



## FOR IMMEDIATE RELEASE

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### **BUILD-A-BEAR WORKSHOP, INC. REPORTS FISCAL 2007 SECOND QUARTER RESULTS**

ST. LOUIS (July 26, 2007) – Build-A-Bear Workshop, Inc. (NYSE: BBW), an interactive entertainment retailer of customized stuffed animals, today announced that total revenue for the fiscal 2007 second quarter (13 weeks ended June 30, 2007) increased 7.2% to \$100.4 million, compared to \$93.7 million in the prior year's second quarter (13 weeks ended July 1, 2006).

Second quarter net income was \$1.6 million or \$0.08 per diluted share. These results include the operating loss from U.K. operations of \$1.7 million, stock-based compensation expense of \$0.5 million net of tax, and the benefit of an adjustment to the frequent shopper program of \$0.2 million net of tax. Fiscal 2006 second quarter net income was \$3.0 million or \$0.15 per diluted share and included an operating loss from U.K. operations of \$2.7 million and stock-based compensation expense of \$0.5 million net of tax.

“Our new store openings this quarter, including our first stores in Alaska, Montana and Puerto Rico, continue to drive our retail sales growth,” said Maxine Clark, chairman and chief executive bear. “New stores in particular are an important driver of our overall profitability, while our older stores continue to contribute to our earnings. This is because new stores generally generate sales per square foot that are above our chain-wide average. Our comparable store sales trends have been disappointing, however our brand outlook remains positive, and we continue to concentrate on reversing the current trend. As we approach our company's 10<sup>th</sup> anniversary this October and revenues of about half-a-billion this year, we are building on our successful platform to become a billion-dollar global company through the expansion of company-owned stores in North America, the United Kingdom and France, franchise partnerships in international locations, and other growth initiatives.”

#### **Fiscal 2007 Second Quarter Financial Results**

Fiscal 2007 second quarter total revenue includes net retail sales of \$99.1 million, an increase of \$6.1 million or 6.6% compared to last year's second quarter. Net retail sales growth was driven by new stores opened during the past twelve months in North America, an increase in sales from our U.K. operations of \$3.5 million, an adjustment to the frequent shopper program of \$0.3 million, and an increase in Internet sales of 8.6% to \$1.8 million. Comparable store sales in North America declined 9.4% compared to a decline of 4.4% in the 2006 second quarter. Fiscal

2007 second quarter total revenue also includes revenue from international franchise fees and third-party licensing. Sales from U.K. operations totaled \$11.0 million in the 2007 second quarter, compared to \$7.5 million in the 2006 second quarter, an increase of 46.3%.

The 2007 second quarter net income decline of \$1.4 million, compared to the 2006 second quarter was driven primarily by reduced sales leverage on costs and expenses, partially offset by a lower effective tax rate, lower store preopening costs and higher interest income. Retail gross margin declined to 41.8%, from 43.9% in the fiscal 2006 second quarter, due primarily to a lack of sales leverage on store occupancy costs, offsetting a slight improvement in the merchandise margin rate. Selling, general and administrative expenses as a percent of total revenue increased to 39.1% from 37.1% in the fiscal 2006 second quarter, reflecting higher advertising expenses and language translation costs associated with the company's store openings in Montreal and Puerto Rico this year. These higher costs offset improved efficiencies in the company's store payroll expenses.

Included in the 2007 second quarter is stock-based compensation expense of \$0.8 million pretax (\$0.5 million net of tax or \$0.03 per diluted share). Fiscal 2006 second quarter results include the impact of stock-based compensation expense of \$0.8 million pre tax (\$0.05 million net of tax or \$0.02 per diluted share).

During the 2007 second quarter, the company opened 15 new Build-A-Bear Workshop® retail stores in North America, as planned, compared with opening 14 new stores during the 2006 second quarter. In the United Kingdom, the company opened one new store in Warrington, England. Build-A-Bear Workshop stores at the end of the second quarter totaled 252 in North America and 41 in the United Kingdom and Ireland.

