

XERO LIMITED

INVESTOR BRIEFING

15 May 2025



Sukhinder Singh Cassidy
Chief Executive Officer



Claire Bramley
Chief Financial Officer



***your business
supercharged***



Xero UK partner Tyler Trew, founder of Highlight Accounting
and his client Rebecca Shoobert, owner of Oh Happy
Creative in Leigh-on-Sea— ohhappycreative.com

IMPORTANT NOTICE

This presentation is given on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, ARBN 160 661 183)
Information in this presentation:

- is for general information purposes only, and is not an offer or invitation for subscription, or purchase of, or a recommendation to invest in, Xero securities
- should be read in conjunction with, and is subject to, Xero's latest and prior interim and annual reports, including Xero's Annual Report for the period ended 31 March 2025, and Xero's market releases on the ASX
- includes forward-looking statements about Xero and the environment in which Xero operates, which are subject to uncertainties and contingencies outside of Xero's control — Xero's actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance
- may contain information from third parties believed to be reliable, but no representations or warranties are made as to the accuracy or completeness of such information
- includes Non-GAAP measures as we believe they provide useful information for readers to assist in understanding Xero's financial performance. Non-GAAP financial measures do not have a standardised meaning and should not be viewed in isolation or considered as substitutes for measures reported in accordance with NZ IFRS. These measures have not been independently audited or reviewed

All information in this presentation is current at 31 March 2025, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

Due to rounding, numbers in this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

See page 45 for a glossary of the key terms used in this presentation.

AGENDA

01

Introduction and
summary of results



Sukhinder Singh Cassidy
Chief Executive Officer

02

Financial Results



Claire Bramley
Chief Financial Officer

03

Strategic Themes

04

Q&A

INTRODUCTION AND SUMMARY OF RESULTS



Sukhinder Singh Cassidy
Chief Executive Officer



Xero UK customer Rosette Ale, founder of Revival London and her designer
Saabira Muhammad in London — revivalldn.com

FY25 reflects strong growth delivered with disciplined capital allocation



Strong macro resilient growth, with all large markets contributing



Rule of 40 outcome reflects continued investment with discipline

Operating revenue

\$2,103m

+23% YOY
(20% in constant currency)

Adjusted EBITDA

\$641m

+22% or +\$114m YOY

Rule of 40¹

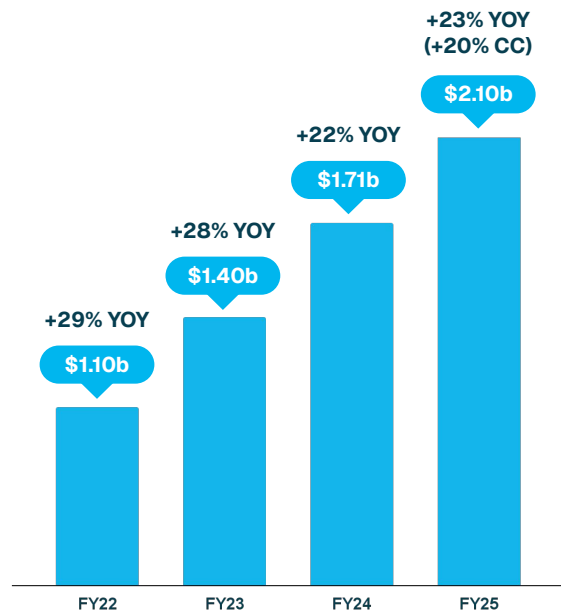
44.3%

+3.3pp YOY

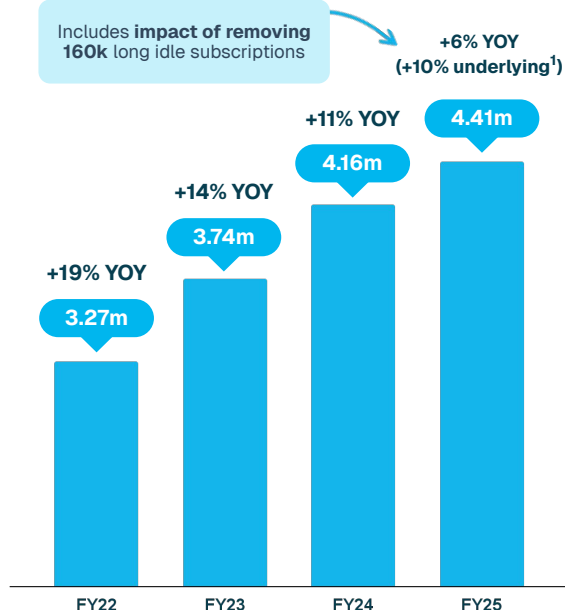
1. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

Continued our track record of strong revenue growth

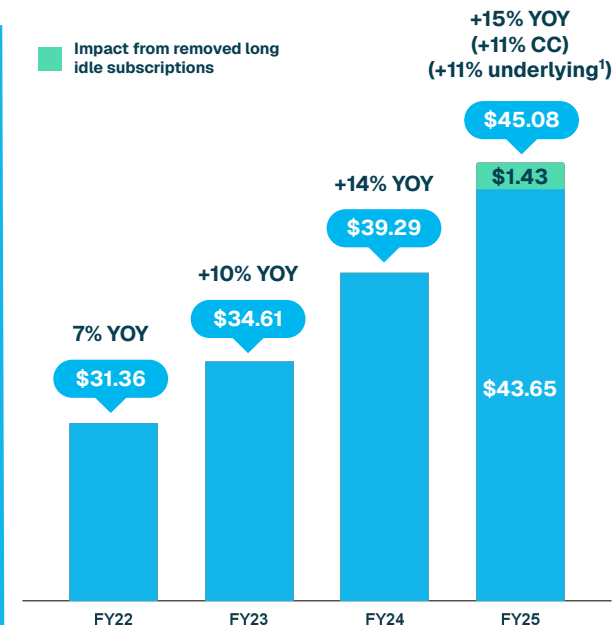
REVENUE (\$B)



SUBSCRIBERS (#M)



ARPU (\$)



Strong underlying growth in both subscribers and ARPU as we increase our focus on the value of each subscriber

1. Underlying subscriber and ARPU growth excludes the impact of the removal of long idle subscriptions. For further details refer to slide 33

Robust growth reflects strong customer relationships in our ANZ heritage markets

\$1,177m REVENUE

(+21% YOY, 20% constant currency)

2.57m SUBSCRIBERS¹

(+8% YOY | +9% underlying, 189k net additions | 208k underlying)

\$41.66 ARPU²

(+10% YOY, 9% constant currency | 9% underlying)

- **Australia: Strong revenue growth continues**

- New product plans embedded in GTM motions & responded to customer feedback to include payroll functionality across lower tier plans
- Improvement in selling business editions to new customers reflecting both new product plans & increased focus on the value of each subscriber

- **New Zealand:** Level of growth compared to other regions reflects deep market penetration

	Australia			New Zealand		
	FY25	Δ YOY		FY25	Δ YOY	
Revenue	\$955m	+24%	+22% CC	\$222m	+11%	+11% CC
Subscribers	1.94m	+9%	+165k net additions	629k	+4%	+24k net additions
Long idle subscriptions	(19k)	+10% underlying	+184k underlying	N/A	N/A	N/A



1. Underlying subscriber growth excludes the impact of the removal of long idle subscriptions. For further detail refer to slide 33
 2. Price changes for Australia were effective from July 2024. Price Changes for New Zealand were effective from September 2024

Focused approach in International delivering strong growth, improved product delivery and helping us scale globally

\$926m REVENUE

(+24% YOY, 20% constant currency)

1.85m SUBSCRIBERS¹

(4% YOY | +12% underlying, 65k net additions | 206k underlying)

\$49.82 ARPU²

(+21% YOY, 14% constant currency | 13% underlying)

- **UK: Quality execution delivering high growth**
 - New product plans in place including release of Xero Simple for MTD for IT. Subscriber growth reflects quality of GTM team and benefits of 3x3 focus
- **North America: Product velocity supporting growth**
 - US subscriber growth improved — with seasonally stronger H2
 - Canada growth remains limited given low uptake of cloud accounting in the region
- **ROW: Solid revenue growth continues:** South Africa main contributor

United Kingdom

North America

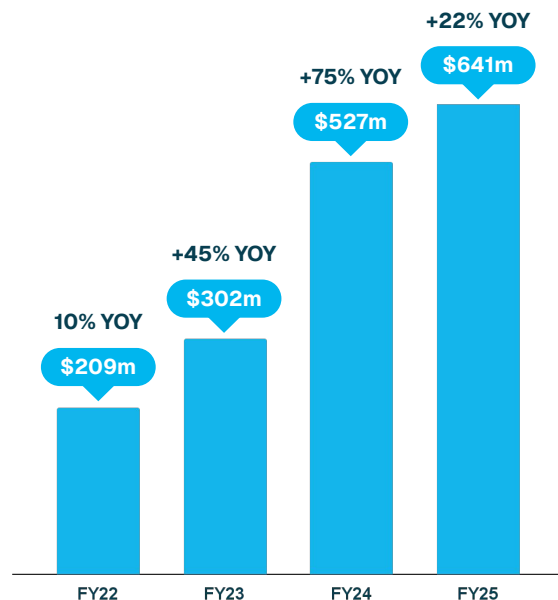
Rest of World

	FY25	Δ YOY		FY25	Δ YOY		FY25	Δ YOY	
Revenue	\$578m	+25%	+21% CC	\$139m	+24%	+21% CC	\$209m	+22%	+19% CC
Subscribers	1.15m	+7%	+76k net additions	400k	-5%	(-22k) net additions	296k	+4%	+11k net additions
Long idle subscriptions	(52k)	+12% underlying	+128k underlying	(69k)	+11% underlying	+47k underlying	(20k)	+11% underlying	+31k underlying

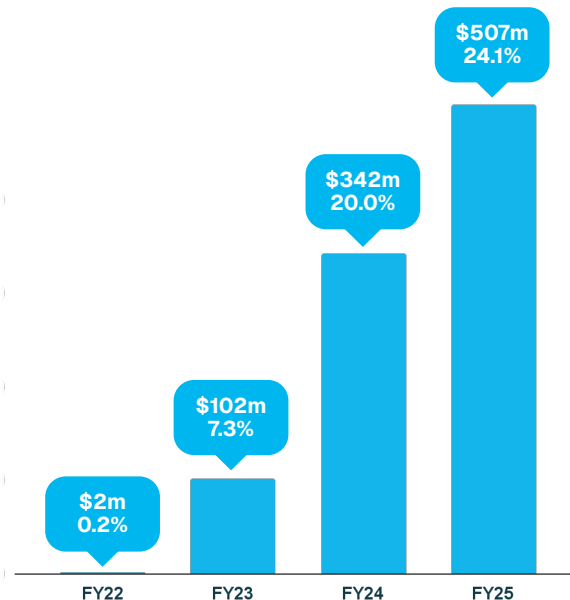
1. Underlying subscriber growth excludes the impact of the removal of long idle subscriptions. For further detail refer to slide 33
 2. Price changes effective September 2024 in the UK, October / December 2024 in the US and November 2024 in Rest of World

