



Quarterly Activities Report

26 February 2025: Toys"R"Us ANZ Limited (ASX:TOY) (Company) is pleased to present its Quarterly Activities Report and Appendix 4C for the period ending 31 January 2025.

KEY HIGHLIGHTS

- **Strong product margins across all brands**
- **\$2.7m Lease Bond Returned**
- **Strategic Partnership Established**

Trading Results and Margins

Sales were significantly stronger than last quarter, up by \$1.4m, approx. 160% on the previous quarter, but remained somewhat constrained due to lower than planned inventory contributed to by the late placement of orders and availability from suppliers.

Pleasingly, very strong product margins were maintained across all brands, with an overall margin of 34%, a 24% increase on 10% overall margin for the same quarter last year (Australia only). Increased margins are being achieved primarily through the shift away from an historical reliance on deep discounting to drive revenue. This is an important step on the path to profitability.

In dollar terms, the gross profit in Australia for the current quarter was over 1.5 times better than the same quarter last year on approx. 50% of the sales amount.

The reduced level of ongoing overheads has been maintained. However, within the cashflow activities for the quarter there are one-off costs of approx. \$0.6m, including those costs associated with exiting the head lease in Clayton.

\$2.7m in Cash Received from the Return of Security Bond

As previously announced, the surrender of the head lease of Unit 3, 45-49 McNaughton Road was finalised 1 November 2024. As a result, the associated bond of approx. \$2.7m, including interest, was refunded. The primary use of this cash was to invest in inventory across the Company's core brands.

Ongoing annual overheads are reduced by approx. \$1.1 million through the sub-lease of a smaller fit-for-purpose footprint.

Strategic Partnership

The Company entered into a strategic commercial agreement with Directed Electronics Australia Pty Ltd (Directed) in February.

This partnership is seen as pivotal to the transformation and growth journey for the Company. The partnership will enable the immediate execution of key strategic objectives including new product development, access to and development of exclusive products along with marketing and digital programs. A number of initiatives developed over recent weeks will begin to rollout from March 2025.

Management changes

The resignation of the CEO was announced 13 February 2025. The Board appointed Kelly Humphreys to Executive Chair and Teresa Smith was appointed Executive Director. These interim roles will be maintained until the appointment of a new CEO is completed.

Related entities: Payments to related entities during the quarter were \$55,000, which represented the remuneration and fees paid to the Board of Directors.

Kelly Humphreys, Executive Chair said:

"The finalisation of lease negotiations and the execution of the strategic agreement with Directed Electronics marks the successful completion of two of our key business transformation initiatives. Over the past month the team has worked closely together with Directed to identify immediate opportunities to uplift inventory levels, co-develop products and accelerate expansion of the product portfolio under our House of Brands strategy.

The Board remains focussed on finalising the remaining elements of our business transformation and is committed to delivering long term success for your Company."

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 January 2025

Consolidated statement of cash flows	Current quarter	Year to date (6 Months)
	\$’000 (unaudited)	\$’000 (unaudited)
1. Cash flows from operating activities		
1.1 Receipts from customers	2,363	3,276
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,460)	(2,719)
(c) advertising and marketing	(675)	(1,455)
(d) leased assets	-	-
(e) staff costs	(732)	(1,454)
(f) administration and corporate costs	(893)	(1,689)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	111	113
1.5 Interest and other costs of finance paid	(633)	(1,566)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	3
1.9 Net cash from / (used in) operating activities	(1,919)	(5,491)

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	2,549	2,756
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	2,549	2,756

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,490
3.2 Proceeds from issue of convertible debt securities	-	1,470
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(4)	(116)
3.5 Proceeds from borrowings	-	300
3.6 Repayment of borrowings	(643)	(1,001)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – lease payments	(187)	(537)
3.10 Net cash from / (used in) financing activities	(834)	2,606

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	783	708
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,919)	(5,491)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,549	2,756
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(834)	2,606
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	579	579

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	579	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)	579	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	55
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>		

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	13,843	13,843
7.2	Credit standby arrangements	0	0
7.3	Other (convertible securities)	2,985	2,985
7.4	Total financing facilities	16,828	16,828
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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> <p>As at 31 January 2025, the Group has a fixed interest rate of 11.5% p.a. on its secured borrowings of \$13.2 million, with a total borrowing facility of \$13.2 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.</p> <p>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). No funds from the convertible securities were received in the January quarter. A further \$1.215 million is available to be drawdown, subject to further agreement between the parties.</p>		

8.	Estimated cash available for future operating activities	\$'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,919)
8.2	Cash and cash equivalents at quarter end (item 4.6)	579
8.3	Unused finance facilities available at quarter end (item 7.5)	0
8.4	Total available funding (item 8.2 + item 8.3)	579
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.30
	<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	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>The Group expects that operating cashflows will continue to improve in the next quarter due to the strategic initiatives delivered and in progress, including:</p> <ul style="list-style-type: none"> Continue to improve the blended gross profit margin across the House of Brands businesses and a focus on profitable sales; Right-sizing inventory to accommodate core brands, new products and house brands; Maintain the right-size overheads appropriate for the current business; and Other corporate actions. <p>The current quarter also includes some one-off costs which will not be ongoing.</p>	

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 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
- The Group is working on a range of initiatives to raise further cash to fund operations, 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:26 February 2025.....

Authorised by:By the Board of Directors
(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.