



MARKET RELEASE

2023 Annual Meeting Chair & CEO Addresses and Presentation

WELLINGTON, 17 August 2023 - Xero Limited (ASX: XRO) attaches the Chair and CEO addresses and Presentation for Xero's 2023 Annual Meeting. The CEO address includes the announcement that Xero will be hosting an Investor Day on 29 February 2024.

Authorised for release to the ASX by the Company Secretary.

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About Xero

[Xero](#) is a global small business platform with 3.7 million subscribers which includes a core accounting solution, payroll, workforce management, expenses and projects. Xero also has an extensive ecosystem of connected apps and connections to banks and other financial institutions helping small businesses access a range of solutions from within Xero's open platform to help them run their business and manage their finances. For four consecutive years (2020-2023) Xero was included in the Bloomberg Gender-Equality Index. In 2021 and 2022, Xero was included in the Dow Jones Sustainability Index (DJSI), powered by the S&P Global Corporate Sustainability Assessment. Xero is a [FIFA Women's Football partner](#).



**XERO LIMITED – 2023 ANNUAL MEETING
Thursday 17 August 2023**

Address by the Chair, David Thodey AO

Kia Ora, good morning from Auckland New Zealand and welcome to Xero’s 2023 Annual Meeting. I’m David Thodey and I am the Chair of the Xero Board.

Thank you for attending today’s Meeting. I am with the Board here broadcasting from our Auckland office.

We have tried to design the procedures for this virtual meeting in a way that allows you the same opportunity to participate today as you would at a physical meeting. This includes being able to ask questions and vote using an electronic voting card. I’ll discuss this process shortly. I also encourage you to download and refer to the online portal guide from the “Downloads” section at the bottom of your screen or from Xero’s website if you haven’t already done so.

In the unlikely event that we experience technical issues that impact the Meeting, I’ll assess the circumstances and communicate further with you. If this isn’t possible, you will be emailed instructions on how and when to rejoin the Meeting.

I am informed by our Company Secretary, that in accordance with the company’s constitution and, for the purposes of each resolution, a quorum is present and I now declare the Meeting formally open.

I’d like to introduce the Board and joining me from Auckland are directors Stephen Aldrich, Lee Hatton, Rod Drury, Susan Peterson, Mark Cross, Anjali Joshi, Brian McAndrews and Dale Murray.

From Xero’s leadership team, we have our Chief Executive Officer, Sukhinder Singh Cassidy, our Chief Financial Officer, Kirsty Godfrey Billy and our Company Secretary, Damien Coleman.

We are also joined by other members of Xero’s leadership team and other Xero colleagues. Simon O’Connor and David Borrie from our auditors Ernst & Young, are also present and available to answer any relevant questions directed to them.

Xero’s General Manager of Corporate Communications, Kate McLaughlin, will read out written questions submitted by shareholders during the Meeting.

I’ll now turn to the agenda and order of events for today. I’ll first say a few words. We’ll then hear from our CEO Sukhinder Singh Cassidy. Then we’ll turn to the formal business of the Meeting and we have five resolutions today. After that, there will be an opportunity for any general shareholder questions before I will close the Meeting.

Before giving my address I do want to go through a little bit more about using the online platform.

Voting on the resolutions will be conducted by poll and that poll is now open. Please vote by using the electronic voting card you should receive after clicking the “Get a Voting Card” button.



Shareholders can submit written questions during the Meeting by clicking on the “Ask a Question” button. I encourage shareholders who have questions to submit them as soon as possible, including if you have questions about any of the resolutions.

If you have any issues at all using the platform, please check the online portal guide which you can access through the “Downloads” section at the bottom of your screen or from Xero’s website, or again contact the phone help lines shown on this slide.

Shareholders can also ask questions by telephone.

To use the teleconference facility, shareholders must use their unique PIN provided to them by Link Market Services. When you dial in you will be asked to mute your sound and listen to the Meeting by phone. If you wish to ask a question, you will need to dial ‘STAR 1’ on your keypad and this will indicate to the moderator that you wish to ask a question. The teleconference moderator will require your name and, at the relevant time, will introduce you and prompt you to ask your question by unmuting your line.

I will now move on to my address.

In 2023, we completed one of our key responsibilities as your Board, the appointment of a new CEO. We are immensely pleased with the appointment of Sukhinder Singh Cassidy as our new CEO following a rigorous global recruitment process during which we considered a number of exceptional candidates.

We are excited to have someone with Sukhinder’s expertise leading Xero. Her broad experience across different organisations, role types and geographies within the technology sector, and in particular building product and scaling go-to-market businesses will benefit Xero in its next stage of growth.

In working with Sukhinder over the past six months as CEO, she has demonstrated her purpose-driven and human-centred leadership through supporting our customers and her commitment to growing and evolving Xero’s unique culture.

I also want to acknowledge and thank Steve Vamos for his work in developing Xero as a global business and for the support he provided through the transition period. His enormous contribution to Xero has been invaluable and I, along with the rest of the Board, thank him for his time with us. Now, moving to our performance in 2023.

Sukhinder will speak to the details of our 2023 financial year results, however I want to highlight the decisions we have made in this higher interest rate environment, and with our increased focus on operating efficiency. We have taken action to streamline our business. We also revalued our recent acquisitions, reflecting the current valuation backdrop and the operating performance of these businesses. While this negatively impacted our FY23 EBITDA, these decisions support our aspiration to become a higher performing global SaaS company and generate disciplined growth, as we continue to support our customers.



It has been another year of change and adaptation around the world. Businesses, governments, economies, workplaces and our communities continue to face a complex macroeconomic environment. Within this environment, we continue to see small businesses being the employment engine-room of economies and their resilience remains strong.

Xero's purpose is to make life better for people in small business, their advisors and communities around the world – as they operate against this complex macroeconomic backdrop – and this can be seen in our performance this year. We now have over 3.7 million subscribers around the world and churn remains low at 0.9%.

