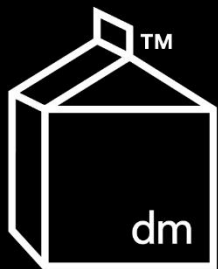


Internal use only



design
milk co.

Q3 FY22 Trading Update



Q3 FY22 Trading Highlights

9.5m+ followers

*Across Instagram, Twitter,
Pinterest, Facebook and email*

A\$580k

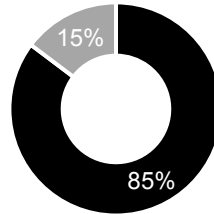
Q3 FY22 gross revenue¹
23% CAGR over the last 2 years

**Conversion rate improvement
remains key to driving growth**
(refer to page 4 for detail)

**LTM cash receipts continue to
track ahead of payments,
despite seasonally soft Q3**
(refer to page 5 for detail)

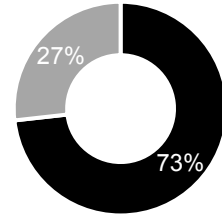
Total transaction value

- Design Milk
- Kaufmann Mercantile



Gross revenue¹

- eCommerce
- Advertising

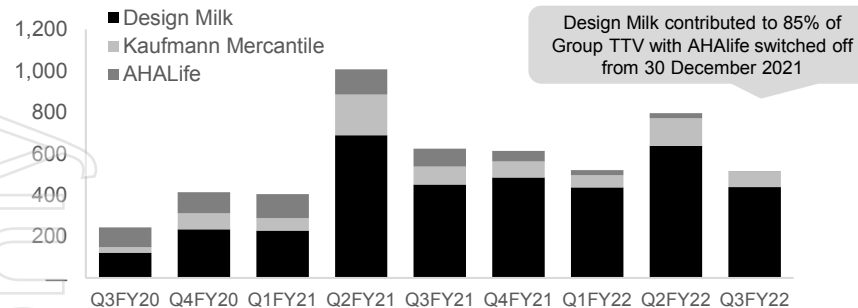


All figures in AUD. Based on USD/AUD conversion rate of 0.74

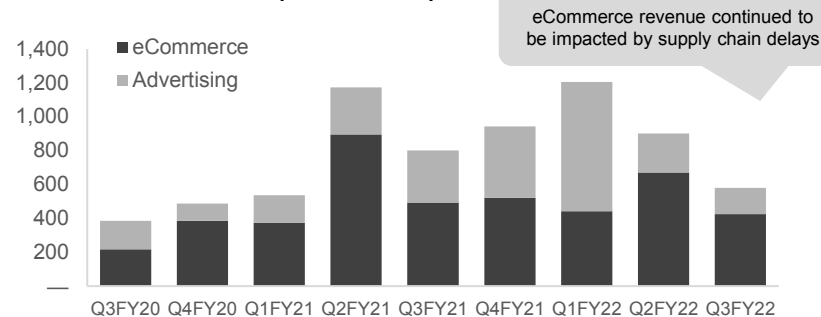
Note: 1. Represents gross sales revenue pre commission from sale of goods.

Q3 FY22 Financial and Operational Performance

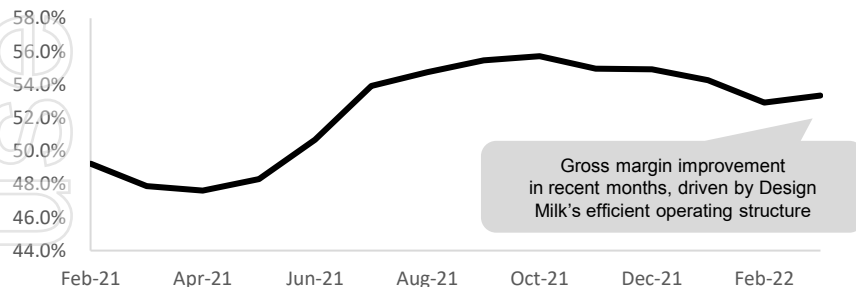
eCommerce transaction value (A\$'000s)



