



Quarterly Activities Report & Appendix 4C

29 May 2024: Toys“R”Us ANZ Limited (ASX:TOY) (Company) is pleased to present its Quarterly Activities Report and Appendix 4C ending 30 April 2024.

KEY HIGHLIGHTS:

- **Acquired assets of RIOT Art & Craft under the House of Brands strategy.**
- **Successfully integrated the RIOT business into TOY; generating revenue and strong margins within one month of acquisition.**
- **Relaunched the Babies R Us website.**
- **Secured up to \$5M in funding from US based fund.**

ACQUISITION OF RIOT ART & CRAFT

A crucial first step in our transformation strategy was completed in this quarter with the acquisition of the assets of RIOT Art & Craft, a leading Australian arts and crafts retailer. This acquisition represents a significant step toward our strategic objective to build a diversified House of Brands.

Strategic benefits:

Complementary Brand & Customer Base: RIOT's strong brand recognition and loyal customer base (~540,000 retail and 2,400 wholesale customers) aligns with our growth objectives and complements our existing base of over 1 million customer.

Enhanced Product Portfolio: Merging RIOT's product range expands our portfolio and strengthens our competitive position within the online retail sector.

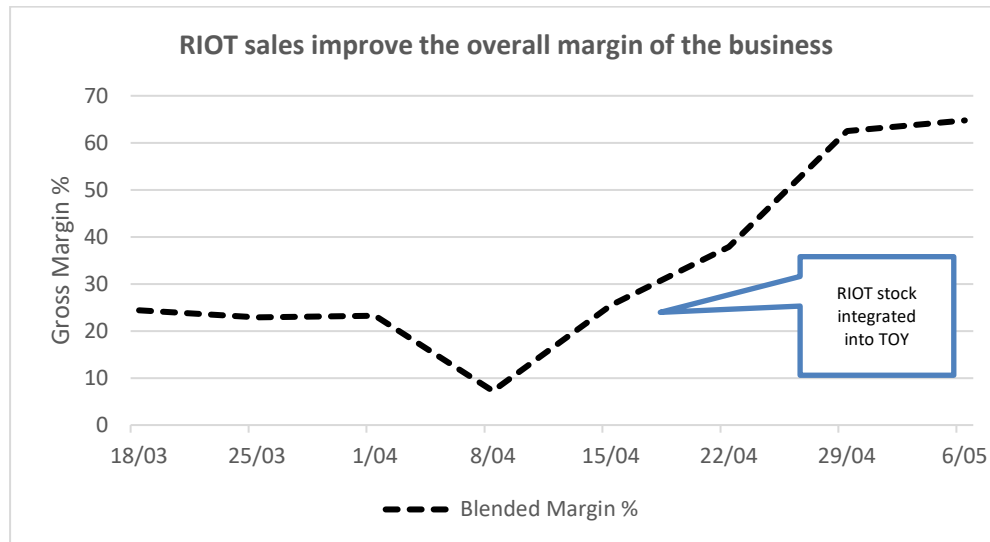
Cross-Marketing Opportunities: The combined customer base creates exciting opportunities for cross-marketing products and services across Toys, Babies, and Arts categories, and is expected to drive significant sales growth.

Operational Efficiencies: Migrating RIOT's operations to our existing infrastructure is expected to improve overall group efficiencies.

Team: TOY gained 2 key hires who brought a vast experience in the category and a long history with the RIOT and other retail brands.

Integration of RIOT:

The fast and effective integration of RIOT into the TOY infrastructure has been an important milestone in demonstrating the power of inorganic acquisitions for the Group, as part of its House of Brands strategy. Very little additional cost was incurred by the business in the acquisition and integration process and the strong margin of RIOT Products has already lifted the overall margin of the business.



OPERATIONAL EXCELLENCE

- Focus on technology transformation continues, with investments being made into the Babies R Us website relaunched 27th May, as well as infrastructure projects to deliver scalable dropshipping and enhanced cybersecurity.
- With a different product and customer portfolio from the RIOT acquisition, TOY invested time into redesigning fulfilment processes to ensure process efficiency as we grow our brands.
- Focus on building Marketing excellence inhouse during the quarter – reducing reliance on agency partners and balancing marketing spend vs revenue. Leveraging our combined databased by cross-marketing Toys, Baby and RIOT products to all customers.

SALES

- Overall Sales for the quarter were significantly down QoQ across all brands, due to seasonality, macro factors and a lack of inventory.
- With the integration of RIOT late in the quarter, we saw a step-change in weekly sales and margin, which is continuing into Q4.

CAPITAL & FINANCING

- **Initial Funding by Mercer Street Global Opportunity Fund II LP of \$1.5m**
During the quarter, TOY entered into an initial \$1.5M funding agreement with Mercer Street Global Opportunity Fund II LP (Mercer), which consisted of:
 - \$200k Placement of ordinary shares;
 - \$600k Loan Facility; and
 - \$700k convertible securities

- **Up to \$3.5M Additional Funding from Mercer Street Global Fund**

Following their initial investment, Mercer will provide up to a further \$3.5 million in convertible securities subject to the mutual agreement of the parties and other relevant approvals including either shareholder approval for the issue of additional convertible securities or the Company having sufficient placement capacity in accordance with the ASX Listing Rules.

