



ASX RELEASE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S ADDRESSES AND PRESENTATION TO ANNUAL GENERAL MEETING

Thursday, 21 December 2023: In accordance with ASX Listing Rules, Toys"R"Us ANZ Limited (ASX:TOY) provides a copy of the Chairman and Chief Executive Officer addresses and accompanying presentation to the Annual General Meeting.

This announcement has been approved for release by the Board of Directors.

– ENDS –

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Chairman's Address

This past year Toys R Us has faced significant challenges. I wrote to you at the release of the 2023 Annual Report and spoke to you at our Extraordinary General Meeting, explaining the very disappointing financial results for FY23. This has led to a change of leadership in your Company, and in its business model. In today's meeting my address to shareholders will focus on the path forward, highlighting the actions taken and planned by new management to improve your Company both operationally and financially.

Since our year end on 31st July and today's Annual General Meeting, your Company has:

- Successfully launched new technology platform and websites, leading to improved conversion rates, sales and marketing efficiency in time for holiday period;
- Increased national exposure for the Toys R Us brand in the key seasonal selling period through media and national free-to-air television;
- Raised a \$1.31m placement from private investors, and directors and related parties.
- Accessed \$1.5m in additional facility from debt financier;
- Reduced annualised overheads and expenses by \$1.5m;
- Agreed an orderly exit from UK with TRUK, releasing ANZ business from \$2.6m liabilities upon transfer of licence; and
- Refreshed the share register and recycled equity with new US-domiciled retail shareholders now holding over 10% of your company's stock.

Operational and Funding Outlook

The Company expects that operating cashflows will continue to improve as the cost reduction and margin improvement initiatives we are putting in place deliver results. The Company is undertaking further activities that are expected to result in significant cost reductions and additional cash injections including the sale of unused assets.

As detailed in earlier announcements, we expect these cost reductions, margin & operational improvements, and capital & debt management initiatives will provide your Company with 4 to 8 Quarters of cash runway. This will allow your CEO to build out the partnerships, brand awareness and personnel required to maximise the value of our key brand assets: Toys R Us, Babies R Us and Hobby Warehouse, whilst exploring other strategically complementary brand and ecommerce shopper segments.

I have been involved in the re-launch of the Toys R Us and Babies R Us brands in ANZ and UK since its re-birth in Australia in 2018. As a shopper marketer by trade, I am profoundly disappointed at the results to date, but hugely optimistic about the future of the brands under new leadership. As a shareholder who like many "doubled down" and invested fresh capital in the last equity raising to support the transition to new leadership, my family and I are optimistic that we will see significant value creation under the leadership of our new CEO.

As I step down as Chair of your Board, I must thank Non-Executive Directors Silvio Salom and John Tripodi for their wisdom, energy and investment during the restructuring of your Company. Changing senior leadership in poor performing public companies is never easy. Your Board has worked long and hard to achieve the stability required for the new CEO and Chair to implement positive change. Under the leadership of our new CEO Penny Cox, and new Chair Kelly Humphreys, I believe our Company has a pathway to profitable growth based upon the capability of its people and capacity of its technology platforms, supporting the best toy, baby and hobby brands in the world.

CEO's Address

I am now four months into the role of CEO of the Company. As mentioned by the Chairman, in FY23, the Company did not meet the expectations of the Board or our Shareholders, and we have since entered a period of transformation, to come out the other side a stronger Company.

In the time since we closed FY23, the Company has achieved a huge amount.

We implemented a technology overhaul, improving stability and enabling the migration of the Toys R Us and Hobby Warehouse websites to a SAAS platform by November 1st. This change gave shoppers access to functionality that was previously unavailable (gift cards, vouchers, free gifts and bundles), and we have seen website conversion rates double from 1.2% to 2.4%.

We are also seeing that customers are able to discover more items, buying a more diverse range of products and are adding more to cart.

Since coming on board, I have been focused on improving efficiency and reducing costs across the business. We have transformed the Company's marketing strategy – achieving better results while spending significantly less. This strategy has seen us diversify and optimise our marketing channels, using emails and social ads more effectively as well as developing a strong PR message, as exemplified by the feature on national television.