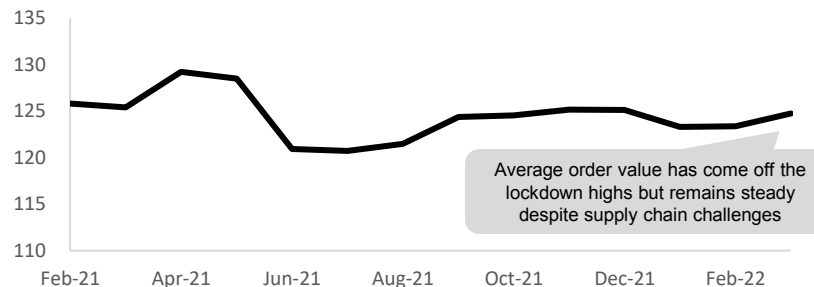
Gross revenue¹ (A\$'000s)



Gross margin: LTM rolling average



Average order value (\$): LTM rolling average



All figures in AUD. Based on USD/AUD conversion rate of 0.74

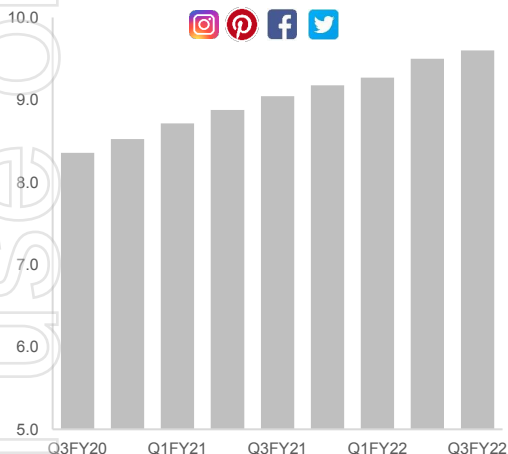
Notes: 1. Represents gross sales revenue pre commission from sale of goods.

Progress on Conversion Rate Improvement

Our Followers

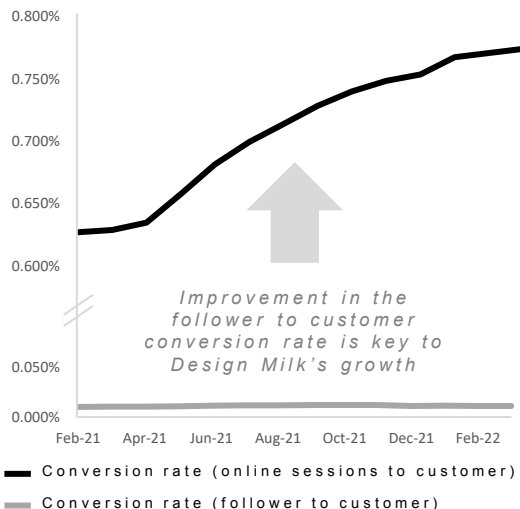
- Design Milk's strong community of nearly 10 million follower forms the strong foundation of the brand's continued growth
- The follower to customer conversion funnel remains the focus of the management team

Number of followers (m)



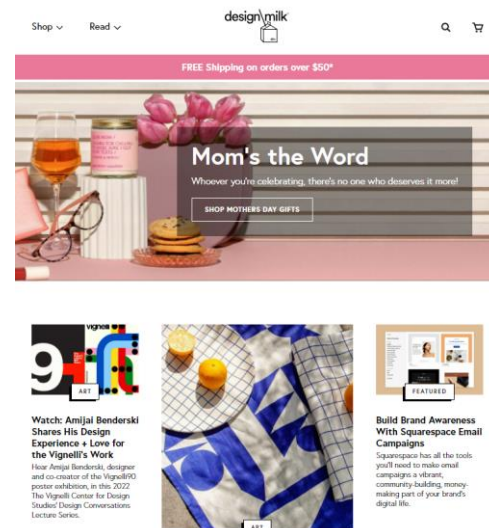
Conversion Rate Improvement

- Our engaged follower base and the refreshed Design Milk website with more shop-friendly features are the dual engines of continued conversion rate improvement
- There remains substantial room for improvement given Design Milk's conversion rates are still well below industry average



