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(Company number NZ 1830488, AU ARBN 160661183 NZX/ASX:XRO)

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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.
Agenda

- Results overview
- Financial results
- CEO update
- Q&A
Results overview

Rod Drury
Chief Executive, Founder
Executing to deliver margin and growth

862,000
SUBSCRIBERS GLOBALLY*
+269,000 YOY

$303m
ANNUALISED COMMITTED MONTHLY REVENUE*
+53% YOY**

$1.7b
TOTAL LIFETIME VALUE*
+$627M YOY

(13%)
EBITDA MARGIN
EXCL. SBP*
+17pp YOY

*Subscribers globally, Annualised Committed Monthly Revenue, and Total Lifetime Value as at 30 September, 2016
SBP are share based payments that are a non-cash cost to Xero. See following slides for more details on Lifetime Value
** Constant currency 30 September, 2015
10 years building momentum

Subscriber net annual additions

269k
## Strong and diversified global presence

<table>
<thead>
<tr>
<th></th>
<th>New Zealand</th>
<th>Australia</th>
<th>United Kingdom</th>
<th>North America</th>
<th>New Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subscribers</strong>*</td>
<td>212,000</td>
<td>380,000</td>
<td>164,000</td>
<td>77,000</td>
<td>29,000</td>
</tr>
<tr>
<td>(163,000 SEPTEMBER 15)</td>
<td>(262,000 SEPTEMBER 15)</td>
<td>(102,000 SEPTEMBER 15)</td>
<td>(47,000 SEPTEMBER 15)</td>
<td>(19,000 SEPTEMBER 15)</td>
<td></td>
</tr>
<tr>
<td><strong>Xero subscribers as % of TAM</strong>*</td>
<td>&gt; 30%</td>
<td>c.15%</td>
<td>&lt; 5%</td>
<td>&lt; 5%</td>
<td>&lt; 5%</td>
</tr>
<tr>
<td><strong>Bank linkages</strong></td>
<td>Developed</td>
<td>Developed</td>
<td>Developing</td>
<td>Early</td>
<td>Early</td>
</tr>
<tr>
<td><strong>Partner channel maturity</strong></td>
<td>Developed</td>
<td>Developing</td>
<td>Developing</td>
<td>Early</td>
<td>Early</td>
</tr>
<tr>
<td><strong>Global connected platform</strong></td>
<td>&gt; 80% of subscribers are connected to an advisor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Execution across the Company

Improved key underlying drivers of LTV*

<table>
<thead>
<tr>
<th>Subscribers</th>
<th>September 2016</th>
<th>Progress from September 2015</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARPU</td>
<td>$29.3</td>
<td>+5%**</td>
<td>✓</td>
</tr>
<tr>
<td>ACMR churn</td>
<td>14.4%</td>
<td>1.2pp</td>
<td>✓</td>
</tr>
<tr>
<td>Gross margin</td>
<td>75%</td>
<td>1pp</td>
<td>✓</td>
</tr>
<tr>
<td>LTV per sub</td>
<td>$2,004</td>
<td>+16%**</td>
<td>✓</td>
</tr>
</tbody>
</table>

Total Lifetime Value

- $1.8b
- $0.9b
- $1.7b
- $0.9b

- Added $627m***

*See definition in appendix **Constant currency 30 September, 2015. In actual dollars ARPU declined due to FX ***Added in the twelve months to 30 September, 2016
Financial results

Sankar Narayan
Chief Financial Officer
## Financial performance

Significant improvement in EBITDA outcomes (even with duplicated platform costs in the transition to AWS)

Revenue growth impacted by the strengthened NZD, with a constant currency growth of 55%*  

<table>
<thead>
<tr>
<th></th>
<th>H1 FY16 ($000s)</th>
<th>H1 FY17 ($000s)</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>92,654</td>
<td>137,247</td>
<td>48%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>69,002</td>
<td>103,405</td>
<td>50%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>74%</td>
<td>75%</td>
<td>+1pp</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(33,804)</td>
<td>(25,897)</td>
<td>(23%)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>(36%)</td>
<td>(19%)</td>
<td>+17pp</td>
</tr>
<tr>
<td>Net loss after tax</td>
<td>(44,327)</td>
<td>(43,920)</td>
<td>(1%)</td>
</tr>
<tr>
<td>EBITDA excl share-based payments</td>
<td>(27,426)</td>
<td>(18,507)</td>
<td>(33%)</td>
</tr>
<tr>
<td>EBITDA margin excl share-based payments</td>
<td>(30%)</td>
<td>(13%)</td>
<td>+17pp</td>
</tr>
</tbody>
</table>

*Constant currency with H1 FY15
Continuing quality growth

Growth momentum in subscribers and ACMR

12 month subscriber additions*

Mar 15: 191k
Sep 15: 222k
Mar 16: 242k
Sep 16: 269k

Indexed 12 month ACMR growth**

Index

Mar 15: 90
Sep 15: 100
Mar 16: 110
Sep 16: 120

*Subscriber net additions  **Constant Currency based on March 2014 FX rates, see full definition in appendix
High gross margin

Gross margin for the 12 months to September 2016 impacted by the duplicated platform costs in H1 FY17, in the transition to AWS.

