## Customer growth

<table>
<thead>
<tr>
<th>Annual meeting</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10,000</td>
</tr>
<tr>
<td>2010</td>
<td>22,000</td>
</tr>
<tr>
<td>2011</td>
<td>45,000</td>
</tr>
<tr>
<td>Today</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Customer acquisition

First 50,000 took 5 years
Second 50,000 10 months
### Revenue growth

**Strong monetization of model**

<table>
<thead>
<tr>
<th>Year Ended 31 March</th>
<th>Customers</th>
<th>Revenue ($000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>204</td>
<td>24</td>
</tr>
<tr>
<td>2008</td>
<td>950</td>
<td>134</td>
</tr>
<tr>
<td>2009</td>
<td>6,000</td>
<td>959</td>
</tr>
<tr>
<td>2010</td>
<td>17,000</td>
<td>3,158</td>
</tr>
<tr>
<td>2011</td>
<td>36,000</td>
<td>9,341</td>
</tr>
<tr>
<td>2012</td>
<td>78,000</td>
<td>19,370</td>
</tr>
<tr>
<td>Today</td>
<td>100,000</td>
<td>-</td>
</tr>
</tbody>
</table>

**Current annualized run rate over $34,500,000**
Momentum

Growth indicators all positive

- Xerocon NZ attendees doubled to 400
- Xerocon AU attendees tripled to 400
- 7 roadshows, 2,000+ training and sales events worldwide in the past year, 26,500 attendees
- Xero partners grew to 4,200
- 100+ accounting firms are 100% Xero
- Add-ons partners grew to 100+
- $120+B of transactions processed
Revenue share by country

57% of committed revenue is now from offshore markets
SaaS Business

Product portfolio
Smart people building product with compelling value

Customer acquisition cost (CAC)
Efficient on-boarding of customers
- Sales teams, channel and direct marketing

Cost to serve (CTS)
Deliver a robust service
- platform, hosting

Retention
Customers for life

Revenue

Employee Costs

Sales costs to trend down

CTS that trends down

Low churn
Revenue generated per employee

Responsibly growing the team
Serious infrastructure

- 100+ app servers
- 2 data centres for redundancy
- Access to 120,000 Akamai caching servers
- 50TB of data
- 80,000 web requests every 5 minutes
- Peak 2,500 concurrent users
- 1m+ bank statement lines daily
- 12,000 customer care tickets per month
- 99.986% uptime
Delivering quality software - fast

10 major releases in the past year

Releases included:

- Fully integrated payroll (AU)
- Budgets - Import/Export
- Additional bank feeds
- Discounts
- Community site launched
- Report packs
- Pre/Overpayments
- VAT late claims (UK)
- Enhancements to Partner Edition
- Xero US version and Partner Edition
- Mobile Touch
- Xero Personal enhancements

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@AlexanderKohli

My take away from XeroCon is the realisation that Xero is not just beautiful but totally changing the industry goo.gl/d0tQN
Other activities

Advocacy
• Initiated NZ industry Cloud Computing Code of Practice
• Established NZ web developer conference

Integration
• Successful integration of Paycycle into Xero application
• Successful integration of WorkflowMax into Auckland team

Team
• Hired 147 staff in 12 months, total staff count today 260FTE
• New offices in Sydney, Brisbane, Milton Keynes & San Francisco
• Migrated to new offices in Wellington, Auckland, Melbourne
Australian payroll update

- Announced Paycyle acquisition at last Annual meeting
- Further investment
  - New Canberra Office
  - Team grown from 6 to 12
- Full integration successfully launched in May 2012
- Contributing to acceleration of AU
WorkflowMax acquisition

Time and Cost for professionals

Financials

- Total cost of acquisition $6m
- $2m annual run rate for stand alone product

Successful acquisition

- Created Practice Management for accountants
- Delivery of NZ tax has disrupted market
- Team grew from 6 to 13

Strategy for this year

- Working on tax for AU
Spotlight Workpapers acquisition

- Another key piece in winning the accountants
- Workpapers becoming a key feature
- Deal done in 2 tranches
- $400,000 (cash and shares)
- $400,000 (conditional on achievement of milestones)
- Will remain in beta until next year
Business focus

Goal

Grow to a million+ customers

Investment

Product
Service scalability
Offshore teams

Execution

Accountant channel strategy
Establish direct business model
Tune low cost SaaS model
Continue to build world class team
Winning the accountant

