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MARKET RELEASE

Xero to acquire Melio, a leading US SMB bill pay solution, to accelerate global growth, supported by capital raise

Acquisition aligns with 3x3 strategy, step changing US customer proposition and scale

WELLINGTON, 25 June 2025 — Xero Limited (ASX: XRO) (**Xero**) today announced it has entered into a binding agreement to acquire 100% of Melio Limited and its associated entities (collectively **Melio**). Melio is a leading US SMB bill pay platform that seamlessly integrates Accounting and Payments, offering US SMBs and their advisors easy-to-use accounts payable (A/P) workflows and a wide choice of payment methods. Acquiring Melio delivers a step change in Xero's US value proposition and scale, accelerating its 3x3 strategy and global high growth aspirations.

This acquisition solves a critical customer need, uniting Accounting and Payments in one platform for customers. It's a powerful strategic fit, aligning with Xero's 3x3 strategy and it brings Melio's world-class team and platform to Xero. This will drive compelling value creation for the US business and the group globally.

The upfront consideration will be US$2.5 billion (A$3.9 billion)[1] in cash and Xero scrip. Additional contingent consideration, deferrals and rollovers is payable to Melio employees of up to US$0.5 billion payable over three years. The majority is linked to delivering against certain pre-agreed outperformance targets, and the remainder subject to the passage of time, annual business objectives and continued employment

TRANSACTION HIGHLIGHTS

- The upfront consideration will be funded through a combination of a fully underwritten A$1.85 billion (US$1.2 billion[1]) institutional placement (**Placement**), ~US$0.36 billion of Xero scrip issued to existing Melio shareholders, a fully underwritten US$0.4 billion unsecured revolving credit facility, and US$0.6 billion of existing cash on Xero's balance sheet
- The upfront consideration values Melio on a multiple of ~13.4x March 2025 annualised revenue of US$187 million, or ~9.7x March 2025 annualised revenue including pro forma FY28 expected revenue synergies[2], reflecting the high growth profile of the business which has delivered a revenue CAGR of 127% FY21-25[3]
- Xero's balance sheet strength will be maintained through this transaction with pro forma FY25 net debt / EBITDA of ~2.3x[4]. Xero expects to continue generating positive cash flow following the transaction, and for this to facilitate a meaningful deleveraging profile in the coming periods

OUR ASPIRATIONS

- The combined business is expected to significantly accelerate US revenue growth and gives us the opportunity to more than double Xero's FY25 group revenue in FY28 excluding anticipated revenue synergies[2 5]
- This outcome is expected to support our aspiration to deliver greater than Rule of 40 outcomes for the group in FY28[6 7 8]

1. A$/US$ conversion of 0.6501; **2.** Anticipated FY28 revenue synergies are expected to be ~US$70 million (refer to page 27 Investor Presentation lodged with the ASX today (**Investor Presentation**)). Assuming constant currency conversion of NZ$/US$ 0.57, NZ$/AU$ 0.91 and NZ$/GBP 0.46; **3.** Revenue growth based on Melio Financial Statements restated to 31 March year-end (unaudited) (refer to page 17 in the Investor Presentation); **4.** Pro forma adjusted EBITDA for the combined entity for 12 months ended 31 March 2025 of NZ$511 million; **5.** 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; **6.** 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); **7.** Assessed including both expected revenue and expected cost synergies outlined on page 27 in the Investor Presentation; **8.** 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)

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Xero CEO Sukhinder Singh Cassidy said: "We're thrilled to announce we're acquiring Melio, a leading, high-growth US B2B payments platform that strongly aligns with our 3x3 strategy and US growth ambitions. Adding Melio's world-class team, technology platform, and innovative A/P solutions to Xero enables a step change in our North America scale and the potential to help millions of US SMBs and their accountants better manage their cash flow and accounting on one platform. Xero and Melio are highly complementary — together they complete the key jobs to be done for US SMBs, extend reach across customer segments, provide both direct and syndicated offerings, and deliver multiple revenue drivers."

Melio Co-founder and CEO Matan Bar said: "Joining Xero is an incredible opportunity for the Melio team to further our mission to reinvent the way businesses pay each other. Having worked closely with the Xero team, we're excited by our shared purpose to scale in the US and combine Xero's accounting capabilities with Melio's accounts payable and receivable solutions to create comprehensive product offerings for our collective, valued customer base."

