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Embedded Payments: 2026 Market Report

AUGUST 2026

Windsor Drake · Market Intelligence

Executive Summary: The Rung Sets the Denominator

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The Channel Won

Payments monetised inside software is no longer a niche. It is how small merchants are acquired.

- US ISV payments revenue reached **$16 billion** in 2025, roughly **60%** of the acquiring revenue available from SMEs (McKinsey, January 2026).
- That revenue has compounded at **20%** a year for five years.
- SaaS providers with integrated payments took **36%** of SME acquiring revenue in 2024, heading to **45%** by 2028 (BCG, September 2025).
- About **90%** of US merchants now use an ISV solution against a **23%** European average (McKinsey, January 2026).

The Multiples Do Not Agree With Each Other

Windsor Drake's 17-company screen carries a **2.8x** median EV/Revenue and a constituent range of **0.8x to 13.8x**.

- A **17-fold** spread inside a single sub-vertical.
- Interquartile range **2.5x to 5.2x**, so half the set sits in a band narrower than the tails suggest.
- Gross margin explains almost none of the spread: correlation with EV/Revenue is **0.06** across the nine constituents that report a gross profit line.
- Revenue growth correlates at **0.33**, better but far from sufficient.

The Attach Ladder

Four rungs of payment ownership. Each rung roughly doubles the economics retained. None of them predicts the multiple.

- Referral keeps **30% to 50%** of processing revenue; a registered payment facilitator keeps **70% to 90%** (McKinsey, January 2026).
- Rung medians run **1.8x, 2.8x, 3.2x and 6.8x**, a 3.9x spread.
- The spread **inside** rung three is **5.1x**, wider than the spread between any two rungs.
- The rung decides how payment revenue is recognised, and recognition decides what the multiple is measured against.

The Controlled Case

Toast and ServiceTitan grew at almost the same rate and trade three times apart on revenue.

- Toast grew **23.1%**, ServiceTitan **24.6%** in the most recent reported quarter.
- EV/Revenue: Toast **2.7x**, ServiceTitan **8.1x**.
- EV/Gross Profit: Toast **10.2x**, ServiceTitan **11.4x**, a gap of **12%**.
- Payments is **81.9%** of Toast revenue and **22.3%** of ServiceTitan's. That is the whole difference.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Key Takeaways for Software Founders

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1. Know Which Rung You Are On Before Anyone Asks

The Attach Ladder sets your economics and your accounting at the same time, and most founders think about only the first.

- Referral retains 30% to 50% of processing revenue and is recognised net; a registered payfac retains 70% to 90% and is recognised gross (McKinsey, January 2026).
- The same underlying business reports two very different revenue lines depending on the rung.

2. Climbing a Rung Can Cut Your Headline Multiple

Moving from referral to payment facilitator roughly doubles retained economics and can multiply reported revenue several times over, which mechanically compresses EV/Revenue.

- Toast recognises payments gross: **$5,572M** of its **$6,804M** trailing revenue, at a **23.0%** gross margin.
- ServiceTitan recognises usage net: **$226M** of **$1,014M**, at a **70.9%** company gross margin.

3. Argue on Gross Profit, Not on Revenue

Across the nine constituents that publish a gross profit line, EV/Revenue and gross margin are effectively uncorrelated at **0.06**. Revenue multiples are not comparable across rungs.

- On gross profit, Toast and ServiceTitan sit **12%** apart rather than 3.0x apart.
- A seller benchmarked on the wrong denominator concedes the range before the first meeting.

4. Attach Rate Is the Operating Metric That Travels

Penetration of your own payments stack is the one figure that means the same thing at every rung, and public platforms now disclose it.

- Shopify Payments penetration reached **68%** of GMV in Q2 2026, from 64% a year earlier (Form 10-Q).
- Lightspeed GPV reached **44%** of GTV, from 40% (Q1 FY2027 release).

5. Buyers Are Software Companies Now

The most instructive embedded payments transactions of the last eighteen months were software strategics buying payments, not processors buying software.

- Xero acquired Melio at **13.4x** annualised revenue on the upfront consideration (Xero announcement, June 2025).
- Sponsors took Olo, AvidXchange and Weave private at **5.0x**, **4.1x** and **2.2x** enterprise value to trailing revenue.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Founder FAQs

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1 What multiple do embedded payments companies sell for in 2026?

Windsor Drake's 17-company public screen carries a median 2.8x EV/Revenue as of 18 August 2026, with an interquartile range of 2.5x to 5.2x and a full constituent range of 0.8x to 13.8x. The median is close to useless on its own, because the companies in it do not recognise payment revenue the same way.

2 Why does Toast trade at 2.7x revenue and ServiceTitan at 8.1x?

Not because one grew faster. Toast grew 23.1% and ServiceTitan 24.6% in their most recent reported quarters. Toast is a registered payment facilitator and books payments gross, so payments are 81.9% of its revenue at a 23.0% gross margin. ServiceTitan books usage revenue net of interchange, so it is 22.3% of revenue. On EV to gross profit the two sit 12% apart, at 10.2x and 11.4x.

3 Does becoming a payment facilitator lower my valuation?

It lowers your revenue multiple and usually raises your value. Registering as a payfac takes retained processing revenue from 30% to 50% up to 70% to 90%, which is more gross profit on the same transaction flow. It also moves you to gross recognition, which inflates the revenue denominator faster than it inflates gross profit. Both effects are real and they point in opposite directions on the headline number.

4 What is a good payments attach rate for a vertical software platform?

The public benchmarks are Shopify at 68% of GMV facilitated through Shopify Payments in Q2 2026, and Lightspeed at 44% of GTV. Fiserv reports value-added services at 25% of Clover revenue as its closest analogue. Toast does not publish an attach rate because payments are effectively bundled with the platform.

5 How do buyers value payments revenue inside a software company?

Separately from subscription revenue, and at a lower multiple. The disclosed transactions bear this out: sponsors paid 4.1x to 5.0x trailing revenue for AvidXchange and Olo, both payments-attached vertical software assets, against the double-digit revenue multiples that subscription-led software commanded in the same window.

6 Which buyers are actually paying for embedded payments assets?

Software strategics and sponsors, more than processors. Xero bought Melio, Thoma Bravo took Olo private, TPG with Corpay took AvidXchange, Francisco Partners agreed Weave in August 2026, and Advent merged Xplor with Clubessential. In Windsor Drake's own index, 136 of the 149 classified acquirers in the embedded payments cohort are strategics.

