Important notice

This presentation is given 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 2022, 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 2022, 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 28 for a glossary of the key terms used in this presentation.

*Authorised for release to the ASX by the Chair of the Board and the Chair of the Audit and Risk Management Committee.*
Business update

Steve Vamos
CHIEF EXECUTIVE OFFICER
## Strong result with 29% revenue growth

Financial and operating performance highlights for the year ended 31 March 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subscribers</strong></td>
<td>3.271m</td>
<td>+530,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+19% YOY</td>
</tr>
<tr>
<td><strong>ARPU</strong></td>
<td>$31.36</td>
<td>+7% YOY</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(9% in constant currency)</td>
</tr>
<tr>
<td><strong>AMRR</strong></td>
<td>$1,231.1m</td>
<td>+28% YOY</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(30% in constant currency)</td>
</tr>
<tr>
<td><strong>Total Lifetime Value</strong></td>
<td>$10.9b</td>
<td>+$3.3b</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+43% YOY</td>
</tr>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>$1,096.8m</td>
<td>+29% YOY</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(30% in constant currency)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>$212.7m</td>
<td>+$21.4m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YOY</td>
</tr>
<tr>
<td><strong>Net Loss</strong></td>
<td>-$9.1m</td>
<td>-$28.9m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YOY</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$2.1m</td>
<td>-$54.9m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>YOY</td>
</tr>
</tbody>
</table>
Revenue growth strong

Customers increasingly consider Xero as fundamental to running their business and meeting compliance and other needs

Revenue composition

- **Core accounting revenues** grew 23% YOY or 24% in constant currency, driven by subscriber growth and price changes
- **Platform revenues** increased by 113% YOY, or 43% excluding revenues from businesses acquired during the period
- **Other revenues** increased 28% YOY, or 19% excluding revenues from businesses acquired during the period

---

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core accounting</td>
<td>$553m</td>
<td>$718m</td>
<td>$849m</td>
<td>$1,097m</td>
</tr>
<tr>
<td>Platform</td>
<td>4%</td>
<td>7%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>91%</td>
<td>89%</td>
<td>91%</td>
<td>87%</td>
</tr>
</tbody>
</table>

- **Group operating revenue** grew 29% YOY, or 24% excluding revenue from businesses acquired during the period
- **Core accounting revenues** grew 23% YOY or 24% in constant currency, driven by subscriber growth and price changes
- **Platform revenues** increased by 113% YOY, or 43% excluding revenues from businesses acquired during the period
- **Other revenues** increased 28% YOY, or 19% excluding revenues from businesses acquired during the period
Platform revenues grow, supported by rising activity

Platform revenues now account for 11% of revenues, up from 7% in FY21. The three largest contributors of platform revenue in FY22 show increasing activity levels over the last 12 months.

1. Average employee users of Planday
2. Total employees paid through Xero Payroll in Australia, New Zealand and the UK (markets with a Xero Payroll solution)
3. Total invoice payment value across our connected online payment service providers who process the payment of invoices on the Xero platform
Australia and New Zealand highlights

$633M Revenue (+23% YOY)  295K Net Adds  1.86M Subscribers (+19% YOY)

Winners
Canstar’s Most Satisfied Customers Award
Small Business Accounting Software
in Australia and New Zealand

Australia

<table>
<thead>
<tr>
<th>FY22</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$483m</td>
</tr>
<tr>
<td>Net additions</td>
<td>229k</td>
</tr>
<tr>
<td>Subscribers</td>
<td>1.34m</td>
</tr>
</tbody>
</table>

New Zealand

<table>
<thead>
<tr>
<th>FY22</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$149m</td>
</tr>
<tr>
<td>Net additions</td>
<td>66k</td>
</tr>
<tr>
<td>Subscribers</td>
<td>512k</td>
</tr>
</tbody>
</table>

- Ongoing momentum in subscriber and revenue growth as cloud adoption continues
- Recent Australian Budget measures such as the Technology Investment Boost add further support to small business
- Xerocon scheduled for September 2022 in Sydney
- Business Edition (BE) price changes effective September 2021, Partner Edition price changes effective March 2022

1  Revenue growth 27% YOY constant currency  2  This excludes ledger products
## International highlights

### $464M Revenue (+39% YOY)

**235K Net Adds**

**1.4M Subscribers (+20% YOY)**

### United Kingdom

<table>
<thead>
<tr>
<th>FY22</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$292m</td>
</tr>
<tr>
<td>Net additions</td>
<td>130k</td>
</tr>
<tr>
<td>Subscribers</td>
<td>850k</td>
</tr>
</tbody>
</table>

