

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 9, 2018

Build-A-Bear Workshop, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-32320
(Commission
File Number)

43-1883836
(IRS Employer
Identification No.)

1954 Innerbelt Business Center Drive
St. Louis, Missouri

(Address of Principal Executive Offices)

63114

(Zip Code)

(314) 423-8000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On January 9, 2018, Build-A-Bear Workshop, Inc. (the “Company”) issued a press release setting forth the Company’s expectations regarding selected results for the fourth quarter and full 2017 fiscal year and certain preliminary expectations for fiscal year 2018, the year ending February 2, 2019. The release also reported that the Company changed its fiscal year end which previously ended on the Saturday closest to December 31 to the Saturday closest to January 31, effective with the start of the Company’s 2018 fiscal year as previously reported on the Company’s Form 8-K filed January 8, 2018. In addition, the release noted that the Company is currently evaluating the anticipated impact of corporate tax reform. A copy of the Company’s press release is being furnished as Exhibit 99.1 and hereby incorporated by reference.

Item 7.01. Regulation FD Disclosure.

On January 9, 2018, Build-A-Bear Workshop, Inc. (the “Company”) will present at the ICR Conference 2018 held at The Grand Lakes Orlando in Orlando, Florida. Sharon Price John, President and Chief Executive Officer, and Voin Todorovic, Chief Financial Officer, will host the presentation at 8:30 am Eastern Standard Time. The audio portion of the presentation will be webcast live at <http://IR.buildabear.com> and remain available for ninety days. The investor presentation is attached hereto as Exhibit 99.2, and is incorporated herein by reference. A copy of the investor presentation is available on the Investor Relations section of the Company’s web site at <http://IR.buildabear.com>.

To supplement its financial statements presented in accordance with GAAP, the Company used, in its investor presentation, certain non-GAAP measures of financial performance. The Company believes that these non-GAAP measures will allow for a better evaluation of the operating performance of the business and facilitate a meaningful comparison of the Company’s results in the current period to those in prior periods and future periods. Reference to these non-GAAP measures should not be considered as a substitute for results that are presented in a manner consistent with GAAP. These non-GAAP measures are provided to enhance investors’ overall understanding of the Company’s financial performance.

* * * * *

The information furnished in, contained, or incorporated by reference into Item 2.02 and Item 7.01 above, including Exhibits 99.1 and 99.2 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing. In addition, this report (including Exhibits 99.1 and 99.2) shall not be deemed an admission as to the materiality of any information contained herein that is required to be disclosed solely as a requirement of Items 2.02 and 7.01.

This Current Report on Form 8-K and the press released and investor presentation attached hereto as Exhibits 99.1 and 99.2, respectively, contain certain statements that may be deemed to be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements in this report and in such exhibits not dealing with historical results are forward-looking and are based on various assumptions. The forward-looking statements in this report and in such exhibits are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among other things: statements regarding the Company’s goals, intentions, and expectations; business plans and growth strategies; estimates of the Company’s risks and future costs and benefits; forecasted demographic and economic trends relating to the Company’s industry; and other risk factors referred to from time to time in filings made by the Company with the Securities and Exchange Commission. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. The Company disclaims any intent or obligation to update these forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
99.1	Press Release dated January 9, 2018
99.2	Investor Presentation — January 9, 2018

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BUILD-A-BEAR WORKSHOP, INC.

Date: January 9, 2018

By: /s/ Voin Todorovic
Name: Voin Todorovic
Title: Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
<u>99.1</u>	<u>Press Release dated January 9, 2018</u>
<u>99.2</u>	<u>Investor Presentation — January 9, 2018</u>

Build-A-Bear Workshop, Inc. Issues Preliminary Sales and Pre-Tax Earnings Expectations Ahead of Presentation at ICR Conference

- **FY 2017 GAAP pre-tax income expected to be within guidance in the range of \$12 million to \$13 million, as compared to GAAP pre-tax income of \$5.3 million inclusive of \$5.7 million in negative adjustments in fiscal 2016**
- **FY 2017 consolidated comparable sales expected to decrease 6.5%**
- **The Company repurchased over 500,000 shares of its common stock during fiscal 2017 including over 400,000 shares in the fiscal 2017 fourth quarter**

ST. LOUIS--(BUSINESS WIRE)--January 9, 2018--Build-A-Bear Workshop, Inc. (NYSE:BBW) today issued preliminary sales and guidance for pre-tax income for the fourth quarter and fiscal year 2017 ended December 30, 2017, in conjunction with its presentation at the 20th Annual ICR Conference. The Company also provided preliminary expectations for fiscal 2018, the year ending February 2, 2019.

