



Recognized as the

2021

Company of the Year

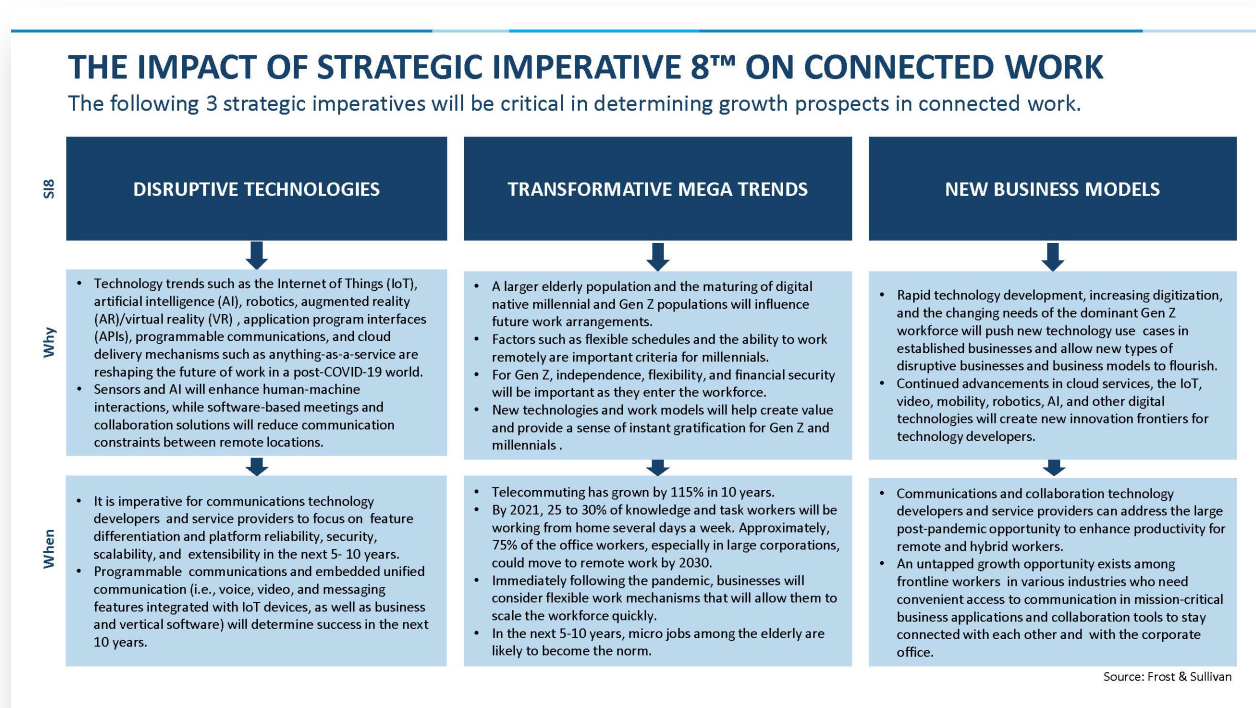
Asia-Pacific SME

Accounting Software Industry

Excellence in Best Practices

Strategic Imperatives

Frost & Sullivan identifies three key strategic imperatives that impact the connected work industry: disruptive technologies, transformative Mega Trends, and new business models. Every company that is competing in the connected work is obligated to address these imperatives proactively; failing to do so will almost certainly lead to stagnation or decline. Successful companies overcome the challenges posed by these imperatives and leverage them to drive innovation and growth. Frost & Sullivan's recognition of Xero Limited is a reflection of how well it is performing against the backdrop of these imperatives.



Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Xero Limited excels in many of the criteria in the APAC small and medium-sized enterprise (SME) accounting software space.

AWARD CRITERIA	
<i>Visionary Innovation & Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

Addressing Unmet Needs

The selection of suitable SME accounting software in Asia-Pacific (APAC), in combination with online platforms and fintech firms providing accounting solutions, is challenging because of the entry of rivals offering more options for small business owners to simplify accounting functions.