The underlying market opportunity for our products remains large as we continue to support small businesses to unlock the productivity benefits that come from shifting to a digital economy. Governments in many parts of the world are encouraging digitisation of small businesses, and we continue to work with governments and regulators to enable this transition.

We believe that Xero is well positioned to capitalise on this fundamental trend of small businesses moving to the cloud, and in doing so, to generate value for all of our stakeholders.

Building and maintaining trust is at the heart of our business and underpins the many ways we create long-term value for our stakeholders.

Using data responsibly and ensuring we have a robust cyber security framework is critical in earning and maintaining our customers' trust. We recognise that we must be vigilant in protecting our customers' data.

We take a multi-layered and risk-based approach to managing security through the use of cutting edge technology, a robust security risk management process, and working to keep security considerations front of mind for all our people.

We have a comprehensive cyber strategy in place which is regularly reviewed and is also updated in the event of material changes to our internal and external environment, including external threat level changes, materially significant changes in business direction and heightened legislative and regulatory requirements.

We are vigilant in our focus of continuously improving our approach to security – given the constantly changing nature of the external threat landscape – and regularly introducing new capabilities and process enhancements to further strengthen our security posture. Protecting our customers' data is essential.

Growing in a sustainable way is also an important consideration within our strategy and it's integral to who we are. We continue to evolve our approach to sustainability in order to meet the expectations of our stakeholders.

On climate we have continued to add further disclosures aligned to the Task Force on Climate-related Financial Disclosures, or TCFD. We are also mindful of recent and proposed changes to sustainability accounting standards, and while we believe Xero's reporting is well positioned as we progress towards this, we continue to monitor proposals.



All businesses will be impacted by these changes and this will present a significant change for some businesses, requiring a whole-of-organisational uplift in the quality and robustness of disclosures.

There is also an opportunity for Xero to help small businesses position themselves for this change. By working with partners across our ecosystem we can help small businesses use the data in Xero to measure and report their own carbon footprint.

As businesses improve their data and quantification of emissions, there will be opportunities to make more informed decisions about the true carbon cost to a business both directly and throughout their value chain.

Turning to the Board – we are committed to continuous improvement in our approach to corporate governance. The Board recognises the importance of continual review of our governance practices and performance, as well as the mix of skills and experience represented on the Board and how it enables the Board to fulfil its role in leading a global SaaS business.

This year, in reviewing its governance practices and performance, the Board identified actions to support its focus on being a consistently high-performing Board. These included actions related to setting up and supporting the new CEO for success, continuing to refine the Board operating rhythm, and ongoing Board succession planning and capability, which I will speak to in a moment.

Before I do that, I would like to acknowledge and thank Mark Cross and Susan Peterson for their immense work in chairing the Audit and Risk Management and People and Remuneration committees which play such an important role in our governance structure.

Turning to the Board's renewal and succession planning, there have been a few changes announced to the Board since our last Meeting. Starting with departures – after serving on the Board for nine years Lee Hatton is retiring from the Board at the conclusion of this Meeting. On behalf of the Board I want to thank Lee for her valuable insights and significant contribution over that time, including as chair of our Audit and Risk Management Committee from 2017 to 2020. I would now like to hand over to Lee today for a few words

Thank you Lee. Secondly, after founding Xero in 2006, serving as an executive director for 12 years, and as a non-executive director for five, Rod Drury will also be stepping down from the Board at the conclusion of this Meeting. Over that time Rod has founded and built a global company with a clear vision and purpose that has digitally disrupted an industry. I'll now pass to Rod to say a few words about his time on the Xero Board.

Thank you Rod, we are grateful for your enormous contribution, and we are all delighted that you will continue as an advisor with Xero, supporting Sukhinder and the team for an initial term of two years.

Moving to additions to the Board, we continue to focus on how best to enable Xero to scale internationally while maintaining our focus on delivering great products and customer service. To that end, we are pleased to welcome Anjali Joshi as an independent, non-executive director who joined the Board on 3 July 2023. Anjali brings extensive public company and technology experience, particularly



in product development and will ensure that the Board will continue to have strong skills in this area, and you'll hear from Anjali later in the Meeting.

Anjali's appointment demonstrates our commitment to ensure that the Board continues to bring the right mix of skills and experience to help realise Xero's significant long term opportunity to be a global SaaS business.

In conclusion, we are pleased with our performance in the year. As we prepare for Xero's next chapter the Board continues to work closely with Sukhinder and the leadership team to help deliver our vision, our purpose and drive disciplined, customer focused growth.

Finally, on behalf of the Board, I would like to thank Sukhinder and the Xero leadership team for another year of strong performance.

We are also immensely grateful for the dedication and passion shown daily by all of Xero's people, in what has been a period of change for them and our organisation. Our people are fundamental to Xero's success and we continue to support them to do the best work of their lives.

I'd also like to thank you, our shareholders, for your ongoing support.

That brings me to the end of my address. Let me now hand over to Sukhinder before we commence the formal business for the day. Over to you Sukhinder.

-ENDS-

Address by the CEO, Sukhinder Singh Cassidy

Thanks David and hello everyone, it's great to be joining you all for our Annual Meeting.

Today I'm going to summarise Xero's financial year 2023 results and themes as well as briefly discussing key observations from my time so far as CEO. Then to finish, I'll touch on Xero's FY24 outlook.

Our performance in FY23 reinforces the strength of Xero's fundamental business. It is a great business that has strong momentum, a huge global TAM and a unique culture. I want to highlight three key themes from our FY23 performance

1. We are a macro resilient business that is generating strong growth
2. More customers than ever are subscribers to Xero and staying with us for longer
3. We are growing with efficiency as a company, for the benefit of our customers and all the stakeholders we serve

Turning to the details of our FY23 results which we announced in May.

