



Sharon John
CEO



Forward looking and cautionary statements

This presentation contains certain statements that are, or may be considered to be, “forward-looking statements” for the purpose of federal securities laws, including, but not limited to, statements that reflect our current views with respect to future events and financial performance. We generally identify these statements by words or phrases such as “may,” “might,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “intend,” “predict,” “future,” “potential” or “continue,” the negative or any derivative of these terms and other comparable terminology. Forward-looking statements are based on current expectation and assumptions that are subject to risks and uncertainties which may cause results to differ materially from the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise. Risks and uncertainties to which our forward-looking statements are subject include: (1) general global economic conditions may decline, which could lead to disproportionately reduced consumer demand for our products, which represent relatively discretionary spending; (2) customer traffic may decrease in the shopping malls where we are located, on which we depend to attract guests to our stores; (3) we may be unable to generate interest in and demand for our interactive retail experience, or to identify and respond to consumer preferences in a timely fashion; (4) our marketing and on-line initiatives may not be effective in generating sufficient levels of brand awareness and guest traffic; (5) we may be unable to generate comparable store sales growth; (6) we may be subject to disruptions, failures or security breaches of our information technology infrastructure; (7) we may be unable to effectively operate or manage the overall portfolio of our company-owned stores; (8) we may be unable to renew, renegotiate or replace our store leases, or enter into leases for new stores on favorable terms or in favorable locations, or may violate the terms of our current leases; (9) we may not be able to operate our company-owned stores in the United Kingdom and Ireland profitably; (10) the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade, including foreign currency fluctuation; (11) our products could become subject to recalls or product liability claims that could adversely impact our financial performance and harm our reputation among consumers; (12) we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team; (13) we are susceptible to disruption in our inventory flow due to our reliance on a few vendors; (14) we may be unable to effectively manage our international franchises or laws relating to those franchises may change; (15) we may fail to renew, register or otherwise protect our trademarks or other intellectual property; (16) we are subject to risks associated with technology and digital operations; (17) we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise; (18) we may be unable to operate our company-owned distribution center efficiently or our third-party distribution center providers may perform poorly; (19) high petroleum products prices could increase our inventory transportation costs and adversely affect our profitability; (20) our market share could be adversely affected by a significant, or increased, number of competitors; (21) we may suffer negative publicity or negative sales if the non-proprietary toy products we sell in our stores do not meet our quality or sales expectations; (22) poor global economic conditions could have a material adverse effect on our liquidity and capital resources; (23) fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; and (24) we may be unable to repurchase shares of our common stock at the times or in the amounts we currently anticipate or the results of the share repurchase program may not be as beneficial as we currently anticipate. For additional information concerning factors that could cause actual results to materially differ from those projected herein, please refer to our most recent reports on Form 10-K, Form 10-Q and Form 8-K.



Business



Brand

BBW Business Overview



- Founded in 1997 as a specialty retailer offering make-your-own stuffed animals
- IPO 2004
- Approximately 400* stores
 - Company-owned in US, Canada, UK and Ireland
 - Over 70 international franchise stores
- 140 million furry friends sold



SNAPSHOT

2014 Total Revenues	\$392M
Market Cap	~ \$315M ¹

¹ Market cap as of 1/9/2014

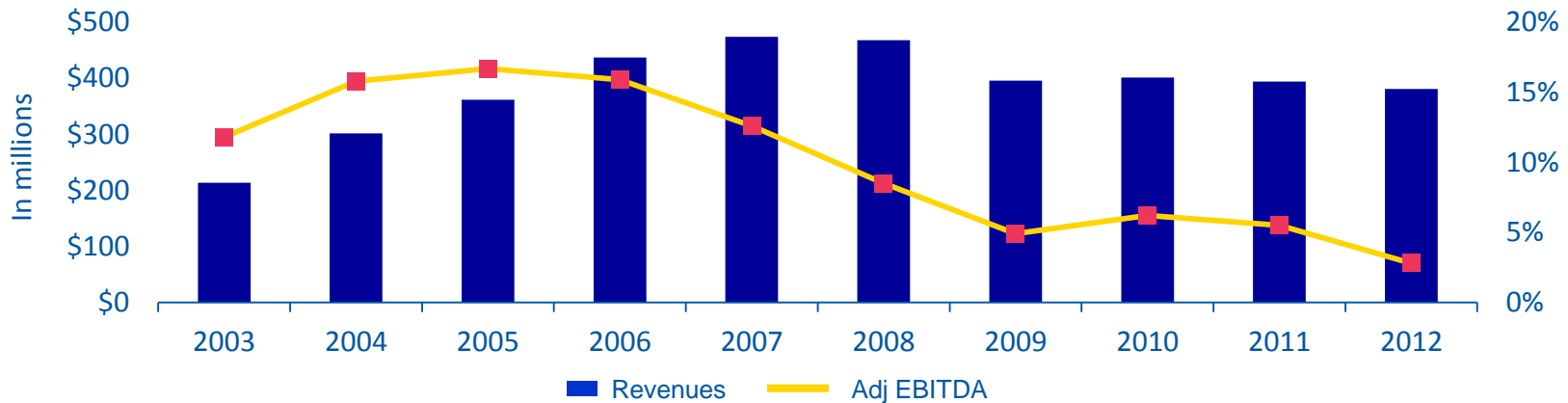


*Store counts are as of end of fiscal year 2014 (January 3, 2015), includes traditional and non-traditional stores

