



Millions of Books | Thousands of Topics | One Bookbarn

Incorporating **Cambridge Rare Books Ltd**

Information Memorandum December 2020



The Bookbarn video is here: <https://youtu.be/xRpegmtkEsg>

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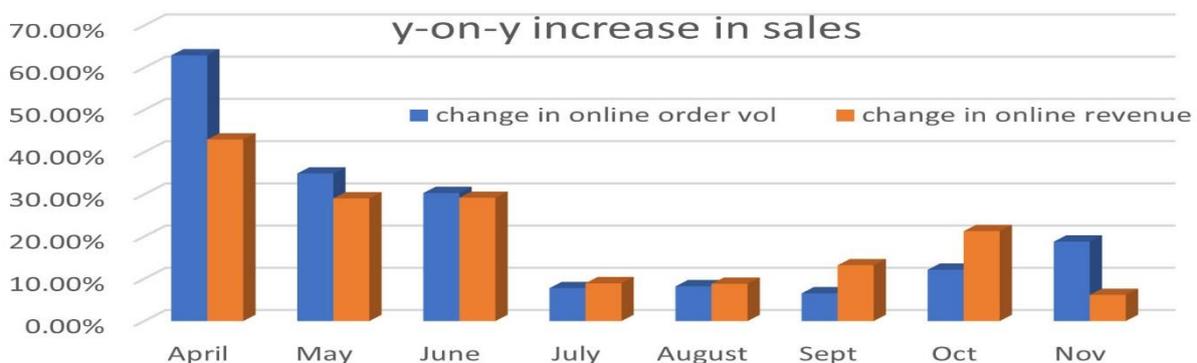
EXECUTIVE SUMMARY

On a valuation of £2.5 million, Bookbarn is raising £250,000 in equity through this Investment Memorandum as the first tranche of a financing round of £950,000. The funds will be deployed as a matter of priority as expansion finance on software and systems development, marketing, and - of paramount importance - sales and profit growth, both organically and by way of franchising and further aggregation. On its recent acquisition of Cambridge Rare Books Ltd ('CRB'), Bookbarn International Ltd has changed its name to Bookbarn International Group Ltd ('BBIG'). In the year to August 2020 BBIG had a revenue of £1.47 million which is forecast to double in three years. The revenue comes from selling hundreds of thousands of used, antiquarian and new books through its BooksbytheYard.com and Bookbarninternational.com websites, its large general shop, its Darwin Rare Book Room and through 15 different online marketplaces around the world (currently CRB lists on 6 such marketplaces).

Year to August	2020	2021	2022	2023
	<i>Actual</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
	£'000	£'000	£'000	£'000
BBI Online sales	1,189	1,482	1,806	2,168
BBI other income	280	433	510	582
CRB Sales		429	722	863
Total Sales	1,469	2,344	3,038	3,613
BBI Direct costs	903	1,152	1,369	1,627
CRB Direct Costs		245	422	507
Total Direct Costs	903	1,397	1,791	2,134
Gross Profit	566	947	1,247	1,479
Operating costs - BBI	465	646	742	807
Operating costs - CRB		160	190	200
EBITDA	101	141	315	472
Interest/financing	52	25	12	11
Depreciation	39	48	58	60
Profit Before Tax	10	68	245	401

Nick Bates, previously Sales & Marketing Director and Associate Publisher at Harper Collins joined BBIG in January 2019 as CEO Elect.

Whereas the UK economy has contracted significantly in the pandemic, BBIG's online business has seen steady increases every month since the pandemic hit in April 2020:



CRB is not based in East Anglia, but in the village of Cambridge in Gloucestershire, 50 miles from Bookbarn, and has roughly the same number of books online as does Bookbarn: circa 400,000. Working with the CRB staff, BBIG management have made significant progress in streamlining CRB processes and increasing profitability.

Bookbarn is based at the confluence of the A37 and the A39 in the Mendip hills in Somerset, ten miles south of Bristol. BBIG's popular café brings footfall to the shops while generating a profitable £102k in sales. The shops and café were closed for the lock-down for the 4 months from late March 2020, following Covid advice - the staff that ran these profit centres were furloughed - while online sales flourished. In the year to December 7th 2020 Bookbarn sold 207,906 used, rare and antiquarian books around the world and 145,644 through its shops and wholesale, as well as bulk sales. The used book market was predicted before the pandemic to grow by 8% a year; now, growth of 20% for the year seems likely.

Due to operating a fixed-price model and having less exposure on the internet, CRB's turnover was 25% of BBIG's in the same period. By pumping CRB's stock through BBIG's more advanced computer systems and processes, the management believe CRB's turnover can soon be doubled and then tripled. A key use of the investment sought with this document will be to fully integrate the CRB business model with BBIG.

MISSION STATEMENT

Bookbarn International Group Limited:

- is a high-tech business that sells hundreds of thousands of second-hand and antiquarian books, both locally and globally, saving them from landfill and incineration;
- works responsibly as it builds a community, both online and off, of lovers of new and used books, a community where staff, customers, colleagues, partners, suppliers and shareholders are valued;
- supports its customers in choosing to shop ethically, sustainably and economically so they can Read, Re-Use and Recycle;
- is a circular economy business that involves its customers and suppliers in doing what is good for the planet;
- aims to be the second largest seller of used and antiquarian books in the UK;
- seeks a listing on a British or European stock exchange by 2022.

THE BUSINESS

Bookbarn is re-inventing bookselling by finding new ways to connect a global community of book lovers with their next favourite read. BBIG has been trading since the year 2000 (in the current ownership since 2013). BBIG is seeking £250,000 (as the first tranche of a round of £950,000) for 9.09% of post-money equity. This will:

- 1) enable the Company to further enhance its algorithmic IT systems for cataloguing and distribution;
- 2) enable further tranches of the £950,000 round to be raised;
- 3) provide funding for further expansion, by way of additional acquisition and/or franchise development,

- 4) provide a social media and marketing budget, as well as plug the short term cashflow gap arising from the forced emergency closure of the café and physical shops in April and November.

