
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended August 1, 2026

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 001-32320

BUILD-A-BEAR WORKSHOP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock	BBW	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of September 8, 2026, there were 12,319,335 issued and outstanding shares of the registrant’s common stock.

BUILD-A-BEAR WORKSHOP, INC.
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PART I -FINANCIAL INFORMATION

Item 1. Financial Statements

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES **CONDENSED CONSOLIDATED BALANCE SHEETS** (Dollars in thousands, except share and per share data)

	August 1, 2026	January 31, 2026	August 2, 2025
	(Unaudited)		(Unaudited)
ASSETS			
Current assets:			
Cash, cash equivalents and restricted cash	\$ 14,004	\$ 26,755	\$ 39,108
Inventories, net	81,130	82,203	81,758
Receivables, net	16,383	21,459	13,526
Prepaid expenses and other current assets	11,378	9,603	10,026
Total current assets	122,895	140,020	144,418
Operating lease right-of-use asset	119,760	121,129	100,950
Property and equipment, net	79,058	70,926	58,804
Deferred tax assets	7,180	7,370	8,045
Other assets, net	5,208	6,008	6,021
Total Assets	\$ 334,101	\$ 345,453	\$ 318,238
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 16,017	\$ 15,318	\$ 16,659
Accrued expenses	14,731	26,104	19,110
Operating lease liability short term	28,138	28,651	26,996
Gift cards and customer deposits	13,789	15,289	14,343
Deferred revenue and other	3,925	5,264	3,964
Total current liabilities	76,600	90,626	81,072
Operating lease liability long term	97,373	98,647	80,365
Other long-term liabilities	1,131	1,152	1,406
Stockholders' equity:			
Preferred stock, par value \$0.01, Shares authorized: 15,000,000; No shares issued or outstanding at August 1, 2026, January 31, 2026 and August 2, 2025	-	-	-
Common stock, par value \$0.01, Shares authorized: 50,000,000; Issued and outstanding: 12,467,170, 12,808,954, and 13,159,408 shares, respectively	126	128	132
Additional paid-in capital	59,113	60,821	61,701
Accumulated other comprehensive loss	(11,132)	(10,760)	(11,304)
Retained earnings	110,890	104,839	104,866
Total stockholders' equity	158,997	155,028	155,395
Total Liabilities and Stockholders' Equity	\$ 334,101	\$ 345,453	\$ 318,238

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except share and per share data)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
Revenues:				
Net retail sales	\$ 106,544	\$ 114,635	\$ 220,010	\$ 234,224
Commercial revenue	8,086	8,629	19,034	16,251
International franchising	661	983	1,517	2,167
Total revenues	<u>115,291</u>	<u>124,247</u>	<u>240,561</u>	<u>252,642</u>
Costs and expenses:				
Cost of merchandise sold - retail	48,982	48,552	89,320	100,123
Cost of merchandise sold - commercial	3,383	3,419	7,802	6,433
Cost of merchandise sold - international franchising	437	765	1,078	1,588
Total cost of merchandise sold	<u>52,802</u>	<u>52,736</u>	<u>98,200</u>	<u>108,144</u>
Consolidated gross profit	62,489	71,511	142,361	144,498
Selling, general and administrative expense	51,410	56,399	107,536	109,955
Interest income, net	(552)	(206)	(686)	(406)
Income before income taxes	11,631	15,318	35,511	34,949
Income tax expense	2,871	2,951	8,452	7,263
Net income	<u>\$ 8,760</u>	<u>\$ 12,367</u>	<u>\$ 27,059</u>	<u>\$ 27,686</u>
Foreign currency translation adjustment	(193)	(9)	(372)	1,250
Comprehensive income	<u>\$ 8,567</u>	<u>\$ 12,358</u>	<u>\$ 26,687</u>	<u>\$ 28,936</u>
Income per common share:				
Basic	<u>\$ 0.71</u>	<u>\$ 0.94</u>	<u>\$ 2.16</u>	<u>\$ 2.11</u>
Diluted	<u>\$ 0.70</u>	<u>\$ 0.94</u>	<u>\$ 2.16</u>	<u>\$ 2.11</u>
Shares used in computing common per share amounts:				
Basic	12,420,379	13,111,615	12,502,383	13,095,958
Diluted	12,431,533	13,139,470	12,526,722	13,142,443

See accompanying notes to condensed consolidated financial statements.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Twenty-six weeks ended	
	August 1, 2026	August 2, 2025
Cash flows provided by operating activities:		
Net income	\$ 27,059	\$ 27,686
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,114	7,368
Share-based and performance-based stock compensation	(189)	1,172
Provision/adjustments for doubtful accounts	(44)	(27)
Gain on disposal of property and equipment	(17)	(17)
Net change in film costs and advances	(66)	-
Deferred taxes	165	(383)
Change in assets and liabilities:		
Inventories, net	881	(11,240)
Receivables, net	5,066	2,928
Prepaid expenses and other assets	(1,730)	2,950
Accounts payable and accrued expenses	(9,813)	3,657
Operating leases	(399)	(481)
Gift cards and customer deposits	(1,482)	(1,513)
Deferred revenue	(1,399)	(83)
Net cash provided by operating activities	<u>26,146</u>	<u>32,017</u>
Cash flows used in investing activities:		
Purchases of property and equipment	(15,421)	(6,328)
Net cash used in investing activities	<u>(15,421)</u>	<u>(6,328)</u>
Cash flows used in financing activities:		
Purchases of common stock for employee equity awards, net of tax	(453)	(1,266)
Cash dividends paid on vested participating securities	(5,768)	(5,836)
Purchases of Company's common stock	(17,153)	(7,323)
Net cash used in financing activities	<u>(23,374)</u>	<u>(14,425)</u>
Effect of exchange rates on cash	(102)	86
(Decrease)/Increase in cash, cash equivalents, and restricted cash	(12,751)	11,350
Cash, cash equivalents and restricted cash, beginning of period	26,755	27,758
Cash, cash equivalents and restricted cash, end of period	<u>\$ 14,004</u>	<u>\$ 39,108</u>
Supplemental disclosure of cash flow information:		
Cash and cash equivalents	\$ 13,601	\$ 38,707
Restricted cash from long-term deposits	\$ 403	\$ 401
Total cash, cash equivalents and restricted cash	<u>\$ 14,004</u>	<u>\$ 39,108</u>
Net cash paid during the period for income taxes	<u>\$ 11,212</u>	<u>\$ 4,697</u>

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by Build-A-Bear Workshop, Inc. and its subsidiaries (collectively, the “Company”) pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet of the Company as of January 31, 2026, was derived from the Company’s audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments which are, in the opinion of management, necessary to summarize fairly the financial position of the Company and the results of the Company’s operations and cash flows for the periods presented. All of these adjustments are of a normal recurring nature. All significant intercompany balances and transactions have been eliminated in consolidation. Because of the seasonal nature of the Company’s operations, results of operations of any single reporting period should not be considered as indicative of results for a full year. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended January 31, 2026, which were included in the Company’s Annual Report on Form 10-K filed with the SEC on April 16, 2026, as amended by Amendment No. 1 filed with the SEC on April 17, 2026 (the “2025 Form 10-K”).

Significant Accounting Policies

The Company’s significant accounting policies are summarized in Note 2 to the consolidated financial statements included in its 2025 Form 10-K.

Recently Adopted Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. ASU 2025-05 provides the option to apply a practical expedient to address implementation challenges related to the estimation of expected credit losses for current accounts receivable and current assets arising from transactions accounted for under revenue recognition (Topic 606) and assets acquired through business combinations. The practical expedient allows entities to assume that current conditions as of the balance sheet date remain unchanged over the life of these assets when developing forecasts. The guidance allows entities to bypass the requirement to incorporate macro-economic data into their forecast when such data is not expected to materially affect the estimate. The Company adopted the guidance in ASU 2025-05 effective February 1, 2026 prospectively and applied the practical expedient. The adoption of this new accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

2. Revenue

Currently, most of the Company's revenue is derived from direct-to-consumer ("DTC") retail sales (including from its e-commerce sites) and is recognized when control of the merchandise is transferred to the customer. The Company's disaggregated revenue is fully disclosed as net sales to external customers by reporting segment and by geographic area (See Note 11 — Segment Information for additional information). The Company's direct-to-consumer reporting segment represents 92% of consolidated revenue for the second quarter of fiscal 2026. The majority of these sales transactions were single performance obligations that were recorded when control of merchandise was transferred to the customer.

The following is a description of principal activities from which the Company generates its revenue through three reportable segments.

The Company's direct-to-consumer segment includes the operating activities of corporately-managed stores, other retail-delivered operations and online sales. Direct-to-consumer revenue is recognized when control of the merchandise is transferred to the customer and for the Company's online sales, control generally transfers upon delivery to the customer. Revenue is measured as the amount of consideration, including any discounts or incentives, the Company expects to receive in exchange for transferring the merchandise. Product returns have historically averaged less than one-half of one percent due to the personalized and interactive nature of sales, where consumers customize their own stuffed animal. The Company has elected to exclude from revenue all collected sales, value-added, and other taxes paid by its customers.

For the Company's gift cards, revenue is deferred for single transactions until redemption including any related gift card discounts. Approximately 80% of gift cards issued are redeemed within three years of issuance and over the last three years, approximately 65% of gift cards issued have been redeemed within the first twelve months. In addition, unredeemed gift cards or breakage revenue is recorded in proportion to the consumers' redemption pattern using an estimated breakage rate based on historical experience. Following the reopening of stores after the pandemic, the Company experienced lower gift card redemption rates for all periods of outstanding activated cards compared to historical redemption patterns observed prior to fiscal year 2020, which impacted the gift card breakage rate. Management believes that the redemption behavior observed during the pandemic was not indicative of long-term customer behavior and accordingly adjusted the historical redemption data used to calculate the breakage rate. In more recent periods, gift card redemption patterns have generally returned to levels consistent with pre-2020 experience. The Company continues to evaluate expected breakage annually and adjusts the breakage rates in the fourth quarter of each year, or at other times if significant changes in consumer behavior are detected. Changes to breakage estimates impact revenue recognition prospectively. Further, given the magnitude of the Company's gift card liability, the changes in breakage rates could have a significant impact on the amount of breakage revenue recognized in future periods. As a matter of sensitivity, a hypothetical 1% change in our gift card breakage rate in fiscal 2025 would have resulted in a change in breakage revenue of \$1.3 million.

For certain qualifying transactions, a portion of revenue transactions are deferred for the obligation related to the Company's loyalty program or when a material right in the form of a future discount is granted. In these transactions, the transaction price is allocated to the separate performance obligations based on the relative standalone selling price. The standalone selling price for the points earned for the Company's loyalty program is estimated using the net retail value of the merchandise purchased, adjusted for estimated breakage based on historical redemption patterns. The revenue associated with the initial merchandise purchased is recognized immediately and the value assigned to the points is deferred until the points are redeemed, forfeited or expired. Loyalty program points expire if there is no qualifying account activity for a period of 12 months. The Company issues certificates daily to loyalty program members who have earned 100 or more points in North America and 50 points or more in the United Kingdom (the "U.K.") with certificates historically expiring in four months if not redeemed. The Company assesses the redemption rates of its certifications on a quarterly basis to update the rate at which loyalty program points turn into certifications and the rate that certifications are redeemed. The Company classifies contract liabilities related to the loyalty program as deferred revenue and other on the condensed consolidated balance sheet.

