#### **HEAPSGOOD**

HEAPSGOOD PACKAGING PTY LTD

# CROWD-SOURCED FUNDING OFFER DOCUMENT





This crowd-sourced funding (CSF) offer document relates to the Offer of fully-paid ordinary shares in HEAPSGOOD PACKAGING PTY LTD. This Offer is made under the CSF regime in Part 6D.3A of the Corporations Act 2001 (Corporations Act).

Offer Date 20/04/2022

#### Issuer

HEAPSGOOD PACKAGING PTY LTD ACN 638 194 813

#### Intermediary

BIRCHAL FINANCIAL SERVICES PTY LTD AFSL 502618



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**HEAPSGOOD** 02

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### SECTION 1



#### RISK WARNING



Crowd-sourced funding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of ventures is speculative and carries high risks.

You may lose your entire investment, and you should be in a position to bear this risk without undue hardship.

Even if the company is successful, the value of your investment and any return on the investment could be reduced if the company issues more shares.

Your investment is unlikely to be liquid. This means you are unlikely to be able to sell your shares quickly or at all if you need the money or decide that this investment is not right for you.

Even though you have remedies for misleading statements in the offer document or misconduct by the company, you may have difficulty recovering your money.

There are rules for handling your money. However, if your money is handled inappropriately or the person operating the platform on which this offer is published becomes insolvent, you may have difficulty recovering your money.

Ask questions, read all the information given carefully, and seek independent financial advice before committing yourself to any investment.







Made from plants



Home compostable



Australian-owned

#### HEAPSGOOD

Putting the eco in e-commerce

You're looking at a Heaps Good eco-mailer™.

Fully compostable, I'm Earth's best friend.

Feels good, doesn't it? 100% guilt-free packaging. Love me while you can - I'll be gone in 6 months.



heapsgoodpackaging.com.au



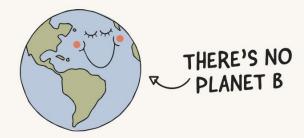




## IS IT POSSIBLE TO MAKE ECOMMERCE SUSTAINABLE?

We certainly think so.

Perhaps an introduction is appropriate – we're Adam and Ace, two brothers that founded a little packaging company called HeapsGood back in 2020.





Since then, we've been on a mission to make ecommerce sustainable in Australia – and eventually the world.

Ecommerce is a buzzword right now and for a good reason – in 2021 online retail sales grew 19%<sup>1</sup> and generated over \$4.9 trillion worldwide.<sup>2</sup> For ecommerce brand owners, it has been a wild ride.

There is a serious social and environmental cost to this overnight success, however.

Just as order volumes in ecommerce have exploded, so too has the plastic packaging used to send them. Waves of single-use plastic packaging are destined for landfill, the incinerator or larger environment.<sup>3</sup>

All of this waste is caused by outdated solutions that are impossible to dispose of responsibly.

HeapsGood was created to solve this problem. Sustainable materials, considering the lifecycle and avoiding single-use plastic wherever possible. All packaging products either compostable, recyclable, or both.

Our design philosophy is 'leave it better than we found it.' And that's right down from the raw materials to how we select our manufacturing partners.

#### **NOT JUST ANOTHER PACKAGING COMPANY.**

In 2021, HeapsGood:



#### \$1.5 MILLION

Generated over \$1.5m net revenue in our second year (1/04/2021 to 31/03/2022).



Customers acquired, plus 16,720 trees planted and 21 tonnes of carbon offset.



5,000,000+

Plastic mailers diverted from landfill (and that's just one of our products).



15,500

Monthly unique visitors to our website converting at 4.09%.

#### THE OPPORTUNITY

Environmental mission aside, the investment opportunity here is significant. HeapsGood is at the intersection of two major trends in the global economy: online shopping and sustainability. Both are experiencing tremendous growth that is transforming consumer decision making and forcing business adaptation to meet customer needs.4

The total addressable market for HeapsGood is huge because ecommerce businesses will increasingly shift to sustainable packaging in the next few years. In fact, Australian states and territories have established concrete targets for banning the various forms of single-use plastic packaging by 2023.5 Likewise, in a study conducted by Sendle, 64% of consumers said they would be more likely to buy from a retailer that offered compostable packaging.<sup>6</sup> And in the 2022 Australia Post Ecommerce Report, Australians ranked sustainable packaging and delivery as key considerations when shopping online.

So, consumers are cottoning on, regulations are evolving and brands are responding - those that don't make the switch from plastic will get left behind.

At HeapsGood, we're leaning into the future, challenging existing solutions in the market, and accelerating the shift towards sustainable packaging. We're putting the 'eco' in ecommerce. And we want you to be part of it.

Calling on ecommerce brand owners, agency owners, casual and seasoned investors, online shoppers, and anyone who wants to shape the future of our planet. Let's leave it better than we found it, together.

Cheers.

Adam Sarfati

Co-founders

Ace Reunis



This offer of shares is made by

HEAPSGOOD PACKAGING PTY LTD ACN 638 194 813 (Company).

Company Name	HEAPSGOOD PACKAGING PTY LTD
ACN	638 194 813
Date of Incorporation	23/12/2019
Registered Office	164A Hawthorn Road, Caulfield North VIC 3161
Principal Place of Business	7/2-6 Independence St, Moorabbin VIC 3189
Offer Type	Crowd-sourced funding
Offer Date	20/04/2022
Offer Details	Offer of fully-paid ordinary shares in HEAPSGOOD PACKAGING PTY LTD at \$0.80 per share to raise a maximum of \$1,100,000.





HeapsGood is a purpose-led company on a mission to put the eco in ecommerce.

Here's how we're going to do it:

01. HG

### AVOID SINGLE-USE PLASTIC LIKE IT'S GOING OUT OF FASHION

Packaging that is used once before heading to landfill for 400 years isn't a very smart system. And 95% of plastic packaging is discarded after a single use.<sup>7</sup>

By investing in materials that are plant-based and can be either composted or recycled, we are working towards a circular economy where we reuse resources rather than waste them.

**02.** 



### DEVELOP THOUGHTFULLY DESIGNED PRODUCTS FOR ECOMMERCE

In order to solve the plastic problem, our products have to be strictly better than their traditional counterparts – not just for the environment, but for ecommerce brands too.

Whether it's the tensile strength of our compostable mailers, or our thermal printer startup guide, we are obsessed with delivering the best possible customer experience.

Sustainable products. Clever form and function. Designed with ecommerce in mind.

03.



#### LEAVE IT BETTER THAN WE FOUND IT

Last year, we planted 16,720 trees8 and donated 78,000 mailers to charities. In 2022, we're taking our commitment to people and planet to the next level. We want to launch more initiatives with non-profit organisations, create more content on sustainability best practices, offset all carbon emmisions from HG shipments, donate profits earned from exciting new product lines to charities, and apply for B Corp Certification.