On a preliminary basis, for the Fourth Quarter (13-weeks ended December 30, 2017, compared to the 13-weeks ended December 31, 2016) the Company expects:

- Total revenues of approximately \$105 million compared to \$110.3 million in the fiscal 2016 fourth quarter;
- Consolidated net retail sales of approximately \$103 million compared to \$107.7 million in the fiscal 2016 fourth quarter;
- Consolidated comparable sales to decrease 7.9%, including a 6.4% decrease in North America and a 13.0% decrease in Europe; notably consolidated comparable E-Commerce sales are expected to increase 11.9%;
- GAAP retail gross margin of 50.0%, an approximate 400 basis point improvement from 46.0% in the fiscal 2016 fourth quarter; and
- GAAP pre-tax income in the range of \$8 million to \$9 million compared to GAAP pre-tax income of \$3.5 million, including \$4.7 million in adjustments in the 2016 fourth quarter.

On a preliminary basis, for the 2017 Fiscal Year (52-weeks ended December 30, 2017, compared to the 52-weeks ended December 31, 2016) the Company expects:

- Total revenues of approximately \$356 million compared to \$364.2 million in fiscal 2016;
 - Consolidated net retail sales of approximately \$348 million compared to \$357.6 million in the 2016 fiscal year;
 - Consolidated comparable sales to decrease 6.5%, including a 6.4% decrease in both North America and Europe; notably consolidated comparable E-Commerce sales are expected to increase 2.9%;
 - GAAP Retail gross margin of 46.5%, an approximate 130 basis points improvement from 45.2% in the 2016 fiscal year;
 - GAAP pre-tax income in the range of \$12 million to \$13 million compared to a GAAP pre-tax income of \$5.3 million, including \$5.7 million in adjustments in the 2016 fiscal year; and
 - Capital expenditures to approximate \$18 million to \$19 million; depreciation and amortization is expected to be approximately \$16 million.
-

In addition:

The Company repurchased 401,400 shares of its common stock for \$3.7 million in the fiscal 2017 fourth quarter bringing total shares repurchased to 513,725 for the fiscal year. At year end, the Company had \$15.3 million remaining on its share repurchase authorization. At the end of the fiscal 2017 year, the Company operated 362 corporately-managed locations, including 302 in North America and 60 outside of North America.

The Company noted that its revenue, sales and profit expectations are estimated and preliminary and subject to quarter and year-end closing adjustments. As the Company has not completed its quarter and year-end fiscal close or the audit of its 2017 financial statements, the revenue, sales and profit expectations presented in this press release may change.

Sharon Price John, Build-A-Bear Workshop Chief Executive Officer commented, “Although we were successfully able to move forward on a number of our stated strategic initiatives for the year and the quarter, our estimated revenue did not meet our expectations. However, because of our ongoing operational improvements, we expect to deliver our pre-tax profit within guidance. We also began to realize the initial benefits of the new web platform that was launched in the fourth quarter with E-commerce sales rising double-digits. In addition to the website launch, we continued to transition our real estate portfolio to be more aligned to the evolving consumer shopping patterns and accelerated the development of new relationships to increase the diversification of revenue streams, including our recent announcement of a new Chinese franchise partnership. With a strong balance sheet and positive cash flow, we believe we are well-positioned to continue to evolve the company to be able to leverage the strength of the Build-A-Bear brand.”

2018 Preliminary Expectations

The Company is providing preliminary expectations for fiscal year 2018, the year ending February 2, 2019.

On a preliminary basis, the Company expects:

- Revenue in the range of flat to up low single digits;
- Earnings before interest and taxes (EBIT) and diluted earnings per share (EPS) to increase over fiscal year 2017*; and
- Capital expenditures to be in the range of \$15 to \$18 million.

*Given the potential impact of anticipated accounting changes and recent tax changes, the Company will provide further specificity with regard to its expectations for EBIT and EPS growth when it reports fiscal 2017 results in February.

