MARKET RELEASE

Xero delivers strong H1 FY27 results: upgrades FY27 outlook and announces A$1bn share buy-back

Sustained momentum across 3x3 with strong financial outcomes, including $1.7bn in revenue, strong customer growth and adjusted EBITDA of $362m supporting upgraded Outlook

WELLINGTON, 12 November 2026 — Xero Limited (ASX: XRO) today reports its half year earnings to 30 September 2026 (H1 FY27). The strong results demonstrate Xero's consistent delivery of its 3x3 strategy, with robust macro-resilient growth and financial performance, while continuing to drive AI adoption and innovation for its customers.

H1 FY27 revenue grew 46% (41% in constant currency (CC)) to $1.7 billion with an operating expense to revenue ratio of 68.9%, improving by 8.1 percentage points. Adjusted EBITDA, which excludes one-off and non-cash revaluation impacts, increased 3% to $362 million. This growth was tempered by the incorporation of Melio (in H1 FY27 only). On a pro-forma[1] basis, adjusted EBITDA was up 23%, translating to free cash flow of $238 million, up 32% on a pro-forma basis. This outcome was driven by strong customer growth and average revenue per customer (ARPC) expansion across all markets and continued payments growth, reflecting Xero's evolution towards a multi-product platform driving growth in revenue and meaningful gross profit dollar expansion.

These results underscore Xero's disciplined execution and demonstrate the continued realisation of its long-term growth potential and strong cash generation profile. This, alongside Xero's robust capital position, has enabled the Board to approve an on-market buy-back program of up to A$1 billion to be completed over the next 12 months.

CEO Sukhinder Singh Cassidy said: "Our H1 FY27 results show we're continuing to do what we said we'd do, delivering strong macro-resilient growth at scale with momentum across every region. Our rising customer numbers and average revenue per customer expansion are powering that growth, driven by continued SMB digitisation. At the same time, we're improving our efficiency, and that is translating to significant and growing free cash flow."

"We're consistently delivering our 3x3 strategy with tailored execution and core product improvements. This progress, together with the new business opportunities that AI, payments and our expanding platform open up, is creating value for small businesses and their advisors across our three largest markets: Australia, the UK and the US. Our infrastructure, data, scale and trust advantages position Xero well and help customers continue to benefit in the agentic era."

"Today's results underscore the disciplined execution of our strategy, which enables us to deliver durable growth as reflected in our upgraded FY27 Outlook and FY28 aspirations. Supported by a healthy balance sheet and disciplined capital allocation, our buy-back program announced today demonstrates our long-term conviction in Xero. We believe current market valuations do not fully reflect Xero's long-term value and growth potential with our strong financial position allowing us to execute this up to A$1 billion share buy-back program while continuing to fully fund our strategic growth priorities."

[1] Pro-forma illustrates the impact of the Melio acquisition by incorporating Melio's results for H1 FY26, for further details refer to slide 44 of Xero's H1 FY27 Investor Presentation

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Xero delivered continued annualised monthly recurring revenue (AMRR) growth of 41% to $3.8 billion, driven by robust customer growth and retention, and ARPC expansion, including strong US payments growth of 62% pro-forma. In H1 FY27, Xero added 226,000 net new customers, up 28%, bringing its total customer base to 5.1 million. Average monthly churn was 1.19%, with underlying churn sitting at 0.83%, underscoring Xero's value and the loyalty and ongoing trust customers place in Xero.

Total LTV rose 16% (10% in CC) to $22.7 billion year-on-year, driven by strong retention and ARPC expansion, up 25% to $62.21, as customers continue to deepen their use of Xero.

As expected, operating income and NPAT were impacted by a full six months of incorporating the Melio business following acquisition completion in H2 FY26. Melio is currently a loss-making business reflecting its stage of maturity and journey to scale. As previously guided, Melio is expected to reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[2] Disciplined strategic execution and improving operating leverage contributed to strong pro-forma growth in adjusted NPATA to $81.1 million, demonstrating the strength of the underlying business performance excluding non-operating items.