7 Is 2026 a reasonable time to run a process on a payments-attached platform?

The conditions are unusually specific. Global buyout dry powder stands at $1.3 trillion with 32,000 unsold portfolio companies worth $3.8 trillion (Bain, February 2026), the US IPO market reopened with 65 listings raising $114.2 billion in the first half (PwC, July 2026), and yet no embedded payments or vertical software payments issuer has listed in 2026. Sponsors need exits and the public route is not open to this asset class, which concentrates demand in private M&A.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

The Attach Ladder

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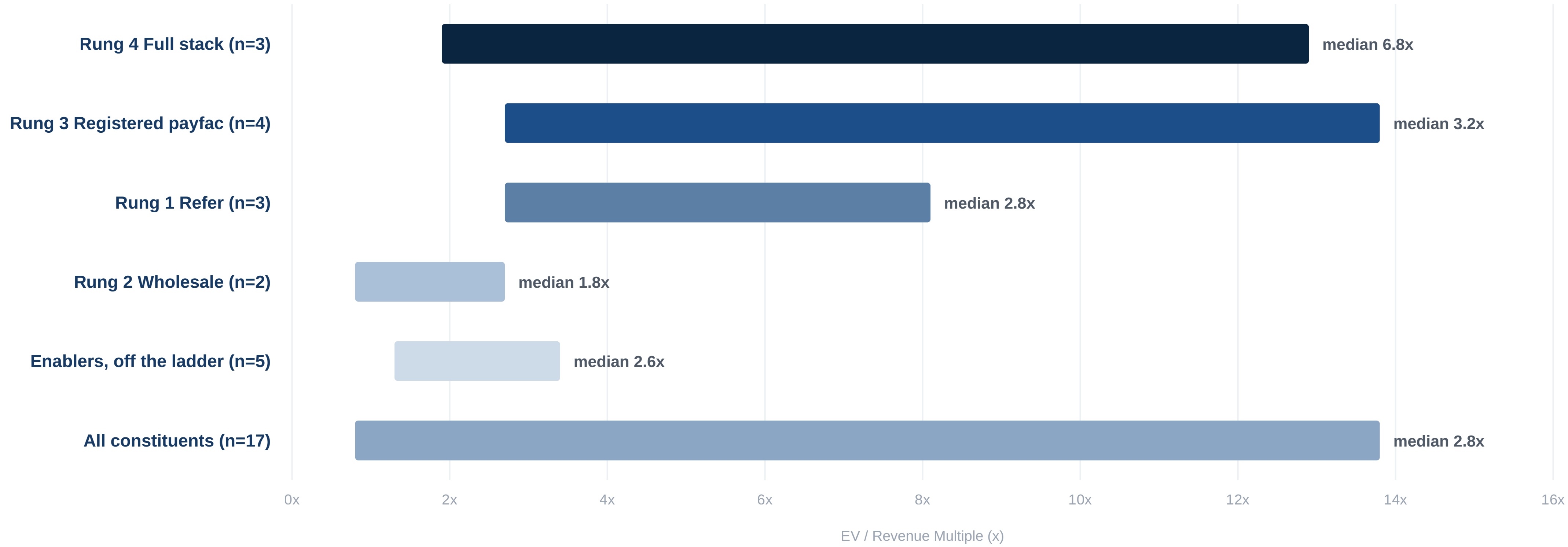
EV/Revenue by rung of payment ownership, from referring a merchant to a third-party processor up to owning the payment and the financial services beside it. Full constituent range shown. Windsor Drake analysis of 17 listed companies, 18 August 2026.



THE RUNG SETS YOUR ECONOMICS, NOT YOUR MULTIPLE

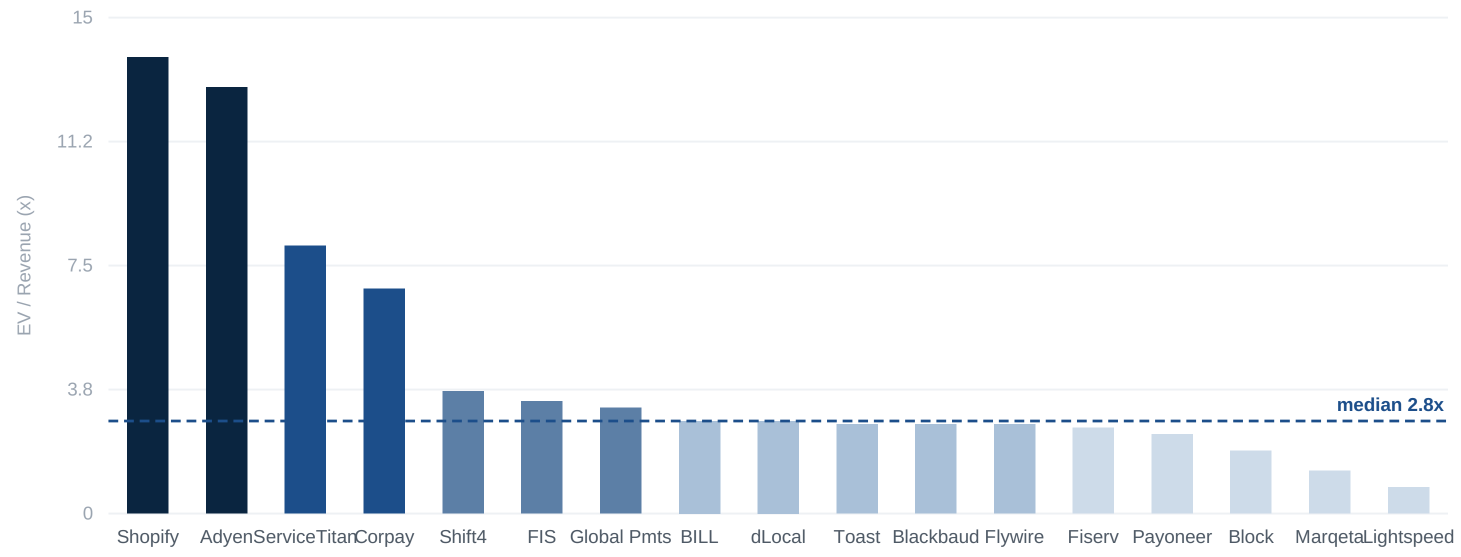
Each rung up the ladder takes more of the payment. Referral retains **30% to 50%** of processing revenue and a registered payment facilitator **70% to 90%**, so climbing roughly doubles retained economics on the same transaction flow (McKinsey, January 2026). The valuation does not follow in a straight line. Rung medians run **1.8x, 2.8x, 3.2x and 6.8x**, a 3.9x spread, while the spread inside rung three alone is **5.1x**, from Toast at 2.7x to Shopify at 13.8x. A ladder that does not sort the multiple is still worth climbing, because it sorts the economics. It means EV/Revenue is the wrong instrument for reading the result, since the rung also decides whether payment revenue is recognised gross or net. Rungs with two or three constituents are shown with their count and are not market-wide bands.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

The Embedded Payments Distribution, Company by Company

Every constituent in the screen, ranked. The spread inside embedded payments is wider than the spread between most sectors.

EV / Revenue, 18 August 2026



> Card networks are excluded. They set the rules of the rail rather than attach to software, and including them would widen the range without explaining it.

MEDIAN

2.8x

Across 17 constituents with a meaningful revenue denominator.

INTERQUARTILE RANGE

2.5x to 5.2x

Half the screen sits inside this band.

FULL RANGE

0.8x to 13.8x

A seventeen-fold spread within one sub-vertical.