By accepting card and direct debit payments, New Zealand-based Xero Limited continues to make it easier for small companies by announcing more changes to existing integrations with payment processing providers Stripe and GoCardless. During the COVID-19 pandemic, Xero has introduced payroll product improvements to ensure businesses can easily handle the access to new government wage subsidies and other stimulus benefits. The company provides support to customers and partners in several areas, including ensuring business performance, managing cash flow, and helping clients apply for and access small business loans. For example, Xero developed the free Business Finance Pack application to help customers in New Zealand by gathering the information required to apply for new financing. In September 2020, Xero announced changes to its small business starter plan and increased the limits on plan inclusions, thereby serving existing customers with fewer complex needs and extending its product reach, including sole traders and new start-ups. In addition, Xero announced the introduction of new search capabilities on its app, driven by Coveo's enterprise software-as-a-service platform, making it more straightforward and easier for small businesses to find the best applications to meet their unique needs.

Visionary Scenarios through Mega Trends

Xero plans to continue driving the adoption of cloud accounting solutions in leading regions, such as North America and Asia, as well as other growing markets, and has created a thriving ecosystem with more than 1000 third-party applications integrating to Xero. In November 2020, Xero announced that it has embedded Hubdoc's machine learning technology into its platform and is rolling out a new update to help small businesses process bills and receipts faster. The new, advanced automation

technology in Xero Expenses, with embedded machine learning, can speed up the time it takes to transcribe and submit receipts, from minutes to seconds. Xero Expenses links directly to the small business network, making it easier to compare expenditures with accounts receivable.

In addition, Xero is introducing duplicate detection, one of the most commonly asked for features from customers. Using Hubdoc technology, the feature automatically recognizes and highlights potential duplicate documents, helping to mitigate unintentional errors. Enhancing Xero Expenses with Hubdoc can ensure small businesses and their consultants will spend less time on manual data entry activities and fewer hours spent gathering and handling bills, expenses, and other documents each month so that they can concentrate on helping businesses expand.

Xero's Next Gen Practice is a unified experience that offers accounting and bookkeeping practices. This single source of truth is designed to help customers manage accounting practices efficiently by collaborating with clients and becoming more productive with colleagues. Moreover, Next Gen Practice delivers a unified experience across all Xero tools to manage workflows; therefore, partners only need to log into Xero once and use a navigation bar that anchors partners to practices and provides quick access to client information, documents, and time tracking. The solution provides a single source of client data, making it easy for partners to find information, such as a client's contact details, financial data, payroll, tax information, and documents.

Implementation of Best Practices

Xero prioritizes investing in the long term and addressing customer needs, with H1 FY2021 spending on product growth of nearly \$140 million, compared to 29% during the same period last year and higher than the 21% increase in operating revenues.

Xero is passionate about facilitating an open platform that fosters innovation and encourages the development of solutions that support small businesses. The company builds, acquires, and partners with customers' best interest in mind by incorporating choices that benefit customers. Xero offers a platform that connects SMEs to their advisors and other business services by connecting to a thriving ecosystem of over 1000 third-party apps and over 300 banks and financial service providers to address small business financial and resource planning/workflow needs. Xero's apps range from industry-specific business software to resource planning for work, such as inventory and reporting.

Xero helps SMEs work with their closest allies: accountants, bookkeepers, and advisors. Whether it is doing taxes, understanding finances, or making plans to grow, Xero brings all of the necessary data and information together in one place so that small businesses and advisors can collaborate and speak the same language. This close partnership with accountants and bookkeepers is driving Xero's subscription growth while benefiting small business customers.

During the COVID-19 pandemic, Xero rapidly leveraged 24/7 customer service by offering support to access to government support and generating fresh online education on several topics, such as access to loans and working remotely. Product teams reprioritized work to develop new solutions that will help partners respond quickly to the changes in leave entitlements, wage subsidies, and payroll requirements country by country, in addition to offering new features for modeling performance and cash flow.

Customer Purchase Experience

In APAC, government efforts to digitalize compliance motivated the implementation of cloud accounting. In addition, with the COVID-19 pandemic, demand from customers to move to the cloud has been accelerating, and government initiatives continue to drive the digitalization of compliance of small businesses in Singapore, including incentives related to the adoption of electronic invoicing under the E-Invoicing Registration Grant and other technological solutions under the Digital Resilience Bonus (DRB) implemented during the pandemic. Furthermore, Xero's app marketplace offers suggestions based on small business profiles when customers sign up for the Xero platform, and an enhanced search toolbar presents prominent apps and fast connections, thereby offering a more personalized, intuitive, and productive experience.

