

JUNE 2020

Xero update for ASX CEO Connect



Steve Vamos

Chief Executive Officer

xero



Orenda Tribe | United States



Xero Today

2.285 million

global subscribers

3,000+

employees

Xero offices in

20 cities

Xero is used in

180 countries

How we're responding to COVID-19



Supporting our people to ensure their safety and wellbeing

- Offices closed globally and all staff working from home
- Remote working technology, communication tools and wellbeing support
- Restrictions on travel and in-person events, cancelled Xerocon Sydney 2020, fully virtual annual general meeting



Helping customers and partners with immediate needs

- Xero Central as our main customer support centre, with a business continuity hub for live webinars and other targeted resources at central.xero.com/s/business-continuity
- A dedicated customer response team available 24/7 for case-by-case guidance
- Deferral of planned price rise
- Ensuring quality and continuity of Xero's cloud-based platform



Prioritised product development

- Extending pilot access of Short-term cash flow and Business Snapshot features to all Business Edition customers
- Simplifying and automating payroll and tax changes to help small business with reporting data, proving eligibility for and accessing government stimulus benefits
- In-product prompts and reminders to help stay on top of government initiatives

The COVID-19 environment

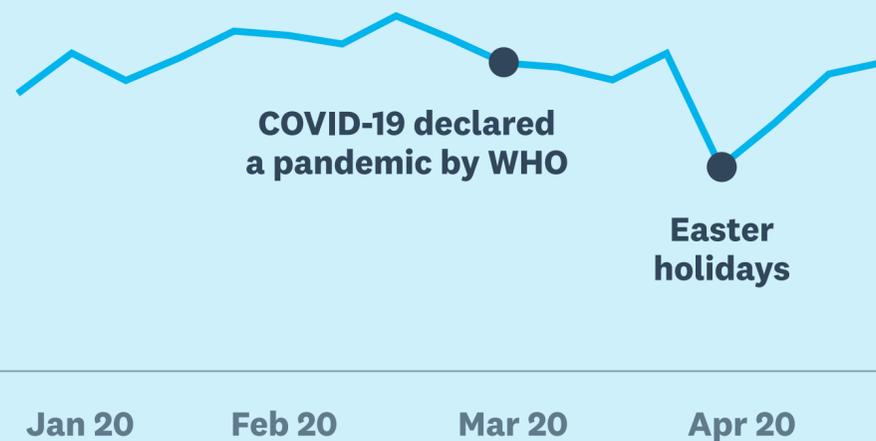
What are we seeing?

Overall, Xero usage levels have remained relatively steady during 2020 calendar year, as measured by subscriber login activity

Subscriber additions slowed towards the end of March 2020. All regions impacted with UK to a greater extent

Initial analysis of Australian subscribers indicates sectors most impacted were hospitality, and arts and entertainment

Weekly login activity YTD



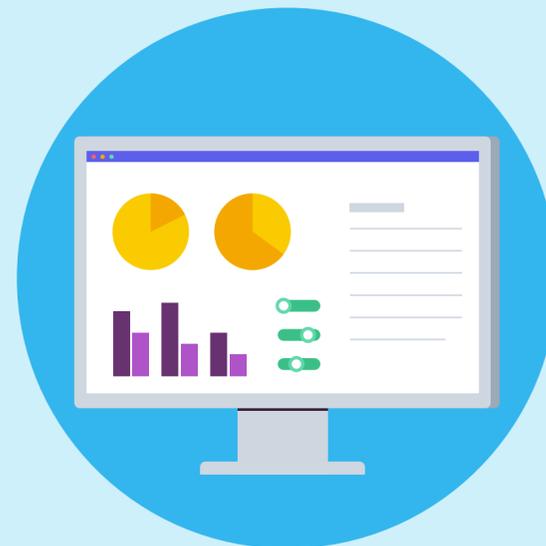
Weekly total subscriber logins for first full seventeen weeks of the 2020 calendar year

What are we hearing?

Xero voice-of-customer surveys indicate most have been significantly impacted by COVID-19, with many foreseeing a negative business outlook

Main concerns of small business customers:

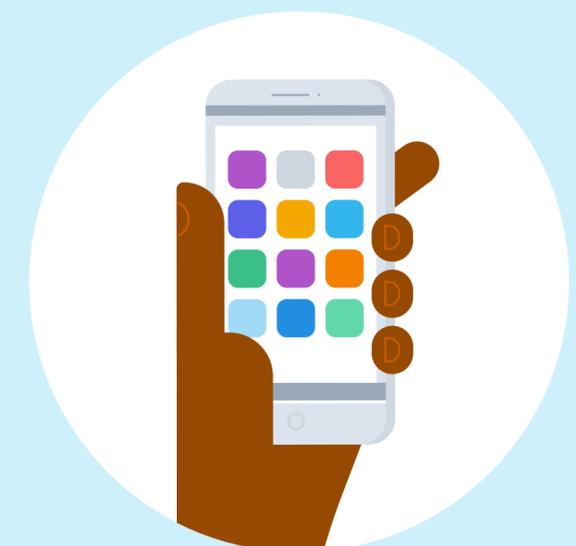
- Managing cash flow
- Digital tools and the need for rapid up-skill
- Retaining and motivating staff
- Work-life balance



What are customers doing?

