



Beautiful business

## MARKET RELEASE

### **2024 Annual Meeting Chair, CEO and People & Remuneration Committee Chair Addresses and Presentation**

**WELLINGTON, 22 August 2024** - Xero Limited (ASX: XRO) attaches the Chair, CEO and People & Remuneration Committee Chair addresses and presentation for Xero's 2024 Annual Meeting.

*Authorised for release to the ASX by the Company Secretary.*

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#### **About Xero**

[Xero](#) is a global small business platform with 4.2 million subscribers. Xero's smart tools help small businesses and their advisors to manage core accounting functions like tax and bank reconciliation, and complete other important small business tasks like payroll and payments. Xero's extensive ecosystem of connected apps and connections to banks and other financial institutions provide a range of solutions from within Xero's open platform to help small businesses run their business and manage their finances more efficiently.

**Xero Limited (XRO)**  
NZ Company no. 1830488  
ARBN 160 661 183

**Registered Address**  
19-23 Taranaki St  
Te Aro  
Wellington 6011  
New Zealand

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**XERO LIMITED – 2024 ANNUAL MEETING  
Thursday 22 August 2024**

**Address by the Chair, David Thodey AO**

Kia ora, good morning from Auckland, New Zealand and welcome to Xero's 2024 Annual Meeting. I'm David Thodey and I'm the Chair of Xero's Board.

Thank you for attending today's meeting. We're broadcasting from our Auckland office.

I hope you enjoyed the video we played highlighting some of our Xero Beautiful Business Fund winners from last year. I'll talk more about the Fund shortly.

The procedures for today's virtual meeting are intended to provide you the same opportunity to participate as you would at a physical meeting. This includes asking questions and voting using an electronic voting card. I'll discuss this process shortly.

In the unlikely 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 a quorum is present and I now declare the meeting formally open.

I'd like to introduce the Board and members of Xero's executive leadership team. Joining me from Auckland are directors:

- Mark Cross
- and Susan Peterson

And from Xero's executive leadership team:

- our Chief Executive Officer, Sukhinder Singh Cassidy
- our Chief Financial Officer, Kirsty Godfrey-Billy
- and our Company Secretary, Damien Coleman

As we are a global Board, joining us online from the US are directors:

- Steven Aldrich
- Anjali Joshi
- Brian McAndrews
- and from the UK, Dale Murray who is joining us in the wee small hours of her morning

Simon O'Connor from our auditor Ernst & Young, is present and available to answer any relevant questions directed to him.

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



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 our CEO Sukhinder
- Then we'll turn to the formal business of the meeting as set out in the notice of meeting
- After that, there will be an opportunity for any general shareholder questions before I close the meeting

Before giving my address I do want to outline a little bit more 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 you to submit any questions as soon as possible, including questions about any of the resolutions.

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

Shareholders can also ask questions by telephone.

To use the teleconference facility, shareholders must use their unique PIN provided 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, dial 'STAR 1' on your keypad to 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.

Xero delivered a pleasing operating result in FY24 with a balance between strong revenue growth and significantly improved profitability. This was reflected by Xero achieving a greater than Rule of 40 outcome for the financial year. This is a common metric used by high growth technology companies as an indicator of their ability to generate profitable revenue growth. It comprises the sum of constant currency revenue growth and free cash flow margin, which for Xero came in at 41%.

Xero's results demonstrate our momentum, our ability to execute towards our future aspirations and above all, the trust accountants and bookkeepers and our small business customers place in our platform to complete critical business tasks.

There continues to be significant opportunity to introduce the benefits of cloud accounting to new customers while increasing the use of our platform by existing customers.

In the markets where Xero operates, small businesses face a changing operating environment that is impacted by interest rate pressures, productivity challenges, persistent inflation, and other macro environment and geopolitical influences. This is reflected in our Xero Small Business Insights program which uses anonymised and aggregated customer data to monitor how small businesses are



performing. XSB data shows lower sales than a year ago in the five markets we monitor — Australia, the UK, the US, Canada and New Zealand. However, there are signs that the US and Canada may return to positive sales growth soon, along with improvements in job numbers, particularly in Australia and New Zealand.

It's inspiring to see how well our customers are navigating this environment while continuing to meet the needs of their own customers.

We believe this reinforces Xero's role as a critical tool that helps small businesses run more efficiently and effectively within these changing environments and highlights the benefits of digitising the small business economy.

We continue to work closely with governments in regions we operate in, to advocate for them to support small business digitisation, simplify government approvals and engagements, and automate the tax system. This can help address the late payments issues faced by small businesses and improve productivity to strengthen this critical backbone to the economy.

Xero also continues to back small businesses directly and we strive to deliver on our purpose through the Xero Beautiful Business Fund. In 2024 we're again offering funding support to small businesses in four categories:

- Innovating for environmental sustainability;
- Trailblazing with technology;
- Strengthening their communities; and
- Upskilling for the future

If you're operating a small business, I encourage you to enter, and I really look forward to seeing who the winners are.

During FY24, Sukhinder, working with the Board, welcomed several new leaders to our executive and senior leadership teams. These new leaders have proven capabilities to lead our global portfolio of businesses and complement our existing, tenured and deeply experienced team.

