



Beautiful accounting software

## MARKET RELEASE

### **Xero Limited (NZX: XRO; ASX: XRO) Reports Interim Financial Results for Half Year Ended 30 September 2015**

#### **EXECUTING ON STRONG GLOBAL GROWTH WITH IMPROVING OPERATING METRICS**

*(Note: All currency stated in \$NZD)*

#### **Performance Highlights**

##### Executing on global growth opportunity

- Annualised committed monthly revenue of \$218.2 million, an increase of \$85.9 million (65%) from \$132.3 million at 30 September 2014
- Subscription revenues of \$89.8 million, increasing \$37.6 million (72%) from \$52.2 million for H1 FY15
- YoY international growth of 110% operating revenue (76% in constant currency) and 79% subscribers in markets outside Australia and New Zealand
- North American subscriber growth of 114% over H1FY15

##### Improving operating metrics while investing for growth

- Gross margin increased from 67% to 74% due to improved efficiencies and economies of scale
- Operating and investing cash flows steady at \$49.5 million compared to \$48.5 million for H2FY15
- Q2 FY16 cash usage has reduced from the prior four quarters reflecting greater proportion of investment being funded by strong receipts
- Contribution margin in the more developed Australia and New Zealand market increased from 22% in H1FY15 to 27% in H1FY16 while continuing investments to drive operating revenue growth of 59%
- Net loss after tax of \$44.3 million, an increase of \$19.8 million from the \$24.5 million loss for H1 FY15, but broadly in line with H2 FY15, reflecting the increased investment in product development and distribution channels
- Closing cash position of \$224.5 million

##### Market leadership

- Delivered subscriber growth, of 222,000 (60%) in the last 12 months to 593,000 paying subscribers globally as of 30 September 2015
- Market leading cloud position in Australia and New Zealand with over 425,000 subscribers

- First small business cloud accounting company in the United Kingdom to surpass 100,000 subscribers

**Sydney AUSTRALIA, November 5, 2015** Xero Limited (NZX: XRO; ASX: XRO) today reported its half-yearly earnings to September 30, 2015, reaching 593,000 paying subscribers, an increase of 222,000 from September 30, 2014, and subscription revenue of \$89.8 million. There are now over 600,000 subscribers using Xero.

“Xero delivered strong global growth while improving operating metrics, reflecting positive overall business performance,” said Xero Limited Chief Executive, Rod Drury.

“Xero continues to grow its capability while delivering strong results. We have built a world-class team at all levels of the business who demonstrate disciplined execution to deliver on the global growth opportunity,” said Drury.

The Company has attracted top global talent to its board and executive teams across the world, while aligning for global execution. This includes:

- Successful completion of the CFO transition to Sankar Narayan, a seasoned global public company executive with Silicon Valley experience,
- Alignment for growth by broadening the responsibilities of CMO, Andy Lark, to encompass global marketing, sales, partnerships and education,
- Accelerating automation and big data innovation under Tony Stewart who was recently appointed to the newly established role of Chief Data Officer.

“Over the past year, cloud market adoption has accelerated and Xero has strengthened its market position, continuing to be one of the fastest growing SaaS companies in the world,” said Drury.

“With more than half-a-million subscribers using Xero globally, Xero continues to set the industry pace for innovation, grow market share and broaden its total addressable market,” said Drury.

Key global highlights include:

- In the United Kingdom the Company is the first small business cloud accounting solution to surpass 100,000 subscribers,
- Rest of the world expansion continues with subscribers in over 180 countries,
- North America added 12,000 net new subscribers during the off-season to close at 47,000, a 300% improvement over subscribers added for H1 FY15,
- Cloud accounting market leader in Australia and New Zealand with 425,000 subscribers.

“The substantial investments in building our team and internal capability is seeing us deliver innovation at a rapid cadence for Xero’s customers. Our global market position has attracted high-value partnerships with world-leading technology companies, financial institutions and banks, giving small businesses access to sophisticated cloud platforms and services once only available to big business,” said Drury.

The Company has:

- Expanded the solutions ecosystem with over 40% of Xero premium editions connecting to one of Xero's 400+ solution partners,
- Established significant strategic partnerships and integrations with top technology companies shaping the future of cloud,
- Delivered hundreds of updates and more than 40 new features, including payroll in 15 U.S states, 11 strategic partnership integrations, automated Australian Tax submission, and invoice reminders to speed up small business cashflow,
- Delivered best-in-class experiences and 99.99% uptime.

## **Conclusion and Outlook**

In the first half of this year the Company has continued to grow the team and its capability, leading the market in innovation with disciplined investments in product and distribution channels, while delivering another period of strong growth in new subscribers. Operating metrics are expected to improve as the Company continues to drive efficiencies through automation and economies of scale in cost-to-serve, customer acquisition and product development.

"We've achieved strong growth for the first half and we're on track to achieve \$200 million subscription revenue based on June 2015 foreign exchange rates this financial year. Xero is focused on containing its full financial year cash outflow to similar levels to the prior financial year. This growth as well as the rigour that we have established within the business positions Xero for long term value creation," said Drury.

"While early SaaS companies have been focussed on medium-to-large enterprises, our connected ecosystem gives us access to the global small business market, positioning us to maintain strong growth rates for an extended period of time and drive further revenue monetisation opportunities," said Drury.

## **About Xero**

Xero is a global cloud accounting platform used by over half a million subscribers in more than 180 countries with staff across the United States, United Kingdom, Australia and New Zealand. Xero seamlessly integrates with over 400 third-party tools, and was ranked No. 1 by Forbes as the [World's Most Innovative Growth Company](#) in 2014 and 2015. Through Xero's commitment to continual innovation, it has released over 500 new features and updates this calendar year.

## **For more information contact:**

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