

# Trading Update

FY21 Q3

April 2021











design  
milk co.

Sydney, Australia and Columbus, OH, USA  
27th April 2021: Design Milk Co. Limited (ASX: DMC)

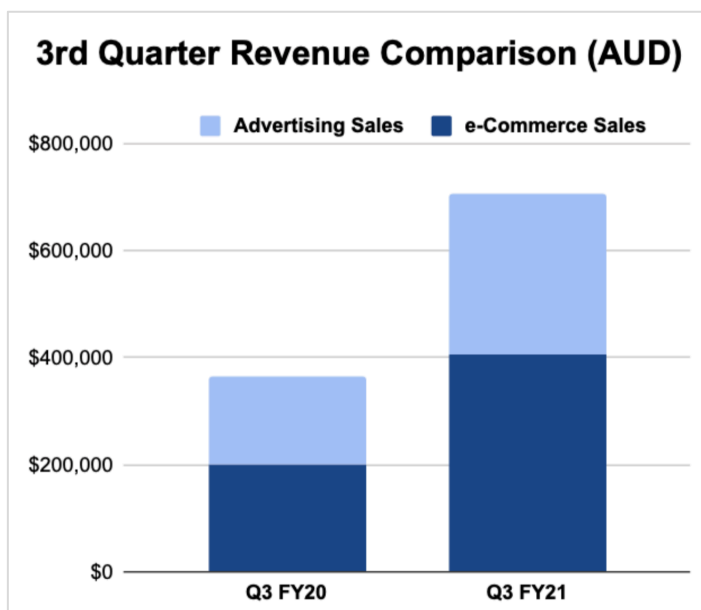
## FY21 Q3 Trading update

### Highlights

-  **Total quarterly net revenue of AUD \$706k, +94% vs. Q3 LY**
-  **Q3 Total group e-commerce growth of +101% vs. last year**
-  **Design Milk's individual Q3 e-Commerce revenue grew +187%**
-  **A strong recovery of our advertising revenue, +85% vs Q3 LY**
-  **+32% growth in our quarterly YoY conversion rate**
-  **+26% improvement in our YoY quarterly EBITDA**
-  **-15% reduction in quarterly CAC vs. Q2**
-  **Healthy cash position following the completion of our recent equity raise**

### Trading Overview

Design Milk Co. third quarter closed very positively, +94% vs. LY, with both e-commerce and advertising revenue channels growing significantly. Design Milk shop sales grew a healthy +187% over Q3 FY20, and in March our community passed 9.4 million followers for the first time.



We are very excited by Design Milk's growth, especially as we haven't explored all the opportunities the brand offers. COVID-19 continues to restrict additional media, marketing and sales opportunities, but we remain focused on producing high quality content that supports our media and e-commerce revenue streams.

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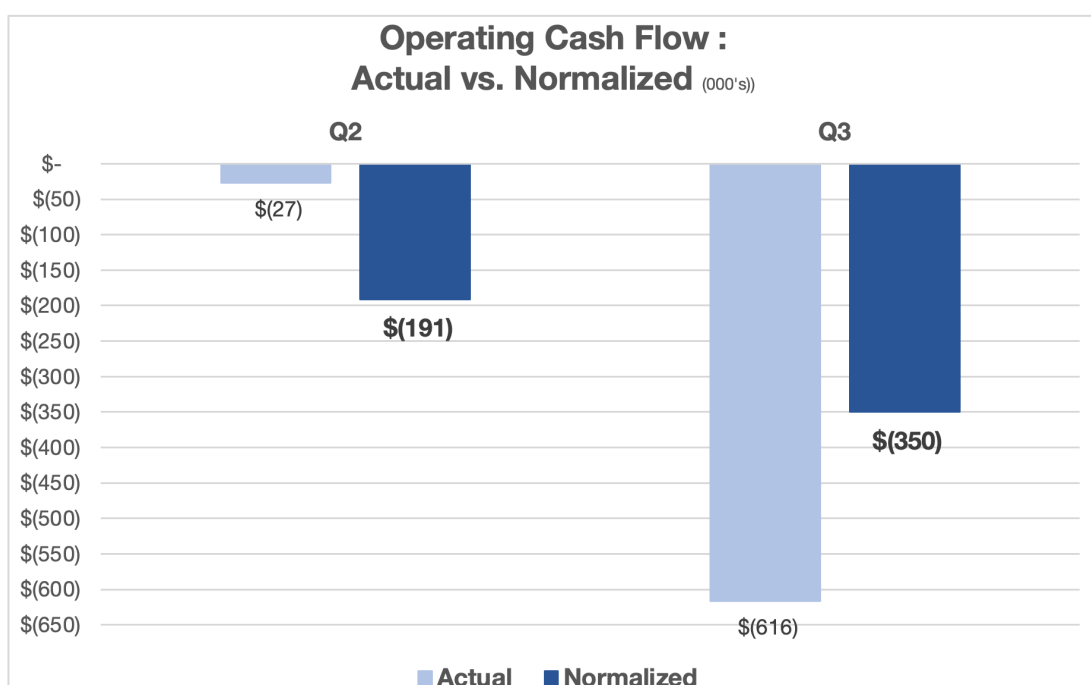
## FY21 Q3 Trading update