H1 FY27 and Financial highlights (All $ figures are in NZD and comparisons are made against H1 FY26)

Six months ended 30 September	2026	2025	Change
Operating revenue ($000s)	1,745,305	1,194,193	46%
Pro-forma operating revenue ($000s)	*1,745,305*	*1,377,724*	27%
Customers	5,146,000	4,590,000	12%
Net customer additions	226,000	176,000	28%
Average revenue per customer ($)	62.21	49.63	25%
Annualised monthly recurring revenue ($000s)	3,841,321	2,733,820	41%
Total lifetime value (LTV) of customers ($b)	22.7	19.6	16%
Gross margin percentage	76.0%	88.5%	-12.5pp*
Pro-forma gross margin percentage	76.0%	79.1%	-3.1pp
Annualised revenue per FTE ($000s)	696	513	36%
Pro-forma annualised revenue per FTE ($000s)	658	519	27%
EBITDA ($000s)	347,548	377,866	-8%
Adjusted EBITDA ($000s)	361,553	350,927	3%
Pro-forma adjusted EBITDA ($000s)	*361,553*	*294,748*	*23%*
Operating income ($000s)[3]	124,499	137,138	-9%
Free cash flow ($000s)	238,088	321,098	-26%
Pro-forma free cash flow ($000s)	238,088	180,535	32%
Rule of 40[4]	54.9%	44.5%	10.4pp
Pro-forma Rule of 40	36.1%	34.9%	1.2pp
Net profit after tax (NPAT) ($000s)	18,529	134,784	-86%
Adjusted net profit after tax and acquired amortisation (NPATA) ($000s)[5]	81,149	123,390	-34%
Pro-forma adjusted NPATA ($000s)	81,149	31,390	*159%*
Basic earnings per share (EPS) ($)	0.11	0.84	-87%
Adjusted EPS ($)[6]	0.48	0.77	-38%

**PP stands for percentage points*

[2] Refer to Outlook and Aspiration section below for more detail
[3] Operating income is a non-GAAP financial measure. Xero defines it as gross profit (total operating revenue, less cost of revenue), less total operating expenses
[4] Rule of 40 is defined as the sum of annual revenue growth percentage in constant currency and FCF margin percentage
[5] Adjusted NPATA is calculated by adding back certain non-cash, revaluation and one-off costs that do not reflect operating performance including acquired amortisation expenses on assets generated as a result of Fair Value adjustments from Melio, for further details refer slide 42 of Xero's H1 FY27 Investor Presentation
[6] Adjusted EPS is calculated by dividing adjusted NPATA by the weighted average number of ordinary shares on issue

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Market highlights

Australia and New Zealand — Continued to deliver strong results with double-digit revenue growth, up 20% (15% in CC) to $795 million. ARPC increased 18% (10% in CC) to $54.57. Total customers grew to 2.85 million, driven by ongoing core product adoption and feature expansion.

International — Strong growth continued, with revenue increasing 79% to $950 million following the acquisition of Melio (on a pro-forma basis, growth was 33%), ARPC increasing 33% (31% in CC) to $71.67, and customers reaching 2.3 million. In the UK, revenue grew 24%. This strong momentum reflected continued execution in Xero's target segments alongside customer acquisition related to Making Tax Digital (MTD) for Income Tax, supported by Xero Simple. Beyond MTD, underlying growth continues, bolstered by the ongoing expansion of Xero's multi-product capabilities, including new payroll capabilities, the introduction of flexible payments and pay by card through its partnership with Crezco and enhancements to Xero Tax.

In the US, revenue grew 536% (51% on a pro-forma basis) to $365 million, ARPC increased to $106.21, and customers reached 455,000, demonstrating the strength of Xero's disciplined strategic execution. With the launch of Payroll powered by Gusto, Xero's US product suite provides customers with one connected platform for the three core Jobs to be Done: accounting, payroll and payments, enhanced by AI and Syft Analytics.