Fiscal Year Change

The Company's Board of Directors has authorized a change in the Company's fiscal year end which previously ended on the Saturday closest to December 31 to the Saturday closest to January 31. This change will be effective with the start of the Company's 2018 fiscal year. The one fiscal month transition period, December 31, 2017 through February 3, 2018, will be reported on the Company's Form 10-Q along with results for the quarter ended May 5, 2018. The first 12-month fiscal year under the new calendar will encompass February 4, 2018, through February 2, 2019.

Corporate Tax Reform

On December 22, 2017, H.R.1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, also known as the Tax Cuts and Jobs Act, (the "Act") was enacted which among other items reduces the federal corporate tax rate to 21% effective January 1, 2018. The Company is currently reviewing the components of the Act and evaluating its impact, which could have a material negative effect on the Company's fiscal year 2017 consolidated financial statements and related disclosures, including a one-time, non-cash expense related to a decrease in the value of the Company's net deferred tax assets.

ICR Conference

The Company is scheduled to present at the 20th Annual ICR Conference held at the Grand Lakes Resort in Orlando, Florida, on Tuesday, January 9, 2018, at 8:30 a.m. EST. The presentation will be broadcast over the internet and can be accessed at the Company's investor relations website, <http://IR.buildabear.com>. The presentation is expected to conclude by 8:55 a.m. EST. A replay of the broadcast will remain on the Company's investor relations website for one year.

About Build-A-Bear

Founded in St. Louis in 1997, Build-A-Bear is a global brand kids love and parents trust that seeks to add a little more heart to life. Build-A-Bear Workshop has over 450 stores worldwide where guests can create customizable furry friends, including corporately-managed stores in the United States, Canada, Denmark, Ireland, Puerto Rico, the United Kingdom and China, and franchise stores in Africa, Asia, Australia, China, Europe, Mexico and the Middle East. The company was named to the FORTUNE 100 Best Companies to Work For[®] list for the ninth year in a row in 2017. Build-A-Bear Workshop, Inc. (NYSE:BBW) posted a total revenue of \$364.2 million in fiscal 2016. For more information, visit the Investor Relations section of buildabear.com.

Forward-Looking Statements

This press release 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. All of the information concerning the potential outcome of exploring strategic alternatives, our future liquidity, future revenues, margins and other future financial performance and results, achievement of operating of financial plans or forecasts for future periods, sources and availability of credit and liquidity, future cash flows and cash needs, success and results of strategic initiatives and other future financial performance or financial position, as well as our assumptions underlying such information, constitute forward-looking information.

These statements are based only on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements, including those factors discussed under the caption entitled "Risks Related to Our Business" and "Forward-Looking Statements" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 16, 2017 and other periodic reports filed with the SEC which are incorporated herein.

All of our forward-looking statements are as of the date of this Press Release only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of or any material adverse change in one or more of the risk factors or other risks and uncertainties referred to in this Press Release or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the SEC could materially and adversely affect our continuing operations and our future financial results, cash flows, available credit, prospects and liquidity. Except as required by law, the Company does not undertake to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

All other brand names, product names, or trademarks belong to their respective holders.

CONTACT:

Build-A-Bear Workshop

Investors:

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or

Media:

Beth Kerley

bethk@buildabear.com



Sharon Price John
President & 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 deteriorate, 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) the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade, including foreign currency fluctuation; (6) we may suffer disruptions, failures or security breaches of our information technology infrastructure or may improperly obtain or be unable to adequately protect customer information in violation of privacy or security laws or customer expectations; (7) we may be unable to generate comparable sales growth; (8) we may be unable to effectively operate or manage the overall portfolio of our company-owned stores; (9) we may be unable to renew 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; (10) we may not be able to operate our international Company-owned stores profitably; (11) we are subject to risks associated with technology and digital operations; (12) our products or Build-A-Bear branded products sold by our licensees could fail to meet current safety standards or become subject to recalls or product liability claims that could adversely impact our financial performance and harm our reputation among consumers; (13) we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team; (14) we are susceptible to disruption in our inventory flow due to our reliance on a few vendors; (15) we may fail to renew, register or otherwise protect our trademarks or other intellectual property; (16) we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise; (17) we may be unable to operate our Company-owned distribution center efficiently or our third-party distribution center providers may perform poorly; (18) increases in high petroleum products prices could increase our inventory transportation costs and adversely affect our profitability; (19) we may be unable to effectively manage our international franchises or laws relating to those franchises may change; (20) our plans to leverage the Build-A-Bear brand to drive strategic expansion may not be successful; (21) our market share could be adversely affected by a significant, or increased, number of competitors; (22) we may suffer negative publicity or negative sales if the non-proprietary toy products we sell in our stores do not meet our safety, quality or sales expectations; (23) poor global economic conditions could have a material adverse effect on our liquidity and capital resources; (24) fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; and (25) fluctuations in our operating results could reduce our cash flow and we may be unable to repurchase shares at all or at the times or in the amounts we desire or the results of the share repurchase program may not be as beneficial as we would like. 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.





