

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 24, 2023

Build-A-Bear Workshop, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-32320
(Commission
File Number)

43-1883836
(IRS Employer
Identification No.)

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

63103
(Zip Code)

(314) 423-8000

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 24, 2023, Build-A-Bear Workshop, Inc. (the “Company”) issued a press release setting forth results for the Company’s 2023 second fiscal quarter ended July 29, 2023. A copy of the Company’s press release is being furnished as Exhibit 99.1 and hereby incorporated by reference.

* * * * *

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

The information furnished in, contained, or incorporated by reference into Item 2.02 above, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities and Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 (the “Securities Act”), as amended, or the Exchange Act, regardless of any general incorporation language in such filing. In addition, this report (including Exhibit 99.1) shall not be deemed an admission as to the materiality of any information contained herein that is required to be disclosed solely as a requirement of Item 2.02.

This Current Report on Form 8-K and the press release attached hereto as Exhibit 99.1 contain certain statements that may be deemed to be “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements in this report and in such exhibit not dealing with historical results are forward-looking and are based on various assumptions. The forward-looking statements in this report and in such exhibit are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among other things: statements regarding the Company’s goals, intentions, and expectations; business plans and growth strategies; estimates of the Company’s risks and future costs and benefits; forecasted demographic and economic trends relating to the Company’s industry; and other risk factors referred to from time to time in filings made by the Company with the Securities and Exchange Commission. Forward-looking statements speak only as to the date they are made. The Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made. The Company disclaims any intent or obligation to update these forward-looking statements.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|---------------------------|---|
| 99.1 | Press Release dated August 24, 2023 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BUILD-A-BEAR WORKSHOP, INC.

Date: August 24, 2023

By: /s/ Voin Todorovic

Name: Voin Todorovic

Title: Chief Financial Officer

Build-A-Bear Workshop Reports Record Second Quarter and First Half Fiscal 2023 Results and Reaffirms Annual Guidance

ST. LOUIS--(BUSINESS WIRE)--August 24, 2023--Build-A-Bear Workshop, Inc. (NYSE: BBW) today announced results for the second fiscal quarter and first half ended July 29, 2023.

- Total revenues, pre-tax income, and diluted earnings per share (“EPS”) were all second quarter records and increased 8.5%, 37.1%, and 50.0% respectively
- First half total revenues, pre-tax income, and diluted EPS were records and increased 5.0%, 15.5%, and 23.6%, respectively
- The Company reiterates fiscal 2023 guidance for 5% to 7% revenue growth and 10% to 15% pre-tax income growth
- Through the fiscal first half of 2023, the Company returned \$33.3 million to shareholders through dividends and share repurchases

“We are pleased with our second-quarter results, including strong store traffic growth, which continues to significantly outpace reported national retail traffic, and double-digit growth in consolidated e-commerce demand. Our eighth consecutive quarter of record revenue results demonstrates the evolution of our business model leveraging the power and the broad appeal of the Build-A-Bear brand. Our digital transformation has further enabled us to expand the Company’s addressable market to include gifting and collectibles, with 40% of sales now generated by teens and adults,” commented Sharon Price John, President and Chief Executive Officer of Build-A-Bear Workshop. “We enter the second half of the year, with positive momentum, and expect to drive growth by the continued opening of corporate and partner-operated locations, a strong product pipeline, and impactful marketing campaigns, highlighted by the new heart-warming film featuring our multi-year best-selling holiday collection, ‘Glisten and the Merry Mission,’” concluded Ms. John.

Voin Todorovic, Chief Financial Officer of Build-A-Bear Workshop added, “With solid revenue growth, and both gross margin and store contribution margin expanding in the second quarter and for the first half of the year, we believe we are well positioned to deliver our third consecutive year of record results, leading us to reiterate our guidance for the year. Our year-to-date results further demonstrate Build-A-Bear’s ability to consistently operate at a higher level of profitability, inclusive of the continued investment to support sustainable long-term profitable growth.”