Not only has BBIG created a strong brand combining leading-edge online technology with traditional bookselling but it has developed systems and software that manage the throughput of significant volumes of books.

After the enormous initial growth in ebooks, readers are now suffering from ‘digital fatigue’¹. The e-book revolution may have increased the overall size of the book market, but the growth in the new, printed book market continues at 5% a year while growth in the ebook market has now slowed down. The first signs of a backlash against the dominance of Amazon and Waterstones in the UK book market brings an exciting opportunity for the new kind of bookselling being developed by Bookbarn.

BBIG’s Books-by-the-Yard website provides a wholesale outlet for large volumes of books for a multitude of uses from film and theatre set-decoration, to interior design, pub, restaurant decoration and private libraries. This department also supplies partners in China with container-loads of books.

Complying with Government advice and rules BBIG closed its two bricks-and-mortar shops and café in March and April and again in November. The shops and cafe are integrated with BBIG’s global ecommerce business. Operating from its large ‘barn’ in the Somerset countryside they are, once more, establishing themselves as a-popular visitor destination close to the cities of Bristol and Bath in the Mendip Hills.

The Darwin Rare Book Room provides a profitable outlet for rare and antiquarian books acquired with the general inflow of used books. The general bookshop offers 150,000 books for sale at prices ranging from £2 to £40, while some Darwin Rare Books sell for hundreds of pounds. On re-opening, the café is trading on its previous popularity, serving a range of simple and healthy dishes.

The Bookbarn brand has been firmly established with local book lovers to the extent that around 25% of the books sold online have been donated, enabling the business to recycle far more books (and realise greater profit as a result) than do BBIG’s competitors who pulp sometimes as much as 80% of the books they take in. BBI keeps millions of books from being dumped in landfill. ‘Bookbarn International’ has been registered as a trademark with the Intellectual Property Office.

BBIG’s 3,250 square metre warehouse (the Barn) hosts the two shops, the online order processing department, some 750,000 books, and the café. At one end of the mezzanine floor is the separate business *Oriental Rugs of Bath* which pays rent and helps attract footfall to the building. The Barn is on the junction of the A37 with the A39 just south of Bristol. There are roughly 450,000 books in BBIG’s online stock; 50,000 waiting to be

¹ [report by Izard Publishing](#)

sorted added every month while the shops are making a further 150,000 available to the browsing public.

The average cost of books sold through all BBIG's channels is running at 6.9% of sales value whether the books are donated, bought with a deferred payment or purchased with an advance payment as sometimes occurs with bulk B-2-B purchases.

GROWTH BY ACQUISITION

The word 'Group' has been added to Bookbarn International's name now that it has made its first acquisition. In July 2020, Cambridge Rare Books Ltd (CRB) was acquired and management are now considering two other potential acquisitions. The first is another, larger book business whose business model is similar to BBIG's and whose profitable turnover is in the region of £2.5M. The second is a business that enables individuals, charities and organisations to build online 'books' to commemorate, celebrate and announce birth, death and other life events. They have a sterling list of blue-chip clients; the scalability of the concept is enormous.

CRB is a 'mass lister' similar to BBIG, based 50 miles from Bookbarn. Integrating this business into BBIG's well-honed systems is growing the CRB turnover at a low cost. Unlike BBIG, the public is not given access to CRB's warehouse in whose two floors books are tightly packed. CRB made £28,314 net profit on turnover of £326,179 in the year to November 2019. CRB's software was built by the team responsible for Bookbarn's Hub system, though some ten years ago. This means that integration of the two is relatively straightforward.

The deliberately cautious numbers shown on page 5 (no increase in CRB turnover until the year to August 2021) indicate that this acquisition will be of significant benefit to BBIG's bottom line. The map shows how the acquisition will increase BBIG's reach to cover a significant part of the South West of the UK.

Whilst offering 374,716 books for sale on fewer marketplaces than those in which BBIG operates, CRB's business model differs from Bookbarn's in two key ways: 1) More than half their books belong to some 20 antiquarian dealers who are charged a rent of 2 pence per book per month, though they discount some of these rents (a total of less than £3,000 per month at current stock levels). The dealers set the base price they want to achieve for each book, to which CRB would add their mark-up. This means dynamic pricing is difficult to implement for these



dealer books and, as a result, CRB doesn't operate it for any of them. CRB accounts to and pays dealers for any sales in the subsequent month. 2) CRB actually owns less than half the 374,716 titles they list, i.e. about 190,000 books, the rest belong to their antiquarian dealer clients.

The explanation as to why the volume of CRB sales is more than seven times smaller than BBI's:

1. CRB charges £3.60 post & packing per order where BBIG provides free shipping, integrating the shipping cost in the end price,
2. CRB does not use dynamic pricing software to make its prices competitive, and
3. CRB lists on fewer than half the number of marketplaces on which BBIG lists.

The application of an adaptation of BBIG's dynamic pricing algorithms to CRB's catalogue and the listing of it on all BBIG's portals will at least double the turnover that CRB's books generate. Importing CRB's listings into BBIG's more up to date system will be straightforward since CRB shares the same software engineers and has a similar data structure. The antiquarian dealers, with whom CRB works are being approached one by one with a view to establishing BBIG Vendor Contracts that will accommodate their minimum price requirement, whilst also shifting their stock more effectively.

BBIG is keeping CRB in its existing premises, operated by its existing staff with new recruits when necessary. The business model followed at Bookbarn (page 12) is being applied to CRB's operations. The overheads are low and BBIG is able to use its shipping contracts to distribute CRB's orders, saving at least £1 per order. In the 12 months to December 7th 2020, BBIG achieved an average monthly internet sale of £103,632 from a slightly smaller number of books than is listed by CRB. CRB's catalogue generated an average monthly revenue of £20,602, so it is not unreasonable to assume that, when pushed through BBIG's systems, CRB's stock can generate the same revenue as does BBIG's and significantly better profits, since CRB's overheads are much lower.

