



MARKET RELEASE

Xero delivers strong FY26 results: \$2.8 billion in revenue, up 31%, accelerating US growth and 18% adjusted EBITDA growth

Well positioned to be an AI winner; 3x3 strategy hitting its stride

WELLINGTON, 14 May 2026 — Xero Limited (ASX: XRO) today reports its full year earnings to 31 March 2026 (FY26). The results reinforce Xero's strong track record of delivering robust growth and financial performance through effective strategic execution.

Xero's strong operating results included operating revenue growth of 31% (28% in constant currency (CC)) to \$2.8 billion and an operating expense to revenue ratio of 70.5%, excluding Melio-related transaction costs. This supported a solid 18% increase in adjusted EBITDA compared to FY25, to \$757.4 million, with EBITDA of \$789.5 million.¹ Xero also generated free cash flow of \$554.0 million. This result underscores Xero's commitment to balancing high-velocity growth with operational efficiency.

CEO Sukhinder Singh Cassidy said: "Our strong full year results demonstrate Xero's disciplined execution and macro-resilience. Our 3x3 strategy is hitting its stride, demonstrated by accelerating US growth with 110,000 new customers, including new Melio direct payments customers,² and pro-forma revenue growth of 50%.³ We have powerful momentum across our markets, and delivered strong EBITDA growth while absorbing Melio. This has moved us beyond single-job workflows in the US by integrating Melio to unite accounting and payments on one platform. Globally, we are providing a small business financial operating system for the AI era, driving value for customers while deepening our technology foundations, compliance capability and data advantages, and driving stronger unit economics."

"With proprietary data and trust as our foundation, Xero is well positioned to be a long-term AI winner. We are evolving into a system of action that fundamentally transforms how small businesses and advisors operate, and how much more they can accomplish each day. AI is powering customer value and operational excellence today, and this underpins our confidence in delivering on our FY27 guidance and our FY28 aspirations."

Offsetting share-based compensation dilution

Xero's strong capital position means that the Board has elected to offset dilution associated with share-based compensation for both FY27 allocations and historical share issuance to staff.⁴ The Board has authorised the purchase of up to an amount equal to A\$550m⁵ in shares for this purpose in FY27.

¹ Affected by two one-off impacts from the Melio acquisition: transaction costs of \$50.6 million and a FX translation gain on acquisition funds raised of \$90.5 million. The impact of these one-off operating impacts is excluded from Xero's operating expense to revenue guidance. The FX translation gain on acquisition funds is recorded in other income and does not impact Xero's operating revenue or operating expenses

² Refer to page 29 in Xero's FY26 Annual Report for definition of customers

³ Pro-forma statements are unaudited and are created to illustrate the impact if Melio and Xero were combined from the start of Xero's 2024 Financial Year

⁴ Reflecting historic RSUs that are expected to vest over the period FY27-29

⁵ Xero Limited is intending to fund a member of the Xero Group to acquire fully paid ordinary shares in Xero Limited on-market through brokers from time to time. While these are intragroup transactions, this structure requires us to follow NZ legal processes for provision of Financial Assistance under the NZ Companies Act 1993. Xero plans to notify shareholders in writing of this arrangement immediately following today's announcement



FY26 and Financial highlights (All \$ figures are in NZD and comparisons are made against FY25)

Year ended 31 March	2026	2025	Change
Operating revenue (\$000s)	2,753,081	2,102,652	31%
Customers	4,920,000	4,414,000	11%
Net customer additions ^{6,7}	506,000	254,000	99%
Net customer additions (excluding removed long idle subscriptions) ⁷	506,000	414,000	22%
Average revenue per customer (\$)	55.44	45.08	23%
Annualised monthly recurring revenue (\$000s)	3,273,059	2,387,763	37%
EBITDA (\$000s)	789,523	638,466	24%
Adjusted EBITDA (\$000s)	757,352	641,814	18%
Operating income ⁸ (\$000s)	316,121	362,643	-13%
Net profit after tax (\$000s)	167,420	227,817	-27%
Free cash flow (\$000s)	554,043	506,745	9%
Rule of 40 ⁹	48.5%	44.3%	4.2pp*
Total lifetime value (LTV) of customers ^{10, 11} (\$b)	21.0	17.9	17%
Gross margin percentage	83.9%	89.0%	-5.1pp