GROSS MARGIN CORRELATION

0.06

Against EV/Revenue, across the nine that report gross profit.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Same Growth, Three Times the Multiple

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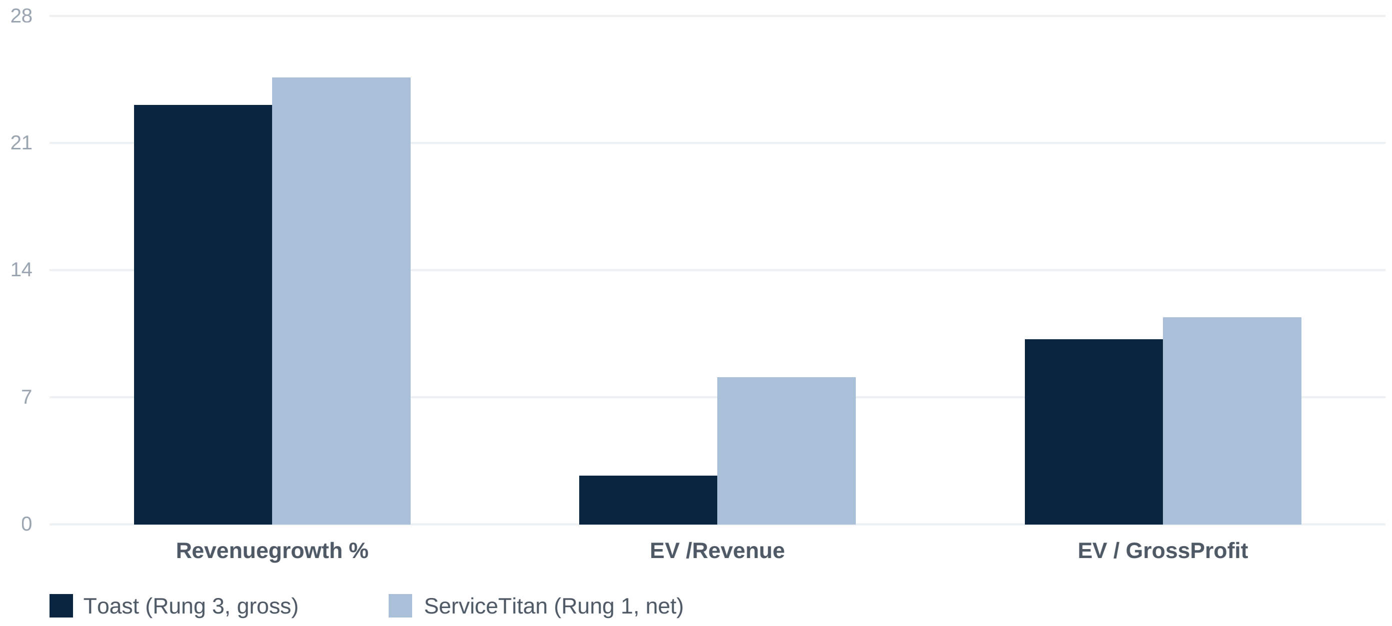
Toast and ServiceTitan are the closest thing to a controlled experiment in embedded payments: two vertical software platforms, near-identical growth, opposite ends of the ladder.

Toast and ServiceTitan, matched on growth



GROWTH GAP

1.5 points

23.1% against 24.6% in the most recent reported quarter.

REVENUE MULTIPLE GAP

3.0x

2.7x against 8.1x on trailing twelve month revenue.

GROSS PROFIT MULTIPLE GAP

12%

10.2x against 11.4x on trailing twelve month gross profit.

PAYMENTS SHARE OF REVENUE

81.9% vs 22.3%

Financial technology solutions against usage revenue.

> Toast payments gross margin is 23.0% and its subscription gross margin 75.6%. ServiceTitan does not split usage gross profit, so its company margin of 70.9% is used.

Sources: SEC filings and company earnings releases, Q2 2026 unless stated. See appendix.

What Each Rung Costs and What It Returns

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Rung 1: Refer

The platform introduces the merchant to a third-party processor and books a share of the resulting revenue, net.

- Retains **30% to 50%** of processing revenue (McKinsey, January 2026).
- No licence, no underwriting, no settlement obligation.
- Revenue recognised net, so the software multiple survives intact.
- ServiceTitan books usage revenue net of interchange and passes it to third-party processors (FY2026 Form 10-K).
- Ceiling is low: the processor owns the merchant economics.

Rung 2: Wholesale

The platform sets merchant pricing on somebody else's licence and keeps the spread. Payfac-as-a-service sits here.

- Stripe Connect starts at **0.25%** for platforms setting their own pricing (Stripe published pricing).
- Rainforest and Payabli both raised Series B rounds in 2025 to serve this rung.
- Lightspeed runs roughly **190 bps** of transaction revenue on GPV, a hybrid of rungs two and three.
- Faster to launch than registration, and reversible.
- Recognition varies by contract, which is itself a diligence problem.

Rung 3: Registered Payfac

The platform becomes the merchant of record, underwrites its sub-merchants and carries the settlement and loss exposure.

- Retains **70% to 90%** of processing revenue (McKinsey, January 2026).
- Toast runs **259 bps** gross and **59 bps** net of processing costs on $60.7bn of Q2 2026 volume.
- Shift4 runs **102 bps** of gross revenue less network fees on $61bn of Q2 2026 volume.
- Revenue recognised gross, which compresses EV/Revenue mechanically.
- Brings sponsorship, compliance and chargeback liability onto the platform.

Rung 4: Full Stack

Payments plus the financial services that sit beside them: lending, payroll, banking, spend management.

- Highest revenue per merchant and the widest moat.
- Adyen runs **16.2 bps** net on EUR 803.8bn of H1 2026 volume, a very different basis from Toast's 259 bps.
- Introduces credit exposure and, usually, regulatory licensing.
- Rung four medians **6.8x**, the highest of the four, on three constituents.
- Also the rung with the widest internal spread, 1.9x to 12.9x.

Sources: McKinsey & Company; Boston Consulting Group; company filings. See appendix.