BBW Business Overview



BBW Total Revenues and Adjusted EBITDA 2003-2012



1997-2007: Rapid Growth

- Pre-IPO revenue grew to \$214M
 - Post-IPO revenue grew to \$474M
 - Post-IPO CAGR of 22%
 - Consistent double-digit EBITDA
-
- **BBW was in high growth/low efficiency mode at onset of 2008 recession**

2008-2012: Economic Downturn

- Revenue and EBITDA experienced a high impact decline
 - Revenue stabilized at ~ \$380M
 - EBITDA did not recover
-
- **BBW was slow to react and adjust to the post-2008 “new economy”**

2012 Business Situation

Store Productivity was Declining:

22% of North American stores were unprofitable

Marketing had become “Couponing”:

Discounts were increasing with a shift away from brand-building marketing

Expenses were up, margins were down:

SG&A was up with flat to declining sales while retail gross margins were contracting

2012 Results:

Net loss of \$49M

Adjusted net loss \$10M



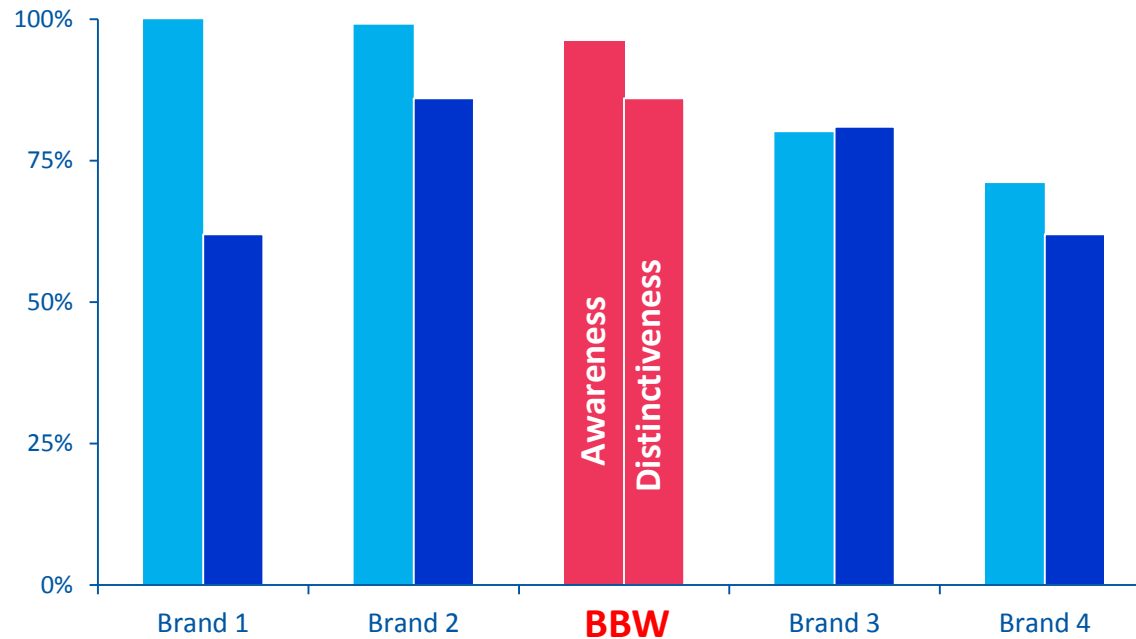
Business



Brand

Brand Overview: HIGH awareness

BBW is a Distinctive Brand with High Awareness



- 96% aided brand awareness
- 86% of those surveyed said Build-A-Bear was “distinctive”