- Well positioned and continue to deliver product specific enhancements
- Subdued Q3 subscriber net additions due to partner channel productivity and service related challenges, improved performance in Q4
- Slower than expected rate of uptake from final stage of MTD for VAT to date
- Xerocon scheduled for July 2022 in London
- BE price changes effective September 2021

### North America

<table>
<thead>
<tr>
<th>FY22</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$73m</td>
</tr>
<tr>
<td>Net additions</td>
<td>54k</td>
</tr>
<tr>
<td>Subscribers</td>
<td>339k</td>
</tr>
</tbody>
</table>

- Focused on product localisation, as evidenced by recent TaxCycle acquisition
- New partnership agreed with Avalara
- Xerocon schedule for August 2022 in New Orleans
- BE price changes in the US and Canada, effective November 2021

### Rest of World

<table>
<thead>
<tr>
<th>FY22</th>
<th>Δ YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$100m</td>
</tr>
<tr>
<td>Net additions</td>
<td>51k</td>
</tr>
<tr>
<td>Subscribers</td>
<td>226k</td>
</tr>
</tbody>
</table>

- Continued to expand our product offering in South Africa
- ROW includes the majority of Planday revenue and subscriber contribution
- BE price changes for USD plans, effective November 2021

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1. Revenue growth 30% YOY constant currency
2. Revenue growth 31% YOY constant currency
3. Revenue growth 90% YOY constant currency
Strategic priorities

Drive cloud accounting

Grow small business platform

Build for global scale and innovation
## Investing in our strategy: North America

### Canadian product localisation with TaxCycle

<table>
<thead>
<tr>
<th>STRATEGIC PRIORITY</th>
<th>Drive cloud accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>CATEGORY</td>
<td><strong>Canadian tax compliance</strong></td>
</tr>
<tr>
<td>OPPORTUNITY</td>
<td>Serving more Canadian customers by enhancing income tax filing capability, in line with Xero’s compliance playbook, and accessing a larger partner base</td>
</tr>
<tr>
<td>TAM</td>
<td><strong>4 million SMEs</strong></td>
</tr>
<tr>
<td>MARKET AND CUSTOMER NEEDS</td>
<td></td>
</tr>
</tbody>
</table>

### The Canadian market
- Low cloud penetration and 4 million SMEs in total addressable market opportunity
- Accountants and bookkeepers play a similar role in supporting small business
- Xero Canada was established in FY18
- With the acquisition of TaxCycle we now have locations in Toronto and Calgary with a team of 200+

### Acquisition of TaxCycle
- Founded in 2010, TaxCycle is used by accountants and bookkeepers in all local tax jurisdictions representing almost 4,000 tax firms across Canada
- Provides immediate access to income tax and annual tax submissions for customers
- Steps up localisation of our Canadian offering, adding end-of-year tax capability in key filing categories with support for others to come
Investing in our strategy: our people

**Successful year in talent acquisition**

- In a challenging hiring environment, delivered our biggest ever year of talent acquisition in FY22
- Expanded to 4,784 total FTEs globally
- Focus on product and technology, where we grew FTEs 35% YOY
- Attracting talent as we build our capabilities to further scale and innovate, including adding senior product capability in North America

**Employee value proposition**

**Tools that support our talent acquisition**

**Purpose-led**
Our people are inspired to fulfil our purpose to make life better for people in small business

**Global footprint**
Continue to leverage our global footprint

**Flexible working policy**
Giving our people flexibility and choice to work where they and their teams perform best, at home, in the office or a combination of both

**Fully remote roles**
Fully remote roles for our product and technology teams
Financial results

Kirsty Godfrey-Billy
CHIEF FINANCIAL OFFICER
Strong financial performance with continued investment in the long term

**AMRR**
- Growth in AMRR of $267.5m or 28% YOY (30% in constant currency) reflects subscriber growth of 19%, and ARPU increase of 7% YOY (9% YOY in constant currency)

**EBITDA**
- EBITDA increased by $21.4m or 11% YOY, reflecting rebound in revenue growth partially offset by increased sales and marketing and product spend. EBITDA also includes net benefit of $3.7m from non-cash items (discussed on slide 18)