The Company also reduced its monthly warehouse-related variable costs by 37% without compromising on customer experience.

The Company has been focused on optimising its inventory – reducing the obsolete and overstocked items, to enable the buying of newer and trending items. We have cleared over 50% of the troubled stock identified in the FY23 financial report, while managing to maintain gross margins.

The combination of these initiatives has led to a significant improvement in contribution margins for ANZ.

Moving forward into 2024, my focus is two-fold: fixing the balance sheet and achieving profitable and sustainable growth for the business. We are first fixing the cost base before we can accelerate revenue growth into Christmas 2024. To this end, we have already reduced annualised overheads and expenses by \$1.5m, as well as agreeing terms for a sublease of Clayton site, generating net \$1m annually (vs a \$2.4m cost previously).

We are also actively pursuing new business models that have been proven overseas including physical retail through partnerships in 2024.

I would like to thank the board of directors for their confidence in me and their unwavering support and hard work during this time of transition. I would also like to thank you, our shareholders, for your continued support and investment in Toys "R" Us ANZ.



ToysRus



ANNUAL GENERAL MEETING OF SHAREHOLDERS

21st December
2023



CHAIR'S ADDRESS

Kevin Moore

Chairman



Key Highlights

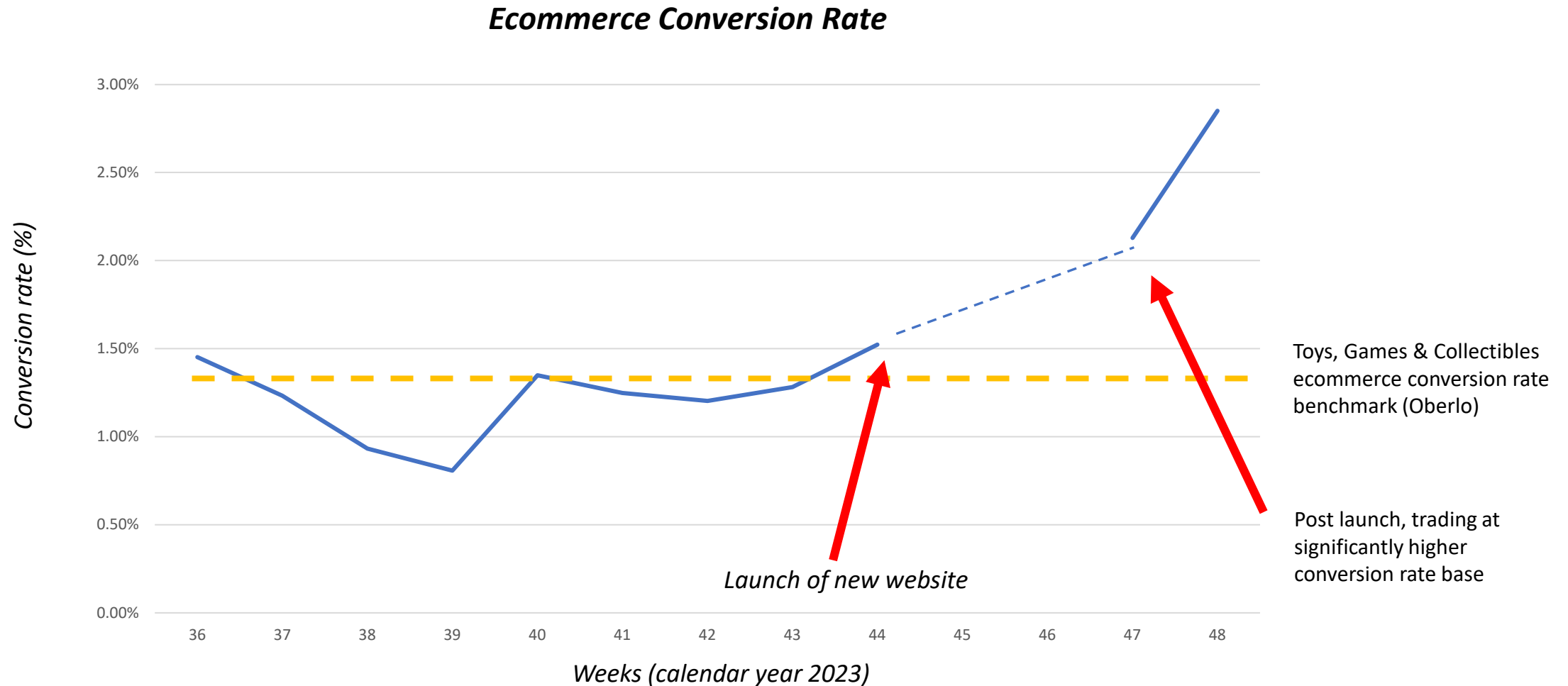
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- Accessed \$1.5m in additional facility from debt financier.
- Reduced annualised overheads and expenses by \$1.5m.
- Agreed an orderly exit from UK with TRUK, releasing ANZ business from liabilities (currently \$2.6m AUD) upon transfer of license.
- Refreshed the share register and recycled equity with new US-domiciled retail shareholders now holding over 10% of your company's stock.

