



## MARKET RELEASE

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

### **Xero Announces Fiscal 2015 Results**

- Grows subscription revenue 81% to \$121m
- Fast growing SaaS company ends year in strong cash position

**24 April 2015** - Xero Limited (NZX/ASX: XRO) continued to deliver exceptional growth for the year ended 31 March 2015, recording operating revenue of \$123.9m, up 77% from \$70.1m in FY14.

Paying customers grew to 475,000 at 31 March 2015, up 67%, and subscription revenue grew 81% to \$120.9m. Xero's recurring revenue model means that it commences its 2016 financial year strongly with \$159.3m in annualised committed monthly revenue, a 71% increase on the same time last year.

The Company will continue to invest to fuel growth and scale while maintaining its focus on building a high margin business model. The business maintained a strong cash position with \$268.9m of cash at 31 March 2015 to continue to invest in creating long-term shareholder value.

Highlights of the financial year ended 31 March 2015 include:

#### **Revenue**

- Subscription revenue of \$120.9m, up 81% from \$66.9m in FY14
- Constant currency subscription revenue of \$122.5m, up 83% compared to FY14
- Operating revenue of \$123.9m, up 77% compared with FY14
- Annualised committed monthly revenue (ACMR) of \$159.3m, a 71% increase on FY14

#### **Operating Loss**

- The net loss after tax for FY15 increased 96% to \$69.5m, increasing to 56% of operating revenue from 51% from FY14, reflecting the investment in product development, and sales and marketing

#### **Balance Sheet and Cash Flow**

- Cash of \$268.9m available to fund future growth and expansion
- During FY15, the Company used \$88.4m of cash and cash equivalents in operating and investing activities compared to \$48.4m during FY14
- Xero raised \$147.2m in March 2015

#### **Business Highlights**

- Paying customers increased to 475,000 at 31 March 2015, an increase of 191,000 or 67% compared to 284,000 last year at 31 March 2014
- Xero added 403 employees, and now has 1,161 staff globally to support customer growth across all markets and to scale product development. Xero anticipates a slower rate of employee growth in FY16.

## Regional Breakdown

Subscription revenue	Year ended 31 March		
	2015	2014	% Change
New Zealand	32.6	23.2	41%
Australia	56.5	27.7	104%
United Kingdom	19.3	10.1	91%
North America	7.7	3.3	133%
Rest of World	4.8	2.6	85%
<b>Total</b>	<b>120.9</b>	<b>66.9</b>	<b>81%</b>

Paying customers	Year ended 31 March		
	2015	2014	% Change
New Zealand	138,000	102,000	35%
Australia	203,000	109,000	86%
United Kingdom	83,000	47,000	77%
North America	35,000	18,000	94%
Rest of World	16,000	8,000	100%
<b>Total</b>	<b>475,000</b>	<b>284,000</b>	<b>67%</b>

### Comment from CEO, Rod Drury

"We're delighted with our achievements this year. We focused on adding and integrating 400 talented people to our team for critical mass around the globe. We're extremely proud to have done that while continuing to drive strong revenue and customer growth across all markets. We have emerged as the cloud accounting leader in three countries and are seeing positive momentum in the U.S. market," said Rod Drury, CEO, Xero.

"Our platform now provides the most comprehensive small business accounting experience for customers, winning against desktop solutions while delivering the benefit of running a business anywhere, anytime, from any device. We have delivered payroll and inventory across all markets, and we will continue to add value to small businesses, accountants and bookkeepers through continued innovation. We are very excited about FY16 and expect strong growth to continue in all our core markets for the foreseeable future."

### FY15 Commentary

Xero continues exceptional growth as the leader in cloud accounting in New Zealand, Australia and the United Kingdom, with annualised subscriptions of \$39.5m, \$74.2m and \$25.9m respectively.

Strong growth is expected to continue in these markets, and Xero has focused on building infrastructure to support its expansion in the U.S. market. The U.S. remains a significant and addressable opportunity with the majority of small businesses unserved by cloud accounting software. Xero is well positioned to meet this need through its complete small business accounting solution, purpose built for the Cloud and mobile devices.

During the second half of the year the U.S. management team formed, led by U.S. President Russ Fujioka. The focus was on ensuring a solid foundation for North America to enable it to scale, and during the second six months customer growth was 300% greater than the first six months.

Xero continued to build its Global Leadership Team appointing Andy Lark as Chief Marketing Officer, Angus Norton as Chief Product Officer, and San Francisco-based Graham Smith was appointed to the Board as a non-Executive Director.

An additional \$147.2m of capital was raised in March 2015 from Accel Partners and existing investor Matrix Capital Management, positioning Xero strongly with \$269m of cash.

