



MARKET RELEASE

Xero completes acquisition of Melio

WELLINGTON, 15 October 2025 — Xero Limited (ASX: XRO) today announces that it has completed the acquisition of Melio Limited and its associated entities (collectively **Melio**). Melio is a leading US SMB bill pay platform that seamlessly enables customers to manage their cashflow by offering SMBs and their advisors easy-to-use accounts payable (A/P) workflows and a wide choice of payment methods.

Xero CEO, Sukhinder Singh Cassidy, said: "We are delighted to welcome the Melio team to Xero. The combination of our world-class teams and technology will help customers to better manage their cash flow and streamline their operations on one platform. We are confident in our execution and eager to complete our integration work to deliver this compelling value proposition to our customers. This acquisition is a significant milestone in our journey, and we are excited about the opportunities it creates to accelerate our growth."

Melio CEO, Matan Bar, said: "Joining forces with Xero is a natural next step for Melio. We share a common vision of empowering small businesses to succeed. By integrating our platforms, we can create a seamless experience for businesses to manage their finances, from accounting to payments. We are thrilled to complete this acquisition and look forward to what we can achieve together for our customers."

Melio has traded in line with Xero's expectations through the first half of Xero's Fiscal Year 2026¹.

Xero reiterates its aspirations related to the Melio transaction that:

- The combined business is expected to significantly accelerate US revenue growth and gives Xero the opportunity to more than double its FY25 group revenue in FY28 excluding anticipated revenue synergies^{2,3}
- This outcome is expected to support our aspiration to deliver greater than Rule of 40 outcomes for the group in FY28^{4,5,6}

One-off costs and other impacts from completion

There are two non-recurring impacts associated with the transaction that Xero expects to incur in its H1 FY26 results. These impacts will be excluded from Xero's definition of free cash flow and adjusted EBITDA which reflect underlying operating performance, however they will impact reported EBITDA.

- Transaction costs totaling NZ\$52 million to be recognised in operating expenses
- A non-cash FX translation gain on acquisition funds raised of NZ\$78 million to be recorded in Other expenses and does not impact Xero's operating revenue or operating expenses

The impact of these one-off items from the acquisition is excluded from Xero's FY26 operating expense to revenue guidance. Xero's guidance that total operating expenses as a percentage of revenue is expected to be around 71.5% in FY26 remains unchanged. This ratio is expected to be higher in H1 FY26 versus H2 FY26⁷.

Xero expects an estimated value of \$350-490 million of amortisable intangible assets to arise from the acquisition. These will have a useful life of 6-8 years on average, and the related expenses will be recognised as an operating expense from H2 FY26 onwards, as per disclosure on page 34 of the Investor Presentation lodged with the ASX on 25 June (**Investor Presentation**).

Funding and completion details

The upfront consideration totaling US\$2.5 billion^{8,9} for the acquisition has been funded through a combination of cash, debt, and the issuance of new Xero shares. The funding components are:



- **Cash totalling ~US\$1.8 billion:** This comprises the proceeds from the already completed A\$1.85 billion institutional placement and A\$129.5 million Share Purchase Plan, and US\$0.5 billion of cash from Xero's balance sheet
- **New Debt Facility totalling US\$0.4 billion:** Xero has fully drawn the facility
 - The facility is split into two equal tranches of 3 year and 5 year tenures, with an opening margin of 1.5% and 1.7% respectively above a market reference rate¹⁰
- **Newly issued shares to the value of ~US\$0.36 billion:** These shares will be issued to existing Melio shareholders
 - The issue price & number of shares issued to Melio shareholders will be calculated using the average of the daily VWAP¹¹ of Xero shares for the five consecutive trading day period ending 2 business days prior to issuance
 - This issuance is expected to occur following Xero's H1 FY26 results announcement

Xero also attaches further information on other completion details including; the granting of an ASX waiver for Xero's assumption of Melio's existing Shopify warrants (as disclosed in the Investor Presentation) and disclosure of the relevant terms of the Xero Limited Share, Restricted Stock Unit and Option Plan for Israeli Participants. These are included in the Appendices attached to this release.