Xero is a macro resilient business that continues to deliver strong top line growth. Revenue rose 28%, or 25% on a constant currency basis. This was generated through both net subscriber additions of



470k or 14% growth, with total subscribers at the end of the year of 3.74 million. Pleasingly ARPU also grew strongly, up 10%, or 8% on a constant currency basis.

Headline EBITDA of \$158.4 million was impacted by non-cash impairments and restructuring costs, resulting in a 26% reduction. However backing these items out gives an Adjusted EBITDA of \$302 million, up 45%.

This strong operating result drove free cash flow generation, with free cash flow increasing to \$102.3 million.

In calendar year 2022, we became increasingly focused on managing our cost base. Through more disciplined management of our headcount and other costs, we met our FY23 operating expense to revenue guidance with a ratio of 80.7% excluding restructuring charges. This operating leverage improvement drove an increase in our operating income margin to 6.6% excluding restructuring costs.

We have completed the restructuring that we announced in March, and are well placed to be more efficient and effective in delivering for customers. This has come with a lot of change for our people and we will continue to focus on our Xero culture and provide support as we learn and adapt to a new operating rhythm.

In FY24 we are targeting an operating expense to revenue ratio of around 75.0%. This will improve our operating income margin compared to FY23. We will continue to focus on managing our resources better, to help support operating income growth and free cash flow.

I want to reiterate the views I shared at our Full Year 2023 results on a few areas of our business and performance, namely North America, Planday and Modernisation.

Starting with North America: While we delivered good results for FY23, we are not satisfied with the size of our current business against the market opportunity. We remain confident that this is a critical market for SMBs and their advisors, and that Xero is providing current value to customers. One of my tasks in the coming months is forming a much deeper and more nuanced view on our North America strategy and execution. In the meantime we will continue to be measured in our approach and I hope to come back to the market in November with an update.

On Planday: Whilst the impairment in FY23 was disappointing, we are excited about the appointment of our CEO Dave Lee, and our greater focus on the small business segment, both in Planday's home markets as well as through our Australian product launch. We see this as a great opportunity, given that SMBs continue to tell us that managing employee payroll and scheduling are core jobs to be done.

And finally on modernisation: There has been considerable focus on the rate and size of product and technology investment at Xero. As you would expect for a company our age, certain parts of our code base have higher run costs than we would expect for a higher performing SaaS business built on today's developer tools and capabilities. This is one of the areas of strategic reinvestment that we highlighted for FY24 and for continued ratable investment in the coming years. I fully expect that as we progress, and parts of our technology stack get modernised, we will be able to build with faster velocity for customers, with higher productivity and ultimately lower run costs. But it is a multi-year journey that we have been on for some time, and one we will continue to ratably invest in, in parallel



with continued product development to improve our features and offerings for our customers each year.

I now want to remind you of the three key observations I called out at our full year results as we move to our next phase of growth:

1. We are well positioned for the significant long term opportunity of cloud accounting. By our estimate, there are over 45 million small businesses globally that can take advantage of what Xero has to offer
2. We have multiple levers for growth, and are early in our journey of optimizing them
3. Our opportunity is to be more disciplined and customer focused about how we grow and invest our capital to drive even greater value

There are four key principles I'd like to see us apply as a company to become smarter, faster, and stronger in our next chapter of investment:

- Becoming more focused – this means being even more customer centric in all that we do, and focusing on how we can continually add value for them, serve them better and faster, and increase their engagement with Xero
- Being more dynamic – this is about being more effective in our short term allocation of resources operationally so we can maximise the yield for our efforts. It focuses on the levers we have available today
- Being more measured is about being clear on our investment and returns across our portfolio of bets so that we optimise our capital allocation over the medium and long term and unlock value for shareholders. I view capital allocation through a lens of three buckets: Core, Growth, and Emerging. This categorisation will help us focus our investments and understand our potential for growth and returns across different time horizons and at different levels of scale
- The final principle is being more balanced, and this is about being balanced in our financial management as we drive both revenue growth and profitability. As I've mentioned before, our ambition is to build a truly world class and higher performing SaaS company. As a part of this Xero will look to “Rule of 40” as a useful performance evaluation measure in managing this balance

The next slide includes our outlook statement for FY24 which is unchanged. As we said at the time, we will now seek to balance growth and profitability in our approach to capital management. The operating expense – and operating income margin guidance underneath this, reflects this.

As we told you in March, along with reinvestment in strategic priorities, management is targeting an operating revenue to operating expense ratio in FY24 of around 75.0%. The reinvestment will be split across sales and marketing opportunities, and product and design, where as we mentioned – we are continuing on our multi-year modernisation journey, while investing in value for our customers.

Moving to the financial evolution slide, this shows you the directional composition of this ratio in FY24 as well as the longer term evolution of these metrics. In FY24 we expect to see improving efficiency



across each of our expense lines. In the case of sales and marketing – the flat to down arrow reflects optionality to direct spending to revenue generating opportunities across our multiple levers, of course with appropriate discipline.

As we have said before, our long term aspiration is to improve both our operating expense ratio and our operating income margin as Xero and the global cloud accounting industry continue to mature, noting that we haven't set a specific timeline, and there could be variability from period to period as we identify growth opportunities.

This reflects the momentum the business has. As I said I am really excited about how we're positioned, the opportunity ahead, and the multiple levers we have to grow.

I'm also pleased to announce that we will be hosting an Investor Day on February 29 next year. This will be an opportunity for you to meet the team and for us to outline to you, our investors, how we will execute on the growth opportunity ahead of us to drive long term shareholder value.

Before I conclude, I want to acknowledge everyone who plays an important role in our journey, in particular our Xero people across the world who continue to work hard to deliver for our customers and partners.

I'd also like to thank David and the Board for their hard work and support and to you our shareholders, thank you for your ongoing support.

