

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): September 1, 2022

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 September 1, 2022, Build-A-Bear Workshop, Inc. (the “Company”) issued a press release setting forth results for the Company’s 2022 second fiscal quarter ended July 30, 2022. 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 September 1, 2022 |
| 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: September 1, 2022

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

Build-A-Bear Workshop, Inc. Reports Fiscal 2022 Second Quarter Results Contributing to Record-Breaking First Half Total Revenues and Pre-Tax Income and Reiterates Annual Guidance

- **First half total revenues were \$218.3 million, the highest in the first half in the Company's history, an increase of 17.1% from the fiscal 2021 first half and included total revenues of \$100.7 million in the fiscal second quarter, an increase of 6.3% from the fiscal 2021 second quarter**
- **First half pre-tax income was \$25.8 million, the highest for the first half in the Company's history, compared to pre-tax income of \$22.7 million in the fiscal 2021 first half. Second quarter pre-tax income was \$7.6 million, including incremental freight expenses of approximately \$3.8 million, and compared to the previous record-high of \$9.5 million in pre-tax income for the fiscal 2021 second quarter**
- **Board authorized new share repurchase program of \$50.0 million following completion of the previous \$25.0 million share repurchase program which was announced in November 2021**
- **Reiterates fiscal 2022 annual guidance including growth in total revenues and profitability compared to fiscal 2021**

ST. LOUIS--(BUSINESS WIRE)--September 1, 2022--Build-A-Bear Workshop, Inc. (NYSE: BBW) today reported results for the second quarter and first half ended July 30, 2022.

Sharon Price John, Build-A-Bear Workshop President and Chief Executive Officer commented, "We are pleased to have delivered a strong fiscal 2022 second quarter which contributed to record-setting levels for total revenues and profitability for the fiscal first half, following the most profitable year in our company's history. We believe that our strategic plan which capitalizes on our powerful brand, executed with discipline and agility, is the primary driver of our sustained profitable growth. Thus far in the third quarter, our overall sales trends and retail traffic patterns have continued to be positive, and while we are mindful of the macro-economic uncertainties, we have demonstrated an ability to remain nimble and adapt our resilient and more diversified business model to navigate challenging environments. These factors are reflected in our Board's confidence in our future and the value of our business leading to the authorization of a new \$50 million share repurchase program which was announced yesterday. This follows the completion of a \$25 million stock buyback program which was authorized in November 2021 which resulted in the repurchasing of approximately 10% of our shares outstanding."

“As we look forward to the balance of the year and all-important holiday season, we believe we are well-positioned to achieve our expectations and are reaffirming our annual guidance. We continue to make progress on our strategic initiatives including accelerating a broad-reaching and comprehensive digital transformation, continuing to evolve our retail experience and footprint while optimizing our expanded omnichannel capabilities, and leveraging our solid financial position to invest in initiatives intended to drive growth and return value to our shareholders,” concluded Ms. John.

Second Quarter Fiscal 2022 Results (13 weeks ended July 30, 2022 compared to the 13 weeks ended July 31, 2021):

- Total revenues were \$100.7 million, a 6.3% increase compared to \$94.7 million in the fiscal 2021 second quarter;
 - Net retail sales were \$95.9 million, a 5.0% increase compared to \$91.3 million in the fiscal 2021 second quarter;
 - Consolidated e-commerce demand (orders generated online to be fulfilled from either the Company’s warehouse or its stores) declined 8.4% compared to the fiscal 2021 second quarter which had the benefit of strong launches of key products as growth in Europe was offset by a decline in North America. Compared to the fiscal 2019 second quarter, digital demand increased by almost 150%; and
 - Commercial and international franchise revenues were \$4.8 million, a 41.1% increase compared to \$3.4 million in the fiscal 2021 second quarter;
 - Gross profit margin was 49.6%, compared to 53.2% in the fiscal 2021 second quarter. The 360 basis-point contraction in gross profit margin was primarily driven by the negative impact of an increase of approximately 400 basis points in transportation costs, as well as other inflationary pressures, partially offset by leverage of fixed occupancy and warehouse costs and lower promotional activity. The Company expects its ongoing mitigation efforts along with some moderation in freight cost pressure to contribute to an improvement in gross profit margin in the second half of fiscal 2022 versus the first half of 2022. Compared to the fiscal 2019 second quarter, gross profit margin improved by 550 basis points;
 - Selling, general and administrative (“SG&A”) expenses were \$42.3 million, or 42.0% of total revenues, compared to \$40.9 million, or 43.2% of total revenues, in the fiscal 2021 second quarter;
 - Pre-tax income was \$7.6 million, including incremental freight expense of approximately \$3.8 million compared to a record-setting pre-tax income of \$9.5 million in the fiscal 2021 second quarter;
 - Income tax expense was \$1.8 million compared to an income tax expense of \$2.6 million in the fiscal 2021 second quarter;
 - Net income was \$5.8 million, or \$0.38 per diluted share, compared to net income of \$6.8 million, or \$0.42 per diluted share, in the fiscal 2021 second quarter; and
 - Earnings before interest, taxes, depreciation and amortization (“EBITDA”) was \$10.7 million, a \$1.8 million decrease from \$12.5 million in the fiscal 2021 second quarter.
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First Six Months Highlights (26 weeks ended July 30, 2022 compared to the 26 weeks ended July 31, 2021):