### Trading Overview Cont'd

Our YoY EBITDA continues to improve with Q3 recording a +26% (AUD \$140K) improvement vs. LY, including the talent and system investments we've made this year.

We anticipate continuing on our path toward sustainable profitability, although the precise timing is difficult to forecast due to the unpredictability of the macro COVID-19 advertising and media sales environment. Our e-commerce revenue is trending very positively, if we maintain this momentum and stay on track with our advertising income, we remain confident of achieving breakeven toward the end of this calendar 2021.

Our Q3 operating cash flow activity highlights the influence of seasonal trade on reporting. Naturally as our sales increase, our cost-of-goods and associated expenses grow. Simultaneously the timing of our e-commerce and advertising sales, vs. vendor payments often crosses quarterly reporting periods. This occurred in Q2 with the strong holiday sales (cash-in), balanced with vendor payments (cash-out) in Q3, which speaks to the Q2/Q3 delta.

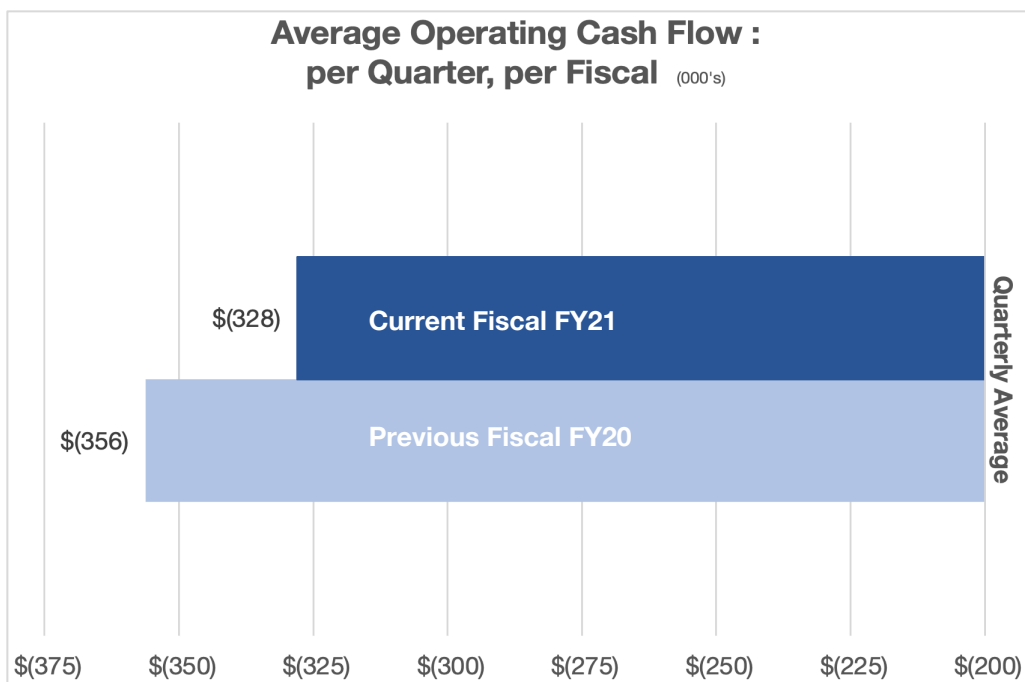


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## FY21 Q3 Trading update

### Trading Overview Cont'd

Positively, we have seen strong sales growth whilst continuing to improve our FY21 average operating cash flow activities by 8% vs. LY. This reflects our controlled, predictable operating costs and expenses. We are confident that our sales growth, improving EBITDA, and existing cash is sufficient to take us to profit, and beyond.