With the leadership team in place, we moved to developing our FY25-27 strategy, Winning on Purpose, which we announced at Xero's inaugural Investor Day in February 2024. We see an opportunity to capture the largely untapped Total Addressable Market of over \$100 billion present within our 3x3 strategy. This is anchored in our purpose — to make life better for people in small business, their advisors and communities around the world.

The clarity and focus of our strategy underpins our ability to execute and capture this significant opportunity ahead of us.

A key pillar of this strategy is evolving Xero's culture to enable our people to thrive and increase their impact. Core to this is driving a performance-focused approach while maintaining our purpose-led culture. The Board played an active role in this work, as we seek to nurture Xero's special culture, while introducing more of a performance focus to support the business's evolution as we grow.



Building and maintaining trust is at the heart of our business and is the foundation of the many ways we create long-term value for our stakeholders.

Importantly Xero processes a significant amount of personal and customer data and we take a rigorous approach to managing security, through multiple layers of data protection, robust cybersecurity management processes and education for our people.

While we're excited about new technologies emerging, including the upcoming launch of our Generative AI tool JAX, we strive to use these new tools in ways that are secure, safe and maintain our focus on being a trusted platform. We will continue to carefully consider how we use Gen AI as a technology both for customers and internally.

It is important that Xero grows in a sustainable way and the Board understands the importance of upholding high standards of governance to create long term value for all our stakeholders. We remain committed to building a socially responsible and sustainable business.

On climate, in line with the global shift towards standardised climate disclosures, we are committed to providing comparable, consistent and transparent information about the impacts of climate change on our business. We are also streamlining Xero's practices to be more socially responsible.

In FY24, following the reshaping of our business and an external review of our carbon emissions reduction processes and targets, we expanded our Scope 3 emissions boundary. In the year ahead, we will rebase our targets at our FY24 footprint with our expanded boundary. This will be reflected in our FY25 climate reporting.

We also recognise we have a responsibility to help small businesses become more sustainable themselves. We're helping our customers transition to a net zero economy by providing third party applications in the Xero App store, through education and other tools.

Xero has an inclusive work environment and we believe diversity, inclusion and belonging are critical to attracting top talent and helping people thrive. We introduced a new diversity target in FY24 — to have 10% of our workforce identify within Underrepresented Racial and Ethnic groups globally by the end of FY27.

Turning to the Board — we remain committed to continuing to improve our practices to support Xero's governance and the delivery of its purpose and strategy. There have been no changes in the composition of the Board since our last Annual Meeting. The Board recognises the importance of having a mix of skills, knowledge, experience, diversity and independence to help fulfil its role in leading a global SaaS business. The Board's mix of skills and experience is outlined in our Board skills matrix in our Annual Report.

In FY24, the Board implemented several changes following a review in FY23 to strengthen its oversight, strategic focus and capability. The Nominations Committee was changed to Nominations and Governance Committee and the Committee's charter was updated to reflect its expanded remit to assist the Board in relation to our corporate governance practices. The Board will continue to evaluate our practices as our business, the governance landscape and stakeholder expectations continue to



evolve.

I'd like to acknowledge and thank my fellow directors for their commitment, time and effort in the work of stewarding Xero as it grows into a global company with a clear vision and purpose that has digitally disrupted the accounting software industry.

In conclusion, we're pleased with our FY24 performance. The Board continues to work closely with Sukhinder and the leadership team to oversee the execution of our FY25-27 strategy, to deliver on our purpose and drive disciplined, customer-focused growth.

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

We are also immensely grateful for the dedication and passion shown daily by all of Xero's people. Our people are fundamental to Xero's success and we want to support them to do the best work of their lives.

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 Sukhinder before we commence the formal business of the meeting. Over to you Sukhinder.

-ENDS-

### **Address by the CEO, Sukhinder Singh Cassidy**

Thanks David and good morning from Auckland. It's great to be joining you all for our Annual Meeting.

Today I'm going to summarise Xero's 2024 financial year results and themes as well as briefly discuss our strategic priorities. Then to finish, I'll touch on Xero's outlook.

We're really proud of the FY24 result. In particular it shows you we're capable of executing towards our future aspirations. Xero has continued its track record of strong revenue growth and, at the same time, we've delivered a meaningful increase in profitability. And that's led to us achieving a greater than 40% Rule of 40 outcome.

Revenue grew 22% to \$1,714 million, or 21% in constant currency. Adjusted EBITDA of \$527 million increased by \$225 million, or 75% on the previous year. Together, the strong operating result and improved free cash flow generation resulted in a Rule of 40 outcome of 41.0%.

Moving to the next slide, Xero is a macro resilient business that consistently delivers strong top line growth.

In FY24 we saw growth balanced between subscribers and ARPU, with subscriber growth of 11% year on year, and APRU of 14%.



Subscriber additions were 419,000 in the year.

Price changes across both our Business Edition and Partner Edition products were a key driver of ARPU increasing 14%, or 10% on a constant currency basis.

Moving to the next slide, I'll now spend a few minutes talking through our bottom line outcomes.

The chart on the left shows the meaningful change in Adjusted EBITDA year on year, up 75%. This contributed to a strong free cashflow margin of 20.0%. The increase here reflects the benefits of the restructuring we completed late in FY23.