THE CIRCULAR ECONOMY

Bookbarn is a major player in developing a circular economy whereby very few resources are required to provide the products it sells, 90% of which are second, sometimes even third hand. Sometimes the Company finds it is reselling books that it has already sold more than once before! BBIG will be using online marketing channels to educate its customers about the circular economy and the positive impacts of donation and sales therein. BBIG operates a local-is-global model, where a customer-friendly outlet and drop-off station work with worldwide online distribution portals.



BBIG and CRB have built extensive supply networks of used, rare and antiquarian books for resale and recycling. Significant quantities of books are donated to the business as well as those purchased from key partners who have unique links academia and schools.

As a result, at least three hundred thousand books have found a new home in the last 12 months through BBIG's various channels (of which the 196,137 sales made online achieved an average order value of £6.48).

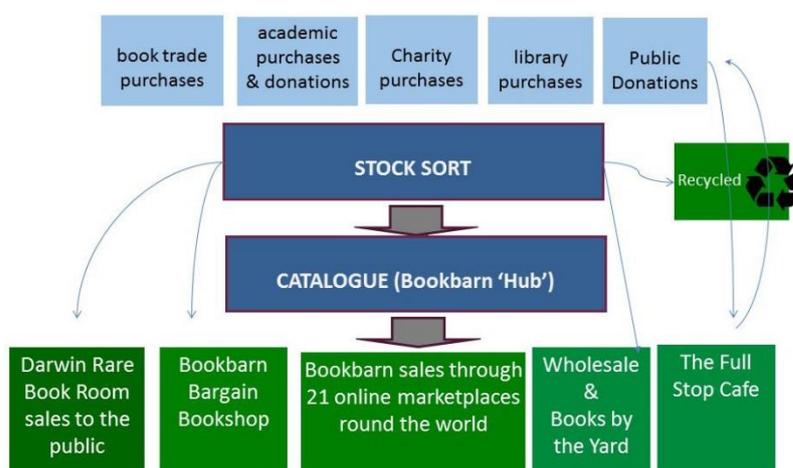
BUSINESS MODEL

Book Sorting & Cataloguing

Bookbarn acquires 40,000 books a month, mostly used, but a good proportion are remainders and overstocks in new condition. Stock is acquired from the sources shown below and then sorted as shown:

Many of the books are donated by the general public, while the rest come through agents who visit academics on BBIG's behalf, libraries that are destocking, charities, schools, etc

Because BBIG receives so many donations, unlike the competition, it is possible to keep the average cost of goods below 6.9%



The books are sorted into

- rejects for pulping because they are in such a bad condition;
- rejects that go into the main shop to sell for between £2 and £20;
- rare, antiquarian and valuable books that go into the Darwin Rare Book Room;
- stock for the internet that is sorted again to facilitate rapid scanning.

The sorting process informs the way in which a title is catalogued. Sorted books (both with and without ISBN bar codes) are scanned into BBIG's catalogue using metadata instantaneously provided by Amazon. BBIG has invested in rapidly increasing the quantity of books that go through 'fast cataloguing'. As a result, cataloguing output increased from the 18,216 titles in January 2019 to the 50,000 catalogued every month now.

Once catalogued books are put up into the shelving in the warehouse and listed on BBIG's 20 partner marketplace sites. Orders coming in are picked easily - the hub software knows where they are located.

They are packed as economically as possible and given to BBIG's couriers for delivery to the end customer. Online orders are shipped globally to individual customers, usually within 24 hours using the most economical of the several couriers employed by BBIG.

The company uses 'Hub' software developed by a small company that specialises in Marketplace Sellers or 'Mass Listers'. Its two core functions are 1) to manage stock listings on the 15 different platforms such that when the last copy of a title is sold, all reference to that book is removed from all the channels, and 2) its dynamic pricing function which is complex, but at root it undercuts the cheapest price it finds for the same book in the same condition by one penny. But this is nuanced in many ways with different product types; for example: the sales of academic reference and text books by known academic authors follow a precise seasonal timetable and BBIG has developed a system that holds prices way above the minimum in the summer so that this stock can achieve its best price at the beginning of the next academic year.

The Barn

BBIG's online activity makes up 80% of turnover. The other 20% comes from the shops, the café and wholesale business. BBIG rents the Bookbarn from a private landlord. The warehouse is ideally situated at the junction of two major roads to the south of Bristol and Bath and to the north-east of Wells and Glastonbury. These are all tourist destinations and BBIG benefits with increased traffic to the shop and café. The carpark outside the Barn can take at least 50 cars - a boon for BBIG's many customers.

Suppliers

BBIG is supplied with books by the general public, academics, charities, libraries and even competitors. They sell BBIG the occasional pallet of books to fit a need. The most important of non-book suppliers are couriers who distribute the 600 orders BBIG processes every day, packaging companies and local food companies for the café.

STRATEGY

Since around 90% of BBIG's internet stock comprises single copies of books, sales volumes are a direct proportion of the number of books catalogued. It is thus management's intention to grow its catalogue as fast as possible thus growing sales through online channels proportionally. This process is enhanced by promoting the Bookbarn brand as a leading global seller of used and antiquarian books. BBIG provides its customers with a tangible positive environmental impact, contributing to good causes at a local and international level. For Bookbarn to deliver this vision, the following core drivers of growth have been identified:

Acquisitions

The Board have begun to engage in discussions with another used-book company. Their turnover is in the region of £2.5 million. Their acquisition would deliver a total of over £5 million in sales and provide the Group with supplies of books from the whole of South

West England and South Wales. The owner is keen to do a deal and may be amenable to a nominal option premium to secure exclusivity.

