



Beautiful accounting software

Annual Meeting



World's Most Innovative Growth Company 2014



Rod Drury

CHIEF EXECUTIVE



Important notice

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(Company number NZ 1830488, AU ARBN 160661183 NZX/ASX:XRO).

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All information in this presentation is current at the date of this presentation, unless otherwise stated.

All currency amounts are in NZ dollars unless stated otherwise.

FY2014 highlights

as at 31 March 2014

Operating revenue

\$70.1m

ACMR at \$93m

Customers

284,000

45% in "Class of 2014"

Staff

758

Staff numbers doubled
in 12 months

Accounting partners

11,573

45% of partners
added in FY2014

Cash to invest

\$210m

Raised \$180m
in Oct 2013

FY2015 outlook

- While it's early in the fiscal year we are forecasting subscription revenue growth of approximately 80% for the 2015 financial year. This is on a constant dollar basis.
- During the year we will pass through US\$100m in annualised committed monthly revenue positioning us for a US listing when the timing is deemed right.

Customers today
334,000

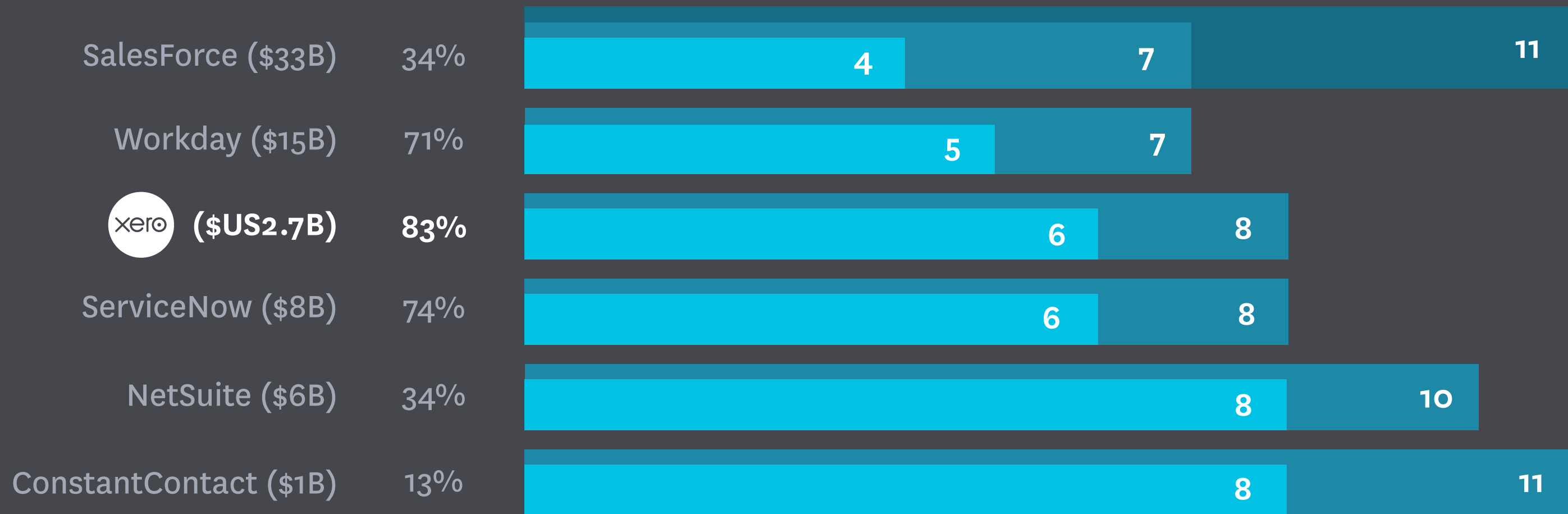
Early target of 1M
we're 1/3 there

50,000
4 months

50,000
4 years



Years to \$100m



(USD valuation July 2014)

% YoY growth

Yrs to \$20m

Yrs to \$100m

Yrs to \$1b



Market share

as at 31 March 2014

Small business

Partners

	Current customers	Small businesses*	Current market share	Current partners	Accounting & Bookkeeping firms*	Current market share
NZ	102,000	0.45m	23%	2,646	3.5k	76%
AU	109,000	2.0m	5%	5,328	29k	18%
UK	47,000	4.3m	<1%	1,797	34k	5%
Nrth America	18,000	29.0m	<1%	1,408	446k	<1%
Rest of World	8,000	-	<1%	394	-	<1%
Total	284,000	-	<1%	11,573	-	<1%

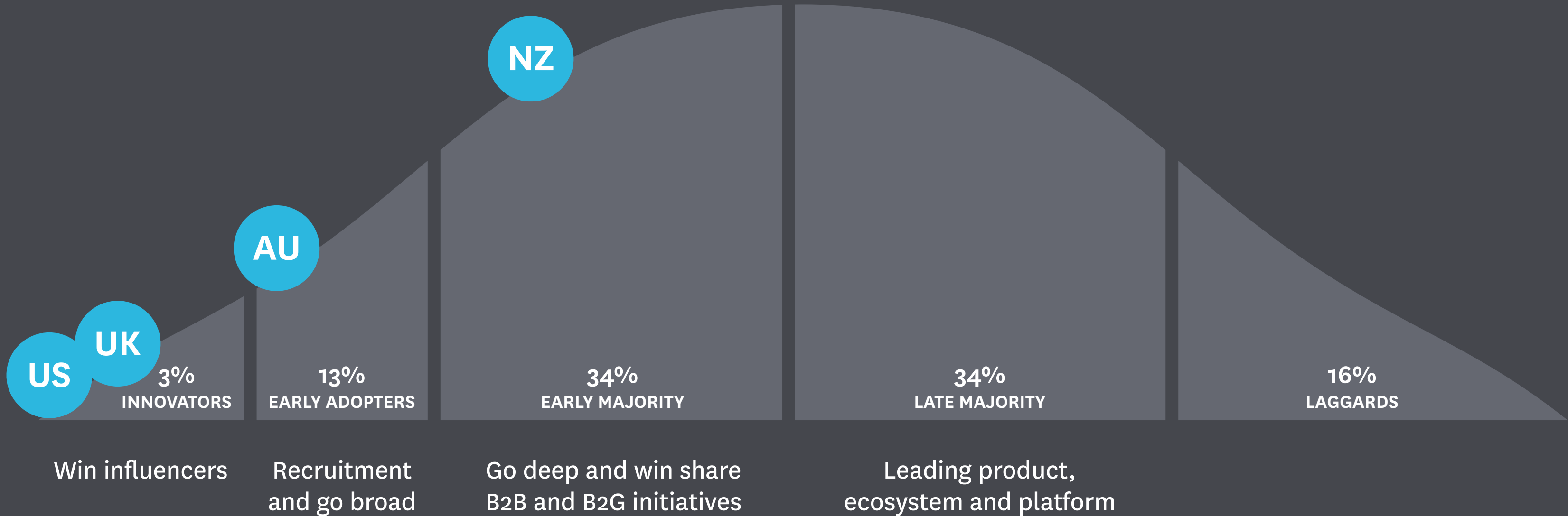
*Estimated from various market sources – March 2014