**Free cash flow**
- Free cash flow decreased by $54.9m to $2.1m. Free cash flow as a percentage of revenue decreased 6.5pp from 6.7% to 0.2% YOY as higher investment levels returned in FY22 after FY21 free cash flow benefited from responsive expense management
Continued uplift in lifetime value of subscribers

Total LTV over time

- LTV 5 year CAGR was 34% for ANZ and 49% for International
- Average customer lifetime of 9.3 years

LTV movements by driver

From 31 March 2021 to 31 March 2022

<table>
<thead>
<tr>
<th>Driver</th>
<th>MAR 21</th>
<th>NEW SUBS</th>
<th>ARPU</th>
<th>GROSS MARGIN</th>
<th>CHURN</th>
<th>M&amp;A</th>
<th>OTHER INCL. FX</th>
<th>MAR 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANZ</td>
<td>7.65</td>
<td>1.60</td>
<td>0.63</td>
<td>0.13</td>
<td>0.87</td>
<td>0.18</td>
<td>-0.15</td>
<td>10.90</td>
</tr>
<tr>
<td>International</td>
<td>0.18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued uplift in lifetime value of subscribers

- LTV 5 year CAGR was 34% for ANZ and 49% for International
- Average customer lifetime of 9.3 years

FY19, FY20, FY21, FY22

$12b added

$3.3b
Higher ARPU, low churn helping drive LTV uplift

ARPU movement contributors

ARPU has increased by just over $2 since 31 March 2021

<table>
<thead>
<tr>
<th>ARPU at 31 March 2021</th>
<th>$29.30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price changes</td>
<td>↑</td>
</tr>
<tr>
<td>Product mix and other¹</td>
<td>↑</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>↑</td>
</tr>
<tr>
<td>FX movements</td>
<td>↓</td>
</tr>
</tbody>
</table>

ARPU at 31 March 2022 | $31.36 |

Churn²

Churn has remained consistently below pre-COVID-19 pandemic levels

- 0.11pp YOY

ARPU at 31 March 2021:

- H2 FY19: 1.13%
- H1 FY20: 1.10%
- H2 FY20: 1.11%
- H1 FY21: 1.01%
- H2 FY21: 0.88%
- H1 FY22: 0.90%
- H2 FY22: 0.88%

ARPU at 31 March 2022:

- H2 FY19: 1.10%
- H1 FY20: 1.10%
- H2 FY20: 1.13%
- H1 FY21: 1.11%
- H2 FY21: 1.01%
- H1 FY22: 0.88%
- H2 FY22: 0.88%

¹ Other includes platform revenues
² See glossary on page 28 for definition of churn
Improved gross profit reflects continued investment

Gross profit and gross margin percentage

- Gross profit
- Gross margin percentage

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Profit</th>
<th>Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>$462m</td>
<td>83.6%</td>
</tr>
<tr>
<td>FY20</td>
<td>$612m</td>
<td>85.2%</td>
</tr>
<tr>
<td>FY21</td>
<td>$730m</td>
<td>86.0%</td>
</tr>
<tr>
<td>FY22</td>
<td>$957m</td>
<td>87.3%</td>
</tr>
</tbody>
</table>

Gross profit has increased by 31% YOY from FY21 to FY22.

Operating expenses as a % of revenue

- Sales and marketing
- Product design and development
- General and administration

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales and Marketing</th>
<th>Product Design and Development</th>
<th>General and Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19</td>
<td>12.0%</td>
<td>44.9%</td>
<td>34.1%</td>
</tr>
<tr>
<td>FY20</td>
<td>12.4%</td>
<td>43.6%</td>
<td>33.9%</td>
</tr>
<tr>
<td>FY21</td>
<td>12.5%</td>
<td>36.3%</td>
<td>37.0%</td>
</tr>
<tr>
<td>FY22</td>
<td>13.1%</td>
<td>33.9%</td>
<td>43% including capitalised costs</td>
</tr>
</tbody>
</table>

Improved gross profit reflects continued investment. Gross profit has increased by 31% YOY from FY21 to FY22. Operating expenses as a % of revenue have been relatively stable.
Financial performance

Operating revenue growth of 29% YOY (30% constant currency), driven primarily by subscriber growth and platform revenue.

Operating expenses, inclusive of acquisition integration costs, increased 39% YOY and represented 84% of operating revenue, consistent with guidance for FY22.

EBITDA increased $21.4m YOY, with a 3.1pp decrease in EBITDA margin over the period as operating expenses increased to support a stronger growth profile.

