



## MARKET RELEASE

### **FY25 Annual Results Investor Presentation**

**WELLINGTON, 15 May 2025** — Xero Limited (ASX: XRO), in accordance with the ASX Listing Rules, attaches its FY25 Annual Results Investor Presentation.

Xero's FY25 earnings webcast at 10:30am AEST on 15 May 2025 can be accessed at:  
<https://webcast.openbriefing.com/xro-fyr-25/>

Pre-registration for the event is encouraged at the above link. A recording of the webcast will be available on Xero's Investor Centre: [www.xero.com/about/investors](http://www.xero.com/about/investors)

*Authorised for release to the ASX by the Chair of the Board & Chair of the Audit and Risk Management Committee*

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#### **About Xero**

[Xero](http://xero.com) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world. For further information, please visit [xero.com](http://xero.com)

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](http://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.

# 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](http://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 40<sup>1</sup>

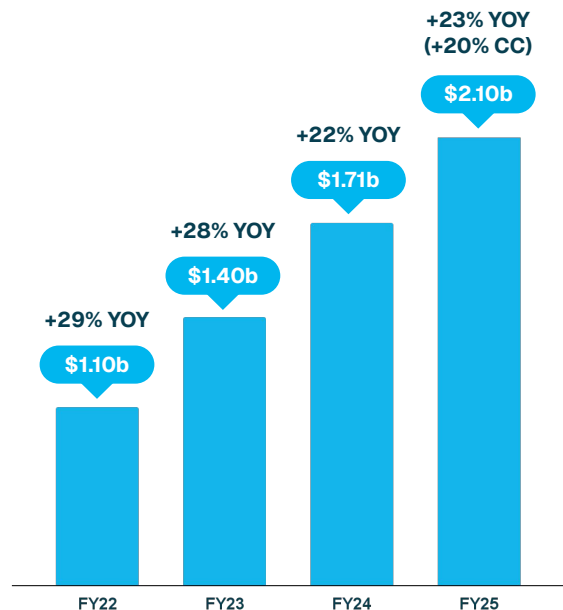
**44.3%**

**+3.3pp YOY**

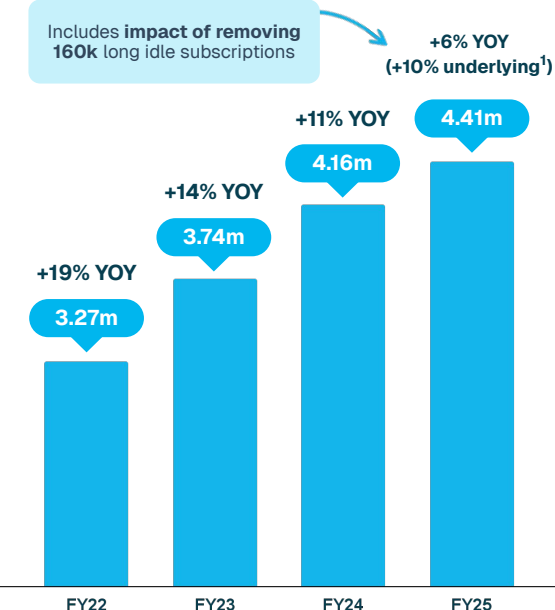
1. Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and free cash flow margin percentage (free cash flow as a percentage of revenue)

# Continued our track record of strong revenue growth

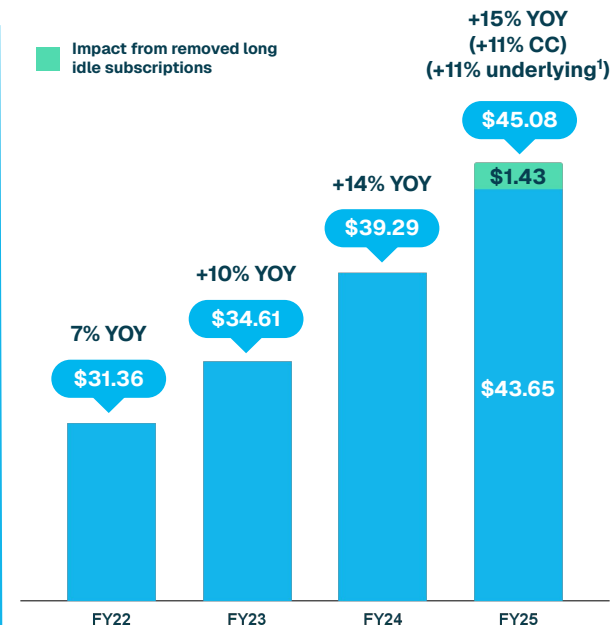
## REVENUE (\$B)



## 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 SUBSCRIBERS<sup>1</sup>**

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

**\$41.66 ARPU<sup>2</sup>**

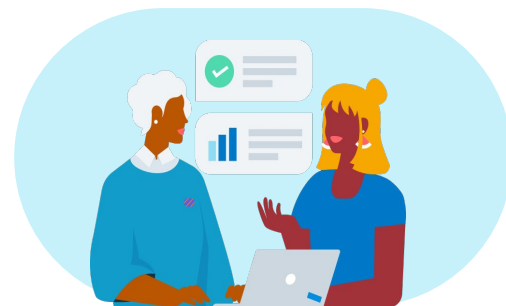
(+10% YOY, 9% constant currency | 9% underlying)

- **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 SUBSCRIBERS<sup>1</sup>**

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

**\$49.82 ARPU<sup>2</sup>**

(+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

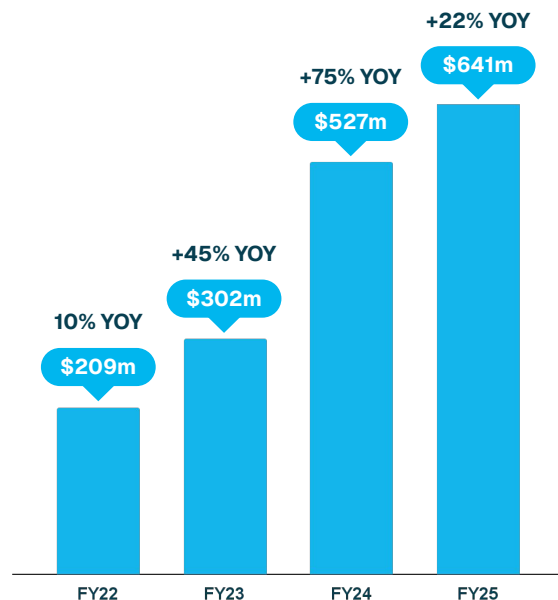
## Rest of World

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

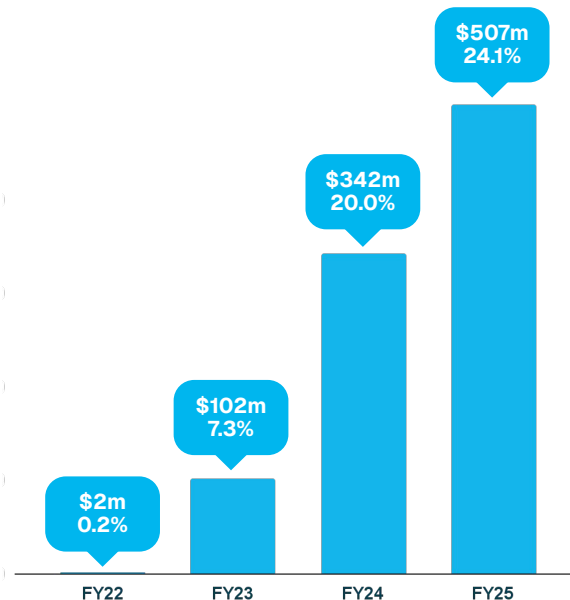
1. Underlying subscriber growth excludes the impact of the removal of long idle subscriptions. For further detail refer to slide 33  
 2. Price changes effective September 2024 in the UK, October / December 2024 in the US and November 2024 in Rest of World