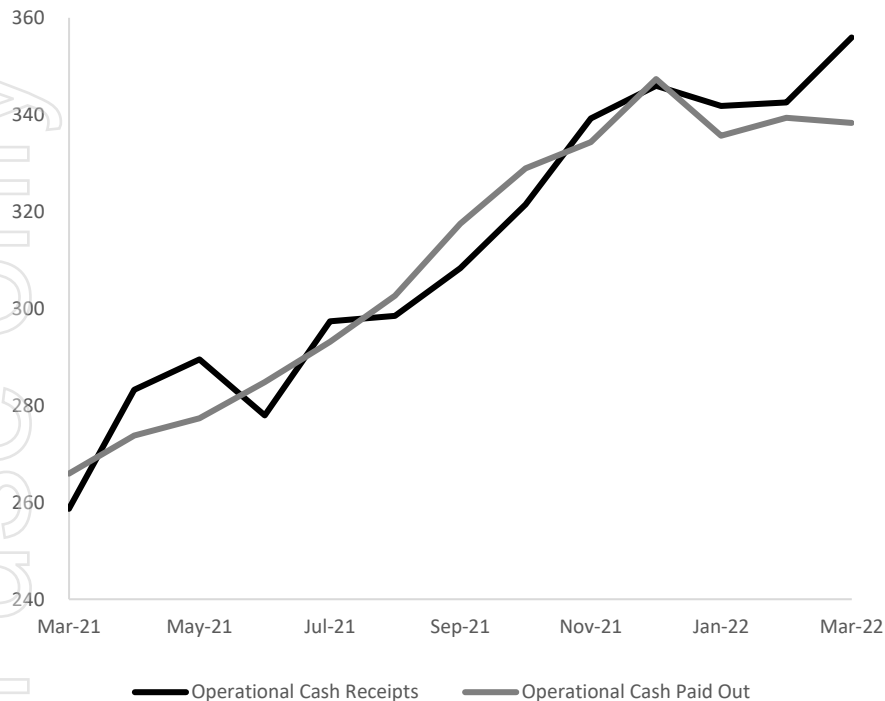
Website Refresh

- Since the homepage refresh, we have seen positive growth in page views, shop sessions and a +47% increase in average session duration
- The Shop function has been made more prominent on the site to continue to drive followers to our products



Update on Cash Runway

Operational cashflows (A\$000's): LTM rolling average



Commentary

Quarterly cash position

- Q3 is a traditionally soft quarter given it falls between the strong Christmas/New Year trading period and North American summer holidays
- On a LTM rolling average basis, operational cash receipts grew whilst operational cash paid out remained flat over the quarter, due to the team's continued focus on managing the expense base
- Cash position is expected to improve in the following quarters given seasonality and efficient cost base of our business

Strategic opportunities

- The team continues to explore a number of strategic opportunities, aimed at improving scale and accelerating activities to monetise our large follower base