You can see in the chart on the far right that adding this to revenue growth — where we use the 21% constant currency metric — resulted in our Rule of 40 outcome of 41.0%.

This neatly shows how we've shifted to delivering profitability without moving away from adding value for customers and generating strong revenue growth.

Now moving to our strategy. As you know, our vision and purpose are constants at Xero.

Successfully delivering on these is key to achieving our aspiration — which I'll cover in a few moments.

Our FY25-27 strategy, which we announced at our Investor Day in February, has four key pillars:

- Win the 3x3
- Building a winning go-to-market or GTM playbook for Xero's next chapter
- Win the future — about focused bets and innovation
- And lastly, unleash Xero and Xeros to Win

There are 12 key tactics, three under each pillar. For those of you who missed our Investor Day, I encourage you to watch the recording which can be found on our Investor Centre, where we discuss each of these in detail.

We've started making moves against these tactics already, which I'll recap on the next slide.

To support winning the 3x3, we established a partnership with Deputy to embed time and scheduling into our core product in Australia. As part of this we are exiting Planday in Australia and will focus the Planday business in Europe and the UK.

We've launched simplified product packages in Australia, New Zealand and the UK. This supports our GTM playbook strategic pillar to make it easier to help customers choose the right plan for them and their level of complexity.

As part of our focused bets for the future and growing other markets efficiently, we've restructured our Canada sales team. This reflects us right-sizing for the current cloud accounting backdrop. We're also retiring Xero Go in the UK as we evolve our mobile efforts and focus on our primary segments.

Finally, as part of continuing to unleash Xeros to win, Diya Jolly was promoted in April to Chief Product and Technology Officer. Diya's leadership across these teams is improving their ways of working,



particularly how our engineering and product functions operate together as we continue to evolve our capabilities and improve product delivery.

The improvement in product velocity was a key theme at our recent Xerocons in London and Nashville. We're focused on continuing to enhance our products to deliver value to our customers and support our 3x3. Recent developments include:

- In the UK, we've deepened our solutions for UK accountants and bookkeepers through new partnership tax capabilities. We also enhanced core practice management by better connecting tax compliance with practice management to enable accountants and bookkeepers to manage workflows and improve job tracking and prioritisation
- In the UK, we announced a new Xero Payroll feature — payroll manager which will help save accountants and bookkeepers time by providing a consolidated view of client pay runs, making it quicker and simpler to identify clients whose payroll needs attention

And in the US we have significantly improved our core accounting offering, by:

- Extending our direct bank feeds coverage to over 700 banks versus only twenty 18 months ago through partnerships with aggregators;
- Enhancing our bank reconciliation process to better align with the US practice of closing out a period by reconciling to a bank statement;
- Expanding sales tax reporting, enabling businesses to automatically generate reports for each filing period to eliminate manual processes;
- And progressing our partnership with BILL to provide an integrated bill pay solution, with our beta due to be released in the near future

Another key theme at our Xerocons was to update accountants and bookkeepers about new products that will come out across all our regions. This included announcing the beta for Just Ask Xero, our generative AI business companion, which will make it easier than ever for small businesses and their advisors to access business-critical information and manage their finances on the go.

We also announced that Xero is bringing Tap to Pay to the UK, US and Australia, to further enhance our mobile offering.

Building on this momentum will continue to be a key focus area throughout FY25 as we invest in our product capabilities.

Let's move to our outlook statement.

There are no changes to the outlook we provided with our FY24 results announcements.

In FY25, total operating expenses as a percentage of revenue is expected to be around 73%, and compared to FY24 product design and development costs as a % of revenue is expected to be higher.

We also continue to expect to remove between 125 and 175 thousand long idle subscriptions in the first half of FY25. I'd refer you to our existing disclosures from the FY24 results for further detail.

Of course, in addition to these shorter term considerations, we continue to pursue our aspirations.





Our aspiration is to be a world class global SaaS business, from our very strong position today.

As we shared with you in February, we believe we have the opportunity to double the size of this business AND deliver Rule of 40 or greater performance.

And we'll focus on high quality growth, which has a balance between subscriber growth and ARPU expansion.

As I've said before, these aspirations are powerful and purposeful, and we will continue to pursue them aggressively over the short, medium and long term.

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 support and hard work, 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-

### **Address by the People and Remuneration Committee Chair, Susan Peterson**

Thank you David. As Sukhinder said, Xero has delivered a strong operating result in FY24, in a year where we made significant changes to better enable our strategy. The delivery of a greater than 40% Rule of 40 outcome and strong shareholder returns has been enabled by the high quality talent we attract.

Our approach to remuneration has been a critical enabler to attract this high quality talent. As we look ahead to build on our FY24 performance and the delivery of our strategy, we have continued to evolve our remuneration approach. These changes better enable us to attract, retain and reward the talent we need to pursue our aspiration of becoming an even higher performing global SaaS company.

Today I would like to share with you some of the key features and principles within our evolved approach.

Three remuneration principles apply to all roles at Xero and guide remuneration decisions and outcomes. These are:

- Performance;
- Scope and criticality of role; and
- Location

We have seen these principles applied in the past year as we've strengthened the link between performance and pay, improved role clarity and provided clearer career pathways and development for our people. This includes investments in developing global leadership capability programs, and evolving our performance management and development framework, to foster a more



performance-focused culture.