### THE ECOMMERCE PLASTIC PROBLEM



This is a significant problem in the online retail industry with huge market potential.

Ecommerce generated 1.61 billion kilograms of plastic waste worldwide in 2021.9

#### SAD TRUTHS ABOUT GLOBAL PLASTIC CONSUMPTION



The average person eats around 70,000 microplastics each year.<sup>10</sup>



Most of the plastic that exists today was made in the last decade.<sup>11</sup>

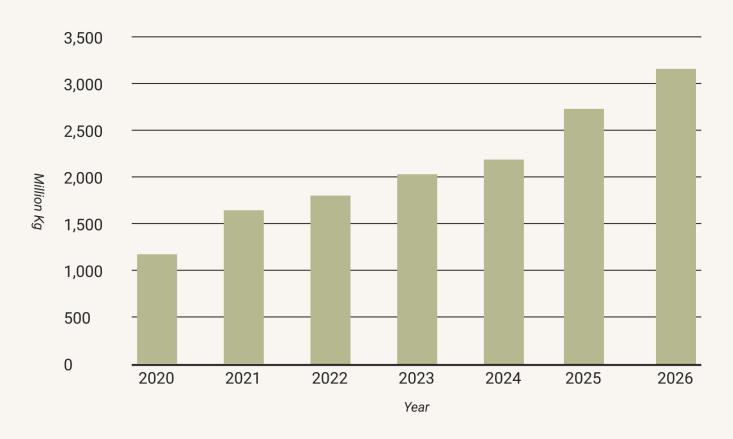


95% of plastic packaging is discarded after a single-use. 12



Plastic is expected to outweigh all the fish in the sea by 2050.<sup>13</sup>

#### Global E-commerce Industry's Annual Plastic Packaging Waste (in million Kg)<sup>14</sup>



### HEAPSGOOD SOLUTIONS

HeapsGood is your one-stop-shop for eco-friendly packaging and other ecommerce essentials Here is a timeline of our growing range.

**APRIL 2020** 

#### **ECOMAILER**

100% home compostable. Sleek with a matt black finish. Waterproof. Tough and durable so you can pack just about anything with it.





OCTOBER 2020

#### **ECOLABELS**

Australia's first compostable shipping labels, made in Australia.

JANUARY 2021

#### **HEX WRAP**

Hex Wrap – our substitute for plastic bubble wrap – is cost effective, sized for smaller merchants and pairs with our purpose-built dispenser.



### AN AVERAGE 4.9/5 ☆ REVIEWS FROM OVER 1500 REVIEWS.

**MARCH 2021** 

#### THERMAL PRINTER

In the TSC printer, we took a complex product, brought it to market, created an easy-to-understand guide, and ultimately sold over \$200k from a single SKU in 2021.

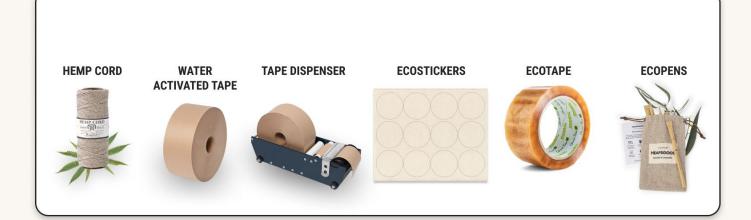




JANUARY 2022

#### **HG MAILING BOX**

Our latest product. Made from 99.9% recycled paper. Fully recyclable and compostable. And best of all, made in Australia.





#### 1. ONE-STOP ECOMMERCE SHOP

All the products you need to run your online store, in one place. That's a core ingredient of our HeapsGood vision.

Product leadership is in our DNA. We have a track record of introducing fresh and innovative products to the market successfully, with 12 products released across 2020-21 that solve a variety of different problems for ecommerce merchants.

In 2022, we are expanding our product portfolio into recycled boxes, more mailer sizes and a heap of fresh, innovative solutions that the market wants, but are not currently available. We will invest more resources into product design and development, to create the best possible experience for HeapsGood customers. Finally, we will also explore and integrate other verticals that will transform HeapsGood into an ecommerce platform business, not just another packaging company.

#### 2. CONTENT & BRAND

Packaging isn't fun. But HeapsGood is a packaging brand with its positioning and content game on point.

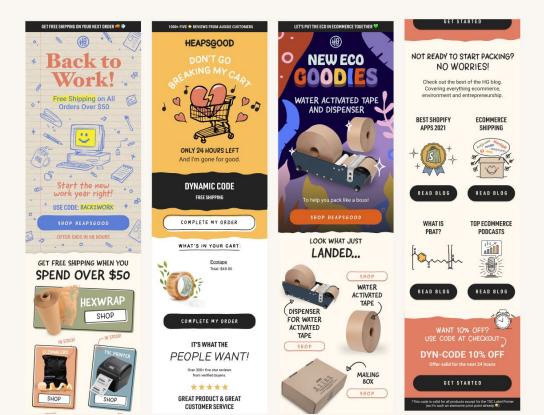
Through effective design, creative and branding, we've been able to make sustainable packaging cool – and that's no easy feat! Zero boring wholesale plastic pushers here. Just folks wanting to make it easy to grow your dream online brand.



ROUT ARE A HOUSE A RECION OF THE AREA OF T

Google Display Ad

Memorable unboxing experiences







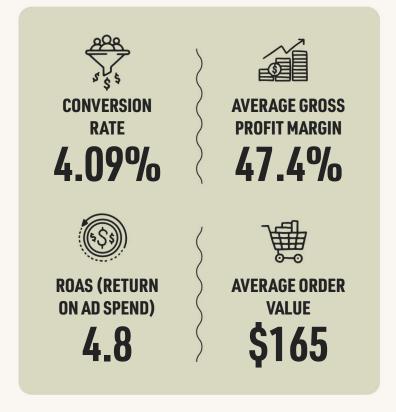
### 3. PERFORMANCE MARKETING

Our past ecommerce experience with other brands has seen us manage over \$400k in monthly paid media spend.

So, allow us to say this: HeapsGood has the kind of metrics that most marketers would dream about.

Take a \$165 AOV, 4.09% conversion rate and 4.8 return on ad spend. Then add an average gross profit margin of 47.4%, which we expect to grow through economies of scale and new products.

This digital-first, future-focused business model has the fundamentals that will make scaling our sustainable solutions very profitable over the long-term.





### 4. CUSTOMER EXPERIENCE

Brand owners want to purchase products in one seamless experience. They use the internet. Boom.