Shareholder support

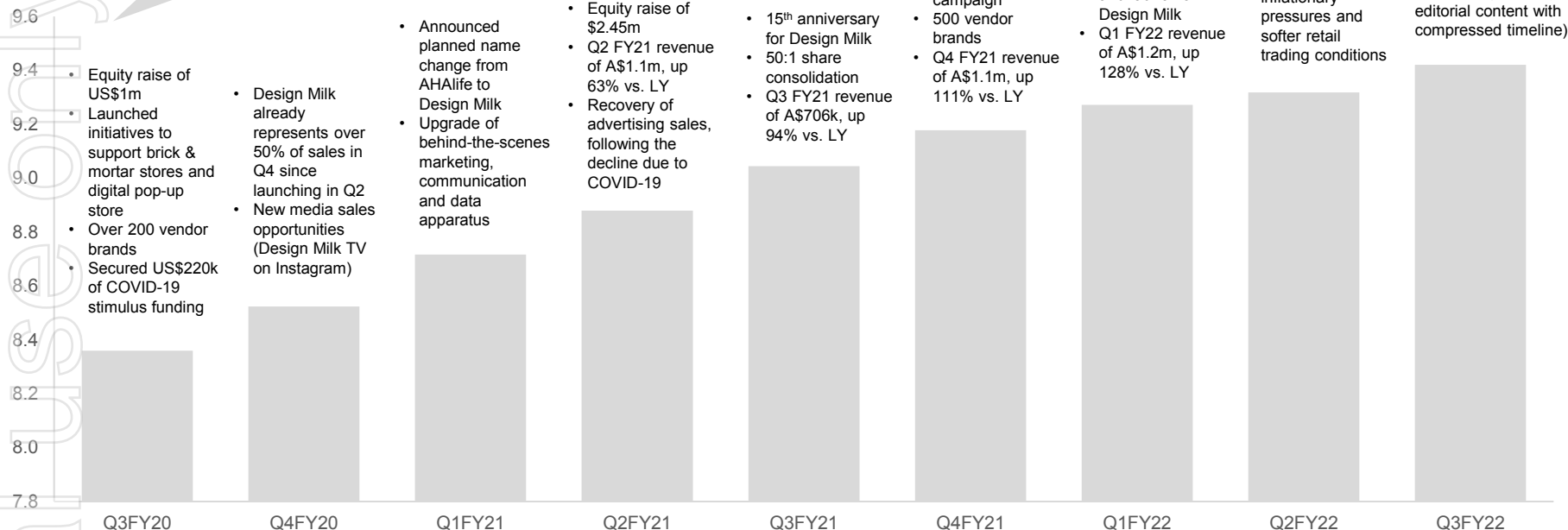
- Major shareholders remain supportive on the business outlook and are committed to provide cash injection if/when needed

Design Milk's Journey

Design Milk social media followers (millions)



Design Milk Shop Launch in Q2 FY20 (Nov-19), complementing the existing offering of our high quality editorial content





CEO Update

Dear Shareholders,

Navigating the last six months has been a challenge for many digital businesses. The customer pendulum swung heavily toward physical stores in Q2 (understandable given our collective lockdown cabin fever), the iOS privacy updates, Instagram algorithm changes, and ongoing supply chain and inflationary pressure continue in Q3.

Although Q3 sales were down slightly vs. LY's strong lockdown results, Design Milk made progress in multiple key areas. Our margins improved, operating cashflow and receipts are at their strongest on a rolling twelve-month basis, our open orders and delivery rates are positive. Our audience grew and our advertising revenue performed well despite the unpredictability of this channel, with our YTD advertising sales well above LY.

Looking ahead, Design Milk has multiple growth opportunities, including exclusive brand partnerships, the expansion of our product assortment, Trade/B2B, pop-up retail, new media partnerships, the return of design trade shows, new affiliate publishing revenue, monetizing our huge library of 25,500 published articles, and the continued expansion of our amazing community of nearly 10 million followers.

As a small team of 15 we focus on projects that support sustainable growth, leaning into these opportunities as we develop the operational discipline to handle them. In Q3 our Operations team updated several brand and customer management tools, reducing our open orders and customer service queries to their lowest ever level.

We continue to explore shop friendly video content, uncovering some big wins with single posts gaining over 1.2 million views. We refreshed our homepage layout and continue to look at creative ways to market Design Milk and support revenue growth.

CEO Update cont'd

We manage a portfolio of 500+ vendors, approximately 45% are based outside the US. Every vendor struggles with supply chain issues, impacting our best-sellers and sales. Our Merchandise team has focused on discovering US based brands, or international brands with an excellent inventory + shipping track record. We can't escape the supply chain challenges but this approach has helped our results.