*pp stands for percentage points

In FY26, Xero delivered robust annualised monthly recurring revenue (AMRR) growth of 37% to \$3.3 billion,¹² or 25% on an organic basis (20% in CC), driven by a combination of strong customer growth, continued average revenue per customer (ARPC) expansion and an increase in payments revenue, which includes Melio's revenue contribution.

506,000 customers were added in FY26. Total LTV increased 17% (11% in CC) to \$21.0 billion year-on-year. Average monthly churn (1.14%)¹⁰ remained below pre-pandemic trends, underscoring Xero's durability and the ongoing value customers place in the platform.

As a result of Melio-related acquisition costs, operating income decreased 13% compared to FY25. Excluding acquisition-related costs, Xero's operating expense ratio was 70.5%, in line with guidance, and operating income was broadly flat.

Market highlights

Australia and New Zealand — Australia and New Zealand continued to deliver strong results with double-digit revenue growth, up 18% (17% in CC) to \$1.4 billion. ARPC increased 17% (9% in CC) to \$48.89, and total customers grew to 2.8 million with opportunities for further ARPC expansion, including offering new features targeting medium-sized businesses.

International — Strong growth continued in Xero's International markets, with revenue increasing 47% to \$1.4 billion or 25% on an organic basis excluding Melio, ARPC rising 28% (26% in CC) to \$63.74, and customers growing to 2.2 million. US core momentum was strong with revenue increasing 240%, or

⁶ Including impact of the removal of long idle subscriptions in H1 FY25

⁷ For further details on the impact of the removal of long idle subscriptions that occurred in H1 FY25 and the definition of long idle subscriptions, see page 34 of Xero's FY25 Annual Report

⁸ Operating income is a non-GAAP financial measure. Xero defines it as gross profit (total operating revenue, less cost of revenues), less total operating expenses

⁹ On a pro-forma basis, the Rule of 40 outcome for FY26 was 36.0%. This metric demonstrates a full-period impact of the Melio acquisition

¹⁰ LTV for FY25 is calculated using churn excluding the impact of the removal of long idle subscriptions. This reflects churn dynamics present in Xero's go-forward customer base

¹¹ Calculated on a Xero-only basis, excluding Melio

¹² Refer to page 31 of Xero's FY26 Annual Report for further details on Xero's AMRR



30% on an organic basis excluding Melio. UK performance remained strong with revenue growth of 26% and customers up 14%, which included some early flow through Making Tax Digital (MTD) for Income Tax.

AI powering customer value and operational excellence

Xero is pioneering the future of SMB finance with its trusted financial operating system for the AI era and is well positioned to be a long-term AI winner. Xero is already delivering AI-powered innovation. Built on 20 years of trusted infrastructure, compliance capability and proprietary data and used by millions of businesses and their advisors globally, Xero unifies core financial operations (including accounting, payroll and payments) and a robust ecosystem into autonomous workflows. Through Just Ask Xero (JAX), Xero is providing small businesses with a financial team in a box.

In FY26, Xero also extended its AI strategic partnerships through a new agreement with Anthropic to integrate Claude's AI into Xero, alongside a secure connector into [Claude.ai](#), which was rapidly developed and deployed to customers in May 2026. This demonstrates Xero's focus on delivering value to customers through new AI solutions allowing them to leverage the power of Xero wherever they are working. This augments Xero's existing partnership with OpenAI, bringing the power of multiple AI platform providers to users across our various agents. In addition, Xero scaled JAX (beta) globally with automated bank reconciliation — reducing time spent on manual entry, with more than 40 million transactions already reconciled and a reported accuracy of 97% — as well as real-time personalised insights and business-plus-web search. Xero also launched AI-powered smart document capture across web and mobile — allowing customers to move faster, stay compliant and scale. By the end of FY26, customer adoption of new GenAI-specific features launched in the last 18 months reached 500,000 users, and customer messages sent to JAX grew ~115% per user.

