

MARKET RELEASE

2022 Annual Meeting Chair & CEO Addresses and Presentation

WELLINGTON, 18 August 2022 - Xero Limited (ASX: XRO) attaches its Chair & CEO addresses and Presentation for Xero's 2022 Annual Meeting. Included in the CEO speech is commentary on year to date revenue growth, which is in line with our expectations at the overall level and in each market, and net subscriber additions in the UK which continue to be more subdued than we would like.

Authorised for release to the ASX by the Company Secretary.

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About Xero

[Xero](#) is a global small business platform with 3.3 million subscribers which includes a core accounting solution, payroll, workforce management, expenses and projects. Xero also provides access to financial services, and an ecosystem of more than 1,000 connected apps and more than 300 connections to banks and other financial institutions. Through Xero's open platform, small businesses can connect to a range of solutions that help them run their business and manage their finances. For three consecutive years (2020-2022), Xero was included in the Bloomberg Gender-Equality Index. In 2021, Xero was included in the Dow Jones Sustainability Index (DJSI), powered by the S&P Global Corporate Sustainability Assessment. Xero has been named as a [FIFA Women's Football partner](#) under FIFA's new commercial structure.

XERO LIMITED - 2022 ANNUAL MEETING
Thursday 18 August 2022

Address by the Chair, David Thodey

Kia Ora, good Morning from Auckland New Zealand and welcome to Xero's 2022 Annual Meeting. I'm David Thodey and I am the Chair of Xero's Board of directors.

Thank you for attending today's meeting. As with last year's Annual Meeting, we are completely online today. I am with the board here in our Auckland office while Steve joins us from our Denver office and Kirsty joins us from Wellington.

While this online format may be familiar to those of you who joined our meeting last year, or other virtual meetings, I acknowledge that for others, it might not be.

We have tried to design the procedures for this virtual meeting in a way that allows you the same opportunity to participate today as you would at a physical meeting. This includes being able to ask questions and vote using an electronic voting card. I'll discuss this process shortly. I also encourage you to download and refer to the online portal guide from the "Downloads" section at the bottom of your screen or from Xero's website if you haven't already done so.

In the event that we experience technical issues that impact the meeting, I'll assess the circumstances and communicate further with you. If this isn't possible, you will be emailed instructions on how and when to rejoin the Meeting.

I am informed by our Company Secretary that, in accordance with the company's constitution, a quorum is present and I now declare the meeting formally open.

First of all, I'd like to introduce the Board who are participating today.

Joining from Auckland are directors Rod Drury, Susan Peterson, Mark Cross, Dale Murray, Brian McAndrews and Lee Hatton. Joining the meeting remotely from California is our director Steven Aldrich.

From Xero's leadership team, we have our Chief Executive Officer, Steve Vamos who joins us from Denver. Our Chief Financial Officer, Kirsty Godfrey-Billy who joins us from Wellington. And in Auckland we have our Company Secretary, Damien Coleman.

We are also joined by other members of Xero's leadership team and other Xero colleagues. Simon O'Connor and David Borrie from our auditors, Ernst & Young, are also present and available to answer any relevant questions directed to them.

Xero's General Manager of Corporate Communications, Kate McLaughlin, will read out written questions submitted by shareholders during the meeting.

I'll now turn to the agenda and order of events for today. I'll first say a few words. We'll then hear from your CEO Steve Vamos. Then we'll turn to the formal business of the Meeting and we have four

resolutions today. After that, there will be an opportunity for any general shareholder questions before I will close the Meeting.

Just before I give my address I do want to go through a little about using the online platform.

Voting on the resolutions will be conducted by poll and that poll is now open. Please vote by using the electronic voting card you should receive after clicking the 'Get a Voting Card' button.

Shareholders can submit written questions during the meeting by clicking on the 'Ask a Question' button. I encourage shareholders who have questions to submit them as soon as possible, including if you have questions about any of the resolutions.