One-off items that had a net impact of $3.7m, comprised:

- Restructuring of Planday deferred consideration: -$2.2m
- Reduced Waddle deferred consideration gain: +$30.6m
- Impairment of Waddle goodwill: -$20.4m
- Impairment of other intangibles: -$4.3m

### Financial Performance Table

<table>
<thead>
<tr>
<th></th>
<th>FY21 ($000s)</th>
<th>FY22 ($000s)</th>
<th>Δ YOY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenue</td>
<td>848,782</td>
<td>1,096,819</td>
<td>29%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(118,893)</td>
<td>(139,388)</td>
<td>17%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>729,889</td>
<td>957,431</td>
<td>31%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>86.0%</td>
<td>87.3%</td>
<td>+1.3pp</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(663,825)</td>
<td>(921,849)</td>
<td>39%</td>
</tr>
<tr>
<td>Asset impairments and other income &amp; expenses</td>
<td>(4,377)</td>
<td>6,392</td>
<td>NM</td>
</tr>
<tr>
<td>Operating profit</td>
<td>61,687</td>
<td>41,974</td>
<td>-32%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>191,228</td>
<td>212,661</td>
<td>11%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>22.5%</td>
<td>19.4%</td>
<td>-3.1pp</td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>19,774</td>
<td>(9,114)</td>
<td>NM</td>
</tr>
</tbody>
</table>
## Total liquid resources of $1.1 billion

Net cash position decreased by $205.4m YOY to $51.2m at 31 March 2022

Total available liquid resources at 31 March 2022 of $1.1b, inclusive of $150m of undrawn committed debt facilities

Investing cash flows include acquisition payments for Planday, Tickstar, LOCATE Inventory and TaxCycle along with deferred consideration payments from previous acquisitions, totalling $185.4 million

<table>
<thead>
<tr>
<th>Movement in net cash position</th>
<th>FY21 ($000s)</th>
<th>FY22 ($000s)</th>
<th>Δ YOY ($000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>657,849</td>
<td>404,192</td>
<td>(253,657)</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>452,814</td>
<td>531,866</td>
<td>79,052</td>
</tr>
<tr>
<td>Total cash and short-term deposits</td>
<td>1,110,663</td>
<td>936,058</td>
<td>(174,605)</td>
</tr>
<tr>
<td>Convertible notes - term debt liability</td>
<td>(854,078)</td>
<td>(884,839)</td>
<td>(30,761)</td>
</tr>
<tr>
<td>Net cash</td>
<td>256,585</td>
<td>51,219</td>
<td>(205,366)</td>
</tr>
</tbody>
</table>
Outlook

Xero will continue to focus on growing its global small business platform and maintain a preference for reinvesting cash generated, subject to investment criteria and market conditions, to drive long-term shareholder value.

Total operating expenses (including acquisition integration costs) as a percentage of operating revenue for FY23 are expected to be towards the lower end of a range 80-85%.
### Evolution of Xero’s financial profile

<table>
<thead>
<tr>
<th>Expense Ratio</th>
<th>FY22</th>
<th>FY23 Expectation</th>
<th>Long Term Aspiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales &amp; Marketing</td>
<td>37.0% of revenue</td>
<td>Expected ratio trend: ➥</td>
<td>➥</td>
</tr>
</tbody>
</table>
| Outcome       | • Revenue Growth: +29%  
• Subscriber Growth: +19%  
• LTV/CAC: 6.9 | • Revenue Growth  
• Subscriber Growth  
• Attractive LTV/CAC | ➥ |
| Product Design & Development | 33.9% of revenue | Expected ratio trend: ➥ | ➥ |
| Product Initiatives and Delivery Highlights | DELIVERED  
• Xero Analytics / Analytics Plus  
• Personal tax (UK)  
• Enhanced US reporting and Provincial Tax in Canada | DELIVERING  
• Meeting needs of customers with less complex needs  
• Deeper North America localisation  
• Launch of Planday Australia | CONTINUING TO INVEST IN  
• Products and functionality to meet customer compliance needs in all markets  
• Embedding our inventory product  
• Seamless access to financial services  
• Workforce management  
• Continued modernisation of the platform |
| General & Administration | 13.1% of revenue | Expected ratio trend: ➥ | ➥ |
| Total Operating Expenses | 84.0% of revenue | Lower end of 80-85% range | ➥ |
Q&A

Steve Vamos
CHIEF EXECUTIVE OFFICER

Kirsty Godfrey-Billy
CHIEF FINANCIAL OFFICER
Appendix
Subscriber growth trend

Closing subscribers from H1 FY19 to H2 FY22

- **Australia**
- **New Zealand**
- **United Kingdom**
- **North America**
- **Rest of World**