Comparative retail brands include American Girl, Disney, Lego, Toys “R” Us



Source: C&R Research, Fall 2012, US Market Report



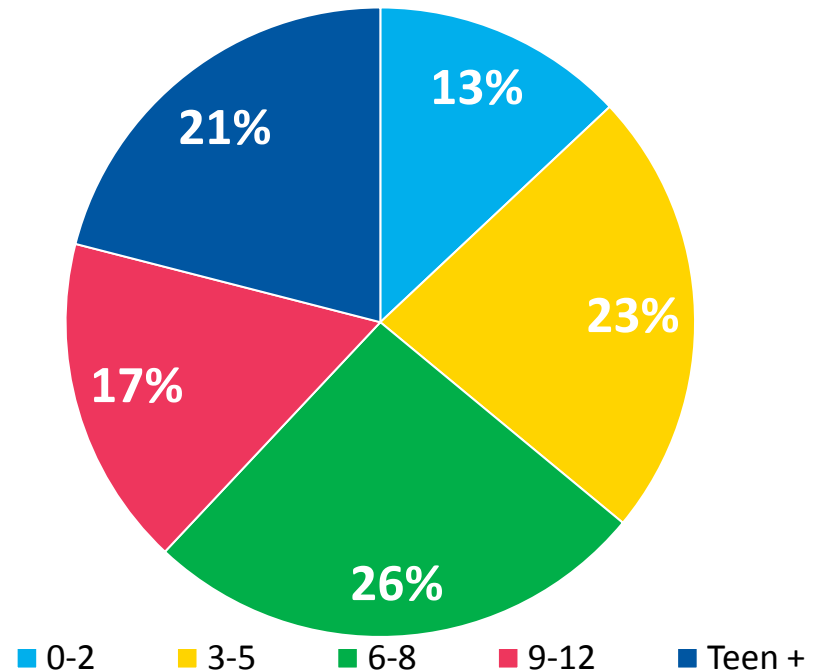
Brand Overview - BROAD appeal



Key Consumer Demographics

68% FEMALE

32% MALE

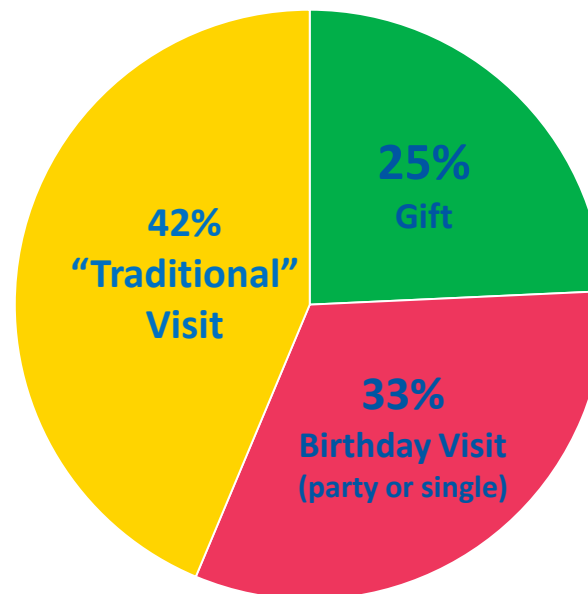


Source: BBW Guest registration database

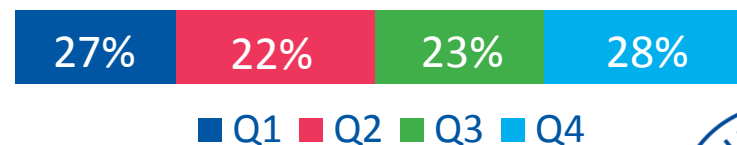
Brand Overview: for MANY occasions



Reasons Guests Shop at BBW



Guests choose BBW across all Seasons (historical average % sales per quarter)



■ Q1 ■ Q2 ■ Q3 ■ Q4

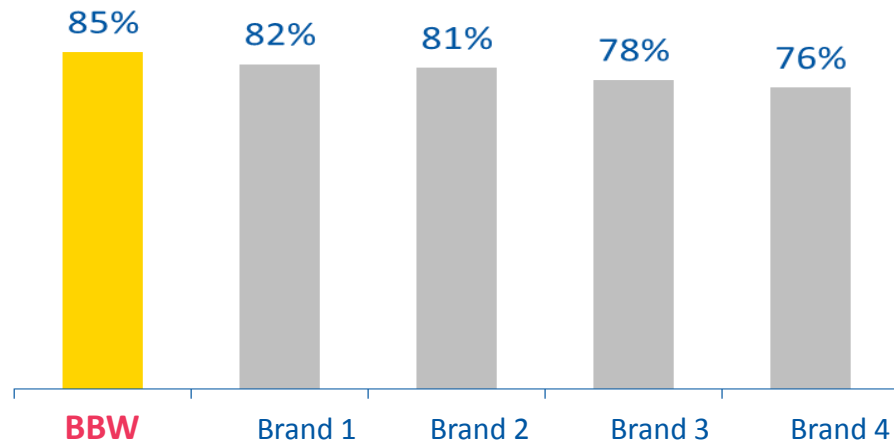


Source: BBW Guest registration database

Brand Overview: LOYAL ADVOCATES



Loyal Brand Advocates*



Comparative retail brands include American Girl, Disney, Lego, Toys "R" Us

Over 4 Million Active Loyalty Club Members**

** Loyalty is measured using a proprietary index developed by Burke, Inc., a premier international research, incorporating ratings of **Earned Loyalty, Likelihood to Recommend, Likelihood to Repurchase, Overall Satisfaction and Preferred Company***
Source: Burke 2013

****Source: BBW Guest loyalty program**



Brand Overview: STRONG BRAND

Build-A-Bear is MORE

MORE than “just for kids”

MORE than a retailer...

MORE than “a Christmas present”...

MORE than a toy...

MORE than a bear...