A less obvious impact of the supply chain challenges is the influence on advertising + media. Without inventory vendors delay product promotions, impacting their media budgets and spend. Pre-COVID our booking schedule was 4-6 months out. Today we receive bookings with 1-2 weeks' notice, requiring our editorial and media team to develop ideas and sponsored content in record time.

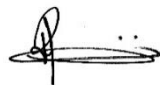
Despite these challenges our Media, Marketing and Editorial teams are extremely reactive and tackle these opportunities head-on, our advertising revenue in April + May is booked ahead of LY, and our YTD bookings have already surpassed LY's total.

I am consistently impressed with the quality and volume of amazing work my small but mighty team produces. The work we develop is easily comparable with other larger content led e-commerce platforms that have significantly greater resources.

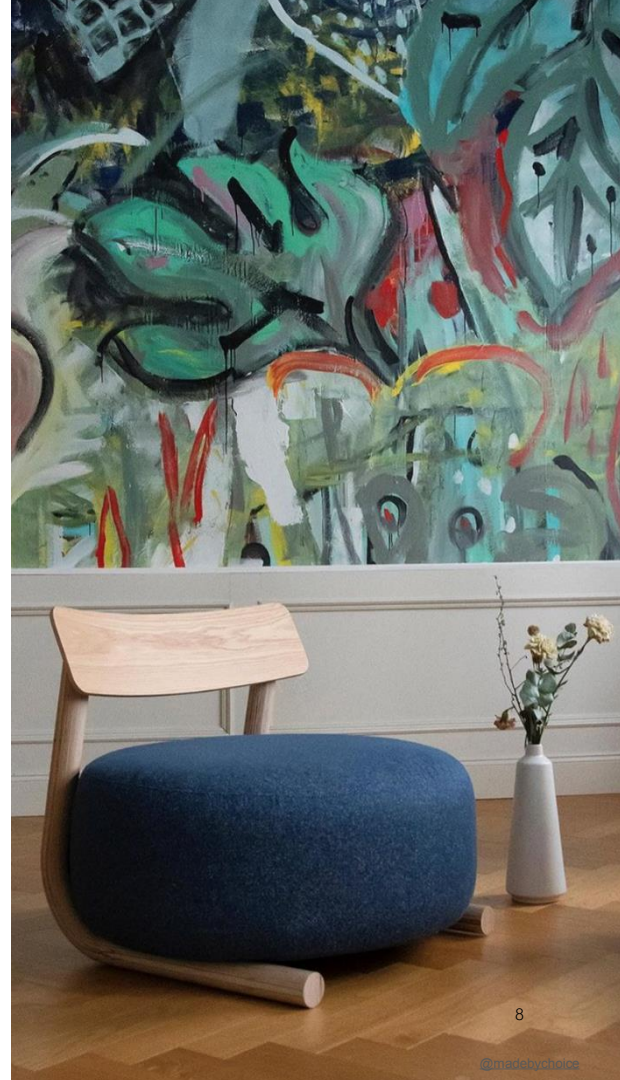
We are operationally lean. Our growth is organic, and community supported through high quality content, smart-marketing and careful curation. Our CAC and operating costs are low and predictable, we have not spent heavily on advertising, and our margins are healthy and consistent. The foundations are solid, now we need to scale.

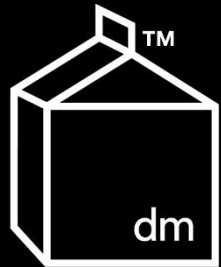
Thank you for your continued interest and support. We have multiple growth opportunities in front of us and I look forward to reporting on these positive updates throughout the year.

Robert Mancini, CEO, Design Milk Co.



Sydney, Australia and Columbus, OH, USA
29 April 2022: Design Milk Co. Limited (ASX: DMC)





design
milk co.

About Design Milk Co.



