

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 26, 2021

**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.)

415 South 18th St., St. Louis, Missouri  
(Address of Principal Executive Offices)

63103  
(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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	BBW	New York Stock Exchange

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.

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Item 2.02. Results of Operations and Financial Condition.

On May 26, 2021, Build-A-Bear Workshop, Inc. (the “Company”) issued a press release setting forth results for the Company’s 2021 first fiscal ended May 1, 2021. 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 May 26, 2021 the Company will participate in Cowen’s 2nd Annual New Retail Ecosystem CEO Summit. Sharon Price John, President and Chief Executive Officer, and Voin Todorovic, Chief Financial Officer, will participate in a virtual fireside chat at 11:25 a.m. Eastern Time. The audio portion of the fireside chat will be available on the Company’s Investor Relations website, <http://IR.buildabear.com> and will remain available for 90 days following the event. The investor presentation is attached hereto as Exhibit 99.2 and is incorporated herein by reference. A copy of the investor presentation is also available on the Investor Relations section of the Company’s web site at <http://IR.buildabear.com>.

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The Company reports its financial results in accordance with generally accepted accounting principles (“GAAP”). In the press release furnished as Exhibit 99.1 hereto and the investor presentation furnished as Exhibit 99.2 hereto, the Company has supplemented the reporting of its financial information determined in accordance with GAAP with certain non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the Company’s business and provide useful information to both management and investors by excluding certain items that may not be indicative of the Company’s core operating results. These measures should not be considered as a substitute for or superior to GAAP results.

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 (the “Securities Act”), 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 release 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 and Section 21E of the Exchange Act. 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.

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(d) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
<a href="#">99.1</a>	<a href="#">Press Release dated May 26, 2021</a>
<a href="#">99.2</a>	<a href="#">Investor Presentation—May 26, 2021</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 26, 2021

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

## **Build-A-Bear Workshop, Inc. Reports Increased Revenues and Pre-Tax Income in Fiscal 2021 First Quarter Exceeding Both 2020 and 2019 First Quarter Results and Raises Annual Guidance**

- **Generates \$91.7 million in total revenues, an increase of 96.7% compared to the fiscal 2020 first quarter and 8.7% compared to the fiscal 2019 first quarter**
- **E-commerce demand expands by 87% compared to the fiscal 2020 first quarter**
- **Gross profit margin is 52.8% compared to 17.3% in the fiscal 2020 first quarter**
- **Delivers pre-tax income of \$13.2 million, reaching the highest in the Company's history for its first quarter, an improvement of \$31.9 million compared to the fiscal 2020 first quarter and \$10.8 million compared to the fiscal 2019 first quarter**
- **Increases fiscal 2021 annual guidance for EBITDA to \$28 million to \$32 million**

ST. LOUIS--(BUSINESS WIRE)--May 26, 2021--Build-A-Bear Workshop, Inc. (NYSE: BBW) today reported results for its fiscal 2021 first quarter, the 13-week period ended May 1, 2021.

Sharon Price John, Build-A-Bear Workshop President and Chief Executive Officer, commented, "We delivered one of the strongest first quarters in our Company's nearly 25-year history including a 96.7% increase in total revenues compared to the fiscal 2020 first quarter and an 8.7% increase versus the fiscal 2019 period. We grew pre-tax income to \$13.2 million, an improvement of \$31.9 million compared to the loss in the prior year's quarter and \$10.8 million compared to the 2019 period. We saw sales growth in both our brick-and-mortar stores and digital channels even with our locations in Europe temporarily closed for the majority of the period due to local COVID restrictions. We believe the improvement in sales was driven by the strength of the emotional connection that has kept Build-A-Bear a desired and relevant brand, strong merchandise mix and improved digital marketing programs along with the benefit of the stimulus package and pent-up consumer demand.

"I'm proud of our organization's ability to remain agile and successfully pivot to aggressively evolve our digital capabilities, including a drive to enhance our e-commerce experience, increase omnichannel integration, maintain a flexible real estate portfolio with high lease optionality and diversify revenue streams to leverage our powerful brand, putting us in a positive position with favorable momentum. As a testament to the strength of the brand, we recently surpassed over 200 million furry friends sold since the company was established in 1997," Ms. John continued.

