

Modulr Finance - £10M Grant

CIF Key Achievements to Date

- £10M Modulr matched funds successfully secured as part of Modulr's latest round of growth funding. Full press release [here](#).
- A team of 47 recruited since Q3 2019 (42 brand new highly skilled jobs in Edinburgh and 5 across other UK regions).
- Payment Innovation:
 - o Payment Initiation Service Provider: prototype complete and due to go-live by Q3 2020 immediately with a large group of SME customers through our partnership with Sage Plc, with further partners planned for 2020
 - o Confirmation of Payee Outbound functionality: prototype complete and due to go-live by Q3 2020, inbound to be completed immediately afterwards
 - o Request to Pay Prototype completed in Q4 2019
- Payment as a Service:
 - o Visa principal membership secured as part of our journey to implement physical cards. Full press release [here](#). Physical card design completed and list of launch partners confirmed
 - o Two payroll technology partners recently onboarded, enabling their SMEs to access Modulr's Payment as a Service solutions. Press releases to follow
 - o An additional 24 SME-serving partners have signed up for Modulr services since Q4 2019, with the top partner representing an aggregated reach of 50,000 SMEs
- Accountant Payment Control Centre:
 - o APCC dashboard prototype being tested by customers to provide early feedback on product with highlight reels to follow
 - o 1 additional major accounting software provider signed-up (Term Sheet agreed) to integrate their solutions with the APCC
 - o 20 accountancy practices signed-up so far to the APCC waiting list
 - o Modulr APCC micro-site launched early May 2020 (<https://www.modulrfinance.com/accountancy>)
 - o Launched Accountancy Roadshows, press release [here](#). 1 traditional event held in Edinburgh and 3 virtual roadshow events, aimed at bringing together forward-thinking accountants and accountancy practices
- Modulr's participation in an Innovate Finance and BBC StoryWorks documentary series entitled: how fintech is transforming the UK economy. We chose to focus our story on an SME customer using our services through our partnership with Sage. The story highlights how Simply Lunch, a family-run SME, is able to scale more effectively through a reduced payroll burden on its finance team (<https://www.innovatefinance.com/innovationinfinance/video/modulr/>).

Assessment Period 2 (January 1st, 2020 – March 31st, 2020)

As of the end of Q1 2020 we are pleased to announce that we have made great progress in delivering our commitments to supercharge payments for SMEs and accountants.

Our Capability and Innovation Fund (CIF) Programme is working at pace with the committed number of CIF resources hired as planned by the end of Q1 2020, and with delivery teams in place to build the technical solutions as per our original commitment. Our teams remained on track with our delivery plan and milestones throughout Q1 2020.

Furthermore, we are pleased to confirm that Modulr has successfully raised the committed matched funding of £10M in the course of Q1 2020.

However, in these unprecedented circumstances, we anticipate that the escalation of the COVID-19 pandemic and the necessary government response will have an impact on our delivery plans beyond Q1 2020.

1 | We will transform accountants' ability to manage payments for SMEs

An estimated 2 million SMEs (Ernst & Young, The Future of SME Banking, 2018 & ONS, UK business activity, size and location statistical bulletin, 2018) rely on the services of one of the 25,000 Accountancy Practices (practices with 1+ employees; UK BEIS, Business Population Estimates, 2018) across the UK to help run their businesses, including the accountants managing payments on their behalf. This is currently extremely challenging due to existing business banking services not providing for the specific needs of accountants when operating these services.

Modulr has already created a basic dashboard that is in the market and receiving good feedback, the CIF Grant will enable us to significantly expand the functionality of this Accountant Dashboard into a full Accounts Payments Control Centre (APCC).

Our commitments:

- **We will bring this capability to market in Q3 2020 and continually enhance it in phases through to Q2 2021.**
- **Modulr will aim to implement its services with 163, 354, 564 and 680 accountancy practices by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 110,000 SMEs.**

As promised, we have implemented a customer-centric development strategy to deliver our new products (including APCC) to market. This proven approach helps us to identify pain points and create innovative solutions that effectively resolve the challenges faced by accountants and their SME customers. The early APCC prototype has been built to planned timelines using this process and is currently being tested by clients, with a view of receiving their input to inform the product roadmap. We have just completed the first round of usability testing with our clients and we have already received valuable feedback on the functionality.

To support this, our first regional roadshow event showcased the high-level features of our product to capture insight from accountants and SMEs. We are also preparing a beta programme for the APCC and are conducting a series of interviews with accountants to provide input into industry challenges to inform our product designs and continuing to support innovation within the industry. We have created an APCC microsite to use as a hub, which provides insight and updates on the APCC product development, generates sign-ups to the beta test programme and showcases our events and activities, which we are running in the accountancy space (<https://www.modulrfinance.com/accountancy>).

Overall, we remained on track with this commitment through Q1 2020, however we foresee that the COVID-19 situation will impact our delivery plans for the remaining of 2020 and therefore we may see a change to our launch window for the APCC.