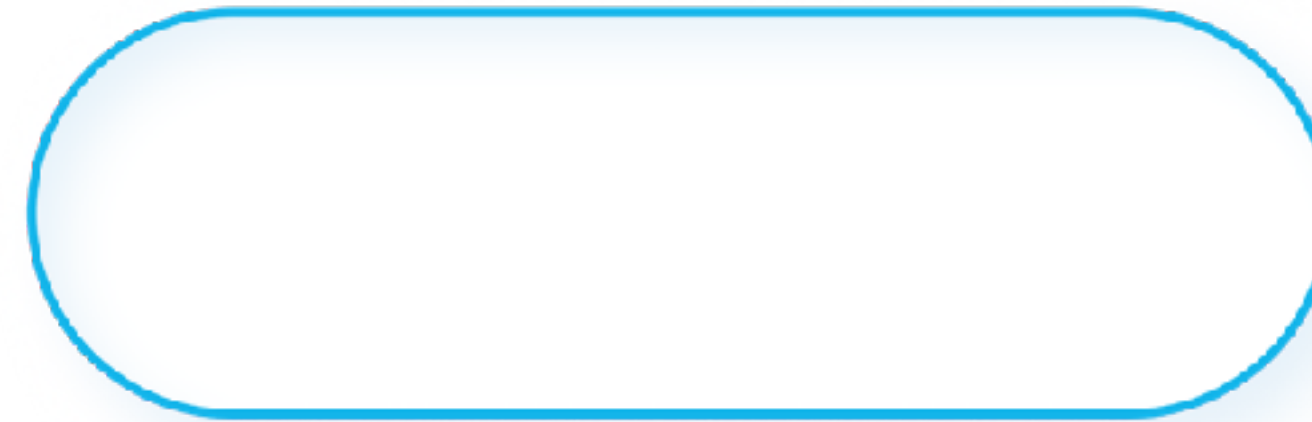
I'll now hand back to David for the formal business of today's Meeting.

-ENDS-

Xero Limited

Annual Meeting

17 AUGUST 2023



Important notice

This presentation is given on 17 August 2023 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 2023, 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 2023, 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 21 for a glossary of the key terms used in this presentation.

Board of Directors



David Thodey, AO

CHAIR
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)
People and Remuneration Committee



Rod Drury

XERO FOUNDER
NON-EXECUTIVE DIRECTOR

Nominations Committee



Lee Hatton

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management Committee



Anjali Joshi

INDEPENDENT NON-EXECUTIVE
DIRECTOR

People and Remuneration
Committee



Brian McAndrews

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management Committee



Dale Murray, CBE

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management
Committee



Susan Peterson

INDEPENDENT NON-EXECUTIVE
DIRECTOR

People and Remuneration
Committee (Chair)
Nominations Committee

Agenda

1.



David Thodey
CHAIR

**Chair's
address**

2.



Sukhinder Singh Cassidy
CHIEF EXECUTIVE OFFICER

**CEO
update**

3.

Resolutions

4.

Q&A

Using the online platform

Voting

Get a Voting Card



Get a Voting Card

Download the Online Guide at xero.com/investors/ or under Downloads

Downloads

Questions

Ask a Question



Ask a Question

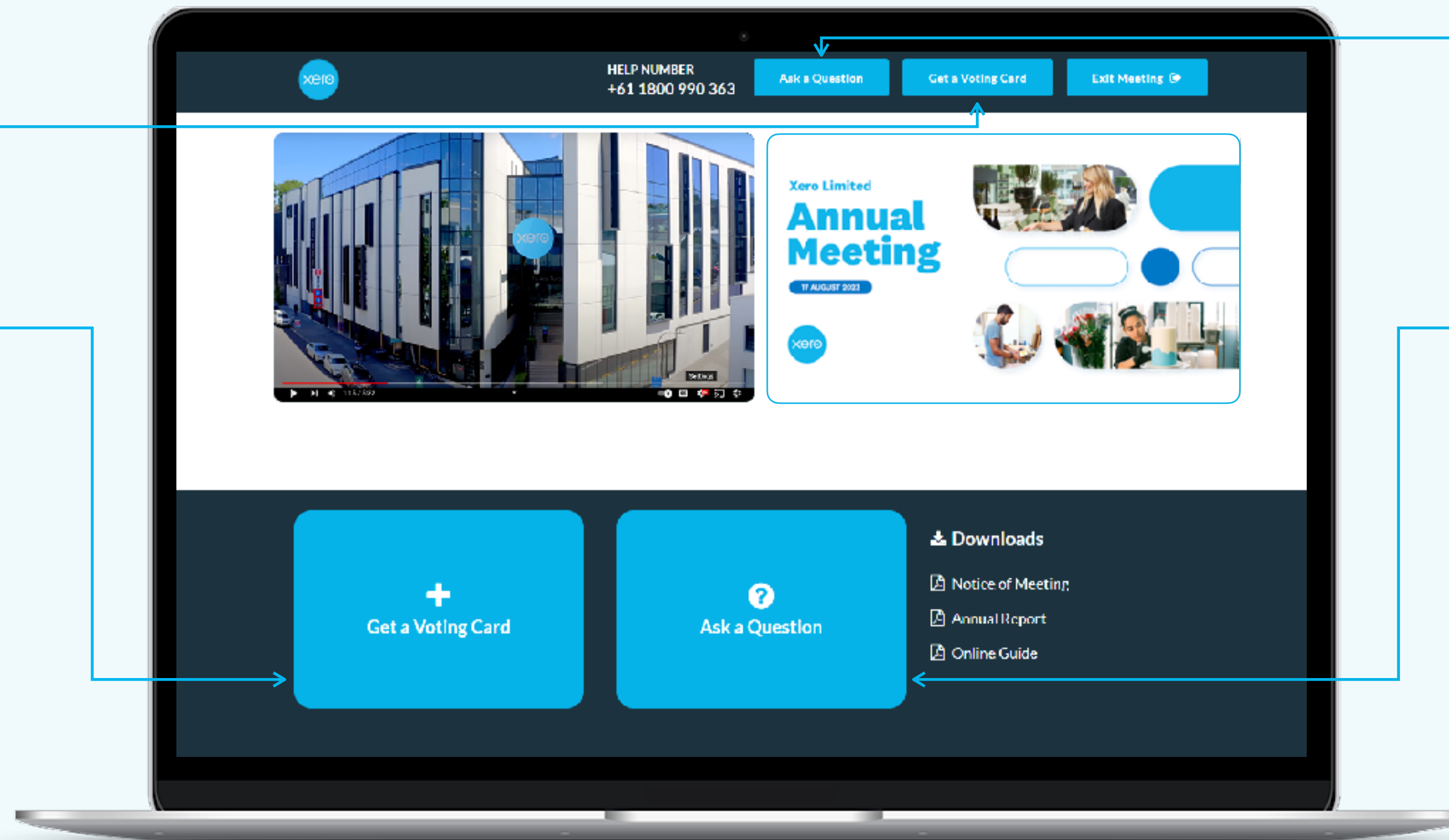
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if you are calling from Australia