### FY19
- **H1:** 1.58m
- **H2:** 3.01m

### FY20
- **H1:** 2.06m
- **H2:** 2.74m

### FY21
- **H1:** 2.29m
- **H2:** 3.27m

### FY22
- **H1:** 1.82m
- **H2:** 2.45m

**YOY Growth:**
- **Australia:** +32%
- **New Zealand:** +30%
- **United Kingdom:** +31%
- **North America:** +26%
- **Rest of World:** +19%

**Subscriber Growth Trend:**

- **H1 FY19:** 65k
- **H2 FY19:** 83k
- **H1 FY20:** 99k
- **H2 FY20:** 125k
- **H1 FY21:** 241k
- **H2 FY21:** 285k
- **H1 FY22:** 308k
- **H2 FY22:** 339k

**Total Growth:**
- **H1 FY19 to H2 FY22:** 226k
## SaaS metrics summary

<table>
<thead>
<tr>
<th></th>
<th>ANZ</th>
<th>International</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY20</td>
<td>FY21</td>
<td>FY22</td>
</tr>
<tr>
<td>ARPU</td>
<td>$29.83</td>
<td>$31.23</td>
<td>$32.00</td>
</tr>
<tr>
<td>CAC months</td>
<td>9.7</td>
<td>8.9</td>
<td>8.8</td>
</tr>
<tr>
<td>Churn</td>
<td>0.84%</td>
<td>0.73%</td>
<td>0.66%</td>
</tr>
<tr>
<td>Subscribers</td>
<td>1,306,000</td>
<td>1,561,000</td>
<td>1,856,000</td>
</tr>
<tr>
<td>Net additions</td>
<td>229,000</td>
<td>255,000</td>
<td>295,000</td>
</tr>
<tr>
<td>LTV per sub</td>
<td>$3,058</td>
<td>$3,682</td>
<td>$4,225</td>
</tr>
<tr>
<td>LTV/CAC</td>
<td>10.6</td>
<td>13.2</td>
<td>14.9</td>
</tr>
<tr>
<td>Total LTV</td>
<td>$3.99b</td>
<td>$5.75b</td>
<td>$7.84b</td>
</tr>
</tbody>
</table>
Overview of financial performance from H1 FY20 to H2 FY22

<table>
<thead>
<tr>
<th></th>
<th>H1 FY20 ($000s)</th>
<th>H2 FY20 ($000s)</th>
<th>H1 FY21 ($000s)</th>
<th>H2 FY21 ($000s)</th>
<th>H1 FY22 ($000s)</th>
<th>H2 FY22 ($000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenue</td>
<td>338,658</td>
<td>379,573</td>
<td>409,837</td>
<td>438,945</td>
<td>505,703</td>
<td>591,116</td>
</tr>
<tr>
<td>Gross profit</td>
<td>288,517</td>
<td>323,132</td>
<td>351,161</td>
<td>378,728</td>
<td>440,417</td>
<td>517,014</td>
</tr>
<tr>
<td>Gross margin</td>
<td>85.2%</td>
<td>85.1%</td>
<td>85.7%</td>
<td>86.3%</td>
<td>87.1%</td>
<td>87.5%</td>
</tr>
<tr>
<td>Sales &amp; marketing costs</td>
<td>(146,072)</td>
<td>(166,780)</td>
<td>(130,750)</td>
<td>(177,198)</td>
<td>(189,017)</td>
<td>(216,636)</td>
</tr>
<tr>
<td>Percentage of operating revenue</td>
<td>43.1%</td>
<td>43.9%</td>
<td>31.9%</td>
<td>40.4%</td>
<td>37.4%</td>
<td>36.6%</td>
</tr>
<tr>
<td>Product design &amp; development</td>
<td>(85,297)</td>
<td>(92,961)</td>
<td>(110,654)</td>
<td>(138,878)</td>
<td>(166,833)</td>
<td>(205,191)</td>
</tr>
<tr>
<td>Percentage of operating revenue</td>
<td>25.2%</td>
<td>24.5%</td>
<td>27.0%</td>
<td>31.6%</td>
<td>33.0%</td>
<td>34.7%</td>
</tr>
<tr>
<td>General &amp; administration</td>
<td>(41,138)</td>
<td>(47,842)</td>
<td>(46,917)</td>
<td>(59,428)</td>
<td>(66,144)</td>
<td>(78,028)</td>
</tr>
<tr>
<td>Percentage of operating revenue</td>
<td>12.1%</td>
<td>12.6%</td>
<td>11.4%</td>
<td>13.5%</td>
<td>13.1%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(272,507)</td>
<td>(307,583)</td>
<td>(288,321)</td>
<td>(375,504)</td>
<td>(421,994)</td>
<td>(499,855)</td>
</tr>
<tr>
<td>Percentage of operating revenue</td>
<td>80.5%</td>
<td>81.0%</td>
<td>70.4%</td>
<td>85.5%</td>
<td>83.4%</td>
<td>84.6%</td>
</tr>
<tr>
<td>Asset impairments and other income &amp; expenses</td>
<td>(1,270)</td>
<td>2,393</td>
<td>(3,151)</td>
<td>(1,226)</td>
<td>(1,500)</td>
<td>7,892</td>
</tr>
<tr>
<td>Operating profit</td>
<td>14,740</td>
<td>17,942</td>
<td>59,689</td>
<td>1,998</td>
<td>16,923</td>
<td>25,051</td>
</tr>
<tr>
<td>EBITDA</td>
<td>64,850</td>
<td>72,893</td>
<td>120,765</td>
<td>70,463</td>
<td>98,080</td>
<td>114,581</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>19.1%</td>
<td>19.2%</td>
<td>29.5%</td>
<td>16.1%</td>
<td>19.4%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>1,336</td>
<td>2,000</td>
<td>34,486</td>
<td>(14,712)</td>
<td>(5,922)</td>
<td>(3,192)</td>
</tr>
</tbody>
</table>
Recent acquisitions FY21 to FY22