Turnaround Plan



MORE



Turnaround Plan

Business Turnaround Plan Leveraging Brand Strength

Store Productivity was Declining:

22% of NA stores were unprofitable

1

Optimize real estate portfolio and labor models

Marketing had become “Couponing”:

Discounts were increasing with a shift away from brand-building marketing

2

Reset consumer value equation

Expenses were up, margins were down:

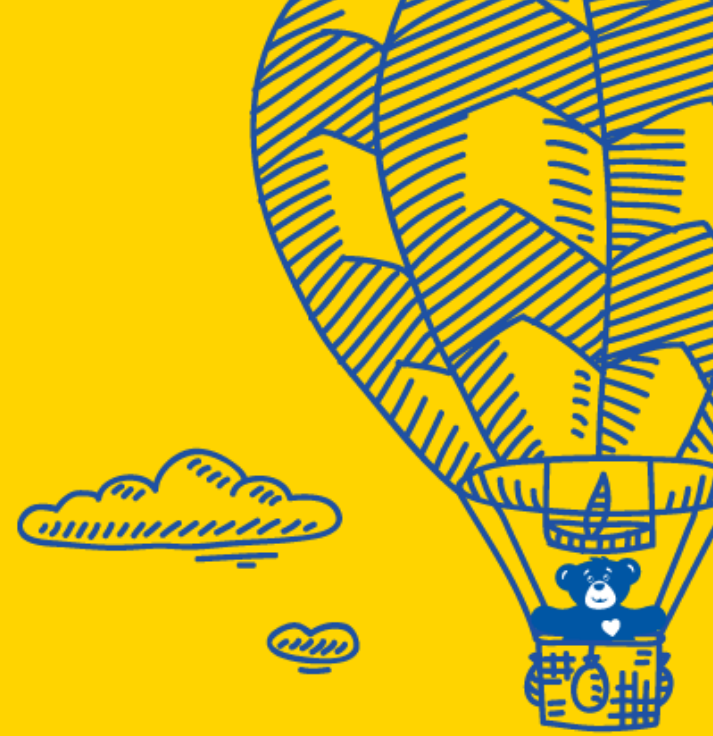
SG&A was up with flat to declining sales; retail gross margins were contracting

3

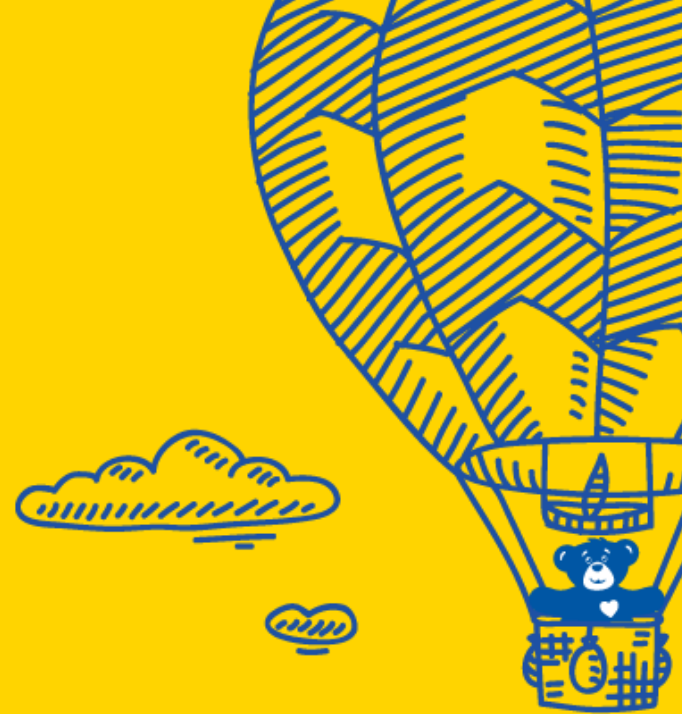
Rationalize expenses, value engineer product line, re-evaluate pricing