Rungs One and Two: Referral and Wholesale

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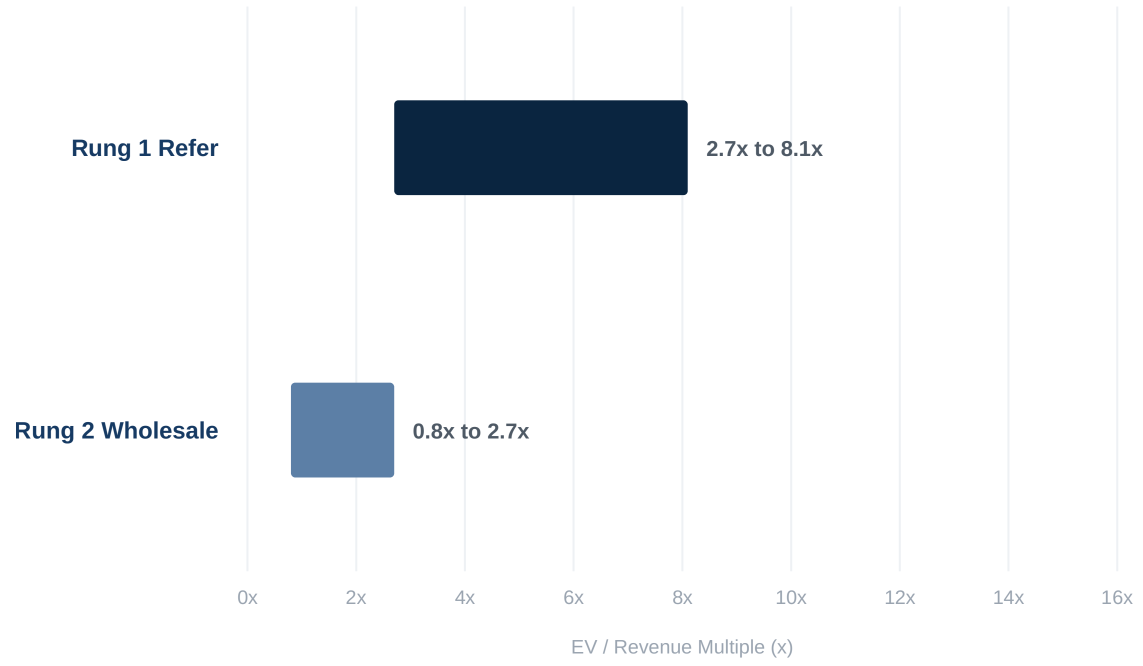
The rungs where payments are additive to a software multiple rather than a substitute for it.

EV / Revenue Multiple Range (x)



KEY OBSERVATION

Rung one carries the highest single constituent multiple outside rung three, and the tightest gross margin profile. A platform that intends to sell within eighteen months and has not yet registered should think hard before it does.

Valuation Drivers

Net recognition protects the denominator

At rung one the platform books only its share of processing revenue. ServiceTitan's usage line reached $226 million of trailing revenue against $752 million of subscription, so the company still screens as software at a 70.9% gross margin.

The ceiling is set by somebody else

Retaining 30% to 50% of processing revenue means half or more of the economics on your own merchant base accrues to a processor you do not control, and that share does not improve with scale the way a payfac's does.

Wholesale is the reversible middle

Payfac-as-a-service lets a platform price its own payments without registering. It is the rung most SMB platforms actually occupy, and the rung where contracts, not licences, determine whether revenue lands gross or net.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Rung Three: The Registered Payment Facilitator

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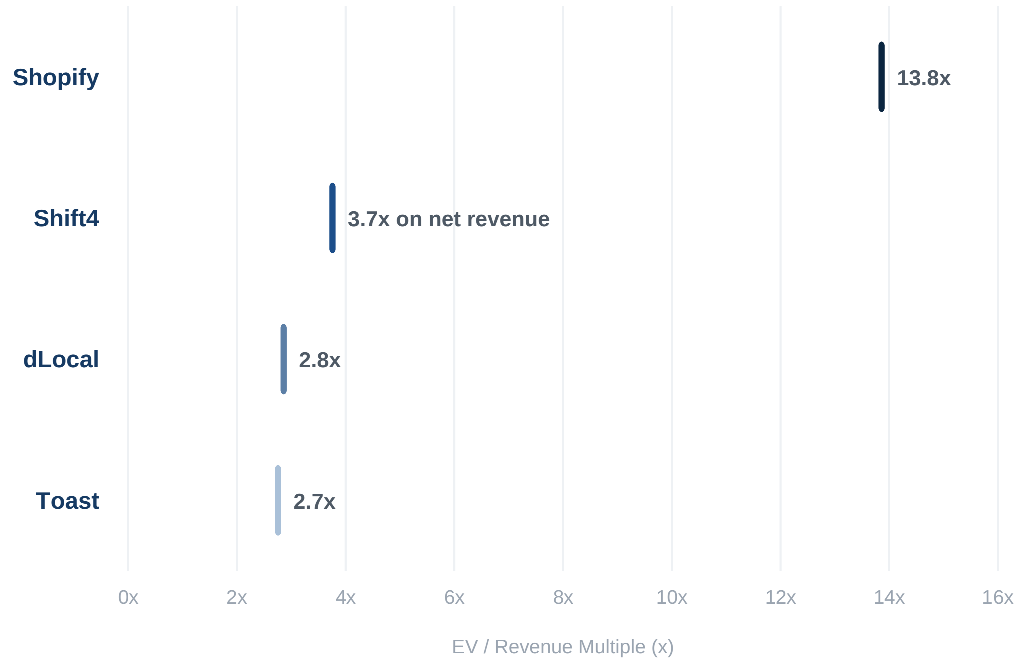
The rung with the best economics, the worst optics on a revenue multiple, and the widest internal dispersion in the whole screen.

EV / Revenue Multiple Range (x)



KEY OBSERVATION

The 5.1x spread inside this one rung is wider than the spread between any two rungs. Anyone benchmarking a payfac against the rung median rather than against its own gross profit is reading the wrong number.

Valuation Drivers

Retention roughly doubles

A registered payfac keeps 70% to 90% of processing revenue against 30% to 50% at referral. On the same transaction flow that is close to a doubling of retained economics, and it is the reason platforms register despite the compliance load.

Gross recognition halves the multiple

Toast books $5,572 million of trailing financial technology revenue at a 23.0% gross margin. That inflates the denominator far faster than it inflates gross profit, and the EV/Revenue multiple falls accordingly to 2.7x.

Shopify proves it is not deterministic

Shopify recognises Shopify Payments gross and still clears 13.8x, on 33.7% growth, a 47.8% company gross margin and 68% payments penetration of GMV. The rung constrains the denominator; it does not fix the multiple.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Rung Four: Payments Plus Adjacent Financial Services