The Company's commercial segment includes transactions with other businesses and is mainly comprised of wholesale sales of merchandise, supplies and fixtures, licensing the Company's intellectual properties for third-party use, and revenues generated from entertainment activities. Revenue for wholesale sales is recognized when the control of the merchandise or fixtures is transferred to the customer, which generally occurs upon shipment to the customer. The license agreements provide the customer with highly interrelated rights, including the Build-A-Bear retail operations proprietary process, that are not distinct in the context of the contract and, therefore, have been accounted for as a single performance obligation and recognized as licensee sales occur. If the contract includes a guaranteed minimum, the minimum guarantee is recognized on a straight-line basis over the guarantee term until such time as royalties earned through licensee sales exceed the minimum guarantee. The Company classifies these guaranteed minimum contract liabilities as deferred revenue and other on the condensed consolidated balance sheet. Entertainment revenue is generated through the sale of entertainment assets directly to customers or through licensing agreements.

The Company's international franchising segment includes the activities with franchisees who operate store locations in certain countries and includes development fees, sales-based royalties and merchandise, including supplies and fixture sales. The Company's obligations under the franchise agreements are ongoing and include operations and product development support and training, generally concentrated around initial store openings. These obligations are highly interrelated rights that are not distinct in the context of the contract and, therefore, have been accounted for as a single performance obligation and recognized as franchisee sales occur. If the contract includes an initial, one-time nonrefundable development fee, this fee is recognized on a straight-line basis over the term of the franchise agreement, which may extend for periods up to 25 years. The Company classifies these initial, one-time nonrefundable franchise fee contract liabilities as deferred revenue and other on its condensed consolidated balance sheet. Revenue from merchandise and fixture sales is recognized when control is transferred to the franchisee, which generally occurs upon delivery.

The Company also incurs expenses directly related to the startup of new franchises, which may include finder's fees, legal and travel costs, expenses related to its ongoing support of the franchises and employee compensation. Accordingly, the Company's policy is to capitalize any finder's fee, as an incremental cost, and expense all other costs as incurred. The Company amortizes these capitalized costs into expense in the same pattern as the development fee as described previously. These capitalized costs for the thirteen and twenty-six weeks ended August 1, 2026 are not material to the financial statements.

The Company reserves for "expected" credit losses on financial instruments and other commitments to extend credit rather than the "incurred loss" model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions and reasonable and supportable forecasts. For the twenty-six weeks ended August 1, 2026 and August 2, 2025, the Company's accounts receivable are net of \$4.2 million and \$6.9 million, respectively, inclusive of the allowance for credit losses and the reserve for the UK's customs authority "HMRC" matter of \$0.6 million and \$3.6 million, respectively. See Note 12 for further discussion of the HMRC matter.

During the first quarter of fiscal 2026, following Supreme Court rulings regarding tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"), the Company determined that it was entitled to recover approximately \$13.2 million of previously paid tariffs. The Company recorded the related receivable, recognized a \$10.4 million benefit in cost of merchandise sold-retail, including approximately \$7.0 million related to prior fiscal year costs, and reduced the carrying value of inventory by approximately \$2.8 million for tariffs attributable to inventory remaining on hand. During the second quarter of fiscal 2026, the Company collected the refund including interest and recognized the remaining inventory-related benefit as the underlying inventory was sold. As a result, the Company has substantially completed recognition of the financial statement impacts associated with the IEEPA tariff refund.

3. Leases

The majority of the Company's leases relate to retail stores and corporate offices. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of lease payments over the term. Most new retail store leases have an original term of a five to ten-year base period and may include renewal options to extend the lease term beyond the initial base period. The extension periods are typically much shorter than the original lease term given the Company's strategic decision to maintain a high level of lease optionality. Some leases also include early termination options, which can be exercised under specific conditions. Additionally, the Company may operate stores for a period of time on a month-to-month basis after the expiration of the lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Additionally, certain leases contain incentives, such as construction allowances from landlords and/or rent abatements subsequent to taking possession of the leased property.

The table below presents certain information related to the lease costs for operating leases for the thirteen and twenty-six weeks ended August 1, 2026 and August 2, 2025 (in thousands).

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
Operating lease costs	\$ 11,418	\$ 10,765	\$ 22,827	\$ 21,208
Variable lease costs (1)	2,112	2,509	4,326	4,889
Short term lease costs	34	21	61	49
Total Operating Lease costs	<u>\$ 13,564</u>	<u>\$ 13,295</u>	<u>\$ 27,214</u>	<u>\$ 26,146</u>

- (1) Variable lease costs consist of leases with variable rent structures, which are intended to increase flexibility in an environment with expected high sales volatility and provide a natural hedge against potential sales declines.

Other information

The table below presents supplemental cash flow information related to leases for the thirteen and twenty-six weeks ended August 1, 2026 and August 2, 2025 (in thousands).

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
Operating cash flows for operating leases	\$ 11,153	\$ 10,633	\$ 22,215	\$ 20,848

As of August 1, 2026 and August 2, 2025, the weighted-average remaining operating lease term was 6.2 years and 6.1 years, respectively, and the weighted-average discount rate was 6.9% and 7.1%, respectively, for operating leases recognized on the Company's condensed consolidated balance sheets.

The value of our operating lease asset was \$119.8 million and \$101.0 million as of August 1, 2026 and August 2, 2025, respectively. The increase was driven by the Company entering into leases for new stores as well as securing longer-term extensions for existing stores resulting in contracts with more favorable terms.

For the thirteen and twenty-six weeks ended August 1, 2026 and the thirteen and twenty-six weeks ended August 2, 2025, the Company incurred no impairment charges against its right-of-use operating lease assets.

Undiscounted cash flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the condensed consolidated balance sheet (in thousands).

Operating Leases	
2026	\$ 15,887
2027	33,912
2028	26,510
2029	20,987
2030	16,540
Thereafter	43,184
Total minimum lease payments	<u>157,020</u>
Less: amount of lease payments representing interest	<u>(31,509)</u>
Present value of future minimum lease payments	125,511
Less: current obligations under leases	<u>(28,138)</u>
Long-term lease obligations	<u>\$ 97,373</u>

As of August 1, 2026, the Company had additional executed leases that had not yet commenced with operating lease liabilities of \$0.9 million. These leases are expected to commence in the third quarter of fiscal 2026 with lease terms of three to ten years.

4. Other Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	August 1, 2026	January 31, 2026	August 2, 2025
Prepaid occupancy (1)	\$ 3,478	\$ 2,570	\$ 3,757
Prepaid insurance	1,603	1,068	451
Prepaid taxes (2)	327	81	143
Prepaid gift card fees	432	511	388
Prepaid royalties	396	111	203
Other (3)	5,142	5,262	5,084
Total	<u>\$ 11,378</u>	<u>\$ 9,603</u>	<u>\$ 10,026</u>

(1) Prepaid occupancy consists of prepaid expenses related to variable non-lease components.

(2) Prepaid taxes consist of prepaid federal and state income tax.

(3) Other consists primarily of prepaid expense related to information technology maintenance contracts and software as a service.

Other non-current assets consist of the following (in thousands):

	August 1, 2026	January 31, 2026	August 2, 2025
Entertainment production asset (1)	\$ 3,726	\$ 4,493	\$ 4,336
Deferred compensation	1,391	1,356	1,549
Other (2)	91	159	136
Total	<u>\$ 5,208</u>	<u>\$ 6,008</u>	<u>\$ 6,021</u>

(1) Entertainment production asset includes the direct costs, production overhead and development costs in producing entertainment assets such as films or music.

(2) Other consists primarily of deferred financing costs related to the Company's credit facility.

5. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	August 1, 2026	January 31, 2026	August 2, 2025
Accrued wages, bonuses and related expenses	\$ 9,177	\$ 16,824	\$ 12,122
Sales and value added taxes payable	2,325	3,341	2,597
Current income taxes payable	1,262	3,943	2,156
Accrued rent and related expenses (1)	1,017	1,046	885
Accrued expense - other (2)	950	950	1,350
Total	<u>\$ 14,731</u>	<u>\$ 26,104</u>	<u>\$ 19,110</u>

(1) Accrued rent and related expenses consist of accrued costs associated with non-lease components.

(2) Accrued expense - other consists of costs associated with legal accruals.

6. Stock-based Compensation

On April 14, 2020, the Company's Board of Directors (the "Board") adopted, subject to stockholder approval, the Build-A-Bear Workshop, Inc. 2020 Omnibus Incentive Plan (the "2020 Incentive Plan"). On June 11, 2020, the Company's stockholders approved the 2020 Incentive Plan. On April 11, 2023, the Board adopted, subject to stockholder approval, the Build-A-Bear Workshop, Inc. Amended and Restated 2020 Omnibus Incentive Plan (the "Restated 2020 Incentive Plan"). On June 8, 2023, at the Company's 2023 Annual Meeting of Stockholders, the Company's stockholders approved the Restated 2020 Incentive Plan. The Restated 2020 Incentive Plan, which is administered by the Compensation and Human Capital Committee of the Board, permits the grant of stock options (including both incentive and non-qualified stock options), stock appreciation rights, other stock-based awards, including restricted stock and restricted stock units, cash-based awards, and performance awards pursuant to the terms of the Restated 2020 Incentive Plan. The Restated 2020 Incentive Plan will terminate on April 11, 2033, unless earlier terminated by the Board. The total number of shares of the Company's common stock authorized for issuance under the Restated 2020 Incentive Plan increased by 800,000 to a maximum of 1,800,000 since its inception as the 2020 Incentive Plan, subject to customary capitalization adjustments, substitutions of acquired company awards and certain additions of acquired company plan shares, plus shares that are subject to outstanding awards made under the Build-A-Bear Workshop, Inc. 2017 Omnibus Incentive Plan (the "2017 Plan") that on or after April 14, 2020, may be forfeited, expire or be settled for cash.

For the thirteen weeks ended August 1, 2026 and August 2, 2025, selling, general and administrative expense included stock-based compensation expense of \$(0.8) million and \$0.7 million, respectively. For the twenty-six weeks ended August 1, 2026 and August 2, 2025 selling, general and administrative expense included stock-based compensation expense of \$(0.1) million and \$1.2 million, respectively. As of August 1, 2026, there was \$5.4 million of total unrecognized compensation expense related to unvested restricted stock awards which is expected to be recognized over a weighted-average period of 2.0 years.

As of August 1, 2026 and January 31, 2026, the Company had no outstanding stock options.

The following table is a summary of the balances and activity related to time-based and performance-based restricted stock for the twenty-six weeks ended August 1, 2026:

	Time-Based Restricted Stock		Performance-Based Restricted Stock	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding, January 31, 2026 ⁽¹⁾	73,588	\$ 37.97	156,665	\$ 32.82
Granted ⁽¹⁾	87,383	37.11	110,337	37.39
Vested	(41,415)	37.08	-	-
Adjustment for performance achievement	-	-	(40,494)	24.75
Earned and vested	-	-	(9,810)	24.75
Forfeited ⁽¹⁾	(23,336)	38.61	(70,549)	33.90
Outstanding, August 1, 2026 ⁽¹⁾	96,220	\$ 37.76	146,149	\$ 38.59

⁽¹⁾ Performance-based restricted stock outstanding, granted, and forfeited are presented at 100% of target.

The total fair value of shares vested during the twenty-six weeks ended August 1, 2026 and August 2, 2025 was \$1.8 million and \$2.5 million, respectively.