**ACQUISITION**

- **Waddle**
  - Invoice lending platform leveraging customers’ accounting data
  - Completed 1 October 2020

- **Tickstar**
  - E-invoicing technology providing connections to the Peppol global e-invoicing network
  - Completed 1 April 2021

- **Planday**
  - Workforce management platform for employers and employees
  - Completed 1 April 2021

- **Locate**
  - Cloud-based inventory management provider
  - Completed 12 November 2021

- **TaxCycle**
  - Canadian tax preparation software for accountants and bookkeepers
  - Completed 30 December 2021

**STRATEGIC PRIORITY**

- **Grow small business platform**
- **Drive cloud accounting**
- **Grow small business platform**
- **Drive cloud accounting**

**TOTAL CONSIDERATION AT ACQUISITION**

- **A$85 million ($92m)**
- **SEK151 million ($25m)**
- **€186 million ($311m)**
- **US$14 million ($20m)**
- **CA$66 million ($75m)**

**ALIGNMENT WITH CUSTOMER NEEDS**

- Provides access to capital through invoice financing
- Provides access to well-established e-invoicing capability and network for faster, more secure transactions
- Makes worker scheduling, payroll compliance and communicating with employees easier
- Will help to track and manage inventory in real-time, across multiple locations and channels (including Xero’s ecommerce partners)
- Offers accountants and bookkeepers capability to better serve and advise small business customers on their tax needs

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1 Total consideration includes maximum amounts payable in respect of contingent consideration and indemnification funds. For Waddle, Tickstar & Planday total consideration subject to performance and or product development milestones. Refer to notes 14 and 19 in the Financial Statements for recognition under IFRS including adjustments. Additional employee incentive of US$5 million (over 3 - 5 years) and CA$5 million (over 1 - 3 years) were provided to LOCATE and TaxCycle employees respectively.
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).

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.

CAGR
Compound annual growth rate

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 (cc)
Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2021. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2021.

Core accounting revenue
Core accounting revenue comprises subscription based revenue to Xero’s cloud-based platform, including any revenue for products that are bundled into subscription plans (such as Hubdoc and Payroll in some regions).

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.

GAAP
Generally accepted accounting principles

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.

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

Other revenues
Other comprises non-recurring revenues and WorkflowMax. Non-recurring includes revenue from events (such as Xerocons and roadshows), and other non-subscription or platform services. WorkflowMax is online workflow and job management software.

Platform revenue
Platform revenues include revenue derived from related services, including adjacent products (such as Hubdoc subscriptions on other accounting platforms) and add-ons with incremental revenue (such as payroll, projects and expenses modules), payments and revenue share agreements with partners.

Subscribers
Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (e.g. a small business or accounting partner) and 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.

TAM
Total addressable market.
Contact

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