



## **Build-A-Bear Workshop, Inc. Reports Fiscal 2006 Fourth Quarter and Full Year Results**

February 20, 2007

Company Provides Guidance For 2007 -- And Announces \$25 Million Share Repurchase Authorization

ST. LOUIS--(BUSINESS WIRE)--Feb. 20, 2007--Build-A-Bear Workshop, Inc. (NYSE: BBW):

- Fourth quarter diluted EPS were \$0.75, vs. \$0.52 in fiscal 2005; 2006 fourth quarter includes adjustment to loyalty program, UK acquisition accretion, and stock-based compensation expense
- Full year diluted EPS were \$1.44, vs. \$1.35 in fiscal 2005; 2006 full year includes UK acquisition dilution, adjustment to loyalty program, distribution center transition costs, and stock-based compensation expense.
- Fourth quarter net retail sales increased 21% to \$141.3 million. Full year net retail sales increased 21% to \$432.6 million.
- United Kingdom acquisition integration complete; accretive to fourth quarter earnings.
- Full year fiscal 2007 diluted EPS expected to be in the range of \$1.65 to \$1.75, including stock-based compensation expense of approximately \$0.10 per diluted share.
- Board of directors authorized the company to repurchase up to \$25 million of its outstanding common stock over the next 12 months.

Build-A-Bear Workshop, Inc. (NYSE: BBW), an interactive entertainment-based retailer of customized stuffed animals, announced that total revenue for the fiscal 2006 fourth quarter (13 weeks ended Dec. 30, 2006) increased 21.4% to \$143.3 million, compared to \$118.0 million in the prior year's fourth quarter (13 weeks ended Dec. 31, 2005). For the full year fiscal 2006 (52 weeks ended Dec. 30, 2006), total revenue increased 20.8% to \$437.1 million, compared to \$361.8 million in fiscal 2005 (52 weeks ended Dec. 31, 2005).

Fourth quarter net income was \$15.4 million or \$0.75 per diluted share. In the fourth quarter of 2005, the company reported net income of \$10.6 million, or \$0.52 per diluted share. For the full year fiscal 2006, net income was \$29.5 million or \$1.44 per diluted share, up from \$27.3 or \$1.35 per diluted share in fiscal 2005.

"Our significant accomplishments in 2006 enhance the long term outlook for our company," said Maxine Clark, chairman and chief executive officer. "The successful integration of our U.K. acquisition, completion of our company-owned distribution center, new store growth, and continued investment in our brand and infrastructure all position Build-A-Bear Workshop for future growth. I am particularly pleased to report that our stores delivered an outstanding \$573 in sales per square foot driving significant store profit contribution. We learned some important lessons this year that will help us deliver excellent growth in 2007 and beyond. In the coming year we will continue to invest in our growth, increase brand awareness, leverage our infrastructure, and provide an exceptional experience for our Guests. All of this should translate into enhancing value for our shareholders."

#### Fiscal 2006 Fourth Quarter Highlights:

Fiscal 2006 fourth quarter total revenue includes net retail sales of \$141.3 million, an increase of \$24.6 million or 21.1% compared to last year's fourth quarter. Net retail sales growth was primarily driven by stores acquired through the U.K. acquisition, new stores opened during the past twelve months in North America, an adjustment to the loyalty program deferred revenue, and non-traditional store locations. Comparable store sales in North America declined 10.4% in the fourth quarter. Fourth quarter total revenue also includes revenue from international franchise fees totaling \$1.5 million and licensing revenue totaling \$0.4 million.

The fourth quarter net income increase of \$4.8 million, over the fiscal 2005 fourth quarter, reflects several items directly related to the U.K. acquisition, including operating income of \$3.3 million from that business, offsetting lost interest income and lost franchise revenue. Also included in the 2006 quarter is the impact of the most recent assessment of the company's loyalty program redemption rates. In the 2006 fourth quarter the company reduced its estimated loyalty program redemption rates. This change in estimate effective at the beginning of the fourth quarter resulted in a \$5.2 million reduction in deferred revenue in the fourth quarter, a corresponding increase in net sales, and a \$3.1 million increase in net income (\$0.15 per diluted share). The \$5.2 million reduction includes \$3.6 million related to estimated deferred revenue from periods prior to fiscal 2006 and \$1.6 million related to estimated deferred revenue from the first three quarters of fiscal 2006.