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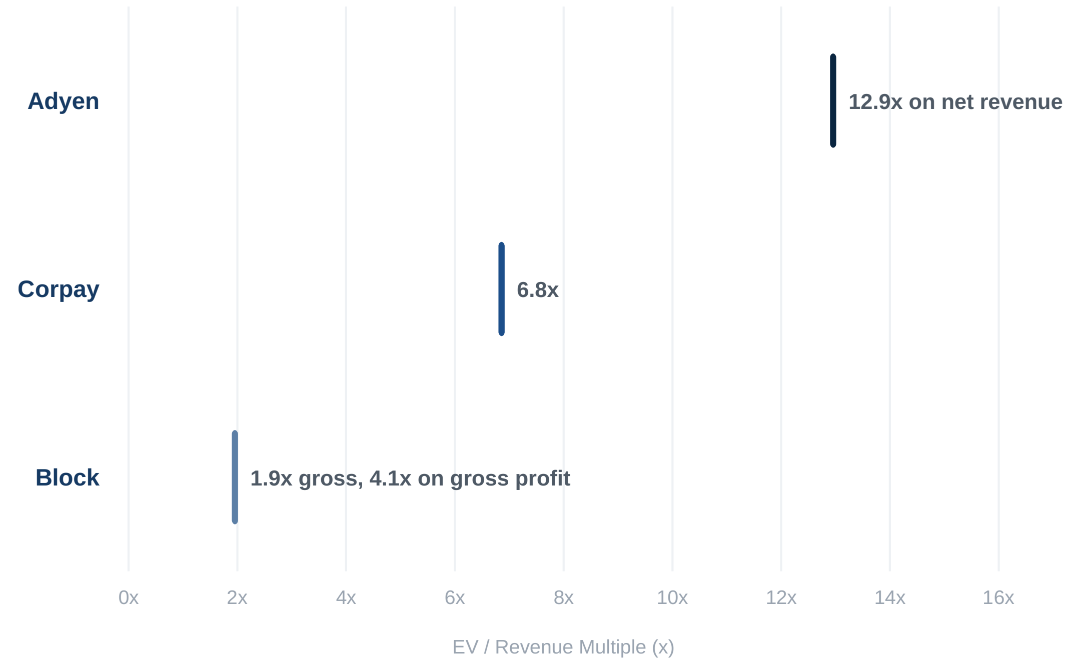
Lending, payroll, banking and spend management stacked on the payment relationship. The highest median and the highest variance.

EV / Revenue Multiple Range (x)



KEY OBSERVATION

Rung four carries the highest median at 6.8x on three constituents, which is too thin to call a benchmark. Treat it as a direction of travel supported by three data points, not as a band.

Valuation Drivers

The moat is real and the accounting is not comparable

Adyen reports net revenue after interchange and scheme fees and runs 16.2 bps on volume. Block reports gross revenue including bitcoin and runs a 46.4% gross margin. The two sit at 12.9x and 1.9x on revenue, and at very different places on gross profit.

Credit changes the buyer set

Adding lending or banking to a payment relationship adds capital requirements, credit exposure and usually a licence. That narrows the strategic buyer list to acquirers who can carry the balance sheet, and widens the sponsor list.

Revenue per merchant is the argument

Rung four is where revenue per merchant, not attach rate, becomes the metric a buyer underwrites. Platforms that reach it without a clean split between payment and credit economics get valued on the riskier half.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Comparable Transaction Analysis

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What was paid for payments-attached software since mid-2025. Every multiple is a Windsor Drake computation.

A software strategic paid the most

Xero acquired Melio in June 2025 for **US$2.5 billion** upfront, up to **US$3.0 billion** with the earnout. Xero disclosed Melio's annualised revenue at US$187 million, putting the upfront at **13.4x**.

Sponsors paid four to five times revenue

Thoma Bravo took Olo private at roughly **5.0x** enterprise value to trailing revenue, after netting $428 million of cash. TPG with Corpay took AvidXchange at roughly **4.1x**.

The 2026 print came in lower

Francisco Partners agreed Weave Communications on 18 August 2026 at a 34% premium and roughly **2.2x** enterprise value to trailing revenue.

13.4x	5.0x	2.2x
XERO / MELIO, ANNUALISED REVENUE	THOMA BRAVO / OLO, EV TO REVENUE	FRANCISCO PARTNERS / WEAVE

Growth separated them

Melio compounded fast enough for a strategic to pay 13.4x. Weave grew 15.5% and cleared 2.2x. Rung position barely varied; growth did.

The disclosed mid-market print

Deluxe acquired Celero Commerce for $625 million in June 2026 at 3.1x revenue and 11.2x EBITDA.

Undisclosed is the norm

Of 149 cohort transactions, 44 published a price and seven enough to derive a revenue multiple.

What a seller takes from this

The comparable set is thin and public. Arrive having computed it, because a buyer will.

Sources: Xero, Thoma Bravo, TPG, Francisco Partners and Deluxe announcements; target SEC filings; Windsor Drake Exit Index, queried 19 August 2026.

Strategic Acquirer Mapping

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Four buyer types are active in embedded payments and they underwrite completely different things.

Buyer type	Recent evidence	What they pay for	How to approach
Software strategics	**Xero / Melio** $2.5bn upfront, completed October 2025	**Attach into an installed base** Xero cited about 78% of US SMBs wanting accounting and payments in one platform.	**Lead with penetration** Their model is your attach rate applied to their merchant count. Give them the arithmetic.
Merchant acquirers	**Shift4 / Bambora NA** Closed March 2026, price not disclosed	**ISV distribution** Bambora brought over 500 ISVs and 140,000 merchants. They are buying the channel, not the software.	**Sell the channel** Volume, merchant count and ISV relationships matter more than your software roadmap.
Processors and platforms	**Global Payments Platforms segment** $627.5m of $3,159m adjusted net revenue in Q2 2026	**Structural exposure to ISVs** The segment exists because the merchant relationship moved to software. They are buying it back.	**Expect an EBITDA frame** This buyer type underwrites on EBITDA and synergy, not on revenue multiples.
Payment infrastructure	**Adyen / Talon.One and Orb** EUR 750m and $335m, both closed 1 July 2026	**Adjacent capability** Loyalty and usage-based billing bolted onto authorisation. Capability, not volume.	**Position as a layer** These buyers pay for something their rail cannot build quickly, not for merchants.
Financial sponsors	**Thoma Bravo, TPG, Advent, FP** Olo, AvidXchange, Xplor, Weave	**Predictable retained economics** Recurring software plus a payments annuity they can model and lever.	**Bring a clean split** Subscription and payment gross profit separated and audited, or they will discount the ambiguity.

Sources: Xero, Shift4, Global Payments, Adyen, Thoma Bravo, TPG, Advent and Francisco Partners announcements and filings.

Private Equity Acquisition Patterns

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Sponsors have taken four payments-attached vertical software platforms off the public market since mid-2025, and the structural pressure behind that is measurable.

The overhang is the story

Global buyout dry powder stands at **$1.3 trillion** and the unsold portfolio runs to **32,000 companies worth $3.8 trillion**. Distributions to limited partners held at **14% of net asset value**, a level last seen in 2008 and 2009 (Bain Global Private Equity Report, February 2026).

The take-private pattern is consistent

Olo at a 65% premium in July 2025, AvidXchange at roughly 4.1x trailing revenue in May 2025, Weave at a 34% premium in August 2026. All three were sub-scale public companies with a payments annuity attached to recurring software, and all three cleared well below public software multiples.

Sponsors are also building platforms

Advent merged Xplor Technologies with Clubessential in March 2026 to create a platform with roughly **$900 million** of revenue, over **$47 billion** of annual payments volume and more than 130,000 customers. Consideration was not disclosed.

$1.3T	32,000	14%
GLOBAL BUYOUT DRY POWDER	UNSOLD PORTFOLIO COMPANIES	DISTRIBUTIONS AS SHARE OF NAV

Why this asset class

Recurring software revenue with a volume-linked payments annuity models cleanly and levers well. It is close to the ideal sponsor asset in a market short of clean assets.