Fiscal Second Quarter 2023 Results

(13 weeks ended July 29, 2023, compared to the 13 weeks ended July 30, 2022)

- Total revenues were \$109.2 million and increased 8.5%
 - Net retail sales were \$103.5 million and increased 7.9%
 - Consolidated e-commerce demand increased 14.1% (online orders fulfilled from either the Company's warehouse or its stores)
 - Commercial and international franchise revenues were a combined \$5.8 million and increased 19.9%
- Pre-tax income grew 37.1% to \$10.5 million, or 9.6% of total revenues, an improvement of 200 basis points, driven by a 410-basis point increase in gross margin, primarily due to lower freight expense and leverage of fixed occupancy cost, partially offset by an increase in Selling, General and Administrative ("SG&A") expense from higher wages due to inflation, the planned addition of talent, and other investments to support future growth.
- Diluted EPS was \$0.57 per share, a 50.0% year-over-year increase driven by pre-tax margin expansion, a modest decrease in tax rate, and a reduction in share count.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") grew 26.9% to \$13.5 million, or 12.4% of total revenues, an expansion of 180 basis points year over year.

First Half 2023 Results

(26 weeks ended July 29, 2023, compared to the 26 weeks ended July 30, 2022)

- Total revenues were \$229.3 million and increased 5.0%
 - Net retail sales were \$215.6 million and increased 3.3%
 - Consolidated e-commerce demand decreased 6.4%
 - Commercial and international franchise revenues were a combined \$13.7 million and increased 43.2%
- Pre-tax income grew 15.5% to \$29.8 million, or 13.0% of total revenues, an expansion of 120 basis points, driven by a 270-basis point increase in gross margin, primarily due to lower freight expense and leverage of fixed occupancy cost, partially offset by an increase in SG&A from higher wages due to inflation, the planned addition of talent, and other investments to support future growth.
- Diluted EPS was \$1.57 per share, a 23.6% year-over-year increase driven by pre-tax margin expansion, plus a reduction in share count, offset by a slight increase in tax rate.
- EBITDA grew 11.7% to \$35.9 million, or 15.7% of total revenues, an expansion of 100 basis points year over year.

Store Activity

The Company added eight corporately-managed and partner-operated locations in the quarter. As of the fiscal second quarter end, Build-A-Bear had 491 global locations through a combination of its corporately-managed, partner-operated, and international franchise models. This reflects 351 corporately-managed stores with two store openings in the quarter, 76 partner-operated stores with six store openings, and 64 international franchise stores with one store opening.

Balance Sheet

As of July 29, 2023, cash and cash equivalents totaled \$32.6 million compared to \$14.4 million as of July 30, 2022. The Company finished the quarter with no borrowings under its revolving credit facility.

During the second quarter of fiscal 2023, the Company utilized \$8.1 million in cash to repurchase 394,321 shares of its common stock. For the first half of 2023, the Company returned \$33.3 million to shareholders, reflecting dividend payments of \$22.1 million and share repurchases of \$11.2 million. As of July 29, 2023, the Company had \$35.3 million available under the current \$50.0 million stock repurchase program adopted on August 31, 2022.

For the second quarter and first half of fiscal 2023, capital expenditures totaled \$3.1 million and \$6.2 million, respectively.

Inventory at quarter end was \$66.3 million, reflecting a decline of \$21.4 million, or 24.4% from July 30, 2022. The Company remains comfortable with the level and composition of its inventory.

2023 Outlook

The Company is reaffirming its fiscal 2023 outlook with expectations of delivering growth in total revenues and pre-tax income, as compared to fiscal year 2022.

For fiscal 2023, the Company continues to expect:

- Total revenues to increase in the range of 5% to 7%, with growth in its three operating segments
- Pre-tax income growth of 10% to 15%, surpassing 2022's record high
- To open 20 to 30 experience locations, through a combination of partner-operated and corporately-managed business models
- Capital expenditures in the range of \$15 million to \$20 million
- Depreciation and amortization of approximately \$13 million to \$14 million
- Tax rate to approximate 25%, excluding discrete items

While the Company notes that its fiscal 2023 is a 53-week year compared to a 52-week year in fiscal 2022, it expects to deliver growth in total revenues and pre-tax income versus the prior year exclusive of the projected benefit of the 53rd week. For reference, the additional week in fiscal 2023, which will be reflected in the Company's fourth quarter, is estimated to be \$7 million in total revenues with approximately 35% flow-through to EBITDA.

The Company's guidance considers a variety of factors ranging from anticipated ongoing inflationary pressures to the expected benefit of reduced freight costs. Additionally, the Company noted that its outlook assumes no further material changes in the macro-economic and geo-political environment, or relevant foreign currency exchange rates.