During the fourth quarter, the company opened six new Build-A-Bear Workshop (BABW) retail stores and one new friends 2B made(R) (F2BM) store in the United States and Canada, compared with opening seven BABW stores during the same period last year. In the United Kingdom, the company opened two new Build-A-Bear Workshop stores and completed the final conversion and rebranding of all Bear Factory Stores. Franchisees opened seven stores in international locations during the fourth quarter.

Fiscal 2006 fourth quarter and full year 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.

#### Fiscal 2006 Full Year Highlights:

Fiscal 2006 total revenue includes net retail sales of \$432.6 million, an increase of \$73.7 million or 20.5% compared to fiscal 2005. Net retail sales growth was driven by new stores - 32 new BABW stores and four new F2BM locations opened in North America, plus two new BABW stores opened in the United Kingdom - stores acquired through the U.K. acquisition, non-traditional store locations, and an adjustment to the company's loyalty program deferred revenue. Comparable store sales in North America declined 6.5% for the year. Fiscal 2006 total revenue also includes revenue from international franchise fees totaling \$3.5 million and licensing revenue totaling \$1.0 million.

Fiscal 2006 net income growth of \$2.2 million, compared to fiscal 2005, was driven by an adjustment to the company's loyalty program redemption rates (\$2.2 million net of tax) and lower store preopening expenses (\$0.5 million net of tax), partially offset by the U.K. acquisition operating loss (\$1.4 million net of tax) and

distribution center transition costs (\$1.0 million net of tax). In the 2006 fourth quarter the company reduced its estimated loyalty program redemption rates. This change in estimate effective at the beginning of the 2006 fiscal year resulted in a \$3.6 million reduction in deferred revenue for the full year, a corresponding increase in net sales, and a \$2.2 million increase in net income (\$0.11 per diluted share). The company's 2006 net income results also reflect improved merchandise margin and lower store payroll expense as a percent of total revenue.

Fiscal 2006 full year results include the impact of stock-based compensation expense of \$2.1 million pretax (\$1.3 million net of tax or \$0.07 per diluted share). Fiscal 2005 full year results include the impact of stock-based compensation expense of \$0.8 million pretax (\$0.5 million net of tax or \$0.02 per diluted share).

During fiscal 2006, international franchisees opened 15 new stores ending the year with 34 stores in 13 countries. The company recently granted franchise rights for South Africa to Intensity Entertainment (PTY) LTD, operators of The Crafters Market chain of stores started in South Africa in 1996.

#### Share Repurchase Authorization:

The board of directors has authorized the Company to repurchase up to \$25 million of its outstanding common stock over the next 12 months. Purchases may be made in the open market or in privately negotiated transactions, with the level and timing of activity depending on market conditions, other investment opportunities, and other factors. Purchases may be increased, decreased or discontinued at any time without prior notice.

#### Outlook:

The company expects fiscal 2007 (52 weeks ended Dec. 29, 2007) diluted earnings per share (EPS) to be in the range of \$1.65 to \$1.75. This earnings guidance includes the anticipated impact of expensing stock-based compensation of approximately \$3.2 million pretax (\$2.1 million net of tax or \$0.10 per diluted share).

The company's earnings outlook is based upon the following plans and assumes no significant change in the overall retailing environment, nor has the company incorporated share repurchases into its earnings per share guidance:

- Total revenue growth of approximately 19% driven by the addition of 37 new BABW stores in the United States and Canada, growth in store square footage in North America of approximately 14%, and by maintaining our high sales per square foot performance.
- North American comparable store sales in the flat to negative mid-single digit range.
- The opening of seven to 10 new stores in the United Kingdom and Ireland.
- The opening of 20 to 25 new stores by international franchisees in fiscal 2007; with franchise revenues to the company of approximately \$3.7 million.
- Continued development of new brand concepts.
- Maintenance of gross profit margins through strong merchandise margins and minimal markdowns

and product returns.

