

August 12th 2025



Xero (XRO)

The company will hold its Annual Shareholders Meeting at **11.00am Thursday 21 August 2025.**

It will be a virtual meeting. You can join the meeting online [at this link.](#)

Company Overview

The company was listed on the NZX in 2006 and subsequently moved its listing to the ASX. It is a provider of online accounting software to small business. It has 4.4 million subscribers in over 180 countries with offices in New Zealand, Australia, the United Kingdom, the United States, Canada, South Africa, and Singapore.

The company has announced it intends to acquire Melio a leading US based business to business paying platform for US\$2.5B (NZ\$4.1B). To support the purchase, it launched a successful AU\$1.85 billion institutional capital placement in June, followed by a non-underwritten share purchase plan (SPP) offered to existing non-US shareholders. The company [announced](#) the completion of the SPP, raising an additional AU\$129.5m.

Current Strategy

Xero aims to be a leading supplier of online accounting software to small business.

The vision is to be the most insightful and trusted small business platform. Xero platforms aim to provide meaningful insights to their customers, drive meaningful discussions with advisors and help their customers make informed decisions.

The company has outlined four key strategic priorities until FY27.

1. Xero is primarily focused on providing complete products for the three core 'Jobs to be Done' (JTBD) - Accounting, Payments, and Payroll - in the three large markets of Australia, UK, and United States.
2. Make it easier for customers to find, use and grow with Xero.
3. Purposeful investment to keep Xero winning longer-term.
4. "Unleash Xero's (Xero staff) to win"

The company has expressed an intention to be more balanced in its focus between subscriber growth and continuing average revenue per user (profitability).

Previous Year Shareholder Meeting

NZSA recorded the following key items at last year's annual shareholder meeting:

1. The Chair expressed satisfaction with the FY24 result and the progress achieved by the company.
2. Total customers grew by 419,000 to 4.16m.
3. Xero is adopting AI for use by its customers having developed 'Just Ask Xero' or 'JAX' for short.

The meeting report is available [at this link](#).

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Key

The following sections calculate an objective rating against criteria contained within NZSA policies.

Colour	Meaning
G	Strong adherence to NZSA policies
A	Part adherence or a lack of disclosure as to adherence with NZSA policies
R	A clear gap in expectations compared with NZSA policies
n/a	Not applicable for the company

Governance

NZSA assessment against its key policy criteria are summarised below.

G Directors Fees: Generally good disclosure, however it is not disclosed if special exertion payments are made. It would be helpful if this was clarified in future Annual Reports.

G Director Share Ownership: Directors are not required to own shares, a position supported by NZSA.

G CEO Remuneration: The company discloses its remuneration policy on its website, which includes an overview of the remuneration philosophy applicable to the company. The People and Remuneration Committee are responsible for implementing the policy.

Incentives: The CEO is paid a short-term incentive (STI) and a long-term incentive (LTI). 50% of the STI is paid in cash. The other 50% is paid by way of restricted stock units (RSU's), vesting after one year.

The LTI is paid by way of restricted stock units, vesting after three years. The CEO also receives a long-term equity payment (LTE) by way of RSU's vesting over 3 years. NZSA does not support tenure-based payments but recognises this is common in US technology companies with the base salary paid at a lower level to encourage the CEO to deliver long-term share price performance.

NZSA encourages fulsome disclosure in relation to any incentive payments made to the CEO, including disclosure of measures (or measure 'groups'), weightings, targets, and the level of achievement versus target for each component associated with any awards. This methodology is supported by the new [NZX Remuneration Reporting Template](#).

Xero clearly discloses measures and weightings that comprise the STI and LTI. At the maximum STI and LTI achievement, the remuneration weightings are Base Salary 10%, STI 20% and LTI 70%. NZSA policy support this weighting towards LTI to align with shareholders' long-term interests. We recognise that the relationship to base remuneration is well outside typical NZSA guidelines, reflecting the US base for the company's CEO.

We have commented previously on how the level of absolute payment related to LTI vesting has potential to create some political risk, and that we would encourage Xero to consider applying caps on the value (or number of options) associated with its share-based payments. However, we also note that Xero's CEO remuneration framework is likely to be comparable with similar companies in the US market.

Surprisingly, considering the overall excellent disclosure, the company does not disclose the gender pay gap or the CEO/employee remuneration ratio.

Golden Parachutes: The CEO received an Initial Equity Grant of 463,308 Options upon commencing employment in November 2022. The Options vest in three tranches at the one year, two year and three-year anniversary of employment.

NZSA does not support such payments as they reward tenure rather than actual performance. We also note, however, that such an award structure is common in US-based companies as a form of remuneration.

In the interests of transparency, NZSA believes there should be explicit disclosure around the severance terms and notice periods associated with the CEO, including whether specific termination payments are offered.

The company offers excellent disclosure around the employment conditions and the treatment of incentives upon the cessation of employment.

G **Director Independence:** All Directors are independent.