Goal: Sustained profitability

MOMENTUM
OPPORTUNITY
RELATIONSHIPS
EXCITEMENT



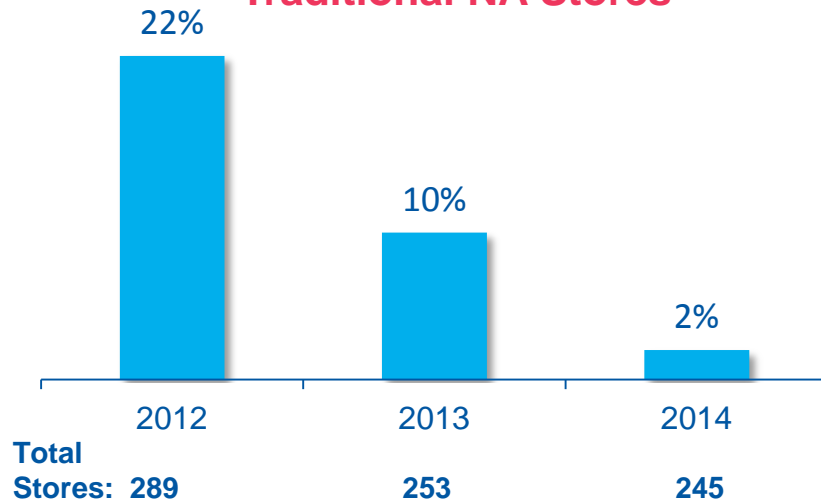
MOMENTUM



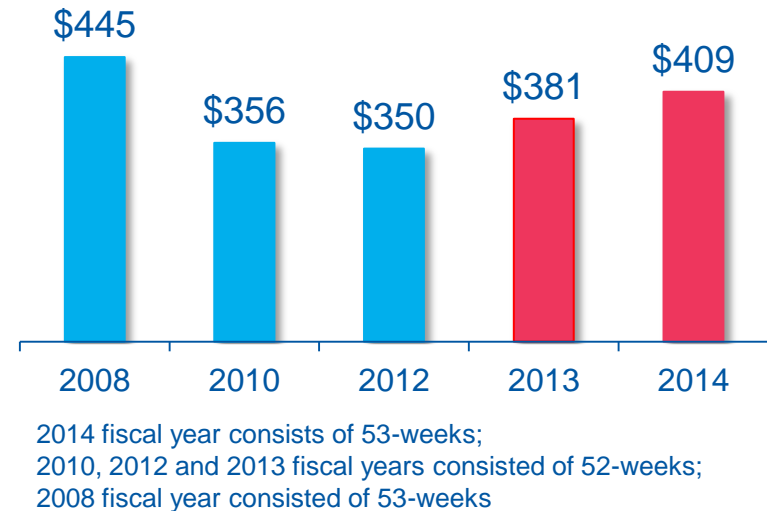
Momentum: 2 years of improved sales/sqft

Optimize real estate portfolio and labor models

**% UNPROFITABLE
Traditional NA Stores**



NA Sales per Square Foot



2014 RESULTS

- 98% of North American traditional stores have positive EBIT
- Sales per square foot +17% vs FY 2012; highest level since 2008

Momentum: 2 years of comp growth

Reset consumer value equation



-30%
discounts
vs 2012



+5.7%
North America
comp
store sales
in 2013



+1.4%
North America
comp
store sales
in 2014

2014 RESULTS

- First consecutive 2 year comparable store sales growth in over a decade
- North America +1.4% comp in 2014 driven by Q4 increase of +8.5%
- Consolidated comp was +1.6% in 2014 on top of a +5.1% comp in 2013
- Discounts are down 30% since 2012, driven by fewer store-wide promotions and coupons

Momentum: 7 quarters of margin expansion

Rationalize expenses, value engineer product line,
re-evaluate pricing model



2014 RESULTS

- Adjusted SG&A was 41% of Total Revenues
- Retail Gross Margin expanded to 45.6% in 2014

Momentum : 8th quarter of improved profitability

Goal: Sustained Profitability

FY 2014
Total Revenue
\$392M

FY 2014
Pre-Tax Income
\$16M

2014 PRELIMINARY RESULTS

- 8th consecutive quarter of improved operating results
- FY 2014 Total Revenue up 3.5% to \$392M vs Total Revenue of \$379M in FY 2013
- Pre-Tax Income of \$16.0M (highest since 2007) vs Pre-Tax Loss of \$2.1M in FY 2013
- Adjusted 2014 Pre-Tax Income of \$18.3M

Progress toward our stated Goals

Key North American metrics	2012	1-4 year Target	2013	2014*
Average store sales (millions)	\$1.0	\$1.2-\$1.4	\$1.1	\$1.2
Average gross square feet	2,847	2,600-2,800	2,828	2,824
Average sales/gross square feet	\$350	\$450-\$500	\$381	\$409
4-wall contribution **	9.8%	20-22%	14.5%	19.2%
Number of traditional stores	283	240-260	253	245

