Build-A-Bear Workshop, Inc. Reports Strong Sales and Earnings Growth in the Third Quarter of Fiscal 2004

November 9, 2004

ST. LOUIS--(BUSINESS WIRE)--Nov. 9, 2004--Build-A-Bear Workshop, Inc. (NYSE: BBW):

-- Third quarter total revenues grew 38.7%; comparable store sales grew 18.8%

-- Company reports net income of $3.6 million for the third quarter, including stock-based compensation expense of $0.4 million net of tax

-- Diluted EPS were $0.19, including stock-based compensation expense of $0.02 per share, compared to $0.03 in the year ago period

Build-A-Bear Workshop, Inc. (NYSE:BBW), an interactive, entertainment retailer of customized stuffed animals, today announced that total revenues for the fiscal 2004 third quarter, the 13 week period ending October 2, 2004, were $66.5 million, up 38.7% compared to $48.0 million in the prior year's third quarter. Net income was $3.6 million for the third quarter, compared to $0.9 million for last year's third quarter.

Diluted earnings per share (EPS) were $0.19 for the fiscal 2004 third quarter compared to $0.03 for last year's third quarter. Fiscal 2004 third quarter results include a non-cash, stock-based compensation expense of $0.5 million pre-tax ($0.4 million net of tax or $0.02 per share).

"We are very pleased with our third quarter performance," said Maxine Clark, Build-A-Bear Workshop's chairman and chief executive bear. "We believe our results reflect the success of our brand building efforts, excellent performance by our store associates, and the fundamental strength of our store economic model."

For the thirty-nine weeks ended October 2, 2004, the company reported net income of $13.8 million or $0.76 per diluted share, on total revenues of $202.2 million, compared to net income of $2.7 million, or $0.09 per diluted share, on total revenues of $140.5 million for the thirty-nine week period ended September 27, 2003. For the fiscal 2004 thirty-nine week period comparable store sales increased 15.6%.

During the fiscal 2004 third quarter, and included as a component of selling, general and administrative expenses, the company recognized a non-cash, stock-based compensation expense of $0.5 million ($0.4 million net of tax or $0.02 per diluted share). The expense relates to stock options granted during the first half of 2004 at $8.78 per share, which an independent appraisal had determined was a fair value at the time. Subsequently, it was determined that the fair value of the underlying common stock should have been $15.00 per share. Accordingly, a $1.9 million pre-tax total stock-based compensation expense will be recorded over the vesting period of the options. As a result of the initial public offering, all of these option grants became fully vested. The company will record the balance of this expense or $1.4 million pre tax ($1.0 million net of tax or $0.05 per diluted share), in the fourth quarter of fiscal 2004.

During the third quarter, the company opened seven new Build-A-Bear Workshop retail stores in the United States and Canada, as compared with opening 20 stores during the same period last year. Through the first nine months of fiscal 2004, the company opened 15 stores and closed one store increasing total square footage to 497,385 as compared with opening 36 stores and closing one store during the same period last year.

Fiscal 2004 third quarter total revenues include net retail sales of $66.2 million, an increase of $18.3 million or 38.2% compared to last year's third quarter. Net retail sales growth was primarily driven by comparable store sales growth of 18.8% and the addition of new stores opened during the past twelve months. Third quarter total revenues also include revenues from international franchise fees totaling $0.2 million, up $0.1 million compared to last year's third quarter, and licensing revenue totaling $0.1 million.

Third quarter net income growth of $2.7 million, compared to the year ago third quarter, resulted primarily from increased revenues and improved leverage on costs and expenses. Gross margin percent improved 4.7% in this year's third quarter as compared to the fiscal 2003 third quarter. Selling, general and administrative expense as a percent of total revenues increased 0.6% in this year's third quarter as compared to the year ago quarter, as a result of a non-cash, stock-based compensation expense of $0.5 million pre-tax. Store pre-opening expenses declined $0.6 million in the third quarter compared to the year ago quarter due to fewer new store openings.

As previously announced, Build-A-Bear Workshop priced its initial public offering of 8,604,300 shares of common stock on October 27, 2004 at $20.00 per share, consisting of 1,500,000 shares from the company and 7,104,300 shares from selling stockholders, and included shares covered by the underwriters' over-allotment option. The offering closed on November 2, 2004. Following the offering, and the mandatory conversion of all preferred stock into common stock, 19,551,651 shares of common stock were outstanding. The company received net proceeds of $25.7 million from the offering.

Build-A-Bear Workshop began trading on October 28, 2004. The company is still in its 'quiet period' following the initial public offering and, as a result, is not able to provide forward guidance in this press release. The quiet period extends until November 22, 2004. In the future, the company expects to report sales, including comparable store sales, on a quarterly basis.

Other News

During the fourth quarter, the company expects to continue with its planned increased spending on its integrated marketing program. With the opening of six new stores in the fourth quarter, Build-A-Bear Workshop has accomplished its planned store openings for the year in the United States and Canada. These new stores bring the total number of Build-A-Bear Workshop stores in the United States to 165 and in Canada to five. During the fourth quarter, the company plans to open its first two Friends 2B Made(R) stores, a new interactive retail concept focused on the doll making experience. Also in the fourth quarter, the company plans to open a temporary holiday store in Rockefeller Center in New York City. Planned international franchise store openings during the fourth quarter include two stores in Australia, one store in Japan and two stores in the United Kingdom.

