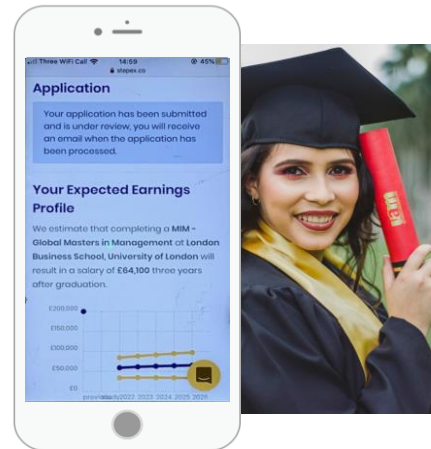




DEMOCRATISING FINANCE FOR POSTGRADUATE QUALIFICATIONS



The only FCA regulated provider of outcome based finance - “Future Earnings Agreements”

# “Future Earnings Agreements” provide universities with the ability to boost revenue and build long term value

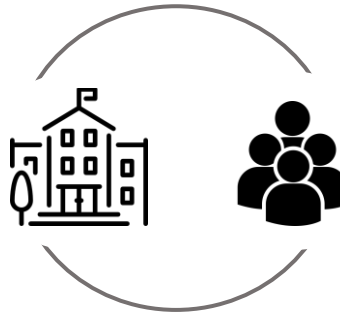
## **More demand for the university**

**+£1m\* net revenue** per course as maximum capacity is ensured

**Higher calibre students** as candidates selected from a larger pool

**Improved rankings performance** from better earning outcomes, diversity and GMAT scores

**Targeted recruitment of UK / EU** students with diverse demographics



## **Better terms for the student**

**More widely available** based on future potential not just historical income

**Affordable**, income linked repayments

**Lower cost product** as defaults do not increase the cost up for those who do repay

**No interest** that compounds over time

**Better outcomes** for students as flexible repayments allow for career optimisation

## **Facilitated by StepEx**

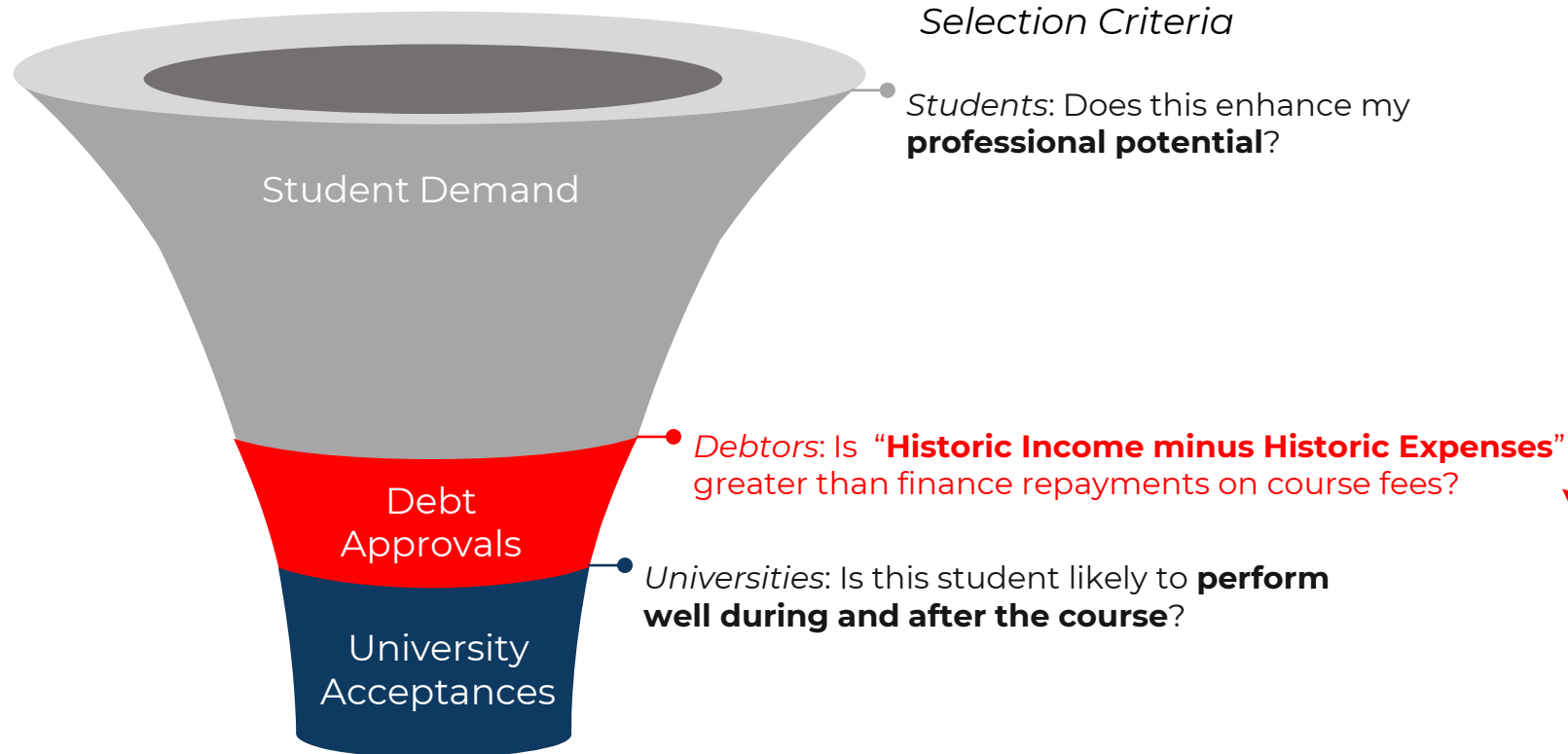
**Trusted partner** of leading universities