Authorised for release to the ASX by Xero's Chief Executive Officer

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About Xero

[Xero](#) is a global small business platform that helps customers supercharge their business by bringing together the most important small business tools, including Accounting, Payroll and Payments — on one platform. Xero's powerful platform helps customers automate routine tasks, get timely insights, and connects them with their data, their apps, and their accountant or bookkeeper so they can focus on what really matters. Trusted by millions of small businesses and accountants and bookkeepers globally, Xero makes life better for people in small business, their advisors, and communities around the world. For further information, please visit xero.com

1. Period covers April 1 2025 to September 30 2025
2. Anticipated FY28 revenue synergies are expected to be ~US\$70 million (refer to page 27 of the Investor Presentation lodged with the ASX on 25 June (**Investor Presentation**) for further details). Assuming constant currency conversion of NZ\$/US\$ 0.57, NZ\$/AU\$ 0.91 and NZ\$/GBP 0.46
3. Xero FY25 revenue was NZ\$2,103 million. This statement applies to FY28 only and no implication should be made relating to any other financial year
4. In the interim period prior to FY28, Xero expects to deliver below Rule of 40 outcomes on a pro forma basis (pro forma refers to adjusting for inorganic revenue growth benefits from the time of transaction completion by comparing to a prior year revenue base that fully incorporates Melio's revenue)
5. Assessed including both expected revenue and expected cost synergies outlined on page 27 in the Investor Presentation
6. Rule of 40 aspirations relate to Xero's results at the Xero Group level, in line with Xero's definition of Rule of 40 (for further details refer page 46 in the Investor Presentation)
7. Refer to page 39 of the Investor Presentation for further details
8. Total does not add through due to rounding
9. Net of completion adjustments and taking into account Melio's closing cash position
10. These margins are based on the pro forma leverage of the combined group, with a margin grid increasing / decreasing the margin based on the leverage of the group
11. Volume-weighted average price



Appendix 1 - Shopify Warrants

Xero refers to the Investor Presentation in respect of its proposed acquisition of Melio (the **Acquisition**) and its associated capital raising, and the Appendix 3B issued by Xero on Wednesday, 25 June 2025.

As described in that Investor Presentation, as part of Melio's commercial arrangements with Shopify Inc. (**Shopify**), Melio has issued Shopify a number of warrants, exercisable only on the satisfaction of certain significant commercial milestones, which both Melio's management and (following diligence) Xero believe are unlikely to be met. As anticipated under the contractual terms governing those warrants, Xero and Melio agreed, subject to regulatory approval, that Xero shall assume responsibility for the warrants on completion of the Acquisition with the effect that if the warrants were ever exercised, ordinary shares in Xero would be issued (instead of securities of Melio). ASX has granted certain waivers described further in this announcement in respect of such assumption by Xero of the warrants.

1. Summary of warrant terms

In 2023, as part of its broader commercial arrangements with Shopify (i.e., its syndicated product offering), and to provide Shopify with an opportunity to share in the value generated by those commercial arrangements, Melio granted Shopify the following warrants:

- (a) the option to acquire up to an aggregate of 83,484,894 Series D Preferred Shares in Melio subject to certain performance milestones at an exercise price of US\$0.0001 per share (**Warrant A**); and
 - (b) the option to acquire up to an aggregate of 83,484,894 Series D Preferred Shares in Melio subject to certain performance milestones at an exercise price of US\$0.617106 per share (**Warrant B**),
- (together, the **Shopify Warrants**).

The Shopify Warrants are exercisable (in whole or in part and/or on a "net settlement" basis) at any time prior to the expiry date (being 20 March 2033) only if certain performance milestones are met. These milestones relate only to performance under Melio's syndicated partnership with Shopify, and do not extend to the performance of the Melio standalone business or the broader Xero group following completion of the Acquisition. Both Melio's Management and, following diligence, Xero believe that it is unlikely the vesting conditions for the warrants will be met.