If you have any issues using the platform, please check the online portal guide which you can access from the "Downloads" section at the bottom of your screen or from Xero's website, or contact the phone help lines shown on this slide.

This year we have introduced a new option for shareholders to ask questions by telephone.

To use this teleconference facility, shareholders must use their unique PIN provided to them by Link Market Services. When you dial in you will be asked to mute your sound and listen to the meeting by phone. If you wish to ask a question, you will need to dial 'STAR 1' on your keypad and this will indicate to the moderator that you wish to ask a question. The teleconference moderator will require your name and, at the relevant time, will introduce you and prompt you to ask your question by unmuting your line.

I will now move on to my address.

It has been another year of enormous change around the world for us all. Businesses, governments, economies, workplaces and our communities have all dealt with changes in the operating environment - including geo-political tensions and of course the impact of living with COVID.

The resilience, tenacity and enterprise of small businesses, around the world, throughout this period - has been inspiring. Many small businesses have navigated their way through this complex environment with agility, and continued to respond to the evolving needs of their customers.

We expect to see another twelve months of volatility ahead - energy prices have risen, supply chains remain constrained contributing to levels of inflation we haven't seen since the 80's, interest rates are rising, unemployment is at record lows putting pressure on labour markets, and global economic growth is predicted to slow.

Despite these pressures - we are seeing small businesses continuing to be the employment engine-room of economies and their resilience is as strong as ever.

Also, many Governments have re-energised their initiatives to incentivise small businesses to move to the cloud. This reflects the recognition of the productivity benefits that come from shifting to a digital economy particularly when it comes to small businesses. Looking across our operating regions we can see a range of policy tailwinds.

- Starting with the UK - Making Tax Digital - continues to evolve presenting opportunities for our customers to file tax digitally so they can easily check income, expenses and profit.
- While in Australia, the newly elected Government has committed to legislating the Tech Investment Boost which will allow small businesses to deduct expenses from technology expenditure.
- In Canada the government has recently announced the Digital Adoption program to help small businesses grow their online presence, and Open Banking is gaining speed.
- In the US - while regulated open banking has not yet been announced, we are pleased that Presidential support is explicit. While its implementation is slower than we had hoped, we do expect momentum to continue.
- Finally, looking to Asia and specifically Singapore, grant programs are supporting the adoption of technology solutions through allowing small businesses to claim support from the Government for up to 70 percent of relevant costs.

As a global business we have global aspirations. We continue to see substantial opportunities for Xero's growth in the US, Canada, and the UK, as well as further growth in our more established markets of Australia and New Zealand.

So we remain optimistic about the market opportunities for the Xero product portfolio - cloud based accounting is fundamental to the success of small businesses, Governments need to digitally enable their economies and collect revenues faster. Our products continue to improve the lives of our customers and partners around the world.

While we will have fluctuations in the performance of the company from period to period - the underlying market opportunity for our products remains very large and exciting.

We believe that Xero is well positioned to capitalise on this fundamental trend of small businesses moving to the cloud, and in doing so, to generate value for all of our stakeholders.

I also want to briefly touch on our performance, before Steve talks to the specifics of our 2022 financial year results. We continue to make good progress in executing on our financial and strategic objectives to grow our business and build further operating discipline. You can see evidence of this in the delivery of another strong result with continued top line momentum, double digit subscriber growth and a further reduction in churn rates.

While we are conscious that the market's view of high growth companies has changed over the last 6 months. This revaluation has impacted us in a similar way to our peers. I trust that you can see from our results, the fundamentals for your company remain strong and we remain positive about the opportunities ahead.

Building and maintaining trust is at the heart of our business and underpins the many ways we create long-term value for our stakeholders. To generate trust at Xero we aim to be transparent with our partners, shareholders, employees and customers.

One way we are doing this is through greater openness in our reporting with the inclusion of enhanced non-financial disclosures in this year's Annual report. This is an important step towards aligning our reporting with the Integrated Reporting Framework.