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“As we look forward, we believe the initiatives and investments that were put in place prior to the pandemic, and in many cases accelerated during the pandemic, are delivering improved results, which we expect to continue. While trends may moderate as the year progresses, thus far, sales in the current second quarter have remained strong, providing us the confidence to increase our profit guidance for this fiscal year. With a solid balance sheet and intense focus on our strategic priorities, we expect fiscal 2021 to represent a year of significant accomplishments and progress toward our objective to generate long term sustained profitable growth,” concluded Ms. John.

**First Quarter 2021 Results (13 weeks ended May 1, 2021 compared to the 13 weeks ended May 2, 2020):**

- Total revenues were \$91.7 million, a 96.7% increase compared to \$46.6 million in the fiscal 2020 first quarter and an 8.7% increase from \$84.4 million in the fiscal 2019 first quarter;
    - Net retail sales were \$89.2 million, a 95.4% increase compared to \$45.6 million in the fiscal 2020 first quarter and a 10.1% increase compared to \$81.0 million in the fiscal 2019 first quarter;
    - Consolidated e-commerce demand (orders generated online to be fulfilled from either the Company’s warehouse or its stores) rose 87% compared to the fiscal 2020 first quarter and 194% compared to fiscal 2019 first quarter;
    - Commercial and international franchise revenues were \$2.5 million compared to \$1.0 million in the fiscal 2020 first quarter and \$3.3 million in the fiscal 2019 first quarter;
  - Gross profit margin was 52.8%, the highest rate for a first quarter in the Company’s history, compared to 17.3% in the fiscal 2020 first quarter and 45.3% in the fiscal 2019 first quarter. The gross profit margin expanded by 3,550 basis-points compared to 2020 and 750 basis-points versus 2019 despite continuing impact from the pandemic and temporary stores closures due to local restrictions. The 2021 results reflected leverage on fixed occupancy expense and expansion in merchandise margin;
  - Selling, general and administrative (“SG&A”) expenses were \$35.2 million, or 38.4% of total revenues, compared to \$26.7 million, or 57.3% of total revenues in the fiscal 2020 first quarter. The increase in SG&A expenses, as compared to the fiscal 2020 first quarter, was driven by the inclusion of store labor costs given the re-opening of substantially all of the Company’s North American store base;
  - GAAP pre-tax income was \$13.2 million compared to pre-tax loss of \$18.7 million in the fiscal 2020 first quarter, an improvement of \$31.9 million, and pre-tax income of \$2.4 million in the fiscal 2019 first quarter, an improvement of \$10.8 million;
  - Adjusted pre-tax income was \$12.3 million compared to adjusted pre-tax loss of \$12.4 million in the fiscal 2020 first quarter;
  - Income tax expense was \$2.8 million with an effective tax rate of 21.3% compared to \$2.5 million with an effective rate of (13.6%) in the fiscal 2020 first quarter. The tax rate in the fiscal 2020 first quarter included a \$3.3 million non-cash income tax charge, or \$0.22 per share, related to a valuation allowance against net deferred tax assets;
  - Net income was \$10.4 million, or \$0.66 per diluted share, compared to net loss of \$21.2 million, or (\$1.42) per share, in the fiscal 2020 first quarter; and
  - Adjusted net income was \$9.5 million, or \$0.60 per diluted share, compared to adjusted net loss of \$12.4 million, or (\$0.83) per share in the fiscal 2020 first quarter.
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**Store Activity:**

- As of May 1, 2021, the Company had 355 corporately-managed stores. The Company noted that its locations in the United Kingdom and Ireland began the quarter closed due to COVID-related government mandates with the majority reopening on April 12, 2021. The Company maintains a high level of lease optionality with over 70% of its corporately-managed stores having a lease event within the next three years.
- Separately, locations associated with the Company's third-party retail model with relationships that include Carnival Cruise Lines, Great Wolf Lodge Resorts, Landry's and Beaches Family Resorts, as well as international franchise locations, were either closed or operated under restrictions due to COVID for a portion of the 2021 first quarter.

**Balance Sheet:**

At the end of the fiscal 2021 first quarter, the Company had cash and cash equivalents totaling \$45.9 million compared to \$21.9 million at the end of the fiscal 2020 first quarter. The Company's strong business performance and profitability in the fiscal 2021 first quarter helped drive the increase partially offset by the timing of inventory receipts, deferred rent payments for 2020 obligations and planned capital expenditures. Inventory at quarter end was \$43.8 million, a \$9.5 million decline from the fiscal 2020 first quarter. The Company expects its cash balance to fluctuate throughout the year as it builds its inventory levels and makes deferred rent payments. The Company is actively prioritizing opportunities to accelerate investments with the goal of continuing to drive profitable growth for the enhancement of shareholder value.

