



Investment Memorandum

May 2019

"There is no shortage of problems to solve in this world - we want to do something that matters. To show you can do good and good business at the same time."

- Samantha Jones, Founder, Little Yellow Bird

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little
yellow
bird





Why We're Here



10%

of all greenhouse gas emissions are caused by the fashion industry.



111 km

Making and washing one pair of jeans emits the same CO₂, as driving 111 km.



3 in 5

items bought are thrown away within one year.



2,000

Washing one synthetic garment releases approximately 2,000 plastic microfibers.



120 million

trees are cut down every year to make clothes.



up to

12%

of the world's pesticides are used in cotton farming every year.





Letter from the Founder

I've always believed that business can be used as a force for good, and that you can make a profit without compromising people or planet. Little Yellow Bird exists as a sustainable fashion label to prove that producing ethically made clothing is not only achievable, but that it can succeed.

In four short years we've accomplished more than we ever thought possible; we've also learnt a lot from our mistakes. I know this has made us all the more resilient, and ready to tackle any challenge that comes our way as we continue to stoke change in the industry.

We now supply over 400 amazing values aligned organisations with their uniforms and branded products, both here in New Zealand, and internationally. We source high quality raw materials, ensure those in our supply chain are treated and paid fairly for the work they do, and are constantly looking for ways we can do better. We are a certified B Corporation, a living wage accredited employer, and donate to environmental and social impact projects that share our vision.

We have always been committed to sourcing organic rain-fed cotton, and are passionate about campaigning and promoting its benefits, from reducing reliance on water to eliminating the need for chemical pesticides. Last year alone we were able to save 20 million liters of water and 20,000 kg of pesticides from this single decision.

In 2018 we stopped accepting product from suppliers that came individually wrapped in plastic, and by the end of the year we eliminated plastic poly bags in our packaging. We collect and store our remaining plastic waste and are working with a local company to turn it into a custom furniture piece we have commissioned.

2018 also saw us move into our first proper warehouse space in Wellington, a 300sqm facility out in Lyall Bay. We love our new home and finally have the space we need to store stock! This year we're excited to build on what we've already created and continue to develop and improve our product offering. We are excited by the prospect of bringing on new ambassadors in the form of equity crowdfunders and for you to help us grow what we hope will become one of New Zealand's most loved brands. Bootstrapping our growth has been a pretty tough ask for a fledgling product company, but we are a resourceful team that can achieve a lot with very little.

We want to see Little Yellow Bird really fly and hope that together we can reach new heights in 2019 and beyond.

Samantha Jones
Founder / CEO



Our Offer to Shareholders

\$1
per non-voting
share

\$300k
minimum
investment

\$750k
maximum
investment

\$500
minimum
pledge

maximum investment
equates to

18.1%



Our vision for the future

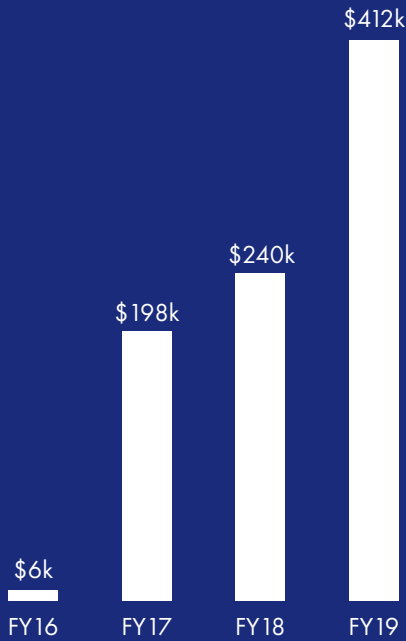
To see the fashion industry transformed into a circular economy - from ethical production to conscious consumption.

Our mission

To craft exceptionally made garments that are good for people and planet.



Our Story



REVENUE GROWTH SINCE 2015



Recognised as
Young New
Zealand Innovator
of the year 2017



20,698,326

MILLION LITRES
OF WATER SAVED
IN 2018



20,698

KG OF
PESTICIDES
SAVED



400

VALUES
ALIGNED
CUSTOMERS

Countries sold in





Company Background

Nice to meet you

Little Yellow Bird makes clothes - beautiful, ethically made clothing and corporate workwear. Our ambition is to be New Zealand's most loved brand and go-to company for ethically made apparel. We're raising capital to help us scale even further: to increase our market reach, grow our sales and leadership team, and expand into new markets. We've always operated lean - and we're planning to keep that spirit alive as we grow. Every dollar we spend is done with the purpose of creating change across the fashion industry.