**Fully regulated** by Financial Conduct Authority

Management team with **deep expertise**

Note: \*illustrative based on attracting an additional 50 more students per course that repay an average of £20K each, marginal cost paid by upfront deposit  
Appendix 1 details the problems associated with debt and the benefits of “Future Earnings Agreements”

# Debt providers currently restrict demand based on selection criteria that are misaligned with universities and students



Debt providers restrict student demand based on **misaligned criteria**

Those few students who do meet all criteria, risk **bankruptcy** and **pay 150% to 250%\* of course fees** through interest charges

# Solution: add the option for students to pay for course fees with a share of their future earnings

*Current Option*

*Future Additional Option*

£20,000 in course fees upfront → £2,000 + 8%\* of future earnings for 5 years

Available to those few with the **bank of mum and dad**

OR

**Historical high earners** (precludes the majority of 20-30 year olds) that are willing to repay a total of £30,000 to £50,000 in course fees and financing costs and risk bankruptcy if they earn less than expected post-graduation.

**Everyone else** (i.e. those currently excluded):

- Only repay when they earn over £25,000
- Never repay more than 1.5x the course fee

This means students will repay £0 to £29,000 for a qualification depending on how much they earn.

Only required to make 5 years worth of payments no matter how much is recouped in total, and repayments will automatically go up or down in line with income, ensuring affordability.

# How one of our partners (CAPSLOCK) markets our financial product

## We invest in you

Kick-start your new cyber security career and pay nothing until you land a high-paying job.



## Pay nothing until you land a high-paying job

We'll invest in you and cover your tuition costs up-front. You'll only begin re-paying tuition once you land a job paying over £27,000

## Not debt, no interest, always affordable

ISAs are not classed as personal debt. They always stay affordable, and re-payments are paused if your income drops below £27,000.

## Re-payments which scale with your pay

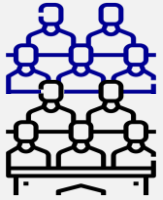
When we invest in you, you'll pay back 15% of your monthly income for 36 months, but only once you earn over £27,000

## Your re-payments are capped

You'll never pay back more than 2x the up-front tuition fee. That's a cap of £19,000 as it stands right now.

Note: Real example of how a StepEx partner markets the financing offer to their students

# Is this product of value to the University?



Do courses have **capacity** for more students?



Would **cohorts be enhanced** with greater diversity?



Could **entry criteria be elevated** with more high calibre applicants?



How will **rankings performance** be improved / maintained?

How will removing financial barriers to courses help?

