



Beautiful business

MARKET RELEASE

2021 Annual Meeting - Presentation

WELLINGTON, 12 August 2021 - Please see the attached Annual Meeting Presentation for Xero's 2021 Annual Meeting.

Authorised for release to the ASX by the Company Secretary.

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About Xero

[Xero](#) is a cloud-based accounting software platform for small businesses with over 2.7 million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data any time, anywhere and on any device. Xero offers an ecosystem of over 1,000 third-party apps and 300 plus connections to banks and other financial partners. In 2020 and 2021, Xero was included in the Bloomberg Gender-Equality Index and in 2020, Xero was recognised by [IDC MarketScape](#) as a leader in its worldwide SaaS and cloud-enabled small business finance and accounting applications vendor assessment.

Xero Limited (XRO)
NZ Company no. 1830488
ARBN 160 661 183

Registered Address
19-23 Taranaki St
Te Aro
Wellington 6011
New Zealand

www.xero.com

Xero Limited Annual Meeting

12 AUGUST 2021



Beautiful business

Important notice

This presentation is given on 12 August 2021 on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, AU 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 2021, 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 2021, 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 22 for a glossary of the key terms used in this presentation.

Board of Directors



David Thodey, AO

CHAIR OF THE BOARD
INDEPENDENT NON-EXECUTIVE DIRECTOR
People and Remuneration Committee
Nominations Committee (Chair)



Steven Aldrich

INDEPENDENT NON-EXECUTIVE DIRECTOR
People and Remuneration Committee



Mark Cross

INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee (Chair)



Rod Drury

XERO FOUNDER
NON-EXECUTIVE DIRECTOR
Nominations Committee



Lee Hatton

INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee



Susan Peterson

INDEPENDENT NON-EXECUTIVE DIRECTOR
People and Remuneration Committee (Chair)
Nominations Committee



Dale Murray, CBE

INDEPENDENT NON-EXECUTIVE DIRECTOR
Audit and Risk Management Committee
Nominations Committee



Craig Winkler

NON-EXECUTIVE DIRECTOR
People and Remuneration Committee
Audit and Risk Management Committee
Retiring 12 August 2021

