



Quarterly Activities Report & Appendix 4C

29 August 2024: Toys"R"Us ANZ Limited (ASX:TOY) (Company) is pleased to present its Quarterly Activities Report and Appendix 4C for the period ending 31 July 2024.

KEY HIGHLIGHTS:

- **Successfully completed an equity raise of \$2.49m via placement**
- **Continued integration and growth of RIOT Art & Craft business**
- **Improved product margins across all brands**
- **Positioned for inventory and sales growth ahead of the Christmas trading period**

CAPITAL & FINANCING

- **Successful Completion of \$2.49 Million Placement** TOY secured \$2.49m through a placement to new and existing institutional and sophisticated investors.
- **Additional Funding from Mercer Street Global Opportunity Fund II LP** TOY also reached an agreement with Mercer Street Global Opportunity Fund II LP for up to \$1.5m additional funding from an existing \$4.2m convertible securities facility, to be provided in two tranches:
Tranche 1: \$785,000 in convertible securities (face value \$863,500)
Tranche 2: \$715,000 in convertible securities (face value \$786,500)
The timing and drawdown of Tranche 2 is subject to agreement between the two parties.
- **Use of Funds** The primary use of the new capital will be to invest in inventory across the Company's core brands, with a focus on preparing for the Christmas trading period. This includes immediate reinvestment in core stock and orders for the significant sales period in Q2 FY 2025.
- **Strategic Implications** This funding marks an important step in TOY's strategic objective to build a diversified House of Brands. It enables the company to capitalize on recent efforts to right-size the business and launch the TOY House of Brands Growth Strategy.

BUSINESS TRANSFORMATION

TOY is committed to continue to nurture the Toys R Us business whilst amplifying and growing Babies R Us and RIOT to accelerate engagement with a combined customer database of ~1.6million profiles.

While overall sales for the quarter remained constrained due to inventory limitations, TOY anticipates growth in the coming quarter as the Company utilises the new funds to invest in stock. TOY has experienced positive progress in its product margins across all brands, contributing to TOY's path towards profitability. Notably, the margins for toys have seen significant improvement, now that the Company has cleared all its aged and obsolete inventory and can focus on turning new stock efficiently and more profitably.

In addition, the RIOT Art & Craft business continues to perform well, contributing to improved overall group margins.

The Company hired a Group Head of Technology to oversee its technology stack. The Company completed the migration of most services from physical servers to cloud-based, reducing cost and improving productivity.

The Company surrendered the lease of Unit 2, 45-49 McNaughton Road (the smaller of two units that the company had leased), releasing the bond (release of bank guarantee is in progress) and reducing ongoing overheads. The Company continues to work towards its goal of exiting the lease for Unit 3, 45-49 McNaughton Road, which is progressing well.

RELATED ENTITIES: There were no payments to related entities during the quarter, the Board of Directors have elected to defer Director payments through the current transformation period.

Penny Cox, CEO said:

"The successful completion of our recent fundraising round marks a significant milestone in our transformation journey. We are now well-positioned to build our inventory in preparation for the critical Christmas trading period.

Our focus remains on executing our House of Brands strategy, with the RIOT Art & Craft integration continuing to deliver positive results. The improvement in our product margins across all brands is encouraging, and we're excited about the opportunities that lie ahead as we approach our peak trading season with an improved inventory position."

This ASX release has been authorised by the Board of Directors.

For further information please contact: investor-relations@toysrus.com.au

About Toys“R”Us ANZ Limited:

Toys“R”Us ANZ Limited (ASX: TOY) is an Australian-based listed company with a vision of ‘A lifetime journey with every child’. In addition to distributing leading products throughout Australia for key partners via its trading business Funtastic. The company acquired 100% of the Hobby Warehouse Group in November 2020, including Australian e-commerce websites Toys“R”Us, Babies“R”Us and Hobby Warehouse and the distribution business Mittoni Pty Ltd. The Company changed its name from Funtastic Limited to Toys“R”Us ANZ Limited on the 24 June 2021. Further information is available at corporate.toysrus.com.au

Appendix 4C

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

Name of entity

Toys”R”Us ANZ Limited

ABN

94 063 886 199

Quarter ended (“current quarter”)