2014 PRELIMINARY RESULTS

- 470 bps improvement in 4-wall contribution in one year; doubled since 2012

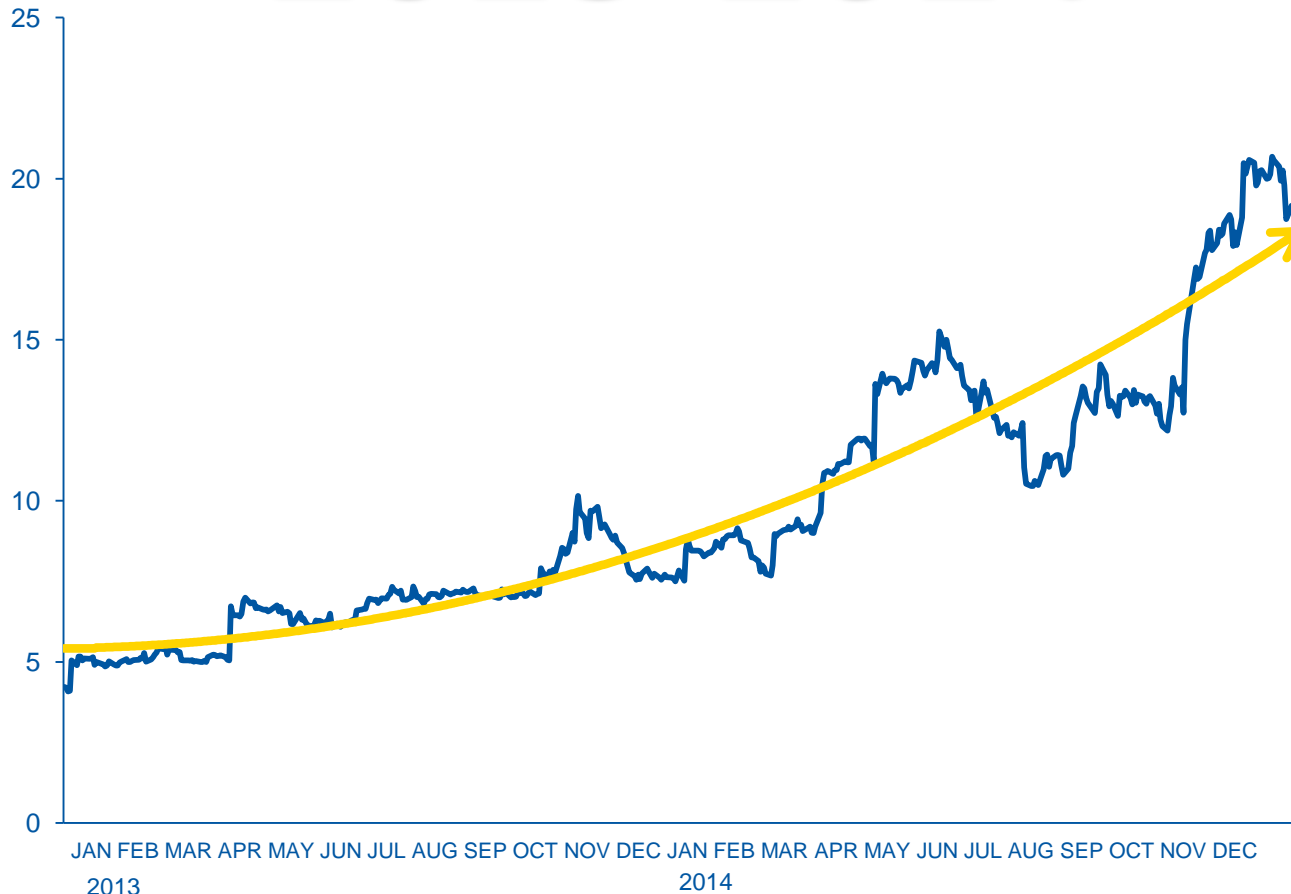
*Includes 53rd Week

**Net retail sales of traditional Store locations open for the full year, minus cost of product, marketing and store related expenses

Momentum: Positive Stock Performance

2013-2014

BBW



\$20.10
12/31/14 Close

159%
1-year change

366%
2-year change

\$21.22
52 week high

\$7.30
52 week low



MMOMENTUM

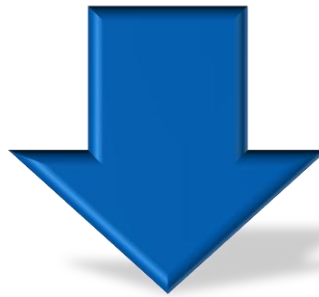
OPPORTUNITY

R

E



**Strong Business +
Strong Brand**



**Strong
Opportunities**



Opportunity: Evolve from FIX to BUILD

**Turnaround Goal:
Sustained profitability**

***New Goal:
Sustained profitable
GROWTH***



Opportunity: Evolve from FIX to BUILD

2012-2014

Optimize real estate
portfolio and labor models



2015-2017

more PLACES

Reset consumer
value equation



more PEOPLE
more PRODUCTS

Rationalize expenses, value
engineer product line,
re-evaluate pricing model



more PROFITABILITY

MORE x 4

Opportunity: Evolve from FIX to BUILD

MORE x 4

more PLACES

more PEOPLE

more PRODUCTS

more PROFITABILITY



Continuous
Improvement

Strategic
Expansion
(1- 3 Years)

Opportunity: **MORE PLACES**

Continuous Improvement

Evolve corporate real estate portfolio to align with market trends and BBW insights; systematically refresh aging fleet



Nearly 90% of BBW doors are in “traditional malls”

Traffic continues to decline in “traditional malls”

70% of BBW doors have not been updated in over 5 years

BBW stores not in traditional malls including tourist locations, shop-in-shops and outlets malls over-index on sales & profit

Strategic Expansion

Leverage NA turnaround to expand BBW global reach; enter key new markets with both a re-designed franchise model and organic corporate expansion

BBW retail concept has already translated into almost 20 countries and territories across the globe



BBW does NOT have a presence in some key global growth markets

Opportunity: **MORE PEOPLE**

Continuous Improvement

Drive core consumer (kids 3-12) trial and repeat with a new segmentation (“older girls”, “younger girls” and “boys”) to address specific insights

Our “core consumer” represents 66% of sales

Increased “New Guest” transactions for the 1st time in over a year



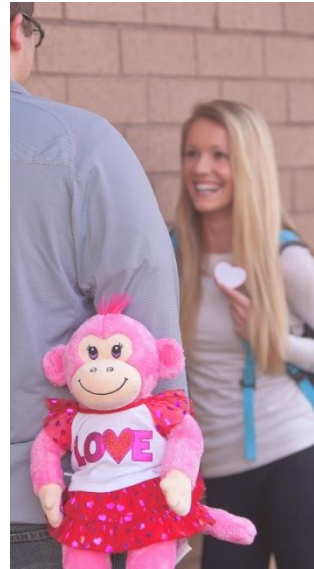
Back half 2014 “Boys” guest registrations up 20% with 3 of the top 10 products in the “boys” segment (vs none in 2013)