About BBW

- **20 YEARS YOUNG:** Established in 1997 as an experiential retailer offering make-your-own stuffed animals; IPO in 2004
- **GLOBAL:** Over 400 retail locations around the world through a combination of direct and franchise operations generating over \$350MM in annual revenue
- **VALUED CULTURE:** 9 consecutive years on Fortune's "100 Best Companies to Work For" list
- **STRONG BRAND:** Posting awareness and loyalty numbers rivaling brands many times our size
- **EVOLVING:** Completed turnaround plan that was initiated in mid-2013 which included laying the groundwork for diversifying the business model to profitably leverage the strength of the Build-A-Bear brand

Brand



Business



Brand



**90%+ Aided
Brand
Awareness***

**Broad Consumer
Appeal:
Gender, Age and
Geography**



**Powerful
Social &
Loyalty
Engagement**

**170 Million
Furry Friends
Sold Globally****



*US data, C&R Research, Jan 2017 **Since 1997



Business 2012

- 2012 GAAP Pre-Tax Loss of ~\$50MM
- 4 consecutive years of GAAP Pre-Tax Losses (2009 -2012)



Business 2013-2017

Returned to Profitability & Sustained Profitability



- Diversified real estate portfolio; closed select stores
- Reduced discounts, enhanced marketing to leverage the brand emotion and highlight the in-store EXPERIENCE
- Refreshed brand look and store design focused on productivity
- Rationalized expenses, renegotiated contracts
- Value-engineered product line and strategically increased pricing to expand gross margin and dollars per transaction



Business 2013-2017+

while simultaneously

Rebuilding Systems and Processes & Updating Org Structure



- Re-organized with new management team and upgraded talent; Board of Directors evolution
- Instituted new, more efficient processes
- Updating IT infrastructure & digital capabilities; added new systems including new website and omni-channel platforms
- Re-building international infrastructure
- Restructured vendor base and supply chain



From 2012 to 2016
traditional mall traffic declined close to

40%*

while e-commerce sales

DOUBLED

as a percent of total retail**



Over **12,000** retail
door closures in 2016 with
scores of retail bankruptcies
and projections of an additional
9,000
retail door closures in 2017*

Despite Reported TOTAL Retail Industry 4Q 2017 Sales Increases, Recent Headlines Include...



America's 'Retail Apocalypse' Is Really Just Beginning

- Bloomberg

"The 4 Reasons Why 2017 is the Tipping Point for Retail"

- The Atlantic

"Retailers Face 2017 Reckoning"

- Investors.com

"The Retail Apocalypse"

- FOX Business

Holiday shopping 2017: The truth about the "retail apocalypse"

-USA Today

A RETAIL APOCALYPSE ? OR AN ERA OF RAPID CHANGE?

“The Economist” recently noted these next steps for Brick & Mortar to “Fight Back”* ...



- Make store associates core to store experience
- Use customer insights to drive profit not just promotions
- Take a surgical approach to store closures and remodels
- Refresh brand to appear more contemporary
- Offer space for in-store demos and events
- Sublet in-store space to other retailers
- Introduce price matching by default
- Merge on-line and off-line channels
- Redesign display windows and storefront
- Move to secondary locations
- Shift focus to higher-value customers
- Augment in-store assortment with on-line catalogue
- Introduce bespoke/customizable products



COMPANIES THAT HAVE:

- Meaningful, stretchable brands
- Unique in-store experiences and product offerings
- Omni-channel capabilities
- A diversified business model
- Efficient and nimble operations
- Direct, data-driven relationships with their consumers





