

**Modulr Finance (C) – £10m Award****Public Commitments Update – Q1 2023****Key Achievements to Date**

- PISP payments have now reached 1,091,778 transactions initiated
- 2.28m card transactions have been processed via physical cards
- We have an SME reach of 69,316 through our APCC tool, 676,766 through our Payment as a Service solution, and 938,319 through our innovation solutions.
- Accountants Payments Control Centre has 684 accountancy practices and accountants onboarded as of Q4 2022.
- Accounting Partner Engagement: 60 partners now onboarded, enabling their SMEs to access Modulr's Payment as a Service solutions.

**1 | We will transform accountants' ability to manage payments for SMEs**

**An estimated 2 million SMEs (Ernst & Young, The Future of SME Banking, 2018 & ONS, UK business activity, size and location statistical bulletin, 2018) rely on the services of one of the 25,000 Accountancy Practices (practices with 1+ employees; UK BEIS, Business Population Estimates, 2018) across the UK to help run their businesses, including the accountants managing payments on their behalf. This is currently extremely challenging due to existing business banking services not providing for the specific needs of accountants when operating these services.**

**Modulr has already created a basic dashboard that is in the market and receiving good feedback, the CIF Grant will enable us to significantly expand the functionality of this Accountant Dashboard into a full Accounts Payments Control Centre (APCC).**

- **We will bring this capability to market in Q1 2021 and continually enhance it in phases through to Q1 2022**
- **Modulr will aim to implement its services with 163, 354, 564 and 680 accountancy practices by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 110,000 SMEs.**

We are on track with this commitment to transform how accountants can manage payments for SMEs.

Our key highlights for Q1 2023 include continuing our media partnership with Accountancy Age (which has driven engagement to 450+ businesses and provides Modulr with a brand reach of 1.4million) and continued marketing outreach to our database. The activity has directly contributed to onboarding 72 new accountants to our Accountants Payments Control Centre (APCC), with a total user base of 925 accountants and an SME reach of 97,067.

**2 | Switching isn't working for SMEs; we will create competition outside the existing banking system**

**Our digitally native Business Payment Account & Payment Services API is readily available via an online Developer Centre and Sandbox. This enables our direct business clients and partners to integrate payments into their products and business platforms quickly and easily. We aim to expand our existing successful product offering to allow our partners to provide additional capabilities. The CIF Grant will enable us to extend the functionality of this service to include SME**

**specific needs such as physical card issuance and international payments, to support universal adoption by SMEs**

- **The extension on Modulr's capability allowing partners to meet all the payment needs of SMEs with our Business Payment Account & Payment Services API will begin in Q1 2020 and the final phase will complete in Q2 2023.**
- **Implementing these services with 12, 26, 41 and 48 partners by Q4 2021, 2022, 2023 and Q2 2024, who will ultimately be able to make them available to 860,000 SMEs.**

We are on track with this commitment.

We're big believers in disruption and are constantly challenging ourselves to expand our core capability to meet the payment needs of SMEs. As such, we will stimulate competition by empowering our partners with a suite of products to provide better solutions to their SME customers and have achieved an SME reach of 676,766 customers through our Payment as a Service partner offering. Unfortunately, this is the third consecutive quarter where we have seen a reduction in SME reach numbers (offboarding customers due to compliance or contractual reasons, natural churn of customers who come to the end of their agreements, or due to failure of these organisations), although these are low reductions, it is indicating a downward trend which Modulr is seeking to address. The Physical Cards product, which went live in 2020 is now proven and seeing steady increase in card transactions demonstrating the benefit and growing need for this solution within the market.

The team has completed the technical delivery of our Modular Services Package which we are in the process of onboarding our first customers onto.

### **3 || We will fight in the UK SMEs' corner in making sure new, innovative payment methods solve SME pain points**

**SMEs have typically been last to access new industry wide payments initiatives and innovation.**

**We will use the CIF Grant to make available the latest industry innovations to SMEs including:**

- **Fraud Prevention+ with our Confirmation of Payee Solution**
- **Account Verification with Open Banking**
- **Open Banking (Accountant Information & Payment Initiation Services) to deliver cash management and treasury management services.**
- **Modulr will continue to deliver proof of concept through to full product launch for the three key innovative payment services, starting in Q4 2019 and completing in Q4 2023, with continual delivery and enhancement of functionality through that period.**
- **Through our partners, Modulr will aim for our payment innovation services to be made available to at least 340,000 SMEs by Q2 2024.**

We are on track with this commitment.

Our volume of transactions through Payment Initiation Services (PIS), which went live in June 2020, continues to grow as reflected by our transaction initiations increasing by circa 242k to 1m from Q4 22 to Q1 23.

SME reach for our payment innovation products now stands at 938,319 surpassing our targets for SME engagement in innovation.

### **4 | We will raise matched funds of £10m to supercharge our impact on competition**

**We commit to raising matched funds of £10m and deploy it to deliver on our commitments and expand the benefit of the CIF. These matched funds will be used to cover our scaling costs, marketing costs, external integrations and additional scheme access.**

**Further, we commit to allocate £500,000 to spend running at least 6 regional and digital payments education events per year for 5 years across Glasgow, Edinburgh, Bristol, London, Nottingham, Manchester, Cardiff & Belfast for SMEs on how to use new and innovative payment mechanisms, and to gain their direct feedback on how the new services should be developed.**

We are on track to achieve our total co-investment of £10m.

In 2022, Modulr successfully met its targets for Data Synchronisation and Service Partner Eco-System Partners and Connections. Alongside the delivery of a number of success virtual and in person events, Modulr achieved significant outreach within the SME eco-system.