There is also keen potential interest in participation and/or co-funding from an innovative, highly scalable bespoke creator and publisher of online books.

Listing

In order to facilitate further potential acquisitions, management has been in discussion with parties who are proposing to have the Group listed on a European exchange within the next 6-9 months. This would give any investment made through this document enhanced security and liquidity.

Expand the supply chain

To become a market-leading bookseller BBIG needs to raise the awareness of the business and drive donations as the central source of its books, starting in the South West, and then nationally. BBIG will also develop its 'vendor' program further (whereby books are paid for out of the revenue they create) to forge relationships with key partners who can fulfil niche demand to achieve greater revenue per unit.

BBIG will test in other areas, notably by developing charity connections before scaling this area up significantly. 'Book Banks' (bins or stalls where books can be deposited or converted into cash) will be developed as a means of reinforcing the donation stream whilst simultaneously raising awareness of the Bookbarn brand.

Enhance and own technological innovations

Bookbarn already uses state-of-the-art technology to drive its pricing algorithms and to put its books - whenever possible - ahead of competitors' titles at the point of purchase. Management aims to build on this both in terms of analytical expertise and investment in the technology. This will drive ever better decision making and automation, thus making the business as efficient as possible at every moment across a variety of global marketplaces. It is intended that BBIG eventually owns the technology or software IP.

In addition, the company will expand its routes to market: focussing on the BBIG website to ensure the brand is front-of-mind when people are considering both book donation and book purchase. Management is always focused on expanding BBIG's presence on existing marketplaces, adding new marketplaces and continuing to develop the Books-by-the-Yard wholesale business.

The Gathering and Use of Data

BBIG already collects a wealth of data that informs important performance indicators about its sales and profitability. BBIG can also draw on other sources of bibliographic data to observe trends in genre, format and other distinguishing features of books.

In the wake of recent GDPR legislation, the management is sensitive to the appropriate use of personal data, but that said, there is a significant opportunity for the careful and

strategic management of data on a large scale to help inform customers' purchase decisions.

Franchises

The local/global & physical/digital aspects of the business mean that it is a strong candidate for opening new geographical locations, probably within a bus ride of one or more universities. The franchises would share BBIG's hub software and benefit from the company's hard-won brand, expertise and reputation. In the current climate, franchising could be particularly appealing as a means of self-employment in a time of great uncertainty.

New Marketplaces

While BBIG lists its books on all the major marketplaces around the world, with this investment the Company will be able to undertake the software development that is necessary to list on the number of single and multiple territory marketplaces with which BBIG has yet to integrate. These include OnBuy, the fastest growing marketplace in the UK, Fruugo which launched in Finland and is available in 11 languages; SKUCloud a UK-based service that distributes product information; Flubit who use SKUCloud; Allegro in Poland; FNAC & CDiscount in France; Kaola.com, TMall and JD.com in China; Flipkart in India and more. Amazon has recently established language versions in Sweden, India and the Middle East.

FINANCIALS

BBIG has spent a number of years creating an infrastructure that can support significant sales increases without comparable increases in overheads. Specifically, the forecast levels of turnover can be achieved without a corresponding increase in staff levels. The increase in margins is primarily derived from an increase in the non-channel book sales which have a significantly higher margin not least because they do not incur channel charges and (in the main) transportation costs. Annual and Management Accounts plus detailed projections are available upon request.

VALUATION & EQUITY FINANCE

The Board values the group at £2,500,000 based on the projected pre-tax profit for the year to August 2023 of c.£400,000, the established Bookbarn brand, at least half a million books in stock and the scalability of the business. The Bookbarn International name has been trade-marked.

With this document the company is seeking an investment of £250,000 which would give investors 7.24% of the company at the above valuation, post money; this will enable it to grow the following core strengths, in addition to the acquisitions already mentioned:

- Further development (and potential acquisition) of the technology used to sell and dynamically price across different marketplaces and as the core of BBIG's business;
- The infrastructure to enable a significant increase in the number of books that can be processed and supplied;
- The team: growing the cataloguing and order fulfilment teams in line with the business as it grows, as well as critical expertise in analytics and marketing;

THE MARKET & MARKETING

The market for books has rarely been so vibrant as it is now, demonstrating the strength of the UK's English language publishing in what is the most published worldwide market. Bookbarn sells books globally through 20 ecommerce portals; the largest markets are in the UK and US; 40% of sales are exported. Whilst there are no official statistics for the size of the second-hand book market there is much evidence of an industry in growth. A survey by Statista found that in both the UK and US more than half of readers are choosing to buy more books second-hand than new.

Bookbarn's core market and area of significant growth opportunity is definitely online. *Looking back, in 1997, there were around a million books available on the web - at the time a seemingly huge number, but a fraction of the 140 million books available online today. Books still form a massive volume of online retail trade; research has suggested that 41 percent of people who shop online have bought a book through the web.*²

Patrik Oqvist from World of Books, the UK's largest second-hand book retailer, estimates that the market is growing by 8-10% a year and Nielsen who report on new book sales have reported year-on-year growth in the physical market for the 2nd year in succession as the market adjusts in the wake of digital transformation in the form of eBooks.

There is no extant analysis of the second-hand book market. BBIG's software developer who provides very similar software to some of BBIG's biggest competitors has recently become very bullish about the market activity he sees (he cannot name names, obviously). A simple way of calculating the rough size of the used book market is to say that there is a close relationship between new and used book markets. The former is growing by 5% at the moment with total physical book sales income up to £3.1bn last year (Publishers Association). If the used book sector were only 10% of this, £310m represents a significant addressable market. An informed analysis says there are around 10 marketplace sellers with more than £1m turnover whose main business is selling used books on Amazon and other marketplaces. Taking an average used-book turnover per company of £5m, a total for the top 20 of £100m is derived.

