

A photograph of two people from behind, looking into a forest. The person on the left is wearing glasses and a dark shirt. The person on the right is wearing a dark beanie and a blue and yellow jacket. The background is a sunlit forest with tall trees.

MANRAGS

Consciously
satisfying
now, and
well into the
future.

#thetimeisnow

Crowd-sourced funding offer document.

25 June 2020

Offer of fully-paid ordinary shares in MANRAGS Holdings Ltd at AUD \$2 per share to raise a maximum of AUD\$2,000,000 with a minimum of AUD\$400,000.

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

Issuer

MANRAGS Holdings Ltd ACN: 626 303 955

Intermediary

Birchal Financial Services Pty Ltd AFSL 502618

Always consider the general CSF Risk Warning and the Offer Document before investing.



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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 information given carefully, and seek independent financial advice before committing yourself to any investment.

Section 2: Information about the company



A letter from the founders.

Thank you for considering an investment in MANRAGS Holdings Ltd.

We launched MANRAGS 4 years ago after noticing a gap in the market for premium colourful socks that wore the test of time. Our ethos was Look Good and Feel Good. We saw tremendous success with our product being distributed to over 70 countries globally.

As an agile, community driven brand we continued to innovate our product and our company to ensure we would stay ahead of the times. We introduced men's underwear to compliment our socks, we introduced women's socks and children's socks, we even broke away from our colourful only sock policy and launched plain coloured socks as there was consumer demand. We've continued to introduce products that look good, feel good and as we have grown and evolved we recognise that they must also be good for the planet.

In September 2019 we launched the world's first sock recycling program to ensure that we would reduce our impact on textile landfill. Within 6 months we had grown by over 250% of the previous 3 years combined. In late March 2020, we launched Australia's first digital, direct to consumer textile

recycling program giving our existing community and forever growing new market the opportunity to divert all types of textiles from landfill. To date we have diverted over 50,000 kg of textiles from landfill and eliminated over 200,000 kg of emissions from damaging our planet whilst continuing to grow revenues.

We believe in the triple bottom line. People, Planet, Profit. We are a for profit but we exist to lead the way in demonstrating that sustainability equals success. This has resulted in significant business growth, market leading brand advocacy and importantly seamless and profitable partnerships with like-minded brands looking to make an impact.

Our goal is to be the leaders in textile landfill reduction and drive a circular economy within our product lifecycle.

We hope you are as excited as we are and look forward to having you join us on this exciting journey as we launch our Series A Capital raise.

Regards
Michael and Tina Elias

Michael Elias
Co-founder

Tina Elias
Co-founder

2.1

Company Details

2.1 Company Details



This offer of shares is made by MANRAGS Holdings Ltd ACN 626 303 955 (the Company). The Company was incorporated on 22 May 2018.

Company Name	MANRAGS Holdings Ltd
ACN	626 303 955
Offer Type	Crowd-sourced Funding
Offer Date	25 June 2020
Offer Details	Offer of fully-paid ordinary shares in MANRAGS Holdings Ltd at AUD \$2 per share to raise a maximum of AUD\$2,000,000 with a minimum of AUD\$400,000.
Registered Office and Contact Details	MANRAGS Holdings Ltd 5/56 Bond St West Mordialloc, VIC 3195
Principal Place of Business	5/56 Bond St West Mordialloc, VIC 3195
Related Companies	MANRAGS Essentials Pty Ltd

2.2

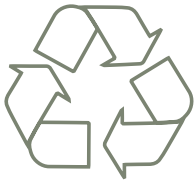
Description of the business

2.2 Description of the business

2.2.1 Who We Are

We are change makers playing a leadership role in upcycling and shaping the circular economy. MANRAGS is made up of 2 key channels.

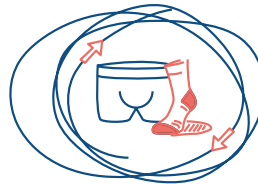
Textile Recyclers



Fast fashion needs radical intervention now. We need to do more to address our impact on the environment. After learning about the effects of textile waste on the planet, we took action – we launched the world's first & only Sock Recycling program. We're setting the example for brands to take responsibility for the entire life-cycle of their products and ensure they have another purpose. When we demonstrated we could do this with socks (which has never been done before) we introduced an industry first, Direct-to-Consumer Textile Recycling Program.

It's about moving mountains, not making them. Inspiring and making it easy for our community to make a real and positive difference together.

Sustainable Innerwear



We produce standout designs, with quality that lasts and most importantly, has another life. We believe that socks and underwear should not only make people feel good; they must be good for our world. Anything that we produce will consciously satisfy now, and well into the future. By shipping to over 70 countries, we're building a coalition of visionaries who share our passion for the eradication of textile landfill & quality, sustainable innerwear.

We're the world's first Circular Essentials Club – taking responsibility for the entire life-cycle of our products by keeping them out of landfill and giving them purpose once our community are done loving them.



Our Vision & Mission

As leaders within the circular economy, we believe that sustainability leads to success for everyone. We exist as change-makers, not only for our community but also for the next generation.

As we continue to reduce waste in landfill and increase the lifecycle of all textiles, we encourage others to join us through continued education and convenience.

2.2 Description of the business

2.2.2 Why We Exist

a. The Problem

Currently the majority of the fashion industry is built on a linear system of “take, make and dispose”. In this system we are encouraging over-consumption and putting a huge strain on our planet.

A circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use, and regenerating natural systems.¹

39m tonnes

39 million tonnes of post-consumer textile waste is generated (at a minimum) worldwide each year.²

23^{kg} per person

The average Australian buys about 27kg of textiles per head per year and, amazingly, disposes of about 23kg per person per year.⁵



\$5.9b AUD

Swedish fast-fashion chain H&M last year revealed it was sitting on a garbage pile of \$US4 billion (\$5.9 billion AUD) in unsold clothes.⁸

\$13m AUD

Australian charitable recycling organisations are spending a staggering \$13 million per year sending unusable donations to landfill.¹⁰

Half a Billion

Australians got rid of a total of about 487,000,000 kg of threads in 2016-17.³



6,000^{kg}

Australians are currently disposing of 6,000 kilograms of fashion and textile waste every 10 minutes.⁶

\$4.5 Trillion

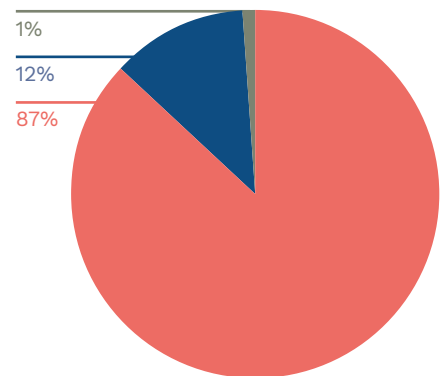
According to research by Accenture, a circular economy could generate \$4.5 trillion of additional economic output by 2030.⁴

+400%

Globally, we now consume about 80 billion new pieces of clothing every year—400% more than we were consuming just two decades ago.⁷

Post-consumer Textile Waste

Globally, 87% of all disposed textiles is sent to landfill or incinerated; 12% is mechanically recycled by cutting it or shredding it into fibre, insulation material or rags; and less than 1% is chemically recycled back to re-useable raw materials.⁹



Post-consumer Textile Waste

- Incinerated or Landfilled
- Mechanically Recycled
- Chemically Recycled

1. <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

2. <https://www.commonobjective.co/article/fashion-and-waste-an-uneasy-relationship>

3. <https://www.smh.com.au/lifestyle/fashion/where-do-your-old-clothes-go-when-you-don-t-want-them-any-more-20191011-p52zve.html>

4. <https://wasteadvantagemag.com/the-rise-of-the-circular-economy-and-what-it-means-for-your-home/>

5. <https://textilebeat.com/aussies-send-85-of-textiles-to-landfill/>

6. <https://about.abc.net.au/war-on-waste-its-time-to-step-off-the-fashion-trend-mill/>

7. <https://sustainability.uq.edu.au/projects/recycling-and-waste-minimisation/fast-fashion-quick-cause-environmental-havoc>

8. <https://www.smh.com.au/lifestyle/fashion/where-do-your-old-clothes-go-when-you-don-t-want-them-any-more-20191011-p52zve.html>

9. <https://www.theguardian.com/commentisfree/2019/aug/27/australia-recycles-paper-and-plastics-so-why-does-clothing-end-up-in-landfill>

10. <https://www.abc.net.au/news/2018-10-04/charities-spending-millions-cleaning-up-fast-fashion-graveyard/10328758>

2.2 Description of the business

2.2.2 Why We Exist

b. Sock and Underwear Market

Globally, the demand for conscious innerwear has never been higher. And with more and more consumers expecting the brands they love to make ethical and sustainable decisions, we're not expecting this to change.

Socks

Men's

**\$19b
in 2020.**

In 2020, it is expected that men will spend \$19b on socks worldwide. This is expected to grow at an average of 5.24% per year, with 2021 expected to grow by 7.8%.¹

Women's

**\$39b
by 2025.**

Global Women's Sock market is expected to reach a \$39b by 2025. This is an average of 4.5% per year.³

Kid's

**\$8b
in 2020.**

With an average of spend \$3.18 per person. Expected spend of \$8b worldwide, with an expected market growth over 5 years of 5% CAGR.⁵

Total

\$58b



Underwear

Men's

**\$64b
by 2025.**

With an average of \$8.93 per male in population, the male underwear market is expected to reach \$64b AUD by 2025.²

Women's

**\$109b
in 2020.**

Works out to be \$57.08 on average across the female population. Expected CAGR from 2020 to 2025 to be an average of 5.3%.⁴

Total

\$173b



1. <https://www.statista.com/outlook/90021000/100/socks--men-/worldwide?currency=aud>

2. <https://www.grandviewresearch.com/industry-analysis/mens-underwear-market>

3. <https://www.statista.com/outlook/90011200/107/socks--women-/>

4. <https://www.grandviewresearch.com/industry-analysis/womens-underwear-market>

5. <https://www.statista.com/outlook/90061200/100/socks--children-/>

A large pile of garbage, including plastic bags, cardboard boxes, and other debris, with a yellow bulldozer in the background.

**Globally, we now
consume about 80
billion new pieces of
clothing every year.**

This is 400% more than we were
consuming just two decades ago.¹

1. <https://sustainability.uq.edu.au/projects/recycling-and-waste-minimisation/fast-fashion-quick-cause-environmental-havoc>

2.2 Description of the business

2.2.2 Why We Exist

c. People, Planet, Profit

i. The Movement

The triple bottom line (people, planet, profit approach) is a sustainability framework that examines a company's social, environment, and economic impact.¹ A movement coined by Harvard economist John Elkington, this approach measures sustainability not only in terms of **profit** and loss, but also in the well-being of **people** and the health of our **planet**.

ii. The Benefits

Through adapting and changing the way we operate by focusing on eradicating textile waste we're mobilising consumers and forcing a powerful positive change in their behaviour and the behaviour of those around them. The U.N. forecasts that by meeting just four of their Sustainable Development Goals, the generation of market opportunities will exceed \$12 trillion a year by 2030 (and that's considered a conservative estimate).²

iii. The Expectation

Sustainability is not only good for people and the environment, but it also just makes smart financial sense. But we can't make small changes to the way we do things, we need to drastically empower the community to act. Elkington believes that the planet's sustainability goals won't be solved by simply hitting 1% or incremental targets, but companies looking to do better must apply a 10X approach, aiming for at least 10-fold improvement.³

This is the attitude that we've applied to our recycling initiatives. Not only are we holding ourselves to the highest standard of growth, but we're being held to account by the current and next generation. This is the attitude that will help us as a population make global progress on sustainability.