Business Now

4

**CONSECUTIVE YEARS
OF PROFITABILITY**

2014-2017 GAAP Pre-Tax

~95%

Profitable US Stores

compared to 78% at the start of the turnaround in 2013

BBW is Now a Stronger Company Delivering Sustained Profitability



Pre-Turnaround:
4 consecutive years of Pre-Tax Losses



Post Turnaround:
4 consecutive years of Pre-Tax Profits



(\$77MM) Cumulative GAAP
Pre-Tax Loss

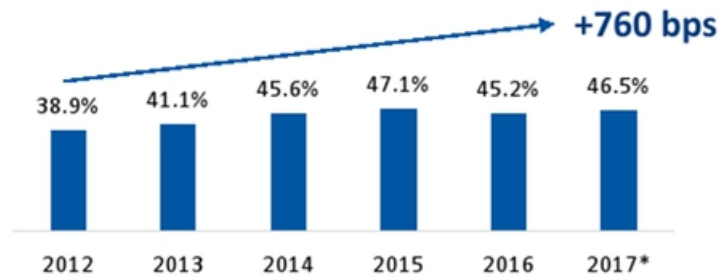
\$52MM Cumulative GAAP
Pre-Tax Profit



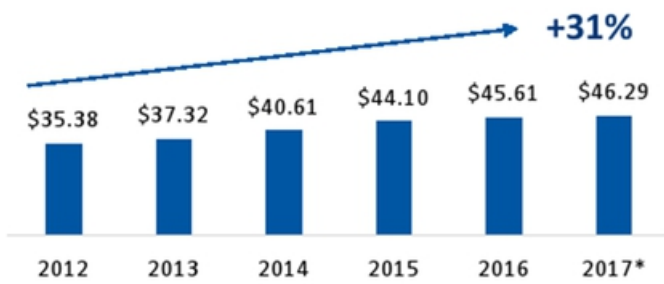
Consistent Improvement in Underlying Metrics



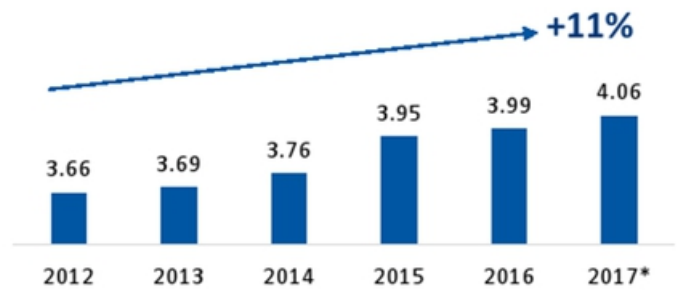
BBW Retail Gross Margin



NA Dollars Per Transaction



NA Units Per Transaction





Business Now

Strong Cash Flow
&
No Debt

Based on preliminary FY2017 results



2017 Preliminary Results

With Consolidated Comparable Sales of -6.5%, we delivered:

2017 vs 2016

• **\$356MM Total Revenues**



• **46.5% Retail Gross Margin**



• **\$12-13MM GAAP Pre-Tax Income**





2017 Highlights



DIVERSIFYING and EXPANDING PROFITABLE REAL ESTATE PORTFOLIO:

- “Tourist Locations” tend to outperform traditional mall stores; NYC store next to Empire State Building opened 4Q 2017 is exceeding plan
- Remodeled Discovery stores outperform Heritage stores on average
- Newer formats like “concourse shops” and “pop-up shops” can expand portfolio with comparatively low capital investment
- Aggressively renegotiated favorable short-term lease extensions which are contributing to positive 4-wall contribution
- Expanded globally with China franchise deal; first 2 stores already open

SUCCESSFUL E-COMMERCE LAUNCH:

- After rebuilding core IT infrastructure, launched best-in-class web platform in Q4 2017, delivered 4Q comp increase of ~12%



Based on preliminary FY2017 results





2017 Highlights



GIFTCARD GROWTH: Standard gift card sales increased, particularly at 3rd party vendors; the gift of the “Build-A-Bear Experience” is in strong demand

STOCK REPURCHASE: Concluded Strategic Alternatives process with Board approval of a stock buy back of \$20MM*; repurchased ~500,000 shares in 2017 with approximately \$15MM remaining under the authorized plan