The outstanding performance shares as of August 1, 2026 consist of the following:

	Performance Shares
Unearned shares subject to performance-based restrictions at target:	
2024 - 2026 consolidated, cumulative EBITDA objectives	18,398
2024 - 2026 consolidated, cumulative revenue objectives	6,133
2025 - 2027 consolidated revenue growth objectives	37,832
2026 - 2028 consolidated revenue growth objectives	83,786
Performance shares outstanding, August 1, 2026	146,149

7. Income Taxes

The Company's effective tax rate was 24.7% and 23.8% for the thirteen and twenty-six weeks ended August 1, 2026, respectively, compared to 19.3% and 20.8% for the thirteen and twenty-six weeks ended August 2, 2025, respectively. The fiscal 2026 effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense offset partially by the tax impact of equity awards vesting and the foreign-derived deduction eligible income (formerly foreign derived intangible income). The fiscal 2025 effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense offset by the tax impact of equity awards vesting, the foreign-derived intangible income deduction and discrete benefits related to settlement of a prior period tax position. In addition, in the second quarter of fiscal 2026 and 2025, the Company remains in a full valuation allowance in certain foreign jurisdictions.

8. Stockholders' Equity

The following table sets forth the changes in stockholders' equity (in thousands) for the thirteen weeks ended August 1, 2026 and August 2, 2025 (in thousands).

	For the thirteen weeks ended August 1, 2026					For the thirteen weeks ended August 2, 2025				
	Common stock	APIC (1)	AOCI (2)	Retained earnings	Total	Common stock	APIC (1)	AOCI (2)	Retained earnings	Total
Balance, beginning	\$ 126	\$ 59,919	\$ (10,939)	\$ 109,913	\$ 159,019	\$ 132	\$ 61,602	\$ (11,295)	\$ 98,243	\$ 148,682
Shares issued under employee stock plans	2	(2)			-					-
Stock-based compensation		34			34		375			375
Shares withheld in lieu of tax withholdings	-	(104)			(104)					-
Share repurchase	(2)	(734)		(4,909)	(5,645)		(276)		(2,839)	(3,115)
Cash dividends				(2,874)	(2,874)				(2,905)	(2,905)
Other				-	-					-
Other comprehensive income			(193)		(193)			(9)		(9)
Net income				8,760	8,760				12,367	12,367
Balance, ending	<u>\$ 126</u>	<u>\$ 59,113</u>	<u>\$ (11,132)</u>	<u>\$ 110,890</u>	<u>\$ 158,997</u>	<u>\$ 132</u>	<u>\$ 61,701</u>	<u>\$ (11,304)</u>	<u>\$ 104,866</u>	<u>\$ 155,395</u>

(1) Additional paid-in capital ("APIC")

(2) Accumulated other comprehensive loss ("AOCI")

The following table sets forth the changes in stockholders' equity for the twenty-six weeks ended August 1, 2026 and August 2, 2025 (in thousands).

	For the twenty-six weeks ended August 1, 2026					For the twenty-six weeks ended August 2, 2025				
	Common stock	APIC (1)	AOCI (2)	Retained earnings	Total	Common stock	APIC (1)	AOCI (2)	Retained earnings	Total
Balance, beginning	\$ 128	\$ 60,821	\$ (10,760)	\$ 104,839	\$ 155,028	\$ 133	\$ 61,987	\$ (12,554)	\$ 89,516	\$ 139,082
Shares issued under employee stock plans	2	241			243		1,103			1,103
Stock-based compensation		414			414		659			659
Shares withheld in lieu of tax withholdings	-	(454)			(454)		(1,266)			(1,266)
Share repurchase	(4)	(1,909)		(15,240)	(17,153)	(1)	(782)		(6,540)	(7,323)
Cash dividends				(5,768)	(5,768)				(5,796)	(5,796)
Other				-	-					-
Other comprehensive income			(372)		(372)			1,250		1,250
Net income				27,059	27,059				27,686	27,686
Balance, ending	<u>\$ 126</u>	<u>\$ 59,113</u>	<u>\$ (11,132)</u>	<u>\$ 110,890</u>	<u>\$ 158,997</u>	<u>\$ 132</u>	<u>\$ 61,701</u>	<u>\$ (11,304)</u>	<u>\$ 104,866</u>	<u>\$ 155,395</u>

(1) Additional paid-in capital ("APIC")

(2) Accumulated other comprehensive loss ("AOCI")

During the thirteen and twenty-six weeks ended August 1, 2026, the Company utilized \$5.6 million in cash to repurchase 155,118 shares and utilized \$17.0 million in cash to repurchase 403,236 shares, respectively, under its \$100 million stock repurchase program that was authorized by the Board on September 11, 2024 (the "September 2024 Stock Repurchase Program"). Between the end of the second fiscal quarter of 2026 and September 8, 2026, the Company utilized an additional \$4.2 million in cash to repurchase 129,194 shares under the September 2024 Stock Repurchase Program, leaving an aggregate of \$40.5 million available for future repurchases under that plan. For the thirteen and twenty-six weeks ended August 1, 2026, the Board authorized cash dividends to stockholders of \$2.9 million and \$5.8 million, respectively.

During the thirteen and twenty-six weeks ended August 2, 2025, the Company utilized \$3.1 million in cash to repurchase 59,083 shares and utilized \$7.3 million to repurchase 167,585 shares, respectively, under the September 2024 Stock Repurchase Program. For the thirteen and twenty-six weeks ended August 2, 2025, the Company's Board of Directors authorized cash dividends to stockholders of \$2.9 million and \$5.8 million, respectively.

9. Income per Share

The following table sets forth the computation of basic and diluted net income per share (in thousands, except share and per share data):

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
NUMERATOR:				
Net income	\$ 8,760	\$ 12,367	\$ 27,059	\$ 27,686
DENOMINATOR:				
Weighted average number of common shares outstanding - basic	12,420,379	13,111,615	12,502,383	13,095,958
Dilutive effect of share-based awards:	11,154	27,855	24,339	46,485
Weighted average number of common shares outstanding - dilutive	<u>12,431,533</u>	<u>13,139,470</u>	<u>12,526,722</u>	<u>13,142,443</u>
Basic net income per common share	<u>\$ 0.71</u>	<u>\$ 0.94</u>	<u>\$ 2.16</u>	<u>\$ 2.11</u>
Diluted net income per common share	<u>\$ 0.70</u>	<u>\$ 0.94</u>	<u>\$ 2.16</u>	<u>\$ 2.11</u>

In calculating the diluted income per share for the thirteen and twenty-six weeks ended August 1, 2026, respectively, there were 162,065 and 115,630 shares of common stock that were outstanding at the end of the period that were not included in the computation of diluted income per share due to their anti-dilutive effect. For the thirteen and twenty-six weeks ended August 2, 2025, respectively, there were 28,036 and 14,018 shares of common stock that were outstanding at the end of the period that were not included in the computation of diluted income per share due to their anti-dilutive effect.

10. Comprehensive Income

The difference between comprehensive income or loss and net income or loss is the result of foreign currency translation adjustments on the balance sheets of subsidiaries whose functional currency is not the U.S. dollar. The accumulated other comprehensive loss balance on August 1, 2026 and August 2, 2025 was comprised entirely of foreign currency translation. For the thirteen weeks ended August 1, 2026 and August 2, 2025, the Company had no reclassifications out of accumulated other comprehensive loss.

11. Segment Information

The Company's operations are conducted through three operating segments, consisting of DTC, commercial and international franchising. The DTC segment includes the operating activities of corporately-managed locations and other retail delivery operations in the U.S., Canada, Puerto Rico, the Republic of Ireland and the U.K., including the Company's e-commerce sites and temporary stores. The commercial segment includes the Company's transactions with other businesses, mainly comprised of wholesale sales of merchandise, supplies and fixtures, licensing the Company's intellectual properties for third party use, and revenues generated from entertainment activities. The international franchising segment includes the licensing activities of the Company's franchise agreements with store locations in select countries in Asia, Australia, the Middle East, Africa, and South America. The operating segments have discrete sources of revenue, different capital structures and different cost structures. These operating segments represent the basis on which the Company's chief operating decision maker regularly evaluates the business in assessing performance, determining the allocation of resources and the pursuit of future growth opportunities. Accordingly, the Company has determined that each of its operating segments represent a reportable segment. The three reportable segments follow the same accounting policies used for the Company's consolidated financial statements.

The following is a summary of the financial information for the Company's reportable segments (in thousands):

	Direct-to- Consumer	Commercial	International Franchising	Total
Thirteen weeks ended August 1, 2026				
Total Revenue	\$ 106,544	\$ 8,086	\$ 661	\$ 115,291
Cost of Goods Sold	48,982	3,383	437	52,802
Gross Profit	57,562	4,703	224	62,489
Selling, General & Administrative	34,767	987	306	36,060
Contribution Margin	22,795	3,716	(82)	26,429
Overhead Expenses ⁽¹⁾				15,350
Interest Income				(552)
Income before income taxes				\$ 11,631
Thirteen weeks ended August 2, 2025				
Total Revenue	\$ 114,635	\$ 8,629	\$ 983	\$ 124,247
Cost of Goods Sold	48,552	3,419	765	52,736
Gross Profit	66,083	5,210	218	71,511
Selling, General & Administrative	34,183	97	-	34,280
Contribution Margin	31,900	5,113	218	37,231
Overhead Expenses ⁽¹⁾				22,119
Interest Income				(206)
Income before income taxes				\$ 15,318
Twenty-six weeks ended August 1, 2026				
Total Revenue	\$ 220,010	\$ 19,034	\$ 1,517	\$ 240,561
Cost of Goods Sold	89,320	7,802	1,078	98,200
Gross Profit	130,690	11,232	439	142,361
Selling, General & Administrative	70,847	1,090	306	72,243
Contribution Margin	59,843	10,142	133	70,118
Overhead Expenses ⁽¹⁾				35,293
Interest Income				(686)
Income before income taxes				\$ 35,511
Twenty-six weeks ended August 2, 2025				
Total Revenue	\$ 234,224	\$ 16,251	\$ 2,167	\$ 252,642
Cost of Goods Sold	100,123	6,433	1,588	108,144
Gross Profit	134,101	9,818	579	144,498
Selling, General & Administrative	68,535	193	-	68,728
Contribution Margin	65,566	9,625	579	75,770
Overhead Expenses ⁽¹⁾				41,227
Interest Income				(406)
Income before income taxes				\$ 34,949

(1) Overhead expenses contain selling, general and administrative expenses not attributable to a segment.

