

MarketFinance – £10m Award

CIF Key Achievements to Date

- We have seen great momentum during the MVP stage of our third funding solution FlexLoan (previously known as RCF or Revolving Credit Facility) and have already received more than 850 credit applications and advanced close to £1m through this new solution. We are continuing to add capacity to our team including dedicated data scientists.
- We have created a Loans Broker Portal, whereby brokers can view all their ‘active’ applications and status updates in a single place; plus any key actions required by the brokers to progress the app. This reduces complexity and streamlines the application process for SMEs and their brokers thus significantly speeding up time to funds for the customer.
- We have continued to bolster our Unified Application Journey including a new customer journey for Recovery Loan Scheme applications. The new design of our new unified “accounts” page will allow customers to view all their existing products and apply for additional ones.

Assessment Period 3 (March 1st, 2021 – May 31st, 2021)

These Public Commitments are based on MarketFinance’s Updated Business Case which was approved in July 2021.

COMMITMENT 1 – Introduce a product giving SMEs funding tailored to their needs by H1-2021

We know that customers find it hard to manage multiple products across multiple providers; it’s why many stay with the incumbent banks.

We will deliver a solution that radically reduces the complexity of managing finances for our customers, combining the product sophistication of a large lender, with the user- friendliness of a FinTech:

- **3 SOLUTIONS, 1 INTERFACE:** Loans, Revolving Credit, and Invoice Finance in a single interface to meet the varied funding needs of SMEs
- **FRICIONLESS EXPERIENCE:** minutes to apply, same day decisions, dedicated customer support team, removing all friction from the process of obtaining finance
- **UNPARALLELED FLEXIBILITY:** fully featured account management portal, giving customers the ability to pay off debt, manage credit limits, and optimise their working capital position with our intelligent Working Capital Manager tool.

We are on track to deliver this commitment. We are seeing great traction with our FlexLoan solution having already received more than 800 credit applications during the MVP stage. Furthermore, we are on track to launch our Single Interface MVP at the start of July-21.

Original Commitment:

COMMITMENT 2 – Expand our offering to SMEs who need it most

Smaller SMEs (<10 employees) comprise >90% of SMEs but are at the greatest borrowing disadvantage. We will expand our target market to include sole traders, low turnover (<£250k) SMEs and startups.

We commit to start lending to all three categories above by Q2-2021.

This will help enable us to lend £1bn+ to >22k SMEs by 2022. We aim to have lent £2.4bn+ to >74k SMEs by 2024.

Rationale for change:

As stated in the update to our Public Commitments for the period ending 28 February 2021, we remained on track to deliver this commitment throughout Q1-21. However, due to the continued availability of Bounce Bank Loans, which we were not accredited to offer, and which had significant uptake in some underserved categories, our average ticket size is higher than anticipated, meaning we expect to onboard fewer new customers than originally forecasted and advance slightly less new funding to SMEs. We have revised our targets to reflect the delay in our plan caused by continued government support which we hadn't accounted for and we now plan to re-assess sole trader lending by Q2-2022, though we will continue to expand our lending in other underserved categories throughout the next 12 months.

New Commitment:

COMMITMENT 2 – Expand our offering to SMEs who need it most

Smaller SMEs (<10 employees) comprise >90% of SMEs but are at the greatest borrowing disadvantage. We will expand our target market to better serve these categories (including businesses such as sole traders, low turnover (<£250k) SMEs and startups).

We commit to start lending to at least two of the categories above by Q2-2022.

This will help enable us to lend £550m+ to >4.5k SMEs by 2022. We aim to have lent £1.6bn to 18k SMEs by 2024.

To date we have already lent more than £127m to nearly 800 UK SMEs since the start of our BCR initiative and are on track to meet our revised commitment.

Original Commitment:

COMMITMENT 3 – Be a catalyst for innovation

We will collaborate with innovative players to expand our reach to c.2m SMEs through a range of partnerships.

We will create a lending engine that can be simply embedded in the following 3rd party customer journeys:

- **3+ challenger banks who don't have the balance sheet or risk appetite to lend to SMEs, bringing more choice to SMEs and increasing competition in SME lending in 2021**
- **5+ SME service providers (e.g. accounting software) by 2022, placing our offering at the point of need (at least one in 2021)**
- **1+ major bank, making our offering available to their customers who otherwise face much more limited choice, in 2021**
- **2+ innovative suppliers (e.g. API or payments providers) to fuel growth of wider ecosystem in 2021**

We aim for 50%+ of our lending to be originated through these partnerships by 2022.