+61 1800 990 363

if you are calling from outside Australia



Agenda

1.



David Thodey
CHAIR

**Chair's
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Sukhinder Singh Cassidy
CHIEF EXECUTIVE OFFICER

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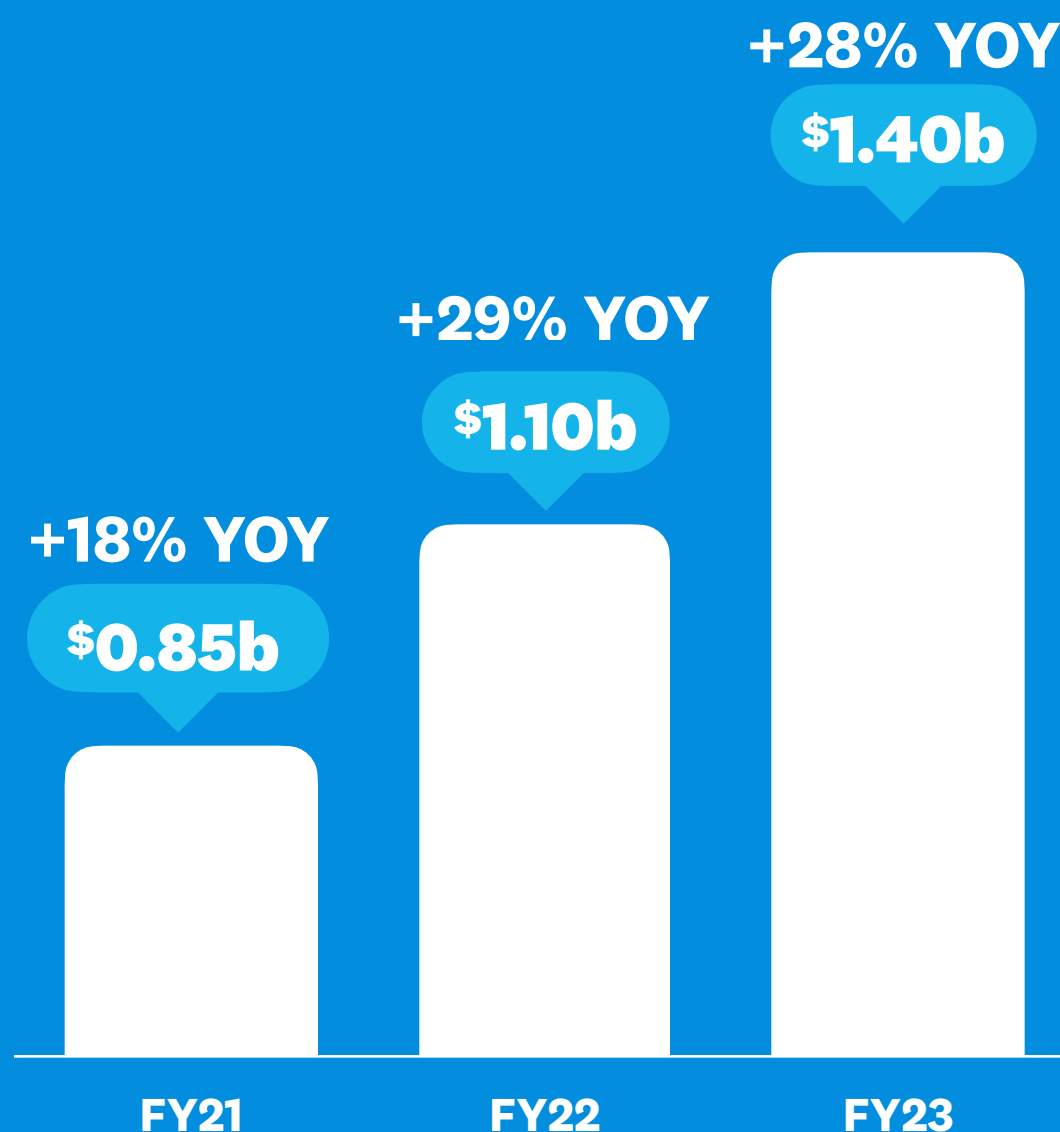
FY23: Strong operating result drives free cash flow generation

Financial and operating performance highlights for the year ended 31 March 2023

OPERATING REVENUE

\$1,399.9m

+ 28% YOY (25% in constant currency)



