



Quarterly Activities Report & Appendix 4C

29 November 2024: Toys"R"Us ANZ Limited (ASX:TOY) (Company) is pleased to present its Quarterly Activities Report and Appendix 4C for the period ending 31 October 2024.

KEY HIGHLIGHTS

- Well-positioned for strong Black Friday, Cyber-Monday and Christmas trading
- Improved product margins across all brands
- Increased inventory value
- Strong sales growth in Toys segment, with margins sustaining

CAPITAL & FINANCING

\$1.5m in Funding from Mercer Street Global Opportunity Fund II LP

Completed the drawdown of \$1.5m from Mercer Street Global Opportunity Fund II LP (Mercer), being the second of two tranches.

This drawdown further demonstrates Mercer's support for the business strategy. The Company views this continued backing as a strong vote of confidence in its operational direction and market positioning.

Use of Funds

The primary use of this new capital is to invest in inventory across the Company's core brands, with a key focus on preparing for the Christmas trading period.

TRADING RESULTS

Sales remained somewhat constrained in the first half of the quarter as inventory levels were gradually replenished, with revenues accelerating in October, largely driven by Toys R Us ecommerce.

Toys R Us sales increased by \$329k, up 168% on the previous quarter, with gross margin also improving by 1.4ppts to 26.2%. RIOT also continued to perform well, with strong margins and sales performance. We anticipate ongoing acceleration in RIOT revenues in the coming quarters of FY2024.

Inventory value increased by \$712k to \$1,315k compared to the previous quarter, demonstrating the investment in stock made as part of the recent funding round. The total spend on inventory during the quarter was approx. \$1.3m, up from \$0.4m to triple the spend made in the previous quarter (excluding the UK business).

TOY expects further revenue growth in the coming quarter as the Company enters its peak trading period, with Black Friday and Cyber Monday sales and Christmas trading.

The Company maintains its strong focus on growing profitable revenue, optimising for net contribution margin after marketing, shipping and fulfilment costs.

BUSINESS TRANSFORMATION

The surrender of the head lease of Unit 3, 45-49 McNaughton Road was finalised effective 1 November 2024, releasing the associated bond of approx. \$2.3m in November 2024. The Company will continue to occupy a smaller footprint of the existing premises, by subleasing from the new head tenant – allowing all operations to continue seamlessly.

The net proceeds from release of the bond supports additional investment in inventory and marketing to help accelerate revenue growth. Further, ongoing annual overheads from renting a smaller footprint will be reduced by approx. \$1.1m.

All UK operations have been wound down and the debts owing of c. AU\$2.6m from the UK entity have been forgiven.

RELATED ENTITIES: Payments to related entities during the quarter were \$0.146m, which represented the remuneration and fees paid to the Board of Directors, this includes the deferred payments from previous quarters.

Penny Cox, CEO said:

"This quarter marks the successful completion of several key transformation initiatives that have significantly strengthened our financial position and operational efficiency. The release of the lease bond funds, combined with the resolution of the debt position in the UK and the strategic drawdown from Mercer Street, has provided us with a robust foundation to fuel growth across our core brands. With our streamlined operations and strong inventory position heading into the peak trading period, I am particularly encouraged by the accelerating performance of Toys R Us and RIOT this quarter. I'm confident that we're well positioned to capitalise on the upcoming Christmas trading season and deliver continued growth in 2024, through our House of Brands strategy"

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’. The Company operates as House of Brands strategy via its Australian e-commerce websites Toys“R”Us, Babies“R”Us, RIOT Art and Craft and Hobby Warehouse. 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”)

31 October 2024

Consolidated statement of cash flows	Current quarter	Year to date (12 Months)
	\$’000 (unaudited)	\$’000 (unaudited)
1. Cash flows from operating activities		
1.1 Receipts from customers	913	913
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,259)	(1,259)
(c) advertising and marketing	(779)	(779)
(d) leased assets	-	-
(e) staff costs	(722)	(722)
(f) administration and corporate costs	(796)	(796)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(933)	(933)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	3	3
1.9 Net cash from / (used in) operating activities	(3,571)	(3,571)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) Investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
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	207	207
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	207	207

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,490	2,490
3.2 Proceeds from issue of convertible debt securities	1,470	1,470
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(112)	(112)
3.5 Proceeds from borrowings	300	300
3.6 Repayment of borrowings	(359)	(359)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – lease payments	(350)	(350)
3.10 Net cash from / (used in) financing activities	3,439	3,439

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	708	708
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,571)	(3,571)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	207	207
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,439	3,439
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	783	783

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	783	783
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)	783	783

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	146
6.2	Aggregate amount of payments to related parties and their associates included in item 2 and 3	-
<p><i>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.</i></p> <p>The amount at 6.1 includes the payment of directors' fees and emoluments excluding reimbursement for administrative expenses and travel expenses.</p>		

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

7. Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$’000	Amount drawn at quarter end \$’000
7.1 Loan facilities	14,494	14,494
7.2 Credit standby arrangements	0	0
7.3 Other (convertible securities)	2,985	2,985
7.4 Total financing facilities	17,479	17,479
7.5 Unused financing facilities available at quarter end		-
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.		
As at 31 October 2024, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of \$13.6 million, with a total borrowing facility of \$13.6 million. In an event of default payment of interest, the Group will have an additional interest expense of \$0.20 million per annum at an incremental 1.5% interest rate.		
The Group has a \$5 million 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 \$4.2 million via a convertible securities facility (refer to ASX Announcement on 20 March 2024). During the October quarter the Group drew down \$1.5 million of the convertible securities. A further \$1.215 million is available to be drawdown, subject to further agreement between the parties.		

8. Estimated cash available for future operating activities	\$'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,571)
8.2 Cash and cash equivalents at quarter end (item 4.6)	783
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	783
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.22
<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 significantly improve in the next quarter, as the next quarter represents the peak trading period of the year, with Black Friday and Cyber Monday events and Christmas trading. In line with this, the Group has invested significantly in inventory during this quarter. The current quarter also includes some one-off costs which will not be ongoing.

Further, the Group remains committed to strategic initiatives, including:

- Improving blended gross profit margins following the acquisition of Riot Arts and Crafts business and a focus on profitable sales;
- Continue to right-size inventory with a focus on core brands and pursue new house brands and private label, leading to better gross profit margins; and
- Maintain the right-size overheads appropriate for the current business.

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 which have or are expected to result in significant additional cash, including:

- The exit of the head lease in Clayton on the 1 November 2024, has enabled the Group to free up approx. \$2.7 million in cash from the security bond on the property and direct these funds to inventory and working capital;
- The Group has a \$5 million funding agreement with Mercer Street Global Opportunity Fund II LP. The undrawn facility at the date of this report is \$1.215 million, 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 November 2024.....

Authorised by:By the Board.....
(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.