54%

The majority of Generation Z (54 percent) state that they are willing to spend an incremental 10 percent or more on sustainable products, with 50 percent of millennials saying the same.⁴

22%

The amount of 2018 Superbowl commercials that were promoting socially and ethically conscious brands.⁷

\$26 trillion

The New Climate Economy Report for 2018 research shows that climate action is a cost-effective solution and bold action on climate change adds \$26 trillion to the economy.⁵



95%

In a study released in November by Bentley University, 95 percent of the millennials surveyed said a company's ethics are very important to them and 22 percent of the respondents said they cared the most about a company's policies toward the environment.⁶

73%

73% of global consumers say they would definitely or probably change their consumption habits to reduce their impact on the environment.⁸

1. <https://hbr.org/2018/06/25-years-ago-i-coined-the-phrase-triple-bottom-line-heres-why-im-giving-up-on-it>

2. <https://hbr.org/2017/05/saving-the-planet-from-ecological-disaster-is-a-12-trillion-opportunity>

3. <https://www.steelheadproductions.com/blog/why-you-should-triple-bottom-line-your-business>

4. <https://www.forbes.com/sites/gregpetro/2020/01/31/sustainable-retail-how-gen-z-is-leading-the-pack/#756eb2942ca3>

5. <https://www.steelheadproductions.com/blog/why-you-should-triple-bottom-line-your-business>

6. <http://www.bentley.edu/newsroom/latest-headlines/mind-of-millennial>

7. <https://www.nielsen.com/us/en/insights/report/2018/the-education-of-the-sustainable-mindset/>

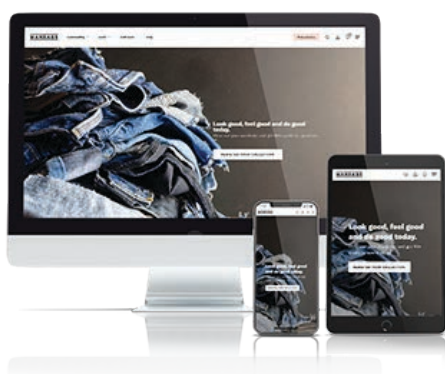
8. <https://www.nielsen.com/eu/en/insights/article/2019/a-natural-rise-in-sustainability-around-the-world/>

2.2 Description of the business

2.2.3 Our Journey Brand Timeline

2015/2016

- Founders identify market opportunity for bold Egyptian cotton socks
- Measures are taken to ensure supply chain vigilance in production and distribution
- First MANRAGS stock arrives in Melbourne, Australia
- Official launch of MANRAGS brand
- MANRAGS hit 1000 subscribers



2018

- First round of funding secured via equity crowd-funding
- Westpac Business of Tomorrow Finalist
- First full-time employee hired as a Community Engagement Manager, decision to hire specific position attributed to our focus as a brand and our ethos in the community
- Distribution to 20 countries globally
- Reached 10,000 customer milestone



2020

- **Launched First Digital Direct-to-Consumer Textile Recycling initiative - Expanding to accept ALL clothes and shoes.**
- Expanded warehousing capability to cater for increased demand of textile recycling
- Released new unisex sock sizing
- First collaborative design produced
- Launched family sock packs
- Reached 40,000 customer milestone



2017

- Underwear product offering launched to fulfill customer demand
- Startup Stars - Startup of the Year finalist
- Online e-commerce store launched



2019

- Sustainable packaging (100% recycled cardboard) introduced
- Expanded product range with womens socks
- Foundation team established
- Website re-designed for a better customer shopping experience
- Redefinition of supply chain - Committed to being vigilant in ethics and sustainability
- Distribution to 70 countries globally
- **Launched world's first Sock Recycling initiative - Empowering the community to drastically reduce textile landfill**



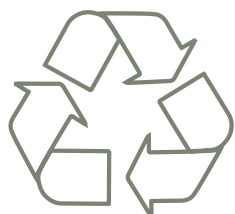
**Our history is short, but
our evolution is nothing
short of incredible.**

We've gone from being pioneers of
subscription socks and underwear, to
playing a leadership role in upcycling
and shaping the circular economy.

2.2 Description of the business

2.2.4 Business and Revenue Model

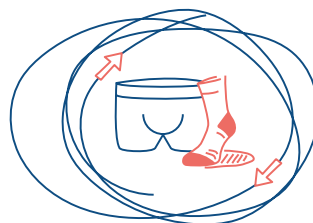
a. Core Business Model



We're the only digital direct-to-consumer textile recycling brand.

We're the only brand using the power of community to reduce our collective impact on textile landfill. We've developed a unique business and acquisition model that involves digital direct-to-consumer recycling collections as well as brand, school and charity recycling partnerships.

We're making it easy for other brands to do good by collecting their dormant stock, up-cycling their old uniforms, or collecting usable items for donations within their community group. The opportunities to give back whilst also turning what would've been waste into profitable income are endless.



We're a purpose-driven, sustainable innerwear brand for Men and Women.

We sell premium product through our e-commerce website MANRAGS.com.au to over 70 countries globally. We offer one-off purchases of premium innerwear in our e-commerce store as well as a subscription club, enabling members to choose their desired products and delivery frequency.

In addition to our online presence, we're also currently exploring carefully managed wholesale opportunities with like-minded brands and marketplaces who want to leverage our core capabilities to offer similar value propositions to their customers and members.

Naturally as we're a DNVB we pride ourselves on our ability to adapt, move and change according to the current landscape.

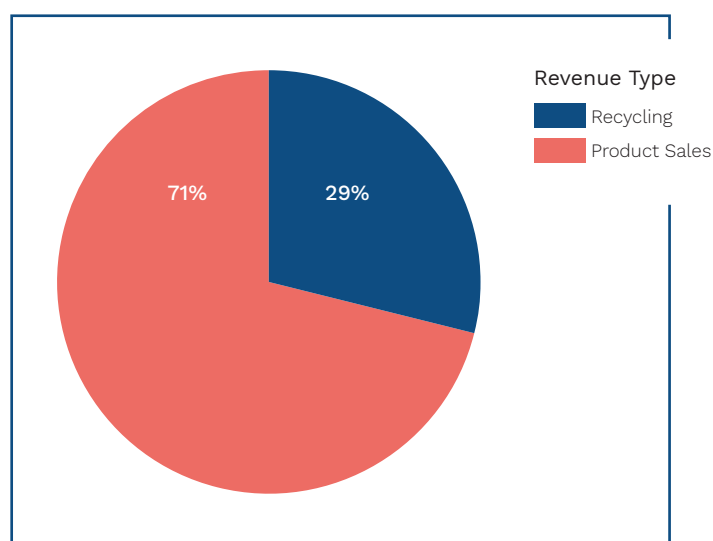
i. Multi-tiered product offering

Two thirds of the sales that we receive are product sales with the other third being our direct-to-consumer textile recycling offering.

Through these unique, multi-tiered revenue streams and connected offerings, we're able to generate more awareness & reach a much broader audience.

Whilst at this stage, the majority of our revenue comes from product sales, the recycling offering produces more beneficial conversions, due to the customer advocacy and organic brand awareness that follows.

People want to share with others that they're 'doing good' for the planet.



2.2.4 Business and Revenue Model

b. Digitally Native Vertical Brand

We are a digitally native vertical brand.

Everything we do is introduced through market leading, innovative technology.

There are 4 key trends in Digitally Native Brand Models:

1.

Direct sourcing of materials

Focused on overproduction

E-commerce innovation is a shift to direct sourcing, collapsing inefficient legacy supply chains by cutting out intermediary layers, allowing us to realise a market leading cost of goods.

2.

Enhanced brand experience

Customer first approach

Today, a combination of product, shopper experience, and customer service collectively becomes the brand. Having a direct access to our brand ensures the customer's voice is heard and provides for a stronger relationship.

3.

Alternative distribution methods

Convenient & Seamless

Being digitally native doesn't mean being digital-only, the e-commerce channel serves as an enablement layer, not the core asset. As we mature we can expand whilst continuing to integrate the overarching brand experience.

4.

Increased engagement online

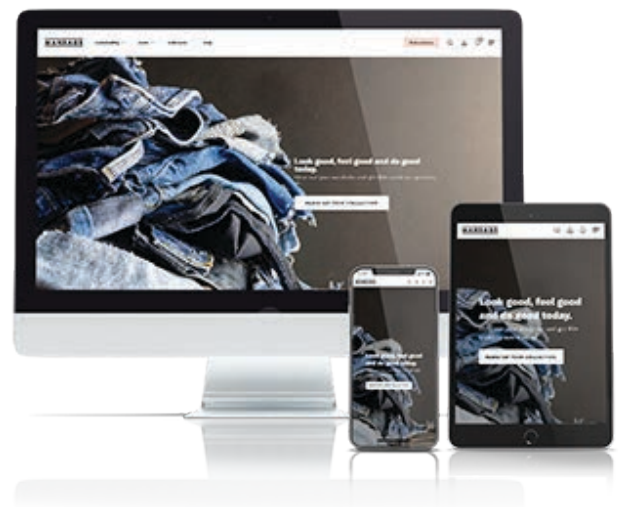
Direct to Consumer

Having grown through social media, our community communicate with us directly through social platforms. This enables us to have real conversations, giving the brand an authentic identity.

A digitally native vertical brand (DNVB) is a brand born online with a “maniacal” focus on the customer experience. While a DNVB may start online it can extend to a brick-and-mortar manifestation. Unlike typical e-commerce companies, digitally native vertical brands control their own distribution.

Digitally native allows us to take advantage of low overheads and a greater access to audiences.

Being a vertical brand we control the product from design to the factory floor all through to the consumer's hands, enabling a direct and genuine relationship between our brand and our consumer.



2.2.4 Business and Revenue Model

c. Business Model Overview

We are a digital, direct-to-consumer recycling brand harnessing the power of people and planet to make a profit.

Through our recycling initiatives, we've proven that for us, sustainability can and does translate into profitability.

Based on quarterly growth rates and scheduled activity, forecasting future requirement of stock ensures a better working capital structure, which leads to less oversupply.

Our supply chain and operations are responsive, flexible and we can scale quickly. This is most evident in our response to COVID-19, as during this time we expanded our textile recycling capabilities from socks to ALL textiles, whilst expanding our operational capabilities by bringing new, driven members into our tight knit team.

i. Growth through advocacy

We have grown our business through the ongoing collating and analysis of consumer data. This has given us unique insights on consumer behaviour, customer tenure, acquisition cost ranges, seasonal performance and working capital requirements.

Since launching our recycling initiatives we have seen immense business growth through customer advocacy. These organic, community-driven acquisitions are driving the company forward and **this is just the beginning.**

1.

Provide solution to textile landfill.

We provide the only digital direct-to-consumer textile recycling service in Australia. We collect unwanted textiles and prepare them for reuse, repurposing, or recycling. Customers are rewarded for doing good as a result.

We're reducing our collective impact on landfill.

2.

Make it easy and seamless.

We provide a seamless collection experience through sustainable practices and processes. Instead of sending anything to the customer, they send their old textiles directly to us.

We'll collect from our customer's front door.

3.

Reward and be Rewarded.

As well as doing good and feeling good, we want our customers to look good also. By rewarding the planet (by saving textiles from landfill) we provide them with full reimbursement in the form of a store credit for participating in our textile recycling program.

For rewarding the planet, we're rewarding the customer.

2.2 Description of the business

2.2.4 Business and Revenue Model

d. Existing Revenue Channels

i. Primary Revenue Channel

Our primary source of revenue comes in the form of recurring revenue through our subscription offering followed by one-off purchases in our branded e-commerce store at MANRAGS.com.au.

Recurring Revenue (Subscription) and One-off purchases (Boxshop)

MANRAGS offers a subscription club for premium essentials. Subscribers select their product and frequency on our user-friendly website, update their details and their chosen products are delivered directly to their door. Once a customer joins the club, they are provided with options to amend, skip or cancel at anytime. Every month, customers can renew their subscription and a new design is mailed to their chosen address. Aside from subscription, customers can make standalone purchases of their favourite designs at anytime through our online store.

