

iwoca Ltd - £10M Award

CIF Key Achievements to Date

- Industry awareness of our iwocaPay product continues to grow, exemplified through its inclusion as one of three 2022 finalists for Xero's "Emerging App Partner" award.
- We further enhanced the user experience for businesses applying for credit from within the Xero platform, enabling them to apply for multiple iwoca loan products, including our no personal guarantee Recovery Loan.
- We progressed discussions with a number of new OpenLending partners and 5 of them accessed our sandbox environment for the first time during Q1 2022.
- We made further developments to our OpenLending API, both improving the types of offers we can provide & increasing the number of products available via the API.
- We made a total of 6 hires to our regional office in Leeds during Q1 2022. Allowing that some of these are replacing leavers, this now brings our total jobs created at the end of Q1 2022 to 32.

Assessment Period 10 (January 1st, 2022 – March 31st, 2022)

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.

This commitment has been met. We have successfully delivered on our commitment to offer loan products with limited or no personal guarantee, originating over £389m against a target of £250m in no and limited personal guarantee lending to small businesses. We will continue to offer small businesses no or limited liability finance via our iwocaPay and Recovery Loan Scheme products.

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 continue to be on-track with this commitment and Q1 2022 was a strong quarter for iwocaPay. We are seeing increasing awareness of the product and during the assessment period were featured in The Independent and The Caterer, a key industry trade magazine for the food and restaurant supply chain. In addition, Xero also announced iwocaPay as one of three 2022 finalists for Xero's "Emerging App Partner" award.

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 Q3 2021.

This commitment has been met. We have successfully delivered on this commitment to bring finance to Xero users and during Q1 2022, we further enhanced the user experience for businesses applying for credit from within the Xero platform. The main development work was focussed on enabling the customer to apply for multiple loan products during the same application process. This work was completed during the quarter and now means that Xero users have access to the government backed Recovery Loan Scheme alongside the Flexi-Loan product. So far roughly 8,000 Xero customers are able to access this 5 year term loan product through the integration.

We also planned and scoped the development work required for adding further data sharing capabilities as part of the application process. This will allow Xero users to share bank statements and company accounts data as part of their application so that this information can be used as part of the credit assessment process with iwoca. This work will be carried out during April 2022.

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 have now partially-achieved this commitment, with 13 partners onboarded to date. During Q1 2022, we progressed discussions with a significant number of new partners who are interested in building API integrations with our OpenLending platform. 5 of these partners accessed our sandbox environment for the first time, and we expect that many of them will go live in the coming months. One of our major existing partners also upgraded their integration during the assessment period to add in the new features we have made available. Additionally, as of Q1 2022, we have now originated a total of £53.4m via our OpenLending platform, although this part of the commitment remains behind target mainly due to the uptake of commercial lending remaining below pre-covid levels.

During Q1 2022, we also made further developments to our API, such as providing customer quotes via the API. This has also been extended to other loan products such as the Recovery Loan. We have improved our functionality for providing partners with detailed application status information so they have a very clear picture on the progress of individual customer applications.

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 remain on track to hire at least 50 staff by 2023.

We have made 6 new hires in Q1 2022, including 4 that were backfill of employees that left the company. As such, this brings iwoca to a total of 32 jobs created 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 and remain on track to do so. To date we have co-invested a total £7.6m of our own funds.