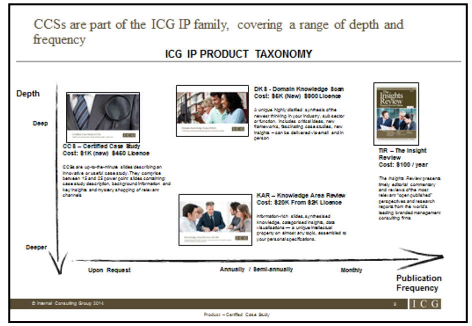
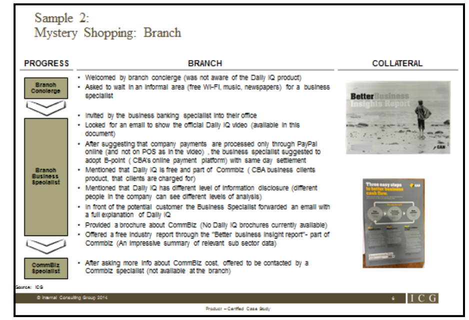
Certified Case Study (CCS) 003 – Kabbage





Certified Case Study

Prices:

*AUD **$750** (Global License)*

***AUD $450** (Country / Internal Team license, PPT file)*

***AUD $250** (Internal Team license, PDF)*

The CCS 003 (Certified Case Study) on Kabbage is a document containing information rich slides which comprehensively describe the Kabbage Bank case study and is certified by ICG to be based on publically and externally sourced information only - CCS's are a unique intellectual property for clients wanting to be across the latest developments in their industry. It comprises 32 pages of power point slides that contain:

- Kabbage overview**:** a working capital provider targeting online small retailers that leverages leverages Business Banking Telematics, including social media data, to take underwriting decisions
- Case study description, including background information and key insights
- Several customer case studies to analyse Kabbage value proposition
- Relevant media extracts, including some quotes from the press
- Certification by ICG that all information is verified as accurate at time of publication and no information was obtained as part of any engagement ICG may or may not have with Kabbage
- CCS 003 is a companion resource to our monthly global periodical The Insights Review (TIR), deeper full dives on a specific topic – our Knowledge Area Reviews (KAR) and DKS - unique highly distilled synthesis of the newest thinking in an industry, sub sector or function

Agenda

Section	Component	Description
1	**Overview**	• Kabbage - What is it? • Why Kabbage is an ICG Certified Case Study
2	**Context**	• Kabbage business model • Global market (peers and substitutes)
3	**Detailed Description**	• Kabbage value proposition
3	**Relevant Media**	• Media coverage and relevant quotes • Case studies and detailed interviews
4	**Marketing Collateral and Brochure ware**	• Marketing Campaign • Collaterals • Videos • Social Media
5	**Appendix**	• Other ICG source of insights

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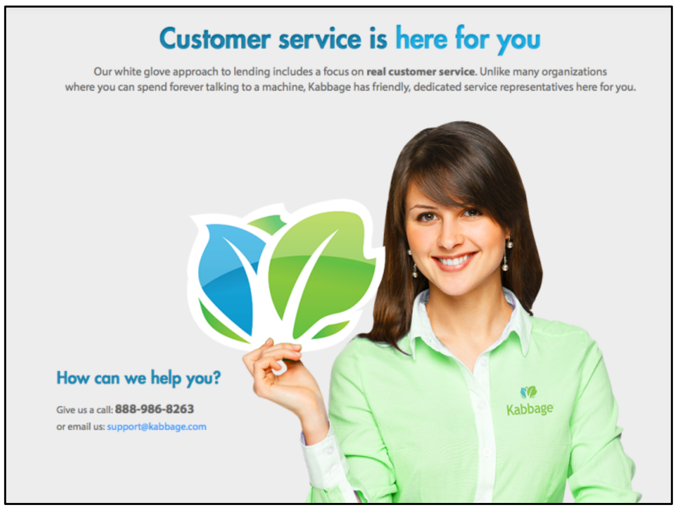
Sample 1:
Kabbage has a high quality customer base:
around 80% are repeated customers, with less than a 10% default rate

Kabbage

KEY INSIGHTS

- **80% repeat customers**
- **Less than 10% default rate**
- **Tens of thousands of customers**
- **targets merchants using websites such as Ebay and Amazon**
- **Strong correlation between the level of social activity and a lower delinquency rate in those customer groups**



