

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) October 19, 2006

Build-A-Bear Workshop, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

001-32320

43-1883836

(State or Other
Jurisdiction of
Incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

1954 Innerbelt Business Center Drive
St. Louis, Missouri

63114

(Address of Principal Executive Offices)

(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))

Item 2.02. Results of Operations and Financial Condition.

On October 19, 2006, Build-A-Bear Workshop, Inc. (the "Company") issued a press release announcing, among other things, total revenue, net income, net retail sales, retail gross margin and diluted earnings per share for the third quarter of fiscal 2006. The press release also included expected earnings per diluted share for the full year of fiscal 2006. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated by reference herein. The description of the press release contained herein is qualified in its entirety by the full text of such exhibit.

This information furnished in 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 2.02.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description of Exhibit
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99.1	Press Release dated October 19, 2006

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: October 19, 2006

By: /s/ Tina Klocke

Name: Tina Klocke
Title: Chief Financial Bear,
Secretary and Treasurer

EXHIBIT INDEX

Exhibit Number -----	Description of Exhibit -----
99.1	Press Release dated October 19, 2006

Build-A-Bear Workshop, Inc. Reports Fiscal 2006 Third Quarter Results

ST. LOUIS--(BUSINESS WIRE)--Oct. 19, 2006--Build-A-Bear Workshop, Inc. (NYSE: BBW):

- Earnings per diluted share were \$0.13, including U.K. acquisition dilution of \$0.13, distribution center transition costs of \$0.05 and stock-based compensation expense of \$0.02, vs. \$0.26 in 2005.
- Company-owned distribution center now fully operational; transition from third-party provider complete.
- International franchisees open stores in Germany, Japan, Taiwan and Thailand.
- Guidance for 2006 earnings remains unchanged.

Build-A-Bear Workshop, Inc. (NYSE: BBW), an interactive entertainment retailer of customized stuffed animals, today announced that total revenue for the fiscal 2006 third quarter (13 weeks ended Sept. 30, 2006) increased 20.8% to \$101.5 million, compared to \$84.0 million in the prior year's third quarter (13 weeks ended Oct. 1, 2005).

Third quarter net income was \$2.7 million or \$0.13 per diluted share. These results include charges of \$0.13 per share related to the U.K. acquisition, and \$0.05 per share from the cost of transitioning to a company-owned distribution center, as well as \$0.02 per share from stock-based compensation expenses. The company reported net income of \$5.3 million, or \$0.26 per diluted share in last year's third quarter.

"We are pleased with our earnings results for the quarter and the progress we made integrating our UK acquisition and the opening of our distribution center. Our financial and operational performance in the third quarter are in line with our previously announced expectations and keeps us on track towards achieving our full year targets," said Chairman and Chief Executive Bear, Maxine Clark. "We have nearly completed the successful conversion of our acquired stores in the United Kingdom and we celebrated the grand opening of these stores last week, building brand awareness and excitement for the holiday season when all stores will be open. The transition to full operation of our company-owned distribution center is also complete. We look forward to the earnings and revenue contributions we expect to achieve from our new U.K. stores and from the efficiencies to be created by our company-owned distribution center. We believe we are well positioned as we look forward to our 10th holiday season with more than 300 stores open worldwide by year end."

Fiscal 2006 Third Quarter

Fiscal 2006 third quarter total revenue includes net retail sales of \$100.6 million, an increase of \$17.4 million, or 20.9%, compared to last year's third quarter. Net retail sales growth was driven by new stores opened during the past twelve months in North America, stores acquired through our U.K. acquisition, new non-traditional store locations, as well as, an increase in Internet sales of 16.6% to \$1.6 million, as this channel becomes an increasingly important part of our mix. Comparable store sales in North America declined 5.8%. Third quarter total revenue also includes revenue from international franchise fees and third-party licensing.

The third quarter net income of \$2.7 million reflects several items directly related to the U.K. acquisition, including an operating loss of \$2.1 million, primarily reflecting the cost of temporarily closing stores for conversion and rebranding, and lost interest income and lost franchise revenue. Also reflected in net income is stock-based compensation expense of \$0.7 million pretax (\$0.4 million net of tax) and distribution center transition costs of \$1.7 million pretax (\$1.0 million net of tax). As anticipated, retail gross margin rate declined to 42.2% from 48.0% in the fiscal 2005 third quarter, primarily due to higher store occupancy costs in the United Kingdom and distribution center transition costs.

Fiscal 2006 third quarter results reflect the company's acquisition, completed on April 2, 2006, of The Bear Factory Limited, a United Kingdom-based stuffed animal retailer, and the acquisition of Amsbra, Ltd., the company's franchisee in the United Kingdom.

During the 2006 third quarter, the company opened 10 new Build-A-Bear Workshop(R) (BABW) retail stores in North America, as planned, compared with opening seven during the 2005 third quarter. In addition, the first Build-A-Dino(TM) store opened within the T-Rex Cafe(TM) at the Legends at Village West in Kansas City, Kansas. In the United Kingdom, the company completed the conversion and rebranding of 13 stores.