In 2020, Xero introduced a new set of global ecosystem security standards for Xero app partners to improve security across the platform. As a key driver, new guidelines from the Australian Taxation Office (ATO) enable Xero to work closely with the ATO and other industry participants to define the new ecosystem security rules that the company wants to introduce globally. Moreover, Xero seeks to collaborate with like-minded companies to meet the vision of driving consistency across all internal and external contact channels, ensuring that workers have a link to understand customer needs. Xero tracks the customer experience using a series of journey metrics and then uses the Net Promoter Score (NPS) as a core measure of experience success.

Brand Equity

Xero has successfully built a comprehensive portfolio of accounting products, providing tailored accounting solutions to accommodate different business needs. The company has created a global business network that addresses the needs of small businesses, from enforcement to financing to routine business activity automation.

Australia became Xero's first region to pass one million subscribers, as announced in November 2020, with the Australian Government's Single Touch Payroll (STP) initiative for the smallest of businesses driving this demand. In Singapore, the company is working closely with the government on education and awareness campaigns around digitalization, participating in official initiatives and events, and educating SME stakeholders on the benefits of eInvoicing. Xero actively promotes government resources and facilitates the digitalization of Singapore's SME economy (e.g., DRB, InvoiceNow, and Start Digital) through marketing and communications activities.

Key to Xero's brand distinction is its mission and value-led strategy that focus on improving small businesses and communities by integrating world-leading technology with a human-value approach. For example, to build applications, tools, and accounting services for its clients in APAC, Xero uses a human-centered design approach. The company offers a wide set of accounting product services that connect subscribers to a vibrant network of more than 800 third-party apps and more than 200 bank and financial service provider connections. This value-led strategy provides support and education to users through Xero Central and the global support team. Xero is building for the global scale and innovation with a substantially expanded footprint in Australia, New Zealand, the United Kingdom, North America, South Africa, and Asia, especially Singapore, Hong Kong, and Malaysia. In 2020, Xero was accredited in

New Zealand with the Gender Tick for showing commitment to gender equality, and the company is one of three finalists in the Deloitte Top 200 Awards for Best Growth Strategy.

Frost & Sullivan commends Xero for offering customized accounting solutions to solve business needs reliably and efficiently, thereby creating a good brand image by educating accountants and bookkeeping managers with the latest accounting tools and technologies.

Financial Performance

In New Zealand, accountants and bookkeepers are interested in migrating to the cloud, primarily because of the impact that COVID-19 has had on businesses. Singapore, a new geography for Xero, contributed to the company's total subscribers worldwide, growing 37% with 136,000 subscribers. Xero has prioritized and directed investments into product development and delivery across several areas to support the adoption of cloud accounting and to help small businesses. Xero announced record-level product development in H1 FY21 of almost \$90 million, up 25% from the same period last year. Revenues in Australia rose by 18% year-on-year (YoY), and revenues in New Zealand rose by 13% YoY.

The growing use of Xero Central, which is the company's primary customer support center, is driving improvements in Xero's gross margin, and its online portal scales business support for its growing global customer base. In addition, strategic collaborations with Stripe and GoCardless will create new technologies on the Xero platform to enable easy payments for small businesses. Small businesses sharing their Xero data will be given conditional approval for loans of up to \$200,000 in minutes, without any paperwork.

Hong Kong-based Airwallex uses Xero's API for bank feeds, allowing businesses worldwide to connect their multi-currency financial transactions to Xero. In addition, Xero has partnered with its first business neobank partner in Southeast Asia, Aspire. This partnership aims to reduce manual data entry errors by automatically importing Aspire transactions directly into the Xero platform every hour, providing an accurate picture of a business's financial position.

Conclusion

With the commitment to incorporate new accounting features periodically, Xero focuses on improving small to medium enterprises and communities by integrating world-leading technology. The company has achieved strong financial performance and an increased user base by providing support and education through Xero Central and through its global support team.

With its strong overall performance, Xero Limited has earned Frost & Sullivan's 2021 Asia-Pacific SME Accounting Software Vendor of the Year award.

What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Visionary Innovation & Performance

Addressing Unmet Needs: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

Visionary Scenarios through Mega Trends: Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first to market solutions and new growth opportunities

Leadership Focus: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

Best Practices Implementation: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

Financial Performance: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

