

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): May 31, 2019

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 May 31, 2019, Build-A-Bear Workshop, Inc. (the “Company”) issued a press release setting forth results for the Company’s 2019 fiscal first quarter. A copy of the Company’s press release is being furnished as Exhibit 99.1 and hereby incorporated by reference.

The information furnished in, contained, or incorporated by reference into this Item 2.02, including Exhibit 99.1 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 Exhibit 99.1) 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 this Item.

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|-----------------------|----------------------------------|
| 99.1 | Press Release dated May 31, 2019 |

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: May 31, 2019

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

EXHIBIT INDEX

Exhibit Number

Description of Exhibit

[99.1](#)

[Press Release dated May 31, 2019](#)

Build-A-Bear Workshop, Inc. Reports Increases in Total Revenues and Pre-Tax Income in First Quarter Fiscal 2019 and Reaffirms Annual Total Revenues and Pre-Tax Income Guidance

For the first quarter of fiscal 2019:

- **Total Revenues increase to \$84.4 million from \$83.2 million in the first quarter of fiscal 2018**
- **Pre-Tax Income rises to \$2.4 million from \$0.6 million in the first quarter of fiscal 2018**

ST. LOUIS--(BUSINESS WIRE)--May 31, 2019--Build-A-Bear Workshop, Inc. (NYSE: BBW) today reported results for the first quarter, 13-weeks ended May 4, 2019.

Sharon Price John, Build-A-Bear Workshop President and Chief Executive Officer, commented, “We have had a solid start to the year with growth in total revenues, expansion in gross margin and disciplined expense management resulting in a \$1.8 million increase in first quarter pre-tax income compared to the same period in the prior fiscal year. Other highlights in this year’s first quarter include a significant increase in commercial revenue as strategies to diversify revenue streams by leveraging the power of our brand continued to gain traction. We also delivered our sixth consecutive quarter of double-digit e-commerce growth as initiatives in both gifting and affinity programs gained momentum. In addition, we continue to focus on our Count Your Candles birthday program which has consistently driven new guest acquisition and Bonus Club membership. As we expected, a stronger slate of family-centric movies had a positive impact on sales of products tied to the films, and we saw traffic levels at Build-A-Bear Workshop stores outpace national trends although still slightly negative versus the prior year. Sales growth in North America was partially offset by ongoing double-digit sales declines in our largest international market, the United Kingdom, which is expected to have uncertainty throughout the year.

“Although we will be up against heavy promotional activity that occurred last year, we are encouraged by the positive trends thus far in the second quarter and expect to benefit from additional movie releases slated throughout the year. Furthermore, we are actively working to expand a number of key relationships that are expected to positively impact the business. Overall, we remain confident that the ongoing implementation of our strategy to leverage the power of the Build-A-Bear brand will result in long-term profitable growth and enhanced value for our shareholders,” concluded Ms. John.

First Quarter 2019 Highlights (13 weeks ended May 4, 2019 compared to the 13 weeks ended May 5, 2018):

- Total revenues were \$84.4 million compared to \$83.2 million in the fiscal 2018 first quarter;
- Consolidated net retail sales were \$81.0 million compared to \$81.4 million in the fiscal 2018 first quarter;
- Retail gross margin expanded 90 basis points to 45.2%, this increase was mainly driven by merchandise margin expansion and lower occupancy costs;
- Selling, general and administrative expenses (“SG&A”) were \$35.8 million, or 42.4% of total revenues, compared to \$36.3 million, or 43.7% of total revenues, in the fiscal 2018 first quarter;
- Pre-tax income was \$2.4 million compared to \$0.6 million in the fiscal 2018 first quarter;
- Income tax expense was \$1.2 million with an effective tax rate of 50.3% compared to \$0.3 million with an effective rate of 45.2% in the fiscal 2018 first quarter. The income tax expense in the first quarter of fiscal 2019 was higher than the statutory rate primarily because no tax benefit was recorded on losses in certain foreign jurisdictions; and
- Net income was \$1.2 million, or \$0.08 per diluted share, compared to \$0.4 million, or \$0.02 per diluted share, in the fiscal 2018 first quarter.

Store Activity:

In the first quarter of fiscal 2019, the Company did not open any new stores, reformatted two stores and closed 5 locations. As of May 4, 2019, the Company operated 366 corporately-managed locations, including 307 in North America and 59 outside of North America. In addition, the Company ended the first quarter of fiscal 2019 with four seasonal locations compared to two seasonal locations at the end of the first quarter of fiscal 2018. The Company’s international franchisees ended the quarter with 90 stores in 12 countries.

