

iwoca Ltd - £10M Award

Key Achievements to Date

- We have now fully deployed £10m of CIF funds.
- iwocaPay continued to expand its ecommerce integrations, with sellers now able to integrate iwocaPay into any WooCommerce or Magento checkout.
- We successfully onboarded two new OpenLending partners during Q4, taking our total to date to 16 and reaching our original target set for 2022.
- We continued to develop the OpenLending platform capabilities, by further enabling partners to receive an offer for all of our products at once, including the ability to configure their own offer strategy.

Assessment Period 13 (October 1st, 2022 – December 31st, 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 Q4 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.

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. 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.

Although slightly behind the 2022 year-end target, we remain firmly on track to meet our 2023 year-end transaction target, exemplified by the continued growth of the product. This growth saw the iwocaPay transaction volume grow by nearly 50% from the previous quarter. Furthermore, we enhanced our ecommerce integrations and sellers can now integrate iwocaPay into any WooCommerce or Magento checkout.

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 on track with this commitment having already successfully delivered on the commitment to embed iwoca finance in the Xero user interface. Customers can now complete an application, including providing all the financial information required, in a few clicks through Xero.

Xero is exploring how best to market the product offering to customers and their accountants, and in the meantime relevant customers can access finance through the invoicing workflow screens within their account. The number of Xero users to whom iwoca finance is available, stands at 54,000.

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 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. During Q4 2022, we continued to develop the OpenLending platform and remain on track across this commitment. Across the quarter, we enabled partners to receive an offer for all of our products at once, including the ability to configure their own offer strategy. We made some changes that increased the success rate of fetching credit reports for API referred customers and built a new endpoint which allows partners to be able to submit the bank account details of where the customers loan should be paid into. Finally, we launched a partner developer portal, which will allow partners to build their integrations more easily with less support required.

During Q4, we also continued to progress development of integrations with new partners, with two new partners going live during the quarter. We passed the milestone of 15 new partners during 2022 finishing with 16, which leaves us in a good position to reach the overall target of 25 new partners by the end of 2023.

As of Q4 2022, we have now originated a total of £90m via our OpenLending platform, meaning an additional £19m was issued during Q4, 21% of the total OpenLending issuance to date.

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 to create 50 new roles by the end of 2023. To date, we have created a total of 41 jobs.

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. 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 by the end of 2023. To date we have co-invested a total £9.8m of our own funds.