Greater than Rule of 40 outcome reflects continued investment, operating discipline, and delivery of value to customers

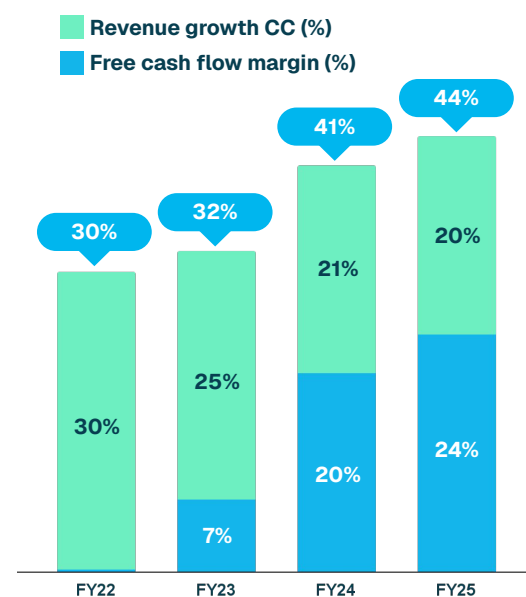
ADJUSTED EBITDA (\$M)



FREE CASH FLOW (\$M) & MARGIN (%)



RULE OF 40¹ (%)



1. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

FINANCIAL RESULTS



Claire Bramley
Chief Financial Officer

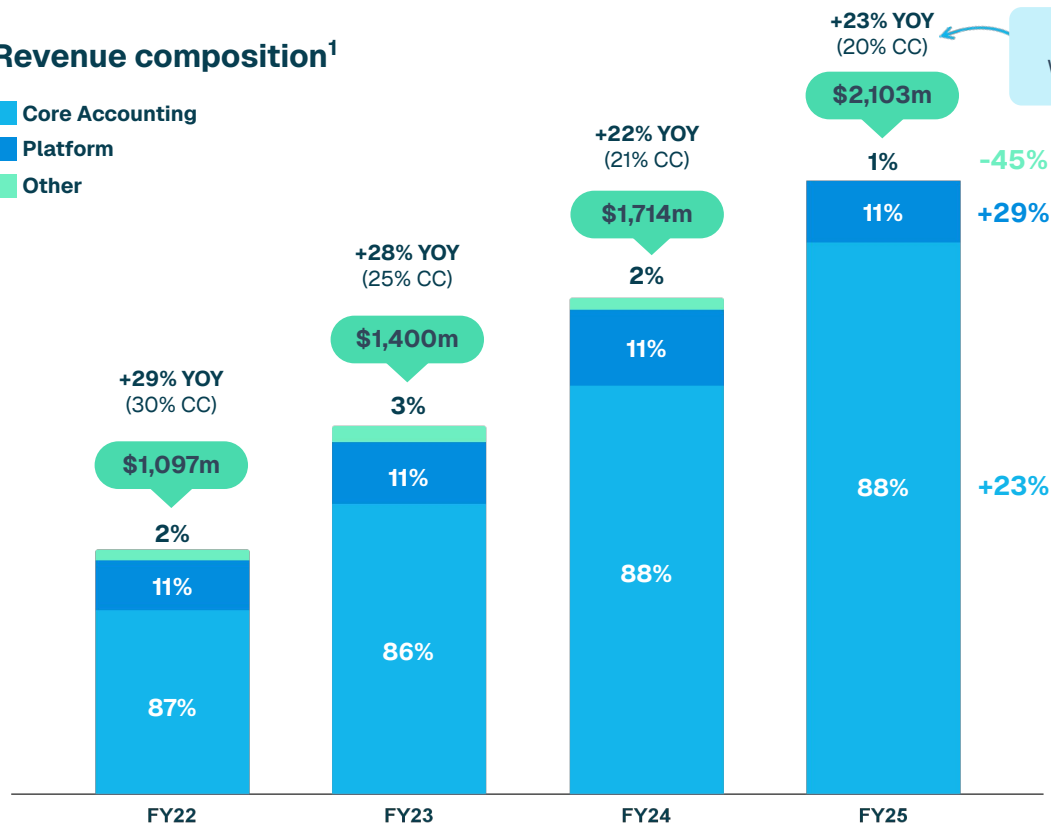


Millie O'Neill, Bookkeeper at The Highlight Partnership and her client Oh Happy Creative in Leigh-on-Sea - ohhappycreative.com

Broad-based revenue growth across our portfolio

Revenue composition¹

- Core Accounting
- Platform
- Other



Constant currency growth excluding exit of WorkflowMax and removal of long idle subs 21%

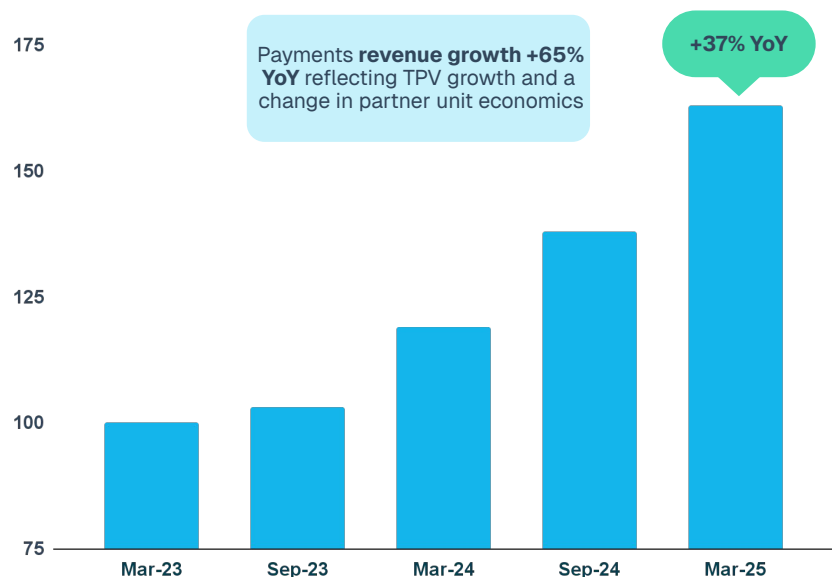
- **Group operating revenue** grew 23% YOY or 20% in constant currency
- **Core accounting revenues** grew 23% YOY or 21% in constant currency, driven by subscriber growth and price changes
- **Platform revenues** increased by 29% YOY or 26% in constant currency, largely driven by strong payments revenue growth
- **Other revenues** decreased 45% YOY, due to the exit of WorkflowMax (~\$17m revenue in FY24 vs. ~\$3m in FY25)

1. May not add through due to rounding

Payments growth accelerating as we pursue its \$59b TAM¹. New payroll features launching in all 3x3 markets

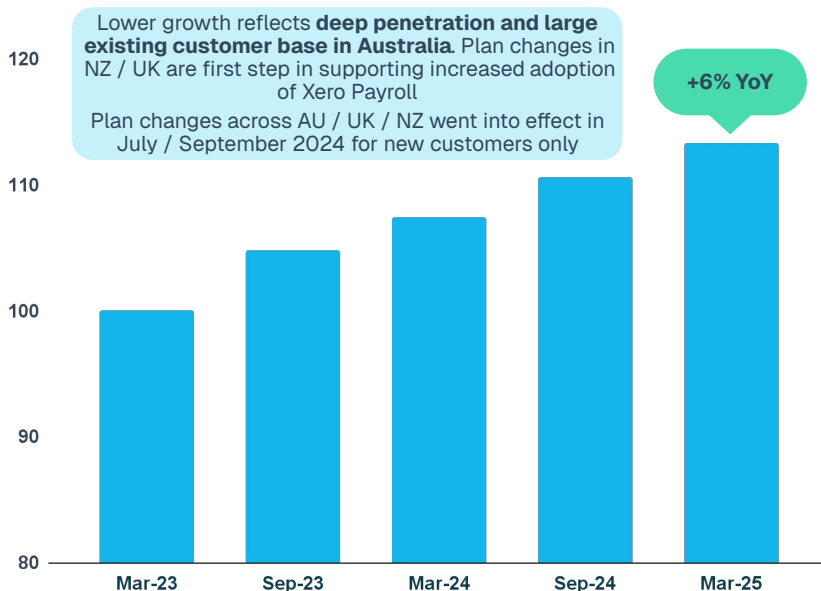
Total payment value²

Indexed to March-23



Employees paid through Xero Payroll in AU / UK / NZ³

Indexed to March-23



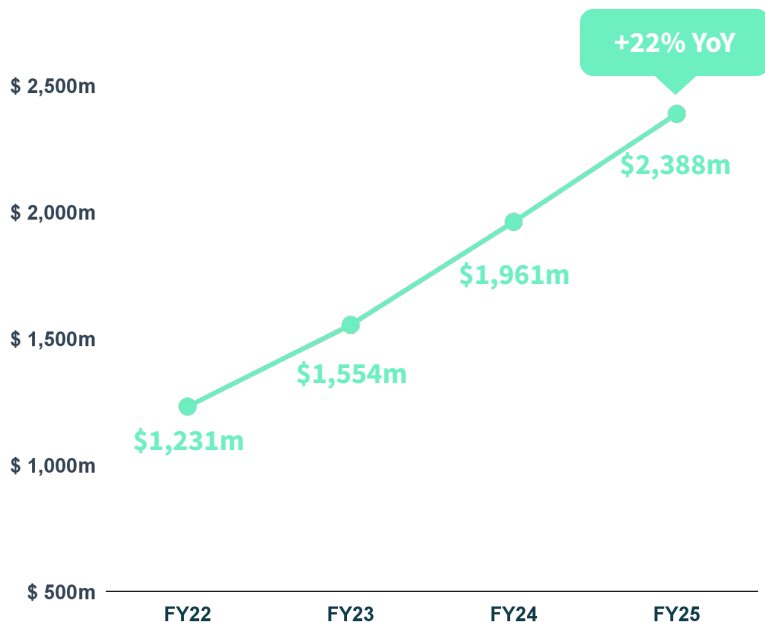
1. Total Addressable Market estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s) as presented at Xero's February 2024 Investor Day

2. Total invoice payment value across our connected online payment service providers who process the payment of invoices on the Xero platform

3. Total employees paid through Xero Payroll in Australia, New Zealand and the UK (markets with a Xero Payroll solution)

Good momentum in AMRR and strong relationship with revenue historically¹

AMRR (\$m)