In the twelve months to December 7th 2020 BBIG sold 207,906 books online and a further 145,644 through BBIG's two shops plus 45 pallets (roughly 1,000 books each) of

² Wired Magazine

wholesale books for the Books by the Yard operation. A total of 386,181 books and an average of 7,437 books a week!

Besides the core business of online marketplace sales, the following streams are showing promise:

- Wholesale to a range of commercial companies and other institutions through www.BooksbytheYard.com.
- Antiquarian sales fulfilled from the **Darwin Rare Book Room**, special online stores and auctions.
- The bricks-and-mortar stores which are a key point of difference with BBIG's competitors who do not have any direct contact with the book-buying public and who pulp everything (about 80%) that doesn't meet their criteria for online sales. In its two customer-facing shops Bookbarn has an additional point of sale for books that would otherwise be pulped for a much smaller profitability.
- New products. The craft and handmade markets are seeing significant growth supported by new channels like Handmade by Amazon, Etsy and Not On The High Street. Books have always afforded greater opportunity for creative minds and growth in this area is no exception.

Territorial Growth

Targeting territorial growth is a strategically crucial part of BBIG's ambition to grow quickly. Whilst Amazon remains the dominant player in the UK and US, other platforms dominate in different global territories while new platforms frequently emerge. Bookbarn aims to have a presence wherever demand for English language books exists by organising our technology and systems to ensure consistent and profitable growth.

Bookbarn is already selling into China via an operator who runs his own online store and wholesale business. Bookbarn sees considerable growth potential in this huge market.

BBIG has recently completed a wholesale order to China worth £35k. Overseas sales (currently 40% of our online business) are important, not because the UK market is saturated but because the opportunities are there for the picking, largely thanks to the ubiquity of the English Language all around the world.

Marketing Strategy

With this investment the company intends to spend up to £250k to implement its strategic business development goals and aims:

- To keep the Bookbarn brand at the centre of all customer and donation contact;
- To keep Bookbarn front-of-mind as a destination for both the purchase and the donation of books by educating people around the circular economy through demonstrating action on good causes.
- To develop a website that delivers BBIG's values and understanding of the economy as well as becoming a significant sales channel.

- To further develop the BBIG website in a second phase using data feeds of new books that significantly increase the catalogue so that BBIG sells both new and old.
- To invest in digital marketing expertise in the form of remarketing for our own site and social advertising of both products and services. This digital marketing expertise will scale with our business and is relevant at a local level in overseas territories.
- To ensure our metrics for customer service place us at the very top of the industry.

The BBIG team has developed considerable expertise in the online market and provides excellent customer service. Besides responding in a timely manner across all global platforms, the team services online and bulk orders and has built significant repeat business through their excellent knowledge of the business in overview and our ability to supply almost any demand for books.

Brands

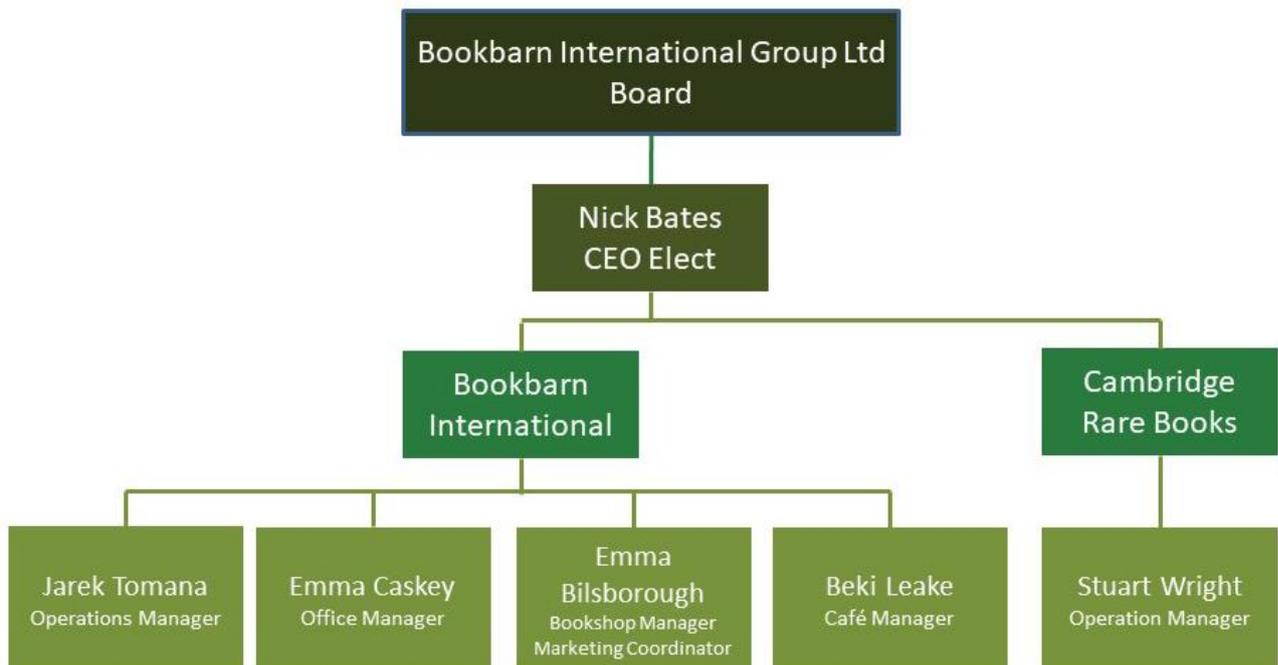
Bookbarn is aligning all its sales channels under the Bookbarn brand to deliver the greatest possible cumulative impact from the company's marketing and PR efforts. Currently Bookbarn communicates through various social media across its current channels as well as going offline at a local level.

