



Toys“R”Us
Australia, New Zealand
& United Kingdom

(ASX: TOY)

19 June 2023



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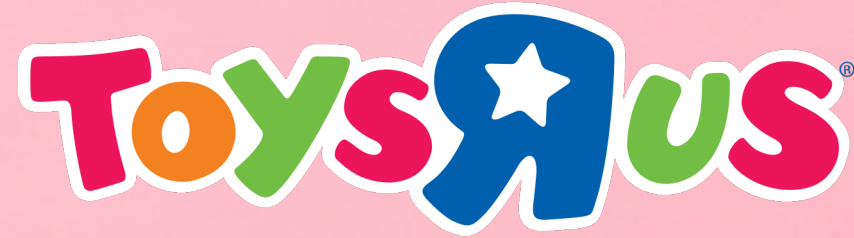
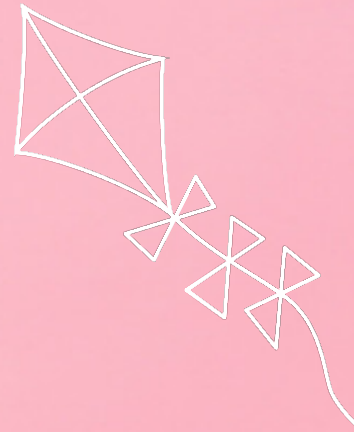
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Toys"R"Us is the world's most trusted children and baby brand.

At Toys"R"Us ANZ, we believe that our baby range, toys and hobbies have the power to change lives, create new experiences and build memories and connections that last a lifetime.



Where Are We Going in 2024? – United Kingdom

- Deploy successful fund raising capital to the promotion and working capital support in the roll out of new Toys"R"Us stores located inside WH Smith high street shops.
- Our first 9 trial stores opened in June, and if successful will roll out across a number of WH Smith's high street stores.
- The USA Macy's Department store chain undertook a trial of Toys"R"Us stores in their New York flagship store mid-2022. Based upon results, Macy's opened 450 new Toys"R"Us store-in-stores over a 10-month period to December 2023.

“Since last August, Macy’s customers have shopped the expansive assortment of Toys“R”Us products online exclusively at macys.com/toysrus and ToysRUs.com, powered by Macy’s digital and fulfillment ecosystem. In Macy’s reported earnings for the first quarter of 2022, toy sales were 15x higher than the comparable period prior to the Toys”R”Us partnership.”

July 18, 2022 08:00 AM Eastern Daylight Time. NEW YORK--(BUSINESS WIRE)

- Increase Toys"R"Us and Babies"R"Us direct to shopper e-commerce sales.
- Commence trial of Babies"R"Us sublicense via UK retailers in alternative channels (department store / grocery).





Where Are We Going in 2024? – Australia & NZ

- Continue expansion of Toys“R”Us and Babies“R”Us direct to shopper e-commerce sales.
- Subject to successful fund raising, invest \$3 million capital expenditure into opening a new 3,000 square meter Toys“R”Us and Babies“R”Us experiential retail centre in Clayton, Victoria.
- Experiential site has been custom designed and built, attached to our new purpose-built logistics and head office facility.
- New store is anticipated to be one of the largest toy & baby stores in Australia, forecast to deliver \$7 million in annual trading, contributing \$1.3m in profit contribution to your company in its first full year of trading.*
- Leverage state-of-the-art autonomous mobile robot logistics to provide 3PL services to relevant e-commerce brands and provide an anticipated \$2 million income over the initial term.
- Commence trial of Toys“R”Us and Babies“R”Us sublicense via other Australian & New Zealand retailers in different channels (department store/grocery).



* Based upon analysis of historic store level data TRU & BRU stores operated in similar postcodes and similar sizes, plus data from the roll out of new Macy's stores in store in USA. Subject to the risks set out in slide 13 onwards.