COMPELLING STRATEGIC RATIONALE

1. **Solves a critical US customer need in a large and growing TAM**
   - Accounting and Payments are critical needs for US SMBs — with ~78% placing high importance on having these software offerings integrated
   - The US SMB Payments TAM represents a US$29 billion[9] opportunity, which is growing and supported by digitisation of A/P whitespace for business-to-business payments and increasing demand for software solutions that help customers save time and manage cash flow
2. **Powerful strategic fit**
   - Payments is critical to Xero's 3x3 strategy[10] — Melio enables Xero to accelerate this strategy. It allows SMBs and accountants and bookkeepers in the US to complete the key Jobs to be Done (JTBD) seamlessly in one platform, enabling access to more fulsome ARPU economics
3. **World-class team & platform**
   - Melio's founders have built a leading platform that enables customer flexibility in how they pay vendors and provides purpose-built dashboards and tools for accountant and bookkeeper advisors
   - The product is valued by customers, as reflected in: its customer satisfaction score (NPS 45)[11], its monthly ARPU of US$250[12], industry recognition, and consistent high growth with a very strong 127% revenue CAGR FY21-FY25
   - Melio's founders and leadership team have deep Payments knowledge and technology experience and expertise, and will remain key leaders of the combined business
   - Melio has a leading syndication offering. This white-label/embedded technology service provides vertical SaaS platforms and financial institutions (including Fiserv, Capital One and Shopify) access to Melio's services
   - The syndication model provides the opportunity for Xero to offer both Accounting and Payments longer term, in a single platform, to millions of US SMBs by extending partnerships with providers such as Fiserv which powers ~3,500 financial institutions that serve ~18 million SMBs

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9. Internal Total Addressable Market (TAM) sizing model, represents entire Payments TAM, of which US$14 billion is accounts payable (A/P) and US$15 billion is accounts receivable (A/R); **10.** "3x3 strategy" reflects Xero's three large markets (US, UK and Australia) and three core Jobs to be Done (JTBD) for SMBs (Accounting, Payroll, and Payments); **11.** NPS calculated from internal survey of 400 direct customers, conducted in December 2024 & January 2025; **12.** Melio ARPU calculated using total revenue in March 2025 divided by the number of users who made at least one transaction in March 2025;

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4. **Powerful value creation opportunity**
   - Melio's US presence provides a step change in Xero's US value proposition and scale, driving a ~3x increase in Xero's North American revenue and ARPU on day-one[13]
   - Expands Xero's customer ARPU, improves Lifetime Value (LTV) and allows Xero to unlock a flywheel that better enables investment for scale in the US market
   - Xero and Melio are a powerful combination of complementary solutions which:
     - Completes the key Payments JTBD for the combined customer base of A/P and A/R, alongside core Accounting JTBD offered by Xero
     - Extends & improves customer segment reach further beyond small businesses (1-20 employees) to self-employed and medium-sized (employing 20+) businesses
     - Provides new channels to reach customers, many of whom are pre-accounting, including through a differentiated payments syndication offering across bank and vertical SaaS partners with the potential to expand that offering over time
     - Diversifies Xero's business into a subscription + transactions revenue model
   - The complementary nature of the businesses supports growth drivers and scale benefits. Xero has identified expected FY28 synergies of ~US$70 million in revenue and ~US$20 million in costs. These synergies are expected to be driven by a combination of:
     - **Growth drivers** including winning new customers through the combined value proposition, integrating Xero's GTM capabilities with Melio, and ARPU expansion from cross-selling opportunities across customer bases
     - **Scale benefits** including cost avoidance in GTM, product and engineering as well as consolidation of G&A and overheads

The transaction is targeted to complete within 6 months of signing subject to conventional conditions precedent to closing, including satisfaction of various customary regulatory conditions and approvals for a business of this nature as described below. On completion, Matan Bar, Melio's Co-founder and CEO will be responsible for the combined US business (reporting to the Xero CEO) that will bring together Xero and Melio's teams across Accounting, Payments and Melio's syndication network.

Xero CEO Sukhinder Singh Cassidy added: "We're excited to welcome Melio's world-class team to Xero and look forward to working together to deliver on our shared goals once the transaction completes. We will continue to invest in Melio's Payments product and leverage Xero's go-to-market expertise to accelerate growth in Melio and Xero in the US. In parallel, we will embed Melio's features into Xero's core platform, creating a market-leading Accounting and Payments offering that maximises value for our US customers."