- Total revenues were \$218.3 million, the highest in the first half in the Company's history, reflecting an increase of 17.1%, compared to \$186.4 million in the first six months of fiscal 2021;
 - Consolidated net retail sales were \$208.8 million, an increase of 15.7% compared to \$180.5 million in the first six months of fiscal 2021;
 - Consolidated e-commerce demand (orders generated online to be fulfilled from either the Company's warehouse or its stores) declined 2.3% compared to the first six months of fiscal 2021 with an increase in Europe offset by a decline in North America. Compared to the fiscal 2019 first six months, digital demand increased by 180%; and
 - Commercial and international franchise revenues were \$9.6 million, a 62.7% increase compared to \$5.9 million in the first six months of fiscal 2021;
- Pre-tax income reached a record-setting level at \$25.8 million compared to the previous record in pre-tax income of \$22.7 million in the first six months of fiscal 2021;
- Net income was \$20.0 million, or \$1.27 per diluted share, compared to net income of \$17.2 million, or \$1.08 per diluted share, in the first six months of fiscal 2021; and
- EBITDA was \$32.1 million, an increase of \$3.3 million from EBITDA of \$28.8 million in the first six months of fiscal 2021.

Store Activity:

As previously shared, the Company expects to end fiscal 2022 with an increase in total store locations in North America inclusive of third-party locations, as it continues to make progress on its previously announced plans to open twenty workshops. Separately, the Company continues to expect to end the year with a reduction in locations within Europe. Combined across geographies, the Company plans to have more total locations at the end of the 2022 fiscal year compared to the end of fiscal 2021 inclusive of third-party locations.

As of July 30, 2022, the Company had 346 corporately-managed stores (excluding 6 temporary seasonal shops) which reflects six net closures as compared to the end of the fiscal 2021 second quarter with an increase in store count in North America and a decrease in Europe. There was no change in corporately-managed store count at the end of the fiscal 2022 second quarter compared to the beginning of the fiscal 2022 year. The Company maintains a high level of lease optionality with over 70% of its corporately-managed stores having a lease event within the next three years.

Through the Company's third-party retail business model, there were 65 locations as of July 30, 2022 with relationships that include Carnival Cruise Lines, Great Wolf Lodge Resorts, Landry's and Beaches Family Resorts, reflecting 4 net openings in the first half of fiscal 2022. The Company's international franchisees operated 62 locations at the end of the fiscal 2022 second quarter reflecting 12 net closures compared to the end of the 2021 second quarter.

Balance Sheet:

As of July 30, 2022, cash and cash equivalents totaled \$14.4 million, compared to \$51.1 million as of July 31, 2021. The Company noted that the 2022 quarter-end position as compared to the prior year period reflected the use of cash to repurchase shares of its common stock, payment of a special dividend, and an increased investment in working capital to support strategic initiatives intended to drive further growth. The Company finished the quarter with no borrowings under its revolving credit facility.