Total assets, depreciation and amortization, and capital expenditures for the Company's segments, as well as for Corporate and support, are as follows (in thousands):

	Direct-to-Consumer	Commercial	International Franchising	Corporate	Total
Thirteen weeks ended August 1, 2026					
Total Assets	\$ 243,692	\$ 13,562	\$ 1,336	\$ 75,511	\$ 334,101
Depreciation and amortization	2,671	467	-	974	4,112
Capital Expenditures	7,690	-	-	862	8,552
Thirteen weeks ended August 2, 2025					
Total Assets	\$ 219,168	\$ 11,466	\$ 1,648	\$ 85,956	\$ 318,238
Depreciation and amortization	2,691	35	-	942	3,668
Capital Expenditures	2,381	-	-	984	3,365
Twenty-six weeks ended August 1, 2026					
Total Assets	\$ 243,692	\$ 13,562	\$ 1,336	\$ 75,511	\$ 334,101
Depreciation and amortization	5,235	825	-	2,054	8,114
Capital Expenditures	13,101	-	-	2,320	15,421
Twenty-six weeks ended August 2, 2025					
Total Assets	\$ 219,168	\$ 11,466	\$ 1,648	\$ 85,956	\$ 318,238
Depreciation and amortization	5,425	74	-	1,869	7,368
Capital Expenditures	4,021	-	-	2,307	6,328

The Company's reportable segments are primarily determined by the types of products and services that they offer. Each reportable segment may operate in many geographic areas. Revenues are recognized in the geographic areas based on the location of the customer or franchisee. The following schedule is a summary of the Company's sales to external customers and long-lived assets by geographic area (in thousands):

	North America (1)	Europe (2)	Other (3)	Total
Thirteen weeks ended August 1, 2026				
Net sales to external customers	\$ 101,011	\$ 13,272	\$ 1,008	\$ 115,291
Thirteen weeks ended August 2, 2025				
Net sales to external customers	\$ 107,066	\$ 15,775	\$ 1,406	\$ 124,247
Twenty-six weeks ended August 1, 2026				
Net sales to external customers	\$ 208,509	\$ 27,607	\$ 4,445	\$ 240,561
Property and equipment, net	74,493	4,565		79,058
Twenty-six weeks ended August 2, 2025				
Net sales to external customers	\$ 218,339	\$ 31,402	\$ 2,901	\$ 252,642
Property and equipment, net	54,121	4,683		58,804

For purposes of this table only:

- (1) North America includes corporately-managed locations and sales to wholesale customers in the United States and Canada.
- (2) Europe includes corporately-managed locations in the U.K. and the Republic of Ireland and sales to wholesale customers in Europe.
- (3) Other includes wholesale and franchise businesses outside of North America and Europe.

12. Contingencies

In the normal course of business, the Company is subject to legal proceedings, government inquiries and claims, and other commercial disputes. If one or more of these matters has an unfavorable resolution, it is possible that the results of operations, liquidity or financial position of the Company could be materially affected in any particular period. The Company accrues a liability for these types of contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. Gain contingencies are recorded when the underlying uncertainty has been settled.

Assessments made by the U.K. customs authority in 2012 were appealed by the Company, which has paid the disputed duty, strictly under protest, pending the outcome of the continuing dispute, and this is included in receivables, net in the DTC segment. The U.K. customs authority contested the Company's appeal. Rulings by the First Tier Tribunal in November 2019 and Upper Tribunal in March 2021 held that duty was due on some, but not all, of the products at issue. The Company petitioned the Court of Appeal for permission to appeal certain elements of the Upper Tribunal decision, and in early November 2021, a judge granted the Company's petition for permission to appeal those elements of the Upper Tribunal decision on some, but not all, of the grounds of appeal that the Company had put forward. An appeal was heard by the Court of Appeal during the first quarter of fiscal 2022, and the Court of Appeal dismissed the appeal in the third quarter of fiscal 2022. During the fourth quarter of fiscal 2022, the UK Supreme Court declined to hear the appeal. The Company is engaging with the customs authority to attempt to resolve all outstanding issues following the application of the determined principles. The case will return to the lower tribunal for a final ruling if outstanding issues cannot be resolved. The Company maintains a provision against the related receivable, based on a current evaluation of collectability, using the latest facts available in the dispute. During the first quarter of fiscal 2026, the Company received approximately \$0.6 million from His Majesty's Revenue and Customs ("HMRC"). Following this receipt, the Company reassessed the collectability of the related receivable and adjusted both the gross receivable balance and the associated reserve by \$3.2 million, leaving a gross receivable balance of \$0.8 million, a reserve of \$0.6 million, and a net receivable of \$0.2 million as of August 1, 2026. The Company believes that the outcome of this dispute will not have a material adverse impact on the results of operations, liquidity, or financial position of the Company.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice Regarding Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties, and we undertake no obligation to update these statements except as required by the federal securities laws. Our actual results may differ materially from the results discussed in the forward-looking statements. These risks and uncertainties include, without limitation, those detailed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2026, as amended by Amendment No. 1, as filed with the SEC, and include the following:

- any uncertainty or decline in general global economic conditions, caused by inflation, rising interest rates, geo-political conflicts, or other external factors, could lead to disproportionately reduced discretionary consumer spending and a corresponding reduction in demand for our products and have an adverse effect on our liquidity and profitability;
- the uncertainty of the impact of tariffs on countries from which we import is expected to have an impact on our business, mainly our cost of goods and profit margin;
- consumer interests can 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 our products and services;
- we depend upon the shopping malls and tourist locations in which our stores are located to attract guests. Continued or further volatility in retail consumer traffic could adversely affect our financial performance and profitability;
- our business may be adversely impacted at any time by various significant competitive threats;
- global or regional health pandemics or epidemics could negatively impact our business, financial position and results of operations;
- our profitability could be adversely affected by fluctuations in petroleum product prices;
- if we are unable to generate interest in and demand for our interactive retail experience and products, including being able to identify and respond to consumer preferences in a timely manner, our sales, financial condition and profitability could be adversely affected;
- our use of artificial intelligence technologies presents operational, reputational, data security and legal risks that could adversely affect our business and financial performance, and any failure to effectively leverage artificial technologies in our business could negatively impact our customer engagement and competitive position;
- if we cannot renew, renegotiate or replace our store leases or enter into leases for new stores on favorable terms, or if we violate any of the terms of our current leases, our revenue and profitability could be harmed;
- failure to successfully execute our omnichannel and brand expansion strategy and the cost of our investments in e-commerce and digital transformation may materially adversely affect our financial condition and profitability;
- we are subject to risks associated with technology and digital operations;
- we may not be able to evolve our store locations over time to align with market trends, successfully diversify our store formats and business models in accordance with our strategic goals or otherwise effectively manage our overall portfolio of stores which could adversely affect our ability to grow and could significantly harm our profitability;
- our company-owned distribution center that services the majority of our stores in North America and our third-party distribution center providers used in the western U.S. and Europe may be required to close and operations may experience disruptions or may operate inefficiently;
- we rely on a few global supply chain vendors to supply substantially all of our materials and merchandise, and significant price increases or any disruption in their ability to deliver materials and merchandise could harm our ability to source products and supply inventory to our stores;
- our merchandise is manufactured by foreign manufacturers, we transact business in various foreign countries, 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;
- we may not be able to operate our international corporately-managed locations profitably;
- if we cannot effectively manage our international partner-operated locations, attract new partners or if the laws relating to our international partners change, our growth and profitability could be adversely affected, and we could be exposed to additional liability;
- we are subject to a number of risks related to disruptions, failures or security breaches of our information technology infrastructure. If we improperly obtain or are unable to protect our data or violate privacy or security laws or expectations, we could be subject to liability as well as damage to our reputation;
- we may fail to renew, register or otherwise protect our trademarks or other intellectual property and have been sued by third parties for infringement or misappropriation of their proprietary rights, which could be costly, distract our management and personnel and result in the diminution in value of our trademarks and other important intellectual property;
- we may suffer negative publicity or be sued if the manufacturers of our merchandise or of Build-A-Bear branded merchandise sold by our licensees ship any products that do not meet current safety standards or production requirements or if such products are recalled or cause injuries;
- 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;
- 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;
- we may suffer negative publicity and damage to our reputation if we do not continue to evolve environmental, social, and governance initiatives in a timely manner;
- fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline;
- fluctuations in our operating results could reduce our cash flow, or trigger restrictions under our credit agreement, cause us to be unable to repurchase shares at all, at the times or in the amounts we desire, cause the results of our share repurchase program may not be as beneficial as we would like, or cause us to discontinue our quarterly dividend program;
- our relatively low market capitalization can cause the market price of our common stock to become volatile;
- our certificate of incorporation and bylaws and Delaware law contain provisions that may prevent or frustrate attempts to replace or remove our current management by our stockholders, even if such replacement or removal may be in our stockholders' best interests;
- we may not be able to operate successfully if we lose key personnel, are unable to hire qualified additional personnel, or experience turnover of our management team;
- because our business is largely based on a vertical retail model, labor-related matters, ranging from union formation to labor disputes, may adversely affect our operations; and
- we may be unsuccessful in acquiring businesses or engaging in other strategic transactions, which may negatively affect our financial condition and profitability.

Business Overview

Build-A-Bear Workshop, Inc., a Delaware corporation, was formed in 1997 as a mall-based, experiential specialty retailer for children. Build-A-Bear has evolved to become a leading global "retailtainment" brand on a mission to add a little more heart to life. At Build-A-Bear, guests are invited to create personalized furry friends through a unique stuffing, dressing, accessorizing and naming process, accentuated by a memorable Heart Ceremony that creates moments of connection for people of all ages. Over the years, Build-A-Bear has grown into a multi-generational phenomenon, positioned at the intersection of pop-culture trends. Beyond its signature retail experience, our brand also offers pre-stuffed plush, gifting, partnerships with best-in-class licensed and collectible characters, and original storytelling through Build-A-Bear Entertainment, LLC. Build-A-Bear's current brand platform and message, "The Stuff You Love," crosses ages and cultures while celebrating nearly 30 years of helping people mark life's meaningful moments.

The Build-A-Bear brand has high consumer awareness and positive affinity, and we leverage our brand strength to expand the footprint of our retail experience locations through a range of store sizes, formats, and locations, including tourist destinations. In addition to growing our corporately-managed store footprint, we are also growing through partner-operated and franchise locations, particularly for our international expansion. Our ongoing digital transformation, which touches our e-commerce business, consumer loyalty program, and digital content, has led to omnichannel growth over the past several years. Build-A-Bear's pop-culture appeal plays a key role in expanding our total addressable market beyond children to teens and adults with sports licensing, collectible and gifting offerings, as well as to categories beyond plush.

As of August 1, 2026, the Company had 674 global locations through a combination of its corporately-managed, partner-operated, and franchise models. This reflects 379 corporately-managed locations, including 337 stores in the United States ("U.S.") and Canada and 42 stores in the United Kingdom ("U.K.") and the Republic of Ireland, 177 partner-operated locations in which we sell our products on a wholesale basis to other companies that then, in turn, execute our retail experience, and 118 international franchise locations, all under the Build-A-Bear Workshop brand. In addition to these locations, we sell products on our company-owned e-commerce sites and third-party marketplace sites, our franchisees sell products through sites that they manage as well as other third-party marketplace sites and other parties sell products on their sites under wholesale agreements. For fiscal year 2026 year-to-date, the Company achieved net new unit growth of 12 experience locations, comprising four corporately managed locations and nine international franchise locations, partially offset by one fewer partner-operated location compared with the prior fiscal year.

We operate in three segments that share the same infrastructure, including management, systems, merchandising and marketing, and generate revenues as follows:

- Direct to Consumer ("DTC") – Corporately-managed retail stores located in the U.S., Canada, Puerto Rico, the U.K., Ireland, and two e-commerce sites;
- Commercial – Transactions with other businesses, mainly comprised of wholesale product sales and licensing our intellectual property, including entertainment properties, for third-party use; and
- International franchising – Royalties as well as product and fixture sales from other international operations under franchise agreements.

Selected financial data attributable to each segment for the thirteen and twenty-six weeks ended August 1, 2026 and August 2, 2025 are set forth in the notes to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Recent Events and Trends Regarding Tariffs and International Trade

Global trade policy continues to evolve and the ultimate impact of recent developments with respect to U.S. tariffs is unclear. During the first quarter of fiscal 2026, following Supreme Court rulings regarding tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"), the Company determined that it was entitled to recover approximately \$13.2 million of previously paid tariffs. The Company recorded the related receivable, recognized a \$10.4 million benefit in cost of merchandise sold-retail, including approximately \$7.0 million related to prior fiscal year costs, and reduced the carrying value of inventory by approximately \$2.8 million for tariffs attributable to inventory remaining on hand. During the second quarter of fiscal 2026, the Company collected the refund including interest and recognized the remaining inventory-related benefit as the underlying inventory was sold. As a result, the Company has substantially completed recognition of the financial statement impacts associated with the IEEPA tariff refund.