The point of this activity after the virus has abated is to 1) organise leading events (music, book launches, talks) that significantly build and enhance the awareness of Bookbarn in the book trade and draw wider, reflected support as a result; 2) to use local event activity as a source for significant growth in the output from social channels on a global level and amplify this with a budget that scales with clear delivery of return on investment and expertise in using data to inform decision making.

Whilst isolated competitors have grown limited brand awareness, even those that have invested in marketing have done so in a very limited way and whilst many extol their environmental or charitable credentials, very few (if any) demonstrate their action back to the public or demonstrate any sense of ongoing engagement or growth.

In an era when individuals are actively seeking an outlet for their social and environmental conscience, Bookbarn is engaging through its online presence with its bricks and mortar stores. BBIG seeks to back this by focusing on digital marketing to amplify this message and the Bookbarn brand at both a global and local level.

THE Team



With the Covid closure of its shops and café, BBIG was employing 10 people, with a further 9 furloughed until the virus abated. BBIG is now back to 23 staff, equivalent to 16.7 on a full-time basis and a 15% reduction year-on-year. The team knows both the global online book market and the nuances of pricing, cataloguing and fulfilment on a large scale. BBIG has restructured to develop specialisms around dedicated work groups in these areas and are constantly reviewing operations to manage costs effectively.

In January 2019 the Board recruited Nick Bates as CEO elect. He has over a decade of experience at the top level of book publishing, direct to consumer sales and marketing and digital technology. His opening remit has been to refine and then execute this business plan. This is culminating in a greater degree of focus around creating operational excellence in the cataloguing and fulfilment team that is resulting in significant increases in the catalogue and sales throughput.

Many members of the team have been in place for some time and have excellent knowledge of BBIG's technology, software and systems and those of BBIG's competitors. Whilst the team seeks to make Bookbarn a destination where people know that their book-loving values and commitment are reflected, they also appreciate the positive impact BBIG has on environmental and charitable issues. This has circular feedback effects on the developments that can be made to the infrastructure in both key areas of cataloguing and fulfilment.

Keeping an appropriate balance between advancing BBIG's systems, warehouse and operations whilst keeping the headcount to an affordable level is a challenge. Management will do their utmost to ensure an optimal balance is kept so plans can be

achieved for scaling up while ensuring costs are such that profitability grows consistently.



BBIG's CEO Elect, **Nick Bates** played a lead role in the integration of Harlequin UK with HarperCollins UK following its acquisition in 2014. He went on to be promoted to Associate Publisher of the division under HarperCollins. Nick led both sales and marketing aspects of the Harlequin division amidst the launch of a brand-new trade imprint and relaunch of an established brand imprint. He launched, grew and oversaw all aspects of Harlequin (UK) digital products with growth exceeding forecasts over 6 years and out-performed industry growth.

Members of the Board are:



William Pryor, Chairman. After Trinity College, Cambridge, where he read Moral Sciences, William has worked in every aspect of the book trade, from writing to editing, publishing, marketing, wholesaling and retailing. He has worked with or founded: Bowes & Bowes bookshop, Cambridge; Airlift Book Company; The Green Catalogue, the UK's first environmental goods mail-order business; Arq, an early web development business; Floom.com, a business that attempted to market niche music online, but too early; and Raverat Ltd which markets William's grandmother Gwen Raverat's wood-engraving prints online (www.raverat.com). Among William's publications are *The Survival of the Coolest* and *Virginia Woolf and the Raverats*. William is a great-great-grandson of Charles Darwin.



Non-executive Director **David Leigh-Ewers** worked as a Management Accountant in both the UK and overseas before emigrating to Australia in 2002. For 15 years he owned and operated a training college that specialised in health and community services skills training. Returning to the UK in 2017 he contacted the Bookbarn after seeing Fenna & William's pitch on Dragon's Den. He invested in the Bookbarn and also provides valuable knowledge and suggestions as a Board member.

Shanshan Fan and Yanping Liu are Tier 1 Entrepreneur Visa investors (and therefore non-executive directors).



Company Secretary and Board Advisor **Matthew Dodson** worked at Touche Ross & Co from 1973 to 1976 after getting a B.Sc Econ at University College Cardiff. At Pridie Brewster he provided corporate finance & general management advice for a broad spread of SMEs. He was Senior Partner at Dodson Lifford Hall for 10 years, retiring in 2001. He founded Vicarage Ventures in 2004 to provide financial and development consultancy to a wide variety of high-growth businesses.

RISK AND SWOT ANALYSIS

The principle risk to BBIG's business is competition from other online media and booksellers and the maintenance of appropriate internal controls to manage profit margins on individual sales. The company's principal financial instruments comprise bank balances, trade debtors and creditors. Risk is constantly assessed; trade debtors are managed in respect of credit and cash flow risk and regular monitoring of amounts outstanding against time and credit limit. Trade creditor liquidity risk is managed by ensuring that sufficient funds are available to meet liabilities as they fall due.

Strengths

Well-established & profitable business
 Best ratings on Amazon, eBay, ABEbooks
 Unique integrated off and online operation
 Professional, well-motivated team
 Well-liked in the community and beyond
 Strong financial management
 Great café - frequently full,
 Decades of book industry & SME experience

Opportunities

Acquisition or partnerships
 Many un- or under-exploited territories:
 China, India, Australia, New Zealand,
 System adaptable for non-book products
 Antiquarian dealers need channels
 Academic books market not fully exploited
 BBIG franchisable
 Offline sales potential so far hardly tapped
 Potential acquisitions described above

Weaknesses

Staff turnover high
 Supply of good stock could dry up
 Cataloguing rate variable
 Staff working conditions in Barn could be improved
 Issues with legacy book data

Threats

Corona Virus
 Significant changes in Amazon & other marketplace terms & rules
 Quality book supply not keeping up
 Resignation of key staff
 Over dependence on online trade and Amazon

THE COMPETITION

By the very nature of BBIG's business model, the company only competes at the granular level of individual books as listed on its various internet channels. At that level BBIG competes on position and price. Amazon and the other marketplaces do not reveal any detail about individual marketplace sellers - brands therefore have very little effect on sales. Often there are many sellers offering the same books and it is important to secure a position on the first page of that list by being competitive on price. BBIG's dynamic pricing algorithms ensure the Company wins most of the time. Also, the quality of the listing and customer service plays a large part in the ratings the company achieves on each site, ratings that heavily influence customer buying decisions.