Using data responsibly is also very important in earning customer trust. In FY22 we made public our company-wide pledge to use data responsibly. This included eight Responsible Data Use Commitments that help guide every decision that involves the use of data. We protect our customer data with a multi-layered, risk based approach that leverages cutting-edge security technology and a robust risk management process.

Customer data lies at the heart of Xero's vision to be the most insightful and trusted small business platform.

Growing in a sustainable way is also an important consideration within our strategy and it's integral to who we are. There are two areas we are especially focused on that I would like to touch on. These are: climate, diversity, and inclusion.

Firstly on climate. Last year we outlined our intent to develop an environmental roadmap aligned to the Task Force on Climate-related Financial Disclosures, or TCFD, framework. We continued to progress our disclosures this year. We are now a registered supporter of TCFD and have developed a roadmap to implement its recommendations across our business. I encourage you to read our reporting on the journey we are undertaking, which is available on our website.

We are pleased to have maintained carbon neutral certification, and we continue to look at ways to better understand and minimise our emissions. An important step we intend to take in FY23 is to formalise our emissions reduction plans and set targets. We have work underway in this area, and are focused on ensuring our plans are appropriate and sustainable for the long term

Moving to diversity & inclusion. In FY22 we made good progress towards understanding the ethnic diversity of our employees. Pleasingly Xero maintained its inclusion in the Bloomberg Gender Equality Index in 2022, for our third consecutive year and we exceeded our existing targets for gender representation. We have also implemented more ambitious diversity targets.

However, there is more to do, and we look forward to creating a more ethnically diverse and inclusive team across all levels of our organisation. We actively seek a diverse pool of candidates for roles at Xero and promote a culture of inclusion to help our people feel valued and respected, and to have a sense of belonging and fairness. We are all accountable for creating an inclusive culture, and are committed to supporting flexible work and equal pay for equal work.

Turning to the Board - we are pleased to welcome Brian McAndrews as an independent, non-executive director who joined us on 2 February 2022. Brian brings to the Board extensive public company and technology experience, along with expertise in leading North American based technology businesses to scale, and you'll hear from Brian later in the meeting.

I'd like to recognise and thank my fellow directors for their contribution throughout the year. We continue to focus on how best to enable Xero to scale internationally while never losing our focus on delivering great products and customer service.

Finally, on behalf of the Board, I would like to thank Steve and the Xero leadership team for another year of strong performance.

We are also immensely grateful for the dedication and passion shown by all of Xero's people which is fundamental to our continued success.

I'd also like to thank you, our shareholders, for your ongoing support.

That brings me to the end of my address. Let me now hand over to Steve before we commence the formal business for the day. Over to you Steve.

-ENDS-

Address by the CEO, Steve Vamos

Thanks David and hello everyone, it's great to be joining you all for our Annual Meeting.

I'm joining you today from our office in Denver, before I head to New Orleans for our Xerocon here in North America. My time in the USA follows time in the UK for our first Xerocon there in well over two years, and Canada where it has also been great to spend time with our people and partners.

Today I'm going to summarise Xero's financial year 2022 results and also briefly discuss the progress we made executing our strategy.

Our performance in FY22 was strong in what was another important year for Xero. The group's revenue growth profile rebounded, and our SaaS metrics, a measure of the value of our customer base, remained strong.

The investment we have made in our business over a number of years to pursue the large opportunity in front of us, is reflected in this outcome. We are confident in our ability to continue to drive cloud accounting adoption and grow the Xero small business platform, in part supported by the government initiatives David touched on.

Turning to the detail of our FY22 results. Xero's total subscribers increased by 530,000 to reach more than 3.2 million at the end of March. Our operating revenue exceeded the milestone of a billion dollars, climbing 29 percent year on year. This included a 5% benefit from acquired businesses.