CUSTOMERS PROFILE

How does it work

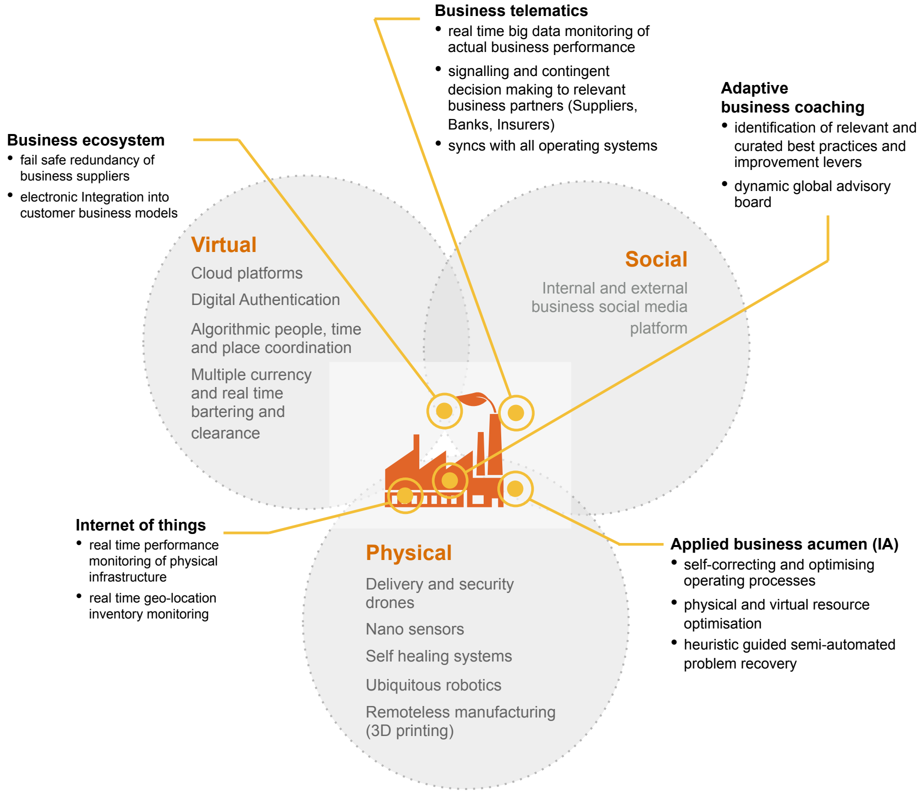
- **Default rate** on Kabbage loans was less than **10%** and that the average **Kabbage customer grew by more than 70%** in the six months after taking its first advance
- Specialised in providing cash advances to small and medium-size **online retailers**
- Its typical customer is an online business with annual revenue of **less than $1 million**
- Fund capital between **$500 to $100,000**
- The average Kabbage line of credit — $8,000 to $10,000 — is typically held for **4 months**
- The average interest rate for each of the **first 2 months is 5%** and then an additional 1 percent for each of the next two months
- Lent some **$140 millions** since inception
- In 2012, its largest cash advance was $39,000
- In 2013 Kabbage is cash advancing $75,000 lines of credit.
- Kabbage's customers typically utilize advances for inventory purchases, upgrading systems, and marketing

Source: secondary research, ICG

Sample 2:

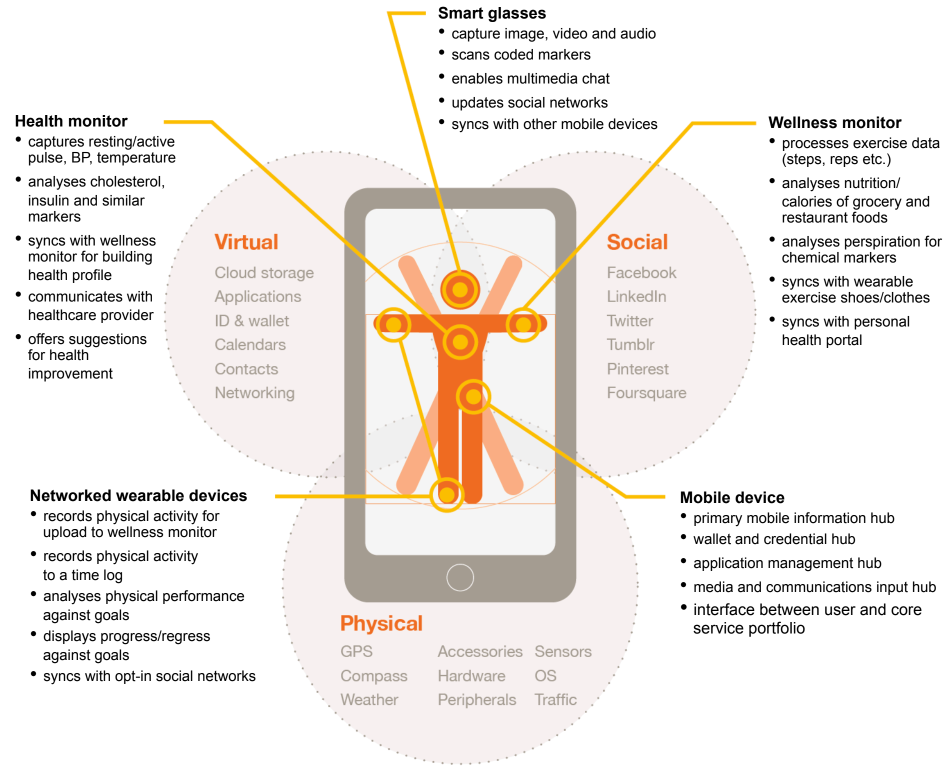
Kabbage is part of a general migration of SME interfaces to a telematics based model
The 2020 Digital SME and its CEO will demand a digitally transformed service offering from its bank

DIGITAL BUSINESS CONTEXT 2020



Source: ICG

DIGITAL PERSONAL CONTEXT 2020



Source: PWC, curated by ICG

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Sample 3:
Quotes from the Press

QUOTES

"We probably know more about any given business than any other company has known about a small business, ever. We look at transactional data, QuickBooks entries, UPS shipping history, payment processing, and bank account activity to get a much better picture than banks get from just financial statements"

Kathryn Petralia, Cofounder, Kabbage

Wired, 19th Sept 2013

"Factoring receivables is one of the oldest models in trade financing. They have taken an old model and added an online twist"

Paul Kedrosky, Kauffman Foundation

Time, 13th July 2012

"There is a clear void in the market as traditional financing sources remain reluctant to lend,"

Tom Affolter, Principal, Victory park

Bloomberg, 3rd Apr 2013

"Small businesses can't afford CRM software but realize that they can use social media to take care of their customers and stay engaged,"

Marc Gorlin, Cofounder, Kabbage

Time, 13th July 2012

Source: secondary research

Sample 4:
Kabbage SME customer example:
Windy City Parrott (WCP)

KEY INSIGHTS

- **Owned by Mr Rezman and his wife**
- **Specialised in supplies for exotic birds**
- **Based in Chicago**
- **Been trading for 30 years**
- **No employees**
- **Launched an e-commerce website in 2002**
- **27,000 Facebook fans, with post up to 6 times a day**
- **They post questions about birds, share action shots of birds using their products, and post notices when birds are lost and found**
- **Projects revenue for 2013 of $470,000**

KABBAGE BUSINESS PROPOSITION TO WCP

How Kabbage funds a small SME with unconventional features

- Mr. Rezman applied for a $15,000 loan from one of the big banks. He was turned down with a form letter that said he did not meet requirements. A month later he applied at the same bank for a loan with a Small Business Administration guarantee and was turned down again, he said.
- Applied for a $15,000 microloan from a program run by the state of Illinois. After writing a 16-page business plan, participating in six face-to-face interviews and providing supporting documentation, he was rejected because the organization determined his margins were too small.
- Then, after reading about Kabbage in a business newsletter, he decided to give it a try. “It was literally at 3 in the morning,” he said. “I gave them our information online, and there was $4,600 in my PayPal account in seven minutes.”
- One month later, Mr. Rezman successfully paid back his initial line of credit plus 11 percent — a charge of $506 for a one-month loan — and Kabbage raised his limit to $24,400. “Because it revolves, I never worry about the limit,” he said. “I borrow what I need and pay it back in 20 days on average.”
- Taken out approximately 12 short-term loans, including a $3,000 cash advance to stock up on merchandise for Labor Day sale, paid back with 5% interest — a cheaper rate than previously because the money are paid back within 20 days
- Borrowed and paid back nearly $40,000 in 2013

Source: secondary research

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