The five UK organisations selling second-hand books online in significant quantity through multiple channels all operate the same business model: the majority of their stock is bought from charity shops to whom the public donate their unwanted books. Of what they buy they sell around 80% to be pulped at breakeven and catalogue the rest. Their margins are low so they have to rotate their stock within 3 to 6 months. BBIG is able to sell around 90% of the stock it finds not suitable for the internet in its own shop, achieving £1 or more a book instead of the 3p that pulpers pay.

Bookbarn now has the infrastructure in place to handle a far higher turnover so overhead costs will not increase in line with turnover hence the increase in margins.

The five main competitor companies are:

Awesomebooks.com, based in Swindon, which has 2 million books in stock and sells all over the world. In 2017 they made a profit of £143k on turnover of £17.4m.

Betterworld Books, based in Scotland, which is an offshoot of a large US business that pledges a percentage of its annual profits to various literacy charities. They have net assets of £1.5m.

Goldstone Books (net assets £170k) based in Wales and **Revival Books** (net assets £287k) based in Lancashire are both rather similar.

World of Books 20 years old and a Sunday Times fastest growing company. World of Buzz Ltd, their holding company, turned over £64m in the year to Oct 2018 (£3.9m net profit) by selling the cheap, rejected, unsold stock from charity shops.

Despite the global reach of Amazon and other channels on the Internet, there is evidently a strong local element to all these businesses in that the low unit value and their weight mitigate against shipping loads of books long distances.

There are a number of aspects of the BBIG business model that enable the Company to predict stronger margins than those achieved by the likes of World of Books: 1) all competition pulps around 80% of the stock they buy in, whereas BBIG puts the bulk of stock not suitable for the internet into its bricks-and-mortar shops; and 2) BBIG's Books by the Yard and wholesale business is growing rapidly at a very low cost of goods sold.

TURNAROUND

BBIG's performance since August 2015 represents a solid turnaround of the business. When William Pryor and Matthew Dodson acquired the business in January 2013 it was hard to appreciate the depth of the problems incurred by the previous owners with the business's warehouse and software systems. A year later the project of rewriting the software and making the warehouse fit for purpose was well

underway. Sales were beginning to pick up and, in the autumn of 2014, they felt confident they could raise £375,000 of growth equity funding to finance the development of the company's software and the building. This work had to be started before the investment came in. Unfortunately, by the summer of 2015 only £70,000 had been raised leaving the company's major suppliers taking the pain. BBI managed to secure a Company Voluntary Arrangement (CVA) in August 2015 which removed creditor pressure and gave the business a clear and profitable route forward.

In September 2017, an offer to the CVA Creditors in full and final satisfaction was accepted and settled. By January 2019 BBIG's software had been radically improved, the cataloguing, warehousing and pick and pack were all taken to the next level enabling the business to generate a total revenue of £154k in that month. This was happening during Nick Bates's first month, fresh from Harper Collins, as General Manager of the business.

CONCLUSION

With its stable online turnover and strong balance sheet, the Bookbarn International Group is set to flourish with the equity finance sought with this memorandum enabling it to flourish in a growing market. BBIG has come through challenges to emerge with well-developed systems and software and an enthusiastic team. The Company has built the machine that this investment can exploit to fulfil its enormous potential: the more titles listed, the greater the sales. The BBIG team has decades of book trade, SME, retail and fulfilment experience, ready to further capitalise on its achievements to date.

COMPANY INFORMATION

As at 30th September 2020, William Pryor and Matthew Dodson and companies controlled by them have 56.91% of the issued shares; Nick Bates the CEO Elect has 4.99%, David Leigh-Ewers and Shanshan Fan, non-executive directors have 3.12% and 6.24% respectively and 60 other shareholders have 28.74% between them.

Company registration number:	04367645
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The Company has to date issued only A Ordinary Shares and is a private Limited Company defined by its Articles.

Incorporated as Roodmoodments Ltd:	6th February, 2002
Name changed to Clear Press Ltd:	22nd October 2002
Started trading 'As Bookbarn International':	29th January, 2013
Name changed to Bookbarn International Ltd:	2nd July, 2014
and to Bookbarn International Group Ltd	18 th September 2020

Registered address: 4th Floor, 36 Spital Square, London E1 6DY

Trading address: 1 Hallatrow Business Park, Wells Road, Hallatrow, Bristol BS39 6EX

Phone: 01761 451765; email: william@bookbarninternational.com

web: www.bookbarninternational.com and: www.booksbytheyard.com

DIRECTORS AND ADVISORS

Company	Bookbarn International Group Limited. Company no. 04367645 4 th Floor, 36 Spital Square, London E1 6DY
Directors	William Pryor David Leigh-Ewers Shanshan Fan Yanping Liu
Company Secretaries	Matthew Dodson Graham May
Accountants	Jeff Crisell
Lawyers	Graham May Hawksmoor Partners Limited 36 Spital Square London E1 6DY

None of the Directors has ever been disqualified by a court from acting as a Director or in the management of the affairs of a company. The Company has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware).