# Benefits of removing financial barriers

Short term: **more demand**

Long term: **enhanced selection**



## **More students**

increased course attractiveness and broader target audience

## **Happier students**

optimal class sizes, diversity and cohort quality



## **Increased revenue and satisfaction**

ensure capacity fulfilled and better student experience



## **More selectivity**

leading to higher quality students

## **Improved rankings**

higher earnings outcomes and higher average GMAT

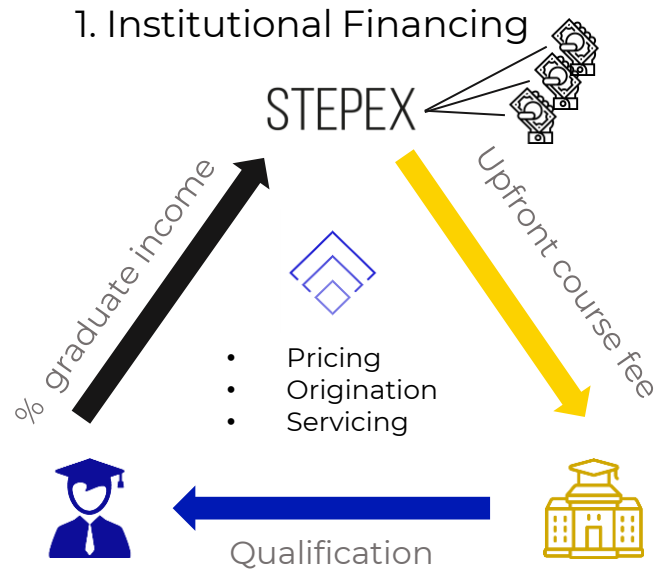


## **Higher value offering**

enhanced attractiveness to students, staff and ability to improve pricing

*StepEx is a fully FCA authorised financial institution that will provide a complete service for universities*

# Two options for the provision of “Future Earnings Agreements”



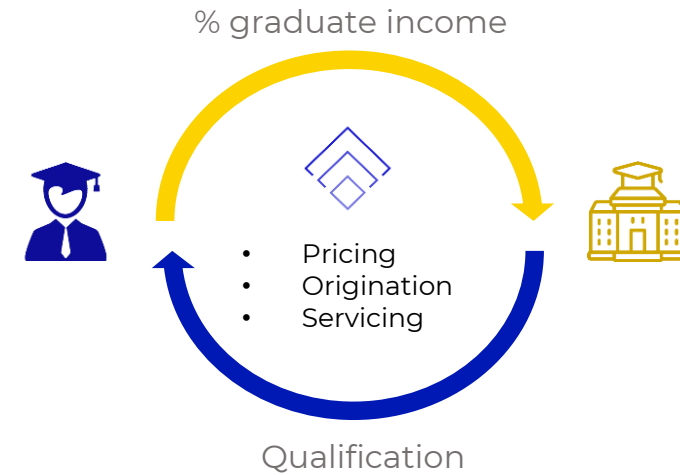
Suited to universities unable to defer a portion of fee revenue

**+** Upfront course fee

**-**

- More expensive total cost of course for student than option 2
- Capacity and terms dependent on investor appetite

## 2. University Financing



Suited to universities seeking attract the best students with the most competitive pricing and finance availability

**+**

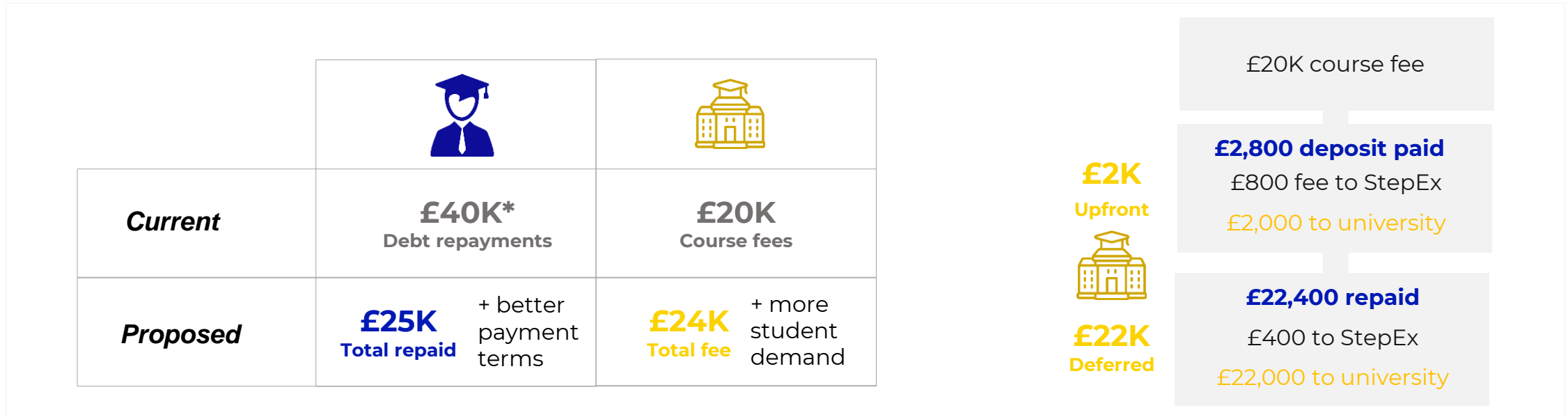
- Most attractive pricing and ability for students to participate
- Higher fee revenue
- Enables targeted recruitment
- Ability to demonstrate course value with university “skin in the game”

