

design  
milk co.

# FY21 H1 Trading Update

February 2021

Sydney, Australia and Columbus, OH, USA  
25th February 2021: Design Milk Co. Limited (ASX: **DMC**)

## H1 Trading update

### Highlights

- 📅 Total sales of AUD \$1.6 million, +77% H1 growth vs. LY
- 📅 Finalized equity raise of AUD \$2.45 million, with approval of a 50:1 share consolidation
- 📅 Strong H1 EBITDA performance, our best to date
- 📅 Advertising sales recovered. Positive forward bookings. Additional growth expected
- 📅 Audience grew to c 9.2 million total followers
- 📅 Improving conversion rates; grew from 0.48% in Q1, to 0.65% in Q2. Design Milk shop traffic alone converted at 0.9% and 1.5% in November + December respectively
- 📅 Explored additional revenue opportunities through affiliate publishing, and new categories of design focused media and advertising sales (Tech, Automotive, etc.)

### Summary

As reported in our recent EGM trading update the Board and Management are pleased with the continuing growth, and positive trajectory of the **Design Milk Co.** brand portfolio. The business is the healthiest it has ever been, and perfectly positioned to capitalize on the global shift toward curated, mission driven ecommerce.

Our successful equity raise of AUD \$2.45 million, recent 50:1 share consolidation, and strong growth, supports our expansion into new advertising, and product sales opportunities. Our CAC and marketing expenses are clear and sustainable. We continue to refine how we link our editorial content and shops, while exploring new product categories, and communication channels.

Ecommerce sales are growing in a healthy, positive manner. Throughout 2020 every month outperformed the last, and Q3 has started just as positively with ecommerce trending at triple-digit growth vs. LY for the first two months of 2021.

Advertising and media sales were hit by Covid-19, dropping -54% in Q1 vs. LY. We adjusted to protect and grow this channel, and Q2 bounced back +43% vs. LY. FY21 H1 closed -19% or AUD -\$96K vs. H1 FY20. However, this drop has been reversed with Q3 projected to grow over +200% vs. LY, lifting us into positive YTD territory vs. LY. Forward bookings for the rest of FY21 are positive, giving us confidence that this year will close well up on LY.

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### Design Milk Co.

### H1 at a glance

Total H1 Sale  
AUD \$1.6m  
+77% vs. LY

46%  
Gross Margin

AUD \$186  
Average Order Value  
*(across all 3 sites)*

+276,000 H1  
new followers  
Now over 9.2 million  
Total followers

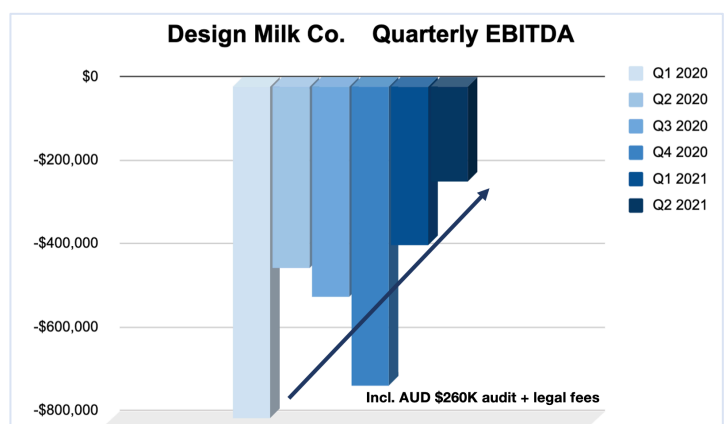
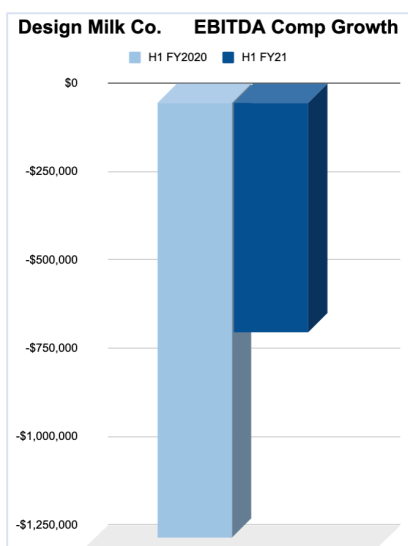
AUD \$2.45 Million raise  
and  
50:1 Share consolidation

+48% or AUD \$580k  
EBITDA improvement vs.  
H1 FY20

**Design Milk Co.** has grown month-over-month as we add more products to our websites, link content to the shops, and expand our customer communication procedures. We adjusted our product and pricing strategy as Covid-19 shifted customer interests, while maintaining margins and a healthy AOV split across the three sites.