The application of these principles has also been an important factor in Xero being able to attract the necessary global talent to deliver our strategy, and become an even higher performing global SaaS company.

Recruiting and retaining leading global talent is critical to the successful execution of our strategy. Some of our key hires are necessarily in the US where a significant proportion of the world's leading tech talent resides. To support this, it's important we respect the realities of the remuneration structures of the markets where we compete for talent.

This is reflected in the peer groups that we have provided for benchmarking remuneration, comprising technology companies listed in the US, or on the ASX, with similar size and reach globally to Xero. The US peer group is a key comparator for global talent, reflecting market practice for the calibre of talent that Xero needs to deliver on our global strategic ambitions.

We're also conscious of balancing the need to meet local market demands with ASX best practices for remuneration construction. This can be seen in the remuneration structure for Xero's leadership team, which has three elements:

- Fixed Remuneration
- Short Term Incentive, which is at-risk and linked to performance. The performance is assessed through 70% Financial and 30% Non-Financial metrics, alongside an individual performance modifier. STI is split equally between cash and 1-year deferred shares. It should be noted that STI deferral is not market practice in the US, however we include it at Xero to ensure that all of our executives are rewarded for good long term decision making and good conduct. This is an important mechanism to Xero and our shareholders
- Long Term Incentive and Equity, comprising:
  - An at-risk performance-based component. This is based on operating revenue growth, free cash flow margin and relative Total Shareholder Return (based on the EmCloud index) over a three year period
  - And a service based component which is commonplace and required in order to be competitive in the US tech industry
  - The Board retains discretion to claw back or not to award any part of the LTI or LTE should circumstances justify it

The majority of our CEO's Long Term Incentive is performance assessed, and 80% of her total remuneration is equity based to ensure alignment with long term value creation for shareholders. We consider this to be important as we seek to align her reward to both the successful delivery of our FY 25-27 strategy and performance for our shareholders.

For those of you who would like more detail on the structure, key performance metrics and quantum of executive remuneration, please refer to our Remuneration Report which can be found in our FY24 Annual Report.



We continue to improve and evolve our remuneration reporting each year, in part based on feedback our shareholders provide. This year we have added new disclosures, including detail on our peers for benchmarking, and additional colour on performance against Short Term Incentive targets.

Through our Remuneration Report we aim to provide a good understanding of the work we do to support our culture and performance, and to connect our reward and recognition frameworks with the successful execution of our strategy.

However our report is not intended to fully replicate the statutory disclosure requirements of an Australian-domiciled company's Remuneration Report, as these requirements do not apply to Xero as a New Zealand-domiciled company. We make this disclosure willingly and voluntarily.

Our commitment to continually evolve our approach is reflected in the inclusion of Resolution 4 at today's meeting. This provides shareholders with the opportunity to vote on an advisory resolution to adopt the FY24 Remuneration Report.

While this resolution will not bind Xero or the Board or have other legal consequences, we see it as an important way to obtain feedback from shareholders on our remuneration governance and practices. The voting outcome and comments will be considered by the Board when setting future remuneration strategy, and in the following year's Remuneration Report.

We welcome engagement with shareholders throughout the year and the role that it plays in helping us understand what is important to them.

It is pleasing to know that the majority of our active, long term investors are very supportive of our remuneration approach. They support our transition to a 'performance with purpose' culture and recognise our need to adopt pay practices that may not fully reflect a traditional ASX structure if Xero is to remain competitive in the global market for tech talent. I thank them for their full and frank engagement. It has also been pleasing to have three out of the four major proxy firms recommend votes for Resolution 4 in support of our remuneration approach.

While we welcome all feedback, and acknowledge that one proxy adviser recommended against supporting Resolution 4, it is important to understand that the analysis in their report is explicitly based on an Australian Benchmark Policy. This compares against an ASX based peer group only and it is clear that this is a key driver of their recommendation against supporting Resolution 4. We believe that if we follow this approach of benchmarking solely against peers based on where we are listed, rather than the global talent pool in which we operate, we would not be able to attract the talent to support the successful execution of our strategy and, by extension, inhibit our ability to deliver long term shareholder value.

Our approach is to compare our CEO remuneration against a peer group which represents both Australian and US geographies, reflecting the third principle of our remuneration approach, to pay based on the geographic location of our people.

We adopt this approach because, as we know, Xero's 3x3 strategy is purposely global and demands both performance and talent across its markets if we are to be successful. It's critical that Xero can remain adaptable and competitive in compensation and use relevant global benchmarking, given this



reality. It's pleasing to hear in our conversations with active, long term shareholders that they agree with us in this regard.

We acknowledge the structure of our CEO's pay does not completely align with what you would typically see for an Australian or US based CEO. However, we believe our hybrid approach is necessary to attract a senior leader from the US tech industry who has the experience required to successfully lead Xero's next phase of growth. In order to secure, and retain her, we've endeavoured to balance those characteristics that are most important to a US based executive, while retaining key features of ASX best practice. This includes:

- Ensuring that the majority of Long Term Incentives and Short Term Incentives are tied to performance hurdles
- Including deferred equity for 50% of the granted Short Term Incentive
- Retaining 100% board discretion for any vesting of Short and Long Term incentives. This includes good conduct and malus provisions

This reflects the Board's commitment to balancing the needs of all stakeholders as we incentivise long term shareholder value creation. The feedback provided through engagement with our active, long term shareholders provides us with confidence in our Remuneration approach.

