Important notice

This presentation is given on 13 August 2020 on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, AU ARBN 160 661 183)

Information in this presentation:
- is for general information purposes only, and is not an offer or invitation for subscription, or purchase of, or a recommendation to invest in, Xero securities
- should be read in conjunction with, and is subject to, Xero’s latest and prior interim and annual reports, including Xero’s annual report for the period ended 31 March 2020, and Xero’s market releases on the ASX
- includes forward-looking statements about Xero and the environment in which Xero operates, which are subject to uncertainties and contingencies outside of Xero’s control – Xero’s actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance
- may contain information from third parties believed to be reliable, but no representations or warranties are made as to the accuracy or completeness of such information
- includes Non-GAAP measures as we believe they provide useful information for readers to assist in understanding Xero’s financial performance. Non-GAAP financial measures do not have a standardised meaning and should not be viewed in isolation or considered as substitutes for measures reported in accordance with NZ IFRS. These measures have not been independently audited or reviewed

All information in this presentation is current at 31 March 2020, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

Due to rounding, numbers in this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

See page 26 for a glossary of the key terms used in this presentation.
Board of Directors

David Thodey, AO
CHAIR OF THE BOARD
INDEPENDENT NON-EXECUTIVE DIRECTOR
People and Remuneration Committee
Nominations Committee (Chair)

Mark Cross
INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee

Rod Drury
XERO FOUNDER
NON-EXECUTIVE DIRECTOR

Lee Hatton
INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee (Chair)

Dale Murray, CBE
INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee
Nominations Committee

Susan Peterson
INDEPENDENT NON-EXECUTIVE DIRECTOR
People and Remuneration Committee (Chair)
Nominations Committee

Craig Winkler
NON-EXECUTIVE DIRECTOR
People and Remuneration Committee
Nominations Committee
Using the online platform

Download the Online Portal Guide at xero.com/about/investors

Questions

Voting

Help number
1 800 990 363 if you are calling from Australia
+61 1800 990 363 if you are calling from outside Australia
Chair’s address

David Thodey
CHAIR OF THE BOARD
CEO update

Steve Vamos
CHIEF EXECUTIVE OFFICER
Working under COVID-19

Supporting our people and maintaining productivity
- Adapting to new ways of working
- Staying productive and engaged
- Xero On Air digital content series in September 2020

Continuing to help customers and partners
- Targeted support on topics such as
  - Accessing small business loans
  - Online sales and marketing
  - Returning safely to the workplace
  - Deferral of price rise

Prioritised product development
- Responding to changes in leave entitlements, wage subsidies, tax and other government initiatives
- Financial dashboard and short term cash flow features rolled out to Business Edition customers

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Prioritised product development
- Responding to changes in leave entitlements, wage subsidies, tax and other government initiatives
- Financial dashboard and short term cash flow features rolled out to Business Edition customers
Operating conditions remain uncertain and we continue to anticipate an impact from COVID-19 on Xero’s FY21 results.

96,000
net subscriber additions in the first four months of FY21

2.38 m
total subscribers as at 31 July 2020

Net subscriber additions were stronger in Xero’s Australia and New Zealand segment compared to the International segment.

Gross subscriber additions and churn trends have varied, however all geographies achieved positive net subscriber additions.
Strategic trends

- Adoption of cloud technologies
- Digitisation of tax and compliance
- Innovation in financial services
- Post COVID-19 small business economy
Areas of planned strategic investment

**Drive cloud accounting**
- Best-in-class cloud accounting for small business
- Extend access and distribution to serve all small businesses
- Serve small businesses with multi-lingual editions

**Grow small business platform**
- Small business needs beyond accounting and compliance
- Payments and access to capital
- New applications leveraging data, AI and machine learning

**Build for global scale and innovation**
- Attract, inspire and retain world class talent
- Robust technology to drive innovation at speed
- Optimised operational and financial structure
Social and environmental impact

Fishermans Bay Conservation Project
NEW ZEALAND
Financial overview

Kirsty Godfrey-Billy
CHIEF FINANCIAL OFFICER
Continued global growth drives FY20 results