Annualised Monthly Recurring Revenue, or AMRR, grew to exceed 1.2 billion dollars, increasing 28 percent, largely reflecting subscriber growth of 19 percent, and higher ARPU. Growth in ARPU of 7 percent versus the prior year was a positive outcome reflecting price increases during the year and benefits from acquisitions and platform revenue growth. Additionally, churn declined over the year across all regions by 11 basis points to 0.90 percent over the course of the year.

EBITDA increased 11% versus the prior year to \$213 million reflecting a balance between gross margin expansion, which increased to 87.3%, and increased operating costs in line with our outlook for the year.

To summarise, our customer base is growing, they are staying with us longer and are spending more with us. You can see this in our Total Lifetime Value which increased 43 percent year on year to \$10.9 billion.

I'd like to take this opportunity to provide an update on our performance year to date. While revenue growth is in-line with our expectations in each market and at the overall level, and our customer base is growing, net subscriber additions in the UK have remained more subdued than we'd like.

Our performance in the UK continues to be impacted by slower than expected uptake of the final stage of MTD for VAT and changes we have implemented to our partner sales approach, organisation, and territory assignments, which we strongly believe will benefit our partners and business, despite some short term impact on partner channel productivity. We are well positioned in the UK market and it is an important growth opportunity for us and despite a less than buoyant macro environment, we continue to drive and aspire to strong revenue and subscriber growth.

The momentum generated from Xerocon London along with the positive feedback from our partners following the launch of Xero Go gives us great encouragement.

I'd now like to update you on the progress we've made executing our strategy. We have three strategic priorities - to drive cloud accounting, to grow the small business platform, and to build Xero for global scale and innovation. We made good progress against each of these priorities in FY22.

On driving cloud accounting, we've delivered strong subscriber growth across our regions. We see substantial opportunity for Xero's growth in the US, Canada and the UK, as well as continued growth in our established markets.

We're continuing to make good progress in growing the small business platform, with investments to extend our ecosystem and customer usage of applications and services enabled by our recent acquisitions. Platform revenues grew to 11 percent of total revenue in FY22, up from 7 percent in the prior year.

We continue to think carefully about how we scale effectively through investing in our people, systems and processes. We remain disciplined with our investment decisions to ensure they achieve intended outcomes to add value for all our stakeholders.

Despite the tight labour market we did well in attracting talent to Xero. We increased total FTEs by more than a thousand in FY22 predominantly in product and technology, reflecting the strength of our employee value proposition.

What you see in Xero today is the result of investments made over many years. The investments we are making now are crucial to realising the significant long term growth opportunities we have.

With that in mind, I want to remind you of the areas of investment we called out at the full year result, these investments include:

- Products for customers with less complex needs, such as our recently launched mobile based product Xero Go for the self employed;
- Deeper product localisation in North America;
- Embedding recent acquisitions such as Planday which we expect to launch at the end of this year in Australia; and

- Continuing our work to modernise and invest in our technology platforms to enable our aspirations for the future.

The timing of the contribution from these investments will differ depending on a number of factors, such as macro conditions in regions, timing of government initiatives, and timing of delivery. We'll provide more insight on the nature of these investments and key delivery milestones as we go forward.

At the same time, we need to be conscious that we grow Xero sustainably. As David mentioned, we must consider our social and environmental impact and also uphold good governance. Doing so is key to maintaining stakeholder trust as we scale and grow our business.

Looking ahead, I am confident the work we have done to execute our strategy in FY22 will contribute strongly to delivering on the opportunity ahead for Xero.

I'd like to touch on changes to our leadership team. In April 2022, we appointed Chris O'Neill to the Xero Leadership Team as Chief Growth Officer, based in the US, responsible for Xero's Applications and Services division and our business in the Americas which includes US and Canada.

After more than three years in his role as President of our business in the Americas, Tony Ward is relocating back to Australia with his family and will leave Xero at the end of August. We sincerely thank Tony and appreciate the important contribution to our business that he has made and the strength of leadership he has brought to our teams in the Region.