RELATED ENTITIES: There were no payments to related entities during the quarter, the Board of Directors have elected to defer Director fee payments through the current transformation period.

BUSINESS TRANSFORMATION

Penny Cox, CEO said:

“With the Acquisition of RIOT Art & Craft, we have taken an important first step in the transformation of the business strategy towards a House of Brands. Demonstrating the positive benefits of a shared operational cost base and combined databases which is now delivering higher margins.

We continue to focus on the successful delivery of our strategy – capturing online market share in the toys, baby and art and craft space, and exploring opportunities for inorganic growth.”

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

For further information please contact: investor-relations@toysrus.com.au

About Toys“R”Us ANZ Limited:

Toys“R”Us ANZ Limited (ASX: TOY) is an Australian-based listed company with a vision of ‘A lifetime journey with every child’. In addition to distributing leading products throughout Australia for key partners via its trading business Funtastic. The company 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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Toys”R”Us ANZ Limited

ABN

94 063 886 199

Quarter ended (“current quarter”)

30 April 2024

Consolidated statement of cash flows	Current quarter \$’000 (unaudited)	Year to date \$’000 (unaudited)
1. Cash flows from operating activities		
1.1 Receipts from customers	3,078	18,920
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,873)	(14,780)
(c) advertising and marketing	(736)	(2,853)
(d) leased assets	-	-
(e) staff costs	(1,257)	(4,156)
(f) administration and corporate costs	(644)	(2,312)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	62
1.5 Interest and other costs of finance paid	(306)	(1,035)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	147	442
1.9 Net cash from / (used in) operating activities	(1,589)	(5,712)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(158)
	(d) Investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(19)	(19)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) Investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	145
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(19)	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	765	2,133
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(81)
3.5	Proceeds from borrowings	1,100	4,124
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – lease payments	(414)	(1,263)
3.10	Net cash from / (used in) financing activities	1,443	4,913

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,100	1,766
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,589)	(5,712)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,433	4,913
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	935	935

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$'000	Previous quarter \$'000
5.1	Bank balances	935	1,100
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	935	1,100

6.	Payments to related parties of the entity and their associates	Current quarter \$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2 and 3	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

The amount at 6.1 includes the payment of directors' fees and emoluments excluding reimbursement for administrative expenses and travel expenses.

7.	Financing facilities	Total facility amount at quarter end \$'000	Amount drawn at quarter end \$'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	16,994	16,994
7.2	Credit standby arrangements	-	-
7.3	Other (convertible securities)	700	-
7.4	Total financing facilities	17,694	16,994
7.5	Unused financing facilities available at quarter end		700
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>As at 30 April 2024, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of \$13.4 million, with a total borrowing facility of \$13.4 million. In an event of default payment of interest, the Group will have an additional interest expense of \$0.19 million per annum at an incremental 1.5% interest rate.</p> <p>In addition, the Group has a loan facility with its Licensor TRU Kids Inc. (TRUK). As at 30 April 2024 USD \$1.7 million (circa. AUD \$2.8 million) was fully drawn on this facility. As part of the agreements made for the exit of the UK business, the Group was released from the guarantee for any loans due to TRUK from the UK business.</p> <p>During the quarter the Group entered into a \$5M funding agreement with Mercer Street Global Opportunity Fund II LP, consisting of a \$200,000 private placement of ordinary shares, \$600,000 Unsecured Loan and up to \$4.2M via a convertible securities facility (refer to ASX Announcement on 20 March 2024). Subsequent to the end of the April quarter, shareholder approval was received on 17 May 2024 to drawdown \$A0.7m of the convertible securities. A further \$3.5m is available to be drawdown, subject to further agreement between the parties. The Group also received \$100,000 pursuant to a convertible loan agreement with CEO Penny Cox.</p>		

8.	Estimated cash available for future operating activities	\$'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,589)
8.2	Cash and cash equivalents at quarter end (item 4.6)	935
8.3	Unused finance facilities available at quarter end (item 7.5)	700
8.4	Total available funding (item 8.2 + item 8.3)	1,635
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.03
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The Group expects that operating cashflows will improve due to the strategic initiatives delivered and in progress, including:

- Improved sales and gross profit margins following the acquisition of Riot Arts and Crafts business;
- Right-sizing inventory to accommodate core brands and introduce new house brands, leading to better gross profit margins;
- Reduction in overheads including lease, staff, consultant costs and other corporate overheads; and
- Renegotiation of our royalty agreement to better fit the Group's revenue profile.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The Group has taken a number of steps that are expected to result in significant additional cash, including:

- Entered into a \$5M funding agreement with Mercer Street Global Opportunity Fund II LP. The undrawn facility at the date of this report is \$A3.5m, with further drawdowns subject to agreement between the parties; and
- Taking steps to raise further cash to fund operations via a range of initiatives, which are expected to be successful.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Group expects to be able to continue operations based on the successful execution of the combined initiatives described in 8.6.1 and 8.6.2.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:29 May 2024.....

Authorised by:By the Board Chair
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.