The AWS transition is expected to be completed early H2 FY17, driving further increases in gross margin.

Significant opportunity to improve margin:
- Cessation of dual platform costs
- Cost efficiencies on AWS platform
- Economies of scale
- Automation

Gross profit as % of revenue

*Employee share based payments (SBP), depreciation and amortisation (D&A) are non-cash costs to Xero.*
Improving efficiencies

CAC* as % of revenue

- 80% (12 months to Sep 15)
- 75% (12 months to Mar 16)
- 70% (12 months to Sep 16)

Product cost** as a % of revenue

- 40% (12 months to Sep 15)
- 35% (12 months to Mar 16)
- 30% (12 months to Sep 16)

*Customer acquisition costs
**P&L expense
Focus on EBITDA

EBITDA includes AWS transition costs in H1 FY17

Continued reduction in EBITDA margin loss with H1 FY17 EBITDA excluding SBP of (13%)

*Employee share-based payments (SBP) are a non-cash cost to Xero
Reducing cash usage

Operating cash outflow in H1 FY17 reduced to $13.4 million from $23.4 million in H1 FY16

Operating and investing cash outflows in the current period impacted by the one-off transition costs to AWS

Operating and investing cash flows declined from $49.5 million in H1 FY16 to $45.8 million in H1 FY17

Cash balance at 30 September, 2016 was $137.9 million

Driving towards cash flow break-even within the current cash balance
**Key segment achievements**

<table>
<thead>
<tr>
<th>Subscribers</th>
<th>Operating revenue</th>
<th>Segment contribution</th>
<th>LTV*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth across segments</td>
<td>Operating revenue impacted by foreign exchange</td>
<td>Expansion of ANZ contribution margins. Group contribution increased by $17.6 million</td>
<td>International LTV growth of $164.7 million in constant currency**</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>April 2016</th>
<th>Group</th>
<th>ANZ</th>
<th>Int</th>
<th>Group</th>
<th>ANZ</th>
<th>Int</th>
<th>Group</th>
<th>ANZ</th>
<th>Int</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2016</td>
<td>862k</td>
<td>592k</td>
<td>270k</td>
<td>$137.2m</td>
<td>$96.5m</td>
<td>$40.7m</td>
<td>$17.8m</td>
<td>$37.9m</td>
<td>-$20.1m</td>
</tr>
<tr>
<td>Net change</td>
<td>+269k</td>
<td>+167k</td>
<td>+102k</td>
<td>48%</td>
<td>49%</td>
<td>45%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change (constant currency**)</td>
<td></td>
<td>55%</td>
<td>52%</td>
<td>61%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTV* Group</td>
<td>$1,727m</td>
<td>$1,414m</td>
<td>$313m</td>
<td>57%</td>
<td>62%</td>
<td>37%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTV* ANZ</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>68%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LTV* Int</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>72%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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*See definition in appendix

**Constant currency as at 30 September, 2015 for LTV; and for 6 months ending 30 September, 2015 for operating revenue

***Not meaningful
Delivering on Guidance

**FY 17 Guidance**

- **Cash**
  - 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

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

**H1 FY17 Outcomes**

- Cash usage lower in H1 FY17 compared to H1 FY16, even with duplicated platform costs during AWS transition

- Improvement in EBITDA margins and other cost ratios, even with continued growth investment and AWS transition
Australia & New Zealand
Market leader

Widening cloud leadership and continuing to win share from incumbents, with over 590,000 subscribers

Churn of <0.7% per month in New Zealand for subscribers on Xero for more than a year

Strengthening our accounting channel with >90% of Xero subscriptions attached to a partner


RAEAWARDS
Most Satisfied Customers
2015-2016
Blue
Small Business
Accounting Software

*As at 30 September, 2016
United Kingdom

The United Kingdom’s leading small business accounting solution*

> 25,000 active UK accountants and bookkeepers

Xero very well positioned:
- Most directly engaged with UK banks
- Largest and most engaged partner channel
- Strong connections with vibrant UK fintech sector

Positive traction with early market entry in South Africa

164,000 subscribers**

*Xero estimates
**As at 30 September, 2016
United Kingdom
The next growth engine

Regulatory environment is driving financial services innovation

- Automatic Enrolment: Small businesses must introduce a company pension scheme by 2018
- HMRC Making Tax Digital: UK tax system goal to be fully digital by 2020
- Revised Payments Services Directive (PSD2): Driving transformation in banking, payments and bank data accessibility by 2020