Strategic Expansion

Target secondary consumers such as the “over 12” segment with higher margin gifts, collectibles and affinity products; leverage ***buildabear.com*** to reach them

“Gifts” represent 25% of BBW sales and over-index on the web and with “over 12’s”



Over 40% of “Toothless” sales were to “over 12’s”

Over 20% of furry friends are registered to someone older than 12



Opportunity: MORE PRODUCTS

Continuous Improvement

Develop & market integrated and elevated “stories” (vs. skus) that can garner higher price points, drive add-on purchases and create “play beyond the plush”

BBW's
“Merry Mission”
app increased
engagement for
our lead
Christmas story
with over
1.3M plays



Key 2014 seasonal
& licensed stories
drove “girls”
clothing and
accessory total
attachment rates
up 6 pts to 86%

2014
DPTs up 8%
UPTs up 2%
(preliminary results)

Strategic Expansion

Extend presence, sales and profitability by re-launching out-bound licensing; leveraging BBW equity to enter new consumer and brand relevant “categories beyond the bear”


Nearly
75% of
Best
Guests
surveyed
are
interested
in BBW
branded
consumer
products

Over 500,000
branded
backpacks
were sold in 2014
at BBW stores



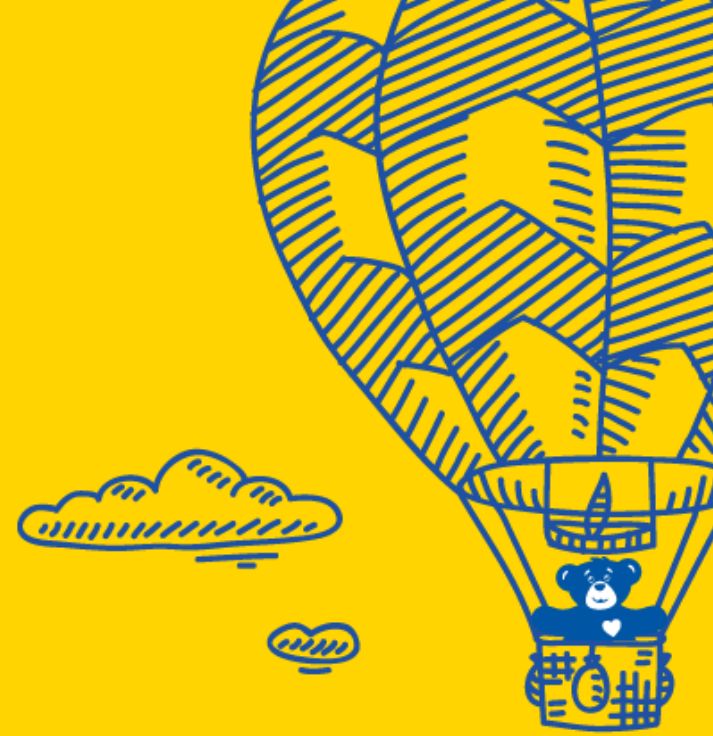
Over 2.5M kids celebrate their birthday at
BBW each year

Opportunity: **MORE X 4**

Objective 	Continuous Improvement	Strategic Expansion
more PLACES	Evolve and expand existing retail portfolio	Add international markets
more PEOPLE	Drive trial and repeat among the core consumer (kids 3-12)	Target the “over 12” consumer market opportunity
more PRODUCTS	Create and market “stories”; create “play beyond the plush”	Out-license brand to enter new product “categories beyond the bear”
more PROFITABLY	Optimize product margin expansion; implement new systems	Select margin accretive growth opportunities over the next 1-3 years

*Goal: Sustained profitable **GROWTH***

MOMENTUM
OPPORTUNITY
RELATIONSHIPS
E



Relationships: Elevate and integrate

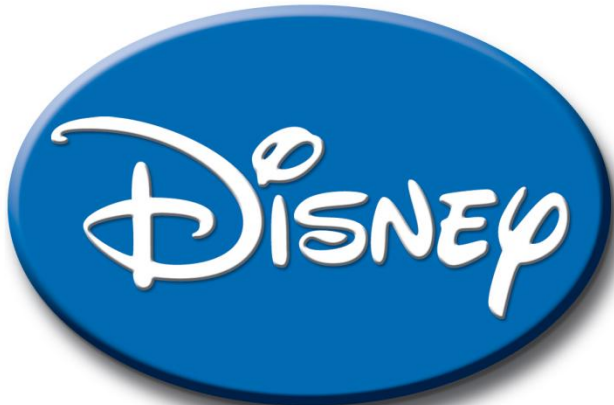
Best-in-Class Licensed Partnerships



nickelodeon.



Multi-Dimensional Business Relationships



Relationships: Best-in-Class Licensing

nickelodeon.