Agenda

Chair's address



David Thodey
CHAIR OF THE BOARD

01

CEO update



Steve Vamos
CHIEF EXECUTIVE OFFICER

02

Resolutions

03

Q&A

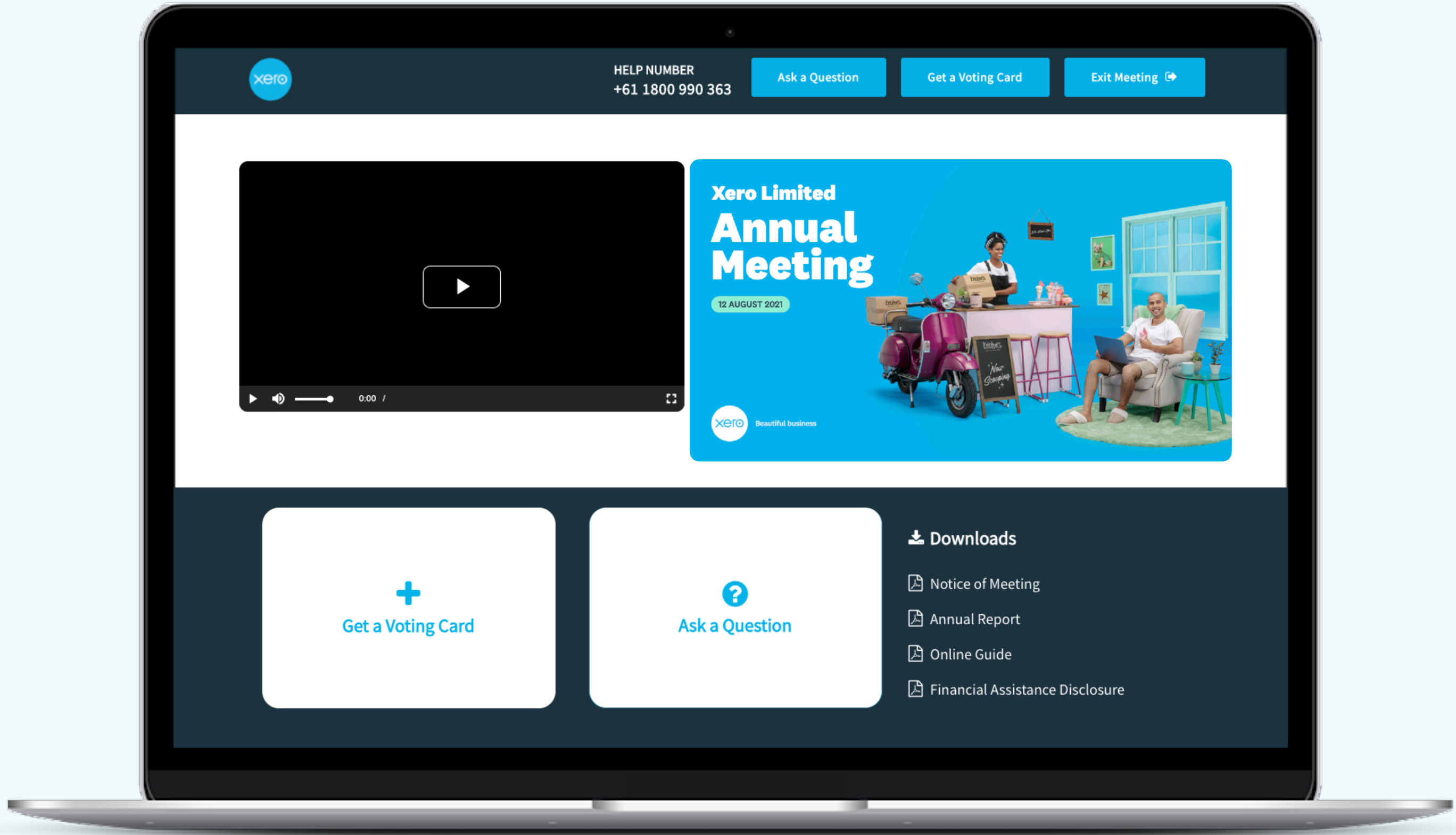
04

Using the online platform

Download the Online Guide at xero.com/about/investors

or under Downloads

 Downloads



Voting

Get a Voting Card



Get a Voting Card

Questions

Ask a Question



Ask a Question

Help number

1 800 990 363

if you are calling from Australia

+61 1800 990 363

if you are calling from outside Australia

Chair's address



David Thodey
CHAIR OF THE BOARD



CEO update



Steve Vamos
CHIEF EXECUTIVE OFFICER



Growing momentum through a challenging year

Financial and operating performance highlights for the full year ended 31 March 2021

SUBSCRIBERS

2.741m

+ 456,000 YOY

ARPU

\$29.30

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

AMRR

\$963.6m

+ 17% YOY (18% in constant currency)

TOTAL LIFETIME VALUE

\$7.6b

+ \$2.1b YOY

OPERATING REVENUE

\$848.8m

+ 18% YOY (18% in constant currency)