Online orders for B2B is the future. Whether you're a big ecommerce brand or small solopreneur, all HG customers order directly through our website.

Add items to your cart and checkout, get same day dispatch on your order, and expect incredible customer support.

So far in 2022, key on-site metrics such as average order value and conversion rate have been steadily increasing, as we continue to expand our product portfolio and optimise the user experience of our website.

#### 5. COMMITMENT TO COMMUNITY

HeapsGood aspires to be a true purpose-led company.

And this means going beyond our commitment to releasing game-changing sustainable products for ecommerce.

While we achieved some amazing milestones throughout 2020 and 2021, such as our tree-planting partnership with Ecologi or our donation of mailing satchels to various not-for-profit organisations, our vision is to elevate HeapsGood into a force for good in society, not just ecommerce.



Covid Nurses Gift Initiative - Alfred Hospital

2021

**ACHIEVEMENTS** 



Launched our partnership with Ecologi and planted 16,720 trees through its reforestation program



Worked towards becoming a carbon neutral company



Created informational content to help ecommerce brands reduce their environmental footprint





Donated proceeds for events dedicated to social and environmental causes, such as International Women's Day (which we were involved in again this year), and Plastic Free July





Worked with and donated 78,000 mailers to organisations like SisterWorks, Red Cross, Vision Australia, Canteen, Sacred Heart, and Animal Rescue Cooperative

2022

**GOALS** 



Become B-Corp Certified (application submitted)



Complete Life Cycle Assessments (LCA) for our key products



Further carbon offsetting on product range through reforestation projects



Release our secret profit-for-purpose product line, where proceeds will be donated



Get involved in more calendar events for social and environmental causes

#### **ACHIEVEMENTS & HIGHLIGHTS**





15,459

TOTAL CUSTOMERS ACQUIRED



\$1.5 MILLION

REVENUE GENERATED LAST 12 MONTHS



TREES PLANTED



\$200k -

\$150k -

\$100k

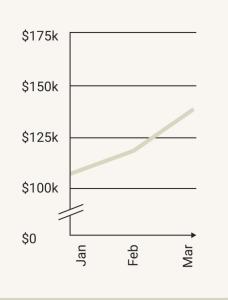
\$50k

\$0

Nov Dec Jan Feb May Apr Jun Jul Aug Sep Oct

'20



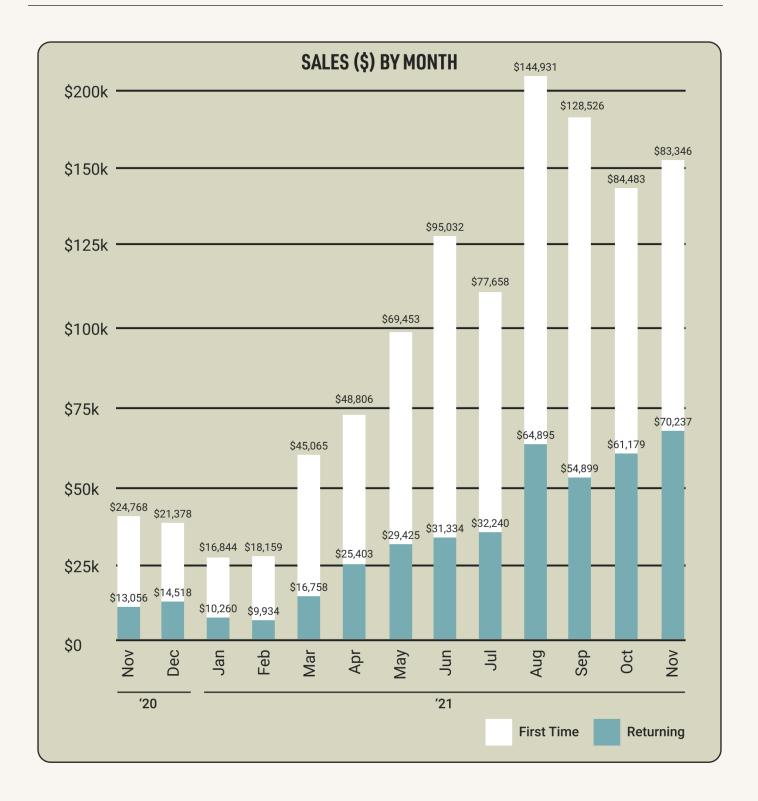


All milestone data from period 1 April 2021 to 31 March 2022, except for total customers acquired.

Between 3 August to 16 September and 8 October to 23 November 2021, Thermal Printers were sold-out due to global electrical component shortages.

Between 25 August to 7 October, some Ecomailer sizes were sold-out due to demand doubling as a result of COVID lockdowns.

From late January through to April 2021, released a series of new flagship products including Hex Wrap, Hex Roller, Thermal Printer, Ecostickers and Ecopens.



#### REPEAT CUSTOMER REVENUE GROWTH

Since March 2021, we have consistently increased repeat customer revenue as share of overall revenue month-on-month, despite investing resources into advertising and marketing to achieve strong customer acquisition growth.

We expect to continue to build our repeat customer rate in 2022 as the business matures, which will become a profit centre for the business to invest into talent, new product lines, and geographic market expansion.



Meet the small team of four HeapsGood humans who have achieved big things together – and they are just getting started.



Adam and his father Alain built Zazz, one of the early Aussie ecommerce companies, which was acquired by Kogan in 2015. Adam leads product and operations at HeapsGood. He is incredibly passionate about sustainable ecommerce, the need for a circular economy and tackling the plastic waste crisis.



Ace has a proven record of success as a business leader, having co-founded Threadheads and HeapsGood, two of the fastest growing ecommerce brands in Australia. Ace manages performance and digital marketing at HeapsGood.



A master of the visual arts, Anthony has been integral in creating HeapsGood's brand identity. Anthony works as a graphic designer across all digital marketing channels and creates best-in-class ads, emails, web components and brand assets.



Astrid joined HeapsGood in the middle of 2021, right before sales took off due extended lockdowns. A true tetris master (making incredible use of an already overflowing warehouse) and spreadsheet extraordinaire, Astrid is the glue that keeps HG ticking and customer orders delivered in timely manner.

### TEAM CONTINUED

#### HeapsGood has assembled a star-studded team of advisors that add experience and knowledge to the business.



With over 5 years experience in start-ups and fast growing companies, Luca currently works in Commercial Strategy at Mr. Yum and provides strategic growth advice and networking opportunities for HeapsGood.



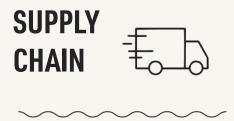
George has been providing law services for clients for over 15 years, specialising in commercial litigation. He will be a massive asset for HeapsGood as it moves towards international expansion.