In October, the company signed a franchise agreement to open Build-A-Bear Workshop stores in Sweden. This agreement brings the total number of international countries with franchise agreements to eight. Those countries include the United Kingdom, Japan, Denmark, Australia, South Korea, France, Republic of China (Taiwan) and Sweden.

Today's Conference Call Webcast

Today, at 10:00 a.m. Eastern Time, Build-A-Bear Workshop, will host a live audio webcast of its discussion with the investment community regarding the company's fiscal 2004 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 our next quarterly conference call.

About Build-A-Bear Workshop, Inc.

Build-A-Bear Workshop is the leading and only national, company providing a "make your own stuffed animal" interactive retail-entertainment experience. As of November 5, 2004, the company operated 170 stores in 40 states and Canada and had ten franchised stores internationally, all under the Build-A-Bear Workshop brand. Build-A-Bear Workshop is headquartered in St. Louis, Missouri. For more information about our company and its products call (888) 560-BEAR (2327).

Forward-Looking Statements

Statements in this news release expressing or indicating the beliefs and expectations of management regarding future performance are forward-looking statements including, without limitation, company financial performance, sales growth, new store openings, any other plans, objectives, expectations and intentions contained in this release that are not historical facts. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. These risks and uncertainties include, without limitation, those detailed in our final prospectus dated October 28, 2004 under the caption "Risk Factors" and the following: (1) we may be unable to maintain our current comparable store sales growth; (2) our marketing initiatives may not be effective in generating sufficient levels of brand awareness and guest traffic; (3) we may be unable open new stores to effectively manage our growth; (4) we may be unable to effectively manage our international franchises or laws relating to those franchises may change; (5) 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; (6) customer traffic may decrease in the shopping malls where we are located, on which we depend to attract guests to our stores; (7) general economic conditions may decrease, which could lead to reduced consumer demand for our products; (8) our market share could be adversely affected by a significant number of competitors; (9) we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team; (10) the ability of our principal vendors to deliver merchandise may be disrupted; (11) the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade; (12) third parties that manage our warehousing and distribution functions may perform poorly; (13) we may fail to renew, register or otherwise protect our trademarks or other intellectual property; (14) we may have disputes with, or be sued by, third parties for infringement or misappropriation of their proprietary rights; (15) we may be unable to renew or replace our store leases, or enter into leases for new stores on favorable terms, or may violate the terms of our current leases; (16) we may experience failures in our communications or information systems; (17) terrorism or the uncertainty of future terrorist attacks or war could reduce consumer confidence and mall traffic; (18) we may become subject to challenges relating to overtime pay or other regulations relating to our employees; (19) we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise, and (20) we may improperly obtain or be unable to protect information from our guests in violation of privacy or security laws or expectations.

These risks, uncertainties and other factors may adversely affect our business, growth, financial condition or profitability, or subject us to potential liability, and cause our actual results, performance or achievements to be materially different from those expressed or implied by our forward-looking statements. We do not undertake any obligation or plan to update these forward-looking statements, even though our situation may change.

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

	13 weeks ended			
	Sept. 27, 2003	% of Total Revenues(1)	Oct. 2, 2004	% of Total Revenues(1)
Revenues:				
Net retail sales	$ 47,904	99.9%	$ 66,214	99.6%
Franchise fees	59	0.1	191	0.3
Licensing revenue	--	0.0	102	0.2
Total revenues	47,963	100.0	66,507	100.0
Costs and expenses:				
Costs of merchandise sold	27,479	57.4	34,906	52.7
Selling, general, and administrative	17,846	37.2	25,145	37.8
Store preopening	1,211	2.5	576	0.9
Interest expense	1	0.0	--	0.0
Interest income	(8)	0.0	(72)	(0.1)
Total costs and expenses	46,529	97.0	60,555	91.1
Income before income taxes	1,434	3.0	5,952	8.9
Income tax expense	559	1.2	2,383	3.6
Net income	875	1.8	3,569	5.4
Cumulative dividends and accretion of redeemable preferred stock	493		152	
Cumulative dividends of nonredeemable preferred stock	114		35	
Net income available to common and participating preferred stockholders	$ 268		$ 3,382	
Net income allocated to common stockholders	$ 6		$ 143	
Net income allocated to participating preferred stockholders	$ 262		$ 3,239	
Earnings per share:				
Basic	$ 0.03		$ 0.34	
Diluted	$ 0.03		$ 0.19	
Shares used in computing per				

share amounts:		
Basic	217,519	419,156
Diluted	9,365,119	18,528,825

(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
Consolidated Statements of Operations
(Dollars in thousands, except per share data)