PROGRESS ON NEW REVENUE STREAMS: Continued to lay critical groundwork on other revenue diversification efforts including out-bound licensing and entertainment

Based on preliminary FY2017 results * Program authorized through September 2020





Insights



REAL ESTATE DIVERSIFICATION REMAINS KEY

- Opportunity to continue to diversify real estate portfolio
 - Add more “tourist locations” + opportunistic Discovery remodels
 - Planned openings in San Francisco, Baltimore, Orlando and Chicago
 - Continue to leverage “concourse shops” and “pop-up shops”
 - New international franchise capabilities provide solid growth potential; In late-stage negotiations with 3 additional international franchisees

BIG OPPORTUNITY TO CAPITALIZE ON E-COMM ECONOMY

- New web site can drive business as buildabear.com currently represents only 6% of total BBW retail business vs industry reported rates of 10-20%



Based on preliminary FY2017 results





Insights



CONSUMER SHOPPING HABITS ARE CHANGING AT A MORE RAPID PACE – WITH VOLATILITY FOCUSED IN 4Q & DECEMBER:



- The acute macro shift in December consumption patterns to e-commerce shopping negatively impacted our total business for *the quarter and the year* – we will re-think our December go-to-market approach in 2018

BBW “PLANNED” VISITS STILL STRONG AS A PERCENT OF TOTAL:

- However, “unplanned” store purchases in December were negatively impacted by declining mall traffic, as fewer families consider malls a place for fun and entertainment during the holidays. In contrast, “tourist location” holiday “pop-ups” delivered high single digit growth





PROFITABLE US STORE BASE CAN FUND FUTURE STATE:

- Profitable store base generates cash, even with negative comps, to fund new business model designed to leverage the brand power into new, margin accretive revenue streams

Why not close stores that aren't comping positive?



Top Quartile
US Stores
(with or without .com)

POSITIVE COMP

~18% EBIT

Bottom Quartile
US Stores

**DOUBLE DIGIT
NEGATIVE COMP**

~18% EBIT

**Comparable store sales alone do not accurately reflect
the health of our business**



Modular store design and mobile equipment enable seasonal, pop-up and other formats with lower capital requirements

Before 2013	2018 Projected	Next 3-5 Years
~90%+ In-line locations in Traditional Malls	~80% In-line locations in Traditional Malls	~60-70% In-line locations in Traditional Malls
2,800 Square Feet per Store	2,200 Square Feet per Store	1,800 Square Feet per Store
Heritage Store Design	Transition to Discovery design across a number of retail solutions	Continued diversification with modular formats in range of sizes and locations

“Malls are doomed: 25% will be gone in the next 5 years”

- CNN MONEY



NUMBER OF US MALL CLOSURES WE EXPECT TO MATERIALLY NEGATIVELY EFFECT BBW:

0

WHY?

- Approximately 1,200 malls currently operating in the US
- BBW has already closed most of our underperforming mall stores and has temporarily extended favorable lease terms in mid-tier malls
- ~25% of mall closure equates to 900-1,000 malls remaining open
- BBW is planning no more than ~300 stores to be located in traditional malls in the US in the next 5 years; still leaving penetration at a third or less
- Many experts predict that remaining malls will see improved traffic post failing mall closures due to transfer sales



The Strategy is Sound



Use experiential retail model to diversify and expand the global footprint to generate cash

Brand Power

Leverage and invest in the power of the brand to build margin accretive revenue streams

\$ Investment

An experiential retailer with a strong brand



A strong branded company with a diversified profitable business model



- Largest single “store” (while under-indexing industry as % of business)
- New site launched 4Q 2017, +~12% consolidated 4Q 2017 growth
- New “Bear-Builder” step-by-step experience mimics store while building sales metrics
- Fully integrated with refreshed CRM program and consumer database
- Expect to drive “gifting” category primarily through e-comm platform

2017 4Q web sales as % of total retail were 9%, highest level ever

Before 2013	2018 Projected	Next 3-5 Years
Heritage Look/no “experience”	Re-launched site with “Bear-Builder” experience	Upgrade with gifting and expand omni-channel
Less than 4% of Retail Sales	8-10% of retail sales	Over 10% of retail sales
Losing money	18% EBIT	20%+ EBIT