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

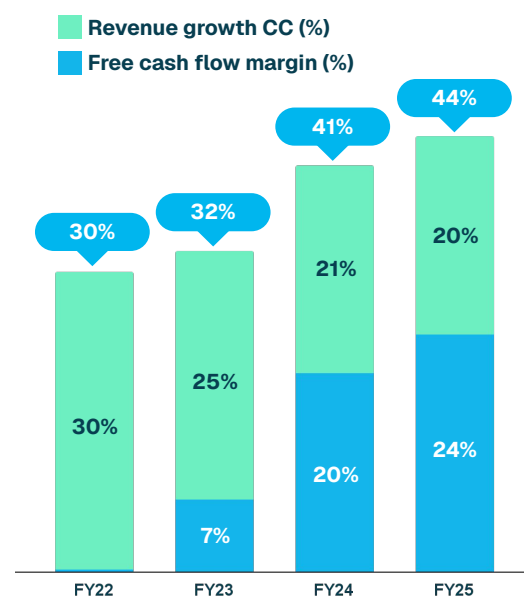
## ADJUSTED EBITDA (\$M)



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



## RULE OF 40<sup>1</sup> (%)



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

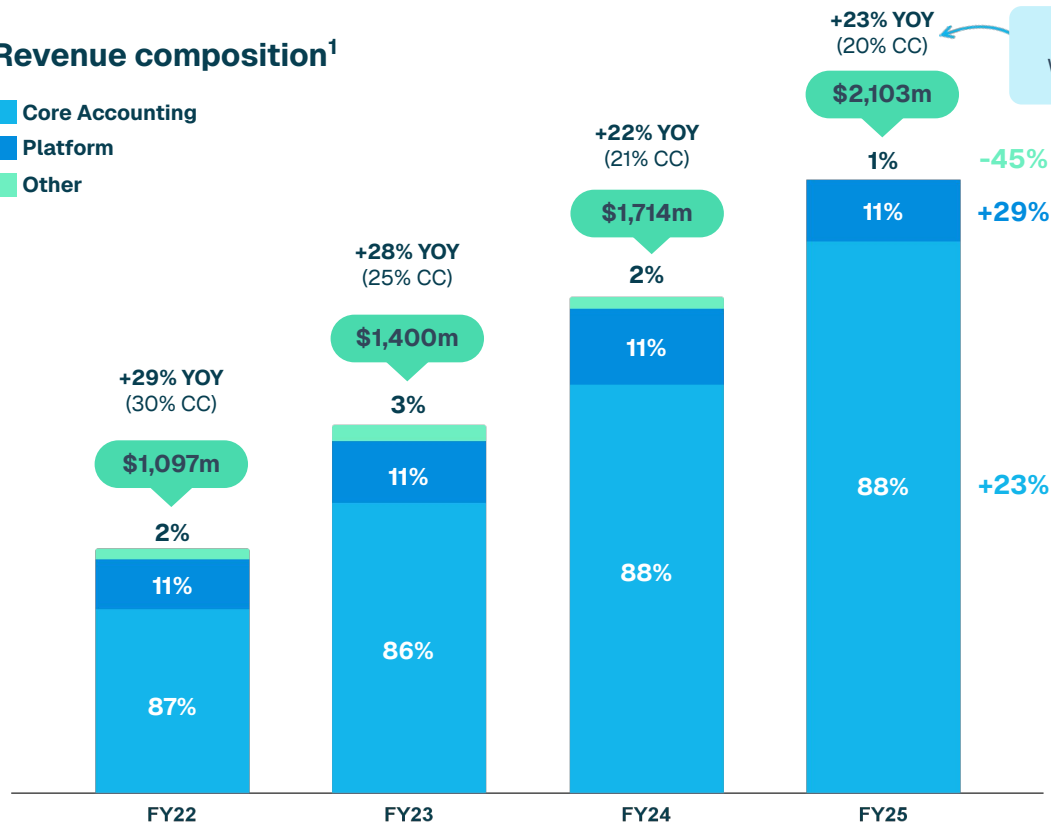


Millie O'Neill, accountant at Highlight Accounting  
and her client Oh Happy Creative in Leigh-on-Sea—  
[ohhappycreative.com](http://ohhappycreative.com)

# Broad-based revenue growth across our portfolio

## Revenue composition<sup>1</sup>

- Core Accounting
- Platform
- Other



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

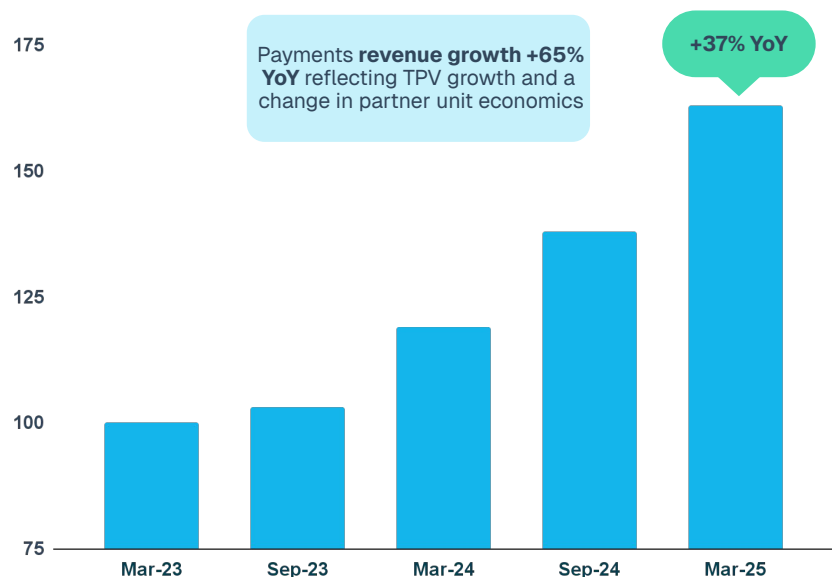
- **Group operating revenue** grew 23% YOY or 20% in constant currency
- **Core accounting revenues** grew 23% YOY or 21% in constant currency, driven by subscriber growth and price changes
- **Platform revenues** increased by 29% YOY or 26% in constant currency, largely driven by strong payments revenue 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 TAM<sup>1</sup>. New payroll features launching in all 3x3 markets