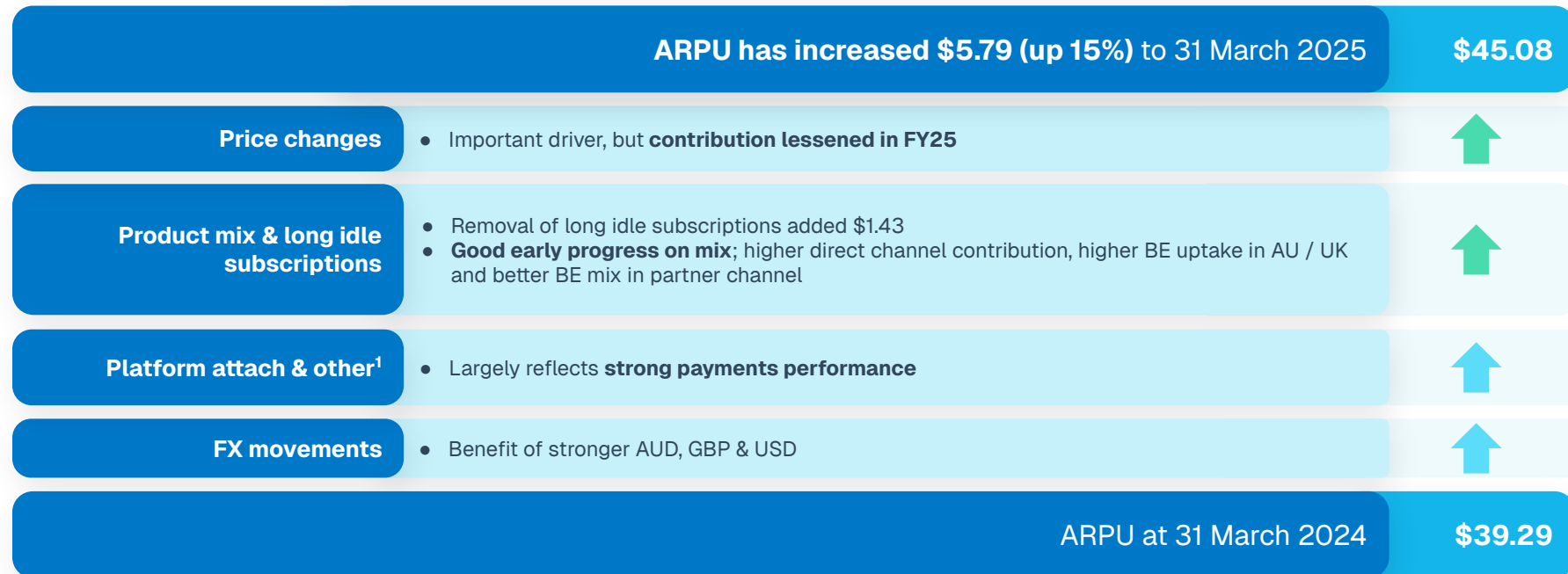


	FY-1 AMRR (\$m)	Revenue (\$m)
FY23	\$1,231m	\$1,400m
FY24	\$1,554m	\$1,714m
FY25	\$1,961m	\$2,103m

- Annualised Monthly Recurring Revenue (AMRR) represents the annualised benefit of our subscriber base and ARPU as at 31 March
- It has provided a strong starting point for revenue growth in each given year

ARPU expansion supported by increased focus on the value of each subscriber and ensuring we are solving their Jobs to be Done

■ >50% contribution ■ 50% - 25% contribution ■ 25% - 0% contribution ■ Negative contribution

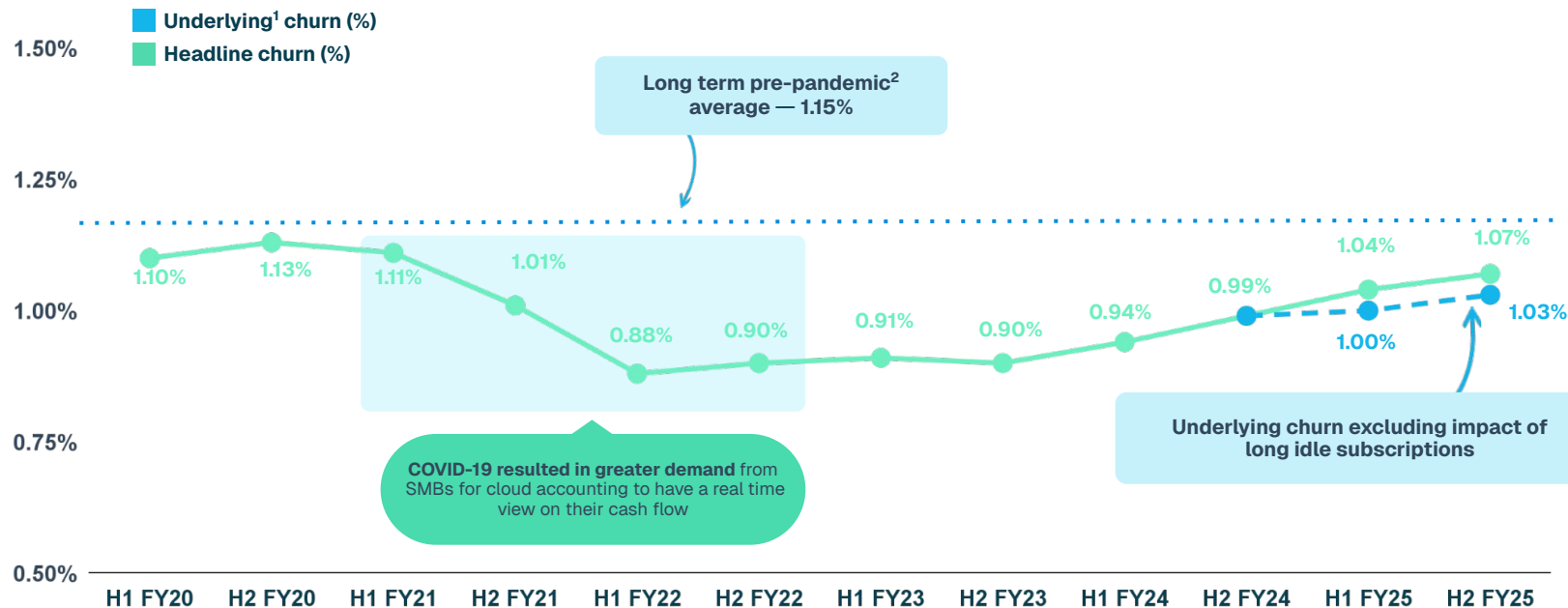


1. Platform attach includes products such as Payments, Payroll and Planday

Churn remains historically low

MRR churn (%)

Churn is reported on a percentage of monthly recurring revenue basis

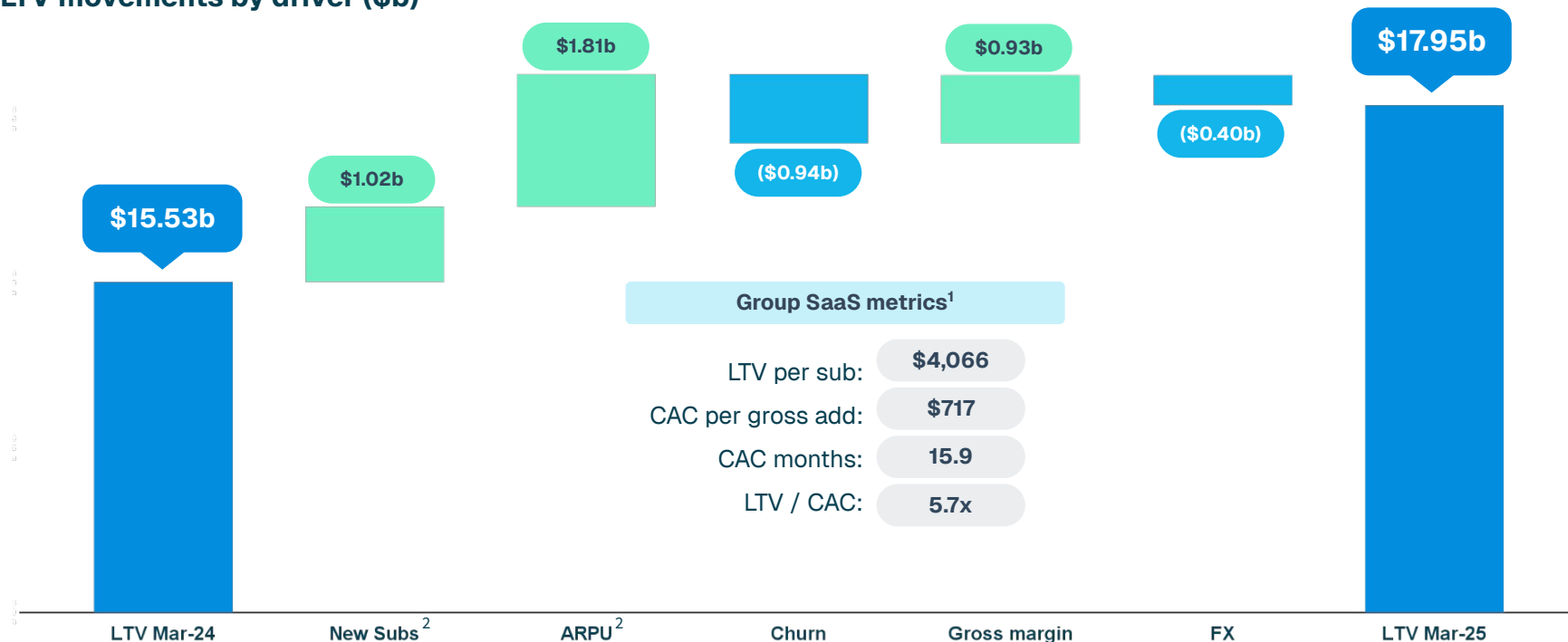


1. Underlying subscriber growth excludes the impact of the removal of long idle subscriptions. For further details refer to slide 33