In the fiscal 2021 first quarter, capital expenditures totaled \$0.5 million compared to \$2.8 million in the fiscal 2020 first quarter.

**Outlook:**

While the Company had anticipated the reopening of its European stores and an increase in demand in North America as vaccines were more fully rolled out when it provided annual guidance on its fourth quarter call on March 10, 2021, the Company believes its business performance has it positioned to exceed those expectations.

- For fiscal 2021, the Company is introducing guidance that its total revenues are expected to exceed fiscal 2019 total revenues of \$338.5 million. The Company reports that its sales trend in the fiscal 2021 second quarter remains strong and expects to report growth in total revenues over both the fiscal 2020 and 2019 periods. It notes that in the fiscal 2020 second quarter, e-commerce was its only channel of revenue for the majority of the period leading to growth of 299% over the fiscal 2019 second quarter. With the reopening of its brick-and-mortar stores, the Company expects e-commerce demand in its fiscal 2021 second quarter to be essentially flat compared to the prior year's period while still representing a triple digit increase over 2019. On an annual basis, the Company continues to expect strong growth in e-commerce demand over both fiscal 2020 and 2019;
  - The Company is increasing its guidance range for fiscal 2021 EBITDA to \$28 million to \$32 million, representing an increase from its previous guidance to be higher than fiscal 2019 EBITDA of \$15.3 million;
  - In addition, for fiscal 2021, the Company currently expects capital expenditures to be in the range of \$5 to \$10 million and for depreciation and amortization to be in the range of \$13 to \$14 million.
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**Note Regarding Non-GAAP Financial Measures:**

In this press release, the Company's financial results are provided both in accordance with generally accepted accounting principles (GAAP) and using certain non-GAAP financial measures. In particular, the Company provides historic income and income per diluted share adjusted to exclude certain costs and accounting adjustments, which are non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the Company's business and provide useful information to both management and investors by excluding certain items that may not be indicative of the Company's core operating results. These measures should not be considered a substitute for or superior to GAAP results. These non-GAAP financial measures are defined and reconciled to the most comparable GAAP measure later in this document.

**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 2, 2021. The telephone replay is available by calling (844) 512-2921. The access code is 13718340.

**About Build-A-Bear:**

Build-A-Bear is a multi-generational global brand focused on its mission to "add a little more heart to life" appealing to a wide array of consumer groups who enjoy the personal expression in making their own "furry friends" to celebrate and commemorate life moments. Nearly 500 interactive brick-and-mortar retail locations operated through a variety of formats provide guests of all ages a hands-on entertaining experience, which often fosters a lasting and emotional brand connection. The company also offers an engaging e-commerce/digital purchasing experience called the "Bear-Builder" at [www.buildabear.com](http://www.buildabear.com). In addition, extending its brand power beyond retail, Build-A-Bear Entertainment, a subsidiary of Build-A-Bear Workshop, Inc., is dedicated to creating engaging content for kids and adults that fulfills the company's mission, while the company also offers products at wholesale and in non-plush consumer categories via licensing agreements with leading manufacturers. Build-A-Bear Workshop, Inc. (NYSE: BBW) posted total revenue of \$255.3 million in fiscal 2020. For more information, visit the Investor Relations section of [buildabear.com](http://buildabear.com).

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**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 16, 2020 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.