Build-A-Bear Workshop stores at the end of the third quarter totaled 213 in the United States and 13 in Canada (excluding ballpark, zoo and Build-A-Dino stores), as well as 38 in the United Kingdom.

U.K. Acquisition

On April 2, 2006, the company completed the acquisitions of The Bear Factory Limited and Amsbra, Ltd. The company ended the quarter with 38 stores in the United Kingdom and Ireland and is in the process of converting and rebranding 25 Bear Factory stores. The company began converting the Bear Factory stores to Build-A-Bear Workshop stores in May and expects to complete the store conversions in time for the 2006 holiday season.

The company anticipates U.K. acquisition accretion of approximately \$0.12 per share in the fiscal 2006 fourth quarter (13 weeks ended December 30, 2006). The company further expects the acquisition to be accretive to earnings per share in fiscal 2007.

International Franchising

During the third quarter international franchisees opened five new international stores in Hamburg, Germany, Tokyo and Narita, Japan, Taichung, Taiwan and Bangkok, Thailand. International stores totaled 27 at the end of the third quarter. In fiscal 2006 the company expects international franchise fee revenue to total approximately \$3.0 million. International franchise fee revenue excludes the company's U.K.-based stores which are now reflected in retail sales following the acquisition of Amsbra, Ltd.

Outlook

The company's previously disclosed guidance for fiscal 2006 (52 weeks ended Dec. 30, 2006) of earnings per share (EPS) at the low end of the range of \$1.44 to \$1.53 remains unchanged. This guidance includes the anticipated dilution from the U.K. acquisition of approximately \$0.16 per diluted share, stock-based compensation expense of approximately \$0.08 per diluted share (\$2.6 million pretax, \$1.5 million net of tax) and distribution center transition costs of \$0.05 per diluted share (\$1.7 million pretax, \$1.0 million net of tax).

In North America during fiscal 2006, Build-A-Bear Workshop expects to open a total of 32 new BABW stores and four new friends 2B made stores, one that will be separate from a BABW store. In the United Kingdom, the company plans to open two new Build-A-Bear Workshop stores in fiscal 2006; we expect international franchisees to open 10 to 12 new stores.

Today's Conference Call Webcast

Today at 9:00 a.m. EDT, Build-A-Bear Workshop(R) will host a live audio webcast of its discussion with the investment community regarding the company's fiscal 2006 third quarter results. The webcast can be accessed at <http://ir.buildabear.com>. Following the live discussion, a replay of the webcast will be available until the next quarterly conference call.

About Build-A-Bear Workshop, Inc.

Build-A-Bear Workshop, Inc. is the only global company that offers an interactive make-your-own stuffed animal retail-entertainment experience. Founded in St. Louis in 1997, the company currently operates more than 260 stores in the United States, Canada, the United Kingdom and Ireland. The addition of franchise stores in Europe, Asia and Australia make Build-A-Bear Workshop the leader in interactive retail. In November 2004, the company expanded the make-your-own concept from stuffed animals to dolls with the opening of its first friends 2B made(R) stores, where Guests can make their own doll friends. In April 2006, Build-A-Bear Workshop acquired The Bear Factory Limited and Amsbra, Ltd. adding company-owned stores in the United Kingdom and Ireland. Build-A-Bear Workshop (NYSE: BBW) posted

total revenue of \$362 million in fiscal 2005. For more information, call 888.560.BEAR (2327) or visit the company's award-winning Web sites at www.buildabear.com and www.friends2bmade.com.

Forward-Looking Statements

This press release contains "forward-looking statements" (within the meaning of the federal securities laws) which represent the Build-A-Bear Workshop's expectations or beliefs with respect to future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. Those factors include, without limitation: we may not realize some of the expected benefits of the acquisition of Amsbra and The Bear Factory; we may be unable to generate comparable store sales growth; our marketing initiatives may not generate sufficient brand awareness and sales; we may be unable to effectively manage our international franchises or comply with changing laws relating thereto; we may be unable to generate demand for our retail experience, or to respond to consumer preferences; customer mall traffic may decrease, as a result of various factors, including a reduction of consumer confidence because of terrorism or war; general economic conditions may worsen; our market share could be adversely affected by competitors; we may lose key personnel, or be unable to hire qualified additional personnel; vendor deliveries may be disrupted; the availability and costs of our products could be impacted by international manufacturing and trade issues; our warehousing and distribution vendors may perform poorly; we may fail to protect our intellectual property and may have infringement, misappropriation or other disputes or litigation with third parties; we may be unable to open new stores, renew or replace our store leases, enter into leases for new stores on favorable terms, or continue to comply with our current leases; we may experience communications or information systems failures; we may suffer negative publicity or be sued due to alleged violations of labor laws, employee regulations or unethical practices, either by the Company or its merchandise manufacturers; and we may violate or be accused of violating privacy or security laws by reason of improperly obtaining or failing to adequately protect Guest information. These and other applicable risks, cautionary statements and factors that could cause actual results to differ from the Company's forward-looking statements are included in the Company's filings with the SEC, including as described in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2005. The Company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