	39 weeks ended			
	Sept. 27, 2003	% of Total Revenue(1)	Oct. 2, 2004	% of Total Revenue(1)
Revenues:				
Net retail sales	$140,392	99.9%	$ 201,633	99.7%
Franchise fees	155	0.1	498	0.2
Licensing revenue	--	0.0	102	0.1
Total revenues	140,547	100.0	202,233	100.0
Costs and expenses:				
Costs of merchandise sold	79,408	56.6	105,052	52.1
Selling, general, and administrative	53,930	38.4	73,777	36.5
Store preopening	2,702	1.9	1,156	0.6
Interest expense	1	0.0	--	0.0
Interest income	(62)	0.0	(170)	(0.1)
Total costs and expenses	135,979	96.7	179,815	88.9
Income before income taxes	4,568	3.3	22,418	11.1
Income tax expense	1,844	1.3	8,640	4.3
Net income	2,724	1.9	13,778	6.8
Cumulative dividends and accretion of redeemable preferred stock	1,478		1,137	
Cumulative dividends of nonredeemable preferred stock	342		263	
Net income available to common and participating preferred stockholders	$ 904		$ 12,378	
Net income allocated to common stockholders	$ 20		$ 415	

Net income allocated to participating preferred stockholders	$ 884	$ 11,963
Earnings per share:		
Basic	$ 0.09	$ 1.26
Diluted	$ 0.09	$ 0.76
Shares used in computing per share amounts:		
Basic	217,519	329,560
Diluted	9,365,119	18,099,867

(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
Consolidated Balance Sheets
(Dollars in thousands, except share data)

Assets	January 3, 2004	October 2, 2004
Current assets:		
Cash and cash equivalents	$ 20,601	$ 15,745
Inventories	22,573	29,435
Receivable for tenant allowances	1,678	2,028
Prepaid expenses and other	7,261	9,527
Total current assets	52,113	56,735
Property and equipment, net	56,358	56,211
Other assets, net	3,493	3,580
	$ 111,964	$ 116,526
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 22,187	$ 17,896
Accrued expenses	9,769	13,991
Other liabilities	12,433	12,485
Total current liabilities	44,389	44,372
Deferred revenue	1,957	2,152
Other liabilities	877	768
Deferred tax liabilities	5,312	5,573
Preferred stock, par value $0.01. Authorized 25,000,000 and 25,000,000 and shares at January 3, 2004, and October 2, 2004, respectively; issuable in series:		
Redeemable preferred stock, at redemption price:		
Class A convertible, issued and outstanding 1,061,986 shares (liquidation value of $7,575 and $7,820 at January 3, 2004 and October 2, 2004, respectively)	7,532	7,782
Class B convertible, issued and outstanding 1,604,680 shares (liquidation value of		

$6,000 at January 3, 2004 and October 2, 2004)	5,958	5,972
Class D convertible, issued and outstanding 3,467,337 shares (liquidation value of $24,471 and $25,332 at January 3, 2004 and October 2, 2004, respectively)	24,400	25,278
	37,890	39,032
Stockholders' equity:		
Preferred stock, par value $0.01. Authorized 25,000,000 and 25,000,000 shares at January 3, 2004 and October 2, 2004, respectively; issuable in series:		
Nonredeemable preferred stock, at par value:		
Class A convertible, issued and outstanding 2,444,966 shares	24	24
Class B convertible, issued and outstanding 2,039,427 shares	20	20
Class C convertible, issued and outstanding 4,998,089 shares	50	50
Common stock, par value $0.01. Authorized 25,000,000 and 25,000,000 shares at January 3, 2004 and October 2, 2004, respectively; issued and outstanding 533,316 and 734,953 shares at January 3, 2004, and October 2, 2004, respectively	5	7
Additional paid-in capital	10,918	12,831
Retained earnings	12,343	14,979
Notes Receivable	(1,821)	(1,892)
Unearned compensation	--	(1,390)
Total stockholders' equity	21,539	24,629
	$ 111,964	$ 116,526

Selected Financial and Store Data
(Dollars in thousands, except square foot data)

	13 weeks ended		39 weeks ended	
	Sept. 27, 2003	Oct. 2 2004	Sept. 27, 2003	Oct. 2, 2004
Other financial data:				
Gross margin ($) (1)	$ 20,425	31,308	$ 60,984	96,581
Gross Margin (%) (1)	42.6%	47.3%	43.4%	47.9%
Capital expenditures (2)	$ 5,000	4,324	$ 15,338	8,762
Depreciation and amortization	$ 2,794	3,111	$ 7,733	9,141
Store data (3):				
Number of stores at end of period	143	164	143	164
Store square footage	443,152	497,385	443,152	497,385
Comparable store sales change (%) (4)	(19.0)%	18.8%	(17.4)%	15.6%

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

(2) Capital expenditures consists of leasehold improvements, net of tenant allowances received from landlords, furniture and fixtures and computer equipment and software purchases.

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

(4) Comparable store sales percentage changes are based on net retail sales and stores are considered comparable beginning in their thirteenth full month of operation.

CONTACT: Build-A-Bear Workshop, Inc.
Investors and Analysts:
Molly Salky, 314-423-8000 x5353
invest@buildabear.com
or
Media:
Jill Saunders, 314-423-8000x5293
jills@buildabear.com

SOURCE: Build-A-Bear Workshop, Inc.