

iwoca Ltd - £10M Award

CIF Key Achievements to Date

- We processed our final CBILS fundings, with our approvals this quarter accounting for 7% of the total approvals across the market (HM Treasury Data). This brings us to a total of £376m in no and limited personal guarantee lending to date across our products.
- We have seen strong growth in seller engagement with iwocaPay this quarter. Our number of transactions via the product tripled over the quarter to reach 324.
- We launched a new iwocaPay partnership with Futrli, where Xero users could get a year's free subscription to Futrli when they signed up for both Futrli and iwocaPay. We have seen some promising early results, with this making up almost half our leads in May, thus demonstrating the power of both partnerships and our iwocaPay app in Xero.
- We have made significant progress in our co-development of lending products with Xero. This quarter we completed the solution design phase, working with Xero to finalise the design ahead of the implementation phase. We are now working to build an MVP that will be released to a select group of Xero users by the end of Q3.
- We onboarded one new partner, Swoop, to our OpenLending platform this quarter. This brings our total number of new partners on the platform to 10.
- We made 4 new hires this quarter, bringing our total number of hires to 26.

Assessment Period 7 (April 1st, 2021 – June 30th, 2021)

These Public Commitments are based on iwoca Ltd's Revised Business Case which was approved in August 2020 and further Revised Business Case which was approved in June 2021. The former Public Commitments, including rationale for the changes can be viewed [here](#).

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

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.

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 have successfully achieved our commitment to offer a new loan product that requires no or only a limited personal guarantee and exceeded our £250 million origination target over two years ahead of plan. With CBILS having drawn to a close, iwoca has now originated £376m in no and limited personal guarantee lending to small businesses via our CBILS and iwocaPay products. Our total CBILS originations reached £373m, with the value of our approvals this quarter representing a 7% market share (HM Treasury data). We will continue to offer small businesses no or limited liability finance across our suite of products, which already includes iwocaPay and will continue to expand in the coming months.

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 remain on track to meet this commitment. This quarter we launched "Pay Now", which is built on Open Banking and enables sellers to include a seamless and zero cost payment experience through iwocaPay in their invoices to customers. Following this we have seen increased seller engagement, with the number of invoices sent with an iwocaPay payment option nearly doubling.

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

Original Commitment:

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.

Rational for the change:

Our focus for the co-development of lending products with Xero has been on embedding iwoca lending capabilities within Xero's workflows. This will be a central part of Xero's platform so any new developments must be aligned within the wider Xero strategic roadmap. The process to secure approval for our proposed developments was robust, and took slightly longer than anticipated, thus we had to delay our delivery dates by one quarter.

New Commitment:

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 Q3 2021.

We are on track to meet this commitment. This quarter we completed the design phase of our work to embed our Flexi-Loan product within Xero's invoicing workflow. We conducted research to better understand how customers make decisions around different loan products and how they would expect offers to be presented within Xero. This informed the high level solution design, and we have now

entered the implementation phase where we are working to have an MVP launched in Q3 to a select group of Xero users. This will enable us to learn and make iterative improvements before extending access to Xero's wider customer base later this year.

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 are on track to meet this commitment. This quarter we have continued to improve the functionality of the platform to enhance our partners' experience. We have revamped our webhook notification infrastructure and made changes to the platform to enable real time feedback on data provided to support our partners in providing a seamless lending journey to their customers. We have also added Swoop as a new partner to the platform, bringing our total number of new partners to 10. To date we have originated a total of £34.3m via our OpenLending platform.

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 have made four hires this quarter, three of which were to replace some leavers. As such, this brings iwoca to a total of 26 hires to date. We remain on track to hire at least 50 staff by 2023.

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, with iwoca having invested £4.5m of our own funds to date.