Xero with its ecosystem is well placed to take advantage of UK digitisation

Significant lead in direct bank partnerships
North America
Gaining traction

Subscribers grew to 3.5x from two years ago

Accounting partner channel
- Significantly grown accounting channel
- Selected as accounting platform within top 100 accounting firms – providing confidence in Xero as market challenger

Bank connectivity
- Major integration with Wells Fargo
- Industry leading implementation of OAuth enabled API based data sharing to drive secure bank integration

Product market fit
- Product delivery resulting in winning reviews

Building operational scale in Denver

77,000 subscribers*

*As at 30 September, 2016
South East Asia
Strong opportunity in large TAM

Growing accounting channel in key Asia markets:
- 200+ new accounting partners on-boarded in H1 FY17 across the region
- 20+ gold and platinum partners
- Increasing partner attendance at Xero-run partner events

Building out key strategic bank partnerships and integrations:
- UOB Singapore launched July 2016
- HSBC launching 2016
CEO update

Rod Drury
Chief Executive, Founder
Globally diverse leadership

Sankar Narayan
Chief Financial Officer

Trent Innes
MD, Australia

Duncan Ritchie
Chief Platform Officer

Anna Curzon
MD, New Zealand

Rachael Powell
Chief People Officer

Gary Turner
MD, United Kingdom, EMEA

Kirsty Godfrey – Billy
Chief Accounting Officer

Keri Gohman
President, Americas*

Tony Stewart
Chief Data Officer

Alex Campbell
MD, Asia

*Starting December 2016
Management focus

<table>
<thead>
<tr>
<th>Metric</th>
<th>Prior Years</th>
<th>Current Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers</td>
<td>Grow</td>
<td>Quality growth</td>
</tr>
<tr>
<td>Revenue</td>
<td>Grow</td>
<td>Grow</td>
</tr>
<tr>
<td>ARPU</td>
<td>Maintain</td>
<td>Grow</td>
</tr>
<tr>
<td>Cash</td>
<td>Manage</td>
<td>Break-even</td>
</tr>
<tr>
<td>Gross margin</td>
<td>-</td>
<td>Expand</td>
</tr>
<tr>
<td>Operating margin</td>
<td>-</td>
<td>Be profitable</td>
</tr>
<tr>
<td>Goal</td>
<td>Pass 1m subscribers</td>
<td>Pass $1 billion revenue*</td>
</tr>
</tbody>
</table>

*Aspirational goal as stated at AGM 2016
Significance of AWS transition

Xero first major cloud accounting provider to re-platform on AWS

AWS unlocks automation of small business processes to fundamentally change how small business operates

We expect the definition of accounting software to fundamentally change over the next three years

Cloud accounting has become a platform for a multi-vendor ecosystem, and network of advisors, addressing key aspects of small business computing

Well positioned for revenue expansion:
- New geographies
- New connected services
- Servicing larger small businesses
- Facilitating financial services

AWS delivers

- 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
Continued product leadership

Bank processing
“... I will declare Xero the winner when it comes to working within the Banking page. Xero’s system is more usable, customizable and accurate.”

Reporting engine
“This change is set to transform the way that accounting related reports are prepared and utilized by users, consultants, accountants and parties with whom financial information is shared.”

Multi-currency
“The only online accounting software that I’ve received that has a fully functional multi-currency implementation is Xero.”

Only accounting software for small business to achieve a 5-star functionality rating*

*Sicstar Blue research, published in August 2016
Accounting software people love

@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!
Q&A
Appendix

Subscribers  Subscriber means each unique subscription to a Xero offered product that is purchased by an accounting partner or an end user and which is, or is available to be, deployed.

ACMR  Annualised committed monthly revenue represents monthly recurring revenue at 30 September multiplied by 12. Accordingly, it provides a 12 month forward view of revenue, assuming that any promotions have ended and other factors such as subscribers, pricing and foreign exchange remain unchanged during the year.

Indexed 12 month ACMR growth  Indexed 12 month ACMR growth represents the annualised ACMR growth globally converted to New Zealand Dollars based on 30 September, 2014 exchange rates, divided by the growth achieved in the first 12 month period presented.

ARPU  ARPU is calculated as annualised committed monthly revenue at 30 September divided by subscribers at that time (and divided by 12 to get a monthly view).

Subscriber retention / CMR churn  CMR churn is the value of committed monthly revenue (CMR) from subscribers who leave Xero in a month as a percentage of the total CMR at the start of that month. The percentage provided is the average of the monthly churn for prior twelve months.

Lifetime value  Lifetime value 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 CMR churn) multiplied by ARPU multiplied by the gross margin percentage. Group LTV is calculated as the sum total of the ANZ and International LTV.
Beautiful accounting software

www.xero.com