“Shrink to Grow” Approach:

- Terminated marginal operators while restructuring international organization and adding infrastructure
- New China franchise signed in 2017, first two stores already open
- Other key areas in development with advanced discussions covering 6 additional countries on 3 continents

**Finished 2017 with most international franchise locations in history:
102**

2013	Expected 2018	Next 3-5 years
14 countries	13 countries	15-20 countries
86 stores in traditional malls	110-130 locations in multiple formats	150-175 locations in diverse locations and formats
Royalty based on % of Sales	Royalty % of Sales + % of fixtures and supplies	Royalty % of Sales + % of fixtures, supplies AND merchandise



- Royalty based revenue model with higher than average flow-through to bottom line
- Successful launch of Build-A-Bear Workshop Stuffing Station by Spin Master™ in all major retailers in US and UK in Fall 2016
- Means to profitably extend the brand into key categories including Crafts, Footwear, Activewear, Electronics, Publishing, Graphic Novels, Collectibles, HBA

Currently 15 Licensees covering 10+ Categories carried in 59+ Retailers in 15 Countries

2013	Expected 2018	Next 3-5 years
No new licensees	15 Licensees/10+ categories	20+ licensees/20+ categories
	90%+ flow through of royalty revenue	90%+ flow through of royalty revenue



The Strategy is Sound



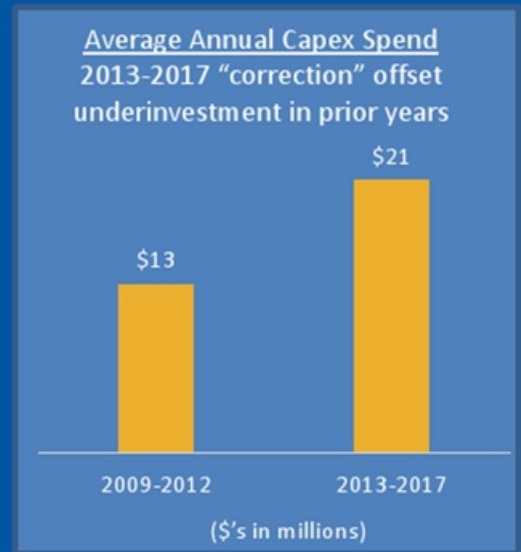
Diversified Revenue Stream Summary

Revenue Stream	3-5 Years Potential Growth Rates	Expected Contribution Margin Percentage	Expected Relative Contribution Dollars	Expected Relative Capital Investment
Brick & Mortar Retail	Low to Mid Single Digits	20-25%	High	Med - High
E-commerce	High Single to Low Double Digits	20-25%	Med	Med
International Franchising Royalty	High Single to Double Digits	90+%	Low - Med	Low - Med
Brand Out-Bound Licensing & Entertainment Royalty	+ Double Digits	90+%	Low	Low



2018 Preliminary Expectations

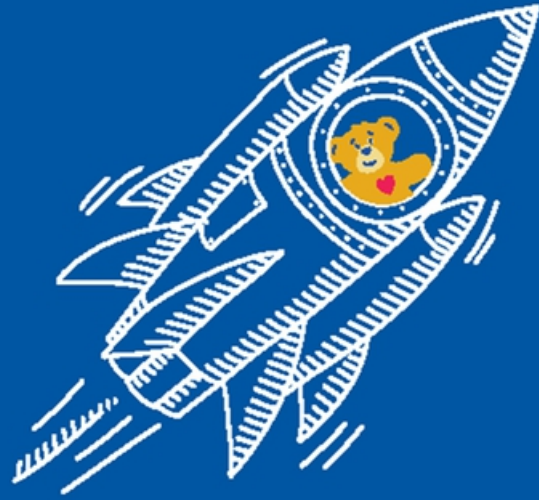
- Flat to low single digit revenue growth
- EBIT/EPS growth*
- Stock re-purchase program continuation
- More “normalized” Capital Expenditures of \$15-18MM
(more aligned with current depreciation levels)



** Given the potential impact of anticipated accounting changes and recent tax changes, we expect to be able to provide additional guidance during our upcoming 2017 year-end earnings call. In addition, as a reminder, the BBW fiscal year will change to a February to January year for 2018 from the current calendar year.*



Thank you!



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