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

	<b>13 Weeks Ended May 1, 2021</b>	<b>% of Total Revenues (1)</b>	<b>13 Weeks Ended May 2, 2020</b>	<b>% of Total Revenues (1)</b>
<b>Revenues:</b>				
Net retail sales	\$ 89,212	97.3	\$ 45,647	97.9
Commercial revenue	2,109	2.3	333	0.7
International franchising	372	0.4	644	1.4
Total revenues	<u>91,693</u>	<u>100.0</u>	<u>46,624</u>	<u>100.0</u>
<b>Cost of merchandise sold:</b>				
Cost of merchandise sold - retail (1)	42,093	47.2	33,352	73.1
Store asset impairment	—	0.0	4,819	10.6
Cost of merchandise sold - commercial (1)	904	42.9	140	42.0
Cost of merchandise sold - international franchising (1)	268	72.0	255	39.6
Total cost of merchandise sold	<u>43,265</u>	<u>47.2</u>	<u>38,566</u>	<u>82.7</u>
Consolidated gross profit	48,428	52.8	8,058	17.3
Selling, general and administrative expense	35,242	38.4	26,725	57.3
Interest expense (income), net	5	0.0	(3)	(0.0)
Income (loss) before income taxes	13,181	14.4	(18,664)	(40.0)
Income tax expense	2,801	3.1	2,540	5.4
Net income (loss)	<u>\$ 10,380</u>	<u>11.3</u>	<u>\$ (21,204)</u>	<u>(45.5)</u>
<b>Income (loss) per common share:</b>				
Basic	<u>\$ 0.69</u>		<u>\$ (1.42)</u>	
Diluted	<u>\$ 0.66</u>		<u>\$ (1.42)</u>	
<b>Shares used in computing common per share amounts:</b>				
Basic	15,062,025		14,926,097	
Diluted	15,757,033		14,926,097	

(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)

	<b>May 1, 2021</b>	<b>May 2, 2020</b>
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 45,931	\$ 21,851
Inventories, net	43,754	53,238
Receivables, net	8,280	7,099
Prepaid expenses and other current assets	9,798	5,896
Total current assets	107,763	88,084
Operating lease right-of-use asset	99,518	124,112
Property and equipment, net	50,417	61,626
Other assets, net	6,685	3,005
Total Assets	\$ 264,383	\$ 276,827
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 19,438	\$ 22,905
Accrued expenses	16,629	10,395
Operating lease liability short term	30,631	32,963
Gift cards and customer deposits	18,210	18,530
Deferred revenue and other	2,489	2,603
Total current liabilities	87,397	87,396
Operating lease liability long term	95,654	118,416
Deferred franchise revenue	884	915
Other liabilities	2,471	1,643
Stockholders' equity:		
Common stock, par value \$0.01 per share	163	155
Additional paid-in capital	73,024	71,491
Accumulated other comprehensive loss	(12,532)	(11,909)
Retained earnings	17,322	8,720
Total stockholders' equity	77,977	68,457
Total Liabilities and Stockholders' Equity	\$ 264,383	\$ 276,827

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

	<b>13 Weeks Ended May 1, 2021</b>	<b>13 Weeks Ended May 2, 2020</b>
<b>Other financial data:</b>		
Retail gross margin (\$) <sup>(1)</sup>	\$ 47,119	\$ 12,295
Retail gross margin (%) <sup>(1)</sup>	52.8%	26.9%
Capital expenditures <sup>(2)</sup>	\$ 491	\$ 2,849
Depreciation and amortization	\$ 3,127	\$ 3,457
<b>Store data <sup>(3)</sup>:</b>		
Number of corporately-managed retail locations at end of period		
North America	306	313
Europe	48	55
Asia	1	1
Total corporately-managed retail locations	355	369
Number of franchised stores at end of period	72	80
Corporately-managed store square footage at end of period <sup>(4)</sup>		
North America	715,672	716,760
Europe	71,609	78,786
Asia	1,750	1,750
Total square footage	789,031	797,296

(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, and other assets.

(3) Excludes e-commerce. North American stores are located in the United States and Canada. In Europe, stores are located in the United Kingdom and Ireland. 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.

\* Non-GAAP Financial Measures

**BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES**

**Reconciliation of GAAP to Non-GAAP Results**

(dollars in thousands, except per share data)

