



DECEMBER TRADING AND BUSINESS UPDATE

Highlights:

- UK expansion has increased ANZ & UK combined direct-to-consumer order values for the month of December 2022 by +36% year-on-year to A\$3.9 million with number of orders +61% year-on-year to ~41k.
- Toys“R”Us is executing its UK expansion strategy launched in late October 2022, with sales of approximately A\$1.57 million¹ in the two months to December.
- Completed relocation of new headquarters and distribution centre in Clayton, Victoria enabling further growth, operating synergies and cost efficiencies.

28 February 2023 - Toys“R”Us ANZ Limited (ASX: TOY) (Toys“R”Us or the Company), is pleased to provide an update for the peak FY23 trading period. Results across retail brands in December 2022 were as follows:

- Total number of orders received ~41k, +61% vs. pcp.
- Total value of orders received ~A\$3.9 million¹ (unaudited), +36% vs. pcp.

Gross profit margin of invoiced orders remained under pressure in ANZ at 16.2%, whereas the Company’s UK gross profit margin increased slightly from 21.7% in November 2022 to 23.7% in December 2022.

Completed AMR Relocation into E-Commerce Distribution Centre

In late September, the Company relocated office and bulk warehouse operations to its new purpose-built distribution facility in Clayton, Victoria. The project was completed in January following the peak trading period, whereby the Autonomous Mobile Robot (AMR) assets, packing facilities and inventory were also transferred. 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 its operations by up to four-fold; and
- Deliver improved levels of customer service and experiences to shoppers.

Relocation of AMR equipment and inventory necessitated the temporary closure of website order processing whilst the transfer and re-induction of inventory was undertaken. This closure impacted the Company’s revenue through this transitional period.

¹ GBP to AUD conversion rate of 1.75 has been utilised to calculate Australian Dollar amounts for UK operations.

E-Commerce Distribution Centre Sub-Lease

Toys“R”Us ANZ Limited executed a sub-lease to a third party on 12 December 2022 for 3,470 sqm space at its new distribution centre in Clayton, currently in excess of the company’s requirements. Income of \$468,450 per annum plus outgoings, greater than the Head Lease cost, will assist the Company to offset a proportion of its fixed costs.

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 late October 2022.

The Company achieved the following figures for the two months of operation to December 2022 in the UK:

- Total value of orders received A\$1.59 million¹ (unaudited).
- Average order value (AOV) A\$61.20.
- Gross product margin 22.9%.

Average order value is anticipated to rise with time as product mix and availability is refined and percentage of return customers increases, as evidenced by the Australian launch and growth experience in 2019.

Royal Mail, TOY’s primary delivery partner in the UK, experienced industrial action throughout the peak trading period in November and December 2022. This action led to significant disruption in timely deliveries and poor customer experience, and services struggled to cope upon recommencement as a consequence of peak delivery backlogs. Given this experience, the Company has been alerted to the need to monitor future Royal Mail industrial action and has identified alternative delivery carriers should further disruptions occur.

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

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

With key company strategies now executed, including consolidation of Australian distribution operations into the purpose-built E-Commerce facility and the launch of operations in the UK, TOY’s Board of Directors and Executive Management are refining the strategic plans of the Company.

TOY will concentrate on deploying capital conservatively with the short-term focus on margin and a pathway to achieving a balanced combination of growth and profitability. The medium-term goal remains achievement of 5% market 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 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

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