2. Average calculated as MRR churn for the period FY16-FY20

Strong LTV expansion reflects investment to drive ARPU and subscriber growth

LTV movements by driver (\$b)¹

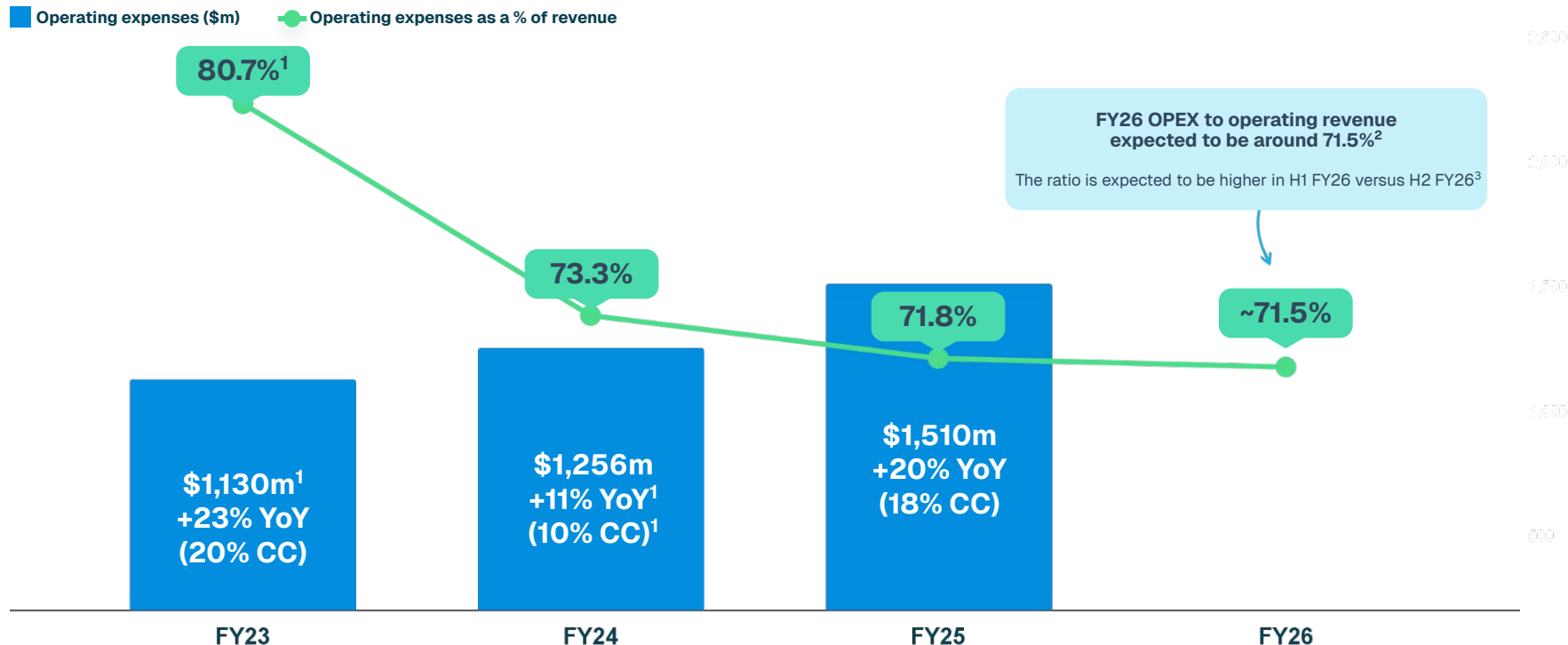


1. SaaS metrics including LTV, LTV per sub and LTV / CAC have been calculated using churn excluding the impact of the removal of long idle subscriptions of 1.03%, this reflects churn dynamics present in Xero's go-forward subscriber base. For further detail on the removal of these subscriptions refer to slide 33

2. Contribution from new subscribers and ARPU presented on an underlying basis to better reflect growth trends in FY25

Driving operating leverage while investing for growth

Total operating expenses \$m and as a % of operating revenue



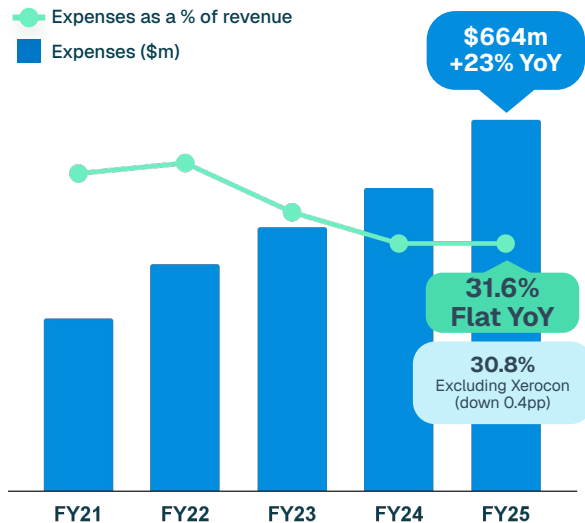
1. Excluding \$34.7m of restructuring costs from FY23

2. This includes an expected ~\$45m from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

3. This reflects the phasing of the non-recurring remuneration impacts (described above), Xerocon Brisbane, and timing of other planned investment spend. In addition, Xero expects to generate more revenue in H2 compared to H1 following its typical trend

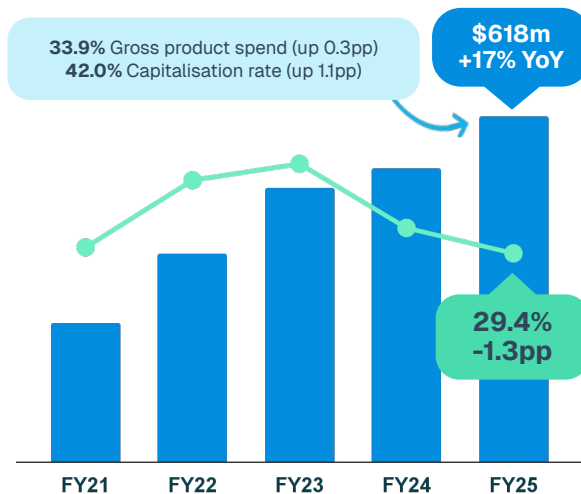
Capital allocation remains disciplined

Sales & marketing



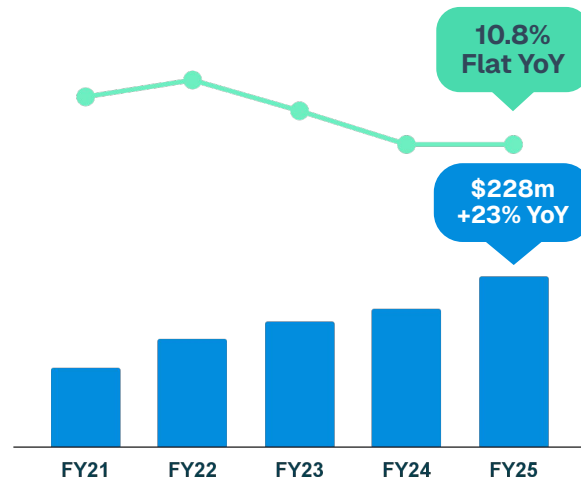
- Reflects investment in performance marketing digital channels and capability
- Costs associated with hosting two Xerocons

Product design & development



- Increase reflects continued investment in capabilities and targeted hiring of domain specialists
- Including amounts capitalised costs increased 24% YoY reflecting more developer time spent on releasing new product features for customers

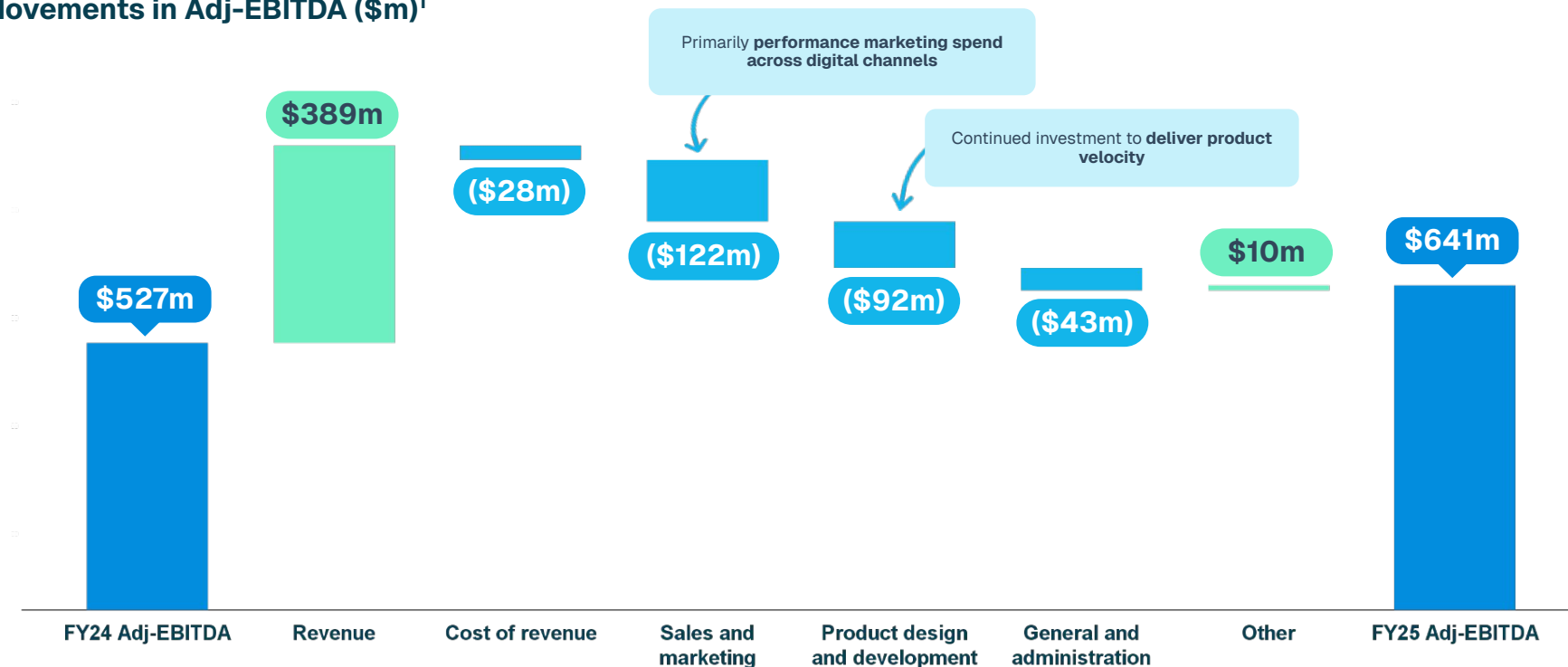
General & administration



- Growth largely reflected increased salary costs associated with investment in capabilities