In Q3 we received the final funds from our recent equity raise and finalized the 50:1 share consolidation approved at our February EGM. These activities complete our corporate restructure work and put us in a good cash position for the future.

Our Q3 conversion rates improved +32% YoY, a definite positive but still someway off our long-term goal. Our CAC is healthy; flat to LY and -15% vs. Q2. We remain energized about testing and learning the best, most efficient ways to link our content and shops.

We began Q3 with a review of our holiday performance, focusing on the operational opportunities created by our strong growth and vendor expansion. We have invested in new talent, enhanced our vendor onboarding procedures, and made other improvements designed to enhance our overall community experience.

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## **FY21 Q3 Trading update**

### **CEO Update**

*“Q3 delivered another positive growth-step for DMC. Our triple digit year-over-year performance was great to see, and further supports our strategy to blend engaging content with a curated assortment of brands and products. Our multiple experiential touchpoints are building a growing, efficient, and sustainable business, with more untapped opportunities ahead.*

*Exiting the holiday season we reviewed our overall performance and operations, taking action to improve areas pressured by our strong growth and scaling business. Ultimately our e-commerce business is successful if we can provide a low friction service to our vendors and deliver a high-quality experience to our customers. We missed some of these targets over the holidays, taking steps in Q3 to address the opportunities.*

*Whilst we navigate these operational changes, our Team continues to proactively explore ways to develop high quality content, grow our media sales, and improve our overall e-commerce business. I remain very appreciative of their hard work. None of this would be possible without their positive creativity.*

*Lastly, this July we celebrate Design Milk’s 15<sup>th</sup> Anniversary, a big milestone for the brand. We are developing some fun, exclusive product collaborations, brand retrospectives, and editorial content. I am really looking forward to seeing all of this come together toward the end of the year.”*

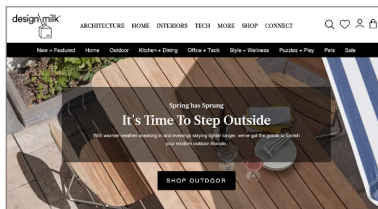
**Robert Mancini, Chief Executive Officer**

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## FY21 Q3 Trading update

### Our Brands

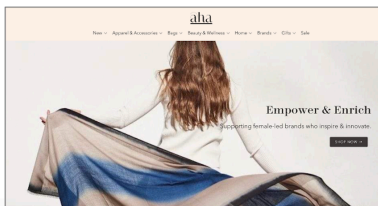


#### Business Services:

- eCommerce: B2C, and Trade
- Editorial Content
- Advertising + Media Services
- Pop-Up Retail

**Audience:** Broad demographics. Appreciate all things modern design related, and high-quality editorial content that supports the design + creative process.

**Categories:** Furniture, Decor, Lighting, Kitchen + Dining, Office, Tech, Jewelry, Bags + Accessories, Wellness, and Pets.



#### Business Services:

- eCommerce B2C
- Pop-Up Retail

**Audience:** Women, self or gift purchase, urban, premium position

**Categories:** Jewelry, Bags + Accessories, Home Decor, Beauty, Kitchen + Dining, Wellness.



#### Business Services:

- eCommerce B2C
- Editorial Content
- Pop-Up Retail

**Audience:** Men, self or gift purchase, informal, outdoors, appreciates craftsmanship.

**Categories:** Home/Cabin, Decor, Furniture, Lighting, Kitchen + Dining, Tech, Pets, Gadgets + Tools, Garden + Yard, Bags + Accessories, Wellness, and Pets.