EBITDA

\$191.2m

+ \$53.5m YOY

NET PROFIT

\$19.8m

+ \$16.4m YOY

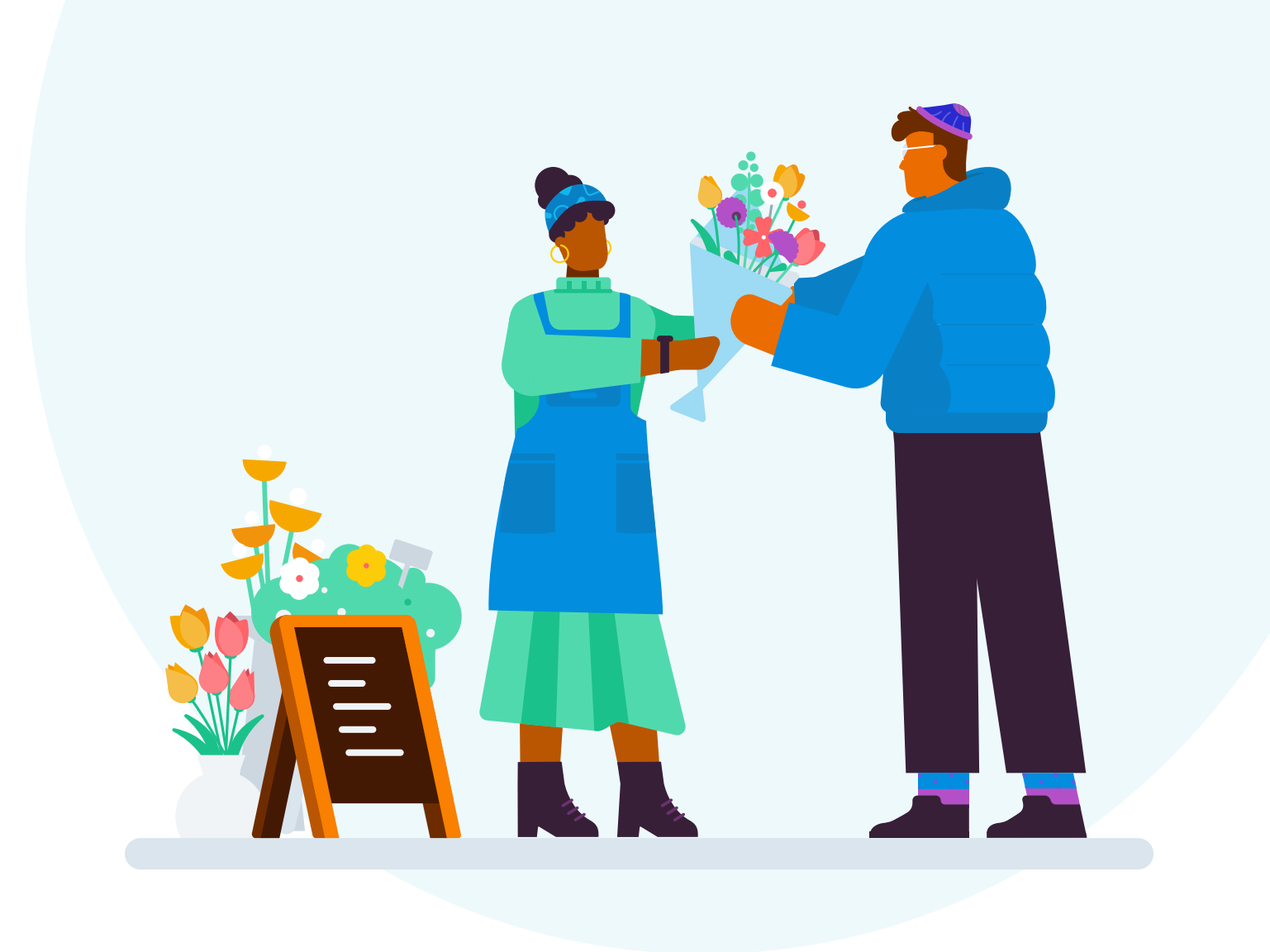
FREE CASH FLOW

\$56.9m

+ \$29.8m YOY

Lower churn and increasing customer activity

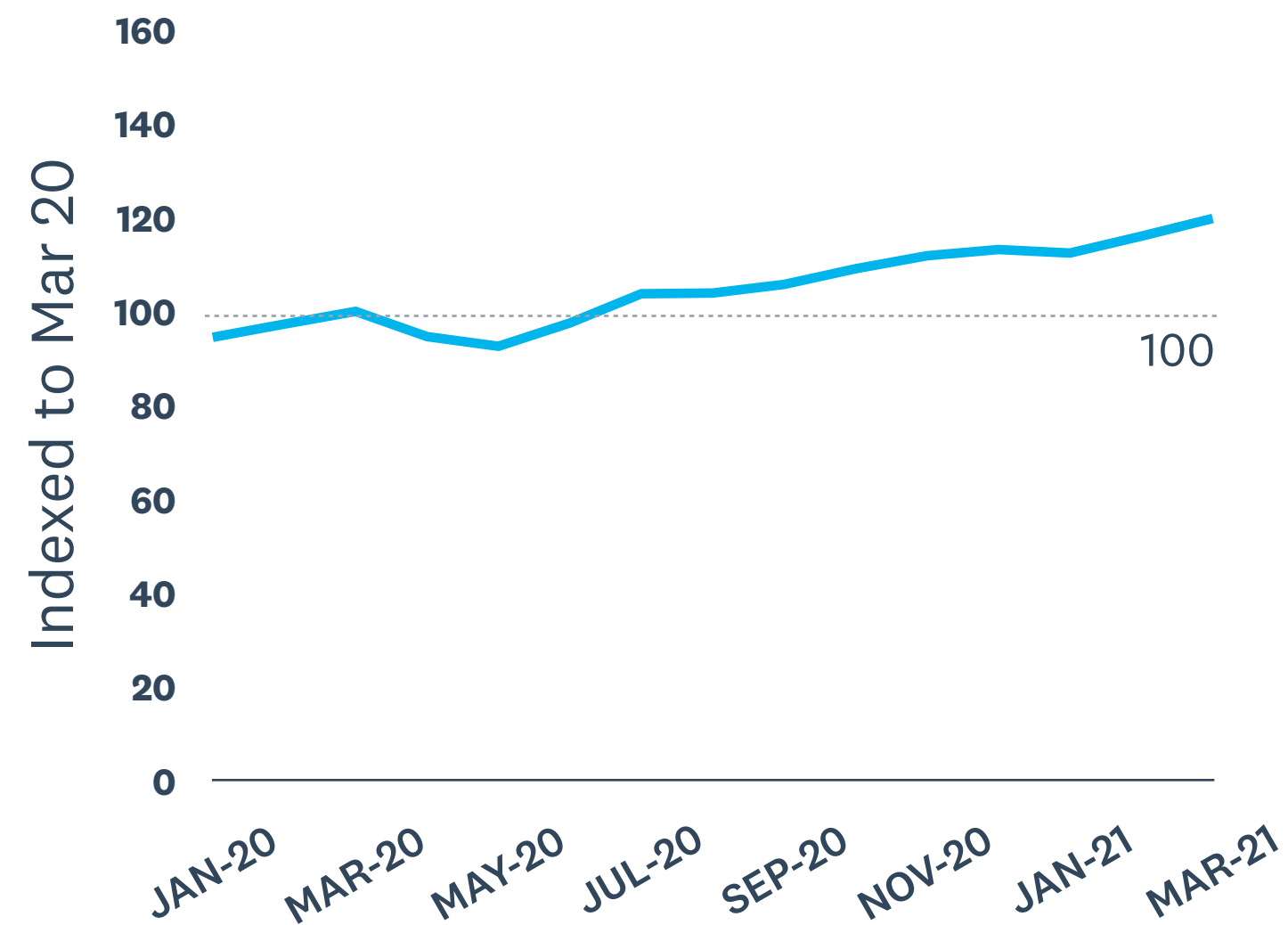
Reduction in churn reflects a number of factors including the value of Xero to our customers in a difficult environment. Customer activity, illustrated below by employees paid and total invoice payments, shows recovery and continued momentum throughout the year