Experience Centre – Clayton, Victoria

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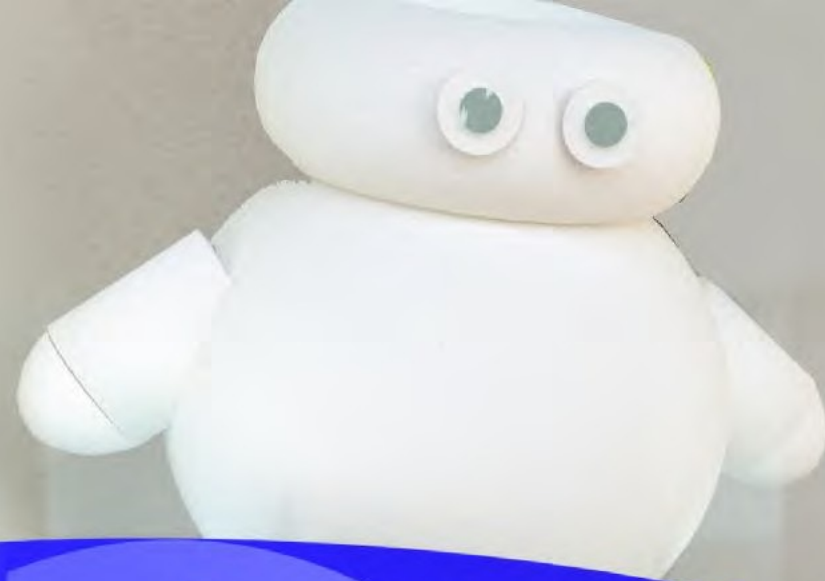




Experience Centre – Clayton, Victoria

Experience Centre Clayton, Victoria

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Robot Factory





Where Are We Going in 2024? – People



New CEO Penny Cox, effective August 2023. Penny's international career includes roles in the UK, Australia, and South East Asia with LEK Consulting, Ocado, Coles, Redmart, Alibaba & Carousell.

As VP Commercial & Marketing at Redmart, Revenue grew 20x from \$14 million to \$285 million per annum. Assortment increased by 25x via partner drop shipping. Net Commercial Margin improvement of 4ppts delivered through improvements in category management and merchandising, negotiation of supplier terms, better pricing and promotion and range management.

Penny's strong proven capability and background in scaling eCommerce businesses, and current experience in the fast-growing Recommerce sector, have specific applicability to the next chapter of Toys"R"Us ANZ's expansion in our e-commerce, own retail and sublicense retail business streams in Australia and the United Kingdom.

PENNY COX - MA Cambridge & MIT. MBA, INSEAD.

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Where Are We Going in 2024? – People

- Subject to successful fund raising, increase investment in greater capacity and capability with high calibre marketers, merchants, customer support in UK and Australia August 2023

3x Senior Buyers

1x Marketing Director 1x Marketing Officer

Increase in digital marketing agency investment

- Total increase in leadership & marketing capacity & capability = AU \$1 million per annum.





Where Are We Going in 2024? – Marketing

- Subject to successful fund raising, increase investment in marketing in the UK & Australia, to include agency/marketing team & sponsorship in both markets
 1. **Outdoor/ Offline Marketing Exp = AU\$1,200,000 p/a from August 2023 – July 2024.**
 2. **Sponsorships Exp = AU\$250,000 p/a for the same period.**
 3. **Agency costs = AU\$120,000 p/a for the same period.**
- Total increase in Marketing Exp = AU \$2 million per annum



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Where Are We Today?

- 40 year exclusive licence to operate Toys“R”Us and Babies“R”Us in Australia, New Zealand and the UK.
- State-of-the-art autonomous mobile robot and logistics capability in Clayton, Victoria.
- Leased and part fitted 3,000 sqm dedicated retail space attached to custom built premises in Clayton, Victoria.
- Sublicence agreement with WH Smith trialling in 9 UK stores June 2023.
- 3PL contract with Riot anticipated to contribute c.\$2 million over the initial term.
- New CEO commences consulting on migration to new e-commerce platforms from 19th June, in CEO role 7th August





What Do We Need to do to Get There?