Other terms of the Shopify Warrants include:

- no voting or dividend (distribution) rights are granted;
- certain adjustments to the relevant purchase price and/or number of Xero ordinary shares to be purchased on exercise of the Shopify Warrants upon:
 - the occurrence of share dividends or share splits;
 - certain dividends or distributions not payable in cash;
 - a reorganisation or consolidation of Xero, or if Xero merges into one or more other corporations or entities; and
 - a reclassification of Xero ordinary shares;
- no transfer or assignment by Shopify without the prior written consent of Melio (or its successors or assigns); and



- certain limited rights to access information for the purpose of verifying and confirming calculations and vesting in respect of the Shopify Warrants.

As noted above, Xero and Melio agreed, subject to regulatory approval, that Xero shall assume responsibility for the Shopify Warrants on completion of the Acquisition. Accordingly, the Shopify Warrants will remain outstanding on the terms described above, other than that they have been amended such that, in the unlikely event that all the performance milestones described above are met in full, instead of Series D Preferred Shares in Melio being acquired on exercise of the Shopify Warrants:

- (a) in respect of Warrant A, up to an aggregate of 473,942 ordinary shares in Xero could be acquired, subject to certain performance milestones at an exercise price of US\$0.0001 per share; and
- (b) 189,595 ordinary shares in Xero could be acquired, subject to certain performance milestones at an exercise price of US\$0.617106 per share.

As previously disclosed at the announcement of the Acquisition, in the event that the vesting conditions are met in their entirety, the maximum value of Xero shares that could be issued under the Shopify Warrants (based on a Xero share price of A\$157) would be US\$69 million.

2. ASX waivers

As noted above, the Shopify Warrants were granted in 2023 by Melio to Shopify, the governing law of such warrants being the state of Delaware. Absent the Acquisition, any shares issued on vesting of the Shopify Warrants would be securities in Melio (a non-ASX listed entity). As such, the terms of the Shopify Warrants do not contemplate (and did not contemplate at the time of issue) compliance with the ASX Listing Rules.

The terms of the Shopify Warrants also envisage that the Shopify Warrants would remain on issue after an acquisition of Melio, and that the company that acquired Melio would assume Melio's obligations to issue equity securities if the Shopify Warrants were to ever vest. The terms of the Shopify Warrants that will remain on issue by Melio post-acquisition of Melio by Xero (and after Melio becomes a subsidiary of Xero) would not comply with Listing Rules 6.16, 6.19 and 6.21.

Given that the Shopify Warrants are already on issue by Melio and, in the unlikely event that the vesting conditions of the Shopify Warrants were to be met in their entirety, the maximum number of ordinary shares in Xero that would be issued would be a very small proportion of Xero's total share capital (namely, 663,537, representing approximately only 0.4% of ordinary shares in Xero as at closing), it was considered appropriate to seek relief from the ASX to allow the Shopify Warrants to remain on issue after Xero's acquisition of Melio even though the terms did not strictly comply with Listing Rules 6.16, 6.19 and 6.21.

Accordingly, Xero has sought, and the ASX has granted, Xero waivers from Listing Rules 6.16, 6.19 and 6.21 (set out in full below), and on the basis of granting these waivers, the ASX has confirmed that it has no objections to the Shopify Warrants being on issue for the purposes of Listing Rules 6.1 and 12.

ASX considered Listing Rule 6.16, 6.19 and 6.21 only and made no statement as to Xero's compliance with other listing rules.



Waiver from Listing Rule 6.16

Based solely on the information provided, ASX has granted Xero a waiver from Listing Rule 6.16 to the extent necessary to permit Xero to have warrants on issue to Shopify that do not comply with Listing Rule 6.16 on the following conditions:

- (a) a summary of the terms of the warrants and the full terms of the waiver from Listing Rule 6.16 are released to the market within 1 business day of completion of an agreement between Xero and Melio, among others, under which Xero will acquire all of the issued capital in Melio should the warrants remain on issue after that completion; and
- (b) Xero does not issue any further warrants which do not comply with Listing Rule 6.16.