Total inventory at quarter end was \$87.7 million, an increase of \$40.4 million from the end of the fiscal 2021 second quarter reflecting strategically planned accelerated inventory purchases intended to partially mitigate inflationary and supply chain pressures. The increase in inventory as compared to the end of the fiscal 2021 second quarter reflects: (i) higher on-hand units compared to last year's unusually low level driven by supply chain disruptions; (ii) increased freight and other inflationary costs; and (iii) a shift in product mix. The Company noted that it is comfortable with the composition and level of its inventory which supports increased consumer demand and critical seasonal products. The Company continues to expect to end the year with total inventory below the 2021 fiscal year-end level.

Subsequent to quarter-end:

As of August 9, 2022, the Company completed the stock repurchase program approved by its Board of Directors on November 30, 2021. Under the program, the Company repurchased 1,522,680 shares at an average price of \$16.42 per share representing the entirety of the \$25.0 million stock buyback program. The shares repurchased were nearly 10% of the shares outstanding as of the end of the fiscal 2021 third quarter.

As announced yesterday, the Company's Board of Directors authorized a new share repurchase program of up to \$50.0 million effective through August 31, 2025.

2022 Outlook:

Given its positive first half and year-to-date performance, the Company has confidence that it is continuing to make progress on its strategic initiatives including the acceleration of its digital transformation, the evolution of its retail experience and footprint and the leveraging of its strong balance sheet and cash flow to make capital allocation decisions that are intended to drive growth and enhance shareholder value. With its current momentum continuing into the third quarter, the Company is reaffirming its fiscal 2022 guidance including:

- Total revenues in the range of \$440 million to \$460 million, as compared to \$411.5 million in fiscal 2021;
 - Pre-tax income in the range of \$52 million to \$62 million, as compared to \$50.7 million in fiscal 2021;
 - EBITDA in the range of \$65 million to \$75 million, as compared to \$63.0 million in fiscal 2021;
 - Income tax rate in the range of 24% to 25%;
 - Capital expenditures in the range of \$10 to \$15 million;
 - Depreciation and amortization of approximately \$13 million; and
 - To finish the year with inventory levels below the end of fiscal 2021.
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The Company's guidance for growth in profitability takes into account anticipated ongoing inflationary pressures as well as its plans to mitigate the impact on its margins. The Company noted that its outlook assumes no further material changes in the operations of its supply chain including the ability to receive and ship product on a timely basis, the macro-economic 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 U.S. generally accepted accounting principles (GAAP) and using certain non-GAAP financial measures. In particular, the Company provides historic and projected EBITDA, which is a non-GAAP financial measure. These results are included as a complement to results provided in accordance with GAAP because management believes this non-GAAP financial measure helps 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. This measure should not be considered a substitute for or superior to GAAP results. This non-GAAP financial measure is defined and reconciled to the most comparable GAAP measure later in this document.

Today's Conference Call Webcast:

Build-A-Bear Workshop will host a conference call and audio webcast to discuss its results today, August 25, 2022 at 9:00 a.m. Eastern Time. The conference call may be accessed by dialing (877) 407-3982 or, for international callers, (201) 493-6781. Additionally, a live webcast of the call can be accessed at <http://IR.buildabear.com>. The call is expected to conclude by 10 a.m. ET. The webcast will be archived on the Company's website for one year and will be available for replay approximately one hour after the conclusion of the call. Additionally, a telephonic re-play of the call will be available at 12:00 p.m. ET on August 26, 2021 until 11:59 p.m. ET on September 1, 2022 and can be accessed by dialing (844) 512-2921, or (412) 317-6671 for international callers and entering replay pin number 13731669.