Through our recycling offering, we have opened a new channel and have already seen its contribution to our revenue come to life, whilst increasing our existing revenue channel contribution.

ii. Complementary Revenue Channels

Aside from our e-commerce offering, we've already begun partnering with other sustainable, purpose-driven brands and organisations to form recycling partnerships that educate and deliver our message to the world. In the next stage of our growth, we're developing these partnerships even further to educate and collect textiles on a much larger scale as well as explore carefully managed wholesale and affiliate marketing opportunities.

Direct-to-Consumer Textile Recycling

MANRAGS is the only company in Australia to offer a digital direct-to-consumer textile recycling service. Customers can purchase a recycling collection which provides them with an allowance of up to 10kg to be collected from their front door at a time that suits them.

Carefully Managed Wholesale

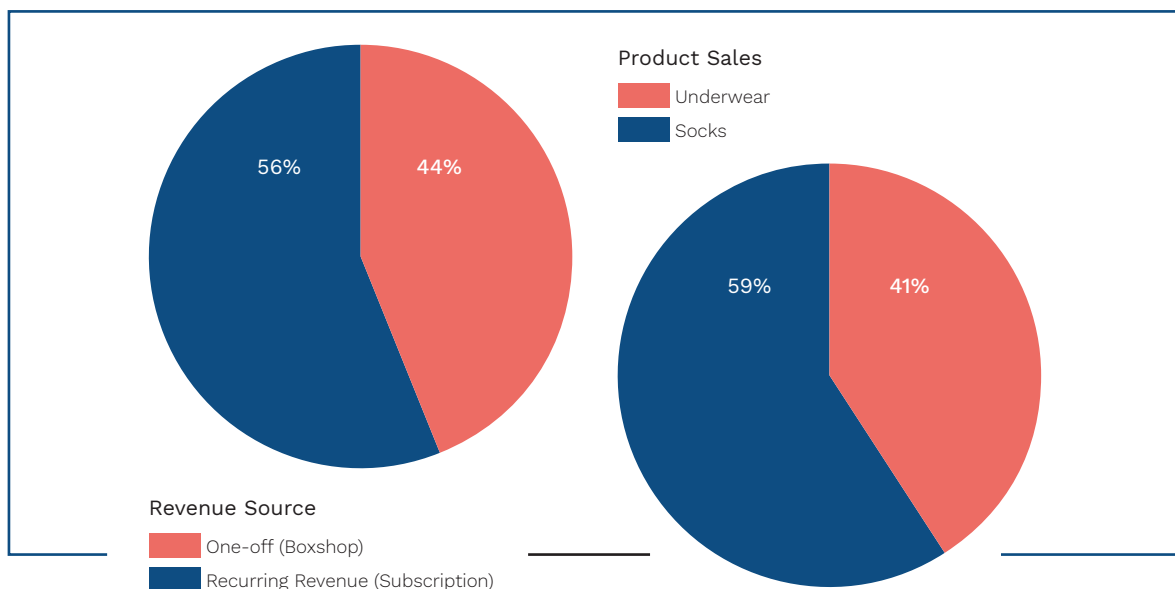
Working with like-minded brands and marketplaces that are aligned with our values of eradicating textile landfill.

Brand, School and Charity Partnerships

Collaborating with purpose-driven brands to produce a sustainable product, or form a commercial recycling partnership through collections and donations of unwanted textiles.

Affiliate Marketing

Forming professional commission-driven arrangements with like-minded affiliates to increase traffic and sales generated from their referrals.



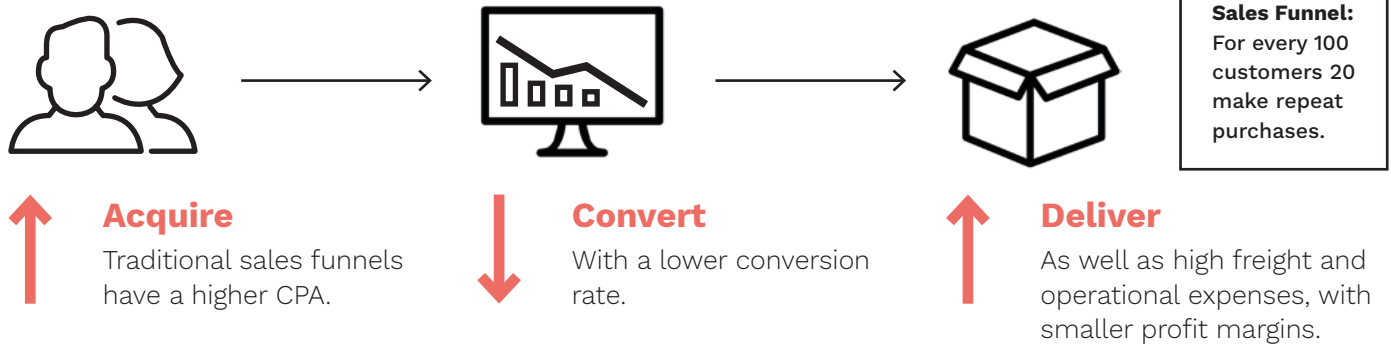
2.2 Description of the business

2.2.4 Business and Revenue Model

e. Core Revenue Model

i. Traditional Sales Funnel

Traditional sales funnels require more time to capture more customer data, as well as increased marketing and acquisition costs to complete conversions, with smaller profit margins.



ii. Our Unique Sales Funnel

We've developed and pioneered a unique sales model that produces **profitable** results with **diversified revenue** streams.

1. Offering easy and affordable Textile Recycling

Offering our unique digital direct-to-consumer textile recycling collection creates an immediate advantage over the traditional model as there is nothing like it in the digital e-commerce space. Customers fund the collection of their pre-loved textiles with MANRAGS and are rewarded with an equal value of store credits to replenish their apparel. This benefits our growth aspirations and the environment.

2. Bringing a lower CPA + Increased conversion rate

The nature of the product offering brings an organic increase in traffic, meaning that we're consistently achieving a high conversion rate. Our recycling strategy means we're able to keep operational and freight expenses to a minimum. Resulting in a lower cost per acquisition per customer, whilst still retaining a consistently above average product margin.

3. Customers are doing good, feeling good and organically advocating for the brand.

Because customers are doing good for the planet and feeling good about it, they're more likely to share this with their following and advocate on behalf of the brand. Bringing us more customers and more brand awareness organically.

4. Driving our unmatched customer retention.

Through advocacy and brand awareness, we're seeing approximately half of the customers who recycle make a repeat purchase of our sustainable product. Once we acquire them, customers are more likely to make a repeat purchase and drive our unique sales funnel.



Our Unique Funnel:
For every 100 customers,
we see 43 make repeat
purchases.



**Fact: More than half
a billion kilograms of
unwanted clothing
ends up in Australian
landfills yearly.**

The truth is that 95% of this could
have been recycled!¹

1. <https://www.smartasn.org/>

2.2 Description of the business

2.2.4 Business and Revenue Model

f. Evolving Revenue Model

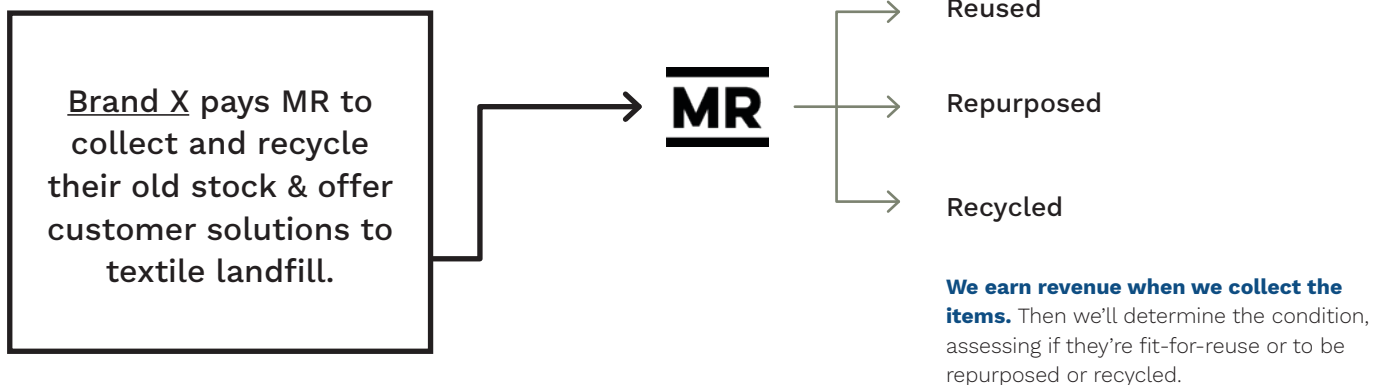
Textile recycling and landfill diversion is on the rise in Australia and this is just the beginning — We are well positioned to lead this.

The Australasian Circular Textile Association (ACTA), an organisation established to support the fashion industry's transition from a linear to a circular model in Australia, has proposed the idea of a **carefully designed textile waste ban** to allow for more accountability within fashion supply chains and promote textile recycling.

Initiatives such as this mean that brands and businesses will be looking for a way to ensure that they are offloading their unfit-for-sale stock whilst having a positive effect on the environment.

We are well placed to scale this part of the business and are already doing so.

Brands are coming to us to find a solution for their dormant stock or textile waste. **They pay us to recycle their textiles.**



We're already doing this.

Collecting employee uniforms



We're collecting their old employee uniforms as well as placing collection bins in their depots.

Collecting faulty brand items

JAGGAD

We're collecting all items that are deemed unfit-for-sale or returned due to faults or defects.

Collecting corporate offcuts



We're collecting all offcuts, fabric scraps and old school uniforms that are unfit-for-sale.

2.2.4 Business and Revenue Model

g. Brand Evolution

We have outgrown our brand and we recognise that as we evolve it is necessary to be more inclusive and better represent our new purpose.

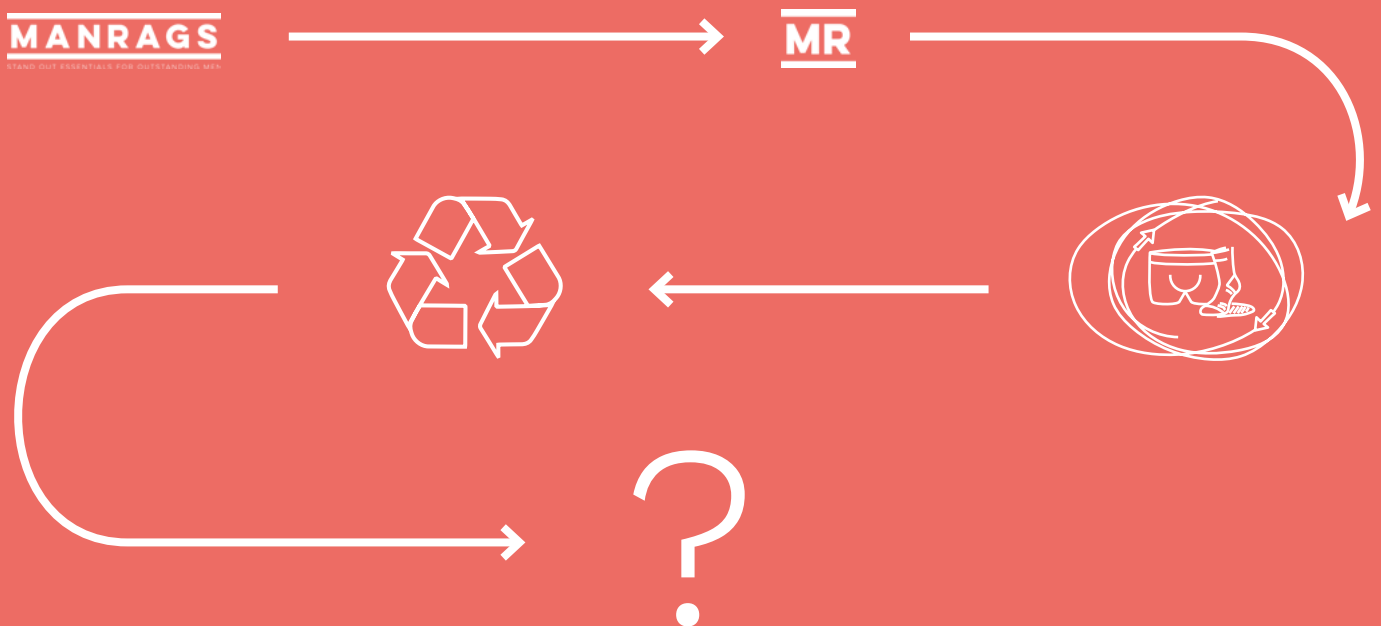
We started on this journey as an apparel brand determined to bring premium quality socks to men all around the world.