A **Board Composition:** The Annual Report includes a skills matrix, but it does not attribute skill sets to individual Directors to demonstrate how they contribute to the governance of the company.

The nature of the company's board and operations indicates a strong commitment to thought, experiential and social diversity, with relevant experience for Xero. We also note the geographic diversity of XRO's directors, appropriate for the business.

G **Director Tenure:** NZSA looks for evidence of ongoing succession or 'staggered' appointment dates that reduce the risks associated with effective knowledge transfer in the event of succession. We also prefer a term maximum of 9-12 years, unless there are exceptional circumstances that may apply. Directors' appointment dates range from 2017-2023 indicating a commitment to good succession planning. NZSA has discussed director succession plan methodologies with XRO and is comfortable with the company's approach.

A **ASM Format:** Xero is holding a virtual meeting NZSA prefers a hybrid meeting (i.e., physical, and virtual) as a way of promoting shareholder engagement while maximising participation.

NZSA recognises the widespread nature of both the Board, shareholders and executive management. In this context, we would encourage the company to consider a hybrid meeting format, rotated in centres around the world where their shareholders reside.

NZSA has raised this with XRO, who note the poor physical attendance at prior shareholder meetings, the "virtual first" culture of the company and the widespread geographic nature of the company's Board and executive.

G **Independent Advice for the Board & Risk Management:** NZSA looks for evidence, through disclosures, that a Board has access to appropriate internal and external expertise to support board assurance activities. We also look for evidence that Boards are across their risk management responsibilities.

Directors can, with the consent of the Chair, seek independent external professional advice. The Company Secretary has direct access to the Board but reports to the CEO. This could have a limiting impact on assurance advice. We would prefer the Company Secretary is appointed by and reports directly to the Board. The General Manager of Assurance reports to the Executive General Manager of Risk and Assurance and has direct access to the Chair of the ARM Committee.

Xero provides excellent disclosure on its risk management framework, highlighting the key role played by independent reviews within this framework. There is good disclosure of financial, operational, and business risks provided.

Audit

NZSA assessment against its key policy criteria are summarised below.

G **Audit Independence:** Good disclosure.

A **Audit Rotation:** The company ensures the Lead Audit Partner is rotated at 5 years and disclosures their appointment date. There is no disclosure as to the tenure of the current Audit Firm.

Environmental Sustainability

G **Overall approach:** Xero has significantly enhanced the clarity and transparency of its climate-related disclosures compared to FY24, providing more robust data, clearer governance roles, and a stronger articulation of its climate strategy. As an ASX-listed company, Xero will also face Australian climate-related disclosure obligations next year, and its FY25 progress indicates they are well-positioned to meet those, too.

G **Sustainability Governance:** In FY25, Xero strengthened governance transparency by clearly explaining the Board's oversight, with ESG explicitly within the remits of the Audit & Risk Management and People & Remuneration Committees. They continue to dedicate human resources through their ESG Steering Committee, Sustainability & Impact team, and executive sponsors for each of the sustainability pillars. However, the Board does not explicitly disclose a director skills matrix showing specific sustainability or climate expertise, which remains an area for improvement.

G **Strategy and Impact:** Xero's FY25 climate strategy builds upon its three-pillar approach: mitigating business-wide climate risk, reducing net climate impact, and harnessing climate-related opportunities. In FY25, Xero submitted its emissions-reduction targets to the Science-Based Targets initiative (SBTi) for validation, marking progress from the preliminary commitments made in FY24. Xero also joined the Qantas Sustainable Aviation Fuel (SAF) Coalition and took concrete steps to engage suppliers and reduce Scope 3 emissions, demonstrating tangible actions beyond mere planning.

G **Risk and Opportunity:** Xero advanced its climate-risk management by expanding and disclosing a detailed Climate Risk Register that categorises risks and opportunities as physical or transitional, with corresponding management responses, covering short-, medium-, and long-term horizons. This builds on FY24's initial scenario analysis by integrating findings into risk management processes reviewed quarterly.

G **Metrics and Targets:** In FY25, Xero improved transparency by rebasing its emissions baseline to FY24, reporting Scope 1, 2, and 3 emissions in detail, and publishing year-on-year comparative data. The targets are more ambitious and aligned to SBTi criteria: 60% reduction in Scope 1+2 and 35%

Scope 3 absolute reduction by 2034, alongside a supplier engagement target. Progress toward these targets and performance against baseline figures are disclosed, representing an improvement over FY24.

G Assurance: This year, Xero received limited assurance from EY over its GHG emissions and methodologies, marking clear progress compared to FY24, when assurance was absent. However, broader sustainability narrative and strategy disclosures remain unaudited. NZSA encourages Xero to expand limited assurance to cover all material sustainability claims and strengthen investor confidence in reported progress.

Ethical and Social

NZSA assessment against its key policy criteria are summarised below.

G Whistleblowing: Good disclosure.

G Political Donations: The Annual Report states no donations were made.