I'd also like to thank our Chief Legal Officer Chaman Sidhu who after six years at Xero has decided to leave later this year for an extended career break. Chaman has made a significant contribution to Xero and we wish her the very best. Damien Coleman will step into Chaman's role in the interim, while continuing as Company Secretary.

I'd now like to turn to the outlook statement that we provided at our FY22 results. We are making no update to our outlook today. As a reminder, for FY23, total operating expenses as a percentage of operating revenue are expected to be at the lower end of the 80-85% range.

Before I conclude, I want to acknowledge everyone who plays an important role in our journey, in particular our Xero people across the world who continue to work hard to deliver for our customers and partners.

I'd also like to thank David and the board for their hard work and support and to you our shareholders, thank you for your ongoing support.

I'll now hand back to David for the formal business of today's Meeting.

–ENDS–

Xero Limited Annual Meeting

18 AUGUST 2022



Beautiful business



Important notice

This presentation is given on 18 August 2022 on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, AU ARBN 160 661 183)

Information in this presentation:

- is for general information purposes only, and is not an offer or invitation for subscription, or purchase of, or a recommendation to invest in, Xero securities
- should be read in conjunction with, and is subject to, Xero's latest and prior interim and annual reports, including Xero's annual report for the period ended 31 March 2022, and Xero's market releases on the ASX
- includes forward-looking statements about Xero and the environment in which Xero operates, which are subject to uncertainties and contingencies outside of Xero's control – Xero's actual results or performance may differ materially from these statements
- includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance
- may contain information from third parties believed to be reliable, but no representations or warranties are made as to the accuracy or completeness of such information
- includes Non-GAAP measures as we believe they provide useful information for readers to assist in understanding Xero's financial performance. Non-GAAP financial measures do not have a standardised meaning and should not be viewed in isolation or considered as substitutes for measures reported in accordance with NZ IFRS. These measures have not been independently audited or reviewed

All information in this presentation is current at 31 March 2022, unless otherwise stated.

All currency amounts are in NZ dollars, unless otherwise stated.

Due to rounding, numbers in this presentation may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

See page 17 for a glossary of the key terms used in this presentation.

Board of Directors



David Thodey, AO

CHAIR
INDEPENDENT NON-EXECUTIVE
DIRECTOR

People and Remuneration Committee
Nominations Committee (Chair)



Steven Aldrich

INDEPENDENT NON-EXECUTIVE
DIRECTOR

People and Remuneration Committee



Mark Cross

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management
Committee (Chair)
People and Remuneration Committee



Rod Drury

XERO FOUNDER
NON-EXECUTIVE
DIRECTOR

Nominations Committee



Lee Hatton

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management
Committee



Brian McAndrews

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management
Committee



Dale Murray, CBE

INDEPENDENT NON-EXECUTIVE
DIRECTOR

Audit and Risk Management
Committee
Nominations Committee



Susan Peterson

INDEPENDENT NON-EXECUTIVE
DIRECTOR

People and Remuneration
Committee (Chair)
Nominations Committee

Agenda

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David Thodey
CHAIR

**Chair's
address**

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Steve Vamos
CHIEF EXECUTIVE OFFICER