Some actions small businesses are taking:

- Business continuity planning, protecting employees
- Managing cash flow and capital resources, accessing government stimulus packages
- Widespread adoption of digital tools such as videoconferencing and e-commerce platforms
- Adapting and pivoting business models and services to respond to new market dynamics



Continued **global** growth drives FY20 results

SUBSCRIBERS

2.285m

+ 467,000 YOY

ARPU

\$29.93

+ 2% YOY (-1% in constant currency)

AMRR

\$820.6m

+ 29% YOY (25% in constant currency)

TOTAL LIFETIME VALUE

\$5.5b

+ \$1.2b YOY

OPERATING REVENUE

\$718.2m

+ 30% YOY (29% in constant currency)

EBITDA

\$137.7m

+ \$64.6m YOY

NET PROFIT AFTER TAX

\$3.3m

+ \$30.5m YOY

FREE CASH FLOW

\$27.1m

+ \$20.7m YOY

Xero's global footprint

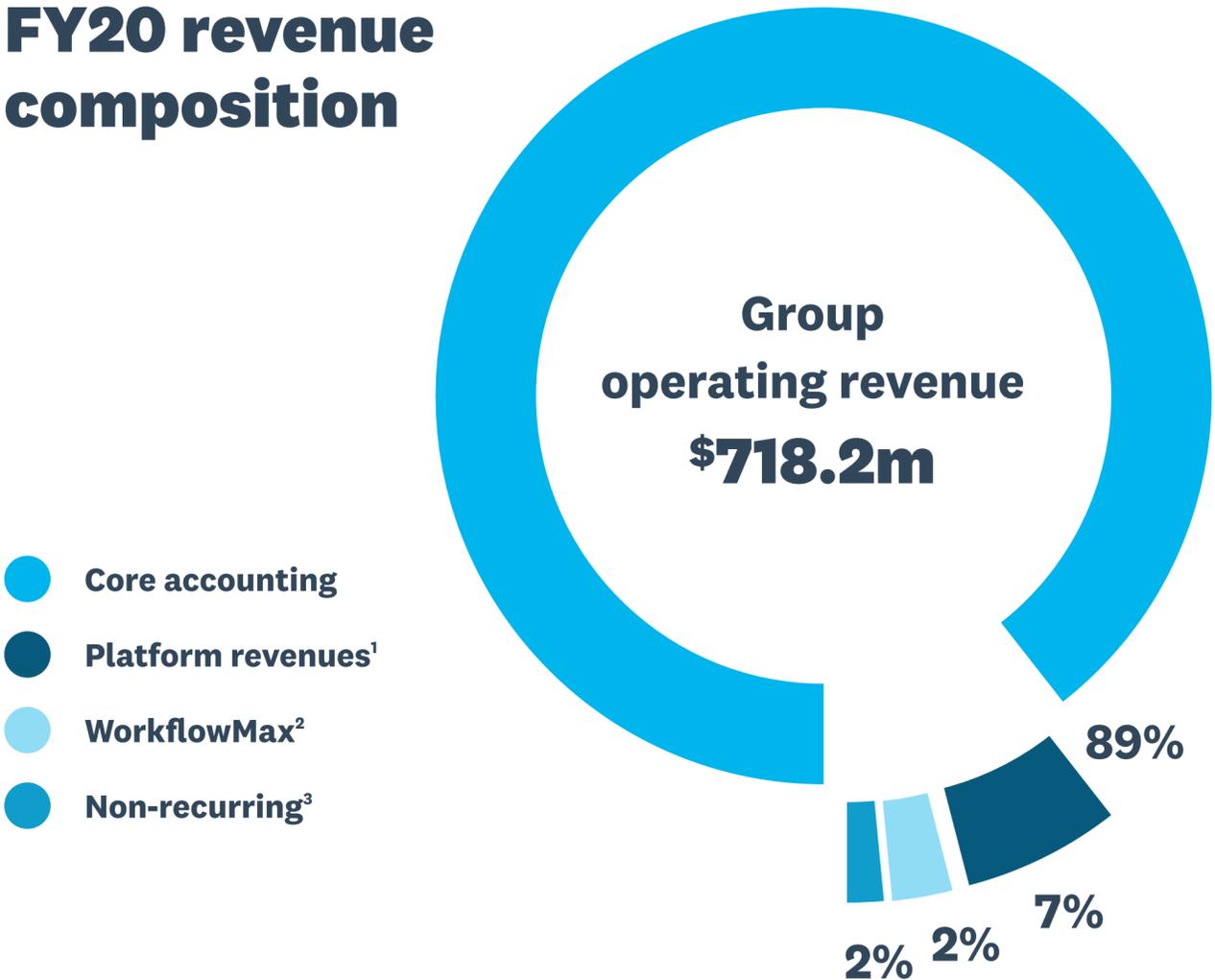


FY20	Australia		New Zealand		United Kingdom		North America		Rest of World	
Subscribers	914k	+26%	392k	+12%	613k	+32%	241k	+24%	125k	+51%
Revenue	\$320m	+23%	\$116m	+19%	\$184m	+54%	\$55m	+25%	\$43m	+43%
	>50% cloud adoption¹				<20% cloud adoption¹					

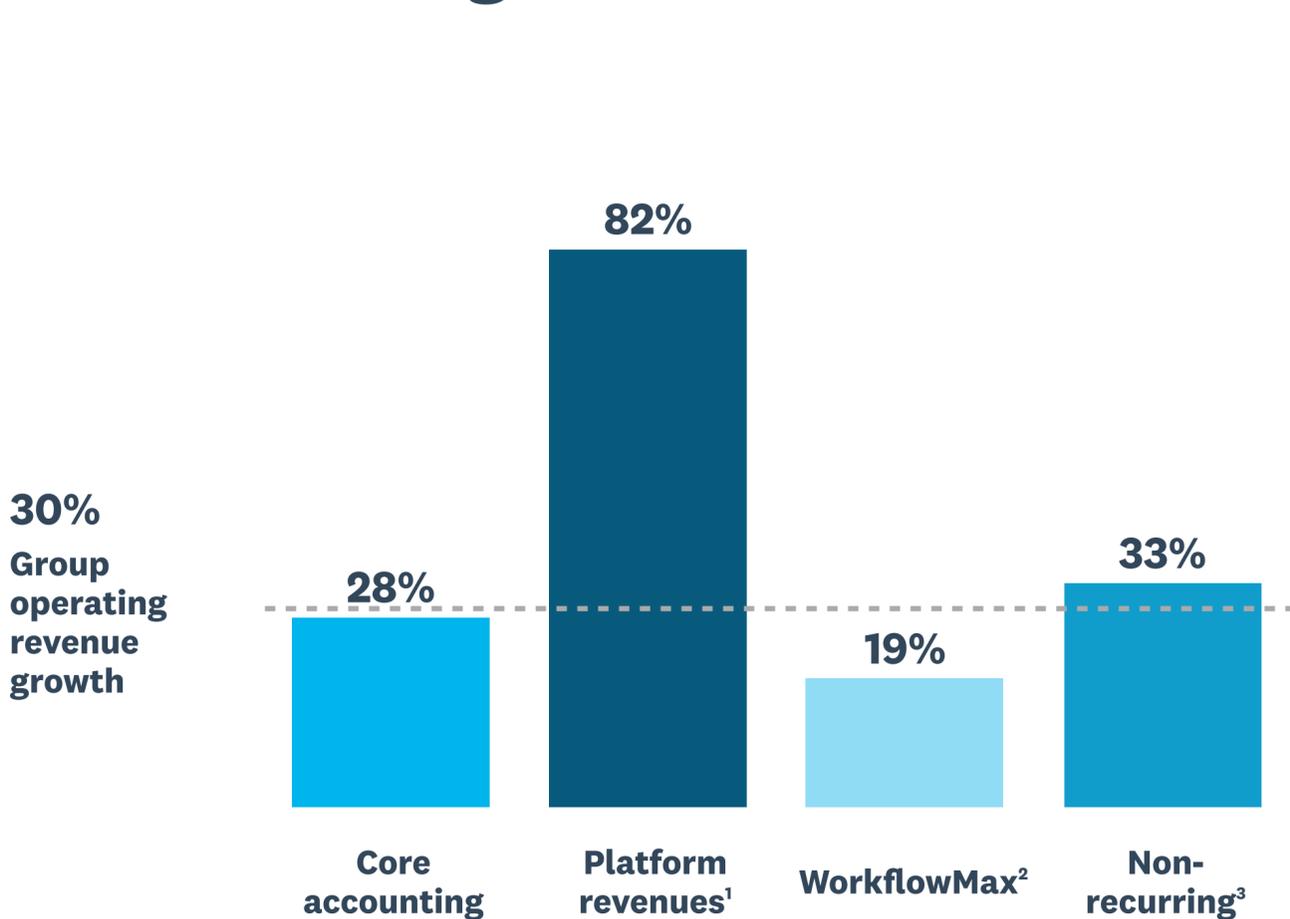
¹ Estimated adoption rates across English speaking addressable cloud accounting markets, based on publicly available data

