

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) October 20, 2005

Build-A-Bear Workshop, Inc.

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(Exact Name of Registrant as Specified in Its Charter)

Delaware	001-32320	43-1883836
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1954 Innerbelt Business Center Drive St. Louis, Missouri	63114
-----	-----
(Address of Principal Executive Offices)	(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))

Item 2.02. Results of Operations and Financial Condition.  
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On October 20, 2005, Build-A-Bear Workshop, Inc. (the "Company") issued a press release announcing, among other things, total revenue, net income, net retail sales, gross margin and diluted earnings per share for the third quarter of fiscal 2005. The press release also included expected earnings and diluted earnings per share for the full year of fiscal 2005. A copy of the press release is furnished as Exhibit 99.1 hereto and is incorporated by reference herein. The description of the press release contained herein is qualified in its entirety by the full text of such exhibit.

Item 9.01 Financial Statements and Exhibits.  
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(d) Exhibits

Exhibit Number	Description of Exhibit
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99.1	Press Release dated October 20, 2005



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: October 20, 2005

By: /s/ Tina Klocke

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Name: Tina Klocke  
Title: Chief Financial Bear, Secretary  
and Treasurer

EXHIBIT INDEX

Exhibit Number -----	Description of Exhibit -----
99.1	Press Release dated October 20, 2005

## Build-A-Bear Workshop, Inc. Reports Fiscal 2005 Third Quarter Results

ST. LOUIS--(BUSINESS WIRE)--Oct. 20, 2005--Build-A-Bear Workshop, Inc. (NYSE:BBW):

- Net income increased 50.0% to \$5.3 million and included \$0.3 million for flagship store and cafe preopening costs.
- Earnings per diluted share were \$0.26, including \$0.02 per diluted share for flagship store and cafe preopening costs.
- Net retail sales increased 25.7% to \$83.2 million -- comp store sales increased 1.3%.
- Company expresses comfort with the mid to high-end of previously stated net income growth range of 26% to 32% for fiscal 2005.

Build-A-Bear Workshop, Inc. (NYSE:BBW), an interactive entertainment retailer of customized stuffed animals, today announced earnings results for the fiscal 2005 third quarter and confirmed its earnings guidance for the full fiscal year.

Total revenue for the fiscal 2005 third quarter (13 weeks ended October 1, 2005) was \$84.0 million, compared to \$66.5 million in the prior year's third quarter (13 weeks ended October 2, 2004). Third quarter net income of \$5.3 million, or \$0.26 per diluted share, on 20.2 million diluted shares outstanding, includes \$0.02 per diluted share of preopening costs related to the Company's new flagship store and cafe in New York City.

In the third fiscal quarter of 2004, the Company reported net income of \$3.5 million, or \$0.19 per diluted share, on 18.5 million diluted shares outstanding. Fiscal 2004 third quarter results include non-cash, stock-based compensation expense of \$0.5 million pretax, \$0.4 million net of tax or \$0.02 per diluted share.

The Company also revised its previous guidance for the full year by stating that it is comfortable with the mid to high-end of its full year net earnings guidance of \$1.24 to \$1.30 per diluted share.

"Our strong results this quarter highlight the strength and quality of the Build-A-Bear Workshop business model. This performance is not only based on the sale of an affordable, quality product, but also an interactive, creative, fun entertainment experience that appeals to a growing customer base," said Chairman and Chief Executive Bear, Maxine Clark. "Revenue growth came via multiple drivers - strong new store performance, growth in comparable store sales, and via a 54% year over year increase in our Internet sales. We have also been successful in leveraging our expenses against the higher revenues, thus, our operating margin improvement reflected an increase in merchandise margins and our highly productive store model. We are excited about our upcoming holiday merchandise and marketing programs that we expect to drive continued growth in the fourth quarter and beyond."

#### Fiscal 2005 Third Quarter

Fiscal 2005 third quarter total revenue includes net retail sales of \$83.2 million, an increase of \$17.0 million or 25.7% compared to last year's third quarter. Net retail sales growth was driven primarily by the addition of new stores opened during the past twelve months, an increase in comparable store sales of 1.3% and an increase in Internet sales of 54.2% to \$1.4 million. Third quarter total revenue includes international franchise fees and third-party licensing revenue totaling \$778,000, an increase of \$485,000 compared to last year's third quarter.