Note Regarding Non-GAAP Financial Measures

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

Webcast and Conference Call Information

At 9:00 AM ET today, Build-A-Bear Workshop will host a conference call with investors and financial analysts to discuss its financial results. The conference call will be webcast on Build-Bear's Investor Relations website, <https://ir.buildabear.com>.

The dial-in number for the live conference call is (877) 407-3982 or (201) 493-6780 for international callers. The access code is Build-A-Bear. The call is expected to conclude by 10 AM ET.

A replay of the conference call webcast will be available in the investor relations website for one year. A telephone replay will be available beginning at approximately 1:00 PM ET today until 11:59 PM ET on August 31, 2023. The telephone replay is available by calling (844) 512-2921. The access code is: 13739859.

About Build-A-Bear

Build-A-Bear is a multi-generational global brand focused on its mission to "add a little more heart to life" appealing to a wide array of consumer groups who enjoy the personal expression in making their own "furry friends" to celebrate and commemorate life moments. Nearly 500 interactive brick-and-mortar experience locations operated through a variety of formats provide guests of all ages a hands-on entertaining experience, which often fosters a lasting and emotional brand connection. The Company also offers engaging e-commerce/digital purchasing experiences on www.buildabear.com including its online "Bear-Builder" as well as the "Bear Builder 3D Workshop". In addition, extending its brand power beyond retail, Build-A-Bear Entertainment, a subsidiary of Build-A-Bear Workshop, Inc., is dedicated to creating engaging content for kids and adults that fulfills the Company's mission, while the Company also offers products at wholesale and in non-plush consumer categories via licensing agreements with leading manufacturers. Build-A-Bear Workshop, Inc. (NYSE: BBW) posted total revenues of \$467.9 million in fiscal 2022. For more information, visit the Investor Relations section of buildabear.com.

Forward-Looking Statements

This press release contains certain statements that are, or may be considered to be, "forward-looking statements" for the purpose of federal securities laws, including, but not limited to, statements that reflect our current views with respect to future events and financial performance. We generally identify these statements by words or phrases such as "may," "might," "should," "expect," "plan," "anticipate," "believe," "estimate," "intend," "predict," "future," "potential" or "continue," the negative or any derivative of these terms and other comparable terminology. All of the information concerning our future liquidity, future revenues, margins and other future financial performance and results, achievement of operating of financial plans or forecasts for future periods, sources and availability of credit and liquidity, future cash flows and cash needs, success and results of strategic initiatives and other future financial performance or financial position, as well as our assumptions underlying such information, constitute forward-looking information.

These statements are based only on our current expectations and projections about future events. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements, including those factors discussed under the caption entitled “Risks Related to Our Business” and “Forward-Looking Statements” in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on April 14, 2022 and other periodic reports filed with the SEC which are incorporated herein.

All of our forward-looking statements are as of the date of this Press Release only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of or any material adverse change in one or more of the risk factors or other risks and uncertainties referred to in this Press Release or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the SEC could materially and adversely affect our continuing operations and our future financial results, cash flows, available credit, prospects and liquidity. Except as required by law, the Company does not undertake to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

All other brand names, product names, or trademarks belong to their respective holders.

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

| | 13 Weeks Ended July 29, 2023 | % of Total Revenues (1) | 13 Weeks Ended July 30, 2022 | % of Total Revenues (1) |
|--|---|------------------------------------|---|------------------------------------|
| Revenues: | | | | |
| Net retail sales | \$ 103,465 | 94.8 | \$ 95,882 | 95.2 |
| Commercial revenue | 4,978 | 4.6 | 4,054 | 4.0 |
| International franchising | 782 | 0.7 | 749 | 0.7 |
| Total revenues | 109,225 | 100.1 | 100,685 | 99.9 |
| Cost of merchandise sold: | | | | |
| Cost of merchandise sold - retail (1) | 47,710 | 46.1 | 48,387 | 50.5 |
| Cost of merchandise sold - commercial (1) | 2,425 | 48.7 | 1,949 | 48.1 |
| Cost of merchandise sold - international franchising (1) | 454 | 58.1 | 437 | 58.4 |
| Total cost of merchandise sold | 50,589 | 46.3 | 50,773 | 50.4 |
| Consolidated gross profit | 58,636 | 53.7 | 49,912 | 49.6 |
| | | | | |
| Selling, general and administrative expense | 48,324 | 44.2 | 42,264 | 42.0 |
| Interest (income) expense, net | (167) | (0.2) | 3 | 0.0 |
| Income before income taxes | 10,479 | 9.6 | 7,645 | 7.6 |
| Income tax expense | 2,141 | 2.0 | 1,815 | 1.8 |
| Net income | \$ 8,338 | 7.6 | \$ 5,830 | 5.8 |
| | | | | |
| Income per common share: | | | | |
| Basic | \$ 0.58 | | \$ 0.38 | |
| Diluted | \$ 0.57 | | \$ 0.38 | |
| Shares used in computing common per share amounts: | | | | |
| Basic | 14,419,365 | | 15,274,770 | |
| Diluted | 14,500,971 | | 15,536,308 | |