What they discount

Payment revenue whose gross profit cannot be separated from subscription gross profit. Ambiguity in the split is priced conservatively every time.

Strategics still dominate the count

In Windsor Drake's embedded payments cohort, 136 of 149 classified acquirers are strategics against nine sponsors and four sponsor-backed strategics.

The practical read

Sponsors set the floor on these assets and strategics set the ceiling. A process that surfaces only one of the two has conceded the range.

Sources: Bain & Company Global Private Equity Report 2026; Thoma Bravo, TPG, Advent and Francisco Partners announcements; Windsor Drake Exit Index.

Competitive Moats That Survive a Rung Change

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Owning the merchant of record

The single hardest thing for a competitor to take back, because it sits inside the merchant's settlement, not their software preference.

- Registered payfacs retain **70% to 90%** of processing revenue.
- Displacing the merchant of record means re-underwriting every sub-merchant.
- Toast serves roughly **180,000** live locations on this basis (Q2 2026).
- Switching cost is operational, not contractual.
- It also carries chargeback and compliance liability, which is why it is a moat.

Attach rate compounding

Penetration of your own payments stack is the only operating metric that means the same thing at every rung.

- Shopify Payments penetration **68%** of GMV in Q2 2026, from 64%.
- That took GMV facilitated from $56.6bn to **$78.1bn**, growth of 38%.
- Lightspeed GPV **44%** of GTV, from 40%.
- Fiserv value-added services **25%** of Clover revenue, from 24%.
- A rising attach rate raises revenue without raising customer acquisition cost.

Workflow the payment cannot leave

Payments attached to a system of record are much harder to unbundle than payments attached to a point of sale.

- Vertical software adoption reached **59%** of US SMEs in 2024, from 50% two years earlier (BCG).
- Over **50%** of North American ISVs offered embedded payments as of 2025 (BCG).
- The differentiator is no longer offering payments; it is where they sit.
- ServiceTitan reported net dollar retention above **110%** on $82.1bn of FY2026 gross transaction volume.
- Retention in the software is what makes the payment annuity underwritable.

A denominator a buyer can audit

Not a moat in the ordinary sense, but the one that most often decides the number.

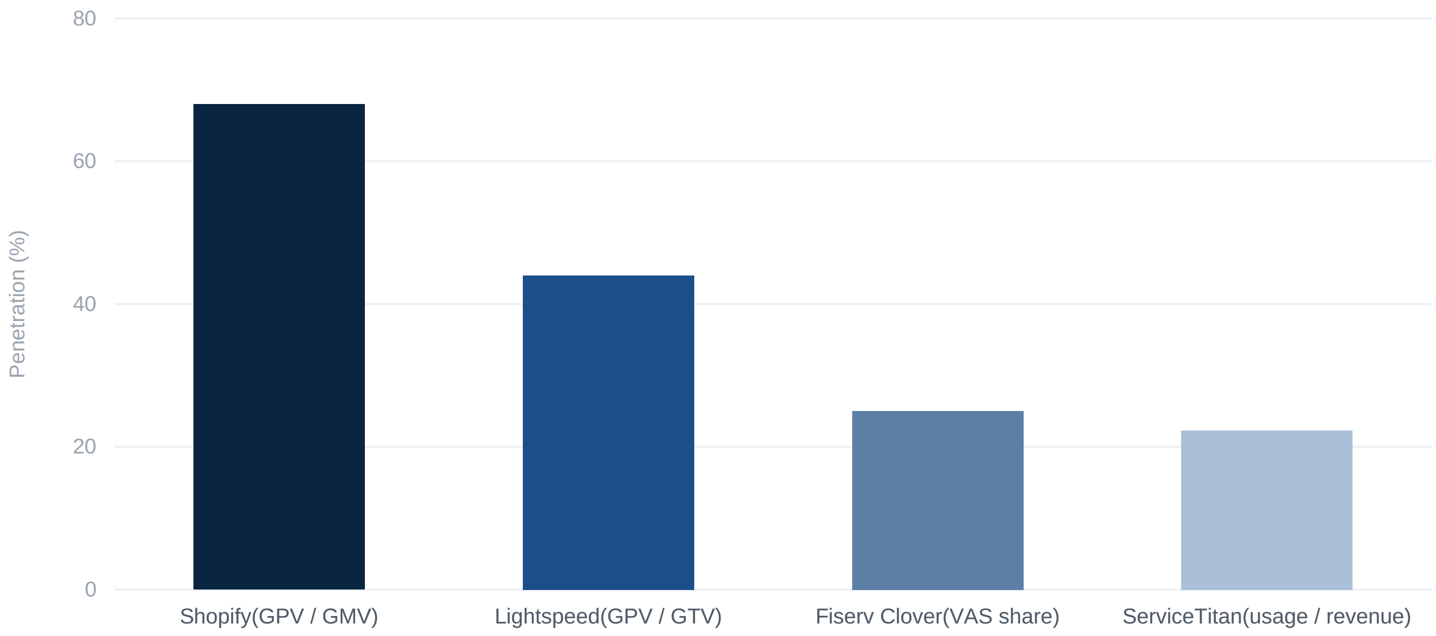
- Publish payment gross profit separately from subscription gross profit.
- Toast does this on the face of its income statement; most private platforms do not.
- ServiceTitan discloses usage revenue but not usage gross profit, and that gap is visible.
- Every unresolved split is priced conservatively.
- This is buildable in a quarter and unbuildable during diligence.

Sources: SEC filings and company earnings releases, Q2 2026 unless stated. See appendix.

Attach Rate: The Public Benchmarks

Four listed platforms now disclose payments penetration in some form. This is the closest thing to a public benchmark a private platform can calibrate against.

Payments penetration, most recent reported quarter (%)



SHOPIFY

68%

Of GMV, from 64% a year earlier. $78.1bn facilitated in Q2.

LIGHTSPEED

44%

GPV as a share of GTV, from 40%. $11.3bn on $25.7bn.

FISERV CLOVER

25%

Value-added services share of Clover revenue, from 24%.

TOAST

not disclosed

Payments are bundled, so GPV per location is the usable proxy.

> The four measures are not directly comparable. Shopify and Lightspeed measure volume penetration, Fiserv measures revenue mix, and ServiceTitan's usage share is shown as a revenue-side analogue. Each is labelled with its own basis.

Sources: SEC filings and company earnings releases, Q2 2026 unless stated. See appendix.

Capital Markets: The Window That Did Not Open

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The IPO market reopened

The first half of 2026 was the strongest US listing market in several years.

- **65** traditional IPOs raised approximately **$114.2 billion** in H1 2026 (PwC, July 2026).
- Against 34 IPOs raising $14.8 billion in H1 2025.
- Nearly half priced at or above the top of the marketed range.
- Approximately **97%** opened above offer.
- 118 SPAC IPOs raised a further $20.9 billion.

But not for this asset class

The 2026 fintech listing cohort is consumer wallets and digital assets, not embedded payments.