Sizing the market for a disruptor based on an incumbent's market is like sizing the car industry off how many horses there were in 1910.

AARON LEVIE – CEO, BOX.COM

Adoption curve



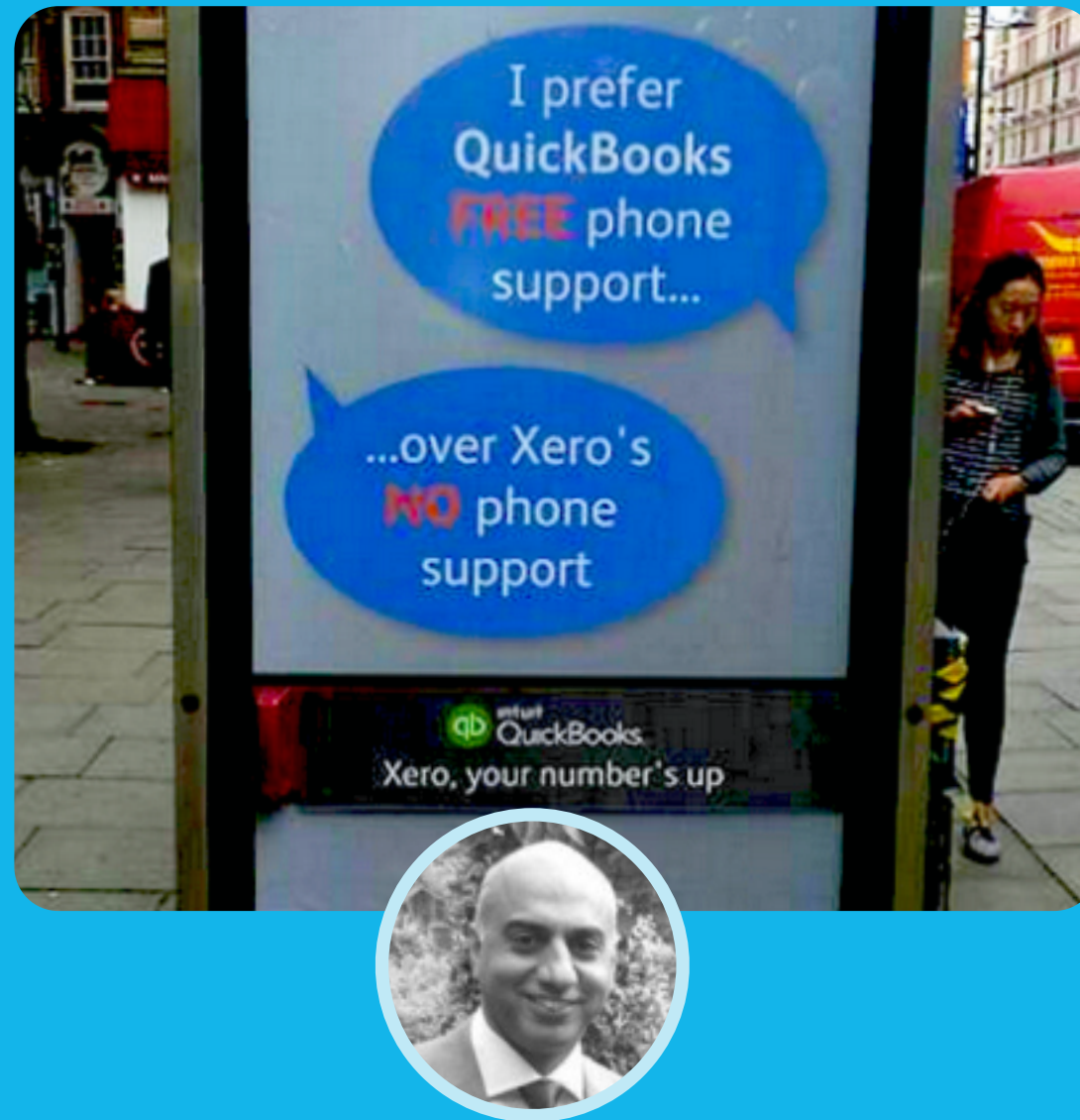
Winning Australia

- Leading online accounting provider
- AU\$1 Billion of payroll processed in June 2014
- 350,000 employees paid over last tax year
- 140+ staff in Australia
- Advertising campaign increasing brand awareness from 16% – 32%

UK accelerating

- Already, leading cloud accounting provider
- Strategic alliance with KPMG
- Over 100% customer growth YoY
- 90+ UK staff

