



PRESENTATION TO SHAREHOLDERS MEETING 23 JUNE 2021

23 June 2021: Funtastic Limited (ASX: FUN) (**Funtastic** or the **Company**) here provides a copy of the Presentation to the Meeting of Shareholders to be held at 11:00am on 23 June 2021.

This announcement is authorised for release by the Board of Directors.

For media enquiries please contact:
Rochelle Burbury, Third Avenue Consulting
0408 774 577
Rochelle@thirdavenue.com.au

About Funtastic Limited

Funtastic Limited (ASX: FUN) is an Australian based listed company with a mission to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of hobbies and toys. In addition to distributing leading products throughout Australia for its key partners, Funtastic owns a number of its own products and distributes these globally. The acquisition of the Hobby Warehouse Group in late 2020, included the acquisition of 100% of Australian e-commerce websites Toys“R”Us, Babies“R”Us and Hobby Warehouse and the distribution business of Mittoni Pty Ltd. Further information is available at www.funtastic.com.au.



Toys“R”Us ANZ Limited is the exclusive licensee for Toys“R”Us, Babies“R”Us and associated IP in Australia and New Zealand.

Toys“R”Us ANZ owns and operates Toys“R”Us, Babies“R”Us and Hobby Warehouse websites.

Investor Presentation (e-commerce)

* Excludes B2B operations and data

This presentation is subject to the Important Notice and Disclaimer setout at the end of this presentation

ersonal use only



0 – 5 Years

BABIES  **R US**



3 – Teen Years

TOYS  **R US**



Teen – Retirement

 **hobby warehouse**

Yehuda Shmidman

Chair & CEO of WHP Global & Toys“R”Us Global
Board Observer of Toys“R”Us ANZ

Video Message to Shareholders

<https://vimeo.com/563961441/a413cfc958>

Executive summary –

Restructure is complete and we are positioned for strong growth

- Strategic review and restructure now largely complete.
- The ongoing potential of the Toys“R”Us e-commerce business model has been demonstrated by growth in key metrics during H1 FY21.
- Toys“R”Us ANZ has a close relationship with Toys“R”Us Global – the world’s most trusted children and baby brand.
- Babies“R”Us has pre-launched and ready to go live in coming weeks.
- State of the art logistics facilities have been designed and will be commissioned in coming days.
- Selective testing of direct marketing and promotional mechanics have clearly demonstrated the growth potential that can be realised when new logistics capacity is activated.

ersonal use only

ersonal use only

Business Re-alignment



Company strategic review and acquisition of the Hobby Warehouse Group (HWG) in 2020

In 2020 Funtastic Limited sought opportunities to improve its business via investment in growth category sectors based around families with children.

- **23 October 2020** – Funtastic announced the proposed acquisition of HWG comprising Hobby Warehouse Pty Ltd, Toys“R”Us Licensee Pty Ltd and Mittoni Pty Ltd.
- **26 October 2020** – \$29 million fully underwritten conditional placement.
- **26 November 2020** – Acquisition of HWG approved by shareholders.
- **1 December 2020** – Strategic review, integration of HWG into Funtastic commenced.
- **31 December 2020** – First month trading for newly acquired businesses (including the peak holiday trading period) completed with constrained logistics capacity.

ersonal use only

The business is now positioned for growth in e-commerce

- **22 January 2021** – Announcement of the sale of the confectionery division.
- **January 2021** – Cost reduction measures commenced including closure of dormant overseas subsidiaries, overseas 3PL storage services and right-sizing of operations.
- **31 March 2021** – Financial half year results released, \$16.2m sales revenue and \$1m NPAT.
- **April 2021** – Additional short term 5,500m² logistics facility secured, increasing the logistics capacity for the second half of CY 2021 and 2022.
- **28 April 2021** – Proposed change of Company name to Toys“R”Us ANZ Limited announced.
- **12 June 2021** – Babies“R”Us website pre-launch, website visitor subscriber page goes live.



We believe toys and hobbies have the power to change lives, create new experiences and build memories and connections that last a lifetime

Business Overview



ersonal use only

Snapshot of current e-commerce key business metrics

Product Choice



128 vendors¹



500 brands¹



10,200 products¹

Shoppers



135k active customers¹



> 1m active subscribers¹

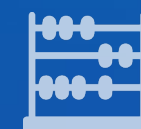


9.2m website visits²

Economics



\$95 average order value⁴



30% gross product margin²



\$5.35 average cost of acquisition⁵

¹ As at 31 January 2021.

² Last 12 months to 31 January 2021.