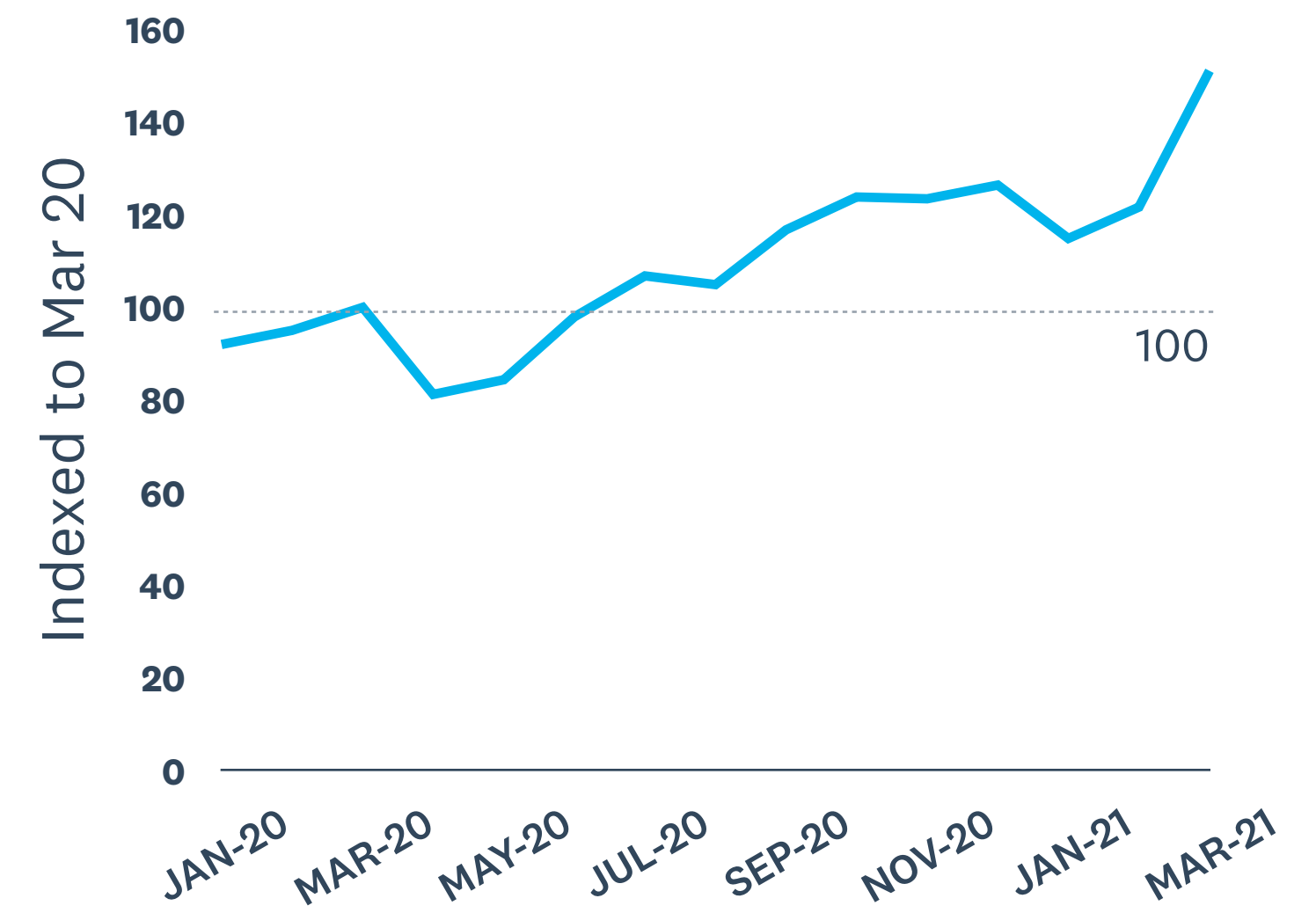
MRR churn¹

	FY20	FY21	Δ YOY
ANZ	0.84%	0.73%	-0.11pp
International	1.59%	1.43%	-0.16pp
Group	1.13%	1.01%	-0.12pp

Total employees paid through Xero to March 2021²



Total payment value to March 2021³



1 See glossary on page 22 for definition of churn

2 Monthly total employees paid through Xero Payroll in Australia, New Zealand and the UK (markets with a Xero Payroll solution)