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 September 30, 2006	% of Total Revenues (1)	13 Weeks Ended October 1, 2005	% of Total Revenues (1)
Revenues:				
Net retail sales	\$ 100,582	99.1	\$ 83,239	99.1
Franchise fees	649	0.6	507	0.6
Licensing revenue	288	0.3	271	0.3
Total revenues	101,519	100.0	84,017	100.0
Costs and expenses:				
Cost of merchandise sold	58,130	57.8	43,289	52.0
Selling, general and administrative	38,073	37.5	31,336	37.3
Store preopening	1,127	1.1	1,281	1.5
Interest expense (income), net	(192)	(0.2)	(434)	(0.5)
Total costs and expenses	97,138	95.7	75,472	89.8
Income before income taxes	4,381	4.3	8,545	10.2
Income tax expense	1,668	1.6	3,290	3.9

Net income	\$ 2,713	2.7	\$ 5,255	6.3
	=====		=====	

Earnings per common share:

Basic	\$ 0.13	\$ 0.26
	=====	=====
Diluted	\$ 0.13	\$ 0.26
	=====	=====

Shares used in computing common per share amounts:

Basic	20,176,642	19,874,869
Diluted	20,438,226	20,234,749

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold which is expressed as a percentage of net retail sales. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and rounding.

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

	39 Weeks Ended September 30, 2006		39 Weeks Ended October 1, 2005	
		% of Total Revenue (1)		% of Total Revenue (1)
Revenues:				
Net retail sales	\$ 291,274	99.1	\$ 242,241	99.3
Franchise fees	1,975	0.7	1,147	0.5
Licensing revenue	558	0.2	387	0.2
Total revenues	293,807	100.0	243,775	100.0
Costs and expenses:				
Cost of merchandise sold	160,180	55.0	124,464	51.4
Selling, general and administrative	108,307	36.9	88,909	36.5
Store preopening	3,324	1.1	4,398	1.8
Interest expense (income), net	(1,357)	(0.5)	(1,180)	(0.5)
Total costs and expenses	270,454	92.1	216,591	88.8
Income before income taxes	23,353	7.9	27,184	11.2
Income tax expense	9,295	3.2	10,466	4.3
Net income	14,058	4.7	16,718	6.9
Earnings per common share:				
Basic	\$ 0.70	\$ 0.85		
	=====	=====		
Diluted	\$ 0.69	\$ 0.83		
	=====	=====		
Shares used in computing common per share amounts:				
Basic	20,135,944	19,650,364		
Diluted	20,429,034	20,194,093		

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold which is expressed as a percentage of net retail sales. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and rounding.

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

September 30, 2006 December 31, 2005

ASSETS

Current assets:		
Cash and cash equivalents	\$9,837	\$90,950
Inventories	48,112	40,157
Receivables	8,558	6,629
Prepaid expenses and other current assets	13,333	6,839
Deferred tax assets	3,941	3,232
	-----	-----
Total current assets	83,781	147,807
Property and equipment, net	129,169	89,973
Note receivable from franchisee	-	4,518
Goodwill	32,409	-
Other intangible assets, net	3,233	1,454
Other assets, net	4,674	2,356
	-----	-----
Total Assets	\$253,266	\$246,108
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$35,056	\$34,996
Accrued expenses	5,894	15,792
Gift cards and customer deposits	14,819	22,865
Deferred revenue	9,278	7,508
	-----	-----
Total current liabilities	65,047	81,161
	-----	-----
Deferred franchise revenue	3,762	2,306
Deferred rent	35,421	30,687
Other liabilities	479	586
Deferred tax liabilities	-	1,011
Stockholders' equity:		
Common stock, par value \$0.01 per share	205	201
Additional paid-in capital	87,599	85,259
Other comprehensive income	(5)	-
Retained earnings	60,758	46,700
Notes receivable from officers	-	(151)
Unearned compensation	-	(1,652)
	-----	-----
Total stockholders' equity	148,557	130,357
	-----	-----
Total Liabilities and Stockholders' Equity	\$253,266	\$246,108
	=====	=====

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

	13 Weeks Ended September 30, 2006	13 Weeks Ended October 1, 2005	39 Weeks Ended September 30, 2006	39 Weeks Ended October 1, 2005
	-----	-----	-----	-----
Other financial data:				
Gross margin (\$) (1)	\$ 42,452	39,950	\$ 131,094	117,777
Gross Margin (%) (1)	42.2%	48.0%	45.0%	48.6%
Capital expenditures	\$ 12,555	6,508	\$ 47,501	22,599
Depreciation and amortization	\$ 5,151	4,304	\$ 15,734	12,821
Store data (2):				
Number of stores at end of period	264	193	264	193
Store square footage at end of period	758,926	599,341	758,926	599,341
Comparable store sales change (%) (3)	(5.8)%	1.3%	(4.6)%	0.0%

(1)Gross margin represents net retail sales less cost of merchandise sold. Gross margin percentage represents gross margin divided by net retail sales.

(2)Excludes our webstore and seasonal and event-based locations.

(3)Comparable store sales percentage changes are based on net retail

sales and stores are considered comparable beginning in their thirteenth full month of operation.

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