Financial performance highlights for the year ended 31 March 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY20</th>
<th>YOY Change</th>
<th>YOY Change (Constant Currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers</td>
<td>2.285m</td>
<td>+ 467,000</td>
<td></td>
</tr>
<tr>
<td>ARPU</td>
<td>$29.93</td>
<td>+ 2%</td>
<td>(-1% in constant currency)</td>
</tr>
<tr>
<td>AMRR</td>
<td>$820.6m</td>
<td>+ 29%</td>
<td>(25% in constant currency)</td>
</tr>
<tr>
<td>Total Lifetime Value</td>
<td>$5.5b</td>
<td>+ $1.2b</td>
<td></td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>$718.2m</td>
<td>+ 30%</td>
<td>(29% in constant currency)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$137.7m</td>
<td>+ $64.6m</td>
<td></td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>$3.3m</td>
<td>+ $30.5m</td>
<td></td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$27.1m</td>
<td>+ $20.7m</td>
<td></td>
</tr>
</tbody>
</table>
## Drive cloud accounting

<table>
<thead>
<tr>
<th>Region</th>
<th>Subscribers</th>
<th>Net additions</th>
<th>Revenue</th>
<th>Cloud Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>914k (+26%)</td>
<td>188k (+31%)</td>
<td>$320m (+23%)</td>
<td>&gt;50% cloud adoption&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>392k (+12%)</td>
<td>41k (-18%)</td>
<td>$116m (+19%)</td>
<td>&lt;20% cloud adoption&lt;sup&gt;2&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>613k (+32%)</td>
<td>150k (-1%)</td>
<td>$184m (+54%)</td>
<td></td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>241k (+24%)</td>
<td>46k (+5%)</td>
<td>$55m (+25%)</td>
<td></td>
</tr>
<tr>
<td><strong>Rest of World</strong></td>
<td>125k (+51%)</td>
<td>42k (+68%)</td>
<td>$43m (+43%)</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> Excludes acquired Hubdoc subscribers in FY19

<sup>2</sup> Estimated adoption rates across English speaking addressable cloud accounting markets, based on publicly available data
Grow the small business platform

FY20 revenue composition

- Core accounting: 89%
- Platform revenues¹: 2%
- WorkflowMax²: 2%
- Non-recurring³: 7%

Group operating revenue: $718.2m

FY20 revenue growth YOY

- Core accounting: 28%
- Platform revenues¹: 82%
- WorkflowMax²: 19%
- Non-recurring³: 33%

Group operating revenue growth: 30%

¹ Platform revenues include revenue derived from related services, including adjacent products (such as Hubdoc), add-ons with incremental revenue (such as payroll and expenses modules), payments and revenue share agreements with partners.
² Revenues relating to WorkflowMax, online workflow and job management software.
³ Non-recurring includes revenue from events (such as Xerocons and roadshows), and other non-subscription or platform services.
Unit economics and track record of value creation

<table>
<thead>
<tr>
<th></th>
<th>March 2020</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>$29.93</td>
<td></td>
</tr>
<tr>
<td>MRR churn</td>
<td>1.13%</td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td>LTV per subscriber</td>
<td>$2,422</td>
<td>1%1</td>
</tr>
<tr>
<td>LTV/CAC</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>CAC months</td>
<td>14.0</td>
<td></td>
</tr>
</tbody>
</table>

LTV grew 1.7x in the last 2 years
LTV CAGR FY16 to FY20 was 34% for ANZ and 52% for International

1 LTV per subscriber growth in nominal terms. 0.6% decrease in constant currency terms based on exchange rates at 31 March 2019
Total available liquid resources of $686 million

Positive free cash flow result in FY20 of $27.1m, equivalent to 3.8% of operating revenues

Operating cash flow increased 46% to $166.6m for FY20, an improvement of $52.4m from $114.2m in FY19

Net cash position at 31 March 2020 was $111.5m (comprising cash and short-term deposits less term debt) compared to $100.6m at 31 March 2019

Total available liquid resources, inclusive of $150m of undrawn committed debt facilities, of $686m

<table>
<thead>
<tr>
<th></th>
<th>FY19 ($000s)</th>
<th>FY20 ($000s)</th>
<th>YOY change ($000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>121,527</td>
<td>108,027</td>
<td>(13,500)</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>336,819</td>
<td>428,052</td>
<td>91,233</td>
</tr>
<tr>
<td><strong>Total cash and short-term deposits</strong></td>
<td><strong>458,346</strong></td>
<td><strong>536,079</strong></td>
<td><strong>77,733</strong></td>
</tr>
<tr>
<td>Convertible notes – term debt liability</td>
<td>(357,731)</td>
<td>(424,587)</td>
<td>(66,856)</td>
</tr>
<tr>
<td><strong>Net cash</strong></td>
<td>100,615</td>
<td>111,492</td>
<td>10,877</td>
</tr>
</tbody>
</table>
Outlook

The continuing uncertainty surrounding the COVID-19 environment means it remains speculative to comment further on the potential impact on our expected performance for FY21.

