Sam Knowles
BOARD CHAIRMAN
Focus for board

- Performance
- Capital
- Capability
- Culture
## Performance highlights

<table>
<thead>
<tr>
<th></th>
<th>12 months to March 2013 (NZ$000)</th>
<th>12 months to March 2012 (NZ$000)</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>39,033</td>
<td>19,370</td>
<td>102%</td>
</tr>
<tr>
<td>Total revenue &amp; grant income</td>
<td>39,969</td>
<td>19,771</td>
<td>102%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>55,954</td>
<td>28,385</td>
<td>97%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(11,438)</td>
<td>(6720)</td>
<td>70%</td>
</tr>
<tr>
<td>Net loss after tax</td>
<td>(14,443)</td>
<td>(7904)</td>
<td>83%</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>78,224</td>
<td>38,976</td>
<td>-</td>
</tr>
<tr>
<td>Annualized committed monthly revenue</td>
<td>51,500</td>
<td>25,500</td>
<td>102%</td>
</tr>
<tr>
<td>Paying business customers</td>
<td>157,000</td>
<td>78,000</td>
<td>101%</td>
</tr>
</tbody>
</table>
# Global growth

## Operating revenue (NZ$000)

<table>
<thead>
<tr>
<th></th>
<th>12 months to March 2013</th>
<th>12 months to March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>16,913</td>
<td>10,325</td>
</tr>
<tr>
<td>Australia</td>
<td>13,866</td>
<td>5,024</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5,511</td>
<td>2,723</td>
</tr>
<tr>
<td>United States/ROW</td>
<td>2,743</td>
<td>1,298</td>
</tr>
<tr>
<td>Total</td>
<td>39,033</td>
<td>19,370</td>
</tr>
</tbody>
</table>

## Customers

<table>
<thead>
<tr>
<th></th>
<th>As at March 2013</th>
<th>As at March 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>73,000</td>
<td>47,000</td>
</tr>
<tr>
<td>Australia</td>
<td>51,000</td>
<td>16,000</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>22,000</td>
<td>11,000</td>
</tr>
<tr>
<td>United States/ROW</td>
<td>11,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Total</td>
<td>157,000</td>
<td>78,000</td>
</tr>
</tbody>
</table>
Capital

- Secondary listing on ASX completed Nov 2012
- Australian-based shareholders increased to 32% (at July 2013) from 4% prior to listing ASX listing
- Raised NZ$60m from Matrix Capital and Valar Ventures in Nov 2012
- Approximately 5,300 shareholders (600 new shareholders since 10 May 2013)
- 117.5m shares on issue, average daily trading volume of around 200,000 shares
- NZX50, Market cap NZ$2 billion (at 31 July 2013)
Capability

- Continuing to invest in the platform to support 1 million+ customers
- Strong teams in all regions
- Global senior leadership team in place
- New offices in Melbourne, Perth, Los Angeles, San Francisco, Auckland and Wellington
- Strong employment brand
Global culture

- Open communication
- Top talent
- Social enterprise
- Global but feel local
The growth imperative:

- SaaS revenue comes over an extended period of time.
- Low churn in customers = long term revenue.
- SaaS businesses face significant losses in the early years.
- SaaS requires heavy upfront investment to acquire customers.
- The faster the business decides to grow, the worse the losses may become.
- Many investors have a problem understanding this, and want to hit the brakes at precisely the moment when they should be hitting the accelerator.

*Matrix Partners is a different company to major Xero shareholder Matrix Capital
Resolution 1:

**That Craig Elliott be elected as a Director of Xero**

- Co-founder and CEO of Pertino Networks, cloud software company in Silicon Valley
- Strategic advisor to New Zealand Trade and Enterprise
Resolution 2:

That Craig Winkler be re-elected as a Director of Xero

- MYOB co-founder, former Chief Innovation Executive
- Executive experience and expertise in small business accounting
Resolution 3:

*That Sam Knowles be re-elected as a Director of Xero*

- Former CEO of Kiwibank
- Director of TrustPower Ltd, SLI Systems, Synlait, Magritek, Rangatira
- Chairman of Partners Life, ON-Brand partners and Fingertapps
Resolution 4:

To authorise the Board to fix the remuneration of Xero’s auditor.
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All currency amounts are in NZ dollars unless stated otherwise.