenue to Xero's cloud-based platform, including any revenue for products that are bundled into subscription plans (such as Hubdoc and Payroll in some regions)

## Free cash flow

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

## GAAP

Generally accepted accounting principles

## 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

## Liquid resources

Liquid resources comprises cash and cash equivalents, short-term deposits including proceeds from convertible notes, and undrawn committed debt facilities

## 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

## Other revenue

Other revenues comprises non-recurring revenues and WorkflowMax. Non-recurring revenues include revenue from events (such as Xerocons and roadshows), and other non-subscription or platform services. WorkflowMax is online workflow and job management software

## Platform revenue

Platform revenues include revenue derived from related services, including adjacent products (such as Hubdoc subscriptions on other accounting platforms) and add-ons with incremental revenue (such as Payroll, Projects and Expenses modules), and payments and revenue share agreements with partners

## Rule of 40

Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

## Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (eg 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

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