



STRONG SALES GROWTH AND BUSINESS PROGRESS FOR TOYS“R”US IN H1 FY22

Highlights:

- Strong growth in Q2 FY22, with sales revenue +86% year-on-year (YoY) during the quarter with significant uplifts in average order value and number of orders received.
- Monthly revenue accelerated in January 2022 for www.toysrus.com.au, +136% YoY.
- Key United Kingdom executive team now in place as the Company prepares for market entry, with e-commerce launch scheduled for mid-year 2022 to address a significant near-term growth opportunity for Toys“R”Us.
- Supply chain disruptions minimised through actions taken during 2021, providing increased category coverage and product redundancy ahead of the seasonal peak period.
- New e-commerce distribution centre in City of Monash, Victoria remains on target for completion in August 2022.
- Toys“R”Us continues to pursue its aspirations of driving top line growth to achieve its medium-term goal of 5% market share penetration in the toys, baby and hobby markets in all licensed regions.

1 March 2022 - Digital-first e-commerce direct-to-consumer retailer, Toys“R”Us ANZ Limited (ASX: TOY) (Toys“R”Us, TOY or the Company), is pleased to provide an update on growth and progress achieved during the financial quarter and half-year ending 31 January 2022.

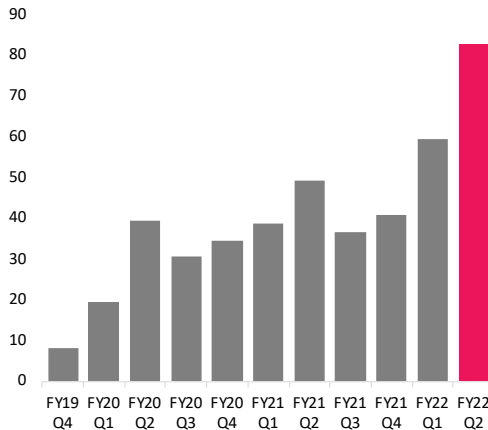
During the period, Toys“R”Us achieved robust growth in order volumes as the Company delivered into seasonally strong trading conditions.

In the quarter ending 31 January 2022, the Company achieved the following sales results through its Toys“R”Us Australian e-commerce website¹:

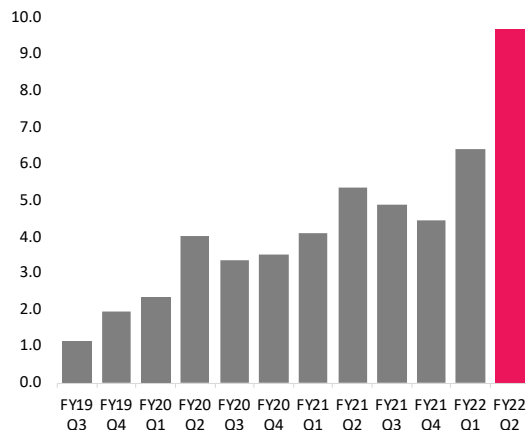
- Invoiced sales revenue (unaudited) of \$8.5m, an 86% increase versus the pcp.
- Number of orders received² of 72.6k, a 65% increase versus the pcp.
- Average order value of \$115.70, a 22% increase versus the pcp.

The total number of e-commerce orders³ and sales revenue in both quarters of the half-year exceeded expected levels for the period as illustrated in the below two graphs.

E-Commerce # Orders Received By Quarter³ (\$'000s)



E-Commerce Sales Revenue By Quarter³ (\$m)



Total number of active customers increased to 191k, representing growth of 42% versus the pcp.

The Company completed the period strongly with accelerated YoY revenue in January 2022 for www.toysrus.com.au with an increase of 136% versus the pcp, overcoming the effects of surging COVID-19 cases in several Australian states which has been widely reported to have impacted consumer confidence.

United Kingdom Expansion on Track

On 27 October 2021, TOY and WHP Global announced a landmark long-term exclusive licence agreement for Toys“R”Us ANZ Limited to operate digital and physical retail commerce for Toys“R”Us and Babies“R”Us in the United Kingdom.

Following commencement of the license, taking effect mid-December 2021, the Company announced its senior executive team located in London UK, including highly experienced Marketing and eCommerce Director Mike Coogan and Buying Director Diane Lee. The Company strengthened this team further in February 2022, welcoming senior buying team members Katie Ellis, James Ford and Lukasz Jasinski.

The Company’s expansion to the UK represents a significant near-term growth opportunity for Toys“R”Us. The UK is the largest toy market in Europe and the fourth largest globally, with a total addressable toy market valued at ~£3.3 billion. The online share of UK toy sales grew to 60%⁴ in 2021, reinforcing that not only is the

¹ Figures relate to the www.toysrus.com.au website only.

² Shopper orders received and processed during each period, including pre-orders.

³ E-commerce orders and revenue across all retail channels Toys“R”Us, Babies“R”Us and Hobby Warehouse by financial quarter. The TOY financial year extends from August through to July.