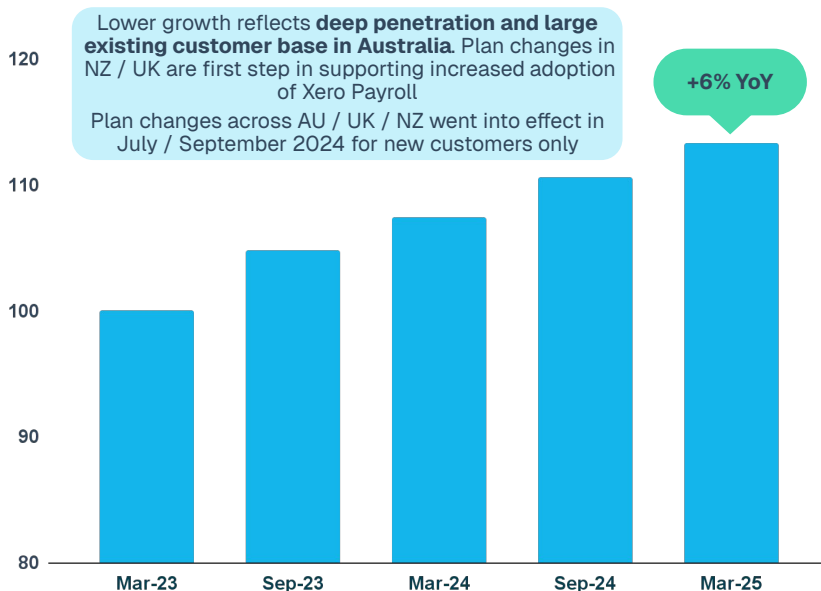
## Total payment value<sup>2</sup>

Indexed to March-23



## Employees paid through Xero Payroll in AU / UK / NZ<sup>3</sup>

Indexed to March-23



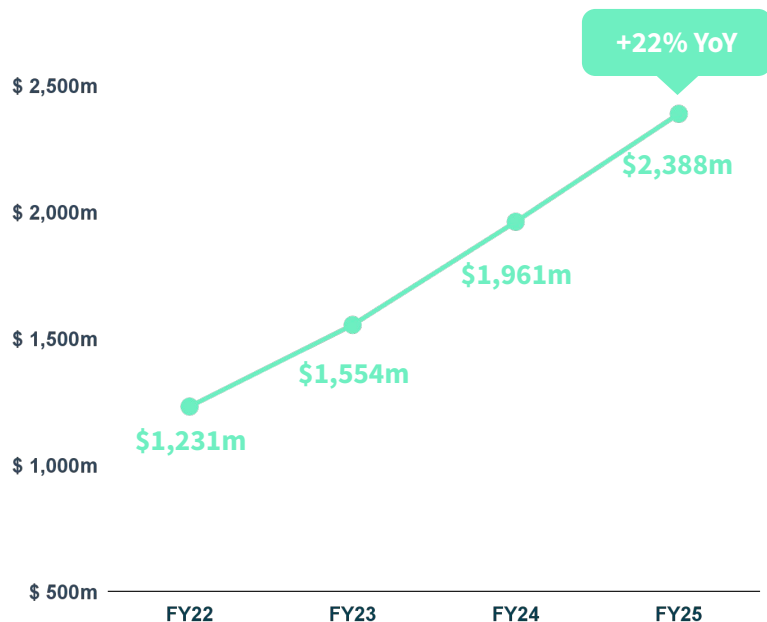
1. Total Addressable Market estimated using available government statistics, public market data, internal Xero data and commercial assumptions in relation to the relevant product(s) as presented at Xero's February 2024 Investor Day

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 historically<sup>1</sup>

## AMRR (\$m)

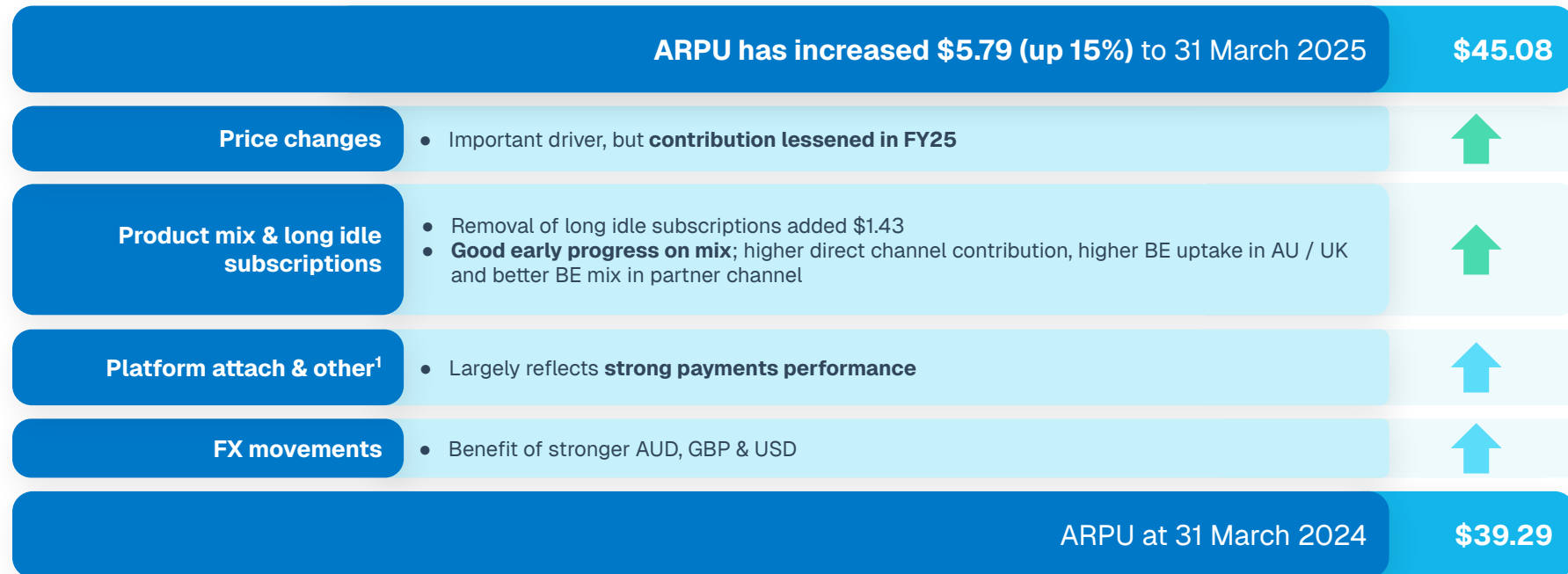


	FY-1 AMRR (\$m)	Revenue (\$m)
FY23	\$1,231m	\$1,400m
FY24	\$1,554m	\$1,714m
FY25	\$1,961m	\$2,103m