The Company continues to be subject to tariffs imposed under other legal authorities. Based on current information, the Company's fiscal 2026 outlook reflects the impact of ongoing tariffs and related costs associated with an estimated effective tariff rate of approximately 12.5%. There remains uncertainty regarding future tariff policies, tariff rates, trade negotiations, potential retaliatory actions, and the duration of existing tariffs. The Company continues to monitor these developments and evaluate their potential impact on its business, financial condition, results of operations, and cash flows.

Since we import the vast majority of our products from vendors outside the U.S., we face uncertainty and risks related to tariffs and other trade policies that could negatively impact our Company. Tariffs and other non-tariff trade practices can adversely affect our business in multiple ways, including increased costs of our products. While we have taken steps in recent years to diversify our supply chain and reduce China sourcing by shifting primarily to Vietnam, we remain subject to substantial potential exposure to tariffs. Specifically, the latest tariffs implemented by the U.S. continue to have an impact on our cost structure and product margins. Additionally, the uncertainty about trade policy, tariff rates, and other changes in practices affecting international trade, including whether such tariffs or other measures will be withdrawn, or modified in the future, makes it difficult for us to operate optimally. Depending on the level and longevity of the tariff disruption, we will continue to adjust our pricing while monitoring the impact of inflation and consumer confidence, on both a micro and macro basis.

Description of Operations

Build-A-Bear Workshop offers interactive entertainment experiences via both physical and digital engagement, targeting a range of consumer segments and purchasing occasions through digitally-driven, diversified omnichannel capabilities. We operate a vertical retail channel with corporately-operated experience locations that feature a unique combination of interactivity and product in which guests can “make their own” furry friends by participating in the stuffing, dressing, accessorizing and naming of their own teddy bears and other stuffed animals along with the now-famous Heart Ceremony that helps to make the experience memorable by bringing the furry friend to “life.” Our retail footprint also comprises both domestic and international partner-operated and franchise locations that extend our unique combination of experience and product beyond our corporately-operated locations. We also operate buildabear.com, which serves as an information and communications tool to plan a store visit as well as an e-commerce platform that focuses on gift-giving, collectible merchandise and licensed products that appeal to consumers that have an affinity for characters from a range of entertainment, sports, art, and gaming properties. Our engaging digital purchasing experiences include our online “Bear-Builder” and an age-gated adult-focused “Bear Cave” microsite. Our retail stores also act as “mini distribution centers” that provide efficient omnichannel support for our digital demand. While the primary consumer target for our retail stores is families with children, our e-commerce sites focus on collectors and gift givers that are primarily tweens, teens and adults. We have also extended our business model by leveraging our brand strength and owned intellectual properties through the creation of engaging content for kids and adults while also offering products at wholesale and in non-plush consumer categories via outbound licensing agreements with leading manufacturers.

We seek to provide outstanding guest experiences across all channels and touch points including our retail locations, our e-commerce sites, our mobile sites and apps as well as traditional, digital, and social media. We believe the hands-on and interactive nature of our experiential locations, our personal service model and engaging digital shopping experiences result in guests forming an emotional connection with our brand which has multi-generational appeal that captures today’s zeitgeist including desire for engaging experiences, personalization and “DIY” while being recognized as trusted, giving, and a part of pop culture.

Operating Strategies

Our operating strategies have enabled us to build a strong foundation while continuing to invest in the brand’s iconic status, diversifying and growing the business by reaching more consumers, in more places, with more products, for more occasions. Upon that foundation, we have evolved to focus on scaling our company through a four-pillar strategic framework, supported by four platform areas. These four pillars are intended to leverage the strength of the brand to drive incremental revenue, with pillars one and two continuing to activate proven strategies, with an expectation that they will help fund the expansion into the newer revenue streams represented by pillars three and four.

These four pillars are as follows:

- **Pillar One - Organic Growth.** While we expect to add new and faster-growing revenue streams over time, we must also continue to drive our core business. We plan to do this by optimizing our omnichannel model via deeper integration, greater visibility, and more meaningful engagement with guests to improve lifetime value. Our physical experiential locations remain critical in building the strength of the Build-A-Bear brand with our core kid consumer. At the same time, our e-commerce business remains our single largest store, serving as a key information destination and a highly complementary channel that extends our reach beyond the core by over-indexing with teen and adult gifting and collectible consumers.
- **Pillar Two - Location Expansion.** We expect to continue growing our experiential location footprint across all three retail business models, including corporately operated, partner-operated, and franchise, with a particular focus on international growth through our asset-light partner-operated approach. We expect to continue opening across global locations, in a broad range of formats, from smaller standalone locations, shop-in-shops to larger, tourist-destination locations.
- **Pillar Three - Wholesale and Outbound Brand Licensing.** We are enhancing our capabilities, from systems to sourcing to replenishment, to be able to sell branded products to traditional wholesale customers beyond our experience locations. These products will be based on a variety of form factors and designed for the wholesale channel, including, for example, pre-stuffed plush. This effort is designed not only to drive incremental revenue but also to extend the brand presence to tens of thousands of new points of sale. We also intend to leverage our nearly 30 years of multi-generational brand equity to access substantial whitespace and enter adjacent non-plush categories through outbound licensing relationships, again, to bring Build-A-Bear-branded items to more places. Importantly, we view these additional spaces as complementary to our Workshops, with the intention of ultimately serving as a mechanism for awareness and trial, driving more traffic to our stores for the full Build-A-Bear experience.
- **Pillar Four - Gifting and Personalization.** This pillar is designed to gain more share of the growing multi-billion-dollar gifting and personalization markets. Build-A-Bear offers beloved gifts that create memories for both the gift-giver and recipient across multiple age groups and occasions. With over one-third of our revenue currently driven by birthdays, we have already proven that the brand is associated with gifting occasions but believe there is a robust opportunity to expand into gifts for more of life’s special moments, with our powerful brand and personalization options serving as an important competitive point of difference.

These four pillars are enabled by our continued focus on four platform areas that span each of the pillars and support their continued growth. The four platforms are as follows:

- **Platform One - Enhance Brand.** Building our brand is core to our long-term growth, as it is the cornerstone of our ability to bring the unique and memorable Build-A-Bear experience to more guests around the world. We leverage innovative, brand-aligned marketing strategies to reach and engage our guests to enhance their affinity with and trust of Build-A-Bear.

- **Platform Two - Leverage Content.** We drive elevated consumer engagement with Build-A-Bear through the strategic integration of product and experience across several different content strategies, including: stories that we tell through the launches of seasonal collections; owned Intellectual Property that can evolve from a screen-based character into plush; and partnerships with licensed brands for whom we can create unique “make-your-own” plush interpretations of their beloved characters.

- **Platform Three - Evolve Technology.** We strategically evolve our technological infrastructure as needed to support our future growth and make data-driven decisions that allow us to scale more effectively.

- Platform Four - Elevate Organization. We elevate our workforce to support the capabilities required for growth both through the development of current talent and the strategic addition of new team members to our organization.

Stores:

Corporately-Managed Locations:

The table below sets forth the number of Build-A-Bear Workshop corporately-managed stores in the U.S., Canada, and Puerto Rico (collectively, North America) and the U.K. and Ireland (collectively, Europe) for the periods presented:

	Twenty-six weeks ended					
	August 1, 2026			August 2, 2025		
	North America	Europe	Total	North America	Europe	Total
Beginning of period	333	42	375	328	40	368
Opened	8	-	8	-	1	1
Closed	(4)	-	(4)	(1)	-	(1)
End of period	337	42	379	327	41	368

As of August 1, 2026, 55% of our corporately-managed stores were in an updated Discovery format. We also expect to close certain stores in accordance with natural lease events as an ongoing part of our real estate management and day-to-day operational plans. The future of our retail store fleet may include expansion into more non-traditional locations, including concourse format shops, and expansion in other locations outside of traditional malls.

Partner-Operated Locations:

The number of partner-operated locations opened and closed for the periods presented below is summarized as follows:

	Twenty-six weeks ended	
	August 1, 2026	August 2, 2025
Beginning of period	178	138
Opened	13	19
Closed	(14)	-
End of period	177	157

Through our partner-operated model, there were 177 stores in operation at the end of the second quarter of 2026 with relationships that included Carnival Cruise Line, Great Wolf Lodge Resorts, Landry's and Girl Scouts of the USA. The partner-operated model is capital light for us, with the partner company building out and operating the workshops including providing the real estate location and covering the cost of labor and inventory, which is purchased from us on a wholesale basis. These locations are heavily weighted to the hospitality industry, which allow us to further advance our focus on experience location expansion in non-traditional and tourist areas, as well as shop-in-shop arrangements within other retailers' stores.

International Franchise Locations:

Our first franchisee location opened in November 2003. All franchise stores have similar signage, store layout, merchandise characteristics and guest experience as our corporately-managed stores. As of August 1, 2026, we had seven master franchise agreements, which typically grant franchise rights for a particular country or group of countries, covering a total of twelve countries.

The number of international franchise locations opened and closed for the periods presented below is summarized as follows:

	Twenty-six weeks ended	
	August 1, 2026	August 2, 2025
Beginning of period(1)	109	92
Opened	10	15
Closed	(1)	(5)
End of period	118	102

(1) Count for both years include nine shop-in-shop locations in Australia not previously reported.

In the ordinary course of business, we anticipate signing additional master franchise agreements in the future and terminating other such agreements. We source fixtures and other supplies for our franchisees from China which significantly reduces the capital and lowers the expenses required to open franchises. We are leveraging new formats that have been developed for our corporately-managed locations such as concourses and shop-in-shops with our franchisees.

Results of Operations

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of total revenues, except where otherwise indicated. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales, commercial revenue, international franchising, respectively, as well as immaterial rounding.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
Revenues:				
Net retail sales	92.4%	92.3%	91.5%	92.7%
Commercial revenue	7.0	6.9	7.9	6.4
International franchising	0.6	0.8	0.6	0.9
Total revenues	100.0	100.0	100.0	100.0
Costs and expenses:				
Cost of merchandise sold - retail (1)	46.0	42.4	40.6	42.7
Cost of merchandise sold - commercial (1)	41.8	39.6	41.0	39.6
Cost of merchandise sold - international franchising (1)	66.1	77.8	71.1	73.3
Total cost of merchandise sold	45.8	42.4	40.8	42.8
Consolidated gross profit	54.2	57.6	59.2	57.2
Selling, general and administrative	44.6	45.4	44.7	43.5
Interest income, net	(0.5)	(0.2)	(0.3)	(0.2)
Income before income taxes	10.1	12.3	14.8	13.8
Income tax expense	2.5	2.4	3.5	2.9
Net income	7.6	10.0	11.2	11.0
Retail Gross Margin (2)	54.0%	57.6%	59.4%	57.3%

- (1) Cost of merchandise sold – retail is expressed as a percentage of net retail sales. Cost of merchandise sold – commercial is expressed as a percentage of commercial revenue. Cost of merchandise sold – international franchising is expressed as a percentage of international franchising revenue.
- (2) 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.