With the upward trajectory of both ecommerce and advertising sales, the return of global design trade shows, and our Milk Stand pop-up retail events later this year, we anticipate achieving consistent profitability in 2021.

Our solid cash position, improving EBITDA, and strong revenue growth gives us a long runway to continue delivering positive results.



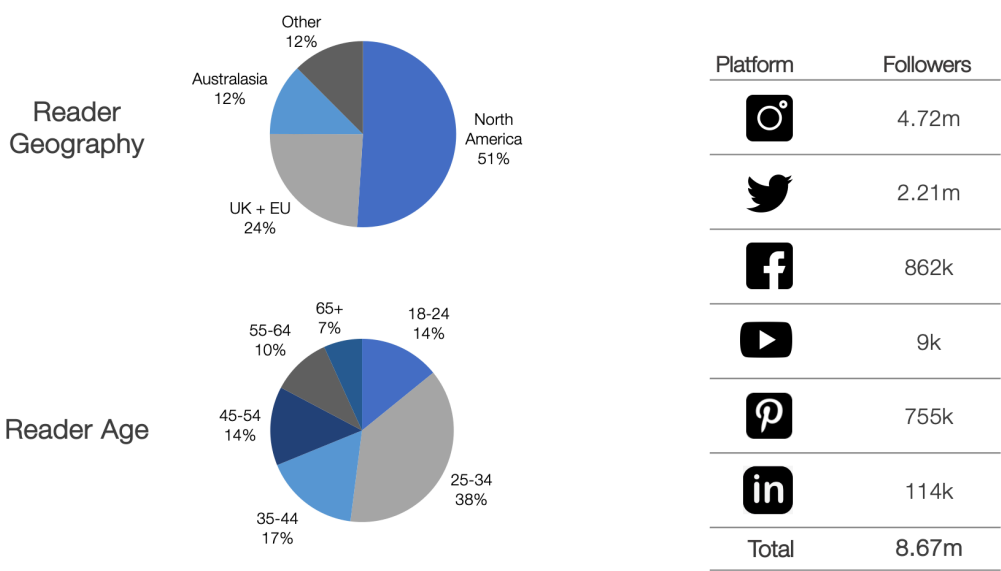
H1 Trading update

Our Audience and CAC

Our community grew to over 9.2 million total followers. An overall increase of 2 million followers since our acquisition of Design Milk.

This increase supports our advertising and media sales growth, highlights the importance of continuing to produce high quality editorial content, and helps drive our healthy ecommerce sales.

Below is a breakdown of Design Milk’s social media audience. This split does not include Design Milk, Kaufmann Mercantile or Ahalife email subscribers.



Our ongoing Customer Acquisition Costs (CAC) remain significantly lower vs. our peers.

Our CAC rose to AUD \$41 during the highly promotional November / Black Friday period as we launched and tested new marketing channels. It dropped again in December to AUD \$21.

Critically, our editorial conversion cost (*our readers who enter the shop through editorial content*) remained extremely low, shifting between AUD \$0.05 and \$0.28 cents across the entire H1 period.

Our Community and audience are incredibly important to us, and to the success of Design Milk. How we communicate with them impacts their appetite to engage with us, their desire to shop, their return rates, our ability to continue the conversation, and the ultimate efficiency of our business.