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

Strategic priorities

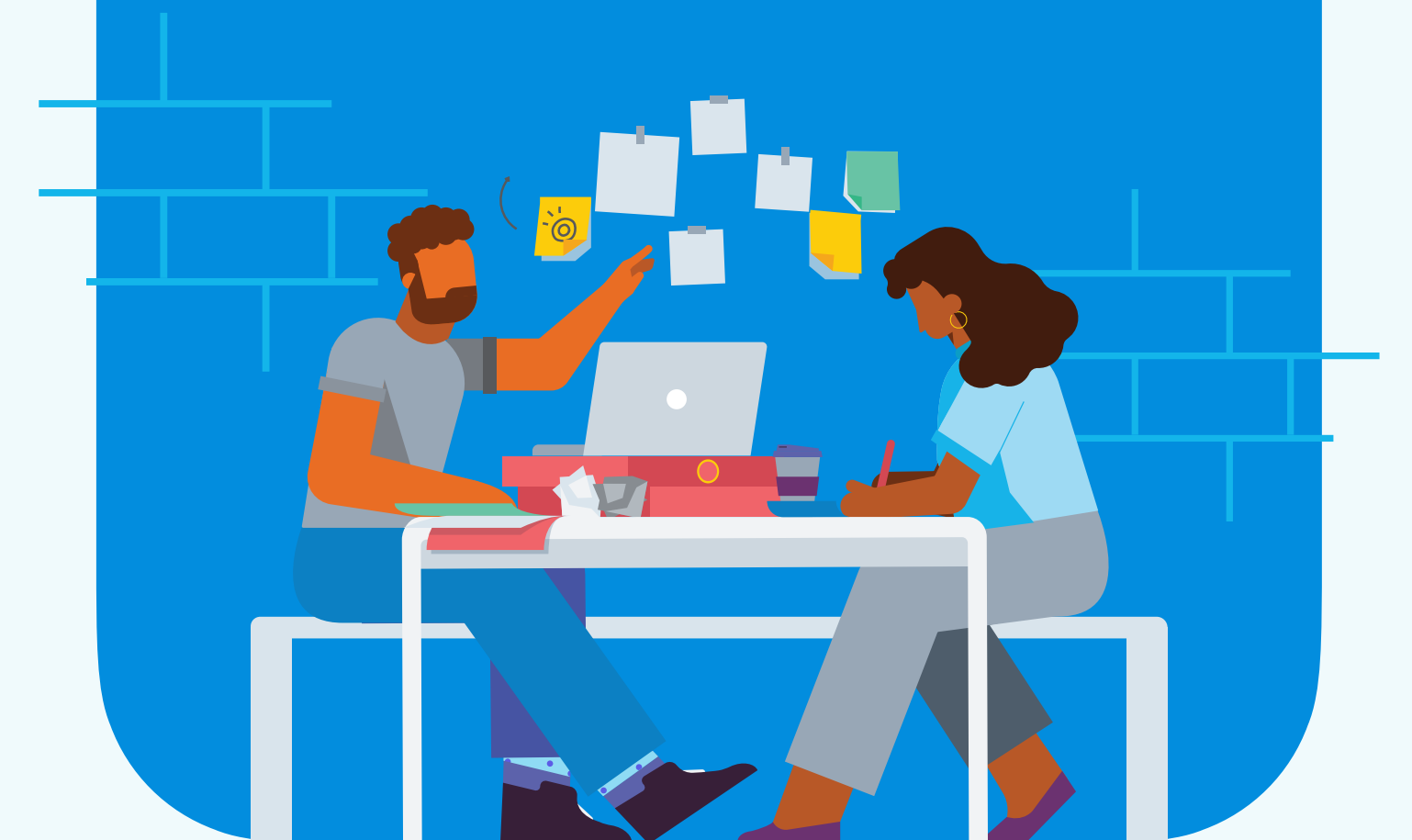
Drive cloud accounting



Grow small business platform



Build for global scale and innovation



Progress on acquisitions in FY21

ACQUISITION



Invoice lending platform leveraging customers' accounting data
Completed 1 October 2020



Workforce management platform for employers and employees
Completed 1 April 2021



E-invoicing technology providing connections to the Peppol global e-invoicing network
Completed 1 April 2021

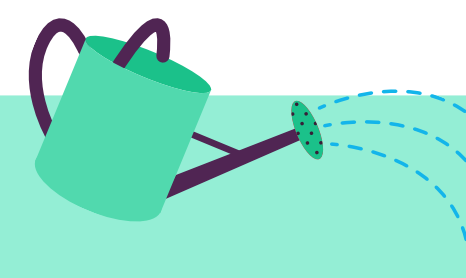
CONSIDERATION¹

A\$80 million (\$87m)

€183.5 million (\$305m)

SEK150 million (\$25m)

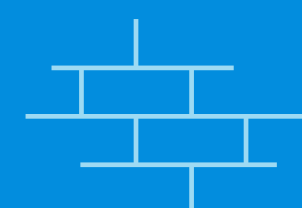
STRATEGIC PRIORITIES



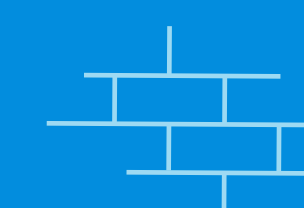
Grow small business platform



Drive cloud accounting



Build for global scale and innovation



ALIGNMENT WITH CUSTOMER NEEDS

Provides access to capital through invoice financing

Makes worker scheduling, payroll compliance and communicating with employees easier