	<b>13 Weeks Ended May 1, 2021</b>	<b>13 Weeks Ended May 2, 2020</b>
Income (loss) before income taxes (pre-tax)	\$ 13,181	\$ (18,664)
Income (loss) before income tax adjustments:		
United Kingdom Lockdown Business & Restart Grants <sup>(1)</sup>	(884)	-
COVID-19 activity <sup>(2)</sup>	12	20
Impairment and bad debt <sup>(3)</sup>	168	5,408
Foreign exchange (gains) losses <sup>(4)</sup>	(195)	846
Adjusted income (loss) before income taxes (adjusted pre-tax)	<u>12,282</u>	<u>(12,390)</u>
Income tax (expense) benefit	(2,801)	(2,540)
Tax adjustments:		
Income tax impact: adjustments <sup>(5)</sup>	-	-
Income tax impact: CARES Act <sup>(6)</sup>	-	(773)
Valuation allowance <sup>(7)</sup>	-	3,272
Adjusted income tax (expense) benefit	<u>(2,801)</u>	<u>(41)</u>
Net (loss) income	10,380	(21,204)
Adjustments	(899)	8,773
Adjusted net (loss) income	<u>\$ 9,481</u>	<u>\$ (12,431)</u>
Net (loss) income per diluted share (EPS)	\$ 0.66	\$ (1.42)
Adjusted net (loss) income per diluted share (adjusted EPS)	\$ 0.60	\$ (0.83)

**Reconciliation of Non-GAAP figures**

(dollars in millions)

	<b>Forecasted 2021</b>	<b>Actuals 2019</b>
Income before income taxes (pre-tax)	\$15 - \$18	\$ 1.6
Interest	-	-
Depreciation and Amortization	13 - 14	13.7
Earnings before interest, taxes, depreciation and amortization (EBITDA)	<u>\$28 - \$32</u>	<u>\$ 15.3</u>

- (1) Represents the business and restart grants received from the United Kingdom government for business in the retail, hospitality and leisure sectors. These grants were provided on a per-property basis to support businesses through the latest lockdown restrictions as a result of the COVID-19 pandemic and to resume business when restrictions were eased.
- (2) Represents COVID-19 related expenses at our stores, warehouse, and headquarters.
- (3) Represents non-cash adjustments including asset impairment charges related to store fixed assets and right-of-use operating lease assets and bad debt expense in the 13 weeks ending May 1, 2021 and May 2, 2020.
- (4) Represents the consolidated impact of foreign exchange rates on the re-measurement of balance sheet items not denominated in functional currency recorded under the provisions of U.S. GAAP. This does not include any impact on margin associated with the translation of revenues or the foreign subsidiaries' purchase of inventory in U.S. dollars.
- (5) As a result of the Company's full, global valuation allowance, the Company cannot realize an income tax benefit on these adjustments for the first quarters of fiscal 2021 and 2020.
- (6) Represents the impact of the technical correction related to qualified leasehold improvements resulting from the CARES Act occurring in the first quarter of fiscal 2020.
- (7) Represents the valuation allowance recorded on its net deferred tax assets in North America in the first quarter of fiscal 2020.

**Contacts**

Investors:  
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(314) 423-8000 x5221

Media:  
PR@buildabear.com



## First Quarter Fiscal 2021 Update

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## 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) macroeconomic and industry risks such as (a) the COVID-19 pandemic has had and is expected to continue to have an adverse effect on our business; (b) continued or further declines in consumer traffic at malls and tourist locations could adversely affect our financial performance and profitability; (c) general global economic conditions could lead to disproportionately reduced discretionary consumer spending and demand for our products; (d) consumer interests change rapidly and our success depends on the ongoing effectiveness of our marketing and online initiatives to build consumer affinity for our brand and drive consumer demand for key products and services; (e) our profitability could be adversely impacted by fluctuations in petroleum products prices; and (f) our business may be adversely impacted by a variety of significant competitive threats; (2) operational risks such as: (a) we may be unable to generate demand for our interactive retail experience and products, including timely responses to consumer preferences; (b) we are subject to risks associated with technology and digital operations; (c) we may be unable to renew, renegotiate our store leases or enter into new store leases on favorable terms; (d) our company-owned distribution center and our third-party distribution center providers may experience disruptions or operate inefficiently; and (e) we may not be able to evolve our store locations to align with market trends, successfully diversify our store models and formats, or otherwise effectively manage our overall portfolio of stores; (3) international risks such as: (a) we may not be able to operate our international corporately-managed locations profitably; (b) we rely on a few global supply chain vendors to supply substantially all of our merchandise, and significant price increases or disruption in their ability to deliver merchandise could harm our ability to source products and supply inventory to our stores; (c) our merchandise is manufactured by foreign manufacturers and the availability and costs of our products, as well as our product pricing, may be negatively affected by risks associated with international manufacturing and trade and foreign currency fluctuations; and (d) we may be unable to effectively manage our international franchises, attract new franchisees or the laws relating to our international franchises change; (4) Legal, technology and intellectual property risks such as: (a) we are subject to a number of risks related to disruptions, failures or security breaches of our information technology infrastructure; (b) we may fail to renew, register or otherwise protect our trademarks or other intellectual property and may be sued by third parties for infringement or misappropriation of their proprietary rights; (c) we may suffer negative publicity or be sued if the manufacturers of our merchandise or Build-A-Bear branded merchandise sold by our licensees ship products that do not meet current safety standards or production requirements or if such products are recalled or cause injuries; (d) we may suffer negative publicity or be sued if the manufacturers of our merchandise violate labor laws or engage in practices that consumers believe are unethical; and (e) we may suffer negative publicity or a decrease in sales or profitability if the products from other companies that we sell in our stores do not meet our quality standards or fail to achieve our sales expectations; (5) Risks related to owning our common stock such as: (a) fluctuations in our operating results could reduce cash flow or result in restrictions under our credit agreement and we may be unable to repurchase shares; (b) fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; (c) the market price of our common stock is subject to volatility, which could in turn attract the interest of activist shareholders; and (d) provisions of our corporate governing documents and Delaware law may prevent or frustrate attempts to replace or remove our management by our stockholders, even if such replacement or removal may be in our stockholders’ best interests; and (6) general risks such as: (a) we may not be able to operate successfully if we lose key personnel; and (b) we may be unsuccessful in acquiring businesses or engaging in other strategic transactions, which may negatively affect our financial condition and profitability. 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.