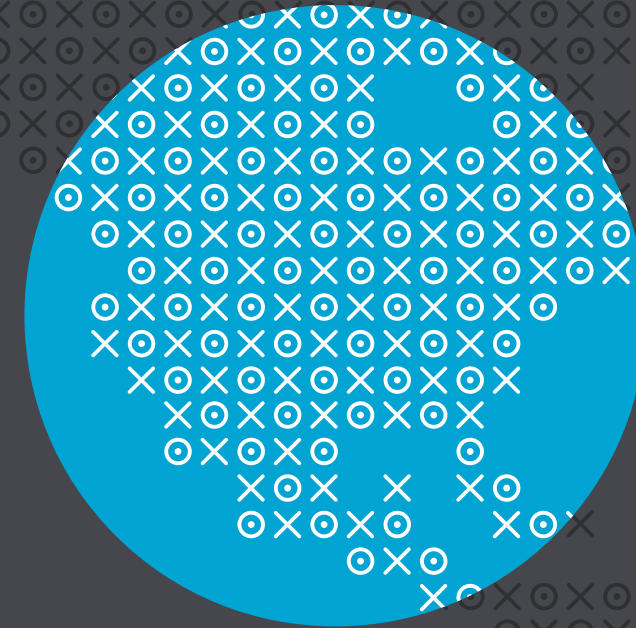




Spotted this on my way back from a meeting in Holborn this morning. QB feeling the force of XERO!