Design Milk Co at a Glance

- Ⅲ A community of over 9.5 million social media + email followers
- Ⅲ Internationally experienced retail + media team
- Ⅲ 16+ years experience developing social media, editorial, and advertising content
- Ⅲ Established influencer status. Authenticated Instagram global brand
- Ⅲ Over 25,000 published design related articles
- Ⅲ Integrated eCommerce platform with 500+ live vendors
- Ⅲ Full-service eCommerce platform
- Ⅲ In-house Customer Service, Finance, Marketing, Merchandising, and Editorial teams
- Ⅲ We deliver a powerful cross-channel brand building experience, combining + sharing content and eCommerce via multiple channels

Our History



started as a modern design-inspired blog in 2006, quickly becoming the go-to site for a large, growing community that's passionate about modern design, architecture, furniture, décor, creators and products.

Today, our award-winning, multi channel platform delivers the latest modern design news, editorial + video content, brands and products to our community of over 9.5 million followers.

We've published 25,000+ articles supporting independent designers, artists, and brands from the worlds of architecture, interior design, home furnishings, technology, style, travel + more.

We create, host and share design workshops, events, podcasts, brand videos and interviews through our website, social media, our DMTV Instagram channel, emails, newsletters, and other content mediums.

We launched the Design Milk online shop in November 2019, grew our vendor base to over 500 brands, participate in design Trade events and regularly “pop-up” in North America, London and Europe, with Design Milk Stand, our physical marketplace that introduces our favorite brands in person to our large community.



An abstract wall sculpture made of various colored geometric blocks (white, grey, blue, orange, black) in a corner. A black modern chair with a circular back and three legs sits on a light-colored rug in the foreground.

What We Do

Content-drives-Commerce

- ||| We produce and deliver editorial + video content, dedicated to the world of modern design
- ||| We retail 500+ brands via our in-house produced content
- ||| Introduce + build brands via our content website, social media + emails with our large combined audience of over 9.5M
- ||| Create high quality, sponsored advertising + media programs for DTC and Trade / B2B brands
- ||| Host pop-up retail events, and participate in, or report on global design trade + retail shows

Drop-Ship eCommerce

- ||| Agile, reduced inventory pressure, lower related operating costs

Diversified revenue streams

- ||| e-Commerce, sponsored advertising + media, affiliate publishing, pop-up retail + trade events

Shared-Service platform

- ||| One integrated team efficiently manages + supports multiple websites

Lifestyle-curated websites

- ||| Each website has a unique lifestyle projection, broadening our audience + revenue

Multiple growth opportunities

- ||| Continue to grow our vendor base, expand into furniture and larger home décor categories, host live pop-up shopping events, launch a new Trade platform, open a Design Milk studio and showroom for furniture and unique content, and **MUCH MORE !**

Our Board and Management



Robert Mancini – Chief Executive Officer

- Appointed CEO in July 2018
- Extensive global luxury goods, fashion and e-commerce experience across multiple channels, categories, and geographies of the retail industry
- 20+ years with brands such as Ralph Lauren, Lbrands, Richemont, and Alfred Dunhill



Mike Hill – Chairman

- 20+ years Private Equity and Advisory experience in Australia and the UK
- Founder and CIO of Bombora Special Investment Growth Fund
- Currently Non-executive Chair of Janison Education Group, Beamtree Holdings and Mad Paws



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



Jaime Derringer – Director

- Appointed Non-executive Director in March 2022. Previously Chief Creative Office of Design Milk since February 2019
- 20 years in the design and media industries
- A leading authority within the modern design community



Christopher Colfer – Director

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



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



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

Please visit www.design-milk.com, or contact:

Robert Mancini, Chief Executive Officer: +1 (877) 799 4637

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

Investor Relations: ir@design-milk.com



Sydney, Australia and Columbus, OH, USA
29 April 2022: Design Milk Co. Limited (ASX: DMC)