The third quarter net income reflected higher new store preopening costs offset by the leverage of comparable store sales growth on costs and expenses, higher new store sales, lower stock-based compensation expense and increased interest income. Gross margin rate increased to 47.7% from 47.4% in the fiscal 2004 third quarter. Selling, general and administrative expense as a percent of total revenue declined to 37.0% from 37.8% as expenses moderated as a percent of revenue. The abovementioned store preopening expense included costs associated with the New York City flagship store and cafe opening, totaling \$0.5 million pretax, \$0.3 million net of tax, or \$0.02 per diluted share, in the third quarter.

During the 2005 third quarter, the company opened seven new Build-A-Bear Workshop(R) (BABW) retail stores in the United States and Canada, as planned, compared with opening seven new stores during the 2004 third quarter. These new stores bring the total number of BABW stores at the end of the third quarter to 186 in the United States and

seven in Canada. During the quarter the company opened one friends 2B made store and now operates five stores in the U.S. International franchisees opened four new international stores in the third quarter, including the first store in Taiwan; international stores totaled 20 at the end of the third quarter.

Total revenue for the fiscal 2005 year-to-date (39 weeks ended October 1, 2005) was \$243.8 million, up 20.5% compared to \$202.2 million in the same period in 2004 (39 weeks ended October 2, 2004). Comparable store sales for the 39 weeks ended October 1, 2005 were unchanged. Year-to-date net income of \$16.7 million, or \$0.83 per diluted share, on 20.2 million diluted shares outstanding, includes \$0.06 per diluted share of flagship store and cafe preopening costs. In the same period of 2004, the Company reported net income of \$13.7 million, or \$0.76 per diluted share, on 18.1 million diluted shares outstanding.

Build-A-Bear Workshop expects to open an additional seven new BABW stores in the fourth quarter. In total the company will open 30 new BABW stores and three new friends 2B made stores in the United States and Canada during fiscal 2005. International franchisees expect to open a total of approximately 20 new stores in fiscal 2005.

#### Outlook

The Company also commented that based on its performance to date, it is comfortable with the mid to high-end of its earnings guidance for fiscal 2005 (52 weeks ended December 31, 2005). Previously announced guidance includes net income in the range of \$25.1 million to \$26.3 million, which represents net income growth of 26% to 32% compared to fiscal 2004 and diluted earnings per share in the range of \$1.24 to \$1.30. Earnings guidance assumes total revenue growth of 15% to 20% and flat comparable store sales for the year.

The Company announced that, starting in fiscal 2006, it will begin expensing stock-based compensation as required by SFAS 123R, Share-Based Payment.

#### Today's Conference Call Webcast

Today at 10:00 a.m. EDT, Build-A-Bear Workshop(R) will host a live audio webcast of its discussion with the investment community regarding the company's fiscal 2005 third quarter results. The webcast can be accessed at <http://ir.buildabear.com>. Following the live discussion, a replay of the webcast will be available until the next quarterly conference call.

#### About Build-A-Bear Workshop, Inc.

Build-A-Bear Workshop, Inc., is the only global company that offers an interactive make-you-own-stuffed animal retail-entertainment experience. Founded in St. Louis in 1997, the company currently operates more than 200 stores in the United States and Canada. The addition of stores in Europe, Asia and Australia make Build-A-Bear Workshop the leader in the teddy bear business. In November 2004, the company expanded the make-your-own concept from stuffed animals to dolls with the opening of its first friends 2B made(R) stores, which feature doll making. Build-A-Bear Workshop (NYSE: BBW) posted total revenue of \$302 million in fiscal 2004. For more information, call 888.560.BEAR (2327) or visit the company's award-winning Web sites at [www.buildabear.com](http://www.buildabear.com) and [www.friends2bmade.com](http://www.friends2bmade.com).

#### Forward-Looking Statements

This press release contains "forward-looking statements" (within the meaning of the federal securities laws) which represent the Company's expectations or beliefs with respect to future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. Those factors include, without limitation: we may be unable to generate comparable store sales growth; our marketing initiatives may not generate sufficient brand awareness and sales; we may be unable to effectively manage our international franchises or comply with changing laws relating thereto; we may be unable to generate demand for our retail experience, or to respond to consumer preferences; customer mall traffic may decrease, as a result of various factors, including a reduction of consumer confidence because of terrorism or war; general economic conditions may worsen; our market share could be adversely affected by competitors; we may lose key personnel, or be unable to hire qualified additional personnel; vendor deliveries may be disrupted; the availability and costs of our products could be impacted by international manufacturing and trade issues; our warehousing and distribution vendors may perform poorly; we may fail to protect our intellectual property and may have

