



NOVEMBER BUSINESS UPDATE: CYBER WEEK TRADING PERIOD

Highlights:

- Expansion of marketing and brand awareness for the Company's direct-to-consumer operations has driven Cyber Week¹ order value +26% year-on-year to A\$2.6 million and number of orders +38% year-on-year to ~22,000, with repeat customer activity increasing.
- Toys“R”Us is executing its UK expansion strategy launched in late October 2022, selling through approximately A\$715k² in November.
- Launch of new headquarters and distribution centre in Victoria, Australia creates a strong platform for sustainable and scalable growth, operating synergies and cost efficiencies.

2 December 2022 - Toys“R”Us ANZ Limited (ASX: TOY) (Toys“R”Us or the Company), is pleased to provide a business update for the month ending 30 November 2022 (unaudited).

Toys“R”Us experienced strong growth during November 2022 with direct-to-consumer Cyber Week¹ promotions stimulating a peak of ~3,200 orders per day on Black Friday, +38% vs. pcp. Increases in order volumes during Cyber Week were attributable to positive contributions from each retail segment, with Toys“R”Us and Babies“R”Us +11% and +22% respectively, along with the commencement of sales in the UK.

Results across the Company's retail brands in November 2022:

- Total number of orders received ~48,500, +38% vs. pcp.
- Total value of orders received A\$5.4 million², +27% vs. pcp.

The Company achieved the following growth milestones across retail brands during Cyber Week¹:

- Total number of orders received ~22,000, +38% vs pcp.
- Average order value (AOV):
 - A\$129.90 for Australia, flat vs pcp; and
 - £34.70 for the UK.
- Total value of orders received A\$2.6 million², +26% vs pcp.

¹ Cyber Week 2022 extended from Sunday 20 November to Monday 28 November 2022 inclusive, with the previous corresponding period (pcp) from Sunday 21 November to Monday 29 November 2021 inclusive.

² GBP to AUD conversion rate of 1.80 has been utilised to calculate Australian Dollar amounts.

Results for the Toys“R”Us Australian website during Cyber Week¹:

- Total number of orders received ~15,700, +11% vs. pcp.
- Average order value A\$128.20, flat vs. pcp.
- Total value of orders received A\$2.0 million, +11% vs. pcp.

The proportion of repeat customers³ increased to 26%, compared with 20% vs. pcp. for Toys“R”Us Australia, illustrating the effectiveness of marketing and improvements in customer loyalty and shopping return rates.

Victoria, Australia E-Commerce Distribution Centre and Headquarters

In late September, the Company relocated office and bulk warehouse operations to a new purpose-built distribution facility in Clayton, Victoria. The new warehouse and office facilities will enable Toys“R”Us to:

- Consolidate multiple sites to a single premises, realising operating synergies and cost efficiencies;
- Scale up its operations by up to 4x without a substantial increase in fixed overheads; and
- Deliver improved levels of customer service and experiences to shoppers.

Relocation of Autonomous Mobile Robot (AMR) assets is scheduled for January 2023 to minimise potential disruptions to operations during the current peak trading period.

Marketing and Brand Awareness Activity

Early November the Company expanded its marketing activities to promote increased awareness of Toys“R”Us and Babies“R”Us through a variety of channels, including:

- Digital paid online advertising (or CPC);
- Outdoor large format billboard advertising, which was expanded nationally (VIC, NSW, ACT, QLD, SA and WA) later in November across a total 86 locations;
- Radio promotion commenced in mid-November in the key Sydney and Melbourne markets; and
- Email and SMS direct marketing to over 1 million and 400,000 subscribed shoppers, respectively.

Through its outdoor billboard advertising the Company featured Geoffrey the Giraffe, the global mascot of Toys“R”Us, recognisable to Australians across generations. Geoffrey’s inclusion helps to promote an immediately relatable customer connection which reinforces top-of-mind awareness.

United Kingdom Expansion Progress

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 UK Toys“R”Us and Babies“R”Us websites officially launched in October 2022.

With the Company’s arrangements with delivery carriers complete and operable, approximately A\$715k of launch inventory sold in November, with replenishment of inventory ongoing in advance of December and calendar year 2023.

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 ~£3.7 billion, and total addressable baby market for Babies“R”Us valued at ~£3.4 billion, including maternity, equipment, and clothing and excluding food and baby care. Former Toys“R”Us UK sales revenue

³ Calculated as the number of unique customers that have purchased more than once divided by the total number of unique customers that purchased within the period.

peaked at £439m in 2015 and £421m in 2016 respectively, and Toys“R”Us remains a legendary brand in the UK, well-known and much-loved.

The Company’s UK strategy focuses on a capital light expansion, appointing third-party logistics (3PL) specialist Amethyst Group as its warehouse and logistics provider in the UK in May 2022. Complementing the digital-first operating model, on 21 October 2022, the Company announced that it had signed an exclusive sub-licence agreement with WH Smith High Street Limited (WHS HS) to trial nine Toys“R”Us store-in-store (SIS) implants in the United Kingdom. WHS HS will pay TOY a fixed percentage royalty fee based on sales revenue generated within these ‘beacon sites’ and the costs associated with operating SIS implants will be borne by WHS HS.

Outlook and Strategic Plan

Toys“R”Us ANZ Limited 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.

The Company continues to review strategic options to expand and realise its growth ambitions by identifying suitable business and commercial opportunities in addition to the growth initiatives outlined above.

Dr Louis Mittoni, CEO and Managing Director of Toys“R”Us ANZ, said:

"We are pleased with the order growth that Toys“R”Us delivered in November, and in particular Cyber Week, compared with the corresponding period last year. This has been achieved during this important trading period despite the constantly evolving challenges that exist in the post-COVID economy. Delivery network delays and supply disruptions last year also encouraged shoppers to bring forward their purchases to as early as October in 2021.

"The Company’s performance during this period aligns with our investment in entering the UK market, and we are delighted to report that our reintroduction of one of the world’s best-loved children’s brands to Australia and the UK remains well on track."

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



For personal use only

For media enquiries, please contact:

Rochelle Burbury, Third Avenue Consulting

0408 774 577

Rochelle@thirdavenue.com.au

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 corporate.toysrus.com.au

ABOUT WHP GLOBAL

WHP Global is a leading New York based firm that acquires global consumer brands and invests in highgrowth distribution channels including digital commerce platforms and global expansion. WHP owns ANNE KLEIN®, JOSEPH ABBOUD®, LOTTO® and a controlling interest in TOYS"R"US®, BABIES"R"US®, Geoffrey® the Giraffe and more than 20 additional consumer brands in the toy and baby categories. The company also owns WHP+ (www.whp-plus.com), a turnkey direct to consumer digital e-commerce platform for brands, with full in-house operations including technology, data analytics, logistics, creative and digital marketing. For more information, please visit www.whp-global.com.



For personal use only