



MARKET RELEASE

Xero to acquire TaxCycle to extend value proposition in Canada

Established Canadian tax solution, local expertise and capability to expand Xero's Canadian customer base and local product offering

WELLINGTON, 23 DECEMBER 2021 - Xero Limited (ASX: XRO) is acquiring TaxCycle (the trading name of Trilogy Software Inc), a leading Canadian tax preparation software company for accountants and bookkeepers, to support Xero's strategy for growth in this strategically important market. The acquisition will provide Xero with immediate access to an established Canadian income tax solution and customer base, local expertise and capability to extend its product offering in that market.

Based in Calgary, TaxCycle was founded by Canadian tech industry veteran Cameron Peters. Its software provides full local market jurisdictional tax coverage, with almost 4,000 tax firms and over 16,000 individual accountants, bookkeepers and tax preparers using its solution.

The acquisition will provide Xero the opportunity to reach a larger Canadian customer base, offer accountants and bookkeepers deeper capability to better serve and advise small business and provide greater access for TaxCycle's existing customers to use the Xero platform.

TaxCycle will continue to operate as a standalone brand under Cameron Peters' leadership. Xero and TaxCycle customers can benefit from a newly available Xero integration with TaxCycle's desktop tax solution. This provides a seamless way to integrate standalone corporate and partnership tax return preparation services into practice workflows with Xero, from collating a client file to billing for tax services. TaxCycle customers will also continue to have access to its product.

The acquisition will extend Xero's Canadian value proposition as Xero plans to also use TaxCycle's expertise and tax management capabilities to enhance its localised cloud offering, over time. This will provide accountants and bookkeepers with a better user experience to help make income tax preparation more accurate and efficient.

The acquisition also increases Xero's presence in Calgary - an important location for its Canadian growth plans, in addition to its Toronto office.

Xero CEO Steve Vamos commented: "This announcement marks an important step in Xero's commitment to extend and enhance our product offering for Canadian customers and partners by providing a product that meets Canada's unique tax requirements. We know tax compliance is a major driver for small businesses and their advisors to use Xero. This acquisition will provide us with immediate and long term benefits in Canada and aligns with our strategy to drive cloud accounting adoption globally and deliver the best compliance experience in all our markets."



Beautiful business

TaxCycle transaction details

Total consideration for the purchase of TaxCycle and subsequent employee incentive payments will be CA\$75 million. On completion, which is expected to take place by 31 December 2021, consideration for TaxCycle of CA\$70 million is to be settled 71% in cash and 29% in shares in Xero Limited. Employees will be granted CA\$5 million in restricted stock units which vest between one and three years after completion, subject to continuing employment. Transaction, integration and operating costs are expected to have a minimal impact on Xero's FY22 EBITDA.

Authorised for release to the ASX by the Chair of the Board

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About Xero

[Xero](#) is a cloud-based accounting software platform for small businesses with over 3 million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data any time, anywhere and on any device. Xero offers an ecosystem of over 1,000 third-party apps and 300 plus connections to banks and other financial partners. In 2021, Xero was included in the Dow Jones Sustainability Index (DJSI), powered by the S&P Global Corporate Sustainability Assessment. In 2020 and 2021, Xero was included in the Bloomberg Gender-Equality Index and in 2020, Xero was recognised by [IDC MarketScape](#) as a leader in its worldwide SaaS and cloud-enabled small business finance and accounting applications vendor assessment.

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