

MARKET RELEASE

Xero to acquire invoice lending platform Waddle

Key step in Xero helping small businesses access capital

WELLINGTON, 25 August 2020 - Xero Limited (ASX: XRO) today announces the acquisition of Waddle, a cloud-based lending platform that helps small businesses access capital through invoice financing.

The acquisition aligns with Xero's strategy to grow the small business platform and to address critical small business financial needs. Waddle's best-in-class cloud-lending platform, combined with small businesses' invoice data, will enable the delivery of tailored invoice financing solutions.

Founded in Australia in 2014, Waddle's lending platform service allows a range of banks and fintechs to more easily lend to small businesses by leveraging their accounting data and automating many of the manual processes typically involved in invoice financing.

Waddle has existing agreements with banks and lenders in Australia and the UK. Alongside its core lending platform, Waddle also operates a small direct lending portfolio used primarily for product development purposes.

Post the acquisition of Waddle, Xero will continue to explore how to facilitate small business access to capital, beyond invoice financing. The acquisition positions Xero to partner with lenders globally, to better serve small businesses' working capital and other financial needs.

With an upfront cash payment of AUD \$31 million and subsequent earnout payments based on product development and revenue milestones, of up to AUD \$49 million, the total potential consideration for the purchase of 100% of Waddle is AUD \$80 million. Any earnout payments are expected to be settled 50% in ordinary shares in Xero and 50% in cash. Completion of the transaction is expected before the end of calendar year 2020 and is subject to satisfaction of closing conditions. Transaction, integration and operating costs are anticipated to have minimal impact on Xero's FY21 EBITDA.

Led by co-founders Simon Creighton and Nathan Andrews, Waddle's team is headquartered in Sydney and currently serves customers in Australia and the UK. The business, which has been a Xero ecosystem partner since 2016, will continue to offer services to customers and partners, including other accounting software providers.

Xero CEO Steve Vamos commented: "The acquisition of Waddle is an important step in our strategy to help small businesses better manage cash flow and gain access to working capital. Waddle's lending platform has the potential to enable a wide range of banks, fintechs and other lenders to better support small business financial needs. We're excited about the benefits Waddle can bring to many of our customers and banking partners."

Authorised for release to the ASX by resolution of the Board.



Beautiful business

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About Xero

[Xero](#) provides a beautiful and easy-to-use cloud-based accounting software service for small businesses and their advisors around the world. Xero connects more than two million subscribers with an ecosystem of over 800 third-party apps and 200 plus connections to banks and financial service providers. The [IDC MarketScape](#) recognised Xero as a Leader in the Worldwide SaaS and Cloud-Enabled Small Business Finance and Accounting Applications 2020 Vendor Assessment. On the 2020 Financial Times High-Growth Companies Asia Pacific list, Xero was the largest company by revenue to come from New Zealand or Australia. Xero has also been included in the 2020 Bloomberg Gender-Equality Index.

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