ADJUSTED EBITDA

\$301.7m

+ \$93.0m YOY

EBITDA

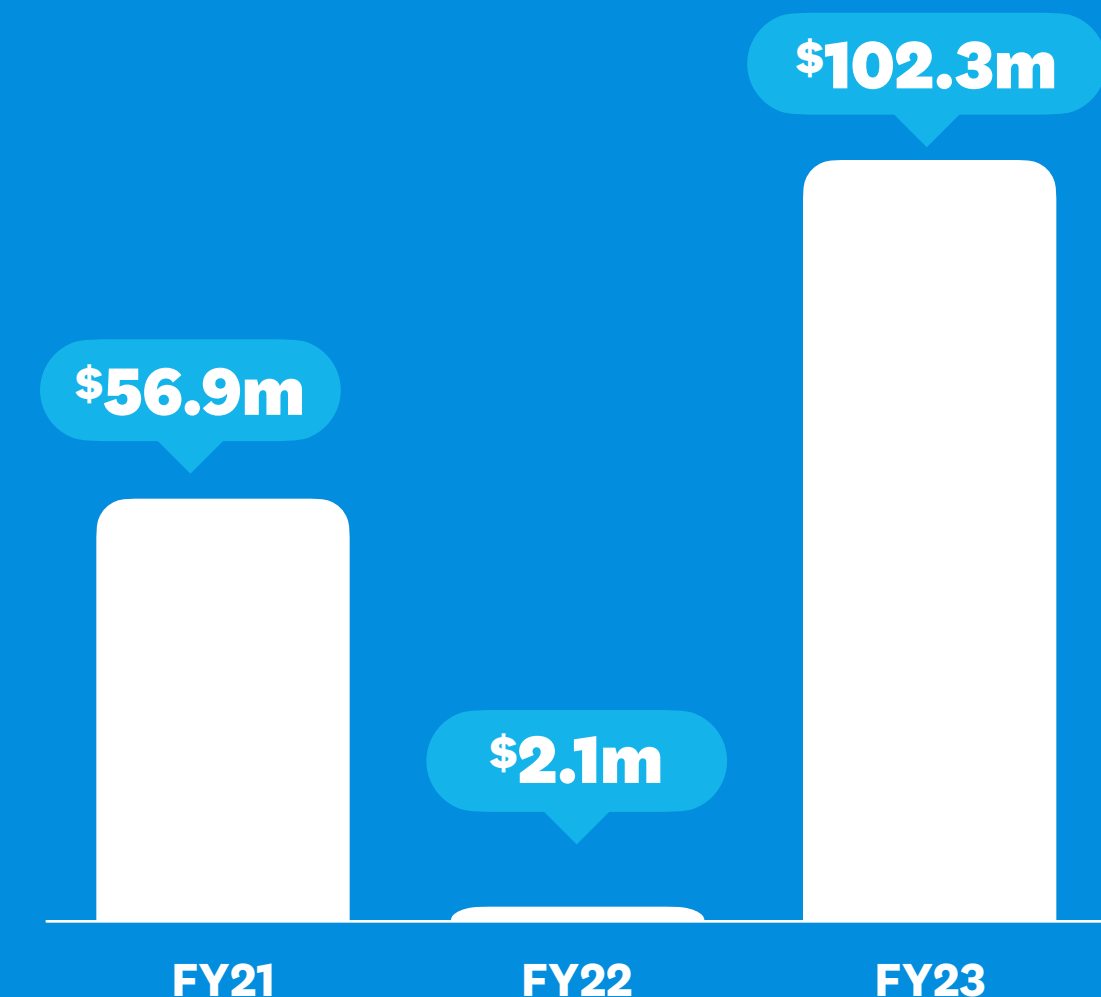
\$158.4m

- \$54.3m YOY

FREE CASH FLOW

\$102.3m

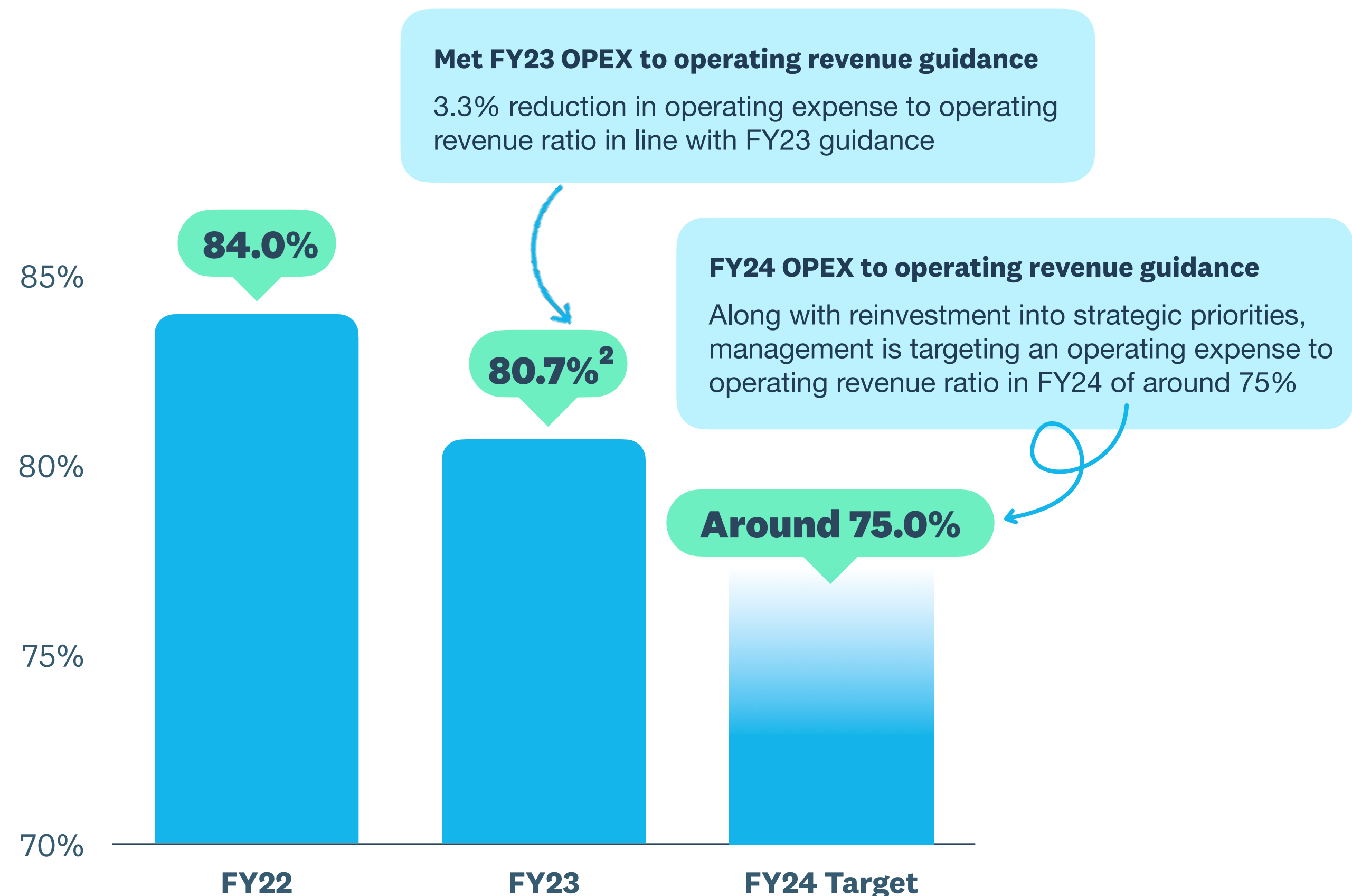
+ \$100.2m YOY



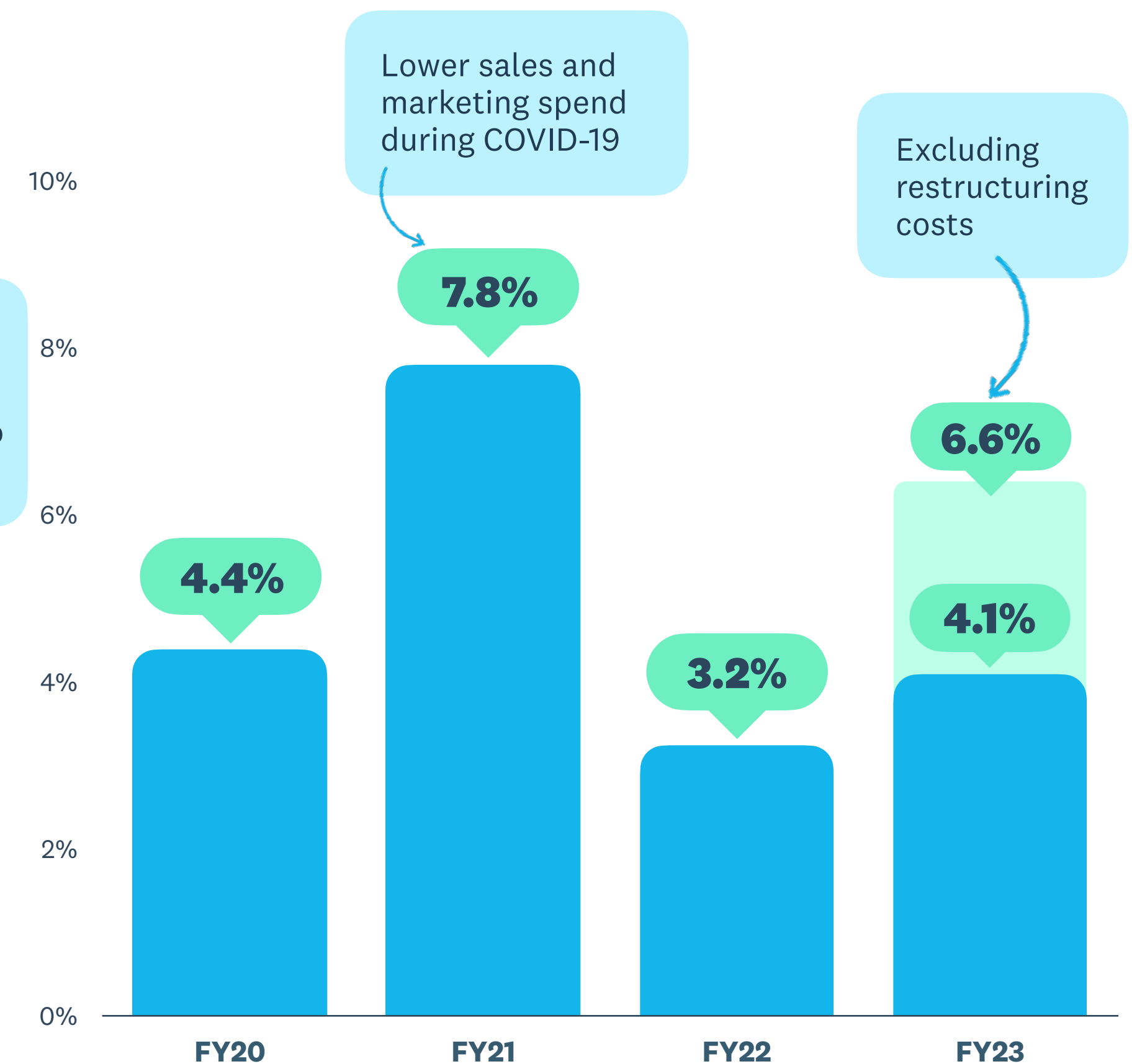
Growing with efficiency: Improved operating leverage drives increase in operating income margin

Improving efficiency alongside continued revenue momentum drove operating income margin higher. Targeting an operating expense to operating revenue ratio in FY24 of around **75.0%**, this will improve operating income margin compared to FY23¹

Operating expenses as a % of operating revenue



Operating Income Margin³



1. This applies both including and excluding restructuring costs

2. Excluding \$34.7m of restructuring costs 3. Operating Income is a non GAAP financial measure. Xero defines it as gross profit (total operating revenue less cost of revenue), less total operating expenses

Observations from CEO

Areas to touch on



North America

Continued confidence that North America is a critical market. **Xero is providing value** to partners and small businesses. Doing a **deeper review on current execution and strategy** against the opportunity



Planday

Impairment of \$77.9m mainly reflects a **reduction in market valuation multiples along with an element of operational performance**. Year of **transition**: Opportunity with **new CEO, AU product launch**, and focus on the **small business segment**



Modernisation

Continued **multi-year journey** which will help us modernise, drive greater productivity and **realise further efficiency**, balanced with near term delivery to **add customer value** and benefits for the long term

We will be more disciplined and customer focused in the way we manage resources and capital to grow

Being more focused...