- 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

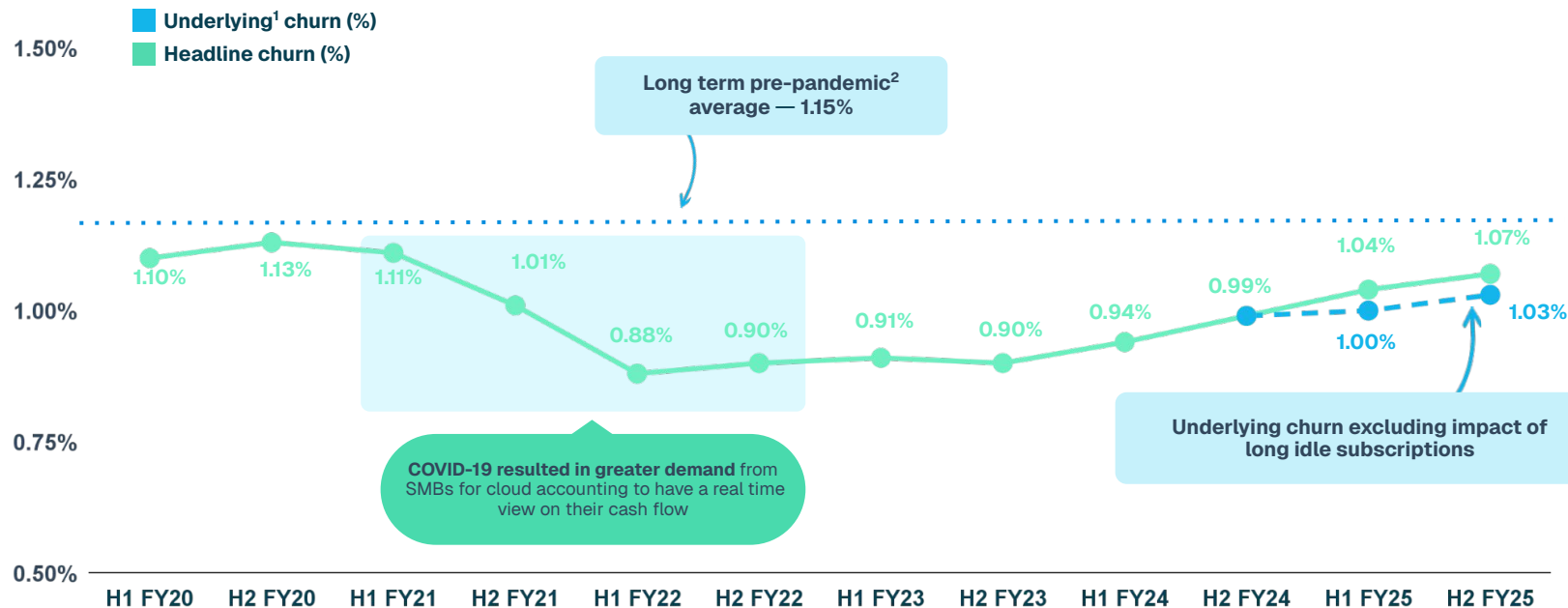


1. Platform attach includes products such as Payments, Payroll and Planday

# Churn remains historically low

## MRR churn (%)

Churn is reported on a percentage of monthly recurring revenue basis



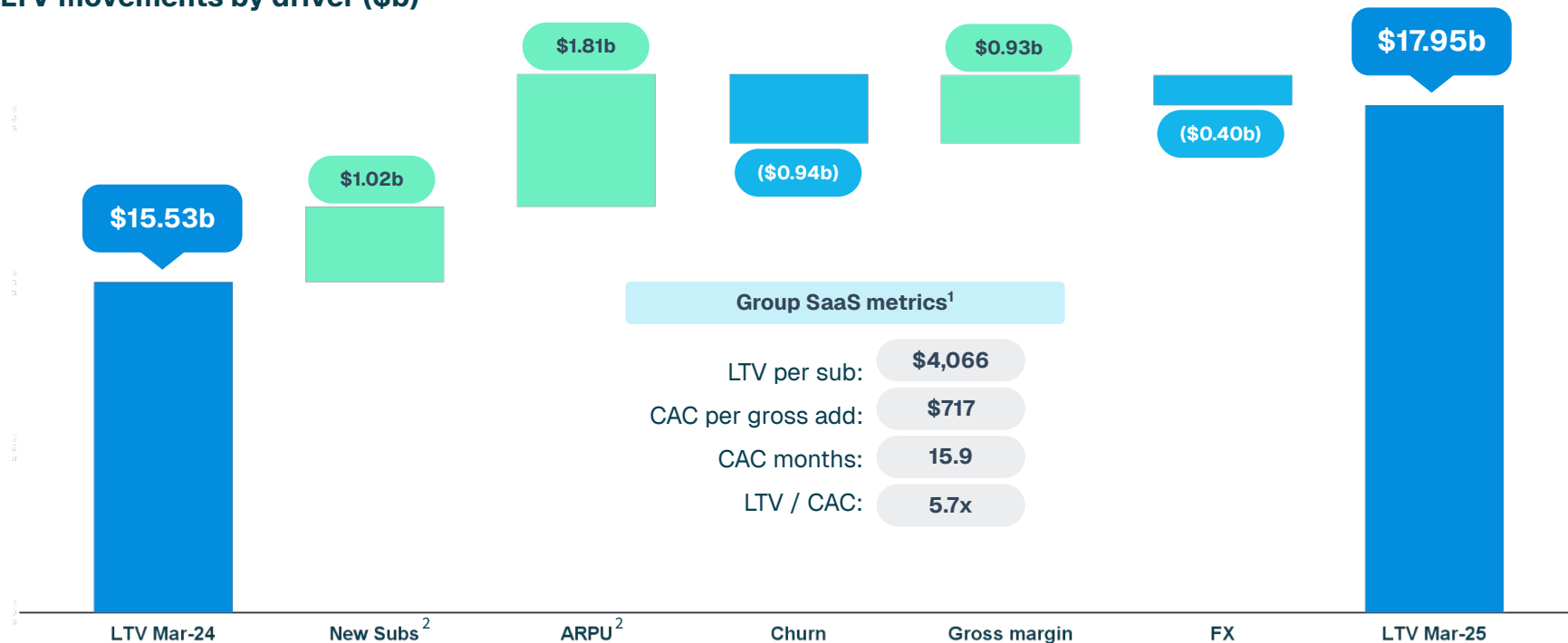
1. Underlying subscriber growth excludes the impact of the removal of long idle subscriptions. For further details refer to slide 33

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)<sup>1</sup>

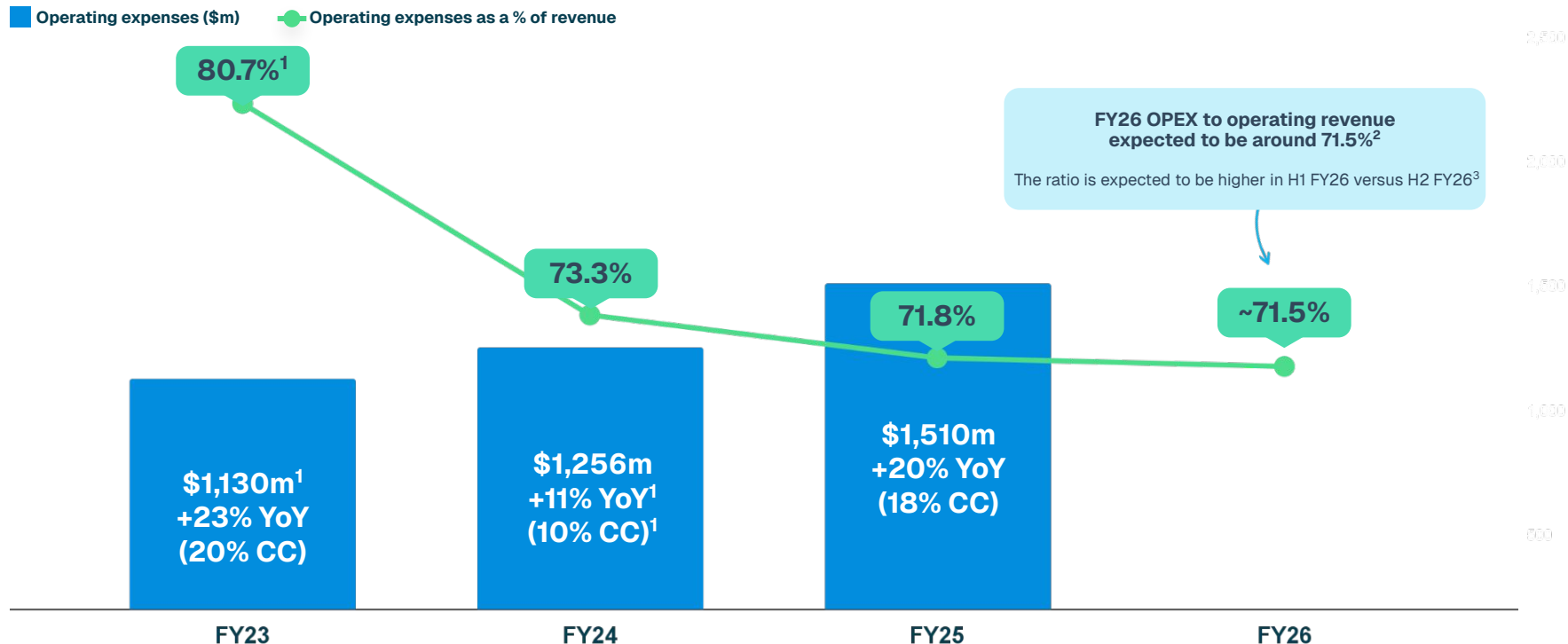


1. SaaS metrics including LTV, LTV per sub and LTV / CAC have been calculated using churn excluding the impact of the removal of long idle subscriptions of 1.03%, this reflects churn dynamics present in Xero's go-forward subscriber base. For further detail on the removal of these subscriptions refer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



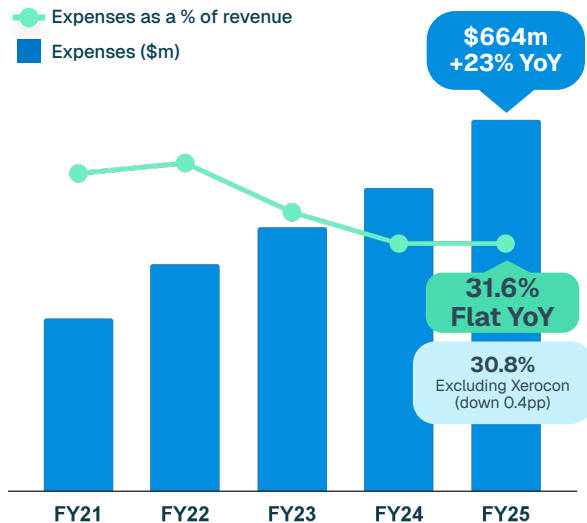
1. Excluding \$34.7m of restructuring costs from FY23

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

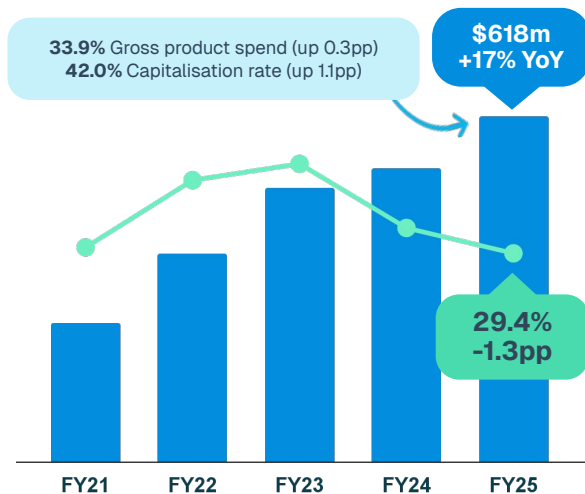
# Capital allocation remains disciplined

