



TOYS“R”US BUSINESS UPDATE Q3 FY22

Highlights:

- Toys“R”Us experienced +17% YoY growth in total e-commerce orders 42.7k for the quarter ending 30 April 2022, increases in active customers and repeat customers.
- Consistently low average cost of customer acquisition (CAC) trending to \$9.20 in March 2022 and \$9.85 in April 2022 for the Toys“R”Us website, compared with \$10.10 for H1 FY22.
- Toys“R”Us continues to prepare for UK market entry opportunity and e-commerce launch in mid-2022, having further strengthened the key UK executive team and secured a two-year third-party logistics agreement with toy industry specialist Amethyst Group.
- 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.

9 June 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 business and progress achieved during the financial quarter ending 30 April 2022 (Q3 FY22).

The Company is the exclusive licensee for Toys“R”Us, Babies“R”Us and associated intellectual property (IP) in Australia and New Zealand. In October 2021, the Company also signed a long-term exclusive license agreement to launch and operate Toys“R”Us and Babies“R”Us in the United Kingdom.

Following the busy holiday trading period, which is seasonally robust for toys, Toys“R”Us demonstrated sustained performance in key sales metrics in Q3 FY22 despite the pausing of shipments in February 2022. This pause allowed extensive changes to be undertaken to key business systems and migration of the Company’s accounting and Enterprise Resource Planning (ERP) systems to be completed, as reported in the Business Update on 1 March 2022.

During Q3 FY22¹, the Company achieved the following sales results through its Toys“R”Us Australian e-commerce website:

- Number of e-commerce orders received of 42.7k, a 17% increase versus the pcp².
- Average order value (AOV) of \$115.40 for Q3 FY22, rising to \$120 for the March/April period which excluded the extensive upgrade closure period disruption.
- Total number of active e-commerce customers increased to 198k end of April, representing growth of 42% YoY.
- Cost of customer acquisition (CAC) for the Toys“R”Us website was \$11.40³ for the quarter, and decreased to \$9.50 in March/April with a resumption of normal operations following the extensive upgrade closure period. This represents from decrease from the CAC of \$10.10 achieved in H1 FY22.
- Repeat customers increased despite the upgrade closure period and the absence of active email or SMS marketing, reaching 9.8k for Q3 FY22, with 23% of orders received during the quarter period originating from repeat customers.

The Company is pleased to have achieved a good performance against a backdrop of decreased Australian toy industry sales between October 2021 and March 2022⁴, having overcome the effects of elevated COVID-19 cases across Australia and unpredictable declines in Australian consumer confidence.

The low Cost of Customer Acquisition (CAC) decreasing to \$9.20 in March and \$9.85 in April from an average of \$10.10 is a strong testament to the performance of the Toys“R”Us brand and IP. The Company plans to increase investment in customer acquisition marketing in future months to support its growth objectives and market share in coming months.

Global supply chain disruptions continued to affect the toy industry, causing shortages of raw materials, labour and imposing logistics delays and costs. The Company is pleased to reiterate that it has worked to minimise these disruptions and met these challenges by strategically planning for extended lead times and collaborating closely with vendor partners to ensure adequate inventory levels. The Company increased its category coverage in 2021, reinforcing its strong competitive positioning ahead of the seasonal peak period in November 2022.

Design and construction of the Company's new 19,650m² headquarters, warehouse, e-commerce distribution centre and experience centre facility in Clayton, Victoria remains broadly on target (subject to weather delays which are anticipated to be minor) for completion in August or September 2022. The new facility will be almost 4x the size of the current interim facility and will empower Toys“R”Us to meet its ambitious growth plans over the next several years.

United Kingdom Expansion on Track

On 27 October 2021, the Company 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.

The Company has recently strengthened its team in the UK to a group of nine personnel, adding two Web Content Co-ordinators, and senior appointment Head of Marketing with executive Hayley McDowell joining

¹ Financial year for TOY extends 1 August to 31 July, Q3 FY22 extends from 1 February to 30 April 2022.

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

³ Calculated as total click-ad cost divided by total number of e-commerce orders for each period.

⁴ NPd Group Inc, YoY sales declines of -3.5%, -9.9%, -10.1%, -8%, -4.1%, -5.7%, 12.1% for months October through April 2022 respectively.

the team. Hayley possesses over 20 years' experience in advertising, promotion and senior marketing roles, including former position as Head of Marketing Communications at Toys“R”Us UK between 2012 and 2018.

With the key UK team now in place, the Company continues to prepare for UK market entry, with the e-commerce launch scheduled for mid-year 2022. The Toys“R”Us UK team has compiled range proposals with more than 100 vendors, and is planning to launch into the UK market with ~5,000 items for Toys“R”Us and ~1,400 items for Babies“R”Us.

Toys“R”Us UK Buying Director, Diane Lee, said: “Our highly experienced buying team has worked diligently to assemble the Toys“R”Us and Babies“R”Us ranges for our imminent UK relaunch, which is highly anticipated in the UK as a dearly loved brand. With vendor coordination and buying largely complete for around 6,000 items, we’re excited to plan our calendar of events to ensure the entire customer journey is seamless, taking us into the peak trading season into late 2022.”

Agreement with 3PL and Delivery Providers Complete

The Company has appointed third-party logistics (3PL) specialist Amethyst Group as its new warehouse and logistics provider in the UK. The agreement has an initial duration of two years and a nominal minimum annual order commitment of less than 1% of the Company's H1 FY22 revenue.

Based in Warwickshire, UK, Amethyst is a specialist warehousing and distribution business offering a range of 3PL services to manufacturers, wholesalers and distributors, retailers and online clients. Amethyst is one of the UK's largest third-party provider of warehousing and distribution to the toy industry, delivering a cost-efficient supply chain with security and control over stock. Operating more than 60,000 m² of shared-user warehousing across 5 warehouses, with up to 1,000 employees at peak times, Amethyst is perfectly positioned to provide Toys“R”Us with modern, strategically located warehousing with high levels of security.

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% in 2021, reinforcing that not only is the UK one of the most advanced e-commerce markets in Europe, but this advantage is significantly more pronounced in the toy industry.

Dr Louis Mittoni, CEO and Managing Director of Toys“R”Us ANZ, said: “Upgrade finalisations to our business platforms in February and March were coordinated by our teams to not only align and prepare the Company for the next stages of significant expansion in Australia, but also for the entry opportunity into the UK.

“Recognising the changing global consumer and economic environment, we’re responding with intention, and view the Company’s UK entry to be timed to optimise opportunity in Europe’s largest toy market. Building solid foundations for a resilient, long standing and thriving business is our primary objective. The unique opportunity to relaunch with a blank canvas during a period when peers face significant challenges presents interesting opportunities.”

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.

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