Why we're different

We have an absolute commitment to ethical manufacturing. We track every single item of clothing from source to sale, and we ensure we have transparency across the entire supply chain for our products. We know how the cotton is grown, where it is spun and prepared, and the wages at every factory we use. We deliver a customised impact report to every customer to show water and pesticides saved and number of fair-trade labour hours their orders generated. We're also building partnerships to develop recycling programs for end-of-cycle clothing - leading the shift to a circular economy.

Little Yellow Bird specialises in 100% organic rain-fed cotton products: t-shirts, hoodies, hospitality aprons, business shirts, dresses, bags and tea-towels. We sell white label products to ethical fashion labels around New Zealand and internationally. We also create bespoke cotton products for all kinds of clients - we've done projects from socks to tablecloths to school uniforms. Basically if it can be made from cotton, we can make it happen.

With your support

We've learned how to deliver real impact in the corporate sector and we're excited to expand that footprint in the next five years. Our main areas of growth will be:

- Expanding into more international markets
- Building partnerships with large organisations, like schools, hospitality groups and event staff

Going mainstream

Little Yellow Bird has huge potential and our focus over the next three years is to build on the work we have already done in bringing sustainable fashion to a mainstream audience.



Our Products

We create products that we believe in and that people and businesses love. All of our products are 100% organic and ethically made - from casual t-shirts to aprons to tote bags.





Business Milestones

Mar 2015

Foundation and testing

Founded in Christchurch in 2015 whilst studying at the University of Canterbury Samantha tested the concept, gained a handful of early customers and travelled to India to meet with future suppliers and learn about the industry firsthand.

Feb 2016

Accepted into LLXX Accelerator

Relocated to Wellington to take part in Lightning Lab XX, New Zealand's first female focussed accelerator program.

Mar 2017

Our first export deal!

Signed our first export deal to deliver 500 shirts to a company based in the USA.

Dec 2017

We got a real office!

Moved out of our coworking space and into our first ever office, a tiny first floor sublease on Vivian St.

Apr 2018

We shared our impact

Released our first ever impact report which was widely distributed throughout New Zealand and overseas.

Dec 2018

We got a warehouse!

Moved into our own 300sqm warehouse facility in Lyall Bay.

Jun 2019

You joined the team

Launched our first equity crowdfunding campaign.

We use rain-fed organic cotton grown in the Orissa region of India.



Farmers use natural farming techniques and operate under a cooperative model.



The cotton is then transported to the local ginning mill.



Where it is separated based on quality and staple length.



The ginning process separates the cotton boll from the seed.



This is a zero waste process with the seeds later used to make cotton seed oil.



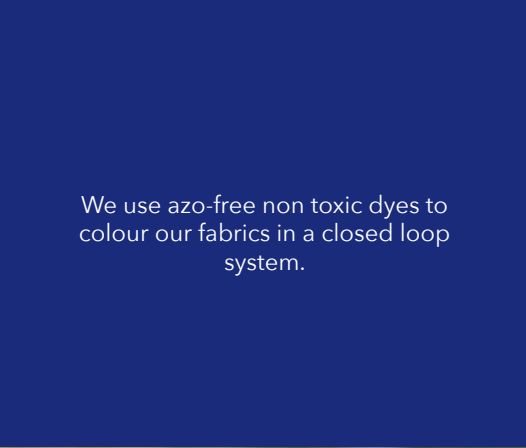
The cotton is turned into bales and transported to the spinning factory.



Where it is rolled into tubes and then thinned down into fine cotton threads.



The cotton is then woven or knitted into fabrics depending on the type of fabric needed.



We use azo-free non toxic dyes to colour our fabrics in a closed loop system.



95% of the water we use is returned to drinking quality which we have tested ourselves.



Once the fabric is finally ready it can be cut into garments.



As you can see stitching is just one of many steps in a garment supply chain.

Each product is checked in the finishing process and packaged, ready for shipping.



We ship all of our products rolled up with cotton tapes.







Our Amazing Customers

Little Yellow Bird started out as a supplier of sustainably sourced uniforms and workwear. Over a few short years, we have built up an impressive customer base providing uniforms for over 400 companies. We consider our customers as partners and take care to work with values aligned organisations. We specialize in events, hospitality, and corporate uniforms, as well as the odd bespoke project.