An entrepreneurial, commercial leader with a career spanning Electronics, Fashion, Beauty and Wellness. Lani has a deep understanding of ecommerce, from both a technical and consumer standpoint. Her experience and expertise in the digital space has been a valuable asset in helping develop the online presence of HeapsGood.



Jason is an accredited tax accountant and the co-founder of Future Advisory. His passion is guiding SMEs through the maze of financial options. Jason has been a key influence in establishing sound financial practices in the business.



#### **HOW WE SOURCE PRODUCTS**

We work with a wide variety of responsible manufacturers to stock our products. The main regions we source from are Australia, Europe, China and the United States. Due to increased scale, our recent focus has been to bring production back home for some of our core products, further decreasing our reliance on overseas manufacturing and mitigating our susceptibility to global supply chain issues.

Ultimately, we believe an Australia-first supply chain is possible in the packaging industry, as the manufacturing technologies require less labour inputs than other industries such as fashion and apparel.

#### **COMPANIES WE WORK WITH**

We carefully assess all manufacturers we partner with based on our company code of conduct and ISO certification. Factories and distributors are selected following a strict criteria that includes factors such as working conditions, product quality, and environmental footprint.

Supply chain transparency is paramount for us, as we look to become B-Corp Certified and complete Life Cycle Assessments for our core product range.

#### WAREHOUSING

HeapsGood currently warehouses all products without the use of external logistics services. This gives us a huge operational advantage over competitors relying on 3PL services, specifically in areas related to customer experience such as handling times, returns and exchanges, customer service and the unboxing experience.

#### **CERTIFICATIONS**

Our mailers are certified compostable by the Australian Bioplastics Association. The peak governing body for biodegradable and compostable bioplastics based on renewable resources.





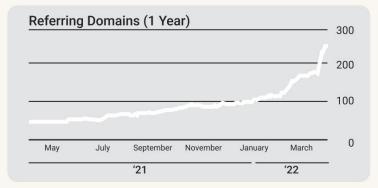
#### SEO/ SOCIAL



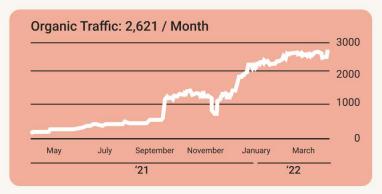


#### **SEO**

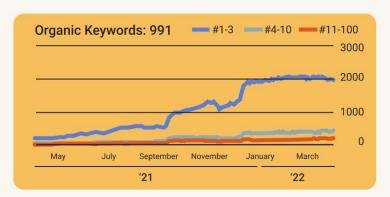
#### Data sourced from ahrefs.com:



A critical metric for SEO, HeapsGood has attracted links from quality domains that have boosted its domain rating to 44.



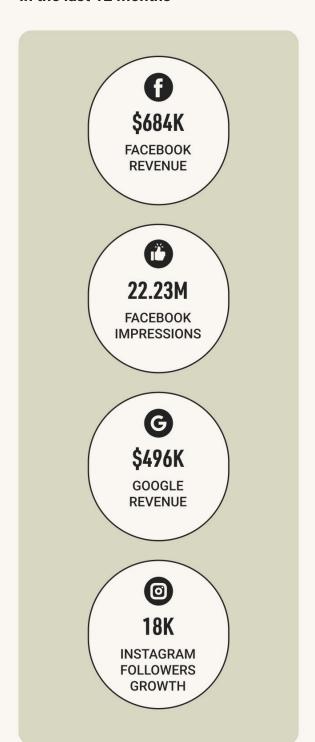
Our organic traffic has consistently increased over the last 12 months, making considerable gains in 2022.



Despite being only two years old, HeapsGood is competitive for the most high volume keywords in sustainable packaging niche.

#### **SOCIAL**

#### In the last 12 months





#### THE ECOMMERCE BOOM HAS TRANSFORMED RETAIL

Aussie shoppers spent an incredible \$62.3 billion on online physical goods in 2021. This represents a 19.3% share of total retail sales, with that figure continuing to grow steadily year-on-year. As the popularity of online shopping continues to grow, so too does the number of online purchases made.

An astonishing 73.1% more purchases were made online in 2021 compared to 2019, demonstrating the strong shift in consumer behaviour as the digitalisation of the Australian economy continues.<sup>15</sup>

#### **Key Numbers**







#### SUSTAINABILITY IS TOP OF MIND OF BUSINESSES AND CONSUMERS

Australian consumers have continued to emphasise the importance of sustainability when choosing where to shop in 2022. According to the 2022 Australia Post Ecommerce Industry report, 8 in 10 Australians care about environmental sustainability, and Australians ranked sustainable packaging and delivery as key considerations when shopping online. Brands are responding to this change, too — with 34% experiencing an improvement in customer loyalty as a result of sustainable business practices.<sup>16</sup>

Therefore, the success of the HeapsGood business over the last two years has not only driven by ecommerce growth, but also by online retailers wanting to position their brands as environmentally responsible while continuing to optimise the unboxing experience for their customers.

#### **REGULATORY CHANGES TO ELIMINATE SINGLE-USE PLASTIC (SUP)**

In addition to consumer decision making driving ecommerce and environmental trends, incoming government regulations are also pushing the industry in a sustainable direction.<sup>17</sup>

Australia's National Packaging Targets have been set to eliminate single-use plastic packaging across the country. The three targets, to be achieved by 2025, are:<sup>18</sup>

#### 100%

REUSABLE, RECYCLABLE OR COMPOSTABLE PACKAGING

#### 70%

OF PLASTIC PACKAGING BEING RECYCLED OR COMPOSTED

#### 30%

OF AVERAGE RECYCLED CONTENT INCLUDED IN PACKAGING

HeapsGood's early investment in this area will enable us to assert category leadership and become a force for sustainability innovation in ecommerce.

### FUTURE COMPOSTING INFRASTRUCTURE

Another macro-environmental factor that will enhance the utility of HeapsGood's compostable product range are state and local council efforts to build composting infrastructure for food waste.<sup>19</sup>

Curbside FOGO (food organic & garden organic) bins are increasingly being made available by councils across Australia.

In the future, we expect composting to become a mainstream process alongside recycling, as food waste is one of the biggest contributors to climate change.<sup>20</sup>

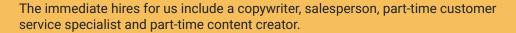


#### COMPANY ROAD MAP

Below are the ways in which we will be expanding once funding is completed.

#### **BUILD A BRILLIANT TEAM**

We have accomplished everything so far with a humble team of 4 people. The next step is to hire top-shelf talent that help us execute our strategic vision.