**-** Portion of payment deferred



# University financing (option 2) explained

Example



*Summary Process – StepEx provides full service for all financial activities*

1. StepEx provides university with template explanation of FEA including a link to the sign up page
2. Students completes profile on StepEx platform, StepEx performs full background, credit and identity checks
3. University confirms enrolment of the student
4. StepEx contracts with the student on University's behalf for the money owed and collects all payments over time
5. StepEx pays University the money owed
6. StepEx provides University with the verified anonymised earnings data of students throughout the process

Note: \*Total repayments that would be due for a £20,000 loan at 15% interest for 9 years; please see appendix 3 for a case study; please see appendix 4 for a detailed step by step process that includes the interaction between StepEx and the student

# Broad support and highly experienced and capable team

Some institutions we support



**Daniel George**  
Founder & CEO

*Former Director at a financial services consultancy, banker and economist to the Australian government.*



Australian Government  
Department of Agriculture  
ABARES



**Nigel Glaister**  
Chairman

*C-suite and head of infrastructure at tier 1 investment banks. Track record of successfully commercialising small businesses.*



**Miles Cresswell-Turner**  
Non-Executive Director

*Co-Founder of LSE listed Non-Standard Finance PLC (NSF), PE Partner and special situations credit banker.*



Google entrepreneurs programme 2017-20



Top 12 Start Ups Pitch@Palace 2019



Top 20 "Exciting Start Ups" 2019 Kings College



NatWest fintech cohort 2018/19



Proud member of NatWest Entrepreneur Accelerator  
natwest.com/accelerator



2018 FCA project innovate cohort



Top 10 Tech disruptors @ Berlin Extreme Tech Challenge 2020



Top 40 Global "Tech for Good" disruptors 2020

# Conclusion

**Leading post-graduate qualifications provide an excellent return on investment for candidates** but are a significant cost for those at the beginning of their careers

**A financial barrier causes top universities to miss out on top talent from the less wealthy majority** that would vastly increase the talent pool from which they can recruit from because many are unable or unwilling to use restrictive and expensive debt products

**StepEx provides an option for students to repay a percent of their future income** as an alternative to upfront payment of course fees

This provides the university with:

- **Ability to fill any excess capacity** and thus boost revenues creating incremental revenue with minimal marginal cost
- **Brand enhancement** through perception that the university actively assists students with overcoming financial burdens using a cutting-edge, innovative and fully regulated product
- **Higher calibre cohorts** leading to higher profile alumni and better rankings performance as selection is from a wider pool of candidates

This product can be used as **a sustainable alternative to the finite provision of scholarships** as Future Earnings Agreements are repaid and hence provide funding for future candidates

# Because Education is an Opportunity



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[www.stepex.co](http://www.stepex.co)



# StepEx's unique FCA regulated "Future Earnings Agreements" solves a key market problem by providing outcome-based finance