Meet a few of our valued partners:





FRESH



COMMON SENSE
25
YEARS
OF
TEAM





Sharing the Love

Our customers love tagging and singing about us on social media. We've seen a positive effect in sales from friendly referrals like these - and we love that they love wearing Little Yellow Bird!

@LYB_uniforms

facebook.com/littleyellowbirdnz

@lyb_uniforms



"LYB helped me out so much in organising event t-shirts for Startup Weekend Wellington earlier this year. **Great quality tees with a really vibrant colour**, and super helpful in advising for the best size choices and turnaround times so that our tees arrived right in time for the weekend. Really positive feedback from our organising team :) Thanks so much"



"Really nice quality clothing and a very affordable price for something ethically made. **Super quick to post, I've never felt such a soft t shirt**, our family will be buying all tees here from now on!"



"I bought the denim apron, and am super-impressed. Not only did it arrive the next day, but **beautifully wrapped (in paper!)** and I LOVE it. Robustly sewn, strong while feeling soft to wear, great design; a really high quality product for a very reasonable price. Will definitely be back..."



"The softest, most cuddliest, **environmental friendly, ethically produced** clothing you will ever buy hands down. We have worked alongside LYB across multiple events and can say **they deliver - full stop**. If you haven't tried their clothing, you're missing out. What are you waiting for?!"





The Market

Little Yellow Bird manufactures products for a range of industries. As we have had the most success in the hospitality and events sector, we will be focusing our efforts in this market over the next 12 months.

Opportunities



Hospitality

With a growing trend for cafes and restaurants to offer local, organic and ethical practices, our uniforms are a natural fit within this industry. Over 130,000 people are employed in the NZ hospitality industry. Capturing even 1% of this market could represent \$1,040,000 in revenue.

Hospitality employees

NZ 130,000	AUS 730,000	UK 3,200,000
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Schools

We get multiple emails each week from parents wanting more natural and ethical options for their kids uniforms. This year we've begun supplying schools. We expect this to open up a whole new market from 2020 onwards.

Primary & secondary schools

NZ 2,500+	AUS 9,000+	UK 32,000+
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Online

We provide most of our wholesale and uniform products on our online e-commerce store for individual sale. We've found it to be a great way of moving all sorts of products - everything from factory seconds to limited edition pieces from short-run fabrics. Our online sales have doubled year on year, so we are particularly looking to invest more in this area of the business over the next two years.



Our entrepreneurial spirit

Little Yellow Bird has always been able to react quickly to opportunities. We predict that there will be other markets we may wish to enter if the right opportunities present themselves. We have our eyes on homewares and maternity.



Measuring Impact

We have achieved so many things together with our customers in FY18. We provide tailored impact reports with every order, showing the difference each conscious purchase makes so customers can start telling their own sustainability story.



20,698 kg

of pesticides not used in the farming process



20,698,326

litres of water saved



95.0%

of the water used in our factories is returned to drinking quality



183 kg

of plastic saved by cutting out individually wrapped packaging





Valuation & Share Breakdown

The valuation of Little Yellow Bird Limited was undertaken by the Company Director with internal and external advice. We have considered how the targeted fund raise would affect the turnover and growth of the business and determined a long-term view for Little Yellow Bird. We have used a number of conventional models to determine business value. We feel that our current valuation is well-considered and reflects our understanding of and belief in the business.

We are valuing Little Yellow Bird at \$3.4 million and looking to raise a minimum of \$300,000 up to a maximum of \$750,000. We have based our valuation on a four times revenue multiplier of our silver forecast which we anticipate to be \$850,000 NZD.

We have based our forecast on existing contracts, relationships with our current customers, a healthy pipeline and plans to grow our sales team. Uniforms are largely a repeat purchase item, and we have also recently signed a contract with our first school which will be delivered by the end of 2019. This market represents a growth opportunity for Little Yellow Bird and we aim to invest more heavily in this market from 2020.

The valuation may be affected by future circumstances out of our control.