**POWERFUL and EVOLVED BRAND**

Build-A-Bear has multi-generational consumer connections and monetizable brand equity almost 25 years in the making

**EXPERIENCED and DRIVEN TEAM**

Flexible, responsive and disciplined management team and organization

**ACCELERATION OF DIGITAL TRANSFORMATION**

Leverage expanded platform to effectively acquire new guests and increase lifetime value of existing consumer base

**STRONG MERCHANDISE PORTFOLIO INCLUDING LICENSED PROPERTIES**

Offer diverse products to broaden addressable market using gift-giving, occasion-based options, increased personalization and best-in-class licenses

**PROVEN STRATEGY DELIVERING PROFITABLE GROWTH**

Focused on leveraging and monetizing brand equity to diversify revenue streams; Strong balance sheet positions BBW to execute and expand growth plans

## BBW: AN ICONIC BRAND EVOLVES....

# 1997

Build-A-Bear Workshop launches as *the* leading experiential retail-entertainment concept, predominately located in malls where families with children primarily went for shopping and entertainment at the time.



Build-A-Bear becomes a multi-generational brand that is recognized by and connected to consumers globally.

# 2021

Build-A-Bear is positioned to leverage its brand strength across all consumer touch points

- digital platforms
- retail...and
- entertainment & content offerings

to reach a broader range of consumers in a variety of new ways.



# BBW: SNAPSHOT



**BBW**  
LISTED  
NYSE



## Company Snapshot



**Global retail with nearly 500 locations\***

**355**

Corporately-  
managed Stores

**56**

Third-party  
Retail Locations

**72**

International  
Franchise Stores

**Multi-Generational Appeal**



**200 MM+**

Furry Friends Sold

**Diversified Channels**



**Rapidly growing e-commerce**

14 consecutive quarters of double-digit or higher growth\*\*

**Skilled Passionate Employees**



**3,500+**

Associates

**Powerful Brand**



**90%+**

**Aided brand awareness\*\*\***

Known, emotional and leverageable brand equity

\*As of May 1<sup>st</sup>, 2021; some locations may be temporarily closed due to local COVID mandates

\*\*Q4-2017 through Q1-2021

\*\*\* US Moms of Kids ages 2-12



# BBW: BRAND POWER

Build-A-Bear is a brand  
that has consumer  
**TRUST** and **LOVE**

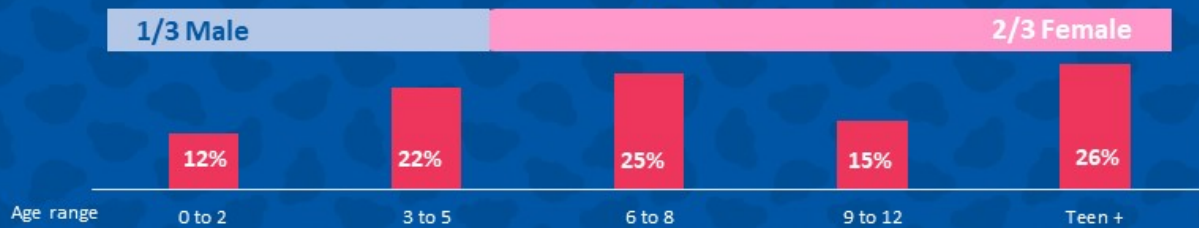
Over 80% of Moms say BAB is “a brand they trust”  
and over 80% of kids say BAB is “fun to visit”

