

by Rom Mascetti, Alex Wu, and Samuel Zhu, 14 July 2025

Convergence of CFO SaaS & Fintech: Xero Acquires Melio for up to USD \$3 billion

Introduction

The landscape of B2B financial software and services for small and medium-sized businesses is undergoing a transformation. As CFOs and finance teams increasingly seek integrated solutions that blend accounting and bookkeeping with payables, receivables, and spend management (among other domains), software providers and fintechs are racing to broaden their capabilities through strategic acquisitions and partnerships.

The latest and most along this trend is Xero's acquisition of Melio. This article explores the details of the Xero-Melio deal, the broader strategic shift reshaping the Office of the CFO, and insights into where this dynamic market is heading next.

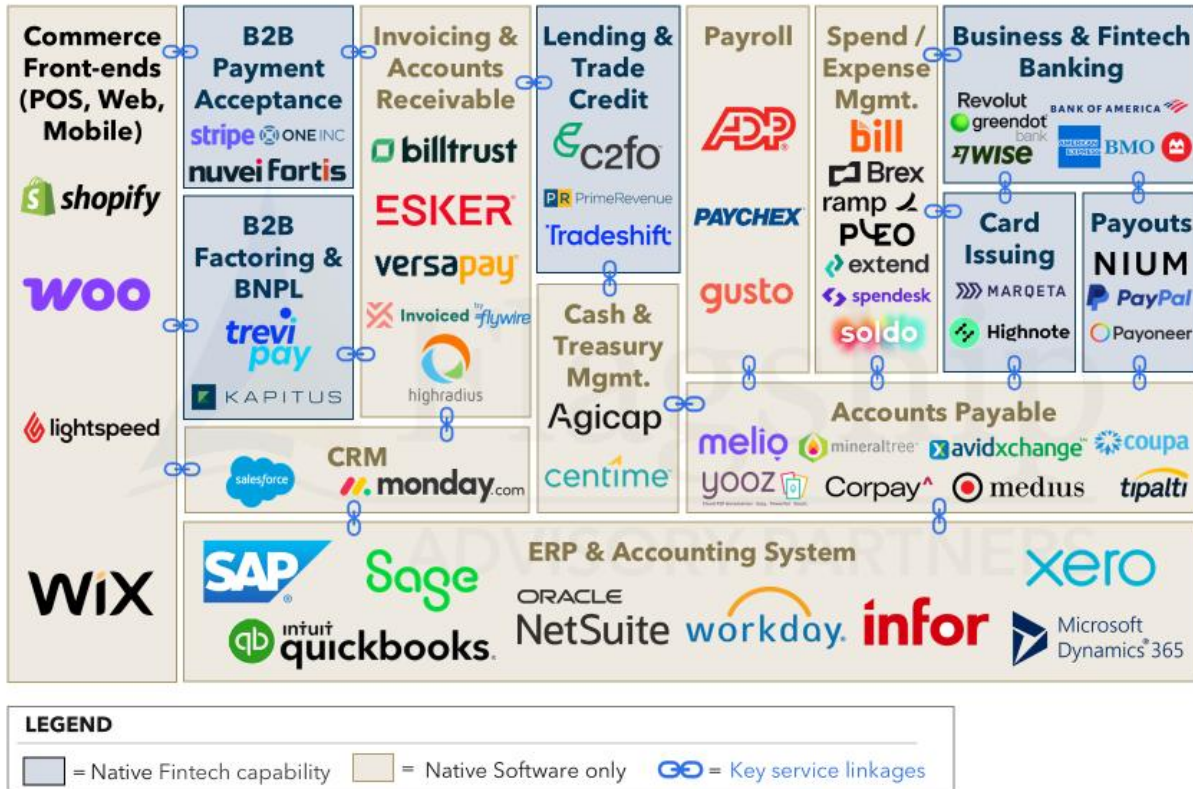
Defining Office of the CFO SaaS & Fintech

The "Office of the CFO" refers to the suite of technologies that support core finance operations such as accounting, accounts payable (AP), accounts receivable (AR), payroll, expense management, cash flow forecasting, and financial reporting. Historically, these functions have been managed through disparate systems and vendors, often creating inefficiencies, data silos, and operational friction.

The convergence of CFO SaaS and fintech reflects a growing demand for all-in-one platforms that allow finance teams to manage the entire financial stack—from invoicing to payments—within a single, integrated ecosystem. This shift is particularly pronounced among small and medium-sized firms, where resource constraints make simplicity and efficiency paramount. In Figure 1, we illustrate the SMB Office of the CFO SaaS & fintech landscape.