³ Unique session visits to Toys"R"Us and Hobby Warehouse websites in the twelve months to 31 January 2021.

⁴ Average order value for 31 January 2021 Quarter excluding tax and freight.

⁵ Total cost of all click campaigns divided by total number of orders received.

The ongoing potential of Toys“R”Us’ e-commerce business model has been illustrated by the growth in key metrics during H1 FY21

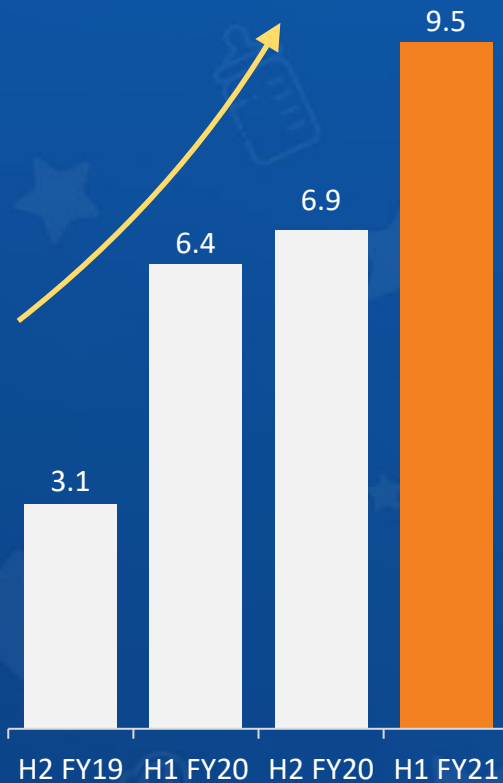
- Strong growth in sales revenues, order numbers, basket size, active and repeat customers demonstrate increasing consumer awareness and trust in the Toys“R”Us brand.
- Strong growth in vendors, brands and product offerings demonstrate strong support from a 3rd party supply chain that has the ability to scale rapidly.
- Growth has been delivered with limited investment in advertising, direct marketing and customer acquisition to carefully manage volumes in line with existing logistics constraints.
- The Funtastic business has been restructured, in-line with global trends, away from wholesaling toward a digital-first direct to shopper retailer focus.
- Selective testing of direct marketing and promotional mechanics have clearly demonstrated the growth potential that can be realised when new logistics capacity is activated.

Toys“R”Us is the world’s most trusted children and baby brand

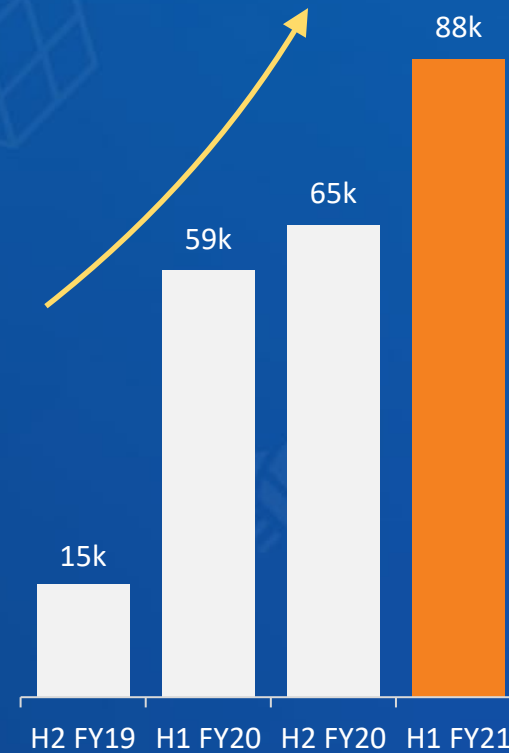
- For more than 70 years, Toys“R”Us has been a globally trusted and beloved destination for children and parents searching for toys.
- Toys“R”Us and Babies“R”Us generate over US \$2 billion in global retail sales annually through nearly 900 branded stores and ecommerce sites in over 25 countries.
- Toys“R”Us ANZ has a 42-year exclusive agreement to operate Toys“R”Us and Babies“R”Us in Australia and New Zealand.
- Ongoing support from WHP Global, a New York based consumer brand firm that acquires and invests in high-growth distribution channels including digital commerce platforms.
- Our future plans seek to celebrate our rich brand heritage while providing new and exciting experiences for the next generation of Toys“R”Us kids, Babies“R”Us mums and dads and Hobby Warehouse enthusiasts.