Waiver from Listing Rule 6.19

Based solely on the information provided, ASX has granted Xero a waiver from Listing Rule 6.19 to the extent necessary to permit Xero to have warrants on issue to Shopify that do not comply with Listing Rule 6.19 on the following conditions:

- (a) a summary of the terms of the warrants and the full terms of the waiver from Listing Rule 6.19 are released to the market within 1 business day of completion of an agreement between Xero and Melio, among others, under which Xero will acquire all of the issued capital in Melio should the warrants remain on issue after that completion; and
- (b) Xero does not issue any further warrants which do not comply with Listing Rule 6.19.

Waiver from Listing Rule 6.21

Based solely on the information provided, ASX has granted Xero a waiver from Listing Rule 6.21 to the extent necessary to permit Xero to have warrants on issue to Shopify that do not comply with Listing Rule 6.21 on the following conditions:

- (a) a summary of the terms of the warrants and the full terms of the waiver from Listing Rule 6.21 are released to the market within 1 business day of completion of an agreement between Xero and Melio, among others, under which Xero will acquire all of the issued capital in Melio should the warrants remain on issue after that completion; and
- (b) Xero does not issue any further warrants which do not comply with Listing Rule 6.21.



Appendix 2 - Israeli Equity Plan

Xero has adopted the Xero Limited Share, Restricted Stock Unit and Option Plan for Israeli Participants (**Plan**), to govern the grant of awards (shares, restricted stock units (**RSUs**), and options) to eligible employees, consultants and service providers of the Xero Group resident in, or subject to tax laws of, Israel. Certain grants of shares and RSUs in connection with the Melio acquisition will be made under the Plan.

This summary sets out certain information regarding the Plan required to be disclosed under applicable Israeli law. All necessary permits, approvals, and licenses under applicable law for offerings made under the Plan have been or will be obtained.

Summary of offered securities

The underlying securities under the Plan are ordinary shares in Xero, which are listed and traded on the Australian Securities Exchange, carrying standard rights set out in Xero's Constitution.

The highest and lowest prices of Xero's shares (ASX: XRO) during the following periods (based on Xero's financial year of 1 April to 31 March) are set out below:

Financial Year	Highest Price	Lowest Price
During FY24	138.79 (25/03/2024)	89.37 (12/04/2023)
During FY25	188.30 (20/02/2025)	114.89 (19/04/2024)
From the start of FY26 (ongoing)	196.52 (24/06/2025)	134.00 (07/04/2025)

Summary of relevant Plan terms

The Plan allows the Board (or any committee or person to which the board duly delegates its powers and authorities) to make grants of awards of shares, options and RSUs to employees (including any officer or director) of the Xero Group or any other person designated as eligible to be a participant by the Board, including consultants and service providers. Xero has elected to designate grants made under the Plan pursuant to the Capital Gains Tax Track under section 102 of the Israeli Income Tax Ordinance [New Version], 5721-1961.

The exercise price (if applicable) and payment terms for awards are determined by the Board at the time of grant.

The Board has broad discretion to determine the appropriate treatment of unvested awards in certain circumstances including cessation of employment or a change of control. In both those cases, and among other discretions and rights, the Board may decide to vest/lapse unvested awards. If the Board does not exercise this discretion:

- (a) in a change of control scenario, unvested awards will vest pro-rata based on the proportion of the vesting period that has passed at the time of the change of control and the extent to which any applicable conditions have been satisfied; and
- (b) on cessation of employment, unvested awards will lapse on the date the participant ceases to be an employee.

Awards are subject to malus and clawback provisions, which apply to vested and unvested equity awards. These provisions give Xero's Board broad discretion to adjust, lapse/forfeit, or require repayment of equity awards to ensure no unfair benefit is obtained.