



@Alessi_official

Trading Update

January 2021

Sydney, Australia and Columbus, OH, USA
22nd January 2021: Design Milk Co. Limited (ASX: **DMC**)

Trading update and Capital Raise

Highlights

- Completed equity raise of AUD \$2.45 million, securing our strategic plans + future
- +63% FY21 Q2 growth vs. LY, with total quarterly revenue of AUD \$1.13 million
- Strong December performance. Close to breakeven (AUD -\$23k EBITDA), despite sales of AUD \$130K shifting to January due to COVID-19 related vendor shipping challenges
- Advertising sales recovering well. FY21 Q2 revenue grew +41% vs. Q1, and +43% vs. LY. Forward bookings remain solid, with additional growth expected
- Positive audience growth to c 9.2 million aggregate followers, and efficient CAC. Our large audience, improving conversion rates, and CAC establish our future growth platform
- Growing conversion rates. Design Milk's December conversion +30% vs. November.

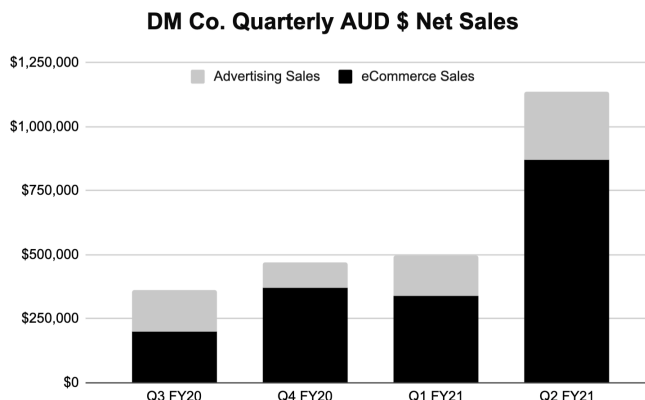
Design Milk Co. Capital raise

The Board and Management are pleased to announce the completion of our AUD \$2.45 million equity raise, subject to shareholder approval at our EGM on Friday February 12th.

The AUD \$2.45 million raise ensures the organic growth of our existing business and supports the expansion of newer editorial and category opportunities (Home Decor, Tech, Wellness and Travel products, and advertising sales). We will continue our careful conversion plans through improved customer experience, transaction and communication processes, driving us toward sustainable profitability in 2021.

+63% Q2 Growth vs. LY, with total quarterly sales of AUD \$1.13 million

Since launching in November 2019, Design Milk has grown to represent 78% of total revenue, supporting our investment, and optimism around the shifting ecommerce and media landscape.



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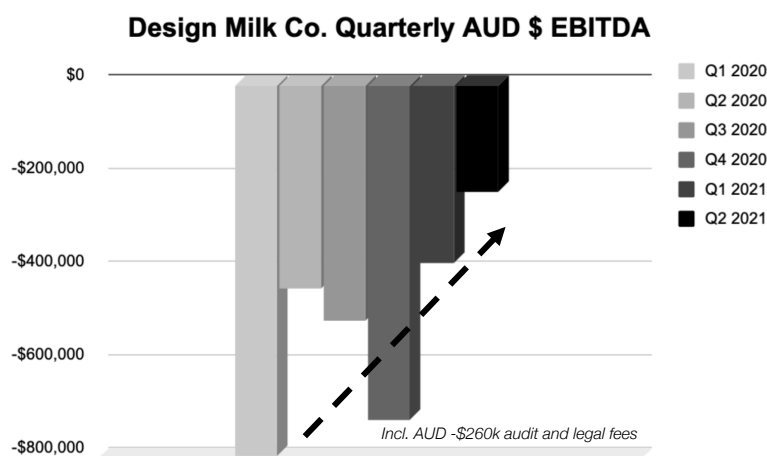
Trading update and Capital Raise

Strong December performance.

December was another positive month for the business. Due to COVID-19 related challenges our vendors were unable to deliver AUD \$130K of orders before month end. Had we captured these sales in December we would have achieved breakeven for the first time. Positively, these deliveries will be made, and the sales recognized in our January results.

Q2 FY21 continues our healthy progress toward profitability. FY21 Q1 is our best quarterly EBITDA performance to date, and further reassurance of our long-term growth, and sustainable profitability.

The Q4 FY20 dip relates to one-off AUD \$260K audit and legal fee charges. Excluding this, our controlled discounting, low CAC, and growing sales continue to flow through the business in a healthy and predictable manner.



Advertising sales recovering well. FY21 Q2 revenue grew +41% vs. Q1 and +43% vs. LY.

The recovery of our advertising sales continues, following the difficult mid-2020 period when marketing budgets were frozen, and global design trade events were cancelled.

Our forward bookings are positive. Existing media partners are returning, new partners are discovering us, and design trade events are back on the calendar for late 2021.

We are excited about expanding this business into new modern design friendly channels, such as Technology, Automotive and Travel – all of which we represent via social media but haven't explored via media or advertising services.

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Positive audience growth to c 9.2 million aggregate followers, and efficient CAC.

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



Design Milk's CAC rose slightly during the highly promotional November / Black Friday period, but dropped again in December to AUD \$21. Importantly, our editorial conversion cost (*our readership who link to the shop through editorial content*) remained very low at AUD \$0.17c in December.

Our Community and audience are incredibly important to us, and the success of Design Milk. How we communicate with them to introduce our shops, 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.

Our audience of 9.2 million aggregate followers grows +2% on average per quarter. Q2 tracked this following Design Milk's new audience high in December of 8.88 million aggregate followers.

Growing conversion rates. Design Milk's December conversion +30% vs. November.

With a large, existing community who until November 2019 when we launched ecommerce, enjoyed only our editorial content, and a new growing audience who enjoy both our curated ecommerce, and our editorial content, we measure Design Milk's conversion in two ways:

-  Total audience conversion – Community members we engage with via any medium, including editorial content, sponsored events and posts, social media, etc.
-  Direct shop visitor conversion – Existing or new Community members who visit the shop directly via social media, email, search, or direct.

Our total audience conversion grew to .028% in December, a +30% improvement vs. November, which itself grew +55% vs. October.

Our Q2 direct shop visitor conversion grew +57% overall vs. Q1, with Design Milk averaging 0.97% across the quarter, and 1.5% in December alone.

Our step-by-step conversion growth is significant. The industry standard varies between 1%-4% depending on the communication channel. We are growing our audience, and growing our conversion rates, proving the huge potential we have with this business.



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— END —

For more information regarding Design Milk Co. Limited (ASX: DMC) please visit 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

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.

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-DEC-20

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	893	1.258
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(301)	(496)
(c) advertising and marketing	(56)	(113)
(d) leased assets		
(e) staff costs	(410)	(751)
(f) administration and corporate costs	(151)	(262)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	(3)	(6)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(27)	(368)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(2)
(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)		
2.6	Net cash from / (used in) investing activities		(2)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	326	326
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	(49)	(49)
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)		
3.10	Net cash from / (used in) financing activities	276	276

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	494	837
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(27)	(368)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(2)

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)	276	276
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	743	743

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	725	473
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	18	21
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	743	494

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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	210	210
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	210	210
7.5	Unused financing facilities available at quarter end		
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; margin-top: 5px;"> <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>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(27)
8.2	Cash and cash equivalents at quarter end (item 4.6)	743
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	743
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	28
	<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; margin-top: 5px;"> <p>Answer:</p> </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; margin-top: 5px;"> <p>Answer:</p> </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?	
	<div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer:</p> </div>	
	<i>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.</i>	

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: 22 January 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.