Driving growth through the platform

FY20 revenue composition



FY20 revenue growth YOY



¹ Platform revenues include revenue derived from related services, including adjacent products (such as Hubdoc), add-ons with incremental revenue (such as payroll and expenses modules), payments and revenue share agreements with partners

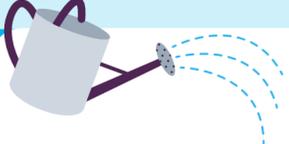
² Revenues relating to WorkflowMax, online workflow and job management software

³ Non-recurring includes revenue from events (such as Xerocons and roadshows), and other non-subscription or platform services

Strategy on a page



Areas of planned strategic investment

STRATEGIC PRIORITIES	 Drive cloud accounting	Grow small business platform	 Build for global scale and innovation
AREAS OF PLANNED INVESTMENT	<ul style="list-style-type: none">  Best-in-class cloud accounting for small business  Extend access and distribution to serve all small businesses  Serve small businesses with multi-lingual editions 	<ul style="list-style-type: none">  Small business needs beyond accounting and compliance  Payments and access to capital  New applications leveraging data, AI and machine learning 	<ul style="list-style-type: none">  Attract, inspire and retain world class talent  Robust technology to drive innovation at speed  Optimised operational and financial structure
IMPACT	<ul style="list-style-type: none"> • Increased adoption of cloud accounting within Xero's existing markets • Extension into new segments and geographies 	<ul style="list-style-type: none"> • Increased platform revenue contribution • Increased attach and usage of ecosystem apps and financial services products 	<ul style="list-style-type: none"> • Improved scale and efficiency indicators • Revenue from new product launches • Disciplined capital allocation

Investing in great products, leveraging the ecosystem



Code-free accounting

Hubdoc bundled into all Business Edition plans globally

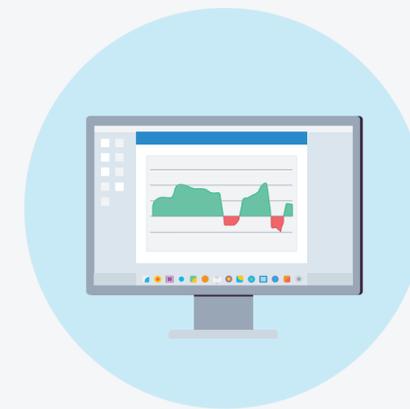
- Single sign-on with access from inside Xero
- Smarter, faster data capture from bills, receipts and other sources
- Less manual data entry and coding reduces errors, saves time
- Simpler bank reconciliation process



Integrated tax prep and filing

Xero Tax launched at no extra cost through Partner Program in UK

- Features include single sign-on, multi-user review, e-signing, auto tax adjustments
- Completed Corporation Tax and Accounts Production for micro entities, and small companies abridged accounts
- Preparing for MTD for Income Tax (personal tax, trusts, partnerships and estates)



Better business and cash flow insights

Business Snapshot and Short-term cash flow pilots being extended to all Business Edition customers

- Business Snapshot provides a simplified, quick-access financial metrics dashboard
- Short-term cash flow projects a 30-day bank balance to help with cash flow management decisions



Industry recognition

Xero recognised as a leader in the IDC MarketScape: Worldwide SaaS and Cloud-Enabled Small Business Finance and Accounting Applications 2020 Vendor Assessment¹

Read more at xero.com/about/investors/idc-report

¹doc #US45837020, April 2020

Outlook

While Xero has performed strongly in FY20, trading in the early stages of FY21 has been impacted by the COVID-19 environment. The continued uncertainty surrounding COVID-19 means it would be speculative for us to say anything more at this time on its potential impact on our expected performance for FY21.

Xero's ambition is to be a long-term oriented, high-growth business. We continue to operate with disciplined cost management and targeted allocation of capital. This allows us to remain agile so we can continue to innovate, invest, support our customers, and respond to opportunities and changes in our operating environment.



Q&A





Beautiful business

xero.com/investors