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Xero to acquire Australian online payroll provider

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Online accounting software provider (XRO) Xero has signed an agreement to acquire leading Australian online payroll company Paycycle.

The acquisition of Paycycle will accelerate Xero's growth in the Australian market and enhances Xero's online accounting offering for small businesses and their advisors.

Acquiring Paycycle also provides Xero with a specialist payroll development team at a time when it remains difficult to secure skilled software personnel.

Payroll specialist Stuart McLeod and IT specialist John Freeman founded Paycycle in 2009. The company has rapidly grown to service 750 customers, providing a user-friendly online payroll system that also manages employee leave, tax and superannuation.

The total cost of the acquisition is AUD\$1.5 million, which comprises AUD\$500,000 in cash and AUD\$1.0 million in Xero shares. The shares will be vested over three years.

Paycycle is one of a number of payroll providers, which integrate with the Xero software and half of Paycycle's customers already use Xero.

"Feedback from our Australian partners and customers is that we need to provide a fully integrated Payroll within Xero to win Australia," says Xero CEO Rod Drury.

"We've been working with Paycycle for some time and know they will fit in well with our team. Our partners have been impressed with what they have delivered to date."

"The values that the two companies share and the product synergies that have been built over time have drawn us together and demonstrate a natural fit," says Paycycle Co-founder Stuart McLeod.

"Everyone is very excited about what the future holds for Xero."

Paycycle will continue to be sold as a stand-alone product until early 2012 when full integration with the Xero platform will be complete.

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For more information contact:

Rod Drury
Xero CEO
rod.drury@xero.com
+64 27 6000 007