Strong 22% Adj-EBITDA growth reflecting return on investment

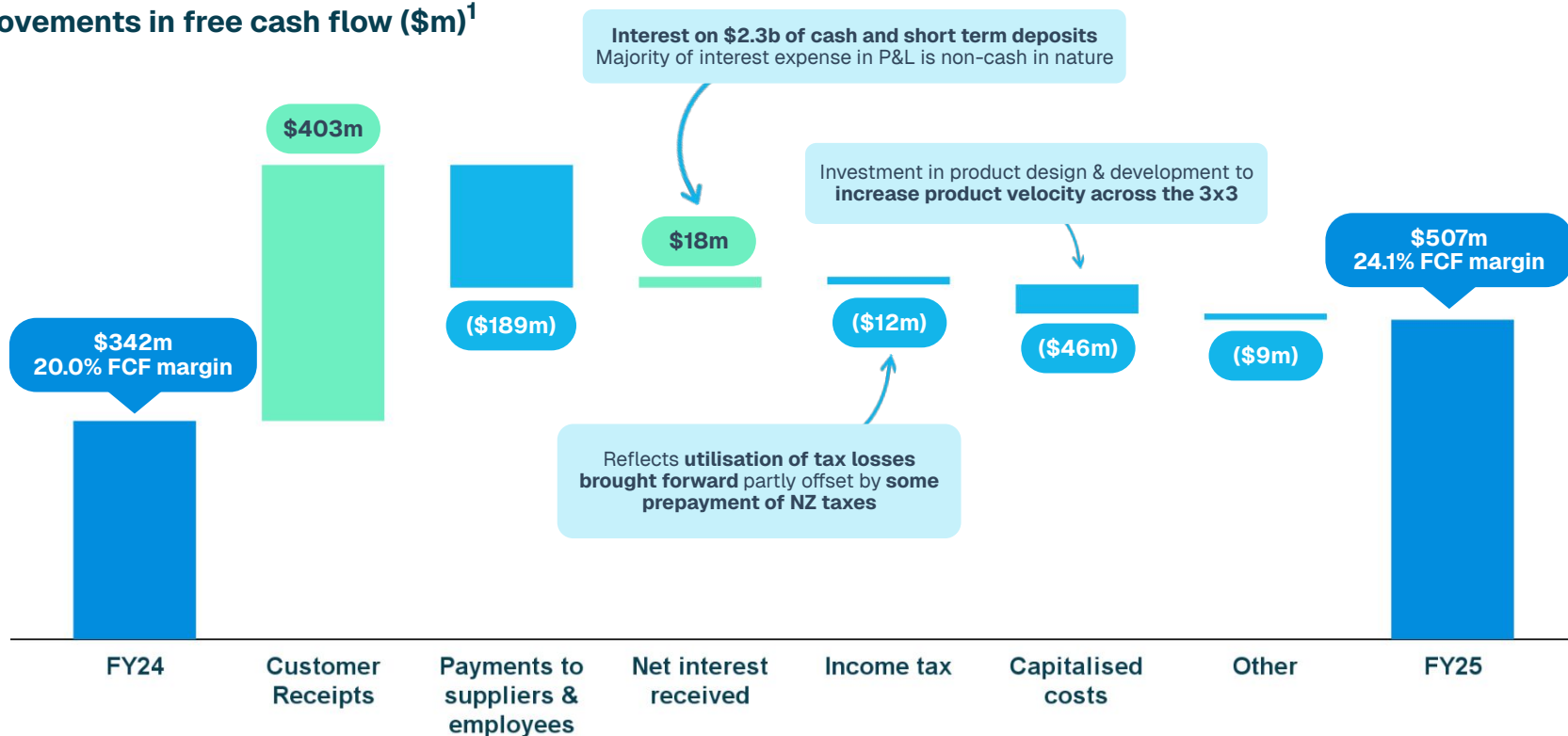
Movements in Adj-EBITDA (\$m)¹



1. Data based on Note 5 of Xero's FY25 Financial Statements. Chart may not add through due to rounding

Strong free cash growth continues

Movements in free cash flow (\$m)¹



1. Chart may not add through due to rounding

Balance sheet strength provides financial flexibility to pursue opportunity ahead

- **Net cash position grew \$326 million** YOY reaching **\$683 million** at 31 March 2025
- Reflects **refinance of convertible notes** alongside **strong free cash generation** partly offset by refinancing costs
- Total **available liquid resources** at 31 March 2025 of **~\$2.3 billion**
- Strength of balance sheet supports our **Build, Partner or Buy approach to pursue growth opportunities**



1. Refer Note 17 of Xero's FY25 Financial Statements.

Movement in net cash position

\$000s	FY24	FY25	Δ YOY
Cash and cash equivalents	498,791	768,427	269,636
Short-term deposits	1,031,079	1,561,969	530,890
Total cash and short-term deposits	1,529,870	2,330,396	800,526
Convertible notes — principal value of term debt ¹	(1,173,116)	(1,647,495)	(474,379)
Net cash position	356,754	682,901	326,147

STRATEGIC THEMES

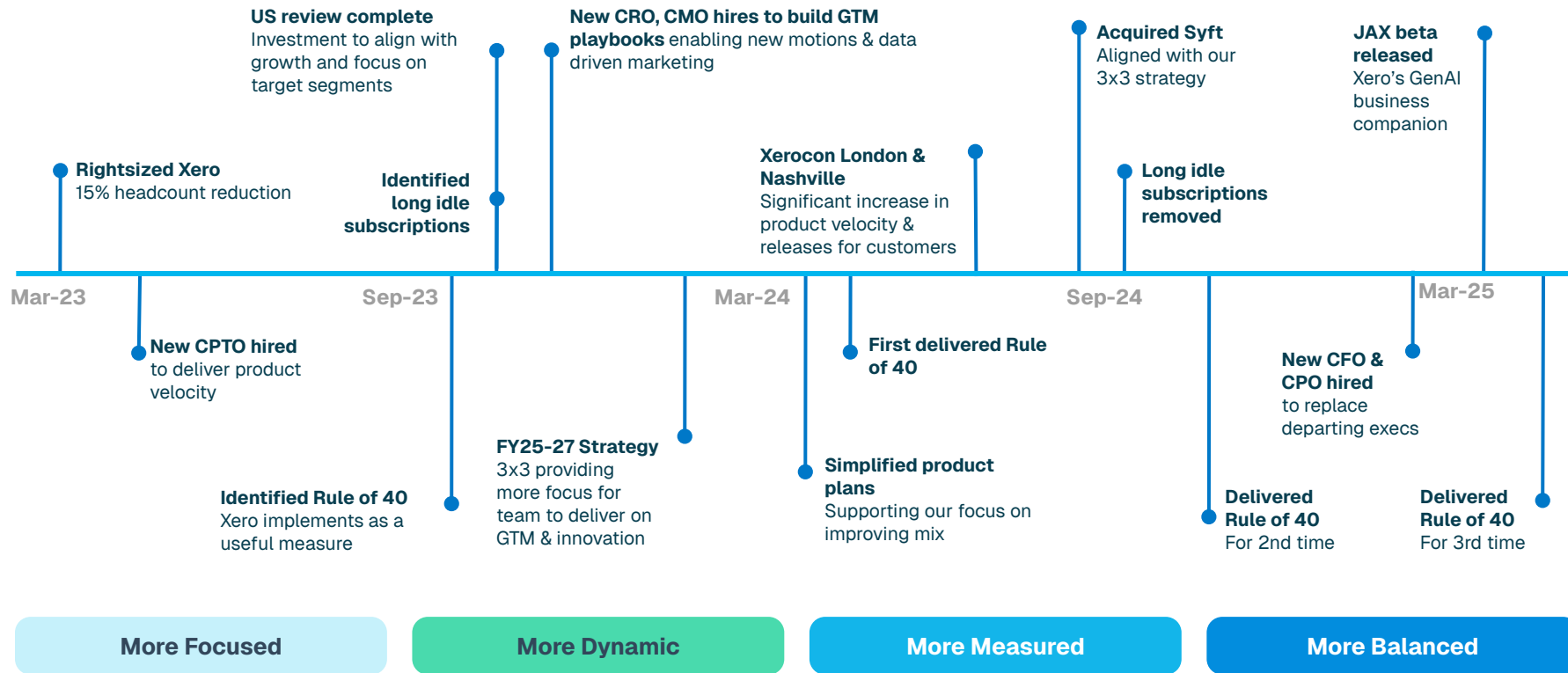


Sukhinder Singh Cassidy
Chief Executive Officer



Xero Australia customers Wayne & Sallina,
owners of Cheol's in Perth — cheols.com.au

A look back on our journey & commitments



Winning On Purpose

WHY WE EXIST

Purpose

To make life better for people in small business, their advisors and communities around the world

Vision

To be the most trusted and insightful small business platform

ASPIRATION

To be a world class SaaS business

To double the size of our business and deliver Rule of 40 or greater performance¹

FY25-FY27 STRATEGIC PRIORITIES

Win the 3x3

Complete our JTBD and journeys in AU, UK, US

A Winning GTM Playbook

Make it easier for customers to find, use and grow with Xero

Focused Bets to Win the Future

Invest selectively to help Xero keep winning longer term

Unleash Xero(s) to Win

Enable Xero to move faster and Xeros to do the best work of their lives

VALUES



WE MAKE IT BEAUTIFUL



WE MAKE IT HAPPEN



WE MAKE IT HUMAN



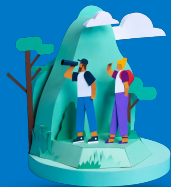
WE MAKE IT TOGETHER

CAPITAL ALLOCATION

Underpinned by disciplined capital allocation; including a Build, Partner or Buy approach to pursue growth opportunities

1. This aspirational opportunity is not guidance nor a prediction of future performance. No timeframe has been set. This is provided as an indication of outcomes which management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control. See slide 30 for important additional qualifications and information

Strong execution delivering key wins against our FY25–27 strategy and more value to customers



WIN THE 3X3

- AU payments & AutoSuper
- UK payroll & tax features
- US bank feeds & end of period reconciliation
- Leading insights product via Syft acquisition
- Strong payments growth



A WINNING GTM PLAYBOOK

- Streamlined plans launched
- AB segmentation & launch of Partner Assist channel
- New sales motions & BE product mix improvement in AB channel
- B2B marketing launched for AB channel
- Direct channel acceleration from performance marketing



FOCUSED BETS TO WIN THE FUTURE

- JAX beta launched & rolled out to BE customers
- Gen-AI driving CX efficiency
- Investing in a world-class AI team
- Better mobile design driving sign ups via mobile web & app
- Efficient ROW & Planday growth



UNLEASH XERO(S) TO WIN

- New CFO & CPO hires
- New performance management frameworks launched
- Better employee insights tool with Qualtrics

Focused delivery across the 3x3 in FY25

Accounting

Launched Xero Simple, our product for MTD for IT and improved **UK tax offering** with partnership tax capabilities

Improved US offering with over **700 direct bank feeds & end of period reconciliation**

Syft analytics in **early access launch**



Payroll

Enhanced AutoSuper capabilities for Australian customers

Rostering by Deputy in beta release

Deployed Payroll manager dashboard for UK ABs

Progressing **Gusto embedded partnership**



Payments

Tap to Pay released across both major mobile platforms

Migrated all customers to new Invoicing product

Expanded UK bill payments via Crezco

Bill integration for US in **full release**



FY26 priorities will accelerate execution of our strategy



**Delight our
customers
more**



**Accelerate
our customer
value**



**Deliver in
all our regions**



**Invest in AI
across the 3x3**



**Unlock our
talent for scale**

Accelerating AI everywhere at Xero

Speed of JAX beta roll out demonstrates focus on delivery for customers

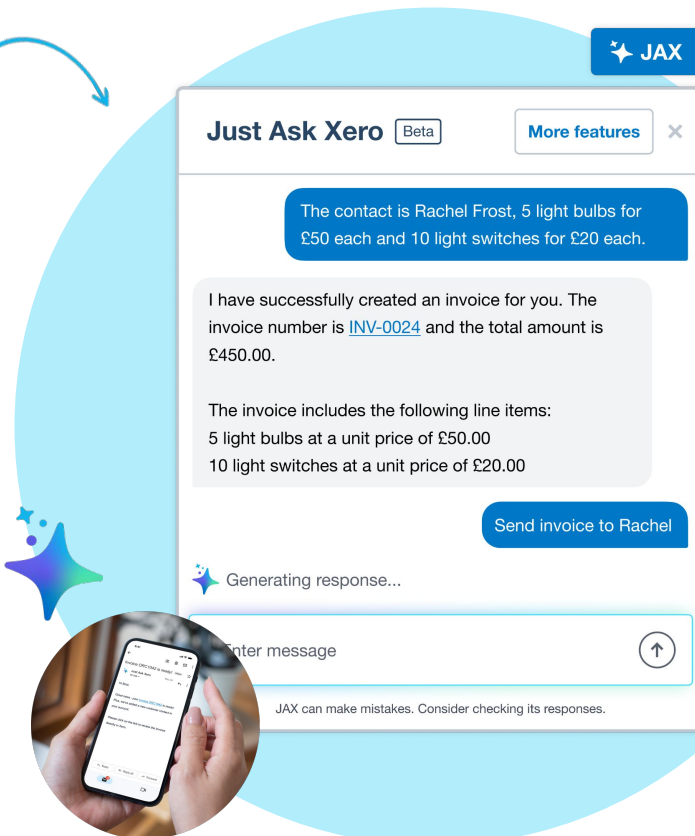
Unlocking greater customer & internal value

