



## MARKET RELEASE

# Xero Hits Positive EBITDA, \$417M Annualised Committed Monthly Revenue, 1.199M Subscribers; Consolidating Listing on ASX

*Added \$1B in Lifetime Value in 12 months*

## Performance Highlights H1 FY18

*All figures in NZD*

### Strong growth with Annualised Committed Monthly Revenue (ACMR) to \$417 million

- Operating revenue up 37% over H1 FY17 (38% in constant currency) to \$187.8 million
- ACMR growth of 34% (38% in constant currency) adding \$113.7 million in the 12 months to 30 September 2017, to \$416.9 million
- Lifetime value per subscriber (LTV) increased 15% (12% in constant currency) to \$2,306 adding more than \$1 billion in total subscriber LTV in the past 12 months
- Subscription revenue of \$183.0 million, an increase of 38% over H1 FY17 (constant currency growth of 39%)
- Net subscriber additions accelerated, adding 337,000 in the past 12 months to finish on 1,199,000 subscribers at 30 September 2017

### Financial discipline

- Net loss after tax for the half improved to \$(21.1) million from \$(43.9) million over H1 FY17
- Positive EBITDA of \$5.4 million, compared to an EBITDA loss of \$(25.9) million in H1 FY17
- Cash flows from operating activities were positive at \$6.1 million for the half-year from an outflow of \$(13.4) million in the same period last year. Operating and investing cash outflows improved to \$(34.6) million, compared to \$(45.8) million in H1 FY17. Total cash outflow was \$(29.4) million for the period
- \$84.4 million cash and short-term deposits at 30 September 2017

### Market leadership

- Extended cloud accounting market leadership in established markets of Australia and New Zealand with more than 518,000 subscribers in Australia and more than 271,000 in New Zealand
- In the United Kingdom, where Xero is the cloud accounting market leader, subscribers grew by 54% to 253,000 subscribers
- North America subscribers grew to 110,000 subscribers while strengthening the partner channel from regional headquarters at Denver, Colorado

- Expanding Xero’s geographical footprint, Rest of World posted another strong half-year growing to 47,000 subscribers

### **Corporate highlights**

- Consolidating Xero’s listing on the Australian Securities Exchange (ASX) to support the company’s next phase of growth
- Xero has put in place a \$100 million stand-by debt facility which will improve the company's overall liquidity position, and there are no current plans to draw down on the facility

**WELLINGTON, 9 November 2017** - Xero Limited (NZX, ASX: XRO) today reports its half-year earnings to 30 September 2017 posting positive EBITDA of \$5.4 million and growing ACMR to \$416.9 million.

With 1,199,000 subscribers at 30 September 2017, Xero added more than 160,000 net new subscribers in the half-year. Operating revenue grew 37% over the same period last year to \$187.8 million, and more than \$1 billion was added in total lifetime value in the past 12 months. Cash flows from operating activities were positive at \$6.1 million for the half-year.

Xero Founder and CEO Rod Drury said: “Xero delivered another strong half-year result, achieving positive EBITDA for the first time, and is emerging as one of the largest and fastest growing listed technology companies in Australasia.

“We continue to cement our position as the cloud accounting leader in Australia, New Zealand and the UK, with more than half a million subscribers in Australia, and quarter of a million subscribers in each of the New Zealand and UK markets.”

### **Global small business platform**

Working with accountants and bookkeepers, Xero is uniquely positioned to benefit from the growing economy of millions of small businesses worldwide. During the period, the company delivered a wave of significant new products, demonstrating that Xero is evolving from a back office product to providing front office solutions, and from online accounting software to a small business platform. There is growing recognition internationally of Xero’s global platform.

“We are well on our way to rewiring how businesses work together, leveraging our investment in Amazon Web Services with Artificial Intelligence and Machine Learning to deliver a significant wave of new products. These products combined with connections to more than 140 financial and fintech organisations, large enterprises and government agencies, deliver productivity and opportunities to help accountants, bookkeepers and small businesses grow and create new jobs,” Drury said.

### **Consolidating Listing on Australian Securities Exchange (ASX)**

To support the company’s next phase of growth, Xero announces today that it is in the process of consolidating the company’s listing on the Australian Securities Exchange (ASX). As part of this process, it is intended that trading will cease on the New Zealand Stock Exchange (NZX) at the close of business on Wednesday, 31 January 2018, and that Xero will delist from the NZX with effect from the close of business on Friday, 2 February 2018. The decision was made following an extensive strategic process which thoroughly canvassed all available options.

“Xero is an ambitious New Zealand company. We will remain headquartered in Wellington and domiciled in New Zealand,” said Drury. “We thank the NZX for providing a valuable platform to support Xero’s first decade as a public company. Our success wouldn’t be possible without the support of the NZX and our shareholders.

“While more than half of Xero’s people live and work in New Zealand, 80% of our revenue now comes from outside New Zealand. Our strategy is to drive further growth in markets like UK, North America and Southeast Asia. As Xero continues to grow, gaining enhanced access to deeper capital markets, increased liquidity and a broader base of potential investors is critical to fulfilling our ambition to be the leading global small business platform serving millions of customers.”

Shares on the NZX will be automatically transferred to the ASX. Shareholders will not need to take any action to facilitate this process. Holders of Xero shares on the ASX will not be affected by this process. More information is available on a dedicated section on Xero’s website, including contact details for Xero’s share registry Link Market Services: [www.xero.com/investors/listing](http://www.xero.com/investors/listing)

### **Bank facility**

Additionally, appropriate to Xero’s size, scale and stage of development, Xero has established a \$100 million stand-by debt facility, with the BNZ and ANZ banks. The facility will improve the company’s overall liquidity position. There are no current plans to draw down on the facility.

### **Outlook**

Operating efficiencies: operating metrics are expected to improve in FY18 as the company drives efficiencies through automation and economies of scale.

Cash usage: cash usage in FY18 (based on FX rates at 1 April 2017) is forecast to reduce from FY17. Xero is managing the business to cash flow break-even within its current cash balance (without drawing on the debt facility). Following cash flow break-even, it is intended that surplus cash flow will be reinvested, subject to investment criteria, to drive long term value.

“Our team’s disciplined execution of our global growth strategy is delivering scale and we’re excited to enter this new phase of self sustainable growth. We’re still in the early stages of delivering cloud services to the many millions of small businesses around the world and believe we are well positioned to continue growing for many years to come,” Drury said.

### **About Xero**

Xero is beautiful, easy-to-use global online platform for small businesses and their advisors. The company has 1.2 million subscribers in more than 180 countries. Xero seamlessly integrates with more than 600 apps. It was ranked No. 1 by Forbes as the World’s Most Innovative Growth Company for two years running, won Product of the Year at the British Accountancy Awards 2017 in the UK, and was rated by Canstar Blue as Australia’s best accounting software three consecutive years from 2015-2017.

### **About Subscribers**

Xero measures subscribers as each unique subscription to a Xero offered product that is purchased by an accounting partner or an end user and is, or is available to be, deployed.

**About Constant Currency**

Constant currency based on exchange rates for the six months ended 30 September 2016.

**Contact:**

Corporate Communications

Kate McLaughlin

+64 27 533 4529

[kate.mclaughlin@xero.com](mailto:kate.mclaughlin@xero.com)