Sales revenue is growing as company resources are increased and brand awareness is improved

Sales Revenue (\$m)



Number of Orders

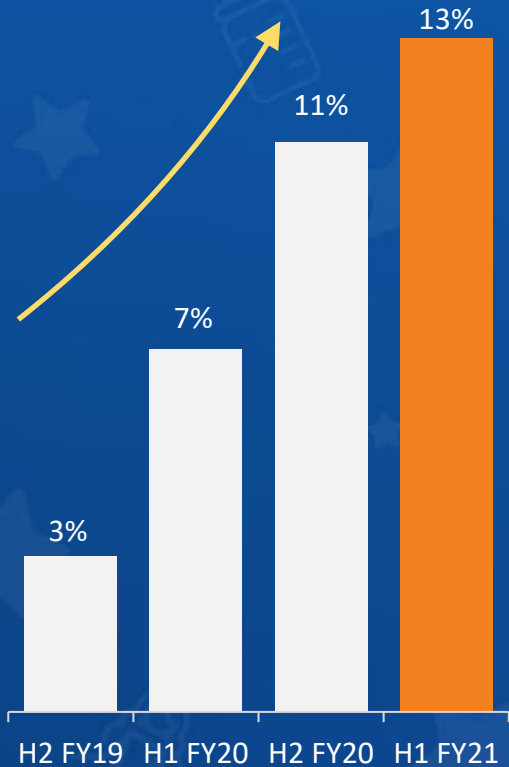


- Strong growth in order volumes.
- Higher sales revenue growth realised each H1 due to peak holiday season trading.
- Aligned with increasing brand awareness, orders by value received via 3rd party marketplaces as a percentage of total orders have decreased from 16% in Q1 FY21 to less than 6% in Q3 FY21.

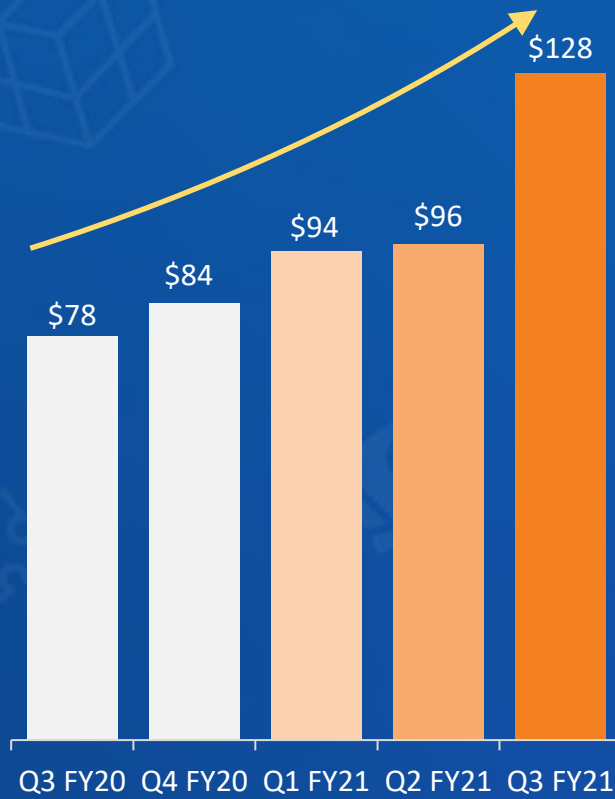
* Number of orders represents orders placed within the financial half year, directly on either the Toys“R”Us or Hobby Warehouse websites, excluding 3rd party marketplaces. Sales revenue represents total e-commerce sales revenue in the respective period. Financial half year periods extend from August to January and February to July.

Significant increase in average basket size as product mix is adjusted and repeat customers increase

TRU Repeat Customers

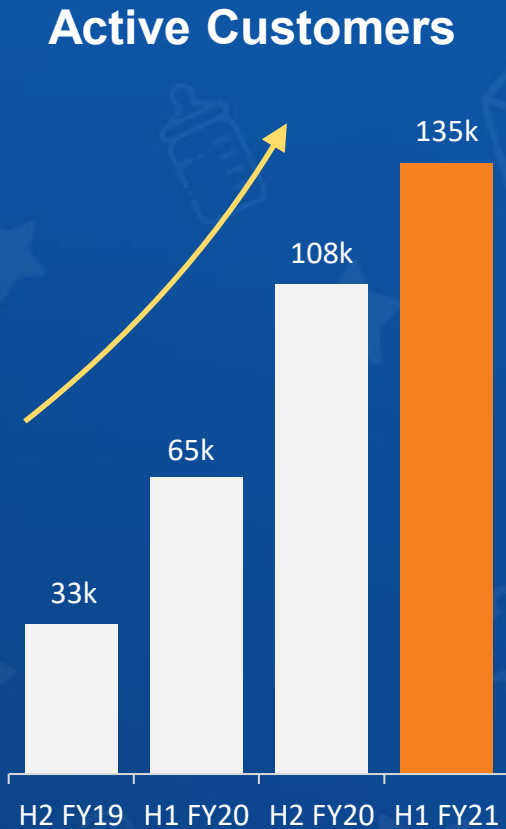


Average Order Value (\$)