Finally, I'd like to acknowledge and thank my fellow directors on the People and Remuneration Committee for their commitment and support, our shareholders as they have willingly leaned into these conversations with us and finally to all of our Xeros for their dedication throughout the year. I feel grateful to be working with you all.

I will now hand back to the Chair.

-ENDS-

XERO LIMITED

# Annual Meeting

22 AUGUST 2024

xero



# IMPORTANT NOTICE

This presentation is given on 22 August 2024 on behalf of Xero Limited (Xero) (ASX:XRO) (Company number NZ 183 0488, 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 2024, 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 2024, 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 25 for a glossary of the key terms used in this presentation.

# Board of Directors



**David Thodey, AO**  
**CHAIR**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*Nominations and Governance Committee*  
*(Chair)*  
*Audit and Risk Management Committee*



**Mark Cross**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*Audit and Risk Management Committee*  
*(Chair)*  
*People and Remuneration Committee*



**Susan Peterson**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*People and Remuneration*  
*Committee (Chair)*  
*Nominations and Governance Committee*



**Anjali Joshi**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*People and Remuneration Committee*



**Brian McAndrews**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*People and Remuneration Committee*  
*Nominations and Governance Committee*



**Dale Murray, CBE**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*Audit and Risk Management Committee*



**Steven Aldrich**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
*Audit and Risk Management Committee*

# AGENDA

**01**

**CHAIR  
ADDRESS**



**DAVID THODEY**  
CHAIR

**02**

**CEO  
UPDATE**



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER

**03**

**RESOLUTIONS**

**04**

**Q&A**



# Using the online platform

## Voting

Get a Voting Card



Get a Voting Card

Download the Online Guide at [xero.com/investors/](https://xero.com/investors/) or under Downloads

Downloads

## Questions

Get a Voting Card



Ask a question

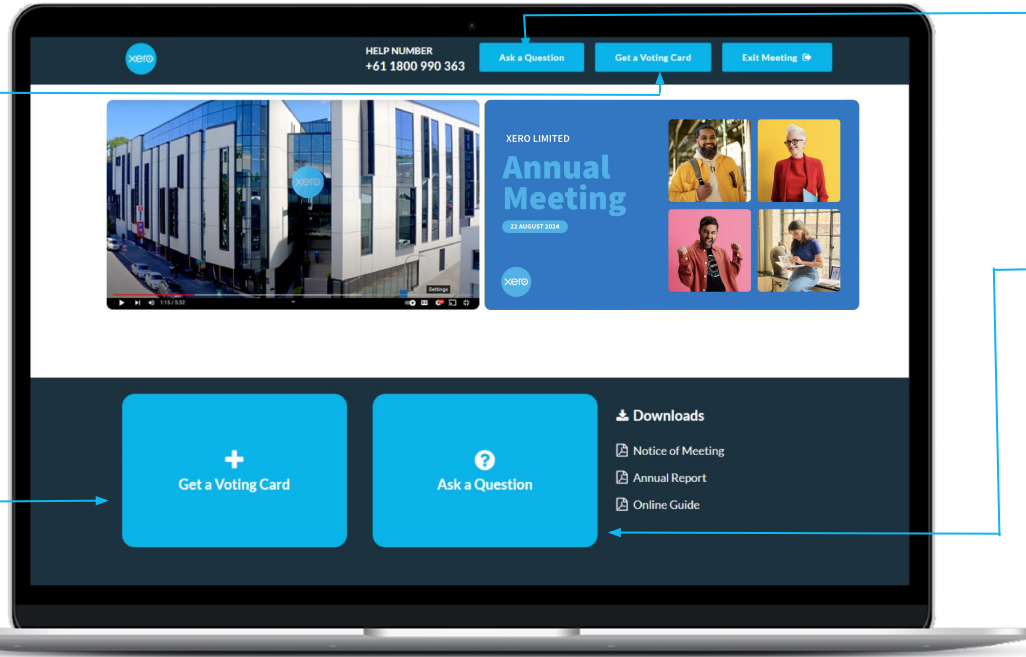
## Help number

**1 800 990 363**

If you are calling from Australia

**+61 1800 990 363**

If you are calling from outside Australia



# AGENDA

**01**

**CHAIR  
ADDRESS**



**DAVID THODEY**  
CHAIR

**02**

**CEO  
UPDATE**



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER

**03**

**RESOLUTIONS**

**04**

**Q&A**

# AGENDA

01

CHAIR  
ADDRESS



DAVID THODEY  
CHAIR

02

CEO  
UPDATE



SUKHINDER SINGH CASSIDY  
CHIEF EXECUTIVE OFFICER

03

RESOLUTIONS

04

Q&A

# FY24 results demonstrated our ability to execute towards our future aspirations

Continued our track record of strong revenue growth

Delivered profitability and above Rule of 40 outcome

Operating Revenue

**\$1,714m**

+22% YOY  
(21% in constant currency)

