



MARKET RELEASE

Xero's FY25 Delivers 23% Revenue Growth and 44% Rule of 40

Results reflect strong execution supported by continued investment and operating discipline

WELLINGTON, 15 May 2025 — Xero Limited (ASX: XRO) today reports its full year earnings to 31 March 2025 (FY25). The results highlight Xero's continued track record of strong revenue growth and increasing profitability, delivering greater than Rule of 40¹ outcomes.

Xero's strong operating results included operating revenue growth of 23% (20% in constant currency (CC)) to \$2.1 billion and an operating expense to revenue ratio of 71.8%. This resulted in a 22% increase in adjusted EBITDA compared to FY24 to \$640.6 million, with EBITDA of \$638.5 million. The company also generated strong free cash flow of \$506.7 million with a free cash flow margin of 24.1%, improving from 20.0% in the prior period. As a result, Xero once again delivered a greater than Rule of 40 outcome, with 44.3% in FY25.

CEO Sukhinder Singh Cassidy said: "Our FY25 results demonstrate Xero's macro-resilient growth and effective execution of our strategy. Our focus on balanced profitable growth has enabled us to again deliver strong EBITDA growth and a greater than Rule of 40 outcome. We have achieved this while maintaining strong momentum across our strategic pillars and, importantly, have increased our product velocity to bring more value to customers through our focused 3x3 strategy. All this is underpinned by our continued investment in our product and people, and operating discipline to deliver on our aspirations."

"We remain excited about the large, untapped opportunity to help SMBs and accountants and bookkeepers globally to digitise, and we continue to focus on making life better for people in small business, their advisors, and communities around the world."

FY25 and Financial highlights (All \$ figures are in NZD, and comparisons are made against FY24)

Year ended 31 March	2025	2024	change
Operating revenue (\$000s)	2,102,652	1,713,767	23%
Subscribers	4,414,000	4,160,000	6%
Net subscriber additions ^{2,3}	254,000	419,000	-39%
Net subscriber additions (excluding removed long idle subscriptions) ³	414,000	N/A	N/A
Average revenue per user ² (\$)	45.08	39.29	15%
Annualised monthly recurring revenue ² (\$000s)	2,387,763	1,961,368	22%
EBITDA (\$000s)	638,466	497,418	28%
Adjusted EBITDA (\$000s)	640,556	526,545	22%
Operating expense ratio	71.8%	73.3%	-1.5pp*
Net profit after tax (\$000s)	227,817	174,640	30%
Free cash flow (\$000s)	506,745	342,146	48%
Rule of 40	44.3%	41.0%	3.3pp
Total lifetime value of subscribers ² (\$b)	17.9	15.5	16%
Gross margin percentage	89.0%	88.2%	0.8pp

*pp stands for percentage points

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

² Including impact of the removal of long idle subscriptions

³ For further details on the impact of the removal of long idle subscriptions and the definition of long idle subscriptions, see page 33 of Xero's FY25 Investor Presentation



Xero delivered robust AMRR growth of 22% to \$2.4 billion. Adjusting for the removal of long idle subscriptions,⁴ AMRR was driven by both strong ARPU and subscriber growth (up 11% and 10% respectively).

Xero's ARPU growth was driven by multiple levers including improving product mix across new and existing customers, pricing changes to reflect product value, and continued payments growth.

Excluding the impact of the removal of long idle subscriptions, 414,000 subscribers were added in FY25, up 10%. Average monthly churn on this basis was 1.03% and remains historically low, underscoring Xero's macro resilience and the customer value it provides. Total LTV, after the removal of long idle subscriptions, increased 16% (13% in CC) to \$17.9 billion.

Xero continued to focus on its *Win the 3x3* strategy throughout FY25 by improving its offerings for the three most critical jobs for small businesses — accounting, payroll and payments — in its three key markets.

With increased product velocity for customers, selected highlights for the year included:

Accounting — launching Xero Simple to support UK customers with Making Tax Digital for Income Tax; enhancing Xero's US product offering by increasing direct bank feeds from 20 to over 700 in the past two years, and releasing end-of-period reconciliation; acquiring Syft Analytics and launching early access of Analytics powered by Syft for select US customers as part of wider rollout plans.

Payroll — enhancing auto super capabilities in Australia; a beta of Rostering, powered by Deputy — fully integrated in Xero Payroll in Australia; UK payroll enhancements: a new payroll manager, providing holiday entitlement calculator improvements and a streamlined process for payroll migration; deeper partnership with Gusto to deliver an embedded US payroll solution in FY26.

Payments — launching Tap to Pay in the Xero Accounting mobile app for Australian, UK and US⁵ small businesses to accept instant payments from their smartphone; migrated all Xero invoicing customers to a new invoicing product; expanded UK bill payments solution through a partnership with Crezco to include scheduled domestic and (in April 2025) international bill payments; and a new embedded US bill payment solution, powered by BILL.

Xero also launched Just Ask Xero (JAX), its GenAI-powered smart business companion, to help customers run their business more efficiently, and expanded beta access to all business edition customers globally by financial year end.⁶

Market highlights

Australia and New Zealand — Australia and New Zealand continued to deliver strong results with double-digit revenue growth, up 21% (20% in CC) to \$1.18 billion. ARPU increased 10% (9% in CC) to \$41.66, and total subscribers grew to 2.6 million.

International — Ongoing growth continued in Xero's International markets, with revenue increasing

⁴ In H1 FY24, Xero announced its intention to complete a program to remove long idle subscriptions. This program was executed in H1 FY25 with 160,000 subscriptions removed. These subscriptions were a small percentage of Xero's overall subscribers, and their removal had minimal effect on revenue

⁵ At the end of FY25, Tap to Pay for US customers was available on Android only

⁶ The JAX beta is currently only available to the subscriber role user on business edition plans



24% (20% in CC) to \$925.6 million, ARPU rising 21% (14% in CC) to \$49.82, and subscribers growing to 1.8 million.

FY26 Outlook

Total operating expenses as a percentage of revenue is expected to be around 71.5% in FY26.⁷ This ratio is expected to be higher in H1 FY26 versus H2 FY26.⁸

Aspiration⁹

Xero continues to focus on the aspirations outlined in February 2024: to be a world-class SaaS business; and Xero believes it has the opportunity to both double the size of its business¹⁰ and deliver Rule of 40 or greater performance^{11,12} over time. As Xero grows, it will also seek to be more balanced between subscriber growth and ARPU expansion.

Xero's earnings webcast

Xero's FY25 earnings webcast at 10:30am AEST on Thursday, 15 May 2025 can be accessed at: <https://webcast.openbriefing.com/xro-fyr-25/>

Pre-registration for the event at the above link is encouraged. A recording of the webcast will be available on Xero's Investor Centre: 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://xero.com) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world. For further information, please visit xero.com

⁷ This includes an expected ~\$45 million from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

⁸ This reflects the phasing of the non-recurring remuneration impacts (described above), Xerocon Brisbane, and timing of other planned investment spend. In addition, Xero expects to generate more revenue in H2 compared to H1 following its typical trend

⁹ 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

¹⁰ Xero's aspiration statement was made at the 29 February 2024 Investor Day. This was prior to its FY24 results announcement. For context, Xero's FY23 revenue was \$1,400 million, and H1 FY24 revenue (annualised on a straight line basis) was \$1,599 million

¹¹ Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

¹² Rule of 40 outcomes, and the component parts, may vary from period to period as Xero identifies opportunities for disciplined customer-focused growth and experience changes in our cash tax payment profile. Xero fully utilised its accumulated New Zealand tax losses in FY25