- The number of repeat customers returning to shop for toys has been increasing since the relaunch of Toys“R”Us Australia.
- Significantly higher average order value is reflective of the management strategy implemented to maximise revenues within the current logistics constraints.
- Average cost of customer acquisition of \$5.35 reflects the need to manage order volumes within current logistics constraints.

Active customers are increasing as brand awareness gains momentum ahead of capacity improvements



- More than 1 million active email newsletter subscribers with an interest in baby, toy and hobby products.
- More than 430k SMS subscribers (up 60k from October 2020).
- Investment in advertising, marketing and brand awareness will be increased once logistics constraints are eliminated.
- Relaunch of Babies“R”Us and increased product range across Toys“R”Us, Babies“R”Us and Hobby Warehouse are also planned.

* Active customers are shoppers that made a online purchase on Toys“R”Us or Hobby Warehouse in the preceding 12 months.

¹ As at 31 January 2021.



**State-of-the-art
Logistics
Capabilities**

ersonal use only

The Toys“R”Us automated logistic facility will employ robotics and AI decision-based storage processes to optimise warehouse operations

- Since acquisition of the HWG, the executive team has centralised business operations related to e-commerce buying and demand planning. Warehouse management systems, accounting ERP and other systems will be combined, in alignment with the commencement of the new financial year, 1st August 2021.
- \$2m investment in state-of-the-art warehouse systems and facilities with a highly automated and AI storage driven system established at the new warehouse DC located in Dandenong South, Victoria – expected to be commissioned over the coming days.
- The logistics facility is expected to deliver significant speed efficiencies, high pick accuracies and vastly improved cost efficiencies – enabling Toys“R”Us to deliver on its growth objectives.
- Robotic driven product-to-picker storage systems have the ability to self-organise, scale to meet the needs of the business as it expands. The Toys“R”Us facility should assist the company to shorten order shipping times and help to lower the underlying cost of doing business.

Babies“R”Us has pre-launched and ready to go live in coming weeks

- Babies“R”Us is a well-known, loved and trusted baby retail brand with over 20 years of history.
- Toys“R”Us has the exclusive right to operate Babies“R”Us in Australia and New Zealand.
- ~\$2.5 billion addressable market size in Australia.
- The initial relaunch will offer thousands of products via our e-commerce site, growing to an enhanced offering during the second half of CY 2021.
- Babies“R”Us’ innovative marketing approach will augment the products and services our customers love as we engage with them through their daily lives and reflect the emotional highs and lows we all experience through family and children.