- Complete fund raising July 2023.
- Increase OPEX in new retail and e-commerce leadership, marketing and buying / merchant capability, and migration to new platforms to increase brand awareness and engagement, revenue and gross margin for Toys“R”Us and Babies“R”Us e-commerce business units in Australia and the UK.
- Increase working capital for the UK to support the expansion of e-commerce and a possible faster national roll out of WH Smith store-in-stores, and facilitate the negotiation and implementation of new sublicense agreements into UK retailers for Babies“R”Us.
- Increase CAPEX in commissioning the Melbourne Experiential Centre anticipated to deliver increased revenue, trading cash generation and national brand awareness for Toys“R”Us and Babies“R”Us in Australia.



What Do We Need to do to Get There?



- TOY is seeking a combination of debt and equity funding, via a concurrent debt / equity pathway:
 - 1. Undertake 1-for-1 Rights Issue to raise a minimum of \$5 million and target a raise of \$8 million from existing shareholders.**
 - 2. Finalise arrangement on US\$2 million (approximately AU\$3 million) debt facility and existing AU\$3.5 million undrawn debt facility.**
- These will provide the business between AU\$11.5 million and AU\$14.5 million total in additional debt & equity to allow the new CEO and team to implement the medium term strategic plan.



Risks



Operational Risk

- TOY is exposed to a range of operational risks including equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster. These risks may have a material adverse impact on TOY's financial performance and cash flows.

Sustainability of Revenues and Margins

- The sustainability and growth in the level of TOY's revenue and profit margins is dependent on its continued ability to secure and maintain relationships with customers and suppliers. TOY relies on various key customer and supplier relationships and the loss or impairment of any of these relationships could have a material adverse effect on the Company's operations, financial condition and prospects.

Supply Chain Disruptions

- TOY has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this supply chain could have a material adverse impact on TOY's operational and financial performance.

IT Systems

- TOY is reliant on the capability and reliability of its information technology systems and backup systems and those of its external service providers (such as communication carriers) to process transactions, manage inventory, report financial results and manage its business. The failure of any of TOY's or its customers' IT systems, including inventory management systems, could have a significant impact on TOY's ability to trade. Such failures may have an adverse effect on the Company's future financial performance.



Risks

Counterparty Risk

- Third parties, such as customers, suppliers and other counterparties to contracts may not be willing or able to perform their obligations to TOY. TOY provides credit to its customers and the inability of its customers to pay their debts may materially impact the Company's financial performance, position and prospects.

Loss of Key Personnel

- TOY's business operations depend to a significant extent on its key personnel, in particular its senior management team. These individuals have extensive experience in, and knowledge of, the markets TOY operates in and TOY's business. The loss of key personnel and the time taken to recruit suitable replacement(s) or additional personnel could adversely affect the Company's future financial performance.

Product risk

- The products TOY supplies to customers are subject to sales agreements with customers and must meet certain specifications. Despite controls and measures being in place, products may fall outside these specifications due to process failures, equipment malfunctions, or variability of inputs during the manufacturing and packaging processes, which could have a material adverse effect on the Company's reputation, financial condition and results of operations. Furthermore, TOY may be exposed to certain warranty and liability risks relating to defects in products. If any product it sells is defective or fails to meet the required specifications, the relevant customer may assert claims against the Company.

Occupational Health and Safety

- TOY's operations are subject to health and safety laws and regulations. Failure to comply with these laws and regulations could result in enforcement action by regulatory authorities which could result in monetary penalties for the Company. In addition, any significant regulatory body investigation or enforcement of health and safety requirements could damage the Company's reputation as a responsible corporate citizen and employer or could result in suspension or closure of operations.

Risks



Intellectual Property

- There can be no assurances that the validity, ownership or authorised use of intellectual property (including technology, know how, trademarks, designs and patents (both owned and licensed) relevant to TOY's business may not be challenged.


Insurance

- It is not always possible to obtain insurance against all risks and TOY may decide not to insure against certain risks as a result of high premiums or other reasons. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a materially adverse effect on the Company's financial position.