- Increased brand awareness and store traffic through integrated marketing programs. The company expects to invest approximately 7% of total revenues on marketing programs in fiscal 2007.
- Capital expenditures in 2007 of \$35 to \$40 million.

The guidance assumes that earnings per diluted share for the first quarter will be between \$0.35- \$0.41 and includes the anticipated impact of expensing stock-based compensation of approximately \$0.6 million pretax (\$0.4 million net of tax or \$0.02 per diluted share). First quarter 2007 total revenue growth is anticipated to be approximately 22% and North American comparable store sales are assumed to be in the negative mid-to-high single digit range.

#### Today's Conference Call Webcast

Today at 9:00 a.m. EST, Build-A-Bear Workshop will host a live audio webcast of its discussion with the investment community regarding the company's fiscal 2006 fourth quarter and full year results. The webcast can be accessed at <http://ir.buildabear.com>. A replay of the webcast will be available following the live webcast, and available until the company's 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 270 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. Build-A-Bear Workshop (NYSE: BBW) posted total revenue of \$437 million in fiscal 2006. For more information, call 888.560.BEAR (2327) or visit the company's award-winning Web sites at [www.buildabear.com](http://www.buildabear.com) and [www.friends2bmade.com](http://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 be unable to generate comparable store sales growth and may continue to have negative comparable store performance; our marketing initiatives may not generate sufficient brand awareness and sales or demand for our retail experience; we may be unable to respond to changing 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; the availability and costs of our products could be impacted by international manufacturing and trade issues; our warehousing and distribution vendors may perform poorly, and we may be unable to realize the anticipated benefits from our distribution center; we may fail to protect our intellectual property and may have infringement, misappropriation or other disputes or litigation with third parties, which could be costly, distract our management and personnel and which could result in the diminution in value of our trademarks and other important intellectual property; 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 lose key personnel or be unable to hire qualified additional personnel, including store associates;

vendor deliveries may be disrupted; we may not realize some of the expected benefits of the acquisition of Amsbra and The Bear Factory; we may be unable to effectively manage our international franchises or comply with changing laws relating thereto; 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 us or our 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.

(Financial Tables Follow)

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 December 30,  2006	% of Total Revenues (1)	13 Weeks Ended December 31,  2005	% of Total Revenues (1)
Revenues:				
Net retail sales	\$ 141,298	98.6	\$ 116,660	98.8
Franchise fees	1,546	1.1	829	0.7
Licensing revenue	421	0.3	545	0.5
Total revenues	143,265	100.0	118,034	100.0
Costs and expenses:				
Cost of merchandise sold	67,329	47.7	55,909	47.9
Selling, general and administrative	50,405	35.2	45,012	38.1
Store preopening	634	0.4	414	0.4
Interest expense (income), net	(173)	(0.1)	(530)	(0.4)
Total costs and expenses	118,195	82.5	100,805	85.4
Income before income taxes	25,070	17.5	17,229	14.6
Income tax expense	9,638	6.7	6,633	5.6
Net income	\$ 15,432	10.8	\$ 10,596	9.0
Earnings per common share:				
Basic	\$ 0.76		\$ 0.53	
Diluted	\$ 0.75		\$ 0.52	

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Shares used in computing common per share amounts:		
Basic	20,272,058	19,989,177
Diluted	20,586,557	20,319,086

(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)

	52 Weeks Ended December 30,	% of Total Revenue	52 Weeks Ended December 31,	% of Total Revenue
	2006	(1)	2005	(1)
Revenues:				
Net retail sales	\$ 432,572	99.0	\$ 358,901	99.2
Franchise fees	3,521	0.8	1,976	0.5
Licensing revenue	979	0.2	932	0.3
Total revenues	437,072	100.0	361,809	100.0
Costs and expenses:				
Cost of merchandise sold	227,509	52.6	180,373	50.3
Selling, general and administrative	158,712	36.3	133,921	37.0
Store preopening	3,958	0.9	4,812	1.3
Interest expense (income), net	(1,530)	(0.4)	(1,710)	(0.5)
Total costs and expenses	388,649	88.9	317,396	87.7
Income before income taxes	48,423	11.1	44,413	12.3
Income tax expense	18,933	4.3	17,099	4.7
Net income	29,490	6.8	27,314	7.5
Earnings per common share:				
Basic	\$ 1.46		\$ 1.38	
	=====		=====	
Diluted	\$ 1.44		\$ 1.35	
	=====		=====	
Shares used in computing common per share amounts:				
Basic	20,169,814		19,735,067	
Diluted	20,468,256		20,225,341	