...on serving our customers and adding value for them



Being more dynamic...

...in our short term allocation of resources to maximise yield



Being more measured...

...and clear on our investment returns to drive long term value creation for shareholders



Being more balanced...

...Xero will look to “**Rule of 40**” as a useful performance evaluation measure in managing the balance of growth and profitability¹



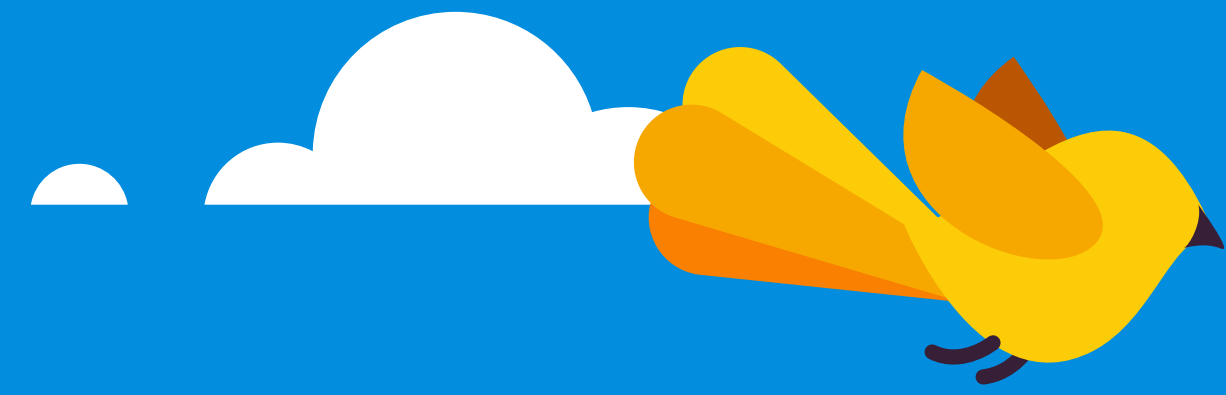
1. Rule of 40 is defined as the sum of annual revenue growth percentage and annual free cash flow margin percentage (free cash flow as a percentage of revenue)

Outlook

Xero will seek to balance growth and profitability in its approach to capital allocation, subject to investment criteria and market conditions, to drive long-term shareholder value

Along with reinvestment in strategic priorities management is targeting an operating expense to operating revenue ratio in FY24 of around 75%. This will improve operating income margin compared to FY23

Xero's long-term aspiration is to continue to improve its operating expense ratio and its operating income margin, although a specific timeline has not been set. These ratios, and their component parts, may vary from period to period as we identify opportunities for disciplined, customer-focused growth



Evolution of Xero's financial profile

EXPENSE RATIO	FY23	FY24 EXPECTATION	LONG TERM ASPIRATION	
SALES & MARKETING	33.7% of revenue	Expected ratio trend vs FY23: Flat to down		
PRODUCT DESIGN & DEVELOPMENT	35.0% of revenue	Expected ratio trend vs FY23: Down		
GENERAL & ADMINISTRATION	12.0% of revenue	Expected ratio trend vs FY23: Down		
TOTAL OPERATING EXPENSES	80.7% ¹ of revenue	Along with reinvestment in strategic priorities, management is targeting an operating expense to operating revenue ratio in FY24 of around 75%		

1. Excluding \$34.7m of restructuring costs

Agenda

1.



David Thodey
CHAIR

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address**

2.



Sukhinder Singh Cassidy
CHIEF EXECUTIVE OFFICER

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RESOLUTION 1

Auditor's fees and expenses

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

**28,486 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

109,306,050

99.87%

Against

96,091

0.09%

Discretionary

47,038*

0.04%

RESOLUTION 2

Re-election of Mark Cross

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



**29,026 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

92,797,218

84.79%

Against

16,597,667

15.17%

Discretionary

47,578*

0.04%

RESOLUTION 3

Election of Anjali Joshi

That Anjali Joshi, retiring from office as a director of Xero at the close of the Meeting, and being eligible, be elected as a director of Xero



**29,091 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

108,943,986

99.54%

Against

453,793

0.41%

Discretionary

47,643*

0.04%

RESOLUTION 4

Re-approval of the US Incentive Scheme

That the Xero Limited USA Incentive Scheme, as amended and restated by the Board on 22 June 2023, be approved

For

105,854,535

96.72%

Against

3,548,549

3.24%

Discretionary

45,803*

0.04%

**27,098 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

RESOLUTION 5

Increase the non-executive directors' fee 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\$600,000, from NZ\$2,700,000 to NZ\$3,300,000 per annum

Note: A voting exclusion applies to this resolution

**27,381 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

99,198,860

99.72%

Against

229,305

0.23%

Discretionary

44,925*

0.05%

Agenda

1.



David Thodey
CHAIR

**Chair's
address**

2.



Sukhinder Singh Cassidy
CHIEF EXECUTIVE OFFICER

**CEO
update**

3.

Resolutions

4.

Q&A

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 2023. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2023

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

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

TAM

Total addressable market



Beautiful business

xero.com/investors