FY26 OUTLOOK

Xero is not updating its existing FY26 operating expense to revenue guidance as part of this announcement. That FY26 guidance[14] excludes any impacts of the acquisition, including transaction costs.

Xero will provide an update in relation to any impact of the acquisition upon completion. Completion is targeted to be within 6 months of signing.

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13. FY25 Xero North America revenue of US$82 million, FY25 pro forma North America revenue of US$235 million. Xero North America monthly ARPU at March 2025 US$18, pro forma ARPU at March 2025 $49. Combined ARPU reflects average ARPU of the combined Xero NA and Melio base (subscribers/users); the method for calculating combined ARPU may differ to that used in future reporting;
14. Total operating expenses as a percentage of revenue is expected to be around 71.5% in FY26. This ratio is expected to be higher in H1 FY26 versus H2 FY26. For more information refer page 39 in the Investor Presentation

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MELIO BACKGROUND

Melio is a leading platform that enables easy to use A/P workflows and a wide choice of payment methods for US SMBs. Founded in 2018, Melio has expanded significantly to serve 80,000 customers[15], processing over US$30 billion in payments in FY25 (31 March year end) to generate US$153 million in revenue and March 2025 annualised revenue of US$187 million. Melio helps customers save time and manage cashflow when managing bills and A/P. Key benefits include:

- **Easy to use A/P workflows:** Seamless processes, and flexible integrations reduce the time and cost of managing payments
- **Multiple ways to pay & get paid faster:** Payors & payees can each choose their preferred payment method, helping to manage cash flow
- **Appeals to multiple SMB & AB segments:** Ease of use attracts SMBs of all sizes, and their advisors, with purpose-built dashboards & tools

TRANSACTION FUNDING

Upfront consideration to be funded through a combination of new equity raised, scrip, debt and cash:

- A fully underwritten A$1.85 billion (US$1.2 billion[16]) institutional placement (**Placement**)
- ~US$0.36 billion of Xero scrip issued to existing Melio shareholders[17] with the issue price based on the 5-day VWAP at transaction close[18]. Voluntary escrow periods for those receiving scrip consideration:
    - Founder Shareholders and Core Leadership: 100% for 12 months
    - Other Management: 50% for 6 months, 50% for 12 months; all other equity investors: 50% for 3 months, 50% for 6 months
- A fully underwritten US$0.4 billion unsecured revolving credit facility, subject to satisfying conditions precedent, with the tenor of the facility split equally between 3 and 5 years
- Xero will also use US$0.6 billion of existing cash on its balance sheet

Xero's balance sheet strength will be maintained through this transaction with pro -forma FY25 net debt / EBITDA of ~2.3x[19]. Xero expects to continue generating positive cash flow following the transaction, and for this to facilitate a meaningful deleveraging profile in the coming periods.

Additional contingent consideration, deferrals and rollovers is payable to Melio employees of up to US$0.5b payable over three years. The majority is linked to delivering against certain pre-agreed outperformance targets, and the remainder subject to the passage of time, annual business objectives and continued employment.

Institutional Placement

Xero's acquisition of Melio will be partly funded through a fully underwritten A$1.85 billion (US$1.2 billion) Placement. The Placement proceeds will also be used to fund transaction costs. The Placement will be conducted at a fixed offer price of A$176 per new share (**Placement Price**).

The Placement Price represents a 9.4% discount to Xero's last close price of A$194.21 on 24 June 2025.

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15. Unique SMBs that made at least one transaction in the most recent quarter; **16.** A$/US$ conversion of 0.6501; **17**. Melio Founder Shareholders, Core Leadership and Other Management will in aggregate receive a significantly greater portion of their upfront consideration in scrip relative to other equity investors; a small number of employees will be able to sell up to 25% of their shares from completion to fund tax obligations. The value of these is not considered to be material; **18.** The number of Xero shares to be issued will be determined prior to closing using the volume weighted average trading price of Xero shares over a 5-day trading period, two business days prior to the transaction closing date; **19.** Pro-forma adjusted EBITDA for the combined entity for 12 months ended 31 March 2025 of NZ$511 million

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The Placement will result in ~10.5 million new fully paid ordinary shares (**New Shares**) being issued, representing ~6.8% of existing issued shares. It is intended that eligible institutional shareholders who bid for an amount less than or equal to their 'pro rata' share of New Shares under the Placement will be allocated their full bid, on a best endeavours basis.[20] [21]

Share purchase plan (SPP)

Xero will also offer eligible shareholders[22] the opportunity to participate in a non-underwritten SPP. Xero is targeting to raise ~A$200 million under the SPP. Xero expects participation in the SPP should provide the vast majority of eligible shareholders who are not able to participate in the Placement with an opportunity to subscribe for a number of New Shares that they would have been entitled to subscribe for under a pro rata entitlement offer.