About Build-A-Bear

Build-A-Bear is a multi-generational global brand focused on its mission to "add a little more heart to life" appealing to a wide array of consumer groups who enjoy the personal expression in making their own "furry friends" to celebrate and commemorate life moments. Nearly 500 interactive brick-and-mortar retail locations operated through a variety of formats provide guests of all ages a hands-on entertaining experience, which often fosters a lasting and emotional brand connection. The company also offers engaging e-commerce/digital purchasing experiences on www.buildabear.com including its online "Bear-Builder" as well as the new "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 revenue of \$411.5 million in fiscal 2021. 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 15, 2021 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 30, 2022 | % of Total Revenues (1) | 13 Weeks Ended July 31, 2021 | % of Total Revenues (1) |
|----------------------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------------------------|------------------------------------|
| Revenues: | | | | |
| Net retail sales | \$ 95,882 | 95.3 | \$ 91,289 | 96.4 |
| Commercial revenue | 4,054 | 4.0 | 2,946 | 3.1 |
| International franchising | 749 | 0.7 | 493 | 0.5 |
| Total revenues | 100,685 | 100.0 | 94,728 | 100.0 |
| Cost of merchandise sold: | | | | |
| Cost of merchandise sold - retail (1) | 48,387 | 50.5 | 42,677 | 46.7 |
| Cost of merchandise sold - commercial (1) | 1,949 | 48.1 | 1,286 | 43.7 |
| Cost of merchandise sold - international franchising (1) | 437 | 58.4 | 365 | 74.0 |
| Total cost of merchandise sold | 50,773 | 50.4 | 44,328 | 46.8 |
| Consolidated gross profit | 49,912 | 49.6 | 50,400 | 53.2 |
| Selling, general and administrative expense | 42,264 | 42.0 | 40,919 | 43.2 |
| Interest expense (income), net | 3 | 0.0 | 8 | 0.0 |
| Income (loss) before income taxes | 7,645 | 7.6 | 9,473 | 10.0 |
| Income tax expense (benefit) | 1,815 | 1.8 | 2,638 | 2.8 |
| Net income (loss) | \$ 5,830 | 5.8 | \$ 6,835 | 7.2 |
| Income (loss) per common share: | | | | |
| Basic | \$ 0.38 | | \$ 0.44 | |
| Diluted | \$ 0.38 | | \$ 0.42 | |
| Shares used in computing common per share amounts: | | | | |
| Basic | 15,274,770 | | 15,398,406 | |
| Diluted | 15,536,308 | | 16,111,587 | |

(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 30, 2022 | % of Total Revenues (1) | 26 Weeks Ended July 31, 2021 | % of Total Revenues (1) |
|----------------------------------------------------------|-------------------------------------------------|------------------------------------|-------------------------------------------------|------------------------------------|
| Revenues: | | | | |
| Net retail sales | \$ 208,772 | 95.6 | \$ 180,501 | 96.8 |
| Commercial revenue | 8,340 | 3.8 | 5,055 | 2.7 |
| International franchising | 1,235 | 0.6 | 865 | 0.5 |
| Total revenues | 218,347 | 100.0 | 186,421 | 100.0 |
| Costs and expenses: | | | | |
| Cost of merchandise sold - retail (1) | 101,987 | 48.9 | 84,770 | 47.0 |
| Cost of merchandise sold - commercial (1) | 3,895 | 46.7 | 2,190 | 43.3 |
| Cost of merchandise sold - international franchising (1) | 725 | 58.7 | 633 | 73.2 |
| Total cost of merchandise sold | 106,607 | 48.8 | 87,593 | 47.0 |
| Consolidated gross profit | 111,740 | 51.2 | 98,828 | 53.0 |
| Selling, general and administrative expense | 85,884 | 39.3 | 76,161 | 40.9 |
| Interest expense, net | 22 | 0.0 | 13 | 0.0 |
| Income (loss) before income taxes | 25,834 | 11.8 | 22,654 | 12.2 |
| Income tax expense | 5,814 | 2.7 | 5,439 | 2.9 |
| Net income (loss) | \$ 20,020 | 9.2 | \$ 17,215 | 9.2 |
| Income (loss) per common share: | | | | |
| Basic | \$ 1.30 | | \$ 1.13 | |
| Diluted | \$ 1.27 | | \$ 1.08 | |
| Shares used in computing common per share amounts: | | | | |
| Basic | 15,375,250 | | 15,230,215 | |
| Diluted | 15,749,058 | | 15,958,520 | |