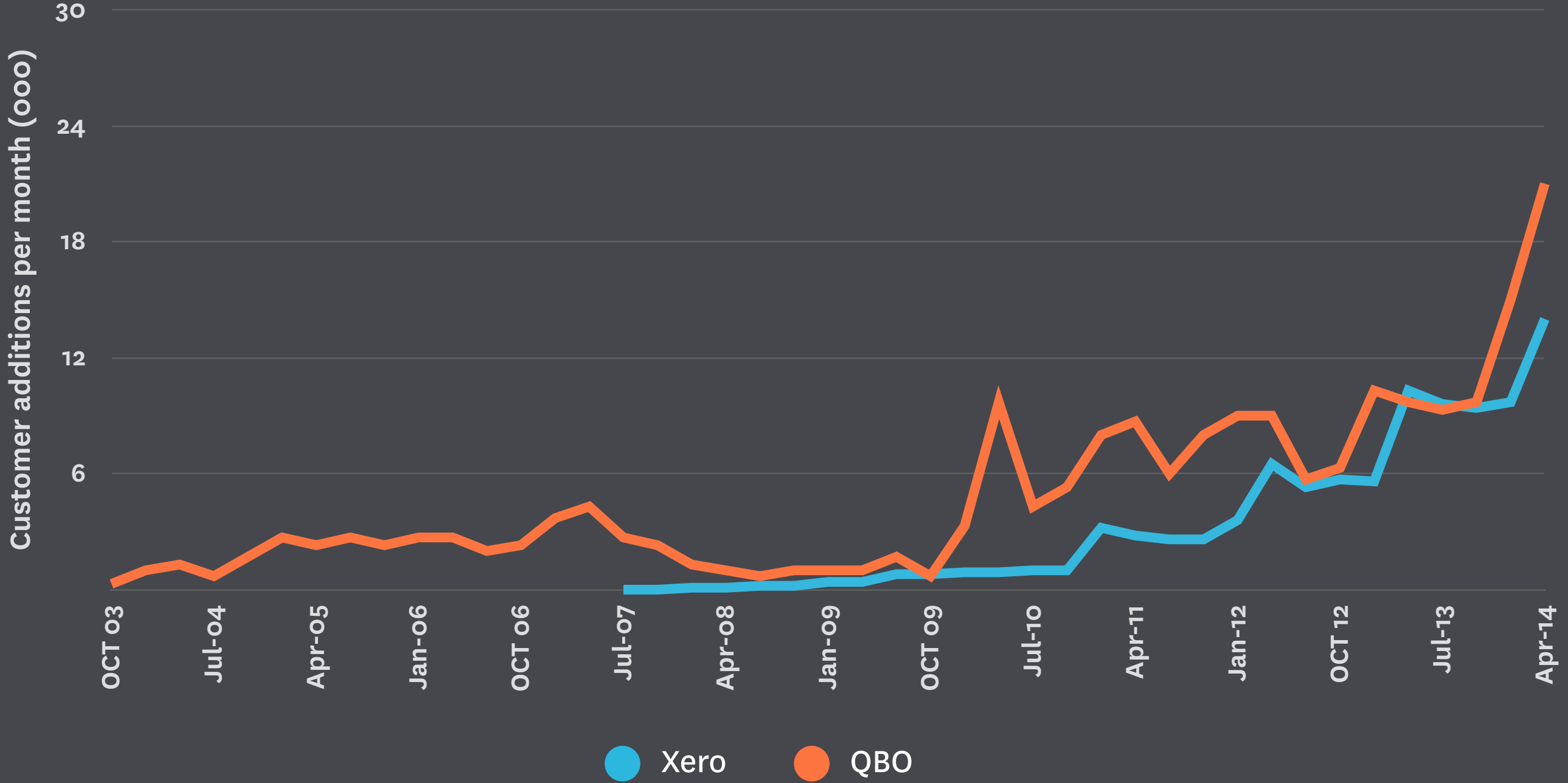
MUKESH KHATRI @MUKESHBB

Focus on the USA



Global run rate vs. Intuit

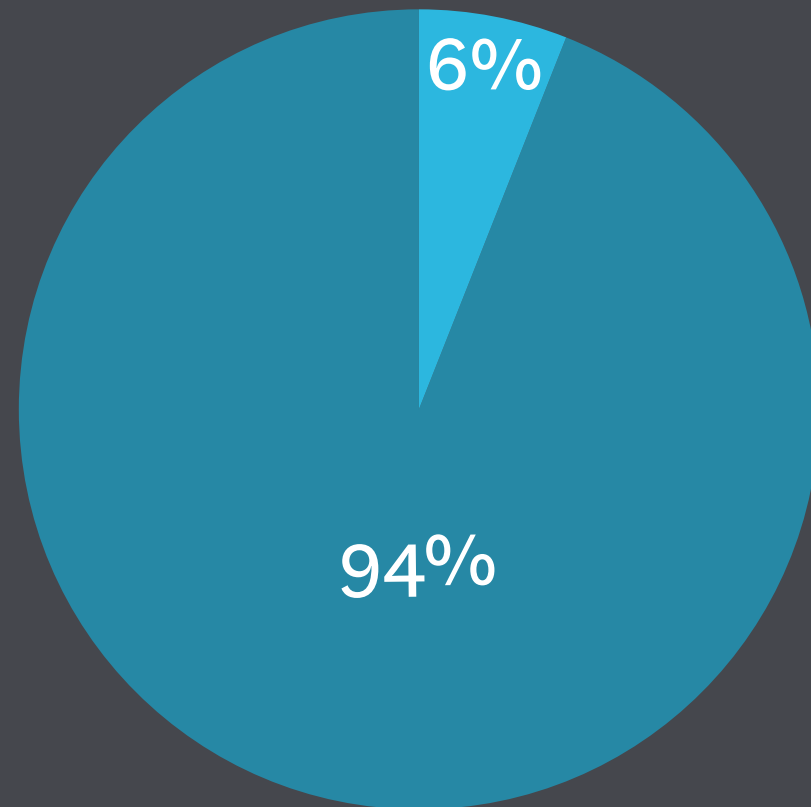
Average monthly net new customers



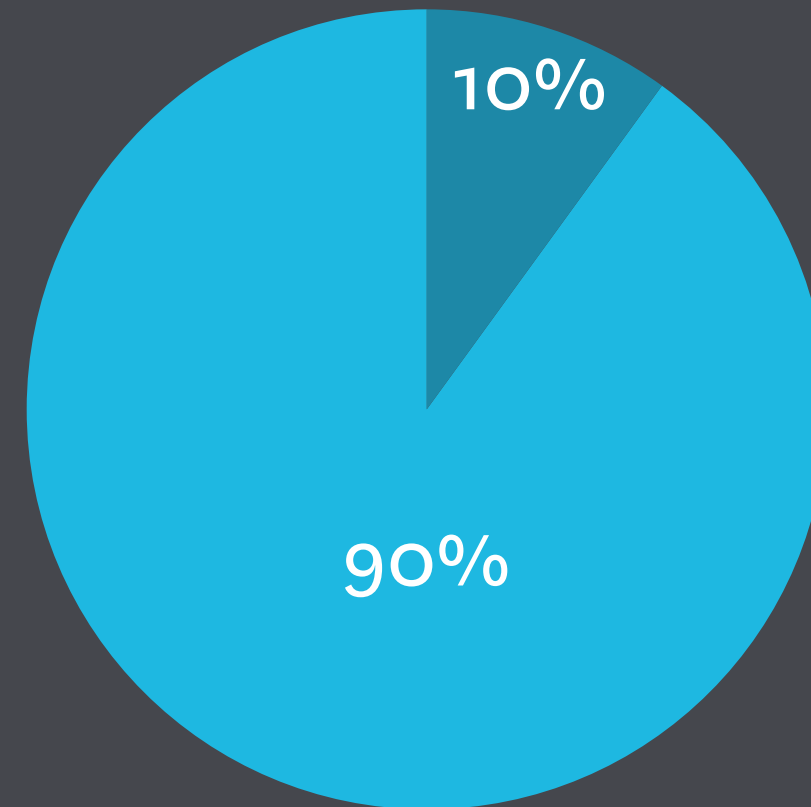
Xero vs. Intuit

Estimated as at 31 March 2014

Xero



QBO



● US ● Outside US





Every application that is doing well in the cloud today was built from scratch to be in the cloud: Salesforce, Workday, ServiceNow, Amazon, Google. It wasn't repurposed legacy software that now works in the cloud.

ANEEL BHUSRI, CO-FOUNDER & CEO, WORKDAY

It's not easy

“

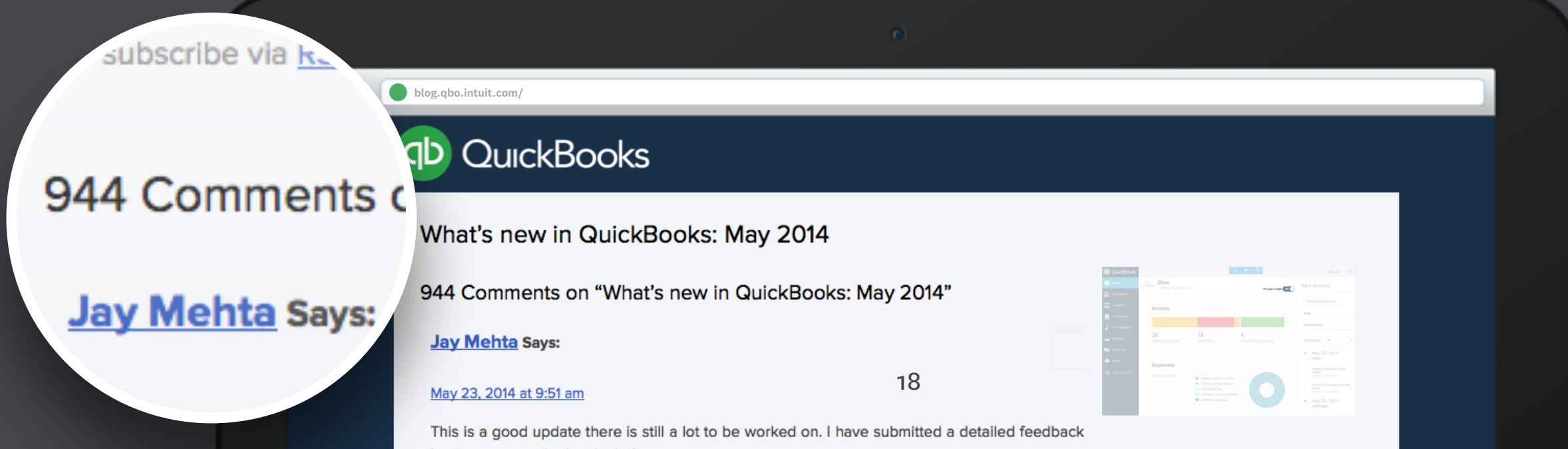
I hate this new version! Please give me the old version back or I am considering changing.