Adjusted EBITDA

**\$527m**

+75% or \$225m YOY

Rule of 40<sup>1</sup>

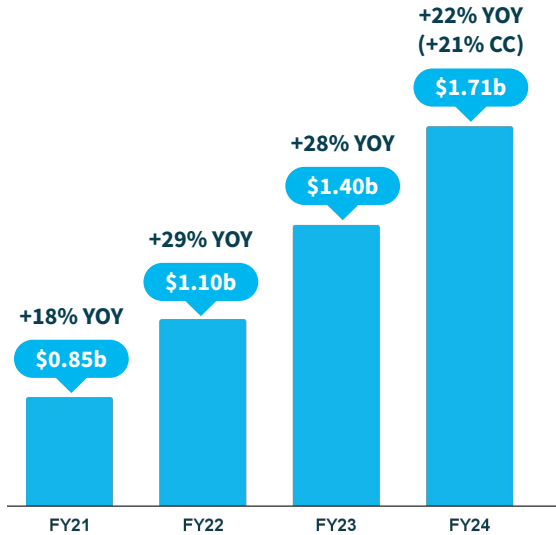
**41.0%**

+9.1pp YOY

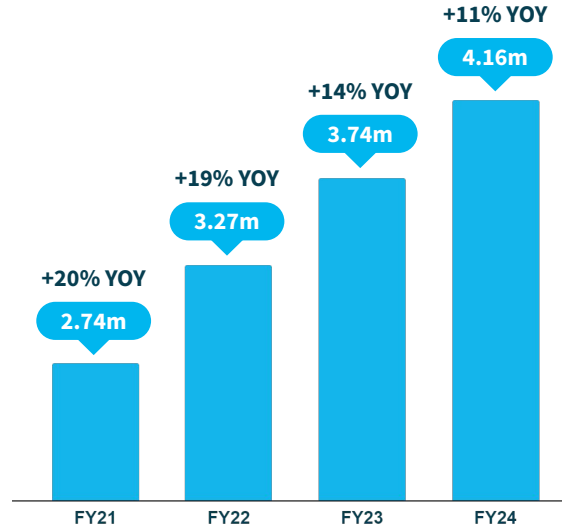
1. Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

# Continued our track record of strong revenue growth

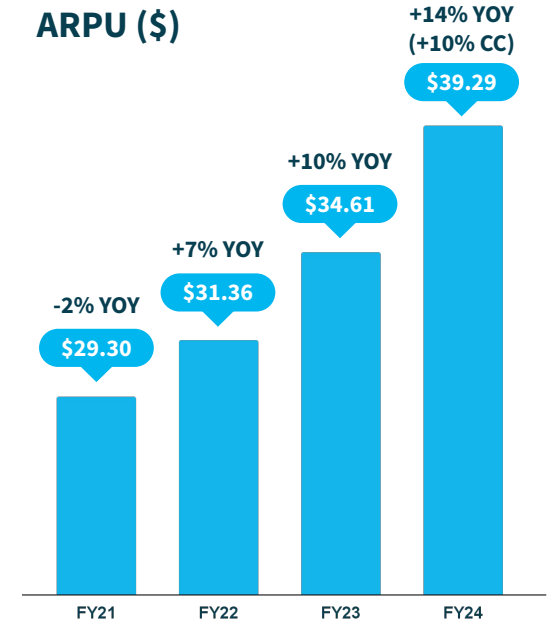
## Revenue (\$b)



## Subscribers (#m)



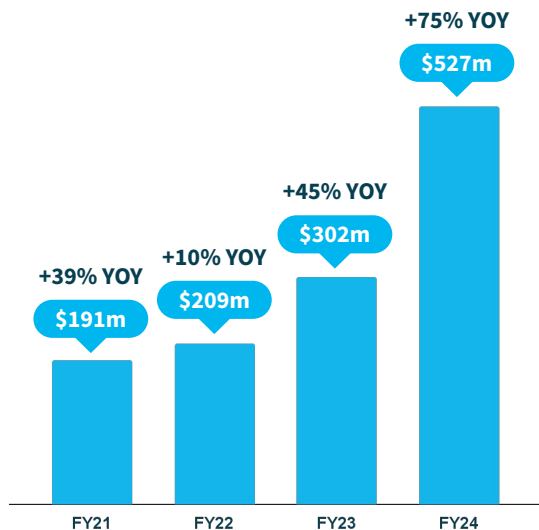
## ARPU (\$)



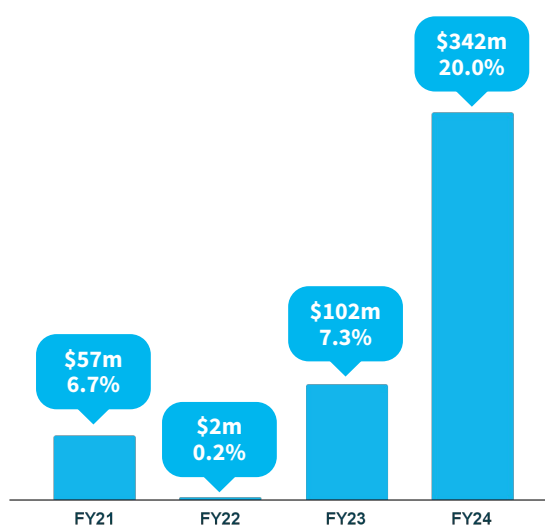
Delivered revenue growth balanced between subscribers and ARPU