⁴ The NPD Group Inc, January 2022.

UK one of the most advanced e-commerce markets in Europe, but this advantage is significantly more pronounced in the toy industry.

Further to the addressable market described above, the Company has identified a total addressable baby market for Babies“R”Us valued at ~£3.4 billion, including maternity, equipment, and clothing and excluding food and baby care. The baby retail market, including e-commerce, remains fragmented following the closure of Mothercare in 2020, with no specialist mass market retailer engaging closely with parents with a sole focus on their journey and requirements.

With the key UK executive team now in place, the Company continues to prepare for UK market entry, with the e-commerce launch scheduled for later this year. The company is planning a capital light, digital-first market entry strategy, with the objective of providing its e-commerce offering from mid CY22, building to deliver broader e-commerce services to UK shoppers for the holiday and new year season in late 2022.

Minimisation of Supply Chain Disruptions

Global supply chain disruptions continued to affect suppliers and Australian industries throughout the period, causing shortages of raw materials, labour and increased logistics delays and costs. The Company met these challenges by strategically planning for extended lead times and collaborating closely with vendor partners to ensure adequate inventory levels.

The Company pre-empted and proactively coordinated buying to mitigate supply disruptions in early 2021 and worked to expand its supply network. Toys“R”Us and Babies“R”Us added approximately 30 new brands between August 2021 and January 2022, providing increased category coverage and product redundancy. Selected ranges have also been forecast and pre-ordered in January 2022 for supply in advance of the seasonal peak period in November 2022.

Further to the above inventory planning strategies employed during 2021⁵, TOY continues to plan gradual increases in factory-direct commitments that help manage and ameliorate supply risks and reduce corresponding landed costs, supporting TOY’s growth ambitions for the next several years. The Company also eliminated its reliance on pallet availability and their associated shortage in November 2021 by shifting to a dispatch model that conveys B2C consignments and collections with its Australia Post partnership. Further to this operational change, TOY plans to reactivate same-day delivery options for customers located in specific Victorian delivery zones in coming months⁶.

The Company is very pleased to report that COVID-19 has had negligible direct impact to team member health across the organisation to date through informed management and implementation of split warehouse shifts, diligent use of protective equipment by employees, and separation of team amenities where possible to minimise shared use. The Company recorded zero at-work COVID-19 transmissions, with just two full time employees and four agency/casual employees in total testing positive over the past 12 months.

Business System Upgrade and Migration

TOY aligned with its goals as briefly outlined at the 2021 AGM to refine technologies and business systems and completed migration of its accounting and Enterprise Resource Planning (ERP) systems during February 2022. Toys“R”Us paused shipments between 28 January to 14 February 2022 to allow for extensive system changes to be undertaken.

⁵ ASX Announcement 30 September 2021, “September Business Update” (ASX: TOY).

⁶ Toys“R”Us ANZ Limited paused same day deliveries in April 2020 due to COVID-19 transmission concerns and delays within the delivery network.

The new ERP platform is cloud-based and will enable Toys“R”Us to better integrate Warehouse Management Systems (WHMs), automated robotic facilities, multi-tenant international operations, multi-currency and tax jurisdictions necessary for continued growth internationally. Once fully implemented, the ERP will provide improved order processing efficiency, scalability, and will enable enhanced analytics to expedite and augment management decisions.

Victoria, Australia E-Commerce Distribution Centre and Headquarters on Target

On 20 July 2021, Toys“R”Us announced that it had entered into an agreement to lease a purpose built, state-of-the-art 19,650 m² warehouse facility located in the Victorian City of Monash. The new premises, that will accommodate the Company’s short-term requirements for warehousing, office space and ancillary experiential centre, are on target for completion approximately in August 2022.

The new warehouse and office facilities will enable Toys“R”Us to consolidate multiple sites to a single premises, scale its e-commerce operations considerably, meet increased demand, improve cost efficiencies, and deliver higher levels of customer service and experiences to shoppers. The Company also expects to realise cost savings having secured the long-term lease prior to the recent emergence of construction material and service cost increases.

Outlook and Strategic Plan

The Company continues to pursue its aspirations of driving top line growth and deploying capital efficiently to achieve its medium-term goal of 5% market share penetration in the toys, baby and hobby markets in all licensed regions.

Dr Louis Mittoni, CEO and Managing Director of Toys“R”Us ANZ, said: “Our teams have made consistent progress with the implementation of updated warehouse management systems and robotics, migration of business platforms, and the formation of our senior UK team. These accomplishments are vital to the long-term strength, capability and growth prospects of the Company.

“The Company plans to accelerate and scale with Toys“R”Us, Babies“R”Us and Hobby Warehouse operations in Australia, and relaunch Toys“R”Us and Babies“R”Us in the UK in mid CY22 with sufficient capability to meet shopper demand through to the peak trading season.”

The Company continues to review strategic options to expand and realise its growth ambitions by identifying suitable business opportunities 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 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 24 June 2021. Further information is available at corporate.toysrus.com.au

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