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## Our Board + Management



### Robert Mancini – Chief Executive Officer

- Appointed CEO in July 2018
- Extensive global luxury goods background across all areas, and channels of the retail industry, including brands such as Ralph Lauren, Lbrands, Alfred Dunhill & Richemont



### Jaime Derringer – Chief Creative Officer

- Appointed Chief Creative Office upon acquisition of Design Milk in February 2019
- 20 years experience in the design and media industries
- A leading authority within the modern design community



### Mike Hill – Chairman

- 20+ years Private Equity and Advisory experience in Australia and the UK
- Founder and Co-CIO of Bombora Special Investment Growth Fund
- Currently Chairman of Janison Education Limited and PKS Holdings Limited



### Christopher Colfer – Director

- 20+ years experience in luxury goods, branded goods and e-commerce
- Served as a Board Member of Net-A-Porter, and LYST
- Currently sits on the Board of several consumer goods companies, including Woolworths Holdings Group, Nude by Nature, and Mobile Digital



### Arnaud Massenet – Director

- Joined Board following a successful capital raise in September 2017
- Founding partner of Net-A-Porter and an active Board member for 10 years
- Previously an Investment Banker with Morgan Stanley and Lehmann Brothers



### Mike Everett – Director

- 25+ years capital markets and advisor experience
- Established leading independent capital markets advisory firm, Reunion Capital in 2013
- Previously Managing Director of Equity Capital Markets at Goldman Sachs





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For more information regarding Design Milk Co. Limited (ASX: DMC) please visit [www.design-milk.com](http://www.design-milk.com), or contact:

Robert Mancini, Chief Executive Officer: +1 (855) 848 3886

Sapir Elias (Company Secretary): +61 (404) 445 383

Investor Relations: [ir@design-milk.com](mailto:ir@design-milk.com)

*Design Milk Co. owns and operates multiple e-Commerce websites that support independent brands and designers from around the world:*

*Design Milk, a world-renowned, award-winning digital media, blog and ecommerce company that has thrived through the support of an engaged community of 8.9 million followers.*

*Ahalife, a premium ecommerce website supporting designers and brands who produce female, urban, lifestyle products.*

*Kaufmann Mercantile, a blog and ecommerce website dedicated to independent craftsman and brands focused on sustainable manufacturing and product lifecycle.*

*For more information, please contact Design Milk Co. Investor Relations.*



Investor Relations:  
[ir@design-milk.com](mailto:ir@design-milk.com)



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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Design Milk Co. Limited

**ABN**

15 006 908 701

**Quarter ended ("current quarter")**

31-MAR-21

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	487	1.745
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(452)	(948)
(c) advertising and marketing	(55)	(168)
(d) leased assets		
(e) staff costs	(461)	(1,212)
(f) administration and corporate costs	(131)	(393)
1.3 Dividends received (see note 3)		
1.4 Interest received		2
1.5 Interest and other costs of finance paid	(4)	(10)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(616)</b>	<b>(984)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(2)	(4)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2)</b>	<b>(4)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,888	2,172
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(27)	(35)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,861</b>	<b>2,137</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	743	837
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(616)	(984)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,861	2,137
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,986</b>	<b>1,986</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,986	725
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		18
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,986</b>	<b>743</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	0
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	210	210
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	<b>Total financing facilities</b>	210	210
7.5	<b>Unused financing facilities available at quarter end</b>		
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 5px; min-height: 100px;"> <p>\$219K was achieved through the Covid-19 Payment Protection Program administered by the U.S. SBA. The "Loan" was entered into on 4/28/20. This note will mature in 2 years from the date of the Note at 1% per annum. This Note is subject to partial or full forgiveness, the terms of which are dictated by the SBA. Design Milk Co Limited expects to achieve full forgiveness under the current requirements and is expected to apply and receive this forgiveness Q3 2021.</p> </div>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(616)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,986
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	1,370
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	
		2.2
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;">         Answer:       </div>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	<div style="border: 1px solid black; padding: 5px; min-height: 30px;">         Answer:       </div>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Q2 had extremely low Operating Cash use, as we were seasonally top heavy in the collection from customers due to a successful holiday season. The timing then aligned immediately following the holidays in Q3 to resolve all of our debts to our vendors for the heavy holiday sales. The last 2 quarters have averaged \$(320)K in Operating Activities, which shows significant improvement over the average of the prior fiscal year. Operating cash outcome will continue improving with this trend as we expand the business and continue progressive growth and financial successes.

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2021

Authorised by: By the Board  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.