2 | Switching isn't working for SMEs; we will create competition outside the existing banking system

Our digitally native Business Payment Account & Payment Services API is readily available via an online Developer Centre and Sandbox. This enables our direct business clients and partners to integrate payments into their products and business platforms quickly and easily. We aim to expand our existing successful product offering to allow our partners to provide additional capabilities. The CIF Grant will enable us to extend the functionality of this service to include SME specific needs such as physical card issuance and cash deposits, to support universal adoption by SMEs.

Our commitments:

- **The extension on Modulr's capability allowing partners to meet all the payment needs of SMEs with our Business Payment Account & Payment Services API will begin in Q1 2020 and the final phase will complete in Q3 2022.**
- **Implementing these services with 12, 26, 41 and 48 partners by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 860,000 SMEs.**

We're big believers in disruption and we're constantly challenging ourselves to expand our core capability to meet the payment needs of SMEs. As such, we will stimulate competition by empowering our partners with a suite of products to provide better solutions to their SME customers.

We've recently announced our principle membership of Visa, giving Modulr direct access to the Visa network and allowing us to incorporate another crucial payment capability in our platform. We are pleased to confirm that as part of our CIF programme we will launch the first version of the physical card product component in 2020, introducing the ability for our customers (whether direct or partners) to order and manage physical cards for use by individual cardholders.

Overall, we remained on track with this commitment through Q1 2020, however we foresee that the COVID-19 situation will impact our delivery plans and we may see a change to our final milestones for our Payments as a Service infrastructure.

3 | We will fight in the UK SMEs' corner in making sure new, innovative payment methods solve SME pain points

SMEs have typically been last to access new industry wide payments initiatives and innovation.

We will use the CIF Grant to make available the latest industry innovations to SMEs including:

- **Fraud Prevention+ with our Confirmation of Payee Solution**
- **Payment collection capability using Request to Pay**
- **Open Banking (Accountant Information & Payment Initiation Services) to deliver cash management and treasury management services.**

Our commitments:

- **Modulr will continue to deliver proof of concept through to full product launch for the three key innovative payment services, starting in Q4 2019 and completing in Q4 2021, with continual delivery and enhancement of functionality through that period.**
- **Through our partners, Modulr will aim for our payment innovation services to be made available to at least 340,000 SMEs by Q2 2024.**

We remained on track with this commitment through Q1 2020, and with the delivery of our first payment innovation product launches planned for 2020. The completion of all Payment as a Service initiatives may however be slightly delayed due to the recent circumstances, which have impacted our delivery capacity.

We are focused on delivering on our mission to bring the latest payment methods to SMEs by working on launching Confirmation of Payee Outbound functionality, which has huge potential to combat push-payment fraud. Technical build of this functionality is in progress and we are planning to launch the first version of the product during 2020.

In addition, in response to partner feedback we have accelerated the delivery of Payment Initiation Services into 2020, where we will plan to gradually release the functionality across different sets of use cases to our SMEs and accountant communities.

4 | We will raise matched funds of £10m to supercharge our impact on competition

We commit to raising matched funds of £10m and deploy it to deliver on our commitments and expand the benefit of the CIF. These matched funds will be used to cover our scaling costs, marketing costs, external integrations and additional scheme access.

Further, we commit to allocate £500,000 to spend running at least 6 regional payments education events per year for 5 years across Glasgow, Edinburgh, Bristol, London, Nottingham, Manchester, Cardiff & Belfast for SMEs on how to use new and innovative payment mechanisms, and to gain their direct feedback on how the new services should be developed.

We are on track with this commitment.

Modulr continues to co-invest in bringing to market our CIF product initiatives in line with our Business Case and we are pleased to announce that we have successfully raised our committed matched funding of £10M.

We are also on track to utilise Modulr's match funding to hold at least 5 regional educational roadshows in 2020 that will guide SMEs and accountants on the benefits of new payment services we are bringing to market. Our first event, which took place in Edinburgh on 20th February was a success, with substantial regional PR coverage and significant social media impact.

Due to the COVID-19 escalation we had to pivot the educational events planned from March 2020 onwards onto virtual events, in the form of digital panels and round table discussion. These virtual events have proved equally as successful as physical events, with positive feedback received from participants and generating strong online and social media impact.

5 | We will create a minimum of 64 high quality regional UK jobs

In Edinburgh, Modulr will create 53 new jobs relating to implementation of the business case across a range of competencies. As part of this commitment we will invest in recruiting and training two graduates per year from Scottish universities. We will also create a further 11 jobs across the UK to bring our products to market.

We are already a strong proponent of supporting diversity in our workforce. We have partnerships with Women in STEM initiatives and initiatives providing opportunities to disadvantaged young people. We will continue to drive diversity in our workforce as we expand.

Finally, we commit to being transparent on our progress, both to BCR Ltd. and to the public. Modulr understands BCR Ltd.'s mission and we understand SMEs needs; we see the CIF grant as a launchpad as we continue on our mission to build future of payments for UK SMEs.

We remained on track with our hiring plans in Q1 2020.

To deliver on our vision of transformed payment services for SMEs and accountants we continued to expand our team. As of the end of Q1 2020 we met our interim target of creating 42 brand new jobs in Edinburgh and 5 across other regions to drive our implementation of the CIF Business Case.

Due to COVID-19 pandemic we are currently conducting a review of our hiring plans for the outstanding Programme positions.