## Sales & marketing



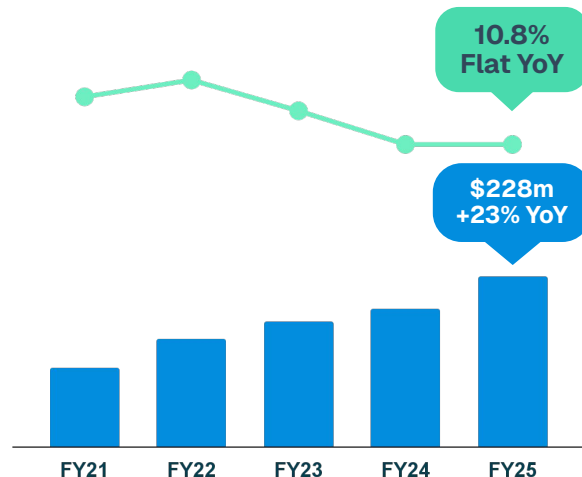
- Reflects investment in performance marketing digital channels and capability
- Costs associated with hosting two Xerocons

## 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

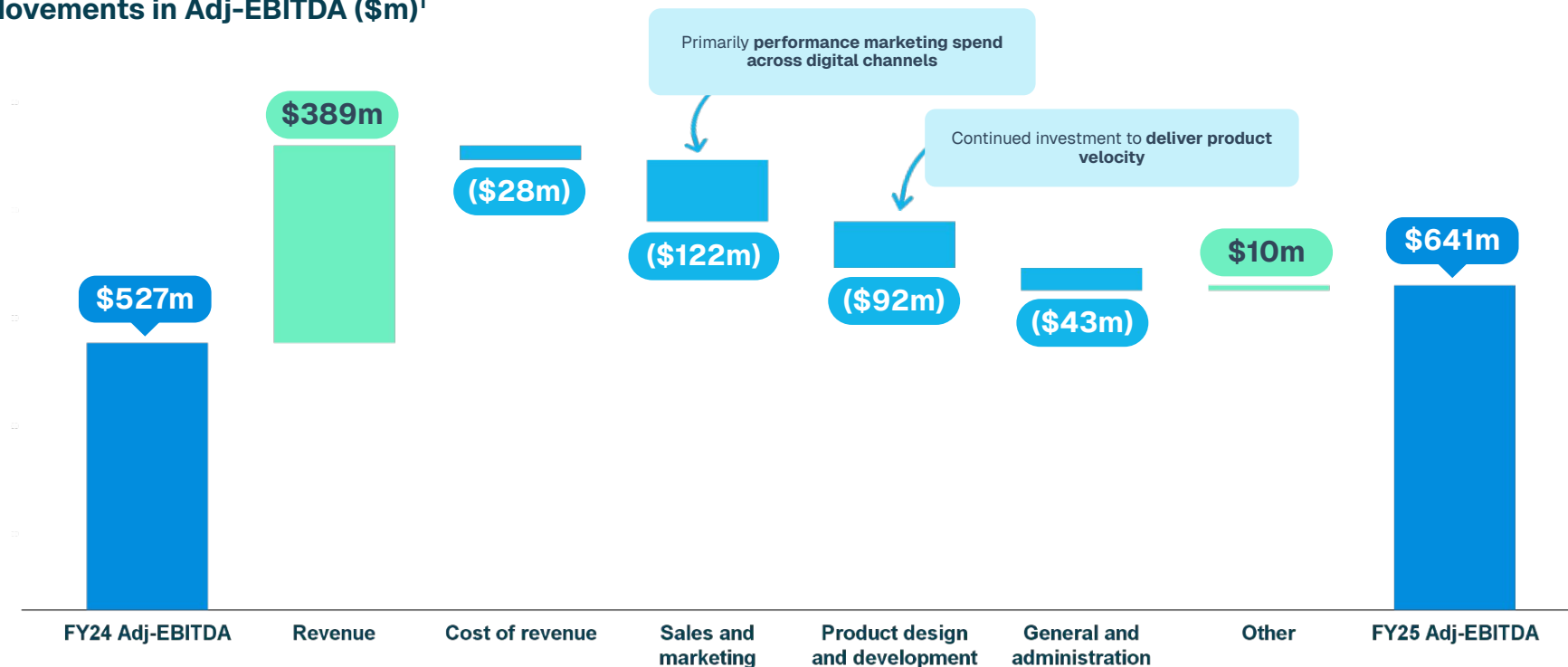
## General & administration



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

# Strong 22% Adj-EBITDA growth reflecting return on investment

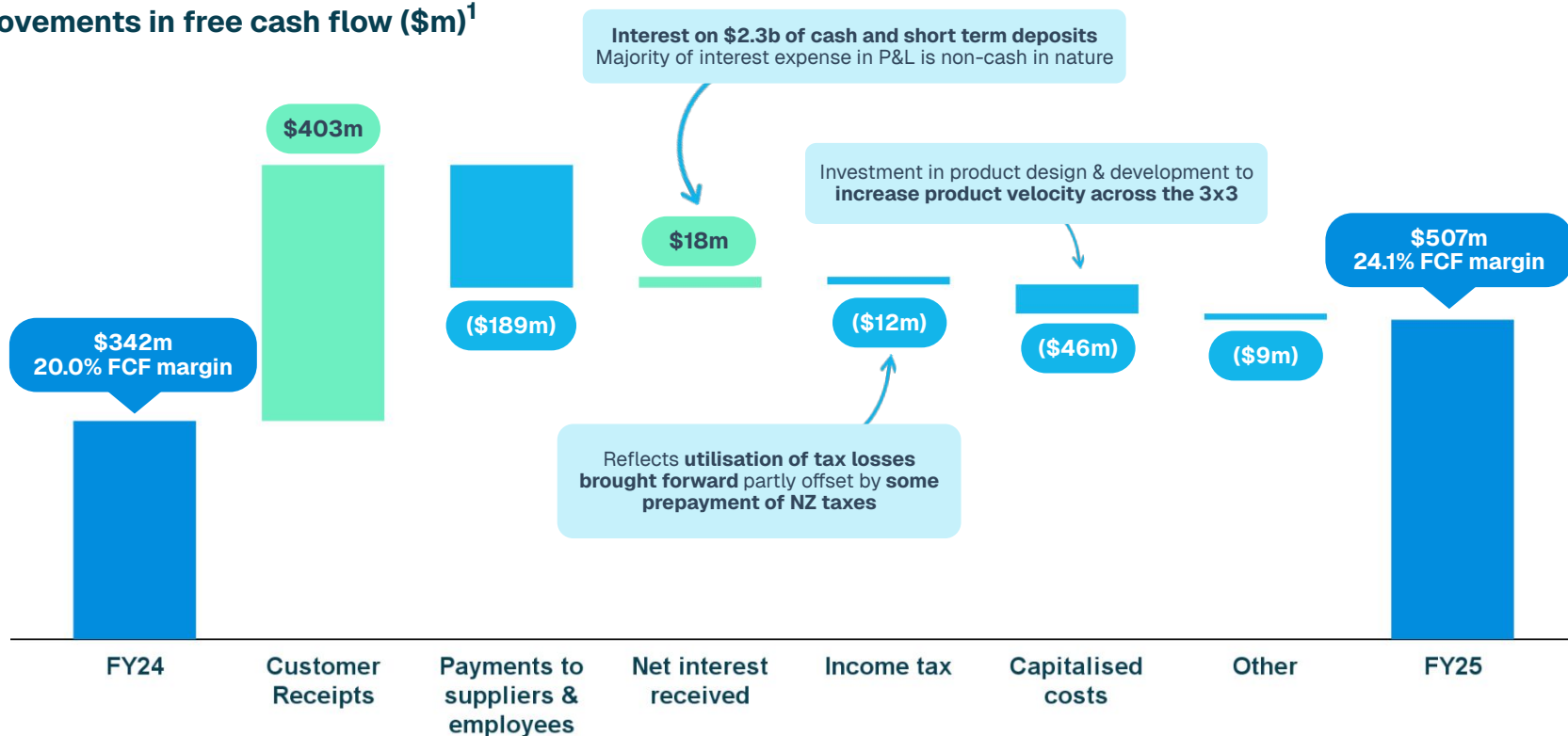
## Movements in Adj-EBITDA (\$m)<sup>1</sup>



