

Modulr Finance - £10M Award

CIF Key Achievements to Date

Key achievements to date as part of the CIF Programme at Modulr are the following:

- £10M Modulr matched funds successfully secured as part of Modulr's growth funding. Full press release [here](#)
- A team of 49 recruited since Q3 2019 (44 brand new highly skilled jobs in Edinburgh and 5 across other UK regions)
- Product delivery and launch:
 - o Payment Initiation Services (PISP): launched as per plan in June 2020
 - o Confirmation of Payee Outbound: launched ahead of schedule in September 2020
 - o Visa principal membership secured in March 2020 as part of our journey to implement physical cards. Full press release [here](#)
 - o Modulr's Physical Cards product: launched as per plan in September 2020
 - o Current Account Switching Service (CASS): onboarding model for CASS approved with Pay.UK in August 2020
- Partner engagement:
 - o Contract formally signed with one of the global leading cloud-based accounting software companies, with onboarding activities in progress to support integration ahead of launch in Q2 2021
 - o Two payroll technology partners onboarded, enabling their SMEs to access Modulr's Payment as a Service solutions
- Marketing strategy:
 - o Launched Accountancy Roadshows, press release [here](#). 1 in-person (pre-restrictions) event held in Edinburgh and 7 virtual roadshow events, aimed at bringing together forward-thinking accountants and accountancy practices and generating 40+ registrations per event and approx. 90,000 social media impressions
 - o Launch of the Pathfinders digital campaign, aimed at recruiting forward thinking accountants to test our APCC product (over 170 Pathfinder members recruited to date)
 - o Modulr APCC micro-site launched early May 2020 (<https://www.modulrfinance.com/accountancy>), generating 4,561 unique views
 - o Delivery of 23 Accountancy/Payroll blogs, 3 qualitative research e-books
 - o Delivery of third-party content and events activity, which has generated over 150k impressions and 250+ live attendees to speaker opportunities
 - o Delivery of SME client referral content programme to support onboarding of SMEs to product propositions
- SME reach targets: thanks to the achievements accomplished in all programme areas during this quarter, we have surpassed our SME reach targets in 2020 for the Payment as a Service area (over 40,000 SMEs reached to date) and Payment Innovation area (over 400,000 SMEs reached to date)

Assessment Period 5 (October 1st, 2020 – December 31st, 2020)

As of the end of Q4 2020 we are on track to fully meet our commitments to deliver innovative payments solutions to SMEs and accountants.

Our Capability and Innovation Fund (CIF) Programme is working at pace with a large majority of the committed CIF resources hired as per our plan, and with delivery teams in place to build the technical solutions as per our commitment. Key highlights for this quarter are the completion of the 'hypercare' period for the products, which were launched in Q3 2020, such as Confirmation of Payee Outbound functionality and Physical Cards product, the successful technical delivery and testing of the first version of the Accountants Payments Control Centre (APCC), as well as the mobilisation for

exciting new products, which we will be building in the course of 2021, such as Confirmation of Payee Inbound, Request to Pay and Current Account Switch Service (CASS).

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).

Original commitment:

- **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.**

Updated commitment:

- **We will bring this capability to market in Q1 2021 and continually enhance it in phases through to Q1 2022**
- **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.**

We are on track for this commitment including the delivery of our first major milestone; the launch to market of an early version of the Accountants Payments Control Centre (APCC) by the end of Q1 2021.

We are delighted to announce that the first version of the APCC product has been built and tested with a pilot customer, and we will continue to enhance it with additional functionalities in coming months. We have continued to recruit new partners through our Pathfinder Programme aimed at reaching out to accountancy pioneers, who are willing to help us test the product and provide feedback on APCC functionalities. Thanks to our marketing strategy we have now recruited 172 pathfinders to date. During Q1 2021 we are planning to onboard selected pathfinders to the APCC, who will help us enhance our product and ensure it fits the needs of our partners and their SME clients as we progress our launch to market throughout the course of 2021.

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.

Original commitment:

- **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.**

Updated commitment:

- **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 Q1 2023.**
- **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 are on track with this commitment.

We are delighted to announce that the Physical Cards product, which went live in 2020, is now proven and operational. This product is going to be gradually adopted by more partners in the coming months, enabling them to integrate payment cards into their existing products and allowing for a more holistic experience for their SMEs.

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.**

Original commitment:

- **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.**

Updated commitment:

- **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 Q2 2022, 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 are on track for this commitment including the successful delivery of our first payment innovation launches planned for 2020.

We have been focusing on delivering on our mission to bring the latest payment methods to SMEs and we are proud to announce that the Confirmation of Payee Outbound functionality, which went live in Q3 2020, has now been enabled for many of our largest clients helping SMEs to combat

payment fraud. We have also mobilised and started the delivery of the Confirmation of Payee Inbound functionality, with the objective of launching the first version of this product to market in the course of 2021.

In parallel, since going live with the Payment Initiation Services (PIS) functionality in June 2020, we have sought our customers' feedback to help prioritise the delivery of new features. As a result, we have started the technical delivery of the first PIS feature enhancement, which is the Standing Order functionality, and which we are targeting to launch towards Q2 2021.

Thanks to the timely delivery of these new features, some of our largest partners have already adopted these services, enabling their SME customers to access these functionalities, and resulting in Modulr already achieving our overall SME reach targets for the programme in the Payment Innovation area.

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.

Original Commitment:

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.

Updated commitment:

Further, we commit to allocate £500,000 to spend running at least 6 regional and digital 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.

Modulr continues to co-invest in bringing to market our CIF product initiatives in line with our Business Case.

We are pleased to say that we have surpassed our target by holding 7 market education events in 2020 (against an original plan of 6 events), that helped guide SMEs and accountants on the benefits of new payment services we are bringing to market.

Our wider marketing plan has also included PR activity to support the CIF programme, with a total press circulation of 18.2m. Our sales activation and advertising campaigns, supported by an extensive content programme, have generated approximately 250k digital impressions into the Accountancy and Employment Services verticals.

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.

As of the end of Q4 2020 we are on track against our recruitment targets and have now created 44 new jobs in Edinburgh out of our total target of 53, creating a dedicated and passionate programme team to implement our CIF Business Case. We have also created 5 out of the 11 new roles across the UK to drive the distribution of our products to partners, accountants, and the SME community.

As stated in our last public commitment update, we are in a position to resume hiring activities in Q1 2021 and we are currently mobilising for upcoming recruitment activities.