Trusted partner for accountants and bookkeepers, and small businesses in the AI era

Xero supports accounting practices and small businesses to adapt in an AI-driven world. Just as Xero was their trusted partner through the shift to the cloud, Xero is committed to empowering them with AI to streamline daily tasks, freeing up valuable time and make informed decisions about their business. AI adoption among small businesses and their advisors is growing, and cost, security, trust and clarity are reasons they choose Xero as they move from experimentation to daily use.

Through continued AI innovation, Xero is helping customers realise additional value, including through JAX — its agentic platform, powered by Xero OS — with 6x more customers now using JAX chat each month to get answers and take action.[7] Examples include:

- Automated bank reconciliation: More than 100 million transactions reconciled since launch, with 90% of customers returning to use it again[8] and saving customers ~50% of monthly reconciliation time[9]
- AI-enabled core daily tasks: cash flow forecasting, payment follow-ups and smart document capture — which has seen ~4.5x increase in monthly customer use[10]

Accountants and bookkeepers — central to Xero's AI strategy

As practices look to digitise their firms, streamline operations and spend more time advising, they are increasingly turning to AI. Xero has long-standing relationships across the profession and a detailed understanding of how practices work, positioning Xero to help them adopt AI sustainably.

XeroForce helps practices turn manual financial tasks into durable, scalable workflows. While early in the alpha, feedback from the 40+ participating design partners has been very positive. Also announced today is Xforce by Xero (Xforce) which will initially provide accounting firms with a team of partner consultants and forward-deployed engineers to work with them to design their workflows for the AI era, on a trusted platform they control. The teams will leverage XeroForce, Xero's APIs, the Xero OS, and integrate with other software in a practice's technology stack to automate their workflows end-to-end.

[7] Increase in customers using the feature over 12 months to Sep '26
[8] Return users defined as % of customers who used the product in concurrent months, average over 6 months to Sep '26
[9] Based on the Customer Impact Survey of 203 small businesses, conducted between December 2025 and April 2026
[10] Increase in customers using the feature in first ~6 months since launch to Sep '26

Xforce is in beta and has already signed on a select group of design partners in Australia, New Zealand and the UK.

AI can expand Xero's total addressable market through the adoption of AI within its platform, customers purchasing add-ons as their usage grows and growth in the number of AI-enabled builders among advanced accountants, bookkeepers, and small businesses. Xero is aligning its commercial model to these new opportunities through three core principles:

1. Keeping it simple by bundling AI features across existing plans
2. Encouraging adoption by offering standalone AI add-ons
3. Future-proofing its commercial models by establishing the foundations for future usage-based pricing to align costs with utility

Capital Management and share buy-back[11]

The Board's confidence in Xero's financial strength and outlook has supported approving an on-market buy-back program of up to A$1 billion to be completed over the next 12 months (this is in addition to the recently completed A$550m program to offset dilution). The buy-back program includes an amount intended to offset dilution from expected FY28 share-based compensation.[12]

The Board believes that the program announced today represents a value-accretive use of capital for shareholders as the current share price does not reflect Xero's long-term value and growth potential. Xero had cash and short-term deposits of NZ$1.15 billion as at 30 September 2026.

Xero intends to maintain its balance sheet strength throughout the 12-month program and maintain a healthy net debt to adjusted EBITDA ratio, supported by its FY27 Outlook for adjusted EBITDA growth and strong free cash flow generation as reflected below.

The buy-back is expected to commence on or after 13 November 2026 and will be conducted from time to time in the ordinary course of trading. The buy-back will be subject to prevailing share price and market conditions, and will be executed at the Company's discretion within guidelines designed to maximise value accretion for shareholders.

Outlook and Aspiration

The strong first half operating performance and continued strategic execution have enabled Xero to upgrade both the FY27 Outlook and its FY28 aspirations. Together these changes reflect the momentum in the business and demonstrate the confidence management and the Board have in long-term value creation.