infringement, misappropriation or other disputes or litigation with third parties; we may be unable to open new stores, renew or replace our store leases, enter into leases for new stores on favorable terms, or continue to comply with our current leases; we may experience communications or information systems failures; we may suffer negative publicity or be sued due to alleged violations of labor laws, employee regulations or unethical practices, either by the Company or its merchandise manufacturers; and we may violate or be accused of violating privacy or security laws by reason of improperly obtaining or failing to adequately protect Guest information. These and other applicable risks, cautionary statements and factors that could cause actual results to differ from the Company's forward-looking statements are included in the Company's filings with the SEC, specifically as described in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2004. The Company undertakes no obligation to update or revise any forward- looking statements to reflect subsequent events or circumstances even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

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 October 1, 2005	% of Total Revenues (1)	13 Weeks Ended October 2, 2004	% of Total Revenues (1)
Revenues:			(restated)	
Net retail sales	\$ 83,239	99.1%	\$ 66,213	99.6%
Franchise fees	507	0.6	191	0.3
Licensing revenue	271	0.3	102	0.2
<b>Total revenues</b>	<b>84,017</b>	<b>100.0</b>	<b>66,506</b>	<b>100.0</b>
Costs and expenses:				
Cost of merchandise sold	43,512	52.3	34,822	52.6
Selling, general and administrative	31,113	37.0	25,144	37.8
Store preopening	1,281	1.5	767	1.2
Interest expense (income), net	(434)	(0.5)	(72)	(0.1)
<b>Total costs and expenses</b>	<b>75,472</b>	<b>89.8</b>	<b>60,661</b>	<b>91.2</b>
Income before income taxes	8,545	10.2	5,845	8.8
Income tax expense	3,290	3.9	2,342	3.5
<b>Net income</b>	<b>5,255</b>	<b>6.3</b>	<b>3,503</b>	<b>5.3</b>
Cumulative dividends and accretion of redeemable preferred stock	--		152	
Cumulative dividends of nonredeemable preferred stock	--		35	
<b>Net income available to common and participating preferred stockholders</b>	<b>\$ 5,255</b>		<b>\$ 3,316</b>	
<b>Net income allocated to common stockholders</b>	<b>\$ 5,255</b>		<b>\$ 140</b>	
<b>Net income allocated to participating preferred stockholders</b>	<b>\$ --</b>		<b>\$ 3,176</b>	
<b>Earnings per common share:</b>				
Basic	\$ 0.26		\$ 0.34	

Diluted	\$ 0.26	\$ 0.19
Shares used in computing common per share amounts:		
Basic	19,874,869	419,156
Diluted	20,234,749	18,528,825

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold which is expressed as a percentage of net retail sales. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and rounding.

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

	39 Weeks Ended October 1, 2005	% of Total Revenue (1)	39 Weeks Ended October 2, 2004	% of Total Revenue (1)
Revenues:			(restated)	
Net retail sales	\$ 242,241	99.4%	\$ 201,633	99.7%
Franchise fees	1,147	0.5	498	0.2
Licensing revenue	387	0.2	102	0.1
<b>Total revenues</b>	<b>243,775</b>	<b>100.0</b>	<b>202,233</b>	<b>100.0</b>
Costs and expenses:				
Cost of merchandise sold	125,070	51.6	104,868	52.0
Selling, general and administrative	88,303	36.2	73,776	36.5
Store preopening	4,398	1.8	1,472	0.7
Interest expense (income), net	(1,180)	(0.5)	(170)	(0.1)
<b>Total costs and expenses</b>	<b>216,591</b>	<b>88.8</b>	<b>179,946</b>	<b>89.0</b>
Income before income taxes	27,184	11.2	22,287	11.0
Income tax expense	10,466	4.3	8,590	4.2
<b>Net income</b>	<b>16,718</b>	<b>6.9</b>	<b>13,697</b>	<b>6.8</b>
Cumulative dividends and accretion of redeemable preferred stock	--		1,137	
Cumulative dividends of nonredeemable preferred stock	--		263	
<b>Net income available to common and participating preferred stockholders</b>	<b>\$ 16,718</b>		<b>\$ 12,297</b>	
Net income allocated to common stockholders	\$ 16,718		\$ 412	
Net income allocated to participating preferred stockholders	\$ --		\$ 11,885	
Earnings per common share:				
Basic	\$ 0.85		\$ 1.25	
Diluted	\$ 0.83		\$ 0.76	

Shares used in computing  
common per share  
amounts:



Basic	19,650,364	329,560
Diluted	20,194,093	18,099,867

(1) Selected statement of operations data expressed as a percentage of total revenues, except cost of merchandise sold which is expressed as a percentage of net retail sales. Percentages will not total due to cost of merchandise sold being expressed as a percentage of net retail sales and rounding.

