

MARKET RELEASE

Xero highlights global AI and US growth opportunity

Xero demonstrates how it is driving value through AI and US payments: New product demos, Melio breakeven guidance and additional disclosures on Xero's US business

WELLINGTON, 3 February 2026 — Xero Limited (ASX: XRO) is today hosting an investor briefing to provide further details on its global AI and US payments opportunities. The session will feature product demonstrations in both areas, including Xero's multiple AI agents operating under JAX on [Xero.com](https://www.xero.com) and Melio's multi-channel payments offerings on [Melio.com](https://www.melio.com), [Xero.com](https://www.xero.com), and its syndication network.

CEO Sukhinder Singh Cassidy said: “We are deeply focused on capturing the global AI and US accounting plus payments TAM. Xero is well positioned to shepherd SMBs into the AI era and take advantage of this technology. We are already a trusted system of record and are now orchestrating multiple agents to evolve into the key system of action and decision making for our customers. Combined with our deep domain knowledge, unique data platform and go-to-market strengths, we have a clear AI strategy that supports our long-term growth opportunity.”

“With Melio, we are executing well on our *Win the 3x3* strategy by uniting accounting with payments on one platform to drive deeper value for SMBs, along with increasing scale and gross profit dollar growth. This will allow us to drive enhanced customer unit economics and stronger US growth.”

Xero's AI strategy and advantages

As a leading global SaaS business — long powered by machine learning and AI — Xero is well placed to capture the TAM expansion opportunity presented by AI as a trusted system of record with deep data on key small business Jobs to be Done (JTBD). To date, more than two million subscribers are benefitting from using Xero's full AI features, with over 300,000 using Xero's newer GenAI features that were announced at Xerocon Brisbane.

Xero has a critical role to play in helping SMBs realise the promise of AI by moving beyond a system of record to a system of action and decision making. This is made possible by Xero's unique position of strength and foundational advantages including:

- **Data:** A powerful, deep system of record with first and third party data
- **Platform:** Xero supports the core JTBD for small business in one place
- **Scale and domain expertise:** Deep vertical expertise and breadth across the core JTBD for small business, delivering an AI-enabled platform experience for customers
- **GTM engine:** A strong and established partnership with accountants and bookkeepers supporting its GTM engine across 4.6 million subscribers

To execute on these advantages Xero has a clear AI strategy focused on [four key pillars](#), which are already delivering benefits to customers in the core areas they see value:

- **Get help:** >97% of help sessions resolved without a ticket using self-serve content, which is partly AI-enabled¹
- **Get time back:** ~22 hours saved by customers each month using bank feeds and automated actions
- **Manage their business smarter:** ~61% increase in JAX messages (per user) in the last three months
- **Unlock new business growth:** >12% of eligible subscribers that have used AI insights²

¹ Across all help surfaces (in-product, dedicated help hub 'Xero Central' & chat bots) over FY26 YTD

² Of those subscribers who have been served AI insights

In FY27, Xero will focus on driving usage and adoption of AI, deepening AI value in its products and monetising new AI features. Xero has three principles for AI monetisation; simplicity, encouraging adoption and considering future usage evolution.

Melio: strengthening Win the 3x3, driving US scale and stronger unit economics

Bringing together accounting with payments by acquiring and integrating Melio gives Xero a strong opportunity to win more US SMBs and expand ARPU, accelerate US growth and deliver stronger unit economics. Following completion in October 2025, Xero has moved quickly to integrate Melio into its US business with strong progress to date including:

- Successfully embedding Melio's basic bill payments functionality into the Xero platform
- Unifying the go-to-market teams
- Consolidating Xero's and Melio's US offices with shared services migration underway to realise operational synergies

The united Xero–Melio proposition diversifies Xero's US revenue model to capture a greater share of SMB BillPay revenue, which Xero has provided new detailed disclosures for,³ including metrics reflecting:

- Adoption and usage of payments, across Xero and Melio's direct customers measured through Total Payment Volume (TPV) processed and gross take rate
- Growth in US direct customer ARPU
- Growth in absolute US gross dollar profit per customer, which will support US investment opportunities

Xero has also provided additional guidance on Melio, aligned with its existing FY28 aspirations communicated at the time of the Melio acquisition. This guidance underpins Xero's confidence in pursuing the significant US TAM opportunity.

