



29 February 2024

Quarterly Activities Report & Appendix 4C

Toys“R”Us ANZ Limited (**ASX:TOY**) (**Company**) is pleased to provide its January 2024 Quarterly Activities Report and Appendix 4C.

KEY HIGHLIGHTS:

- Successfully raised \$550K via private placement
- Strong support from US Investors representing approx. 17% of Share Register
- Redesigned sales technology platform provides stable sales channel during Christmas period
- 45,000 new customers subscribed to the Toys R Us database during the quarter
- Generated 8x typical weekly revenue during Black Friday Week sales
- Operating cost base reductions continue
- Agreement reached for smooth exit of TOY UK Division

SALES

Strong sales were buoyed by the Black Friday Week and Christmas sales periods. In a continued effort to clear excess aging stock several successful direct-to-public warehouse sales were held.

Marketing began early for Black Friday, which resulted in our marketing performance metrics peaking directly over the major sales weekend, generating 8x typical revenue during Black Friday Week. A giveaways program also drove up basket size, while addressing overstocks.

A significant amount of technology works were undertaken to stabilise, rebuild and improve the sales channel and back-end platforms resulting in an improved customer experience and a more efficient order to fulfilment process, supported by a lean fulfilment team.

KEY CUSTOMER METRICS

- 45,000 new customers subscribed to the Toys R Us database during the quarter
- 88% of customers during the quarter were new to Toys R Us.
- Customer Service Satisfaction score (CSAT) remained above 4.3 (out of 5) throughout Nov/Dec
- 98%+ of orders were shipped out on time, including during a very busy Black Friday period

OVERHEAD COST REDUCTION AND OPERATIONAL IMPROVEMENTS

In furthering our promise to shareholders, strong discipline on costs and overheads has been maintained including reducing the footprint and optimising the workforce to match true market demand. Benefits have begun flowing from the reduced cost base without revenues being negatively impacted.

The UK business division was estimated to require \$7M of initial working capital to fund the UK expansion which was expected to incur an initial operating loss of \$6M in the first 12 months. Accordingly, the operational and financial resources required to make the UK market sustainable were not within reach.

A strong relationship with Licensor TRU Kids Inc TRUK enabled the negotiation and implementation of a smooth exit of the UK market to allow TOY to focus its efforts and working capital on the transformation and growth of Australian activities.

Other operational cost-reduction initiatives included:

- sub-leasing of excess space and transfer of the head-leases on 2 premises;
- sale of unused assets;
- product lines / product mix optimised to improve profitability and cashflow; and
- assessing opportunities for portfolio expansion to better leverage existing assets, infrastructure, and workforce through potential collaborations and/or M&A opportunities.

CAPITAL & FINANCING

• Private Placement Raised \$550K

Successfully closed a \$550k private placement in mid-February 2024. This funding came from three investors, two of whom were new strategic investors and one an existing major shareholder.

Following the news of this capital raising, the share price rallied off the back of significant volume with the majority of the securities being purchased by US-based investors. In the wake of the resurgence of Toys”R”Us in the US through their Macy’s in-store partnerships, our US-based shareholders have led the way in supporting the Australian arm of the brand with US-based investors now representing approx. 17% of registered shares.

• Renegotiation of Agreement with Major Finance Partner

Renegotiated an Amended Facility Agreement with the major Finance Partner to postpone the planned repayment of \$3M from 31 Dec 2023 to 31 May 2024. The revised agreement sees the total facility reduce to \$13M, with a set interest rate of 11.5%, and the exercise of 18M warrants repriced to \$0.011, as announced to ASX on 5 February 2024.

• TRUK Loan Facility

The loan facility with Licensor TRU Kids Inc. (TRUK) as at 31 Jan 2024 totalled USD\$1.8M. As TRUK continues to fund incremental operating expenditure and working capital for the UK operations through to the transfer of the license to another party, this loan facility represented an AUD\$2.8M liability on the Balance Sheet of TOY ANZ.

Under the agreements executed with TRUK, TOY will transfer ownership of all UK business assets to TRUK in settlement of its US\$1.8 million outstanding loan balance, which TRUK provided to support the transition of the UK business. TRUK has agreed to release TOY and its Australian subsidiary entities from all remaining liabilities and obligations under the previous agreements.

RELATED ENTITIES: Payments to related entities during the Quarter were \$0.182m which represented the remuneration and fees paid to the Board of Directors.

BUSINESS TRANSFORMATION

Penny Cox, CEO said:

“We are well underway with the transformation of the business strategy and business model which we envisaged will enable TOY to lower its operational cost base, activate new sales channels and streamline its business for future stable growth.

We remain committed to our goal of achieving a capital light, financially sustainable business and although we still have some way to go, we are well down the track and have put in place much of the cornerstone infrastructure from which to build.

There are a number of exciting initiatives in the pipeline which we hope to be able to announce in the near future as the pillars of our new strategy fall into place.”

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 to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of toys and hobbies. 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 January 2024

Consolidated statement of cash flows	Current quarter \$’000 (unaudited)	Year to date \$’000 (unaudited)
1. Cash flows from operating activities		
1.1 Receipts from customers	8,560	15,842
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(4,912)	(11,957)
(c) advertising and marketing	(1,219)	(2,117)
(d) leased assets	-	-
(e) staff costs	(1,363)	(2,899)
(f) administration and corporate costs	(840)	(1,668)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	29	60
1.5 Interest and other costs of finance paid	(380)	(729)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	147	295
1.9 Net cash from / (used in) operating activities	22	(3,173)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(43)	(158)
	(d) Investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(34)
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	(43)	(192)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	542
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)	(18)
3.5	Proceeds from borrowings	-	3,024
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease payments	(414)	(849)
3.10	Net cash from / (used in) financing activities	(417)	2,699

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,538	1,766
4.2	Net cash from / (used in) operating activities (item 1.9 above)	22	(3,173)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(43)	(192)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(417)	2,699
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,100	1,100

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	1,100	1,538
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)	1,100	1,538

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	182
6.2	Aggregate amount of payments to related parties and their associates included in item 2 and 3	-
<p><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></p> <p>The amount at 6.1 includes the payment of directors' fees and emoluments excluding reimbursement for administrative expenses and travel expenses.</p>		

7.	Financing facilities <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>	Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
7.1	Loan facilities	15,653	15,653
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	15,653	15,653
7.5	Unused financing facilities available at quarter end		0
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 Jan 2024, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of \$13.0 million date. In an event of default payment of interest, the Group will have an additional interest expense of \$0.17 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 Jan 2024. USD \$1.8 million (circa. AUD \$2.6 million) was drawn with a commitment up to USD 2.0 million (circa. AUD\$3.0 million). Under the agreements for the UK business exit, TOY will transfer ownership of all UK business assets to TRUK in settlement of its US\$1.8 million outstanding loan balance, which TRUK provided to support the transition of the UK business. TRUK has agreed to release TOY and its Australian subsidiary entities from all remaining liabilities and obligations under the existing guarantee, indemnity, and security deed which were previously in place.</p> <p>TOY continues to negotiate and progress additional funding opportunities to support the business operations.</p>		

8.	Estimated cash available for future operating activities	\$'000
8.1	Net cash from / (used in) operating activities (item 1.9)	22
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,100
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	1,100
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<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: Not applicable	

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: Not applicable

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: Not applicable

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 February 2024**.....

Authorised by:**Board of Directors**.....
(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.