



## MARKET RELEASE

# Xero doubles customer numbers in six months

1 October 2009

### Key operating metrics

- Xero's paying customers double to more than 12,000 since March 31 2009. This compares to 2,200 customers at the same time last year (Sept 30 2008).
- Xero now has paying customers in more than 50 countries. Key markets include New Zealand, the United Kingdom and Australia.
- Total staff numbers have increased to 73, including new development staff in Wellington and sales staff in support of new bases established in Melbourne and Sydney.

### Product highlights

- Xero invests in a major upgrade to its hosting environment which will allow the company further capacity to scale and grow.
- Xero releases its most significant feature, multi-currency, to the market. This offers real-time exchange rate conversion in up to 160 currencies.
- Xero offers automated daily bank feeds from HSBC – the first bank to do so in the UK. Xero already has automated daily bank feeds from most of the major banks in New Zealand and Australia.
- Xero broadens customer reach within the SME market, introducing price points that cater for those with low levels of transactions and those who need more sophisticated features such as multi-currency.
- Xero releases version 2 of its API (application programming interface) which allows software partners to integrate their solutions more easily and quickly with Xero.

### Capital raising

- Xero raises a total of \$29 million. The capital raising includes the following:
  - A strategic capital raising of NZ\$23.2 million at NZ\$0.90 per share from key investors including Craig Winkler, a founder and former major shareholder of Australian based accounting software company, MYOB. With shareholder approval Craig Winkler went on to acquire NZ\$18.0 million of new Xero shares.
  - Xero Share Purchase Plan raises \$5.8 million and receives 70 per cent take-up among existing investors.

### Company news

- Microsoft executive and former Pegasus Software MD Gary Turner is appointed to head the Xero UK operation.
- Xero co-founder and former UK managing director Hamish focuses on driving global sales.
- Former MYOB founder and Xero corner-stone investor Craig Winkler joins the Xero board.

- Marketing partnerships with British Telecom and Telstra in Australia commence. Xero is now available to a collective 2.4 million small business customers via BT's business application portal and Telstra's software-as-a-Service platform T-Suite
- Key sales and customer care staff are appointed in Sydney and Melbourne. This is part of Xero's Australian growth strategy and is designed to build on the success of roadshows held in the main centres in July.
- A share buyback results in the purchase of 500,000 shares at a cost of \$744,085. The share buyback was intended to eliminate any increase in capital arising from Xero's employee restricted share plan for the year ended 31 March 2010 and any consequential dilutionary effect for existing shareholders.
- Xero wins the category for best business application on the internet at the New Zealand Internet industry Awards.
- Xero wins two Webbys - the Oscars of the internet, in the banking/bill paying category.

## Summary

It's been a very busy half-year for Xero. The company has completed its capital raising and continued to build the Xero platform and team, ready for the next stage of growth. Xero is pleased that the strong customer acquisition experienced at the March 31 year-end, continued beyond the seasonal peak.

Expanding the development team has been successful in a market where experienced and talented people are still in short supply. This supports Xero's quest to deliver a feature set that exceeds desk-top software functionality on offer from incumbent providers.

Following on from overseas market entry activities in the last half, Xero recruited experienced senior sales staff in Sydney, Melbourne and the UK and has made significant progress in developing these markets.

Xero continues to execute its plans and is well positioned for growth in coming years.

Xero's Interim Report will be released in early November.

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