(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)

	December 30, 2006	December 31, 2005
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<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$53,109	\$90,950
Inventories	50,905	40,157
Receivables	7,389	6,629
Prepaid expenses and other current assets	11,805	6,839
Deferred tax assets	2,388	3,232
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Total current assets	125,596	147,807
Property and equipment, net	130,130	89,973
Note receivable from franchisee	-	4,518
Goodwill	36,927	-
Other intangible assets, net	3,090	1,454
Other assets, net	4,027	2,356
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Total Assets	\$299,770	\$246,108
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$46,762	\$34,996
Accrued expenses	16,301	15,792
Gift cards and customer deposits	28,128	22,865
Deferred revenue	6,454	7,508
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Total current liabilities	97,645	81,161
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Deferred franchise revenue	2,297	2,306
Deferred rent	34,754	30,687
Other liabilities	352	586
Deferred tax liabilities	459	1,011
Stockholders' equity:		
Common stock, par value \$0.01 per share	205	201
Additional paid-in capital	88,866	85,259
Other comprehensive income	(997)	-
Retained earnings	76,189	46,700
Notes receivable from officers	-	(151)

Unearned compensation	-	(1,652)
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Total stockholders' equity	164,263	130,357
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Total Liabilities and Stockholders' Equity	\$299,770	\$246,108
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BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES  
Unaudited Selected Financial and Store Data  
(dollars in thousands, except square foot data)

	13 Weeks Ended December 30, 2006	13 Weeks Ended December 31, 2005	52 Weeks Ended December 30, 2006	52 Weeks Ended December 31, 2005
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Other financial data:				
Gross margin (\$) (1)	\$ 73,969	\$ 60,751	\$205,063	\$178,528
Gross Margin (%) (1)	52.3%	52.1%	47.4%	49.7%
Capital expenditures	\$ 6,019	\$ 8,484	\$ 53,520	\$ 31,083
Depreciation and amortization	\$ 6,660	\$ 4,771	\$ 22,394	\$ 17,592
Sales over the Internet	\$ 4,471	\$ 3,970	\$ 10,228	\$ 8,737
Store data (2):				
Number of stores at end of period				
North America			233	200
United Kingdom and Ireland			38	--
			-----	-----
Total stores			271	200
Store square footage at end of period				
North America			712,299	615,194
United Kingdom and Ireland (3)			56,701	--
			-----	-----
Total square footage			769,000	615,194
Net retail sales per gross square foot (4)				
Store Age greater than 5 years (66 stores in 2006, 34 stores in 2005)			\$ 577	\$ 623
Store Age 3-5 years (80 stores in 2006, 69 stores in 2005)			\$ 556	\$ 593
Store Age less than 3 years (54 stores in 2006, 66 stores in 2005)			\$ 592	\$ 637
All comparable stores			\$ 573	\$ 615
Comparable store sales change (%) (5)				
Store Age greater than 5 years				



(66 stores in 2006, 34 stores in 2005)			(5.2)%	4.0%
Store Age 3-5 years (80 stores in 2006, 69 stores in 2005)			(6.3)%	(0.2)%
Store Age less than 3 years (54 stores in 2006, 66 stores in 2005)			(9.4)%	(3.3)%
Total comparable store sales change	(10.4)%	(0.6)%	(6.5)%	(0.2)%

(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)Square footage in the United Kingdom and Ireland is estimated selling square footage

(4)Net retail sales per gross square foot represents net retail sales from stores open throughout the entire period divided by the total gross square footage of such stores. As such, stores in the UK are excluded from the calculation. Calculated on an annual basis only.

(5)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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SOURCE: Build-A-Bear Workshop, Inc.