Since then, we've grown into Australia's first Essentials Club, offering Socks and Underwear via subscription, we've refined our sock offering to provide womens socks to our customers, and we've launched the World's First Sock Recycling Initiative, enabling our community to recognise and reduce their impact on textile landfill.

Now we've launched the World's First Digital Direct-to-Consumer Textile Recycling service and there's no looking back.

Clearly we've outgrown our name.

As our purpose and ethos has evolved, our name has stagnated. We're already working to change this. Immediately following our capital raise, we've put plans in place to complete a full re-brand of the company, to ensure that it properly aligns with our evolved purpose moving forward.



2.2.4 Business and Revenue Model

h. Growth Strategy

We have a 3 part growth strategy which will follow an immediate re-branding exercise to better suit our evolved purpose.

The strategy is focused on awareness and growth, greater conversion opportunities, underpinned by operational efficiencies.



————> Re-Brand Exercise

Grow and scale textile recycling impact.



Scale our digital direct-to-consumer recycling offering to enable and encourage more people to reduce their impact on landfill.



Grow and develop partnerships with non-compete brands as well as charities, schools and other corporates. This will increase our reach and awareness.



Test and trial direct international acquisition channels.

Increase customer offerings with a circular first approach.



Socks



Underwear



Basics

We're expanding and developing our product offering to give our customers more opportunity to use their credit.

All customer offerings going forward to be produced with all gender and age appropriate sizing + fit to cater for demand

Underpinned by operational efficiencies.



People



Operational Expenses



Freight & Logistics

2.2 Description of the business

2.2.4 Business and Revenue Model

i. Key Growth Opportunities

i. As a recycling brand.

Partnerships will be the way we scale and grow this exciting initiative.

Type	Opportunity Size	Partnership Description
Apparel Brand Partnerships	There are currently over 25,000 apparel brands operating in Australia, whether that be through functioning warehouses or selling product. ¹	The Australian community are now demanding that brands have a more sustainable ethos which is also echoed by their customers. This gives us the opportunity to reach out to brands, offering them a solution to prevent old clothing, offcuts and damaged stock from ending up in landfill by reusing, repurposing or recycling it. This is Market Leading Technology.
Corporate Partnerships	With 2.3 million businesses operating in Australia, approximately 40% of these businesses are utilising uniforms. ²	These uniforms have a life cycle between 12-24 months. With this annual to bi-annual turnover, there is a massive opportunity to work with these companies to ensure they don't end up in landfill.
School Partnerships	There are over 9,503 functioning schools in Australia, with the majority of them requiring students to wear uniforms. ³	We have found that on average uniforms are turned over every 18 months. This is an increasing problem, but partnering with schools gives us the opportunity to prevent these from going into landfill.
Charity/Op Shop Partnerships	Charities are sending their excess stock to landfill at a cost of \$13 million per annum. ⁴	Charities & Op Shops have been inundated with old clothing, with up to 80% of this old clothing finding its way into landfill.
Direct-to-Consumer Partnerships	With over 500 million kgs of textiles thrown away every year. ⁵	We have seen that people are willing to do the right thing, when the opportunity presents itself. This is proven by the market leading conversion rate that our clothing recycling program is able to set and maintain.

We've activated **commercially viable partnerships** as we've seen more and more brands looking to leverage our sustainable impact solutions for their respective audiences.

Partnership Type	What we're doing
Apparel Brand Partnerships	Whilst we are in the early stages, we have locked away an agreement with JAGGAD to recycle any damaged clothing, dormant stock or offcuts.
Corporate Partnerships	We have signed a partnership with Couriers Please to immediately recycle over 2,000 uniforms for them.
School Partnerships	We are working with Fashion Club Wear to take all of their offcuts from the school goods they are producing.
Charity/Op Shop Partnerships	We have partnered with Sacred Heart Mission , to provide them with clothes of high quality that we have received from the public. We have found about 60% of what we are receiving is of a high enough quality to go straight back into the Australian Market.
Direct-to-Consumer Partnerships	Over the past 6 months we have received over 53 tonnes of textiles, which have been diverted from landfill. This has been by reaching less than 1% of Australians, if we reached 10% the results would be far greater.

1. <https://www.ibisworld.com/au/industry/clothing-retailing/407/>

2. <https://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0>

3. <https://www.abs.gov.au/ausstats/abs@.nsf/mf/4221.0>

4. <https://www.abc.net.au/news/2018-10-04/charities-spending-millions-cleaning-up-fast-fashion-graveyard/10328758>

5. <https://www.smh.com.au/lifestyle/fashion/where-do-your-old-clothes-go-when-you-don-t-want-them-any-more-20191011-p52zve.html>

2.2 Description of the business

2.2.4 Business and Revenue Model

i. Key Growth Opportunities

i. As an apparel brand.

Brands come to partner with us.

They see our ethos as a way to double down on their sustainability credentials and why shouldn't they? The opportunity is now.

Type	Opportunity Size	Partnership Description
Promotional Opportunities	\$\$\$	Being able to provide our product to new customers in different situations. I.e conferences, hotels, etc.
Wholesale Opportunities	\$\$	Working with brands to share our product with a different audience.
Collaboration Opportunities	\$	Collaborating with like-minded companies wanting to produce a better product for their customers.
Direct-to-Consumer Opportunities	\$\$\$	Increasing product range whilst also increasing size of market opportunity.

We have active apparel partnerships with like-minded brands but haven't even begun to scratch the surface of the potential opportunity.

Partnership Type	What we're doing
Promotional Opportunities	We've worked with <i>Optus</i> to create promotional socks to distribute to all attendees at a conference.
Wholesale Opportunities	We are working with <i>Flora & Fauna</i> to create a cobranded sock, which will be for sale of their webpage.
Collaboration Opportunities	<i>Kit X</i> is creating a completely new clothing line utilising the denim which MANRAGS has been receiving through clothing recycling.
Direct-to-Consumer Opportunity	We launched children's socks, which flew out of our warehouse, selling out in the first 4 weeks. Whilst 43% of customers are making a repeat purchase through our store credit program, an opportunity to offer products for the remaining 57% exists.

An aerial photograph showing a dense, lush green forest canopy. The trees are tightly packed, creating a textured pattern of various shades of green. The lighting suggests a bright, sunny day, with some areas appearing slightly brighter than others.

Australian charitable recycling organisations are spending \$13 million per year sending unusable donations to landfill.¹

Through our initiatives we're re-defining the textile recycling industry in Australia.

1. <https://www.abc.net.au/news/2018-10-04/charities-spending-millions-cleaning-up-fast-fashion-graveyard/10328758>

2.2.4 Business and Revenue Model

j. Operational Opportunities

We recognise that significant growth presents significant operational costs. It's critical that these are attended to in order to ensure a balanced revenue model.

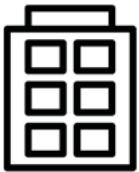
We're already testing and implementing operational efficiencies through leveraging the power of community and advocacy.

We've identified 3 key areas to focus on:



1. **People**

We pride ourselves on our purpose. We are a team of pioneers and change-makers and we recognise that with growth, investment in the right people is required.



2. **Operational Expenses**

Our extreme growth has meant that we've outgrown not one but two separate warehousing facilities. We recognise that by combining these into a single warehousing site will benefit the efficiency of our internal practices and processes whilst allowing room for continued growth.



3. **Freight and Logistics**

We've engaged and partnered with purpose-driven courier provider *CouriersPlease* to ensure the smooth function of our recycling program. We're also constantly forward planning and purchasing our product enabling the stock to be shipped by sea freight instead of air cargo.

2.2 Description of the business

2.2.5 Our Customer

a. Overview

i. Our customer is:

1. Consumer / Individual
2. Corporate / B2B
3. Brand Partnerships / Councils / Corporate (Future)

With this evolved purpose comes a new set of evolved brand values and a new set of target audiences that the brand appeals to.

MANRAGS customers are male and female ranging between 19-45. Females make up a significant volume of customers as purchasers of our sock recycling satchels or our clothing collection services.

Our recent expansion into the recycling industry has meant that we're now able to be a conduit between corporate organisations and businesses for their recycling visions. MANRAGS can provide the service necessary to help them achieve their sustainability goals.

In addition to these, we're also able to partner with other like-minded brands to educate and distribute a collaborative product and message on landfill eradication.

We are now the benchmark for other brands to meet and the leaders for other brands to follow.

ii. The Opportunity is Scale

Scaling our Marketing and Partnerships presents the greatest opportunity for us and for the conscious consumer.

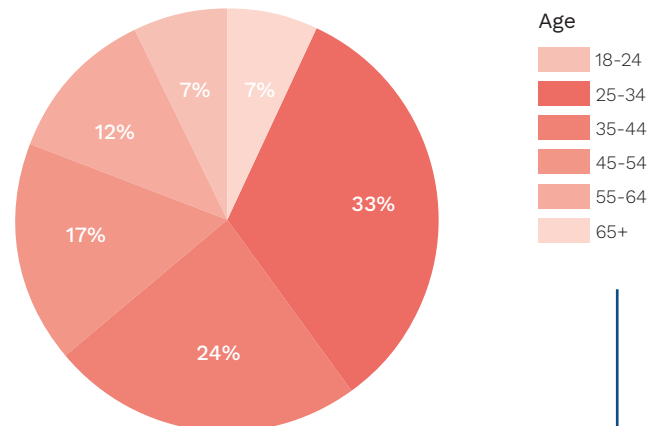
Our growth and acquisition to date has been driven by clever and intuitive digital media marketing. Customer acquisition occurs through our unique sales funnel in which we reward the customer for rewarding their future by keeping textiles out of landfill.

Our key channel of acquisition to date has been social media. Other channels have complimented our digital marketing strategy and represent an

Gender



Age



opportunity to further explore. One that will present the greatest opportunity is the educational/sustainable partnerships that we've already begun to foster.

An increased product offering, as well as the expansion of our partnerships and scaling of our marketing will result in:



A decrease in customer acquisition cost.



An increase in conversion rate.



An increase in revenue per customer.