Providing the complete solution for partners

Partner Edition
- Cashbook
- Ledger

Reporting

Practice Management
- Website
- e-Marketing

Workpapers
- Document Management

Tax
- Office/Email
Single ledger disruptive and compelling

For the accounting practice
- General ledger
- Management accounts
- Annual accounts
- Fixed assets
- Tax

Shared data

For small businesses
- Invoicing
- Debtors
- Creditors
- GST
- Expense claims
- Contacts
Direct channel

Generate leads

Convert traffic to trials

Earn referrals

Convert trials to customers

More lifetime Xero customers

SEO, social, online marketing campaigns, partner events

Contact trigger points
Automate, measure and refine

Hard working homepage
Compelling content
Easy sign up

Earn referrals

Convert trials to customers

Generate leads

Convert traffic to trials
<table>
<thead>
<tr>
<th>Phase</th>
<th>Customer Activities</th>
<th>Accountant Activities</th>
<th>Channel Activities</th>
<th>NZ</th>
<th>AU</th>
<th>UK</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Product validation</td>
<td>Direct customer sales, targeting early adopters</td>
<td>Awareness and identification of reference customers</td>
<td>Initiate relationships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Gain customer insights for feature development and prioritization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Market validation</td>
<td>Build case studies</td>
<td>Working with accountants to onboard their customers</td>
<td>Establish marketing relationships, build brand by association</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Refine operational processes</td>
<td>Obtain validation and endorsement from industry</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Generate buzz</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify early mover markets</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Channel enablement</td>
<td>Link channel and customers</td>
<td>Implement conversion tools from existing software</td>
<td>Execute marketing partnerships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Link to Accountants in Practice</td>
<td>Link to Accountants in Practice</td>
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</tr>
<tr>
<td></td>
<td>Link to ecosystems of users</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Network effects</td>
<td>Activate referral model</td>
<td>Build value into accountants ecosystem</td>
<td>Solutions and businesses built on top of the platform</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Online invoicing</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>API ecosystem</td>
<td></td>
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</tr>
</tbody>
</table>
NZ highlights

• 104% increase in customers, now at 47,000+
• 1,850 Xero partners
• Xero Partner Certification and all core training courses earn verifiable CPD hours from NZICA
• Opened larger offices in Auckland and Wellington
• New Development team based in Auckland
• Covering direct costs
UK highlights

- Revenue increased 108% from $1.3m to $2.7m
- Opened a new office in Milton Keynes
- Staff grew from 9 to 16 - completing 24hr coverage
- Covering direct costs
- Shaping the UK market
US highlights

- Jamie Sutherland appointed as Xero US President
- New office opened in SOMA, San Francisco
- Relocated CTO and Community Manager
- Team grew to 11
- US Advisory Board set up
- Delivered integrated Checks
- ADP partnership
- Additional US specific app features in development
US response is positive

I’ve significantly improved my efficiency with Xero and doubled my business in the last 6 months

Nick Bird, Lucid Books, Utah

Xero gets us working in the information analysis space - it elevates us from the transaction processing role, where we can bring real value

Jim Wilkinson, Braver Group, Rhode Island

I’m getting 5 new leads a week and they are “great” leads

Steve Chaney, Chaney & Associates, California
• 26,000+ customers in Australia
• Over 1,000 partners
• From 10 to 40 staff in 18 months
• Integrated Payroll launched in May 2012
• Over 100 “Add Ons” solutions partners (1/3 from AU)
• AU team playing active leadership role in the company
New Xero Australia offices

Melbourne
Hawthorn
Opening in Dec 2012

Sydney
Surry Hills
Opened in July 2012

Canberra
Canberra City
Opened in Nov 2011

Brisbane
Milton
Opened in June 2012
Senior leadership team

Rod Drury
Chief Executive/Executive Director

Alastair Grigg
Chief Operating Officer

Ross Jenkins
Chief Financial Officer

Natasha Hubbard
General Manager HR

Paula Jackson
General Manager Marketing

Duncan Ritchie
General Manager Operations

Paul Williams
General Manager Finance

Jamie Sutherland
President, USA

Gary Turner
Managing Director, UK

Chris Ridd
Managing Director, AU

Leanne Graham
Country Manager, NZ
Heather Baker @TopLineFounder

Dear @Xero if Jamie dumps me for a Miss England contestant, you can be my boyfriend because I love you #bestsoftwareever