

MARKET RELEASE

Xero finishes year up 83% to \$70m

4 April 2014

(Note: all currency is in New Zealand dollars and results are unaudited)

Xero Limited (XRO) announces operating revenue of \$70.1m for the year ended 31 March 2014, up 83% from last year's \$38.4m result.

With monthly committed subscriptions growing to \$7.8m, the recurring revenue model means that Xero commences its 2015 financial year strongly with \$93m in annualised subscriptions (representing an 81% increase on the \$51.5m reported at the same time last year).

The net loss after tax for the second half of the year ending 31 March 2014 is anticipated to be similar to that reported for the first half resulting in a full year loss of approximately \$35m, compared to \$14.4m last year. Xero has expanded its team to 758 employees and has \$210m of cash to fund its growth.

Key metrics	At 31 March 2014	At 31 March 2013	Year on year change
Subscription revenue (\$m)	66.6	36.1	84%
Operating revenue (\$m)	70.1	38.4	83%
Annualised subscriptions (\$m)	93.0	51.5	81%
Staff headcount	758	382	98%
Paying customers	284,000	157,000	81%
Cash on hand (\$m)	210	78	169%

Revenue	At 31 March 2014	At 31 March 2013	Year on year change
Subscription revenue - constant currency (\$m)	69.8	36.1	93%
Operating revenue - constant currency (\$m)	73.7	38.4	92%

The strong New Zealand dollar adversely impacts reported operating revenue given 66% of this revenue is denominated in foreign currencies. On a constant currency¹ basis Xero grew operating revenue by 92% in the period.

Commentary

Recruiting senior management for growth and filling out global teams was a key focus for the 2014 financial year as Xero added a further 376 employees.

¹ The constant currency analysis is a non-GAAP financial measure which has been provided to assist readers to better understand and assess the company's financial performance excluding the impact of foreign currency fluctuations during the year.

Xero is now the leading accounting software provider in New Zealand and the leading online accounting software in Australia and the United Kingdom, with annualised subscriptions of \$29m, \$41m and \$14m respectively.

With strong growth expected to continue in these markets, Xero turns its focus on the important US market. The US market entry phase was completed successfully, allowing Xero to raise an additional \$180m of capital in October 2013, bolstering the Board with appointments of New York-based Chris Liddell as Chairman and San Francisco-based Director Bill Veghte and appointing Peter Karpas as CEO North America.

Xero has been receiving US industry recognition, including: Accounting Today's 2013 Top New Products: Honorable Mention – Xero Touch, Mobile category; CPA Practice Advisor's 5-Star review 2013 (for Software as a Service); and "Top Choice" for the best online business accounting app by PC World/ Macworld.

Xero has also made progress on a number of large scale partnerships, and has recently announced integration with Square, Inc. in the US.

Regional breakdown

Paying customers	At 31 March 2014	At 31 March 2013	Year on year change
New Zealand	102,000	73,000	40%
Australia	109,000	51,000	114%
United Kingdom	47,000	22,000	114%
North America	18,000	6,000	200%
Rest of World	8,000	5,000	60%
Total	284,000	157,000	81%

Subscription Revenue (\$m)	At 31 March 2014	At 31 March 2013	Year on year change
New Zealand	23.2	15.7	48%
Australia	27.7	12.6	120%
United Kingdom	9.8	5.1	92%
North America	3.3	1.3	154%
Rest of World	2.6	1.4	86%
Total	66.6	36.1	84%

Xero has proven its strategy and execution and continues to build a world-class team, while substantially growing revenue.

Progress against the incumbents and its strong cash position places Xero at the forefront, as the adoption of cloud software accelerates for small business solutions.

Xero expects strong growth to continue for the foreseeable future.

Investor calendar

22 May 2014 - Annual Report release

23 July 2014 - Annual Meeting

20 November 2014 - Half Year Interim Report release

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