



TOYS "R" US ANZ ANNOUNCES EXECUTION OF USD\$2.0 MILLION FINANCE FACILITY FROM GLOBAL LICENCE OWNER TRU KIDS INC.

27 June 2023 – Digital-first e-commerce direct-to-consumer retailer, Toys "R" Us ANZ Limited (**ASX:TOY**) (**TOY** or **Company**), advises that it has executed a secured Finance Facility Agreement (**Facility**) with the Toys "R" Us global licensor Tru Kids Inc. (**TRUK**). The negotiation of this Facility was previously announced to the ASX on 14 June 2023.

The Company's wholly owned subsidiary entity, UK Toys "R" Us Limited (**UKTOY**) has entered into a secured loan agreement with TRUK as lender (**Lender**) for a commitment of up to USD\$2,000,000 for general corporate purposes in the UK, including to facilitate the expansion of UKTOY's business, following its agreement to have retail Toys "R" Us branded stores within WH Smith High Street Limited (**WH Smith**) stores in the UK.

The Facility may be drawn in five loan amounts comprising of the first two loans of up to USD\$750,000 and USD\$500,000, respectively, and the final three loans of up to USD\$250,000 each (with each loan being not less than USD\$50,000). The Lender is not obliged to advance the second loan unless UKTOY and/or the Company and Hobby Warehouse Pty Ltd (**Guarantors**) have raised at least AUD\$5,000,000 of additional equity. The third loan (and subsequent loans) is not available to be drawn until UKTOY and/or the Guarantors have raised at least a further AUD\$3,000,000 of additional equity.

Repayment of the Facility (including accrued interest calculated at 10.56% per annum) is required to be made in six equal instalments of USD\$390,000 (or proportional to the extent of the loans drawn down) each on 30 June 2024, 30 October 2024, 30 January 2025, 30 April 2025, 30 July 2025, and 30 October 2025 (being the final repayment date). If UKTOY fails to repay any instalment within five business days after the relevant repayment date, interest on the unpaid amount shall accrue daily, from the date of non-payment to the date of actual payment at a rate of 5% above the interest rate applicable under the Facility (that is, 10.56% per annum). Further, the proceeds from the sale of any assets of UKTOY would be required to be applied towards repayment of the Facility.

In the event that UKTOY and/or the Guarantors raise at least AUD\$15,000,000 of equity after the date of the Facility, but on or before 30 August 2023, the Facility will be cancelled and the

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loans (together with any accrued interest) will be required to be repaid within five business days. The other proposed covenants under the Facility are standard for a secured financing arrangement and include:

- UKTOY not being permitted to create any other security interests over its assets other than in the ordinary course of trading, under retention of title or hire purchase arrangements, or otherwise with the prior written consent of the Lender;
- restrictions on disposals of assets by UKTOY, other than on arm's length terms in the ordinary course of business unless the prior written consent of the Lender is obtained;
- UKTOY not paying or distributing any dividend or share premium reserve;
- Limitations on incurring any further finance debt without the prior written consent of the Lender;
- UKTOY has granted a general security interest over all of its assets and collaterally assigns its right, title and interest in the Sublicense Agreement with WH Smith (**UK Sublicense**) in favour of the Lender (**Licence Security**) to secure repayment of monies owing under the Facility and any royalties due and owing under the license agreements. The Licence Security includes a direction for all license fees payable to UKTOY under the UK Sublicense to be paid directly to the Lender until all obligations under the Facility and royalties due and owing are repaid; and
- The Facility is guaranteed by the Company and Hobby Warehouse Pty Ltd, who have each granted general security interest over all their assets to support the guarantee given.

The proposed events of default under the Facility are market standard for a facility of this nature and include non-payment of amounts due, the failure to promptly perform obligations under the licence agreements, change of control, or the occurrence of a material adverse effect.

An Intercreditor Agreement has also been entered into by, amongst others, UKTOY, the Guarantors, the Lender and the Company's existing financier in respect of the Facility and the existing secured loan provided between the Company and its existing financier. In summary, the proposed Intercreditor Agreement provides that:

- the securities under the existing finance agreement will have first priority ahead of the securities granted under the Facility;
- payments to the Lender under the Facility are restricted to the amounts specified in the repayment schedule to the Intercreditor Agreement, which comprises scheduled principal and interest payments under the Facility and royalty payments due and owing under the license agreements; and
- in respect of the certain licence agreements, the existing financier must be given prior notice by the Lender of any default, and an opportunity to exercise a cure right, prior to the Lender terminating the relevant licence agreement.

In conjunction with the Facility, the Company, its current lender and TRUK have negotiated a further amendment to the finance agreement which will continue to provide the current AUD\$3,500,000 undrawn debt facility (**Existing Facility**). The key variations to the Existing Facility include:

- variations to the Company's financial covenants; and
- the period over which the lower interest rate, being 11.50% per annum, in respect of the Existing Facility would commence from the amendment date until the date that a minimum of AUD\$5,000,000 equity raise is completed and the early repayment of AUD\$1,500,000 is made on or before 31 July 2023. Thereafter, if the equity raise is less than AUD\$10,000,000 the lower interest rate will be 10% per annum and if the equity raise is AUD\$10,000,000 or greater the lower interest rate will be 9.5% per annum. The lower interest rate is the interest rate that applies to the Existing Facility if no event of default is subsisting.

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This ASX release has been authorised by the Board of Directors.

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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