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)<sup>1</sup>



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
<b>Total cash and short-term deposits</b>	<b>1,529,870</b>	<b>2,330,396</b>	<b>800,526</b>
Convertible notes — principal value of term debt <sup>1</sup>	(1,173,116)	(1,647,495)	(474,379)
<b>Net cash position</b>	<b>356,754</b>	<b>682,901</b>	<b>326,147</b>

# STRATEGIC THEMES

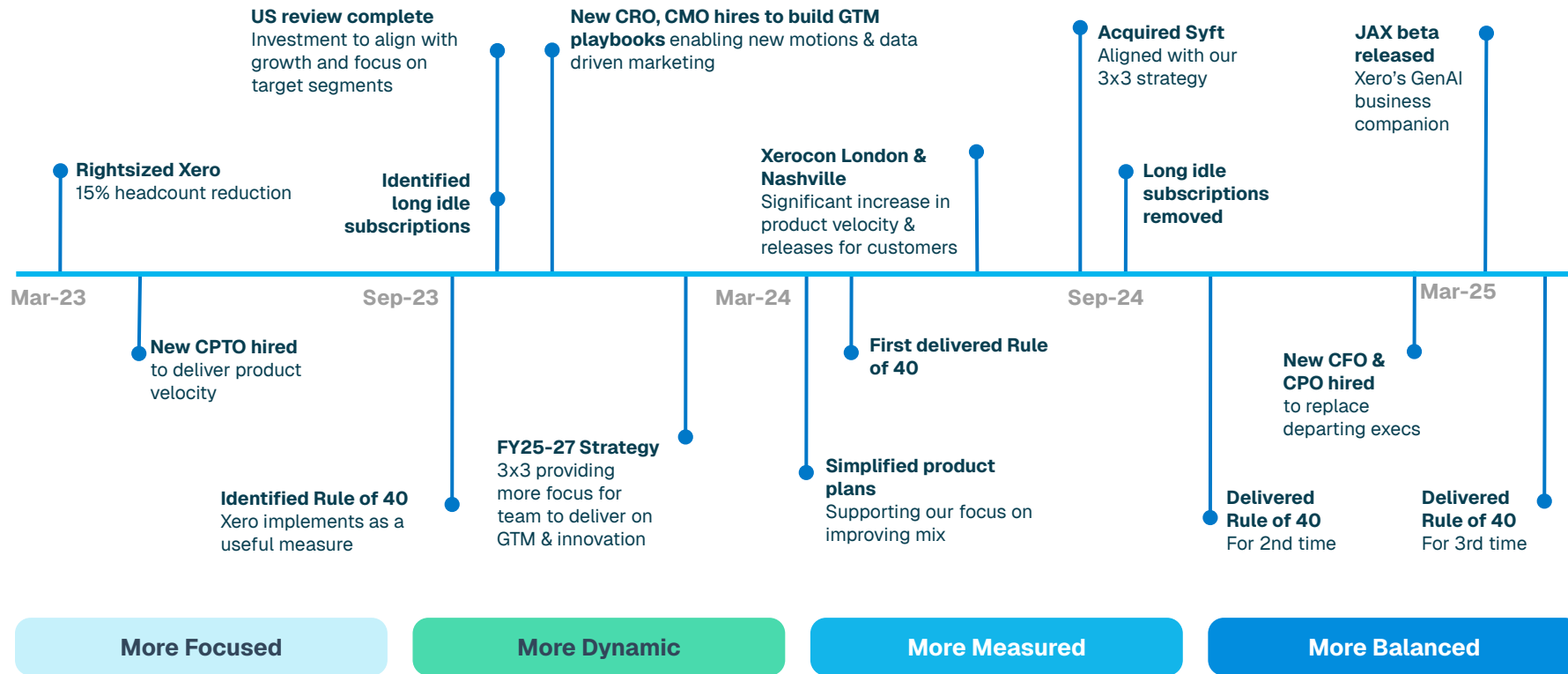


**Sukhinder Singh Cassidy**  
Chief Executive Officer



Xero Australia customers Wayne & Sallina,  
owners of Cheol's in Perth — [cheols.com.au](http://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 performance<sup>1</sup>**

## 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

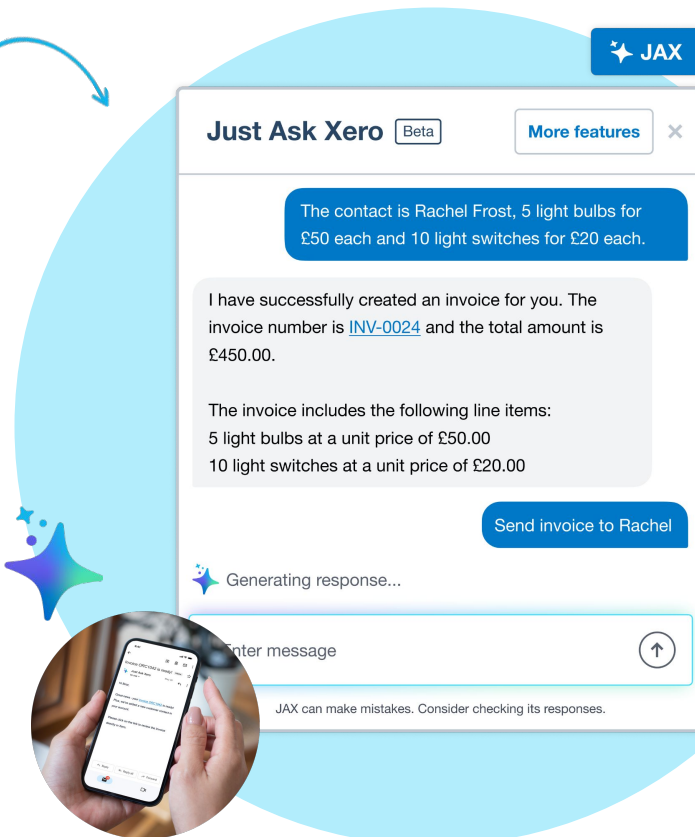
## Unlocking greater customer & internal value

### 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 FY26<sup>1</sup>**

**This ratio is expected to be higher in H1 FY26 versus H2 FY26<sup>2</sup>**



<sup>1</sup> 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

<sup>2</sup> 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 2024<sup>1</sup>

We aspire to be a world class SaaS business

We believe we have the opportunity to both double the size of our business<sup>2</sup>  
and deliver Rule of 40 or greater performance<sup>3,4</sup>