Thirteen weeks ended August 1, 2026 compared to thirteen weeks ended August 2, 2025

Total revenues. Consolidated revenues decreased \$9.0 million or 7.2%, primarily driven by a \$8.1 million or 7.1% decrease in net retail sales and a \$0.9 million or 9.0% decrease in combined commercial and international franchising revenue when compared to the second fiscal quarter of 2025. The decrease in net retail sales was driven by lower sales at existing stores and decreased e-commerce demand offset by sales at new stores. The decrease in commercial revenue was due to lower sales volume from our wholesale customers through our partner-operated retail model. The decrease in international franchising revenue was due to timing of product shipments.

Net retail sales for the thirteen weeks ended August 1, 2026 were \$106.5 million, compared to \$114.6 million for the thirteen weeks ended August 2, 2025. The components of the performance are as follows (dollars in thousands):

	Thirteen weeks ended August 1, 2026
Impact from:	
Existing stores	\$ (10,921)
New stores	4,141
Store closures	(477)
Foreign currency translation	(131)
Gift card breakage	(169)
Gift card discounts	143
Digital sales	(1,144)
Other	467
Total Change	\$ (8,091)

The lower retail revenue performance was primarily due to lower sales at existing stores and decreased e-commerce demand offset by sales at new stores.

Commercial revenue was \$8.1 million for the thirteen weeks ended August 1, 2026 compared to \$8.6 million for the thirteen weeks ended August 2, 2025. The \$0.5 million decrease was primarily due to lower sales volume from our wholesale accounts.

International franchising revenue was \$0.7 million for the thirteen weeks ended August 1, 2026 compared to \$1.0 million for the thirteen weeks ended August 2, 2025. The \$0.3 million decrease was primarily due to lower royalties and other sales to franchisees.

Retail gross margin. Retail gross margin dollars decreased \$8.5 million to \$57.6 million from \$66.1 million for the thirteen weeks ended August 2, 2025. The retail gross margin rate decreased 360 basis points compared to the prior year primarily due to occupancy cost deleverage and increased promotional activity.

Selling, general and administrative. SG&A expenses were \$51.4 million, or 44.6% of consolidated revenue, for the thirteen weeks ended August 1, 2026, compared to \$56.4 million, or 45.4% of consolidated revenue, for the thirteen weeks ended August 2, 2025. The decrease was primarily driven by lower incentive compensation.

Interest income, net. Interest income was \$0.6 million for the thirteen weeks ended August 1, 2026, compared to interest income of \$0.2 million for the thirteen weeks ended August 2, 2025. The increase was driven by higher interest income from IEEPA tariff refunds.

Provision for income taxes. Income tax expense was \$2.9 million with a tax rate of 24.7% for the thirteen weeks ended August 1, 2026, as compared to \$3.0 million with a tax rate of 19.3% for the thirteen weeks ended August 2, 2025. In the second quarter of fiscal 2026, the effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense partially offset by the tax impact of equity awards vesting and the foreign-derived eligible income deduction (formerly foreign derived intangible income). In the second quarter of fiscal 2025, the effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense offset by the tax impact of equity awards vesting, the foreign-derived intangible income deduction and discrete benefits related to settlement of a prior period tax position. In addition, in the second quarter of fiscal 2026 and 2025, the Company remains in a full valuation allowance in certain foreign jurisdictions.

Twenty-six weeks ended August 1, 2026 compared to twenty-six weeks ended August 2, 2025

Total revenues. Consolidated revenues decreased \$12.1 million or 4.8%, primarily driven by a \$14.2 million or 6.1% decrease in net retail sales partially offset by a \$2.1 million or 11.6% increase in combined commercial and international franchising revenue when compared to the same period of 2025. The decrease in net retail sales was driven by lower sales at existing stores and decreased e-commerce demand. The increase in commercial revenue was due to higher sales to our wholesale customers, including sales to new wholesale customers resulting from a net increase of 16 partner-operated locations since the second quarter of 2025.

Net retail sales for the twenty-six weeks ended August 1, 2026 were \$220.0 million compared to \$234.2 million for the twenty-six weeks ended August 2, 2025. The components of the performance are as follows (dollars in thousands):

	Twenty-six weeks ended August 1, 2026
Impact from:	
Existing stores	\$ (18,450)
New stores	7,679
Store closures	(963)
Foreign currency translation	701
Gift card breakage	(161)
Gift card discounts	271
Digital sales	(4,018)
Other	726
Total Change	<u>\$ (14,214)</u>

The lower retail revenue performance was primarily due to lower sales at existing stores and decreased e-commerce demand.

Commercial revenue was \$19.0 million for the twenty-six weeks ended August 1, 2026 compared to \$16.3 million for the twenty-six weeks ended August 2, 2025. The \$2.8 million increase is primarily due to increased sales volume from our wholesale accounts.

International franchising revenue was \$1.5 million for the twenty-six weeks ended August 1, 2026 compared to \$2.2 million for the twenty-six weeks ended August 2, 2025. The \$0.7 million decrease is primarily due to lower royalties and other sales to franchisees.

Retail gross margin. Retail gross margin dollars decreased \$3.4 million to \$130.7 million from \$134.1 million for the twenty-six weeks ended August 2, 2025. The retail gross margin rate increased 210 basis points compared to the prior year. Excluding a 535 basis-point benefit from the \$7.0 million IEEPA tariff refund related to prior fiscal year costs, retail gross margin increased primarily driven by selective price increases partially offset by occupancy cost deleverage and higher promotional activity.

Selling, general and administrative. SG&A expenses were \$107.5 million, or 44.7% of consolidated revenue, for the twenty-six weeks ended August 1, 2026, compared to \$110.0 million, or 43.5% of consolidated revenue, for the twenty-six weeks ended August 2, 2025. The 120-basis-point increase in SG&A expense was driven mainly by higher store-level compensation expense, general inflationary pressures, and longer-term investments, partially offset by lower incentive compensation expense.

Interest income, net. Interest income was \$0.7 million for the twenty-six weeks ended August 1, 2026, compared to interest income of \$0.4 million for the twenty-six weeks ended August 2, 2025. The increase was driven by higher interest income from IEEPA tariff refunds.

Provision for income taxes. Income tax expense was \$8.5 million with a tax rate of 23.8% for the twenty-six weeks ended August 1, 2026, as compared to \$7.3 million with a tax rate of 20.8% for the twenty-six weeks ended August 1, 2026. The fiscal 2026 effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense partially offset by the tax impact of equity awards vesting and the foreign-derived eligible income deduction (formerly foreign derived intangible income). The fiscal 2025 effective tax rate differed from the statutory rate of 21% primarily due to state income tax expense offset by the tax impact of equity awards vesting, the foreign-derived intangible income deduction and discrete benefits related to settlement of a prior period tax position.

Earnings before Interest, Taxes, Depreciation, and Amortization

We believe that earnings before interest, taxes, depreciation, and amortization ("EBITDA") provides meaningful information about our operational efficiency by excluding the impact of differences in tax jurisdictions and structures, debt levels, and capital investment. Additionally, this measure is the metric used for portions of the Company's incentive compensation structure. This measure is not in accordance with, or an alternative to, GAAP. The most comparable GAAP measure is income before income taxes, or pre-tax income. EBITDA should not be considered in isolation or as a substitution for analysis of our results as reported in accordance with GAAP. Other companies may calculate EBIT and EBITDA differently, limiting the usefulness of the measures for comparisons with other companies. The following table sets forth, for the periods indicated, the components of EBITDA (dollars in millions).

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2026	August 2, 2025	August 1, 2026	August 2, 2025
Income before income taxes (pre-tax)	\$ 11,631	\$ 15,318	\$ 35,511	\$ 34,949
Interest income, net	(552)	(206)	(686)	(406)
Depreciation and amortization expense	4,112	3,668	8,114	7,368
Earnings before interest, taxes, depreciation, and amortization	<u>\$ 15,191</u>	<u>\$ 18,780</u>	<u>\$ 42,939</u>	<u>\$ 41,911</u>

EBITDA for the thirteen weeks ended August 1, 2026 decreased \$3.6 million, or 19.1% to \$15.2 million from \$18.8 million for the thirteen weeks ended August 2, 2025. The decrease was driven by lower gross profit resulting from occupancy cost deleverage and increased promotional activity, partially offset by lower SG&A expenses, primarily due to reduced incentive compensation.

EBITDA for the twenty-six weeks ended August 1, 2026 increased \$1.0 million, or 2.5% to \$42.9 million from \$41.9 million for the twenty-six weeks ended August 2, 2025. The increase was driven by higher gross profit resulting from increased retail and commercial margins partially offset by higher SG&A expenses. The increase to retail margin primarily resulted from the benefit of IEEPA tariff refund, \$7.0 million of which related to prior fiscal year costs.

Seasonality and Quarterly Results

Our operating results for one period may not be indicative of results for other periods, and may fluctuate significantly because of a variety of factors, including, but not limited to: (1) changes in general economic conditions and consumer spending patterns; (2) increases or decreases in our existing store and e-commerce sales; (3) fluctuations in the profitability of our stores; (4) the timing and frequency of the sales of licensed products tied to major theatrical releases (including the cancellation or delay of such releases due to the pandemic or other external factors) and our marketing initiatives, including national media and other public relations events; (5) changes in foreign currency exchange rates; (6) the timing of new store openings, closings, relocations and remodeling and related expenses; (7) changes in consumer preferences; (8) the effectiveness of our inventory management; (9) the actions of our competitors or mall anchors and co-tenants; (10) seasonal shopping patterns and holiday and vacation schedules; (11) disruptions in store operations due to civil unrest; and (12) weather conditions.

The timing of store closures, relocations, remodels, openings and re-openings may result in fluctuations in quarterly results based on the revenues and expenses associated with each store location. Expenses related to store closings are typically incurred in stages: when the decision is made to close the store typically associated with a lease event such as an expiration or lease-triggered clause; when the closure is communicated to store associates; and at the time of closure. We typically incur most preopening costs for a new store in the three months immediately preceding the store's opening.

Because our retail operations include toy products which have sales that historically peak in relation to the holiday season as part of our revenue model, our sales have historically been highest in our fourth quarter. The timing of holidays and school vacations can impact our quarterly results. We cannot provide assurance that this will continue to be the case. In addition, for accounting purposes, the quarters of each fiscal year consist of 13 weeks, although we will have a 14-week quarter approximately once every six years. Our most recent 14-week quarter was the 2023 fiscal fourth quarter.

Liquidity and Capital Resources

Our cash requirements are primarily for the opening, remodeling or reformatting of stores, installation and upgrades of information systems and working capital. Over the past several years, we have met these requirements through cash generated from operations. A summary of cash provided by or used in our operating, investing and financing activities is shown in the following table (dollars in thousands).

	Twenty-six weeks ended	
	August 1, 2026	August 2, 2025
Net cash provided by operating activities	\$ 26,146	\$ 32,017
Net cash used in investing activities	(15,421)	(6,328)
Net cash used in financing activities	(23,374)	(14,425)
Effect of exchange rates on cash	(102)	86
(Decrease)/Increase in cash, cash equivalents, and restricted cash	\$ (12,751)	\$ 11,350

Operating Activities. Cash provided by operating activities decreased \$5.9 million for the twenty-six weeks ended August 1, 2026, as compared to the twenty-six weeks ended August 2, 2025. The decrease in cash from operating activities was driven by changes in working capital balances.

Investing Activities. Cash used in investing activities increased \$9.1 million for the twenty-six weeks ended August 1, 2026, as compared to the twenty-six weeks ended August 2, 2025. The increase in cash used in investing activities was primarily driven by increased spending on capital expenditures.