Provides access to well-established e-invoicing capability and network for faster, more secure transactions

¹ Total consideration subject to performance and/or product development milestones

Investing into product and partnerships

Xero Analytics Plus

- Short-term cash flow and business snapshot now part of a suite called Xero Analytics
- Launched Xero Analytics Plus, providing advanced AI-powered forecasts and business insights

Xero Me

Refreshed the user interface of our Xero Me app, which integrates with Xero Payroll and lets employees access payslips, timesheets and request leave

Xero App Store

- Launched the Xero App Store as the next evolution of the Xero App Marketplace
- Moving towards a more commercial model with new, enhanced features including subscription and billing APIs

Bank reconciliation, tax reporting

- Enhanced bank reconciliation with smarter algorithms leveraging AI capabilities
- Enhanced tax reporting in the US and Canada, lodgements in South Africa and investing in readiness for MTD in the UK

Waddle and invoice financing

Entered partnership to support CBA's new invoice financing offer, Stream Working Capital, in Australia



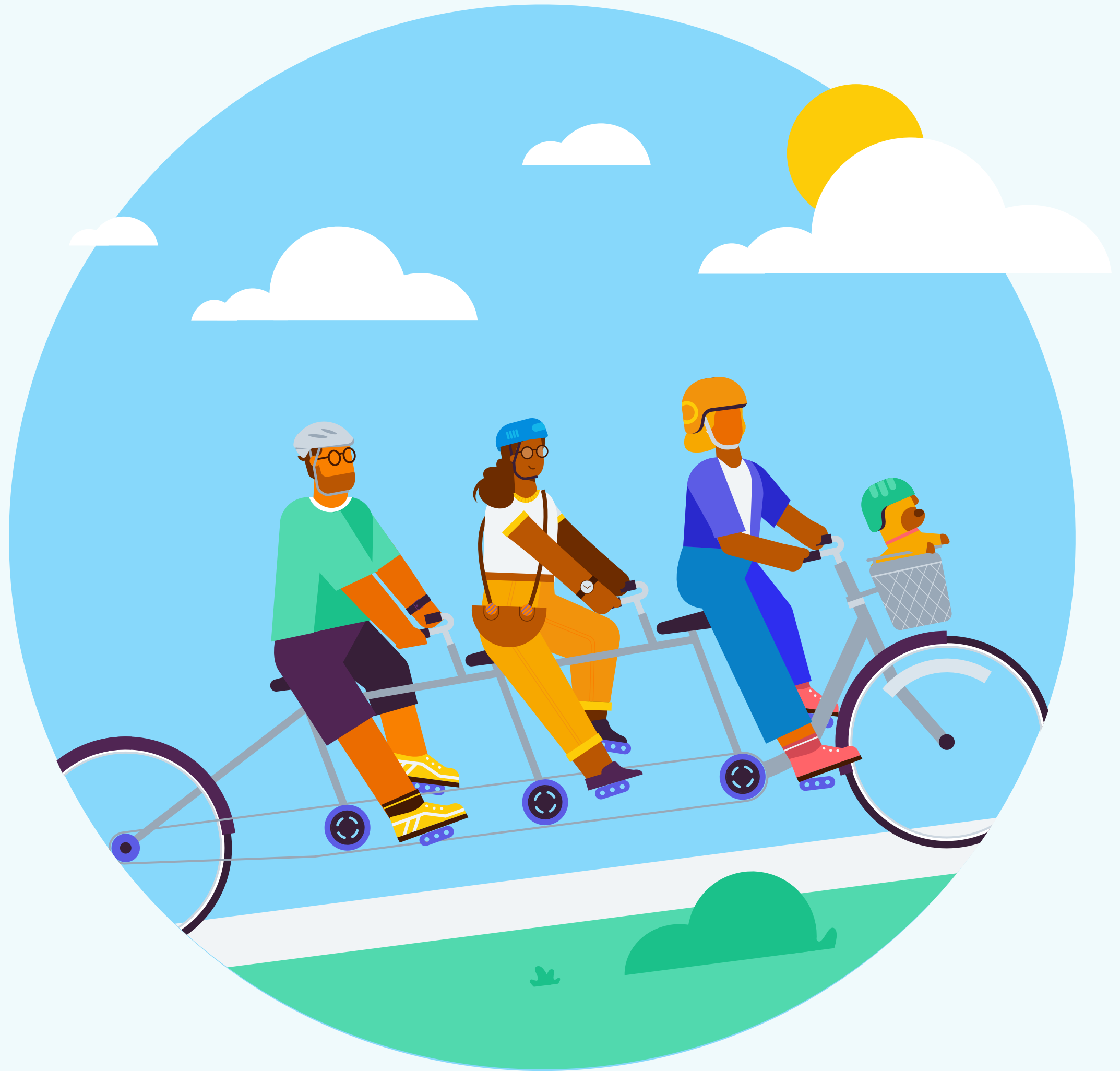
Outlook

Xero will continue to focus on growing its global small business platform and maintain a preference for reinvesting cash generated, subject to investment criteria and market conditions, to drive long-term shareholder value.

Total operating expenses (excluding acquisition integration costs) as a percentage of operating revenue for FY22 are expected to be in a range of 80-85% which is consistent with levels seen in the second half of FY21 and the pre-pandemic period.

Integration costs, relating to the three acquisitions announced during FY21, are expected to increase total operating expenses as a percentage of operating revenue by up to 2% for FY22.

As previously stated, the acquisition of Planday is expected to contribute approximately three percentage points of additional operating revenue growth in FY22.



Resolutions



RESOLUTION 1

Fixing the fees and expenses of the auditor

That the Board is authorised to fix the fees and expenses of Ernst & Young as auditor for the ensuing year

** 47,683 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

97,042,609

98.54%

Against

1,375,429

1.40%

Discretionary

63,769*

0.06%

RESOLUTION 2

Re-election of Dale Murray, CBE

That Dale Murray, retiring from office as a director of Xero at the Meeting, and being eligible, be re-elected as a director of Xero



** 48,428 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

96,963,936

98.47%

Against

1,443,706

1.47%