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### CEO Update

*"I am very pleased with how the first half of FY21 performed, and I am grateful to our team during an extremely difficult period in everyone's life. They embraced a move to WFH, juggled everything that was thrown at them, made sacrifices to help the business, adapted their respective areas, while remaining creative and positive toward the business, enabling us to finish 2020 stronger than it started.*

*H1's performance further supports our growth and profitability strategy. The significant increase in orders, and shipping delays caused by Covid-19 were an excellent pressure test of the business and our operational procedures. We have now experienced what is needed to achieve consistent, sustainable profitability.*

*We observed where the business needs more support, and where new opportunities reside. This valuable information is steering our H2 priorities and strategy. I am more confident now than at any point, that Design Milk Co. is on the right path to deliver exemplary customer experience, and sustainable profitability".*

Robert Mancini, Chief Executive Officer


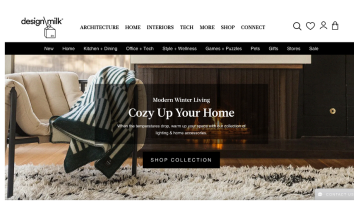

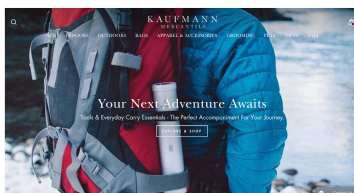

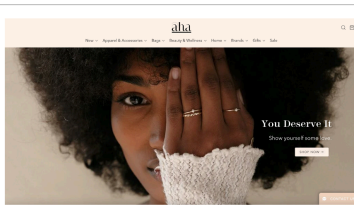
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### Our Brands

 	<p><b>Business Services:</b></p> <ul style="list-style-type: none"> <li>- eCommerce: B2C, and Trade</li> <li>- Editorial Content</li> <li>- Advertising + Media Services</li> <li>- Pop-Up Retail</li> </ul> <p><b>Audience:</b> Broad demographics. Appreciate all things modern design related, and high-quality editorial content that supports the design + creative process.</p> <p><b>Categories:</b> Furniture, Decor, Lighting, Kitchen + Dining, Office, Tech, Jewelry, Bags + Accessories, Wellness, and Pets.</p>
 	<p><b>Business Services:</b></p> <ul style="list-style-type: none"> <li>- eCommerce B2C</li> <li>- Editorial Content</li> <li>- Pop-Up Retail</li> </ul> <p><b>Audience:</b> Men, self or gift purchase, informal, outdoors, appreciates craftsmanship.</p> <p><b>Categories:</b> Home/Cabin, Decor, Furniture, Lighting, Kitchen + Dining, Tech, Pets, Gadgets + Tools, Garden + Yard, Bags + Accessories, Wellness, and Pets.</p>
 	<p><b>Business Services:</b></p> <ul style="list-style-type: none"> <li>- eCommerce B2C</li> <li>- Pop-Up Retail</li> </ul> <p><b>Audience:</b> Women, self or gift purchase, urban, premium position</p> <p><b>Categories:</b> Jewelry, Bags + Accessories, Home Decor, Beauty, Kitchen + Dining, Wellness.</p>

### Our Model

DMC seeks growth opportunities through acquisition of businesses with:

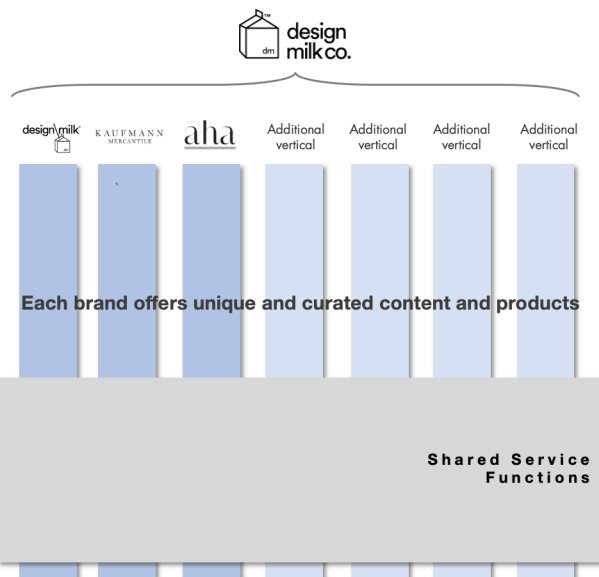
- Complimentary commerce, content, or geographies
- Revenue range of US\$2M to US\$10M
- A proven, loyal customer base

Aligns with our group values of:

- Craftmanship
- Community
- Conscious Living

Benefits from leveraging DMC's core competencies of:

- Operational shared service structure
- Data-enabled capabilities
- B2C and B2B marketing expertise



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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
- 18 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 capital raising completed 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.*