Applications may be scaled back (in whole or in part) at the absolute discretion of Xero. If a scale back is applied, it is Xero's intention that the scale back will be applied having regard to the pro rata shareholding of eligible shareholders who apply for New Shares under the SPP. Xero may (in its absolute discretion) in a situation where total demand exceeds A$200 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scale back. Maximum application size of A$30,000 per eligible shareholder across all of their holdings, free of transaction and brokerage costs.

The issue price of the New Shares under the SPP (**SPP Shares**) will be the lower of:

- the Placement Price; and
- a 2.0% discount to the 5-day volume weighted average price (**VWAP**) of Xero shares up to and including the closing date of the SPP (currently scheduled for 21 July 2025), rounded to the nearest cent.

SPP Record Date is 7.00pm (Sydney time) on 24 June 2025. SPP Shares will rank equally with existing Xero ordinary shares from their issue date. An SPP booklet with further details on the SPP is expected to be sent to eligible shareholders, in accordance with their communications election, on or around 2 July 2025.

Any funds raised under the SPP will be used for general corporate and working capital purposes.

For questions in relation to how to participate in the SPP, please contact Xero's registry from 8.30am to 5.30pm (Melbourne time) Monday to Friday (excluding public holidays) on 1800 262 299 (for callers within Australia) or +61 1800 262 299 (for callers outside Australia) during the SPP offer period or consult your financial or other professional adviser. For questions in relation to whether an investment in Xero through the SPP is appropriate for you, please contact your stockbroker, accountant or other professional adviser.

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20. For this purpose, an eligible institutional shareholder's 'pro rata' share will be estimated by reference to Xero's beneficial register on 24 June 2025, but without undertaking any reconciliation and ignoring any New Shares that may be issued under the SPP. Accordingly, unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro rata share. Nothing in this announcement gives a shareholder a right or entitlement to participate in the Placement, which remains solely at the determination and discretion of Xero, and Xero has no obligation to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro rata' share. To the maximum extent permitted by law, Xero and the underwriters disclaim all and any duty or liability (including for negligence) in respect of the determination of a shareholders 'pro rata' share; **21.** Eligible institutional shareholders who bid for more than their 'pro rata' share of New Shares are expected to be allocated at least their 'pro rata' share of New Shares on a best endeavours basis as set out in footnote 20 above, and any excess may be subject to scaleback; **22.** An eligible shareholder is a registered holder of Xero shares on the Record Date (being 7.00pm (Sydney time) on 24 June 2025) and shown on the register to have an address in Australia or New Zealand (subject to receipt of relevant Financial Markets Authority approvals in respect of retail shareholders resident in New Zealand), that is located outside the United States and is not acting for the account or benefit of persons in the United States (and who are otherwise eligible to participate in the SPP under the terms of the SPP offer). Subject to compliance with applicable law, directors of the Xero Board who are registered holders of Xero shares on the Record Date may also participate in the SPP under the terms of the SPP offer

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Indicative timetable

Event	Date
Record date for SPP (7:00pm)	24 June 2025
Trading halt, announcement of Acquisition, Placement and SPP	25 June 2025
Placement bookbuild	25 June 2025
Announcement of the completion of the Placement	26 June 2025
Trading halt lifted	26 June 2025
Settlement of New Shares issues under the Placement	30 June 2025
Allotment and normal trading of New Shares issued under the Placement	1 July 2025
Despatch of SPP Booklet and expected SPP offer opening date (9:00am)	2 July 2025
Expected SPP offer closing date (5:00pm)	21 July 2025
Announcement of results of SPP	24 July 2025
Issue and allotment of New Shares issued under the SPP	28 July 2025
Normal trading of New Shares under the SPP	29 July 2025
Despatch of holding statements in respect of New Shares issued under the SPP	30 July 2025

Please note the dates set out above are indicative only and are subject to change. All dates and times are references to Sydney, Australia time.