Xero’s ambition is to be a long-term oriented, high-growth business. We continue to operate with disciplined cost management and targeted allocation of capital. This allows us to remain agile so we can continue to innovate, invest, support our customers, and respond to opportunities and changes in our operating environment.
Fixing the remuneration of the auditor

That the Board is authorised to fix the fees and expenses of Ernst & Young as auditor for the ensuing year.

For 101,582,181 98.66%
Against 1,293,393 1.26%
Discretionary 82,964* 0.08%

* 32,135 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution.
RESOLUTION 2

Re-election of Lee Hatton as a director

That Lee Hatton, retiring from office as a director of Xero at the Meeting, and being eligible, be re-elected as a director of Xero

For 102,328,883 99.39%
Against 549,599 0.53%
Discretionary 82,606* 0.08%

* 31,777 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution
RESOLUTION 3

Re-election of Rod Drury as a director

That Rod Drury, retiring from office as a director of Xero at the Meeting, and being eligible, be re-elected as a director of Xero

For 102,857,696 99.89%
Against 29,326 0.03%
Discretionary 81,857* 0.08%

* 31,028 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution
RESOLUTION 4

Election of Mark Cross as a director

That Mark Cross, appointed by the Board as a director of Xero on 1 April 2020, and who will retire at the Meeting in accordance with clause 20.4 of Xero’s Constitution, and being eligible, be elected as a director of Xero

<table>
<thead>
<tr>
<th>For</th>
<th>Against</th>
<th>Discretionary</th>
</tr>
</thead>
<tbody>
<tr>
<td>102,841,925</td>
<td>41,833</td>
<td>82,516*</td>
</tr>
<tr>
<td>99.88%</td>
<td>0.04%</td>
<td>0.08%</td>
</tr>
</tbody>
</table>

* 31,687 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution
Glossary

Subscribers
Subscriber means each unique subscription to a Xero-offered product that is purchased by an accounting partner or an end user (small business subscriber) which is (or is available to be) deployed. Subscribers that have multiple subscriptions to integrated products on the Xero platform are counted as a single subscriber.

AMRR
Annualised monthly recurring revenue (AMRR) represents monthly recurring revenue at 31 March, multiplied by 12. It provides a 12 month forward view of revenue, assuming any promotions have ended and other factors such as subscriber numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year.

ARPU
Average revenue per user (ARPU) is calculated as AMRR at 31 March divided by subscribers at that time (and divided by 12 to get a monthly view).

Churn
Churn is the value of monthly recurring revenue (MRR) from subscribers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months.

Constant currency
Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2019. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2019.

Lifetime value (LTV)
LTV is the gross margin expected from a subscriber over the lifetime of that subscriber. This is calculated by taking the average subscriber lifetime (1 divided by churn) multiplied by ARPU, multiplied by the gross margin percentage. Group LTV is calculated as the sum of the individual segment LTVs, multiplied by their respective segment subscribers, divided by total Group subscribers.

CAC months
Customer Acquisition Cost (CAC) months are months of ARPU to recover the cost of acquiring each new subscriber. The calculation is sales and marketing costs for the year excluding the capitalisation and amortisation of commissions paid to sales people, less conference revenue (such as Xerocon), divided by gross new subscribers added during the same period, divided by ARPU.

Liquid resources
Liquid resources comprises cash and cash equivalents, short-term deposits including proceeds from convertible notes, and undrawn committed debt facilities.

Free cash flow
Free cash flow is defined as cash flows from operating activities less cash flows used for investing activities excluding cash used for acquisitions of, and investments into, businesses and strategic assets.

SBP
Share-based payments

TAM
Total addressable market

GAAP
Generally accepted accounting principles

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