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

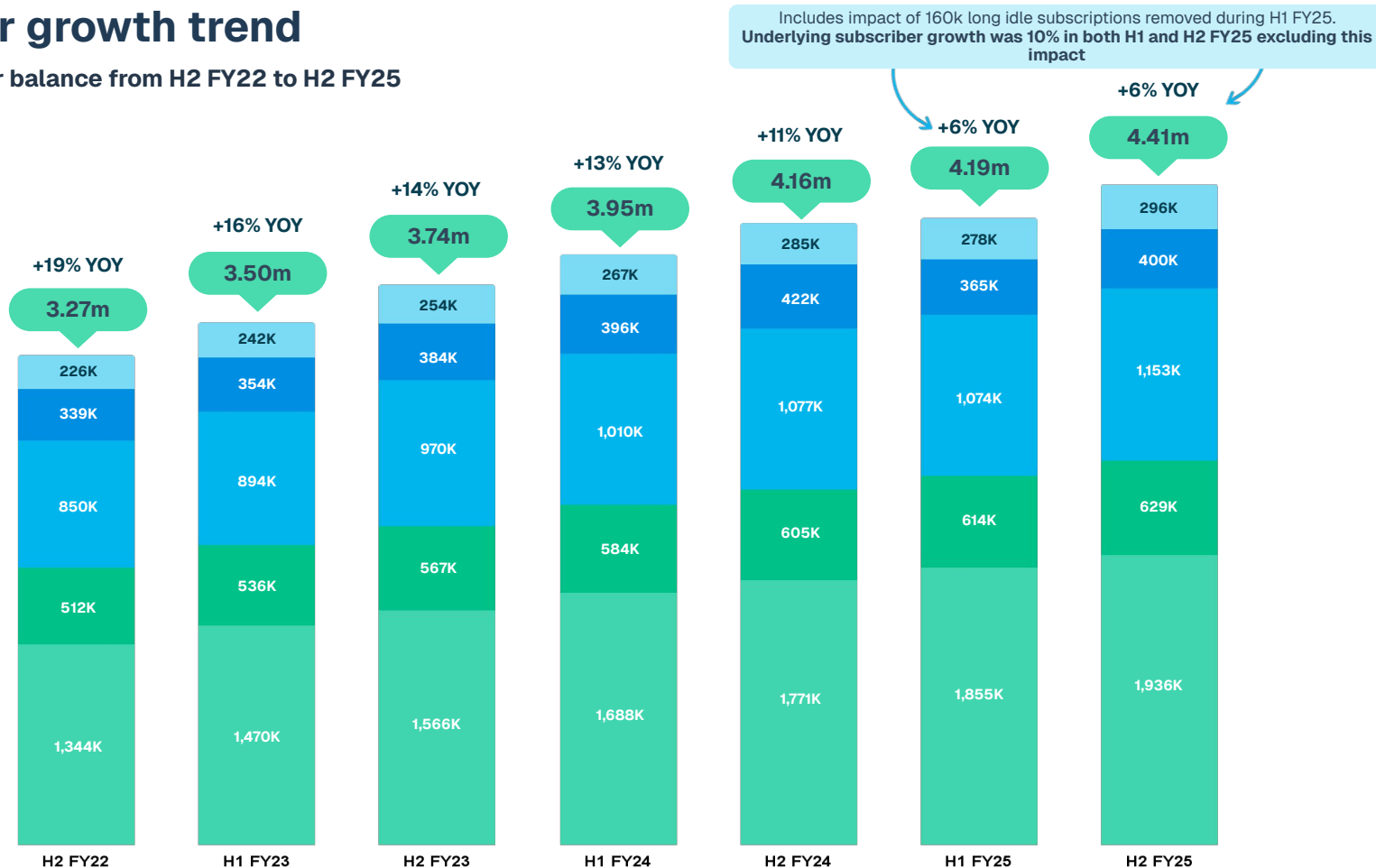
- Long idle subscriptions were those that had been **undeployed for more than 24 months and were not expected to be deployed in a reasonable timeframe**. These subscriptions **were low value** and largely located in the International segment
- These subscriptions were removed over H1 FY25**. Their removal 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 summary<sup>1</sup>

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

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	<b>2,102,652</b>	23%
Cost of revenue	(202,505)	<b>(230,402)</b>	14%
<b>Gross profit</b>	1,511,262	<b>1,872,250</b>	24%
<i>Gross margin</i>	88.2%	<b>89.0%</b>	0.8pp
<b>Total operating expenses incl. restructuring costs</b>	(1,255,553)	<b>(1,509,607)</b>	20%
<i>Percentage of operating revenue</i>	73.3%	<b>71.8%</b>	(1.5pp)
<b>Operating income</b>	255,709	<b>362,643</b>	42%
Asset impairments, disposals & reversals	(26,414)	<b>(3,037)</b>	NM
Reversal of asset impairment	1,934	-	NM
Other income & expenses	8,326	<b>(3,900)</b>	NM
EBIT	239,555	<b>355,706</b>	48%
<b>EBITDA</b>	497,418	<b>638,466</b>	28%
<i>EBITDA margin</i>	29.0%	<b>30.4%</b>	1.4pp
<b>Net profit</b>	174,640	<b>227,817</b>	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)
<b>EBITDA</b>	497,418	<b>638,466</b>
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	<b>2,090</b>
<b>Adjusted EBITDA</b>	526,545	<b>640,556</b>
<i>Adjusted EBITDA margin</i>	30.7%	<b>30.5%</b>
Add back: share-based payments	95,821	<b>151,878</b>
<b>Adjusted EBITDA (excl. Share-based payments)</b>	622,366	<b>792,434</b>
<i>Adjusted EBITDA margin (excl. share-based payments)</i>	36.3%	<b>37.7%</b>

**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

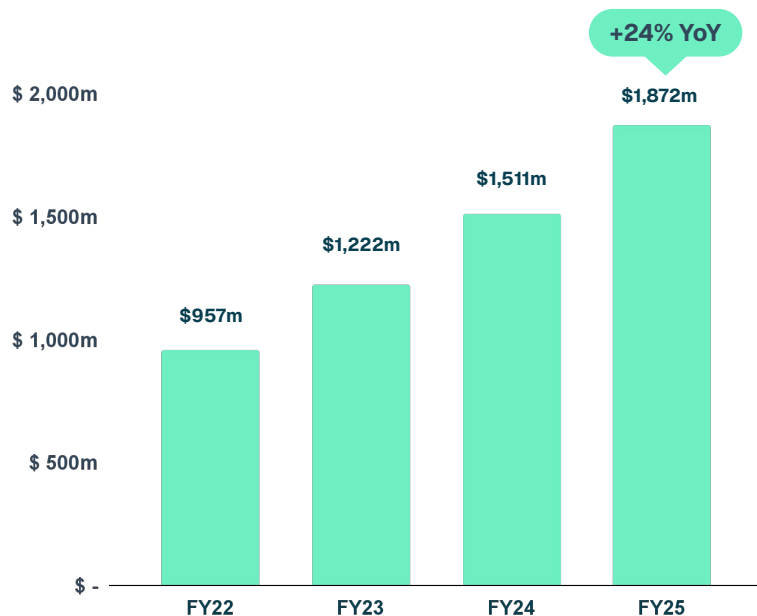
To aid in comparison to global tech peers **adjusted EBITDA excl. share-based payments** is presented net of capitalised amounts. Share-based payments (incl. amounts capitalised) totalled \$204m or 9.7% of revenue in FY25

# 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
<b>Gross profit</b>	<b>572,912</b>	<b>649,029</b>	<b>1,221,941</b>	<b>699,790</b>	<b>811,472</b>	<b>1,511,262</b>	<b>885,332</b>	<b>986,918</b>	<b>1,872,250</b>
<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%
<b>Total operating expenses excl restructuring costs</b>	<b>(552,191)</b>	<b>(577,765)</b>	<b>(1,129,956)</b>	<b>(630,246)</b>	<b>(622,294)</b>	<b>(1,252,540)</b>	<b>(708,948)</b>	<b>(800,659)</b>	<b>(1,509,607)</b>
<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)	-	-	-
<b>Total operating expenses incl restructuring costs</b>	<b>(552,191)</b>	<b>(612,457)</b>	<b>(1,164,648)</b>	<b>(632,377)</b>	<b>(623,176)</b>	<b>(1,255,553)</b>	<b>(708,948)</b>	<b>(800,659)</b>	<b>(1,509,607)</b>
<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)
<b>EBIT</b>	<b>6,377</b>	<b>(66,174)</b>	<b>(59,797)</b>	<b>79,452</b>	<b>160,103</b>	<b>239,555</b>	<b>175,012</b>	<b>180,694</b>	<b>355,706</b>
<b>EBITDA</b>	<b>108,551</b>	<b>49,848</b>	<b>158,399</b>	<b>206,090</b>	<b>291,328</b>	<b>497,418</b>	<b>311,698</b>	<b>326,768</b>	<b>638,466</b>
<i>EBITDA margin</i>	16.5%	6.7%	11.3%	25.8%	31.9%	29.0%	31.3%	29.5%	30.4%
<b>Adjusted EBITDA</b>	<b>123,709</b>	<b>177,980</b>	<b>301,689</b>	<b>204,522</b>	<b>322,023</b>	<b>526,545</b>	<b>311,698</b>	<b>328,858</b>	<b>640,556</b>
<i>Adjusted EBITDA margin</i>	18.8%	24.0%	21.6%	25.6%	35.2%	30.7%	31.3%	29.7%	30.5%
<b>Net profit/(loss)</b>	<b>(16,130)</b>	<b>(97,402)</b>	<b>(113,532)</b>	<b>54,084</b>	<b>120,556</b>	<b>174,640</b>	<b>95,093</b>	<b>132,724</b>	<b>227,817</b>