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

	October 1, 2005	January 1, 2005
	-----	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$51,564	\$67,327
Inventories	34,123	30,791
Receivables	6,240	3,792
Prepaid expenses and other current assets	9,395	5,320
Deferred tax assets	3,142	2,725
	-----	-----
Total current assets	104,464	109,955
Property and equipment, net	86,207	75,815
Other intangible assets, net	1,329	1,411
Other assets, net	4,695	2,056
	-----	-----
Total Assets	\$196,695	\$189,237
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$17,706	\$25,767
Accrued expenses	6,065	13,966
Other current liabilities	17,579	22,222
	-----	-----
Total current liabilities	41,350	61,955
	-----	-----
Deferred franchise revenue	2,095	2,075
Deferred rent	31,350	26,426
Other liabilities	623	732
Deferred tax liabilities	3,508	2,539
Stockholders' equity:		
Common stock, par value \$0.01 per share	200	196
Additional paid-in capital	82,430	77,708
Retained earnings	36,104	19,386
Notes receivable from officers	(149)	(1,770)
Unearned compensation	(816)	(10)
	-----	-----
Total stockholders' equity	117,769	95,510
	-----	-----
Total Liabilities and Stockholders' Equity	\$196,695	\$189,237
	=====	=====

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES  
Unaudited Condensed Consolidated Statements of Cash Flows  
(dollars in thousands)

	39 Weeks Ended October 1, 2005	39 Weeks Ended October 2, 2004
	-----	-----
		(restated)
Cash flows from operating activities:		
Net income	\$16,718	\$13,697
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	12,821	10,817
Deferred taxes	552	(478)
Tax benefit from exercise of non-qualified options	2,444	410
Loss on disposal of property and		

equipment	322	269
Stock-based compensation	358	584
Change in assets and liabilities:		
Inventories	(3,332)	(6,862)
Receivables	(2,432)	(961)
Prepaid expenses and other current assets	(4,086)	(965)
Accounts payable	(8,158)	(4,128)
Accrued expenses and other liabilities	(10,120)	4,994
	-----	-----
Net cash provided (used) by operating activities	5,087	17,377
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(22,599)	(11,278)
Proceeds from sale of property and equipment	24	-
Purchases of other assets	(885)	(955)
Loan to franchisee	(2,540)	-
	-----	-----
Net cash used in investing activities	(26,000)	(12,233)
	-----	-----
Cash flows from financing activities:		
Payment of cash dividend	-	(10,000)
Exercise of employee stock options and employee stock purchases	3,505	-
Collection of note receivable from officer	1,645	-
	-----	-----
Net cash provided by financing activities	5,150	(10,000)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(15,763)	(4,856)
Cash and cash equivalents, beginning of period	67,327	20,601
	-----	-----
Cash and cash equivalents, end of period	\$51,564	\$15,745
	=====	=====

BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES  
Unaudited Selected Financial and Store Data  
(dollars in thousands, except square foot data)

	13 Weeks Ended October 1, 2005	13 Weeks Ended October 2, 2004	39 Weeks Ended October 1, 2005	39 Weeks Ended October 2, 2004
	-----	-----	-----	-----
Other financial data:				
Gross margin (\$) (1) \$	39,727	31,391	\$ 117,171	96,765
Gross Margin (%) (1)	47.7%	47.4%	48.4%	48.0%
Capital expenditures (2) \$	6,508	5,146	\$ 22,599	11,278
Depreciation and amortization \$	4,304	3,692	\$ 12,821	10,817
Store data (3):				
Number of stores at end of period			193	164
Store square footage at end of period			599,341	497,385
Comparable store sales change (%) (4)	1.3%	18.8%	0.0%	15.6%

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

(2)Capital expenditures consist of leasehold improvements, furniture and fixtures, and computer equipment and software purchases.

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

(4)Comparable store sales percentage changes are based on net retail sales and stores are considered comparable beginning in their

thirteenth full month of operation.

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