We plan to open twelve new North America stores in the 2007 third quarter, compared with ten new stores opened during the 2006 third quarter. Additionally, the company plans to open two new stores in the United Kingdom and two new stores in France in the 2007 third quarter.

In fiscal 2007, Build-A-Bear Workshop expects to open a total of 39 new stores in North America, eight new stores the United Kingdom and three new stores in France.

### **Year-to-Date Financial Results**

Total revenue for the first six months of fiscal 2007 (26 weeks ended June 30, 2007) increased 13.0% to \$217.2 million, compared to \$192.3 million in the first six month of fiscal 2006 (26 weeks ended July 1, 2006). Total revenue for the first six months of fiscal 2007 includes net retail sales of \$215.0 million, an increased of \$24.3 million of 12.7% compared to last year's first six months. Sales from U.K. operations totaled \$21.8 million in the first six months of fiscal 2007, compared to \$7.5 million in the first six months of fiscal 2006.

Net income for the first six months of fiscal 2007 was \$9.7 million, or \$0.47 per diluted share, and included an operating loss of \$3.9 million from U.K. operations, stock-based compensation expense of \$0.9 million net of tax, and the benefit of adjustment to the frequent shopper program

of \$0.2 million net of tax. Net income for the first six months of fiscal 2006 was \$11.3 million, or \$0.56 per diluted share, and included an operating loss of \$2.7 million from U.K. operations, and stock-based compensation expense of \$0.8 million net of tax.

On April 2, 2006 the company completed the acquisition of The Bear Factory Limited, a United Kingdom-based stuffed animal retailer, and the acquisition of Amsbra, Ltd., the company's franchisee in the United Kingdom. Therefore, the company's results for the first six months of 2006 reflect the impact of this acquisition for only a portion of the period.

### **International Franchising**

During the quarter international franchisees opened five new stores. Openings include the first stores in India and Belgium along with additional stores in Denmark and Singapore.

International stores totaled 42 at the end of the second quarter. The company recently signed a franchise agreement to open Build-A-Bear Workshop stores in the Middle East Gulf States of Qatar, Oman, Kuwait, Bahrain and the United Arab Emirates. This agreement brings the total number of international countries with franchise agreements to 21. International franchisees expect to open a total of 20 to 25 new stores in 2007.

### **Other News**

As previously announced on June 28, 2007, the company retained Lehman Brothers to assist it and the board of directors in an analysis and consideration of a broad range of potential strategic alternatives to enhance long-term shareholder value. While the process is underway, the company does not expect to disclose further developments regarding the process until the Board's review of strategic alternatives has been completed. Also, during the process, the company will not provide any new earnings guidance, nor will the company update or comment further upon the earnings guidance previously provided. There is no assurance that the process will result in any changes to the company's current business plans or lead to any specific action or transaction.

### **Today's Conference Call Webcast**

Today at 9:00 a.m. EDT, Build-A-Bear Workshop® will host a live audio webcast of its discussion with the investment community regarding the company's fiscal 2007 second 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-your-own stuffed animal retail-entertainment experience. Founded in St. Louis in 1997, the company currently operates more than 290 stores in the United States, Canada, the United Kingdom and Ireland. The addition of franchise stores in Europe, Asia, Africa and Australia make Build-A-Bear Workshop the leader in interactive retail. In November 2004, the company expanded the make-your-own concept from stuffed animals to dolls with the opening of its first **friends 2B**

**made**® stores, where Guests can make their own doll friends. In April 2006, Build-A-Bear Workshop acquired The Bear Factory Limited and Amsbra, Ltd. adding company-owned stores in the United Kingdom and Ireland. Build-A-Bear Workshop (NYSE: BBW) posted total revenue of \$437 million in fiscal 2006. For more information, call 888.560.BEAR (2327) or visit the company's award-winning Web sites at [www.buildabear.com](http://www.buildabear.com) and [www.friends2bmade.com](http://www.friends2bmade.com).