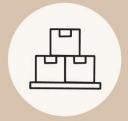


#### **DEVELOP GAME-CHANGING PRODUCTS**

One of our key competitive advantages is the ability to identify winning products and bring them to market successfully. Without giving away our next products, they are all slated for Q2 and Q3 release, and will strengthen our position as the go-to sustainable ecommerce company leading into the retail peak period.

#### **BUY INVENTORY**

While we achieved \$1.5m in revenue in the last 12 months, we did run into stock shortages due to a lack of warehousing space and this affected our ability to meet demand.



Our move into a bigger warehouse in July will allow us to purchase more inventory and service even bigger clients acquired through sales and marketing.



Company road map continued...

#### SCALE DIGITAL MARKETING

With a bigger team, new products, and more stock, the stage will be set to scale our already powerful digital growth model.



We are already diversifying and growing through alternate social channels such as TikTok, Pinterest and YouTube, which is exciting as this digital marketing competency accelerates brand awareness and further differentiates us from competitors.

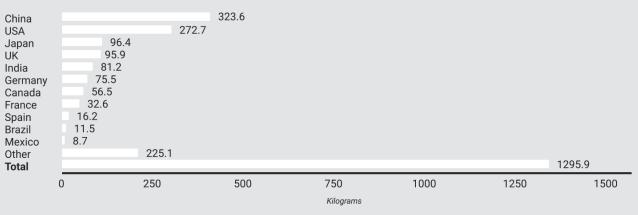


#### **EXPAND GEOGRAPHICALLY**

If we want to scale the business, Australia alone could be enough to achieve that. But to go beyond and transform the ecommerce industry for good, we will need to set our sights abroad. Based on our research, we have determined that the United States is the best market to enter for the following reasons:

- It is the biggest English-speaking market with 329 million people<sup>21</sup>
- It is the second-biggest plastic waste producer<sup>22</sup>
- There is huge demand for sustainable ecommerce products with high paid and organic search volumes and social audience affinities
- Despite this demand, competitors in the market are not well-established

#### The Ecommerce Industy Kilograms of Waste Produced in 2020<sup>23</sup>



#### **CAPITAL STRUCTURE**



### THE CURRENT CORPORATE STRUCTURE AND CAPITALISATION OF HEAPSGOOD PACKAGING PTY LTD IS AS FOLLOWS:

Entity	HEAPSGOOD PACKAGING PTY LTD
ACN	638 194 813
Directors	Adam Sarfati
	Ace Reunis
Secretary	Ace Reunis Adam Sarfati

#### 2.6.1

#### **ISSUED CAPITAL (BEFORE & AFTER)**



As at the date of this Offer Document, the Company has 10,000,000 ordinary shares on issue. The majority of shares are held by the Company's founders/directors. Table 1 below sets out the issued capital of the Company before the Offer.

Table 1: Issued capital of the Company before the Offer

SHAREHOLDER	SHARE TYPE	TOTAL
19EIGHTY4 PTY LTD	Ordinary	5,000,000 (50%)
ACE DIGTAL MARKETING SERVICES PTY LTD	Ordinary	5,000,000 (50%)
TOTAL	Ordinary	10,000,000 (100%)

Table 2 sets out the issued capital of the Company following the Offer on a fully diluted basis (i.e. presuming all options are exercised)

Table 2: Issued capital of the Company following the Offer

SHARES	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Existing Shares	10,000,000 (95.2%)	10,000,000 (87.9%)
Offer Shares	500,000 (4.8%)	1,375,000 (12.1%)
Total Shares	10,500,000 (100%)	11,375,000 (100%)

2.6.2

### RIGHTS AND LIABILITIES ASSOCIATED WITH SECURITIES

As at the date of this Offer, the only class of shares on issue are ordinary shares. There is no shareholders agreement between the existing shareholders and as such, the rights and liabilities associated with the shares are as set out in the Company's constitution.

Under the Constitution, the Board has the power to refuse to register a transfer of shares to a third party. A more detailed description of the rights and liabilities associated with the shares is set out in Section 3.3 below. A copy of the Company's Constitution is available on the Intermediary's platform.

2.6.3

### SOURCES OF FINANCING, INCLUDING DEBT FINANCING AND OTHER FINANCING

The company has entered into a working capital agreement with Clearco and Paypal, having previously used Wayflyer to manage cash conversion cycles and purchase stock. Repayments are calculated at 11% of revenue at an average of 7.5% interest. There is currently \$66,159 oustanding with Clearco and PayPal, with the total expected to be paid down as a percentage of sales revenue over the next 3 months.

To date the company has been been funded by the Company's Founders, who have loaned funds totalling \$147,406 to the company. No funds raised under the offer will be used repay founder loans. These may be repaid from operating cashflow when the business is in a financial position to do so.

#### **RISKS FACING THE BUSINESS**



An investment in HEAPSGOOD PACKAGING PTY LTD (the Company) should be seen as high-risk and speculative. A description of the main risks that may impact the Company's business is below. Investors should read this section carefully before deciding to apply for shares under the Offer.

There are also other, more general risks associated with the Company (for example, risks relating to general economic conditions or the inability to quickly or easily sell your shares).

#### **SUPPLY CHAIN**

Global supply chain issues or other unforeseen events like the recent Covid pandemic could result in delays of certain products. While many of the Company's products are now made in Australia, it still relies on overseas factories for some products. Any negative changes affecting the Company's supply chain could adversely affect the company's business and future prospects.

#### **COMPETITION RISK**

The market for sustainable packaging, while still in its infancy, has the potential to become highly competitive. As the market becomes more competitive, the Company will need to ensure it can continue to innovate to stay ahead of the competition.

#### **STARTUP RISK**

HeapsGood is an early stage business. The Company is subject to all of the risks associated with early stage companies with high growth, including uncertainty around the volume and origin of revenue streams, size and existence of repeat customers, and risks associated with evolving technology

#### **CASH FLOW RISK**

The Company's operating activities involve a series of cash inflows and outflows. Although the Company seeks to manage its cash flow efficiently, there is a risk that the Company may not have sufficient cash or working capital, at times, to fund both its operations and its expansion plans. This could affect the Company's profitability, future prospects, and its ability to meet its business objectives.

#### **BALANCE SHEET**



Below are the financial statements of the Company for the financial year ended 30 June 2021, which have been prepared in accordance with the Accounting Standards.

Financial information for the 9 months ended 31 March 2022 have also been included, based on management accounts, and accordingly may be subject to change. The financial statements have not been audited. All figures, unless otherwise stated, are denominated in whole Australian dollars.