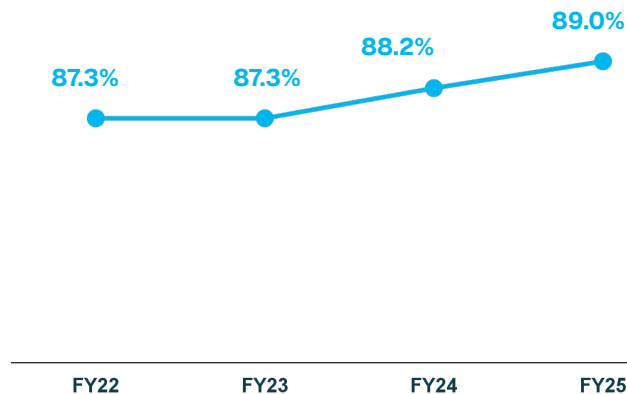
# Cost to serve well managed, operating leverage delivering margin improvement

## 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



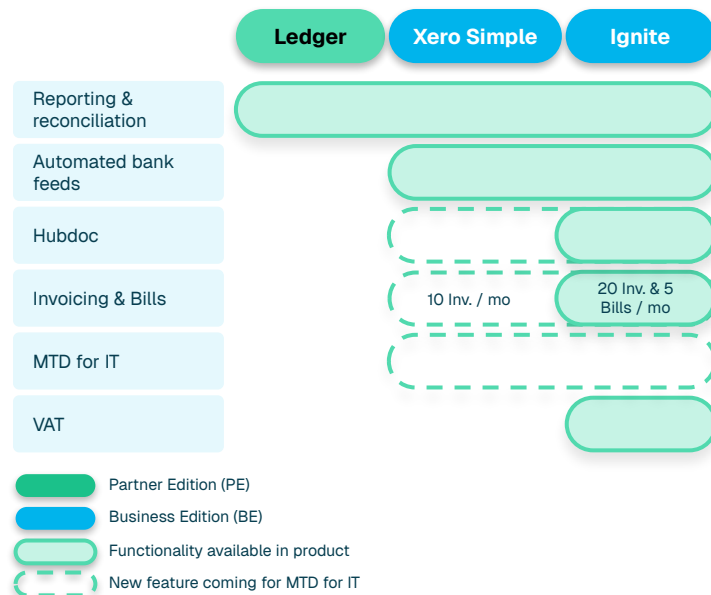
# Next wave of Making Tax Digital (MTD) is coming to the UK

## 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 businesses<sup>1</sup> is ~2.7m, ~0.4m of which are already VAT registered<sup>2</sup>**

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

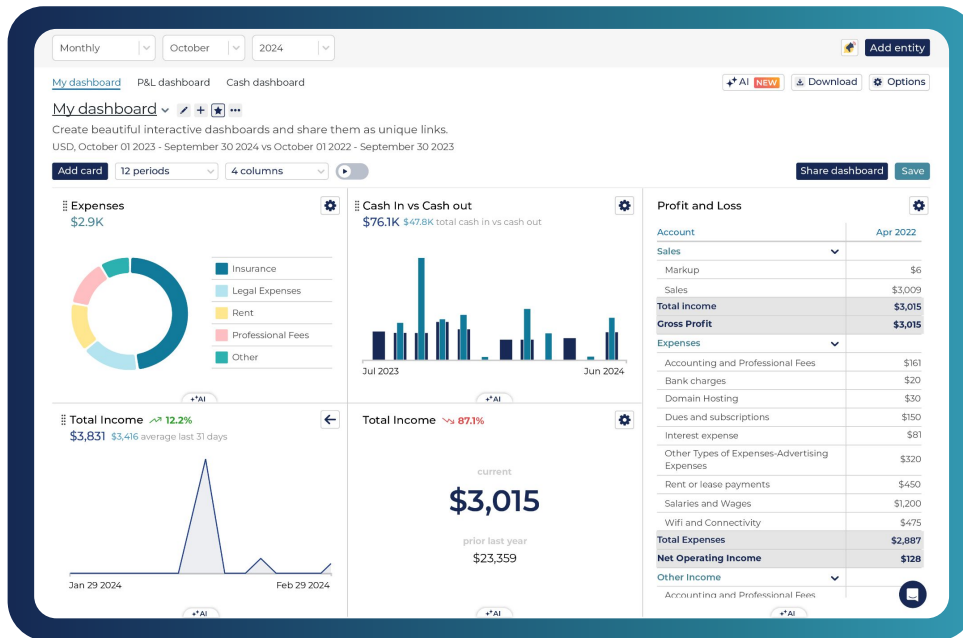


# Syft to enhance reporting and insights capability



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



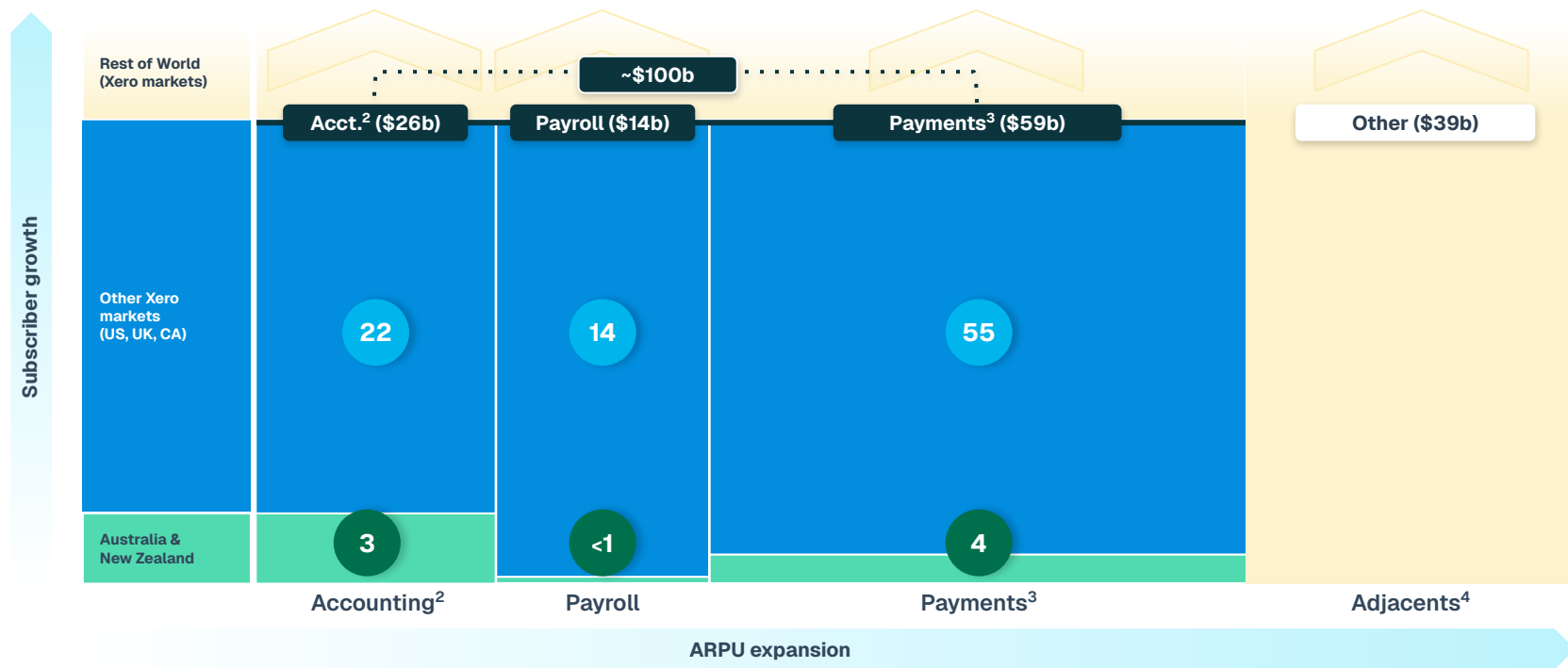
## Forecasting



## Multi-entity



# Xero's top three super jobs, accounting, payments and payroll, represent ~\$100b TAM in AU, NZ, US, UK and CA<sup>1</sup>



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 SAM<sup>1</sup>)

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
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- **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

- **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

- **Payroll** - paying employees & contractors

- **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



***your business  
supercharged***

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