Outlook

Melio is expected to reach Adjusted-EBITDA breakeven on a run-rate basis in H2 FY28.⁴

Xero also reiterates its existing FY26 guidance. Total operating expenses as a percentage of revenue is expected to be around 70.5%. Xero's FY26 Outlook includes Melio.^{5,6} This ratio is expected to be lower in H2 FY26 versus H1 FY26.⁷

At its FY26 results announcement in May 2026, Xero will transition to providing forward guidance on an Adjusted-EBITDA basis.⁸ This will replace the existing OPEX ratio framework. In addition, Xero will provide a one-off FY27 revenue growth range guide, to help bridge to its existing FY28 revenue aspiration.

³ Refer to pages 39 and 40 of Xero's Investor Briefing Presentation released today for further detail

⁴ Melio Adj-EBITDA definition aligns with the Xero group definition, for further detail refer to page 34 of Xero's H1 FY26 Interim results Investor presentation. This guide aligns with Xero's assumptions outlined in its FY28 aspiration statement and excludes synergies. Run-rate breakeven refers to at least one month of positive Adj-EBITDA contribution to the Xero group during the referenced period

⁵ This includes an expected ~\$45m from the accounting treatment of option grants and sign on from new remuneration packages. The majority of this impact will not recur in FY27

⁶ FY26 operating expense to revenue guidance excludes any impacts of transaction costs associated with the acquisition of Melio

⁷ This reflects the phasing of the non-recurring remuneration impacts (described above), Xerocon Brisbane, and timing of other planned investment spend. In addition, Xero expects to generate more revenue in H2 compared to H1 following its typical trend

⁸ Refer to page 34 of Xero's H1 FY26 Interim results presentation for definition of Adj-EBITDA



Aspiration

Xero re-affirms its FY28 aspirations outlined in June 2025, as part of the acquisition. They are that:

- The combined business is expected to significantly accelerate US revenue growth and gives Xero the opportunity to more than double its FY25 group revenue in FY28 excluding anticipated revenue synergies^{9, 10}
- This outcome is expected to support Xero's aspiration to deliver greater than Rule of 40 outcomes for the group in FY28^{11, 12, 13}

Product demonstration and education webcast

Xero's product demonstration and education webcast at 10.30am AEDT on 3 February 2026 can be accessed at: <https://webcast.openbriefing.com/xro-ann-2026/>

Pre-registration for the event at the above link is encouraged. A recording of the webcast as well as the product demonstrations will be available on Xero's Investor Centre: www.xero.com/about/investors

Xero's next scheduled update will be its FY26 results announcement on 14 May 2026. This will include further updates on Melio and Xero's US performance.

Authorised for release to the ASX by Xero's Board of Directors

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About Xero

[Xero](http://xero.com) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including accounting, payroll and payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world. For further information, please visit xero.com

⁹ Anticipated FY28 revenue synergies are expected to be ~US\$70 million (refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025 for further details). Assuming constant currency conversion of NZ\$/US\$ 0.57, NZ\$/AU\$ 0.91 and NZ\$/GBP 0.46

¹⁰ Xero FY25 revenue was NZ\$2,103 million. This statement applies to FY28 only and no implication should be made relating to any other financial year

¹¹ In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro forma basis (pro forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)

¹² Assessed including both expected revenue and expected cost synergies outlined on page 27 of the Investor Presentation lodged with the ASX on 25 June 2025

¹³ Rule of 40 aspirations relate to Xero's results at the Xero Group level, in line with Xero's definition of Rule of 40 (for further details refer to page 42 in the H1 FY26 Investor Presentation)