



A TRANSFORMATIVE YEAR – BUSINESS UPDATE – YEAR ENDED 31 JULY 2021

13 September 2021 - Toys“R”Us ANZ Limited (ASX: TOY) (**Toys“R”Us** or the **Company**), which includes e-commerce businesses Hobby Warehouse, Toys“R”Us and Babies“R”Us and IT distributor Mittoni, is pleased to provide the following business update.

Based on unaudited management accounts, proforma figures for the consolidated businesses for the financial year ending on 31 July 2021¹ are:

- Consolidated Proforma Annual Revenue of \$48.2m.
- Consolidated Proforma Annual Gross Profit of \$11.1m.
- Consolidated Proforma Annual EBITDA of \$0m.
- Year End Cash at Bank \$17.3m.
- Year End Net Assets \$55.7m.

The above figures include contributions from the Hobby Warehouse Group (HWG), acquired on 26 November 2020, on a proforma basis from 1 August 2020, in addition to significant items such as the operation and sale of discontinued businesses.

The year has been transformational for the Company, which is progressing towards its objective of securing a significant market share in the baby, toy and hobby retail sectors.

Relaunch of Babies“R”Us

Babies“R”Us re-entered the Australian market on 11 August 2021 with the deliberate soft launch of a newly created website. The relaunch focused on “ease of shopping” through intelligent product categorisation and an expert understanding of the needs of parents and carers. The new website initially features more than 3,000 products and 62 market leading brands such as Bugaboo, Bonds, Baby Jogger, Philips Avent, Tommee Tippee and more. The range is on track to grow strongly over coming weeks to a customer offering of more than 5,000 products including exclusive and limited release items.

¹ The financial year for Toys“R”Us ANZ Limited extends from 1 August to 31 July.

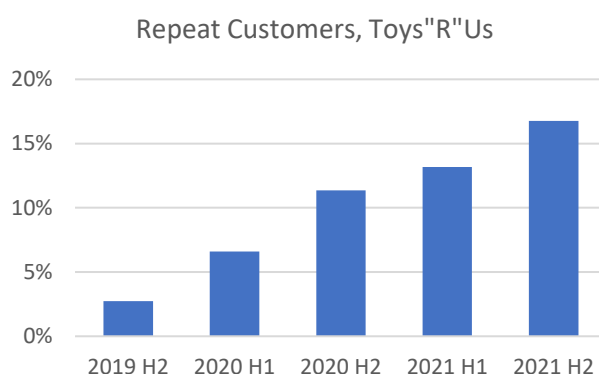
The forthcoming strategically planned marketing and awareness campaign, through social platforms, direct marketing and media, is set to generate a higher degree of interest and traffic to the site as Babies“R”Us looks to gain presence in the market. This online market growth will provide a solid platform to merge into a physical experiential environment, focused on expert advice in 2022.

Advancements in Toys“R”Us Brand Performance

Toys“R”Us delivered strong results for the fourth financial quarter despite the relocation of warehouses between 22 July to 12 August. The number of orders received via the Toys“R”Us website during FY21 Q4 was 36.6k versus 32.0k in the previous quarter, representing an increase of 14.8% quarter-on-quarter. Orders received between 22 July and 12 August were invoiced and shipped in August 2021 therefore delaying recognition of a proportion of July revenue until the subsequent financial year.

Average Order Value² (AOV) of orders placed via the Toys“R”Us website during FY21 H2 were approximately \$122.95 versus \$94.11 for FY21 H1, representing a rise of 30.6% half-on-half. Much of the increased AOV in the second FY half was attributable to repeat customers who spent \$171.50 (or 62.4% more on average) versus \$105.60 for first-time shoppers, in combination with a temporary strategic shift to higher value items to alleviate logistics pressures during the period.

Repeat customers for Toys“R”Us also increased to 16.8% of all orders placed via the Toys“R”Us website in FY21 H2 versus 13.2% in FY21 H1.



The Company has increased resources and spend on advertising as at the end of August 2021 to drive growth. Return on paid advertising remains very attractive, with an average cost per conversion via click advertising for the four weeks to 10 September of approximately \$8.50 for Toys“R”Us³.

Warehouse Facilities Relocation

The acquisition and integration of HWG combined with the achieved and planned growth of the Company has provided both the opportunity and requirement to secure larger and more efficient distribution capabilities.

The Company moved to larger temporary premises in Dandenong South and simultaneously implemented both a state-of-the-art warehouse management system and Autonomous Mobile Robots (AMRs) that have increased the capacity and efficiency of logistics processes. These facilities have the

² Average order value excludes freight charges and GST.

³ Cost per conversion for Toys“R”Us website paid click advertising, excluding organic conversions.

capability to service the growth ambitions of the Company for the next 6-12 months, including the upcoming peak toy trading season.

As previously reported, the Company secured a lease in July 2021 in relation to a purpose built, state-of-the-art warehouse distribution centre and adjoining head office facility located in the suburb of Clayton, within the Victorian City of Monash. The new premises have been specifically designed and configured to house the Toys“R”Us ANZ headquarters and to accommodate the Company’s medium-term requirements for warehousing, office space and an ancillary experience centre.

The Year Ahead

Toys“R”Us is planning rapid material revenue growth over the next several years and is poised, following successful completion of the logistical improvements reported above, to take advantage of upcoming significant shopping events and seasons.

Ms Lian Yu, Chief Operating Officer of Toys“R”Us ANZ, said: “Much of our inventory has been planned sufficiently in advance to help ensure adequate stock levels of in-demand items are available for end of year peak trading events and promotions. Some categories, such as selected outdoor play products, were planned for as early as October 2020, shipped prior to any freight disruptions and have been received into our warehouses in recent weeks.”

Dr Louis Mittoni, CEO and Managing Director of Toys“R”Us ANZ, said: “The Toys“R”Us teams have worked diligently and cohesively to reduce disruptions during the recent warehouse relocation and commissioning process, and are now focussed on preparations for the busy November and December trading period.

Whilst the Company is cash self-sufficient should we choose to be, we plan to pursue top line growth aspirations and market share goals over the next year or two wherever suitable avenues arise.”

The Company continues to review all strategic options to expand and realise its growth ambitions by identifying suitable business opportunities and by deploying capital strategically in addition to the growth initiatives reported above.

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

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ABOUT TOYS“R”US ANZ LIMITED

Toys“R”Us ANZ Limited (ASX: TOY) 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 toys and hobbies. In addition to distributing leading products throughout Australia for key partners via its trading business Funtastic, the company recently 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 www.funtastic.com.au