



Beautiful accounting software

MARKET RELEASE

Xero executing to plan

5 April 2013

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

Xero continues to deliver on its high growth strategy, doubling full year revenue to 31 March 2013 to NZ \$39m. With Monthly Committed Revenue growing to \$4.3m and a recurring revenue model the company commences the 2014 financial year strongly with \$51.5m in annualised subscriptions.

The loss for the second half of the year to 31 March 2013 is anticipated to be similar to that reported for the first half resulting in a full year loss less than \$15m, up from \$7.9m last year.

Key metrics

- Operating Revenue doubled from \$19.4m to \$39m.
- Annualised Monthly Committed Revenue (MCR) is \$51.5m, up from \$25.5m at 31 March 2012, or +102% growth.
- Offshore revenue is 62% of Monthly Committed Revenue, up from 51% at 31 March 2012.
- Staff increased from 194 to 382 in the past year.
- Paying customers are at 157,000 at 31 March 2013, up from 78,000 at the same date last year, or +101% growth.
- Cash on hand exceeds \$78m.

Commentary

Xero continues to attract global talent adding 188 new jobs in the 2013 financial year to provide additional product development and operating capability, and expanded sales footprint in offshore markets.

A vibrant small business ecosystem has evolved around Xero as it matures into a business platform with over 200 add-on solutions and over 6000 accountants, bookkeepers and trainers working with their customers on Xero.

Over the period Xero continued its significant investment in building professional accountant tools connecting advisors seamlessly to their small business customers. This combined advisor and small business strategy and architecture has disrupted the accountant-side software market in New Zealand and Australia and has been a significant contributor to growth.

In addition to continuous improvements and broadening of the core Xero feature set, new longer-term strategic development projects are progressing well. Expected in calendar 2014 is delivery of US Payroll and Australian Tax features, which will further enhance Xero's position in those markets.

Regional customer breakdown

Paying customers	At 31 March 2013	At 31 March 2012	Year on year change
New Zealand	73,000	47,000	+55%
Australia	51,000	16,000	+219%
United Kingdom	22,000	11,000	+100%
United States/Global	11,000	4,000	+175%
Total	157,000	78,000	+101%

Regional activity

In New Zealand most accountants offer Xero and the focus is on increasing customers per practice. Xero is steadily replacing incumbent providers and seeing strong take-up of its accountant-side software.

Australia has experienced the greatest regional growth during the period and in March overtook New Zealand as the largest regional contributor to revenue. This has followed substantial investment in the Australian team, which has grown from 27 to 71 over the year. A new Australian HQ was opened in Melbourne in December.

In the United Kingdom, tripling the team to 27 over the course of the year also contributed to sustained growth. About a third of the UK's top 100 accounting firms are now Xero partners.

Xero has established a beachhead in the US market. Product localisations are complete and the foundations of an accountant channel are established. Growth has exceeded that experienced in other markets in their early stages. The US team grew from 19 to 29 in the first 3 months of calendar 2013 with teams in San Francisco, Los Angeles, and Atlanta. A further 14 staff begin employment in April.

Outlook

Xero anticipated the substantial opportunity as small businesses moved to the cloud. It takes a significant investment and many years to build a broad and global small business financial platform. Xero has proven the opportunity, its strategy and its execution ability. The incumbents continue to struggle with the complex transition of their businesses to the cloud model. Xero is now investing in its global sales capability and feels confident in achieving its objective of gaining a million paying customers.

Investor calendar

Xero announces the following planned dates for investors and analysts:

23 May 2013 - Annual Report release

1 August 2013 - Annual Meeting

21 November 2013 - Half Year Interim Report release

ENDS

For more information contact:

Rod Drury

Xero CEO

rod.drury@xero.com

+64 27 6000 007

Ross Jenkins

Xero CFO

ross.jenkins@xero.com

+64 21 963 909