Source: C&R Research 2017

# 9MM

Bonus Club Members  
and Opted-in E-mail data base

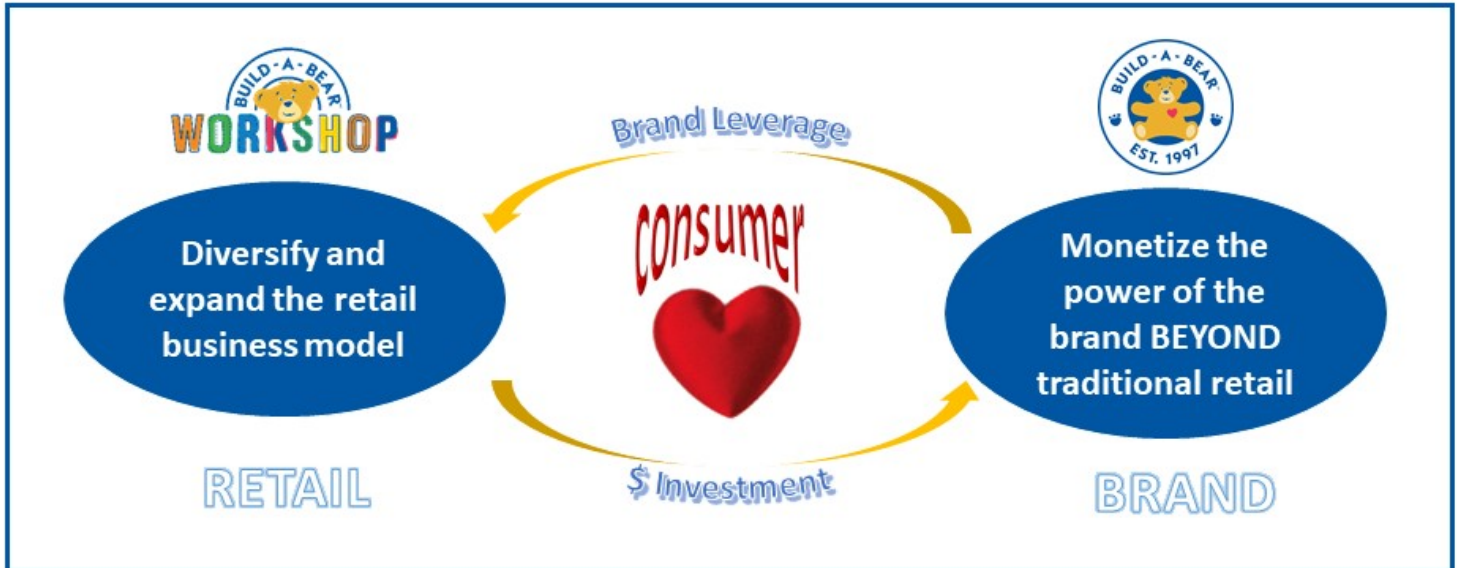
## With Broad Demographic Appeal...



## ...and a Loyal, Passionate Consumer Base

AND YES, OVER 40% OF END USERS ARE TWEENS, TEENS AND ADULTS

# BBW: A SOUND STRATEGY...



## RETAIL

Leverage the **POWER** and **EMOTIONAL CONNECTION CREATED** by **THE ONE-TO-ONE** retail guest-engagement & marketing model to **DRIVE BRAND EQUITY**

## BRAND

**MONETIZE** the earned **BRAND EQUITY** in **CATEGORIES & CHANNELS** beyond traditional "retail"

## CONSUMER

Expand the **CONSUMER BASE & ENGAGEMENT** by enabling participation in the brand in multiple ways



# 2021

## CONTINUE TO ACCELERATE OUR KEY INITIATIVES



### 1 Further acceleration of digital transformation

Expand digital capabilities and drive optimization across the entire organization to grow revenues and improve profitability including content and entertainment initiatives.



