



Beautiful accounting software

## MARKET RELEASE

# Xero raises NZ\$60m from US investors

30 November 2012

Xero Limited (XRO) has raised NZ\$60 million of new capital from Valar Ventures (backed by Peter Thiel) and Matrix Capital Management. Matrix Capital Management is investing NZ\$58 million and Valar Ventures NZ\$24 million. Their total investment of NZ\$82 million includes a purchase of NZ\$22 million of shares from Xero's three largest shareholders.

All the transactions are priced at the 20-day volume-weighted average price at the time the deal was negotiated – NZ\$6.00 per share.

The Board's decision to increase funding follows the announcement on 14 November 2012 that Xero will accelerate its investment in the business to take advantage of market conditions. Xero recently reported Annualised Monthly Committed Revenue of NZ\$38.7 million as at 30 September 2012, up from NZ\$18 million a year earlier. The company expects to double its operating revenue for the full year to 31 March 2013. Xero reported NZ\$30.6 million of cash on hand and a first half loss to 30 September 2012 of NZ\$7.0 million. Xero anticipated an increased loss for the second half to 31 March 2013.

"Over the past two years of our involvement with Xero, we have seen the team consistently meet and exceed their ambitious goals," says Andrew McCormack of Valar Ventures. "The combination of an experienced and focused team, superlative product, good timing and an absolutely huge market give us confidence that Xero has a very long runway."

David E. Goel, Managing Member of Matrix Capital Management, says "we have witnessed the disruptive power of cloud computing across the technology universe, and believe Xero is the global market leader in cloud-based small business accounting software. Xero differentiates itself, not only as a model for accountancy, but also as a harbinger for where all software companies will have to go if they want to remain relevant. The future is in the cloud, Xero is already there, and we want to be there."

The investors made the offer to buy shares from the three largest Xero shareholders in order to minimise dilution to existing shareholders. As a result of the new share issue and transactions, Matrix Capital Management's shareholding will increase from 1.8% to 9.8% and Valar Ventures will increase from 3.9% to 7.0%. Director Craig Winkler's shareholding will reduce from 19.5% to 15.7%, Chief Executive Rod Drury's shareholding will reduce from 21.0% to 18.5% and co-founder Hamish Edward's shareholding will reduce from 5.7% to 4.9%.

Xero Chief Executive Rod Drury says, "We are delighted that sophisticated global investors have been watching our progress and wish to support our continued investment in growth. We look

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forward to winning market share from the big incumbents by introducing small businesses around the world to beautiful accounting software.”

ENDS

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### **About Xero**

Xero provides beautiful, easy to use online accounting software for small businesses and their advisors. The company has over 100,000 paying customers and 200,000 users in more than 100 countries around the world. The company is listed on the NZX and ASX.

See <http://xero.com>

### **About Valar Ventures**

Valar Ventures is a global venture capital firm backed by Peter Thiel. Based in San Francisco, Valar invests exclusively in companies outside of the United States. Valar believes that over the next decade an increasing number of transformative technology companies will be started outside of the US, and that the founders of those companies will benefit from having a US partner that understands their unique challenges and opportunities and can help them access US networks.

See <http://www.valarventures.com/>

### **About Matrix Capital Management**

Matrix Capital Management is an investment advisor registered with the United States Securities and Exchange Commission and is based in Waltham, Massachusetts, just outside of Boston. Founded in 1999 by David E. Goel and Paul J. Ferri, the fund primarily invests in publicly traded equity securities with a focus on developing a deep and detailed “bottom-up” analysis of each company in its portfolio. Under Mr. Goel’s stewardship as the Managing Member, Matrix takes the long view of investing. This strategy involves developing high conviction in companies based on its particularised research into their fundamentals, and combining that knowledge with a differentiated understanding of the sectors in which they do business. Over its fourteen-year investment history, Matrix has specialised in companies that use technology to disrupt or disintermediate business models, while cultivating specialised experience in the technology, media/telecom and consumer sectors.

Within the technology sector, Matrix has been extensively involved in several sub-segments: software-as-a-service, cloud infrastructure, payments, e-commerce, social media, mobile data, and streaming video. Over the last two decades, the Matrix investment team has built relationships with executives and entrepreneurs in these areas who help Matrix identify and evaluate potential investment opportunities. Matrix’s strategy is to invest in a concentrated portfolio of attractively-valued companies whose innovative ideas, strong fundamentals, and visionary management teams position them to grow over multiple years. Matrix invests a significant amount of time and resources in developing high conviction in each of its positions, holding to a deliberate strategy designed to generate strong, durable returns over time.

*This above information about Matrix Capital Management does not constitute an offer to sell or solicitation of an offer to buy any securities.*

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