“

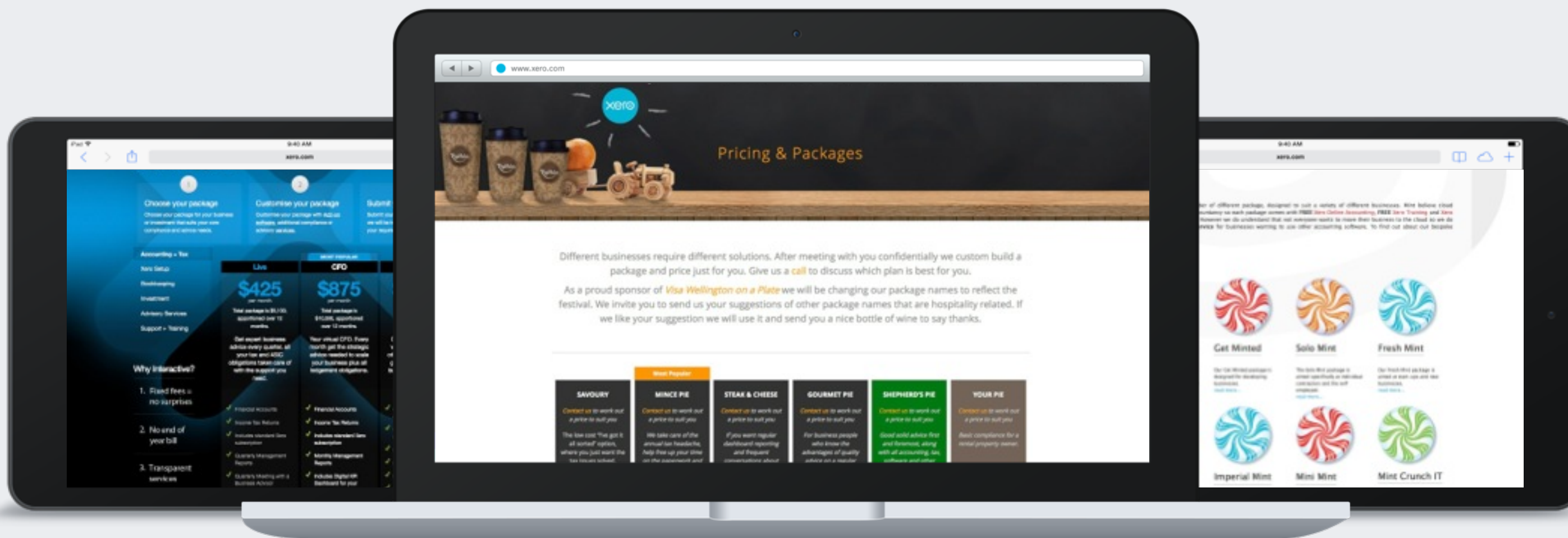
I don't like this new system on QuickBooks online. Is there any way to use the old system?

“

Not only is the product unusable, but the customer service is awful.



US accountants have not begun the journey from compliance



Interactive Accounting –

Right Way –

Mint Accounting –



Product well positioned



“Made for the cloud and right at home on mobile, Xero pairs its innovative side with its practical side.”

“Xero is the best software for automation, both because of its built-in features as well as because of its integrations.”

“I provided my QuickBooks Online data to Xero and in just a few hours they’d converted, verified, and imported it into Xero.”