# Delivered a Rule of 40 outcome; in line with commitment to balance growth with profitability

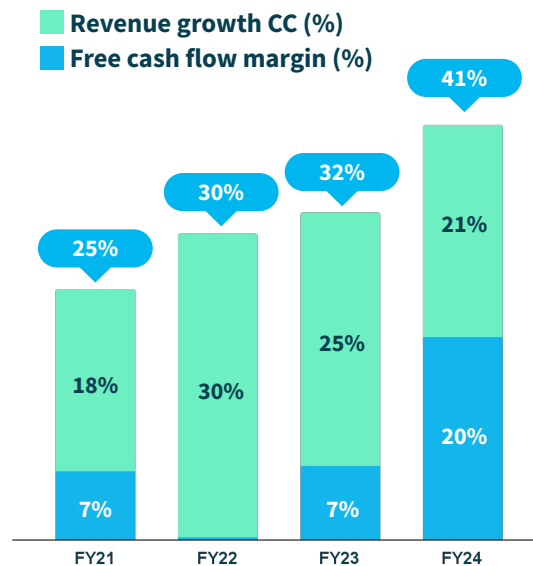
## Adjusted EBITDA (\$m)



## Free cash flow (\$m) & margin (%)



## Rule of 40<sup>1</sup> (%)



1. Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

# WINNING ON PURPOSE

WHY WE EXIST

## Purpose

To make life better for people in small business, their advisors and communities around the world

## Vision

To be the most trusted and insightful small business platform

ASPIRATION

**To be a world class SaaS business**  
**To double the size of our business and deliver Rule of 40 or greater performance<sup>1</sup>**

FY25-FY27 STRATEGIC PRIORITIES

### Win the 3x3

Complete our JTBD and journeys in AU, UK, US

### A Winning GTM Playbook

Make it easier for customers to find, use and grow with Xero

### Focused Bets to Win the Future

Invest selectively to help Xero keep winning longer term

### Unleash Xero(s) to Win

Enable Xero to move faster and Xeros to do the best work of their lives

VALUES



We make it **beautiful**



We make it **happen**



We make it **human**



We make it **together**

1. This aspirational opportunity is not guidance nor a prediction of future performance. No timeframe has been set. This is provided as an indication of outcomes which management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control. See slide 18 for important additional qualifications and information

# Our areas of focus for FY25–27

80%

## Win the 3x3

Complete the three critical jobs in the three largest markets

Reimagine the SMB journey including embed

Reimagine the AB journey including embed

## A Winning GTM Playbook

Product, pricing and packaging to increase usage and growth

Acquire and onboard subscribers to the right products efficiently

Deepen customer relationships

## Focused Bets to Win the Future

Evolve customer experience through AI and mobile

Realise potential of our ecosystem and APIs

Keep growing other markets efficiently

20%

## Unleash Xero(s) to Win

Deliver a purpose and performance driven EVP

Enhanced Product and Tech capabilities and op model

Transform core enterprise systems



# We continue to progress our strategic priorities & purposefully allocate capital



## Win the 3x3

- Embed partnership with Deputy in Australia<sup>1</sup> (Exiting Planday AU & focusing on Europe & UK)



## A Winning GTM Playbook

- Launched simplified product packages in Australia, UK and New Zealand



## Focused Bets to Win the Future

- Restructured Canada for efficient growth
- Retired Xero Go as we evolve Mobile efforts