FY25

- JAX beta **launched and rolled out < 12 months** to all BE customers
- AI driving **Customer Experience** efficiencies internally

FY26

- Focus on **expanding JAX utility and engagement** for small businesses
- Introduce **JAX** to accountant and bookkeeper workflows
- **Accelerate internal AI use cases** in Product & Tech, GTM and Customer Experience to drive efficiency



FY26 Outlook



Total operating expenses as a percentage of revenue is expected to be around 71.5% in FY26¹

This ratio is expected to be higher in H1 FY26 versus H2 FY26²



¹ This includes an expected ~\$45m from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

² This reflects the phasing of the non-recurring remuneration impacts (described above), Xerocon Brisbane, and timing of other planned investment spend. In addition, Xero expects to generate more revenue in H2 compared to H1 following its typical trend

XERO CONTINUES TO FOCUS ON ITS ASPIRATIONS OUTLINED IN FEBRUARY 2024¹

We aspire to be a world class SaaS business

We believe we have the opportunity to both double the size of our business²
and deliver Rule of 40 or greater performance^{3,4}

As we grow, we will also seek to be more balanced between
subscriber growth and ARPU expansion

1. Xero's aspirational revenue and Rule of 40 performance opportunity statement is not guidance nor a prediction of future performance. No timeframe has been set. It is provided as an indication of outcomes management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control

2. Xero's aspiration statement was made at the 29 February 2024 Investor Day. This was prior to its FY24 results announcement. For context, Xero's FY23 revenue was \$1,400m, and H1 FY24 revenue (annualised on a straight line basis) is \$1,599m

3. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

4. Rule of 40 outcomes, and the component parts, may vary from period to period as Xero identifies opportunities for disciplined customer-focused growth and experience changes in our cash tax payment profile. Xero fully utilised its accumulated New Zealand tax losses in FY25

Wrap up of FY25 key themes



Strong macro resilient growth, with all large markets contributing



Rule of 40 outcome reflects continued disciplined investment



Strong execution in Year 1 of our FY25-FY27 strategy while delivering more value for our customers

APPENDIX



Xero UK team members in our
London office

Removal of long idle subscriptions complete, impact mainly in the International segment

Background information

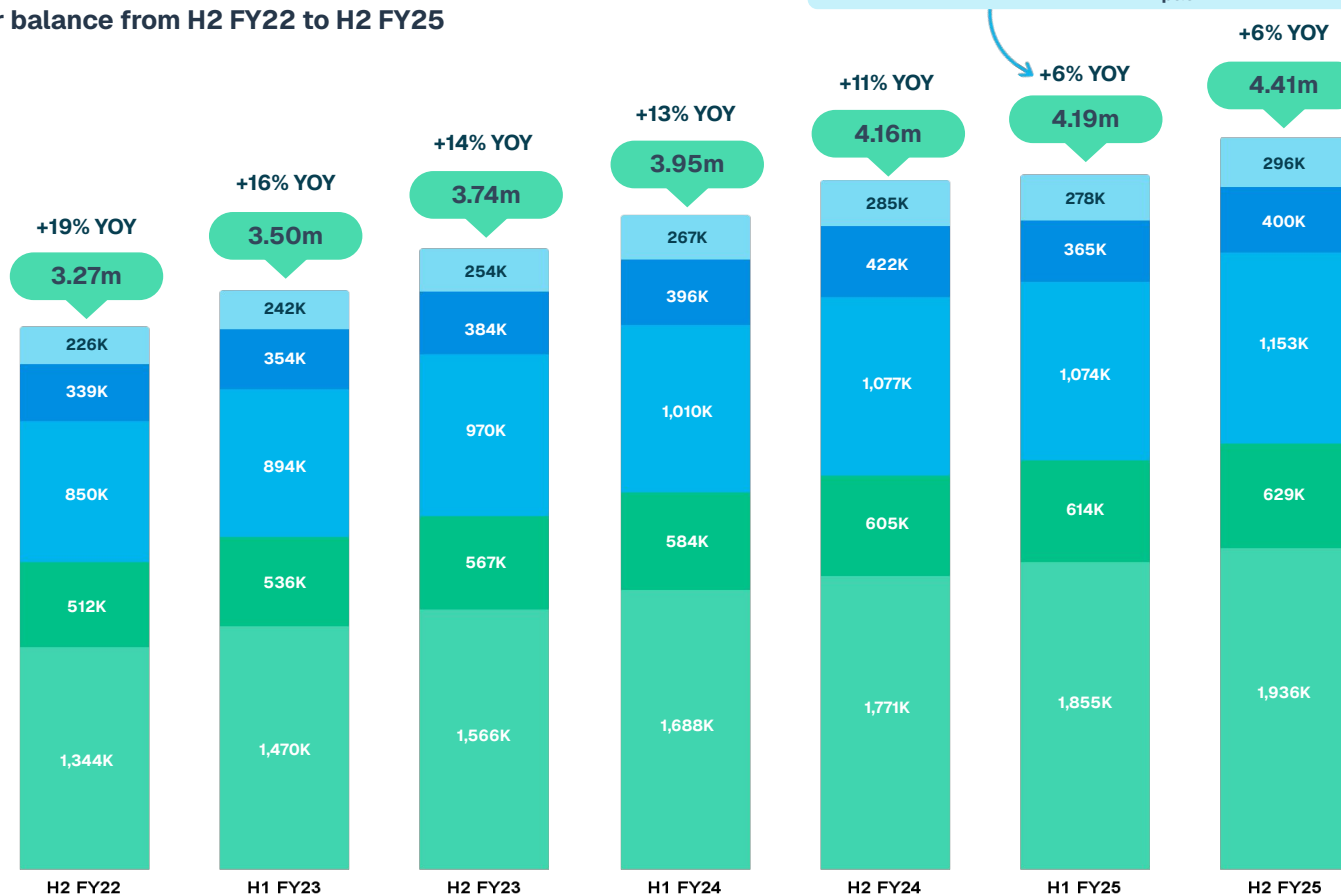
- Long idle subscriptions were those that had been **undeployed for more than 24 months and were not expected to be deployed in a reasonable timeframe**. These subscriptions **were low value** and largely located in the International segment
- These subscriptions were removed over H1 FY25**. Their removal will allow our sales teams to better focus on solving more of our customers' Jobs to be Done (JTBD) in order to improve customer mix, while also working with accountants and bookkeepers to acquire and deploy their Xero inventory through smaller and more frequent sales motions
- Underlying metrics better reflect Xero's underlying performance during the period** i.e. excluding the impact of long idle subscriptions

	Headline				Underlying		
	Subscriber growth YoY	ARPU	ARPU growth YoY	Churn	Subscriber growth YoY	ARPU growth YoY	Churn
ANZ	8.0%	\$41.66	9.7%	0.82%	8.8%	9.0%	0.81%
International	3.6%	\$49.82	21.4%	1.39%	11.5%	13.5%	1.31%
Group	6.1%	\$45.08	14.7%	1.07%	10.0%	11.1%	1.03%

Subscriber growth trend

Closing subscriber balance from H2 FY22 to H2 FY25

- Australia
- New Zealand
- United Kingdom
- North America
- Rest of World



SaaS metrics summary¹

	ANZ				International				Group			
	Australia, New Zealand				UK, US, CA, ROW				Global Total			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
ARPU	\$32.00	\$34.24	\$37.97	\$41.66	\$30.53	\$35.10	\$41.05	\$49.82	\$31.36	\$34.61	\$39.29	\$45.08
CAC months	8.8	9.1	8.1	9.4	22.9	23.3	22.4	20.7	15.5	15.9	15.2	15.9
Churn ¹	0.66%	0.68%	0.76%	0.81%	1.23%	1.21%	1.28%	1.31%	0.90%	0.90%	0.99%	1.03%
Subscribers	1,856,000	2,133,000	2,376,000	2,565,000	1,415,000	1,608,000	1,784,000	1,849,000	3,271,000	3,741,000	4,160,000	4,414,000
Net additions ²	295,000	277,000	243,000	189,000	235,000	193,000	176,000	65,000	530,000	470,000	419,000	254,000
LTV per sub	\$4,225	\$4,374	\$4,431	\$4,550	\$2,164	\$2,542	\$2,802	\$3,394	\$3,333	\$3,587	\$3,732	\$4,066
LTV/CAC	14.9	14.0	14.3	11.6	3.1	3.1	3.1	3.3	6.9	6.5	6.2	5.7
Total LTV	\$7.84b	\$9.33b	\$10.53b	\$11.67b	\$3.06b	\$4.09b	\$5.00b	\$6.28b	\$10.90b	\$13.42b	\$15.53b	\$17.95b

1. SaaS metrics including Churn, LTV, LTV per subscriber and LTV/CAC have been calculated excluding the impact of the removal of long idle subscriptions on churn, this reflects churn dynamics present in Xero's go-forward subscription base

2. Includes impact of removed long idle subscriptions

No impact from impairments & exits on adjusted EBITDA

	FY24 (\$000s)	FY25 (\$000s)	Δ YOY (%)
Total operating revenue	1,713,767	2,102,652	23%
Cost of revenue	(202,505)	(230,402)	14%
Gross profit	1,511,262	1,872,250	24%
<i>Gross margin</i>	88.2%	89.0%	0.8pp
Total operating expenses incl. restructuring costs	(1,255,553)	(1,509,607)	20%
<i>Percentage of operating revenue</i>	73.3%	71.8%	(1.5pp)
Operating income	255,709	362,643	42%
Asset impairments, disposals & reversals	(26,414)	(3,037)	NM
Reversal of asset impairment	1,934	-	NM
Other income & expenses	8,326	(3,900)	NM
EBIT	239,555	355,706	48%
EBITDA	497,418	638,466	28%
<i>EBITDA margin</i>	29.0%	30.4%	1.4pp
Net profit	174,640	227,817	30%