2.2 Description of the business

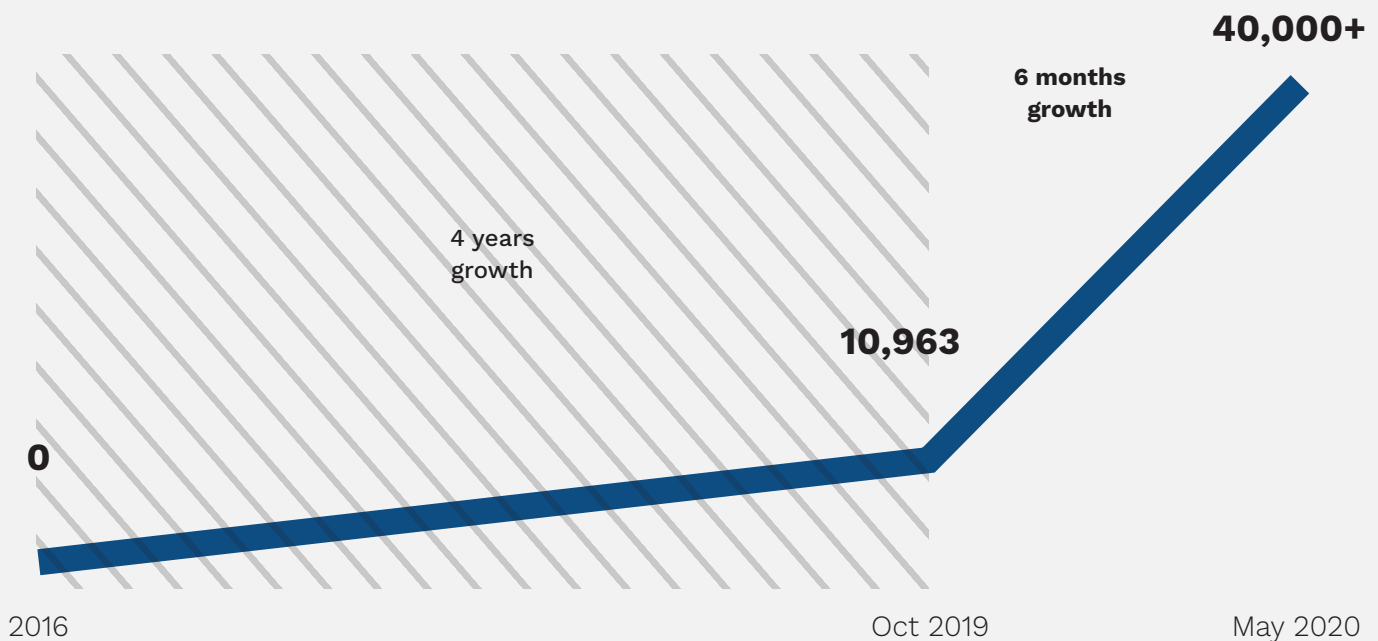
2.2.5 Our Customer

b. Customer Growth

Focus on community, and social sharing has enabled an organic growth of brand value amongst the consumer.

Our customers are overwhelmingly voting with their advocacy and support for our new direction. We have more than doubled our growth in the last 6 months, relative to our total time of operation.

We have found our secret sauce.



We are crossing the chasm.

Since launching our recycling offering 8 months ago...

+220%

Daily revenue

So its only natural that we're seeing more sales.

+400%

Monthly page views

We're being searched more than ever before.

+40,000

Engaged customers

We've got more customers than ever before.

15,678

Social media shares

We're being shared online more than ever before.

43%

Customers purchasing multiple times

And more conversions.

A photograph of a person's legs from the knees down, wearing two different styles of colorful socks. The upper legs are wearing blue socks with a purple leopard print pattern and green heels and toes. The lower legs are wearing socks with horizontal stripes in blue, yellow, and pink. In the background, a white box filled with various other colorful socks is visible on a dark wooden floor.

**Our enhanced purpose
has brought a new type
of customer with new
needs and new wants.**

So we've listened. We've introduced new types of products to cater for new types of people but this is just the beginning of our growth.

2.2.6 Our Brand Image

a. Reach

Customers
view purpose-
driven brands
as being more
caring,

and as a result, are more loyal to them.¹

Our Reach



40k

EDM Database



29k

Instagram



33k

Facebook

1. <https://www.forbes.com/sites/caterinabulgarella/2018/09/21/purpose-driven-companies-evolve-faster-than-others/#1127ce0855bc>

2.2.6 Our Brand Image

b. Circular Advantage Program

MANRAGS has been selected as a participant of the Circular Advantage™ program developed by KPMG for business.

The program has been designed to help organisations examine the way they operate through a strategic lens – by helping to examine supply chains, their manufacturing and production processes, and their use of resources: people, energy, water.

Circular Advantage™ will help businesses identify savings and efficiencies. It will do so by enabling participating companies to work in a collaborative setting, share experience, and learn from each other as each applies the information gained to their own organisation.

Program Delivery

A number of councils have collaborated with KPMG to offer this program to businesses. Initially, the program is only available to companies in municipalities in Melbourne's North and South East. The participating councils are heavily subsidising the program which will be delivered online, commencing at the beginning of June.

Over 18 weeks, participants will be taken through 18 modules delivered by KPMG's Dr Scott Valentine. Scott is a renowned circular economy expert, and an advocate and exponent of online learning through his roles in academia and research.

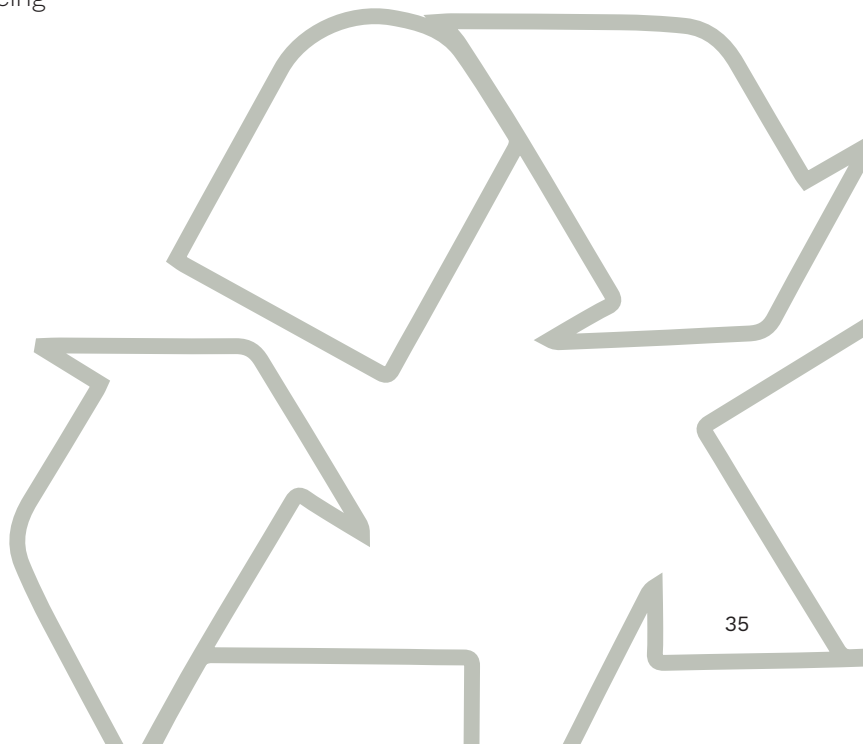
Program Objectives

Circular Advantage™ is a program for our times.

Australia will recover from its enforced shutdown and be different in so many ways. One is the realisation that globalisation has its risks. And another is likely to be a renewed emphasis on local manufacturing.

In recovery, our economy will need to be more circular than ever before.

The Circular Advantage™ Program will deliver insights and competencies to help rebuild business, and our economy.



2.2 Description of the business

2.2.6 Our Brand Image

c. Influence

Sustainability Partners

Our unique sustainable offering means that we're always pushing to partner with more and more like minded organisations to help eradicate textile landfill.

JAGGAD

KITX

Lishazel

Hockeyroos

SMALL
CHANGE
WHOLEFOODS



THE CLOSET



Product & Logistics Partners

We're longing to make more engaged connections to our community, we're always looking other purpose-driven brands to help us achieve this.



DISTILLED, BOTTLED AND SHARED AT
ARCHIE ROSE
DISTILLING CO.

ZEMA
ESTATE

Kester Black



SHORT
STRAW

Charity & Education Partners

We've been involved with charities, schools and other not-for-profit organisations as they work towards their missions. We give back wherever and whenever we can.



2.2 Description of the business

2.2.6 Our Brand Image

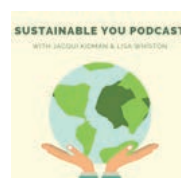
c. Influence

Accolades & Accreditations

We've been rewarded for our hard work over the journey, but we're not stopping there. As part of our sustainable ethos, we're doing everything we can to become more sustainable and ethically accredited.

As seen in

We have sought and nurtured strong relationships within the sustainable fashion and recycling community which has rewarded us with incredible exposure over the journey. Some of the places we've been featured are below.





**Since evolving into a
purpose-driven brand
we have moved into a
league of our own, with
no direct competitors.**

We've made it easy for our
community to have a real and
positive impact on the planet, and
we've got the evidence to prove it.

2.2.7 Reuse, Repurpose, Recycle

a. Overview

We see sustainability as the only way forward for all brands.

We're more interested in the world around us than ever before. We want to do good, and we want our customers to do good also. We see sustainability as the only way forward for all brands, we're building a foundation that will help ensure the survival of our planet. We're completely focused on reducing our impact on the planet, which in turn, is impacting positively on consumers.

We've already made substantial progress towards reducing our collective impact on textile landfill. Both environmentally and ethically, we're proud to say that we're doing our bit AND making it easier for the consumer to do theirs.

These are the ways we're achieving our triple bottom line of People, Planet, Profit.



Reusing Ethical and Charitable Impact

Working with schools, organisations and community groups by:

- Providing them with educational material to spread the message of eradicating textile landfill.
- Collecting items that can be reused and given a second life in addition to providing well needed support to charities who could provide support to those in need.
- Providing opportunities to contribute to the in-house sorting process and educate on what can and can't be recycled.



Repurposing & Recycling Environmental Impact

Working with other like-minded, sustainably focused brands to:

- Collect items that are unfit-for-sale or dormant to prepare them for repurposing & recycling.
- Encourage their employees to be more accountable and sustainable by providing textile recycling drop-off points, collecting and up-cycling their old uniforms or garments.

2.2 Description of the business

2.2.7 Reuse, Repurpose, Recycle

b. Reuse

i. Ethical Impact

Reusing items is the best thing for our planet. So with that in mind we've teamed up with some incredible people to help make this a reality and its growing rapidly.

We're committed to our mission of Reuse, Repurpose and Recycle allowing us to send any usable items that we receive via our recycling initiatives to those who need it most.



St Kilda Mums

ii. Charitable Impact

We're proud to be partnered with charities that share our vision and ethos. At MANRAGS we're always looking to give back to the community that gives so much to others.

In our lifetime, we've donated over \$250,000 worth of stock and funds to our charity partners, to help them raise money or distribute to those in need.



iii. Economic Benefit

We've become an intermediary between businesses and consumers, creating economic value by collecting dormant or faulty stock and onselling it to facilitate the creation of new or recycled material.

We're making it easy for brands to feel good about giving us their dormant stock ensuring it won't go to landfill.



2.2 Description of the business

2.2.7 Reuse, Repurpose, Recycle

c. Repurpose & Recycle

i. Our Impact

The success of our textile recycling initiatives is the early validation that we needed for the mountain that we're about to climb.

2019 saw us prevent **over 13,000kg** of socks from reaching landfill in the first 4 months of our sock recycling initiative.

Fast forward to 2020 and the launch of Australia's first digital direct-to-consumer textile recycling initiative has seen us save the same amount **in just 4 weeks.**

Further cementing the success of both initiatives is the successful **prevention of over 200,000kg** of greenhouse gases from polluting our atmosphere.

Our strategic and unique partnership with Textile Recyclers Australia and other like-minded brands will ensure that we are able to offer a complete textile recycling service and operate at the level needed to ensure we can cater for the anticipated and proven demand for textile recycling.

We've already made substantial inroads to reducing our collective impact. We've made several pledges along the way which have already been achieved.

We pledged to reverse our impact on landfill by the year 2020.
This goal has been achieved.

We pledged to recycle or reuse as many products as we distribute by 2022.
This goal has been achieved.

We pledged to recycle or reuse more products than we distribute by 2025.
This goal has been achieved.

+200,000^{kg}

Greenhouse gases prevented so far.

+50,000^{kg}

Textiles saved from landfill so far.

~11,000^{kg}

Product produced since September 2019.

