

## MARKET RELEASE

# Xero grows revenue 83% to \$70m with over \$200m of cash for further growth

22 May 2014

(Note: all currency is in New Zealand dollars)

Xero Limited (XRO) has again significantly grown revenue and customer numbers in its 2014 financial year and is now the leading accounting software provider in New Zealand and the leading online accounting software in Australia and the United Kingdom.

Xero recently passed 300,000 paying customers and was this week ranked number one by Forbes in its list of the World's 100 Most Innovative Growth Companies 2014.

Xero's operating revenue was \$70.1m for the year ended 31 March 2014, up 83% from last year's \$38.4m result. On a constant currency<sup>1</sup> basis Xero grew operating revenue by 92% in the period. Customer numbers increased to 284,000 at 31 March 2014, up from 157,000 at 31 March 2013.

As anticipated, the full year loss grew to \$35.5m.

Xero has \$210m of cash to fund its growth strategy and 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).

### Performance highlights

	Year ended 31 March 2014	Year ended 31 March 2013	Year-on-year change
Total operating revenue	\$70.1m	\$38.4m	83%
Net loss after tax	(\$35.5m)	(\$14.4m)	147%
Cash and cash equivalents	\$209.9m	\$78.2m	168%
Paying customers	284,000	157,000	81%
Annualised Committed Monthly Revenue	\$93.0m	\$51.5m	81%

<sup>1</sup> 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.

## Regional breakdown

	Subscription revenue		Paying customers	
	Year ended 31 March 2014	Year ended 31 March 2013	At 31 March 2014	At 31 March 2013
New Zealand	\$23.2m	\$15.7m	102,000	73,000
Australia	\$27.7m	\$12.6m	109,000	51,000
United Kingdom	\$9.8m	\$5.1m	47,000	22,000
North America	\$3.3m	\$1.3m	18,000	6,000
Rest of World	\$2.6m	\$1.4m	8,000	5,000
<b>Total</b>	<b>\$66.6m</b>	<b>\$36.1m</b>	<b>284,000</b>	<b>157,000</b>

## 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.

With strong growth expected to continue in New Zealand, Australia and the United Kingdom, 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, bolster the Board with appointments of New York-based Chris Liddell as Chairman and San Francisco-based Director Bill Veghte, and appoint 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 and a strategic alliance with H&R Block.

## Closing Comments

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 sees Xero well placed as the adoption of cloud software accelerates for small business.

Xero expects strong growth to continue for the foreseeable future.

## Investor calendar

23 May 2014 - FY14 Investor Briefing conference call, 10.00am (NZST)  
23 July 2014 - Annual Meeting from 4pm at Shed 6, Queens Wharf, Wellington  
20 November 2014 - Half Year Interim Report release

## ENDS

*For more information contact:*

Rod Drury, Xero CEO  
[rod.drury@xero.com](mailto:rod.drury@xero.com)  
+64 27 6000 007

Ross Jenkins, Xero CFO  
[ross.jenkins@xero.com](mailto:ross.jenkins@xero.com)  
+64 21 963 909