Rationale for change:

Due to the changing landscape of lending and major banks' increased focus on the execution of government-backed schemes including collections on significant BBLS balances, we forecast that we will experience delays in launching bank partnerships. However, this has meant we have been able to accelerate partnerships with non-bank SME providers and we forecast to be able to deliver more than anticipated in 2021. The quantum of our commitments remains unchanged, however, we have had to adjust the timelines of all potential partnerships to reflect the change in circumstances.

New Commitment:

COMMITMENT 3 – Be a catalyst for innovation

We will collaborate with innovative players to expand our reach to more than 1m SMEs through a range of partnerships.

We will create a lending engine that can be simply embedded in the following 3rd party customer journeys:

- **3+ challenger banks who don't have the balance sheet or risk appetite to lend to SMEs, bringing more choice to SMEs and increasing competition in SME lending in 2022 (at least 1 in 2021)**
- **5+ SME service providers (e.g. accounting software) by 2022, placing our offering at the point of need (at least two in 2021)**
- **1+ major bank, making our offering available to their customers who otherwise face much more limited choice, in 2022**
- **2+ innovative suppliers (e.g. API or payments providers) to fuel growth of wider ecosystem in 2021**

We aim for 50%+ of our lending to be originated through these partnerships by 2022.

We have launched 3 partnerships as of the end of the reporting period and are on track to launch 1 additional in July-21. Due to the economic backdrop we are experiencing delays in the planned bank partnerships, however we are also seeing increased interest and fast track progress with potential non-bank partners. Therefore, we are currently on track to deliver our revised commitment.

Original Commitment:

COMMITMENT 4 – Embed the benefits of credit insurance into our products

We want to transform the way SMEs manage their cashflows through offering a credit-insured invoice finance product, facilitating prompt payment and competitively priced lending for SMEs. We will co-develop this offering with Euler Hermes, the world leader in credit insurance. A joint team will develop a pilot product with the shared aim of a full launch by H1-2021.

Rationale for change:

Upon further discussions with our Partner Euler Hermes we have decided to take the product development of this new solution in-house which will allow us to continue working with various new and existing partners including Euler Hermes.

New Commitment:

COMMITMENT 4 – Embed the benefits of credit insurance into our products

We want to transform the way SMEs manage their cashflows through offering a credit-insured invoice finance product, facilitating prompt payment and competitively priced lending for SMEs.

We are currently developing a new solution aiming for full market launch by the end of 2021, while working in close partnership with multiple credit insurance providers.

We are currently on track to deliver this commitment and have launched a pilot product, MarketPay, which will allow SMEs to optimise cashflow management at the point of purchase. This product will be suited for a credit insurance wrapper once fully launched, and we expect to work with Euler Hermes and other providers on this basis.

COMMITMENT 5 – Expand our geographic footprint to secure the UK’s best talent

We serve SMEs across the UK and will reflect that in our own geographical footprint creating 50+ jobs outside London by 2022, including in our existing Manchester office.

Throughout the next 4 years and beyond we will continue recruiting to support our commitments and aim to create 200+ jobs in total across the UK by 2024.

We are on track to deliver this commitment, having already welcomed more than 40 new team members. We have prepared a new working policy where post-COVID a number of our teams will have the opportunity to move to fully remote working arrangements.

COMMITMENT 6 – Diversity & Inclusion

MarketFinance’s success to date has been driven by the dynamism that comes with having a highly diverse team. Over 50% of our team are from diverse backgrounds - something we strive to maintain.

We believe in engaging with talent at grassroots levels - and so we commit to partnering with at least 2 organisations promoting underrepresented talent pools.

This will play a key part in facilitating our aim of hiring 20+ new starters (including any apprentices) from diverse backgrounds by 2022.

We are on track to deliver this commitment and we continue to maintain at least 50% diversity in our team.

COMMITMENT 7 – Co-investment

We will provide at least £14m of our own funding to deliver our commitments outlined above.

We are on track to deliver this commitment and have already invested £3.2m of our own funds.