3Q FY22 Quarterly Business Update and Appendix 4C Cashflow Statement

Design Milk continues revenue growth despite seasonally softer March quarter

- **Operational performance**
 - 9.5m+ Design Milk social media followers continue to grow, supporting high quality design social content being consumed
 - Q3 FY22 gross revenue¹ of A\$580k, representing a CAGR of 23% over the last two years (measuring Design Milk Shop opening from Q2 FY20)
 - Conversion rate improvement trending upwards as followers are migrated to store front. New landing home page launched in March has seen positive yield since launch on conversion
 - YTD gross revenue¹ (unaudited) of A\$2.7m, up 6.9% on PCP, despite global supply chain challenges to ship booked sales
 - YTD Design Milk eCommerce revenue (unaudited) of A\$1.5m, up 10.8% on PCP
- **Strategic initiatives**
 - The team continues to explore a number of strategic opportunities, aimed at improving scale and accelerating activities to monetise our large follower base
- **Cash position**
 - Q3 is a traditionally soft quarter given it falls between the strong Christmas/New Year trading period and North American summer holidays
 - Q2 bookings cash is received in Q2, however timing of deliveries can see December revenue recognised in Q3 along with cash payment for goods shipped
 - On a LTM rolling average basis, operational cash receipts grew whilst operational cash payments remained flat over the quarter, due to the team's continued focus on managing the expense base
 - Cash position is expected to improve in the following quarters given seasonality and efficient cost base of Design Milk
 - Major shareholders remain supportive on the business outlook and are committed to provide cash injection if/when required

CEO commentary

Navigating the last six months has been a challenge for many digital businesses. The customer pendulum swung heavily toward physical stores in Q2 (understandable given our collective lockdown cabin fever), the iOS privacy updates, Instagram algorithm changes, and ongoing supply chain and inflationary pressure continue in Q3.

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Sydney, Australia and Columbus, OH, USA
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Thank you for your continued interest and support. We have multiple growth opportunities in front of us and I look forward to reporting on these positive updates throughout the year.

Robert Mancini
CEO, Design Milk Co.

Appendix 4C

The Company's Appendix 4C cashflow report is attached

DMC confirms that this announcement has been approved by the Board of Directors of DMC.



Sydney, Australia and Columbus, OH, USA
29 April 2022: Design Milk Co. Limited (ASX: DMC)

About Design Milk

Design Milk Co. owns and operates eCommerce 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 over 9 million followers
- Kaufmann Mercantile, a blog and eCommerce website dedicated to independent craftsman and brands focused on sustainable manufacturing and product lifecycle.

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

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-22

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (.....months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	429	2,123
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(259)	(1,031)
(c) advertising and marketing	(75)	(225)
(d) leased assets		
(e) staff costs	(422)	(1,679)
(f) administration and corporate costs	(106)	(321)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(3)	(9)
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	(436)	(1,142)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		(44)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (.....months) \$US'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		(44)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	920	1,670
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(436)	(1,142)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(44)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (.....months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	484	484

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	484	920
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	484	920

6.	Payments to related parties of the entity and their associates	Current quarter \$US'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>		

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

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 \$US'000	Amount drawn at quarter end \$US'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
7.6 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.		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(436)
8.2 Cash and cash equivalents at quarter end (item 4.6)	484
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	484
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1
<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?	
Answer: March quarter is a seasonally soft quarter given it falls between the strong Christmas/New Year trading period and North American summer holidays. Cash position is expected to improve in the following quarters given seasonality and efficient cost base of our business.	
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?	
Answer: Design Milk is exploring a number of initiatives to improve the cash position of the business. It is undergoing a number of discussions with strategic partners, focused on enhancing the scale and cash conversion of the operation.	
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: Yes. Cashflows of the business are expected to improve in the following quarters given seasonally stronger quarters and Design Milk's efficient cost base. The major shareholders of Design Milk remain positive on the business look and are committed to support the business with cash injection if and when required.	
<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: 29 April 2022.....

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.