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold - retail, cost of merchandise sold - commercial and cost of merchandise sold - international franchising that are expressed as a percentage of net retail sales, commercial revenue and international franchising, respectively. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales, commercial revenue or international franchising and immaterial rounding.

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

| | 26 Weeks Ended July 29, 2023 | % of Total Revenues (1) | 26 Weeks Ended July 30, 2022 | % of Total Revenues (1) |
|--|---|------------------------------------|---|------------------------------------|
| Revenues: | | | | |
| Net retail sales | \$ 215,561 | 94.0 | \$ 208,772 | 95.6 |
| Commercial revenue | 11,665 | 5.1 | 8,340 | 3.8 |
| International franchising | 2,049 | 0.9 | 1,235 | 0.6 |
| Total revenues | <u>229,275</u> | <u>100.0</u> | <u>218,347</u> | <u>100.0</u> |
| Cost of merchandise sold: | | | | |
| Cost of merchandise sold - retail (1) | 98,614 | 45.7 | 101,987 | 48.9 |
| Cost of merchandise sold - commercial (1) | 5,783 | 49.6 | 3,895 | 46.7 |
| Cost of merchandise sold - international franchising (1) | 1,339 | 65.3 | 725 | 58.7 |
| Total cost of merchandise sold | <u>105,736</u> | <u>46.1</u> | <u>106,607</u> | <u>48.8</u> |
| Consolidated gross profit | 123,539 | 53.9 | 111,740 | 51.2 |
| | | | | |
| Selling, general and administrative expense | 93,950 | 41.0 | 85,884 | 39.3 |
| Interest (income) expense, net | (243) | (0.1) | 22 | 0.0 |
| Income before income taxes | <u>29,832</u> | <u>13.0</u> | <u>25,834</u> | <u>11.8</u> |
| Income tax expense | 6,886 | 3.0 | 5,814 | 2.7 |
| Net income | <u>\$ 22,946</u> | <u>10.0</u> | <u>\$ 20,020</u> | <u>9.2</u> |
| | | | | |
| Income per common share: | | | | |
| Basic | <u>\$ 1.59</u> | | <u>\$ 1.30</u> | |
| Diluted | <u>\$ 1.57</u> | | <u>\$ 1.27</u> | |
| Shares used in computing common per share amounts: | | | | |
| Basic | 14,438,611 | | 15,375,250 | |
| Diluted | 14,630,089 | | 15,749,058 | |

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold - retail, cost of merchandise sold - commercial and cost of merchandise sold - international franchising that are expressed as a percentage of net retail sales, commercial revenue and international franchising, respectively. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales, commercial revenue or international franchising and immaterial rounding.

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES**Unaudited Condensed Consolidated Balance Sheets**

(dollars in thousands, except per share data)

