Annual Meeting

Beautiful accounting software

World’s Most Innovative Growth Company 2014
Rod Drury
CHIEF EXECUTIVE
Important notice

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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 stated otherwise.
FY2014 highlights
as at 31 March 2014

Operating revenue
$70.1m
ACMR at $93m

Customers
284,000
45% in “Class of 2014”

Staff
758
Staff numbers doubled in 12 months

Accounting partners
11,573
45% of partners added in FY2014

Cash to invest
$210m
Raised $180m in Oct 2013
FY2015 outlook

• While it’s early in the fiscal year we are forecasting subscription revenue growth of approximately 80% for the 2015 financial year. This is on a constant dollar basis.

• During the year we will pass through US$100m in annualised committed monthly revenue positioning us for a US listing when the timing is deemed right.
Customers today

334,000

Early target of 1M
we’re 1/3 there

50,000
4 months

50,000
4 years

2007 2009 2011 2012 Today
Years to $100m

SalesForce ($33B) 34% 4 7 11
Workday ($15B) 71% 5 7
(xero ($US2.7B) 83% 6 8
ServiceNow ($8B) 74% 6 8
NetSuite ($6B) 34% 8 10
ConstantContact ($1B) 13% 8 11

(USD valuation July 2014) % YoY growth Yrs to $20m Yrs to $100m Yrs to $1b
## Market share

as at 31 March 2014

<table>
<thead>
<tr>
<th></th>
<th>Small business</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current customers</td>
<td>Small businesses*</td>
</tr>
<tr>
<td>NZ</td>
<td>102,000</td>
<td>0.45m</td>
</tr>
<tr>
<td>AU</td>
<td>109,000</td>
<td>2.0m</td>
</tr>
<tr>
<td>UK</td>
<td>47,000</td>
<td>4.3m</td>
</tr>
<tr>
<td>Nrth America</td>
<td>18,000</td>
<td>29.0m</td>
</tr>
<tr>
<td>Rest of World</td>
<td>8,000</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>284,000</td>
<td>-</td>
</tr>
</tbody>
</table>

*Estimated from various market sources – March 2014
Sizing the market for a disruptor based on an incumbent’s market is like sizing the car industry off how many horses there were in 1910.

AARON LEVIE – CEO, BOX.COM
Adoption curve

Win influencers
Recruitment and go broad
Go deep and win share B2B and B2G initiatives
Leading product, ecosystem and platform

3% INNOVATORS
34% EARLY MAJORITY
34% LATE MAJORITY
16% LAGGARDS

US
UK
AU
NZ
Winning Australia

- Leading online accounting provider
- AU$1 Billion of payroll processed in June 2014
- 350,000 employees paid over last tax year
- 140+ staff in Australia
- Advertising campaign increasing brand awareness from 16% – 32%
UK accelerating

- Already, leading cloud accounting provider
- Strategic alliance with KPMG
- Over 100% customer growth YoY
- 90+ UK staff
Spotted this on my way back from a meeting in Holborn this morning. QB feeling the force of XERO!

MUKESH KHATRI @MUKESHBB
Focus on the USA
Global run rate vs. Intuit

Average monthly net new customers

Customer additions per month (000)

OCT 03
Jul-04
Apr-05
Jan-06
OCT 06
Jul-07
Apr-08
Jan-09
OCT 09
Jul-10
Apr-11
Jan-12
OCT 12
Jul-13
Apr-14

Xero
QBO

15
Xero vs. Intuit

Estimated as at 31 March 2014

Xero

- US: 6%
- Outside US: 94%

QBO

- US: 10%
- Outside US: 90%
Every application that is doing well in the cloud today was built from scratch to be in the cloud: Salesforce, Workday, ServiceNow, Amazon, Google. It wasn’t repurposed legacy software that now works in the cloud.

ANEEL BHUSRI, CO-FOUNDER & CEO, WORKDAY
I hate this new version! Please give me the old version back or I am considering changing.

I don't like this new system on QuickBooks online. Is there any way to use the old system?

Not only is the product unusable, but the customer service is awful.
US accountants have not begun the journey from compliance
“Xero is the best software for automation, both because of its built-in features as well as because of its integrations.”

“I provided my QuickBooks Online data to Xero and in just a few hours they’d converted, verified, and imported it into Xero.”

“Made for the cloud and right at home on mobile, Xero pairs its innovative side with its practical side.”
Largest online accounting add-on ecosystem in the USA
## US market entry phase

### Product
- Foundations in place
- Payroll v1
- Product reviews match QBO
- Superior customer service ratings
- QBO conversion

### People
- New US Directors
- US CEO
- VP education
- CA sales teams

### Partnerships & integrations
- Square
- H&R Block
- Clio
- Expensify
- SQUARESPACE
- ADP
- SVB
- City National Bank

### GTM
- Influencers
- PR
- Education
- Accounting channel
- Online acquisition
US is off the ground, now building the engine

**PHASE 1**
Get off the ground

**PHASE 2**
Build Sales Engine

**PHASE 3**
Accelerate
US 2015: Building the engine

### Product
- Deliver best in class US product
- Innovate faster
- Change product category

### People
- Complete US leadership team
- Global Management focused on US
- New US Directors

### Partnerships & integrations
- Best ecosystem
- Execute on existing relationships
- Large distribution partners

### GTM
- Build online channel
- Focus on key segments
- US listing ready
Building the best online engine
New Zealand seeing scale

- Significant exporter - 70% of revenue
- Quarter of all small businesses on Xero
- $45.2B (30%) of GDP value processed through Xero in 12 months (to 31 Dec 2013)
- Seeing next level effects
  - Large businesses connecting to the platform
  - Major player in Business to Government interaction
  - Championing next generation banking
Banking 2.0 integration

Direct Bank Feeds
Improving small business at scale

Days to get paid – 2 year change

43 → 31

Invoices sent
10.8m
$16.6B

Invoices received
9.2m
$13.4B

Recipients
800k+
of Xero online invoices

Measured 12 months to 31 December 2013
Mobilising Government for Small Business

NZ Business number

IRD GST Webservices
Reaching the heart of the New Zealand economy

Rural suppliers
Our industry does not respect tradition – it only respects innovation

SATYA NADELLA, MICROSOFT
$250M efficiently invested to build the world’s best cloud company
870 talented people today
390 staff hired in the past 12 months

- 127 Product
  86% growth
- 68 Sales, education & enablement
- 60 General & admin
- 17 Platform
- 22 Marketing
- 88 Customer experience
- 8 Country leadership

Product growth: 86%
Globally distributed product teams
Where we are at

Online accounting

Full accounting

Connected services

Business platform

Data platform

Establish the platform to play

Change the game

35
Financial platform for small business

Xero

Practice Studio

Add-ons

Modern Practice

Financial Data + Docs
Financial platform for small business
External data inside Xero

- 8,500 products available online
- 4.4M businesses
- 16.5M credit active people
Pipeline of innovation

Mobile Bank Rec
Notifications
Add-ons Directory
AU Tax
Smart Lists
Inventory
QB Conversion
PayDay App
Quotes
Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.

WINSTON CHURCHILL