- PayPay priced at $16.00 per ADS for gross proceeds of approximately **$880 million** in March 2026.
- PicPay listed in January 2026 at $19.00 per share.
- BitGo listed in January 2026 at $18.00 per share.
- No vertical software or embedded payments platform completed a US IPO in 2026 through 19 August.
- An EDGAR sweep of 2026 S-1, F-1 and 424(b) filings returned no payfac and no software-led payments issuer.

The rate backdrop

The Federal Reserve has held the target range steady through the summer.

- Federal funds target range **3.50% to 3.75%**.
- Most recent FOMC decision 29 July 2026.
- A stable rate path removes one variable from a sponsor's underwriting model.
- It does not remove the exit pressure, which is a fund-life problem rather than a rate problem.
- Leverage availability improved through 2025 and 2026.

What the combination means

Sponsors need exits, the public route is closed to this asset class, and strategics are demonstrably buying.

- 2025 global buyout exit value reached **$717 billion**, up **47%** (Bain, February 2026).
- Buyout deal value reached **$904 billion**, up 44%.
- Demand that cannot clear through a listing clears through M&A.
- Four payments-attached platforms were taken private in fourteen months.
- The bid for private assets in this niche is unusually concentrated.

Sources: PwC US Capital Markets Watch, July 2026; SEC EDGAR; Federal Reserve, 29 July 2026; Bain & Company, February 2026.

Climbing a Rung: A 12 to 18 Month View

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A rung change alters revenue, gross margin, liability and reported growth at the same time. Doing it inside a process is the expensive way.

Establish position
Months 0-3

- Classify honestly against the Attach Ladder, rung one to rung four, and write down the evidence for the assignment.
- Compute payments gross profit separately from subscription gross profit, as Toast does on the face of its accounts.
- Measure attach rate on the Shopify basis: your own payment volume over total merchant volume, quarter by quarter.
- Identify which revenue a buyer will treat as pass-through and price the difference before they do.

KEY MILESTONE
A payment gross profit line a buyer can audit

Model the rung change
Months 3-9

- Price the move from 30-50% retention to 70-90% on your own volume, using your actual mix rather than a list rate.
- Model the reported revenue and gross margin effect first: gross recognition inflates the denominator fastest.
- Cost the sponsorship, underwriting, compliance and chargeback exposure a registered payfac carries.
- Decide whether to register or stay wholesale, and document the reasoning for diligence.

KEY MILESTONE
A rung decision made on evidence, not on default

Build the attach curve
Months 9-15

- Raise penetration on the existing merchant base before spending to add merchants; it is the cheaper revenue.
- Document the attach rate trend quarter by quarter so a buyer can extrapolate it rather than discount it.
- Separate payment revenue and gross profit from software in the management accounts, permanently.
- Assemble the comparable set you will argue from, computed from filings rather than bought.

KEY MILESTONE
Two years of attach rate a buyer can extrapolate

Run the process
Months 15-18

- Frame the valuation on gross profit rather than revenue, and bring the arithmetic that supports it.
- Hold software strategics, merchant acquirers and financial sponsors in tension; each underwrites a different thing.
- Benchmark against your own rung and your own denominator, not against the 2.8x sector median.
- Defend the denominator through diligence, not just as far as the letter of intent.

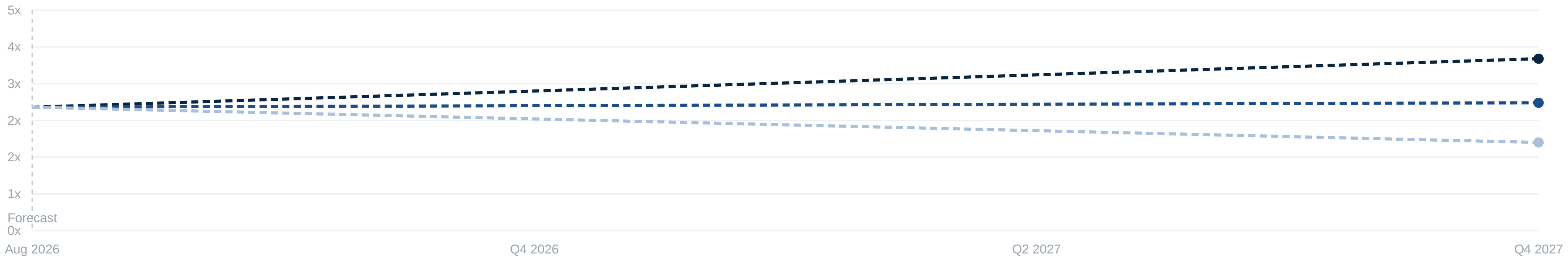
KEY MILESTONE
Three buyer types held in competitive tension

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Embedded Payments Valuation Outlook

WINDSOR DRAKE

Composite EV/Revenue for the Windsor Drake embedded payments screen. Scenarios are the firm's view; the anchor is computed from market data.



Bull 3.9x

Key Drivers

- Software share of SME acquiring revenue reaches the 45% BCG projects for 2028 early.
- Buyers move to gross profit benchmarking, lifting the gross-recognition constituents.
- Sponsor exit pressure meets strategic appetite at the same time.

PLATFORMS WITH A RISING ATTACH RATE AND A CLEAN GROSS PROFIT SPLIT SHOULD MOVE WHILE BOTH BUYER POOLS ARE FUNDED AND ACTIVE.

Base 2.9x

Key Drivers

- The 17-fold dispersion persists because the denominators do not converge.
- Take-private activity continues at four to six deals a year in this niche.
- US ISV payments revenue keeps compounding near 20%.

RUNG POSITION AND DENOMINATOR DECIDE THE OUTCOME MORE THAN TIMING DOES. BUILD THE EVIDENCE AND RUN A CONTROLLED PROCESS.

Bear 2.0x

Key Drivers

- Interchange or scheme-fee reform compresses the pool the attach rate draws on.
- Payfac-as-a-service commoditises rung two and rung three economics.
- Sponsors slow as the unsold portfolio ages further.

PLATFORMS STILL AT RUNG ONE FACE THE LEAST REVENUE COMPRESSION AND THE MOST CEILING RISK. READINESS MATTERS MORE THAN PRICE DISCOVERY.

Source: Windsor Drake analysis of SEC filings and company reports, prices of 18 August 2026. All 17 constituents named in the appendix.

Emerging Opportunities and Buyer Trends

WINDSOR DRAKE

Four developments a seller should account for when planning a process.

The pool the attach rate draws on is contested

The amended Visa and Mastercard interchange settlement received preliminary approval on 9 June 2026. Regulation II's debit cap remains codified at **21 cents plus 5 basis points**, and the 2023 proposal to lower it is unfinalised.

Europe is the underpenetrated half

European ISV payments revenue reached about **$3 billion** in 2025, roughly **30%** of available SME acquiring revenue against 60% in the US (McKinsey, January 2026).

The embedded finance pool is barely touched

BCG puts the addressable market at **$185 billion** across North America and Europe with only about **$32 billion** penetrated (September 2025). That is the rung four opportunity.