CEO'S ADDRESS

Penny Cox
CEO



Conversion rate has been increasing since the Toys R Us website relaunch



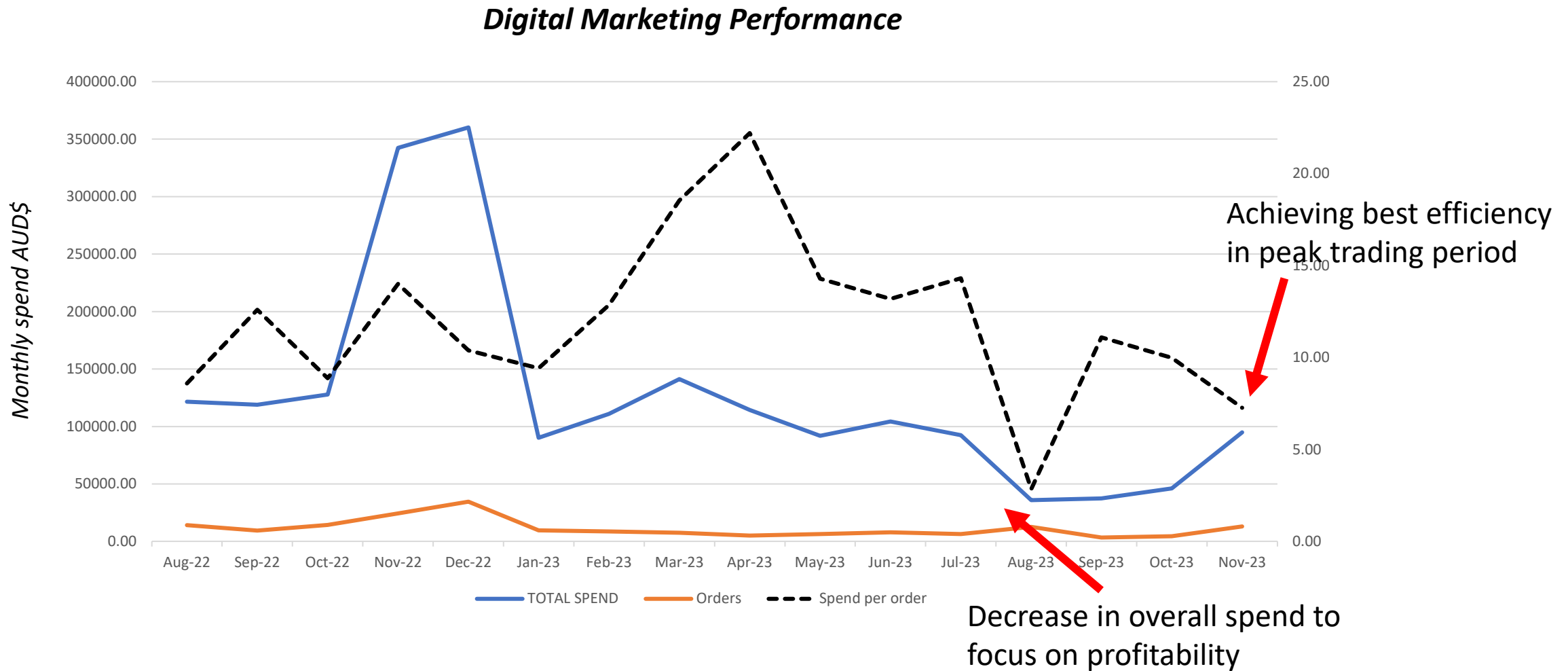
Note: tracking unreliable in weeks 45 and 46 due to migration