Operating income is a non GAAP financial measure that has been included to demonstrate the operating performance of the business. Xero defines operating income as gross profit (total operating revenue less cost of revenue) less total operating expenses

	FY24 (\$000s)	FY25 (\$000s)
EBITDA	497,418	638,466
Add back: restructuring costs	3,013	-
Add back: non-cash impairment and costs relating to the exit of Waddle	(9,090)	-
Add back: non-cash impairment of XeroGo	28,885	-
Add back: non-cash revaluations	6,319	2,090
Adjusted EBITDA	526,545	640,556
<i>Adjusted EBITDA margin</i>	30.7%	30.5%
Add back: share-based payments	95,821	151,878
Adjusted EBITDA (excl. Share-based payments)	622,366	792,434
<i>Adjusted EBITDA margin (excl. share-based payments)</i>	36.3%	37.7%

Adjusted EBITDA provides a view on underlying business performance and is calculated by adding back certain non-cash, revaluation and other accounting adjustments and charges to EBITDA. Xero's adjusted EBITDA includes share-based payments

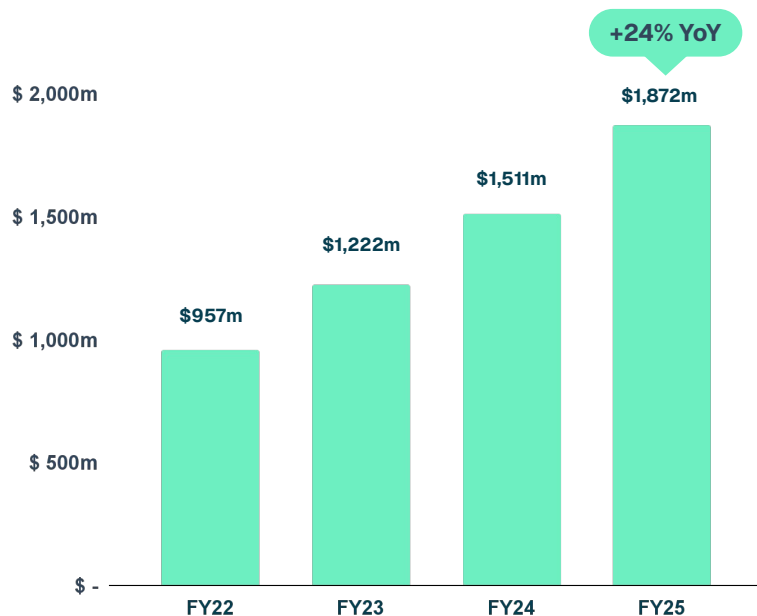
To aid in comparison to global tech peers **adjusted EBITDA excl. share-based payments** is presented net of capitalised amounts. Share-based payments (incl. amounts capitalised) totalled \$204m or 9.7% of revenue in FY25

Financial performance

	H1 FY23	H2 FY23	FY23	H1 FY24	H2 FY24	FY24	H1 FY25	H2 FY25	FY25
Total operating revenue	658,512	741,372	1,399,884	799,547	914,220	1,713,767	995,865	1,106,787	2,102,652
Gross profit	572,912	649,029	1,221,941	699,790	811,472	1,511,262	885,332	986,918	1,872,250
<i>Gross margin</i>	87.0%	87.5%	87.3%	87.5%	88.8%	88.2%	88.9%	89.2%	89.0%
Sales & marketing costs	(238,980)	(232,851)	(471,831)	(277,220)	(264,015)	(541,235)	(318,239)	(345,469)	(663,708)
<i>Percentage of operating revenue</i>	36.3%	31.4%	33.7%	34.7%	28.9%	31.6%	32.0%	31.2%	31.6%
Product design & development	(230,710)	(259,338)	(490,048)	(256,392)	(269,791)	(526,183)	(285,650)	(332,151)	(617,801)
<i>Percentage of operating revenue</i>	35.0%	35.0%	35.0%	32.1%	29.5%	30.7%	28.7%	30.0%	29.4%
General & administration	(82,501)	(85,576)	(168,077)	(96,634)	(88,488)	(185,122)	(105,059)	(123,039)	(228,098)
<i>Percentage of operating revenue</i>	12.5%	11.5%	12.0%	12.1%	9.7%	10.8%	10.5%	11.1%	10.8%
Total operating expenses excl restructuring costs	(552,191)	(577,765)	(1,129,956)	(630,246)	(622,294)	(1,252,540)	(708,948)	(800,659)	(1,509,607)
<i>Percentage of operating revenue</i>	83.9%	77.9%	80.7%	78.8%	68.1%	73.1%	71.2%	72.3%	71.8%
Restructuring costs	-	(34,692)	(34,692)	(2,131)	(882)	(3,013)	-	-	-
Total operating expenses incl restructuring costs	(552,191)	(612,457)	(1,164,648)	(632,377)	(623,176)	(1,255,553)	(708,948)	(800,659)	(1,509,607)
<i>Percentage of operating revenue</i>	83.9%	82.6%	83.2%	79.1%	68.2%	73.3%	71.2%	72.3%	71.8%
Operating income	20,721	36,572	57,293	67,413	188,296	255,709	176,384	186,259	362,643
Asset impairments disposals and reversals	(26,532)	(96,148)	(122,680)	1,636	(26,116)	(24,480)	(2,228)	(809)	(3,037)
Other income & expenses	12,188	(6,598)	5,590	10,403	(2,077)	8,326	856	(4,756)	(3,900)
EBIT	6,377	(66,174)	(59,797)	79,452	160,103	239,555	175,012	180,694	355,706
EBITDA	108,551	49,848	158,399	206,090	291,328	497,418	311,698	326,768	638,466
<i>EBITDA margin</i>	16.5%	6.7%	11.3%	25.8%	31.9%	29.0%	31.3%	29.5%	30.4%
Adjusted EBITDA	123,709	177,980	301,689	204,522	322,023	526,545	311,698	328,858	640,556
<i>Adjusted EBITDA margin</i>	18.8%	24.0%	21.6%	25.6%	35.2%	30.7%	31.3%	29.7%	30.5%
Net profit/(loss)	(16,130)	(97,402)	(113,532)	54,084	120,556	174,640	95,093	132,724	227,817

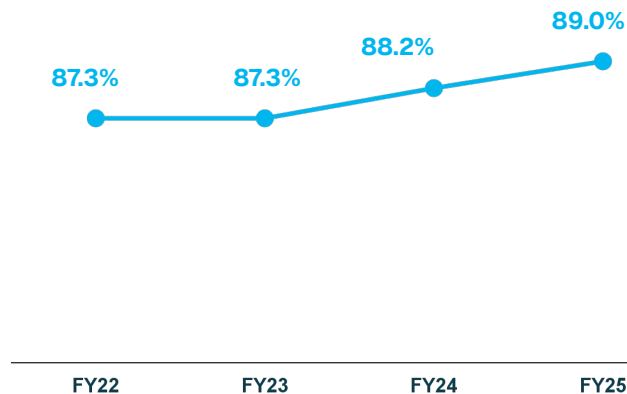
Cost to serve well managed, operating leverage delivering margin improvement

Gross profit (\$m)



Gross margin (%)

Gross profit increased by \$361m or 24% YOY, more than the 23% growth in revenue. This resulted in a 0.8pp increase in gross profit margin reflecting scale benefits



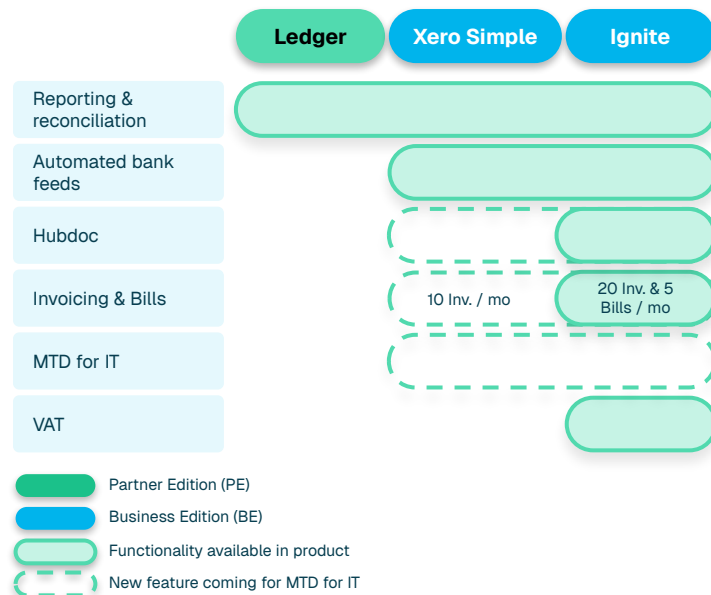
Next wave of Making Tax Digital (MTD) is coming to the UK

MTD for Income Tax (IT) confirmed for 2026-2028

Implementation in phases (>£50k from Apr 2026, £30-50k from Apr 2027, and £20-30k timing has been set for April 2028) covering all small businesses with turnover greater than £20k. **Total impacted small businesses¹ is ~2.7m, ~0.4m of which are already VAT registered²**

Compliance with MTD for IT will drive cloud accounting adoption, however **many of these customers are in our secondary segment**, but can be important clients for our accountant and bookkeeper partners

Enhanced UK product plans will meet MTD for Income Tax needs



Xero will add **MTD IT functionality** (currently in beta) to new Xero Simple plan (replaces our Cashbook plan) and all Business Edition subscriptions

New Xero Simple plan also includes:

- Bank feeds and reconciliation
- Easy data capture with Hubdoc
- Ability to send up to 10 invoices and quotes per month
- Client collaboration

The new Xero Simple subscription will be **available for accountants and bookkeepers in April 2025**, and will be available **for small businesses to buy directly from summer 2025**

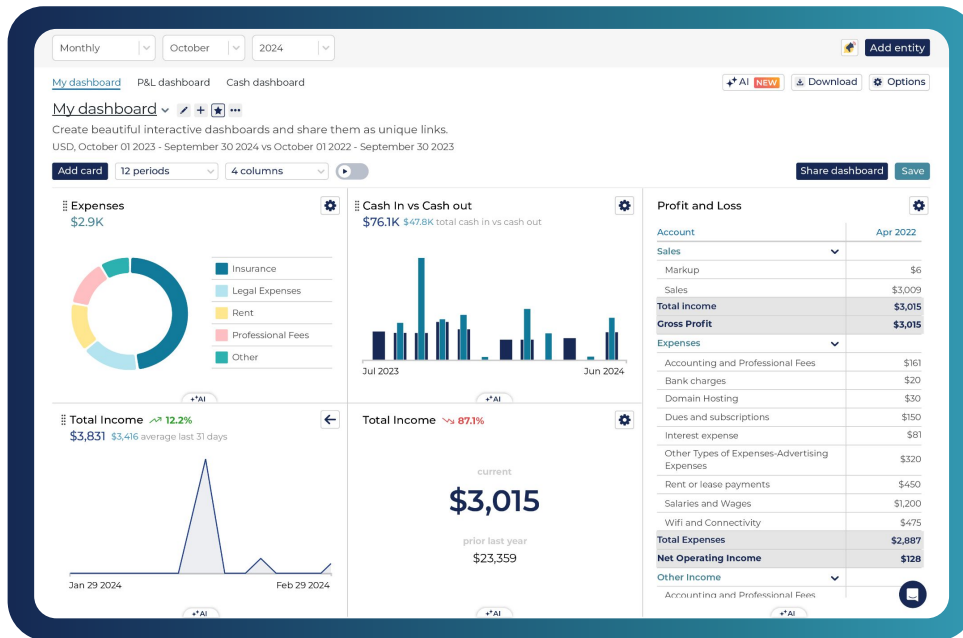
1. This includes sole traders and landlords with self employment and/or property income
2. These businesses were likely captured in MTD Phase 2 which required digital VAT compliance