**Investor calendar (NZT)**

24 April 2015, 9am NZT - Investor conference call

21 May 2015 - Annual Report release

22 July 2015 - Annual General Meeting (Wellington, New Zealand)

19 November 2015 - Half Year Interim Report release

**XERO Limited**  
**Condensed Consolidated Statements of Financial Position**  
**(Unaudited, in thousands)**

	<b>As at 31 March</b>	
	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents	58,866	14,886
Short-term deposits	210,000	195,000
Trade and other receivables	21,499	14,374
Short-term derivative assets	3,151	-
<b>Total current assets</b>	<b>293,516</b>	<b>224,260</b>
<i>Non-current assets</i>		
Property, plant and equipment	16,631	9,856
Intangible assets	64,057	34,828
Deferred tax asset	1,427	486
Other receivables	1,712	2,371
<b>Total non-current assets</b>	<b>83,827</b>	<b>47,541</b>
<b>Total assets</b>	<b>377,343</b>	<b>271,801</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Trade and other payables	14,904	7,105
Employee entitlements	14,040	9,026
Income tax payable	2,218	732
Short-term derivative liabilities	130	-
<b>Total current liabilities</b>	<b>31,292</b>	<b>16,863</b>
<i>Non-current liabilities</i>		
Deferred tax liability	398	-
<b>Total non-current liabilities</b>	<b>398</b>	<b>-</b>
<b>Total liabilities</b>	<b>31,690</b>	<b>16,863</b>
<b>Equity</b>		
Share capital	492,173	336,308
Share based payment reserve	7,537	4,682
Accumulated losses	(155,474)	(85,940)
Foreign currency translation reserve	(758)	(112)
Cash flow hedge reserve	2,175	-
<b>Total equity</b>	<b>345,653</b>	<b>254,938</b>
<b>Total liabilities and shareholders equity</b>	<b>377,343</b>	<b>271,801</b>

**XERO Limited**  
**Condensed Consolidated Income Statements**  
(Unaudited, in thousands, except per share data)

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Subscription revenue	120,928	66,853
Other operating revenue	2,922	3,238
<b>Total operating revenue</b>	<b>123,850</b>	<b>70,091</b>
Other income	3,369	1,383
<b>Total revenue and other income</b>	<b>127,219</b>	<b>71,474</b>
Cost of revenues	37,403	24,516
<b>Gross profit</b>	<b>89,816</b>	<b>46,958</b>
<i>Operating expenses:</i>		
Sales and marketing	93,478	55,105
Product design and development	48,959	18,409
General and administration	24,548	11,716
<b>Total operating expenses</b>	<b>166,985</b>	<b>85,230</b>
<b>Operating deficit</b>	<b>(77,169)</b>	<b>(38,272)</b>
Interest income	7,713	5,062
Interest expense	(25)	-
Other gains/(losses)	2,025	(690)
<b>Net loss before tax</b>	<b>(67,456)</b>	<b>(33,900)</b>
Income tax expense	(2,078)	(808)
<b>Net loss from continuing operations</b>	<b>(69,534)</b>	<b>(34,708)</b>
Net loss from discontinued operations	-	(838)
<b>Net loss after tax for the period attributable to the shareholders of the Company</b>	<b>(69,534)</b>	<b>(35,546)</b>
<i>Earnings per share</i>		
Basic and diluted loss per share	(\$0.55)	(\$0.29)

Amounts include non cash share-based compensation expense as follows:

	<b>Year ended 31 March</b>	
	<b>2015</b>	<b>2014</b>
Cost of revenues	594	554
Sales and marketing	3,517	2,088
Product design and development	4,478	1,683
General and administration	3,402	778
<b>Total share-based compensation expense</b>	<b>11,991</b>	<b>5,103</b>

**XERO Limited**  
**Condensed Consolidated Statements of Cash flows**  
**(Unaudited, in thousands)**

	<u>Year ended 31 March</u>	
	<u>2015</u>	<u>2014</u>
<b>Operating activities</b>		
<i>Cash was provided from/(applied to):</i>		
Receipts from customers	119,566	67,136
Other income	2,580	1,086
Interest received	7,950	2,613
Payments to suppliers and employees	(166,853)	(91,175)
Income tax paid	(1,866)	(679)
<b>Net cash flows from operating activities</b>	<b><u>(38,623)</u></b>	<b><u>(21,019)</u></b>
<b>Investing activities</b>		
<i>Cash was applied to:</i>		
Purchase of property, plant and equipment	(10,315)	(5,150)
Capitalised development costs	(32,994)	(21,540)
Business acquisitions	(5,349)	-
Intangible assets	(174)	(63)
Rental bonds	(926)	(627)
<b>Net cash flows from investing activities</b>	<b><u>(49,758)</u></b>	<b><u>(27,380)</u></b>
<b>Financing activities</b>		
<i>Cash was provided from/(applied to):</i>		
Exercising of share options	709	492
Share issue	149,290	180,000
Cost of share issue	(2,845)	(438)
Payments for short-term deposits	(418,000)	(256,300)
Proceeds from short-term deposits	403,000	133,425
<b>Net cash flows from financing activities</b>	<b><u>132,154</u></b>	<b><u>57,179</u></b>
<b>Net increase in cash and cash equivalents held</b>	<b>43,773</b>	<b>8,780</b>
Foreign currency translation adjustment	207	(13)
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>14,886</u></b>	<b><u>6,119</u></b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>58,866</u></b>	<b><u>14,886</u></b>

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**About Xero**

Xero is beautiful, easy-to-use online accounting software for small businesses and their advisors. The company has 475,000 paying customers in more than 180 countries. Xero seamlessly integrates with over 400 third-party tools, and was recently ranked No. 1 by Forbes as the World's Most Innovative Growth Company.

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