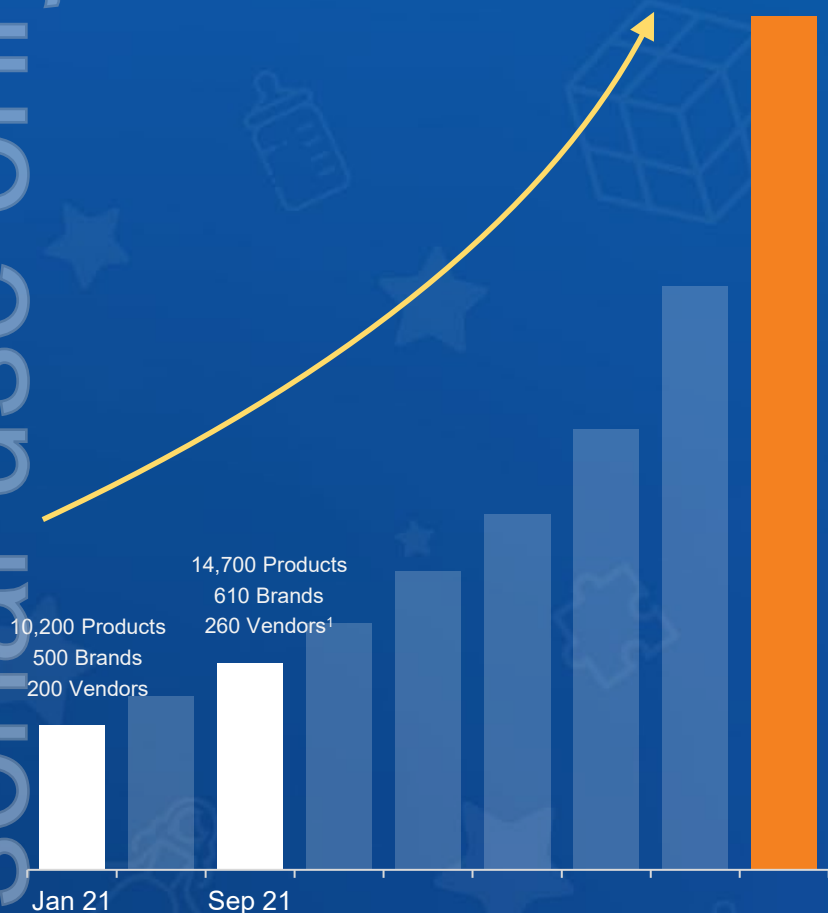
ersonal use only



**Growth
Aspirations**

Growth will be driven through disciplined deployment of capital to drive top-line growth in the medium term

Sales Revenue Growth



- Our aspiration is to increase the Toys“R”Us product choice and competitive price / value offer to achieve 5% market share of the \$2.8 billion addressable toy market.
- Babies“R”Us is in the process of being relaunched and will contribute to increased sales revenues. Our aspiration is to achieve 5% market share of the \$2.5 billion baby market.
- We aspire to increase Hobby Warehouse with other product categories to achieve 3-4% of the \$1 billion+ market.
- Increased marketing spend is planned for second half of CY 2021 in line with the increase in logistics capacity.
- Capital will be deployed toward core competencies including marketing, technology and logistics.

¹ Based on committed purchases.

Important Notice and Disclaimer

The information in this document and discussed at this presentation (collectively, the Presentation) has been prepared by Funtastic Limited (ABN 94 063 886 199) (Funtastic or the Company). Your receipt or viewing of the Presentation evidences your acceptance of, and agreement to be bound by, the terms below.

No Offer

The Presentation is not a prospectus, product disclosure statement, disclosure document or other offer document under Australian law or any other law. It does not and is not intended to constitute an offer for subscription, financial product advice, invitation, solicitation or recommendation by any person or to any person with respect to the purchase or sale of any securities or financial products in any jurisdictions, and also does not form the basis of any contract or commitment to sell or apply for securities in Funtastic or any of its subsidiaries or related entities. The information in the Presentation has been prepared without taking account of any person's investment objectives, financial situation or particular needs and nothing in the Presentation constitutes investment, legal, tax or other advice. You must not rely on the Presentation, and must make your own independent assessment and rely upon your own independent taxation legal, financial or other professional advice.

Financial Information

All amounts of money in the Presentation are in Australian dollars unless otherwise stated. Totals and percentages may be subject to rounding. The Presentation contains financial information that may not have been prepared in accordance with disclosure requirements of applicable accounting standards and other mandatory reporting requirements in Australia.

Forward Looking Statements

The Presentation contains certain forward looking statements, including estimates, projections and opinions (Forward Looking Statements). Forward Looking Statements may involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Funtastic, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect on Funtastic. No representation is made that any Forward Looking Statements will be achieved or will prove correct. Actual future results and operations could vary materially from the Forward Looking Statements. Circumstances may change and the contents of the Presentation may become outdated as a result. Funtastic is not obliged to update such outdated information.

Past Performance

Past performance information given in the Presentation is given for illustrative purposes only and is not an indication of future performance.

Disclaimer

The information in the Presentation is in summary form and is therefore not necessarily complete, and does not contain all information that would be relevant to an investor. The material contained in the Presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness, fairness or reliability of the information in the Presentation, or of the opinions and conclusions in it. To the maximum extent permitted by law, Funtastic and each of its subsidiaries and affiliates, and each of their respective directors, employees, officers, partners, agents and advisers, and any other person involved in the preparation of the Presentation, disclaim all liability and responsibility (including but not limited to any liability arising from fault or negligence) for any direct or indirect loss or damage which may arise or be suffered through use of, or reliance on anything contained in, or omitted from, the Presentation. Funtastic has no responsibility or obligation to inform you of any matter arising or coming to its notice, after the date of the Presentation, which may affect any matter referred to in the Presentation. This Presentation should be read in conjunction with Funtastic's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

ersonal use only

Toys R Us

Thank You