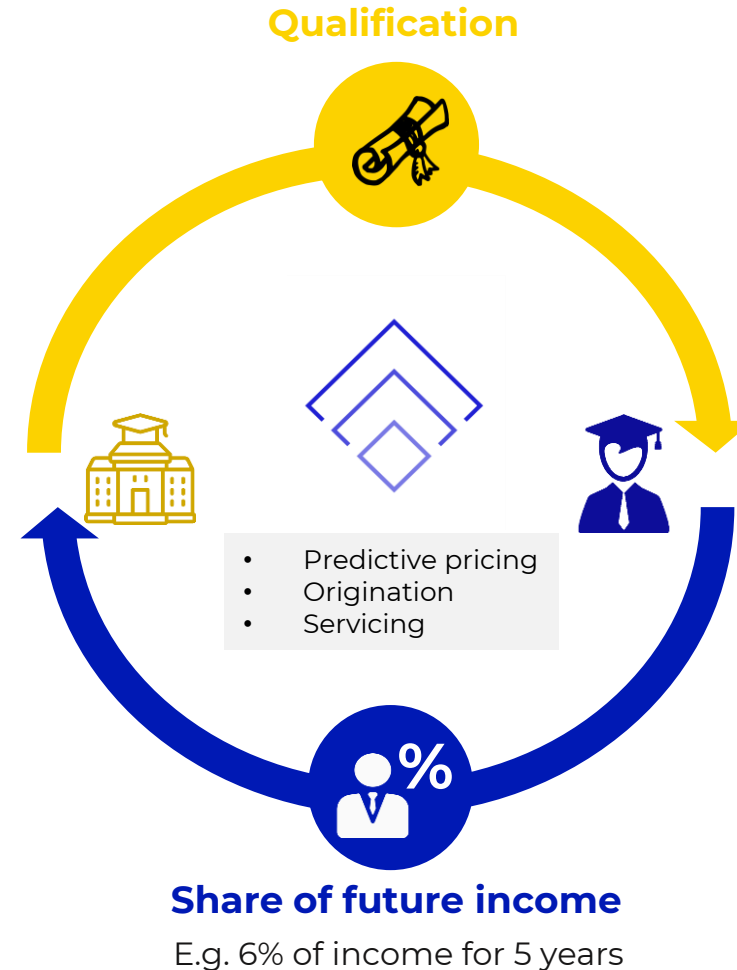
## UNIVERSITY

Offers students the ability to pay upfront or a percent of their future earnings for a defined period. For example:

£20,000 upfront OR

£2,800 + 6% of income for 5 years

*(a 20% higher fee but spread over 6-7 years)*



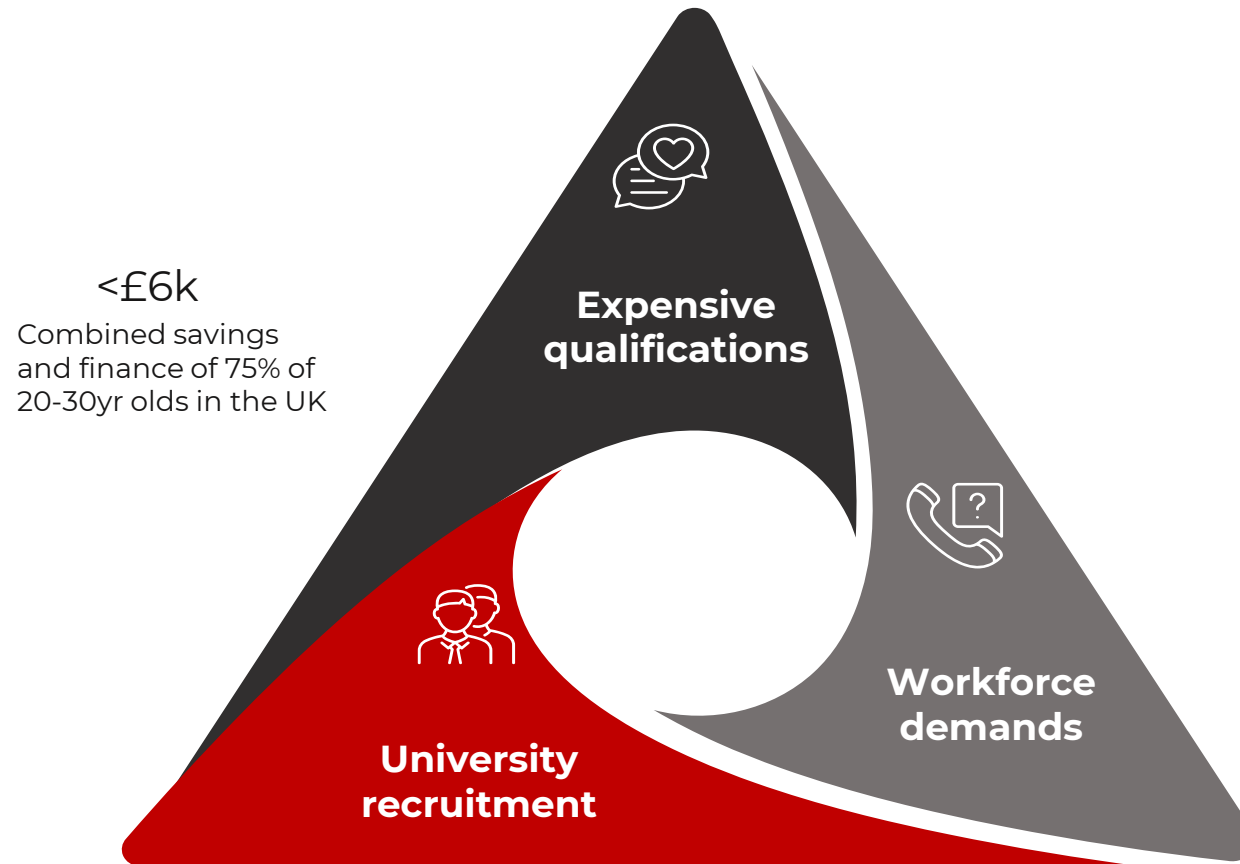
## BORROWER

Receives higher future earning potential from qualification. Repays a share of that based on the earning benefit they gained:

- Affordable / income-linked
- Only repay when earn over a minimum income level
- Never repay more than a maximum amount

# Appendix 1: Future Earnings Agreements 1/4

Lack of affordability and access to financing excludes the less wealthy majority from postgraduate qualifications



## Expensive qualifications

The best postgraduate and technical **qualifications are too expensive** for the majority and the cost is not covered by government loans.