2.2 Description of the business

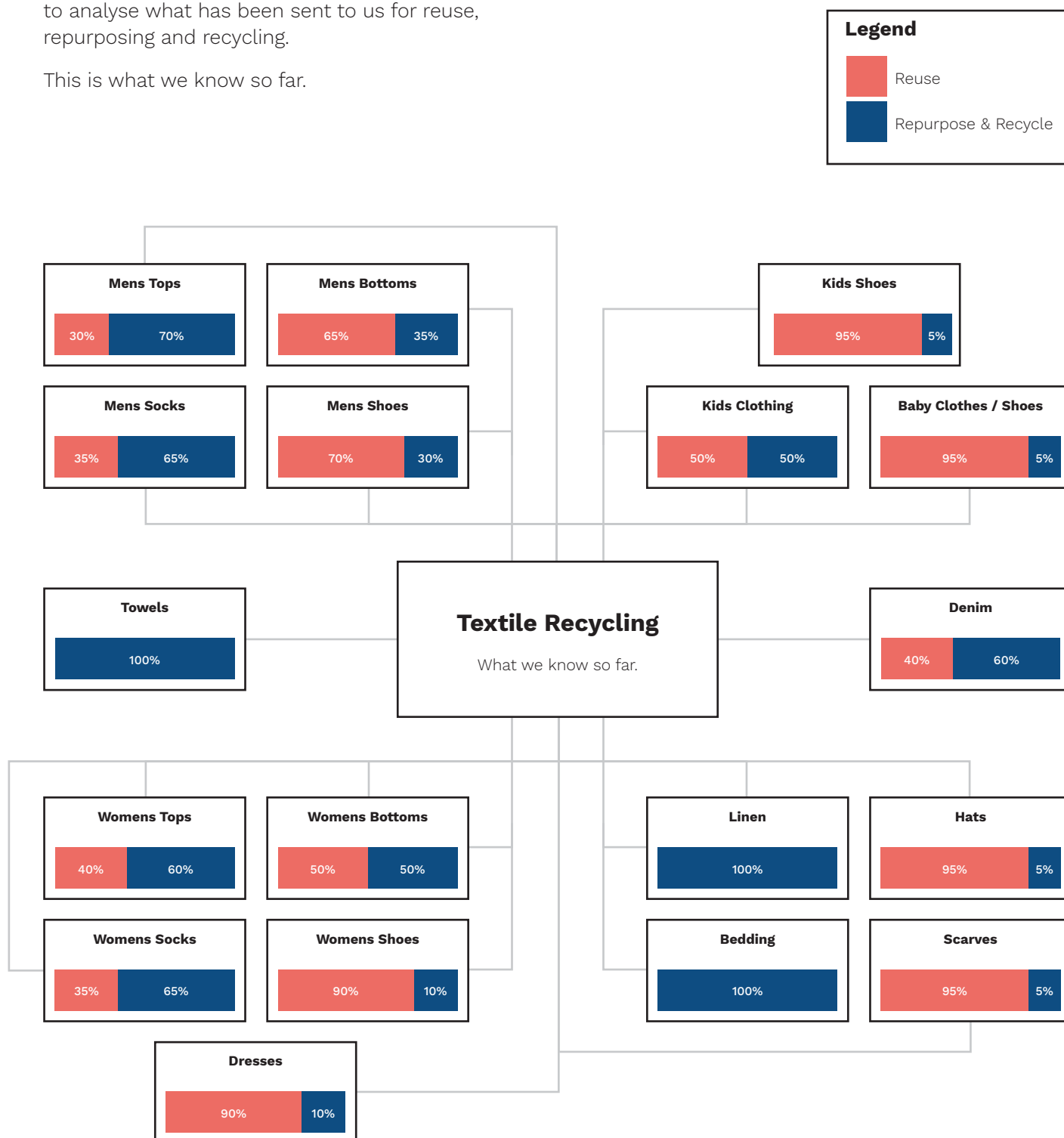
2.2.7 Reuse, Repurpose, Recycle

c. Repurpose & Recycle

ii. Sorting Process

Based on the items we've received since expanding our textile recycling initiative, we've been able to analyse what has been sent to us for reuse, repurposing and recycling.

This is what we know so far.



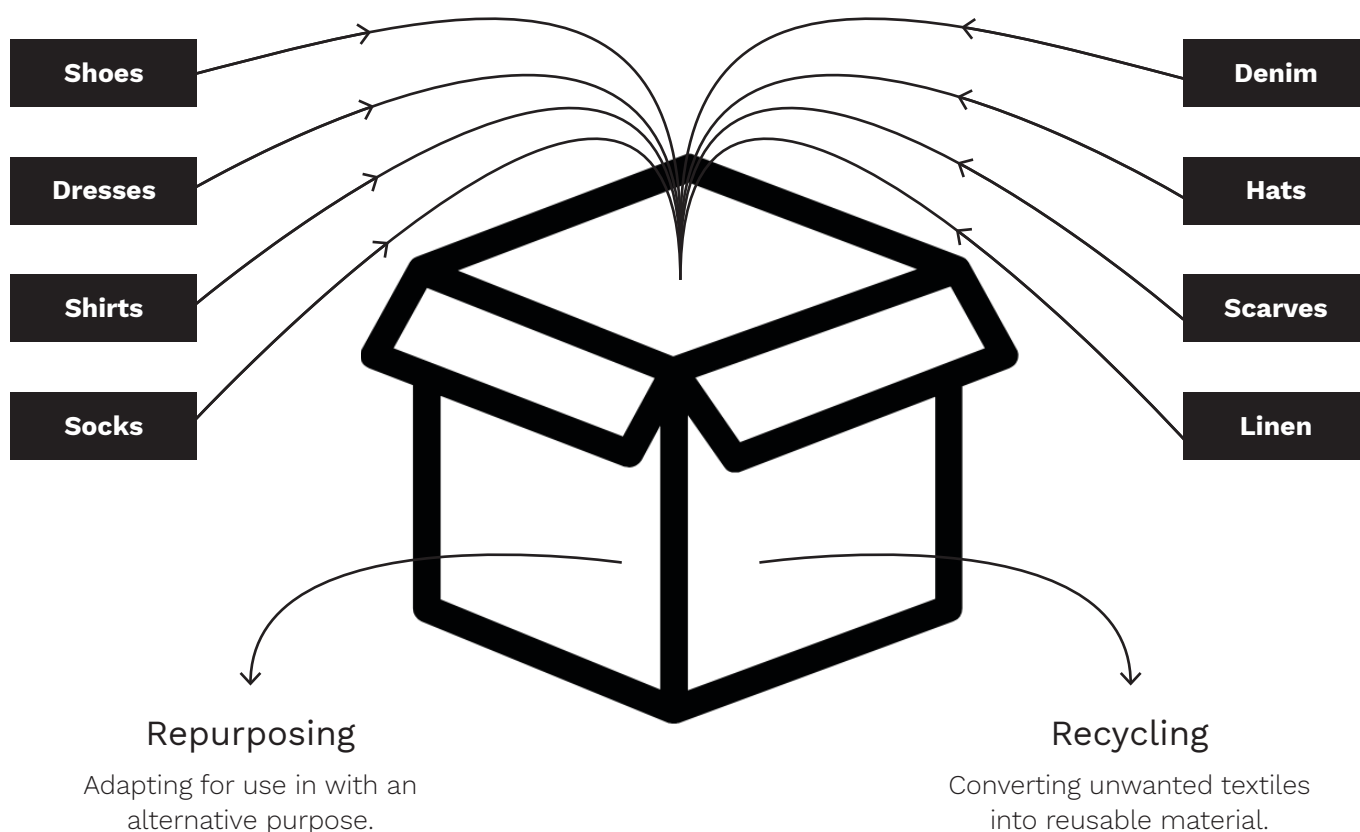
2.2 Description of the business

2.2.7 Reuse, Repurpose, Recycle

c. Repurpose & Recycle

iii. The Opportunities are endless

We see unparalleled opportunity to explore new and innovative ways to turn the unwanted items we receive into usable textiles with an alternative purpose and commercial outcome.



Currently identified opportunities.

Supportive Sport & Play Surface	Sound Proofing Panels	Recycled Yarn	Insulation
Rags	Building Materials	Pillows	Underlay
Foam	Carpet Padding	Aprons	Furniture Padding
			Pet Beds
			Roofing Felts

The opportunity exists to commercialise recycling and repurposing in Australia leading to increased revenue streams and local engagement opportunities.



A woman with blonde hair tied back, wearing a white t-shirt, a high-visibility yellow safety vest, and blue jeans, is working in a recycling facility. She is wearing yellow gloves and is lifting a grey plastic bin labeled 'ISOE' from a large pile of discarded clothing. She has tattoos on her left arm, including a key and a bird. The background shows more clothing and industrial equipment.

The technology to make this happen exists internationally, so why not in Australia?

Through investment, we're making it our mission to bring recycling operations to Australia.

2.2.8 Products and Services Overview

We're constantly looking for and implementing new strategies that will help us improve our products, services and our brand.

Products

Our product is what we're known for. But as we continue to evolve, we're working on new types of premium innerwear to bring to our community. Our recent design collaboration and launch of our family sock packs was an overwhelming success and we've already produced more kids socks in order to meet demand. Aside from this we've already begun to work on producing new types of socks with recycled cotton as we begin to expand our product offering.

We continue to increase our product range and deliver according to customer demand, rather than contribute to the over-consumption problem.

Price

Priced in the market at a mid-premium level means that we're able to continually deliver a product that has superior durability and colour technology. We're continuing to work with suppliers and producers in Australia and abroad to bring the most ethical and sustainable product possible.

We know that sustainability can carry a stigma with it, we're looking to change that. We're preparing to bring as much transparency as possible to our recycling offering. We're changing the way people think about being sustainable.

Design

We are constantly looking to improve and refine our product, especially as we move forward and look to use more and more recycled material in our product. For the designs, we'll be introducing more collaborations in the near future as well as relying on our internal design team to produce bold prints for both socks and underwear.



Services

As we're a DNVB, refining the customer experience of our services is paramount to us. We want to make things as easy as possible for the customer, a testament to this is our new logistics partnership with **Couriers Please**, utilising their **Boomerang** platform to help improve the clothing collection service. We're always looking to our community feedback loop to make these decisions, just as we do for our product offering.

Brand

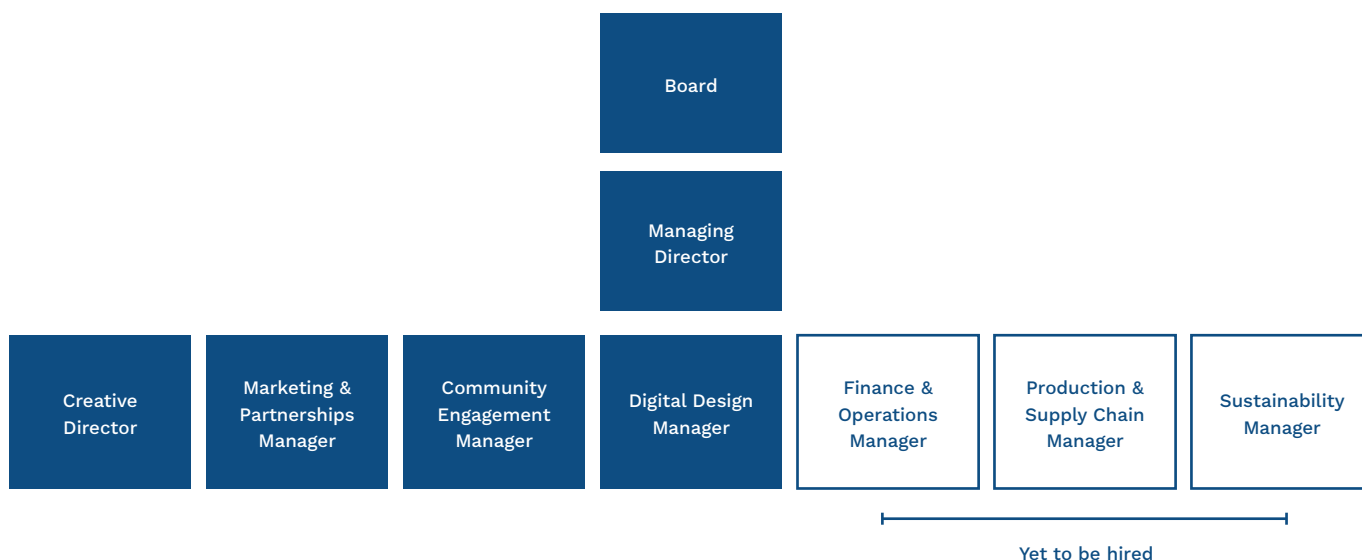
We recognise that as our offering has evolved, so too has our audience and our purpose. We've gone from offering mens socks, to offering product for women and children, and implementing recycling initiatives to help eradicate textile landfill. Our recent expansion into the recycling industry along with our evolved product offering and audience has meant that we've outgrown our current name and brand. We're currently working on implementing a new brand, with a new name that better aligns with our new values.