**CEO
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Voting

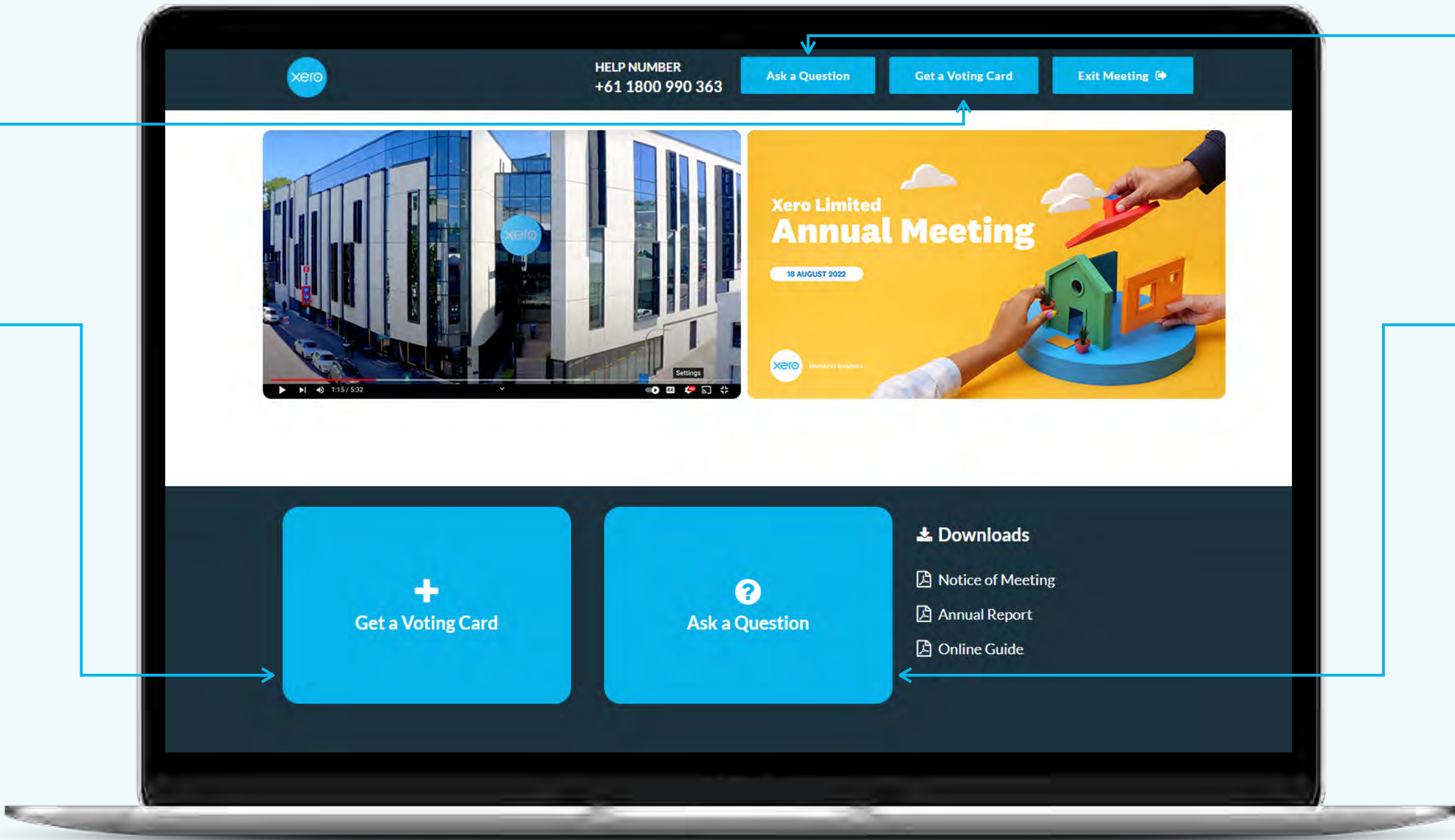
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 Downloads



Questions

Ask a Question



Ask a Question

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from Australia

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if you are calling from
outside Australia

Agenda

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David Thodey
CHAIR

**Chair's
address**

2.