Largest online accounting add-on ecosystem in the USA



US market entry phase

Product

Foundations in place

Payroll v1

Product reviews
match QBO

Superior customer
service ratings

QBO conversion

People

New US Directors

US CEO

VP education

CA sales teams

Partnerships & integrations

 Square

 H&R BLOCK®  clio

 Expensify

 SQUARESPACE  ADP

 SVB  CITY NATIONAL BANK
The way up.™

GTM

Influencers

PR

Education

Accounting channel

Online acquisition

US is off the ground, now building the engine

PHASE 1

Get off the ground

PHASE 2

Build Sales Engine

PHASE 3

Accelerate

US 2015: Building the engine

Product

**Deliver best in class
US product**

Innovate faster

**Change product
category**

People

**Complete
US leadership team**

**Global Management
focussed on US**

New US Directors

Partnerships & integrations

Best ecosystem

**Execute on existing
relationships**

**Large distribution
partners**

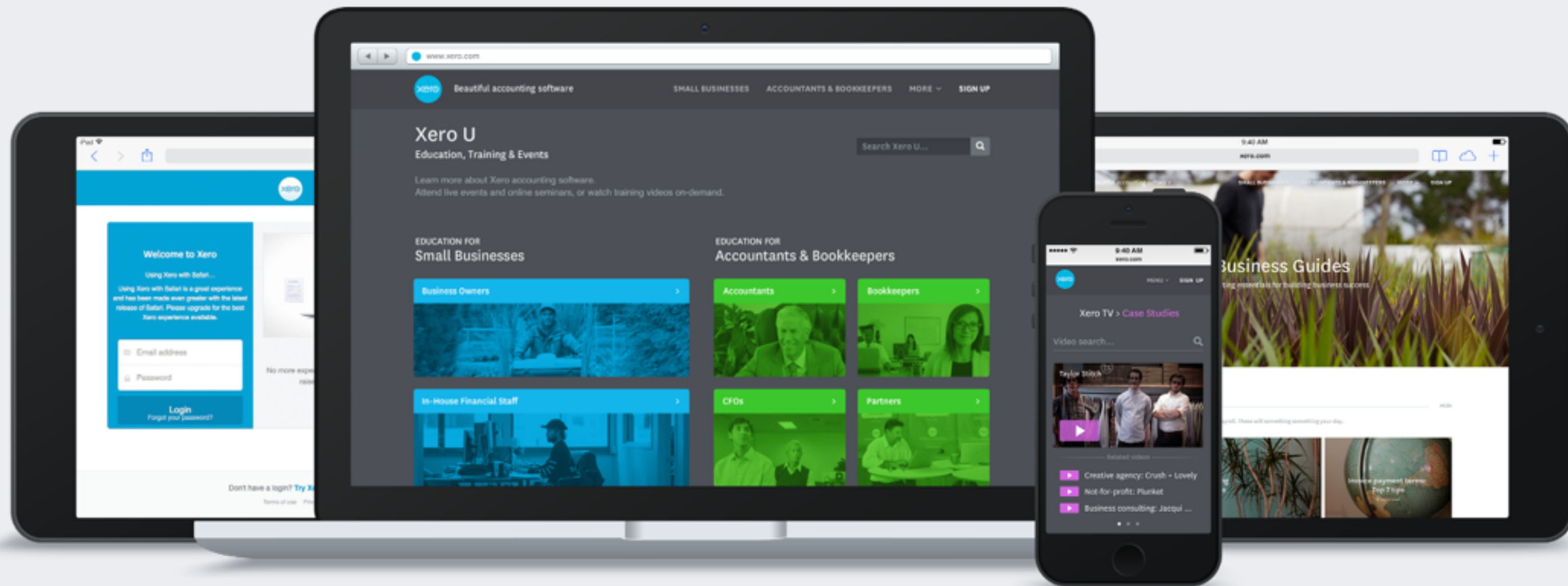
GTM

**Build online
channel**

**Focus on key
segments**

US listing ready

Building the best online engine



New Zealand seeing scale

- Significant exporter - 70% of revenue
- Quarter of all small businesses on Xero
- \$45.2B (30%) of GDP value processed through Xero in 12 months (to 31 Dec 2013)
- Seeing next level effects
 - Large businesses connecting to the platform
 - Major player in Business to Government interaction
 - Championing next generation banking

