

iwoca Ltd - £10M Award

Key Achievements to Date

- Promising growth in iwocaPay transaction volume, growing by more than 50% in Q3 2022 in comparison to Q2 2022.
- We successfully onboarded one new partner.
- In Q3 2022, we developed the Open Lending platform extensively, adding a host of features that are valuable to partners, such as decline reasons and approval probability indicators.
- We made a further hire in our iwocaPay team. This now brings total jobs created at the end of Q3 2022 to 41.

Assessment Period 12 (July 1st, 2022 – September 30th, 2022)

These Public Commitments are based on iwoca Ltd's Revised Business Case which was approved in November 2022. 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 Q3 2022, 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.

Original Commitment

CCOMMITMENT 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 20,000 transactions and will aim to fulfil our original commitment target of 40,000 by 2025 at the latest.

Rationale for change:

The original delivery targets for expected growth of the iwocaPay product have been slightly delayed due to the impact of the pandemic on SMEs. However, we continue to see growth in the product every quarter and this makes us confident of achieving the revised targets on the timetable set out.

New Commitment

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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. Having delivered iwocaPay in Q2 2020, by the end of 2023 we aim to have financed 20,000 transactions and will aim to fulfil our original commitment target of 40,000 by 2025 at the latest.

We are on track with this commitment and in Q3 2022, iwocaPay continued to grow, increasing transaction volume by more than 50% from the previous quarter. In addition to improving how businesses can integrate iwocaPay, the purchasing experience for iwocaPay buyers improved substantially during the quarter, making it easier for businesses to access the terms they need.

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 are partially on track with this commitment, having successfully delivered the commitment to bring finance to Xero users through an integration that is working effectively with customers able to complete an application by providing all the financial information required in a few clicks.

We remain committed to increasing the volumes of Xero customers accessing this offering. In Q3 2022, we extended the offering to an additional 10,000 Xero users, taking the total to 54,000 Xero to whom finance is available.

Original Commitment

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.

Rationale for change:

As a result of the pandemic, the small business lending market has been focussed on government backed loan schemes. Our OpenLending platform was not initially designed with these scheme requirements in mind, so we needed to carry out additional development work. This coupled with the fact that the uptake of commercial lending remains below pre-covid levels, means that we are slightly delayed in our delivery of this commitment.

New Commitment

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We launched OpenLending in 2020 and integrated 10 new partners including our pilot with Xero in 2021; by the end of 2023, we commit to having at least 25 new partners and aim to originate at least £175 million through OpenLending, whilst maintaining our original commitment to originate at least £400m through OpenLending by the end of 2025.

We are on track with this commitment and during Q3 we developed the OpenLending platform extensively. This includes releasing version 2.1 which is built on the foundations of v2 but has lots of new features that are valuable to partners such as decline reasons and approval probability indicators. We also upgraded the OpenLending infrastructure further with new webhooks (notifications) to

partners, continued work on the partner developer portal we are building and created monitoring infrastructure for API performance.

During Q3 we also continued to progress development of integrations with new partners, with one new partner successfully launching their integration during the quarter and another one due to go live in the coming weeks. Therefore, we expect to surpass the milestone of 15 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 Q3 2022, we have now originated a total of £71.1m via our OpenLending platform, meaning an additional £10.6m was issued during Q3.

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 deliver this commitment. In Q3 2022, we made 1 new BCR-related hire, bringing iwoca to a total of 41 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 are on track with this commitment to invest an additional £13m of our own funds in addition to the CIF grant and remain intent to do so by year-end of 2023. To date, we have co-invested a total £8.6m of our own funds.