Financing Activities. Cash used in financing activities increased \$8.9 million for the twenty-six weeks ended August 1, 2026, as compared to the twenty-six weeks ended August 2, 2025. This increase in cash used in financing activities was driven by higher share repurchases compared to the prior year.

Capital Resources: As of August 1, 2026, we had a consolidated cash balance of \$14.0 million, 66% of which was domiciled within the U.S., after investing \$15.4 million in capital projects in fiscal 2026.

We have a revolving credit and security agreement with PNC Bank, as agent, that provides for a secured revolving loan in an aggregate principal amount of up to \$40.0 million, subject to a borrowing base formula. As of August 1, 2026, borrowings under the agreement would bear interest at (a) a base rate determined under the agreement, or (b) at a rate based on SOFR reference rate, plus in either case a margin based on average undrawn availability as determined in accordance with the agreement. As of August 1, 2026, the Company had approximately \$39.5 million of available borrowing base, net of a \$0.5 million outstanding letter of credit, and no amounts were outstanding under the agreement as of the end of the quarter.

Most of our corporately-managed retail stores are located within shopping malls and all are operated under leases classified as operating leases. Our leases in North America tend to be shorter term leases to provide flexibility in aligning stores with market trends. Beginning in fiscal 2023, lease extensions began to have longer terms as we have secured longer contracts with more favorable terms. Our leases typically require us to pay personal property taxes, our pro rata share of real property taxes of the shopping mall, our own utilities, repairs and maintenance in our store, a pro rata share of the malls' common area maintenance and, in some instances, merchant association fees and media fund contributions. Many leases contain incentives to help defray the cost of construction of a new store. Typically, a portion of the incentive must be repaid to the landlord if we choose to terminate the lease prior to its contracted term. In addition, some of these leases contain various restrictions relating to change in control of our company. Our leases also subject us to risks relating to compliance with changing mall rules and the exercise of discretion by our landlords on various matters, including rights of termination in some cases. Rents are invoiced monthly and paid in advance.

Our leases in the U.K. and the Republic of Ireland also typically contain provisions requiring rent reviews every five years in which the base rent that we pay is adjusted to current market rates. These rent reviews require that base rents cannot be reduced if market conditions have deteriorated but can be changed "upwards only." We may be required to pay base rents that are significantly higher than we have projected. As a result of these and other factors, we may not be able to operate our European store locations profitably. If we cannot do so, our results of operations and financial condition could be harmed, and we may be required to record significant additional impairment charges.

Capital spending for the twenty-six weeks ended August 1, 2026 totaled \$15.4 million for information technology projects and new store openings, and we expect to spend approximately \$25 million on capital expenditures in fiscal 2026.

Total inventory at quarter end was \$81.1 million, a decrease of \$0.6 million or 1% from the end of the fiscal 2025 second quarter. We are comfortable with the level and composition of our inventory to support customer demand and critical seasonal products.

We have various contractual or other obligations, including operating lease commitments and obligations under deferred compensation plans. As of August 1, 2026, we had purchase obligations totaling approximately \$126.8 million, of which \$28.4 million are due in the next 12 months. We believe our operating cash flows are sufficient to meet our material cash requirements for at least the next 12 months.

We utilized \$17.0 million in cash to repurchase 403,236 shares during the twenty-six weeks ended August 1, 2026 under our current September 2024 Stock Repurchase Program, compared to using \$7.3 million in cash to repurchase 167,585 shares during the twenty-six weeks ended August 2, 2025 under our September 2024 Stock Repurchase Program and completed August 2022 program.

Off-Balance Sheet Arrangements

None.

Inflation

The Company continued to experience inflationary pressures during the first half of fiscal 2026, primarily through higher store labor, product, freight, transportation and other supply chain costs. In addition, evolving tariffs and trade policies have increased cost and pricing pressure and created additional uncertainty across our sourcing and supply chain activities. We have taken actions to help mitigate these pressures, including cost reduction initiatives, process efficiencies, supplier negotiations, sourcing actions and selective pricing and assortment decisions. We expect inflationary and trade-related pressures to continue during fiscal 2026 and they may persist thereafter. The ultimate scope, duration and impact of existing and newly announced tariffs, any changes or pauses to such tariffs, and the timing and amount of any related refunds remain uncertain. These conditions may continue to affect product costs, freight and warehousing expense, other operating costs, customer spending patterns and our gross margins. In addition, broader geopolitical and macroeconomic developments may further increase transportation and supply chain costs or otherwise adversely affect our business.

Although we continue to monitor these developments and adjust our operating and pricing strategies as appropriate, we cannot reasonably estimate the ultimate impact of inflation, tariffs, trade policy developments or related macroeconomic uncertainty on our future results. If we are unable to offset these higher costs or if consumer demand weakens, our sales, results of operations, financial condition and cash flows could be adversely affected.

Critical Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the appropriate application of certain accounting policies, which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

We believe our application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates, including those related to long-lived assets, leases, revenue recognition and income taxes, are reevaluated on an ongoing basis, and adjustments are made when facts and circumstances dictate a change.

Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates. Our critical accounting policies and estimates are discussed in and should be read in conjunction with our Annual Report on Form 10-K for the year ended January 31, 2026 as filed with the SEC on April 16, 2026, as amended by Amendment No. 1 as filed with the SEC on April 17, 2026 (the "2025 Form 10-K"), which includes audited consolidated financial statements for our 2025 and 2024 fiscal years. There have been no material changes to the critical accounting estimates disclosed in the 2025 Form 10-K.

Recent Accounting Pronouncements

See Note 1 to the Condensed Consolidated Financial Statements — Basis of Presentation — Recent Accounting Pronouncements – Adopted in the Current Year as disclosed in our 2025 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our Quantitative and Qualitative Disclosures About Market Risk as disclosed in our 2025 Form 10-K.

Item 4. Controls and Procedures.

Our management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including our certifying officers, as appropriate to allow timely decisions regarding required disclosure. Based on the foregoing evaluation, our management, including the President and Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of August 1, 2026, the end of the period covered by this Quarterly Report.

It should be noted that our management, including the President and Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or internal controls will prevent all error and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's President and Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. There have been no changes in our internal control over financial reporting during the quarter covered by this report that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes to our risk factors as disclosed in our 2025 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid Per Share (or Unit) (2)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (3)
May 3, 2026 - May 30, 2026	103,064	\$ 36.89	103,064	\$ 46,493,551
May 31, 2026 - July 4, 2026	9,521	37.94	6,592	46,243,418
July 5, 2026 - August 1, 2026	45,462	33.45	45,462	44,722,547
Total	158,047	\$ 35.93	155,118	\$ 44,722,547

- (1) Includes shares of our common stock delivered to us in satisfaction of the tax withholding obligation of holders of restricted shares which vested during the quarter, if any. Our equity incentive plans provide that the value of shares delivered to us to pay the withholding tax obligations is calculated at the closing trading price of our common stock on the date the relevant transactions occur.
- (2) Average Price Paid Per Share includes commissions
- (3) On September 11, 2024, we announced that our Board of Directors authorized a share repurchase program of up to \$100 million (replacing the previous stock repurchase program which was terminated). This program authorizes the Company to repurchase shares through September 30, 2028, does not require the Company to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Shares repurchased under the program will be subsequently retired.

Item 5. Other Information

Security Trading Plans of Directors and Executive Officers

Item 408(a) of Regulation S-K requires the Company to disclose whether any of its directors or officers have adopted or terminated (i) any trading arrangement that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c); and/or (ii) any written trading arrangement that meets the requirements of a “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K. During the Company's fiscal quarter ended August 1, 2026, none of the Company's directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits

The following is a list of exhibits filed as a part of the quarterly report on Form 10-Q:

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated April 3, 2000 between Build-A-Bear Workshop, L.L.C. and the Registrant (incorporated by reference from Exhibit 2.1 to our Registration Statement on Form S-1, filed on August 12, 2004, Registration No. 333-118142)
3.1	Third Amended and Restated Certificate of Incorporation (incorporated by reference from Exhibit 3.1 of our Current Report on Form 8-K, filed on November 11, 2004)
3.2	Amended and Restated Bylaws, as amended through January 4, 2018 (incorporated by reference from Exhibit 3.1 to our Current Report on Form 8-K, filed on January 4, 2018)
4.1	Specimen Stock Certificate (incorporated by reference from Exhibit 4.1 to Amendment No. 3 to our Registration Statement on Form S-1, filed on October 1, 2004, Registration No. 333-118142)
10.1	Amended and Restated Employment, Confidentiality, and Noncompete Agreement, effective as of June 11, 2026, by and between David Henderson and Build-A-Bear Workshop, Inc. (incorporated by reference from Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on May 2, 2026)
10.2	Second Amended and Restated Employment, Confidentiality and Noncompete Agreement, effective as of June 11, 2026 by and between Voin Todorovic and Build-A-Bear Workshop, Inc. (Incorporated by reference from Exhibit 10.1 of our Current Report on Form 8-K filed on June 12, 2026)
10.3**	Agreement Form of Executive Office Restricted Stock/Performance Share Unit Agreement under the Registrant's Amended and Restated 2020 Omnibus Incentive Plan
31.1**	Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the President and Chief Executive Officer)
31.2**	Rule 13a-14(a)/15d-14(a) certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer)
32.1***	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the President and Chief Executive Officer)
32.2***	Section 1350 Certification (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Extension Calculation Linkbase Document
101.DEF	Inline XBRL Extension Definition Linkbase Document
101.LAB	Inline XBRL Extension Label Linkbase Document
101.PRE	Inline XBRL Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** Filed herewith

*** Furnished herewith

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 thereunto duly authorized.

Date: September 10, 2026

BUILD-A-BEAR WORKSHOP, INC.
(Registrant)

By: /s/ J. Christopher Hurt
J. Christopher Hurt
President and Chief Executive Officer (on behalf of
the registrant and as principal executive officer)

By: /s/ Voin Todorovic
Voin Todorovic
Chief Financial Officer (on behalf of the registrant and as
principal
financial officer)

**BUILD-A-BEAR WORKSHOP, INC.
RESTRICTED STOCK/PERFORMANCE
SHARE UNIT
AGREEMENT**

Grant Date: _____

Employee: _____

No. of Shares of Time-Based Restricted

Stock: _____

Target Number of Shares of Performance

Share Units: _____

This Agreement will certify that the employee named above (the “**Employee**”) is awarded the total number of restricted shares of common stock, \$0.01 par value per share (the “**Common Stock**”), of Build-A-Bear Workshop, Inc. (the “**Company**”) designated above (the “**Restricted Stock**”), pursuant to the Build-A-Bear Workshop, Inc. Amended and Restated 2020 Omnibus Incentive Plan (the “**Plan**”), as of the date indicated above (the “**Grant Date**”) and subject to the terms, conditions and restrictions in the Plan and those set forth below. The Employee is also awarded the total number of Performance Share Units (“**PSUs**”) designated above pursuant to the Plan, as of the Grant Date and subject to the terms, conditions and restrictions in the Plan and those set forth below. Each PSU represents the right to receive one share of the Common Stock, subject to the terms, conditions and restrictions in the Plan and those set forth below. Any capitalized, but undefined, term used in this Agreement shall have the meaning ascribed to it in the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan shall control. The Employee’s electronic acceptance within sixty (60) days on his/her personal Merrill Lynch account constitutes Employee’s acceptance of this award and acknowledgement of Employee’s agreement to all the terms, conditions and restrictions contained in the Plan and this Agreement. If the Employee does not accept this award on his/her personal Merrill Lynch account within sixty (60) days of the Grant Date, the Employer may revoke this grant.