With the new website, customers are able to find more items, and are buying larger quantities



Note: data refers to sales on Toys R Us website only

Marketing effectiveness has improved from \$22 per order in April to \$7 per order in Nov 23

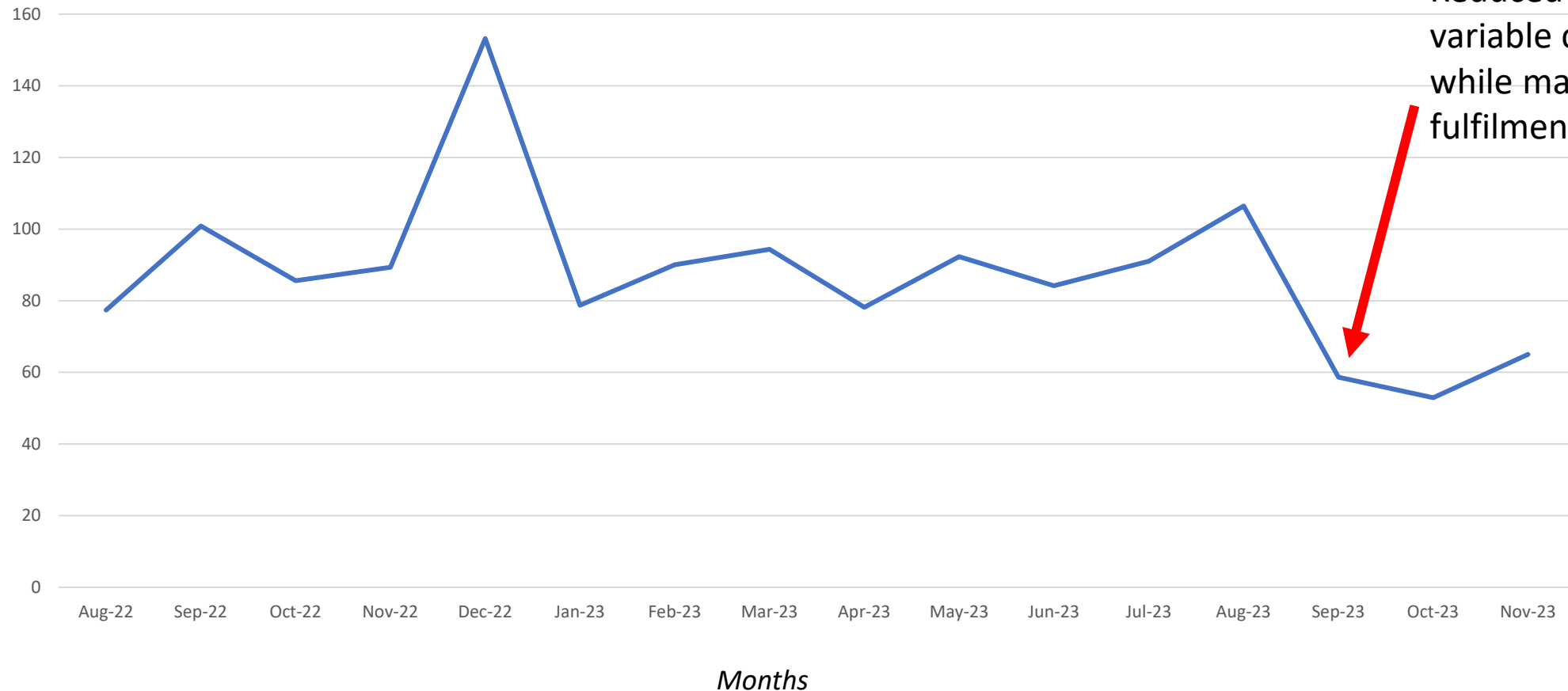


Note: data refers to sales on Toys R Us website only

We have achieved efficiencies in the business without compromising on customer experience

