

## iwoca Ltd - £10M Award

### CIF Key Achievements to Date

- We have been accredited for the Recovery Loan Scheme, which will allow us to further increase our total limited and no personal guarantee loans beyond the £376m we have funded to date.
- We more than doubled transactions through iwocaPay, reflecting strong growth in seller engagement.
- We also rolled out new functionality to make using iwocaPay even more accessible, so businesses can more easily use it wherever they accept payments.
- We launched an MVP of our Flexi-Loan embedded within Xero's invoicing workflow, which is in line with the planned launch schedule. The product is currently available to a select group of Xero users and will be rolled out more widely in Q4.
- We launched OpenLending with two more partners and made improvements to our technical offering to help partners design and build their integrations more efficiently. We now have a total of 12 partners on our OpenLending platform
- We have made 11 hires this quarter, bringing our total number of jobs created to 27. However, some were backfilling individuals that left the company.
- Our test campaign assessment indicated that our paid digital, SEO and partner sales and accountant channels have the most potential to scale. We will continue to implement continuous testing to evaluate the most effective marketing channels.

### Assessment Period 8 (July 1<sup>st</sup>, 2021 – September 30<sup>th</sup>, 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.**

As reported last quarter, 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 CBILS and iwocaPay. We will continue to offer small businesses no or limited personal guarantee finance across multiple products, through iwocaPay as well as RLS, for which we were recently accredited.

## **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 with our commitment and in Q3 we continued our strong growth trajectory. This quarter, our transaction volumes again grew by more than 100%, driven both by a larger network of sellers and greater usage. We saw strong traction for the product, especially from accountants who are actively using and also referring their customers to use iwocaPay. We continue to introduce upgrades - making iwocaPay more accessible so businesses can more easily use it wherever they accept payments.

## **PRECOMMITMENT 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 Q3 2021.

This commitment is now part-achieved. This quarter we launched an MVP of our Flexi-Loan embedded within Xero's invoicing workflow. Xero customers can see iwoca product information, a repayment calculator, indicative pricing and can trigger an application all from within the Xero ecosystem. The product is currently available to a select group of Xero users as part of a phased plan to roll out to all Xero users who are eligible. We also plan to improve the product steadily and have a live roadmap of features being built and deployed in the coming months. During the next quarter we plan to scope and develop features such as the capability to offer multiple loan products and more accurate indicative price quotes prior to customers applying.

## **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 still on track to meet our commitment. We have launched new, simpler versions of some key API features, including for example communicating an indicative price prior to approval. These releases aim to help partners more easily and usefully embed them into their services. This will give their customers more clarity about whether they're eligible for an iwoca product earlier in their borrowing journey. We have also updated our external documentation experience and platform, making it easier for our partners to access technical information and plan their integration approach. This quarter we have launched new integrations with two new partners, taking our total number of new partners to 12. To date, our total amount of lending originated through OpenLending is £40m.

#### **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 11 new hires this quarter, including some that were backfill of employees that left the company. As such, this brings iwoca to a total of 27 jobs created 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 continue to uphold our commitment to invest an additional £13m of our own funds in addition to the CIF grant. iwoca's co-investment to date is £5.6m.