Annual Meeting

20 July 2016
Important notice

This presentation is given on behalf of Xero Limited.
(Company number NZ 1830488, AU ARBN 16066183 NZX/ASX:XRO)

Information in this presentation:

- is for general information purposes only, and is not an offer or invitation for subscription, purchase, or recommendation of securities in Xero Limited

- should be read in conjunction with, and is subject to, Xero’s latest and prior annual reports, latest and prior interim reports and Xero’s market releases on ASX and NZX

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- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance, and

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All information in this presentation is current at the date of this presentation, unless otherwise stated.

All currency amounts are in NZ dollars unless otherwise stated.
Rod Drury
CEO welcome
Business update

Sankar Narayan
Chief Financial Officer
Delivering on potential

717,000
SUBSCRIBERS GLOBALLY*
+242,000 YOY

$258m
ANNUALISED COMMITTED MONTHLY REVENUE*
+$99M YOY

$1.5b
TOTAL LIFE TIME VALUE**
+$685M YOY

*As at 31 March 2016
** See following slides for further details on Life Time Value
Continuing quality growth

12 month subscriber growth
- Sep 15: 222k
- Mar 16: 242k

12 month ACMR addition
- Sep 15: $86m
- Mar 16: $99m

Adding revenue at similar rate to subscribers
Execution across the company

Improved all components of LTV growth

<table>
<thead>
<tr>
<th></th>
<th>March 2015</th>
<th>March 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers</td>
<td>475,000</td>
<td>717,000</td>
</tr>
<tr>
<td>ARPU</td>
<td>$28</td>
<td>$30</td>
</tr>
<tr>
<td>CMR churn %</td>
<td>1.23%</td>
<td>1.19%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>70%</td>
<td>76%</td>
</tr>
<tr>
<td>LTV per sub</td>
<td>$1,733</td>
<td>$2,103</td>
</tr>
</tbody>
</table>

Total life time value

- $823m FY15
- $1.5b FY16
- Added $685m FY16
Improving margins

Gross margin and % of revenue

- H1 FY15: 67%
- H2 FY15: 73%
- H1 FY16: 74%
- H2 FY16: 78%

EBITDA margins

- H1 FY15: -60%
- H2 FY15: -40%
- H1 FY16: -20%
- H2 FY16: 0%

*Employee share-based payments (SBP) are a non-cash cost to Xero
Revenue growth funding investment

Cash outflows* and revenue

Cash outflow* as % of revenue

*Operating and Investing cash outflows
Diversified and strong global growth

Subscribers*

New Zealand: 186,000 (138,000 FY15)
Australia: 312,000 (203,000 FY15)
United Kingdom: 133,000 (83,000 FY15)
North America: 62,000 (35,000 FY15)
New markets: 24,000 (16,000 FY15)

Multiple revenue levers
- Geographic expansion
- Service larger sized small businesses
- Expanded product range

*as at 31 March 2016
Xero – a high margin model

Diversified global revenue

High gross margin
- Common global cloud platform
- No legacy product support
- Strong ARPU
- AWS platform

Low cost of retention
- Small business customer
- Pace of innovation
- Business linkages
- Aversion to change

Strong margin model
Outlook

Operating efficiencies
Operating metrics to continue improvement in FY17 as the Company continues to drive efficiencies through automation and economies of scale

Cash usage
Cash usage in FY17 (based on FX rates at 1 April 2016) is forecast to reduce from FY16. Xero is managing the business to cash flow break-even within its current cash balance
Global opportunity

Andy Lark
Chief Marketing & Revenue Officer
When your purpose is your purpose:

To enable the small business economy to thrive through beautiful software, advice and connections.
Global TAM potential

Large unserviced global market*

Global cloud adoption increasing**

Xero subscriber momentum

*estimated english speaking addressable market and based on publicly available data
**based on publicly available data
A vibrant and growing brand

More people searching than ever before*

> 3,000,000 mins
Total watch time Youtube & Vimeo**

2:30 mins
Average view duration**

*Google trends analysis for searches for online accounting providers in Australia 2004 - 2016. Numbers represent search interest relative to the highest point on the chart. **Q1 2017
Wall of innovation

**PCWorld**
PC World June 2016
It’s tough to beat Xero as it has a great UI, nice mobile app and great third party integration

**CIO**
CIO Magazine on Microsoft Power BI July 2016
That is proper game changing. That’s why the Xero integration is so important because finance data holds it all together and has the accountability

@liveca_chad
Find/Recode could possibly be the biggest time saver since the introduction of the bank feed
Building trust

@Xero Thanks! So nice to be dealing with actual caring, competent, human beings.

Amazing support by Robert at the @Xero Colorado office. Xero support are caring, smart, and go the extra mile. Thanks!

@Xero so many of my clients go with Xero because my other clients tell them how much they “Love” it!
Your small business cloud

Beautiful Product + Beautiful Experiences + Beautiful Connections

 Advisor Bookkeepers / Accountants

 Business customers

 500+ connected apps

 People

 Finweb
Accelerating network growth

> 500,000
People paid in a month

> 30,000
Developers in ecosystem community

> 1,000,000
Customer files added every week

> 1,400,000
Tax submissions to ATO cloud services since October 2013

> $6 billion
Wages paid in last 90 days

> $1 trillion
Transactions processed*

* Incoming and outgoing transactions in a 12 month period
The advisor directory
On the ground in South-East Asia

- Product
- Banking Partners
- Gold Accounting Partners
- Finweb
CEO update

Rod Drury
Chief Executive, Founder
10 years of growth

Subscriber net annual additions
Xero is a unique globally authoritative data source

$1 trillion
transactions processed*

180+
countries

700,000+
subscribers

20m+
commercial contacts

450m+
transactions*

Signals
True insights and predictions

How many small businesses are there?

When am I likely to get paid?

How many jobs do small businesses create?

How am I doing compared to my industry peers?

Do service companies export?

Which sectors of the economy are growing or shrinking?

* Incoming and outgoing transactions in a 12 month period
Comprehensive AWS migration enables:

- Superior customer artificial intelligence and machine learning experiences
- Faster launch of new services
- Predictive analytics and automation at scale
- Efficiencies and margin
- Commodity big data innovations
Opens incremental growth curves

**SUBSCRIBER DRIVEN GROWTH**
- Small business accounting engine
- Channel development

**ADDITIONAL GROWTH DRIVERS**
- Front office services
- Financial Web
- Network effects
- New geographies
- Employee services

**TRANSITION**
- AWS platform migration

Trend lines for demonstrative purposes only
Our focus

ACMR

$132m  $159m  $218m  $258m

Exceed 1m subscribers within a year
Drive to $1 billion+ revenue business

- Large global TAM
- Product leadership
- Strong global execution
- Improving margins
- Cash discipline

Cash outflow* as % of revenue

80%
40%

H1 FY15  H2 FY15  H1 FY16  H2 FY16

*Operating and investing cash outflows
Rewiring the small business economy

Xero Network
Connecting small businesses to each other

Enterprise Connect
Large businesses automating their supply chains

Financial Web
Integrations with banks to automate transactions, and how they deliver next generation financial services

Government Connect
Connecting small businesses and their advisors with Government
Beautiful accounting software

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