PLACING SUMMARY

Issue	Ordinary voting shares
Offer Price	76p per share
Number of Ordinary Shares in Issue at the date of this document	3,203,073
Number of voting Preference Shares in Issue at the date of this document	80,000
Number of non-voting Deferred shares in issue at the date of this document	10
Capitalisation pre-Offer - Ordinary Shares in Issue prior to the Offer multiplied by the Offer Price	£2,495,135.48
Shares in offer	328,947
Capitalisation post-Offer, assuming full subscription	£2,745,135.48
Total proceeds of the Offer	£250,000
Net proceeds of the Offer	£225,000 after deduction of the fees and expenses of the Offer
Minimum subscription	£38 or 50 Shares per investor (or lower at the discretion of the Directors) though there is no aggregate minimum investment.
Voting Rights	All new Ordinary Shares will rank <i>pari passu</i> with the existing shares in all respects and carry proportionately equivalent voting rights
Offer opens	10.00 a.m. on Monday 14 th December 2020
Offer closes	5.00 p.m. on Friday 19 th February 2021, unless fully subscribed beforehand or extended by the Directors

RISK FACTORS

Investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective Investor should consider carefully whether an investment in the Company is suitable in the light of their personal circumstances and the financial resources available to them and should not invest more than they can afford to lose.

Accordingly, prospective Investors should carefully consider the risk factors below, as well as obtaining their own professional advice. Management considers the following risks and other factors to be the most significant for potential Investors in the Company but the risks listed do not purport to comprise all the risks associated with an investment in the Company. Risks and uncertainties set out below, and others not currently known to Management, may also have an adverse effect on the Company's business. If any occur, the Company's business, financial condition, capital resources, results or future operations could be adversely affected.

The general risks associated with an investment for shares in the Company include but are not limited to:

Failure to fulfil the Company's Objectives

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

Attraction & Retention of Key Employees

The Company intends to arrange key man insurance cover (where applicable) for certain directors and key employees which will be at an appropriate level to replace any of these directors and key employees if needs be. However, the Company's success will depend on its current and future executive management teams. The loss of the services of certain directors and employees could have a materially adverse effect upon the Company's business and future.

No Guarantee of Future Performance

There is no guarantee of future performance. Possibilities, assumptions, intentions, aims or targets described in this document, whilst given in good faith, do not constitute and are not intended to be interpreted as forecasts. Actual results may differ materially from those set out in this document. Whilst arrangements are designed to mitigate risk where possible, no guarantee exists that this may be achieved.

Political Risk

Given the territories with which the Company trades and the fact it does so via established and reputable distributors, political risk is deemed negligible and, in any event, insurable.

Health Risk

It is conceivable that if the corona virus continues to spread, the Company will be exposed to the risk of further and potentially damaging physical lockdown, although, as past experience has shown, this may be mitigated by further growth in online sales.

Liquidity of the Security

There is at present no market or market maker for the issuer's securities. Therefore, it may be difficult either to assess a proper market price for such and/or to sell them. An investment in the Company should be considered a long-term investment. A prospective Investor should be aware of the risks of investing in unlisted companies and should make a decision to invest only after careful consideration.

Supply and Demand Risks

The Company has in place a number of established arrangements for the supply and distribution of product, both physically and online, but there can be no absolute guarantee that such arrangements can be sustained, potentially leaving the Company exposed. Similarly, there can be no assurance that the Company will be able to source supplies at satisfactory prices or on acceptable terms and conditions.

Likewise, whereas the Company's market has seen further expansion in the last two years, there is no guarantee that such growth will be maintained.

Other Risks

Inflation and economic risk could increase the costs of producing, marketing, or selling. Deflation could reduce the value of an investment in the Company and any return that may be achieved. Additional finance may be obtained through additional offerings of shares, and/or a combination of loans from third parties, qualifying tax schemes, or by paying key personnel on a deferred basis.

There is a risk that insufficient funds will be raised under the Offer to enable the Company to proceed with the entire fulfilment of its business plan, and in such circumstances an Investor could lose all of his or her investment.

Any additional finance may be raised on the basis that it has preference over any returns paid to shareholders.

Corporate Governance

The Company has adopted a corporate governance structure. The key features of its structure are:

- the Articles contain express provisions relating to Conflicts of Interest in line with the Companies Act;
- the Board intends to comply, so far as it is practicable, with Main Principles of the UK Corporate Governance Code and procedures compliant with the Market

Abuse Regulation, based on the Institute of Chartered Secretaries and Administrators version.

Conflicts of Interest

Where a Director has a direct or indirect interest which conflicts or may conflict with the interests of the Company and which would result in a breach of duty by the Relevant Director under Section 175 of the Act, the Board may on the proposal of any Director authorise such a conflict, provided that:

- The Relevant Director must declare to the Board the nature and extent of his interest;
- The Relevant Director may not count towards quorum or vote on an authorisation; and
- The Relevant Director may, if other members of the Board so decide, be excluded from any board meeting while the conflict is under consideration.

The Board may impose terms upon the Relevant Director for the purpose of dealing with the conflict, and the Relevant Director will be obliged to conduct himself/herself accordingly. If a Director is interested in a proposed contract or one in which the Company has a direct or indirect interest, he must declare the nature and extent of such in accordance with sections 177(2) and 182(2) of the Act in order for the interest to be permitted, provided that the Director need not declare an interest:

- If it cannot be regarded as giving rise to a conflict of interest of which the director is not aware. The director is treated as being aware of matters of which he ought reasonably to be aware;
- If the other directors are already aware of it; or
- If it concerns terms of a service or employment contract that have been or are to be considered by a board meeting or a committee of the directors.
- Each director will be appointed for an initial duration of one year, after which either the director or the Company terminates the agreement by giving six months' notice to the other.

Investors and prospective investors should note that the risks relating to the Company and its industry summarised in this document are the risks that the Directors as at the date of this document believe to be the most essential to an assessment by a prospective investor. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section but also, among other things, all business risks and uncertainties.

The protections afforded by the Financial Services and Markets Act 2000 including recourse to the Financial Ombudsman Service and compensation entitlements under the Financial Services Compensation Scheme do not apply. All prospective Investors are strongly recommended to seek advice on the suitability of this investment.