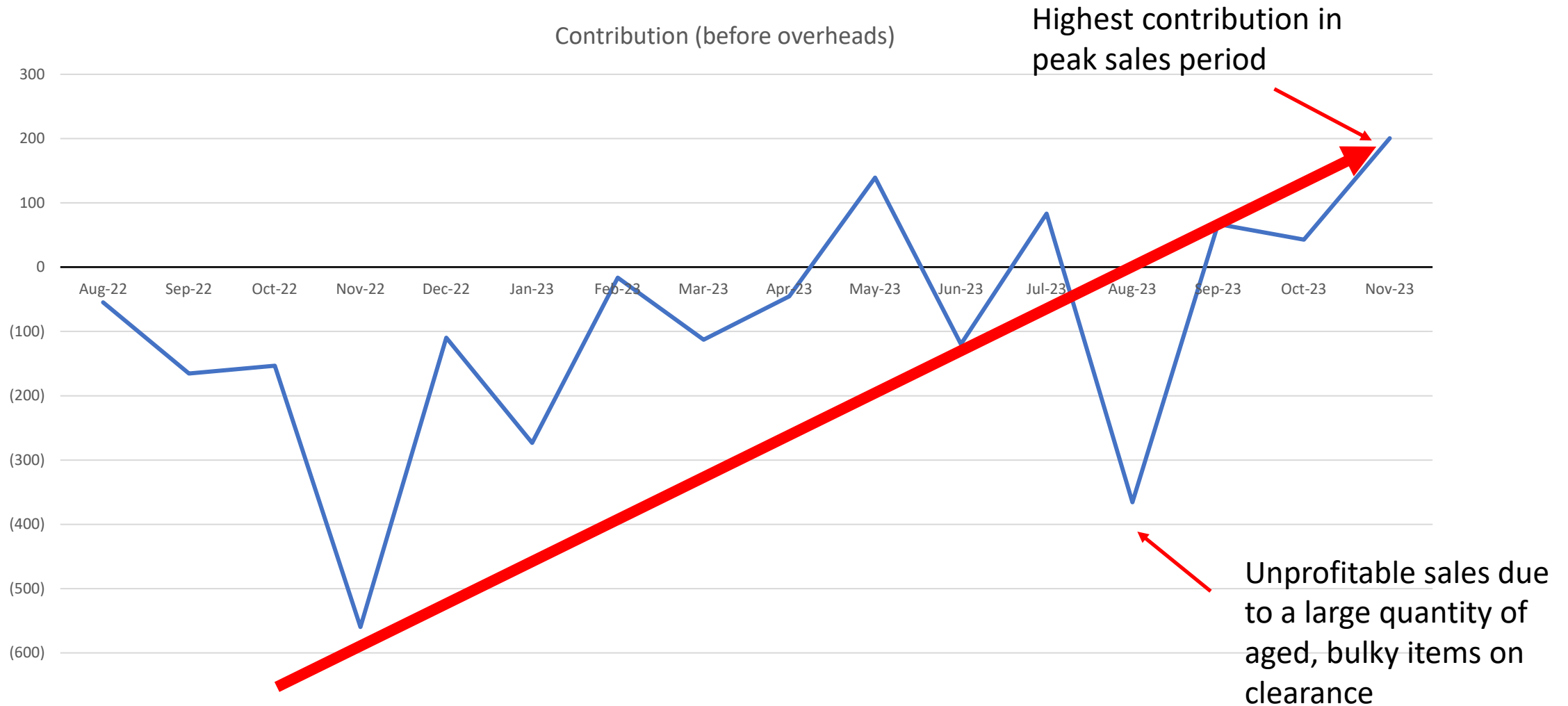
Cost related to warehouse staff and other variable

Warehouse variable costs



Reduced warehouse variable costs by 37% while maintaining fulfilment KPIs

As a result of these initiatives , the ANZ Business is beginning to demonstrate positive contribution margins





Thank You

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