CURRENT ASSETS	AS OF 30 JUNE 2021	AS OF 31 MARCH 2022
Bank and Cash Items	35,581	137,607
Inventory	126,773	125,778
Receivables	3,294	3,785
Total Current Assets	165,648	267,170
Office Equipment	-	1,069
Total Fixed Assets	-	1,069
Total Assets	165,648	268,240
LIABILITIES		
Short-term Debt	2,566	87,674
Taxation	9,209	38,778
Total Current Liabilities	11,776	126,452
Non-Current Liabilities	-	-
Loan - Adam	62,007	64,176
Loan - Ace	78,500	83,230
Other - Loans	34,736	(1,623)
Total Non-Current Liabilities	175,244	145,782
Total Liabilities	187,020	272,234
Net Assets	(21,373)	(3,995)
EQUITY		
Other Equity	(21,373)	(3,995)
Total Equity	(21,373)	(3,995)

#### Commentary

HeapsGood has been primarily financed by two personal loans from the directors of \$83,230 and \$64,176. To date, the business has not gone through any equity funding rounds.

We have used short-term ecommerce debt services such as Wayflyer and Clearco to manage cash conversion cycles, and have not taken on any traditional debt.

#### **PROFIT & LOSS STATEMENT**



TRADING INCOME	AS OF 30 JUNE 2021	AS OF 31 MARCH 2022
Bank and Cash Items	623,718	1,218,854
Cost of Sales	(351,723)	(640,858)
Gross Profit	271,994	577,996
OPERATING EXPENSES		
Administration	(16,656)	(20,610)
Advertising and Marketing	(106,223)	(251,243)
Employment	(29,347)	(83,189)
Occupancy	(21,196)	(16,469)
Operating	(104,024)	(188,044)
Travel	(610)	(1,060)
Total Operating Expenses	(278,067)	(560,617)
Net Profit Before Tax	(6,072)	17,378

#### Commentary

As the HeapsGood business has been built without external investment, we have always strived to be profitable from day one.

Our gross profit margin (GPM) for the current financial year is 47.4%, resulting from economies of scale through increased purchasing power.

Our main operating expenses are customer acquisition costs (CAC) through digital advertising on platforms such as Facebook, Google, TikTok, and Pinterest.

HeapsGood runs on a lean operating model as a result of its digital-first approach to acquiring and retaining customers. By directing customers through the website, it enables the business to facilitate transactions automatically without attracting high employment costs.

#### 2.9.1

#### **CASH FLOW STATEMENT**



OPERATING ACTIVITIES	AS OF 30 JUNE 2021	AS OF 31 MARCH 2022
Net Cash Flows from Operating Activities	(2,675)	72,870
INVESTING ACTIVITIES		
Operating Cash Flow	(2,675)	72,870
Net Cash Flows from Investing Activities	(126,772)	(75)
FINANCING ACTIVITIES		
Net Cash Flows from Financing Activities	143,220	(33,420)
Net Cash Flows	13,772	39,374
Closing Cash	35,481	73,566

#### Commentary

As mentioned previously, because HeapsGood was built with the little capital we had, in order to survive we always had to be cash flow positive.

HeapsGood generates revenue through its website, so it collects funds at the time of transaction and does not have many debtors, which assists with cash flow.

#### 2.9.2

### STATEMENT OF CHANGES IN EQUITY



Total Equity	(21,373)	(3,995)
Retained Earnings	(15,400)	(21,473)
Share Capital	100	100
Current Year Earnings	(6,073)	17,379

#### SECTION 3

# INFORMATION ABOUT THE OFFER



#### 3 1

#### **TERMS OF OFFER**





HEAPSGOOD PACKAGING PTY LTD is offering up to 1,375,000 shares at an issue price of \$0.80 per share to raise up to \$1,100,000. The key terms and conditions of the Offer are set out below.

TERM	DETAILS
Shares	Fully-paid ordinary shares
Price	\$0.80 per share
Minimum Subscription	\$400,000
Maximum Subscription	\$1,100,000
Opening Date	Wednesday, 20 April 2022
Closing Date	Thursday, 5 May 2022

A description of the rights associated with the shares is set out in Section 3.3.

To participate in the Offer, you must submit a completed application form together with the application money via the Intermediary's platform. The Intermediary's website provides instructions on how to apply for shares under the Offer at www.birchal.com.

The Intermediary must close the Offer early in certain circumstances. For example, if the Maximum Subscription is reached, the Offer must be closed. If the Minimum Subscription is not reached or the Offer is closed but not completed, you will be refunded your application money.

Investors may withdraw their application during the Cooling-Off Period. Further information on investor cooling-off rights can be found in Section 4 of this CSF offer document.

The Offer is not underwritten and there is no guarantee that these funds will be raised.

#### **USE OF FUNDS**



The table below sets out the intended use of funds raised under this Offer based on the Minimum and Maximum Subscription amounts.

INTENDED USE	MINIMUM SUBSCRIPTION (\$400,000)	MAXIMUM SUBSCRIPTION (\$1,100,000)
Domestic Expansion (Marketing)	\$50,000	\$154,000
Senior Management Team	\$60,000	\$120,000
New Team Members	\$75,000	\$150,000
Domestic Expansion (Inventory)	\$175,000	\$330,000
International Expansion (Marketing)	\$0	\$60,000
International Expansion (Inventory)	\$0	\$150,000
Product Development	\$13,200	\$67,200
Offer Costs	\$26,800	\$68,800
Total	\$400,000	\$1,100,000

The Offer costs include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 6% of all funds raised by the Company through Birchal Financial Services Pty Ltd (Intermediary), plus \$2,800 for administration and setup costs.

Senior management team will be paid as follows:

- Adam Sarfati (full-time, CEO, 60k min/100k max)
- Ace Reunis (part-time, CMO, 0k min/20k max)

Other than as specified above, no other payments from the funds raised will be paid (directly or indirectly) to related parties, controlling shareholders, or any other persons involved in promoting or marketing the Offer. We expect that the Maximum Subscription amount will be sufficient to meet the Company's objectives over the next 12 to 18 months.

If only the Minimum Subscription amount is raised, the Company may require further funding to be able to carry out intended activities over the next 12 to 18 months. In the event that the maximum funding amount is not achieved, the Company will significantly scale back its international growth plans and focus on the local market.

Where less than the Maximum Subscription amount is raised, the Company may consider undertaking a further CSF offer under the CSF regime. If investor demand is greater than the maximum funding amount, the Company may consider undertaking an additional investment round.

#### RIGHTS ASSOCIATED WITH THE SHARES



The shares subject to this Offer are fully-paid shares. There will be no liability to contribute further funds on the part of shareholders, and the shares will rank equally with the ordinary shares currently on issue. The rights associated with the shares are set out in the Company's Constitution and Corporations Act. These rights are summarised below. A copy of the constitution is available on the Intermediary's platform. We recommend that you read and consider the constitution in full.

