

MARKET RELEASE

Xero grows subscription revenue 85%

8 October 2014

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

Xero Limited (XRO) announces subscription revenue of \$52.0m for the half year ended 30 September 2014, up 85% from \$28.1m for the half year ended 30 September 2013.

With monthly committed subscriptions growing to \$11.0m, annualised subscriptions have grown to \$132.3m (an 87% increase on the \$70.6m reported at the same time last year).

Xero continued its focus on building capacity, passing 1,000 employees in early October this year.

The company has \$170.8m of cash to fund its growth.

Key metrics	6 months ended 30 September 2014	6 months ended 30 September 2013	% change
Subscription revenue (\$m)	52.0	28.1	85%
Operating revenue (\$m)	54.3	30.3	79%
	At 30 September 2014	At 30 September 2013	
Annualised subscriptions (\$m)	132.3	70.6	87%
Staff headcount	993	584	70%
Paying customers	371,000	211,000	76%
Cash on hand (\$m)	170.8	55.3	209%

Revenue	6 months ended 30 September 2014	6 months ended 30 September 2013	% change
Subscription revenue - constant currency (\$m)	53.8	28.1	91%
Operating revenue - constant currency (\$m)	56.2	30.3	85%

On a constant currency¹ basis, Xero grew subscription revenue by 91% and operating revenue by 85% in the period.

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 period.

Commentary

Xero's global customer base has grown 76% in the last 12 months to 371,000 customers.

In New Zealand, over 20% of small businesses are using Xero, processing \$60B of transactions in the last year. The focus is now on connecting small business with large Enterprises, Financial Institutions, and the Government.

Both Australia and the UK are now significant growth engines for the company. Xero's largest market, Australia, doubled customer numbers over the last year and increased subscription revenue by 115% for the period compared to the six months to 30 September 2013.

In the UK, Xero doubled its customer base for the sixth consecutive year, and is now the number one cloud accounting application for small businesses.

With the three markets set up to deliver strong future growth, global management is now firmly focussed on the North American market. The company today announces the appointment of Andy Lark, internationally recognised marketer and online leader, to Chief Marketing Officer and will announce further executive appointments over the coming months.

Regional breakdown

Paying customers	At 30 September 2014	At 30 September 2013	% change
New Zealand	119,000	86,000	38%
Australia	158,000	79,000	100%
United Kingdom	61,000	30,000	103%
North America	22,000	10,000	120%
Rest of World	11,000	6,000	83%
Total	371,000	211,000	76%

Subscription revenue (\$m)	6 months ended 30 September 2014	6 months ended 30 September 2013	% change
New Zealand	15.1	10.6	42%
Australia	23.9	11.1	115%
United Kingdom	8.0	4.0	100%
North America	3.0	1.3	131%
Rest of World	2.0	1.1	82%
Total	52.0	28.1	85%

Xero confirms guidance of forecasted subscription revenue growth of approximately 80% on a constant dollar basis for the 2015 financial year. Xero expects strong growth to continue for the foreseeable future.

Xero Limited's Half Year Report will be released on 20 November 2014.

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