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Xero H1 FY26 Delivers \$1.2 Billion Revenue up 20%, 44.5% Rule of 40

Reinforces Xero's ability to deliver sustained revenue growth and momentum across its large 3x3 markets

WELLINGTON, 13 November 2025 — Xero Limited (ASX: XRO) today reports its half year earnings to 30 September 2025 (H1 FY26). The results reinforce Xero's ability to deliver strong growth and a continued greater than Rule of 40¹ outcome, demonstrating effective strategic execution.

Xero's strong operating results included operating revenue growth of 20% (18% in constant currency (CC)), to \$1,194 million and an operating expense to revenue ratio of 72.8%, excluding the impact of the Melio acquisition (77.0% including transaction costs). This supported a 12% increase in adjusted EBITDA compared to H1 FY25, to \$350.9 million, with EBITDA of \$377.9 million.² Xero also generated free cash flow of \$321.1 million with a free cash flow margin expanding to 26.9%, up from 21.0% in the prior period. As a result, Xero continued to deliver a greater than Rule of 40 outcome of 44.5% in H1 FY26.

CEO Sukhinder Singh Cassidy said: "Xero's H1 FY26 results reinforce our ability to deliver as we continue to do what we said we would do, in line with our strategy. We have demonstrated strong momentum, with our portfolio of large markets and our products contributing to our macro-resilient growth. We have continued to deliver above Rule of 40 outcomes and generate significant cash, underpinned by our disciplined allocation of capital."

"We're executing our strategy effectively, keeping our customers at the heart of everything. We have delivered key wins against our 3x3 strategy, the successful early close of our acquisition of Melio, continued product velocity and solid go-to-market progress. As a leading global SaaS business — long powered by machine learning and AI — we see generative AI technology as a significant opportunity to create more value for both our customers and internally at Xero. We are excited about the newly expanded features being rolled out through JAX — our AI financial superagent — orchestrating multiple new capabilities all within our trusted environment. As we continue to evolve, we are committed to our aspiration to be a world-class SaaS business and remain excited about Xero's future."

H1 FY26 and Financial highlights (All \$ figures are in NZD and comparisons are made against H1 FY25)

Six months ended 30 September	2025	2024	Change
Operating revenue (\$000s)	1,194,193	995,865	20%
Subscribers	4,590,000	4,186,000	10%
Net subscriber additions ^{3,4}	176,000	26,000	NM
Net subscriber additions (excluding removed long idle subscriptions) ⁴	176,000	186,000	-5%
Average revenue per user (\$)	49.63	43.08	15%
Annualised monthly recurring revenue (\$000s)	2,733,820	2,164,131	26%
EBITDA (\$000s)	377,866	311,698	21%
Adjusted EBITDA (\$000s)	350,927	312,500	12%

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 Affected by two one-off impacts from the Melio acquisition: transaction costs of \$50.6 million and a FX translation gain on acquisition funds raised of \$77.6 million. The impact of these one-off operating impacts is excluded from Xero's operating expense to revenue guidance. The FX translation gain on acquisition funds is recorded in other expenses and does not impact Xero's operating revenue or operating expenses

³ Including impact of the removal of long idle subscriptions

⁴ For further details on the impact of the removal of long idle subscriptions that occurred in H1 FY25 and the definition of long idle subscriptions, see page 34 of Xero's FY25 Annual Report

Operating income ⁵ (\$000s)	137,138	176,384	-22%
Net profit after tax (\$000s)	134,784	95,093	42%
Free cash flow (\$000s)	321,098	208,686	54%
Rule of 40	44.5%	43.9%	0.6pp*
Total lifetime value (LTV) of subscribers ⁶ (\$b)	19.6	17.0	15%
Gross margin percentage	88.5%	88.9%	-0.4pp*

*pp stands for percentage points

Xero delivered robust annualised monthly recurring revenue (AMRR) growth of 26% to \$2.7 billion (19% in CC), driven by a good balance between subscriber growth and ARPU expansion (up 10% and 15% respectively).

176,000 subscribers were added in H1 FY26. Total LTV increased 15% (9% in CC) to \$19.6 billion year-on-year. Average monthly churn (1.09%) remained below pre-pandemic trends, underscoring Xero's macro resilience and the value customers place in the platform.

As a result of Melio-related costs, operating income decreased 22% compared to H1 FY25. Excluding acquisition-related costs, operating income increased 6%.

Market highlights

Australia and New Zealand — Australia and New Zealand continued to deliver strong results with double-digit revenue growth, up 17% (17% in CC) to \$663.7 million. ARPU increased 12% (8% in CC) to \$46.39, and total subscribers grew to 2.7 million.

International — Ongoing growth continued in Xero's International markets, with revenue increasing 24% (19% in CC) to \$530.5 million, ARPU rising 19% (8% in CC) to \$54.08, and subscribers growing to 1.9 million.

In H1 FY26, Xero executed key wins against its *Win the 3x3* strategy to further enhance its customer offerings.

In June, Xero announced it had agreed to acquire Melio, a leading US SMB bill pay platform that seamlessly enables customers to manage their cash flow by offering SMBs and their advisors easy-to-use accounts payable (A/P) workflows and a wide choice of payment methods. In mid-October Xero successfully completed the acquisition, providing an opportunity to accelerate integration and deliver value for US customers sooner. Melio traded in line with Xero's expectations through the first half of Xero's Fiscal Year 2026, with underlying revenue growth of 68% to NZ\$183m.⁷

Xero plans to roll out Melio's bill pay offering to all US customers in December 2025, in addition to continuing to support Melio's direct and syndicated offerings. The acquisition is a significant milestone, creating opportunities to accelerate growth and long-term value.