Balance Sheet:

At quarter end, the Company had cash and cash equivalents of \$20.2 million, an increase of \$1.4 million compared to the prior year quarter end and had no borrowings under its revolving credit facility. Total inventory at quarter-end was \$56.0 million compared to \$49.4 million at the end of the fiscal 2018 first quarter due to an increase in inventory related to the timing of new movie launches as well as in-transit inventory to support new product introductions. In the first quarter of fiscal 2019, capital expenditures totaled \$2.7 million and depreciation and amortization totaled \$3.5 million.

On February 3, 2019, the Company recorded lease liabilities of \$177.5 million upon adoption of the new lease accounting standard, also referred to as ASC Topic 842, based on the present value of remaining lease payments. A corresponding right-to-use asset of \$150.8 million was recorded on the balance sheet which was net of accrued and prepaid rent, deferred lease incentives and impairment charges. Impairment charges of \$7.4 million (net of tax) were recorded as a reduction to retained earnings in adopting the new standard. The recognition of rent expense and payments associated with these lease assets and liabilities will not result in material differences to operating income or cash flows compared to the previous accounting rules, nor does it impact the Company’s bank agreement covenants.

Fiscal 2019 (52 weeks ended February 1, 2020 compared to the 52 weeks ended February 2, 2019) GAAP Expectations for the Company currently include:

- Total revenues to increase in the range of mid- to high-single digits;
- Pre-tax income to be slightly positive, reflecting the increased sales as well as improved gross profit margin;
- Capital expenditures to be in the range of \$13 to \$15 million; and
- Depreciation and amortization to be in the range of \$15 to \$17 million.

The Company notes that the above guidance assumes that there are no material changes to current tariff rates or policies.

Today's Conference Call Webcast:

Build-A-Bear Workshop will host a live internet webcast of its quarterly investor conference call at 9 a.m. ET today. The audio broadcast may be accessed at the Company's investor relations website, <http://IR.buildabear.com>. The call is expected to conclude by 10 a.m. ET.

A replay of the conference call webcast will be available in the investor relations website for one year. A telephone replay will be available beginning at approximately noon ET today until midnight ET on June 7, 2019. The telephone replay is available by calling (844) 512-2921. The access code is 13691030.

About Build-A-Bear:

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 more than 450 stores worldwide where Guests can create customizable furry friends, including corporately-managed stores in the United States, Canada, China, Denmark, Ireland, Puerto Rico, and the United Kingdom, and franchise stores in Africa, Asia, Australia, Europe, Mexico and the Middle East. Build-A-Bear Workshop, Inc. (NYSE:BBW) posted total revenue of \$336.6 million in fiscal 2018. 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 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 April 18, 2019 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.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(dollars in thousands, except share and per share data)

| | 13 Weeks Ended May 4, 2019 | % of Total Revenues ⁽¹⁾ | 13 Weeks Ended May 5, 2018 | % of Total Revenues ⁽¹⁾ |
|---|---|---|---|---|
| Revenues: | | | | |
| Net retail sales | \$ 81,048 | 96.0 | \$ 81,425 | 97.9 |
| Commercial revenue | 2,754 | 3.3 | 1,019 | 1.2 |
| International franchising | 560 | 0.7 | 740 | 0.9 |
| Total revenues | <u>84,362</u> | <u>100.0</u> | <u>83,184</u> | <u>100.0</u> |
| Cost of merchandise sold: | | | | |
| Cost of merchandise sold - retail ⁽¹⁾ | 44,421 | 54.8 | 45,385 | 55.7 |
| Cost of merchandise sold - commercial ⁽¹⁾ | 1,264 | 45.9 | 479 | 47.0 |
| Cost of merchandise sold - international franchising ⁽¹⁾ | 439 | 78.4 | 332 | 44.9 |
| Total cost of merchandise sold | <u>46,124</u> | <u>54.7</u> | <u>46,196</u> | <u>55.5</u> |
| Consolidated gross profit | 38,238 | 45.3 | 36,988 | 44.5 |
| Selling, general and administrative expense | 35,808 | 42.4 | 36,337 | 43.7 |
| Interest expense, net | 20 | 0.0 | 5 | 0.0 |
| Income (loss) before income taxes | 2,410 | 2.9 | 646 | 0.8 |
| Income tax expense | 1,213 | 1.4 | 292 | 0.4 |
| Net income (loss) | <u>\$ 1,197</u> | <u>1.4</u> | <u>\$ 354</u> | <u>0.4</u> |
| Income (loss) per common share: | | | | |
| Basic | <u>\$ 0.08</u> | | <u>\$ 0.02</u> | |
| Diluted | <u>\$ 0.08</u> | | <u>\$ 0.02</u> | |
| Shares used in computing common per share amounts: | | | | |
| Basic | 14,612,575 | | 14,582,573 | |
| Diluted | 14,738,240 | | 14,722,989 | |