(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)

| | July 30, 2022 | January 29, 2022 | July 31, 2021 |
|---------------------------------------------|--------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash, cash equivalents and restricted cash | \$ 14,437 | \$ 32,845 | \$ 51,136 |
| Inventories, net | 87,722 | 71,809 | 47,342 |
| Receivables, net | 15,337 | 11,701 | 8,648 |
| Prepaid expenses and other current assets | 12,910 | 13,643 | 8,841 |
| Total current assets | <u>130,406</u> | <u>129,998</u> | <u>115,967</u> |
| Operating lease right-of-use asset | 76,560 | 77,671 | 93,087 |
| Property and equipment, net | 46,689 | 48,966 | 48,161 |
| Deferred tax assets | 7,596 | 7,613 | - |
| Other assets, net | 2,184 | 2,076 | 7,060 |
| Total Assets | <u>\$ 263,435</u> | <u>\$ 266,324</u> | <u>\$ 264,275</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 29,086 | \$ 21,849 | \$ 16,028 |
| Accrued expenses | 22,873 | 25,543 | 20,972 |
| Operating lease liability short term | 25,244 | 25,245 | 28,019 |
| Gift cards and customer deposits | 17,969 | 20,937 | 18,096 |
| Deferred revenue and other | 4,416 | 3,808 | 2,723 |
| Total current liabilities | <u>99,588</u> | <u>97,382</u> | <u>85,838</u> |
| Operating lease liability long term | 68,291 | 73,307 | 89,883 |
| Deferred franchise revenue | 592 | 734 | 847 |
| Other liabilities | 1,100 | 1,218 | 2,572 |
| Stockholders' equity: | | | |
| Common stock, par value \$0.01 per share | 150 | 162 | 163 |
| Additional paid-in capital | 69,409 | 75,490 | 73,394 |
| Accumulated other comprehensive loss | (12,385) | (12,470) | (12,579) |
| Retained earnings/(deficit) | 36,690 | 30,501 | 24,157 |
| Total stockholders' equity | <u>93,864</u> | <u>93,683</u> | <u>85,135</u> |
| Total Liabilities and Stockholders' Equity | <u>\$ 263,435</u> | <u>\$ 266,324</u> | <u>\$ 264,275</u> |

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES

Unaudited Selected Financial and Store Data

(dollars in thousands)

| | <u>13 Weeks Ended July 30, 2022</u> | <u>13 Weeks Ended July 31, 2021</u> | <u>26 Weeks Ended July 30, 2022</u> | <u>26 Weeks Ended July 31, 2021</u> |
|--------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Other financial data: | | | | |
| Retail gross margin (\$) ⁽¹⁾ | \$ 47,495 | \$ 48,612 | \$ 106,785 | \$ 95,731 |
| Retail gross margin (%) ⁽¹⁾ | 49.5% | 53.3% | 51.1% | 53.0% |
| Capital expenditures ⁽²⁾ | \$ 2,995 | \$ 1,062 | \$ 4,065 | \$ 1,553 |
| Depreciation and amortization | \$ 3,026 | \$ 2,993 | \$ 6,276 | \$ 6,120 |
| Store data ⁽³⁾: | | | | |
| Number of corporately-managed retail locations at end of period | | | | |
| North America | | | 307 | 305 |
| Europe | | | 39 | 47 |
| Asia | | | — | — |
| Total corporately-managed retail locations | | | <u>346</u> | <u>352</u> |
| Number of franchised stores at end of period | | | 62 | 74 |
| Number of third-party retail locations at end of period | | | 65 | 57 |
| Corporately-managed store square footage at end of period ⁽⁴⁾ | | | | |
| North America | | | 722,000 | 716,702 |
| Europe | | | <u>58,216</u> | <u>70,371</u> |
| Total square footage | | | <u>780,216</u> | <u>787,073</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 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.

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

| | 13 Weeks Ended July 30, 2022 | 13 Weeks Ended July 31, 2021 | 26 Weeks Ended July 30, 2022 | 26 Weeks Ended July 31, 2021 |
|-------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Income before income taxes (pre-tax) | \$ 7,645 | \$ 9,473 | \$ 25,834 | \$ 22,654 |
| Interest expense, net | 3 | 8 | 22 | 13 |
| Depreciation and amortization expense | 3,026 | 2,993 | 6,276 | 6,120 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | <u>\$ 10,674</u> | <u>\$ 12,474</u> | <u>\$ 32,131</u> | <u>\$ 28,787</u> |

| | Fiscal 2022 Guidance (in millions) |
|-------------------------------------------------------------------------|-------------------------------------------------------|
| Income before income taxes (pre-tax) | <u>\$52 - \$62</u> |
| Interest (income) expense, net | - |
| Depreciation and amortization expense | 13 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | <u>\$65 - \$75</u> |

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