Banking 2.0 integration

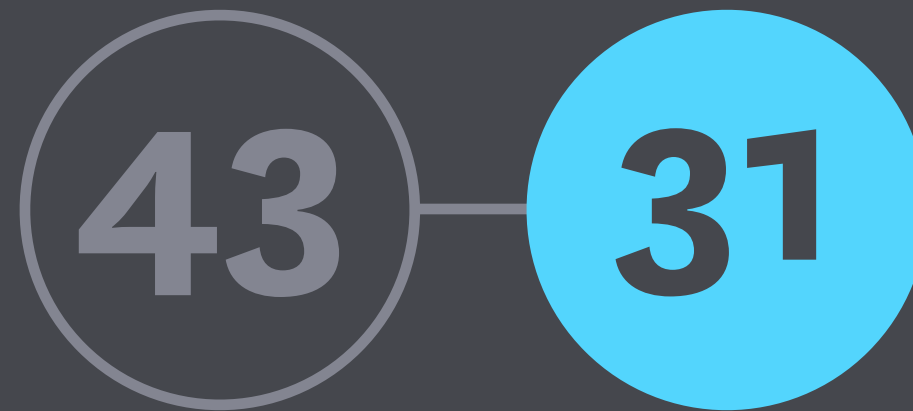


Direct Bank Feeds



Improving small business at scale

Days to get paid – 2 year change



Invoices sent
10.8m
\$16.6B

Invoices received
9.2m
\$13.4B

Recipients
800k+
of Xero online invoices

Measured 12 months to 31 December 2013

Mobilising Government for Small Business



NZ Business number



IRD GST Webservices

Reaching the heart of the New Zealand economy

Rural suppliers





Our industry does not respect tradition
– it only respects innovation

SATYA NADELLA, MICROSOFT



XEROCON 2014



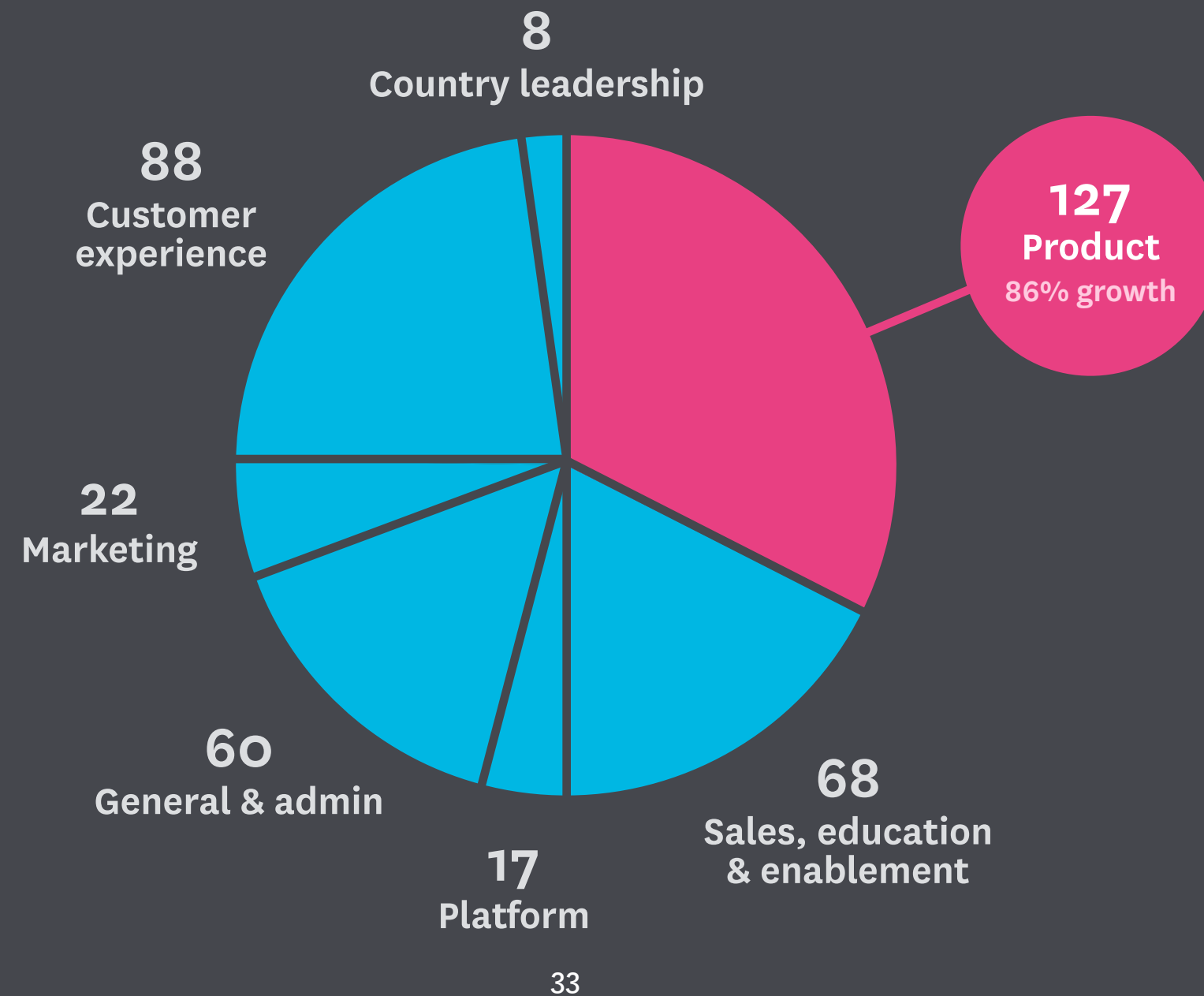
XEROCON 2014

\$250M

**efficiently invested to build
the world's best cloud company**

870 talented people today

390 staff hired in the past 12 months