## Unleash Xero(s) to Win

- Diya Jolly promoted to Chief Product and Technology Officer

1. Including a US \$25m equity investment in Deputy



# Partnership Tax in Xero



## Partnership tax return

SA800 form and  
supplementary pages

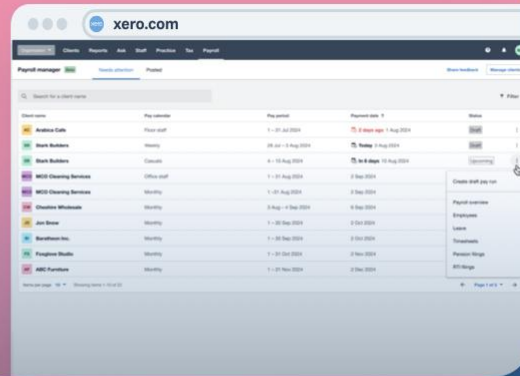


Partnership (general)  
accounts production

# Integrated Practice Management



# Payroll Manager





# Enhanced bank feeds

Over 700 in 18 months



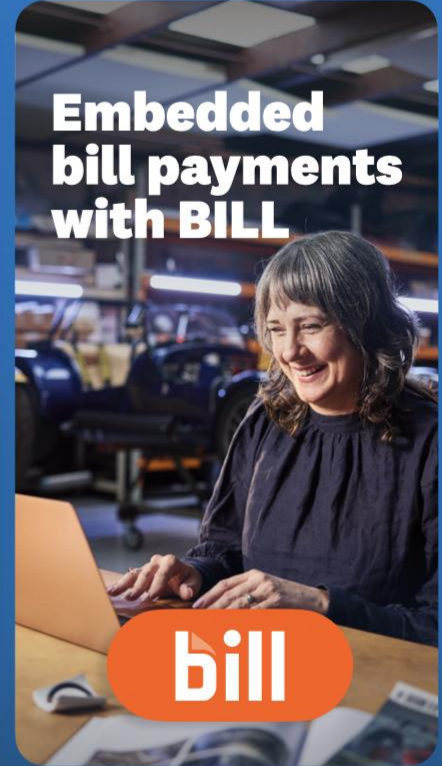
# New bank reconciliation



# Sales tax reporting and dashboard

State	Reporting basis	Frequency	Period
CA	Accrual	Monthly	Jul 1 - Jul 31, 2023
CA	Accrual	Monthly	Jun 1 - Jun 30, 2023
CA	Accrual	Monthly	Jul 1 - Jul 31, 2023
AZ	Accrual	Quarterly	Jul 1 - Sept 30, 2023
TX	Accrual	Quarterly	Jul 1 - Sept 30, 2023

# Embedded bill payments with BILL



## Global product updates

### User

Hey JAX, I need to adjust the quantity of an item on an invoice. Can you help with that?

JAX

Sure! please provide me with the invoice number and the item you'd like to adjust.



**Just Ask Xero**

# Tap to Pay in the Xero Accounting app

Android beta

Coming August



# FY25 Outlook



Total operating expenses as a percentage of revenue is expected to be around 73% in FY25, and compared to FY24, product design and development costs as a % of revenue is expected to be higher



# Our aspiration<sup>1</sup>

*We aspire to be a world class SaaS business*

*We believe we have the opportunity to both double the size of our business<sup>2</sup>  
and deliver Rule of 40 or greater performance<sup>3,4</sup>*

*As we grow, we will also seek to be more balanced between  
subscriber growth and ARPU expansion*

1. Xero's aspirational revenue and Rule of 40 performance opportunity statement is not guidance nor a prediction of future performance. No timeframe has been set. It is provided as an indication of outcomes management is currently focused on as part of its strategic ambitions. There are risks and uncertainties in connection with this aspiration, including from events beyond Xero's control

2. Xero FY23 revenue was \$1,400m, and H1 FY24 revenue (annualised on a straight line basis) is \$1,599m

3. Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

4. Rule of 40 outcomes, and the component parts may vary from period to period as we identify opportunities for disciplined customer focused growth and experience changes in our cash tax payment profile. Xero is likely to exhaust its accumulated NZ tax losses during the FY25-27 strategic period. Xero's remaining NZ losses balance was ~\$193m at 31 March 2024

# AGENDA

**01**

**CHAIR  
ADDRESS**



**DAVID THODEY**  
CHAIR

**02**

**CEO  
UPDATE**



**SUKHINDER SINGH CASSIDY**  
CHIEF EXECUTIVE OFFICER

**03**

**RESOLUTIONS**

**04**

**Q&A**

## RESOLUTION 1

# Auditor's fee and expenses

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

*\*32,068 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

**For**

**113,952,694**

99.75%

---

**Against**

**236,945**

0.21%

---

**Discretionary\***

**47,528**

0.04%

---



## RESOLUTION 2

# Re-election of Steven Aldrich

That Steven Aldrich, 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

*\*31,614 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

**For**

**112,549,373**

98.52%

---

**Against**

**1,640,350**

1.44%

---

**Discretionary\***

**47,074**

0.04%

---

## RESOLUTION 3

# Re-election of Dale Murray CBE

That Dale Murray, 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

*\*32,274 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

**For**

**112,187,285**

98.21%

---

**Against**

**2,001,717**

1.75%

---

**Discretionary\***

**47,734**

0.04%

---

## RESOLUTION 4

# Adoption of the Remuneration Report

That the Remuneration Report contained in the FY24 Annual Report be adopted

*Note: Xero is putting this resolution to shareholders voluntarily as a matter of good governance. This is an advisory resolution and the outcome of the vote will not bind the Board or Xero. A voting exclusion applies to this resolution.*

*\*33,025 of which are held by the Chair of the Meeting who intends to vote in favour of the resolution*

**For**

**81,566,493**

77.49%

---

**Against**

**23,646,454**

22.46%

---

**Discretionary\***

**48,285**

0.05%

---

# AGENDA

01

CHAIR  
ADDRESS



DAVID THODEY  
CHAIR

02

CEO  
UPDATE



SUKHINDER SINGH CASSIDY  
CHIEF EXECUTIVE OFFICER

03

RESOLUTIONS

04

Q&A

# Glossary

## Adjusted EBITDA

Adjusted EBITDA (a non-GAAP financial measure) is provided as Xero believes it provides useful information for users to understand and analyse the underlying business performance. Adjusted EBITDA is calculated by adding back net finance expense, depreciation and amortisation, and income tax expense, as well as certain non-cash, revaluation and other accounting adjustments and charges to net profit/(loss)

## 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)

## Constant currency (cc)

Constant currency comparisons for revenue are based on average exchange rates for the 12 months ended 31 March 2024. Comparisons for ARPU, AMRR and LTV are based on exchange rates at 31 March 2024

## 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

## Rule of 40

Rule of 40 is defined as the sum of annual Revenue growth percentage in constant currency and annual Free cash flow margin percentage (Free cash flow as a percentage of revenue)

## Subscribers

Subscriber means each unique subscription to a Xero-offered product that is purchased by a user (eg a small business or accounting partner) and 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



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