

## iwoca Ltd - £10M Award

### CIF Key Achievements to Date

- During Q2 2022, we introduced further enhancements to our iwocaPay product, allowing iwocaPay sellers to more easily embed iwocaPay into invoices, ecommerce checkouts and offline transactions.
- We have now completed the final development work for the Xero integration and the process of applying for loans up to £750k is now incredibly quick & seamless. Xero users are now able to share transaction data and company accounts data with a single click as part of their application, so that this information can be used as part of the credit assessment process with iwoca.
- We continued to progress development of integrations with a number of new partners, with one due to launch their integration early in Q3 2022 which will take our total partners onboarded to date to 14 once live.
- During Q2 2022 we built a number of new API features for our Open Lending platform, such as a new version of our reporting endpoint which allows partners to access bulk reports and we also made improvements to the accuracy of the quotes that we provide to partners
- We made a total of 8 new hires across both our iwocaPay & regional office Leeds team during Q2 2022. This now brings our total jobs created at the end of Q2 2022 to 40.

### Assessment Period 11 (April 1<sup>st</sup>, 2022 – June 30<sup>th</sup>, 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.

#### **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.**

In Q2 2022 iwocaPay continued to increase momentum with strong growth in transaction volumes, driven by offering greater flexibility in the product, both in terms of pricing and accessibility. With the most recent product upgrades, iwocaPay sellers can more easily embed iwocaPay into invoices, ecommerce checkouts and offline transactions. We are now able to offer this flexibility via an API or a no-code solution, making it easier for B2B sellers to use iwocaPay wherever they take payments. Whilst this continued quarter on quarter growth continues in the right direction, exemplified by a 40% growth in transaction volume in Q2 compared to the previous quarter, the effects of the pandemic on the original timing of 40,000 transactions by 2023 may be slightly delayed in delivery.

### **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.**

We have successfully delivered on the first part of this commitment to bring finance to Xero users, the focus now to deliver fully on this commitment is to extend the finance offering out to all Xero users subject to suitability and credit worthiness. In Q2 2022, we completed the final development work which now enables Xero users to share bank transaction data and company accounts data with a single click as part of their loan application. This development makes the process of applying for loans of up to £750k quick & seamless for small business owners so that they can spend more time running their businesses.

The finance offer is currently available to 44,000 Xero users and going forward the main focus will switch from product development to making this finance offer available to more Xero users, as well as educating them on the benefits of accessing finance through 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.**

During Q2 we continued to progress development of integrations with new partners, with one additional new partner due to launch their integration in the next quarter. We remain fully on track for this part of the commitment and expect to surpass the milestone of 16 new partners by the end of 2022, which will leave us in a good position to reach the overall target of 25 new partners by the end of 2023.

As of Q2 2022, we have now originated a total of £60.5m via our OpenLending platform, although this part of the commitment remains behind target mainly due to Covid disruptions keeping commercial lending below pre-Covid levels.

During Q2 we also built a number of new API features for our OpenLending platform, such as a new version of our reporting endpoint that allows partners to access bulk reports and an improved quoting feature. We also started work on a new developer portal and started scoping the features that will be added to the next version of the 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 remain on track to create 50 roles by 2023.

We have made 8 new CIF-related hires in Q2 2022 and as such, this brings iwoca to a total of 40 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.**

This commitment is on track. We will continue to uphold our commitment to invest an additional £13m of our own funds in addition to the CIF grant and remain intent to do so. To date we have co-invested a total £8.13m of our own funds.