Syft to enhance reporting and insights capability



Tightly aligned with 3x3 strategy and our M&A criteria delivering **best in class capabilities across:**

- **Forecasting** and **modelling** tools
- **Customised** reporting, **visualisation** and **benchmarking** across industries
- **Interactive live** view, **collaboration** between Accountants/Bookkeepers and small businesses
- **Multi-entity** consolidation



Dashboards



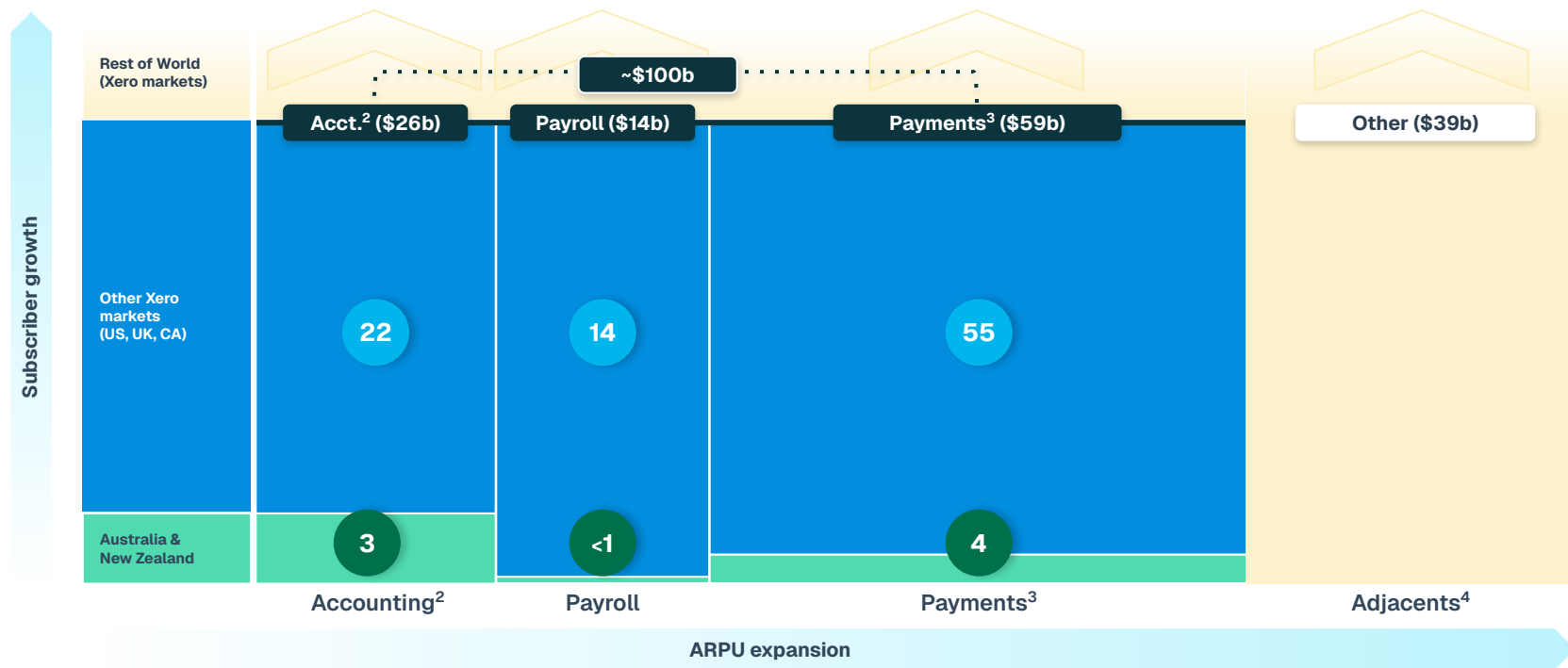
Forecasting



Multi-entity



Xero's top three super jobs, accounting, payments and payroll, represent ~\$100b TAM in AU, NZ, US, UK and CA¹



1. Figures may not sum due to rounding. Total Addressable Market estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s)

2. Accounting refers to combination of jobs to be done including annual tax, bookkeeping, data in and reporting & insights

3. Payments TAM refers to invoice and bill payment opportunities available to a full service provider

4. Adjacents include project management, expenses, inventory, time, attendance & scheduling and customer relationship management

Our focus for FY25–27: Complete the most critical jobs in the biggest markets, embed key JTBD, and extend even further through the ecosystem and APIs

SMALL	Rest of World				
	Singapore				
MEDIUM	South Africa		3		
	Canada				
	New Zealand				
LARGE	US				
	UK		1		2
	Australia				
		Accounting	Payments	Payroll	Adjacents

1 The '3 x 3' (\$43b SAM¹)

Complete the three key JTBD (accounting, payroll and payments) for SMBs and ABs in our large markets

+

2 Embed

Extend to other critical JTBD for SMBs and ABs in our three large markets with new embed capabilities and partnerships

+

3 Ecosystem and APIs

Leverage ecosystem to deliver profitable growth in medium and small markets

1. SAM opportunity represents the opportunity that is accessible to Xero over the short term. The estimation approach is consistent for the TAM, with the exception of payments, where only a subset of opportunity is captured, reflecting Xero's decision to rely on partners to support money movement, and therefore reduced margin

Jobs to be Done

Jobs reflect the common tasks that a customer can perform on the Xero platform to run their business. A job does not directly represent a specific product or solution. Some examples are below.

XERO PRODUCT AREAS

Accounting	Payments	Payroll	Adjacents
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JOB AREAS

Data In	Book-keeping	Annual Tax	Reporting & Insights	Invoicing & Payments	Bills & Payments	Payroll	TAS	Expenses	Projects	Inventory
<ul style="list-style-type: none">• Data In - data ingestion such as through bank feeds, Hubdoc, other data extraction tools• Bookkeeping - involves record keeping activities such as bank account reconciliation, recording sales tax, managing data and documents• Annual Tax - managing and filing annual tax• Reporting & Insights - analysing performance of the business such as through Xero Analytics Plus, planning and budgeting				<ul style="list-style-type: none">• Invoice & Payments - managing invoices and debt collection by invoicing the customers, sending e-invoices, using payment services like Stripe to collect payments• Bills & Payments - managing and paying bills, including receiving e-invoices and using bill payment services like GoCardless		<ul style="list-style-type: none">• Payroll - paying employees & contractors	<ul style="list-style-type: none">• Time, Attendance & Scheduling (TAS) - tracking time worked by employees• Expenses - using Xero Expenses to manage expense claims and employee reimbursements• Projects - using Xero Projects to provide quotes and manage the workflow between staff (who is working on what, for which clients, for how long)• Inventory - manage my inventory e.g. tracking stock such as through Xero Inventory Plus			

2025 Exchange Rates

Full year ended / as at 31 March	2025		2024	
	Average rate	Closing rate	Average rate	Closing rate
NZD / AUD	0.911	0.909	0.927	0.915
NZD / CAD	0.826	0.814	0.822	0.805
NZD / EUR	0.553	0.526	0.562	0.552
NZD / GBP	0.465	0.442	0.485	0.473
NZD / SGD	0.795	0.767	0.820	0.805
NZD / USD	0.594	0.572	0.610	0.597

Glossary

Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure) is provided as Xero believes it provides useful information for users to understand and analyse the underlying business performance. Adjusted EBITDA is calculated by adding back net finance expense, depreciation and amortisation, and income tax expense, as well as certain non-cash, revaluation and other accounting adjustments and charges to net profit/(loss)

AMRR

Annualised monthly recurring revenue (AMRR) represents monthly recurring revenue at 31 March, multiplied by 12. It provides a 12 month forward view of revenue, assuming any promotions have ended and other factors such as subscriber numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year

ARPU

Average revenue per user (ARPU) is calculated as AMRR at 31 March divided by subscribers at that time (and divided by 12 to get a monthly view)

CAC months

Customer Acquisition Cost (CAC) months are the months of ARPU to recover the cost of acquiring each new subscriber. The calculation represents the sales and marketing costs for the year, excluding the capitalisation and amortisation of contract acquisition costs, less Xerocon revenue, divided by gross new subscribers added during the same period, divided by ARPU

CAGR

Compound annual growth rate

Churn

Churn is the value of monthly recurring revenue (MRR) from subscribers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months. Average subscriber lifetime is calculated as one divided by churn

Constant currency (CC)

Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2024. Comparisons for ARPU, AMRR and LTV on a constant currency basis use exchange rates at 31 March 2024

Core accounting revenue

Core accounting revenue comprises subscription based revenue to Xero's cloud-based platform, including any revenue for products that are bundled into subscription plans (such as Hubdoc and Payroll in some regions)

Free cash flow

Free cash flow is defined as cash flows from operating activities less cash flows used for investing activities excluding cash used for acquisitions of, and investments into, businesses and strategic assets

GAAP

Generally accepted accounting principles

Lifetime value (LTV)

LTV 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 churn) multiplied by ARPU, multiplied by the gross margin percentage. Group LTV is calculated as the sum of the individual segment LTVs, multiplied by their respective segment subscribers, divided by total Group subscribers

Liquid resources

Liquid resources comprises cash and cash equivalents, short-term deposits including proceeds from convertible notes, and undrawn committed debt facilities

Operating income

Operating income is a non-GAAP financial measure that has been included to demonstrate the operating performance of the business. Xero defines operating income as total operating revenue less cost of revenue less total operating expenses

Other revenue

Other revenues comprises non-recurring revenues and WorkflowMax. Non-recurring revenues include revenue from events (such as Xerocons and roadshows), and other non-subscription or platform services. WorkflowMax is online workflow and job management software

Platform revenue

Platform revenues include revenue derived from related services, including adjacent products (such as Hubdoc subscriptions on other accounting platforms) and add-ons with incremental revenue (such as Payroll, Projects and Expenses modules), and payments and revenue share agreements with partners

Rule of 40

Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (Free cash flow as a percentage of revenue)

Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (eg a small business or accounting partner) and which is, or is available to be, deployed. Subscribers that have multiple subscriptions to integrated products on the Xero platform are counted as a single subscriber



***your* business
supercharged**

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