### **Forward-Looking Statements**

This press release contains "forward-looking statements" (within the meaning of the federal securities laws) which represent the Build-A-Bear Workshop's expectations or beliefs with respect to future events. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. Those factors include, without limitation: we may be unable to generate interest in and demand for our interactive retail experience, or to identify and respond to consumer preferences in a timely fashion; our marketing initiatives may not be effective in generating sufficient levels of brand awareness and guest traffic; we may be unable to generate comparable store sales growth; we may be unable to open new stores or may be unable to effectively manage our growth; we may be unable to effectively manage our international franchises or laws relating to those franchises may change; we may be unable to realize some of the expected benefits of the acquisition of Amsbra and Bear Factory including making these operations profitable; we do not know the results of the strategic alternatives evaluation process announced on June 28, 2007; customer traffic may decrease in the shopping malls where we are located, on which we depend to attract guests to our stores; general economic conditions may deteriorate, which could lead to disproportionately reduced consumer demand for our products, which represent relatively discretionary spending; our market share could be adversely affected by a significant, or increased, number of competitors; we may lose key personnel, be unable to hire qualified additional personnel, or experience turnover of our management team; the ability of our principal vendors to deliver merchandise may be disrupted; the availability and costs of our products could be adversely affected by risks associated with international manufacturing and trade; high petroleum products prices could increase our inventory transportation costs and adversely affect our profitability; we may be unable to realize the anticipated benefits from our company-owned distribution center; fluctuations in our quarterly results of operations could cause the price of our common stock to substantially decline; we may fail to renew, register or otherwise protect our trademarks or other intellectual property; we may have disputes with, or be sued by, third parties for infringement or misappropriation of their proprietary rights; we may be unable to renew or replace our store leases, or enter into leases for new stores on favorable terms or in favorable locations, or may violate the terms of our current leases; we may suffer negative publicity or be sued due to violations of labor laws or unethical practices by manufacturers of our merchandise; and we may improperly obtain or be unable to protect information from our guests in violation of privacy or security laws or expectations. These and other applicable risks, cautionary statements and factors that could cause actual results to differ from the Company's forward-looking statements are included in the Company's filings with the SEC, including as described in the Company's annual report on Form 10-K for the fiscal year ended December 30, 2006. 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.

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(Financial Tables Follow)

**BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES**  
**Unaudited Condensed Consolidated Statements of Operations**

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

	<b>13 Weeks Ended June 30, 2007</b>	<b>% of Total Revenues <sup>(1)</sup></b>	<b>13 Weeks Ended July 1, 2006</b>	<b>% of Total Revenues <sup>(1)</sup></b>
Revenues:				
Net retail sales	\$ 99,102	98.7	\$ 92,962	99.2
Franchise fees	677	0.7	636	0.7
Licensing revenue	604	0.6	59	0.1
Total revenues	<u>100,383</u>	<u>100.0</u>	<u>93,657</u>	<u>100.0</u>
Costs and expenses:				
Cost of merchandise sold	57,649	58.2	52,190	56.1
Selling, general and administrative	39,283	39.1	34,783	37.1
Store preopening	1,369	1.4	1,582	1.7
Interest expense (income), net	(356)	(0.4)	(299)	(0.3)
Total costs and expenses	<u>97,945</u>	<u>97.6</u>	<u>88,256</u>	<u>94.2</u>
Income before income taxes	2,438	2.4	5,401	5.8
Income tax expense	846	0.8	2,402	2.6
Net income	<u>\$ 1,592</u>	<u>1.6</u>	<u>\$ 2,999</u>	<u>3.2</u>
Earnings per common share:				
Basic	\$ 0.08		\$ 0.15	
Diluted	\$ 0.08		\$ 0.15	
Shares used in computing common per share amounts:				
Basic	20,222,624		20,152,761	
Diluted	20,427,858		20,425,749	

(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)