## Workforce demand

**Demand for workers with these expensive qualifications is rapidly increasing** and outstrips supply, constraining productivity.

## University recruitment

**Top universities miss out** on the majority of talent because upfront fees are a barrier and debt is not suited to student finance, rejecting many or imposing credit card rates of interest

# Appendix 1: Future Earnings Agreements 2/4

Debt is based on historical income which restricts opportunity for the less wealthy and limits upward social mobility



“If you were born in the UK what you earn is more linked to what your father earned than in any other developed nation.”

*David Cameron 2009 (former PM)*

25% of rejected postgraduate offers due to lack of available finance

75% of UK 22-30 year olds have combined savings and access to finance of less than £7,500 (ONS)

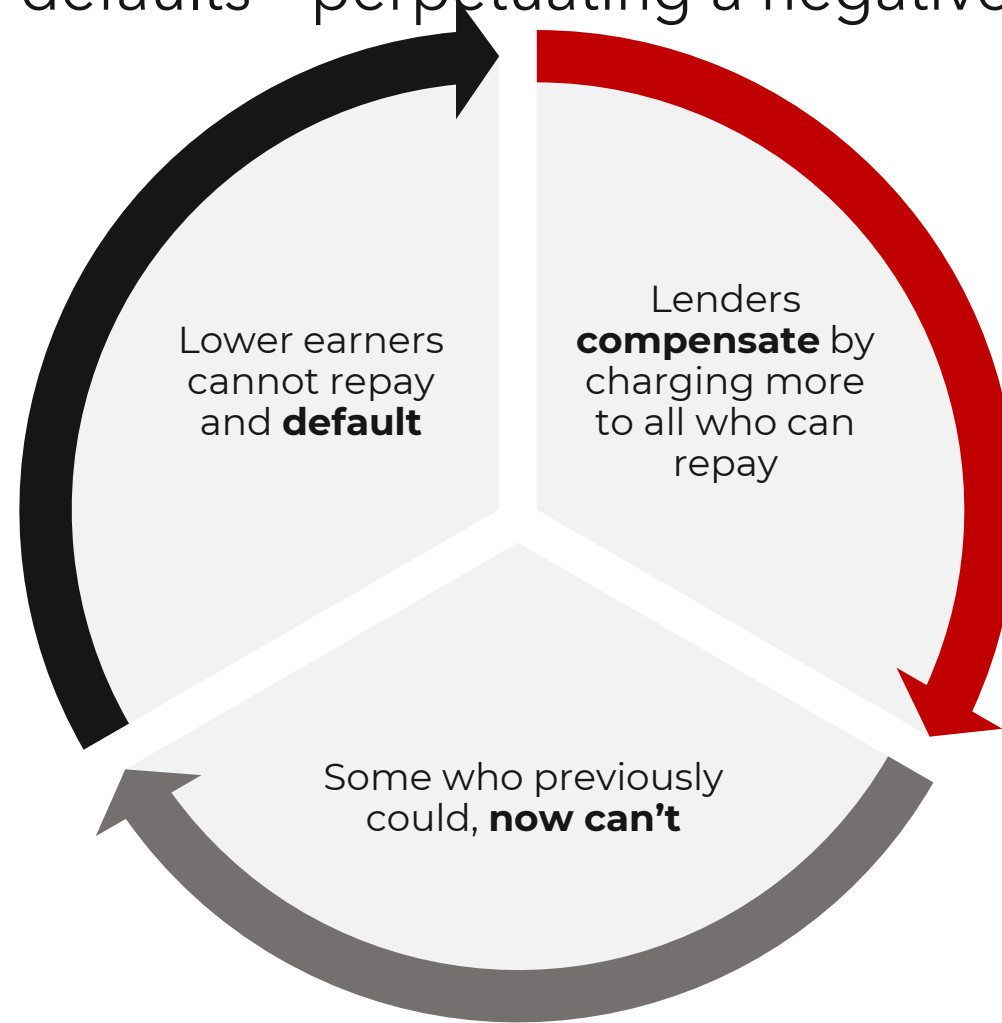
The courses that lead to the highest outcomes cost £30,000+