31 July 2024

Consolidated statement of cash flows	Current quarter	Year to date (12 Months)
	\$'000 (unaudited)	\$'000 (unaudited)
1. Cash flows from operating activities		
1.1 Receipts from customers	1,413	20,333
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(560)	(15,340)
(c) advertising and marketing	(390)	(3,243)
(d) leased assets	-	-
(e) staff costs	(954)	(5,109)
(f) administration and corporate costs	(476)	(2,788)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	64
1.5 Interest and other costs of finance paid	(278)	(1,312)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	27	469
1.9 Net cash from / (used in) operating activities	(1,216)	(6,926)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(15)	(173)
	(d) Investments	-	-
	(e) intellectual property	(15)	(15)
	(f) other non-current assets	-	(19)
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		145
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	(30)	(62)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,133
3.2	Proceeds from issue of convertible debt securities	1,396	1,396
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(82)	(164)
3.5	Proceeds from borrowings	-	4,125
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease payments	(303)	(1,567)
3.10	Net cash from / (used in) financing activities	1,011	5,923

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	935	1,765
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,216)	(6,926)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(62)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,011	5,923
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	700	700

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 \$'000	Previous quarter \$'000
5.1	Bank balances	700	935
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)	700	935

6.	Payments to related parties of the entity and their associates	Current quarter \$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2 and 3	-

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.

The amount at 6.1 includes the payment of directors' fees and emoluments excluding reimbursement for administrative expenses and travel expenses.

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

7. Financing facilities	Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
<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>		
7.1 Loan facilities	16,601	16,601
7.2 Credit standby arrangements	0	0
7.3 Other (convertible securities)	1,485	1,485
7.4 Total financing facilities	18,086	18,086
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.	
	<p>As at 31 July 2024, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of \$13.6 million, with a total borrowing facility of \$13.6 million. In an event of default payment of interest, the Group will have an additional interest expense of \$0.19 million per annum at an incremental 1.5% interest rate.</p> <p>In addition, the Group has a loan facility with its Licensor TRU Kids Inc. (TRUK). As at 31 July 2024 USD \$1.7 million (circa. AUD \$2.8 million) was fully drawn on this facility. As part of the agreements made for the exit of the UK business, the Group was released from the guarantee for any loans due to TRUK from the UK business.</p> <p>During the previous quarter the Group entered into a \$5M funding agreement with Mercer Street Global Opportunity Fund II LP, consisting of a \$200,000 private placement of ordinary shares, \$600,000 Unsecured Loan and up to \$4.2M via a convertible securities facility (refer to ASX Announcement on 20 March 2024). During the July quarter the Group drew down \$A1.485m of the convertible securities. A further \$A2.715m is available to be drawdown, subject to further agreement between the parties. The Group also received \$100,000 pursuant to a convertible loan agreement with CEO Penny Cox.</p>	

8. Estimated cash available for future operating activities	\$'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,216)
8.2 Cash and cash equivalents at quarter end (item 4.6)	700
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	700
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.58
<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?

The Group expects that operating cashflows will continue to improve due to the strategic initiatives delivered and in progress, including:

- Improved sales and gross profit margins following the acquisition of Riot Arts and Crafts business;
- Right-sizing inventory to accommodate core brands and introduce new house brands, leading to better gross profit margins;
- Reduction in overheads including lease, staff, consultant costs and other corporate overheads; and
- Renegotiation of our royalty agreement to better fit the Group's revenue profile.

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?

The Group has taken a number of steps that are expected to result in significant additional cash, including:

- As per the EGM held on 23 May 2024, the Group has raised \$A2.49m through a placement to new and existing institutional and sophisticated investors;
- The Group has entered into a \$5M funding agreement with Mercer Street Global Opportunity Fund II LP. The undrawn facility at the date of this report is \$A2.715m, with further drawdowns subject to agreement between the parties; and
- Taking steps to raise further cash to fund operations via a range of initiatives, which are expected to be successful.

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?

The Group expects to be able to continue operations based on the successful execution of the combined initiatives described in 8.6.1 and 8.6.2.

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:29 August 2024.....

Authorised by:By the Board Chair
(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.