#### **VOTING RIGHTS**

An individual shareholder may vote personally or via proxy or attorney

Where a vote at a general meeting is taken via a show of hands, each shareholder present (including via proxy, attorney, guardian or representative) has one vote. Joint shareholders are only entitled to one vote in the aggregate. Where a vote is taken via poll, each shareholder will have the number of votes equivalent to the number of shares owned. Voting rights are only bestowed upon shareholders whose shares are fully paid.

#### **DIVIDENDS**

The Directors have discretions and may resolve to pay dividends, subject to their obligations under the Corporations Act. (For example, they cannot pay dividends unless the Company's assets are sufficiently in excess of its liabilities immediately before the dividend is declared and where it may materially prejudice the Company's ability to pay its creditors.)

The constitution allows the Directors to declare and pay dividends at their discretion, subject always to the Corporations Act. Whilst the Company may also issue preference shares and/or redeemable preference shares which may provide for the priority of payment of capital and dividends in relation to other classes of shares, the terms of those preference shares and redeemable preference shares (as the case may be), must first be approved by the special resolution of shareholders (i.e., at least 75%).

#### **GENERAL MEETINGS & NOTICES**

Directors have the power to call meetings of all shareholders.

Shareholders who hold at least 5% of the votes which may be cast at a general meeting of the Company, have the power to call and hold a meeting themselves, or to require the Directors to call and hold a meeting.

At least 21-days notice must be given prior to a general meeting, and can be held digitally. The quorum required for the meeting to proceed is two shareholders (both of whom must be the Founding Shareholders if, and for so long as, the Founding Shareholders continue to hold ordinary shares at the relevant time).

#### **EMPLOYEE SHARE OPTION PLAN (ESOP)**

Within the next 6 to 12 months, the Company has plans to implement an Employee Share Option Plan (ESOP) to retain and attract the best talent to HEAPSGOOD PACKAGING PTY LTD. The ESOP allocation pool will be between 5 to 10% and will dilute all shareholders accordingly.

#### **ELECTION & REMOVAL OF DIRECTORS**

The Company must have at least two Directors and no more than five.

The constitution provides that the initial Directors will be Adam Sarfati and Ace Reunis (together, the Founding Directors). The Directors may appoint a further person as a Director by unanimous approval, whether to fill a casual vacancy or as an additional Director.

Directors do not retire by rotation. A Director continues in office until the Director dies or vacates the office. A Director will vacate office if the Director:

- a. ceases to be a Director or becomes prohibited from being a Director under the Corporations Act;
- b. resigns his or her office by written notice to the Company; or
- c. is removed from the office of Director by a special resolution of the shareholders (i.e., at least 75%), provided that where a resolution proposes to remove either of the Founding Directors from office, then it will require the affirmative vote of the Founding Shareholders, if and for so long as, the Founding Shareholders continue to hold ordinary shares at the relevant time.

#### WINDING-UP

Subject to the rights and restrictions attached to any shares or classes of shares as contemplated by the constitution, if the Company is wound up and the property of the Company is available for distribution among shareholders is more than sufficient to pay:

- a. all the debts and liabilities of the Company; and
- b. the costs, charges and expenses of the winding up, then the excess must be divided among the shareholders in proportion to the number of shares held by them.

#### **RESTRICTIONS ON SALE & TRANSFER**

Except in the case of transfers permitted by the constitution, shareholders proposing to transfer shares must first offer those shares to the Company, by providing the Company with a notice setting out: (1) the number of shares offered; (2) the price for each share; and (3) the period for which the offer will remain open, which must be not less than 14 Business Days or more than 30 Business Days.

Where the Company elects not to exercise its rights to acquire the shares, then certain existing shareholders (i.e., non-crowd sourced funding shareholders holding a specified percentage of shares) will be given first rights of refusal to purchase these shares. A sale to a third party will only occur to the extent that the quantity of the shares offered for sale exceeds the demand by existing shareholders.

The Directors may refuse to register a transfer of shares for any reason. Refer to clauses 12 to 16 of the constitution for details of restrictions on the sale and transfer of shares, including those relating to drag and tag rights.

#### PRE-EMPTIVE RIGHTS ON ISSUE OF SHARES

Where shares are to be issued, except in certain circumstances (i.e., on conversion or under an approved ESOP), the Company must first allow certain existing shareholders (i.e., being non-crowd sourced funding shareholders holding a specified percentage of shares) to purchase new shares in proportion to their existing ownership share. An issue to a third party will only occur to the extent that the quantity of the shares offered for subscription exceeds the demand by existing shareholders.

### WHAT CAN I DO WITH MY SHARES



Shares in the Company are considered illiquid as they cannot easily be transferred or sold.

However, there are numerous possible circumstances that may create an opportunity for shareholders to exit their investment in the Company. These include, but are not limited to:

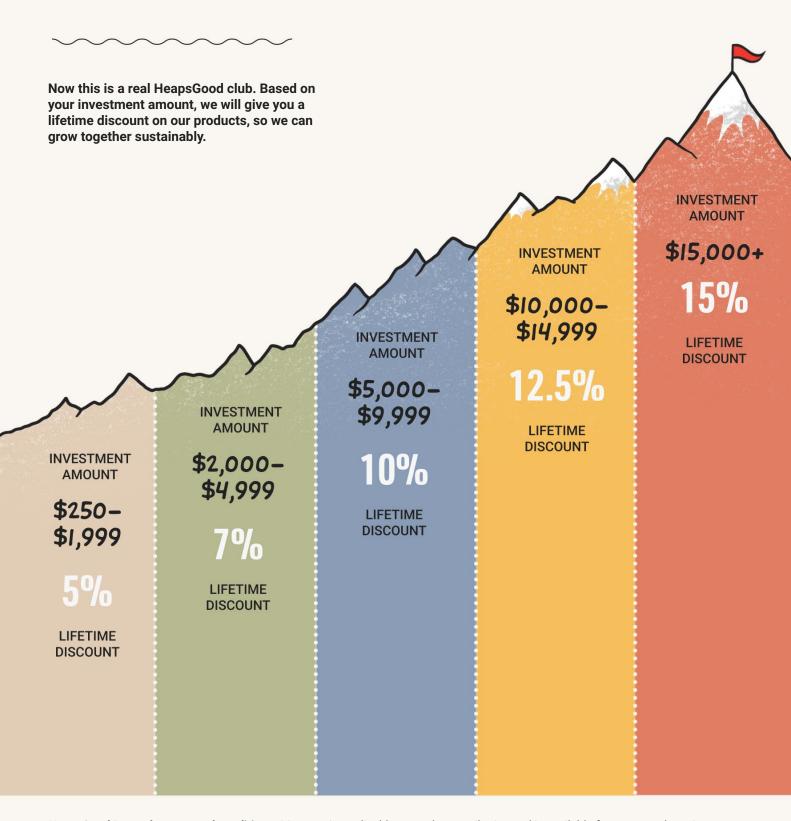
- Trade sale of the Company
- Listing on a registered stock exchange (e.g. the ASX)
- Private equity acquisition of the Company
- Share buy-back by the Company

There is no guarantee that any of the exitoptions will eventuate. Therefore potential shareholders should consider this investment as illiquid and be prepared to hold it until there is an exit event as set out above.