Consumer Demand

- TOY's operating and financial performance is dependent on consumer demand for its products. If the Company does not deliver products that appeal to consumers, or if there is a decline in consumer demand for its products, TOY's financial and operating performance could be materially adversely affected. If product input costs increase and TOY seeks to pass on such increases to consumers through higher prices, this could result in a reduction in consumer demand for TOY's products and a fall in revenue.

Retailer Relationships

- Any adverse change in TOY's existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance. Any action by distributors or retailers to reduce their inventories could also result in a fall in revenue for TOY. The Company notes that two of its key retailers are currently implementing revised strategic plans, and TOY is expanding its distribution base domestically and internationally to diversify this potential risk.
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Risks

Product Sourcing and Licensing

- TOY relies on a range of parties for its product sourcing and licensing strategy. Any change in existing relationships (including termination of any key supply arrangements) or any change in terms or conditions of overseas suppliers and any change in the international political or economic environment may lead to material adverse changes to TOY's operational and financial performance.

Damage to Brands

- The reputation and value associated with TOY's and/or its licensors' brands could be adversely impacted by a range of factors and could have an adverse effect on the Company's future financial performance.

Interest Rates and Foreign Exchange Risks

- Adverse movements in exchange rates may impact product costs and price competitiveness which may impact the operations and financial performance of TOY. Also, adverse fluctuations in interest rates may impact TOY's financial performance.

Competition

- TOY competes in the toy, sporting and confectionary product segments in both Australia and overseas. The Company has a wide range of competitors including major international companies, and a large number of smaller companies. The actions of these competitors or changes in consumer preferences may adversely affect TOY's financial performance.

Litigation and Disputes

- Legal and other disputes may arise from time to time in the ordinary course of the Company's operations. Any such dispute may impact profitability or affect the value of TOY's assets.



Risks



Financial Risk

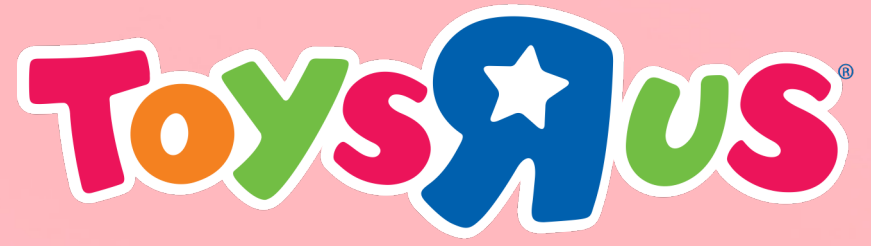
If TOY is unable to obtain funding it could adversely affect the Company and its obligations under existing and future debt facilities. In particular, under the current proposed terms of the Facility being negotiated, TOY would guarantee the performance of the obligations of UK Toys R Us Limited (a wholly owned subsidiary of the Company) in connection with the Facility. If TOY is unable to raise: (a) the Minimum Subscription, UK Toys R Us Limited may be unable to drawdown a second loan of US\$500,000 from TRU Kids Inc; and (b) \$8 million, UK Toys R Us Limited may be unable to drawdown a third loan of US\$500,000 from TRU Kids Inc, and this may result in TOY needing to provide interim funding to UK Toys R Us Limited to support its general working capital within the United Kingdom.

If UK Toys R Us and the Guarantors under the Facility raise at least \$17 million of equity after the date of the Facility, the loans advanced under the Facility will be repayable within five business days. The Facility is subject to negotiation and the terms may change or not be finalised between the parties.

If TOY is unable to manage its indebtedness and the restrictions applicable to it as a result of this indebtedness, its ability to implement its business strategy may be impaired and the results of its operations and financial condition may be adversely affected. TOY believes that if the Entitlement Offer is partially subscribed (raising at least \$5 million) or fully subscribed up to the target raising of \$8 million, proceeds raised by this Entitlement Offer will be sufficient to fund the actions described in this Information Booklet. However, TOY may require additional funds to satisfy its existing and future debt facilities and to invest in its other activities and future projects. Any further equity funds raised may result in a dilution in your shareholding. There is also a risk that TOY may not be able to raise further funds as and when required.



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Thank You!

