

## **iwoca Ltd - £10M Award**

### **CIF Key Achievements to Date**

- We have achieved significant growth in our no and limited personal guarantee lending through our CBILS product, issuing close to £200m by the end of 2020, ahead of our £150m target. We have continued to help small businesses gain access to the finance they need during this difficult time, with our Q4 CBILS approvals alone representing 5.6% of the CBILS market this quarter (HM Treasury data).
- We have more than doubled our iwocaPay active seller base to 200, despite the impact that the lockdown has had on small businesses. In order to support our customers during this time we waived our fees in November and December. We continue to improve our seller and buyer activation through a number of journey improvements and the development of new features.
- We have successfully released a pilot of our iwocaPay app with Xero, which is now live with a select number of customers. This is Xero's first "buy now, pay later" invoice proposition in the UK.
- We have successfully launched our OpenLending platform. Ahead of our launch we made a number of improvements to the platform to improve the partner experience, and we have also added one new partner to the platform bringing us to a total of 9.

### **Assessment Period 5 (October 1<sup>st</sup>, 2020 – December 31<sup>st</sup>, 2020)**

We are pleased to report that we have continued to deliver on our long-term commitments made to BCR in this assessment period, with an update provided on each of these below.

#### **COMMITMENT 1: SERVE A WIDER RANGE OF SME NEEDS BY INTRODUCING A NEW LOAN PRODUCT THAT DOES NOT REQUIRE A PERSONAL GUARANTEE**

##### **Original Commitment:**

**Personal guarantees play an important role in enabling finance for early-stage businesses. However, as businesses evolve, their financing options should follow suit.**

**With the support of the CIF, we will leverage our award-winning technology and risk expertise to develop a new product that does not require a personal guarantee. We will use an asset debenture structure to break the link between business and personal credit. We will also make it paperless and deliver a decision in hours rather than weeks or months.**

**We commit to ensure this product is more competitive than unsecured market alternatives. We further commit that it will be available across our channels by Q1 2021, by the end of 2023 we aim to have originated £250 million.**

##### **New Commitment:**

**Personal guarantees play an important role in enabling finance for early-stage businesses. However, as businesses evolve, their financing options should follow suit.**

**With the support of the CIF, we will leverage our award-winning technology and risk expertise to develop a new product that does not require a personal guarantee. We will use an asset debenture structure to break the link between business and personal credit. We will also make it paperless and deliver a decision in hours rather than weeks or months.**

**We commit to ensure this product is more competitive than unsecured market alternatives. We further commit that it will be available across our channels in 2020 and by the end of 2023 we aim to have originated £250 million.**

We remain on track and we have continued to accelerate our progress this quarter against our commitment of offering no and limited personal guarantee products. We have provided small businesses with close to £200m of finance with reduced personal liability to date through our CBILS and iwocaPay products. Our Q4 CBILS approvals alone represented 5.6% of the CBILS market this quarter (HM Treasury data).

#### **COMMITMENT 2: LAUNCH IWOCAPAY, A BETTER ALTERNATIVE TO FACTORING FOR SMALL BUSINESSES**

**70% of our customers have used our credit facility to finance the gap between issuing an invoice and receiving or making payment. By introducing iwocaPay, we will take our financing solution to where small businesses need it most: finance at the point of invoice. Through iwocaPay, we will alleviate the burden of late payments which impacts millions of UK SMEs.**

**iwocaPay creates a win-win credit service for small business sellers and buyers. It will provide SME sellers with the option to extend flexible payment terms to SME buyers while getting paid immediately. This means that iwocaPay enables buyers to choose the payment terms that work best for their cash flow, up to 90 days post invoice receipt, while guaranteeing prompt payment to the seller on a non-recourse basis.**

**We commit to making iwocaPay a more competitive and accessible alternative to factoring for SMEs and available on a 'single invoice' basis, maximising the product's flexibility. We further commit to launching iwocaPay in Q2 2020, by the end of 2023 we aim to have financed 40,000 transactions.**

We are on track to deliver on our iwocaPay commitment. We have seen consistent growth in seller demand for iwocaPay, as our seller base has more than doubled in Q4, despite the lockdown. To further support small business during lockdown, we also waived our fees in November and December. Looking ahead, we are focused on building integrations that will significantly improve both the seller and buyer experience, which we will be launching in Q1.