FY27 Outlook

Operating revenue is now expected to be between $3,770 million and $3,830 million (up from previous guidance of $3,620 million to $3,730 million). The increase in revenue guidance largely reflects stronger Melio payments performance alongside an FX benefit from the weaker NZD. On a CC basis revenue growth is expected to be between 24%-27%.

Adjusted EBITDA[13] is expected to be between $880 million and $920 million (previous guidance $860 million to $920 million). This guide continues to reflect a higher than historical second half weighting. Second half adjusted EBITDA will reflect the benefit of announced price rises and payments growth momentum, disciplined headcount cost management and further operating efficiencies, and an expected reduction in Melio's adjusted EBITDA losses.

[11] As Xero Limited is subject to the NZ Companies Act 1993 Xero plans to notify shareholders in writing and release a separate standalone disclosure document on the ASX to explain the nature and implications of an on-market share buy-back for Xero and its shareholders
[12] For reference 58% of shares purchased as part of the recently completed A$550m program related to neutralising expected FY27 share-based compensation
[13] Adjusted EBITDA provides a view of underlying business performance and is calculated by adding back certain non-cash, revaluation and one-off costs to EBITDA

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- 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 $475 million (up $10 million from previous guide) in FY27[14]

Given the strength of Xero's FY27 revenue guide and strong free cash flow generation, Xero now expects to deliver a Rule of 40 outcome of around 40% for FY27 on a pro-forma basis. This is an improvement on Xero's previous statement that prior to FY28 Xero expected to deliver below Rule of 40 outcomes. This guide demonstrates Xero's confidence in accelerating revenue growth and cash flow generation, supporting its ability to return capital to shareholders through the announced on-market buy-back.

Aspirations

In June 2025, Xero outlined its FY28 aspirations as part of the acquisition of Melio. The strength of Melio's performance to date has expanded Xero's revenue growth opportunity:

- Xero now sees the opportunity for FY28 revenue to be more than $4.6 billion, excluding revenue synergies[15]
- Xero's aspiration remains to deliver a greater than Rule of 40 outcome in FY28, building on the strong momentum reflected in the FY27 Rule of 40 guide

Melio adjusted EBITDA breakeven

Xero reiterates its guidance that Melio is expected to reach adjusted EBITDA breakeven on a run-rate basis in H2 FY28.[16] This outcome reflects continued strong revenue growth, expanding gross margins, and accelerating operating leverage as Melio drives scale (with core operating expense growth expected to be materially lower than Xero's).

Xero's earnings webcast

Xero's H1 FY27 earnings webcast at 10:00am AEDT on 12 November 2026 can be accessed at: https://webcast.openbriefing.com/xro-hyr-2027/

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/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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About Xero

Xero is a global small business platform and a trusted financial operating system for the AI era. Xero's purpose is to make life better for people in small business, their advisors and communities around the world. By unifying core financial operations (including accounting, payroll and payments), underpinned by insights and a robust ecosystem into autonomous workflows, we empower more than five million small businesses and accountants and bookkeepers across 180+ countries to move from managing records to making informed decisions. For further information, please visit xero.com.

[14] Refer to slide 43 of Xero's FY27 Interim Investor Presentation for further qualitative commentary and supporting assumptions regarding Xero's FY27 Outlook
[15] Anticipated FY28 revenue synergies are expected to be ~US$70m, for more detail refer to page 27 of the Investor Presentation lodged with the ASX on 25 June 2025. Assuming currency conversion of NZ$/US$ 0.59, NZ$/AU$ 0.84 and NZ$/GBP 0.44
[16] Melio adjusted EBITDA definition aligns with the Xero group definition, for further detail refer to page 11 of Xero's H1 FY27 Interim Report. This guidance 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 adjusted EBITDA contribution to the Xero group during the referenced period

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