Financial & Performance

Policy Theme	Assessment
Capital Management	G
Takeover or Scheme	n/a

Capital Raise: We note the recent acquisition of Melio, supported by an institutional placement and an associated Share Purchase Plan for non-US retail shareholders. This was extremely well supported by institutions, although the SPP was undersubscribed (\$129.5m vs the 'target' \$200m allocation). The target was based on full proportionality of shareholders exercising within the SPP. The company has indicated that a high staff ownership ratio is likely to have impacted the SPP, but it still wished to ensure that the option was available for full pro-rate participation. NZSA considers this a reasonable approach to the SPP.

Financials: Xero's share price rose from \$142.22 to \$174.56 (as of 16th July 2025) over the last 12 months – a 23% increase. This compares favourably with the NZX 50 which rose by 5% in the same period. The capitalisation of XRO is \$26.8b placing it 1st by size out of 115 companies were it listed on the NZX. This makes it a large company.

XRO are a NZ company that trades on the ASX. Its share price is listed in AUD; however, its financials are all in NZD.

Metric	2021	2022	2023	2024	2025	Change
Revenue	\$848.8m	\$1,097m	\$1,400m	\$1,714m	\$2,102m	23%
Gross Profit	\$730m	\$957m	\$1,222m	\$1,511m	\$1,872m	24%

Operating Surplus	\$61.7m	\$41.9m	-\$59.8m	\$239.6m	\$355.7m	48%
NPAT	\$19.8m	-\$9.1m	-\$113.5m	\$224.1m	\$227.8m	2%
EPS	\$0.134	-\$0.061	-\$0.75	\$1.47	\$1.483	1%
Subscribers	2.74m	3.27m	3.74m	4.16m	4.41m	10%
Capitalisation		\$12.9b	\$18.8b	\$19.7b	\$26.8b	36%
PE Ratio	1134	n/a	n/a	96	129	
Current Ratio	7.13	5.45	4.95	6.62	1.24	-81%
Debt Equity (adjusted)	1.71	1.27	1.36	1.12	0.76	-32%
Operating CF	\$218.6m	\$236.4m	\$390.4m	\$591.8m	\$811.6m	37%
NTA Per Share	\$1.77	\$0.50	\$0.60	\$2.68	\$6.62	147%
Equity Per Share	\$5.04	\$6.91	\$6.96	\$9.14	\$14.29	56%

Although well established, cash flow positive and profitable, XRO continue on a path of growth. Revenues continued their long-term trend up 23% to \$2,102m and an improved Gross Profit of \$1,872m (up 24%) was recorded. The company gained 250,000 subscribers and has 4.41 million subscribers at balance date (4.16 million)

XRO continue to invest in sales and marketing, and an operating surplus of \$356m was reported.

NPAT was up 2% to \$227.8m and EPS were \$1.48. Operating cashflows increased by 37% to \$812m and when measured in cents per share are \$5.28.

The company is in sound financial position with a solid current ratio and a low debt-equity ratio of 0.76. The company also has debt of \$1.2b and has over \$2b in cash and short-term deposits. Although unusual, the debt is long-term convertible debt with a zero-interest coupon and the company managed to achieve net finance **income** of \$6.9m for FY25.

The company has an NTA of \$6.62. XRO trades on extremally high premiums to its NTA, reflecting growth expectations and expected future cashflows.

The company provided a detailed [investor presentation](#) in conjunction with their annual results. They also provided a brief outlook and expect total operating expenses as a percentage of revenue to be around 71.5%.

Shares are extremally tightly held, with the top 20 shareholders holding 89.33% of shares.

Resolutions

1. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Brian McAndrews as an Independent Director.

Brian McAndrew was appointed to the Board in February 2022. He is based in the US where he has had a background as a CEO and Director in leading technology, SaaS, and cloud-based companies. His full biography is set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. To re-elect Susan Peterson as an Independent Director.

Susan Peterson was appointed to the Board in February 2017 and is based in New Zealand. She is currently Chair of Vista Group and a Director of Mercury Energy. She has also served on the Boards of other NZX companies. Her full biography is set out in the Notice of Meeting.

Whilst she will have served 11 years at the end of this term if she is re-elected, we acknowledge the part she has played in the company's growth over that time. To minimise risk for shareholders, NZSA would look for a statement detailing either her planned succession OR a justification for her continued tenure at some point during the current term.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. To re-elect David Thodey as an Independent Director.

David Thodey was appointed to the Board in June 2019 and Chair in February 2020. He is based in Australia. He has a background in banking and has been a Director of several ASX companies. He is currently a member of the Reserve Bank of Australia Governance Board and Chancellor at the University of Sydney. His full biography is set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

5. To approve the Remuneration Report.

This is a requirement for ASX listed companies. The full details are set out in the Notice of meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at <https://au.investorcentre.mpms.mufg.com/Login/Login>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **11.00am Tuesday 19 August 2025.**

Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.

The Team at NZSA