#### **COMMITMENT 3: CO-DEVELOP CUSTOMISED CREDIT PRODUCTS WITH XERO, THE UK'S LEADING SME ONLINE ACCOUNTING SOFTWARE PLATFORM**

**To bring finance to 463,000 Xero subscribers, with the support of the CIF, a joint development team of Xero and iwoca staff will research, prototype and pilot iwoca lending products for Xero. These customised products will be seamlessly embedded and accessible within Xero's interface and core customer journeys—a first for Xero.**

**Our shared aim is to deploy a competitive range of lending products that will be easily accessible by Xero's 463,000 SME subscribers by the end of Q2 2021.**

We are on track to meet this commitment, this quarter we released our first Xero integration: a pilot of an iwocaPay app in Xero's ecosystem. Through this integration, any iwocaPay seller can automatically add iwocaPay to an invoice they send through Xero. As Xero's first "buy now, pay later" invoice proposition in the UK, the initial feedback has been very positive and we will be making this integration available to the market in early Q1. We are continuing to work closely to explore other opportunities for customised lending products with Xero.

#### **COMMITMENT 4: LAUNCH OPENLENDING TO FACILITATE THE EXPANSION OF SME FINANCING SOLUTIONS THROUGH THE ENTIRE ECOSYSTEM**

**We strongly believe in the benefits of a connected and cooperating marketplace. In fact, thousands of customers have reached us via bespoke API integrations with selected partners like Tide.**

**OpenBanking has been a game-changer for us and, looking ahead, we see a huge opportunity in OpenFinance—the most recent initiative by the Bank of England to establish a data standard and portable digital identity for SMEs.**

**In this spirit, with the support of the CIF, we will launch OpenLending, a self-serve platform that opens up our lending stack to the entire ecosystem of BCA providers, FinTechs, brokers, accountants and bookkeeping platforms.**

**We will establish a dedicated full stack team that will make OpenLending fully operational. We will build features that enable partners to customise products, such as term, price or commission. Through customisation, our partners will create and deliver a proliferation of new products that are relevant and accessible to their SME customers.**

**We commit to launch OpenLending by the end of 2020. By the end of 2021, we commit to integrating 10 new partners including our pilot with Xero; and by the end of 2023, we commit to having at least 25 new partners and aim to originate at least £400 million through OpenLending.**

We continue to be on track having successfully launched our OpenLending platform this quarter, in line with our public commitment. Prior to launch we made a number of improvements to the beta platform to improve the partner experience. We have also added one new partner to the platform, bringing our total to 9 new partners.

#### **COMMITMENT 5: DECENTRALISE TO BETTER SUPPORT OUR GEOGRAPHICALLY DIVERSE CUSTOMER BASE**

**Underpinning our commitments is our persistent dedication to service. As we grow and reach new SMEs, we must ensure new customers receive the same level of service we have provided since day one. To do this, we must grow and tap into talent pools beyond London.**

**We focus on serving all UK SMEs and 79% of our current customers reside outside of London.**

**To better serve our customers, we commit to opening a regional office in Glasgow, Edinburgh, Leeds or Bristol and hiring at least 50 staff by 2023. New staff will cover a range of roles, including developers, customer support and relationship managers.**

We are on track to deliver on this commitment. We have made one further hire this quarter, bringing iwoca to a total of 22 hires made to date.

#### **COMMITMENT 6: MATCH BCR GRANT WITH AT LEAST £13 MILLION OF OUR OWN FUNDS**

**To demonstrate our shared responsibility and deliver on our commitments, we commit to provide at least £13 million of our own funds.**

We will continue to uphold our commitment to invest an additional £13m of our own funds in addition to the CIF grant.