BUILD-A-BEAR WORKSHOP, INC.

By: _____

Terms and Conditions

A. Terms and Conditions Applicable to Restricted Stock and Performance Share Units

1. Terms of Restricted Stock Award. Pursuant to action of the Compensation and Human Capital Committee (the “**Committee**”), the Company awards to the Employee the number of shares of Restricted Stock set forth above. The Restricted Stock is nontransferable by the Employee during the period described below and is subject to the risk of forfeiture as described below.

Prior to the time shares become transferable, the shares of Restricted Stock shall bear a legend indicating their nontransferability, and, subject to the terms of this Agreement, other than as set forth herein, if the Employee terminates service as an employee of the Company prior to the time a restriction lapses, the Employee shall forfeit any shares of Restricted Stock which are still subject to the restrictions at the time of termination of such service.

(a) Time-Based Restricted Stock

The restrictions on transfer described in this Section A.1 applicable to the Time-Based Restricted Stock awarded above shall lapse and be of no further force and effect as follows, if the Employee is still an employee of the Company on the respective dates set forth below, and has been continuously serving as such an employee of the Company from the Grant Date until such date:

<u>Date</u>	<u>Portion of Grant for which Restrictions Lapse on Indicated Date</u>
Grant Date:	0

For avoidance of doubt, on _____, one hundred percent (100%) of the Time-Based Restricted Stock shall be transferable by the Employee if the Employee is still an employee of the Company and has been continuously serving from the Grant Date through _____ as an employee of the Company.

Notwithstanding the foregoing, in the event of a Change in Control, all previously granted shares of Time-Based Restricted Stock not yet free of the restrictions of this Section A.1.(a) shall only become immediately free of such restrictions in accordance with Section 12.B of the Plan.

2. Terms of Performance Share Units Award. Pursuant to action of the Committee, the Company awards to the Employee the number of shares of PSUs set forth above. PSUs are nontransferable by the Employee during the period described below and are subject to the risk of forfeiture as described below. Subject to the terms of this Agreement, other than as set forth herein, if the Employee terminates service as an employee of the Company prior to the time performance criteria are satisfied, the Employee shall forfeit any PSUs which are still subject to such performance criteria at the time of termination of service.

(a) Performance Share Units

PSUs awarded above shall vest, if (1) the performance criteria applicable to the PSUs as established by the Committee and included in **Exhibit A** hereto (the “**Performance Criteria**”) have been satisfied, and (2) other than as set forth herein in the event of death, permanent and total disability, or retirement, the Employee is still an employee of the Company on the date set forth below, and has been continuously serving as such an employee of the Company from the Grant Date to such vesting date:

<u>Date</u>	<u>Portion of Grant for which PSUs vest on Indicated Date</u>
Grant Date	0
Vesting Date/ _____:	100%

For avoidance of doubt, on the date ending _____, one hundred percent (100%) of the Target Number of PSUs shall become fully vested if (1) the Performance Criteria set forth in **Exhibit A** hereto have been satisfied, and (2) other than as set forth herein, the Employee is still an employee, and has been continuously serving from the Grant Date through _____ as an employee of the Company on such vesting date.

Notwithstanding the foregoing, in the event of a Change in Control prior to _____, one hundred percent (100%) of the Target Number of PSUs shall become fully vested in accordance with Section 12.B of the Plan.

Payment of fully vested PSUs shall be made in shares of Common Stock as soon as practicable following the vesting date. The Company shall (a) issue or deliver to the Employee the number of shares of Common Stock equal to the vested PSUs and (b) enter the Employee’s name on the books of the Company as the Shareholder of record with respect to the shares of Common Stock delivered to the Employee.

3. Death or Disability of the Employee.

(a) Time-Based Restricted Stock

In the event (i) of the death of the Employee, or (ii) the Company terminates the Employee's employment due to a permanent and total disability which results in the Employee's inability to return to work with the Company, all previously granted shares of Time-Based Restricted Stock not yet free of the restrictions of Section A.1(a) shall become immediately free of such restrictions.

(b) Performance Share Units

In the event (i) of the death of the Employee, or (ii) the Company terminates the Employee's employment due to a permanent and total disability which results in the Employee's inability to return to work with the Company, in either case prior to the end of Fiscal Year _____, one hundred percent (100%) of Target Number of PSUs (as set forth on page 1) shall become immediately free of the restrictions of Section A.2(a).

In the event (i) of the death of the Employee, or (ii) the Company terminates the Employee's employment due to a permanent and total disability which results in the Employee's inability to return to work with the Company, in either case subsequent to the end of Fiscal Year _____, one hundred percent (100%) of Target number of PSUs which are earned but not yet free of the restrictions of Section A.2(a) shall become immediately free of such restrictions.

4. Retirement of the Employee.

For the purposes of this Agreement:

"Retirement" means a termination of employment, other than for Cause, occurring (i) on or after age 65, or (ii) on or after the date at which the combination of Employee's age and years of service with the Company or any company or division acquired by the Company is greater than or equal to 70 years; and

"Cause" shall have the same meaning as ascribed to such term in that certain Employment, Confidentiality and Noncompete Agreement entered into by and between Employee and the Company as of the date hereof.

"Retirement Prorated Portion" means the PSUs prorated by the number of days in the three Fiscal Year performance period that elapsed prior to the Employee's Retirement divided by the total number of days in the three Fiscal Year performance period.

(a) Time-Based Restricted Stock

In the event Employee's employment terminates prior to _____ due to Retirement, the Employee shall forfeit any shares of Restricted Stock which are still subject to the restrictions at the time of such Retirement.

(b) Performance Share Units

In the event Employee's employment terminates prior to _____ due to Retirement, a Retirement Prorated Portion of the PSUs shall become vested on _____ if the Performance Criteria set forth in **Exhibit A** hereto have been satisfied.

5. Cost of Restricted Stock/PSUs. The purchase price of the shares of Restricted Stock or PSUs shall be \$0.00.

6. Rights as Stockholder. The Employee shall be entitled to all of the rights of a stockholder, including the right to vote such shares and to receive dividends and other distributions payable with respect to such shares, with respect to the shares of Time-Based Restricted Stock, since the Grant Date; If any dividends or distributions are paid in shares, the shares shall be deposited with the Company and shall be subject to the same restrictions on transferability and forfeitability as the Restricted Stock with respect to which they were paid. If the Employee forfeits any rights the Employee has under this Agreement, the Employee shall, on the date of the forfeiture, no longer have any rights as a shareholder with respect to the shares of Restricted Stock described in this award which are subject to such forfeiture and shall no longer be entitled to vote or receive dividends with respect to such shares.

(b) Performance Share Units. The Employee shall not be entitled to any of the rights of a stockholder, including the right to vote such PSUs and to receive dividends and other distributions payable with respect to such awarded PSUs.

7. **Escrow of Share Certificates.** Certificates for the Restricted Stock shall be issued in the Employee's name and shall be held in escrow by the Company until all restrictions lapse or such shares are forfeited as provided herein. A certificate or certificates representing the Restricted Stock as to which restrictions have lapsed shall be delivered to the Employee upon such lapse.

8. **Government Regulations.** Notwithstanding anything contained herein to the contrary, the Company's obligation to issue or deliver certificates evidencing the Restricted Stock, Common Shares, or PSUs shall be subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

9. **Withholding Taxes.** The Company shall have the right to require the Employee to remit to the Company, or to withhold from other amounts payable to the Employee, as compensation or otherwise, an amount sufficient to satisfy all federal, state and local withholding tax requirements.

10. **Mandatory Clawback.** The Performance-Based Restricted Stock awarded above shall be subject to the Build-A-Bear Workshop, Inc. Clawback Policy adopted by the Company's Board of Directors on November 7, 2023, as such policy may be amended from time to time.

B. TERMS AND CONDITIONS APPLICABLE TO ALL AWARDS

1. **Adjustments Upon Changes in Capitalization or Corporate Acquisitions.** Notwithstanding any other provision in the Agreement, if there is any change in the Common Stock by reason of stock dividends, spin-offs, split ups, recapitalizations, mergers, consolidations, reorganizations, combinations or exchanges of shares, the number of shares of Restricted Stock and PSUs under this award not yet vested, and the price thereof, as applicable, shall be appropriately adjusted by the Committee.

2. **Consideration/No Right to Continued Service.** This award is made in consideration of the services to be rendered by the Employee to the Company. Nonetheless, nothing in this Agreement shall be deemed to create any limitation or restriction on such rights as the Company otherwise would have to terminate the service of the Employee, with or without cause.

3. **Committee Administration.** This award has been made pursuant to a determination made by the Committee, and the Committee or any successor or substitute committee authorized by the Board of Directors or the Board of Directors itself, subject to the express terms of this Agreement, shall have plenary authority to interpret any provision of this Agreement and to make any determinations necessary or advisable for the administration of this Agreement and may waive or amend any provisions hereof in any manner not adversely affecting the rights granted to the Employee by the express terms hereof.

4. **Grant Subject to Plan.** These Restricted Stock and PSUs awards are granted under and is expressly subject to all the terms and provisions of the Plan, and the terms of the Plan are incorporated herein by reference. The Employee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof. The Committee has been appointed by the Board of Directors and designated by it, as the Committee to make grants of Restricted Stock and PSUs.

5. **Section 83(b) Election.**

(a) **Time Based Restricted Stock.** The Employee may make an election under Internal Revenue Code Section 83(b) (a "Section 83(b) Election") with respect to the Restricted Stock awarded. Any such election must be made within thirty (30) days after the Grant Date. If Employee elects to make a Section 83(b) Election, the Employee shall provide the Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the Internal Revenue Service. The Employee agrees to assume full responsibility for ensuring that the Section 83(b) Election is actually and timely filed with the Internal Revenue Service and for all tax consequences resulting from the Section 83(b) Election.

(b) **Performance Share Units.** The Employee may not make a Section 83(b) election with respect to PSUs.

6. **Notices.** Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Chief Administrative Officer & General Counsel of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Employee under this Agreement shall be in writing and addressed to the Employee at the Employee's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

7. **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Employee and the Employee's beneficiaries, executors, administrators and the person(s) to whom the Restricted Stock or PSUs may be transferred by will or the laws of descent or distribution.

8. **Governing Law.** This Agreement shall be construed under the laws of the State of Delaware.

Exhibit A

Performance Criteria Applicable to Performance Share Units

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

I, J. Christopher Hurt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Build-A-Bear Workshop, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ J. Christopher Hurt

J. Christopher Hurt
President and Chief Executive Officer
Build-A-Bear Workshop, Inc.
(Principal Executive Officer)

Date: September 10, 2026

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
AND RULE 13a-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934**

I, Voin Todorovic, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Build-A-Bear Workshop, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Voin Todorovic

Voin Todorovic
Chief Financial Officer
Build-A-Bear Workshop, Inc.
(Principal Financial Officer)

Date: September 10, 2026

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Build-A-Bear Workshop, Inc. (the “Company”) on Form 10-Q for the period ended August 1, 2026 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Christopher Hurt, President and Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Christopher Hurt

J. Christopher Hurt
President and Chief Executive Officer
Build-A-Bear Workshop, Inc.
(Principal Executive Officer)

Date: September 10, 2026

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Build-A-Bear Workshop, Inc. (the “Company”) on Form 10-Q for the period ended August 1, 2026 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Voin Todorovic, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Voin Todorovic

Voin Todorovic
Chief Financial Officer
Build-A-Bear Workshop, Inc.
(Principal Financial Officer)

Date: September 10, 2026