Figure 1: B2B Office of the CFO Software & Fintech Landscape and Related Domains

(non-exhaustive, logo placement is indicative and does not indicate relative strength/capabilities)



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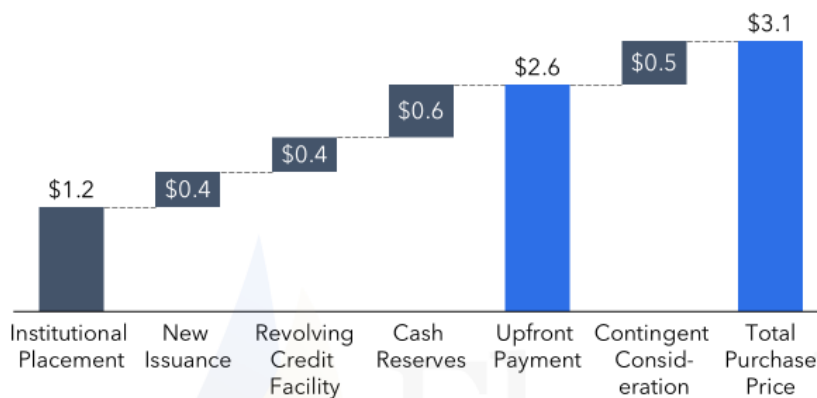
Details of Xero's Acquisition of Melio

Last month (June 2025), Xero, the New Zealand-based cloud accounting software giant, announced its acquisition of Melio, a fast-growing B2B AR/AP payments platform for SMBs. The deal, valued at approximately \$3.1 billion (inclusive of \$500 million in contingent consideration over a three-year period), underscores Xero's ambition to embed more CFO software, payments, and broader fintech capabilities directly into its core accounting offering. In Figure 2, we summarize the acquisition announcement.

Figure 2: Xero Acquires Melio

(Xero and Melio's deal details and business functions)

Purchase Price & Funding Structure



Valuation Multiples

16.4x	13.4x	~86x	~71x
EV / LTM Revenue	EV / FY '25E Revenue	EV / LTM Gross Profit	EV / FY '25E Gross Profit

- The transaction **values Melio at an upfront enterprise value of ~\$2.6B**, with up to ~\$500M in earn-outs.
- Melio has been **integrated in Xero since Jan. 2023**.
- Melio has **raised \$654M in capital** from investors including General Catalyst, Thrive Capital, etc.
- Melio's North American presence is an **important strategic asset for Xero**, tripling its North American ARPU on day one.

Company Overview



- Cloud-based accounting software focused on streamlining SMB operations (e.g., invoicing, payroll, etc.) and allowing users to collaborate.
- Key products include inventory management, expense and project tracking, business analytics, payroll, etc.



- Digital B2B payments platform focused on enabling SMBs to better manage AP & AR
- Offers a single, integrated tool for SMBs to manage payments and cash flow digitally
- Melio enables businesses to pay using bank transfer, debit or credit card, and paper checks