Additional information

The transaction will be effected by way of a merger of Melio Limited and a newly incorporated wholly owned subsidiary of Xero Limited. Completion is subject to conventional conditions precedent to closing including (i) satisfaction of various customary regulatory conditions and approvals for a business of this nature including change of control consents for relevant state Money Transmitter Licences and US anti-trust approval (Hart-Scott-Rodino or HSR); (ii) no “Material Adverse Change” in the Melio business and; (iii) valid shareholder vote by Melio shareholders approving the merger. As at the date of this announcement Xero has received covenants to vote in favour of the merger from more than the required number of Melio shareholders. Xero has agreed to pay a break fee of US$37.5m in the event that the acquisition does not close solely due to failure to secure HSR approval.

Further details of the transaction to acquire Melio and the equity raising are set out in the Investor Presentation also lodged on the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the equity raising.

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Conference call

Xero will host an investor and analyst conference call today, 25 June 2025 at 10:30am AEST. Links to register are provided below.

Conference call registration

https://webcast.openbriefing.com/xro-mu-2025/

Xero is being advised in connection with the acquisition of Melio by J.P. Morgan as exclusive financial adviser.

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

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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

About Melio

Melio serves US SMBs and accounting firms with accounts payable, receivable and cash flow management solutions. Headquartered in New York with offices in Tel Aviv, Israel. Founded in 2018, Melio has scaled rapidly to serve over 80,000 customers and generate FY25 (March 31 year end) revenue of US$153 million, with a revenue CAGR since 2021 of 127%. Melio's leading platform integrates with and maintains partnerships with financial institutions, allowing businesses to sync payments data and avoid manual entry. Melio also acts as a technology service provider for vertical SaaS platforms and financial institutions including Capital One and Shopify, and distribution partners including Fiserv through a syndication model. This enables Melio to potentially reach millions of small businesses to provide embedded accounts payable products.

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This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any New Shares in the United States or any other jurisdiction in which such an offer would be unlawful. The New Shares to be offered and sold under the Placement and the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**US Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to any persons in the United States or any persons acting for the account or benefit of a person in the United States, unless the New Shares are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States. Save for any Xero directors who may be in the United States, the New Shares under the SPP may only be offered and sold outside the United States in 'offshore transactions' (as defined in Rule 902(h) under the US Securities Act) in reliance on Regulation S under the US Securities Act.

Future performance and forward-looking statements

This announcement may contain certain forward-looking statements, forecasts, estimates, projections and comments about future events, including Xero's beliefs, assumptions and expectations regarding plans, strategies and objectives of management, the completion and the effect of the acquisition of Melio, the timetable and outcome of the Placement and SPP and the use of the proceeds thereof. Forward looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "goals", "aims", "target" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance (including after the acquisition of Melio) are also forward-looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, including the risk factors described under the “Key risks” section of the Investor Presentation relating to the acquisition of Melio, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. A number of important factors, both known and unknown, could cause the Xero's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, and many of these factors are beyond the Xero's control, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. As such, there can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material.

Any forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee or predictions of future performance. As such, no undue reliance should be placed on any forward-looking statement, particularly in light of the current economic climate and certain geopolitical tensions (such as the Russian-Ukrainian War, Israeli-Palestine conflict and Israeli-Iran conflict). Past performance is not necessarily a guide to future performance, and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements or other forecast. Nothing contained in this announcement or any other information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of the Xero. None of Xero, the underwriters, their respective related companies and/or related bodies corporate (as applicable), securityholders or affiliates, or any of their respective officers, directors, employees, affiliates, partners, representatives, consultants, agents or advisers

(each a **Limited Party**) makes any representation or warranty as to the accuracy of any forward-looking statements contained in this announcement. Forward looking statements speak only as at the date of this announcement, and the Limited Parties disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this announcement (including to reflect any change in expectations or assumptions), except as required by law or regulation (including the ASX Listing Rules).

General

Nothing contained in this announcement constitutes financial product, legal, tax or other advice or recommendation. It does not take into account the investment objectives, financial situation or needs of any particular investor. Before making any investment decision in respect of Xero, prospective investors should consider the appropriateness of the information in this announcement and Xero's other announcements having regard to their own investment objectives, financial situations and needs and with their own professional advice. Xero is not licensed to provide financial product advice in respect of New Shares. Cooling off rights do not apply to the acquisition of New Shares.

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