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widely-used systems.

Isaac M. O'Bannon • Nov. 30, 2012

Xero, the maker of online accounting software for small businesses, has raised \$49 million of new capital from existing U.S. investors, according to the company's president of U.S. operations, Jamie Sutherland. The funding comes from two investors, Valar Ventures (backed by venture capitalist Peter Thiel) and Matrix Capital Management, who together placed \$49 million and also purchased \$18 million in shares from Xero's three largest shareholders. Of the \$67 million total, Matrix Capital Management is investing \$47 million and Valar Ventures \$20 million.

"Xero was designed to make the lives of accounting professionals easier when managing their clients," Jamie Sutherland told *CPA Practice Advisor*. "It's built for the web from the ground up. We don't have legacy issues like other incumbent software providers that are working from old platforms.

"With this unique design comes amazing collaborative capabilities between an accounting professional and their clients," he continued. "Couple that with anytime, anywhere access and you get material efficiencies. Using Xero frees up time for accounting professionals and this time can be used to help clients through value-add services. We are seeing a rapidly growing base of US accountants that understand potential that Xero brings which is really exciting."

Since entering the U.S. market early last year, Xero has doubled its revenue and its customer base, while also adding new features, such as integration with ADP's online payroll platform. The company acquired practice management suite WorkflowMax earlier this year. Xero expects to yet again double its operating revenue for the full year to March 31, 2013 and is positioned as the leading challenger to the incumbent competitor.

The Xero system takes a design-centric approach to online accounting, with easy-to-

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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 that “we have witnessed the disruptive power of cloud computing across the technology universe, and we believe that 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. Matrix is excited and honored to be working with Xero’s world-class management team, which has a product worthy of its talent. No one has developed a technology as simple or as powerful as Xero has.”

Valar Ventures and Matrix Capital are both experienced investors in Internet companies. Valar Ventures is an investment vehicle of United States-based Peter Thiel – co-founder of PayPal and the first external investor in Facebook. Matrix Capital has for 14 years invested across technology, media/telecom and consumer companies and co-founder Paul Ferri has been a venture capitalist in the technology sector for over 30 years.

“Small businesses and accountants are increasingly turning to the cloud for their business needs, and are realizing they need accounting software to move online,” says Xero President, U.S. Operations Jamie Sutherland, “Xero delivers a credible alternative to QuickBooks. Xero had the advantage of starting a fresh, rather than all the constraints that Intuit has with its legacy products. Our rapid growth globally, operational capability, broad ecosystem of partners and funding gives us a very strong position to compete with the incumbent.”

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