### 2 Rapidly evolve omnichannel retail capabilities

Extend ways to connect with and meet the changing needs of consumers across all retail channels while driving omnichannel engagement and expanded delivery options.



### 3 Leverage financial position to drive growth

Maintain the financial discipline required to support our business while leveraging strong balance sheet to make select strategic investments designed for future growth.

# Q1 2021 FINANCIAL SNAPSHOT



## TOTAL REVENUES

**\$91.7MM**

+96.7% OVER Q1 2020

+8.7% OVER Q1 2019

## PRE-TAX INCOME

**\$13.2MM**

+\$31.8MM OVER Q1 2020

+\$10.8MM OVER Q1 2019

HIGHEST FOR Q1 IN NEARLY  
25-YEAR HISTORY

## GROSS PROFIT MARGIN

**52.8%**

HIGHEST FOR Q1 IN NEARLY  
25-YEAR HISTORY

## CASH AND EQUIVALENTS

**\$45.9MM**

+\$24.1MM OVER Q1 2020

+\$25.7MM OVER Q1 2019

- Revenue growth in both brick-and-mortar and digital channels even as stores in Europe were closed most of the quarter
- Driven by powerful brand affinity, strong merchandise mix, improved digital marketing programs
- Strong cash position to support acceleration of strategic initiatives and evaluation of additional opportunities



# SALES MOMENTUM CONTINUING

## Select plans for key 2021 growth initiatives include:



### 1 Further acceleration of digital transformation

- Leveraging enhanced and integrated digital capabilities, inclusive of digital marketing and our robust consumer database, to drive new consumer acquisition and increase lifetime value
- Using digital media, content and entertainment as marketing and brand-building tools to engage consumers and drive sales



### 2 Rapidly evolve omnichannel retail capabilities

- Leveraging expanded omnichannel capabilities to drive sales and fulfill higher e-commerce demand
- Driving gift-giving and expansion of occasion-based sales with diverse products, expanded digital merchandise offerings and best-in-class licenses
- Benefit of store fleet reopening in Europe and improved consumer traffic patterns in North America



### 3 Leverage financial position to drive growth

- Focused on leveraging strong balance sheet with investments to support growth initiatives including the acceleration of our digital transformation
- Evaluating opportunities to more aggressively expand the business

# FISCAL 2021 GUIDANCE



EBITDA  
Earnings Before Interest, Taxes, Depreciation and Amortization

**\$28-32MM**

VS PREVIOUS GUIDANCE

OF >\$15.3MM  
(>Fiscal 2019 EBITDA)

.....

TOTAL REVENUES

**>\$338.5MM**

(>Fiscal 2019 Total Revenues)

.....

CURRENTLY PLANNED  
CAPITAL EXPENDITURES

**\$5-10MM**

SUPPORTING STRATEGIC  
GROWTH INITIATIVES

Assumptions:

- No significant negative impact from COVID or local government mandates that would close stores for prolonged periods
- Includes some additional inflationary pressure expected from transportation, product costs and wage rates
- E-commerce demand planned to remain strong however timing may impact quarterly year-over-year results



Build-A-Bear Workshop (NYSE: BBW) reports its financial results in accordance with generally accepted accounting principles (GAAP). We have supplemented the reporting of our financial information determined in accordance with GAAP with certain non-GAAP financial measures. These results are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help identify underlying trends in the Company's business and provide useful information to both management and investors by excluding certain items that may not be indicative of the Company's core operating results. These measures should not be considered a substitute for or superior to GAAP results. These non-GAAP financial measures are defined and reconciled to the most comparable GAAP measure within this appendix.



# Reconciliation of Non-GAAP Measures: Fiscal 2021 EBITDA: New Guidance & Previous Guidance



Fiscal 2021 EBITDA Guidance (\$ in millions)		
	New Guidance	Previous Guidance (> FY19 EBITDA)
<b>Income before income taxes (pre-tax)</b>	<b>\$15 - \$18</b>	<b>\$1.6</b>
Interest	\$0	\$0
Depreciation & Amortization	\$13 - \$14	\$13.7
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$28 - \$32</b>	<b>\$15.3</b>



[Buildabear.com](http://Buildabear.com)  
[#celeBEARate](https://twitter.com/celeBEARate)