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold - retail, cost of merchandise sold - commercial and cost of merchandise sold - international franchising that are expressed as a percentage of net retail sales, commercial revenue and international franchising, respectively. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales, commercial revenue or international franchising and immaterial rounding.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(dollars in thousands, except per share data)

| | May 4, 2019 | February 2, 2019 | May 5, 2018 |
|---|------------------------|-----------------------------|------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 20,238 | \$ 17,894 | \$ 18,881 |
| Inventories, net | 56,004 | 58,356 | 49,423 |
| Receivables, net | 8,836 | 10,588 | 8,968 |
| Prepaid expenses and other current assets | 8,587 | 12,960 | 11,493 |
| Total current assets | 93,665 | 99,798 | 88,765 |
| Operating lease right-of-use asset | 145,025 | - | - |
| Property and equipment, net | 65,357 | 66,368 | 76,410 |
| Deferred tax assets | 3,241 | 3,099 | 4,102 |
| Other intangible assets, net | 607 | 731 | 950 |
| Other assets, net | 2,224 | 2,050 | 2,427 |
| Total Assets | \$ 310,119 | \$ 172,046 | \$ 172,654 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 20,996 | \$ 22,551 | \$ 12,965 |
| Accrued expenses | 7,608 | 10,047 | 8,739 |
| Operating lease liability short term | 29,769 | - | - |
| Gift cards and customer deposits | 19,026 | 21,643 | 17,007 |
| Deferred revenue and other | 2,006 | 1,936 | 1,893 |
| Total current liabilities | 79,405 | 56,177 | 40,604 |
| Operating lease liability long term | 139,407 | - | - |
| Deferred rent liability long term | - | 18,440 | 17,697 |
| Deferred franchise revenue | 1,580 | 1,625 | 1,142 |
| Other liabilities | 1,287 | 1,490 | 1,794 |
| Stockholders' equity: | | | |
| Common stock, par value \$0.01 per share | 149 | 150 | 151 |
| Additional paid-in capital | 69,550 | 69,088 | 66,908 |
| Accumulated other comprehensive loss | (12,120) | (12,018) | (11,546) |
| Retained earnings | 30,861 | 37,094 | 55,904 |
| Total stockholders' equity | 88,440 | 94,314 | 111,417 |
| Total Liabilities and Stockholders' Equity | \$ 310,119 | \$ 172,046 | \$ 172,654 |

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
Unaudited Selected Financial and Store Data
(dollars in thousands)

| | 13 Weeks Ended May 4, 2019 | 13 Weeks Ended May 5, 2018 |
|--|---|---|
| Other financial data: | | |
| Retail gross margin (\$) ⁽¹⁾ | \$ 36,627 | \$ 36,040 |
| Retail gross margin (%) ⁽¹⁾ | 45.2% | 44.3% |
| Capital expenditures ⁽²⁾ | \$ 2,733 | \$ 3,030 |
| Depreciation and amortization | \$ 3,512 | \$ 4,115 |
| Store data ⁽³⁾: | | |
| Number of corporately-managed retail locations at end of period | | |
| North America | 307 | 292 |
| Europe | 58 | 57 |
| Asia | 1 | 1 |
| Total corporately-managed retail locations | 366 | 350 |
| Number of franchised stores at end of period | 90 | 96 |
| Corporately-managed store square footage at end of period ⁽⁴⁾ | | |
| North America | 712,782 | 715,197 |
| Europe | 83,344 | 79,236 |
| Asia | 1,750 | 1,750 |
| Total square footage | 797,876 | 796,183 |

- (1) Retail gross margin represents net retail sales less cost of merchandise sold - retail. Retail gross margin percentage represents retail gross margin divided by net retail sales. Store impairment is excluded from retail gross margin.
- (2) Capital expenditures represents cash paid for property, equipment, other assets and other intangible assets.
- (3) Excludes e-commerce. North American stores are located in the United States, Canada and Puerto Rico. In Europe, stores are located in the United Kingdom, Ireland and Denmark. In Asia, the store is located in China. Seasonal locations not included in store count.
- (4) Square footage for stores located in North America is leased square footage. Square footage for stores located in Europe is estimated selling square footage. Seasonal locations not included in the store count.

CONTACT:

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