Milton Keynes

New York

Denver

San Fran

Globally distributed product teams

Canberra

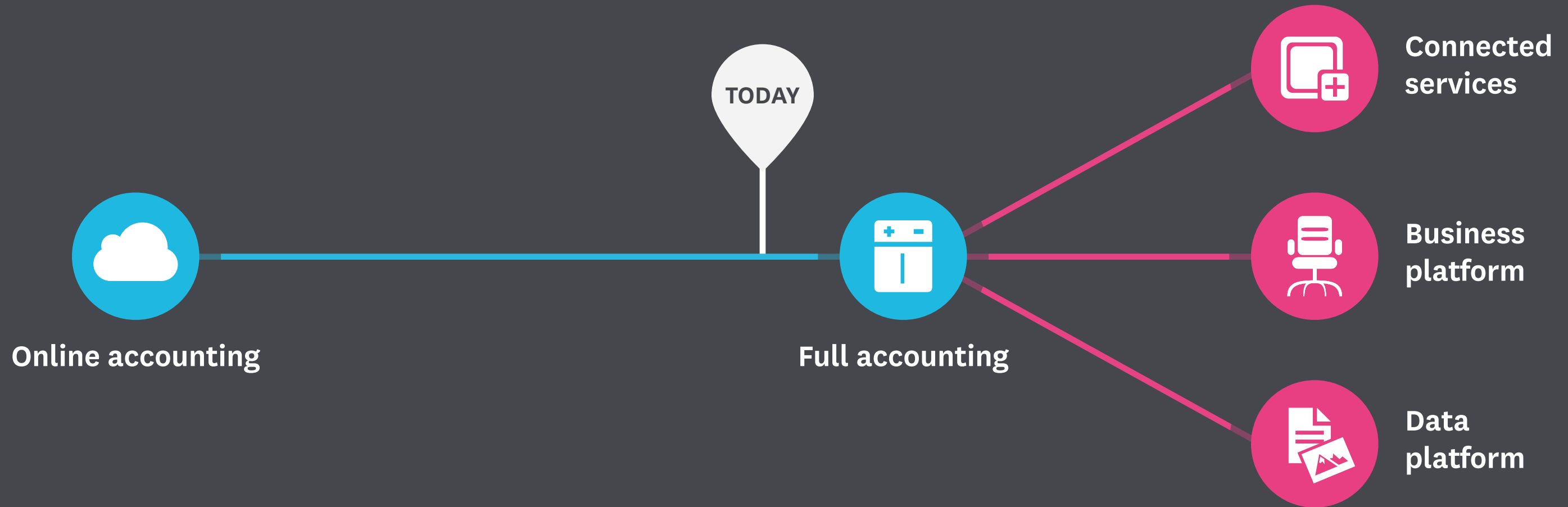
Auckland

Melbourne

Wellington

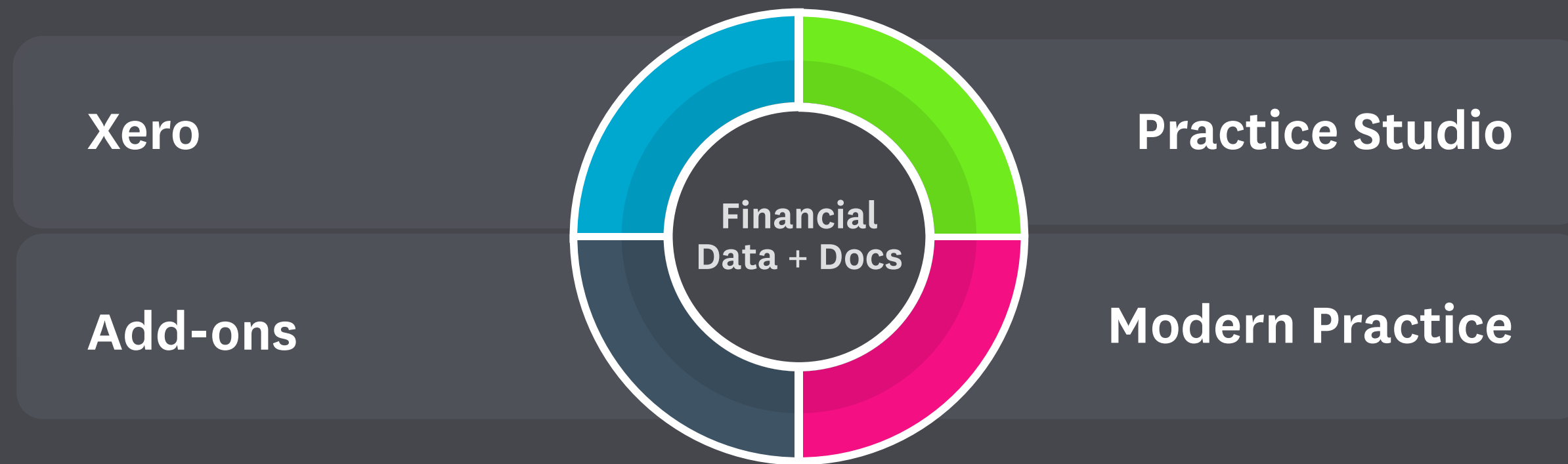


Where we are at



● Establish the platform to play ● Change the game

Financial platform for small business



Financial platform for small business



External data inside Xero



Pipeline of innovation

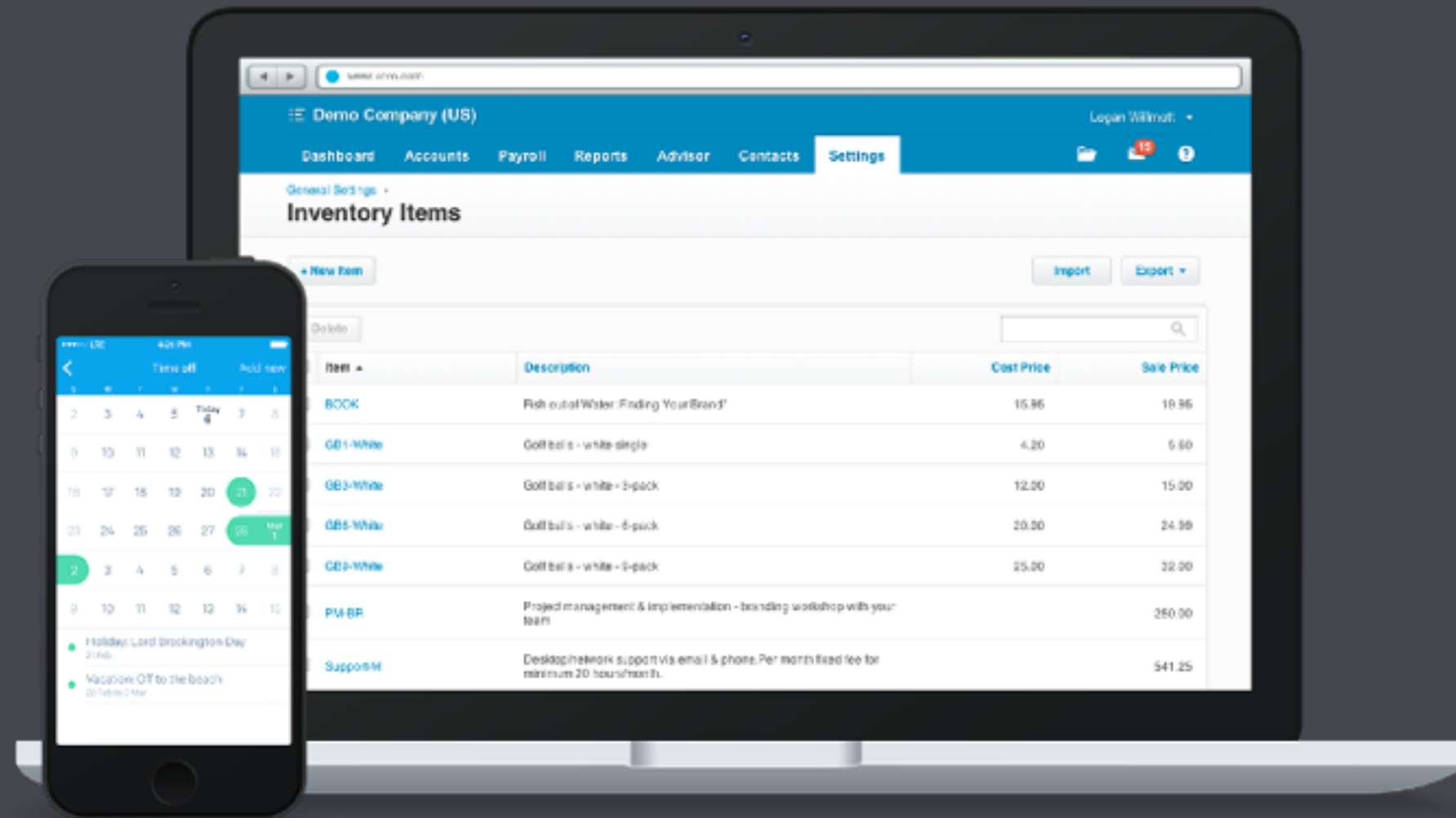
Mobile Bank Rec

Notifications

Add-ons Directory

AU Tax

Smart Lists



Inventory

QB Conversion

PayDay App

Quotes





**Now this is not the end. It is not even
the beginning of the end. But it is,
perhaps, the end of the beginning.**

WINSTON CHURCHILL



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