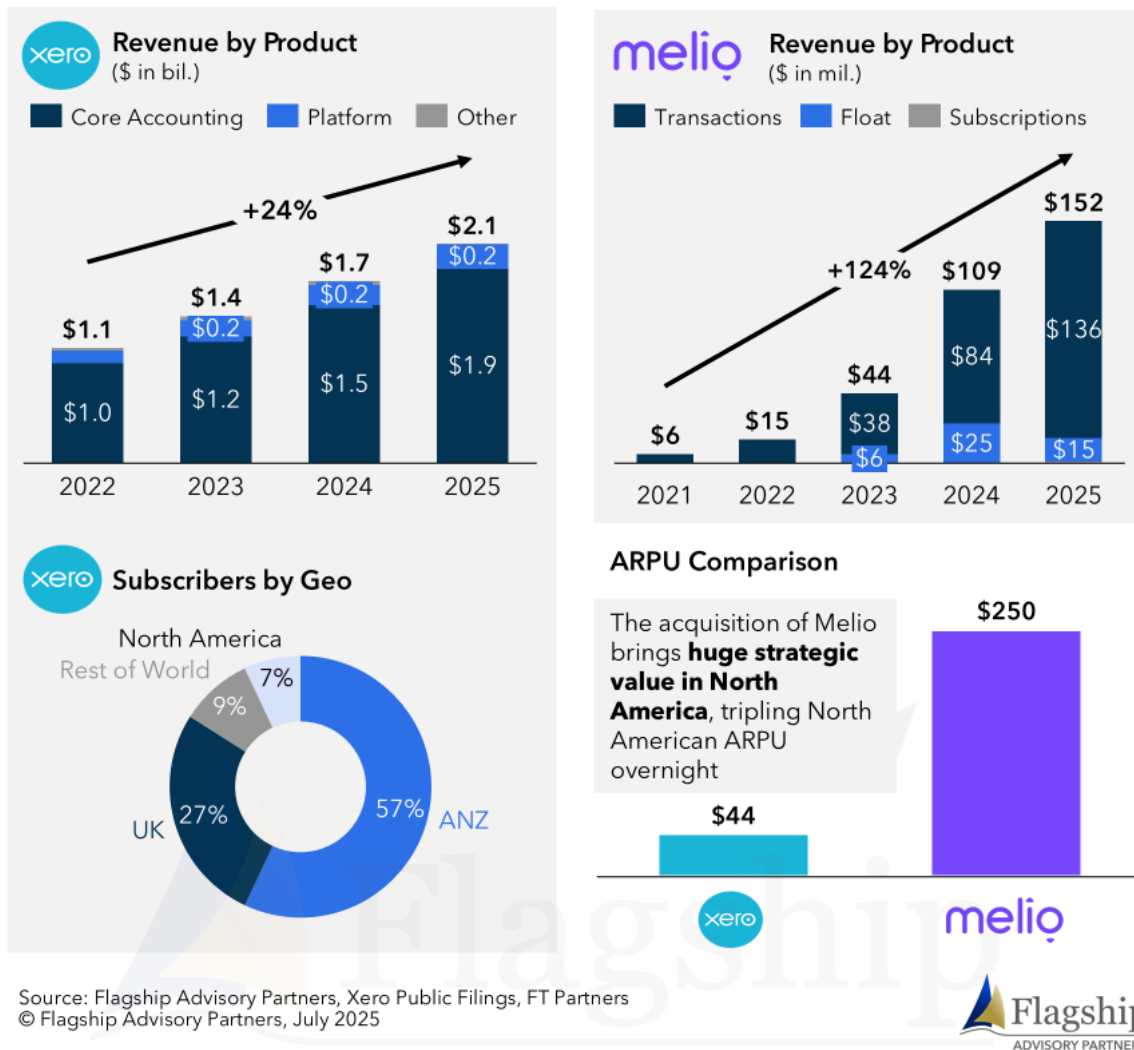
Source: Flagship Advisory Partners, Company Press Releases, FT Partners
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Melio has demonstrated impressive top-line growth since 2021, with over \$150 million in revenue and 100% top-line CAGR. Melio's business model is lucrative, generating 5x the average revenue per customer (ARPU) as Xero. This creates ample cross-sell synergies for Xero. We provide a financial snapshot of Xero and Melio in Figure 3.

Figure 3: Financial Overview of Xero & Melio

(key performance metrics for respective companies)



Broader Convergence of CFO Saas & Fintech

The Xero-Melio transaction is part of a larger wave of fintech and CFO software convergence, where service providers are building or acquiring capabilities to offer full financial workflow solutions to small and medium-sized businesses. Figure 4 illustrates a recent timeline of M&A and product announcements involving the convergence of CFO software and payments domains.

Figure 4: History of AP/AR Automation SaaS + Fintech M&A



Source: Flagship Advisory Partners, Company Websites and Press Releases
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We observe two main driving factors behind this convergence:

1. Finance teams are shifting away from fragmented systems toward unified platforms that manage AP, AR, spend, and analytics in one place (typically a company's core ERP or accounting platform).
2. Companies like Xero are pursuing acquisitions to gain better control over the customer experience, recognizing that loosely integrated partnerships cannot protect against the risk of platform partners internalizing key capabilities.

B2B domain convergence and platform ownership reflect the broader strategic imperative for fintech and software providers to secure their customer relationships. Not all companies have successfully navigated this shift, with some still facing platform/partner dependency and risk (e.g., potential disintermediation with small and medium-sized businesses sourced through and owned by banks, accountants/CPAs, and vertical SaaS).

Conclusion

The integration of software and embedded fintech is reshaping the future of the Office of the CFO. Combining accounting and workflow software with embedded financial services (pay-ins, pay-outs, lending, issuing, etc.) creates a robust feature set for SMBs and lucrative lifetime values for the platforms and fintech providers (increasingly one-in-the same).

Xero's acquisition of Melio is a bold, multi-billion-dollar leap into owning fintech as a core business. The move is also emblematic of a broader industry shift toward platform convergence.

Please do not hesitate to contact Rom Mascetti at Rom@Flagshipap.com with comments or questions.