Shareholder	Pre-raise		Post-raise (assuming 750K raised)	
	# of shares	%	# of shares	%
Samantha Jones	3,196,000	94.0%	3,196,000	77.0%
Lighting Lab XX	204,000	6.0%	204,000	4.9%
New investors			750,000	18.1%
Total	3,400,000	100.0%	4,150,000	100.0%



Share Packages

Package A

Investment: \$500 - \$4,999

Package Contents:

- Part ownership in Little Yellow Bird
- 10% discount off any products purchased through the retail section of our online store
- Complimentary invitation to our annual birthday celebration and AGM
- Limited voting rights limited to significant decisions as per our constitution
- Equal share of dividends and distributions

Package B

Investment: \$5,000 - \$34,999

Package Contents:

- Part ownership in Little Yellow Bird
- 20% discount off any products purchased through the retail section of our online store
- Complimentary invitation to our annual birthday celebration & AGM
- Limited voting rights limited to significant decisions as per our constitution
- Equal share of dividends and distributions

Package C

Investment: \$35,000+

Package Contents:

- Part ownership in Little Yellow Bird
- 20% discount off any products purchased through the retail section of our online store
- Complimentary invitation to our annual birthday celebration and AGM
- Invitation to join us on a supply chain tour in 2020 (travel and accommodation not included)
- Full voting rights on all shareholder decisions
- Equal share of dividends and distributions



Returns

- Currently no dividends are paid to shareholders. Over the next few years, we plan to invest heavily in growth. We hope in future to return financial value to our shareholders in the form of either dividends or capital gain through a profitable acquisition of Little Yellow Bird.
- The board doesn't have a pre-determined view on how / if we'll exit, but would be open to discussion about potential exits in the future (including trade sales, listing, etc).

Shareholder communications

- In addition to meeting all legislative reporting and disclosure requirements the Director aims to prepare a special shareholder report twice annually to keep shareholders updated with the progress of the business and outline the plans for the business and any other matters arising that have the potential to affect shareholders.

Trading shares

- Shares are illiquid which means they can't be easily traded on the open market.
- If shareholders do want to buy or sell shares, you can register your interest with us and we can manage the buying and selling of shares if there's interest.



Use of Capital

What we need	If minimum is raised	If maximum is raised	What it will enable us to do
New staff: operation manager & customer service	\$130,000	\$300,000	Sales staff is our key to growing Little Yellow Bird, we also want to hire a customer service super-star to ensure we provide the very best support to our customers and enable our sales staff to focus purely on sales. If we reach our maximum, we would also love to employ an operations manager to take over the day to day running of the office, we hope to identify a suitable candidate by mid-year.
Advertising, branding & PR	\$20,000	\$60,000	We have always operated with an almost nonexistent advertisement budget and driven PR internally. We want to invest more in this area and create more collateral to support our sales staff.
Product & market development	\$5,000	\$40,000	Whilst our product range isn't particularly seasonal we do release new products periodically. This is generally aligned with demand and requests from customers. We aim to release six new products over the next 12 months plus offer some more inclusive sizing options.
E-commerce platform	\$5,000	\$20,000	We want to change up our website and make our product offerings more clear, primarily differentiating between our individual market and our uniform/wholesale market. What we spend and the features we develop will depend on our raise but at the very least an updated site will enhance our efficiency and functionality making bulk purchasing easier for our customers.
Working capital & stock	\$115,000	\$250,000	Predominantly moving from air shipment to sea shipment for the transport of our goods has reduced our shipping costs and environmental impact. It does mean that we have more money tied up in stock. We would like to reduce some outstanding loans, and alleviate pressure on our supply chain by having more stock on hand. We have a speedy shipping track record, yet have found that our lead-times are often a barrier for closing deals and would like to be able to change this.
Capital raise costs	\$25,000	\$80,000	PledgeMe fees, accounting, legal and promotional related costs.
Total	\$300,000	\$750,000	



Financials

Historic financials

	FY17	FY18	FY19
Revenue	\$198,038	\$240,820	\$412,772
Cost of goods sold	\$117,678	\$141,110	\$211,537
Gross income	\$80,359	\$99,709	\$201,235
Gross profit ratio	40.0%	41.0%	48.0%
Operating expense	\$61,964	\$96,551	\$217,438
Net profit/loss	\$18,395	\$3,158	-\$16,203

Balance sheet

Assets	FY17	FY18	FY19
Cash	\$745	\$44,744	\$1,168
Current assets	\$29,705	\$153,657	\$358,989
Fixed assets	\$1,330	\$665	\$332
Non-current assets	\$0	\$5,000	\$5,000
Total	\$31,780	\$204,066	\$365,489
Liabilities	FY17	FY18	FY19
Current	\$33,498	\$166,984	\$384,610
Non-current	\$0	\$40,000	\$0
Total	\$33,498	\$206,984	\$384,610
Equity	-\$1,718	-\$2,918	-\$19,121



Three year projection

Gold	FY20	FY21	FY22
Revenue	\$1,000,000	\$1,630,000	\$3,010,000
Cost of goods sold	\$550,000	\$896,500	\$1,655,500
Gross profit	\$450,000	\$733,500	\$1,354,500
Operating expense	\$486,820	\$621,820	\$782,820
Net profit/loss	-\$36,820	\$111,620	\$571,680