	<b>26 Weeks Ended June 30, 2007</b>	<b>% of Total Revenue <sup>(1)</sup></b>		<b>26 Weeks Ended July 1, 2006</b>	<b>% of Total Revenue <sup>(1)</sup></b>
Revenues:					
Net retail sales	\$ 214,985	99.0		\$ 190,692	99.2
Franchise fees	1,372	0.6		1,326	0.7
Licensing revenue	840	0.4		270	0.1
Total revenues	<u>217,197</u>	<u>100.0</u>		<u>192,288</u>	<u>100.0</u>
Costs and expenses:					
Cost of merchandise sold	119,789	55.7		102,050	53.5
Selling, general and administrative	80,827	37.2		70,234	36.5
Store preopening	2,057	0.9		2,197	1.1
Interest expense (income), net	(901)	(0.4)		(1,165)	(0.6)
Total costs and expenses	<u>201,772</u>	<u>92.9</u>		<u>173,316</u>	<u>90.1</u>
Income before income taxes	15,425	7.1		18,972	9.9
Income tax expense	5,768	2.7		7,627	4.0
Net income	<u>9,657</u>	<u>4.4</u>		<u>11,345</u>	<u>5.9</u>
Earnings per common share:					
Basic	\$ <u>0.48</u>			\$ <u>0.56</u>	
Diluted	\$ <u>0.47</u>			\$ <u>0.56</u>	
Shares used in computing common per share amounts:					
Basic	20,252,222			20,115,818	
Diluted	20,476,603			20,413,563	

(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)

	<b>June 30, 2007</b>	<b>December 30, 2006</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,205	\$ 53,109
Inventories	55,665	50,905
Receivables	7,101	7,389
Prepaid expenses and other current assets	21,541	11,805
Deferred tax assets	2,529	2,388
Total current assets	104,041	125,596
Property and equipment, net	133,002	130,347
Goodwill	42,500	36,927
Other intangible assets, net	2,863	2,873
Other assets, net	10,254	4,027
Total Assets	<u>\$ 292,660</u>	<u>\$ 299,770</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 40,491	\$ 46,761
Accrued expenses	5,932	16,301
Gift cards and customer deposits	18,636	28,128
Deferred revenue	6,686	6,454
Total current liabilities	71,745	97,644
Deferred franchise revenue	2,645	2,297
Deferred rent	38,004	34,754
Other liabilities	1,363	352
Deferred tax liabilities	470	459
Stockholders' equity:		
Common stock, par value \$0.01 per share	206	205
Additional paid-in capital	86,016	88,866
Other comprehensive income (loss)	6,364	(997)
Retained earnings	85,847	76,190
Total stockholders' equity	178,433	164,264
Total Liabilities and Stockholders' Equity	<u>\$ 292,660</u>	<u>\$ 299,770</u>

**BUILD-A-BEAR WORKSHOP, INC. AND SUBSIDIARIES****Unaudited Selected Financial and Store Data**

(dollars in thousands, except square foot data)

	13 Weeks Ended June 30, 2007	13 Weeks Ended July 1, 2006	26 Weeks Ended June 30, 2007	26 Weeks Ended July 1, 2006
<b>Other financial data:</b>				
Gross margin (\$) (1)	\$ 41,452	\$ 40,772	\$ 95,195	\$ 88,642
Gross Margin (%) (1)	41.8%	43.9%	44.3%	46.5%
Capital expenditures	\$ 10,273	\$ 21,416	\$ 15,217	\$ 31,082
Depreciation and amortization	\$ 7,705	\$ 5,801	\$ 13,965	\$ 10,583
Sales over the Internet	\$ 1,847	\$ 1,700	\$ 4,727	\$ 4,179
<b>Store data (2):</b>				
Number of stores at end of period				
North America	252	216	252	216
United Kingdom and Ireland	41	40	41	40
Total stores	293	256	293	256
Store square footage at end of period				
North America	761,633	667,258	761,633	667,258
United Kingdom and Ireland (3)	61,243	53,351	61,243	53,351
Total square footage	822,876	720,609	822,876	720,609
North America comparable store sales change (%) (4)	(9.4)%	(4.4)%	(8.1)%	(4.1)%

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

(2) Excludes our website and seasonal and event-based locations.

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

(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.