-£1m lost lifetime wages due to lack of an advanced qualification

+200% likelihood of unemployment without an advanced qualification

## Appendix 1: Future Earnings Agreements 3/4

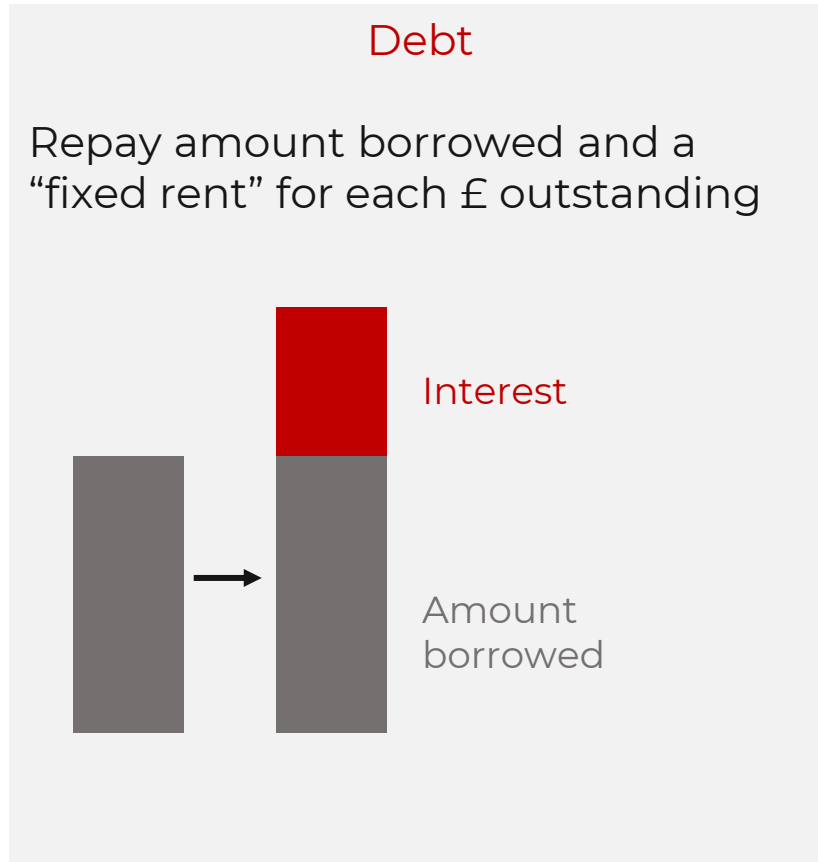
Debt providers account for default risk with higher rates which leads to even more defaults - perpetuating a negative cycle



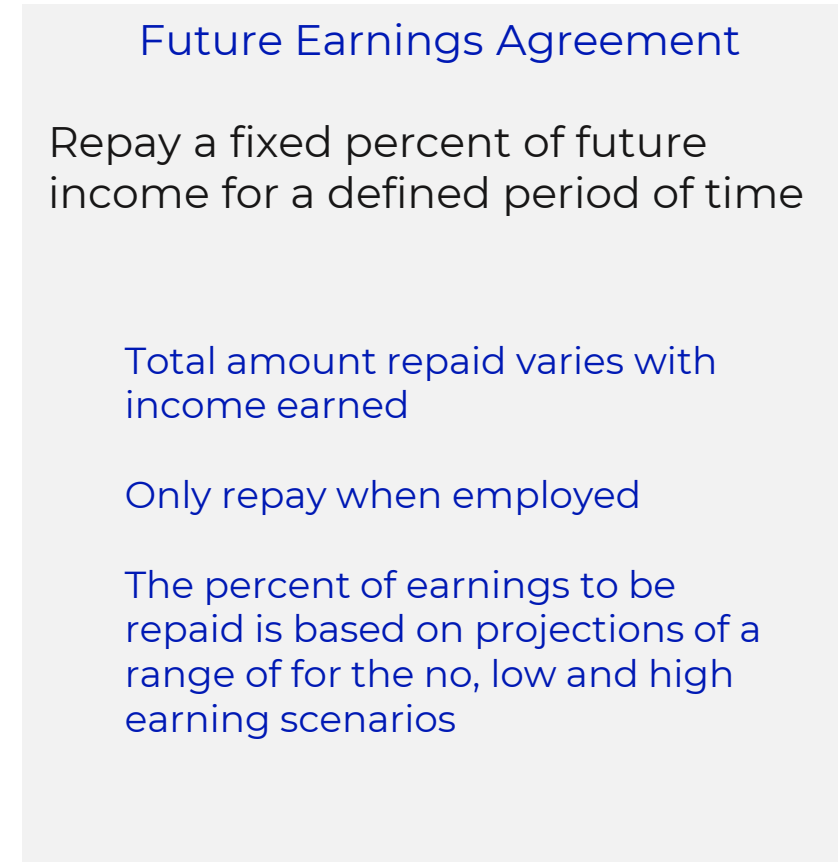


## Appendix 1: Future Earnings Agreements 4/4

StepEx provides “Future Earnings Agreements” which are fundamentally different to debt