Silver	FY20	FY21	FY22
Revenue	\$850,000	\$1,300,000	\$1,900,000
Cost of goods sold	\$467,500	\$715,000	\$1,045,000
Gross profit	\$382,500	\$585,000	\$855,000
Operating expense	\$441,820	\$621,820	\$782,820
Net profit/loss	-\$59,320	-\$36,820	\$72,180



Commentary on financials

Revenue:

Revenue is based on current growth trajectory, assumption that our existing customer base will continue purchasing uniforms and the investment in additional sales personnel, marketing, and advertising will contribute to revenue growth.

Revenue assumptions

Gold	
Online sales	Online sales of \$20,000/month doubling year on year
Projects	Five projects per annum based on an average value of \$50K each
Wholesale / Uniforms	17 customers each month spending an average of \$2,500 (increasing to 30/month in FY21 and 60/month in FY22)

Silver	
Online sales	Online sales of \$12,500/month doubling year on year
Projects	Five projects per annum based on an average value of \$50K each
Wholesale / Uniforms	15 customers each month spending an average of \$2,500 (increasing to 25/month in FY21 and 35/month in FY22)

Gross Margin:

We have continued to increase our gross margin, we have conservatively based our financials on maintaining a 45% gross margin, however, it is likely this will increase as we continue to build scale and combine shipping.

Stock:

Over the past 18 months we have continued to invest heavily in stock, we see this trend continuing to enable us to meet increased customer demands. In the past, we have lost out on significant business opportunities due to not having sufficient stock in the country.





Meet the Team

Core LYB team



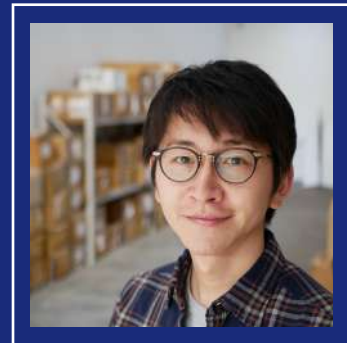
Samantha Rae Jones
Founder
CEO

Samantha manages the strategy, governance and finance of Little Yellow Bird. Samantha has a supply chain background having spent 6 years as a logistics officer in the Royal New Zealand Air Force. She now spends a large part of her role focused on sales and promoting the brand.



Priya Jha
Procurement Manager

Originally from India Priya is our procurement manager and spends her days liaising and coordinating customer orders with vendors, and ensuring quality assurance of our products. She also supports the operations of our team by assisting with design, patterns, and sales.



Shinya Furumaki
Business Service /
Logistics Assistant

Originally from Japan, Shinya brings calm and order to our team completing jobs before we even realise they need doing. Shinya wears many hats and manages our in-house logistics, customer inquiries, design requirements and generally keeps our office operating.

Advisory board



David Clearwater

Head of Operations at Storypark and supports Little Yellow Bird with strategy and business development.



Laurie Foon

Is the Wellington Regional Manager for Sustainable Business Network and supports Little Yellow Bird with strategy and all things sustainability.



Hannah Ross-McAlpine

Is a Commercial Manager at Trade Me and supports Little Yellow Bird with strategy and finance.



Risks

Copycat brands:

More and more apparel brands are adopting sustainable and ethical practices, we think this is great and it challenges us to be even more innovative.

Cashflow:

Cashflow in retail can be difficult to predict. We aim to increase online sales to cover a greater percentage of our operational expenses.

Disruption to operations:

We manufacture exclusively in India. To help mitigate this risk we are currently investigating suppliers in other regions to give us better business continuity.

Environmental contingencies:

Drought and climate change have the potential to effect our operations. Catastrophic changes are likely to have an effect on operations 12-18months post an event. We hold sufficient stocks to act as a buffer for short term contingencies however if a major event took place we may have to source cotton from other regions.

Loss of key staff:

We will continue to train our staff in multiple areas to diversify skills and continue documentation of our processes.



Warning statement

PledgeMe is licensed and regulated by the Financial Markets Authority, and the share offer made by Little Yellow Bird will only be available for acceptance through the PledgeMe website.

Equity crowdfunding is risky. Issuers using this facility include new or rapidly growing ventures. Investment in these types of business is very speculative and carries high risks. You may lose your entire investment, and must be in a position to bear this risk without undue hardship.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to offers by issuers using this facility. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.


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






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