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## MARKET RELEASE

# Xero raises \$20m to fund global growth and offers SPP

2 February 2012

Xero online accounting software (XRO) has raised \$20m through a placement to existing strategic investors to assist in accelerating its growth in large overseas markets.

Xero was named New Zealand's fastest growing exporter in the 2011 Deloitte Fast 50 Index. The company's Committed Monthly Revenue (CMR) is now \$1.75m or \$21m annualized - 50% of which comes from offshore.

Growth in regions outside New Zealand is one of the main drivers behind the company's recent forecast that it expects revenue for the full year ended 31 March 2012 to double 2011 revenue of \$9.3m.

The traction of Xero in offshore markets further validates the company's product and business model. Xero will use the funds to accelerate growth in Australia, the UK and the USA.

Subscribers to the Placement include:

- Two independent directors Sam Morgan and Sam Knowles (who recently became independent chairman)
- Australian based director and former co-founder of MYOB Craig Winkler
- Valar Ventures, the New Zealand investment vehicle of US based Peter Thiel - a former co-founder of Paypal and one of the first external investors in Facebook

The Placement price of NZ\$2.75 per share represented a small premium to the volume weighted average (VWAP) share price of Xero at the time the investors were approached.

### Shareholder Purchase Plan

The Board of Xero would like to give existing New Zealand based shareholders the opportunity to acquire new Xero shares under the same terms as the Placement.

Under a Shareholder Purchase Plan (SPP), Xero shareholders can subscribe for up to NZ\$15,000 of additional Xero shares (being the maximum amount permitted under the NZX Listing Rules) at NZ\$2.75 per share.

Xero shareholders with registered addresses in New Zealand may participate in the SPP if they were on the Xero share register at the close of business on 14 February 2012.

The SPP documents, including an application form, will be sent to shareholders in mid-February.

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