2.2.9 Organisational Structure

Team Structure

i. Proposed Team Structure

The proposed structure is presented below.



ii. Corporate Structure

MANRAGS HOLDINGS LTD. Trading as MANRAGS Essentials PTY LTD which is a wholly owned subsidiary.



2.3

Capital Structure

2.3 Capital Structure

2.3.1 Issued Capital

a. Overview

As at the date of the offer, the Company has 8,055,869 ordinary shares on issue. The table below shows the issued capital of the Company following the Offer. There is no shareholders agreement in place between the existing shareholders, and as such, the rights and liabilities attaching to the ordinary shares on issue are as set out in the Company's constitution. A more detailed description of the rights associated with the shares is set out in Section 3.3 below.

	Min Subscription	Max Subscription
Existing Shares Pre ECF	8,055,869	8,055,869
Offer Shares	200,000	1,000,000
Total Shares on Issue	8,255,869	9,055,869

b. Significant Shareholders

There is one significant Shareholder. House Elias Trust owns 68.9% of the Holdings Company. Other than House Elias, no other single investor owns more than 10% of the Company. BoardRoom registry services is used for shareholder management.

c. Unissued Capital

We are currently in the process of introducing an Employee share scheme (The details will be made available at a later date).

2.4

Advisors and Directors

2.4 Advisors and Directors

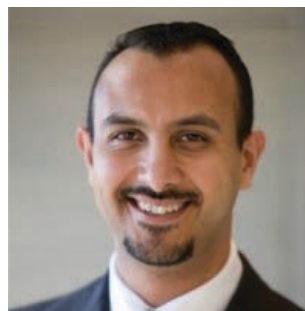
2.4.1 Profiles



Michael Elias

Co-Founder and Managing Director

Michael co founded MANRAGS during his 13 year career in Senior Management roles in Banking, Finance and Insurance. He spent the majority of his corporate career focused on strategy, sales and marketing distribution across all customer acquisition channels. Whilst managing a \$2 billion portfolio, Michael spent his weekends traveling internationally to build the manufacturing partnerships which today form the basis of the MANRAGS products.



Islam Hassan

Non-Executive Director

An experienced and passionate leader with strong commercial acumen, delivering sustainable growth in consumer & business-to-business environments. Islam has a proven track record in establishing infrastructure and technology solutions for start up ventures to deliver increases in customer experience and revenue growth across subscription based offerings through to institutional banking. Islam is currently the Head of Growth for Australia's oldest bank and company, one of four major banking organisations in Australia and one of the largest banks in New Zealand, Westpac.



Michael Saunders

Non-Executive Director

An established leader in customer experience, product management, service quality and operational excellence. Michael spent 12 years with corporate banking and neo-banks in Australia and the UK with a focus on establishing operational efficiency and excellence while driving customer satisfaction. Michael spent 12 months in the MANRAGS business supporting the transition to a purpose driven brand.

Founder and CEO of Simple Admin, Michael is based out of Melbourne and is actively involved in his community as Vice President of the resident's committee.



Tina Elias

Co-Founder and Creative Director

Tina, Co Founder of MANRAGS, has spent the last seven years developing, managing and growing fashion led e-commerce businesses. Tina is an experienced and active fashion photographer. Bringing the creative angle to the brands, Tina is the mastermind of all MANRAGS visuals including product design and brand identity.

2.4 Advisors and Directors

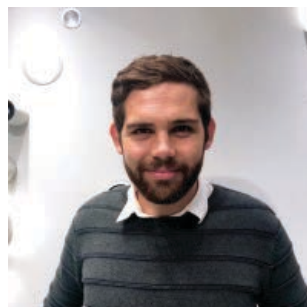
2.4.1 Profiles



Geoff Coombes

Advisor

2018 Australian of the Year Finalist and Co-Founder of Tour de Cure, Australia's leading cycling charity community, Geoff is passionate about connecting communities. For the past 12 years Geoff has lead and developed Tour de Cure in to a nationwide charity with communities around the country. What started as an idea to raise \$2M in four years, Tour de Cure has since raised over \$60M and engaged kids and families around the country through their BE HEALTHY program. A highly skilled marketer, Geoff brings Digital Strategy, Negotiation, Customer Relationship Management and the ability to build true partnership to the MANRAGS GROUP.



Sean Trewick

Advisor

Sean has worked to help organisations develop people focused strategies and LEAN driven operations. Using this experience as well as the tools developed through his research, he works to redesign resource and energy flows from a systems perspective in order to create regenerative economies. Sean is currently focused on developing metrics, models and tools that allow individuals and organisations to thrive within a Circular Economy.



Maureen Taylor

Advisor

Maureen is an experienced Textile industry resource with capability in Fabric Sourcing, Fabric Technology, Research and Development, with a passion for the Environment. This is demonstrated in her position as co-founder of Textile Recyclers Australia (TRA), a company created to tackle the increasing amount of textile wastes in Australia that are usually directed to landfill. MANRAGS is working with TRA as an exclusive recycling body for their entire recycling operations.



Brian Borowsky

Advisor

With deep experience in sales, product and strategy, Brian brings the ability to identify and execute growth opportunities across a wide range of industries. Known as a highly creative, results driven, and effective leader, he works with organisations and individuals to recognise opportunities; execute against them; manage the change requirements to do so; and optimise customer experience and profitability. His focus on sustainability extends to being a committee member for Beach Patrol Australia and an organiser of the annual Spring Clean The City event in Melbourne.

2.5

Risks facing the business

2.5.1 Overview and Definitions

Risk is commonly described as the effect of uncertainty on a company's objectives. Risk or uncertainty may result in a positive or negative outcome.

Below is a description of the main risks facing the Company. Only the risks that the Company considers may significantly impact the success or failure of the business have been included.

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 sell our shares).

Key Risks

Competition

Actions including those of competitors or changes in consumer preferences may adversely impact the Company's performance. The growth in the basic apparel and subscription market has resulted in new market entrants. New entrants may change the competitive landscape. For example, if another essentials brand achieved greater scale then they may be able to take actions by increasing price pressure which could adversely impact MANRAGS Holdings Ltd market shares, sales volumes and/or operating margins.

Reliance of Key Management

The responsibility of overseeing the day-to-day activities and the strategic management of the Company depends substantially on its senior management and its key personnel.

Supplier Risks

MANRAGS Holdings Ltd sources materials and products from third parties and uses contract

services for manufacturing, packaging, delivery and distribution. Should a supplier be unable to supply materials or contract services, there is no certainty that MANRAGS could source comparable products or services at the same price or at all.

The MANRAGS Brand

The Company's brands and its image are key assets to the Company. Should the brand or image be damaged in any way or lose its market appeal, the Company's business could be adversely impacted.

Intellectual Property

The commercial value of Company intellectual property is dependent on legal protections provided by copyright, confidentiality, trademark, trade secrecy laws and other intellectual property rights. These legal mechanisms, however, do not guarantee that the intellectual property will be protected or that the Company's competitive position will be maintained.

Unforeseen Expenditure Risk

Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure plans of the Company. Possible examples might be unexpected increases in costs of raw materials or availability of materials required.

Economic and Financing Risks

General economic conditions may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

2.6

Financial information

The following financials regarding FY 30 June 2019 have been prepared by Chronos Private in accordance with accounting standards. Financial information for the 10 months to April 2020 has been included, prepared on the basis of management accounts so may be subject to change.

2.6 Financial Information

2.6.1 P & L Statement

Account	April 2020 (10 mths)	2019 (12 mths)	2018 (12 mths)
Sales & Revenue			\$
Total Sales & Revenue	796,861	645,522	537,210
Cost of Goods Sold			
Cost of Goods Sold	107,994	149,004	128,283
Freight & Courier	96,363	43,877	53,199
Freight Forwarding Expenses	25,887	23,021	0
Merchant & Platform Fees	19,181	119,400	0
Gross Profit	547,436	335,302	355,729
Operating Expenses			
Advertising & Marketing	176,745	203,286	93,409
Consulting & Accounting	34,606	48,934	52,403
Capital Raise Expenses	0	24,918	0
People	446,056	329,054	120,000
Fixed Costs	27,273	57,413	32,938
Product Development	14,521	0	0
Subscriptions	0	10,171	
Technology - Software	2,628	0	0
Regulatory Fees	8,417	0	0
General Expenses	62,255	53,871	21,236
Travel Expenses	1,367	20,315	3,098
Total Operating Expenses	773,868	747,962	323,083
Net Profit	(226,432)	(404,732)	32,646

2.6 Financial Information

2.6.2 Balance Sheet

Account	30 April 2020	30 June 2019	30 June 2018
<u>Assets</u>			\$
Current Assets			
Cash and Cash Equivalents	128,107	136,260	0
Inventories	284,493	301,654	27,337
Total Current Assets	412,600	437,914	27,337
Non-current Assets			
Property, plant and equipment	0	86,460	0
Total Non-current Assets	0	86,460	0
Fixed Assets			
Motor Vehicles	106,872	101,480	0
Motor Vehicles - Accumulated Depreciation	(20,412)	0	0
Office Equipment	45,002	17,430	2,957
Less Accumulated Depreciation on Office Equipment	(30,525)	(17,430)	0
Total Fixed Assets	100,936	101,480	2,957
Total Assets	521,690	625,794	34,548
<u>Liabilities</u>			
Current Liabilities			
GST	(12,788)	0	3,618
Hire Purchase - Motor Vehicle	101,480	0	0
PAYG Withholdings Payable	30,236	0	0
Superannuation Payable	28,548	0	0
Trade and other Payables	0	134,610	0
Total Current Liabilities	147,476	134,610	3,618
Non-Current Liabilities			
Leases and Hire Purchases	0	101,480	0
Total Non-Current Liabilities	0	101,480	0
Total Liabilities	147,476	236,090	3,618
Net Assets	374,214	389,704	30,930

2.6 Financial Information

2.6.3 Cash Flow Statement

Account	April 2020 (10 mths)	2019 (12 mths)	2018 (12 mths)
Operating Activities			\$
Receipts from customers	796,860	678,541	544,901
Payments to suppliers and employees	(1,071,465)	(1,049,312)	(567,148)
Cash receipts from other operating activities	(47)	(15,093)	(8,768)
Net Cash Flows from Operating Activities	(274,651)	(385,863)	(31,014)
Investing Activities			
Proceeds from sale of property, plant and equipment	0	33,507	17,430
Payment for property, plant and equipment	(15,139)	(119,444)	(14,472)
Other cash items from investing activities	13,230	(238,295)	(87,533)
Net Cash Flows from Investing Activities	(1,910)	(324,231)	(84,576)
Financing Activities			
Other cash items from financing activities	583,104	734,952	128,794
Net Cash Flows from Financing Activities	583,104	734,953	128,794
Net Cash Flows	306,544	24,859	13,203
Cash and Cash Equivalents			
Cash and cash equivalents of beginning of period	8,154	(16,705)	(29,908)
Cash and cash equivalents of end of period	14,697	8,154	(16,705)
Net change in cash for period	6,544	24,859	13,203

2.6.4 Statement of Change in Equity

Account	30 June 2019	30 June 2018	30 June 2017
Equity			\$
Retained Earnings			
Retained Earnings/Accumulated Funds	30,766	0	22,961
Current Year Earnings	(404,732)	32,646	7,968
Issues Share Capital	662,250	0	0
Total Retained Earnings	389,704	0	22,961
Total Equity	389,704	32,646	30,930

2.6.5 Management Comments on Historical Performance and Future Growth

Future Growth

In summary, by executing our plans, funded by the proceeds of this capital raise, and based on several assumptions explained below, we estimate revenue for the 2020/21 financial year could increase by approximately 70% to AUD \$1.6m.