*Note: usually repaid in fixed instalments however can also have income-linked repayments (e.g. SLC)*

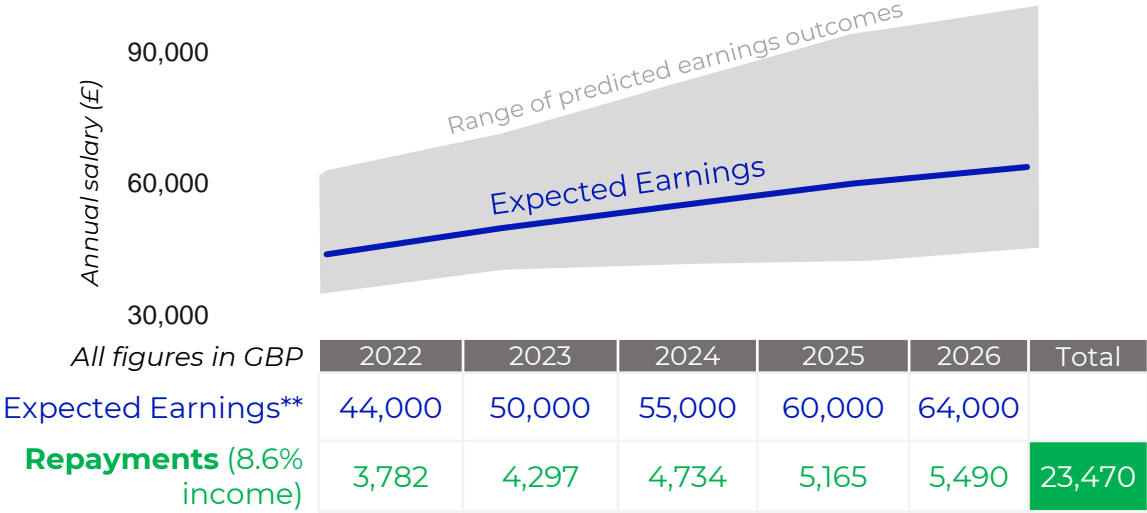


# Appendix 4: Case Study



*Name:* Chilufya  
*Age:* 28  
*Degree:* Master Accounting, Cambridge University  
*Experience:* Financial Controller @ PE-backed start-up  
*Aspiration:* CFO of a major corporate  
*Source:* via university

## Earnings Projections



**£15,675 Funding**

- £14,630 Fund 1
- £1,045 BDM Fund\*

*£675 StepEx fees*



**£15,000 Originated**

- £15,000 Course fees



**£23,470 Repaid\*\*\***

- £21,510 (8.9% ROI) Fund 1
- £1,373 (4% ROI) BDM Fund\*

*£587 StepEx fees*

Note: \*BDM (Black Degrees Matter) is a fund to finance those of African or Caribbean ancestry via philanthropic donations, with proceeds are reinvested into the fund. The fund has an expected ROI of just 4% vs market rate of 8.9%. \*\*Expected earnings have been rounded to the nearest thousand. \*\*\*Expected repayments.

# Appendix 4: Step by Step Process

## **Setup:** *University (one-off) <> StepEx*

1. University confirms amount able to defer in return for an expected higher amount (e.g. expected 120% amount deferred) repaid over 5 year period post-graduation
2. Defined criteria for eligible students (UK universities typically seek to boost UK student numbers so specify “must be a UK citizen”)
3. StepEx provides collateral to market the “Future Earning Agreement” to students and a link for students to click through
4. StepEx platform and prediction model configured for university’s students

## **Origination:** *Student <> StepEx*

5. Student provides information to StepEx on identity (address history / date of birth etc.), prior education and work experience
6. StepEx forecasts individuals graduate earning potential and provides conditional offer (i.e. what share of income for 5 years is required to provide the expected 120% of course fees)
7. StepEx completes a full background check to confirm information provided including credit, identity, adverse media
8. StepEx provides formal offer to student, transacts / signing and collects the deposit

## **Upfront Payment:** *University <> StepEx*

9. StepEx pays university student deposit minus StepEx’s processing fee and provides signed confirmation of students who have accepted finance

## **Collections:** *Student <> StepEx*

10. StepEx collects the repayments due, verifying income using open banking (bank transactions), tax statements and API verification (e.g. to the company registrar)

## **Ongoing Repayment:** *University <> StepEx*

11. StepEx makes quarterly payments to university of funds collected