| | <u>July 29, 2023</u> | <u>January 28, 2023</u> | <u>July 30, 2022</u> |
|---|--------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash, cash equivalents and restricted cash | \$ 32,642 | \$ 42,198 | \$ 14,437 |
| Inventories, net | 66,329 | 70,485 | 87,722 |
| Receivables, net | 13,120 | 15,374 | 15,337 |
| Prepaid expenses and other current assets | 11,898 | 19,374 | 12,910 |
| Total current assets | <u>123,989</u> | <u>147,431</u> | <u>130,406</u> |
| Operating lease right-of-use asset | 70,915 | 71,791 | 76,560 |
| Property and equipment, net | 50,435 | 50,759 | 46,689 |
| Deferred tax assets | 6,828 | 6,592 | 7,596 |
| Other assets, net | 6,246 | 4,221 | 2,184 |
| Total Assets | <u>\$ 258,413</u> | <u>\$ 280,794</u> | <u>\$ 263,435</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 15,598 | \$ 10,286 | \$ 29,086 |
| Accrued expenses | 28,347 | 37,358 | 22,873 |
| Operating lease liability short term | 27,194 | 27,436 | 25,244 |
| Gift cards and customer deposits | 18,305 | 19,425 | 17,969 |
| Deferred revenue and other | 4,444 | 6,646 | 4,416 |
| Total current liabilities | <u>93,888</u> | <u>101,151</u> | <u>99,588</u> |
| Operating lease liability long term | 55,368 | 59,080 | 68,291 |
| Other long-term liabilities | 1,291 | 1,446 | 1,692 |
| Stockholders' equity: | | | |
| Common stock, par value \$0.01 per share | 145 | 148 | 150 |
| Additional paid-in capital | 66,773 | 69,868 | 69,409 |
| Accumulated other comprehensive loss | (12,017) | (12,274) | (12,385) |
| Retained earnings | 52,965 | 61,375 | 36,690 |
| Total stockholders' equity | <u>107,866</u> | <u>119,117</u> | <u>93,864</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 258,413</u> | <u>\$ 280,794</u> | <u>\$ 263,435</u> |

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

Unaudited Selected Financial and Store Data

(dollars in thousands)

| | | 13 Weeks Ended July 29, 2023 | | 13 Weeks Ended July 30, 2022 | | 26 Weeks Ended July 29, 2023 | | 26 Weeks Ended July 30, 2022 |
|--|----|---|----|---|----|---|----|---|
| | | <u> </u> | | <u> </u> | | <u> </u> | | <u> </u> |
| Other financial data: | | | | | | | | |
| Retail gross margin (\$) ⁽¹⁾ | \$ | 55,755 | \$ | 47,495 | \$ | 116,947 | \$ | 106,785 |
| Retail gross margin (%) ⁽¹⁾ | | 53.9% | | 49.5% | | 54.3% | | 51.1% |
| Capital expenditures ⁽²⁾ | \$ | 3,073 | \$ | 2,995 | \$ | 6,138 | \$ | 4,065 |
| Depreciation and amortization | \$ | 3,229 | \$ | 3,026 | \$ | 6,309 | \$ | 6,276 |
| Store data ⁽³⁾: | | | | | | | | |
| Number of corporately-managed retail locations at end of period | | | | | | | | |
| North America | | | | | | 314 | | 307 |
| Europe | | | | | | 37 | | 39 |
| Total corporately-managed retail locations | | | | | | <u>351</u> | | <u>346</u> |
| Number of franchised stores at end of period | | | | | | | | |
| | | | | | | 64 | | 62 |
| Number of third-party retail locations at end of period | | | | | | | | |
| | | | | | | 76 | | 65 |
| Corporately-managed store square footage at end of period ⁽⁴⁾ | | | | | | | | |
| North America | | | | | | 726,857 | | 722,000 |
| Europe | | | | | | 52,763 | | 58,216 |
| Total square footage | | | | | | <u>779,620</u> | | <u>780,216</u> |

(1) Retail gross margin represents net retail sales less cost of merchandise sold - retail. Retail gross margin percentage represents retail gross margin divided by net retail sales. Store impairment is excluded from retail gross margin.

(2) Capital expenditures represents cash paid for property, equipment, and other assets.

(3) Excludes e-commerce. North American stores are located in the United States and Canada. In Europe, stores are located in the United Kingdom and Ireland. Seasonal locations are not included in store count.

(4) Square footage for stores located in North America is leased square footage. Square footage for stores located in Europe is estimated selling square footage. Seasonal locations not included in the store count.

*** Non-GAAP Financial Measures**

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP figures
(dollars in thousands)

| | 13 Weeks Ended July 29, 2023 | 13 Weeks Ended July 30, 2022 | 26 Weeks Ended July 29, 2023 | 26 Weeks Ended July 30, 2022 |
|---|---|---|---|---|
| Income before income taxes (pre-tax) | \$ 10,479 | \$ 7,645 | \$ 29,832 | \$ 25,834 |
| Interest expense, net | (167) | 3 | (243) | 22 |
| Depreciation and amortization expense | 3,229 | 3,026 | 6,309 | 6,276 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | \$ 13,541 | \$ 10,674 | \$ 35,898 | \$ 32,132 |

Contacts

Investor Relations

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