Xero is aligning AI value with its commercial model through three core principles: keeping it simple by bundling AI features across existing plans, encouraging adoption by offering standalone AI add-ons, and future-proofing its models by incorporating usage-based pricing to align costs with utility. Additionally, Xero is accelerating its internal use of AI to increase operational efficiency and speed to market.

Introducing XeroForce — natural language custom AI agent builder

Today, Xero is also announcing XeroForce, a natural language custom AI agent builder for the financial workflows of accountants, bookkeepers and small businesses. Using simple prompts and no technical expertise or IT resources, customers will be able to automate repeatable finance and accounting tasks and turn time-consuming manual work into durable, scalable AI workflows, with Xero as the orchestration hub and core financial operating system. XeroForce will enable the building of custom AI agents across both Xero and third-party applications commonly used by accountants, bookkeepers and small businesses. XeroForce is currently in invite-only alpha.

Win the 3x3 momentum

Xero continued to make strong progress in line with its *Win the 3x3* strategy, delivering key enhancements across the three Jobs to be Done in its three largest markets: Australia, the UK and the US. This included the successful early completion of the acquisition of Melio, a leading US SMB bill pay platform that seamlessly enables customers to manage their end-to-end cash flow by offering SMBs and their advisors easy-to-use accounts payable workflows. Xero is already delivering new features leveraging Melio. In March, Xero launched bill payments, combining world-class teams and technology to help customers better manage their cash flow and streamline their operations on one platform. The integration enables Xero to deliver a full-service financial platform for US small businesses.

In response to growing demand from medium-sized business customers, Xero is launching Ultra, a new top-tier plan built to support their more complex needs as they scale. Currently in beta in Australia, Ultra is



designed to bridge the gap between small business tools and costly enterprise solutions, enabling growing businesses to stay on Xero as they scale. Built on the flexibility and familiarity customers already love, Ultra layers on additional capabilities including advanced reporting, multi-entity consolidations, and fast-track support, and over time features such as data restore and granular user permissions. Ultra is planned for general availability in Australia in late June, with further markets to follow.

FY27 Outlook

Operating revenue is expected to be between \$3,620 million and \$3,730 million.

Adjusted EBITDA¹³ is expected to be between \$860 million and \$920 million. This includes incremental US brand spend of up to ~NZ\$55 million. Xero expects a higher than historical weighting of Adjusted EBITDA to be delivered in the second half of FY27.

Product capitalisation rates are expected to be similar to the long term range of 40-45% and Depreciation and amortisation expenses are estimated to be around \$465 million in FY27.¹⁴

Aspiration

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. 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^{15, 16}
- This outcome is expected to support Xero's aspiration to deliver greater than Rule of 40 outcomes for the group in FY28^{17, 18, 19}

Xero's earnings webcast

Xero's FY26 earnings webcast at 10:30am AEST on 14 May 2026 can be accessed at:

<https://webcast.openbriefing.com/xro-fyr-2026/>

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

Authorised for release to the ASX by the Chair of the Board and Chair of the Audit and Risk Committee

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¹³ Adjusted EBITDA provides a view on underlying business performance and is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA

¹⁴ Refer to page 35 of Xero's FY26 Investor Presentation for further qualitative commentary and supporting assumptions regarding Xero's FY27 Outlook

¹⁵ 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

¹⁶ 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

¹⁷ 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)

¹⁸ 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

¹⁹ 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 21 in the FY26 Investor Presentation)



About Xero

[Xero](#) 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

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