Management estimates this will comprise approximately 53% of direct to consumer recycling, and 47% of product sales revenue.

We also have an active pipeline of \$1.5m in partnerships which we expect a portion to flow through to our revenue lines. This forecast does not include any inactive pipeline partnership activity

Customer Acquisition

From July 2019 through to April 2020 we have experienced a 97% decrease in cost per acquisition which has been consistent for the last 9 weeks through to June. Management believe that whilst we can expect to see this shift throughout the year, increased awareness through the partnership model should continue to support a market leading cost per acquisition in 2021.

An average of 350% return on marketing spend has been experienced since the introduction of textile recycling peaking during the seasonal gifting period to 650%.

Impact and Awareness

The quarter following our launch of our sock recycling program saw a 169% increase in revenue.

In the height of the Covid Pandemic, our launch of our textile recycling offering experienced a 129% increase on the previous quarter.

Management view the growth of direct-to-consumer (D2C) recycling will continue as it is still in its infancy and awareness of the offering becomes greater.

Diversified Revenue

As textile recycling and landfill impact continues to rise in Australia, we believe that the mix of recycling and product sales as a contribution to revenue will continue to shift in favour of recycling. The current contribution is 29% recycling and 71% product sales.

Our gross profit product margin is between 52% and 83%.

Direct to consumer recycling is delivering a gross profit of 46% per transaction. In addition to this, of these customers, 43% then make an apparel purchase within 30 days.

Corporate partnerships currently demonstrate a 68% gross profit on recycling and the least OPEX cost. Currently, active negotiations for 2021 are showing this revenue stream as exceeding the direct to consumer model for 2 of the 4 quarters in 2021. The minimal existing waste and recycling offerings in Australia provide the company with great opportunity to focus on making a greater impact through a more streamlined and lower cost model to deliver.

Margin Opportunity

Tweaks and a focus on our product offering and a greater focus conversion has seen a 217% increase on average customer spend.

A broader offering inviting a wider audience to purchase product can and is expected to deliver an increase on conversion and revenue performance.

2.6 Financial Information

2.6.5 Management Comments on Historical Performance and Future Growth

Operational Efficiencies

Freight and courier expenses have previously consumed between 10-16% of total Cost of Goods Sold. We have negotiated greater freight forwarding rates for our recycling program which have resulted in a 48% decrease on the first 5 months of 2020. Additionally an investment in product and forward planning should see a 3x saving on inbound freight from our manufacturers as we move from air freight cargo to sea freight.

Based on the experience gained over the last 4 years born from our subscription model, we have a streamlined model for forecasting stock requirements. As we see a swing to more one-off purchases we're carefully managing our ordering to ensure minimal over production. Our inventory days for subscription products is less than 90 days. The launch of our plain socks and children's sock range saw a return on investment in 3 days and 8 days respectively with both products selling out.

Realised Life Time Value

MANRAGS has realised all revenue to date. Lifetime Value of customers is experienced over 2-3 years. The opportunity exists to realise and produce greater value per customer through a nurture and engagement model which has proven successful over the course of MANRAGS existence. The average product subscription has a 9 month recurring revenue.

2.6.6 Executive and Directors Remuneration

The annual salaries for Senior Executives and Directors remuneration are outlined below.

		\$
Michael Elias - Executive Director (Managing Director)	80,000	
Islam Hassan	Nominal 10,000	
Michael Saunders	Nominal 10,000	

Section 3: Information about the offer

MANRAGS Holdings LTD. is offering up to 1,000,000 shares at an issue price of AU \$2.00 per share to raise up to \$2,000,000.

The key terms and conditions of the crowd-sourced funding offer (Offer) are set out in Table below. To participate in the Offer, investors 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. www.birchall.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.

3.1 Terms of the Offer

Term	Details
Shares	Fully-paid Ordinary Shares
Price	AUD\$2.00 per share
Minimum Subscription	AUD\$400,000
Maximum Subscription	AUD\$2,000,000
Minimum Parcel Size	AUD\$250
Maximum Parcel Size	AUD\$10,000 (Retail Investor)
Opening Date	25 June 2020
Closing Date	16 July 2020

Rights associated with shares are covered in the next section. 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 crowd-sourced funding offer document.

3.2

Rights associated with the shares

Immediately after issue, the shares will be fully-paid shares. There will be no liability on the part of shareholders and the shares will rank equally with the other ordinary shares currently on issue. The rights associated with the ordinary shares are set out in MANRAGS Holdings Ltd Constitution.

A summary of these rights is set out below.

- To receive notice of and to attend any general meeting of MANRAGS Holdings Ltd.
- To vote at any general meeting of MANRAGS Holdings Ltd. on a show of hands, and on a poll, on the basis of one vote for each share held
- To receive dividends
- To participate equally in the distribution of the capital and surplus assets of MANRAGS Holdings Ltd. (being any assets left over after all debts have been paid) in a winding up or reduction of capital of MANRAGS Holdings Ltd.

3.3

Use of Funds

Money raised through crowd funding will be used to:

1. Increase Marketing and Brand Awareness.
2. Increase our product offering.
3. Operating Expenses

The table below sets out the intended use of funds raised under this Offer based on the minimum and maximum subscription amounts.

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

The costs of the Offer include the Intermediary's fees under the hosting agreement between the Company and the Intermediary. These fees are up to 6% of the total raised amount, plus \$2,800 for administration and setup costs.

Intended Use	Minimum	Maximum
Marketing & Brand Awareness	\$124,000	\$598,000
Product Offering	\$60,000	\$280,000
Operating Expenses	\$189,200	\$999,200
Offer costs	\$26,800	\$122,800

Section 3: Information about the offer.

Other than as specified on the previous page, 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 short-term objectives over the next 12-18 months.

If only the Minimum Subscription amount is raised, the company will still be viable, but growth will progress at a slower pace.

3.4

Details of previous CSF offers

In July 2018, MANRAGS launched its first CSF Offer. At that time, the Directors were Michael Elias, David Lawn, Antony Spielvogel.

In the first CSF offer, MANRAGS offered up to 1,800,000 fully-paid ordinary shares at an issue price of \$0.50c per share to raise up to \$900,000. That CSF offer was completed reaching \$363,000.

3.5

Investor Rewards

As part of our Tiered Investment structure, you’ll receive a box of socks, clothing recycling collections, or a year-round discount depending on your level of investment. This discount will allow you and five of your closest friends or family to purchase MANRAGS products year-round at a reduced price.

Tier 1

AUD\$250+



Socks to the value of \$50

Or



2 X Recycling Collections

Tier 2

AUD\$1,000+



Socks to the value of \$100

Or



Socks to the value of \$50

+



2 X Recycling Collections

Tier 3

AUD\$10,000+



Socks to the value of \$100

+



30% discount for life

+



2 X Recycling Collections

3.6

Early Stage Innovation Company (ESIC)

From 1 July 2016, if you invest in a qualifying early stage innovation company (ESIC), you may be eligible for tax incentives. The incentives provide eligible investors, who purchase new shares, with:

- a non-refundable carry forward tax offset equal to 20% of the value of their qualifying investments. This is capped at a maximum tax offset amount of \$200,000 for sophisticated investors and their affiliates and \$50,000 for retail investors and their affiliates.
- a modified capital gains tax (CGT) treatment, under which capital gains made or accrued on qualifying shares that are continuously held for at least 12 months and less than ten years are exempt from CGT. Capital losses made or accrued on shares held less than ten years are also disregarded.

More information about the ESIC regime is available from the ATO website here - <https://www.ato.gov.au/Business/Tax-incentives-for-innovation/In-detail/Tax-incentives-for-early-stage-investors/>

Based on an objective self-assessment with the assistance of advisors, the Company has assessed itself and believes that it meets the criteria as a qualifying ESIC for the purposes of this Offer. Investors who purchase new shares in qualifying ESICs may be eligible for certain early stage tax incentives.

The Company does not warrant or guarantee that it will qualify under relevant rules as an ESIC, and is not able to form a view or give investors tax advice as to whether they are eligible for any tax incentives. Neither the Company nor Birchall Financial Services take any responsibility for investors that invest on the assumption that ESIC will apply to them or the Company. We recommend that investors seek independent tax advice about their investment.

Section 4: Information about investor rights

4.1

Cooling-off rights

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 MANRAGS Holdings Ltd), you must do so within five business days of making your application (the Cooling-off Period).

You must withdraw your application via the Intermediary's platform by following the link and instructions on the CSF Offer page in 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.

4.2

Effect of the corporate governance concessions

4.2.1 Annual General Meetings

MANRAGS Holdings Ltd. is not required to hold an annual general meeting (AGM) for up to five years from its registration/conversion to a public company being 01 July 2018 (assuming MANRAGS Holdings Ltd. continues to meet the eligibility requirements). This means that shareholders will not be provided with an opportunity to directly question the directors and management in an open forum about the management, business operations, financial position or performance of MANRAGS Holdings Ltd., as this would usually take place at the AGM.

However, the directors of MANRAGS Holdings Ltd. may still be required to hold a general meeting in other circumstances, for example, where requested to by shareholders with at least 5% of the votes that may be cast at a general meeting.

If shareholders have any queries or concerns about MANRAGS Holdings Ltd., they should contact the company secretary directly: community@MANRAGS.com.au

Section 4: Information about investor rights.

4.2.2 Annual Report

MANRAGS Holdings Ltd. is required to prepare annual financial reports and directors' reports at the end of each financial year and lodge these with ASIC (within four months of the financial year end). MANRAGS Holdings Ltd. has a 30 June year end and its financial reports must be lodged by 31 October each year.

MANRAGS Holdings Ltd. will not be required to have its financial reports audited for up to five years from its conversion to a public company – being 1 July 2018. The directors of MANRAGS Holdings Ltd. are also required to make a declaration that the financial statements give a true and fair view of MANRAGS financial position and performance and that the financial statements comply with the accounting standards.

4.2.3 Distribution of Annual Report

Provided MANRAGS Holdings Ltd. continues to meet the eligibility requirements under the CSF regime, MANRAGS Holdings Ltd. 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 MANRAGS Holdings Ltd. website at the following address: www.MANRAGS.com.au or from ASIC.

4.2.4 Audit Exemption

Provided MANRAGS Holdings Ltd. continues to meet the eligibility requirements under the CSF regime, MANRAGS is not required to have its financial reports audited for up to five years from its incorporation as a public company – being 1 July 2018. This means that MANRAGS financial reports will not be subject to auditor oversight and, therefore, there will be no independent assurance of MANRAGS financial statements.

4.3

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 MANRAGS Holdings Ltd. 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. MANRAGS Holdings Ltd. and/or the Intermediary will also be able to respond to questions and comments posted by investors. Officers, employees or agents of MANRAGS Holdings Ltd. and related parties or associates of MANRAGS Holdings Ltd. or the Intermediary, may participate in the facility and must clearly disclose their relationship to MANRAGS' Holdings Ltd. 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.

Glossary

Glossary

Company or MANRAGS Holdings Ltd.

Means MANRAGS Holdings Ltd. ACN 626 303 955

Cooling-off Period

Means the period ending five 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

Means crowd-sourced funding under Part 6D.3A of the Corporations Act.

Digital Native Vertical Brand (DNVB)

Is a brand born online with a “maniacal” focus on the customer experience. While a DNVB may start online it often extends to a brick-and-mortar manifestation. Unlike typical e-commerce companies, digitally native vertical brands control their own distribution.

Maximum Subscription

Means the amount specified in this offer document as the maximum amount sought to be raised by the Offer

Minimum Subscription

Means the amount specified in this offer document as the minimum amount sought to be raised by the Offer.

Offer

Means an offer of fully-paid ordinary shares by the Company under this offer document.

Subscription Business Model

Is a business model where a customer must pay a subscription price to have access to a product or service. The model was pioneered by magazines and newspapers, but is now used by many businesses and websites.



MANRAGS

#thetimeisnow