TEENAGE MUTANT NINJA
TURTLES



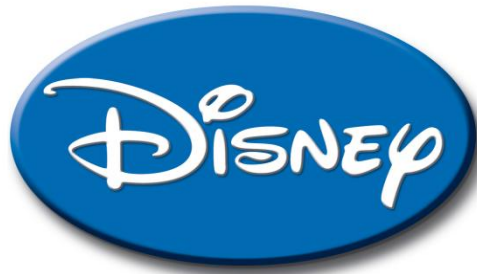
my LITTLE
PONY



Relationships: Best-in-Class Licensing



Relationships: Multi-Dimensional Partners



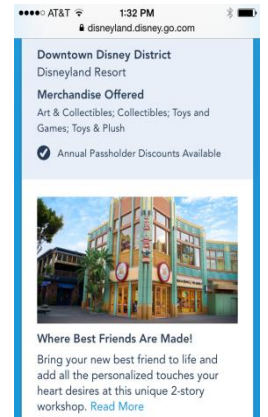
REAL ESTATE



LICENSING



MARKETING



Relationships: Multi-Dimensional Partners



REAL ESTATE



LICENSING



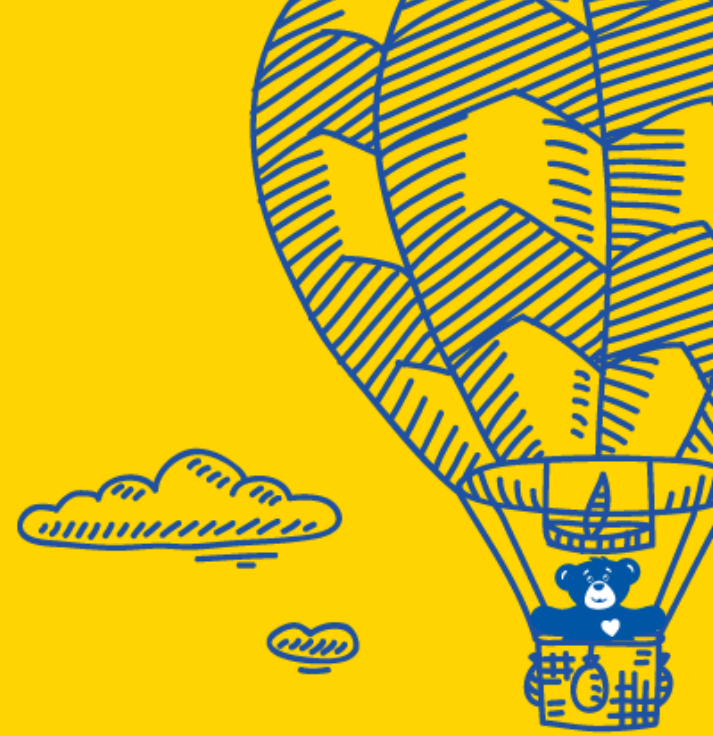
MARKETING



EVENTS



MOMENTUM
OPPORTUNITY
RELATIONSHIPS
EXCITEMENT

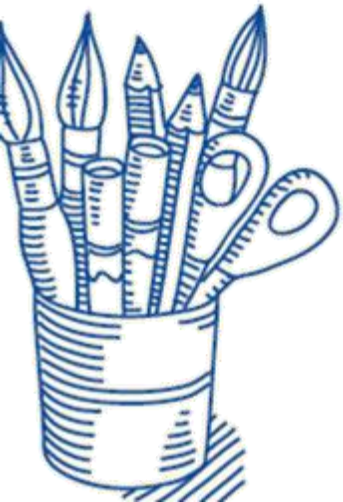


Excitement

- **Clear strategy that is working**
- **New leadership team**
- **New organizational structure**
- **New infrastructure investment**



Excitement: New Branding



Excitement: New Web Site



Updated for the Millennial Mom



Excitement: New Store Design



Incorporates New Brand Elements



Excitement: New Store Design



Focused on Improving Productivity



Excitement: New Milestone

2017 will mark our 20th year in business



BBW is a multi-generational BRAND



Build-A-Bear is....

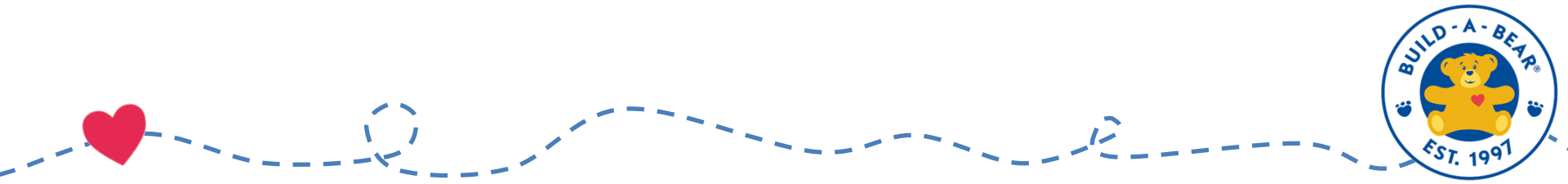
MOMENTUM

OPPORTUNITY

RELATIONSHIPS

EXCITEMENT







Sharon John
CEO