Discretionary

64,514*

0.07%

RESOLUTION 3

Election of Steven Aldrich

That Steven Aldrich, appointed as a director of Xero on 1 October 2020, who will retire at the Meeting, and being eligible, be elected as a director of Xero



** 49,195 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

98,393,639

99.92%

Against

13,103

0.01%

Discretionary

65,281*

0.07%

RESOLUTION 4

Increase the non-executive directors' fee pool cap

That, for the purposes of ASX Listing Rule 10.17, the maximum annual fees able to be paid to all of the non-executive directors of Xero taken together be increased by NZ\$500,000, from NZ\$2,200,000 to NZ\$2,700,000 per annum

Note: A voting exclusion applies to this resolution

** 52,910 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

91,479,057

99.80%

Against

117,090

0.13%

Discretionary

66,018*

0.07%

RESOLUTION 4

Director fees

Target annual fees (\$)

Country of residence	Chair	Director	Committee Fees	
			Chair	Member
New Zealand	450,000	190,000	38,000	19,000
Australia	450,000	190,000	38,000	19,000
United States	500,000	360,000	38,000	19,000
United Kingdom	650,000	190,000	38,000	19,000

Current annual fees (\$)

Country of residence	Chair	Director	Committee Fees*	
			Chair	Member
New Zealand	358,000	145,000	38,000	19,000
Australia	358,000	145,000	38,000	19,000
United States	358,000	252,000	38,000	19,000
United Kingdom	373,000	145,000	38,000	19,000

* Committee fees apply to the Audit and Risk Management Committee and the People and Remuneration Committee.
No additional fees are currently paid for the chair and membership of the Nominations Committee

RESOLUTION 4

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Against

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0.13%

Discretionary

66,018*

0.07%

Q&A



Glossary

Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by an accounting partner or an end user (small business subscriber) 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

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)

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

Constant currency

Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2020. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2020

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

CAC months

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

Liquid resources

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

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

TAM

Total addressable market

GAAP

Generally accepted accounting principles

CAGR

Compound annual growth rate



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xero.com/investors