Xero's agentic AI platform — leveraging AI financial superagent JAX (Just Ask Xero)

Xero continues to see AI as a significant opportunity to innovate and invest to unlock value for its customers. In September, Xero announced the evolution of its AI financial superagent JAX — built on Xero's AI agentic platform, which orchestrates multiple AI agents across Xero to deliver a reimagined experience. JAX's innovative new features, launched in October, include automated bank reconciliation,

⁵ Operating income is a non-GAAP financial measure. Xero defines it as gross profit (total operating revenue, less cost of revenues), less total operating expenses

⁶ LTV for H1 FY25 is calculated using churn excluding the impact of the removal of long idle subscriptions. This reflects churn dynamics present in Xero's go-forward subscriber base

⁷ Period covers April 1 2025 to September 30 2025, Melio numbers have not been subject to external audit or review

advanced financial insights, and integrated web related research on JAX through Xero's collaboration with OpenAI.

Xero's AI vision is to reimagine financial management using AI to help small businesses and their advisors work smarter, together. It is supported by four unique pillars:

- **Reimagined experiences:** Creating new ways for customers to seamlessly interact with Xero including conversational interfaces and the ability to use AI powered features via WhatsApp, SMS and email
- **Automated actions and workflows:** Automating routine tasks and workflows to help customers save valuable time and stay compliant, such as automated bank reconciliation and invoice creation, with specific features for user oversight and controls
- **Actionable insights:** Combining trusted data from a customer's business on Xero, connected apps, and web research powered by OpenAI to provide intelligent reasoning and personalised insights that customers can use to make smarter decisions
- **Trusted partner:** JAX offers a trusted partnership built on security, privacy and decades of accounting expertise, delivering a personalised approach. In addition, Xero's proprietary JAX Assure control system further supports increased accuracy compared to conventional AI tools that rely solely on large language models

Strong product velocity with multiple highlights across the portfolio:

- Releasing early access of Analytics powered by Syft (across Xero's 3x3 markets and rolling out globally in November), embedded into Xero, providing AI-powered insights (in beta) and a business health score. Accountants and bookkeepers also have access to Syft Analytics on eligible business plans at no extra cost
- Releasing a customisable homepage (beta) with a redesigned, simpler navigation — moving from a static dashboard to a customised and insight-rich experience with personalised actionable insights, recommended actions and a clear view of performance
- Announcing the new Partner Hub, unifying practice tools and workflows with AI-powered assistance and compliance features (beta in Australia and New Zealand from November; full release from early 2026)
- Launching Xero Workpapers (beta) in Australia, in partnership with BGL, available at no extra cost for all Australian practices using Xero Practice Manager or Xero Tax, and in beta in the coming months in the UK, New Zealand and Rest of World
- Introducing Xero Simple to support UK accountants and bookkeepers ahead of Making Tax Digital for Income Tax (MTD for IT), including invoicing, data capture and automated bank transaction imports, enabling direct MTD for IT filing
- Launching Xero's embedded payroll solution for US customers in beta through a partnership with Gusto
- Enhancing US bank feeds through a partnership with Plaid, delivering more reliable, direct OAuth connections from over 1,500 institutions (rollout from late November 2025) to complement Xero's more than 700 existing US bank feeds and coverage

Aspiration

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. They are that:

- The combined business is expected to significantly accelerate US revenue growth and gives Xero the opportunity to more than double its FY25 group revenue in FY28 excluding

- anticipated revenue synergies^{8,9}
- This outcome is expected to support Xero's aspiration to deliver greater than Rule of 40 outcomes for the group in FY28^{10, 11, 12}

Outlook

Total operating expenses as a percentage of revenue is now expected to be around 70.5% in FY26.^{13, 14} Xero previously expected this ratio to be around 71.5% in FY26.

Xero's FY26 Outlook now includes Melio. Incorporating Melio into Xero's FY26 OPEX ratio provides a small benefit, with other drivers including improved efficiencies, contributing the majority of the reduction.

This ratio is expected to be lower in H2 FY26 versus H1 FY26.¹⁵

Xero's earnings webcast

Xero's H1 FY26 earnings webcast at 10:30am AEDT on 13 November 2025 can be accessed at: <https://webcast.openbriefing.com/xro-hyr-2026/>

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 and Chair of the Audit and Risk Committee

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About Xero

[Xero](http://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

⁸ Anticipated FY28 revenue synergies are expected to be ~US\$70 million (refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025 for further details). Assuming constant currency conversion of NZ\$/US\$ 0.57, NZ\$/AU\$ 0.91 and NZ\$/GBP 0.46

⁹ Xero FY25 revenue was NZ\$2,103 million. This statement applies to FY28 only and no implication should be made relating to any other financial year

¹⁰ In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro forma basis (pro forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)

¹¹ Assessed including both expected revenue and expected cost synergies outlined on page 27 of the Investor Presentation lodged with the ASX on 25 June 2025

¹² Rule of 40 aspirations relate to Xero's results at the Xero Group level, in line with Xero's definition of Rule of 40 (for further details refer to page 42 in the H1 FY26 Investor Presentation)

¹³ This includes an expected ~\$45m from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

¹⁴ FY26 operating expense to revenue guidance excludes any impacts of transaction costs associated with the acquisition of Melio

¹⁵ 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