$16B	45%	$185B
US ISV PAYMENTS REVENUE, 2025	SAAS SHARE OF SME ACQUIRING BY 2028	EMBEDDED FINANCE TAM, NA AND EUROPE

PSD3 is close to adoption

ECON approved the text on 5 May 2026. Formal adoption is pending and no application date is fixed.

Infrastructure is consolidating

NMI acquired Dwolla and REPAY acquired KUBRA for about $372 million, both in 2026.

The private benchmark keeps rising

Stripe's February 2026 tender struck a **$159 billion** valuation, against $91.5 billion a year earlier.

Market intelligence

Concentrated demand, a closed listing route and an ageing sponsor portfolio favour being bought over competing.

Sources: Visa Form 10-Q, July 2026; eCFR 12 CFR Part 235; McKinsey, January 2026; BCG, September 2025; European Parliament; company announcements.

Case Study: Xero and Melio

WINDSOR DRAKE

An accounting software company at rung one bought its way to rung three, and published enough of the arithmetic to price it.

What happened

On 24 June 2025 Xero agreed to acquire Melio, a US small business bill payment platform, for **US$2.5 billion** upfront in cash and equity, rising to **US$3.0 billion** with a three-year earnout weighted to outperformance. The transaction completed on 15 October 2025.

- Melio disclosed at **US$153 million** of FY25 revenue.
- Annualised revenue **US$187 million** as at March 2025.
- Over **US$30 billion** of total payment volume.

What it cost

The upfront consideration equates to **13.4x** annualised revenue and **16.3x** FY25 revenue. On the maximum consideration the annualised multiple is **16.0x**. These are Windsor Drake computations from figures Xero itself published.

- Roughly three times what sponsors paid for Olo and AvidXchange in the same window.
- The premium is for growth and for owning the payment, not for scale.
- Xero cited about 78% of US SMBs wanting accounting and payments in one platform.

The read for a founder

Software strategics pay the most

The highest revenue multiple in this eighteen-month set was paid by a software company, not a processor and not a sponsor. A buyer list that leads with acquirers is leaving the top bid unsolicited.

They underwrite your attach rate on their base

Xero was buying the ability to attach payments to its own installed base. The model is your penetration rate applied to their merchant count, which is why the metric travels further than your revenue does.

Disclosed target revenue is leverage

Because Xero published Melio's revenue, every subsequent seller in this niche has a public 13.4x print to argue from. Very few embedded payments comparables carry one.

Buying a rung is faster than climbing one

Xero moved from referral economics to owning the payment in a single transaction. The same logic makes rung three platforms acquisition targets for rung one incumbents.

Sources: Xero announcement, 24 June 2025 and completion announcement, 15 October 2025; Windsor Drake computation.

Sources

Every third-party institution whose data appears in this deck. House computation is separated from third-party figures throughout.

Institution	Report / Source	Date
McKinsey & Company	*Decoding ISV maturity: a global playbook for payments growth*	2026-01
McKinsey & Company	*The 2025 Global Payments Report*	2025-09
Boston Consulting Group	*Moving Embedded Finance from Promise to Practice*	2025-09
Boston Consulting Group	*Global Fintech Report 2026*	2026-06
Bain & Company	*Global Private Equity Report 2026*	2026-02
PwC	*US Capital Markets Watch, Q2 2026*	2026-07
Federal Reserve	*FOMC statement, target range 3.50% to 3.75%*	2026-07
eCFR	*12 CFR Part 235, Regulation II debit interchange*	2026-08
European Parliament	*Payment Services Regulation, legislative status*	2026-05
US Securities and Exchange Commission	*EDGAR filings and full-text search of 2026 S-1, F-1 and 424(b) registrations*	2026-08
UK Payment Systems Regulator	*The Interchange Fee Regulation, consumer debit and credit caps*	2026-08
Company filings and announcements	*All 17 screen constituents, plus Xero and Stripe. Named in full on the constituent slide.*	2026-08

Methodology

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How every figure in this deck was produced, and what was left out. Published so the analysis can be reproduced or disputed.

Institution	Report / Source	Date
Visa Inc.	*Form 10-Q, Note 16 Legal Matters, interchange settlement status*	2026-07
Stripe	*2025 annual update and tender offer valuation*	2026-02

METHOD

The comparable set

17 listed companies with material embedded payments exposure and a meaningful revenue denominator. Enterprise value equals market capitalisation plus total debt less cash and short-term investments, using closing prices of 18 August 2026 and balance-sheet and trailing twelve month figures from each company's most recently reported fiscal quarter. Adyen is reported in euro and carries no borrowings; its balance sheet cash is merchant float and is not netted. Shift4's denominator is gross revenue less network fees and Marqeta's is net revenue, because neither publishes a comparable gross line. Global Payments is shown on annualised Q2 2026 adjusted net revenue because the Worldpay perimeter change makes trailing revenue non-comparable. Card networks are excluded.

The Attach Ladder

A Windsor Drake framework. Constituents are assigned to one of four rungs by how much of the payment the platform owns: refer, wholesale, registered payment facilitator, and full stack including adjacent financial services. Five constituents that sell to the ladder rather than sit on it are shown separately as enablers. The assignment is the firm's judgement, made from public disclosure, and is published so it can be argued with. Rungs with two or three constituents are labelled with their count and should not be read as market-wide bands.

Correlations and the controlled pair

Correlations are computed across the nine constituents that publish a gross profit line and are descriptive only. At n=9 they are not statistically significant and are reported to show what does not explain the dispersion rather than what does. The Toast and ServiceTitan comparison is presented as a matched pair on growth, not as a regression. Toast's payment gross margin is taken from its income statement; ServiceTitan does not split usage gross profit, so its company gross margin is used and that limitation is stated.

What is not in this deck

No licensed vendor multiples, no estimated or interpolated figures, and no multiple for any cohort too thin to support one. Transaction multiples are Windsor Drake computations from disclosed consideration and the target's own reported financials, with the basis stated in each case. Undisclosed transactions are excluded, never imputed. Reported but unagreed situations, including the Stripe and Advent approach to PayPal, are omitted because no merger agreement exists.

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Sell-side M&A advisory

We advise technology founders on one side of the table only.

- Sell-side exclusively. No buy-side conflicts.
- Enterprise value **$5 million to $300 million**.
- Payments, fintech, SaaS, cybersecurity and AI.
- Process control, not listings.

Proprietary data

The Windsor Drake Fintech Exit Index: 501 sourced transactions, 149 of them in the embedded payments cohort.

- Each record carries a source URL and a confidence grade.
- Built continuously, not purchased.
- 26 sub-sectors classified.
- Updated every quarter.

How we work

A defined buyer universe, a controlled timeline, and a seller who knows what the evidence supports before the first conversation.

- Denominator defined before the process, not during it.
- Buyer lists ranked by demonstrated appetite for the position.
- Competitive tension held to close.
- No fabricated numbers, in any document we produce.

Contact

For a confidential valuation discussion on a specific business.

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