Steve Vamos
CHIEF EXECUTIVE OFFICER

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David Thodey
CHAIR

**Chair's
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2.



Steve Vamos
CHIEF EXECUTIVE OFFICER

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Strong result with 29% revenue growth

Financial and operating performance highlights for the year ended 31 March 2022

SUBSCRIBERS

3.271m

+ **530,000** net subscriber additions or **19% YOY**

ARPU

\$31.36

+ **7% YOY** (9% in constant currency)

AMRR

\$1,231.1m

+ **28% YOY** (30% in constant currency)

TOTAL LIFETIME VALUE

\$10.9b

+ **\$3.3b** or **43% YOY**

OPERATING REVENUE

\$1,096.8m

+ **29% YOY** (30% in constant currency)

EBITDA

\$212.7m

+ **\$21.4m YOY**

NET LOSS

-\$9.1m

- **\$28.9m YOY**

FREE CASH FLOW

\$2.1m

- **\$54.9m YOY**

Strategic priorities



DRIVE CLOUD ACCOUNTING



**GROW SMALL BUSINESS
PLATFORM**



**BUILD FOR GLOBAL SCALE
AND INNOVATION**

Outlook

Xero will continue to focus on growing its global small business platform and maintain a preference for reinvesting cash generated, subject to investment criteria and market conditions, to drive long-term shareholder value.

Total operating expenses (including acquisition integration costs) as a percentage of operating revenue for FY23 are expected to be towards the lower end of a range 80-85%.



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David Thodey
CHAIR

**Chair's
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Steve Vamos
CHIEF EXECUTIVE OFFICER

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RESOLUTION 1

Fixing the fees and expenses of the auditor

That the Board is authorised to fix the fees and expenses of Ernst & Young as auditor for the ensuing year

**36,888 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

107,113,402

98.83%

Against

1,223,837

1.13%

Discretionary

49,260*

0.05%

RESOLUTION 2

Re-election of David Thodey, AO

That David Thodey, retiring from office as a director of Xero at the close of the Meeting, and being eligible, be re-elected as a director of Xero



**36,959 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

102,440,189

94.46%

Against

5,957,058

5.49%

Discretionary

50,609*

0.05%

RESOLUTION 3

Re-election of Susan Peterson

That Susan Peterson, retiring from office as a director of Xero at the close of the Meeting, and being eligible, be re-elected as a director of Xero



**37,034 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

99,468,030

91.72%

Against

8,930,974

8.24%

Discretionary

50,684*

0.05%

RESOLUTION 4

Election of Brian McAndrews

That Brian McAndrews, retiring from office as a director of Xero at the close of the Meeting, and being eligible, be elected as a director of Xero



**37,109 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

For

107,867,942

99.47%

Against

524,743

0.48%

Discretionary

50,759*

0.05%

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David Thodey
CHAIR

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Steve Vamos
CHIEF EXECUTIVE OFFICER

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Glossary

Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by an accounting partner or an end user (small business subscriber) which is (or is available to be) deployed. Subscribers that have multiple subscriptions to integrated products on the Xero platform are counted as a single subscriber

AMRR

Annualised monthly recurring revenue (AMRR) represents monthly recurring revenue at 31 March, multiplied by 12. It provides a 12 month forward view of revenue, assuming any promotions have ended and other factors such as subscriber numbers, transaction volumes, pricing and foreign exchange remain unchanged during the year

ARPU

Average revenue per user (ARPU) is calculated as AMRR at 31 March, divided by subscribers at that time (and divided by 12 to get a monthly view)

Churn

Churn is the value of monthly recurring revenue (MRR) from subscribers who leave Xero in a month as a percentage of the total MRR at the start of that month. The percentage provided is the average of the monthly churn for the previous 12 months

Constant currency

Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2021. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2021

Lifetime value (LTV)

LTV is the gross margin expected from a subscriber over the lifetime of that subscriber. This is calculated by taking the average subscriber lifetime (1 divided by churn) multiplied by ARPU, multiplied by the gross margin percentage. Group LTV is calculated as the sum of the individual segment LTVs, multiplied by their respective segment subscribers, divided by total Group subscribers

Free cash flow

Free cash flow is defined as cash flows from operating activities less cash flows used for investing activities excluding cash used for acquisitions of, and investments into, businesses and strategic assets

GAAP

Generally accepted accounting principles



Beautiful business

xero.com/investors