#### HEAPSGOOOD REWARDS





**HeapsGood Rewards terms and conditions:** Discount is applicable to product retail price and is available for most products in our current range excluding the TSC Printer and Ecotape (flat 10% will apply for these products if the discount is above 10%). Likewise, products introduced in the future may not be eligible for full discount, but will be capped at 10% in these instances.

#### SECTION 4

### INFORMATION ABOUT INVESTOR RIGHTS



#### **COOLING-OFF RIGHTS**



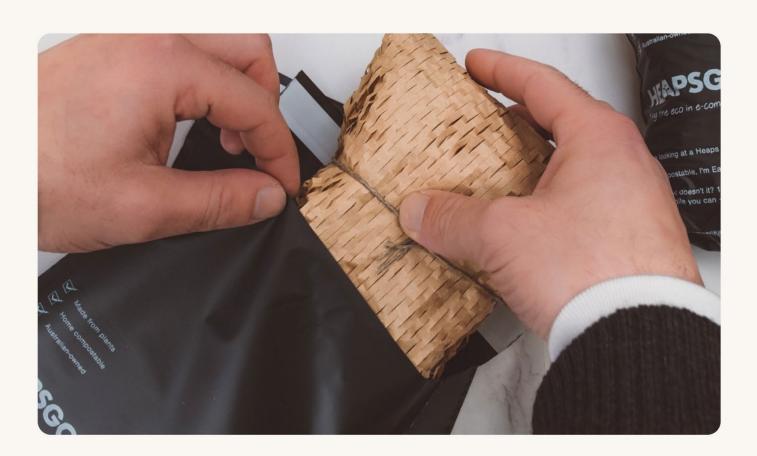
If you are a retail investor, you have the right to withdraw your application under this Offer and to be repaid your application money.

If you wish to withdraw your application for any reason (including if you change your mind about investing in the Company), you must do so within 5-business-days of making your application (Cooling-Off Period).

You must withdraw your application via the Intermediary's platform. You will be able to withdraw your application within the Cooling-Off Period by following the link and the instructions within your portfolio on the Intermediary's platform.

After your withdrawal has been processed, the Intermediary will refund the application money to your nominated account as soon as practicable.





#### COMMUNICATION FACILITY FOR THE OFFER



You can ask questions about the Offer on the communication facility available on the Intermediary's platform.

You can also use the communication facility to communicate with other investors, with the Company, and with the Intermediary about this Offer.

You will be able to post comments and questions about the Offer and see the posts of other investors on the communication facility. The Company and/or the Intermediary will also be able to respond to questions and comments posted by investors.

Officers, employees or agents of the Company, and related parties or associates of the Company and/or the Intermediary, may participate in the facility and must clearly disclose their relationship to the Company and/or Intermediary when making posts on the facility.

Any comments made in good faith on the communication facility are not subject to the advertising restrictions in the Corporations Act.

### PROPRIETARY COMPANY CORPORATE GOVERNANCE OBLIGATIONS



#### **ANNUAL REPORT**

While the Company is currently a small proprietary company that is not required to prepare Annual Financial Reports and Directors' Reports, if we successfully complete this Offer, then we will be required to prepare and lodge these Annual Reports with ASIC (within four months of the financial year end).

The Company has a 30 June year-end, and its financial reports must be lodged by 31 October each year. Our financial reports are currently not required to be audited as we are a small proprietary company. This means that the Company's financial reports will not be subject to auditor oversight and, therefore, there will be no independent assurance of the Company's financial statements. However, the Directors are still required to ensure that the financial statements give a true and fair view of the Company's financial position and performance, and that the financial statements comply with the accounting standards. We may be required to have our financial reports audited in the future if we raise more than \$3 million from CSF offers (including the current offer and any future offers), or otherwise become a large proprietary company.

#### **DISTRIBUTION OF ANNUAL REPORT**

The Company is not required to notify shareholders in writing of the options to receive or access the annual report.

Shareholders will not be able to elect to receive a copy of the annual report by way of email or post. However, shareholders can access the annual report on the Company's share registry website at the following address https://app.cakeequity.com/investor/documents (free-of-charge), or can purchase the report from ASIC.

#### RELATED PARTY TRANSACTIONS

If we successfully complete this Offer, the rules on related party transactions in Chapter 2E of the Corporations Act will apply to the Company (for so long as we continue to have CSF shareholders).

This means that the Company is required to obtain shareholder approval before giving financial benefits to related parties of the company (e.g. Directors and their spouses, children or parents), subject to certain exceptions (such as reasonable remuneration provided to the Directors).

#### **TAKEOVERS**

If we successfully complete this Offer and have more than 50 shareholders, the takeover rules in the Corporations Act will only apply to the Company in a very limited way.

If someone wants to buy more than 20% of the voting shares in the Company, they will be able to do so without complying with the takeover rules. This means a person may be able to get control of the Company without making a formal takeover bid to all shareholders, or without seeking shareholder approval. Shareholders will not have the benefit of the full protections under the takeover rules, which means you may not have the right to vote on or participate in a change of control of the company. However, the general principles of ensuring shareholders have sufficient information and time to consider a change of control, and all have a reasonable and equal opportunity to participate in any benefits, will apply to the Company. In addition, the Takeovers Panel has jurisdiction to hear disputes relating to control of the Company.

### **GLOSSARY**



Company	HEAPSGOOD PACKAGING PTY LTD ACN 638 194 813	
Cooling-Off Period	The period ending 5-business-days after an application is made under this Offer, during which an investor has a right to withdraw their application and be repaid their application money	
CSF	Crowd-sourced funding under Part 6D.3A of the Corporations Act	
Intermediary	Birchal Financial Services Pty Ltd AFSL 502618	
Maximum Subscription	The amount specified in this CSF offer document as the maximum amount sought to be raised by the Offer	
Minimum Subscription	The amount specified in this CSF offer document as the minimum amount sought to be raised by the Offer	
Offer	An offer of fully-paid ordinary shares by the Company under this CSF offer document	
Retail Investor	The meaning given to the term 'retail client' under the Corporations Act	

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